

POLICY BRIEF

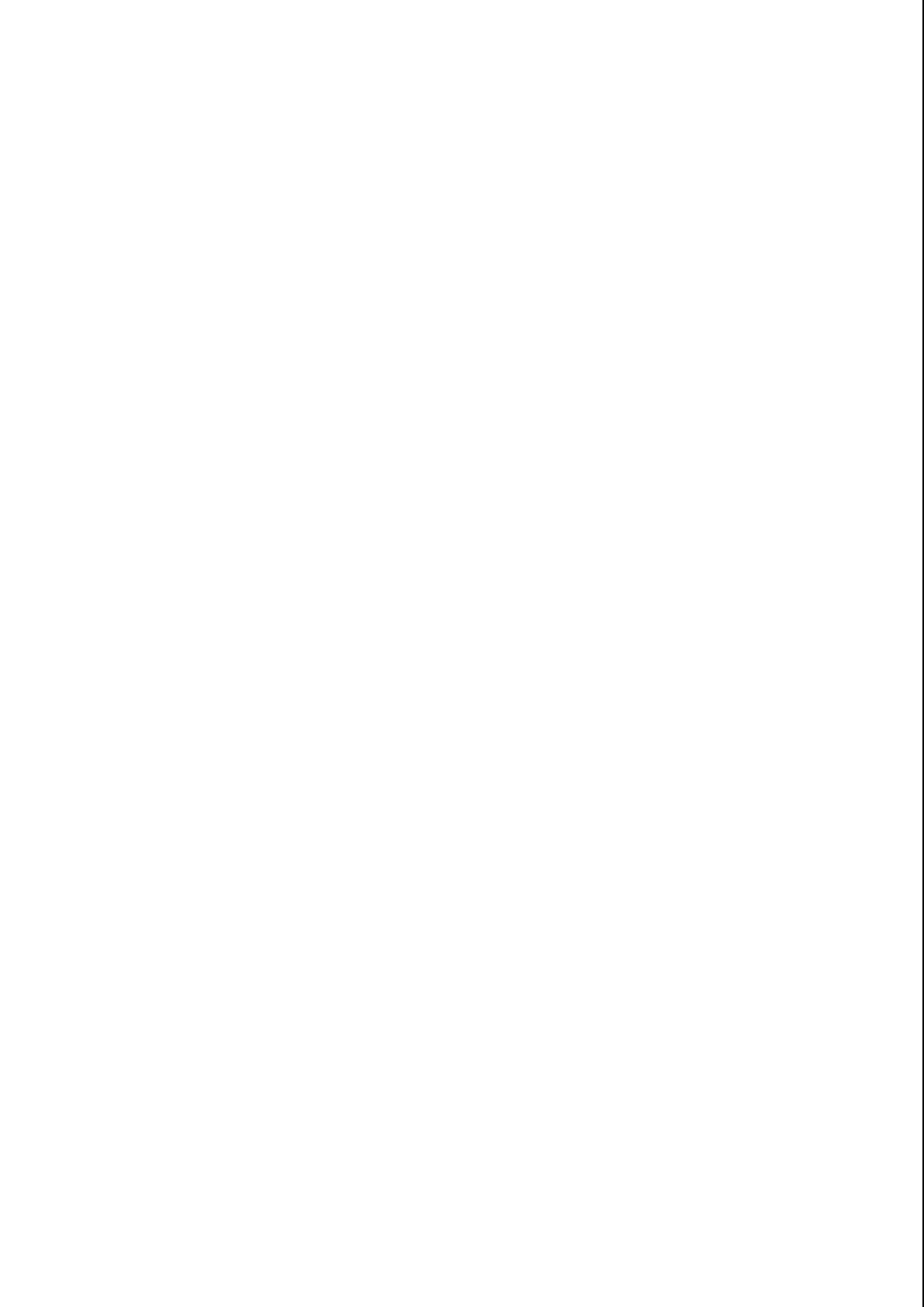
# THE TIES THAT DON'T (YET) BIND

India's Uncertain Role in the United States'  
"Rebalance" to the Asia Pacific



**S. RAJARATNAM SCHOOL  
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June 2014



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## Executive Summary

A central plank of the Obama Administration's "rebalance" to the Asia Pacific is the development of a stronger partnership between the United States and India. Although there are several reasons for optimism regarding the future trajectory of Indo-U.S. relations, certain stumbling blocks nevertheless threaten to constrain further progress. On the one hand, continued forward momentum in Indo-U.S. relations is facilitated by three important factors:

- (i) both states share a common geopolitical interest in countering a rising China;
- (ii) defence trade and cooperation between the two countries are at an all-time high; and
- (iii) civilian trade and investment has increased considerably in recent years.

