

The United States and India: A Vital Strategic Partnership

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British Prime Minister Harold Macmillan was once asked what would be the most important factor in determining the success of his government. He replied, “Events, dear boy, events.” As we see, events in Syria, Afghanistan, and Pakistan demand the government’s capital. We cannot simply allow “events” to define and set the course for the strategic relationship between the United States and India. We must constantly build the relationship; proactively work to deepen and improve it; and commit substantial time to overcome problems and obstacles. Our shared values of democracy and diversity and our mutual interests of nonproliferation and counterterrorism cooperation run too deep for any single event to derail the bonds of unity and affection among our people. As the Obama Administration focuses on a “rebalance to Asia,” and emphasizing the National Export Initiative (NEI) and the Trans-Pacific Partnership (TPP), now is the time to deliver tangible results that will boost economic benefits for the middle classes of both countries. Most importantly, a strong strategic relationship between the United States and India can significantly promote democracy in the region and increase world prosperity over the next century.



Source: World Factbook, 2013.

There has been dramatic and fundamental change since the 1990s when the Department of State and the Pentagon believed India held little strategic value for the United States. In 1990, the simple act of India’s ambassador securing a meeting with any high-level government official was an arduous and time-consuming task. Today, India and the United States are natural partners with common values and common goals, and President Obama has steered the relationship to new heights. India has welcomed three American presidents in the last 13 years, compared to only three visits in the previous 50 years. President Obama spent more time visiting India in 2010 than any other foreign trip in his presidency. In June, Secretary Kerry was in India for the fourth annual India-US

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Strategic Dialogue, Vice President Biden visited India in July, and at this writing, both countries are working on a visit to the United States by Prime Minister Singh in late September. India is clearly a crucial priority for this country.

We occasionally have disagreements with our closest partners in conducting foreign policy. India is no exception. Recent media reports suggest that our overall relationship may have plateaued. Several US companies are deeply frustrated with Indian bureaucracy and corruption, which directly hinder trade cooperation and business opportunities. India's trade practices and Preferential Market Access (PMA) policies are a major problem. We sometimes disagree on how to pursue sanctions against Iran or exit Afghanistan. Despite these issues, the structural foundation for commerce and the recent trajectory of progress are strong.

The United States is one of India's largest trade and investment partners. US-Indian bilateral trade in goods and services has increased four and a half times over the last decade to more than \$86 billion in 2011. Bilateral trade between our two countries is up 40 percent since we began our Strategic Dialogue three years ago. The Department of State reports that the stock of Indian FDI in the United States has increased from \$227 million in 2002 to almost \$4.9 billion in 2011, supporting thousands of US jobs. According to Indian Embassy figures, trade and commerce form a crucial component of the rapidly expanding and multi-faceted relations between India and the United States. From a modest \$5.6 billion in 1990, the bilateral trade in merchandise goods has increased an impressive 1023.2 percent in growth during a span of 22 years. This is an historic success story by any definition.

National security threats, whether emanating from North Korea, Iran, Libya or Syria, require an administration's time and attention. Economic security relationships must also receive the time and resources of the President and his team. India is a key export market contributing to a full US economic recovery and positions America for robust Pacific trade over the next several decades. The Obama Administration must devote considerable focus on India in order to substantially deliver on its "rebalance to Asia" policy. India's stability and success are vitally important, as they are the lynchpin to regional peace and freedom. Imagine the sweeping series of geopolitical difficulties for the United States if there is a major war involving India and Pakistan or a failed state in India.

In order to keep building the strategic relationship, we need to overcome some of the tactical economic barriers. Far too many US firms still find significant obstacles to doing business in India. The Indian economy has precipitously dropped from 9 percent growth to 4.2 percent and currency devaluation and inflation are making matters even worse. Precious and valuable foreign investment money is not flowing to India. These economic challenges in India and with the United States demand immediate attention and fresh solutions.

Accordingly, there are three specific proposals for improving our economic relationship moving forward. First, we need to make measurable progress on specific trade issues, namely infrastructure, immigration, energy, and security. However, traditional answers

are insufficient; old-style free market trade is not enough. We must think outside the box emphasizing new agreements combining the dual elements of opportunity and mobility in both societies. We need to change the political paradigm from transactional trade deals to a transformative model of President Theodore Roosevelt's "square deal." Roosevelt's square deal was formed on a few basic ideas of conservation of natural resources (food, water, land); balanced regulation of corporations (corporate social responsibility); and consumer protection (clean up corruption). The United States addressed these issues by vastly reforming its system in the early 1900s and India is experiencing protests, demonstrations, and an important election in 2014 to press for solutions to these challenges today.

