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Partnership without Alliance? The Contained Volatility of Indo-US Relations, and a Prognosis

In a wide-ranging perspective on India's improving relationship with the United States, which is of strategic importance to the global order at this time, the paper explores the convergences and divergences in this bilateral engagement.

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India and the United States – the world's 'two largest democracies' – share many structural similarities like multi-party democracy, federalism, constitutionally-guaranteed basic rights and the pre-eminent role of the Supreme Court as an intermediary between man and state and protector of basic rights. Both, having originated from a freedom struggle against colonial rule, share a common, anti-colonial legacy. Still, post-Second World War Indo-US relations remained

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asymmetric² and ambiguous³ through the long years of the Cold War. Has this pattern changed during the current stewardship of India's Prime Minister Narendra Modi?⁴ The paper responds to this question through an analysis of the security dimension, arms procurement, the Iran conundrum and the China factor as critical issues that affect Indo-US relations.

Indian diplomats serving in the United States during the Cold War era report the omnipresence of a subliminal desire on the Capitol Hill of a subordinate and subsidiary alliance between the global defender of democracy and the fledgling member of the democratic club, emerging from centuries of colonial rule. Those days of dependence are long past, though the memory lingers on among a certain section of diplomats and decision-makers. The summit between the President and the Prime Minister gave the seal of legitimacy to what is factually already the case. Today, old and the new Indian diplomats report a qualitative change in the terms of engagement with the United States. Overstretched, facing the Chinese challenge that is vastly different from the threat that the Soviet Union posed at the height of its power, the United States is more tolerant of rising India's profession of friendship which stops short of an alliance.

This is of course not to suggest that the scepticism that marked the relationship of the United States and India so far is entirely a thing of the past. The recent characterisation of the India-US relationship as a "strategic plus" and a "shared India-US vision for the Asia-Pacific and Indian Ocean regions" for a rules-based global order, as articulated by Richard Verma, the first-ever Indian-born US Ambassador to India, might come across as so much 'old homilies in new verbiage' to crusty old sceptics and the eternal Cold Warriors. '*Plus ça change, plus c'est la même chose*' – more it changes, more it remains the same – is the *mantra* of many commentators. In this

² For understanding the way in which the US treated India in 1966, see Rahul Mukherji, *Globalization and Deregulation: Ideas, Interests and Institutional Change in India* (New Delhi: Oxford University Press, 2014), 38-62. On the nature of adjustment conditions dictated by the World Bank at that time, see Bernard R Bell, *Report to the President of the International Bank for Reconstruction and Development and the International Development Association on India's Economic Development Volume I* (Washington DC, The World Bank, 1965).

³ See Subrata Mitra, *Politics in India: Structure, Process and Policy* (Delhi: OUP; 2014), pp 298-300 for an analysis of the ambiguity of Indo-US relations.

⁴ US President Barack Obama and India's Prime Minister Narendra Modi christened the relationship between the world's two great democracies as "*chalein saath saath*" (in Hindi, "let us walk together") during the Prime Minister's maiden visit to the White House in September 2014. This was a major departure from past practice. For long, India's relationship with the United States was dominated by the memory of ships bearing food-grains through the difficult 1960s under the Public Law 480 programme which staved off famine and consequent disorder.

paper, we contest such cynical dismissal of a genuinely new turn in Indo-US relations. We argue that more than the usual ‘honest man sent abroad to lie for his country’, Mr Verma had in fact given voice to a new, powerful, emerging trend in the turbulent relations between the world’s two largest democracies. In his statement, made while sharing a forum in Delhi with the Chinese Ambassador, the American Ambassador gave voice to an entirely new turn in the emerging relationship between the United States and India. “Our shared goals include working together and with other interested partners on increasing regional economic integration, promoting accelerated infrastructure connectivity and supporting rules based order,” Mr Verma said in a reference to other regional partners like Japan and Australia who are keen on India being a part of multilateral arrangements in the Indian Ocean region. This partnership, he clarified: “Far from being something designed to provoke”, could lead to a more peaceful, prosperous and stable region, to the benefit of all”. Stakeholders in search of a global order can ignore this powerful statement only at their cost.

Notwithstanding the heady optimism that underpins this prognosis that this paper endorses, we do take the cynics’ view with the seriousness that it deserves. As such, we ask: is the positive turn in Indo-US relations merely a flash in the diplomatic pan and dangerously thin on the ground, in order to act as the basis of strong, enduring inferences about the nature and course of the relationship between India and the United States? There have been enough setbacks in the past to urge a sense of moderation to any strong conclusions that could be drawn from the present bonhomie. There is, however, a new pattern. Those with a long view of the Indo-US relations, which, since India’s Independence in 1947, was locked into a low-level equilibrium trap, might have noticed a new sense of ‘contained volatility’ that has set in over the past years in what has often been a turbulent relationship.. The relations reached the nadir in the Khobragade affair in 2014, outraging Indian sensibilities at the alleged strip-searching of an Indian diplomat. The public humiliation of this vivacious mother of two, viewed widely in India with shock and disbelief, was perceived by prickly Indian commentators as a double affront to Indian women and to India’s sovereignty. But then came the triumphant visit of Mr Modi to the United States. Once elected, Prime Minister Modi, long denied an entry visa to the US, graciously chose to overlook past denigration. The American establishment acted on the cue. The astute politician that he is, Mr

Modi played his part, and enthralled Indian-Americans with stellar performances at Central Park and the Madison Square Garden in New York.

