



ORF ISSUE BRIEF

The Obama Visit: Issues and Challenges

(Dr. Harinder Sekhon and Ms. Uma Purushothaman)

Introduction

Indo-US relations that have witnessed a remarkable transformation in recent years, both in tenor and substance, are under intense scrutiny on the eve of US President Barack Obama's forthcoming visit to India. While relations between the two democracies have moved from one of 'estrangement' to a relationship of 'engagement' at many levels, there are outstanding issues that need to be addressed.

Despite misgivings on some issues, New Delhi and Washington agree that they both have an enormous stake in finding common ground on critical matters like Pakistan's ambivalence on terrorism emanating from its territory and China's recent assertiveness. India's National Security Adviser, Shiv Shankar Menon said recently that "in today's international situation, India –US relations are an important factor for peace and progress and "an open, balanced and inclusive security architecture in Asia and the world would be a goal that is in our common interest."¹ According to Menon, the President's visit offers an opportunity to put in place a long-term framework for India-US strategic partnership, and to add content to that partnership in several areas that are now ripe.² The relationship, though inherently strong, will be put to test over the issue of cooperation in

¹ Remarks by Indian NSA, Shiv Shankar Menon at the Carnegie Endowment for International Peace, Washington, DC, available at , http://carnegieendowment.org/files/Ambassador_Menon's_Speech.pdf.

² Ibid.

innovation and technology from which flow cooperation in other areas like defence, cyber space security, space, agriculture, energy, etc.

US-India Defence Relations

One of the most important areas in the US-India strategic partnership is obviously the burgeoning defence relationship. However, while the first ever US-India Strategic dialogue in June 2010 set the tenor for taking US-India relations to the next level of cooperation, defence cooperation has not made any significant breakthrough despite an unprecedented increase in joint military exercises and on some critical military purchases by India in recent months. How India and the US will resolve the matter of transfer of high technology weapons and deal with the issue of stringent US export control legislation and end use verification etc. are major concerns in this area. While India took a big step last year in signing the End User Monitoring Agreement (EUMA) which had dragged on for several years, problems in this area remain. India is reluctant to sign the Communications Interoperability and Security Memorandum of Agreement (CISMOA) and the Basic Exchange and Cooperation Agreement for Geo-spatial Cooperation (BECA). But, the absence of these agreements might mean that India would have access only to American equipment that is divested of the cutting-edge electronics and technology.

Washington is also keen that India should sign the Logistics Support Agreement (LSA) and the Access and Cross-Servicing Agreement (ACSA) whereas India has misgivings as it feels that if it gives access to US forces to Indian facilities to meet its maintenance, servicing, communications, refueling and medical needs, it might be dragged into needless regional conflicts. Therefore, even as India has shown a marked shift towards American weapons systems, negotiations have stalled, and CISMOA and BECA have been removed from the agenda of the US-India Defence Procurement and Production Group (DPPG)—which coordinates equipment transfers between the US and India.

On a more positive note, military ties between the two countries are at an all-time high and the US today holds more military exercises with India than with any other country.

Defence trade is expanding and India has already ordered 6 C 130J transport and has signed a contract with Boeing to buy 12 P8-I Long Range Maritime surveillance aircraft. American companies are also interested in selling Medium Multi Role Combat Aircrafts which the Indian Air Force is planning to procure. This is a deal worth about US\$10 billion. Another deal in the offing is purchase of the C-17 Globe master-III transport aircraft.

Afpak: Convergence and Divergence

The Afpak region will probably be the biggest challenge for Indo-US relations in the future. Afpak presents an area of strategic convergence between the two countries. Both India and the US have a common interest in countering terrorism emanating out of the region and in stabilizing this area. But, despite claims of cooperation in this area, very little has been done. India has sent considerable aid to Afghanistan, but the US and India can do a lot more together. India could contribute by helping train manpower and invest in more development projects. Meanwhile, India is concerned about Pakistan's refusal to crack down on home-grown terror outfits, US military aid and arms transfers to Pakistan which will in all probability be used against India as well as strengthen the Pakistan army—and its overdependence on Pakistan in Afghanistan. India also has concerns about the US' strategy of engaging the Taliban, US' exit strategy from Afghanistan and the US perception of the role that Pakistan will have in the future in Afghanistan.³