On the other hand, the potential for dramatic improvement in the quality of the relationship is jeopardised by continued Indian restrictions on foreign investment and trade, and by New Delhi's adherence to a grand strategy of non-alignment. This policy brief reviews the grounds for optimism and pessimism in the strategically important Indo-U.S. partnership, and it offers recommendations to mitigate the latter.

## Introduction

President Obama inaugurated the U.S. "rebalance" to the Asia Pacific region in his 17 November 2011 speech to the Australian Parliament, during which he pledged that "the United States will play a larger and long-term role in shaping this region and its future."<sup>1</sup> The rebalance policy - which was initially referred to as the "pivot" to the Asia Pacific - was subsequently elaborated in a sequence of announcements, speeches, and published articles by senior administration officials.<sup>2</sup>

To date, the policy has encompassed an array of military, economic, and diplomatic initiatives. Militarily, the administration has deployed a Marine Air Ground Task Force of 2,500 troops to Australia, increased the U.S. troop presence in South Korea, dispatched Littoral Combat Ships to Singapore, signed an agreement with Manila to more frequently rotate U.S. troops and military aircrafts through the Philippines, and enhanced military cooperation with several non-allied states in the region. Economically, the White House has aggressively promoted the Trans-Pacific

Partnership, a region-wide trade agreement consisting of twelve partner states. Diplomatically, the administration has made a point of more consistently participating in various multilateral regional forums, such as the Association of Southeast Asian Nations (ASEAN) Regional Forum and the East Asia Summit, and has increased the tempo of high-level official visits to the region.<sup>3</sup>



Secretary Clinton meeting with former Indian Prime Minister Manmohan Singh  
Source: Wikimedia Commons

A central plank of the rebalance is the effort to cultivate closer relations between the U.S. and the world's second most populous country of India. In her widely read November 2011 article "Asia's Pacific Century" in *Foreign Policy* magazine, which laid out the parameters of the new strategy, then-Secretary of State Hillary Clinton described the Indo-U.S. relationship as "one of the defining partnerships of the 21<sup>st</sup> Century, rooted in common values and interests."<sup>4</sup> Similarly, the United States Department of Defence's most recent Defence Strategic Guidance document, which was released in early 2012, explicitly conveyed the Pentagon's desire to pursue a "long term strategic partnership with India to support its ability to serve as a regional economic anchor and provider of security in the broader Indian Ocean region."<sup>5</sup>

There are several reasons for optimism regarding the evolution of a stronger Indo-U.S. partnership: both states share a strong and growing geopolitical interest in countering a rising China, defence trade and cooperation between the two states are at an all-time high and bilateral trade in civilian goods has increased considerably in recent years. However, the potential for dramatically improved bilateral relations is limited by Indian restrictions on foreign investment and trade and by New Delhi's continued adherence to a grand strategy of non-alignment.

<sup>1</sup> Sabra Lane, "Obama's speech a statement of intent," *ABC News*, 17 November 2011, <http://www.abc.net.au/news/2011-11-17/barack-obama27s-speech-to-parliament/3678058>

<sup>2</sup> See, in particular, Hillary Clinton, "America's Pacific Century," *Foreign Policy*, 11 October 2011, [http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century)

<sup>3</sup> Mark E. Manyin, Stephen Daggett, Ben Dolven, Susan V. Lawrence, Michael F. Martin, Ronald O'Rourke, and Bruce Vaughn, "Pivot to the Pacific? The Obama Administration's 'Rebalancing' Toward Asia," *Congressional Research Service Report for Congress*, March 28, 2012; Robert S. Ross, "The Problem With the Pivot," *Foreign Affairs*, 91, No. 6 (Nov/Dec 2012), pp. 76-79; Sanchita Basu Das, "RCEP and TPP: Comparisons and Concerns," *Institute of Southeast Asian Studies Perspective*, #02-2013, 7 January 2013, pp. 1-9; Associated Press, "U.S., Philippines reach deal on military accord," *USA Today*, 27 April 2014, <http://www.usatoday.com/story/news/politics/2014/04/27/us-philippines-reach-deal/8289409/>

