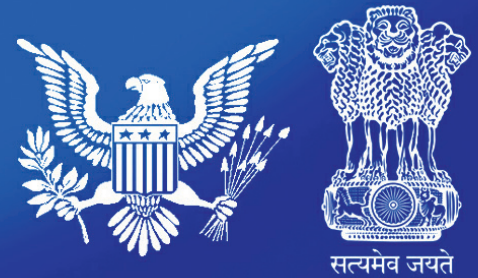


US-India The Way Forward



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Former Ambassador to the US
NARESH CHANDRA
discusses the trajectory of the
India-US relationship with
SHEELA BHATT
in this eloquent interview.

One of India's most distinguished civil servants, someone who served as the country's Cabinet Secretary, the head of the Indian Administrative Service, during the tumultuous early 1990s, arguably **Naresh Chandra's** most challenging assignment came in the days and months following India's nuclear tests in May 1998.

When he arrived in Washington, DC two years earlier, as India's ambassador to the United States, India-US relations were tentatively finding its way after the long and difficult Cold War years. No one expected it to go South soon enough.

It is to Naresh Chandra's eternal credit that he steered the ship calmly through the angry and stormy waters of sanctions and threats after the nuclear tests, till both nations embarked on a new adventure called the Next Steps in Strategic Partnership, which eventually led to the achievements during the Bush Presidency and President Obama describing the India-US relationship as a defining one for the 21st century.

Ambassador Naresh Chandra, who continues to remain engaged with India-US relations, studies the current equation in an eloquent interview with *India Abroad*.

What are the reasons behind the current drift in the India-US relationship?

The biggest factor is that both governments are preoccupied with very urgent issues. Although the doors of opportunities are open, there are different priorities for both countries. In the US, because of the economic turnaround, local politics is gaining much more weight.

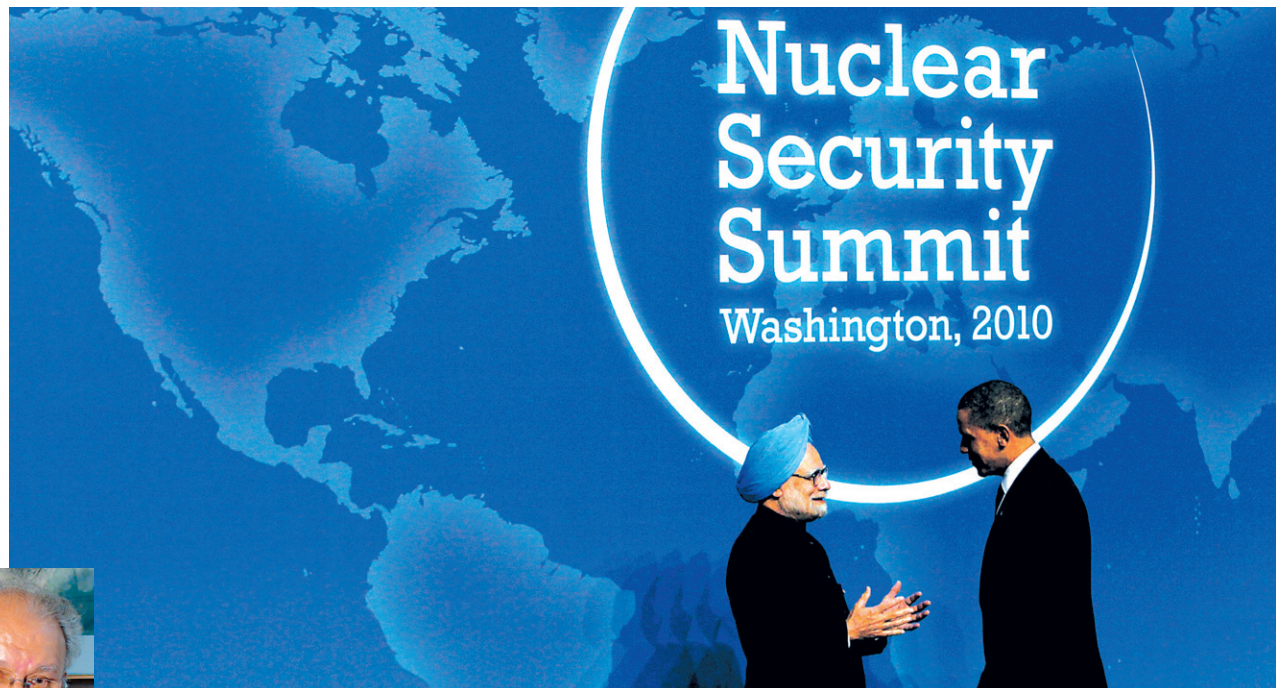
President Obama has a lot of excess baggage, which Clinton didn't have because in his time the economy, the employment situation, was alright. Whoever is in charge of the administration has to be much more sensitive to local issues, so there is a feeling in India that the free movement of persons or the visa issue, they can't get the type of targets that our companies were hoping for.

