
**INDISPENSABLE
PARTNERS:
REENERGIING
U.S.-INDIA TIES**

Wednesday, July 16, 2014

UNITED STATES SENATE COMMITTEE ON
FOREIGN RELATIONS
113TH Congress, Second Session

**UNEDITED TRANSCRIPT
NOT FOR DISTRIBUTION**

WITNESSES

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INDISPENSABLE PARTNERS: REENERGIZING U.S.-INDIA TIES

Wednesday, July 16, 2014

U.S. SENATE
SUBCOMMITTEE ON NEAR EASTERN
AND SOUTH AND CENTRAL INDIAN AFFAIRS
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, D.C.

1 The subcommittee met, pursuant to notice, at 3:03 p.m. in Room SD-419, Dirksen
2 Senate Office Building, Hon. Tim Kaine, subcommittee chairman, presiding.

3 **PRESENT:** Senators Kaine [presiding], Risch, and McCain.

OPENING STATEMENT OF HON. TIM KAINE, U.S. SENATOR FROM VIRGINIA

4 **SENATOR KAINE.** If I could get everyone's attention, this meeting of the Senate
5 Foreign Relations Committee Subcommittee on Near East, South, and Central Asian
6 Affairs will come to order. This is a very great set of panels on a very important topic.
7 Senator Risch is on his way. He should be here in just a couple of minutes, and we
8 expect other colleagues may join us during the hearing. But I want to welcome all to
9 this hearing today.

10 The title of the hearing is "Indispensable Partners — Reenergizing U.S.-India
11 Ties." I generally am not a fan of the word "indispensable." There is a great quote
12 attributed to De Gaulle: "The graveyards are filled with indispensable men." No matter
13 how much we think things are indispensable or people are indispensable, the answer is
14 we are usually wrong. But in this case we advisedly chose to use that word because we
15 do think the partnership between the United States and India meets the high standard
16 of what "indispensable" means.

17 This is an important and propitious time with a new government in India and a
18 forthcoming visit of the Indian Prime Minister, Prime Minister Modi, here to the United

1 States in the fall. So we are very, very glad to have two good panels with witnesses
2 both from the United States Government and long-time U.S.-India experts who are here
3 to illuminate us about opportunities and challenges and the path forward.

4 I had the wonderful fortune of serving as governor of Virginia and working very
5 closely with both the Virginia Indian-American community, but also with significant
6 trade opportunities with Indian businesses. One of the first business deals I did as
7 governor — I will always remember this — in a part of the State that had been hit very,
8 very hard by NAFTA, that had lost a lot of jobs after the NAFTA Treaty was signed,
9 Danville, Virginia, on the North Carolina border, an economic development deal was
10 done in a closed manufacturing plant, where Indian venture capitalists purchased an
11 English plastic polymer company, decided that they needed to have a U.S.
12 manufacturing facility, purchased the closed plant in Danville and hired a Spaniard to
13 be the plant operator.

14 When I went to the plant opening in Danville, Virginia, and I saw not only a U.S.
15 and Virginia flag, but an Indian flag, a U.K. flag, and a Spanish flag, I knew something
16 about the importance of this partnership. And it has worked out very, very well.

17 But we are here at an important time. The U.S.-India relationship has grown
18 tremendously in the six years since the signing of the landmark U.S.-India civil nuclear
19 deal. Some examples of activity in the last six years: The U.S. and India participate in
20 more than three dozen dialogues covering a wide array of cooperative activities: clean
21 energy, peacekeeping, counterterrorism, health.

22 Bilateral trade in goods and services between our nations has reached nearly
23 \$100 billion. In 2013 India was the single largest country market for the Export-Import
24 Bank, with authorizations of \$2.1 billion. The Partnership to Advance Clean Energy has
25 mobilized \$2 billion in public and private resources for clean energy projects in India.
26 Our defense trade, which has kind of been a recent arrival on the scene in terms of

1 cooperation, has taken off and been very successful, nearly \$10 billion, with billions
2 more in the pipeline.

3 Over 100,000 Indian students are currently studying in U.S. universities.
4 According to the latest Pew Global Attitude Survey, released just this week, over 55
5 percent of Indians hold a very positive view of the United States. When asked what
6 country would most likely be India's leading ally, the U.S. came in at number one.

7 It is not just about polls and it is not just about trade. It is also about common
8 democratic values. Maybe that is the primary thing, the world's oldest democracy and
9 the world's largest democracy, and the people-to-people ties and the business linkages
10 we have are very important.

11 The 3 million strong Indian Americans who contribute across this country to the
12 professions and to the entrepreneurship and the civic life and academia and every other
13 walk of life serve as an important bridge between our two countries. Global
14 connections is a key to economic success today and a person is a global connection if
15 that person has ties, as so many of our Indian American citizens do.

16 I was reminded of this last week at a dinner I attended hosted by the Indian
17 ambassador to the United States. CEO's of major American companies, Pepsi and
18 MasterCard, were in attendance. Both hail from the Indian American community. Just
19 in Virginia, more than 100,000 Indian Americans call Virginia home, and we have some
20 spectacular, successful businesses.

21 One example in Virginia I am proud of, Husk Power. It is an innovative
22 company. It was founded by graduates of the University of Virginia. I know that Nisha
23 Biswal will approve of that as a Cavalier herself. The innovative company provides
24 electricity to over 200,000 rural Indian households using biomass. So Indian American
25 professionals from an American university, UVA, doing a wonderful project that is
26 providing significant benefit in India.

1 Now, any relationship between partners is bound to have some friction, and
2 there has been friction in the last six years. That is necessary. You do not ever test a
3 friendship until you have disagreements, and so disagreements occur and the test of the
4 friendship is whether we can work through them.

5 But the strategic rationale behind the partnership is only growing more
6 important every day. There is increasing instability around the globe in Syria and Iraq,
7 Russia and Ukraine, China in the South China Sea. Both India and the United States
8 notice that, care about it, want to be productive in helping solve it. So cultivating this
9 partnership in 2014 with the new government in India is critically important.

10 The relationship is important today and it will grow. India is bound to become
11 the world's most populous nation and the third leading economy by 2030. It is a
12 democracy where the median age is 25. 50 years from now the relationship will directly
13 affect the strategic and economic interests of the entire United States and impact
14 ordinary Americans, as it does today.

15 So we need the U.S. and India to be joint stakeholders, to uphold global norms
16 and rules of the road. India will need our partnership as it shoulders global
17 responsibilities and expands its economy to meet its own developmental goals. So that
18 is why we need to get the relationship right and that is why the committee is holding
19 the hearing today. The engagement has to be driven by a sense of realism and realistic
20 assumptions and shared interests. It has to avoid just being transactional and keep in
21 mind both long-term strategic goals, but also a sense of the shared values that animate
22 both nations.

23 So I look forward to hearing today how the U.S. intends to capitalize on the new
24 phase in the U.S.-India relationship, particularly in the areas of strategic and regional
25 cooperation, defense ties, and our business and economic engagement.

1 I would like to now ask my ranking member on the subcommittee, Senator Risch,
2 for opening comments. Following that I will introduce panel one and we will get right
3 to the testimony and questions.

4 **SENATOR RISCH.** Well, thank you very much, Chairman Kaine.

5 It has been a while since this committee has taken the time to evaluate the U.S.-
6 India relationship and it is appropriate that we do so at this time, particularly in light of
7 the changes that we see going forward. Fortunately, changes in India present new
8 opportunities to move our bilateral relationship forward.

9 Specifically, I am encouraged by Prime Minister Modi's victory and I know there
10 is a lot of hope that Modi wants to revive India's economic growth, rein in corruption,
11 encourage the private sector, and create jobs. This will require tough decisions to be
12 made, but the election provides him with a mandate to make them.

13 Economic reforms will be incredibly important to create a fair and equal playing
14 field to lure more foreign investment. This is why I hope we can conclude a bilateral
15 investment treaty quickly, increase U.S. direct investment in India, and, very
16 importantly, improve intellectual property protections. Those type of protections are
17 absolutely necessary for any economy hoping to move forward.

18 One area of particular interest to me is civilian nuclear cooperation. Much of the
19 technical cooperation between the U.S. and India on nuclear power is led by the great
20 people at the Idaho National Laboratory located in eastern Idaho. Just last week, the
21 laboratory hosted the latest meeting of the U.S.-India Civil Nuclear Energy Working
22 Group. This is a great partnership.

23 However, we need to move beyond the technical cooperation and research. It
24 has been six years since the U.S.-India nuclear deal was completed and we have yet to
25 see U.S. nuclear companies have the ability to participate in India. I hope we can see
26 improvement on the liability issues and I urge the parties to move quickly to resolve

1 those issues. This will result in the relationship deepening and it will be a great benefit
2 to both parties.

3 Defense cooperation and security are also important arenas where we can and
4 should increase our collaboration. India is a pivotal country and can be a crucial partner
5 to maintaining stability in the Indo-Pacific region. The U.S. can help India modernize its
6 military, especially in light of other powers that are advancing in the region.

7 There is already good cooperation through the U.S.-India Defense, Trade, and
8 Technology Initiative, but there is room for deeper engagement. India's willingness to
9 adhere to and increase U.S. technology protection agreements will be critical to moving
10 the U.S.-India defense partnership forward.

11 Again, Mr. Chairman, I think it is very appropriate to hold this hearing at this
12 time. Thank you for doing so.

13 **SENATOR KAINE.** Thank you, Senator Risch.

14 Now on to the witnesses. We are glad to be joined by Senator McCain, who
15 recently returned from a trip to India, and glad that he is with us as well. Our first
16 panel has two witnesses. Nisha Biswal was sworn in as the Assistant Secretary of State
17 for South and Central Asian Affairs in October of 2013. She has been before the Foreign
18 Relations Committee a number of times recently. Previously she served as the Assistant
19 Administrator for Asia at USAID. She holds a bachelor's degree from the University of
20 Virginia.

21 Dr. Amy Searight is Deputy Assistant Secretary of Defense for South and
22 Southeast Asia. She is a principal adviser to senior leadership within the DOD for all
23 policy matters that pertain to the development and implementation of joint defense
24 strategies within this region. Dr. Searight, it is great to have you as well.

25 I would like to begin with Secretary Biswal, if you would give your opening
26 testimony, followed by Dr. Searight, and then we will move to questions.

**STATEMENT OF HON. NISHA D. BISWAL, ASSISTANT SECRETARY FOR
SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE**

1 **Ms. Biswal:** Chairman Kaine, Ranking Member Risch: Thank you very much for
2 inviting me to testify today and for holding this very timely hearing. I am pleased to be
3 here with Dr. Searight, a close friend and colleague. In the interest of time, I will
4 summarize my statement and ask that the full testimony be submitted for the record.

5 Senator, this is indeed an important time to reexamine the U.S.-India
6 relationship. The historic elections this spring conferred an unprecedented mandate on
7 Prime Minister Modi to create historic opportunity as well in reenergizing our
8 relationship with India. I was in New Delhi last week with Deputy Secretary Bill Burns
9 to meet with Prime Minister Modi and key members of his cabinet. Our trip was on the
10 heels of the visit by Senator McCain, who was there previously, the previous week, and
11 again demonstrated that as far as the U.S.-India relationship is concerned that this is
12 deeply a bipartisan supported relationship in the United States.

13 In fact, we noted during our meetings that successive administrations,
14 Democratic and Republican, have made the strategic bet that a rising India is
15 fundamentally in the U.S. interest. Asian economies will play a greater role in shaping
16 the global economic landscape in the years to come and will also be of greater
17 consequence on ensuring regional security. A strong and prosperous India, with its
18 democratic values, as you noted, Mr. Chairman, and its entrepreneurial spirit, will play
19 a critical role in shaping that landscape and will be an increasingly important partner
20 for the United States in the Asia Pacific region.

21 But if India is to achieve its economic and strategic potential, it will need to
22 address the myriad economic and governance challenges that it faces. Much of the
23 excitement that has been generated by the new Modi government in India and around
24 the world, and most notably in the business community, has been around this idea of
25 accountable and effective government that can unleash India's economic potential.

