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# U.S. – INDIA RELATIONS: BALANCING PROGRESS AND MANAGING EXPECTATIONS

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**Testimony of Nisha Desai Biswal**  
**Assistant Secretary of State for South and Central Asian Affairs**  
**Before the Senate Foreign Relations Committee Hearing On**  
**“U.S.-India Relations: Balancing Progress & Managing Expectations”**  
**May 24, 2016; 10:00am**

**Introduction**

Thank you, Chairman Corker and Ranking Member Cardin, for inviting me to testify today on the progress and expectations of the U.S.-India relationship. The White House announced last week that President Obama will host Indian Prime Minister Modi on June 7<sup>th</sup>. The Prime Minister has also been invited to address a joint session of the U.S. Congress during that visit.

So this hearing provides us with a timely opportunity to take stock of the U.S.–India relationship. Sixteen years ago, when another Indian Prime Minister, Atal Vajpayee, had the honor of addressing the U.S. Congress at the dawn of this new century, he set out a vision that the United States and India – based on our our shared values and common interests – would forge a natural partnership that would help to shape the century to come.

Since that time, and over the past eight years, we have seen a tremendous amount of progress across every major dimension of our relationship, including our strategic, economic, defense and security, and energy and environment ties. When President Obama welcomes Prime Minister Modi to Washington next month, we will be able to say with confidence that relations between our two great democracies have never been stronger, even as both sides recognize there is much more to be done.

**Strategic Relations**

The strategic partnership between the United States and India is anchored on the premise that our two democratic, pluralistic, and secular societies share not only many of the same attributes but also many of the same aspirations. It is that premise which has led President Obama to characterize the relationship as a defining partnership of the 21<sup>st</sup> century.

India is the world’s largest democracy, Asia’s fastest-growing major economy, and soon-to-be the most populous nation on Earth. How India grows its economy, evolves its strategic doctrine, asserts its interests and values, and projects its growing economic, military, and political power will have important consequences not just for 1.25 billion Indian citizens, but increasingly for the rest of the planet. That is why the U.S.-India partnership is of such extraordinary importance for the United States and one that will, I believe, shape the future of geo-politics and –economics in the 21<sup>st</sup> century.

Mr. Chairman, as we reflect on the ambitious trajectory of this important relationship, one must give credit to the previous administrations in the United States and India, and to the U.S. Congress, for setting us on this path. The historic U.S.–India Civil Nuclear Agreement of 2008, signed by President Bush and Prime Minister Singh, and passed with bipartisan support in

Congress, not only made possible civil nuclear cooperation between the United States and India, but laid a foundation on which we have built a strategic partnership that has made both countries safer and more prosperous.

The U.S.–India Strategic Dialogue, launched by Secretary Clinton in 2009, has expanded dramatically in the past seven years and now includes high-level bilateral dialogues and working groups spanning policy planning, global leadership, finance and economics, commerce, transportation, aviation, space, climate change, maritime security, energy security, infrastructure, cyber policy, defense policy, political-military relations, homeland security, the oceans, East Asia, Africa, the Middle East, and the United Nations. There was no hyperbole in Secretary Kerry’s statement last year that “we may do more with India – on a government-to-government basis, than with any other nation.”

The impressive bilateral architecture of the U.S.–India partnership reflects the investment both countries have made in building ties between our people, our industries, our governments, and our security establishments. It has created a platform for an unprecedented level of cooperation meant to grow our respective economies and make our citizens more secure.

India represents a key part of the Administration’s Asia policy. To be sure, India’s Act East strategy and the U.S. Rebalance to Asia are complementary and mutually reinforcing, promising to bring greater security and prosperity to the Indo-Pacific region. And at a time of new challenges from both state- and non-state actors to the modern international rules-based order, India has increasingly taken a strong stand in defending a system that has sustained global security and prosperity for over seven decades.

Nowhere is this expressed more clearly than in our Joint Strategic Vision for the Asia Pacific and Indian Ocean Region, issued by President Obama and Prime Minister Modi last year, which enshrined our mutual commitment to safeguarding maritime security and ensuring freedom of navigation and overflight throughout the region, including in the South China Sea.

And India has provided the world with an excellent model of how a large power can peacefully resolve territorial and maritime disputes with its smaller neighbors. By accepting the results of international arbitration on disputed maritime claims in the Bay of Bengal, India – along with Bangladesh and Burma – created a template for others to follow.

Taken together, it is clear that a strong and long-term strategic partnership with India is the best way we can ensure open and secure access to the global commons across the Indo-Pacific and beyond.

## **Economic Relations**

Yet, for India to be a strong and capable strategic partner, it must have the economic strength to back up its growing global leadership. Our fast-growing economic partnership is based on the understanding that deepening the trade and commercial ties between our two countries will advance opportunity and prosperity for both of our peoples.

Growing commercial ties will empower India's young and inventive workforce, contributing to regional prosperity, globally-significant innovation, and sustainable development of India's cities – over 60 of which boast more than 1 million citizens. And growing trade between our nations will create more jobs in the United States and offer U.S. firms access to one of the most important foreign markets of this century.

And the economic data supports this premise. Bilateral trade in goods and services has expanded from \$60 billion in 2009 to over \$107 billion in 2015. U.S. exports to India increased by nearly 50% over the same period, supporting more than 180,000 U.S. jobs. While many trade barriers still remain, agricultural exports, in particular, have grown substantially and almost quadrupled in value over the past decade, reaching an all-time high last year.

Indian foreign direct investment (FDI) in the United States nearly tripled between 2009 and 2014 – making it the fourth-fastest growing source of FDI into the United States – and U.S. FDI in India increased by nearly 30 percent over the same period. Last year, U.S. investors' stakes in Indian equities surpassed those in Chinese equities for the first time, rising to \$12 billion.

Today, well over 500 U.S. companies are active in India, a country whose middle class could grow to half a billion people in the next 15 years. American companies have focused their investments on the opportunities that a growing India represents for the future of their businesses.

Companies like Corning, which built a new factory there in 2013 – and Ford, whose 460-acre plant was created with a \$1 billion investment – will be positioned to access not only the vast Indian market, but will use these platforms to grow their exports across Asia and the Indo-Pacific region.

As India seeks to build the infrastructure to power its economy, it is looking directly to the United States to attract the technology and private capital it needs. A McKinsey report from 2010 concluded that approximately 70 to 80 percent of the infrastructure of the India of 2030 has yet to be built. This represents a tremendous opportunity for American companies with infrastructure expertise.

For example, General Electric was awarded a deal worth \$2.6 billion to provide India's railways with 1,000 locomotives. That is the largest deal in GE's 100-year history in India, and marks a doubling of the company's investment there in just the last five years.

And we are working actively to find new commercial opportunities: the Department of Commerce, for example, is supporting work by the Harvard Business School and the Ahmedabad Institute of Management to better enable U.S. companies to identify markets in India for exports of products and services, by developing a cluster map compatible with our current, U.S.-based cluster map. By making more efficient and data-driven investment and business decisions, our companies and regions will be more competitive in developing export strategies that maximize benefit.

We are also working to bring more Indian investment to the United States. More than 200 Indian companies now have operations here, up from just 85 about a decade ago. According to a study released last year by the Confederation of Indian Industries, just 100 of those companies have together invested more than \$15 billion in the United States, supporting over 90,000 jobs, and 84 percent of those companies plan to invest more here in the next five years.

And through a partnership with diaspora entrepreneurs in Silicon Valley, the Department of Commerce's SelectUSA initiative will help Indian entrepreneurs get the data and support they need to expand their operations in the United States, bringing more innovation, jobs, and prosperity here at home.

Despite these gains, there is still much to be done to get two-way trade much closer to its potential. While India's business climate has improved - India climbed four places on the World Bank's Ease of Doing Business survey last year - our companies still struggle with an over-burdened and inefficient legal system for adjudicating commercial disputes and with a variable - and at times inconsistent - regulatory environment and tax code.