<sup>4</sup> Hillary Clinton, "America's Pacific Century," *Foreign Policy*, 11 October 2011, [http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century)

<sup>5</sup> Department of Defense, United States of America, "Sustaining US Global Leadership: Priorities for the 21<sup>st</sup> Century," January 2012, [http://www.defense.gov/new/Defense\\_Strategic\\_Guidance.pdf](http://www.defense.gov/new/Defense_Strategic_Guidance.pdf)



# Reasons for Optimism

## Shared Geopolitical Interests

The most salient factor that is promoting improved Indo-U.S. relations is the two countries' shared geopolitical interest in balancing against a rising China. Beijing's economic and military rise - China currently ranks second in the world behind the U.S. in terms of Gross Domestic Product and annual military spending, with both figures continuing to grow rapidly - represents the most salient long-term challenge to the national security of both countries.<sup>6</sup> For the U.S., a more powerful and assertive China not only endangers the national security of America's allies and strategic partners in East Asia, but also poses a broader challenge to Washington's military dominance of the region's sea-lanes and airspace.



U.S. Deputy Defense Secretary Ashton B. Carter addressing the Confederation of Indian Industry  
Source: Wikimedia Commons

China's rise presents an even more grave and urgent threat to Indian national security. Not only is India far weaker militarily than both the U.S. and China, but unlike the U.S. homeland which is located thousands of miles away from China, India neighbours China.<sup>7</sup> Relations between New

Delhi and Beijing are further complicated by unresolved border disputes between the two countries, which sparked the Sino-Indian War of 1962. Additionally, India faces a serious threat on its immediate western border from Pakistan, which has traditionally enjoyed close diplomatic and military relations with China.<sup>8</sup> Thus, it is not surprising that according to recent polls, nearly 65 per cent of the Indian public views China's increasing military power as detrimental to India.<sup>9</sup>

India's *Look East Policy*, adopted in 1992 as a measure to expand New Delhi's economic and defence ties with key states in South and North East Asia, received a significant boost with the initiation of the U.S. rebalance policy in 2011 and has evolved as a powerful tool for India to counter China's growing regional influence.<sup>10</sup> To help consolidate this burgeoning mutuality of interests between Washington and Delhi, the Obama Administration initiated the Trilateral Dialogue between the United States, Japan and India to facilitate strategic and defence cooperation between the three participants. To this end, India and Japan have already signed multi-billion dollar bilateral trade deals.<sup>11</sup> By encouraging India's increased participation in Asia's security structure, Washington hopes New Delhi will ultimately share some of its burden of maintaining a robust military presence in Asia.<sup>12</sup>

## Defence Trade and Cooperation

Owing in large part to the emerging confluence of Indo-U.S. geopolitical interests, defence trade and cooperation between the two countries have expanded dramatically. With regard to the former, in 2013, New Delhi purchased approximately US\$1.9 billion in military hardware from the U.S., elevating the United States to the rank of India's second largest arms supplier behind Russia.<sup>13</sup> India's latest purchases include six C-130J "Super Hercules" transport aircraft, twenty-two Apache attack helicopters, ten C-17 Globemaster III airlifters, and four P-8i maritime patrol aircraft.<sup>14</sup> Auspiciously for the U.S., India has increased its arms purchases by a staggering 111 per cent over the past

<sup>6</sup> Linda Yueh, "Is China about to overtake US as the world's largest economy," *BBC News*, 30 April 2014, <http://www.bbc.com/news/business-27216705>; Kevin Hamlin and Li Yanping, "China Overtakes Japan as World's Second-Biggest Economy," *Bloomberg*, 16 August 2010, <http://www.bloomberg.com/news/2010-08-16/china-economy-passes-japan-s-in-second-quarter-capping-three-decade-rise.html>; Jonathan Marcus, "Military Spending: Balance Tipping Towards China," *BBC News*, 5 February 2014, <http://www.bbc.com/news/world-middle-east-26054545>

<sup>7</sup> John J. Mearsheimer, *The Tragedy of Great Power Politics*, updated ed. (New York: Norton, 2014), pp.360-412.