President Obama, the first-ever American President to be invited by India to be the chief guest for its Republic Day festivities, took New Delhi by storm with his high-tech car and by his heady support of Indian achievements and backing of India's claim for greater role in the international arena. But soon the relationship hit a low again when President Obama appeared to highlight his doubts about the inclusive character of the Hindu Nationalist Modi regime in a highly publicised sermon about the importance of tolerant pluralism for India. Soon thereafter, a picture of an Alabama policeman 'restraining' an elderly Indian man, who was considered suspicious, and who was later seen in hospital in a paralysed condition, hit India's news waves, with the predictable outrage in the media.

In the backdrop to this wild oscillation, quiet diplomacy has been steadily at work, resulting in the signing of important agreements and the pushing of the wheels of commercial and political transaction. What is one to make out of this *pas de deux* of the two potential partners? We argue that for structural reasons, global trends are pushing India and the US towards a convergence, but one short of an alliance.

The Argument

Three broad ways of thinking about the Indo-US relationship have emerged in the literature. First scholars such as Harsh Pant opine that the agency of the Prime Minister or a ruling party in power can make a substantial difference to the course of Indo-US relations.⁵ This line of argument, for example, would suggest that the last phase of the United Progressive Alliance (UPA) Government in India from 2009 to 2014 was hobbled by a combination of policy paralysis and slow rates of economic growth. If India's then Prime Minister Manmohan Singh could not make substantial and decisive moves despite good intentions, this led to a decline in US interest in India. If one buys

⁵⁵ Harsh V Pant, "Modi's Unexpected Boost to India-US Relations," *The Washington Quarterly* 37, no. 3 (2014), 93-112.

into this argument then the advent of Prime Minister Narendra Modi to power in 2014 should be the cure of all problems. Mr Modi, after all, is a prime minister who is interested in promoting the corporate sector and trade, and India's economic growth rate in 2014-2015 was comparable with China's. Our paper demonstrates that while progress has been registered in Indo-US relations, the advent of Mr Modi has not produced any tectonic shift. We believe that while agency matters, the structural imperatives in both international and domestic spheres, place substantial limits on leaders.

A second line of argument suggests that the US has gone on an overdrive to befriend India because of the threat it perceives from China. Priya Chacko has compared the US's branding of India as a rising power as a social construction required to make the India relationship resemble its relationship with the United Kingdom. This is the result of what Chacko terms "ontological insecurity" driven by changes in the international distribution of power. India's civil nuclear deal with the US is suggested as one stellar example of how special that relationship is for the US. The deal, after all, was made in contravention of the basic principles of international law. Chacko believes that while the US is trying to construct a special relationship, this attempt will fizzle out because India like the US thinks of itself as an exceptional power with a civilising mission. This will restrain India from making the kind of overtures that result in a special relationship.⁶

We agree with Chacko that an Indo-US alliance is unlikely because both countries have difficult political constituencies to deal with. India's civil nuclear liability law, for example, is a product of Indian democracy, which did not forget the Bhopal gas leak disaster and Union Carbide's role in it. This stringent law makes demands that have deterred American investors. Similarly, the civil nuclear deal was opposed so viciously within the Indian Parliament that many felt that India's enemies reside within rather than outside the country.

Chacko's reading of US policy with respect to India is driven by changes in the global distribution of power and India's embrace of economic globalisation. If we factor these two elements into the Indian and US interests, we visualise the evolution of not an alliance but a sympathetic partnership

⁶ Priya Chacko, "A New 'Special Relationship'?: Power Transitions, Ontological Security, and India-US Relations", *International Studies Perspectives* 15, no. 3 (2014), 329-346.

that will play a constructive role in international security and economic affairs, as is evident below from negotiations ranging from dealings with Iran to climate change. We are therefore more optimistic than Chacko with regard to the relationship between India and the US based on mutual understanding.

Finally, scholars such as Raja Mohan and Rorden Wilkinson argue that India is destined to behave like a normal emerging great power, like others have in the past. This is evident in India's scramble for natural resources.⁷ Rorden Wilkinson argues that the November 2014 Indo-US agreement on Public Stockholding for Food Security Purposes demonstrates India's ability to strike undemocratic deals that undermine the World Trade Organization. This deal would enable Indian farmers to enjoy subsidies in a manner that undercuts the basic principles of free trade. While we agree that India today has a greater capacity to pursue its interests within the global political economy, we note that the quest for policy autonomy and the concern for developing countries has guided India, to the puzzlement of acute observers of international trade negotiations such as Amrita Narlikar. Narlikar has shown that India's quest for forming developing country coalitions cannot easily be explained in terms of its short-term interests.⁸

We contend that the end of the Cold War was a major turning point in India's diplomatic history for two reasons. First, India could no longer depend on a country that had ceased to exist. Second, the tectonic shifts in India's economic policies favouring globalisation and deregulation made it natural for it engage the US and its friends in Asia that had been a part of the US-driven prosperity saga. Asian prosperity, in turn, led to the near-falsification of theories of imperialism and dependency predicated on a structure where a set of rich nations would inexorably keep exploiting the poor.⁹

⁷ C. Raja Mohan, *Crossing the Rubicon: The Shaping of India's New Foreign Policy* (London: Palgrave Macmillan, 2004); Rorden Wilkinson, "Changing Power Relations in the WTO – Why the India-US trade agreement should make us worry more, rather than less, about global trade governance," *Geoforum* 61 (2015), 13-16.