1 As we are invested in the strategic importance of a rising India, we are also
2 economically invested in India's growth. We think our economies, our businesses, our
3 universities, and our peoples can partner and collaborate in helping India realize its
4 vision and its potential. Our two countries are already more heavily invested in each
5 other's prosperity than ever before. Our trade has grown fivefold since 2000, to almost
6 \$100 billion annually, and we are focused on growing that fivefold again to half trillion,
7 as Vice President Biden has challenged us.

8 American companies recognize the tremendous potential of India's economy and
9 are eager to make long-term investments in India. As trade has grown, inevitably we
10 have also had some areas of disagreement and some areas of friction, as you noted. We
11 are committed to addressing those areas of friction through dialogue and engagement,
12 and we are optimistic that this new government will take the necessary steps to
13 promote long-term growth.

14 Areas of cooperation include energy as one of the brightest areas, where India is
15 meeting — we are helping India meet its growing energy needs, as well as creating
16 opportunities for our own businesses, through contracts on the export of American
17 liquefied natural gas, identifying unconventional energy resources, clean energy
18 resources, and fulfilling the promise of delivering cutting edge U.S. nuclear energy
19 technologies, as Senator Risch mentioned, collaborating on other areas of energy
20 security.

21 While my colleague Dr. Searight will discuss in more detail the defense
22 partnership, I simply want to underscore the centrality of our security engagement with
23 India to the U.S.-India partnership. We are committed to a strong and capable India
24 that will advance stability and security across the Indo-Pacific.

25 The locus of our convergent strategic interests is in Asia and, as Prime Minister
26 Modi demonstrated with his invitation to regional leaders at his inauguration, India has

1 set out that it will be a more consequential and influential relationship in the region.
2 We welcome that initiative because strong Indian leadership is very much in our
3 interest, whether in supporting a successful security and political transition in
4 Afghanistan, bolstering trade and economic connectivity between South and Southeast
5 Asia, improving relations between India and Pakistan, combating the threats of
6 terrorism and violent extremism.

7 Our bilateral engagements over the course of the next several months will
8 reinforce our strategic, security, economic, and people-to-people ties. As Secretary
9 Kerry is planning to travel to New Delhi later this month to co-chair the next round of
10 the U.S.-India Strategic Dialogue, we see new possibilities for advancing that
11 partnership. The strategic dialogue will kick off a series of high-level engagements
12 throughout the late summer and into the fall, culminating in the visit of Prime Minister
13 Modi to Washington at the invitation of President Obama.

14 But, Mr. Chairman, the true potential of this relationship was probably best
15 captured by Prime Minister Modi when he said to us last week that this is a relationship
16 not just about the benefits it brings to the Indian people or the American people, but
17 that its true value is that when the world's largest democracy and the world's oldest
18 democracy come together the world stands to benefit.

19 We deeply appreciate that framing and we deeply appreciate the engagement
20 and support that this relationship enjoys across the United States. The U.S. Congress
21 and this body has played an important role in continuing to advance the partnership
22 and we look forward to working with you as we move forward in the months ahead.

23 With that, Mr. Chairman, I look forward to answering any questions that you
24 may have.

[The prepared statement of Ms. Biswal follows:]

[SUBCOMMITTEE INSERT]

1 **SENATOR KAINE.** Thank you, Secretary Biswal.

2 Dr. Searight.

**STATEMENT OF AMY SEARIGHT, PH.D., DEPUTY ASSISTANT SECRETARY OF
DEFENSE FOR SOUTH AND SOUTHEAST ASIA, U.S. DEPARTMENT OF DEFENSE**

3 **DR. SEARIGHT:** Thank you for inviting me to be here today to participate in this
4 timely hearing on a very important relationship. As you all know, the U.S. Government
5 and the Department of Defense are committed to a long-term strategic partnership with
6 India. We view India as a regional and emerging global power, as well as a provider of
7 security and a strategic partner with shared interests, from the Indian Ocean to
8 Afghanistan and beyond.

9 Defense relations continue to play a significant role in advancing the strategic
10 partnership and we continue to make progress towards advancing U.S.-India defense
11 cooperation to the point where it is both expected and routine across our multifaceted
12 relationship. The bottom line is that we want India to have all of the capabilities it
13 needs to meet its security demands and we want to be a strong partner in that effort.

14 Our policy in this area has not changed and remains part of our broader
15 rebalance to the region. We continue to maintain strong military-to-military ties and are
16 building a growing record on defense trade. This partnership requires effort and
17 persistence on both sides, and as we look ahead we see that there are even more areas
18 where the two of us can cooperate.

19 One of the pillars of our effort to build a strategic partnership with India on
20 defense is to U.S.-India Defense, Trade, and Technology Initiative, or DTTI. Secretary
21 Hagel when he was recently in Singapore for the Shangri-La Dialogue designated the
22 Under Secretary of Defense for Acquisition, Technology, and Logistics, Mr. Frank
23 Kendall, to be his lead for DTTI. Even as Under Secretary Kendall assumes this role, the

1 Secretary himself will continue to play a very strong personal role in making sure of the
2 success of this initiative.

3 Only two months into Prime Minister Modi's tenure, it already looks like we will
4 have a very busy year. Under the auspices of DTTI, we are ready to move forward on a
5 number of efforts, from coproduction and codevelopment proposals to procurement
6 and sales. On the coproduction and codevelopment side, we have continued to identify
7 forward-leaning proposals from U.S. industry for cooperative projects with India. Once
8 the new government shows interest in proposals already offered, we will follow up.

9 We also remain supportive of finding ways to include industry leaders in
10 existing official dialogues and will continue to look for opportunities to foster close ties
11 between the U.S. and Indian defense sectors. We hope to see more joint partnerships
12 take root, like we have seen between Lockheed Martin and Tata building C-130
13 components in Hyderabad.

14 We will also continue to advocate on behalf of U.S. industry for needed changes
15 in the Indian system, such as continued reforms to their offset system, and we will
16 continue to emphasize that we offer a transparent export system in foreign military
17 sales. On foreign direct investment, we are very encouraged by the Modi government's
18 proposal in the budget introduced last week to raise FDI caps in the defense sector to 49
19 percent.

20 DTTI alone does not fully capture the scope of our engagement with the Indian
21 government. There are a wealth of opportunities for engagement already scheduled for
22 this year and more are expected. We are now at the point where we can look towards
23 the horizon and decide where we want to take the relationship further. We will
24 continue to hold close consultations with India on Afghanistan and regional security
25 and will look for opportunities to work together as our presence in Afghanistan draws
26 down post-2014.

1 India is currently participating right now in the Rim of the Pacific, or RIMPAC,
2 2014 exercise in Hawaii, where for the first time an Indian frigate has joined this large
3 multilateral activity. And Japan will participate in Malabar this year, which is our
4 largest bilateral naval exercise with India and is scheduled to take place at the end of this
5 month.

6 Secretary Hagel will be traveling to India in early August to discuss bilateral
7 defense ties with Indian officials. Under Secretary Kendall is expected to travel with
8 him, as will I. This trip will follow the State Department's strategic dialogue which, as
9 Secretary Biswal mentioned, will be in New Delhi on July 31st, but this trip will be our
10 first opportunity to engage in a direct and meaningful way with India's new leadership
11 on defense and security issues that matter to us both.

12 In addition, the 2005 New Framework for the U.S.-India Defense Relationship
13 will be up for renewal in June 2015 and we are looking for opportunities to reinforce
14 and potentially expand efforts under its guidelines. The framework was a
15 breakthrough document and laid out the bilateral defense cooperation structure that we
16 follow today. This year we have an opportunity to review our progress and set goals
17 for the coming decade on where we want to take the relationship next.

18 Thank you very much again for this opportunity and I look forward to your
19 questions.

[The prepared statement of Dr. Searight follows:]

[SUBCOMMITTEE INSERT]

20 **SENATOR KAINE.** Great. Thank you.

21 We will do questions in six-minute rounds and I will begin. Secretary Biswal, dig
22 in a little bit more to your recent visit with Deputy Secretary Burns. You talked about
23 direct dialogue with Prime Minister Modi and his clarity about the priorities that he
24 views as his most pressing priorities. If you could talk a little bit about that discussion

1 and the kinds of priorities where he wants to focus his initial energies, that would be
2 helpful.

3 **Ms. Biswal:** Certainly. Thank you, Mr. Chairman. We did have a very good
4 meeting with the prime minister, as well as with the finance minister, with the external
5 affairs minister, and various other members of the cabinet. Clearly the economic growth
6 agenda is going to be one of the key agendas, and within that they have identified a
7 desire for increased U.S.-India cooperation in infrastructure, in manufacturing, in the
8 energy sector, and certainly looking at the whole issue of skills and how we can
9 improve access to education and skills in terms of the Indian Pakistan.

10 Those are all areas where we think that American educational institutions and
11 American businesses, American technology, bring very significant added value, and we
12 are looking to see how we can address some of those areas in more specificity as we
13 look forward to the strategic dialogue and to the prime minister's visit here this fall.

14 **SENATOR KAINE.** One of the initial signs that I thought was very positive was in
15 Prime Minister Modi's inauguration, his decision to invite Pakistani Prime Minister
16 Sharif, and not only to have him attend, as other heads of state did, but the opportunity
17 that they took to then find time to speak together at some length. How do you see
18 Indo-Pakistani ties today and how are they progressing? Can greater trade contribute
19 to closer relationships and rapprochement in the region?

20 **Ms. Biswal:** You know, Mr. Chairman, both Prime Minister Sharif and Prime
21 Minister Modi have come into office with a very strong agenda and a very strong
22 mandate for economic opportunity for their populations. We see an improvement and
23 an opening in the economic relationship between India and Pakistan as one win-win
24 opportunity that both leaders could and should pursue. We have seen some statements
25 to that effect that make us think that such an easing of trade relations, improving of
26 trade relations, is something that both are considering. So we would hope and we

1 would encourage that this would be an important way to invest both countries in each
2 other's economies and in each other's opportunities.

3 **SENATOR KAINE.** Thank you.

4 Dr. Searight, I was surprised as I was preparing for this hearing with staff to read
5 — and just tell me if this is right — that the United States and India from a defense
6 standpoint have as many joint exercises together as the United States has with any other
7 nation in the world. The notion of this kind of joint activity is pretty significant.

8 I wanted to ask in particular about cooperation on counterterrorism strategies.
9 The U.S. is dealing with it and India has dealt with it as well. Talk to me a little bit
10 about the level of cooperation between us on counterterrorism activities?

11 **DR. SEARIGHT:** Mr. Chairman, you are correct that we do a broad range of
12 military-to-military activities, including a number of exercises. In terms of specific
13 counterterrorism exercises, I will have to get back to you with the specifics on that.

14 **SENATOR KAINE.** How about, separate from exercises, just the state of the
15 relationship on counterterrorism planning? Talk to me about that a little bit if you can,
16 or Secretary Biswal, either way?

17 **MS. BISWAL:** Sure. We have very extensive areas of cooperation on
18 counterterrorism. It is both a priority for the United States and one for the Indian
19 government. So we have a homeland security dialogue where we do both discussions
20 on intelligence cooperation with respect to counterterrorism and on technology and
21 training and capacity issues with respect to counterterrorism. We expect that the
22 strategic dialogue later this month will have a strong component focused on
23 counterterrorism as well, with participation from the Department of Homeland
24 Security, the State Department's Bureau of Counterterrorism, and other key players, to
25 see how we can expand both the institutional aspects of cooperation as well as the
26 operational aspects of cooperation.

1 **SENATOR KAINE.** Thank you very much.

2 One of the things we have been supportive of in the past has been Indian
3 membership in multilateral export control regimes. There are four in particular where
4 we have supported India's participation in: The Nuclear Suppliers Group, Missile
5 Technology Control Regime, the Wassenaar Agreement, and the Australia Group.
6 What is the current status of India progressing into membership in these multinational
7 export regimes?

