



INDO-US RELATIONS AFTER NARENDRA MODI'S VISIT



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The new government in New Delhi provides the US and India the chance to press the reset button and turn "areas of contention into areas of collaboration," to quote a US official. However this approach is not going to be easy. Both governments will have to walk a tight rope in securing political and economic confidence while making certain compromises. However, there has been a breakthrough with Prime Minister Narendra Modi's recent visit to the US. The challenge now is to consolidate this breakthrough.

The bilateral relationship got a new direction after the July 2009 joint statement by the US Secretary of State Hillary Clinton and the Government of India highlighting

the areas that the two countries would focus on. The bilateral relationship rode on immense confidence in the aftermath of the framework agreement of the Indo-US Civil Nuclear Deal for at least more than half a decade.

With a new government at the helm, and with Narendra Modi having made the first crucial visit, it is opportune to analyse and prioritise the issues that are current or potential opportunities and roadblocks in the bilateral relationship. Such a perspective assumes importance vis-à-vis the 2013 diplomatic row between New Delhi and Washington, when many thought the government-to-government relations had reached its nadir. It was certainly a setback that brought the mutual relationship and confidence to a halt. Resultantly, there has been a limbo in many areas of mutual partnership, including the defence and trade sectors that have formed the bedrock of the bilateral relations for some time now. With the recent developments, the diplomatic row of 2013 now seems to be history.

In the middle of this tumultuous diplomatic

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phase, Washington seems to have made a conscious effort to establish good diplomatic faith with New Delhi. The US took a big step in asking one of its most experienced and senior diplomats to step aside in the interest of better relations with India. Modi's promise that he would not let the history of his personal equations with the US get in the way of better bilateral relations was another mature political enunciation.

During his visit to the US, Modi not only delivered on the above expectations and promises but also took them forward in a smooth way. One of the compelling factors that drove Modi's visit to the US was the intention to get the economy on a resurgent path by wooing investors. It was the result of this intention that on the eve of his visit, his government put forward the pitch, "Come, make in India." In essence, Modi's visit was hinged on two prospective rationales: wooing investors to India and providing momentum to bilateral defence cooperation, which has virtually been on a standstill for some time. The general warmth in the US reception of Modi went a long way in putting behind the tumultuous diplomatic row of the recent past. In what was an unprecedented step, the release of the joint vision statement called "Chalein saath, saath: Forward together we go" was a crucial step. This vision document is being seen as a new agenda that will allow the two countries to find ways to expand collaboration in trade, investment and technology. Sealing the intention of a cooperative framework between the two countries being adopted was the joint editorial in a US newspaper where Obama

and Modi together resolved that "Our natural and unique partnership can help shape international security and peace for years to come."

TRADE/ECONOMIC ISSUES

To quote Nisha Desai Biswal, Assistant Secretary of State for South and Central Asia, "Our collaboration on energy, science and technology, environment, space, education and counterterrorism continues to deepen." Indo-US bilateral trade has been a driving factor, even as economic interdependence continues to grow. Both sides expect the larger bilateral relationship to hinge on economic and commercial relations. Investment and trade flows will define the limits of the relationship. During Modi's visit, he and Obama pledged to deepen economic cooperation by setting a five-fold jump in Indo-US trade to US\$500 billion. The collaboration in setting up a joint programme to boost business investment is also a welcome initiative.

In the sixth session of the US-India East Asia Consultations, a State Department spokesperson said, "The delegations exchanged views on a variety of issues including maritime security, combating nuclear proliferation, and expanding regional trade opportunities in the Indo-Pacific Economic Corridor and beyond." This approach is backed by the realisation that India has emerged as a dominant actor in the region and can be counted as the only credible counter-balance to China.

The regional stakes for India have increased with the Modi government's focus on its neighbourhood. The expansion of regional trade could be a part of the government's agenda in a big way. Expansion of trade will necessitate its protection through cooperation in maritime security. Taking forward the promise of the last government, the Modi government cleared a US\$100 million line of credit to Vietnam for four patrol boats. These boats are likely to be used for trade and coastal security by Vietnam and hence fall under India's strategic investments. Apart from these, one of the defining characteristics of this

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government has been improving regional cooperation by boosting trade and laying emphasis on the transition from Look East Policy to Act East Policy. In this regard, Japan's commitment to double its current investment in India to US\$35 billion over the next five years along with substantial Chinese investments is a win-win situation for India. Besides, Modi's ten-day three-nation tour of Myanmar, Australia and Fiji shows that his administration takes Act East policy seriously with an understanding that small countries are also crucial. The US is a resident power in the Asia Pacific and India's cooperation with its eastern and extended neighbours will also require a tacit understanding with the US in this region.

DEFENCE TRADE

According to reports, the US has overtaken Russia as the largest arms supplier to India in the last three years. The US stands first, followed by Russia, France and Israel.

