

LECTURE

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An Opportunity to Reenergize U.S.–India Relations

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Abstract

The Bharatiya Janata Party (BJP) government's assumption of power offers an opportunity to reinvigorate U.S.–India ties and for the two countries to work together for mutual benefit in such areas as defense, security, trade, and counterterrorism. Many argue that the Obama Administration will be too distracted with other foreign policy challenges to focus on the relationship with India, but the reality is that the two countries need each other to cope with global challenges, especially when it comes to international terrorism and maintaining a stable balance of power in the Asia–Pacific region. Both sides should seek to deepen their interactions and cooperation in a purposeful manner while learning to manage day-to-day irritants that almost certainly will arise.

If ever there were a time to expect U.S.–India relations to improve, many would say it is now. The new Bharatiya Janata Party (BJP) government, led by Prime Minister Narendra Modi, has promised to open the economy to more private investment, improve the gross domestic product (GDP) growth rate, create jobs for the rapidly growing youth population, and quicken the pace of India's defense modernization.

If the new government sticks to this agenda, it will present numerous opportunities for expanded Indo–U.S. cooperation on a range of issues. New Delhi and Washington share similar strategic objectives, whether they involve countering terrorism, maintaining open and free seaways throughout the Indo–Pacific region, or hedging against China's rise.

KEY POINTS

- New Delhi and Washington share many strategic objectives, including countering terrorism, maintaining open and free seaways throughout the Indo–Pacific region, and hedging against China's rise.
- The U.S.–India relationship may prosper most in the area of defense. The BJP's election manifesto highlighted the need to modernize India's armed forces and fast-track defense purchases.
- Indian strategists recognize that Pakistan poses the most immediate threat, but they increasingly view China as the more significant long-term strategic threat.
- Washington should continue to press for India's membership in the major multilateral nonproliferation groupings such as the Nuclear Suppliers Group and the Missile Technology Control Regime.
- India will have to find a way to balance its desire to expand economic opportunity for all Indians while projecting strength outside its borders and managing tensions with Pakistan and China.

This paper, in its entirety, can be found at <http://report.heritage.org/hl1252>

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U.S. Secretary of State John Kerry made clear during his recent visit to India that Prime Minister Modi will receive a warm reception when he visits Washington in September. The U.S.–India joint statement issued after the fifth round of Strategic Dialogue talks detailed an ambitious agenda to take the relationship to the next level.

Before the end of the year, for example, they are committed to holding a meeting of the Counterterrorism Joint Working Group, ministerial-level Homeland Security and Trade Policy Forum dialogues, and a CEOs Forum, as well as the next round of the High Technology Cooperation Group. The U.S. also will participate for the first time in India's Annual Technology Summit in November.

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It is heartening that both sides are seeking to turn over a new page in relations, but their ability to keep the positive momentum going is already being tested. India's position at the World Trade Organization (WTO) trade talks would have been disappointing under any circumstances, but it was especially disheartening coming from the Modi government, which has been projecting an image of India as a dynamic economy open to global trade and investment.

Moving forward, the BJP government will need to show it is genuinely committed to bolstering the private sector and demonstrating leadership in the global trade arena. Modi's track record of making Gujarat one of India's most investor-friendly states inspires confidence that he will prioritize reviving the economy and encouraging private-sector growth. While no one expects miracles overnight, they are looking for signs that the government is committed to a pro-reform and pro-business agenda.

Promise in the Defense Sector

The area in which the U.S.–India relationship may prosper the most is defense. The BJP's election manifesto highlighted the need to modernize India's armed forces and to fast-track defense purchases.

The Modi government has already demonstrated a commitment to the defense sector by raising defense spending 12 percent. The government's commitment to raise foreign direct investment caps in the defense sector to 49 percent is also encouraging. This should provide greater incentive for U.S. defense companies to invest in India and give them a stake in helping India develop its defense industrial base.

U.S. Secretary of Defense Chuck Hagel demonstrated during his recent visit to India that Washington is keen on building defense ties with New Delhi. He said the U.S. is willing to be patient while India considers its security needs, and he further said the U.S. would be respectful of India's concerns regarding its desire for strategic autonomy. These were surely welcome words for Indian officials.

Secretary Hagel also talked about dozens of proposals for India to consider with regard to co-production of defense items and transfer of technology. One of these proposals includes plans to co-produce the Javelin anti-tank missile.

The U.S. Defense Secretary expressed his commitment to the U.S.–India Defense Trade and Technology Initiative. This dialogue was launched in 2012 as a way to break down barriers between the two countries' defense bureaucracies and enhance defense trade and technology exchange.

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The U.S. has signed nearly \$13 billion in defense contracts with India over the past several years, including major deals for military transport aircraft and attack and heavy-lift helicopters. But there have also been setbacks in U.S.–India defense ties. India's decision in 2011 to downselect non-U.S. companies to fill its requirement for 126 fighter aircraft was a major blow for the U.S.

Another problem has been Indian unwillingness to sign U.S. defense technology protection agreements. The U.S. has tried for several years to convince India of the importance of signing these

agreements. Failure to do so prohibits the U.S. from exporting certain high technology.

India's Foreign Policy

Regarding foreign policy, the Modi-led government is expected to pursue a more robust and assertive approach and enhance India's influence and prestige on the global stage.