Among steps India can take to attract more companies would be to negotiate a high-standard bilateral investment treaty (BIT) with the United States, which would send an important signal to U.S. investors that India is not only open for business, but also open to liberalizing its trade and investment practices. And while India has made some progress in improving the ease of doing business, its economy cannot achieve its full potential without strengthening the protection of intellectual property rights and creating a more transparent and predictable regulatory and tax regime. While these issues are some of the most challenging in our relationship, they are also some of the most important for both countries to get right.

It is for these reasons - both the remaining challenges and the bright opportunities - that we have elevated our commercial relationship by expanding our annual U.S.-India Strategic Dialogue to include a commercial component. We are using the S&CD - as it is now called - to expand our commercial engagement in four areas: ease of doing business, standards, infrastructure, and innovation and entrepreneurship. One of the key private sector vehicles informing the S&CD is the U.S.-India CEO Forum. In addition, the Trade Policy Forum, the U.S.-India Economic and Financial Partnership, and myriad other working groups address these commercial and economic issues, as well as chart an ambitious future for our bilateral economic ties.

## **Defense and Security Relations**

Of all the areas that define the future and help frame the stakes for a strong U.S.-India partnership, none is more prescient and important in my opinion than our defense and security ties. Without ensuring the safety and security of our democracies, the other areas of cutting-edge cooperation would simply not be possible.

Our defense and security partnership with India is critically important to securing U.S. interests in Asia and across the Indo-Pacific region. Former Defense Secretary Leon Panetta noted several years ago that India is a "lynchpin" of the U.S. Rebalance to Asia. And it is no surprise

that Secretary Carter refers to the U.S.-India defense partnership as “an anchor of global security.”

India now conducts more military exercises with the United States than with any of the other 23 countries that it holds bilateral exercises with. These military exercises have grown not just in number, but also in complexity. Our bilateral army exercise “Yudh Abhyas,” for example, has evolved from a squad- and platoon-level exercise to the company- and battalion-level. Our annual naval exercise, MALABAR, last year mobilized over 8,000 personnel, including a U.S. Carrier Strike Group, U.S. and Indian submarines, and P-8 surveillance planes. Reflecting our close cooperation, we now also welcome Japan as a regular participant in the MALABAR exercise.

The benefits of our enhanced coordination were on display during relief operations after the tragic earthquake that struck Nepal last year, when the U.S. and Indian militaries jointly worked together to rescue stranded civilians and deliver badly needed food, water, and shelter to those affected by the disaster. And last year, our two countries signed a renewed 10-year Defense Framework Agreement, which will provide new avenues for strengthening cooperation between our militaries. We’re also now working with India to jointly train peacekeepers in African countries.

And, as you probably read after Secretary Carter’s recent visit to India, we are moving toward concluding a logistics exchange memorandum of understanding, which would allow our armed forces to use each other’s bases for resupply and repair. We are hopeful that the successful conclusion of this agreement will lead to progress on the remaining foundational agreements and allow greater interoperability in our militaries, so that we can go from joint exercises to coordinated operations in the Indian Ocean.

In recent years, the United States has become one of India’s largest defense suppliers, totaling nearly \$14 billion and up from less than \$300 million eight years ago. These sales include C-130 and C-17 transport planes, Poseidon (P-8) maritime reconnaissance aircraft, and Apache attack and Chinook heavy-lift helicopters. The deal for those helicopters was just finalized last September and will support thousands of American jobs. These deals not only increase interoperability between our armed forces, they also help buttress the growing economic ties through partnership and cooperation between our nations.

To that end, in 2012 we launched the Defense Technology and Trade Initiative (DTTI), which includes the joint development and production of new defense products. We also have DTTI working groups on jet engine technology and aircraft carrier development. The carrier working group marks the first time the United States has lent support to another country’s indigenous carrier development program, and we hope to see a day in the not-too-distant future when the U.S. and Indian navies – including aircraft carriers – operate side-by-side to promote maritime security and protect freedom of navigation for all nations.

The Maritime Security Dialogue provides an important channel to discuss such cooperation – it was launched under the auspices of our Joint Strategic Vision and met for the first time this

month, co-led by the Departments of Defense and State. All of these efforts are built toward enabling India to become a net provider of security in the Indian Ocean region and beyond.

We have also expanded our cooperation with India to combat terrorism and violent extremism, and continue to work toward finalizing a bilateral agreement to exchange intelligence and terrorist watch-list information. This cooperation, which includes regular trainings through the State Department's Anti-Terrorism Assistance program, as well as joint sponsorship of terrorist designations at the United Nations, has made both our nations more secure.

## **Energy and Environment**

In addition to our security partnership, the size, scope, and nature of India's energy market will have a profound impact beyond its borders. With over 400 million people without reliable access to electricity, and the needs of a growing economy increasing by the day, the stakes for India's widespread adoption of clean energy technology have never been greater.

What some people may not realize is that how India chooses to fuel its growth will have enormous, transformational effects on the health, well-being, and sustainable growth of the country, of the Indo-Pacific, and the entire globe. India does not have to choose between growth and sustainability – Secretary Kerry often says that the development, scaling, and adoption of clean energy technology represents a “multi-trillion dollar” business opportunity.

This is why many leaders in both our countries have posited that our cooperation on energy and environment can have dramatic consequences for how global growth is supported in the coming decades. And our energy ties are reflecting this. For instance, this year saw the first shipment to India of U.S. liquefied natural gas (LNG), providing more of a low-carbon alternative to oil and coal for powering India's economic rise.

India is also looking to increase its civilian nuclear power capacity, and we are confident that U.S.-built nuclear reactors will contribute to that effort. We are very encouraged by the progress made over the last year. In particular, India ratified the Convention on Supplementary Compensation for Nuclear Damage (CSC), which was an important step toward creating a global nuclear liability regime.

Now it is up to individual companies – and our leading U.S. firms can count on our support – to help ink contractual agreements that will bring civil-nuclear power to India. As President Obama has stated, we are hopeful that this year will see deals for U.S. companies to build new reactors, providing clean, reliable energy that can support the needs of megacities on the scale of Mumbai or Delhi, even on the hottest day. I am confident we will see progress on this critical part of our partnership soon.

Clean and renewable energy is where our cooperation can have the greatest effect, and where many of our efforts are focused, including joint research and development, supporting early stage innovative technologies, and exploring new approaches to clean energy financing and mobilizing private sector funding.

Our Partnership to Advance Clean Energy (PACE), which was launched in 2009 and expanded in 2015, now includes cooperation on smart grids and energy storage in addition to solar, biofuels, and building efficiency. Super-efficient air conditioners alone have the potential to offset the need for over 100 power plants by the year 2030.

We are also working together through the Clean Energy Ministerial and Mission Innovation – a global clean energy R&D initiative – to accelerate the research, development, and adoption of clean energy technologies. Since 2009, we’ve helped mobilize more than \$2.5 billion to develop clean energy solutions in India. These investments have demonstrated the promise and potential of renewable energy in the country, and it now has some of the most ambitious renewable energy goals in the world – 175 gigawatts of capacity by 2022, including 100 gigawatts of solar.

India is also playing a more prominent role in combatting global climate change. India’s leadership was essential to the successful conclusion of the COP21 negotiations in Paris. Through the U.S.-India Climate Change Working Group, initiated in 2014, we’re expanding cooperation on issues like adaptation, forestry, and air quality.

Our joint U.S.-India space collaboration includes a bilateral expansion of cooperative satellite-based Earth observation efforts to support regional and global goals. This space cooperation between the U.S. civil space agencies: the National Oceanic and Atmospheric Administration (NOAA), the National Aeronautics and Space Administration, the U.S. Geological Survey, and the Indian Space Research Organization includes joint work on satellite missions that will help the international community better understand the connections between climate change and natural disasters as well as provide weather observations in near real-time to the global forecasting community.