⁸ Amrita Narlikar, *Bargaining with a Rising India: Lessons from the Mahabharata* (Oxford: Oxford University Press, 2014).

⁹ Sumit Ganguly and Manjeet S Pardesi, "Explaining Sixty Years of India's Foreign Policy", *India Review* 8, no. 1 (2009): 37-41; Rahul Mukherji, *Political Economy of Reforms in India* (New Delhi: Oxford University Press, 2014), 46-100.

Scholars are often frustrated when they find that India does not behave like Japan or the UK, despite what they believe are common interests between India and the US. To understand why this is case, we need to study more carefully both India's and America's attempts to project national identity through their foreign policies, and the constraints that domestic politics poses on foreign policy options in both countries.¹⁰ We believe that ideas such as sovereignty and self-determination are unusually dear to the ethos of the post-colonial Indian state. This inspires India to engage all countries rather than place all its eggs in either the American basket or the Chinese'. Neither will India turn anti-American, in order to assert its place in the world, nor will India turn decisively pro-American as part of the US's containment strategy.¹¹ In the past, India equally befriended the US and the USSR from the late-1950s till the early-1960s, until US President Lyndon Johnson turned imperial in his demeanour towards India. Likewise India is likely to subject itself to a special relationship under dire circumstances and for defensive reasons.¹²

Our cases below demonstrate that India and the US are destined to play a significant cooperative role in world politics because they share similar values and interests. The international distribution of power will inexorably drive them towards similar positions in many issue-areas. However, while the ensemble of values, interests and identities will drive India and the US towards deep cooperation, we do not anticipate an alliance relationship. Both India and the US have fiercely argumentative domestic constituencies that carry the legacy of historical memories. The two countries are home to lobby groups that focus on unresolved issues and negative propaganda. This tends to obstruct the discipline of an alliance. The best-case scenario that one can anticipate is that similar values governing the respective political systems might help the two countries appreciate each other's international and domestic constraints and help forge a cooperative relationship based on mutual accommodation.

¹⁰ See Subrata Mitra, *Politics in India: Structure, Process and Policy* (New Delhi: Oxford University Press, 2014), 271-312.), for a tool-box that shows how this entanglement of the constraints on foreign policy can be visualised. Rahul Mukherji, *Globalization and Deregulation: Ideas, Interests and Institutional Change in India*.

¹¹ Pratap Bhanu Mehta, "Still Under Nehru's Shadow? The Absence of Foreign Policy Frameworks in India", 8, no. 3 (2009), 209-233.

¹² Mukherji, *Political Economy of Reforms in India*, 60-71; Mukherji, *Globalization and Deregulation: Ideas, Interests and Institutional Change in India*, 38-62.

Defence Engagement and the DTTI

Defence cooperation suggests an intimate but not an alliance relationship between India and the US. While on the one hand the US has emerged as India's foremost weapons supplier replacing its special relationship with Russia and the former Soviet Union, India's acquisition of technology transferred from Russia and co-development of weapons systems with that country continue to be more significant than its defence technology cooperation with the US. Such bonhomie with the Russians in the post-Cold World would befuddle the Americans who are used to alliance partnerships with loyal friends. Even Israel has a better track record in technology cooperation with India than the US.

India's relationship with the US will be shaped by pragmatism. This is evident from the renewal of the Defence Cooperation Agreement and the strengthening of the Defence Technical and Trade Initiative during the January 2015 Obama visit to New Delhi. On the defence trade side of things the picture looks rosy – India has diversified its military import portfolio and purchased US\$ 9 billion worth of military equipment from the US in the last decade. As a result, America has displaced Russia as India's foremost military supplier. However, this statistic draws away from the fact that the majority of India's arms purchases from the US have been off-the-shelf through the Foreign Military Sales (FMS) route. Such acquisitions do not have any technology transfer or co-development terms that the Indian defence establishment is trying hard to promote. Consider the Indian Army's bid to acquire a next-generation anti-tank guided missile (ATGM) to replace India's ageing arsenal of French Milan ATGMs.¹³ Given US parsimony in sharing sensitive dual-use technology with foreign nations, India was unable to reach a transfer of technology (ToT) agreement with the US and went ahead and signed a US\$ 525 million deal to procure 8000 Spike ATGMs from Israel. Nor is this the first time India has encountered complications in US technology transfers. The labyrinth of US rules and regulations governing the transfer of its dual-

¹³ Jayant Singh, 'Obama's Visit to India: Review of Defence Relationship', ISAS Brief, February 2015. During the 2010 *Yudh Abhyas* joint military exercise between India and the US the Javelin ATGM was operated by Indian Army gunners and it performed exceedingly well. Having scored multiple direct hits, it greatly impressed the Indian Army leadership. Thereafter it came into consideration for Indian procurement.

use technologies to other countries makes it extremely difficult for Washington to grant ToT approvals. This underscores just some of the difficulties that the DTTI is facing.

Policy makers recognise that the DTTI has thus far not reached expected heights, and officials at South Block and the White House have sought to breathe life into the initiative. During President Obama's visit, both sides "agreed in principle to pursue co-development and co-production of four pathfinder projects".¹⁴ Rather than setting too ambitious a target, this strategy reflects a measured and realistic approach to the DTTI, which is appropriate at this juncture. Given the modest nature of the military projects involved, it is hoped this will institutionalise collaborative defence production and help get the ball rolling for more sensitive and ambitious projects in the future.