<sup>8</sup> Jamal Afridi and Jayshree Bajoria, "Backgrounder: China-Pakistan Relations," *Council on Foreign Relations* website, 6 July 2010, <http://www.cfr.org/china/china-pakistan-relations/p10070>.

<sup>9</sup> Bruce Stokes, "Key findings about India ahead of its national election," *Pew Research*, 31 March 2014, <http://www.pewresearch.org/fact-tank/2014/03/31/key-findings-about-india-ahead-of-its-nationalelection/>; Bruce Stokes, Richard Wike, James Bell et al, "Indian's Reflect on Their Country & the World," *Pew Research Center*, March 2014, [http://www.pewglobal.org/files/2014/03/Pew\\_Research\\_Center\\_Global\\_Attitudes\\_Project\\_India\\_Full\\_Release\\_FINAL\\_March\\_31\\_2014.pdf](http://www.pewglobal.org/files/2014/03/Pew_Research_Center_Global_Attitudes_Project_India_Full_Release_FINAL_March_31_2014.pdf)

<sup>10</sup> Dong Zhang, "India Looks East," *AusAID*, September 2006, [http://aid.dfat.gov.au/Publications/Documents/india\\_east.pdf](http://aid.dfat.gov.au/Publications/Documents/india_east.pdf); M. Mayilvaganan, "Examining India's Look East Policy 3.0," *International Policy Digest*, 21 November 2013, <http://www.internationalpolicydigest.org/2013/11/21/examining-indias-look-east-policy-3-0/>; Nitin Gokhale, "India Looks East," *The Diplomat*, November 10, 2011, <http://thediplomat.com/2011/11/india-looks-east/>;

<sup>11</sup> Josh Rogin, "Inside the First Ever U.S.-Japan-India trilateral meeting," *Foreign Policy*, 23 December 2011, [http://thecable.foreignpolicy.com/posts/2011/12/23/inside\\_the\\_first\\_ever\\_us\\_japan\\_india\\_trilateral\\_meeting](http://thecable.foreignpolicy.com/posts/2011/12/23/inside_the_first_ever_us_japan_india_trilateral_meeting)

<sup>12</sup> Notably, India is also in talks with the South Korean shipyard Kangnam for a US\$1.5 billion naval contract for eight minesweepers and is seeking stronger maritime security ties with Indonesia. See Rahul Bedi, "Indian MoD approves Kangnam MCMV deal," *IHS Jane's Defence Weekly*, 20 October 2013, <http://www.janes.com/article/28511/indian-mod-approves-kangnam-mcmv-deal>

<sup>13</sup> Siemon T. Wezeman and Pieter D. Wezeman, "Trends in International Arms Transfers, 2013," *Stockholm International Peace Research Institute*, March 2014, <http://books.sipri.org/files/FS/SIPRIFS1403.pdf>; Gill Plimmer and Victor Mallet, "India Becomes Biggest Foreign Buyer of US Weapons," *Financial Times*, 24 February 2014. <http://www.ft.com/intl/cms/s/0/ded3be9a-9c81-11e3-b535-00144feab7dehtml#axzz2zOXbAdTk>.

<sup>14</sup> Rajat Pandit, "India and US to Hold Top-Level Meet to Bolster Military Ties," *The Times of India*, 11 March, 2014, <http://timesofindia.indiatimes.com/india/India-and-US-to-hold-top-level-meet-to-bolster-military-ties/articleshow/31856415.cms>; Jay Menon, "India Signs Agreement with U.S. for Boeing C-17 Buy," *Aviation Week*, 15 June 2011, <http://aviationweek.com/awin/india-signs-agreement-us-boeing-c-17-buy-0>.

five years by comparison with the previous five-year period (2004-2008) and is currently the world's leading arms buyer.<sup>15</sup>

The U.S.-India Joint Declaration on Defense Cooperation, which was signed by President Obama and former Indian Prime Minister Manmohan Singh in September 2013, promises to even further intensify this relationship. In the Joint Declaration, both states accord one another the privileged status of "closest partners" in defence cooperation. Importantly, this status enables India to secure access to U.S. defence technology for the purposes of "technology transfer, trade, research, co-development and co-production" on the same wide-ranging basis as America's closest allies, such as the United Kingdom.<sup>16</sup>