In addition, since 2008, NOAA and India's Ministry of Earth Science have collaborated on research projects to monitor climate patterns in the Indian Ocean and better forecast tropical cyclones and monsoons.

And at the sub-national level, some Indian states have opened lines of communication with California on reducing carbon emissions and improving air quality, and we are working to increase engagement between other states and cities in the U.S. and India.

## **Conclusion**

Underpinning all elements of our relationship are our people-to-people ties, which have grown stronger than ever throughout this Administration. Our efforts to promote tourism have paid off handsomely, with the number of Indian visitors to the United States going from less than 550,000 in 2009 to over 960,000 in 2014, while their spending nearly tripled over the same period, to \$9.5 billion.

The number of Indian students studying in the United States increased over 30 percent from 2009 to 2015, reaching over 130,000 and bringing an estimated \$3.6 billion into the U.S. economy. The Fulbright-Nehru exchange program, which builds life-long bridges among our young scholars and academics, has tripled in size since 2009. And through the Indo-U.S. 21<sup>st</sup>

Century Knowledge Initiative, launched in 2012, we have built 32 new partnerships between our institutes of higher education, ranging from efforts to improve mental health care to developing more sustainable aquaculture systems.

Overall, our long-running U.S. government exchange programs have graduated over 15,000 alumni from India, including six current and former heads of state, 35 members of parliament, 11 chief ministers, and other leaders in business, civil society, academia, and the arts.

In his speech last year at Siri Fort, New Delhi, President Obama said that “our nations are strongest when we uphold the equality of all our people”. To build that strength, we have a range of dialogues, engagements, and private conversations about human rights with India’s government. Our U.S.-India Global Issues Forum, led earlier this year by Under Secretary of State Sarah Sewall, focused on a wide range of issues including transparency and governance, countering violent extremism, migration and refugees, trafficking, and LGBTI rights. Our Ambassador-at-Large to Monitor and Combat Trafficking in Persons, Susan Coppedge, just returned from India, where she had a fruitful exchange with the government on how it combats trafficking, and also shared U.S. efforts on prosecution, protection, and prevention. And we are always looking for new ways to partner with India to advance human rights, strengthen democratic institutions, and support societies that are more inclusive, secular, and tolerant.

Taken together, the progress we have made over the past eight years in our strategic, economic, defense and security, and energy and environment ties has truly ushered in a new era of relations between the United States and India, strengthening the foundation of a partnership that will help ensure that the Indo-Pacific region and the world is a more peaceful and prosperous place. Thank you and I look forward to your questions.



Statement before the Senate Committee on Foreign Relations

# U.S.-India Relations: Balancing Progress and Managing Expectations

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Tuesday, May 24, 2016

*The American Enterprise Institute for Public Policy Research (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed in this testimony are those of the author.*

Chairman Corker, Ranking Member Cardin, members of the committee, thank you for this opportunity to testify before the committee on “U.S.-India Relations: Balancing Progress and Managing Expectations.” I am Sadanand Dhume, a resident fellow at the American Enterprise Institute, a non-profit, non-partisan public policy research organization based in Washington, DC. My comments today are my own and do not necessarily reflect the views of AEI.

Over the past two decades, both Democratic and Republican administrations have pursued closer relations with India. A strong bipartisan consensus in Congress has boosted this effort to build ties with the world’s most populous democracy. At a time of great flux in Asia, India occupies a pivotal place in the region, wedged between a rapidly rising China and the turmoil of Afghanistan and Pakistan. U.S. hopes of fostering peace and prosperity in Asia—and of preventing any single power from dominating this region—rest in no small measure on deepening the U.S.-India relationship and supporting ongoing Indian efforts at economic and military modernization.

Prime Minister Narendra Modi’s visit to Washington next month, when he will become the first foreign leader to address a joint session of Congress in 2016, underscores the importance both countries attach to this relationship. This will be Mr. Modi’s second bilateral visit to Washington in less than two years, and his fourth to the U.S. since he took office two years ago. Mr. Modi and President Obama have met seven times in the last two years. This sustained high level engagement, culminating in next month’s visit, presents an opportunity to cement progress made over the past few years and set a platform for the next administration to build upon.

Despite occasional hiccups, U.S.-India ties have witnessed a steady upward trajectory since the late 1990s. India conducts more military exercises with the U.S. than with any other country. Over the past 10 years, total U.S. defense sales to India have grown from \$300 million to approximately \$14 billion. India now has 10 heavy lift C-17s, the largest fleet outside the U.S.

Military exercises are also growing in complexity. Last year, Japan joined the U.S.-India Malabar naval exercises as a permanent member. Since 2012, India has also participated in PACOM’s Rim of the Pacific Exercise (RIMPAC), the world’s largest international maritime warfare exercise. Thanks in large part to the efforts of Defense Secretary Ashton Carter, the Defense Technology and Trade initiative also shows promise as the two countries move toward co-production and co-development on six projects spanning protective clothing for soldiers to aircraft carriers.

In fighting terrorism, too, the U.S. and India face common challenges. But as pluralistic societies they also share experiences of managing the threat. Although it houses the second largest Muslim population in the world, India shows relatively few signs of homegrown radicalization. Barely a few dozen Indian Muslims have signed up to fight for the Islamic State, compared with several thousand from Western Europe.

Economic relations have deepened too, albeit from a modest base. Between 2002 and 2015, bilateral trade in goods and services quintupled from \$21 billion to \$107 billion. Since 2004, U.S. FDI stock in India has more than tripled from \$8 billion to \$28 billion. According to the Confederation of Indian Industry, 100 Indian companies have invested \$15 billion in 35 U.S. states, creating 91,000 jobs. Indian students add \$3.6 billion to the U.S. economy each year. At the same time, the three-million-strong Indian-American population continues to act as a bridge between the two countries.

Nonetheless, neither country should take this continued progress for granted. For one, recent gains notwithstanding, trade ties remain far below potential. With an annual output of \$2.1 trillion, India is the seventh largest economy in the world. In purchasing power parity terms it is even larger—a \$8 trillion economy, or the world’s third largest. Yet, in 2015, with trade in goods of \$66.7 billion, India was only the U.S.’s tenth largest trading partner in goods, ranked below smaller economies such as Taiwan and South Korea. Without a deeper trade relationship, and an India more deeply integrated into the global economy, the relationship risks remaining unsustainably lopsided toward shared geopolitical and security concerns.

The U.S. should also recognize that India’s history and domestic politics preclude it from becoming a formal U.S. ally such as Japan or South Korea. Keeping expectations sober will ensure that ties remain on even keel rather than careening between unrealistic ambition and ensuing disappointment. At its heart, the U.S. bet on India represents the hope that a large democratic, pluralistic country, rooted in common law traditions, and home to an English-speaking elite, will succeed in Asia. At the same time, however, U.S. interest in India’s future carries implicit expectations: of economic reforms and a continued adherence to democratic values including pluralism, freedom of speech and human rights.

In the absence of a formal alliance, the robustness of India’s economy, strength of its military and quality of its democracy naturally become proxies for the health of the U.S.-India relationship, and the amount of policy attention New Delhi can sustainably attract from Washington. For this relationship to fulfill its potential, the U.S. ought to continue to take the long view, as it has during much of the past two decades, by playing a part in helping India fulfill its own aspirations. At the same time, India must recognize that the sustainability of U.S. commitment to its rise rests in large part on the success of the so-called “India model.” This will require not just continued strategic engagement with the U.S., but also continued reforms to make India a more competitive economy.

**Key policy recommendations:**

\*Asia-Pacific Economic Cooperation: Back India for full membership in APEC as a step toward eventual inclusion in the Trans-Pacific Partnership.

\*Seize new economic opportunities: The Modi government’s landmark economic initiatives in digital technology, renewable energy and urban infrastructure provide opportunities for U.S. firms to boost trade and deepen economic ties with India.

\*Enhance technology sharing: Make technology-sharing processes with India easier in order to assist its ongoing military modernization.