As Washington explores ways and means of expanding defence trade with India, it is facing stiff competition from Israel and Russia. The former has several projects currently under way with India including the crucial Long Range Surface-to-Air Missile (LR-SAM) and Medium Range Surface-to-Air (MR-SAM) programmes. Russia's head-start in joint military production with India means that it already has an institutionalised military-technical cooperation (MTC) framework with New Delhi. Till date, the *Brahmos* supersonic cruise missile – a joint venture between India's Defence Research and Development Organisation (DRDO) and Russia's NPO Mashinostroeyenia – remains the gold-standard of joint collaboration between India and a foreign nation.¹⁵ The missile system has proven so successful that it has bagged a US\$ 6 billion order from India's armed forces and has huge potential for export to 'friendly foreign countries'.

India-US and International Security

India and the US are cooperating very closely in securing South Asia and the Indian Ocean region. This is necessitated by the common threat from China. As the US economy declines, its capacity to unilaterally secure South Asia and the Indian Ocean region from Chinese dominance has

¹⁴ US-India Joint Statement – "Shared Effort, Progress for All", available at: <http://www.whitehouse.gov/the-press-office/2015/01/25/us-india-joint-statement-shared-effort-progress-all>

¹⁵ Jayant Singh, 'Indo-Russian Defence Trade: a Recipe for Revival', ISAS Brief, January 2014.

diminished. Even the US's allies in Southeast Asia are concerned about actual and potential US withdrawal from the region. Under these circumstances, it is not surprising that India and the US have coordinated their policies on countries ranging from Sri Lanka, Maldives and Seychelles to Pakistan.

The security cooperation extends to cooperation in the Indian Ocean region and the Pacific. Prime Minister Modi's visit to Seychelles, Mauritius and Sri Lanka in March 2015 demonstrated the logic of US and India "walking with each other" in the Indian Ocean region. The US-India Joint statement on 25 January 2015 had noted both the importance of trilateral cooperation between the US, India and Japan, and the importance of upgrading the bilateral naval exercise – MALABAR. Given Diego Garcia's proximity, India has invited Seychelles and Mauritius to its trilateral security arrangement with Maldives and Sri Lanka. India and the US have supported progressive democratic forces in Sri Lanka in the 2015 presidential election.¹⁶ And, Prime Minister Modi's Sri Lanka visit in March 2015, the first by a head of state after President Sirisena's historic victory, was a spectacular success. It seems to have won the hearts of both the minority-Tamils and the majority-Sinhala population – the two ethnic groups that were locked in deadly conflict in Sri Lanka in recent times.

This has two significant implications for Indo-US relations. In the first place, the United States was at the forefront of the global campaign of censure against the Rajapaksa regime in Sri Lanka for human rights violations during the last phase of the civil war there. The international Sri Lankan Tamil lobby and human rights activists have activated the United Nations mechanism to take a strong position against the previous Sri Lankan regime. India, despite the sympathy that the country routinely expresses for the Sri Lankan Tamil minority, had scrupulously refrained from taking a formal position on this issue, keeping to the policy that the country has taken against any external intervention that has regime change as its main objective. However, the electoral victory of Mr Sirisena which has brought about a democratic regime change is likely to reduce that pressure on India, which will not be seen as going against the wishes of the United States.

¹⁶ C Raja Mohan, "Modi and the Indian Ocean: Restoring India's Sphere of Influence," *Institute of South Asian Studies Insights* No. 277 (Singapore: Institute of South Asian Studies, 20 March 2015).

The second factor is much more subtle. The attempts by the Rajapaksa regime to play India and China against each other had taken the shape of giving Chinese submarines shore facilities – a fact that had not gone unnoticed in India for obvious reasons – but also in the United States because of the proximity of the American base in Diego Garcia. There is thus a likely scenario of Colombo putting a cap on Chinese naval expansion in the littoral waters of India which would be a welcome development for both the United States and India.

Alongside cooperation on the high seas, there will also be coordinated action against terror. The US has de-hyphenated the India-US relations from its relationship with Pakistan. And, India has taken sterner than usual action against cross-border firing from Pakistan. It called off talks with Pakistan after that country decided to conduct talks with Kashmiri separatists. The January 25 2015 Indo-US Joint Statement mentioned not a word on Pakistan. The US will not interfere in India-Pakistan relations. Not only did the Joint Statement underline an agreement to cooperate in disrupting entities in Pakistan such as Lashkar-e-Tayyiba, Jaish-e-Mohammed, D Company and the Haqqani Network, Pakistan was invited by both countries to bring the perpetrators of 2008 terrorist attacks in Mumbai to justice.¹⁷ The attack on the Taj Hotel, possibly India's pre-eminent location for pristine hospitality, had a close resemblance with the 9/11 terror attack on the World Trade Centre.

The Iran Conundrum

Even as the promising partnership between the US and India continues to unfold, New Delhi's relationship with Tehran serves as a useful reminder that it is not been all smooth-sailing. India has respected the US position on Iran's nuclearisation and even supported the sanctions regime to

¹⁷ The White House, "Shared Effort: Progress for All," *US-India Joint Statement* (Washington DC: Office of the Press Secretary, January 25 2015).