8 **Ms. BISWAL:** We continue to very much strongly support India's inclusion in
9 those four regimes, and India has been taking steps in terms of its own aspirations and
10 applications to those regimes. It is an issue where it is not solely up to the United States
11 and we continue to look for opportunities to advance India's membership.

12 **SENATOR KAINE.** We have a U.S.-India Higher Education Dialogue that has a
13 number of purposes, one of which is to try to deal with a system that has a tremendous
14 demand. They are overburdened by the demand and the U.S. and India are
15 cooperating in dealing with it. What is the current status of that U.S.-India Higher
16 Education Dialogue?

17 **Ms. BISWAL:** This is a very important area of collaboration between our two
18 countries. We hope to have a higher education dialogue later this year, both in terms of
19 how we can expand access to American educational institutions for Indian students
20 who are seeking to come to the United States and how we can expand opportunities for
21 American institutions to partner with and provide opportunities in India.

22 There is a very strong emphasis on access to education for the new government
23 as they look to increase the skills base of their work force and I think that there is an
24 opportunity here as we look at things like community colleges and the systems that
25 have worked so well in our country, how we can partner and collaborate to provide
26 those kinds of educational platforms in India as well.

1 **SENATOR KAINE.** Great. Thank you.

2 Senator Risch.

3 **SENATOR RISCH.** Well, thank you.

4 Ms. Biswal, I want to go back to the matter I raised in my opening statement
5 regarding civil nuclear power. As I explained, we are so proud of what we do in Idaho.
6 We are the flagship — we have the flagship laboratory, the lead laboratory in America
7 on civilian nuclear power. As a result of that, we do have relationships with other
8 countries and we are proud of the relationship that we have with India, and particularly
9 have the working group, and even going so far as to say it has been hosted there very
10 recently.

11 But we are disappointed that we have been six years now and have not really
12 seen the participation of the U.S. nuclear industry, in particular the companies being
13 able to participate there. It of course surrounds this issue of liability. What can you tell
14 us about that? What work is being done? What are the prospects? What is our
15 prognosis for how that is going to resolve, if it is going to resolve?

16 **Ms. BISWAL:** Senator, we share your frustration in terms of the lack of progress
17 over the last six years, while we did get some small progress and we were able to
18 complete a small contract with respect to the previous government. We see some
19 expanded areas of opportunity with the new government. While we have not yet had
20 detailed discussions with the Modi government on the way forward on civil nuclear
21 cooperation, we believe that there may be an opening to address nuclear liability issues
22 either through a legal framework or through other frameworks that can help create
23 more surety on what the application of liability might be, so that it is not unlimited
24 liability, as the companies are rightly concerned.

25 But this is going to be an area that is going to require much greater discussion
26 between the United States and India and between the companies and NPCIL to see

1 what the way forward is going to be. I think that we have heard from Westinghouse
2 that they think that there is a greater scope for trying to make progress on this and we
3 are going to pursue that in the coming months.

4 **SENATOR RISCH.** I understand it is very early on in the Modi administration, but do
5 you see some things there that give you some hope that there is going to be some
6 movement in that regard?

7 **Ms. BISWAL:** We certainly heard statements that make us feel like there is a desire
8 to find a way forward. The devil is always in the details and for that we really do need
9 to wait and see what the conversations disclose.

10 **SENATOR RISCH.** Have you got any ideas or suggestions how we might move that
11 forward a little by pushing a little bit on it?

12 **Ms. BISWAL:** Well, I think we need to see whether there are options either in terms
13 of legislative remedies or regulatory remedies that can help create a framework for
14 discussions to proceed with respect to liability. Beyond liability, there are a host of
15 other issues that also need to be addressed, which we have not really been able to
16 engage in until the liability issues are addressed.

17 **SENATOR RISCH.** Ms. Searight, next year the ten-year defense framework
18 agreement expires. Do you have confidence we are going to be able to renegotiate that
19 and get a new agreement to move forward?

20 **DR. SEARIGHT:** Yes, that is certainly very high on our priority list. We do see it as a
21 real opportunity to take stock of what we have accomplished under the framework
22 agreement and sketch out where we would like to go. So this will be one of the things
23 that Secretary Hagel will discuss with his counterparts when he visits India this August.

24 **SENATOR RISCH.** I assume from that statement that it is not moving forward yet,
25 but you expect it to move forward soon?

1 **DR. SEARIGHT:** Yes, we have not yet really engaged with this new Indian
2 government under Prime Minister Modi on renewing the framework agreement, but we
3 have indicated our strong interest in doing so.

4 **SENATOR RISCH.** Have they reciprocated in that regard?

5 **DR. SEARIGHT:** Yes, they have indicated that they are happy to hold those
6 discussions.

7 **SENATOR RISCH.** Ms. Biswal, back to you on the intellectual property issue. Where
8 are we headed in that direction with India? Has the new administration given us any
9 signals that they understand the seriousness of this and the necessity that there be
10 protections for intellectual property if we are going to do things right and move
11 forward successfully?

12 **Ms. BISWAL:** As India seeks to develop the knowledge economy, it is going to
13 need to grapple with this issue of intellectual property from the perspective even of
14 indigenous innovation in India. I think that too often the discussion has been too much
15 about what the United States thinks India ought to do, but intellectual property
16 protection is fundamentally in India's own interest, and we think that Indian companies
17 are increasingly making that fact known to the Indian government.

18 So we think that as this government looks at its own economic agenda that
19 strengthening and beefing up intellectual property protection in India is going to
20 naturally emerge as an area of priority. We will continue to make that case with respect
21 to the perspective of American companies and their ability to do business in India and
22 to provide modern cutting-edge technology to India.

23 **SENATOR RISCH.** Referenced in your statement, kind of buried, was the statement
24 that too often these are centered on what the United States thinks ought to be done. Is
25 that a criticism that you hear, that we get regarding this issue?

1 **Ms. Biswal:** No. I think that we are very compelling and forceful advocates of
2 what we think is the right thing to do. But often what that is interpreted as is something
3 where the United States thinks you ought to do this, and what is lost in the process is
4 that this is actually what is necessary and right for India for its own agenda, for its own
5 growth. I think we need to emphasize that these are things that India needs to do to be
6 able to achieve its economic ambition.

7 **SENATOR RISCH.** I think with all countries sometimes you do not have the same —
8 you know, our view of the intellectual property protection is based on personal
9 property rights, which we as Americans seem sometimes to have a unique view of in
10 the world. One of the things that has made us great is us having personal property
11 rights, that we can accumulate and protect personal property.

12 Sometimes what you read, what you see from other countries, is they do not
13 have the same view that intellectual property is personal property. I do not know how
14 you bring people to the realization that intellectual property is property that has value
15 just as much as currency or a bushel of wheat or anything else that is personal property
16 that needs protection. What are your thoughts on that?

17 **Ms. Biswal:** I think that that is a growing chorus that is heard within India,
18 within the Indian private sector. I had the opportunity to meet with the head of
19 NASSCOM, which represents kind of the technology sector in India, and I think that
20 much of what we have articulated as being necessary for the investment climate, the
21 business climate, in India to be attractive to American companies is also what the Indian
22 private sector has also been articulating.

23 I think that when you have a government coming in with the mandate that this
24 government has and with an outright majority and a very pro-business mind set in
25 terms of how to grow the economy, I think that we will see hopefully that some of these
26 issues will have greater resonance.

1 **SENATOR RISCH.** Thank you very much, Mr. Chairman.

2 **SENATOR KAINE.** Thank you, Senator.

3 Senator McCain.

4 **SENATOR MCCAIN.** Thank you. I thank the witnesses.

5 Ms. Biswal, it was my clear impression from meeting with the prime minister
6 that he wants to focus our partnership on an ambitious strategic agenda. Would you
7 generally agree with that?

8 **Ms. BISWAL:** That was certainly the impression we had as well in our
9 conversation.

10 **SENATOR MCCAIN.** What does the administration think the elements of that agenda
11 might be?

12 **Ms. BISWAL:** We think that we have a very strong opportunity in terms of the
13 security cooperation, the defense partnership, as Dr. Searight elaborated.

14 **SENATOR MCCAIN.** What specifically would that be?

15 **Ms. BISWAL:** The prime minister in his conversation with us talked about defense
16 manufacturing as a key area that India would like to pursue. We think that there is
17 scope, and particularly, as Dr. Searight noted, the Indian budget did increase the FDI
18 caps to 49 percent —

19 **SENATOR MCCAIN.** I am not exactly sure that that is a strategic agenda.

20 **Ms. BISWAL:** But I think that as we have a greater collaboration in the defense
21 partnership and in the security partnership that we also are going to advance our ability
22 to work together around strategic objectives in the region, whether it is in terms of
23 India's engagement in East Asia and working with us on issues of maritime security,
24 whether it is in terms of India's engagement across South and Central Asia and the role
25 that it plays. I think that that is one aspect of it.

1 We certainly look to increase our relationship with respect to how we are
2 working together to address problems in the region and across the globe. I think that
3 those are all areas that we need to strengthen the collaboration between our two
4 countries.

5 **SENATOR MCCAIN.** Strategic agenda? What is our overall strategy?

6 **MS. BISWAL:** Senator, as you noted in your comments while you were in country,
7 we think that as India grows, as India prospers, and as India increases its capabilities,
8 that India —

9 **SENATOR MCCAIN.** No.

10 **MS. BISWAL:** — as a partner in the region —

11 **SENATOR MCCAIN.** Go ahead. But you still have not outlined the strategy. Strategy
12 as I understand it are specific measures to ensure certain aspects of security. You have
13 not mentioned China. You have not mentioned Japan. You have not mentioned that
14 strategy and the threats that we are facing and the challenges that we are facing.

15 **MS. BISWAL:** We have a very strong relationship and a trilateral partnership
16 between the United States, India, and Japan. We were about to hold the fifth iteration of
17 the U.S.-India-Japan Trilat earlier this summer. We have had to reschedule that, but we
18 have seen a tremendous growth in the amount of collaboration that we are able to have,
19 not only in terms of sharing of intelligence and analysis, but also looking at active areas
20 of cooperation.

21 As Amy talked about, we will be doing joint exercises with Japan and India in
22 the Malabar exercises later this fall. And we see opportunities for increasing the
23 collaboration across Southeast Asia. We are engaging more frequently in consultations
24 and dialogue with the Indians on ASEAN and look forward to increased and frequent
25 consultations across the East Asia sphere.

1 We are also engaging in conversations with the Indians and consultations with
2 respect to Afghanistan. With Deputy Secretary Burns we talked quite a bit about where
3 things are headed and what role India can play in terms of the current electoral and
4 political impasse in Afghanistan and how we can try to work together with respect to
5 our objectives there.

6 But across the board, Senator, I think that the point that you are making, and we
7 fully agree with, is that we have an opportunity here to engage more robustly with
8 India in how the Asian landscape unfolds, and we look forward to engaging with this
9 new government in that agenda.

10 **SENATOR MCCAIN.** I look forward to the articulation of a strategy.

11 Mrs. Searight — Dr. Searight, I am sorry. The Prime Minister of India, Prime
12 Minister Modi, and Indian leaders are deeply concerned about President Obama's
13 decision to fully withdraw U.S. troops from Afghanistan by January 2017 regardless of
14 the conditions on the ground. Would you agree that that is generally the Indian
15 position?

16 **DR. SEARIGHT:** Yes, Senator McCain, I am aware that they have strong concerns.
17 We do consult with them regularly on our Afghanistan policy and our plans for post-
18 2014. Afghanistan is actually not in my purview, so for a more detailed answer I would
19 have to get back to you.

20 **SENATOR MCCAIN.** But they are concerned about the situation in Afghanistan?

21 **DR. SEARIGHT:** Yes, they are. And we very much appreciate their efforts to
22 provide development assistance and training and support to Afghanistan forces.

23 **SENATOR MCCAIN.** Ms. Biswal, has the administration had any discussions with the
24 government about Indian involvement in the TPP?

