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India-US Strategic Dialogue: Continuity and Change

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The Fourth US-India Strategic Dialogue, held in New Delhi on June 24, 2013 and led by two new protagonists, Secretary of State John Kerry and Minister of External Affairs Salman Khurshid, was a significant test of the maturity and resilience of bilateral relations. Held against the backdrop of growing domestic preoccupations in both countries and shifting foreign policy priorities of the second Obama Administration, expectations were relatively muted. In the run-up to the Kerry visit, which was marked by extensive preparations on both sides, there was growing concern that the transformative processes which have characterised India-US relations in recent years have lost effervescence and traction. While recognising that there cannot be a defining moment in relations between two major powers every few years, it was even suggested that relations have "plateaued".

However, India-US relations are now intertwined in innumerable ways beyond the Strategic Dialogue and the twenty-odd bilateral mechanisms for consultation and sectoral cooperation. It is also widely recognised that both countries have a mutual stake in nurturing the India-US strategic partnership to deliver long-term gains, and it would be fair to say that while this round of the Strategic Dialogue offered less hype and substance, it also signalled continuity, albeit at lower levels of ambition on immediate deliverables and new initiatives.

This rather modest outcome is not surprising, given the changes in the regional environment since Hillary Clinton's powerful observation in October 2011 that "the United States is making a strategic bet on India's future". Impacted by the sequester and a growing impulse towards retrenchment in Washington, the US "Pivot" towards the Asia-Pacific has faded into a quiet "rebalancing" that now also includes another

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attempt by Obama at engaging China. India on its part is headed towards elections in less than a year, and in the midst of an economic slowdown appears to be losing its capacity for betting on its own rise.

Against this broader picture, it would be useful to read carefully between the lines and distinguish between the rhetoric and the substance of the Kerry visit.

It was always going to be difficult for Secretary Kerry to match his predecessor Hillary Clinton's vision of America's engagement with Asia, and India's role as a partner in this endeavour. Since his first official visit to Asia in April 2013, Kerry has in fact made it a point to distance himself from the erstwhile and receding "Pivot", leaving US friends and allies in the region perplexed.

However, in his public address in Delhi on June 23, 2013 Kerry pointedly reaffirmed that "India is a key part of the US rebalance in Asia. And we are committed to that rebalance. I want to emphasise this point. Our security interests with India converge on a wide range of maritime and broader regional issues, and we value India's role in our mutual efforts to ensure a stable and prosperous Asia." This was a necessary, even if subdued, rite of passage on the way to building his credibility with an India wary of his extensive connections with Pakistan.

In keeping with his long-standing fixation, Kerry devoted the bulk of his address on the existential challenge of climate change and the "grave threat that this global crisis poses" to our fragile planet. While acknowledging that "combating climate change and reducing energy poverty" cannot be separated, he offered only the ongoing India-US clean energy partnership as a rather limited and inadequate solution – and not a wider US role in boosting India's energy security which is today the single largest constraint in the latter's economy.

Aware of a growing clamour in the US Congress against India's "unfair" trade practices, Kerry was circumspect in proposing "that we honestly address our difficulties – and there are some – without detracting from our shared goals. We need to conclude a Bilateral Investment Treaty as soon as we can, which is an important step towards bolstering investor confidence in both of our countries." Here he struck the right note, encouraging India to respond to the concerns of US business while looking forward to hosting the CEO's Forum in Washington D.C. in July.

Kerry was also quite right in recognising Afghanistan's central role at the heart of the "New Silk Road" initiative for regional connectivity, as well as the importance of the "Indo-Pacific Economic Corridor" linking South and Southeast Asia which is a belated discovery of the US State Department. However, he offered no concrete proposals on how the US will help materialise either, presumably leaving this in the hands of the concerned regional states, including an increasingly vulnerable Afghanistan.