India and the US have repeatedly voiced concerns over the continuing threat posed by terrorism in the region. Successive Indian governments have slammed Pakistan for using terror proxies against India and for creating an "atmosphere of terror" along the border. Terror outfits such as Lashkar-e-Tayyiba, Jamaat-Ud Dawa and the Haqqani Network – which fall under the UN Security Council's and the US State Department's foreign terror list – continue to operate in Pakistan and plot attacks on Indian soil. Pakistan has yet to take action against those responsible for the Mumbai terror attacks, including Zaki-ur Rehman Lakhvi and Hafiz Saeed.

some extent. Amid these critical overtures, India has continued to import oil from Iran, and is constructing a port in Chabahar, to the dismay of the US administration. The US and Indian positions on Iran have evolved somewhat cooperatively on the eve of the historic multilateral civil nuclear deal over Iran's programme.

Historically India and Iran have shared longstanding ties – they even shared a border until 1947 – and the two countries continue to engage each other despite the constraining influence of the US. Just as President Obama was a Chief Guest at India's Republic Day parade in 2015, Iran's President Mohammad Khatami was also a Chief Guest in 2003. Setting aside US opinion, the logic for a robust partnership between India and Iran remains strong. Both countries have a sizeable Shi'ite population, share cultural ties that date back centuries, maintain extensive people-to-people contact and enjoy considerable commercial ties in the strategically significant energy sector. However progress in relations was stymied as UN and US' bilateral sanctions against Iran gained momentum.

As Iran's nuclear programme progressed towards a breakout point, not only did the severity of sanctions increase, but it became difficult for nations to remain outside the sanctions regime. Given that Indian imports of Iranian oil were blunting the effectiveness of the US-led sanctions, New Delhi found itself in a tight spot, where it had to balance its strategic objectives of energy security without compromising the Indo-US partnership. India's policy response has been one of managing US expectations while maintaining flexible relations with Iran.

In support of American policy, the Government of India has consistently voted against Iran's nuclear programme at the International Atomic Energy Agency (IAEA) despite facing criticism from the Left parties at home.¹⁸ New Delhi has complied with UN-mandated sanctions at the cost of the financial advantages of sourcing Iranian crude oil. Consequently, Iran's share in crude oil imported by India fell from a high of 16% in 2008 to 6% in 2014.¹⁹

¹⁸ 'India Votes Against Iran in IAEA Resolution' *The Hindu*, 27 November 2009. Available at: <http://www.thehindu.com/news/national/india-votes-against-iran-in-iaea-resolution/article55953.ece>

¹⁹Katzman, Kenneth (April 21, 2015), 'Iran Sanctions', Congressional Research Service Report. Available at: <https://fas.org/sgp/crs/mideast/RS20871.pdf>. Accessed on: 2 June, 2015.

However Indo-US strategic objectives are not in perfect harmony, and considerations of energy security have resulted in points of policy divergence. India has been reluctant to rigidly enforce the Comprehensive Iran Sanctions Accountability and Divestment Act of 2010 (CISADA) imposed by the US. The sanctions waiver obtained by New Delhi demonstrates that there are limitations to Indo-US cooperation with regard to Iran. Despite every successive round of sanctions making it increasingly difficult to facilitate payments for Iranian oil, the Government of India determinedly sought out alternative means to handle the transactions. In 2012 India began to make 45% of its oil payments in non-convertible Rupees and is withholding the balance until an alternative mode of payment can be established.

The difficult balance that India has sought to strike in its relationship with Iran is perhaps best exemplified and mirrored in India's involvement in the Iranian port of Chabahar. Back in 2003, the two governments reached an agreement to develop the port in order to grant India greater access to Central Asian markets and to streamline the movement of hydrocarbons from Central Asia to parts of South Asia.²⁰ Accordingly infrastructure work such as rail and road networks linking Chabahar to Afghan cities in many cases was concluded, but work on the port itself is yet to begin 12 years after the project was first mooted. Though work on the port was stalled, project consultations continued, and recently Tehran and New Delhi signed a Memorandum of Understanding (MoU) that paved the way for an US\$ 85 million investment in Chabahar for the construction of container and multi-purpose cargo terminals. The timing is significant, and came on the eve of a civil nuclear deal between Iran and the "P 5+1" powers. It would seem that India recognised and sought to maximise the potential strategic value of its relation with Iran in the context of the competing goals of US policy.

At first blush, cynics might claim that India's actions vis-à-vis Iran haven't passed the acid test of Indo-US relations. But no one can deny that American geo-political interests have impacted India's Iran policy in the last decade. We would argue that India's policy choices have been consistent

²⁰ The Republic of India and the Islamic Republic of Iran "The New Delhi Declaration", January 25, 2003. Available at: <http://mea.gov.in/bilateral-documents.htm?dtl/7544/The+Republic+of+India+and+the+Islamic+Republic+of+Iran+quotThe+New+Delhi+Declarationquot>. Accessed on: 2 June, 2015.

and follow a pragmatic approach, wherein New Delhi has worked hard to take into account American considerations without compromising its own strategic objectives.

The Global Economy and Environment

Deepening security ties and India's tryst with globalisation have engendered economic engagement between the two countries. It is well-known that India moved decisively from an autarkic development model to a globalising one in the aftermath of the economic reforms of 1991. The fall of the Berlin Wall coincided with India's successful global economic engagement. Though India has globalised more gradually than China, given varied political opponents that had to be convinced and sometimes contained under democratic management; over time, its trade dependence has grown considerably, and foreign investment today is a critical source of development finance.