*The U.S. and India have jointly conducted over seventy military exercises including the high-end Malabar naval combat exercise*  
Source: Wikimedia Commons

Cooperation between the two countries' armed forces is also increasing. Over the last decade, the U.S. and India have jointly conducted over seventy military exercises, and presently, India holds more annual bilateral military exercises with the U.S. than with any other country.<sup>17</sup> This includes the annual high-end Malabar naval combat exercise.<sup>18</sup> Notably, in 2014 Delhi will also participate for the first time in the U.S.-hosted biennial Rim of the Pacific Exercise in

Hawaii, which involves twenty-two countries, including China.<sup>19</sup> The two countries are also partnering in smaller-scale counter-terrorism and counter-insurgency training exercises and are sharing law enforcement best practices on key terrorism issues under the Bilateral Counterterrorism Cooperation Initiative.<sup>20</sup>

### **Civilian Trade and Investment**

High growth rates and a burgeoning middle class have made India a profitable market for U.S. exporters and investors. Since 2000, bilateral trade between India and the U.S. has increased nearly fivefold to approximately US\$100 billion.<sup>21</sup> U.S. exports to India have grown by 700 per cent in the last decade, while imports from India have increased by 220 per cent since 2003.<sup>22</sup> The U.S. is also the third largest source of foreign direct investment (FDI) into India.<sup>23</sup> Cumulative FDI inflows from the U.S. to India between 2000 and 2013 were close to US\$11 billion, constituting nearly 6 per cent of the total FDI entering India during that period.<sup>24</sup> Promisingly, India and the U.S. are currently negotiating a Bilateral Investment Treaty that aims to further enhance FDI.<sup>25</sup>

Both governments have also introduced several platforms to further strengthen bilateral economic contacts. These include a Ministerial Trade Policy Forum and a Ministerial Economic and Financial Partnership. Private sector participation is also encouraged through the U.S.-India CEO Forum, a collaborative public-private organisation, which has a mandate to make recommendations to both governments for increasing bilateral trade.<sup>26</sup>

<sup>15</sup> Michael Pizzi, "Report: India Remains World's Largest Arms Buyer," *Al Jazeera America*, 17 March 2014, <http://america.aljazeera.com/articles/2014/3/17/india-still-worlds-largest-arms-buyer-asian-rivalries-heat-up.html>

<sup>16</sup> The White House, United States of America, U.S.-India Joint Declaration on Defense Cooperation, 27 September 2013, <http://www.whitehouse.gov/the-press-office/2013/09/27/us-india-joint-declaration-defense-cooperation>

<sup>17</sup> Rajat Pandit, "India and US to Hold Top-Level Meet to Bolster Military Ties," *The Times of India*, 11 March, 2014, <http://timesofindia.indiatimes.com/india/india-and-us-to-hold-top-level-meet-to-bolster-military-ties/articleshow/31856415.cms>

<sup>18</sup> Ibid.

<sup>19</sup> Shishir Gupta, "India to Play Sea War Games With 22 Nations," *Hindustan Times*, 9 September 2013, <http://www.hindustantimes.com/india-news/newdelhi/india-to-play-sea-war-games-with-22-nations/article1-1119373.aspx>

<sup>20</sup> The White House, *The US India Partnership: the fact sheets*, 8 November, 2010, <http://www.whitehouse.gov/the-press-office/2010/11/08/us-india-partnership-fact-sheets>

<sup>21</sup> TNN, "India-US bilateral trade has crossed 100bn: Consul General," *Times of India*, 8 March 2014, <http://timesofindia.indiatimes.com/business/india-business/India-US-bilateral-trade-has-crossed-100bn-Consul-general/articleshow/31627306.cms>

<sup>22</sup> Arvind Subramaniam, "Deepening US-India trade relations," *East Asia Forum*, 10 April 2013, <http://www.eastasiaforum.org/2013/04/10/deepening-us-india-trade-relations/>; Office of the United States Trade Representative, "U.S. India Bilateral Trade Investment," <http://www.ustr.gov/countries-regions/south-central-asia/india>

<sup>23</sup> Ministry of External Affairs, "India-US Relations," September 2013, [http://www.mea.gov.in/Portal/ForeignRelation/India-U.S.\\_Relations.pdf](http://www.mea.gov.in/Portal/ForeignRelation/India-U.S._Relations.pdf)

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

## Reasons for Pessimism

Unfortunately, the aforementioned grounds for optimism concerning the future trajectory of Indo-U.S. relations must be tempered by two important grounds for pessimism: India's retention of onerous restrictions on foreign investment and trade and its refusal to abandon an anachronistic grand strategy of non-alignment.