One thing which needs to be noted is that whatever restricted policies the US adopts, they are not India-centric. These are general policies. But on many occasions it is the Indian side which gets hurt the most. So, they feel that 'Look we went for a strategic partnership and economic partnership, but what have we gained?'

The US side has a similar perception because of the lack of a majority in Parliament of the current government it is not able to push the legislation necessary to execute its reform agenda.

On the US side, it is, 'Look we stretched our neck out to help India come out of the nuclear apartheid regime.' The civil nuclear agreement pushed the very difficult legislation through both Houses of Congress, but American companies have got nothing in return and no business has resulted.

In terms of trade relations, the balance is in favor of the US anyway. The trade has been expanding, but not as fast as with China, so there is a feeling that we have sort of



ALEX WONG/GETTY IMAGES

President Barack Obama, right, and Indian Prime Minister Manmohan Singh at the Nuclear Security Summit April 12, 2010, in Washington, DC. The delay in realization of the civil nuclear agreement after India came out of the nuclear apartheid regime is among the areas of concern between the countries.
Inset, Ambassador Naresh Chandra.



'For the next year or two, it has to be normal business and wait for the right opportunity'

reached a plateau even in exploiting the great opportunities that exist in business and trade.

And while some proposals have gone through — and these are big ticket items like transport aircraft and other equipment which we have got from the US — on many key defense issues, the US side feels the progress leaves much to be desired.

There are problems on both sides which should be worked out. The great opportunity that exists in transferring technology from the US side to Indian entities is held up because of the undue insistence of piping everything through India's public sector undertakings or the defense ministry. The very restricted and impractical offset policy is organized by the Indian ministry of defense.

In the strategic area, there are problems which cannot be ignored. For some years, the US had other engaging issues on hand: Its plan to withdraw from Afghanistan; the US was dealing with the consequences of the Arab Spring; the happenings in Syria; the old problem of Israel and the Middle-East; their relations with Iran, and finally the biggest problem of them all, which is terror-related, is how to deal with Pakistan and Afghanistan and how to keep

some kind of stable equilibrium between the two.

The US tactics was to deal with the Af-Pak situation which, in parts, runs counter to Indian interests. There is only so much that an administration, with its four-year life span, can do to accommodate Indian concerns. So, the US feels — 'After we have tried to be so friendly and declared them as strategic partners' — India does not support US moves, in the UN, and only reluctantly follows — if there are any resolutions or sanctions — in the United Nations Security Council.

We have to realize that there are differences. On Iran there are solid differences, and it is very difficult to manage. I think the government of India has been doing quite well.

But as (*India's Petroleum Minister M*) Veerappa Moily pointed out if we continue to follow and take US concerns fully on board, and not import oil from Iran, it will cost us billions of dollars. An arrangement that can be worked out in rupees to manage our balance of payments is very much in India's interest.

Now it remains to be seen how much accommodation is

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shown by the US to this very genuine problem that India has.

Of course, the Indian contacts are very good in Washington, the visits and return visits from the US-Indian sides are going on and this should continue. But there is no question that in recent years, the growth or the flow of our relationship has slowed down. This is not to say that the potential in any way has lessened.

