

**United States Senate**  
**Senate Foreign Relations Committee**  
**Sub-Committee On Near Eastern On South And Central Asian Affairs**  
**July 16, 2014**

***Indispensable Partners: Reenergizing US-India Ties***

Testimony of Frank G. Wisner, International Affairs Advisor, Squire Patton Boggs.

Senator Kaine and Senator Risch,

It is an honor to appear before your sub-committee and address the important question of “Indispensable Partners: Reenergizing U.S. –India Ties.”

I come to these proceedings with experience in dealing with U.S.-India relations. I served as United States Ambassador in New Delhi from 1993-1997. I have chaired the U.S.-India Business Council and at present I am a member of its Board of Directors and its Executive Committee. Since leaving government service, I have participated regularly in fora which bring together Indian and American experts in public policy. I have also authored or participated in a variety of study groups which address the Indian American relationship. My professional obligations take me to India regularly and I returned from India in late June of this year, where together with a delegation from the US India Business Council, I met members of the new government and leaders in the Indian business community.

In my testimony, I intend to address the state of the US-India relationship and what needs to be done to give it fresh energy and importance to our two countries.

Before turning to this subject, I admit to being biased. I believe a strong US-India relationship is good for the United States and the opposite is true as well. American strength in the world and prosperity at home are important to India, just as a secure and prosperous India benefits the United States. I have held these opinions firmly over nearly twenty years, despite the ups and downs in the Indian-American relationship. My reasons are simple. India is an emerging global power. Its weight is felt particularly in Asia where India plays a pivotal role in maintaining the balance of power among Asia’s great nations. India is coming into own as a major international economic player whose trade with the United States means that India will be a valuable market for the exports of American goods and services as well as a source of two way investment and technology exchange for years to come. In a word, we need close political and economic ties to India. It is a nation with which we share common values, especially democratic ones. We also are a home to a large, productive community of Americans of Indian origin.

It is on these common interests that our relationship with India has developed over the past quarter century. The strength of our political and economic relations with India have regrettably atrophied over the last four years and need attention if we are to set a stronger basis for our relationship and more effectively pursue our respective national interests. At the heart of the challenge is a strategic question. On our side we lost confidence in the last Indian government's ability to follow through with the undertakings we believe it made to us and to find common ground with us on a number of questions – trade being a notable example. The relationship took on the tone of a transactional undertaking. On the Indian side, many argue they do not understand American strategy in Asia, including in South Asia. They thought they understood the Bush Administration's approach to the continent's security problems, especially our approach to China. They assert they have found no comparable clarity in the Obama Administration's views. Indians wish to understand our strategy for a good reason. They want to know their place in it. The definition will permit the Indian government to make its choices.

Indians are especially concerned with how the United States intends to deal with the rise of Chinese power. This Indian government, like its predecessor, sees China as its principal, long term strategic and economic competitor. India fought a war with China; it has unresolved border issues with China; its economic relationships are filled with points of friction. India's defense posture is heavily dictated by the potential threat from China. And India's new ties with Japan reflect Indian preoccupations with China. How does the US intend to cope with China's rise is the lead question on Indian minds.

Indians also follow events in Afghanistan closely and believe that Afghanistan's fate directly affects India's security. Indian officials want to know how we plan to proceed after the withdrawal of American and NATO troops; how we will be engaged in supporting the Kabul regime and what steps we have in mind to keep the Taliban at bay. Across the border, Indians watch with growing concern deteriorating conditions in Pakistan and are directly threatened by the actions of the Pakistani government and rogue radical terrorist across India's borders. Pakistani origin terror and involvement in Kashmir remain major questions for India.

Prime Minister Modi has opened a dialogue with Pakistan's Prime Minister. He and his colleagues do not seek American mediation nor direct involvement. Indians believe they can find their own way forward with Pakistan and that American involvement will complicate the ability of the two governments to manage their differences. Instead the Indian government looks to us for encouragement and with respect to Pakistan, the Indians expect us to be clear what the steps we will take to nudge Pakistan toward a peaceful relationship with India.