### **Barriers to Foreign Investment and Trade**

Although economic contacts between the U.S. and India have expanded dramatically in recent years, restrictive Indian trade and investment regulations prevent these contacts from becoming even more robust. In the domain of FDI, the Indian government permits 100 per cent FDI only in wholesale businesses but restricts foreign ownership to a maximum of 51 per cent in the lucrative multi-brand retail sector. American companies are also unhappy with Indian FDI regulations, which require foreign retailers to source 30 per cent of the materials for their goods locally, i.e., from small scale industries and manufacturers in India.<sup>27</sup> The immense difficulties still associated with doing business in India have undoubtedly played a role in the recent diminution of FDI flows from the U.S. to India, from US\$1.1 billion in 2011-2012 to US\$557 million in 2012-2013.<sup>28</sup> Relatedly, progress on the U.S.-India Bilateral Investment Treaty continues to be hampered by New Delhi's precondition that Indian courts must have the final authority in settling any commercial disputes arising under the treaty.<sup>29</sup>

In the domain of nuclear trade, five years after signing the landmark Indo-U.S. nuclear deal, India's onerous liability regulations have obstructed progress on the achievement of one of the pact's important objectives, expanded trade in civil nuclear power. According to an Indian law passed in 2010, foreign suppliers must take on the majority of the liability for any nuclear accidents that may occur in the future. This remains a point of contention between the Indian government and the American companies who consider the ruling as not only commercially unviable, but also contrary to established international norms.<sup>30</sup> Although a preliminary contract was signed in late 2013 to build reactors in India's state of Gujarat, a timeline has not yet been established to indicate when the project is expected to achieve fruition.



Prime Minister Jawaharlal Nehru receiving U.S. President Dwight D. Eisenhower at Parliament House in 1959  
Source: Wikimedia Commons

### **India's Grand Strategy of Non-Alignment**

India's commitment to strategic autonomy and non-alignment in its foreign policy stems from former Indian Prime Minister Jawaharlal Nehru's refusal to side with either the United States or the Soviet Union during the Cold War. Arising out of its experience under British rule, the decision to not align with any state after achieving independence was an attempt by New Delhi to prevent the possibility of alliances with other states constraining India's rise and to prevent India's interests – economic, defence or strategic – from being secondary to those of any other state.<sup>31</sup> As a result, building on its stance of being an independent sovereign state operating outside of any influence or manipulation, New Delhi establishes "strategic partnerships" and not "formal alliances." This allows the Indian government to form defence, economic and security partnerships with numerous states and at different levels of engagement.<sup>32</sup>

India's reluctance to modify its post-independence grand strategy of non-alignment with the great powers, however, also presents an obstacle to enhanced Indo-U.S. strategic relations. At the rhetorical level, senior U.S. and Indian foreign policymakers have evidenced disparate conceptions regarding the closeness of the bilateral

<sup>28</sup> "US FDI Into India, Just \$557M last year," *Indiaspend.org*, 6 August 2013, <http://www.indiaspend.com/sectors/economy-policy/us-fdi-into-india-just-557-million-last-year-75187>

<sup>29</sup> "India puts conditions for bilateral investment treaty with US," *The Economic Times*, 23 July 2013, [http://articles.economictimes.indiatimes.com/2013-07-23/news/40749425\\_1\\_investment-treaty-protection-agreement-bilateral-investment-promotion](http://articles.economictimes.indiatimes.com/2013-07-23/news/40749425_1_investment-treaty-protection-agreement-bilateral-investment-promotion)

