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“U.S.-India Relations: Balancing Progress & Managing Expectations”
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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 7th. 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 21st 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 21st 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. 21st

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.