

US-India The Way Forward



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Nothing has changed in the fundamental character and potential of the US-India relationship, says
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In the old days, before 2000, the India-US relationship was frequently compared to a roller coaster because it swung rapidly but predictably between high highs and low lows. Beginning in 2000, when President Bill Clinton's historic visit to India seemed to change the character of the relationship almost overnight, many thought those roller coaster swings in US-India ties were behind us. As Prime Minister Singh's upcoming summit with President Obama approaches, however, we have to question whether those bad days are back. In fact, the roller coaster of US-India relations has reached lows not seen since 1999.

Today if you talk to administration officials about India they express disillusionment with the promise of India-US relations that seemed so bright just a few years ago. And if you talk to American business leaders, you will find greater disappointment and sometimes anger over what they see as India's increasing barriers and even hostility to foreign investment. Many of them are voting with their dollars and not increasing or even reducing their investments in India.

Now make no mistake. The India-US relationship today looks very different from what it was in 1999 not to mention a decade earlier, before the onset of India's economic reforms. In the decade after 1999 those reforms led to a quadrupling of bilateral trade and large increases in American investment in India. In 1999, official relations were nearly frozen as the US imposed sanctions following India's May 1998 nuclear tests.

Today, as a result of the historic civil nuclear accord completed in 2008, India is accepted internationally as a nuclear weapons state and virtually all of the US sanctions have been lifted. In 1999 meaningful defense cooperation was nonexistent. In recent years India has purchased nearly \$9 billion worth of US military equipment, with more orders likely to be placed soon, and the US has more joint exercises with India than with any other country.

In a reflection of all these changes, India has been seen and described by US leaders as a strategic partner of the US in Asia and globally.

So what has happened more recently to renew the sense of estrangement, Dennis Kux's memorable term, between the world's oldest and the world largest democracies? Most importantly, the reality and the prospect of India's economic success has faded in just the last few years, at least in the perceptions of many observers. Economic ties are the ballast in the India-US relationship and are essential to keeping the relationship on a steady course, especially when the political winds turn stormy.

Those seas can be rough even now. Despite the end of the Cold War world, and even in the face of a newly assertive Chinese role in Asia, US-India political relations were bound to be mixed and uncertain. The US is often too preoccupied with other problems at home and abroad to be consistent in its efforts to deepen the mutual understanding needed for steady improvement in political ties.



KRISHNENDU HALDER/REUTERS

A Bharti Wal-Mart Best Price Modern wholesale store in Hyderabad, Andhra Pradesh. India's slowing economic growth, and restrictive and protectionist economic policies have undercut the confidence of American investors, but nothing has changed in the fundamental character and potential of ties between the two nations.

Renewing the Promise

India for its part is still hesitant, sometimes downright ornery about its engagement with the US, whether out of conviction that its international autonomy is threatened or just because of lingering distrust of the US.

But when the two economies are increasingly linked in mutually beneficial ways, not only is there countervailing momentum in the relationship, but on both sides there are more advocates for keeping the relationship moving forward.

Unfortunately though, the failure of the UPA II government to pursue second generation economic reforms, the dramatic slowing of India's economic growth, the advent of restrictive and protectionist economic policies that almost seemed designed to alienate foreign investors, and a series of scandals and political diversions have dramatically undercut the confidence of American investors and created a gloomy outlook among observers of the Indian economic scene.

India's economic and political slide in recent years has also caused many analysts and some leaders to question whether India's domestic troubles will so preoccupy it for many years to come that it will not be the strong international partner for the United States that many had expected it would become.

Against this background we must question what the meeting of Prime Minister Singh and President Obama will accomplish. Even though the relationship may be strained, there is much on the South Asian and international scene that will concern both leaders.

The regional impact of the US withdrawal from Afghanistan will be hugely consequential for India. The prime minister has openly expressed his concern about the impact on the Indian and other emerging

market economies of the policies of the Federal Reserve. Increasing tensions and exchanges of fire between India and Pakistan along the Line of Control in Kashmir will no doubt be discussed. Both leaders will exchange views again about China's policies and behavior in the Asian region and what they mean.

But to the extent the two leaders focus on the bilateral relationship, their ability to shape policies and actions that will help reverse the recent slide in bilateral relations is limited. India will have a national election within the next nine months. President Obama has a very full agenda internationally and domestically over the next several months.

Still, the Summit is an opportunity for Prime Minister Singh and President Obama to reaffirm the commitment of their governments to renewing the progress and the promise of India-US relations.

Despite the recent reverses, nothing has changed in the fundamental character and potential of ties between the two nations. Most basically, the US's greatest interest in the relationship is in fact India's success at home — its economic development, stability and openness. That alone would do a great deal to help ensure peace and prosperity in Asia and the world over the longer term.



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