The China Factor

The centre of gravity in international relations is inexorably shifting from the Euro-Atlantic region to the Asia-Pacific. This is a complex process that requires careful management, and therefore calibrated policies by all major players. Both India and the US have a major role to play in ensuring that the balance of power in the world is not upset in this process. India is unlikely to be part of any containment policies in the region, but it has complicated relations with some of the Asian players, primarily China. While trade with China is booming, several major issues bedevil the Sino-Indian relationship—unsettled borders, China's unstinted support for Pakistan, including nuclear and missile

³ C.Rajamohan, 'US and India: Towards an Equal Music', *The Indian Express*, 31 October 2010.

proliferation to Pakistan, etc. Matters were not helped by Obama's statement last year virtually calling for a Sino-US partnership in managing South Asia.⁴ This could not but cause considerable consternation in India, which holds that the US, being the preeminent global power, albeit somewhat declined, should contribute significantly to ensuring the balance of power in Asia.

Counterterrorism

Terrorism poses a threat to the values that India and the US share and is one of the most important challenges that both countries face today. Cooperation in this area builds on the Counter Terrorism Initiative of July 2010. However, while there is convergence of views about terrorism being a threat, the US and India have differing perspectives about it: while the US is more concerned about international terrorist groups, India remains preoccupied with domestic insurgency and terror groups in its immediate neighbourhood. India also differs on Washington's approaches towards so called "rogue states" like Iran and Iraq. Washington's inability or reluctance to compel Pakistan to abandon militancy as a tool of foreign policy and to dismantle its terrorist infrastructure is another sore point for India. Thus the biggest challenge in expanding counterterrorism is the differing perspectives about regional problems and mistrust on the Indian side about the US not sharing enough information. Other challenges to expanded counterterrorism cooperation are continuing sensitivities about sharing sophisticated technologies, weaknesses in the Indian intelligence and counterterrorism bureaucracy, and the constraints imposed by differences in larger national policies.⁵ Moreover, India prefers multilateral initiatives while the US prefers a unilateral approach.

There has been some cooperation between the navies of the two countries against maritime terrorism and piracy and there is sharing of information about terrorist threats

⁴ U.S.-China Joint Statement', 17 November 2009. This statement can be viewed at <http://www.whitehouse.gov/the-press-office/us-china-joint-statement>.

⁵ Ashley Tellis, 'Obama in India. Building a Global Partnership: Challenges, Risks and Opportunities', *Policy Outlook*, 28 October 2010, Carnegie Endowment for International Peace.

between agencies in both countries. However, this cooperation needs to be widened and deepened so that the two countries can focus on not only on contemporary terror threats, but also on emerging terrorist threats like WMD terrorism, cyber terrorism and terrorism against energy security where India's strengths in IT, naval power and skilled manpower would be useful.⁶

Indo-US Economic Cooperation

Indo-US trade and economic cooperation is on the increase and all indications are that President Obama's visit is likely to focus on the economics of the Indo-US relationship. Trade has more than doubled in the last five years and while the US is one of the top investors in India, the latter has also made substantial investments in the US.⁷ The US is India's second largest trading partner after China while India is the US' 14th largest trading partner.⁸ However, despite the continuing increase in trade, its volume is still small—only a little over US \$ 50 billion compared to \$433 billion worth between China and US.⁹ There are other problems too like Ohio's ban on outsourcing of government contracts and President Obama's own stance on outsourcing. While the President's domestic concerns should be viewed with sympathy, surely the US cannot go in for protectionism while preaching free trade to other countries. The recent hike in H1-B and L1 visa fee for professionals is a move which could cost Indian IT industry \$200 m a year.¹⁰ India on its part must also consider and remove the caps on investment in the insurance, defence, banking, education and infrastructure sectors so that US companies

⁶ B.Raman, 'Indo-US Counterterrorism Cooperation: Past, Present and Future', in Sumit Ganguly, Brian Shoup and Andrew Scobell (ed.), *US-Indian Strategic Cooperation into the 21st Century: More Than Words* (London and New York: Routledge), p.170.

