



Sigur Center for Asian Studies

THE GEORGE WASHINGTON UNIVERSITY

Perspectives on U.S.-India Relations

Expanding ties between the U.S. and India now span the entire spectrum of foreign policy, inevitably giving rise to convergences and divergences. What are some of the biggest challenges and greatest opportunities in U.S.-India relations? The “[Perspectives on U.S.-India Relations](#)” panel, held at the George Washington University on October 5, outlined the contours of the U.S.-India relationship and prospects for its future. The session, sponsored by the Federation of Indian Chambers of Commerce and Industry (FICCI) and hosted by the Sigur Center for Asian Studies, was part of a broader daylong FICCI-GWU Foreign Policy Leadership Workshop introducing a leading group of Indian parliamentarians to U.S. foreign policy on current issues that are of major importance to India. Members of the Indian delegation included:

- **Baijayant “Jay” Panda**, Member of Parliament, Biju Janata Dal Party
- **Gaurav Gogi**, Member of Parliament, Indian National Congress Party
- **Kalvakuntla Kavitha**, Member of Parliament, Telangana Rashtra Samithi Party
- **Jyotiraditya Scindia**, Member of Parliament, Indian National Congress Party
- **Arpita Ghosh**, Member of Parliament, All India Trinamool Congress Party
- **Harshavardhan Neotia**, President Elect, FICCI
- **A. Didar Singh**, Secretary General, FICCI

Speakers on the panel included:

- **Tanvi Madan**, Director, The India Project and Foreign Policy Fellow, Brookings Institution
- **Rick Rossow**, Senior Fellow and Wadhwani Chair in U.S.-India Policy Studies, Center for Strategic and International Studies
- **Dan Twining**, Senior Fellow, Asia, German Marshall Fund
- **Baijayant Panda**, Member of Parliament, BJD Party, India (Commentator)
- **Jonah Blank**, Senior Political Scientist, RAND Corporation (Moderator)

Promising Growth in U.S.-India Relations

The trajectory of U.S.-Indian bilateral relations has changed in recent years in various aspects including official visits, trade, and people-to-people exchanges. The increasing number of official meetings, such as Prime Minister Narendra Modi's recent visit to the White House and the Strategic and Commercial Dialogue, highlight the importance of India in the United States' foreign policy agenda. For U.S. President Barack Obama, a stable relationship with a strong, economically rising India can potentially help his domestic objectives (including economic ones), his rebalance to the Asia-Pacific, as well as his foreign policy goals. It can also be a key legacy accomplishment for him: leaving a strong relationship with India for his successor. On

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India's end, Modi seeks a United States that helps to facilitate his economic goals — faster growth, technology acquisition and co-production, and expanded FDI in infrastructure and manufacturing. The U.S.-India relationship is bolstered by bipartisan support in the United States, in part due to pressure from a large number of constituencies at the state and private levels to further the relationship. In India as well, the BJP and

Congress party-led governments have worked to strengthen the relationship in both rhetoric and deed.

Trade numbers also look promising: total trade amount tripled from 2003 to 2013, from \$24 billion to over \$100 billion. In goods and services, the United States is India's largest trading partner. The defense trade relationship has been a key element of trade cooperation: whereas the United States used to occupy only two percent of India's defense imports from 1993-2003, in 2009-2013, the United States was close to eight percent, the second largest source of defense imports for India. Now, the United States is the largest source of India's defense imports. India also conducts more military exercises with the United States than any other country.

Beyond government and economic relations, people-to-people engagement and travel between the United States and India has also grown. Foreign students from India in the U.S. increased from 40,000 to over 100,000 over the last decade, comprising twenty percent of international students in the United States. A large majority of these students are enrolled in graduate degree programs in the science, technology, engineering, and math fields. Moreover, the Indian diaspora in the United States

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has flourished in the past two decades, providing not only a cultural link to the United States, but also a source of revenue for India. Despite the promising numbers and overall growth in the relationship, several areas of the U.S.-India relationship also present challenges and opportunities for the road ahead.

Prospects for U.S.-India Economic Relations

Under Modi's government, India's economic prospects have experienced positive growth momentum, despite a weak external economic environment. Indeed, the United States and India are bright spots amidst a struggling world economy. This provides a favorable environment for the two countries to strengthen bilateral economic ties. Nonetheless, challenges in the economic relationship abound, including serious

disagreements over intellectual property rights protection, multilateral trade negotiations, U.S. immigration law, and stalled efforts to initiate civil nuclear cooperation, among others. In the United States, business leaders have voiced concern over hurdles to doing business in India including localization barriers to trade and indigenous innovation policies.