Has this slowdown anything to do with President Obama's personality and his leadership style as also the weak leadership in Delhi?

It happens in diplomacy. Personality plays a part. You can't divorce personalities from the environment in which they are operating.

So if you have a President who has urgent concerns to get re-elected, which was happening in the last year, it was a constraint. And the prospect of losing a majority in either House of Congress is something which the President has to take on board.

Similarly on the Indian side, if you have problems pushing legislation in the Upper House, the Rajya Sabha, then it limits your options. The other thing is that in India when it comes to policy, including foreign policy, it is not the function of one individual leader. We have to take on board, not only the Opposition parties, but also the opposition within your own party.

Take the Congress party. There are lots of groups having a different take not only on foreign policy issues, but even on economic issues in domestic politics.

When you deal with powers like the US, there are political parties who have very strong views or preconceived notions on this subject. You have to see the fallout of that kind of opposition.

Still, I would say that personalities do matter. It is better for India if a person like Hillary Clinton was Secretary of State. It helps in different stages of negotiation. Personal intervention can make things move.

America and India have fundamental differences. Their South Asia policy and our regional interests don't match. Whatever is good for the Americans in Pakistan is not necessarily good for India.

America and China's relationship is also an issue. In the South China Sea our nuances and America's expectations are different and because geographically China is right on India's border, and it is not so with America, American concerns and our concerns will remain different.

These are fundamental and permanent differences, which are not reconcilable.

In view of that, how do you see this strategic partnership going forward, and how can we say that we are natural allies?

That is a fair analysis. It can never happen that there is



Secretary of State John Kerry, center, with foreign ministers at the ASEAN security conference in Brunei, July 1. Inset, Kerry in India. JACQUELYN MARTIN/REUTERS

perfect alignment in priorities and perceptions between nations, especially India and the US who are so far apart.

So, there are differences and there are commonalities. The common thing is, and which is very basic, is the structure of the society and the people. If you see all over the world, there are hardly any countries, except for the US and India, which are so multi-lingual, multi-religious, and large.

With the break up of the Soviet Union I think they have lost that characteristic. Russia does not have the same kind of multi-cultural society now that India and the US have.

So when you have this kind of a multi-cultural and multi-lingual society, then very narrow considerations or things in a uni-dimensional way do not dictate the manner in which you conduct your affairs.

There is inclusiveness, there is a tendency to take all kinds of opinions on board, and that leads to a more broad-based human approach, not only in domestic matters, but also in world affairs.

Second, we are far apart geographically and if you go into the nitty-gritty we do not threaten the US and they don't threaten India in a direct situation. Indirectly, when dealing with our neighbors, as you rightly say, the approaches are not perfectly aligned, they can never be.

When we want every action in Pakistan which eases our terrorist and infiltration problem the US is present in their area, we are not. So they have to protect their plan of action and they have to protect their security of transport as well as their manpower.

They have two options — either to invade and conquer Pakistan which is not an option or to deal on mutually acceptable terms. I don't think the Indians do not know that Americans are very unhappy with the terms and conditions they have to accept. But please realize we would have done the same. So, when they act in a manner which is very practical we judge them for very noble standards.

Their boys and girls are dying in Afghanistan. So, they have to make a deal with Pakistan to see that their casualties are less or they are able to do what they came out to do. That was to liquidate Al Qaeda and Osama bin Laden.

Now there is a domestic political problem. You can not keep thousands of young persons from America in places their families have not heard of, so there are politically compelled to draw them out.

In the process, they are dealing with the devil, but they have to sup with the devil so to speak, and work out an arrangement they can live with. Now the arrangement they have worked out with Pakistan is definitely an irritation for the Indian side and a matter of concern, but you know something of that kind we have to accept as a given. Every country does it.

The problem is that India judges the US by a higher standard, and the US judges India by a higher standard. This a problem, but also a compliment that we expect better from each other. And this highest expectation is not there with any other country. Please reflect on this.