⁷ <http://www.ustr.gov/countries-regions/south-central-asia/india>, accessed on 28 September 2010.

⁸ Ibid.

⁹ Yashwant Raj, 'Indo-US Trade on Track', *Hindustan Times*, 24 September 2010, available at <http://www.hindustantimes.com/Indo-US-trade-on-track/Article1-603944.aspx>, accessed on 28 September 2010.

¹⁰ 'US Hopes to Work with India on H1B, L1 Visa Fee Hike Issue', *India Today*, 11 September 2010, available at <http://indiatoday.intoday.in/site/Story/112248/World/us-hopes-to-work-with-india-on-h1b,-l1-visa-fee-hike-issue.html>, accessed on 30 September 2010.

can invest in these sectors. Another issue of contention in Indo-US trade is the Doha Round which continues to be stalled. Reviving it is in the interest of both countries. India's Nuclear Liability Bill that puts US companies in a disadvantaged position against French and Russian Nuclear suppliers who enjoy State subsidies is a sore point for the US. Though the Indian government has said that it cannot override the provisions of the bill, both countries should strive at finding a middle ground that would operationalise the nuclear deal.

American companies can also invest in Indian infrastructure as India is poised for a massive build up in this sector. Cooperation in education, healthcare programmes and the development of Small and Medium Enterprises will maximize trade. Knowledge industries, pharmaceuticals and biotechnology are equally important areas for US-India economic cooperation. The expected signing of an Indo-US Investment Treaty during the President's visit will help boost investments and trade and create jobs on both sides.

High-tech Trade

High-tech trade between India and the US will be a 'litmus' test of the future of India-US partnership. High-technology trade between the US and India has always been a contentious matter as it has been overshadowed by the issue of transfer of 'dual-use' technology and US laws that have put a number of Indian entities on its watch list. Discussions on high technology cooperation between India and the US have been taking place under the framework of the US-India High-Technology Cooperation Group (HTGC) that was formed in November 2005 to further the 'Statement of Principles for US- India High Technology Commerce' signed in November 2002. The HTCG has helped lay the foundation for India to enact a new comprehensive export control law and harmonize its control lists with those of the Nuclear Suppliers Group and the Missile Technology Control Regime under the NSSP.¹¹ In fact, high-tech trade between the two countries has seen good progress in the past decade. If the remaining Indian institutes and

¹¹ 'US-India Economic Dialogue: US-India High Technology Cooperation Group', available at <http://www.indousstf.org/fullstory.aspx?mostprvmytitle=NewsandReport&prevmytitle=FactSheets&storyheadline=U.S.-India Economic Dialogue: U.S.-India High Technology Cooperation Group§ionid=S174>, accessed on 1 October 2010.

firms are removed from the US Commerce Department's entities list, it will further boost trade, especially in high-tech dual-use goods. US Assistant Secretary Kevin Wolf for export administration said at an HTCG meeting that while 24 percent of U.S. exports to India required individual licenses from the Department of Commerce formerly, today only about 0.3 percent of U.S. exports to India require an individual license. However, a lot more needs to be done in this domain. India's recently-enacted nuclear liability act is another contentious issue that needs to be addressed.

Cooperation in the Indian Ocean

The Quadrennial Defense Review of the US says that that India will emerge as the key security provider in the Indian Ocean and beyond. The Indian Ocean has sea lines of communication vital for global trade, international energy security and regional stability. The Indian Ocean gives direct access to the Indian landmass and is therefore a vital security area for India. India and the US have shared interests in stabilizing the Indian Ocean and protecting it from piracy and maritime terrorism and in safeguarding the vital sea lanes of communications. A large amount of oil from the Persian Gulf to Asia passes through this Ocean and India needs to protect its energy security by protecting the sea lanes. This can be done with US help as the US has a significant naval presence here as well as bases in Diego Garcia and Persian Gulf. The increasing Chinese naval presence in the region is another factor that drives Indo-US cooperation in the Indian Ocean. Both the US and India are worried about China's naval expansion, the so-called 'string of pearls' strategy and China's determination to enhance economic and military ties with the Maldives and Sri Lanka. They thus see Chinese actions as a threat to the balance of power in Indian Ocean. Cooperation in this area is likely to increase in the coming years as China rises and expands its navy.