Despite the ongoing challenges, the American voice concerning Indian barriers to American trade is hyped, and the overall picture in trade relations is actually positive, according to Rick Rossow. Substantive changes have been made in some areas such as foreign direct investment (FDI) cap removal, where the last quarter in trade saw as much FDI between the two countries as the total amount for the entire year of 2014. Member Of Parliament Bajjayant Panda also pointed out that India has jumped in rankings from 71 last year to 51 this year by the World Economic Forum report for ease of doing business for foreign companies. One possible factor impeding progress in the economic relationship is the United States' lack of outreach to regional and state leaders in India. Understanding the importance of states in India among American policymakers remains limited; very few

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American policymakers visit India at the local or state level. Yet, American businesses say that 70 percent of the approvals they need to do business are made at the state level. Thus, more state-level engagement is needed.

The U.S, India, and Asia

In addition to encouraging India's growth for economic purposes, the U.S. has a huge interest in cooperating with India to shape Asia's regional dynamics, given the importance of Asia in determining the future of the international world order. India's role in deciding the future of Asia is significant,

particularly in light of China's rise. In response to China's push for a "new type of major power relations" and growing Chinese assertiveness (particularly under the leadership of Xi Jinping), many Asian states have responded positively to President Barack Obama's rebalance to Asia – which sees a U.S. interest in helping Asian countries develop while avoiding regional domination by another great power.

Although China's economic and military power is growing, a U.S.-India partnership would make it more difficult for China to challenge American leadership in Asia and the world. For the United States, India is the only Asian country with the weight and scale needed to offset China's power and influence. For India, its potential as a balancer against Beijing's view of how Asia's regional order should play out marks a departure from its historic tendency to stand apart from the U.S. alliance system.

Other Asian countries conclude similarly, and have thus sought to expand their own ties with India. Japan has ramped up relations with India in recent years, pledging closer defense, technological, and economic collaboration for a robust partnership between Asia's wealthiest democracy and its largest one. Both India and Japan share intractable border disputes with China – in Aksai Chin and Arunachal Pradesh for India; in the East China Sea for Japan – and thus see the benefits of partnering to curtail Chinese ambitions in these areas. Economic calculations play a role as well. Prime Minister Modi sees Japanese direct investment in India as part of his plan to move India's sluggish economy along, while Prime Minister Abe sees India's population of 1.2 billion as massive export opportunity for Japan's economic woes. Vietnam has also emerged as a key country for India's growing presence in the South China Sea in part due to energy security concerns and Vietnam's geostrategic importance in maintaining regional balance. A joint statement issued by Prime Ministers Modi and Dung following the latter's visit to India last year included important commitments in five areas:

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defense, South China Sea, energy, trade and investment, and space. In private discussions, the two also agreed to work with Japan in a trilateral format to coordinate positions on security and economic policies.

The strengthening of these particular relationships for India proves beneficial to the United States in that they help institutionalize an architecture that can counter China's growing power. India and the U.S., alongside with other partners like Japan and Vietnam, can cooperate in making this happen. In order for such an opportunity to play out however, several considerations need to be made. First, the U.S. needs to create strategic space for India to enable it to realize its goals in Asia, rather than simply using India as a piece of balance-of-power politics against China; that is to say, an India-U.S. strategic partnership solely based on China is neither desirable nor sustainable. To achieve this end, India and the United States should continue strengthening their broader relationship while simultaneously engaging with Beijing. Additionally, the United States should continue to support the development of India's relationships with its allies and countries in Southeast Asia in a way that is seen as evolving organically, rather than driven by the U.S. The best way to encourage China's peaceful rise is to create a strong and dynamic environment in which China will be dissuaded from taking assertive actions but will be more motivated to become integrated in the regional order. By furthering its cooperation with India, the U.S. can transform the future of Asia.

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The Road Ahead: Delivering Promises

Given the promising growth in U.S.-India relations across many fronts, what comes next for the relationship? In the next few years, the biggest challenge to U.S.-India relations will be delivery: to actually deliver the promises made between the two countries. With limited resources to devote to domestic economic issues and foreign policy with other countries, both India and the United States face the possibility of having less time to devote to the U.S.-India relationship. Inattention to the relationship can also lead to the sense that the other

country is not as important. In India, some have questioned the value of becoming closer with a country they perceive as on the decline. In the United States, support for a strong U.S.-India relationship comes from three camps: those who see India for its economic potential, those who see India as a counterbalance to China, and those who see India as a diverse, developing democracy that could be a partner. A failure to deliver in any of these three areas could lead a sense of unimportance for partners in the relationship, leading people to feeling resigned in progress-making. This conundrum is exacerbated by the fact that many investment returns in the relationship may not manifest until the middle or long term. Overall however, India and the United States have made significant progress in the past several years, and there is much reason for optimism for the future of the bilateral relationship.

By Winnie Nham, Research Manager, Rising Powers Initiative, GWU

About the Sigur Center for Asian Studies

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Sigur Center for Asian Studies
Elliott School of International Affairs
The George Washington University
1957 E St. NW, Suite 503
Washington, DC 20052

TEL 202.994.5886
EMAIL gsigur@gwu.edu
<http://www.gwu.edu/~sigur>