

**STATEMENT OF**

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**BEFORE THE SENATE FOREIGN RELATIONS SUBCOMMITTEE**

**NEAR EASTERN AND SOUTH AND CENTRAL ASIAN AFFAIRS ON**

**INDISPENSABLE PARTNERS - REENERGIZING U.S. - INDIA TIES**

**JULY 16, 2014**

Thank you for inviting to me to be here today to participate in this very timely hearing.

## **Overview**

As you all know, the U.S. Government, and the Department of Defense are committed to a long-term strategic partnership with India. We view India as a regional and emerging global power, as well as a provider of security and a strategic partner with shared interests from the Indian Ocean to Afghanistan and beyond.

Defense relations continue to play a significant role in advancing the strategic partnership, and we continue to make progress towards advancing U.S.-India defense cooperation to the point where it is both expected and routine across our multi-faceted relationship. Bottom line: we want India to have all of the capabilities it needs to meet its security demands, and we want to be a strong partner in that effort.

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

## **Update on the U.S.-India Defense Trade and Technology Initiative**

One of the pillars of our effort to build a strategic partnership with India on defense issues is the U.S.-India Defense Trade and Technology Initiative (DTTI). Secretary Hagel designated the Under Secretary of Defense for Acquisition, Technology, and Logistics, Frank Kendall, as his lead for the DTTI at the Shangri-La Dialogue in June. Even as Under Secretary Kendall assumes this role, the Secretary will continue to take a personal interest in the success of this initiative.

Only two months into Prime Minister Modi's tenure, already it looks like we will have a very busy year. Under the auspices of DTTI, we are ready to move forward on a number of efforts, from co-production/co-development proposals to procurement and sales.

As you recall, DTTI was formulated in recognition that we needed to find a better way for our two systems to work together and to ensure that in cases where we

wanted to collaborate, bureaucratic hurdles could be surmounted. It has paved the way for increased private sector ties, science and technology cooperation, defense trade, and potential for co-production/co-development.

Regarding export controls, we continue to review each dual-use and munitions export application on a case-by-case basis. DoD provides its recommended dual-use positions to the Department of Commerce and munitions positions to the Department of State. Over the past year and a half, India has succeeded in acquiring the vast majority of what it sought to obtain from U.S. industry, with DoD recommending approval of just over 90% of dual-use requests and about 95% of munitions requests.

On the co-production/co-development side, we have continued to identify forward-leaning proposals from U.S. industry for cooperative projects with India. Once the new government shows interest in the proposals already offered, we will follow up. Positive indications from the Indian side on these proposals would go a long way in helping us maintain the Initiative's momentum, but we realize that the new government – not even two months old – may take some time in responding.

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

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

## **Way Forward**

DTTI alone does not fully capture the scope of our engagement with the Indian Government. There are a wealth of opportunities for engagement already scheduled for this year, and more are expected. We are now at a point where we can look toward the horizon and decide where we can take the relationship further.

We will continue to hold close consultations with India on Afghanistan and regional security, and will look for opportunities to work together as our presence in Afghanistan draws down post-2014.

India is currently participating in the Rim-of-the-Pacific (RIMPAC) 2014 exercise in Hawaii, where for the first time an Indian frigate has joined this large multilateral activity. Japan will participate in MALABAR this year, our largest bilateral naval exercise with India, scheduled for the end of this month.

Secretary Hagel will be traveling to India in early August to discuss bilateral defense ties with Indian officials. Under Secretary Kendall is expected to travel with him, as will I. This trip will follow the State Department's Strategic Dialogue, scheduled for July 31 in New Delhi, and will be our first opportunity to engage in a direct and meaningful way with India's new leadership on defense and security issues that matter to us both.

We also look forward to convening the Defense Policy Group (DPG) this year, now that Under Secretary of Defense for Policy, Christine Wormuth, has been confirmed. As the premier defense dialogue between our two countries, it is extremely important for this group and its sub-groups to be re-energized as we look toward a very busy year.

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

As we enter this window of opportunity on both sides, we need to ensure our bureaucracies do not prevent progress and further development of a vital strategic partnership. We will continue to urge both sides to keep moving forward, deepen our candor in discussions, and find new areas to collaborate in the coming years.

Thank you again for this opportunity, and I look forward to your questions.