\*Champion sound economic principles: Instead of focusing solely on specific firms or areas of the economy, the U.S. should broadly support the principles of free enterprise that will allow India to unlock its economic potential.

### **Background:**

*Economic policy: India's tryst with socialism*

India bears the harmful legacy of past mistakes that have not been fully acknowledged, and therefore not fully repudiated. India's first prime minister, Jawaharlal Nehru, was a Fabian socialist who was contemptuous of markets, mistrustful of trade and enamored of state planning.

Nehru's daughter, Indira Gandhi turned the crude license-permit system she inherited from her father into a refined instrument of economic torture. In her time, the marginal tax rate rose to 97 percent and, thanks to the infamous license-permit raj even the most routine economic decisions, such as where to build a factory or how much it could produce, were made by bureaucrats. These policies, no more successful in India than anywhere else, guaranteed decades of stagnation and inspired the disparaging economic moniker, "Hindu rate of growth."

Between them, Nehru and Gandhi ruled India for all but four of its first 37 years of independence. They created a political discourse on the economy centered on government intervention that has not been fully overcome to this day.

Between independence in 1947 and the advent of economic reforms in 1991, India was one of Asia's worst performing economies. In the first three decades after independence (1947-77), despite a low base, the Indian economy grew at an anemic annual average of 3.5 percent. In 1964, the average Indian was about three-fourths as rich as the average South Korean. By 1984, the average South Korean was four times richer than the average Indian.

Only in 1991, faced with a balance-of-payments crisis, did India embark upon economic reforms. Then prime minister P. V. Narasimha Rao proceeded to scrap most licensing programs, reduce tariffs, and open the door to foreign investment. Almost as if on cue, growth rates, exports, and foreign-exchange reserves began to rise, and India joined a larger club of fast-growing Asian economies.

Since then, India's reform program has deepened, albeit in fits and starts. A new telecom policy led to India's mobile phone revolution. India currently has one billion mobile phone subscribers, the second highest number in the world. Competitive private firms have changed the face of Indian telecoms and aviation, and have made inroads in banking.

Between 1991 and 2014, the Indian economy grew on average at 6.6 percent per year. However, the reform process lost steam after 2004, when a left-of-center government took power. Though the economy continued to grow—buoyed by healthy global conditions and reforms unfurled before 2004—ultimately the lack of fresh reforms caught up with India. According to the World

Bank, growth fell from a high of 10.3 percent in 2010 to 5.1 percent in 2012. By the end of 2013, with the stock market falling and the rupee hitting historic lows against the dollar, India had come to be seen as one of the world's "fragile five" economies.

Though India's economy is large in absolute terms, it has failed to live up to its potential. Per capita income of \$5,700 (in PPP terms) is less than half that of China, though both countries had similar levels of per capita income barely 35 years ago. With a median age of 27, India is one of the youngest large countries in the world. In order to provide jobs to the 12 million people who enter the workforce each year, New Delhi will have to significantly deepen an economic reform program first embarked upon 25 years ago, but that has lost steam over much of the past decade.

Currently, the IMF regards India as "a bright spot" in the global economy. But today's generation of reformers faces essentially the same challenges as its predecessors: to complete India's transformation from a state-dominated economy to a market-oriented economy.

### *Foreign Policy: The legacy of non-alignment*

Through most of the Cold War, U.S.-India ties were frosty. Indeed, India largely took a parallel approach to economics and international politics. Nehru spearheaded the non-aligned movement (NAM): an alliance of third-world countries whose aim—as the 1979 Havana Declaration would later summarize—was to protect "the national independence, sovereignty, territorial integrity, and security" of its members in their joint "struggle against imperialism, colonialism, neo-colonialism, racism, Zionism, and all forms of foreign aggression, occupation, domination, interference, or hegemony, as well as against great-power and bloc politics."

In theory, the NAM was intended to keep New Delhi independent of both Moscow and Washington. In practice, beginning with India's failure to condemn the Soviet Union's 1956 invasion of Hungary, both the movement's worldview and its rhetoric tilted conspicuously toward the Kremlin. This, along with the stark Dullesian division of the world into friend or foe, helps explain the frigid state of U.S.-India relations for many years, and the contrasting warmth of the U.S. embrace of a pliant Pakistan.

Though the nonaligned movement still exists in theory, in practice the end of the Cold War, and the emergence of the U.S. as the sole superpower, ended its relevance. Changes in attitudes toward the West have accompanied the opening of India's economy. Patient diplomacy and family ties forged by immigration have also played a part. Today Indians are among the most pro-American people in Asia. A Pew Research Center survey of "global attitudes" last year found that seven in ten Indians hold a favorable view of the United States.

Like their counterparts in the U.S., most major Indian political parties share a broad consensus on the importance of deeper ties with Washington. Since the end of the Cold War, both the ruling right-of-center Bharatiya Janata Party and the opposition Congress Party have recognized the central role the U.S. will play in India's modernization. Nonetheless, of the two major parties, the BJP has traditionally felt less constrained by the legacy of nonalignment. This gives it greater room to pursue rapid strategic convergence with the U.S.

## **The rise of Narendra Modi**

After a period of pronounced drift in India between 2011-14, the election of Mr. Modi as prime minister in 2014, with the first single party electoral majority in 30 years, raised hopes that New Delhi would return emphatically to the path of greater global engagement as well as structural economic reform. Despite a few mishaps, Mr. Modi's foreign policy is widely regarded as astute and imaginative. On his watch, India's relations with the U.S., Japan and Israel have thrived, as they have with important neighbors such as Sri Lanka and Bangladesh. The prime minister has rightly made the U.S. the centerpiece of his foreign policy, though, as with past Indian leaders, this has not meant forswearing the pursuit of better ties with other important powers.

However, on the economy, the single biggest determinant of India's trajectory, Mr. Modi's record is mixed. On the campaign trail two years ago, Mr. Modi painted his vision for the economy through slogans such as: "minimum government, maximum governance," "red carpet, not red tape," and "the government has no business being in business." His record as the dynamic and business-friendly chief minister (the Indian equivalent of governor) of the industrialized western state of Gujarat (2001-14) also raised hopes among investors and commentators that he would swiftly implement the kind of far-reaching reforms that had long been discussed, but had nonetheless eluded India over the past decade.

So far, the Modi government has proceeded cautiously on reforms, preferring what it calls "creative incrementalism" to so-called "big bang reforms."

On the positive side, the government has rolled out the proverbial red carpet for investors, with the prime minister himself acting as India's chief pitchman. Foreign investment caps have been eased in, among other areas, defense, insurance and food processing. According to the United Nations Conference on Trade and Development, \$59 billion of FDI poured into India in 2015, nearly twice as much as the year before. In the same period, pledged greenfield FDI—proposed investments in new assets rather than existing ones—in India was the highest in the world at \$63 billion. Several high profile firms including Taiwan's Foxconn and South Korea's Posco have pledged billions of dollars of fresh investment in India. Large U.S. investors include General Electric, General Motors, Uber and Oracle. India is trying to woo Apple to set up a manufacturing plant.

The IMF expects India's GDP to grow at 7.5 percent this year, which would make it the world's fastest growing major economy. The government also intends to boost infrastructure spending to \$32 billion dollars this year, a 22.5 percent increase from the previous year, in order to upgrade India's roads, ports and railways. Despite stepped-up government spending, Finance Minister Arun Jaitley expects to keep India's fiscal deficit in check at a reasonable 3.5 percent of GDP next year.

The government also hopes to end harassment by tax officials by simplifying rules. This is part of a larger effort to improve India's Ease of Doing Business ranking, which despite government efforts to improve it, is currently an unimpressive 130 of 189 countries surveyed by the World Bank. In May, the government passed a much-awaited bankruptcy law designed to make it easier for firms to shut down. This will likely further boost India's ease of doing business ranking.