While urging India to play a role in supporting Afghanistan's 2014 elections, Kerry left much unsaid on the strength and reliability of the future US commitment to Afghanistan's security and stability free from external interference, and to India's vital stakes and security interests in Afghanistan. This is unlikely to douse concerns here in the wake of the recent US initiative to engage the Taliban in a dialogue in Qatar with the connivance of the Pakistani military, with which Kerry is known to enjoy strong personal linkages.

The Joint Statement of the Fourth US-India Strategic Dialogue is largely a reiteration of ongoing programmes and past commitments covering security, economic, S&T, education and energy issues, but embedded in its long listing of initiatives are some significant advances in areas ranging from space navigation and domain awareness to ISRO-NASA launch/payload cooperation, from vocational training centres to online education essential to materialising India's demographic dividend. S&T and education have in fact steadily become larger and more relevant pillars of the bilateral partnership as they are technocrat-run and, therefore, focused on the implementation of concrete deliverables.

On strategic issues, the Joint Statement endorses a shared vision for peace and stability in Asia and in the Indian and Pacific Oceans, as well as the continued intensification of US-India engagement through regional dialogue mechanisms like the East Asia Summit. Further, it recognises the importance of maritime security, unimpeded commerce and freedom of navigation, and the peaceful resolution of maritime disputes in accordance with international law, which has become a mantra for regional hedging against China's relentless rise and assertiveness. However, what remains missing is progress on an expanded framework of security consultation and cooperation which can mitigate India's regional arc of anxiety. This will go down as a lost opportunity at a time when the bilateral relationship is under stress because of increasing divergences on Afghanistan.



U.S. Secretary of State John Kerry shakes hands with Indian Prime Minister Manmohan Singh during their meeting in New Delhi on June 24, 2013.

Source:

REUTERS/Prakash Singh/Pool, available at <http://in.reuters.com/news/pictures/slides/how?articleId=INRTX10YQ5#a=19>

The statement is also rather circumspect on progressing defence ties to a higher plane, with Secretary Kerry and Minister Khurshid merely acknowledging "the efforts that the United States and India are making to transform defence ties beyond buyer-seller relationships and to pursue opportunities for technological cooperation for co-development and co-production of defence equipment." The Strategic Dialogue would have been a good occasion to define a more concrete roadmap, including through a new comprehensive security compact incorporating elements of the India-Japan Security Declaration of 2008 and related Action Plan of 2009, when the current India-US bilateral defence cooperation framework expires in 2015. Quite evidently, such progress is not possible without India's Ministry of Defence lifting its political and bureaucratic reticence and reviewing the unworkable regulatory constraints in the defence industrial sector which are hurting India's defence preparedness and security interests.

The two sides were also unable to meaningfully realign the bilateral economic agenda to accelerate and expand trade and investment. There was no timeframe set for the conclusion of a BIT/BIPPA as negotiations remain stalled till India's revised model BIPPA is ready. Progress will depend on what shape this model takes and it will be important for India to ensure that it incorporates a judicious balance of economic openness, investor protection and regulatory room that will facilitate much-needed FDI inflows from the US.

While Minister Khurshid reiterated India's willingness to hold the next meeting of the Trade Policy Forum (TPF) on mutually convenient dates, much work remains to be done to make this possible. Regulatory bottlenecks and policy impediments have left core business constituencies in the US alienated in areas ranging from localisation of manufacturing in IT and solar energy products, to IPRs in the pharma sector and taxation. On the Indian side, there are concerns about the constraints imposed by the proposed new

US Immigration Reform Bill on the outplacement model of India's IT services companies and onerous conditions for H1B visas.

Ironically, it is the very constituency of US businesses which have been at the core of India's support which are now lobbying Congress against India's trade practices. Realistic prospects for resolving contentious trade issues will remain slim until the Indian side takes meaningful steps to revive the confidence of US investors in the Indian market.

Extensive expert-level discussions on trade and investment policy issues of concern to both countries will be required in the coming months to lay the necessary ground work for the next Ministerial level TPF meeting if it is to be held later this year.