The significance of Indo-US commercial cooperation in the light of a strategy of "walking together" cannot be underestimated. Prime Minister Modi has taken note of this imperative. He agreed to withdraw India's objections to the Trade Facilitation Agreement within WTO on the side-lines of the East Asia summit in November 2014. This was a signal to President Obama that India can make mistakes driven by pressures from the powerful Indian farmers' lobby but these can also be corrected. The Trade Facilitation Agreement would have restricted farm subsidy to 10% of the total historical value of production. This would have placed a limit on agriculture-related subsidies enjoyed by the Indian farmer. The US has also accepted an indefinite peace clause that will allow India to maintain higher subsidies for considerations of food security until the uniform subsidy issue is resolved amicably.

Bilateral trade and investment are two key movers of the Indo-US relationship. While the scope for cooperating with the US has increased, so has the trade with China. Even though India's goods trade with China (US\$ 65.8 billion) surpasses that with the US (US\$ 61.6 billion), its goods and private services trade with the US was US\$ 93 billion even in the 2012. The US is the pre-eminent

destination for India's information technology exports. And, India enjoys an overall trade surplus with the US. President Obama's visit spurred this relationship with a strategic US\$ 4 billion investment in India – half of which is committed in the area of renewable energy. Trade and investment are intertwined.²¹ Pragmatism despite domestic turbulence should be deployed to iron out Modi's and Obama's regimes' respective concerns on taxation and intellectual property.

Cooperation in climate-friendly nuclear power technology could add gravitas to the commercial relationship. The historic US-India civil nuclear deal demanded considerable political will on both sides. Never before had a state been invited to the nuclear club, for all intents and purposes, in the aftermath of the Nuclear Non-Proliferation Treaty (1970). This was a spectacular exception. Three years immediately following the signing of the 2005 civil nuclear deal were fraught with difficulties. In India, the deal faced stiff resistance from the opposition Bharatiya Janata Party, with the UPA regime just surviving a no-confidence motion in parliament.²² While in the US, although there was strong bipartisan support for the Hyde Act which passed comfortably through Congress, policy makers questioned the wisdom of the deal and whether it would weaken the global non-proliferation architecture.

The deal was expected to generate demand for US investments in India. But this expectation was overtaken by concerns over civil nuclear liability, with premonitions in India of the recurrence of a Bhopal-type disaster. A gas leak from a Union Carbide plant in Bhopal in 1984 had taken many innocent lives. Disaster management was appallingly frustrating in that case because Union Carbide and the Government of India had both neglected a number of issues that could have saved precious lives. The compensation provided to the affected parties was seen in India as devoid of

²¹ On climate negotiations between India and the US, see *Economic Times*, "Obama in India: PM Narendra Modi, Barack Obama strike alliance on climate change; air pollution, renewable energy focus areas", New Delhi (January 26 2015), accessed from http://articles.economictimes.indiatimes.com/2015-01-26/news/58470064_1_climate-change-navroz-dubash-climate-talks on July 18 2015; Climatewire, "India and US Commit to Global Fight against Climate Change", *Scientific American* (January 26 2015), accessed from <http://www.scientificamerican.com/article/india-and-u-s-commit-to-global-fight-against-climate-change/> (accessed on 18 July 2015).

²² On 22 July 2008, following a two-day parliamentary debate on the civil nuclear deal, the opposition moved for a no-confidence vote against the UPA Government. After the Left Parties withdrew support, Prime Minister Manmohan Singh's government narrowly survived the motion, with 275 votes for his government and 256 votes against. See "Indian government survives vote". BBC News. July 22, 2008. Available at: http://news.bbc.co.uk/2/hi/south_asia/7519860.stm. Accessed on 6 June 2015.

humane considerations. The American and Indian sides – both at the level of politicians as well as the broad public – have never taken on board the radical differences in business cultures and ethics between the two countries. For the United States, particularly for the corporate sector, compensation is an issue of legal wrangling and winning the legal battle on the basis of evidence. Indians, on the other hand, tend to be driven by the perceived sense of justice and the alleviation of human suffering. As such, the bitter residue of the Bhopal gas leak and the (mis)management of its residue continue to resurface from time to time, most recently, in the compensation clause of the civil nuclear deal. The policy makers of the United States have to take this on board if the deal is to produce the intended results. A democracy that has limited capacity to absorb mismanagement of such man-made disasters will continue to affect the serious issue of civil nuclear liability – a factor that has impeded US nuclear energy investments in India.

Despite this serious bottleneck, US nuclear energy investment in India seems likely in the near-term. It was agreed in January 2015 that the Indian civil nuclear liability law will be respected. Both sides were, however, able to reach an agreement on the liability issue, wherein foreign suppliers of nuclear energy equipment cannot be sued by victims in case of a nuclear power plant accident.²³ India's liability clauses have been one of the main stumbling blocks in the commercial operationalisation of the civil nuclear deal since it was accepted by their respective legislatures in 2008. A compromise seems to have been reached in the form of a civil nuclear insurance pool. A US-India Contact Group, formed after Mr Modi's visit to the US in 2014, seems to have established compatibility between India's Civil Liability for Nuclear Damage (CLND) Act and the (global) Convention on Supplementary Compensation for Nuclear Damage (CSC).²⁴ Such an understanding seems to channel liability to the operator of the nuclear plant, and it is in this regard that a civil nuclear insurance pool has been set up as a risk-management mechanism. Indian public sector insurance companies have been encouraged to contribute Rs 750 crores out of the total Rs 1500 crores, with the balance coming from the Indian Government. These measures are likely to