Indo-US defence relations are largely poised on trade in defence, comprising mainly of imports from the latter to the former. Towards the last leg of the previous government's tenure in India, trade in defence was almost stalled due to two reasons: budgetary concerns and the impending elections. The new government still shares some budgetary concerns with the previous government but the intent has been clearer. Clearing pending defence projects in India worth about US\$14 billion is a big step to move forward in defence trade with other countries.

Importantly, India has been rational in its defence cooperation with the US and has not succumbed to lobbying, a key instrument in defence deals. Showing the same budgetary concerns, India has told the US that in view of the price increase, it cannot go ahead with the procurement of 145 ultra-light howitzers for the Army, which it planned to deploy in mountainous terrain. Although the US was keen on two military sales to India - the Raytheon/Lockheed Martin-designed Javelin anti-tank guided missile (ATGM) system and the supply of more Apache attack helicopters to the IAF - its primary focus will be on jointly

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developing and producing military hardware; a theme spelt out by US Secretary of Defense Chuck Hagel, particularly after India declined the Javelin missile offer from the US and chose Spike missiles from Israel.

In the wake of the resolution by the new government that revised an increase in FDI in the Indian defence sector up to 49 per cent, more US companies would be interested to enter the Indian defence sector. These companies are likely to have two very significant expectations from the new government in India: a revised and clear offset policy in the defence sector and a single window clearance system in defence systems' sale to India. An increase by 10 per cent in the defence budgetary allocation by the new government also carries the potential to take the bilateral relationship forward. The Pentagon showed enthusiasm on the event of Modi's visit to the US with US Pacific Command head Admiral Samuel Locklear admitting vis-a-vis India-US relations that, "One of the central focuses early on has been the defence trade initiatives, which will allow us to cooperate with each other on defence articles that would work for both of our security interests."

SECURITY & COUNTER-TERRORISM

Ever since 9/11 both India and the US have embarked on security cooperation like never before. The cooperation that began with the "war against terror" has only grown, particularly with new and divergent modes of threat facing both the countries.

In fact security cooperation has been one of the hallmarks of bilateral cooperation. Although the UPA government seized the opportunities to cooperate with the US the last decade, much more needs to be done. The government in India should take the opportunities provided by a willing US and explore likely new areas of cooperation the field of security.

The US has recently hinted that it would provide an exhortative ground for new cooperation with India in the area of security. It recently described cooperation in security as, "a central element of the broad US-India strategic partnership" and pledged that it looked forward to work with the new government in New Delhi. The consecutive meetings of John Kerry and Chuck Hagel with India's National Security Adviser points to important aspects of homeland security as a common agenda for both governments.

STRATEGIC COOPERATION

With regard to the strategic partnership with the US, it is important to note that the strategic dimensions of the bilateral relationship has moved from its politico-strategic attributes to taking on economic-strategic ramifications. This transition is likely to have a challenging manifestation for the new government in India. It will be more of a challenge to India than to the US because in the effort to stick to the tenets of 'strategic autonomy' and non-alignment, India tends to separate the strategic from the economic, particularly in relation to China.

As the direct objectives of the US against China with India as a bargaining chip have been undercut by the strategic limitations of India's own foreign policy vis-à-vis China - the compulsions of its 'strategic autonomy' - the US has subtly infused the strategic with economic agendas in Asia.

The new government's astuteness will lie in how forthcoming it will be in taking this mutually beneficial agenda forward. Economic agendas will have to be seen as part of strategic ones and vice versa. The only fear is that the new government in

India risks a possible decoupling of the strategic objectives with the economic objectives in its cooperation with the US, in its desire not to appear strategically offensive China. In this regard the new government in India could focus on two specific economic-strategic imperatives propounded by the Obama administration: the New Silk Route and the Indo-Pacific Economic Corridor. The Obama administration has "placed a strategic bet on regional economic connectivity through its New Silk Road and Indo-Pacific economic corridor initiatives."

Although India has categorically stated that its strategic deterrence is not directed against any particular country, this should not govern its maritime policy. India has been rankled of late by the increasing Chinese presence in the Asia-Pacific and the Indian Ocean. It is after long that India has shown signs of building its own strategic deterrence against threats from maritime aggression. The development of the Andaman & Nicobar Islands Command (ANC) as a strategic outpost is part of this strategy. It is also in this area that the next government could focus on in cooperating with the US. There has not been much strategic cooperation between the US and India in the maritime domain. Although India's foreign policy compulsions have not focused exclusively on strategic cooperation with the US, it could be a new area to explore for the new government.

Maritime cooperation, frequent visits and exercises between India's ANC, and the US presence in Diego Garcia, Guam and possibly the US Pacific Command could provide the required leverage that India needs for erecting a credible maritime deterrence. This will help in honing the security and disaster management skills of the Indian Navy. However, it will not be without the risk of being co-opted in unintended and undesired international conflicts on behalf of the US.

