

US-India The Way Forward



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Dr Singh must leave the impression that India is a place where one can do business

The United States has strategic and economic reasons to wish him well on this, says
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Dr Manmohan Singh on September 27 will make what is likely to be his final visit to Washington, DC as Prime Minister of India before his term ends in 2014. He will almost certainly take the opportunity to advance the resolution of differences regarding his greatest foreign policy triumph: The collaborative US-India effort in 2008 to end the international ban on selling India nuclear fuel and technology for peaceful use of nuclear energy without simultaneously demanding that India abandon its nuclear weapons program.

This agreement signaled America's support of India as a major actor on the world stage and reset the US-Indian relationship. Above all, the prime minister will want to set long-term goals in the bilateral relationship and thus dispel the perception of a loss of momentum.

In this period of close India-US relations, it is useful to remind ourselves of the deep reservoir of distrust not many years ago in each country regarding the other. This distrust was increasingly outdated in a new post Cold War era that altered strategic realities. Something dramatic was needed to overcome the popular distrust and reset the relationship.

Starting in 2005, just a year after assuming office, PM Singh and his US counterpart worked to achieve the required dramatic breakthrough. This culminated in the 2008 India-US nuclear deal that enabled India to import nuclear fuel and technology without requiring it to sign the 1970 Nuclear Nonproliferation Treaty that had denied nuclear weapons to any but the five countries possessing them in 1968.

India was not one of those five and, hence, refused to sign a treaty that would prohibit it from developing nuclear weapons and thus place India at a strategic disadvantage to next door nuclear capable China. The deal, however, faced major challenges in both the US Congress and the Indian Parliament, but Prime Minister Singh and President George W Bush pushed ahead because each clearly recognized that this action was necessary to reset the relationship so that both countries could better respond to the changed strategic situation in Asia.

The prime minister risked a vote of no-confidence in Parliament in the face of a formidable opposition, including some within his own party, who argued that the nuclear agreement would tie India irretrievably to US foreign policy



DANISH SIDDIQUI/REUTERS

Inside the General Motors plant in Maharashtra. The Indian prime minister will need to address the perception of potential American investors that the maze of intrusive Indian regulations, bureaucratic delays and corruption block New Delhi's recent moves to attract foreign investment and trade.

objectives. Key partners abandoned Singh's coalition government and the parliamentary vote was a razor thin 275 to 256 votes in the 543 member Lower House of Parliament. He recognized that a strong India, with or without a military alliance with the US, was in America's interest.

The deal was transformational. Replacing decades of distrust, each began to look at the other as a positive force in advancing its strategic objectives on combating terrorism, on working to keep the rise of China peaceful, and on insuring that critical Indian Ocean sea lanes over which move more than 80 percent of India's international trade are unimpeded.

India supported the presence of NATO troops in Afghanistan, as India is also a target of Al Qaeda and its Taliban allies. India has sanctioned more military maneuvers with the US than with any other country and is comfortable with the growing US military presence in the Asia Pacific region. India has purchased some of the most sophisticated military weapons in the US arsenal.

President Barack Obama on his very successful 2010 visit to India pledged US support for India as a permanent member in the UN Security Council.

Secretary of State Hillary Clinton in a June 2011 speech in Chennai spoke of India's growing international influence and encouraged India to assert itself even more.

Singh's government has appointed its most experienced diplomats as ambassador to the US, including the present Ambassador Nirupama Rao and soon to arrive Dr Subrahmanyam Jaishankar.

One could compare Singh's daring on the nuclear agreement to equally daring moves he made in the early 1990s as finance minister under then prime minister P V Narasimha Rao to set the Indian economy on a new more market oriented path that has led to a quadrupling of its GDP in some two decades.

In a series of brilliant moves soon after the inauguration of the Rao government in mid-1991, Singh as finance minister announced a dramatic set of reforms, perhaps the most prominent being the virtual dismantling of a licensing system that permitted intrusive government involvement in almost every area of the economy. That set of reforms also opened almost every area of

the economy to private enterprise, encouraged foreign direct investment, and dramatically lowered what had been one of the world's highest tariff structures.

One example of the growing role of private capital is infrastructure development, which Singh has pushed as key to further economic growth since becoming prime minister in 2004. In the 12th Five Year Plan (2012 to 2017), the private sector is to provide almost one half the trillion dollars in what is the world's largest infrastructure development program.

One could argue with the reform pace, but a democratic India must get the backing of major stakeholders and that often takes time. But the question today is not whether there will be reforms, but at what pace they will take place. Prime Minister Narasimha Rao, and every prime minister after him, has shaped Indian foreign policy around goal of growing the economy. On this, the US as the largest investor and trading partner plays a key role.

Prime Minister Singh's major goal on this visit is likely to dispel the growing perception in the US of a loss of momentum in the bilateral relationship. He will need to address the concerns of many US companies that Indian nuclear liability legislation places American corporations at a significant disadvantage in taking part in the rapid expansion of India's nuclear powered generating facilities. He will also need to address the perception of potential American investors that the maze of intrusive Indian regulations, bureaucratic delays and corruption block the prime minister's recent moves to attract foreign investment and trade.

With national elections less than a year away, it may be difficult for the prime minister to commit himself to policies that dispel these concerns. But he must leave the impression that India is a place where one can do business.

The United States has strategic and economic reasons to wish him well on this.



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