<sup>30</sup> M.V. Ramana and Suvrat Raju, "The Impasse over Liability Clause in Indo-U.S. Nuclear deal," *The New York Times*, 15 October 2013, [http://india.blogs.nytimes.com/2013/10/15/the-impasse-over-liability-clause-in-indo-u-s-nuclear-deal/?\\_php=true&\\_type=blogs&\\_r=0](http://india.blogs.nytimes.com/2013/10/15/the-impasse-over-liability-clause-in-indo-u-s-nuclear-deal/?_php=true&_type=blogs&_r=0)

<sup>31</sup> Sumit Ganguly and Manjeet S. Pardesi, "Explaining Sixty Years of India's Foreign Policy," *India Review* Vol 8, No. 1 (January – March 2009), pp.4-19; Vipin Narang and Paul Staniland, "Institutions and Worldviews in Indian Foreign Policy," *India Review* Vol. 11, No. 2 (April-June 2012), pp. 76-94; Sumit Ganguly, "Delhi's Strategic Deficit," *The National Interest*, 20 March 2012, <http://nationalinterest.org/commentary/delhis-strategy-deficit-6663>

<sup>32</sup> Ankit Panda, "Why Does India Have So Many 'Strategic Partners' and No Allies," *The Diplomat*, 23 November 2013, <http://thediplomat.com/2013/11/why-does-india-have-so-many-strategic-partners-and-no-allies/>

relationship. While former U.S. Secretary of Defence Leon Panetta effusively described India as the “linchpin” of the rebalance, India’s External Affairs Minister Salman Khurshid insisted that India “will not be part of anybody else’s scheme of things.”<sup>33</sup>

India’s continuing fidelity to non-alignment is visible in its ambivalent stance *vis-à-vis* the increasingly heated maritime disputes in the East and South China Seas. Although India has been clear in its defence of freedom of navigation across the region’s sea-lanes, it has been exceedingly careful to not appear as anti-China in its stance unlike the U.S. or Australia who have criticised China’s actions in the region.<sup>34</sup> Whereas U.S. officials have consistently maintained that China must resolve its maritime disputes on the basis of multilateral negotiations with the other claimant states, New Delhi’s position on the issue has wavered. The Indian government has sometimes appeared supportive of China’s stand of solving the conflict at a bilateral level and outside of any American influence and interference, but on other occasions it has emphasised the importance of following the international law of the sea in solving the dispute.<sup>35</sup> For instance, late last year, speaking ahead of Prime Minister Manmohan Singh’s trip to China, External Affairs Minister Khurshid stated that a bilateral conflict between two nations must be settled exclusively by those nations.<sup>36</sup> To some extent, this stance is self-serving, as the Indian government has historically resisted third party intervention in its own long-running conflict with Pakistan over the disputed territory of Kashmir. Farther afield, India’s muted response to Russia’s recent incursion and subsequent annexation of the Crimea from Ukraine, as well as its refusal to join the U.S. and EU in imposing retaliatory economic sanctions against Moscow, could further fuel doubts in Washington about India’s reliability as a strategic partner.<sup>37</sup>

## Conclusion

This brief has summarised three reasons for optimism and two reasons for pessimism as to the future trajectory of Indo-U.S. relations. Encouraging trends in the domains of geopolitics, military trade and cooperation, and civilian trade and investment must be counter-balanced by lingering obstacles presented by India’s regulatory regime pertaining to FDI and trade and its continued pursuit of non-alignment in its foreign policy.

The future course of Indo-U.S. relations will also be influenced by monumental recent developments in Indian domestic politics. National elections held in May 2014 bestowed a parliamentary majority to the Bharatiya Janata Party (BJP) under the leadership of the controversial former Chief Minister of Gujarat, Narendra Modi. Modi’s relationship with the U.S. government has been marred by the U.S. State Department’s refusal to grant him a visa to visit the United States due to his alleged involvement in communal riots in Gujarat in 2002, which resulted in the deaths of close to one-thousand Indian Muslims.<sup>38</sup> Although the Obama Administration has invited the newly elected Prime Minister to visit Washington, Modi’s past may make it difficult for President Obama to continue to promote the Indo-U.S. partnership as one that is founded on shared values of democratic pluralism and diversity. More auspiciously, however, Modi’s electoral campaign focused overarchingly on his pledge to reverse the recent slowdown in the Indian economy through liberalising reforms. His pursuit of this agenda as Prime Minister would provide a powerful impetus for the new Indian leader to leave the past behind and focus on charting a closer relationship cantered on trade and economics with the United States.