China. With China, for example, Modi is likely to pursue a multifaceted approach involving improving trade and investment ties while also building up India's strategic and military capabilities to guard against the possibility of Chinese aggression along their disputed borders.

India is responding to the Chinese moves and is seeking to reinforce its own claims in the disputed border areas by augmenting forces and constructing road and rail links along the shared frontiers.

While Indian strategists recognize that Pakistan poses the most immediate threat to India, they increasingly view China as the more significant long-term strategic threat. Modi's call a few months ago for China to abandon its "expansionist attitude" shows the new government is wary of Chinese territorial ambitions, especially in light of the April 2013 border incident in which Chinese troops camped for three weeks several miles inside Indian territory in the Ladakh region of Kashmir.

In recent years, China has increasingly pressured India over their disputed borders by questioning Indian sovereignty over Arunachal Pradesh, stepping up probing operations along different parts of their shared frontier, and building up its military infrastructure in the border areas. Last October, just before Manmohan Singh visited Beijing, the Chinese refused to issue valid visas for two women from Arunachal Pradesh who had been scheduled to compete at a world sporting event. The Chinese move scuttled the signing of a visa liberalization agreement that had been in the works.

India is responding to the Chinese moves and is seeking to reinforce its own claims in the disputed border areas by augmenting forces and construct-

ing road and rail links along the shared frontiers. The BJP election manifesto does not mention China specifically, but it commits to "massive" infrastructure development along their disputed borders in Arunachal Pradesh and Sikkim.

The April 2013 border incident also contributed to the Indian decision to move forward with deployment of a new mountain strike corps on the Chinese border. In July 2013, the Indian Cabinet Committee on Security approved the deployment of a 50,000-strong special mountain strike corps to the eastern sector. This is the first strike corps India has deployed to the Line of Actual Control in 50 years.

Indian officials were initially cautious in their response to the U.S. policy of rebalancing toward the Asia-Pacific, but any Chinese border provocations will almost certainly prompt New Delhi to become more open to the idea of a robust U.S. role in the region. The stage also is set for greater trilateral cooperation between India, Japan, and the U.S. Indeed, the three countries recently held a trilateral naval exercise in the Pacific aimed at enhancing maritime cooperation and interoperability among the three navies.

A major terrorist attack inside India with links to Pakistan could quickly reverse the positive momentum in Indo-Pakistani ties. Having criticized Prime Minister Singh for being too soft on Pakistan, Modi would be under pressure to react strongly.

With India's increasing reliance on energy imports and expanding trade levels, it is inevitable that India will seek to play a more active role in the Asia-Pacific. U.S. officials have given a nod to the potential for Indian power projection and frequently refer to India as a "net provider of security."

Pakistan. Prime Minister Modi sought to create a positive dynamic in relations with Islamabad by inviting Pakistani Prime Minister Nawaz Sharif to his swearing-in ceremony, an unprecedented gesture in the subcontinent. The two countries' foreign secretaries are set to meet on August 25 in Islamabad for the first time in over 18 months.

Still, a major terrorist attack inside India with links to Pakistan could quickly reverse the positive momentum in Indo-Pakistani ties. Having criticized Prime Minister Singh for being too soft on Pakistan, Modi would be under pressure to react strongly in the face of a terrorist provocation.

While Indian strategists recognize that Pakistan poses the most immediate threat to India, they increasingly view China as the more significant long-term strategic threat.

Moreover, there is growing concern about the impact on Indo-Pakistani relations of the international troop drawdown in Afghanistan and whether the Kashmir conflict could reignite. Washington and New Delhi must collaborate closely on Afghanistan and consider more carefully how to work together to prevent a Taliban resurgence.

Nuclear Issues

The nuclear liability issue has remained a stumbling block in Indo-U.S. relations over the past four years. While in opposition, the BJP opposed the nuclear deal and pushed for liability legislation that complicated U.S. companies' ability to invest in civil nuclear projects in India.

Now that the BJP is in power, the U.S. must make a fresh push to resolve the liability issue to help create a level playing field for foreign investors considering investing in India's civil nuclear sector. Without U.S. leadership on the India civil nuclear deal

six years ago at the Nuclear Supplier's Group, India would never have gained access to international civilian nuclear fuel and technology.

In this context, Washington should also continue to press for India's membership in the major multilateral nonproliferation groupings such as the Nuclear Suppliers Group and the Missile Technology Control Regime.

Conclusion

India will have to manage a balancing act as it seeks to expand economic opportunity for all its citizens while projecting strength outside its borders and managing border tensions with Pakistan on one side and China on the other. The BJP's assumption of power offers an opportunity to reinvigorate U.S.-India ties and work together for mutual benefit on areas such as defense, security, trade, and counterterrorism cooperation.

Many argue that the Obama Administration will be too distracted with other foreign policy challenges to focus on its relationship with India, but the reality is that our two countries need each other to cope with these global challenges, especially when it comes to international terrorism and maintaining a stable balance of power in the Asia-Pacific.

The *quality* of the Indo-U.S. relationship matters more than the *quantity* of dialogues. Both sides should seek to deepen their interactions and cooperation in a purposeful manner while learning to manage day-to-day irritants that almost certainly will arise.

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