However, in terms of deep structural reform, Mr. Modi has either been stymied by the opposition or has himself preferred caution to boldness. Thanks to opposition in the indirectly elected upper house of Parliament, a proposed goods and services tax to stitch India into a common market was not rolled out this April as planned. The opposition has also forced the government to retreat on a proposal to ease land-acquisition norms for industry.

Labor law reform—in effect making it easier for firms to lay off workers during a downturn—has been shunted to the states, but only a handful of them appear interested in pursuing them seriously. A proposed privatization program has stalled. Though the government says it remains committed to privatization, the prime minister has also suggested that he can stem the rot in state-owned companies, and a largely state-owned banking system, simply by picking the right managers. This has not worked in the past; there is no reason to believe that it will change.

Despite holding a comfortable majority in the lower house of Parliament, the Modi government has done nothing to reverse the previous government's worst laws, like an unpopular retroactive tax. Also in force is a government directive that goads companies to channel some of their profits toward social objectives such as reducing child mortality and combating AIDS. In reality, politicians use the provision to “encourage” businessmen to fund their favorite boondoggles.

Mr. Modi has undoubtedly stabilized the economy and perked foreign investor interest. But the jury is still out on his ability to launch India on a path of sustained high growth. The measures he enacts over the remaining three years of his term will determine whether his contribution to the economy will extend beyond better administration to the deeper reforms India needs.

### **What the U.S. can do:**

**Asia-Pacific Economic Cooperation:** *Back India for full membership in APEC as a step toward eventual inclusion in the Trans-Pacific Partnership.*

Founded in 1989, the 21-nation APEC is East Asia's broadest economic grouping and the world's largest trading bloc, accounting for three billion consumers and 44 percent of global trade. In 2010, a decade long moratorium on new members expired, opening the door for India, whose initial application for membership in 1991 was rejected.

The U.S. has welcomed India's interest in joining APEC, but has not backed formal membership. Publicly backing India's candidacy for APEC membership would echo a broad U.S. policy that supports India's rise as a responsible global power. Washington has already supported Indian membership in the G-20, four multilateral nonproliferation regimes, and an expanded United Nations Security Council. In addition, India is already a full member of the East Asian Summit and the ASEAN Regional Forum, and is a dialogue partner with ASEAN.

The case against backing India's entry into APEC hinges on its notoriously obstreperous trade negotiators, who some of their American counterparts hold responsible for helping create a stalemate at the World Trade Organization. They fear that admitting India into APEC will hurt the group's capacity for consensus building and dilute the quality of its trade agreements.

Although these concerns are legitimate, backing India's APEC membership is a low-risk gambit for the United States and carries potentially large rewards. At worst, India complicates the

workings of an already unwieldy body that concludes nonbinding agreements among members. At best, India uses APEC membership as training wheels to prepare it for the more ambitious Trans-Pacific Partnership (TPP), embraces the best practices APEC espouses, invigorates the grouping with new energy, and integrates itself more fully into the global economy.

**Seize new economic opportunities:** *The Modi government's landmark economic initiatives in digital technology, renewable energy and urban infrastructure provide opportunities for U.S. firms to boost trade and deepen economic ties with India.*

India's ongoing economic expansion, spurred by a government that has placed economic development at the heart of its program, opens up new opportunities for U.S. firms, and a chance to boost U.S.-India trade. The U.S. ought to continue efforts to emerge as a significant player—in terms of both business and technology—in Indian efforts to modernize urban infrastructure, enhance digital connectivity and boost the proportion of energy produced by renewable sources such as solar power.

According to the government, India will need to spend up to \$1 trillion over the next few years to upgrade its ports, roads and airports. As part of its “smart cities” project, India has already marked Ajmer in Rajasthan, Allahabad in Uttar Pradesh and Visakhapatnam in Andhra Pradesh as centers for U.S.-India collaboration. The U.S. Trade and Development Agency (USTDA) is involved in planning and providing technical assistance for these cities. A three-company consortium led by AECOM will implement a master plan for Visakhapatnam, the largest city in Andhra Pradesh.

The “Smart Cities” initiative reflects India's ongoing urbanization. Currently only about 32 percent of Indians live in cities, compared to 81 percent of Americans or 54 percent of Chinese. Similarly, Digital India and the Indian bid to build renewable energy capacity add up to a vision of the country's future: increasingly urbanized, networked, and (proportionally) less reliant on fossil fuel. An early U.S. involvement with these initiatives ought to go a long way toward strengthening the weakest link in bilateral relationship—comparatively weak trade ties.

According to the Telecom Regulatory Authority of India, the country currently has only 325 million Internet subscribers, or 25 percent of the population. The government expects this to rise to 38 percent of the population by the end of 2016. U.S. companies including Google, Facebook, Qualcomm and Microsoft will likely play a critical role in this ongoing modernization. Similarly, India hopes to install 100 Gigawatts of solar energy by 2022 at a cost of \$90 billion. If allowed to compete fairly, U.S. firms such as First Solar and SunPower ought to play a significant role in India's solar power expansion.

**Enhance technology sharing:** *Make technology-sharing processes with India easier in order to assist its ongoing military modernization.*

For decades following India's first nuclear tests in 1974, many Indian policy makers and strategic thinkers viewed U.S.-India relations through a thick web of technology denial spun in response by Washington. With the 2008 U.S.-India civil nuclear deal, as well as subsequent actions by the U.S. government, much of the technology denial regime once put in place to punish India for its nuclear explosions has receded. Nonetheless, both private Indian defense company executives and government officials say they find it easier to obtain high-end defense or dual use technology from Israel, France or Russia than from the United States.

The U.S. has already embarked upon technology sharing with India in multiple respects, most significantly through the Defense Technology and Trade Initiative. This includes six projects, including at least two, on jet engine technology and aircraft carrier technology that hold great promise. The Pentagon's creation of the India Rapid Reaction Cell, its first country-specific cell, should add further momentum in pushing the DTTI forward. If the U.S. and India can get DTTI to work it will automatically bring both countries' militaries closer in terms of interoperability, help India modernize its military more effectively, and ensure that the U.S. cements its place as India's most important defense partner.

**Champion sound economic principles:** *Instead of focusing solely on specific firms or areas of the economy, the U.S. should broadly support the principles of free enterprise that will allow India to unlock its economic potential.*

If economic relations between the U.S. and India are to avoid getting bogged down in minutiae, and are instead to serve U.S. strategic goals in Asia, the U.S. should encourage India to become a more competitive, market-oriented economy for its own sake, even if specific reforms offer no clear payoff for U.S. firms. For instance, India needs better roads, but given the lack of U.S. competitiveness in this area they are unlikely to be built by American firms, though they may at times be built with American equipment.

At the same time, the U.S. should aim to remain India's top trade partner. Last year, Secretary of State John Kerry reiterated the goal of multiplying U.S.-India trade fivefold, to \$500 billion, over ten years. But beyond just that number, the U.S. should also aim to stay ahead of China in volume of bilateral trade with India. This will likely spur more day-to-day attention to the relationship than a theoretical longer-term target would.

While consistently advocating for U.S. businesses, Washington should not allow individual companies to hijack the agenda. For instance, while India will undoubtedly benefit from opening up its retail market to Walmart and others, this is not necessarily the most pressing economic issue facing the country.

India needs to liberalize its labor and land markets, rationalize expensive food, fuel, and fertilizer subsidies, and privatize loss-making state-owned companies. Over time, as India's economy becomes bigger and more outward looking, many of these decisions will likely benefit U.S. companies. But they're important mostly because they will unleash India's own economy, raise the living standards of its people, and give it the wherewithal to fulfill the larger role it seeks on the world stage. Though the U.S. cannot make policy for India, it can certainly provide assistance to would-be Indian reformers who look to it for ideas and expertise.