<sup>33</sup> U.S. Department of Defense, “Panetta Says U.S.-India Relations Must Deepen, Grow for Peace,” New Delhi, India, 6 June 2012; “Not part of US’ Asia Pivot,” *The BRICS Post*, 20 November 2013, <http://thebricspost.com/not-part-of-us-asia-pivot-india-fm/#.UtNUqrQcWZQ>

<sup>34</sup> Simon Denyer and Rama Lakshmi, “India appears ambivalent about role as U.S. strategy pivots toward Asia,” *The Washington Post*, 14 October 2012, [http://www.washingtonpost.com/world/india-appears-ambivalent-as-us-strategy-pivots-toward-asia/2012/10/13/254b05d0-0e18-11e2-bb5e-492c0d30bff6\\_story.html](http://www.washingtonpost.com/world/india-appears-ambivalent-as-us-strategy-pivots-toward-asia/2012/10/13/254b05d0-0e18-11e2-bb5e-492c0d30bff6_story.html); David Wroe, “David Johnston backs Chuck Hagel: China destabilizing South China Sea,” *The Sydney Morning Herald*, 2 June 2014, <http://www.smh.com.au/federal-politics/political-news/david-johnston-backs-chuck-hagel-china-destabilising-south-chinasea-20140601-39cgz.html>;

<sup>35</sup> “China warns US, Japan and Australia not to intervene in sea disputes,” *South China Morning Post*, 7 October 2013, <http://www.scmp.com/news/china/article/1326331/china-warns-us-japan-and-australia-not-intervene-sea-disputes>; Julian E. Barnes, “China Rejects Multilateral Intervention in South China Sea Disputes,” *Wall Street Journal*, 29 August 2013, <http://online.wsj.com/news/articles/SB10001424127887323324904579042742806878158>; Michael T. Klare, “The United States Heads to the South China Sea,” *Foreign Affairs*, 21 February 2013, <http://www.foreignaffairs.com/articles/139023/michael-klare/the-united-states-heads-to-the-south-china-sea>; Raissa Robles and Teddy Ng, “We won’t interfere in China’s sea disputes, says Indian Minister,” *South China Morning Post*, 23 October 2013, <http://www.scmp.com/news/china/article/1337624/we-wont-interfere-chinas-sea-disputes-says-indian-minister>; Zachary Keck, “India Wades Into South China Sea Dispute,” *The Diplomat*, 12 March 2014, <http://thediplomat.com/2014/03/india-wades-into-south-china-sea-dispute/>

<sup>36</sup> Raissa Robles and Teddy Ng, “We won’t interfere in China’s sea disputes, says Indian Minister,” *South China Morning Post*, 23 October 2013, <http://www.scmp.com/news/china/article/1337624/we-wont-interfere-chinas-sea-disputes-says-indian-minister>

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**The foregoing analysis of the Indo-U.S. partnership suggests the following policy recommendations:**

- It is in India's national interest to modify its strategy of non-alignment and strategic autonomy so that it can develop stronger and more resilient strategic partnerships. By moving away from non-alignment and deepening its geopolitical relationship with the U.S., India will be better equipped to deal with the repercussions of the growing Pakistan-China partnership. Although India is significantly increasing its military capabilities, it still lags behind China. Should security competition between India and China intensify, Washington would be a critical strategic partner for New Delhi in balancing against Beijing.
- To cultivate India as a strong strategic partner in Asia, the U.S. must also acknowledge and address New Delhi's concerns regarding cross border terrorism originating in Pakistan. The U.S. should do more to induce the Pakistani government to curb and control terrorist groups operating within its borders that threaten India's security.
- India must introduce long needed reforms relating to foreign direct investment and the nuclear liability law in order to promote economic liberalisation. These reforms would not only help restore Indian economic dynamism, but they would also promote closer Indo-U.S. relations.
- To balance against China's rise in Asia, India must develop its *Look East Policy* further by deepening bilateral defence, trade and diplomatic ties with countries in the Asia Pacific region outside of American facilitation and influence. This will ultimately benefit the rebalancing policy of the U.S. as it will help balance Beijing's perceived dominance in Asia Pacific.

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