Cooperation in Space

Indo-US space cooperation assumes great importance in the light of the newly-unveiled National Space Policy of the US which calls for international cooperation in space. US-India cooperation in space has a long history. But relations began deteriorating soon after India began its ballistic missile programme and started expanding its space programme as

the US started to suspect, wrongly, that India was using technology made available through space cooperation in its missile programme. The Missile Technology Control Regime (MTCR) regime, backed by the US, therefore put restrictions on US technology transfers to India's space programme. The US further imposed sanctions on ISRO and other Indian firms involved in space research after the 1998 nuclear tests.

The Next Steps in Strategic Partnership (NSSP) between India and the US announced in 2004 proposed extended engagement in civilian programmes. This commitment was further advanced in the joint statement of 18 July 2005 which pledged to build deeper bonds in space exploration, satellite navigation and launch and in the commercial space arena through mechanisms such as the U.S.-India Working Group on Civil Space Cooperation. India also signed a landmark agreement on 28 July 2008 with NASA to carry out lunar exploration. In July 2009, the two sides also signed a Technology Safeguards Agreement concerning the use of US-licensed components on spacecraft launched from Indian facilities and to safeguard the protected technology and data of both countries while enabling the US to ensure that there is no misuse of technology or equipment. However, the two countries need to sign a Commercial Space Launch Agreement (CSLA) to enable India to tap into the lucrative market for the launch of US commercial satellites or even third-country commercial satellites with US components.¹² This and Washington's irrelevant concern about India's space programme being used for military purposes, which has limited the scope of high-tech space-related exports to India, should be on the agenda of the Summit talks.

India-US Cooperation in Wind and Solar Energy

India's energy needs and its dependence on fossil fuels are expanding. India is today a low-carbon economy, but is projected to become the third largest consumer of energy by 2030. Thus, for environmental considerations and in view of the rapidly-depleting reserves of primary fossil fuels, it needs to look for alternative sources of clean energy—an area in which US-India cooperation has great potential. There is a lucrative market for

¹² Peter J Brown 'India and US build stronger ties in space', *Asia Times Online*, August 7, 2009, available at http://www.atimes.com/atimes/South_Asia/KH07Df03.html, accessed on 30 September 2010.

alternative energy in India to be exploited through collaboration between the scientific communities of the two countries for developing new technologies and improving the existing ones. Exploitation of untapped shale gas resource in India also offers great promise.

Cooperation in research, development and utilization of wind and solar energy is part of the India-US Energy Dialogue launched in 2005. In the first step towards enhanced cooperation in this area, India and the US launched a Green Partnership in November 2009.¹³ They also signed an MOU to enhance cooperation on 'Energy Security, Energy Efficiency, Clean Energy, and Climate Change' by working together to promote the development and deployment of clean energy technologies.

The US has wrongly bracketed India with China in the matter of carbon emissions and environmental pollution. In response, India has in effect quite unwisely been fronting for China in international negotiations. As environmental pollution in India is not on the same scale as China, the wiser course would be for India and the US to work together than to be on the opposite sides of the environmental discourse and dispute. However, though there are many frameworks already in place for cooperation in alternative energies, the scope of cooperation is small and it continues to be at the primary stage and is way below its potential. This should be one of the areas for discussion during President Obama's visit.

Agriculture

Agriculture, a sector where there has been cooperation since the 1960s, should be a key agenda of the Indo-US strategic dialogue as the government has called for a second 'Green Revolution', which would make India's agricultural sector environmentally sustainable, 'market-oriented' and technology-driven while increasing production. In these and related areas, the most critical inputs can come only from the US. India and the US signed the Agriculture Knowledge Initiative on Agricultural Education, Teaching,

¹³ For more details, see 'U.S., India to Address Energy and Food Security, Climate Change: Obama, India's Singh Launch Partnership to Boost U.S.-India Cooperation', 24 November 2009, available at <http://www.america.gov/st/texttr ns-english/2009 /November/20091124173218eaifas0.8567425.html>.