25 **MS. BISWAL:** We have not yet been talking about Indian involvement in TPP, but
26 we have talked to the Indians about what they see as their role in a global trade

1 architecture. India itself has to make some decisions with respect to how it wants to
2 open up its economy and engage in trade relations across Asia.

3 **SENATOR McCAIN.** As you know, one of the big obstacles, problem areas that we
4 have had, is on the nuclear issue with the Indians because of their legislation that
5 basically makes it untenable for our nuclear capabilities to be sold to India. What do you
6 think the answer to that problem is? They were saying that they thought that they
7 could have new interpretation to government regulations rather than passing new
8 legislation. Do you think that that would be sufficient to satisfy the concerns of our
9 manufacturers?

10 **Ms. Biswal:** I think it is going to be up to the individual manufacturers to see
11 what the level of assurance they need to feel comfortable. I think that if there is some
12 combination of some regulatory along with, I think they have been talking about,
13 insurance pools as well, that that might provide sufficient for some. But I think again
14 that the companies are going to have to engage these discussions, these negotiations,
15 and see if there is a framework that will work for them.

16 **SENATOR McCAIN.** Are you confident that that can happen?

17 **Ms. Biswal:** I think we have to pursue this and see where it will go. I think that
18 we see a willingness on the Indian side to enter into these conversations and to address
19 the issue of liability, and we need to pursue that and see how far we can get there, get
20 with that. I do think that it is a little bit premature right now because we have not had
21 the detailed conversations to delve into exactly the specifics. But I think it is an opening
22 that we are going to pursue and hopefully will be one aspect of the strategic dialogue
23 coming up.

24 **SENATOR McCAIN.** Thank you.

25 Thank you, Mr. Chairman. I thank the witnesses.

26 **SENATOR KAINE.** Thank you, Senator McCain.

1 I actually want to follow up. Senator McCain raised a point about the India-
2 China relationship. I would love to hear from each of you about this. It is a very
3 important one. It has a big of economic cooperation, but also strategic rivalry. I know
4 there has been some recent visits with the new prime minister. Given the aggressive
5 posture that China is showing on a number of areas, including maritime disputes, is
6 there — what is the concern level about potential tensions, either along the disputed
7 border or Tibet or other issues that might be flashpoints, and what was the attitude that
8 you found in Prime Minister Modi in talking about those issues?

9 **Ms. Biswal:** Clearly, there are going to be areas between India and China of
10 economic collaboration and there will be areas of competition. I think that we want to
11 see an India that is able to thrive and rise and we want to see that all of the economies of
12 Asia are able to grow in a way that is sustainable and that mitigates against the areas of
13 conflict.

14 With respect to the India-China relationship, I think you see that there will be
15 areas where the United States and India will have great complementarity and
16 collaboration and there will be areas where the United States and China will be working
17 together, and there will be areas where India and China will be working together. I
18 think that that is the era that we are walking into. A rising India is in some ways going
19 to be an ameliorating influence on China, in China's own growth and China's own
20 behavior in the region.

21 **SENATOR KAINE.** Dr. Searight, from the defense standpoint?

22 **DR. SEARIGHT:** Yes, thank you. As India looks east and we pursue our strategic
23 rebalance, there is a real strategic convergence there as we both are looking to the
24 challenges and opportunities in East Asia today, of which a rising China is certainly a
25 major part. So India has integrated itself into the ASEAN-led international — regional
26 architecture, as have we. So we are beginning to cooperate much more with India on

1 the kind of work that we do in ASEAN-based organizations, such as, from the defense
2 perspective what is important to us is the ASEAN defense ministers meeting, or
3 ADMM-Plus framework.

4 The challenges that those kinds of frameworks address are things like maritime
5 security. There are obviously a lot of tensions in the maritime domain in the region
6 right now. So those are the areas where I think there are concerns on India's part, there
7 are concerns on our part, there are concerns on many of the ASEAN nations' part.
8 Those are the discussions we are having in those frameworks and having separately
9 with India.

10 We have already mentioned a couple of times opportunities for trilateral
11 cooperation with Japan. We have mentioned Malabar, that will be taking place off the
12 coast of Okinawa later this month. USS John S. McCain will be participating in that
13 exercise. So that is another example where there is a growing relationship between
14 India and Japan, there is a growing relationship between India and ASEAN countries,
15 Vietnam in particular. There is a new defense relationship growing there. We want to
16 capitalize on that, and we do not have to be in all of the discussions with those partners,
17 but we want to support that activity and participate trilaterally or multilaterally where
18 it is appropriate.

19 **SENATOR KAINE.** One last question, Secretary Biswal, about sort of a diplomatic
20 matter. The friction points — the Khobragade incident last year was a real friction.
21 These kinds of things will come up, but it almost seemed like the friction was more
22 about the sort of communication and how it was handled than the initial incident,
23 which could have been handled.

24 Have we learned anything from that, both the U.S. and India, in the aftermath of
25 that? And can we put those lessons to use to avoid this kind of friction in the future?

1 **Ms. Biswal:** Mr. Chairman, we have certainly spent many, many long hours
2 discussing with our Indian colleagues ways to, one, ensure that we have greater
3 understandings and greater clarity about our expectations of each other under each
4 other's laws and under each other's systems. I think that that has been time well spent.

5 We have also focused a great deal on ensuring that we have more clear and
6 transparent communication to ensure that we anticipate problems before they happen,
7 that we clearly communicate those problems, and that we resolve them. So I think that,
8 despite the fact that we had this very uncomfortable and unfortunate situation that we
9 had to work through, at the end of the day I think we have developed closer ties and
10 closer communications with our two systems as a result.

11 **SENATOR KAINE.** Then actually one more question. Talking about trilateral
12 activities between the U.S. and India and Japan and then U.S., India, and China within
13 that trilateral, the U.S. and India may be complementary on some issues, China and
14 India in some, U.S.-China in some. Are there trilateral opportunities. The U.S.-India-
15 China is nearly half the world's population, half the world's economic output. What are
16 the trilateral opportunities, if any, that we should be thinking about?

17 **Ms. Biswal:** It has been an area that has been tossed around in various fora. I
18 think right now we do have track two opportunities where we have members of the
19 think tank community, academia, from the three countries who engage in those
20 conversations and I think it bears watching to see if it might be an opportunity to
21 develop that into a track one opportunity down the road.

22 **SENATOR KAINE.** Well, I would like to thank the witnesses on panel one for your
23 testimony and again for your service. It is good to have you before us. I know Senators
24 Risch and McCain join in the thanks. With that, we will move you aside for panel two.
25 But thanks for being up with us today.

1 If I could ask the second panel to come forward. While they are, for the audience
2 let me just introduce our second panel members. We have a superb lineup in panel two:
3 Ambassador Frank Wisner, who is currently an international affairs adviser at the
4 Patton Boggs firm, where he uses international experience to help clients with strategic
5 global advice. As all know, Ambassador Wisner served as Ambassador to India from
6 1993 to 1997, also served as Ambassador to the Philippines, Egypt, and Zambia, and as
7 Under Secretary of Defense for Policy. Ambassador Wisner, it is good to have you with
8 us.

9 Vikram Singh is Vice President of National Security and International Policy at
10 American Progress. Previously he served as Deputy Assistant Secretary of Defense for
11 South and Southeast Asia at the Pentagon. Singh was also Deputy Special
12 Representative for Afghanistan and Pakistan at the U.S. Department of State.

13 Richard "Rick" Rossow is the Senior Fellow and holds the Wadhvani Chair in
14 U.S.-India Policy Studies at the Center for Strategic and International Studies. Prior to
15 CSIS, Mr. Rossow spent 16 years working on a variety of capacities to strengthen the
16 partnership between the United States and India.

17 Lisa Curtis. We are glad to have Lisa with us. She analyzes America's economic
18 security and political relationships with India, Pakistan, and Afghanistan and other
19 nations in South Asia as a Senior Research Fellow at the Heritage Institute. Before
20 joining Heritage in 2006, Ms. Curtis was a member of the professional staff of the
21 Senate Foreign Relations Committee. Welcome back. It is good to have you on that
22 side of the table.

23 I will start with Ambassador Wisner and then we will just move across the table
24 for each of your testimony, and then we will open it up for questions. As I say, I do
25 expect Senator Risch will return. Ambassador Wisner, welcome.

**STATEMENT OF HON. FRANK G. WISNER, FOREIGN
AFFAIRS ADVISOR, SQUIRE PATTON BOGGS**

1 **AMBASSADOR WISNER:** Senator, thank you very much. It is an honor to appear
2 before your subcommittee. I, like the others who have gathered with me, will submit
3 my formal testimony for the record.

4 **SENATOR KAINE.** Absolutely.

5 **AMBASSADOR WISNER:** Instead, what I thought I might do is think out loud for a
6 few minutes about the Indian-American relationship and how we might best advance it.
7 In this regard, I would like to make five points.

8 The first is pretty obvious and it springs from your testimony, your statement,
9 and that is that India is truly important to the United States. It is important to us
10 because India helps assure a balanced of power in Asia in a time in which American
11 interests in the most fundamental fashion will be challenged as we move increasingly
12 into a Pacific century.

13 The same is true in the opposite side. We are vitally important to India. We are
14 India's best market for technology, for trade, for defense cooperation. We are on the
15 other side of the equation of balance. A strong India is good for America, a strong
16 America is, like manner, good for India.

17 If you start with that point, then the next should follow. That is that you can
18 argue that the United States and India could have done more with their relationship in
19 recent years, but let us also remember that we have taken just gigantic steps. A real sea
20 change has occurred in the last 15 to 20 years in the way we have proceeded.

21 Having said that, I truly believe that since 2010, the high water mark of President
22 Obama's trip, the relationship has been on hold. If anything, I would say it has
23 atrophied and requires attention.

24 Which is my third point, and that is the unprecedented victory of Prime Minister
25 Modi, the disarray of the opposition, the determination of Modi to shape almost in an

1 executive manner the agenda of his country, means that the United States is facing an
2 uncommon partner across the table, an uncommon opportunity, and one that is likely to
3 be with us for a good ten years. We should be planning at least that the partners we are
4 finding in New Delhi today will be there for a substantial period of time. It behooves us
5 therefore to make certain that we get the relationship right, our understandings right,
6 now, so that we have the enduring capacity to engage India in the years ahead.

7 My fourth point flows therefore from that, and that is: What are the main pillars
8 of the relationship and how do we address those? I am going to argue that at core the
9 relationship has rested on two pillars since it took off in its modern phase in the 1990s.
10 The first is political. We have developed a new political relationship with India in the
11 past decade and a half that is uncommon to anything, unlike anything that we have
12 known before in our history.

13 But I am also going to argue that since 2010 we have begun to lose the strategic
14 thread in that relationship. I believe that is the point that Senator McCain was driving
15 this afternoon. What is the strategic view? How do we see India and therefore how
16 does India judge where she fits into American strategy, especially at a time when India
17 is trying to calibrate its relations with China, Pakistan, Afghanistan, and the other crises
18 in the region. Where India fits in is going to be the basis of how Modi and his
19 government decide to structure their national policies and develop a partnership with
20 the United States.

21 Now, it is more than general generalities. It is very specific. How does the
22 United States intend to manage the rise of Chinese power? What does the United States
23 intend to do with and in Afghanistan after the withdrawal of American forces in their
24 great majority in 2014? Under what circumstances are we going to come to the
25 assistance or back the existing regime? How will India be able to relate to that
26 objective?

1 And third, Pakistan. While India brooks no intermediation between the United
2 States and Pakistan, India still needs to know how we will deal with the very difficult
3 circumstances Pakistan is going through and the spillover effect onto, across India's
4 borders.

5 I believe, Senator, that these three particular questions and the broader strategic
6 framework must be the top priority of Secretary Kerry and the President when Prime
7 Minister Modi visits the United States in September. I believe it is also a challenge for
8 this committee to think how to articulate American strategic purposes in Asia and
9 towards India, as well as Japan and China. That remains a real task in front of all of us
10 that needs to be tackled.