Our current strategic dialogue contains many channels for discussing political, intelligence and security matters. Our military exercises and defense trade strengthen our ability to deal with India's national security establishment. But these activities need a strategic definition and that is the task before Secretary Kerry when he visits India this month. It is also the challenge the President will face when he meets Prime Minister Modi in September in Washington. It is important that we get our strategic definition right. Prime Minister Modi's recent election is virtually unprecedented; he comes to office with great authority; the opposition is in disarray and will be so for sometime to come. We are wise to assume that the Prime Minister and his party may be in office for the next ten years. It is a good time to define our political and security relationship.

In defining national strategy, I believe your Committee can play a key role and take part in the strategic dialogue between our two countries. I urge through these hearings and others like them and through your visits to India that you do so.

The second pillar in our relationship with India is business. Our commercial and investment interests with India also need attention. In the 1990's, the engagement of the American business community in India was the driving force in the relationship. In recent years, American business has lost confidence in the Indian market. Indian rates of growth have slowed and the Indian government's restrictions on foreign ownership, its tax policies, approaches to intellectual property rights, its insistence on localization, the criminalization of civil disputes that has put an American CEO in jail, and failed attempts to secure legislation which would permit American investment in the nuclear power industry are all examples of why American companies have backed away from the Indian market. These issues must be addressed if there is to be renewed American investor confidence in India.

This said, Prime Minister Modi's government has sent a strong signal that it intends to be business friendly. In my judgment, India's government will address individual business problems American enterprises face, as well as and the policies which lay behind them. Unlike its predecessor the Modi government is principally about growth. Its first budget, announced on July 10, signals new policy directions -- a determined effort to strengthen India's weak public finances, tackle inflation, revive the sluggish economy and build an investor friendly environment. The budget also addresses two issues of great importance to the United States -- increased foreign ownership in the defense and in the insurance industries.

Prime Minister Modi seeks investment in India. He wants to create 15 million new jobs a year. The challenge is enormous and he believes it can only be met in partnership with foreign, including American enterprise. He will succeed if the

business policies he sponsors create an atmosphere of predictability, consistency and transparency.

I believe that his ambition can best be met if he commits India to a more robust free trade and investment regime. I also am persuaded that our economic relationship with India needs a long term objective which will drive action and capture imagination. Free trade and investment are the precisely the right sort of priorities for they bring reciprocal benefits to India and to the United States. This said, we have a long road to travel before we can reach a free trade destination. First, we need to complete our Bilateral Investment Treaty; we need India's reengagement in WTO negotiations. Further along, India has a choice to make about APEC and the Trans-Pacific trading regime. But we have a decision to make as well. We can let India struggle on its own or we can turn Indian interest in Pacific trade into a strategic feature in our relationship. Finally, and at a future point in our history, we and India might set our sights on a bilateral free trade agreement.

Free Trade and investment are important objectives. India should not let itself fall between the emerging Atlantic and Pacific trading regimes. But a commitment to freer trade and investment implies a tough choice for India. Is India ready to enter the world trading system wholeheartedly or it is more concerned about attracting investment and trade to its shores, protecting itself from international competition? I believe the first choice is the surer way to Indian prosperity and national economic strength.

The United States and India have a variety of public and private fora to discuss trade and investment issues. Several, like the Trade Policy Forum, has lapsed and need to be reenergized. These institutions are part of the fabric of the U.S.-India relationship. However, they only find their logic when we and India agree on policy objectives which benefit both nations. Neither we nor India will ever achieve all of our objectives. Building the relationship calls for patience, forbearance and for give and take; it also calls for determined action. Neither India nor the United States will accept dictation or pressure. If we handle our relationship with respect, the rewards are significant. India can emerge as one of this country's major strategic and economic partners and in turn, we can help India strengthen India's security and promote the welfare of its people. We both need that sort of relationship in our troubling and demanding world

I appreciate the subcommittee's attention to my arguments and I am open for questioning.