Don't you think when the world was changing, India overestimated America's role on the global stage and America overestimated India's market capacity?

I don't think India overestimated the US's role. Everybody knows America continues to be a superpower in the sense that it has the largest amount of resources to bring to any negotiating table. Not only in economic terms, but also in military terms.

If you take the US defense budget and the defense budget of the next 15 countries you know what we are talking about. The numbers speak for themselves.

We have to recognize that in terms of numbers, the strength of market, military strength and budget, the US stands alone, quite apart. The capacity for the US to exert its influence and power in all parts of the world has diminished because other powers have risen, the gap is narrowing.

China has created a new situation; India has not done too badly in terms of economic growth. So, what is the situation today? It is very difficult for the US to get out of any strategic area and also very difficult for the US to stay there on its own terms.

It's also very difficult for the US to solve a problem by itself. It needs the cooperation of regional powers. So the game has slightly changed and I think India is aware of it.

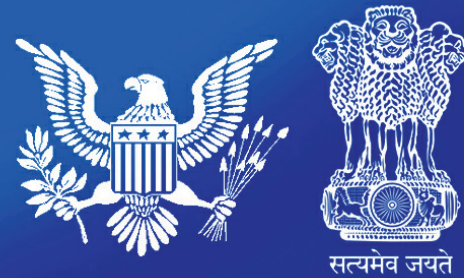
On the US side it is not a case of overestimation, but of expectation. They expected a more open Indian market and faster growth. They make no bones about it.

Now we, for various reasons, we have contrary views on the subject. The Reform School says growth is very good, others says it should be inclusive growth, other Indians says no, common man first.

So we see contradictions where none exist. I think without growth, what will you be able to do for the common man? But there are some guys who say 'No, no, you're just a votary for growth, nobody cares for the poor.'

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This is another hackneyed phrase I hear all the time — the rich are getting richer, the poor are getting poorer, I don't know on what statistics it's based. But these are the problems the government of India has to deal with.

We need to accept that we have not performed, and people feel we will not be able to perform to the expectations others had of India.

How is America's future trajectory with China and India's trajectory with the US poised?

Do you think China fears that there is a kind of common cause which India and US can strike?

Is the fear of China's containment real?

We feel it's exaggerated. People forget that a large chunk of China's territory is what is called the Tibetan Autonomous Region. Now anything that affects their sovereignty on Tibet and that area makes them very concerned because that's a huge part of their territory and it is through the TAR that they neighbor India, Nepal, Pakistan and so on. And they think they are not 100 percent there because there is a (*Tibetan*) government in exile on Indian soil. So, these facts cannot be wished away.

China also feels that in its capacity to deal and negotiate with countries in Asia on their own terms gets inhibited because of India's strength. They do not want that Indian factor to become some kind of a forceful factor in their bilateral relations with Malaysia, the ASEAN countries, Vietnam and so on.

They also feel their natural animosity with the Japanese could be used in some kind of a three-member axis of Japan, the US and India. The Indian side knows their interests and concerns, and we know that the Chinese concerns are exaggerated.

For China to feel that the US will try to use Indian strengths is understandable, but I think it is a bit overblown.

China is the invisible elephant in the room whenever bilaterals are taking place concerning Asia. I think the government of India is wisely attempting to improve relations with China. If you allow your relations with any big player to go down below a certain level, then it limits your capacity to deal with others.

Because others would know you're stuck on this one, they can play their cards better. We need to be careful that even with our adversaries we don't allow relations to deteriorate below an acceptable level.

And if there is a scope to improve relations under the circumstances it must be seized and taken forward because in the long term that is in our interest.

So, to live in a situation that they will always be unfriendly, that they will always attack our position, is a self-defeating proposition. Your job is to change that situation. And that's a very important segment of diplomatic policy.

Do you think the nuclear deal's ambitious agenda has fallen off?

No. The ball is in play — because we have been very slow at it we have not even signed up with France and Russia except for the one that is still going on in Koodankulam (*the nuclear plant in southern Tamil Nadu*). So, it is not that the slow pace is something that relates to the US only.

