



## INDO- US RELATIONS: A PERSPECTIVE

### Introduction

In the past, the Indo-American relations had been occasionally abrasive and frequently soured by divergent perceptions. Historically, America remained indifferent to India's freedom struggle. When India became independent, the world was largely bipolar, divided in two blocks. India did not join any block or alliance instead; she took a leading position in the Non-Aligned movement, and attempted to pursue even-handed policies with both USA and Soviet Union.

The thrust of much of Indo-USA relation over the cold war years revolved around America's concern with the long term strategic goal of containing soviet expansion across Asia. The United States saw Pakistan as a counter-weight to pro-Soviet India and started giving the former military assistance. Indo-

Soviet twenty year friendship treaty, signed in 1971 further distanced India from USA. The USA-India relationship suffered a considerable setback during the Soviet invasion of Afghanistan when India supported the Soviet Union.

After disintegration of Soviet Union, containing expansion of communism was of no prime concern to

USA. The emergence of new threats in the form of defiant economically strong China and spread of terrorism backed by radical Islam has brought India and USA closer. During this period, India also carried out reappraisal of its foreign policy. Break up of the Soviet Union possibly was a precursor leading to review of relations. Consequent to this, India has improved its diplomatic relations with the members of the NATO particularly the United States, Canada, France and

Germany. In 1992, India established formal diplomatic relations with Israel which has been traditionally close to America and also striving in developing better relations with ASEAN countries and Myanmar. In principle India still continues to remain non-aligned and emphasizes that good relation with one is not at the cost of the other.



### Strategic Partnership

In the past, US expressed concerns on India's nuclear programme and slow pace of economic liberalisation, but today the US views India as a growing world power with which it shares common strategic interests. After September 11 attack in 2001, India supported the



Global War on Terror and shared with US significant information on Al Qaeda and other terror groups in Pakistan and Afghanistan. Thereafter, accepting the futility of sanctions, in late September 2001, President Bush lifted sanctions imposed under the terms of the Nuclear Proliferation Prevention Act 1994 following India's nuclear tests in May 1998. After a meeting between President Bush and Prime Minister Vajpayee in November 2001, concrete cooperation between the two countries increased during 2002 and 2003. In January 2004, the U.S. and India launched the Next Steps in Strategic Partnership (NSSP), which was a blueprint for co-operation. This partnership was further strengthened with President Bush South Asia tour in March 2006 and Nov 2009 visit of PM Manmohan Singh to United States. In July 2009, Secretary of State Hillary Clinton travelled to India to launch the "Strategic Dialogue," which called for collaboration in a number of areas, including energy, climate change, trade, education, and counterterrorism. The inaugural session of the U.S.-India Strategic Dialogue was held from 1 Jun 2010 in Washington, D.C. which showed progress in the U.S. India relationship. Now, that the President Obama is expected to visit India in Nov 2010 during which he will hold discussions with Indian leadership to allay any negative perceptions of US policies. The visit has a potential to take our relationship to next level.

The current Indo US relationship is in consonance with common strategic goals of both countries i.e. tackling Global terror, security concern in the Indian Ocean region, climate change and containing China's challenge among other things. India's pivotal position in South Asia, its location between West Asia and South East Asia as well as its emergence as an economic power places it at a special place in United States calculus toward achieving its strategic goal. India's role has been clearly spelt out both in the Pentagon Quadrennial Review of 2010 and National Security Strategy 2010 and is valued as a hedge by the United States against China's economic and military prominence. This also suits India as China's role figures prominently in her security appreciation. According to Raja Mohan, "convinced that India's influence will stretch beyond its neighbourhood, Bush reconceived the framework of US engagement of India. He had removed many sanctions, opened doors for high-tech cooperation, lent political support to India's own war

on terrorism, ended historical tilt over Kashmir to Pakistan and repositioned US in Sino Indian equation by coming closer to New Delhi."

### Defence Cooperation

India's strategic location in the Indian Ocean, astride the Sea Lanes of Communication (SLOC) linking West Asia and East Asia, makes India attractive to the US military. India has a diversity of terrains, from ice-clad mountains to desert, and this could help US in its military training. She has always recognized Indian military expertise, especially in high-altitude warfare, peacekeeping and in counterinsurgency. The new relationship is mutually beneficial both for India and for the US. While the US has technology and hardware, India is a leading player in the knowledge, economy and has demonstrated its soft power potential.