11 I think we had a case this afternoon of that need to define our own thinking so
12 that we can create partners in our activities abroad.

13 The second aspect of our relationship, the second pillar, Senator Kaine, is the
14 economic pillar. It has been a real driver in what got us here. But since about four or
15 five years, there has been a loss of confidence in the American business community in
16 the Indian market. It has not grown rapidly. GDP rates have been down, inflation high,
17 and government has not been able to take the steps that are necessary to push the
18 relationship forward with the United States or, indeed, resume a rate of Indian growth.

19 Reversing that tide is the top priority in the Modi government, and it is also the
20 top priority we have on the business side. There are lots of issues that have to be dealt
21 with. Some have been mentioned this afternoon: questions of taxes, of intellectual
22 property rights. I believe there are avenues forward. The nuclear question we have
23 touched on. Defense sales and offsets; the Indian threat, occasionally voiced, of
24 localization; the criminalization of commercial disputes that has today an American
25 CEO in prison in an Indian state, the Amway president; the long-term difficulties of

1 infrastructure and power generation that impede the effectiveness of American business
2 firms who invest or who wish to trade from and produce in India.

3 Modi, the Prime Minister, intends to address these issues. He made that clear
4 and his government made it clear to the delegation that visited India in late June from
5 the United States-India Business Council headed by Chairman Ajay Banga, the group
6 that represents the overwhelming majority of American companies doing business in
7 India. The Prime Minister made it absolutely clear that we would see first steps in a
8 new budget, and I believe we have not seen a lot of hard facts in the budget, but we
9 have seen key directions and that is very important.

10 Modi made it clear he wants to produce 15 million jobs a year and he knows and
11 his government knows you cannot get that without foreign involvement, foreign
12 investment, foreign technology, and without American involvement.

13 Well, growth of the Indian economy is going to be good for us. It is going to be
14 important for India. But I am going to take the argument one step further since you and
15 the committee, subcommittee, are looking ahead. Where do we want to be in the
16 future? Where does India want to be? How will it develop 15 million jobs?

17 I am going to argue that the only way there is a real shot at getting to that
18 extraordinary goal is for India to open itself up and become a competitive marketplace
19 in the international system. Yes, as Assistant Secretary Biswal said, we would like to see
20 the bilateral investment treaty passed. That is an important objective. We want to see
21 India back in the WTO engaging in the service rounds. It is really important to see India
22 in APEC and looking at knocking on the door of the Trans-Pacific Partnership, and
23 indeed one day, Senator, perhaps we can dream, if we can take those initial steps, of a
24 free trade agreement between the United States and India.

25 For India today finds itself in the awkward position of being neither part of the
26 Atlantic disposition nor the Pacific one and falling in between. But for India to reach

1 that objective takes a mind set change. That mind set is how India opens up. Rather
2 than investment only flowing in, India joins the international trading system and grows
3 through competitive example.

4 I believe it is important. I believe it is part, circling back to Senator McCain, of
5 the strategic challenge. Do we want to leave India struggling at the door of APEC,
6 trying to figure out how to get in? Or do we, the United States, want to be India's
7 partner in trying to help her think through the steps she will have to take?

8 So strategy political, strategy business, circle back and come together again.

9 For all of these things to happen, there are a number of fora. The Secretary and
10 the Secretary of Commerce will be in Delhi. The President will be involved. Many
11 other fora have been mentioned. They need to be launched, because we have real jobs
12 to do.

13 But I close by saying, Senator, that we really have an extraordinary opportunity
14 with India and a demanding time in which to make that opportunity happen. I believe
15 today and I believed for some time that, despite the progress we have made so far, the
16 best years in our relationship are still to come.

[The prepared statement of Ambassador Wisner follows:]

[SUBCOMMITTEE INSERT]

17 **SENATOR KAINE.** Thank you, Mr. Ambassador.

18 Mr. Rossow.

**STATEMENT OF RICHARD M. ROSSOW, WADHWANI CHAIR IN U.S.-INDIA
POLICY STUDIES, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES**

19 **MR. ROSSOW:** Chairman Kaine, Ranking Member Risch: First, let me also offer my
20 sincere thanks for organizing this hearing. The title and tenor differs greatly from what
21 we saw around Washington, D.C., and the Hill just a year ago, when some troubling
22 economic policies in India really tended to dominate our bilateral agenda.

1 Commercial issues are real and quite serious and have been touched on already
2 several times. But let us first remember, as has already been said, why partnership with
3 India is important. I think every time that we see a fishing boat rammed in the South
4 China Sea, I think every single time that an air defense identification zone is set up
5 without consultation, every time that an island is created in the middle of the ocean
6 attempting to expand territorial claims, we understand why we need strong regional
7 partners. So I think the conversation here is quite timely with the election.

8 This belief drove the United States to make an initial attempt at creating a
9 powerful new partnership with India over a decade ago, highlighted most poignantly
10 by the U.S.-India civilian commercial deal. However, the last Indian parliament gutted
11 the commercial aspects of this deal by passing the liability law that has been touched
12 upon. At that point we really had to question India's commitment to a strategic
13 partnership.

14 At that time we kind of fell back on commercial relations as really the driver of
15 bilateral affairs, and when these economic policy decisions were taken even that fell off
16 the rail. So that is where we started.

17 There is a very different leadership team in Delhi now, though. The BJP is not
18 guided by India's traditional history of nonalignment. They have only been in charge in
19 six of India's years since independence. So the past is not precedent for them. Instead
20 of standing on lofty principles, which may in fact be at odds with their circumstances,
21 the Modi government will strike out in bold new directions which meet specific goals.

22 My good friend Ambassador Hemant Singh said the other day when he came
23 through town: India's actions will finally be aligned with her priorities. I think that
24 captured it most poignantly.

25 My biggest fear is the United States, both government and industry, suffer from
26 failed expectation syndrome right now. Not everyone on our side of the ocean seems to

1 understand the sea change in Delhi and how this could serve to deepen our partnership.
2 We may not be prepared to make a second grand overture, as we did in the past, or be
3 receptive should India signal its interest in striking out in bold new directions.

4 My second fear is that we will approach the Modi government with the same
5 agenda that we have used in recent years. We need to recognize the Modi
6 government's priorities, some of which have been discussed already today, and where
7 these priorities intersect with our own, and this middle ground must become our shared
8 agenda.

9 So four areas that I would point to: First is manufacturing, which has already
10 been touched on. Ambassador Wisner noted the need for 15 million jobs a year to be
11 created. The other aspect on manufacturing: Almost 100 million people have moved to
12 Indian cities in the last ten years, and India's trade deficit, particularly with China, of
13 about \$40 billion — they need to come up with opportunities and means to back those
14 issues off and create opportunities for themselves. America can be a crucial partner in
15 manufacturing, supplying capital equipment, financing, investment, and markets for
16 the redevelopment of the Indian manufacturing sector.

17 Second is on defense. Clearly this remains the brightest area of U.S.-India
18 cooperation, but I will leave that for Vikram as the expert here. Internal security,
19 border incident, or terror incident — most of us look at that in the Modi tenure as one of
20 the biggest threats to derailing Modi's governance over the next five years — another
21 Mumbai-style attack and the feeling that he will have to react more forcefully than the
22 Manmohan Singh government did.

23 Here again, the United States has a great deal to offer on internal security, from
24 equipment to intelligence-sharing, and this must include a much more collaborative
25 approach on Afghanistan as we shape our planning for Afghanistan, not just telling

1 them what we are going to do, but at least bringing them in the loop earlier in that
2 process.

3 Creating infrastructure. This is the fourth area that the Modi government is very
4 interested in. Actually, I think that there is a little bit less opportunity for American
5 involvement in this, though. As Ambassador Wisner vividly recalls, a lot of the early
6 American investment after the reforms in the 1990s were in the energy sector, power
7 plants built across India, and had a difficult time getting paid. So whether there is a real
8 opportunity for America to get back involved in infrastructure depends on whether we
9 can find a payment security mechanism to make sure our companies get paid. The
10 investment treaty could actually go some way in making that happen. So
11 infrastructure, I hope that there is more to be done there.

12 When it comes to economic cooperation, Washington spends a great deal of time
13 talking about liberalization as the thing that will unleash the animal forces. To be sure,
14 increasing FDI caps will provide much-needed capital to spur additional growth in
15 sectors like insurance, retail trade, defense, and a range of other industries. But even if
16 nothing that we call reform happens in India, the biggest reform has already happened,
17 which is having a business-friendly government in charge in Delhi.

18 Running a clean and fair spectrum allocation for telecom spectrum may not
19 qualify as a reform, but if this Modi government is able to do it it will be an important
20 boost of the telecom industry and for Internet penetration. Avoiding regulatory
21 overreach would not qualify perhaps as liberalization, but it can avoid the collapse of an
22 industry, as we saw with the life insurance industry in India in 2010, with the regulatory
23 change that really gutted the growth rate of one of the fastest growing industries at the
24 time.

25 So business can operate in most environments as long as there is stable,
26 consistent application of the rules, and that has not been the case in recent years. So we

1 look at reforms, but I think the numbers are going to show that, irrespective of whether
2 the FDI caps change — and I certainly hope they do — I think business is going to be a
3 lot more bullish, and we are seeing the numbers tip up already.

4 The last time the BJP was in power, in less than six years we went from nuclear
5 sanctions to nuclear cooperation, six years. When interests are aligned and leaders
6 think big, the relationship can progress faster than most of us believe is possible. This
7 Indian government is not bound by precedents. The reasons for partnership with India
8 are stronger now than they were a decade ago, and America needs to approach these
9 next two months without putting a ceiling on how big we are thinking and without the
10 baggage of the last five years.

11 I thank you for your time.

[The prepared statement of Mr. Rossow follows:]

[SUBCOMMITTEE INSERT]

12 **SENATOR KAINE.** Thank you very much.

13 Mr. Singh.

**STATEMENT OF VIKRAM J. SINGH, VICE PRESIDENT, NATIONAL SECURITY
AND INTERNATIONAL POLICY, CENTER FOR AMERICAN PROGRESS**

14 **MR. SINGH:** Thank you very much, Mr. Chairman, Ranking Member Risch. It is a
15 real honor to be here. As the other witnesses have done, I am submitting my testimony
16 for the record as well, but I will touch on a few key areas briefly here which are going to
17 echo a lot of what we have heard from my esteemed colleagues.

18 It really is a pleasure to be with you and this hearing could not be better timed.
19 We are looking towards the moment that will set the trajectory for the next several
20 years, with the strategic dialogue coming up, with the high-level visits we are going to
21 have, and with the Prime Minister and the President meeting. So I am very glad to have
22 the opportunity and to have it now. Thank you for that.

1 Interestingly, we are in virtually complete alignment with India on almost every
2 major issue you could think about, at least in terms of where we want to go
3 strategically. Terrorism, the environment, regional stability, counterproliferation. We
4 agree that we need to have an international order based on rules and norms of
5 behavior. We want secure energy flows, we want secure commerce. We want to
6 combat global climate change. At home we have a lot of similar challenges. We face
7 challenges in terms of the growth of the middle class and good jobs and providing good
8 governance, protecting our citizens, securing energy and water for the future.

9 Our administration, the current administration, the prior U.S. administration,
10 successive Indian administrations for quite a while, have made this relationship a
11 central priority. And yet we have found that progress has fallen short of expectations.
12 Even where we have had breakthroughs — defense, the civil nuclear deal — it is
13 important to note that we have given ourselves a good foundation, but we have lacked
14 measurable progress in terms of deals signed, projects launched, joint activities
15 undertaken.

16 There are some reasons for this, but we cannot gloss over them. There is a
17 tendency in the U.S.-India relationship to have a little too much happy talk and then it is
18 followed by excessive frustration. The bottom line is we are doing well, we are doing
19 well together, and we could continue to do well together and be just fine, but we also
20 have the potential in the next few years, we believe at the Center for American Progress,
21 we have the potential in the next few years to really move to another level in this
22 relationship.