# U.S. Relations With India

Prepared statement by

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Before the

**Committee on Foreign Relations**

*United States Senate  
2nd Session, 114th Congress*

## Hearing on “U.S.-India Relations: Balancing Progress and Managing Expectations”

Chairman Corker, Ranking Member Cardin, and Members of the Committee,

Thank you very much for the invitation to appear before you on U.S. relations with India. I am honored to serve as a witness in this hearing on U.S.-India relations, and commend the committee for holding it. India does not always receive the attention it should as a rising power and close U.S. partner. I shared in advance with the committee a recent Council on Foreign Relations (CFR) Independent Task Force report, for which I served as project director, which addresses many of the issues you wish to explore in some detail. I respectfully request that the report be submitted for the record. My testimony here draws extensively from the Task Force report’s findings and recommendations, and from my work on a book about India’s rise on the world stage.

In two weeks, India’s prime minister, Narendra Modi, will return to the United States for a working visit, and will address a joint meeting of the U.S. Congress. With his upcoming visit in mind, I will touch briefly on several areas of importance to our bilateral relations. First, we have come a long way since the twentieth-century years of estrangement. Reflecting on the changed nature of U.S.-India ties during a recent

symposium, former U.S. Ambassador to India Frank G. Wisner noted that back in 1994, prior to his departure for India, the only subject of strategic significance discussed was a “dispute over almond trade.”<sup>1</sup> The United States and India were divided over nonproliferation, economic ties were weak, and India’s strongest defense relationship was with Russia.

Every aspect of the U.S.-India relationship has changed dramatically. The civil-nuclear agreement helped overcome what had been the single most divisive issue between both countries for more than thirty years. While its full commercial development remains incomplete, the civil-nuclear deal has had the effect of bringing India “inside” the nonproliferation tent it spent three decades outside. India has brought its civil-nuclear facilities under International Atomic Energy Agency safeguards, harmonized its own export controls with global nonproliferation regimes, and seeks entry in the Nuclear Suppliers Group, the Missile Technology Control Regime, the Wassenaar Arrangement, and the Australia Group down the line. These steps mark a complete turnaround.

Secondly, our economic ties are no longer confined to almond trade: last year, two-way trade in goods and services reached \$107 billion, a more than fivefold increase over the \$21 billion level of 2002. The U.S.-India Business Council has seen a significant uptick in its membership, now around 450 companies. U.S. technology industries have strong links with India—last week Apple CEO Tim Cook visited India, just as many other U.S. CEOs have done in recent years. Ties among entrepreneurs increasingly bridge both countries, including through the three million-strong Indian diaspora in the United States.

Defense ties have improved markedly. Defense trade has increased from approximately zero to more than \$14 billion in the past decade, and the Defense Trade and Technology Initiative has positioned both countries for coproduction and codevelopment initiatives, a deeper cooperation than a buyer-seller exchange. The tempo of joint exercises keeps both countries continually practicing with each other, and India’s promising indication that a logistics exchange agreement may at last be signed will make cooperation more seamless.

By any measure, when comparing with the past, the snapshot of U.S.-India relations shows great progress. That does not mean we are free of disagreements, or that there isn’t room for further progress. Since this hearing focuses on progress *and* managing expectations, I will offer a few recommendations focused on government-to-government cooperation.

### **The Model for U.S.-India Ties: Think Joint Venture, Not Alliance**

One of the overarching recommendations our Task Force made concerned how we think about what our relationship with India *should* look like. Many Americans see India, the world’s largest democracy, a fast-growing economy, and a nation of great diversity, and see a future in which our shared values will bring both

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countries ever-closer together. That has been taking place, but the shared values of democracy do not always mean that Washington and New Delhi will see eye-to-eye on every matter.

Although the present Indian government does not emphasize nonalignment or its successor term, “strategic autonomy” in the same way its predecessors did, New Delhi’s model for its own foreign relations focuses on the idea that “the world is a family.” India does not seek alliance relationships, seeing them as potential constraints on its freedom of choice. As we in the United States look to advance ties with India, our Task Force recommended, given India’s size, its independence, and what we termed its “class-of-its-own sense of self,” an alternate framework for how we think about our relations with India: the model of a **joint venture**, in the business sense of the word, rather than a not-quite alliance.<sup>2</sup> This model provides more conceptual space to increase cooperation in areas of convergence without assuming agreement or support on matters across the board, as one would typically expect from an alliance. In the words of the Task Force, “Reframing ties with this flexible model will also create conceptual space for the inevitable disagreements without calling into question the basis of the partnership...the expectation will be that divergences inherently exist and, therefore, must be managed.”

### **Economic Ties**

As noted above, U.S.-India trade has crossed the \$100 billion threshold; economic ties have gone from being a weak link to a ballast. Last September, Secretary of Commerce Penny Pritzker noted that U.S. exports to India now “support more than 180,000 American jobs, and India’s exports to our country support roughly 365,000 Indian jobs. U.S. firms employ about 840,000 people in India, while Indian-owned companies employ nearly 44,000 people in our communities.”<sup>3</sup> In the past two years, the Indian government has made progress on reforms such as lifting foreign direct investment (FDI) caps in defense, insurance, a whole host of lower-profile sectors such as courier services, and its efforts to cut red tape have helped bump India’s ranking up in the World Bank’s Ease of Doing Business index to 130 from 142. Two weeks ago India’s parliament passed a major new bankruptcy law. The government has mounted initiatives to extend electrification, build more roads and rail, and modernize ports. Still, labor law reform has proven politically challenging, as has land acquisition reform; both have been devolved to the state level. Parliament has not yet passed an important constitutional amendment to unify India’s states into a national single market through a goods and services tax.

India is poised for growth: growth rates have bounced back from a dip during the 2011 to 2014 period, and are now at an estimated 7.6 percent. India is the fastest-growing major economy in the world given China’s slowdown. India has already become the seventh-largest economy in the world at market exchange rates, according to International Monetary Fund (IMF) data for 2015, bypassing Group of Seven members Canada and Italy, and also Brazil. On a per capita gross domestic product (GDP) basis, however, India’s \$1,688 level ranks it at number 140 in the world, in the bottom third. Economic growth has lifted some 133

million people out of extreme poverty during 2001 to 2011, but 21.3 percent of the population, or around 259 million people, still live below the World Bank benchmark for extreme poverty of \$1.90 per day.<sup>4</sup>

<i>Ten Largest Global Economies, GDP (current prices), 2015 data in USD billions</i>		
<b><i>Rank</i></b>	<b><i>Country</i></b>	<b><i>2015</i></b>
1	United States	17,947
2	China	10,982
3	Japan	4,123
4	Germany	3,357
5	United Kingdom	2,849
6	France	2,421
7	India	2,090
8	Italy	1,815
9	Brazil*	1,772
10	Canada	1,552

*Source: International Monetary Fund World Economic Outlook Database, April 2016 \*staff estimate*

Despite the upswing in economic ties, U.S.-India trade remains well below its potential, representing only a little more than one-tenth of U.S.-China trade in goods, and more on the scale of Taiwan or the Netherlands. In addition, the economic relationship faces some tough differences that will not be easy to resolve. On market access matters, the United States recently won a dispute in the World Trade Organization (WTO) regarding local content requirements in India’s solar energy sector, but India has appealed that decision. Differences over intellectual property rights have been largely resolved in the media and entertainment fields, but remain a concern to U.S. companies, particularly in the pharmaceutical industry. India has its own high-level complaints, especially regarding worker mobility. Two months ago India filed the first step in a WTO dispute over U.S. law governing high-skilled worker visas. This is the first time that an issue of immigration has been disputed under global trade rules, and the outcome of this filing will set a global precedent.<sup>5</sup>

One of the Task Force’s findings, based on India’s economic performance, its potential, and its ambitions, was that **“if India can maintain its current growth rate, let alone attain sustained double digits, it has the potential over the next twenty to thirty years to follow China on the path to becoming another \$10 trillion economy.”** Few countries have such potential, and sustained growth would position India to become a larger proportion of the global economy, contributing more toward global prosperity.