The defence cooperation commenced with development of the strategic ties after 9/11 attack on the World Trade Centre at New York. Subsequently, in Defence Policy Group meeting held in 2003, India and America agreed to jointly conduct a range of military activities such as specialized training and exercises including air combat training exercises and government to government arms sale. In 2005, India and America signed a new Defence Framework Agreement that would guide Indo American defence relations for next decade and planned to expand defence trade, improve cooperation between the armed forces and co produce military hardware. In March 2006, United States and India reiterated their intention to build durable defence relationship and agreed to pursue the following objectives:-

- Maritime Co-operation to Secure a Maritime Domain.
- Counter Terrorism.
- Military Logistic Support.
- Defence Trade.
- Non Proliferation.

### Trade Ties

India is one of the main trade partners of US. The trade has grown from \$1.3 billions in 2001 to \$38.5 billions in 2009. However, the balance of trade is in favour of USA. On 9 Aug 10, India and US signed a framework for co-operation on trade and investment to further build on bilateral trade that has more than doubled in the past five years. US is looking forward



how India can contribute to US economic recovery and job creation in the US and continued economic growth in India. There is no reason as to why India can not become a trade partner as Japan and China. China's trade is in the region of about \$400 billions in last few years with balance of trade heavily in favour of China. This speaks of high growth potential for India US trade which is in the region of about \$ 40 billions. In 1991, US identified India as one of the emerging market however, a number of factors continue to hamper economic ties between the two countries. US criticizes India for maintaining high tariff rates on imports (especially on products that compete with domestic products), and levying high surcharges and taxes on a variety of imports and imposing non-tariff barriers on US exports to India.

**US Investments in India.** US is one of the largest foreign direct investors in India. The FDI inflows from the US constitute about 11 percent of the total actual FDI inflows into India. The stock of actual FDI Inflow increased from U.S. \$11.3 million in 1991 to inflows of US \$ 2,214 million in April 2010. The cumulative amount of FDI equity inflows from August 1991 to April 2010 stood at US \$ 134,642 million. Top sectors attracting FDI from USA are: Fuels (Power & Oil Refining) (35.93%), Telecommunication (cellular mobile & basic telephone services (10.56%), Electrical Equipment (including Computer Software & Electronics) (9.50%), Food Processing Industries (Food products & marine products) (9.43%), and Service Sector (Financial & Non-Financial Services) (8.28%). In order to capture more US investment and trade share, India is also required to further relax its trade and investment regimes, accelerate privatization of state firms, cut down on delays, and substantially boost spending on its physical and human infrastructure.

India's energy sector has been an important destination for US investment. Considering the vast present and projected demand supply gap, there is tremendous potential for economic cooperation between the two countries in this area. Pharmaceuticals, biotechnology and chemical industries also provide great opportunities for closer cooperation. Some of the serious concerns of the Indian Industry are as follows:-

(a) Export control restrictions particularly on dual use high technology items still remains in place. US

Bureau of Industry and Security has retained DRDO and ISRO on restricted entities list thus causing impediment in technology inflow.

- (b) With unemployment rate at 9.5% in US, Obama has made no secret of his opposition to the outsourcing of American jobs and once famously declared that he wanted jobs opportunities to grow in Buffalo, USA and not at Bangalore, India. The fact is Indian Industry is actually helping to create jobs for American citizens. Nuclear power plant trade will further increase jobs in America.
- (c) The recent VISA fees hike to \$ 2000 for H1 and L1 VISA has been levied on firms with higher proportion of non American employees. This is likely to hit the profitability of the Indian IT Industry and have potential to be an irritant Indo American relations.
- (d) Farm subsidies in rich countries causes over production at the expense of potentially more competitive products from developing countries and aggravates global income inequalities. India as an active member of the G-20, has asked the US and other developed countries to remove the subsidies given to their affluent farmers.

### **Bilateral Ties under Obama Administration**

The initial approach of the Obama Administration towards ties with India raised concerns of a downturn in Indo-American relations from the Bush Era. Even former US ambassador Robert D. Blackwill warned that Indo-US relations faced a "downgrade" in the short term, as the Obama Administration places China "on a substantially higher plane in US diplomacy than India". Later, in an attempt to dispel this perception, U.S. Secretary of State Hillary Clinton visited India in July 2009 called India a "key partner" of the United States. She said that the United States wants India "to succeed as an anchor for regional and global security". Some ambiguities in relations surfaced for the following reasons :-

- (a) Obama sent a conflicting signal even when he was campaigning for the office of the president. He linked genesis of Af- Pak terror to the Kashmir problem.
- (b) After taking over as President, Obama administration's approach in handling the Taliban



insurgency in Afghanistan was much different than India. Different perceptions over good and bad Taliban still remain. India though now has agreed that moderate Taliban may be brought in the fold if they shun the path of violence.