23 We are launching a project in the next week called India 2020, which is going to
24 look specifically at what can we do, what can we achieve in five years, because we think
25 this is a particularly good moment to look at that.

1 Prime Minister Modi ran on a campaign of what he called "surajya," which
2 means in Hindi good governance. He said: I am going to deliver good governance, I
3 am going to deliver it to all classes, castes, and communities. That is the promise that he
4 is going to be measured by. That is the promise that we should welcome and we should
5 sort of measure him by ourselves.

6 I know he has been a controversial figure, but I really do think that the warmth
7 of his reception in the United States this fall is critical. We need to set the tone now.
8 This is the world's largest democracy and I think the Congress should invite him to a
9 joint meeting. If the logistics work out, I think that needs to happen.

10 To evaluate how things are going in the first few days of the Modi
11 administration, I think we should look at the budget. The budget is — it is a good first
12 step, but it showed that he views his challenges as long-term and it was a set of
13 incremental steps. It was not a sea change. You saw some increases in foreign direct
14 investment. You saw some commitments to things like smart cities and infrastructure
15 upgrades, but these were not met by commitments of resources. So we really are in a
16 period of seeing just how ambitious and how fast the Modi government is going to
17 move.

18 On defense, there are some near-term things that can be done to sort of show
19 intent. There are pending sales, things like Apaches, Chinooks, the M777 howitzer.
20 Those could all be done very soon. They could be done in time for Secretary Hagel's
21 visit in August that we just heard about from Dr. Searight.

22 But there are longer things. That defense cooperation agreement she mentioned,
23 the 2005 New Framework for Defense Cooperation, that is the agreement that governs
24 this relationship. It has hit its ten-year mark. It was drafted as a ten-year agreement. It
25 needs to be updated in a way that takes the vision for our security relationship to the
26 next level. It should be updated to incorporate agreements for better communication

1 and information-sharing and logistics cooperation, so that it actually enables us to do
2 much more.

3 On economic liberalization, which was one of the areas you asked us to touch on,
4 Modi is focused on this because India ranks 139th in the World Bank's doing business
5 index. They have got a long way to go. I think it is good that we see the progress being
6 made, but, to touch on what Ambassador Wisner said, issues like retroactive taxation,
7 protection of intellectual property rights, the always emerging issues of local content
8 requirements that have done things like made it very difficult for us to make progress
9 even on renewable energy cooperation, those things need to be clarified and really
10 clearly clarified. Some of these issues need to be put to bed by the Indian government if
11 they are going to really attract the kind of investment it is going to take to have the kind
12 of growth they want to see.

13 On energy and climate, we could do tremendous amounts together. India is
14 going to be the world's largest coal consumer in a decade. India is already one of the
15 largest emitters and it suffers great threat from climate change. So we could enhance
16 cooperation in research and development. We could reduce — work together to reduce
17 hydrofluorocarbons, which is an issue that I think will be taken up at the strategic
18 dialogue. We could build resilience, climate resilience. Our experience with Hurricane
19 Sandy is very instructive. And we could model something on what we have done with
20 them in terms of clean energy cooperation for building resilience and dealing with
21 climate change.

22 But it is going to take a significant effort to get there, and we would have to clear
23 away some of the things that have been real obstacles. So in the energy sector, their
24 energy mix has got to include natural gas, nuclear, and other things. How far can we
25 get if we do not resolve — address the nuclear liability issue? Those are difficult issues,

1 but they have to be grappled with. I think the new administration in India is going to
2 give us an opportunity to do that.

3 I know everyone has talked a lot about the importance of India in the world and
4 the region. I just want to say very briefly that I think it is important for us to start
5 thinking about India as the anchor of a strategically vital part of the world, not as
6 peripheral to South Asia or as peripheral to the Asia Pacific, but as the anchor of the
7 region that goes from the Middle East all the way to China, Japan, Australia, India
8 sitting in the center of it.

9 Modi has made very positive steps, sent positive indications about what he is
10 going to do. He invited all the neighbors to his inauguration. He is going to continue to
11 help contribute to stability in Afghanistan. He has made indications that he is going to
12 take steps to improve stability with Pakistan if he can find a good counterpart.

13 We can work with them in the rest of the region — Nepal, Bangladesh, Sri Lanka.
14 But also, for Myanmar, where India is working on connectivity, to new cooperation
15 with Japan and Australia, which are areas that Modi seems to be interested in. He has
16 shown that he wants to have good relations with China, but on the campaign trail he
17 was also willing to actually publicly say China should not be an expansionist power, but
18 should be focusing on development, which indicates that he is going to have a
19 willingness to take on tough issues.

20 I think that the U.S.-India relationship has grown well, quietly, stably, in many
21 ways. If you had said ten or so years ago to me that we would have \$10 billion in
22 defense trade, I would have thought that was not even within the realm of possibility.
23 But we have gotten there, and we should not rest on our laurels. I think the leadership
24 of this committee and the opportunity before us, with new leadership in New Delhi,
25 means that we are in a position to really capitalize on an opportunity and to take the
26 relationship to the next level.

1 I look forward to the discussion. Thank you.

[The prepared statement of Mr. Singh follows:]

[SUBCOMMITTEE INSERT]

2 **SENATOR KAINE.** Thank you, Mr. Singh.

3 Ms. Curtis.

**STATEMENT OF LISA CURTIS, SENIOR RESEARCH
FELLOW, THE HERITAGE FOUNDATION**

4 **Ms. CURTIS:** Thank you, Chairman Kaine, for inviting me here today. It is an
5 honor.

6 The BJP's victory and assumption of power provides an opportunity to build the
7 U.S.-India relationship. I think it bodes well for the country's economic prospects as
8 well as its role in global affairs more generally. The previous Manmohan Singh
9 government had been weakened by a series of corruption scandals. It was distracted by
10 governance problems, which led to the stagnation of the relationship. Of course, you
11 mentioned how ties were further strained by the Devyani Khobragade episode.

12 So now we have an opportunity to move beyond that phase in the relationship
13 and reinvigorate ties on a variety of fronts, whether it be defense, security, economic
14 cooperation, counterterrorism, or other issues of mutual concern. We have heard a lot
15 about how Prime Minister Modi is expected to revive the Indian economy, encourage
16 private sector growth. His track record in making Gujarat one of the most investor-
17 friendly states gives confidence that he will implement policy changes that will help
18 revive the economy.

19 Regarding foreign policy, the Modi-led government is expected to pursue a more
20 robust and assertive approach and enhance India's influence and prestige on the global
21 stage. While a more assertive approach to foreign policy could pose some challenges to

1 the U.S., I think by and large it will open up opportunities for the U.S. to draw closer to
2 India with regard to defense and security issues.

3 With regards specifically to China, the Modi government is likely to pursue a
4 multifaceted approach which involves both simultaneously improving trade and
5 investment ties while also focusing on building up its own strategic and military
6 capabilities to guard against the possibility of Chinese aggression along their disputed
7 borders.

8 The BJP election manifesto did not mention China specifically. However, it did
9 commit to a massive infrastructure development program along the Line of Actual
10 Control, which is the disputed border between India and China in the states of
11 Arunachal Pradesh and Sikkim. Modi's call a few months ago, as it was mentioned, for
12 China to abandon its expansionist attitude shows that the Modi government is wary of
13 Chinese territorial ambitions, especially in light of last April's border incident in which
14 Chinese troops camped for three weeks several miles inside Indian territory in the
15 Ladakh region of Kashmir.

16 The Modi government has been receptive to Chinese wooing over the last six
17 weeks, including an early visit by the Chinese foreign minister to New Delhi just three
18 weeks after Modi had assumed office and Monday's meeting between Modi and the
19 Chinese president on the fringes of the BRIC Summit.

20 Prime Minister Modi has also demonstrated interest in setting a positive tone in
21 relations with Islamabad by inviting Prime Minister Nawaz Sharif to his swearing-in
22 ceremony, but still a major terrorist attack inside India with links to Pakistan could
23 quickly reverse this positive momentum. And having criticized Prime Minister Singh
24 for being too soft on Pakistan, Modi would be under pressure to react strongly in the
25 face of any new terrorist provocation.

1 Moreover, as was mentioned earlier, there is growing concern about the impact
2 on Indo-Pakistani relations of the U.S. drawdown from Afghanistan and whether this
3 could in fact ignite the Kashmir conflict.

4 So what initiatives can the U.S. pursue with the new Indian government to take
5 advantage of this opportunity to bolster the relationship? First is in the realm of
6 cooperation in the Asia Pacific. Now, Indian officials were initially cautious in their
7 response to the U.S. policy of rebalancing toward the Asia Pacific. But I think the
8 Chinese border provocation of April 2013 may prompt New Delhi to become more open
9 to this idea of a robust U.S. role in the region.

10 You talked about trilateral cooperation. I think there is a real opportunity to
11 build the U.S.-India-Japan trilateral cooperation. Prime Minister Abe of Japan and
12 Prime Minister Modi have a personal relationship. Modi has visited Japan. So I think
13 there is a real opportunity to bolster that trilateral dialogue.

14 I would just mention that the Heritage Foundation conducted a track two
15 quadrilateral dialogue with an Indian think tank, a Japanese think tank, and an
16 Australian think tank in December. I think it is important — even though the stage is
17 not set for a formal quadrilateral dialogue, I think it is useful to have these track two
18 dialogues that, in the event where there might be a need to revive or start this
19 quadrilateral dialogue, we can put that into place.

20 Second is defense. As mentioned, the U.S. and India need to renew the ten-year
21 defense framework agreement, build on the defense, trade, and technology initiative
22 that was launched in 2012. Civil nuclear, I think there is an opportunity to make a fresh
23 push on changing the liability issue. While in opposition, the BJP certainly opposed to
24 nuclear deal and pushed for this liability legislation that has complicated U.S.
25 companies' ability to get involved in the civil nuclear sector in India. However, now

1 that the BJP is in power I think there may be a willingness to soften their position and
2 build a political consensus around resolution of this issue.

3 Fourth nonproliferation. The U.S. should be pressing for India's membership in
4 the major multilateral nonproliferation groupings, such as the Nuclear Suppliers Group,
5 the Missile Technology Control Regime, and other groupings. This is something that
6 the U.S. should be pushing for in the future. This is important to bring India into these
7 groupings rather than have it be outside of this process. That is good for global
8 stability.

9 Lastly, Afghanistan and counterterrorism. We need to deepen this dialogue and
10 certainly Afghanistan needs to be part of the counterterrorism dialogue and we need to
11 increase our consultations.

12 Lastly, I just want to flag very quickly the remote possibility that the religious
13 freedom issue could become an irritant in U.S.-India relations. I think Modi has
14 definitely distanced himself from communal politics during the election campaign and
15 he focused instead on the economy and good governance. However, religious
16 minorities in India remain concerned that the BJP could pursue a communal agenda
17 that would be detrimental to their interests. So this is just something that we have to
18 keep an eye on.

19 So in conclusion, the election of the BJP government is likely to have a positive
20 impact on the Indian economy and reestablish confidence in India as a global power. If
21 the U.S. demonstrates its willingness to establish closer ties with the new government,
22 the BJP is likely to reciprocate and we could both focus on achieving that vision of a
23 durable and strategic partnership.

24 Thank you.

[The prepared statement of Ms. Curtis follows:]

[SUBCOMMITTEE INSERT]

1 **SENATOR KAINE.** Thank you very much. Great testimony all around, both the
2 written testimony, which I found very provocative, and the presentations.

3 Two opportunities that I think are available to us that I just want to mark here.
4 Mr. Singh, you mentioned the idea of a joint address to Congress. I am a co-sponsor of
5 a resolution we are currently working in the Senate that talks about sort of the new
6 relationship with the U.S. and India, but it also includes a resolution to invite the Prime
7 Minister to address Congress. I think that would send a very positive signal.