THE NEW SILK ROAD

The US through its 'Silk Road Strategy Act of 1999' floated the concept of the 'New Silk Route' that intended to make Afghanistan

a transcontinental trade and transit hub by linking it with the West and the Far East. The Obama administration has put special emphasis on this geopolitical concept vis-à-vis its relationship with India. The US understands that India is going to be a constant presence in Afghanistan even after the US withdrawal in 2014. The strong presence of India in Afghanistan together with its domestic support can prove to be a lynchpin for the US to realise its 'New Silk Route' dream.

India for its part has also shown strong interest in maintaining its presence to support developmental work in Afghanistan. If the Indian presence in Afghanistan provides stability, the US could very well be successful in building a safe, secure and operational transcontinental 'New Silk Route' that crosses Afghanistan.

INDO-PACIFIC ECONOMIC CORRIDOR

Protection of Sea Lines of Communication (SLOC) has been treated as a priority area of cooperation, especially due to the rise of sea piracy and international terrorism. While the Bush administration started the initiative of maritime cooperation between the two countries, the Obama-UPA period failed to capitalise on it adequately. Despite the last government in New Delhi facing the heat from rising maritime concerns in its neighbourhood, little was done to offset them. It could thus be a priority for the Modi government in India to counter-balance these maritime concerns. This can best be done by a two-pronged approach: economic and strategic. In the economic dimension, the nascent concept of the Indo-Pacific should find greater acceptance in that the Indian government should match global expectations by taking a lead role. Greater trade engagement with the countries of the region along with a vanguard security role for the protection of trade through it should form the economic priority.

During a recent Congressional hearing, Assistant Secretary of State for East Asian and Pacific Affairs Daniel Russel said, "India is the world's largest democracy; and given its strategic place in Indo-Pacific

geography, has an important role to play, an important contribution to make." The significance of the geopolitical edge that is associated with the Indo-Pacific region is likely to be recognised by the new government in India at a higher scale. Its acknowledgement could include an increased participation of India in both maritime security and trade within this area.

Many US and Indian interests converge when it comes to the Indo-Pacific corridor. Both have enormous trade passing through this area and both are keen on seeing a rule-based maritime order and safe sea lanes for trade. For this, an increased participation of the Indian Navy is required. The Indian Navy could work with the US Pacific Command fleet in maritime patrol, search, rescue and surveillance on the Indo-Pacific corridor. The reconnaissance aircraft P-8I Poseidon that India has imported from the US could be used for the same and the US bases in Guam and Diego Garcia could provide support facilities in such joint operations.

Both India and the US can focus on the security and safe passage of maritime trade that passes through this area, and the US has shown interest that India takes lead in this. The ball is in the present government's court and it will be in India's long-term strategic interest to respond in a manner that projects a more responsible role for India, especially in protecting SLOCs. The US has been pressing for a 'code of conduct' in the South China Sea against the Chinese push for their version of laws. Drawing from the South China Sea experience and the problems that have arisen between China and its neighbours, India along with the US could push for a universal 'code of conduct' for the Indo-Pacific area and the larger Pacific Ocean. The previous government in India embarked on this idea but it remained restricted to the first few steps and could not really take off in the intended sense.

The UPA government in India opened up a credit line worth US\$1 billion to Vietnam to buy four patrol boats that is likely to guard the Indo-Pacific corridor. The last government also initiated the US-2 Amphibious aircraft deal with Japan. Both

these deals are intended for the Indo-Pacific economic corridor but have not been fully accomplished. A uniform international law in this area would serve the Indian and the US governments well to implement a coherent maritime security paradigm.

Corroborating the expectations of Indo-US cooperation in the strategic area of the Indo-Pacific, Admiral Jonathan Greenert said that the US would like to see this cooperation extend to India's participation in exercises in the Western Pacific region, where China is becoming more assertive. This expectation stems from US' understanding that the new full majority government in India with a leader like Modi at the helm will ensure that the security agencies are well-controlled and monitored. Greater control over national security would mean the likelihood of new forays by its security agencies backed by an outreaching government.

INDIA-US-JAPAN TRILATERAL

India's cooperation with the US under the new government also requires India's relationship with the former to operate on multilateral levels. The revival and subsequent emphasis on India-US-Japan trilateral relations should be India's priority. The Modi government in announcing the dates for the trilateral India-US-Japan (June 23-24) within a month of taking over

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showed the right intent. The invitation to Japan to participate in further editions of the Malabar Exercise could also prove to be a welcome move, if taken up. While the last government only hinted at this, the present government can actually take it forward. The confidence about such a decision must pivot itself on improved Indo-Japanese ties under the new government. In time, the revival of the Quadrilateral Security Dialogue (QSD) by the government in New Delhi could prove effective in extending regional concerns to Australia as a priority, if it plans to build considerable leverage in the Indo-Pacific. Australia's withdrawal from the QSD and India's growing distance from Canberra should be seen as juxtaposed with China's growing proximity with Australia. It will serve Indian strategic interests to get Australia back in the QSD.