India has its own hurdles to clear internally and its domestic political challenges to economic reform are

something that the United States can do little about. But we have a clear stake in India achieving its ambitions. As our Task Force observed, **“As the Indian economy grows, it has the potential to become increasingly indispensable for global prosperity—becoming an engine of growth for its region and its trading partners, and rising as a source of global investment.”**<sup>6</sup> Given India’s fast-growing importance to the world economy in the aggregate, and to the U.S. economy, the Task Force recommended that the United States **“elevate support for India’s economic growth and its reform process to the highest bilateral priority, committing to ambitious targets for bilateral economic ties along with clear steps to get there.”**<sup>7</sup>

From my perspective, one of the most immediately actionable steps would be for the United States to champion actively India’s candidacy for membership in the Asia-Pacific Economic Cooperation (APEC) forum. India has been waiting for nearly twenty years. APEC is not a binding negotiating forum, but rather a norm-setting organization with a commitment to transparency and continued work to further open trade goals. India would benefit from inclusion in ongoing consultation with Asia-Pacific peers on how the economic region can further trade.<sup>8</sup> Similarly, we should explore Indian membership in the Organization for Economic Cooperation and Development (OECD), which would also open up the possibility for Indian membership in the International Energy Agency. These are important norm-setting and economic information-sharing institutions that at this point should include India—especially since its economy is now far larger than many of its European members.

### **Working with India on Democracy and Human Rights**

The world’s two largest multiethnic, multireligious democracies: India and the United States have much in common in this sense. But we have important tactical differences in approaches to democracy and human rights around the world. I will divide my observations into two types, the first focused on cooperation in other parts of the world, and the second focused on U.S. bilateral dialogue with India.

India was a founding supporter of the United Nations (UN) Democracy Fund, to which it is the second-largest donor after the United States, and has also been a founding supporter of the Community of Democracies. India has been a supporter of and involved with the UN Human Rights Council since its creation. But Indian foreign policy in general, and for decades, has upheld a core principle of nonintervention when it comes to concerns in other countries, and that extends to public comment. It sees issues of democracy and rights as matters of domestic sovereignty. While the Indian government has a great story to tell about its own history as a democracy, it does not seek to proselytize. Rather, it is happy to provide technical assistance if requested. Similarly, as a general principle, India does not typically vote for single-country condemnatory resolutions in the UN and its bodies; Human Rights Watch noted that India abstained from half of all UN Human Rights Council resolutions in 2015, and 40 percent in 2014.<sup>9</sup> A statement from India’s permanent mission to the UN in Geneva in 2014 clarified this preference, explaining

India's interest in strengthening capacities for upholding human rights, while adding that, "highlighting country situations and finger pointing has never proved to be productive.... India strongly believes that the advancement and realisation of human rights can be achieved only through the cooperation and full participation of the concerned States."<sup>10</sup> The few exceptions to this orientation tend to be situations that have an immediate effect on Indian national security, such as with neighboring countries in South Asia, or situations of severe deterioration, such as in Syria by 2012.

In the bilateral discussion between India and the United States, a similar concern over tactics exists. The United States approaches its support for advancing democracy and human rights around the world through private diplomacy as well as through public reports providing a snapshot of problems in countries, including through annual reports to Congress on human rights, international religious freedom, trafficking in persons, and others. With many countries, these reports serve as a gauge to help them focus their efforts. The Indian government, on the other hand, does not view these reports as helpful; they are generally unwelcome and seen as an intrusion upon domestic sovereignty. In March, for example, the Indian embassy released a statement regarding visa denials to commissioners of the U.S. Commission on International Religious Freedom (USCIRF). The embassy's statement said, in part, "We do not see the locus standi of a foreign entity like USCIRF to pass its judgment and comment on the state of Indian citizens' constitutionally protected rights." It went on to welcome the "sharing of experience and best practice on all issues of mutual interest."<sup>11</sup> I would note here as well that while India continues to struggle with rights and discrimination issues, including on the basis of religion, gender, and caste, its active civil society, press, and judiciary serve as constant oversight mechanisms.

These two examples should illustrate where our divergences exist, and what some of the limits are to the usual U.S. template for cooperation. In third countries, we will likely find increased opportunity in technical training on the mechanics of democracy, as our Task Force recommended: "Either in bilateral collaboration with India or by supporting India's technical work with democracy-focused institutions... **the United States should approach India as a frontline partner on technical training and capacity building for democracy around the world.**" India has recently created an Indian International Institute for Democracy and Election Management, which can train officers from anywhere in the world on the lessons learned by the Election Commission of India. On U.S. bilateral concerns about rights issues within India, private diplomacy will go much farther than public rebuke. While our annual public reporting obligations will continue, no one should be surprised to see the Indian government "take no cognizance," as the Ministry of External Affairs said last year in response to USCIRF's report.<sup>12</sup>

Where we can craft an agenda of mutual interest in collaboration with the Indian government, on the other hand, the conversation can go much farther. It is my understanding, for example, that U.S. Ambassador-at-Large to Monitor and Combat Trafficking in Persons Susan Coppedge recently traveled to India for

discussions with the Indian government. The U.S.-India Women’s Empowerment Dialogue, and the Global Issues Forum both provide platforms for consultations. India and the United States will continue to have differences on the best way to discuss rights problems, but we should continue looking for the spaces of agreement to build a larger and more open dialogue. I have also long believed that sharing some of the domestic challenges we struggle with in the United States, some of which have become higher profile over the course of the past two years—such as racial justice and law enforcement—could serve as a helpful basis for a broadened dialogue.

### **Defense and Strategic Partnership with India**

The transformation in defense and strategic ties with India stands as one of the great changes of the past fifteen years. India went from seeing Russia as its primary defense partner to diversifying its suppliers, and from a limited defense relationship with the United States to one in which it exercises more with U.S. forces than with any other country. India recently participated in this year’s Red Flag held in Alaska, took part in the Rim of the Pacific Exercise (RIMPAC) last year, and will do so again this year.

The geostrategic case for stronger defense ties with India is well known. Successive U.S. administrations have viewed a stronger, more capable India as a bulwark of democracy in a volatile region, and as a model across Asia capable of ensuring that no single country dominates the region. India’s military capabilities also increasingly make it a regional first responder for humanitarian assistance and disaster relief, as demonstrated with the Nepal earthquake last year, where it took an immediate leading role. During last year’s humanitarian crisis in Yemen, similarly, India took the lead evacuating not only its own citizens but also many other nationals, including stranded Americans.<sup>13</sup> India has also served as a major donor to Afghanistan, the fifth-largest over the past fifteen years, and has been an important source of humanitarian assistance, infrastructure development, and training for civilian officials and military officers on Indian soil.<sup>14</sup> We **could be doing more with India on civilian security in Afghanistan**, including on training, rule of law, and other areas.

India’s air capabilities acquired from the United States—its C-17s, C-130Js, and P-8is—give it the ability to respond quickly in a disaster (such as sending relief to cyclone-hit Sri Lanka last week), haul supplies over long range, and conduct maritime surveillance in the greater Indian Ocean region. It is building aircraft carriers to augment its fleet of one, and one of the “pathfinder” projects in the U.S.-India Defense Trade and Technology Initiative concerns aircraft carrier technology. As the Task Force observed, defense ties “**have progressed well...but still have much room to grow.**” The Task Force recommended building further on security cooperation, while expanding “**across the entire spectrum. Homeland security and counterterrorism cooperation should receive added emphasis.**”<sup>15</sup>

Having recognized the great steps taken over the past decade, it is also true that U.S. and Indian systems for

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defense cooperation and acquisition are still learning to work with each other's differences. It has taken a long time to work through with Indian colleagues precisely how to approach foundational matters like end use monitoring, resolved in 2009 but not without a political firestorm in India over questions of sovereignty. Following Secretary of Defense Ashton Carter's visit to India, it appears that an approach to logistics support, evolving to a joint "logistics exchange memorandum" according to the Indian press, could be signed soon. Secretary Carter has had the right approach: be patient as the Indian system works through its responses to U.S. templates, and be flexible. A longer path to achieve agreements that take on a shape of their own should be the expectation; long negotiations or extended deliberations should not be interpreted as some kind of failure.