8 I also encourage and urge the administration to send a very positive signal in its
9 choice of naming an ambassador to India. That is one of the strongest signals you can
10 send. If you send someone — the kind of person you send, the identity of the person
11 you send, the relationships that person already has in a country, and especially in a
12 country whose partnership means so much to us, that is a very quick way to tell
13 somebody how important they are. I really urge the administration to do that.

14 We are wrestling with our own significant challenges here in the Senate, frankly,
15 about confirming ambassadors. It has been really discouraging to me that so many
16 nations in the world with which we have so much business on the table right now have
17 had vacancies in their ambassadorial posts, largely due to process issues here in the
18 Senate that we ought to be able to resolve.

19 But to some degree, these matters also all begin with the administration naming a
20 person. I think this particular vacancy gives the administration an opportunity to name
21 someone that right away communicates a level of seriousness about the future of the
22 relationship, and I encourage the administration to do it.

23 A couple of you have touched on an issue that I think is interesting, which is if
24 we are looking at a way to strengthen this relationship going forward, there are positive

1 things we can work on, but the other way to look at it is, what are the negative concerns
2 that we ought to kind of sweep out of the way? We have concerns on our side —
3 intellectual property, etcetera. But you are all experts at this and you all know the way
4 the Indian leadership class kind of looks at these issues. What are concerns that they
5 have right now with this government and the kind of new reality about the United
6 States, about the relationship with the United States, that we ought to be thinking about
7 about moving aside in these meetings that are coming up in the September visit of the
8 Prime Minister here?

9 So educate me on, from the Indian perspective, what are concerns and issues that
10 we ought to try to address and move aside so that they are not obstacles to a very
11 productive future path? In whatever order you want. You do not have to go in the
12 order.

13 **AMBASSADOR WISNER:** I would be happy to throw the first stone, Senator.

14 **SENATOR KAINE.** Please.

15 **AMBASSADOR WISNER:** In my testimony I made a point that I know is rooted in
16 Indian perception, and that is they are looking for a definition of how we intend to
17 manage our affairs in protecting the security, the balance of power in Asia. They do not
18 know what that is and it makes them profoundly uneasy because they do not know
19 where they fit in, how we are going to manage Chinese power, how we are going to
20 deal with Afghanistan, what are our plans towards Pakistan?

21 If I pick, at the top of my list of risks it is the risk of talking past each other. We
22 pick lots of specific initiatives that we can get involved in, but they are looking for a
23 framework, an intellectual framework that will give them the ability to predict how
24 America will react in a very tough time in history. That is what I hope the President
25 and Kerry, the Secretary, and Secretary Hagel will really focus on: Get that right and so
26 much will follow. Risk number one.

1 Risk number two is known to I think all of us who have dealt with India over the
2 years, and that is exaggerated expectations. India is not your normal ally that we expect
3 to have consultations and have American solutions and expect a degree of
4 responsiveness to our ideas. India is a very reluctant partner, a very careful partner, a
5 very suspicious partner.

6 The way you make the relationship work is not by setting your goals and
7 expecting India to meet them, but a very careful discovery of what Indian goals and
8 yours are and coming up with a meld. It is a different kind of diplomacy than the
9 United States has been used to exercising. But I would argue the failure to do that puts
10 a risk in the relationship, because once again we will walk past each other.

11 **MR. ROSSOW:** I will just rattle off a couple of thoughts on this real quick. I think
12 getting an ambassador to post, but at the same time I think what India would really like
13 to see is somebody at the cabinet level in the United States that they feel wakes up every
14 day and thinks about India as one of the first few things. I think Ash Carter played that
15 role. India felt that there was somebody in those high-level discussions that would
16 think about India and their interests. But right now I do not know that they could point
17 to somebody and say that that is our person.

18 I also think that for India's commercial interests the immigration bill, which the
19 Senate passed and the House may take up at some point in the future, and its
20 implications for IT service firms, also they continue to raise. I know this issue has never
21 been quite elevated to that level of the totalization agreement on social security
22 payments.

23 The last thing I will mention real quick, too, is there are two things happening
24 this fall that will have a very pointed effect in the relationship. The USTR's out of cycle
25 301 review. Is India going to amend its patents law in a way that accommodates

1 everybody's interests? I do not think that is likely to happen. So the 301 is going to be
2 out there. It is going to be another roadblock we know is coming.

3 And the International Trade Commission has a report on India's trade barriers
4 and I think even those of us that love the relationship realize there is a lot of barriers in
5 India. The report is going to say that. So we have got two things coming up, two that
6 we know are going to be poking at the relationship a little bit, mostly driven by things
7 that the last government did. So reactions to that at the next government may be taken
8 as unfair.

9 **SENATOR KAINE.** Mr. Rossow, just to follow up before the other witnesses answer
10 the question, your point about the failed expectations syndrome; I guess there would be
11 a danger if we as the United States deal with the new government kind of out of the
12 basis of our experience with the previous government. That will be noticed and will not
13 be appreciated. Your point was we kind of have to recognize that we have a big
14 opportunity and if they set aside some precedent and do not feel bound by it then we
15 should also approach it in a new way and not just based on past expectations.

16 **MR. ROSSOW:** There is a very specific thing underlying that, which is that we dealt
17 with them the Manmohan Singh government before, which was not the government of
18 India. Sonya Gandhi, president of the party — and when we talk about the fact that the
19 government could not get things done, if you were to look at Sonya Gandhi's legislative
20 priorities she had almost a perfect batting record, including at the last minute, just
21 months ago, passing a bill through parliament amending the constitution to create a
22 new state to try to save a few seats in their election. A very incredible legislative record,
23 but that was not who we were dealing with, and that agenda was different than ours.

24 So the fact that we are dealing with the person in which power is consolidated in
25 Delhi is a huge difference.

26 **SENATOR KAINE.** Thank you very much.

1 Mr. Singh.

2 **MR. SINGH:** I echo a lot of what my colleagues have said, but I think the concerns
3 of every Indian government have been somewhat similar over the years. That is that if
4 you get too close to the United States what does the United States get you stuck in?
5 Where do you find yourself in an uncomfortable position? Where do you find yourself
6 with deep ties, say on defense, that prove unreliable at a controversial time?

7 The mistrust that we have had over the years I think has almost entirely been
8 eradicated. In fact, before the Khobragade incident I think that the sense was that we
9 had basically overcome all of that kind of mistrust. But because relations are
10 complicated between nations and because things like that incident happened or
11 Snowden revelations happened to friends like Germany, really any relationship is
12 subject to these kinds of bumps in the road.

13 But I think the Indians are particularly nervous about what being too close to the
14 United States would actually mean. The shadow of nonalignment is not — is not just a
15 partisan thing. It is not just a Congress Party thing. It is there. It is in — it is a more
16 positive vision when it comes from the current government, because it is not what we
17 are not going to do; it is that we are going to be a nationalist government. And positive
18 nationalism from this government could be a very powerful, useful thing, because it
19 could give them a level of confidence to do things with us that have otherwise been
20 thought of as somehow risky or suspect or things you would worry about.

21 But I actually think that there is a bigger — their concerns are not necessarily the
22 main threats to us having a productive relationship. I think a lot of those concerns are
23 fairly misplaced, especially now that you have such strong support for India across the
24 board. Just look at the dynamism not only of your subcommittee, but look at the India
25 Caucus on the Hill. It is very robust. So you have sort of really broad bipartisan
26 support for the relationship.

1 But I think the thing that is a little more worrying, and it should be a concern to
2 us and to them, is we are in a very complicated — it is a very complicated relationship
3 and it is one where if it lacks leadership — that is to say, if the President and the Prime
4 Minister are not fairly regularly making it clear to the two bureaucracies and the
5 systems that their expectations are high and that problems should be resolved and that
6 we should get through issues — we will not. The issues will eat us up in this
7 relationship. The things that pop up, the obstacles, will — in anything we try to do,
8 legal, policy, and other obstacles will pop up.

9 Those can either become insurmountable if they are sort of left in a vacuum of
10 leadership or they can probably be relatively easily surmounted if there is regular
11 leadership from above. So it is not enough for the two leaders to meet now and say we
12 love each other, we want to have a good relationship. There has to be some real
13 consistent mechanism. The infrastructure is there with the strategic dialogue, the high-
14 level dialogues on defense. There is all these pieces. But somehow if it does not have
15 that top-level leadership consistently applied, I do not think —

16 **SENATOR KAINE.** The bureaucracies are not capable of managing the relationship.

17 **MR. ROSSOW:** Yes. They are very capable of bogging it down.

18 **SENATOR KAINE.** Yes, right, right. Thank you.

19 Ms. Curtis.

20 **MS. CURTIS:** I think one of the biggest concerns I hear coming from Indians is the
21 future of Afghanistan and our withdrawal. They are afraid we are going to withdraw
22 too quickly and that we are going to allow Pakistan to drive the future of the country. I
23 think there is major concern on this. So anything we can do to allay those concerns
24 would be useful.

25 The second issue would be echoing what Rick mentioned in terms of the
26 immigration issue and U.S. restrictions on the H1B visas, restricting the numbers of

1 highly skilled Indian workers coming into the U.S. I think those would be the major
2 issues.

3 **SENATOR KAINE.** Let me ask one other question and then I will see if Senator Risch
4 has a question. I guess it was, Ambassador Wisner, your testimony was about this very
5 ambitious economic goal of the 15 million jobs a year. Or, Mr. Rossow, was that your
6 testimony? I cannot remember. So that is a huge and ambitious goal. So, going back to
7 Ambassador Wisner's answer to my previous question, if the idea needs to be not just
8 here is what we want, but let us really listen to what it is that this new government of
9 India says it wants and then try to meld all of our goals together, if they are placing a
10 very high priority on economic development, and in a pretty specific way — they have
11 got a metric that is out there, a need to create 15 million jobs a year to deal with the
12 changes in the population, the move of a rural population to the cities — that could be a
13 focus of ours.

14 If we know that is their most significant goal, then there is a whole series of
15 things — a manufacturing initiative, Mr. Rossow, you talked about — that we could do
16 that I think would be mutually beneficial both for our interests and for theirs. But I am
17 just kind of curious. Do all really see that significant economic acceleration as the
18 primary goal right now that the Modi government wants to pursue and should we
19 organize much of our thinking? We are not going to set aside the good defense work we
20 are doing, etcetera. Should we organize much of our thinking about how to work
21 together around that very aggressive economic development goal?

22 **AMBASSADOR WISNER:** Well, I think it is certainly one of the key objectives we have
23 to reach for. I would not want to wipe the slate clean of other demands. We have got
24 real security interests in the continent. We want to work with India on those. We have
25 issues that have to be addressed in terms of the broad economic picture, not just India
26 and job creation.

1 But it really is vital, and it is going to be very tough. It is certainly a terrific focal
2 point around which we can talk to Modi. Now, what really lies ahead? 15 million jobs,
3 that is daunting. But at least we know that Modi is about growth. He is not about
4 distribution first and foremost. He is about growth. So what kind of growth policies
5 are going to work? He is looking for those. He is articulating them, and he has shown
6 that once he finds them he takes the power of the office of the chief executive and he
7 puts that strength behind it. He deals directly with his administration. His ministers
8 really brand. They do not — it is not a collective judgment, as traditional Indian
9 governments have been.

10 But to get there, Senator, I am going to repeat myself in one regard. I do not
11 think simply investments in infrastructure, education, health are going to get 15 million
12 jobs in India. We are all going through a complex time in the world in which job
13 generation is one of the most horrifically complex prospects. Now, how is India going
14 to do it? Here again, if it models itself on the rest of the world as an open, competitive
15 economy, where it invites the best of examples on how to grow and it does not hide
16 behind barriers and try to preserve a nationalist framework, then it has a chance of
17 making that 15 million.

18 But if it does not do that, it is going to be a struggle. I think one of our top
19 priorities ought to be that priority of opening, helping India think about how to open
20 herself so she is competitive, taking the best examples around the world, adopting them
21 herself, and then forcing them through.

22 **SENATOR KAINE.** Other thoughts about how the U.S. can help India achieve this
23 goal? Mr. Singh?