²³ 'India's nuclear liability law will not be amended: Government' *Indian Express*, 8 February 2015. Available at: <http://indianexpress.com/article/india/india-others/indias-nuclear-liability-law-will-not-be-amended-government/>

²⁴ 'Frequently Asked Questions and Answers on Civil Liability for Nuclear Damage Act 2010 and related issues', *Ministry of External Affairs, Government of India* (Press Release). Available at: http://www.mea.gov.in/press-releases.htm?dtl/24766/Frequently_Asked_Questions_and_Answers_on_Civil_Liability_for_Nuclear_Damage_Act_2010_and_related_issues

render the cost of an avoidable Indian nuclear power plant accident for the energy provider on par with the rest of the world. Although details of the arrangement still remain vague, and finer arrangements are still being worked out, such an agreement will allow foreign nuclear power companies to come up with techno-commercial offers to their Indian counterparts.

The “strategic plus” relationship is evident in the climate-change negotiations as well. Mitigating climate change, for example, is critical for preserving the global commons. Even though India’s 1.7 metric tons of carbon emissions per capita (2013) compared favourably with the US’s 17.6 metric tons and China’s 6.2 metric tons, respectively, it is the third largest emitter in the world.²⁵ If India does not deploy mitigation efforts, the problem of climate change will remain unresolvable. The Indian view on climate change has moved from coercing the developed world to pay for its climate-change mitigation activities to thinking creatively about its own commitments.

India has moved from conflict towards cooperation for a variety of reasons – a new position that became obvious during the 2009 Copenhagen summit. This view has changed partly because the science of climatology and data collected by the International Panel on Climate Change (IPCC) suggested that India is extremely vulnerable due to dependence on Himalayan glaciers and the long coast line. Second, India desires a place at the global-governance high table. And, the Sino-US agreement to cut emissions in November 2014, would have spurred the thought about responsible international behaviour furthermore. It is no wonder, therefore, that Prime Minister Modi pointed to President Obama in January 2015 that India has a role in mitigation efforts.²⁶

Despite this positive development, the view that rich countries despoiled the planet in their quest for growth, and now that it is India’s turn, the world cannot deny India its right, is a powerful one. The Indian view that the rich countries must pay for pollution was gradually overtaken by

²⁵ PBL Netherlands Environmental Assessment Agency, *Trends in Global Co2 Emissions – 2014 Report* (The Hague, 2014), accessed from http://edgar.jrc.ec.europa.eu/news_docs/jrc-2014-trends-in-global-co2-emissions-2014-report-93171.pdf (on 18 July 2015).

²⁶ Bruce Jones and Samir Saran, “An ‘India Exception’ and India-US Partnership on Climate Change”, *Brookings, Planet Policy* (January 12 2015), accessed from <http://www.brookings.edu/blogs/planetpolicy/posts/2015/01/12-india-us-partnership-on-climate-change-jones-saran> (on 18 July 2015).

significant nationally-designed technology missions to spur wind-, solar- and nuclear-energy as substitutes for coal. India's²⁷ interest in mitigation efforts, given its first real opportunity to grow more rapidly than China, needs careful handling. India understands that mitigation, in principle, can be a commercially viable enterprise, if technology is shared and appropriate investments are made. It is with this intent that the Renewable Energy Global Investors Meet and Expo (RE-INVEST) was organised in New Delhi in February 2015 soon after the Obama visit. Prime Minister Modi had earlier expressed that clean energy is an investment opportunity, during the G-20 meeting in Brisbane last year. India and the US have established a global virtual centre for research and development in clean energy. India's mitigation commitments will become viable if technology and investments are forthcoming. This can be a win-win situation if India's domestic commitments are recognised by the United States. The US seems sympathetic to the Indian view of green technology, investment and commerce.

That India's plural political system stands in the way of deep commercial cooperation with the US is well-known. The US has viewed the recent opening-up of India's insurance and defence sectors along with other liberalising measures quite favourably. Progress has also been made in aligning the US and Indian views on intellectual property protection. Despite these positive developments, negotiations on a bilateral investment treaty were somewhat derailed by differences on issues such as taxation and intellectual property. This has occurred despite the threat of a US-inspired Trans-Pacific Partnership Agreement that ties America's friends in preferential commercial cooperation at a time when the World Trade Organization is unable to make significant progress on trade facilitation. India and China are not parties to the agreement. Under these circumstances, China has greater capacity to forge deeper commercial cooperation with the US than India.

²⁷ *Times of India*, "Modi to inaugurate global investors meet to give new push to clean energy," New Delhi (February 11 2015); accessed from <http://timesofindia.indiatimes.com/business/india-business/Modi-to-inaugurate-a-global-investors-meet-to-give-new-push-to-clean-energy/articleshow/46202358.cms> (on 18 July 2015).

Significance of the China Factor

It is impossible to conclude a discussion on the nature of India-US relations without reflecting on China. We have noted that India and the US will continue to work closely on maritime security in the India Ocean and perhaps in the South China Sea as well. And, the US, India and Japan are working within a trilateral cooperative framework.²⁸ While this is a cause for concern in China, China respects India because of its capacity to entice the US into a deep cooperative frame. Deep cooperation between India and the US drives Sino-Indian relations as well. China's commercial engagement with India compares favourably with the United States' engagement with India; and, its engagement with the US is far deeper than that with India. The positive sum in Indo-US and Sino-US relations should mitigate the chances of driving any one of these countries to an insecure corner in a world of security alliances that often drive trade preferences.

