

U.S. Relations With India

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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.”¹ 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

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.² 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.”³ 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.⁴

<i>Ten Largest Global Economies, GDP (current prices), 2015 data in USD billions</i>		
<i>Rank</i>	<i>Country</i>	<i>2015</i>
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.⁵

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.”**⁶ 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.”**⁷

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.⁸ 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 2014.⁹ 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."¹⁰ 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."¹¹ 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.¹²

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.¹³ 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.¹⁴ 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.**”¹⁵

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

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).¹⁶

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.

¹ 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>.

² 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>.

³ 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.

⁴ 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.

⁵ See Edward Alden, “India’s Landmark WTO Challenge to US,” *Nikkei Asian Review*, March 15, 2016.

⁶ Kaye, Nye, Jr., and Ayres, “Working With a Rising India,” 15.

⁷ *Ibid.*, 34.

⁸ 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>.

⁹ Human Rights Watch, “Country Databank, Human Rights Council Voting Record: India,” *VotesCount*, 2015, <http://votescount.hrw.org/page/India>.

¹⁰ 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>.

¹¹ 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.

¹² Suhasini Haidar, “Govt. Rejects U.S. Panel’s Report on Religious Freedom,” *The Hindu*, May 1, 2015.

¹³ Ishaan Tharoor, “India Leads Rescue of Foreign Nationals, Including Americans, Trapped in Yemen,” *Washington Post*, April 8, 2015.

¹⁴ 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>.

¹⁵ Kaye, Nye, Jr., and Ayres, “Working With a Rising India,” 41.

¹⁶ Data from the Modern Language Association’s enrollments survey database, 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).