The suppliers's liability insurance is a problem, and we have not been able to crack it so far because I think the



JIM YOUNG/REUTERS

George W Bush against the backdrop of the Purana Qila in New Delhi in 2006. The former President had great regard for Indian democracy.

Indian side has to realize that if you want something you have to pay for it.

So, if you want these liabilities to be taken, the supplier is not going to take it for free because nobody is in the business of driving himself out of business. So they will supply only when they feel it's economically profitable. We will do the same. So either the consumer of the electricity pays the insurance premium or the supplier pays. If the supplier pays he'll add it to his cost.

I think much of the debate that is taking place does not make much business sense. Because the discussion I saw in Parliament was like we will be able to load the liabilities on the supplier to pay for it. That doesn't make business sense to me. It may sound very patriotic, but that's the end of it.

After the civil nuclear agreement a new situation has got created which has allowed greater freedom for India not only to deal with suppliers of nuclear material, with Australia and Canada and all that, to get help for the civilian power generation. But it has also taken us out of a category which was outside the nuclear regime.

We were neither members of the NPT (*nuclear Non Proliferation Treaty*), we had not signed, nor we were a nuclear power. We were somewhere in between. So what this agreement has done is that it has formalized and recognized that India is a declared Nuclear Weapon State.

When it comes to nuclear power generation I think both sides are at fault. Our guys may have a very good case, but they cannot deny the fact that we have been very slow.

How do you see the short-term future of the India-US rela-

tionship?

I don't see any miraculous breakthrough taking place. For the next year or two it has to be normal business and wait for the right opportunity to strike. We have to be continuously engaged at the business level because you know it seems that the US economy is going to get over the slump it has been in. It has concerns for us.

Once they go up the growth trajectory, they will need a lot of investment dollars. So the expectation that we had that FDI (*Foreign Direct Investment*) will come to India in dollars may not happen. We kick investors around in every way possible. That is not going to happen anymore.

At the same time the demand created in the American market will help us provided we get our manufacturing going. If we don't have export surpluses, if we shut down mining and we discourage manufacturing, then I am afraid we will only get disadvantages of the situation and we will not be able to derive any advantage from the US upsurge.

Do you think India is balancing the US business well?

We are trying to. But you know very often we take a stand which is very time consuming and slow.

I think in the area of defense cooperation we overlook the fact completely that there is a lot of advantage to be gained in getting access to sensitive military technology which is available in the US and in dealing with that I think we are very bureaucratic; not that the US is not bureaucratic.

On the US side, the cutting edge technology in the military area is largely financed by Congress and the point of Congress is that 'Look, we have paid for it to give advantage to our boys you can't just sell it off like that.' So the laws are very strict. The Arms Export Act and the regulations in the US are a very difficult minefield to negotiate through.

I have done this for three, four years, so I can tell you. The problem is that the US administration and officials are held in like hell by laws and rules in exporting technology. On our side when they open the door, we don't wish to comply with those rules and regulations. So the thing becomes stale bait. Both sides have to find creative solutions to get over this problem.

Was it difficult to deal with the Americans?

US officials have a very clear cut delegation of power and authority. So our side has to very quickly realize that at this point, nothing further is possible. There is no use wasting time, because the guy doesn't have the remit. So you have to go on trying to interest higher and higher levels. Otherwise, you remain locked.

Unless you have access to the higher authority, the Secretary of State or the White House, unless they intervene, things cannot change at the table. Because the capacity to innovate or find a way at the level of an Assistant Secretary or Deputy Secretary of State is not there. They may report and get orders. That's it. Otherwise, everything is on e-mail, everything is on record.

Internally, they are transparent with each other. Not only just vertically, but horizontally as well. In our case we have a file system. So the coal ministry might not tell the Prime Minister's Office what is going on. It cannot happen there. It just cannot happen there.

Do you miss President Bush?

President Bush for some reason had great regard for Indian democracy. Although he was tough on many issues all over the world, his interventions when it came to Indian issues were very helpful, no question about it.