24 **MR. SINGH:** One of the challenges — we often talk about what our businesses
25 need, what we need to be able to do these sorts of things. I think Indian leaders have
26 had historically a failure of explanation to their own people about why they need

1 reforms to do things that Indian businesses need, that Indian workers need, that will
2 actually help bring jobs.

3 That is not something we can articulate for them, but I do think that we can —
4 that we should be poised to encourage the new government to do something that I
5 think has really never been done before. Reforms were made, but they were almost
6 made like: Do not look here; we are still going to do more of the social security safety
7 net, we are still going to do more handouts, we are still going to maintain subsidies, we
8 are still going to do all these other things; but, oh, we have got the opportunity to do
9 some reforms.

10 What you have seen over the last 20 years is a plowing back. A lot of the
11 economic benefit that came from the reforms started in the early nineties got plowed
12 back into nonproductive activity. So they did not build themselves a virtuous cycle and
13 they hoped for growth. They hoped for endless growth, and when growth stopped or
14 stagnated they were caught even more unaware than some other countries in 2010. I
15 think that was really a pretty rude awakening.

16 So the challenge is for a country that is used to a huge public sector, that is used
17 to — that has, even with economic reform, allowed that public sector — in defense it is
18 particularly daunting. Defense public sector undertakings in India are massive and
19 inefficient and not very well suited to the kind of future that they are talking about
20 wanting. And it is not just this government; the previous government, too. But they
21 have not been able to politically see their way through that.

22 They have got to tell a good story. Modi has got to take the narrative "I will
23 deliver good governance" and turn it into "And this is what that takes." He has said a
24 lot of "This is why we have to do hard things," but what are those hard things and how
25 do they deliver for the Indian people? And then he will have to show results.

1 The jobs thing is one indicator. He has also said he wants electricity to every
2 Indian home in about a decade. There is 300 million Indian homes without electricity,
3 so that is the equivalent of trying to electrify the United States of America. That is
4 daunting, and it can only be done if, as Ambassador Wisner says, they make real
5 reforms.

6 **SENATOR KAINE.** Senator Risch had a back and forth with Ms. Biswal on the first
7 panel about intellectual property and I thought she made an interesting point, and that
8 was: We have very significant concerns about the intellectual property argument, but
9 one of the ways that we would achieve what we would want is if the Indian private
10 sector also came to realize, wow, better intellectual property protection is really going to
11 help us as well. She seemed to indicate that there was a growing desire for more
12 intellectual property protections within that domestic technology leadership in
13 particular.

14 Do you share that? Do you see more of an embrace of intellectual property
15 protection as driving policy with this new government?

16 **MR. ROSSOW:** There is a couple of areas where industry has driven. We say "IP,"
17 but you are talking about patents.

18 **SENATOR KAINE.** Yes.

19 **MR. ROSSOW:** That is what has driven this discussion. But if you look broadly at
20 IP, pharma is an area where India lives based on generics production. It has never been
21 leading edge in creating new molecules. But in other sectors that focus on IP — movies,
22 TV, things like that, software, where India has been a leader — industry has done a lot
23 of work to make sure that their government — that their interests are protected.

24 So I think it is going to be tougher in patents. We say "IP." I think in other areas
25 of IP beyond patents there is a lot that has been done. For instance, on cable TV. There
26 was rampant theft and illegal distribution of the channels that American companies and

1 others created. They focused on digitization of cable TV, something that is being rolled
2 out across the nation now, and 140 million homes have cable TV. This is a really big
3 deal. And focusing on set-top boxes, making sure you knew who got what channels,
4 that kind of stuff.

5 On films, it used to be that printed copies of films would be available on markets.
6 So what India has done, industry-led, is digitization. So press of a button, they can
7 transmit the films directly to the studios. So there is lots of work that the private sector
8 has done and I think that kind of shows the case.

9 But in pharmaceuticals the problem is they are not there yet. They are not
10 thinking this is going to be in their interest yet. So they are much further behind. But
11 there is work — the domestic sector did get the message. They have shown to be quite
12 leading edge.

13 **AMBASSADOR WISNER:** Senator, I think just to add a quick thought on what Rick
14 said to you, to make it even sharper, we tend to say "intellectual property rights" and he
15 is quite right, you have got to focus on those areas. One of the hottest topics for our
16 pharmaceutical industry and what causes the most complaints is mandatory licensing.
17 That the Indians have been involved in on rare occasions, but where they have done it
18 they have frightened the international pharmaceutical industry into believing steps they
19 take to have forced licensing will have international repercussions.

20 So when we saw Modi on our recent trip we said: Prime Minister, the really key
21 point is to have transparency and predictability, not to surprise people. We actually
22 suggested, and he liked the idea, of putting together an Indian, international, and
23 Indian government panel to look at
24 pharmaceutical issues and review them before the government makes its choices, and
25 then government is sovereign, but that it is understood by the industry what is
26 happening and it is not surprised, has a chance to make its input.

1 So I think it is not going to be one law that can be written that is going to correct
2 this, but a habit of consultation that will make a difference.

3 **SENATOR KAINE.** Senator Risch, questions.

4 **SENATOR RISCH.** Thank you. I am going to yield back, Mr. Chairman. My
5 questions were answered. So thank you very much.

6 **SENATOR KAINE.** Thank you.

7 Let me ask a question about Iran. This is partly directly related to the India-Iran
8 relationship, which there is a cultural tie that it has had that relationship over time. We
9 give Iran a waiver to our sanctions regime — we give India a waiver to the sanctions
10 regime for use of Iranian energy, largely out of a recognition partly of that cultural tie,
11 but also partly because of the tremendous Indian need for energy.

12 What are the opportunities we might have to work with India — the civil nuclear
13 power issue has been raised, or other areas — to help them develop their own native
14 energy economy that might ultimately lead them to reduce their reliance upon Iranian
15 energy? What opportunities are there?

16 **MR. ROSSOW:** Well, I think India's got tough decisions to make for herself first,
17 which is deregulating price controls of petroleum products. Most foreign companies
18 will not go in and develop the resources. And the resources may be there. We have
19 seen some large-ish natural gas and petroleum strikes over other rounds of licensing for
20 private blocks for exploration and development. But foreign companies mostly have
21 stayed away from doing that because you just do not know, with such a heavily
22 regulated sector, as to whether or not whatever you find you are going to be able to
23 market effectively at a price that makes it right.

24 So they have made steps. Even the Congress government made steps on
25 loosening some price controls and reducing subsidies in this area. A lot more needs to
26 be done, though. Until it is a fully transparent market where the government is not

1 putting their finger on the scale every day, I think a lot of companies are going to stay
2 away from really taking the dive and doing that in a bigger way.

3 **SENATOR KAINE.** But we would have an argument to make in consultation that the
4 relaxation of that sort of overregulation or price control could achieve the 15 million
5 year a goal of job growth. We could show our own track record of developing a really
6 strong domestic energy economy and its connection to jobs if we are trying to help India
7 reach that goal.

8 Mr. Singh.

9 **MR. SINGH:** We mentioned the R and D and the work we are doing through the
10 energy partnership on solar, which of course got subjected to locality requirements,
11 which resulted in it being a trade dispute, basically. But trade disputes can bleed over
12 into the energy cooperation.

13 There are huge potentials for cooperation in the energy sector, both in R and D,
14 but also the Department of Energy could help India with technology for its own
15 exploration for potential, for the gas reserves that might be there that Rick was talking
16 about.

17 It is interesting to note that I think one of the great signs of progress in our
18 relationship was that India did make a concerted effort to reduce its purchasing from
19 Iran when we were asking that that be something — when we were making it clear that
20 that was something that was very important to the United States. And they did it in a
21 way that I think really showed the maturing of the relationship as a strategic
22 partnership. It does not prove that we are where we could be, but it was interesting to
23 see how they handled that.

24 They really did try. They really were transparent. It was sort of, here is what we
25 think we can achieve, and then we were able to come back and the administration was

1 able to work closely with Congress to say, okay, we have got to figure out a way to
2 square the circle here.

3 But they need energy growth and they need diversification and they need
4 greater independence. So I think there is a lot of potential.

5 **SENATOR KAINE.** Lisa.

6 **MS. CURTIS:** What immediately comes to mind is access to U.S. LNG exports. I
7 think including them in that circle is something that is of interest.

8 But just to mention, with the relationship with Iran it is not just cultural, it is not
9 just economic even. They have strategic interest in the relationship with Iran that goes a
10 lot to their rivalry with Pakistan, but also Afghanistan, and preventing the Taliban from
11 taking over there. They cooperated in the nineties against the Taliban in Afghanistan.
12 So just to note that India from its perspective has strategic reasons that it engages with
13 Iran.

14 **SENATOR KAINE.** One last question that I have, and I raised this briefly with the first
15 panel: Counterterrorism cooperation, the Mumbai attack, the presence of LET and the
16 continued concerns about what their designs might be. What opportunity — what is
17 the current status of the relationship between the U.S. and India in the counterterrorism
18 area and what are some opportunities that we would have, that I think would be
19 appreciated if we approached them with seriousness to help them really deal with that
20 challenge? Because, as Ms. Curtis indicated in her testimony, any kind of an attack in
21 the future, given the campaign sort of promises of P.M. Modi, he might have to respond
22 in a particular way. So the best thing we could do is do everything we could to avoid
23 that happening, and that involves CT cooperation.

24 What is the current status of the relationship?

25 **MR. SINGH:** I will speak to it briefly. Post-Mumbai, we really transformed both
26 law enforcement and intelligence cooperation. It has been really one of the more

1 successful areas. The homeland security dialogue within the framework of the strategic
2 dialogue is very productive. The intelligence relationship has been much more
3 productive than people would have expected prior to 2008. We really do share a lot.
4 We share threat information, but we also are sharing a lot of best practices for
5 counterterrorism and other engagement. FBI, DHS, it is broad engagement, and it is
6 good.

7 I think one area is cyber and intelligence-sharing, cyber in particular. I think the
8 need for us to figure out a way to work more closely on cyber security could not be
9 greater, and it has counterterrorism implications. We have a cyber security sort of
10 information-sharing regime which sort of got going in 2010 or '11 — 2011, I think. It
11 probably — it is the kind of thing that it needs to be updated almost constantly. Our
12 engagement on cyber is really not something that you can just sort of do once and then
13 say, okay, we are done. You have got to keep revisiting it. I think that would be an
14 area to look to do more together.

15 So homeland defense, cyber, and intel-sharing are all areas in which we could
16 have very productive additional engagement over what we are doing now.

17 **SENATOR KAINE.** Ms. Curtis.

18 **MS. CURTIS:** I think we need to increase our engagement on regional terrorist
19 threats. Talking about the Lashkar-e-Taiba, which is of course a threat to India, it is also
20 a threat to the U.S., to the international community. Things like the U.S. putting out a
21 \$10 million reward for information leading to the arrest or conviction of the leader of
22 the LET, Hafiz Muhammad Saeed, things like that I think are helpful because they show
23 that we are on the same page as India in terms of cracking down and trying to shut
24 down these terrorist groups that are in the region.

25 **SENATOR KAINE.** Any additional thoughts on that, on that question?

26 [No response.]

1 **SENATOR KAINE.** Well, let me just say this. This has been fantastic testimony. The
2 written testimony was superb, provocative thoughts. We could stay here for hours and
3 hours, but I want to take advantage of folks time. I really appreciate you all being here
4 and helping us work through it.

5 It is an exciting moment in the relationship and I think we need not let the
6 burdens of past expectations, failed expectations syndrome, wear us down. I think we
7 can approach it as a fresh moment and think, not incrementally, but with a bigger vision
8 about where we can go. You have made that very, very plain. We appreciate your
9 being here today and look forward to more work together.

10 If there are members of the panel who do have questions to submit in writing, I
11 will have them do that by 5:00 o'clock on Friday and would appreciate your solicitude
12 in answering them should those questions occur.

13 With that, the hearing is adjourned.

[Whereupon, at 4:59 p.m., the hearing was adjourned.]