### **Preparing the United States for a More Global India**

As a final reflection, I would urge that members consider ways to better structure the enabling environment in the United States for working with India as a global power. Knowledge and familiarity with the world's rising powers should be an economic preparedness issue for our own country—but our higher education metrics do not reflect this change. In U.S. colleges and universities, India receives far less attention than it should. American students do not study abroad in India at the levels one might expect; they head to the United Kingdom as their top study abroad destination, followed by Italy, Spain, France, China, Germany, Ireland, Costa Rica, Australia, Japan, and South Africa, with India coming in at number twelve, according to the Institute for International Education's Open Doors 2015 report. Nearly twice as many U.S. students head to Costa Rica than opt for a semester abroad in India. Americans do not study Indian languages—and admittedly there are many—at the levels they do for Chinese, or even American Sign Language. Total enrollments in all Indian languages combined account for *less than one-quarter* those of Korean, and a mere fraction of more commonly taught languages (14 percent of Russian, 9.5 percent of Arabic, or 5 percent of Chinese).<sup>16</sup>

U.S. funding mechanisms through the Higher Education Act routinely prioritize numerous other regions, providing greater resources for East Asia, Latin America, Russia and Eastern Europe, the Middle East, and Africa than for South Asia. The Fulbright mechanism has increased exchange between the United States and India for postgraduate and faculty fellowships, as the Indian government now shares the costs (and indeed, now the name: these are now called Fulbright-Nehru fellowships). But as Americans we ought to review more closely the incentive mechanisms to encourage students during their formative undergraduate years to study abroad in India, study a language, and place India on a par with the countries of Europe in terms of U.S. familiarity.

## Recommendations for U.S. policy

- 1. Look to a “joint venture” model as the ideal for U.S.-India partnership.** We will see eye-to-eye in many areas, but not always with others. India is not a U.S. ally and does not seek the implied obligations that an alliance represents. Focus on the opportunities and do not let the differences crowd out or undermine the positive progress.
- 2. Elevate support for India’s economic growth to the highest bilateral priority for the U.S. agenda with India. Steps recommended by the CFR-sponsored Independent Task Force on U.S.-India Relations include**
  - leadership of a global diplomatic effort to support India’s entry into APEC;
  - steps to enhance trade: high-level discussion of bilateral sectoral agreements, such as in services; completion of a bilateral investment treaty; and discussion of a longer-term pathway to a free trade agreement or Indian membership in an expanded Trans-Pacific Partnership as an equivalent;
  - creation of initiatives that respond to Indian interest in domestic reform needs, such as technical advice on market-based approaches to infrastructure financing; shared work with international financial institutions to reprioritize infrastructure financing; continued joint work on science and technology; technical cooperation on regulatory reform, bank restructuring, best practices in manufacturing, labor, supply chain, transportation, and vocational skills training;

In addition to these Task Force recommendations, I would add the necessity of **working comprehensively to integrate India into global economic institutions** such as the OECD and the International Energy Agency.

- 3. Democracy and human rights issues:** Use private diplomatic channels, and have no illusions that our public rebukes will be welcomed. We should not stop being who we are, but be realistic about the responses we will receive. Work to build shared platforms of concern: globally, this likely means a technical focus on democracy training. Bilaterally, this will entail developing specific agendas in dialogue with the Indian government.
- 4. Defense:** Among the most successful areas of partnership, we should build further on progress already made, including on defense and security consultations, defense trade, technology sharing and codevelopment. Homeland security and counterterrorism mark two critical areas where more emphasis could help advance further cooperation.
- 5. Prepare our next generation: Review federal funding incentives to encourage study abroad in India and study of Indian languages.** Higher Education Act incentives place South Asia in the lower half of funding lines. Beyond the Higher Education Act, models to examine include Passport to India, the Boren national security education incentives, and Title VIII funding, which presently provides extra incentives for Russia and Eastern Europe.

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- <sup>1</sup> Frank G. Wisner, “The New Geopolitics of China, India, and Pakistan: Keynote Session” (YouTube video, from a symposium streamed live by the Council on Foreign Relations, May 4, 2016), <https://www.youtube.com/watch?v=cgcBKFVH85Y>.
- <sup>2</sup> Charles R. Kaye, Joseph S. Nye, Jr., and Alyssa Ayres, “Working With a Rising India: A Joint Venture for the New Century,” Independent Task Force Report No. 73 (New York: Council on Foreign Relations Press, November 2015), 29. <http://www.cfr.org/india/working-rising-india/p37233?co=C007301>.
- <sup>3</sup> Secretary of Commerce Penny Pritzker, “U.S. Secretary of Commerce Penny Pritzker Addresses U.S.-India Commercial and Economic Relationship at Carnegie Endowment for International Peace,” September 21, 2015.
- <sup>4</sup> Rakesh Kochhar, “A Global Middle Class Is More Promise Than Reality: From 2001 to 2011, Nearly 700 Million Step Out of Poverty, but Most Only Barely,” Pew Research Center, July 2015.
- <sup>5</sup> See Edward Alden, “India’s Landmark WTO Challenge to US,” *Nikkei Asian Review*, March 15, 2016.
- <sup>6</sup> Kaye, Nye, Jr., and Ayres, “Working With a Rising India,” 15.
- <sup>7</sup> *Ibid.*, 34.
- <sup>8</sup> For a longer discussion of India and APEC, see Alyssa Ayres, “Bringing India Inside the Asian Trade Tent,” Policy Innovation Memorandum No. 46 (New York: Council on Foreign Relations Press, June 2014), <http://www.cfr.org/india/bringing-india-inside-asian-trade-tent/p33173>.
- <sup>9</sup> Human Rights Watch, “Country Datacard, Human Rights Council Voting Record: India,” *VotesCount*, 2015, <http://votescount.hrw.org/page/India>.
- <sup>10</sup> Permanent Mission of India to the United Nations, Geneva, “Statement on Agenda Item 4 General Debate: Human Rights Situation That Requires the Council’s Attention, September 16, 2014” (Government of India, Ministry of External Affairs, September 16, 2014), <http://www.pmindiaun.org/pages.php?id=983>.
- <sup>11</sup> Embassy of India, Washington, DC, “Press Release - In Response to a Media Query on Visa to USCIRF Visit,” March 4, 2016, [https://www.indianembassy.org/press\\_detail.php?nid=2338](https://www.indianembassy.org/press_detail.php?nid=2338).
- <sup>12</sup> Suhasini Haidar, “Govt. Rejects U.S. Panel’s Report on Religious Freedom,” *The Hindu*, May 1, 2015.
- <sup>13</sup> Ishaan Tharoor, “India Leads Rescue of Foreign Nationals, Including Americans, Trapped in Yemen,” *Washington Post*, April 8, 2015.
- <sup>14</sup> Alyssa Ayres, “Why the United States Should Work With India to Stabilize Afghanistan,” Policy Innovation Memorandum No. 53 (New York: Council on Foreign Relations Press, April 2015), <http://www.cfr.org/afghanistan/why-united-states-should-work-india-stabilize-afghanistan/p36414>.
- <sup>15</sup> Kaye, Nye, Jr., and Ayres, “Working With a Rising India,” 41.
- <sup>16</sup> Data from the Modern Language Association’s enrollments survey database, [https://apps.mla.org/flsurvey\\_search](https://apps.mla.org/flsurvey_search). For the most recent MLA survey report, see David Goldberg, Dennis Looney, and Natalia Lusin, “Enrollments in Languages Other Than English in United States Institutions of Higher Education, Fall 2013,” MLA Quadrennial Language Enrollments Survey (New York: Modern Language Association, February 2015).