BUILDING ON PAST TRENDS

Some of the policies vis-à-vis the US under the government in New Delhi are likely to be in continuation of earlier policies. The government will try and build on the gains made by the previous government in these areas.

Some conventional and established areas of cooperation are likely to remain functional. Energy and climate change will remain important areas of cooperation and contestation. Towards clean energy, the two countries could look to consolidate in the areas of using clean energy in telecom towers. Both are also working towards a solar energy alternative to power telecom towers with clean energy. In the field of energy, opportunities could lie in taking forward the initiatives worked out during the tenure of the last government. In particular, Indo-US cooperation will focus on areas like the US-India Energy Dialogue, US-India Climate Change Dialogue and the US-India Civil Nuclear Energy. Apart from these, two groups would likely remain in focus under the current government: Oil and Gas

Working Group and the New Joint Working Group on Sustainable Growth.

India should ideally be the recipient of LNG from the US, which finds its roots in an understanding between the US DoE (Department of Energy) and India's energy major GAIL under the last government in India. In this regard, the shale gas feasibility study is an area of cooperation that the India could take seriously. The US made an exception for India when the DoE in May 2013 announced that it had conditionally authorised Freeport LNG Expansion, LP and FLNG Liquefaction, LLC (Freeport) to export domestically-produced LNG to non-FTA countries from the Freeport Terminal on Quintana Island in Texas. This was very significant from India's point of view as the existing federal law requires approval of natural gas exports to countries that have an FTA with the US, which India does not have. The Modi government is faced with an opportunity to explore this option if it has to satiate its energy demands.

Apart from numerous MoUs, the fundamental focus of the new government could be to ease the process of educational exchanges that take place between the two countries by creating more scope for strategic institutional partnerships and facilitating more faculty and student exchanges. In this regard, the Singh-Obama Knowledge Initiative of 2009 is likely to remain the primary focus.

CHALLENGES AHEAD

Despite the convergences, there are prominent challenges that might prove to be potential obstacles that could derail the bilateral relations between India and the US. Protection of Intellectual Property Rights (IPR), which remains a concern with US pharma companies, has the potential to become a headache. India could welcome the request of top American executives to initiate a dialogue in this regard. Other concerns for could include some of the recent bilateral trade disputes. The 2012 disputes over steel duties imposed by the US on India and the poultry ban by India on the US, apart from prohibitions on some other US import items, should serve as

precedents for the new government to address issues of potential confrontation in trade.

Another major concern for India is likely to be the implementation of a stricter visa regime in August 2012 by the US. This is slated to directly impact Indian IT firms. Prior to this, the US had already cut the number of visas granted to workers from India. Even as the US is on the verge of overhauling its immigration policy, the challenge for the new government in New Delhi will be to protect Indian interests that are hinged on an expanded and inclusive US immigration policy.

CONCLUSION

No sooner had the new government assumed office in New Delhi, there was a visible US effort to better relations as well as mend its past equations with the Prime Minister of India. This ranged from the possibility of appointing a Gujarati as an interim chargé d'affaires at the US Embassy in New Delhi to rushing several diplomats to India. These moves were necessary to balm the bruise that was caused by the diplomatic row of 2013. Yet, the US has taken considerably long in appointing a permanent ambassador to India.

For now, the Modi government, by its clear majority and a foreign policy focus on the immediate neighbourhood (also read as a snubbing of the US), has put the ball back in the US' court. The US has been galvanised into action, reflected in its rushing Nisha Desai Biswal, the Obama administration's point person for South and Central Asia, to New Delhi to hold talks with Indian officials on a series of bilateral and regional issues. Kerry and Chuck Hagel are believed to have done substantial groundwork to prepare for the much anticipated meeting between Narendra Modi and Barack Obama.

The Indian government led by PM Modi has shown a very pragmatic and result-oriented approach to its relationship with the US. Any sign of succumbing or yielding to pressure from the US has been smartly ducked by India. Modi's visit to the US, following the

UNGA address, was fitting to the extent that after addressing a gathering of world leaders, he moved on to arguably the world's most important country, the US. The warm reception extended by the Obama Administration and the 'rockstar' reception by the Indian American community in the US left no doubt that the visit was successful. More importantly, with the Republicans winning in the recent domestic elections in the US, the chances of them coming to power in the national elections in 2016 has increased. If that were to happen, the Modi administration in India will be looking forward to the change.

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