- (c) Indian public generally perceives that America is selective in handling terrorism and follows different yardstick. This has been amply supported by a recent exposure by WikiLeaks website. Since 2008, Mumbai attacks, the public mood in India has been to able pressurize Pakistan more aggressively so as to force it to take actions against the culprits behind the terrorist attack especially as Pakistan's state agencies are also involved. However, America does not seem to have done enough to pressurize Pakistan for compliance.
- (d) Above perception is buttressed by the fact that despite having an agreement on sharing of Intelligence information the vital evidence of David Coleman Headley, a US national who was arrested for links with Lashker-e- Taiba was not disclosed to India till he was interrogated by Indian agencies. Moreover, he is not being extradited despite his complicity in planning Mumbai attack and despite both countries having signed an extradition treaty in 1994.
- (e) There also has been an apprehension in India that the Obama Administration was delaying the full implementation of the Indo-U.S. Nuclear Deal. In Jul 2009, U.S. Secretary of State Hillary Clinton said that the Obama administration was "fully committed" to the Indo-U.S. Civil Nuclear Agreement. This is however misplaced fear as all requirements including enactment of Nuclear Liability Law by Indian Parliament has already been met, hence nuclear commerce could commence.
- (f) The Obama Administration has also strongly advocated for the strengthening of the Comprehensive Test Ban Treaty and is pressurizing India to sign the Agreement. India however, would continue to oppose any such treaty as it is inherently "discriminatory".
- (g) Barack Obama is also under criticism in India for his anti-outsourcing views which is likely to harm Indian Industry.
- (h) Sale of two nuclear power reactors to Pakistan did

not evoke sufficient reaction from US.

- (j) In Nuclear proliferation review conference US raised concerns by asking Nuclear Supplier Group to approve ban on transfer of enrichment technologies to NPT non signatories which was against the spirit of India-US civil nuclear deal.
- (k) The U.S.-China joint statement on giving a supervisory role to China on South Asia.
- (l) Finally, the secretive endgame in Afghanistan and American approach to the Taliban is at variance despite close India US engagement.

### Expectations from Obama's Visit

Consequent to the acclaimed close engagement between the two countries, India's has following expectations from the Obama's visit:-

- (a) India being large, responsible and second most populated democracy have a legitimate claim to be the permanent member of the UN security Council for which the President Obama could promise an unequivocal Support.
- (b) Dismantle the Technology denial regimes against India.
- (c) Develop deeper multifaceted relationship. This could be movement on a bilateral investment treaty, export controls, defence procurements and agreements, or even a package of other smaller deals in the field of agriculture, education or even in new frontiers such as space.
- (d) Dissuade Pakistan to shun support to terror particularly after revelation of Pakistan state's involvement.
- (e) If Pakistan in view of Hillary Clinton is an epicenter of terrorism then the US should put more pressure on Pakistan to crack down on anti-India groups and punish those responsible for the Mumbai terror attacks.
- (f) India also feels that the U.S. is not involving us enough and is not appreciating the role it is playing in development of Afghanistan and was kept out of multinational deliberations on future of Afghanistan at Turkey and London. Infact, till some time back India's role in reconstruction was not even acknowledged.
- (g) In the past, US aid to Pakistan to fight terror groups have been misused by its Defence forces and has been used against India. The US President needs to ensure that high technology dual use weapons



are not given to Pakistan.

- (h) **Sino-Indian Relations.** India and China have many overlapping security interests, including border disputes and maritime claims; the United States continues to put the two emerging powers in separate categories. Although, the US has reassured India about the U.S.-China joint statement on giving a supervisory role to China on South Asia, there is also a need to re-conceptualize US thinking on Asia to include India as a key player in the entire region, rather than just as a South Asian power.
- (j) India needs US help to get integrated in the global nuclear regime. India however will not sign the NPT as a Non Nuclear Weapon State. As under the circumstances US cannot get the NPT amended with exclusion of other states but, it can positively influence a move to join India in the league of Nuclear Supplier Group, the Missile Technology Regime, the Australia Group and the Wassenaar Group. These four do not bar Non NPT signatory to join.
- (k) **Regional Issues.** Apart from Afghanistan and Pakistan, Iran is an important issue with the Obama administration, US needs to appreciate India's view on Iran.
- (l) **Common Global Issues.** Issues such as human rights, free trade, proliferation of weapons of mass destruction, climate Change etc are also expected to find place in the agenda.

### Future Prospectus of India US Relations

The United States is, and for the foreseeable future, will remain a pre-eminent power. However, India perceives the world where the global agenda would be set by a constellation of nations including the United States, the EU, Russia, China, Japan and India. Earlier global politics where relation with one is at the cost of relation with other is now decisively behind us therefore, a lasting relationship of India with United States is foreseen in future.