U.S. Secretary of State John Kerry with India's Foreign Minister Salman Khurshid before their meeting in New Delhi on June 24, 2013.

Source: REUTERS/Adnan Abidi, available at <http://in.reuters.com/news/pictures/slideshow?articleId=INRTX10YQ5#a=5>

Symptomatic of this lack of movement on the bilateral economic agenda, the Joint Statement is silent on India's engagement in US-led Asia-Pacific economic cooperation. Unlike other Asian countries, India is yet to show interest in the US supported Trans-Pacific Partnership, while there is also entrenched reticence on the part of the USTR in accommodating an Indian role in APEC, which can only be removed through high level intervention of which there is little sign.

While both sides reaffirmed their commitment to the full and timely implementation of the US-India Civil Nuclear Cooperation Agreement, it remains to be seen if they will be able to work around difficulties posed by India's nuclear liability legislation and conclude ongoing commercial discussions between NPCIL and Westinghouse by the September 2013 deadline. This is a major area of disappointment for the US side five years after the conclusion of the Civil Nuclear Cooperation Agreement, and getting past this hurdle remains of critical importance to bilateral relations.

It is not without significance that, unlike the last two years, the Joint Statement carries no reference to Pakistan. Divergences on Af-Pak issues have clearly widened. The US side did not agree to retaining the specific reference made by the Third Strategic Dialogue held in 2012 that "success in Afghanistan and regional and global security require elimination of safe havens and infrastructure for terrorism and violent extremism in Afghanistan and Pakistan." Given the uncertain scenario for Afghanistan's future post the ISAF withdrawal in 2014, and the absence of any discernible change in the Pakistani military's attitude and policies, the US will need to credibly engage India on its core regional security concerns if the two countries



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are to advance their broader security partnership across Asia.

Secretary Kerry is no stranger to India, but he naturally brings to his office changes in personal style and policy priorities. Signalling elements of continuity as well as change, his visit to Delhi for the Strategic Dialogue can be described as moderately successful even though it broke no new ground. Kerry and Khurshid have made some advance on their personal diplomacy, and the Secretary had been familiarised with India's views and expectations. It is encouraging to note that Kerry brought with him the message of a visit by Vice President Joe Biden in July this year to continue a high-level dialogue with India.

In the past, India-US relations were marked by a convergence of values but not of policies and shared interests. Following the transformation of bilateral relations, what we now see is growing strategic convergence but differences on some of the essential nuts and bolts of the relationship which remain to be ironed out. Both countries would be well advised to hold true to the broader strategic vision that has propelled progress and not allow that foundational element to be undermined by transactional bickering.

In the press conference following the Strategic Dialogue, Secretary Kerry perceptively observed: "But relationships don't transform by chance. They transform through a lot of hard work and through a shared vision, and that's exactly what the strategic dialogue that we engaged in today is all about. It's an effort to galvanise both sides to think ambitiously and creatively about the next steps in the partnership, so that 20 years from now our successors will stand here before you and they will be able to look and say how far the relationship has come."

That is precisely why India and the US must avoid the danger of an under-performing relationship by scaling up ties and building further on their strategic, security and economic convergences. The bilateral economic agenda requires to be urgently reset on the right course and a new framework for security cooperation across the Indo-Pacific put in place. India's security concerns in its immediate neighbourhood will remain an important determinant of bilateral trust and confidence.

The value addition of a "whole of government" approach proposed by the US must also be fully operationalised, not least on the Indian side where capacity challenges and the traditional weakness of Ministries working in "silos" hamper across the board progress on bilateral ties.

Finally, while it is true that the general elections due in 2014 will be dominating the political landscape in India, this must not prevent the Government from taking robust steps to enhance India's strategic space and standing on the global stage. The US has in the recent past repeatedly offered the "full embrace of India's rise". Prime Minister Manmohan Singh will once again have the opportunity to test that promise when he visits the White House for a summit meeting with President Obama in September 2013. Success will help secure the most important foreign policy legacy of his term in office.

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