That India is walking with, rather than following, the US is clear from some actions that may not have pleased the US. India has joined and contributed to the BRICS Bank because it views an internationalising renminbi as contributing to a more balanced international financial system that will provide it greater access to credit. Along with China, India has raised its voice within the G-20 to align International Monetary Fund (IMF) voting rights with a country's weight in the world economy.²⁹ This would reduce the decision-making power of the US and Europe within the IMF. Beyond cooperation in designing the international financial architecture, there are significant possibilities for Sino-Indian cooperation for investing in and developing climate-friendly technologies.

India will give global economic interdependence the best chance to drive peace in Asia. China has articulated a view of Asian solidarity based on a Chinese variant of the Marshal Plan. Chinese investments will be driven by China's excess production capacity when rising wages and slow global economic growth cannot sustain Chinese production systems in full throttle. Chinese infrastructure and investments in other parts of Asia will drive Chinese growth at a time when the

²⁸ See discussion notes from 'US-Japan-India Track Two Strategic Dialogue', May 17-19, 2013. Available at: http://csis.org/files/publication/130529_US_Japan_India_Dialogue.pdf

²⁹ This view was reached after consultations with senior officials of the Government of India who would like to remain anonymous.

government has downgraded its 2015/2016 growth forecast to a historic low of 7%.³⁰ The Chinese government is articulating a vision for developmental cooperation where Asian commerce will drive away conflict. India like China wishes for a period of prolonged prosperity as neither Indian nor Chinese developmentalism can afford wars.

Like many states in Southeast Asia, India, for reasons highlighted in the previous section, tends to remain somewhat wary of China's rise because of the sheer size of the Chinese economy, its defence spending, the country's claims in the South China Sea, and India's own border dispute with China. Moreover, India and the US have common interests in persuading China to open up vital sectors such as financial services, telecom, logistics and media to foreign investors.

Why does India not join the United States in the global campaign for democracy in an anti-China alliance? The Indian tendency to be ambivalent on issues that some on the Capitol Hill consider fundamental to American interests sometimes comes across as exasperating to India's American interlocutors. However, the issue of India's relationship with China is not as simple as it might appear to certain lobby groups in the United States. India cooperates with China despite serious differences on substantial issues. After all, India has an unresolved border issue with China. China's assistance to Pakistan's nuclear programme is unwelcome to the Government of India, to say the least. But Indians have learnt to engage China rather than raise a wall of diplomatic separation. In consequence, China and India have developed a sweet-and-sour relationship when it comes to competition in South Asia, Africa and Central Asia for infrastructure investment, oil and other natural and agricultural resources. And yet, as canny players in the game of development, they also know that a no-holds-barred competition between the two suitors would only drive up costs and retard progress. So, they have worked out a sophisticated system of signalling that amounts to implicit cooperation. Their relationship which had moved on from the heady 'Hindi-Chini-bhai bhai' ("India and China are brothers") of the 1950s-vintage to "Hindi-Chini-bye bye" in the wake of the 1962 border war, has now reached a vigorous "Hindi-Chini-buy-buy" to mark the solid gains in bilateral trade. Finally, both are Asian powers, and there are people in India who

³⁰ See IMF World Economic Outlook Update, July 2015. Available at: <http://www.imf.org/external/pubs/ft/weo/2015/update/02/pdf/0715.pdf>

take the concept of Asian solidarity seriously. No government in New Delhi can lightly brush aside this lobby.

In Sum

We prognosticate in this paper that India and the US will not enjoy an alliance relationship, even though such possibilities exist if the India-China relationship turns desperately sour. India and China both have significant interests in maintaining peace and emerging out of a comity of poverty-stricken countries to take their historical place among the richer countries of the world. Both countries seem quite pragmatic about the importance of economic development and interdependence. Interdependence, in turn, could keep the peace.³¹

The India-US relationship will remain a significant one in the present century, even though the present Prime Minister Narendra Modi is unlikely to engender a tectonic shift in the relationship. These are two countries with a colonial past, having been part of the British Empire, and with powerful domestic constituencies that like to preserve their independence. That India will not tolerate a domineering partner is quite evident to the US. Our cases reveal how India engages Russia, Iran and China on the one hand, and Israel on the other. This must be a source of dismay for the US administration. Over time, however, we believe that the US understands its relationship with India's as an area of great power engagement rather than discord. Consequently, we find substantial cooperation between India and the US on arms procurement and on securing the South Asian and the Indian Ocean region. The US is also warm towards India's concerns within the WTO and in climate change negotiations.

In the final analysis, partnership without alliance is probably the best scenario that one can envisage for Indo-US relationship in the next five years. We share the sentiments of Jaishankar, India's Foreign Secretary, who has sounded caution on the expectations from the Indo-US relationship, particularly after the visit of Mr Obama. To quote: "If we are overtly anchored to the past, then we are not going to see the opportunities... At the same time, if we overstep the progress

³¹ On the relationship between interdependence and peace, See Norman Angel, *The Great Illusion: A Study of the Relation of Military Power to National Advantage* (New York and London: G P Putnam and Sons, 1910).

and raise expectations, then I think we will fall short in many respects and it creates its own backlash". (*The Hindu*, March 17, 2015)

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