A second aspect of the current global polity is that national power is judged by a much broader criteria that includes economic, technological, and managerial and knowledge capabilities in addition to military capabilities. India is fast growing in this arena which United States will find hard to ignore.

Globalisation has thrown up challenges that are trans-national and cross-cutting in nature. They

require coordinated responses. These challenges include terrorism, energy security, pandemics, natural disasters and environment degradation. America for historical reasons must appreciate our role in Afghanistan, where India is engaged in a massive development and reconstruction programme to stabilise that society.

Our new defence framework is another reflection of this vision and the expansion of our military contacts and the prospects for equipment procurement and co-production are two important signs of the future direction of our ties.

The economic convergence between us has accelerated since the opening of the Indian economy a decade and a half ago. India's integration with the global economy has created greater opportunities and prospects for Indo-US trade, investment and technology transfers. A more prosperous India with a growing middle class- already estimated at 300 million plus will inevitably make more demands of US goods, technology and services; which US could hardly ignore and this would be a precursor to further strengthening of Indo-US ties.

Our greater purchasing power has already led us to currently become the fastest growing export market for the US, The demand for industrial machinery that already constitutes one-third of total US exports, and of high technology, is bound to increase as the Indian economy becomes more sophisticated. We are currently focused on making major investments to modernize our infrastructure including airports, ports, railways and roads, and to ensure greater energy availability. Many of these areas are traditional American strengths and should certainly generate greater business for US companies. Further, the growth of agricultural prosperity in India would bring many more rural consumers into the market. The demographics of India are the clearest proof that the demand pattern would continue to grow exponentially in the future.

India and the US are also in the forefront of the global effort to meet the challenge of terrorism fuelled by intolerant and fundamentalist ideologies. Our very existence as plural and secular societies poses the most effective challenge to such ideologies and offers opportunity for further cooperation.

Another area of convergences is of full civil nuclear energy cooperation. India, with only 3% of its energy



production currently from nuclear sources, has put so much emphasis on civil nuclear energy cooperation. While we meet the energy requirement we also avoid the emission consequences of greater consumption of fossil fuels. It brings great business opportunity to the American business.

Another important aspect of India-US economic relations is Indian Diaspora's (2,765,815) contribution in growth of America. According to survey in US, these people contribute a lot to US economy and are among the most highly educated class in America. Relaxations in Visa norms by the US administration are considered as a vital step to boost the existing relations between the two countries.

USA is now focusing more on India as a regional partner in terms of political, economic, military cooperation. USA has declared that it will not mediate between India and Pakistan as far as the settlement of Kashmir issue is concerned. In fact, Pakistan has been warned against its support to "External forces" operating in Kashmir still incongruence is observed in declarations and actions for it still continues to supply weapons to Pakistan which it claims are needed to fight terror outfits in Pakistan but most of these as in the past have been diverted and used against India.

The issue of nuclear proliferation on South Asia has gained a greater significance in the USA foreign policy agenda. It has entered in civil nuclear deal which US is not inclined to sign with Pakistan because of its poor nuclear proliferation track record. US military experts however, still express concern about the spectre of the nuclear war in the region due as neither country possess sophisticated intelligence system or a workable command and control.

Unlike bygone era, different perception on international issues do not mar our relationship but in truly matured relationship it is now well appreciated

that differing views on various issues is natural and in fact provide an opportunity to appreciate the problems from different perspectives which helps in finding lasting solutions.

### Conclusion

India's strategic location and geographic proximity to the Indian Ocean, its vibrant and growing economy provides unenviable opportunities for developing special relationship United States. Washington however, often complains about India's unwillingness or ambivalence to assume a global role or think strategically beyond its immediate neighbourhood. US wants India to act on three draft agreements: the Logistics Support Agreement, the Communication Interoperability and security Agreement and the Basic Change and Cooperation Agreement besides the civil Liability and Nuclear Damage Law. Latter however, has been formulated. Washington must realize that India is still facing complex domestic challenges from poverty that affects a third of its population to its growing Maoist insurgent threat and that it lives in a dangerous neighbourhood with a terrorism threat from Pakistan and unresolved border issues with China. Such domestic and regional issues undoubtedly restrict its ability to assert a global presence. However, both in principle and on specific issues, a strong basis for cooperation exists between the United States and India, If the two countries hope to forge a truly strategic partnership in the 21st century, they will have to navigate past disagreements over important issues and bridge perception gaps. This would require political will, sagacity and consultations on all major regional and global issues. The successful visit may signify emergence of India as a big player on the world stage.

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