Research, Service and Commercial Linkages (AKI) announced in 2005 to expand cooperation in agriculture and food security. Agricultural cooperation between the two countries is not a one way process, as India has more knowledge about tropical crops and animals and can provide insights to the US concerning them. Besides, as a Foreign Agricultural Services report of the US Department of Agriculture (USDA) states, “increased market access” to India is the goal of Indo-US agricultural cooperation.¹⁴ There are thus gains for both in such cooperation and cooperation is necessary in view of the challenges of climate change and global warming which will probably reduce productivity in the future.

Other Issues

India would like the US to make a more concrete statement on India’s aspirations for a permanent seat on the UN Security Council if the US’ claim of India being an “indispensable partnership” is to be taken seriously here in India. A statement on this would generate an enormous amount of goodwill in India and create tremendous momentum in Indo-US ties. The US could also start negotiations to make India a part of non proliferation regimes in the nuclear field like the Nuclear Suppliers Group, the MTCR and the Wassenaar Arrangement. It should further stop exhorting India to join the NPT as a non-nuclear state. It should also support India’s inclusion in the Asia Pacific Economic Cooperation and the International Energy Agency. Higher education is another area with great potential for cooperation though this will obviously not be at the government-to-government level. India aims to triple enrollment in higher education by 2020 and needs foreign investment in this sector to build more colleges and universities. India and the US could work together to create centres of excellence building on the Obama-Singh knowledge initiative. Steps have already been taken for expanded cooperation in this area through the establishment of the Indo-US Education Council. Another area which is important from the perspective of India’s growth imperative is health. India’s health sector needs to be expanded so that all citizens, particularly those in rural areas, get access to medical facilities and medicines. This requires huge expenditure

¹⁴ Julia Debes, ‘U.S.-India Agricultural Cooperation: A New Beginning’, *FAS Worldwide*, available at <http://www.fas.usda.gov/info/fasworldwide/2006/09-2006/IndiaKnowledgeInitiative.htm>, September 2006, accessed on 27 September 2010.

which India cannot afford at the moment. The US can help India by investing in the health sector in India, providing cutting-edge technologies and medicines and in collaborating in joint research to find cheaper and better medicines and technologies. The two countries could also collaborate in developing space-based solar power as an alternative energy source. The challenge of climate change requires that India and the US, though they were on opposing sides during the Copenhagen Summit, work together to use energy more efficiently and also to invent and distribute green technology to reduce emissions.

Conclusion

To conclude, judging from the statements and declarations emanating from New Delhi and Washington DC in recent months, and the flurry of high level visits between the two capitals, several agreements/MoUs should be expected to emerge from the Presidential visit in November on the areas mentioned above. Dramatic breakthroughs of the scope and significance of President Bush's nuclear energy initiative are neither likely nor necessary.

The task before the two leaders today, is to define and impart substance to a strategic and security framework infused with mutual trust and understanding to build a great edifice of an unprecedented, close and cooperative India-US links, which will bring stability, balance and creative peace and harmony to the unfolding Asian strategic scene. In a real sense, the not so dramatic task before the forthcoming summit, and its more dispersed achievements may eventually, taken in their totality, turn out to be of even more vital consequence to India, US and the world than the US-India Nuclear Energy deal.

India would want that current differences on issues like Afghanistan, Pakistan's sponsorship of terrorism in India and Afghanistan, Iran's nuclear programme, permanent membership of the UN Security Council for India, India's adherence to the Nuclear nonproliferation treaty as a nuclear weapon power, etc are brought to the table during this summit and some understanding reached on them.

India also needs to bring some deliverables to the Summit, particularly in the context of the Democratic party's reverses in the mid term elections, which are widely seen as a referendum on President Obama's policies. This Summit will probably be dominated by economics and the US' domestic agenda. India could start new initiatives and open up more sectors for investment so as to help create jobs in the US. It could encourage more investment in the US by Indian companies. A politically-bruised Obama, after the election reverses, would then have something concrete to show to the American people. This could further help generate momentum in the Indo-US relationship and also give a more positive spin to India in the US as a country which is not only about 'outsourcing', but a country which can help create jobs in the US. After all, in a relationship of this importance, there has to be give and take on both sides as a strategic partnership cannot, by definition, be a one way street.