India currently has very specific needs to improve its economy for the poor and middle class. America is prepared to help. Estimates suggest the Indian government and business will spend \$1 trillion on infrastructure projects in the next six years, and US companies can assist in laying the foundation for a more developed India. The landmark Food Security Bill, recently passed this summer, may be India's best shot at battling chronic malnutrition and hunger. The logistics of delivering on the promise of the Food Security Bill present enormous opportunities for investment in warehousing, improving the cold chain, bolstering transportation logistics, and helping the poor. This is a fundamental security issue for the Indian people and a necessary step in the further development of any economy. Furthermore, the Indian parliament is prioritizing a Land Acquisition Bill which will attempt to improve the infrastructure, fairness and efficacy of building projects.

Better US-Indian cooperation is necessary to help stabilize India's power grid and bring electricity to villages. As the United States discovers enormous pockets of natural gas, India should become a natural export market. The landmark 2008 civilian nuclear agreement has been radically altered and liability issues have shoved US firms out of the process. This needs to be resolved now. The recent Strategic Dialogue set a goal of September 2013 as a deadline for addressing this. Thus far, these complications have prevented Westinghouse from developing its facilities in India.

In addition, there should be a streamlined process for citizens in both countries to receive visas. National security should always be prioritized, yet businesswomen and businessmen need to be able to travel quickly and effortlessly back and forth. A Duke University and University of California at Berkeley study in 2007 found that college graduates from India and Asia create up to 24 percent of new jobs in the United States, an impressive figure that the US economy should not lose. We want students with qualified engineering and business skills to stay in the United States legally, especially after earning Ph.D. and MBA degrees from US universities. Legal and efficient immigration policy can only improve the US economy with the requisite skills and talents of a 21st century power.

Last year, *The Washington Post* described the defense trade between India and the United States as a match made in heaven. Security cooperation has never been better. The United States and India share unprecedented amounts of sensitive intelligence and have recently started a homeland security dialogue; the United States has joined in more combined defense exercises with India than with any other country. Defense trade is at a record level. An historic counterterrorism agreement was signed between the two countries

in 2010. Another key development from the Strategic Dialogue was India's commitment to spend \$100 billion to modernize its armed forces by 2021-2022, including deals with the United States for helicopters and other weapons systems. Frustration, however, exists with India's stringent offset requirements as they hinder US companies from effectively competing in the marketplace. Conversely, problems expressed by the India side center on restrictions for technology coming out of the United States, as there are still Cold War-era rules that limit safe technology transfers. The bottom line is this: for a US firm to sell to India, expectations include passing along sensitive technology, encouraging joint research and development, and mandating local content requirements. Many of those prescribed Indian conditions are chasing away new investment, not attracting it.

Second, a Bilateral Investment Treaty (BIT) can open the door to positive trade for both countries. A BIT would establish the legal framework for intellectual property rights and protection and identify sectors of business ready to trade. In the United States the challenge has always been to convince its citizens that trade can be beneficial; the narrative follows that trade is good for jobs, the middle class and income mobility. There are over one hundred thousand Indians in American colleges and universities, and naturalized citizens running for office in both political parties who want better relations and a more constructive trade policy. There are many ingredients for better trade, and one vital step would be a BIT. The result could be smarter trade that benefits both countries, not a zero-sum equation easily described as the negative effects of globalization.

Third, a Free Trade Agreement (FTA) is an achievable step that political leaders should put on the long-term agenda. The US and Indian business communities should begin to carefully and diplomatically explore this now. The United States is the biggest economy in the world today; India is projected to be the biggest by 2050. We have trade approaching \$100 billion in two-way goods and services and the National Export Initiative has helped achieve over 30 percent increases in exports in 2010 and 2011. It could be a positive influence on other Asian countries if we work together. India is a cornerstone of democracy and free markets in the entire region and an FTA will undoubtedly foster regional stability and common trade between countries.

While we work on building an economic bridge to improve job opportunities for Americans and Indians, the strategic partnership between the two countries is truly transformative. India's success and stability as a democracy in Asia is essential for peace and security in the region. The United States is exiting from Afghanistan, worried about a fragile Pakistan, encouraging a peaceful rise in China, pressuring for a moderate democracy in Bangladesh, and promoting an open and free Myanmar. Nepal and Sri Lanka are slowly improving and building stronger democracies. In addition, India and the United States are concerned about piracy and terrorism in the Indian Ocean and open commerce through the Malacca Straits. A successful terrorist attack in this congested trade lane accounting for 40 percent of world commerce would bottleneck global traffic and freeze the world economy. Increasingly, America and India have cooperated on counterterrorism and nonproliferation efforts in the region. As both countries realize common interests in global outcomes, more of these strategic partnerships will form in the future.

I had the pleasure of welcoming President Obama to India in 2010. Speaking before the parliament in New Delhi, President Obama stated that “the relationship between the United States and India will, in fact, be one of the defining partnerships of the 21st century.” Our constitutions begin with the same three words: “We The People.” While we have much in common, we also share some frustrations with our respective democratic systems. Our societies should underscore the economic issue of fairness, make sure that the benefits of trade reach all citizens and ensure that the dream of social mobility is readily achievable. This is a legacy issue for President Obama’s foreign policy and could lead to several strategic accomplishments over the next century.