Despite ongoing turmoil in the Middle East, the Obama administration continues its steady pursuit of a foreign policy makeover, reorienting its attention and resources to the Asia-Pacific—specifically India. Following a number of high-level visits by American officials to India, including Vice President Joe Biden’s trip in July and Secretary of State John Kerry’s trip in June, Indian Prime Minister Manmohan Singh will meet with President Barack Obama tomorrow during his second official trip to Washington as prime minister.

During the meeting, President Obama and Prime Minister Singh will likely focus on the following six issues in the U.S.-India relationship:

• Trade and investment
• Defense cooperation
• The U.S.-India civil nuclear deal
• Climate change and clean energy
• Immigration reform
• Security issues and the strategic partnership
For the Obama administration, underlying these discussions will be the unmet expectations of the U.S.-India relationship, a relationship envisioned as the cornerstone of the U.S. rebalance to the Asia-Pacific. While there were high hopes following the U.S.-India civil nuclear deal in 2008 and Prime Minister Singh’s 2009 visit to Washington, many U.S. policymakers have been disappointed by the Indian government’s failure to deepen the partnership by implementing the civil nuclear deal, making India more open to investment opportunities for U.S. businesses, and increasing defense cooperation. As Vice President Biden stated in a July speech in India describing the hopes for the U.S.-India relationship, “There remains a gap between what we are doing and what we are capable of without in any way impacting on either of our countries’ sovereign decisions ... a gap between this vision and the present reality.”

The Obama administration seeks a robust trade and investment partnership; a deepened security and strategic partnership in the Asia-Pacific; the implementation of the civil nuclear deal; and more cooperation on reducing climate change through a reduction in hydrofluorocarbons, or HFCs, and greater cooperation on clean energy production. The Indian government will likely raise India’s key concerns regarding the cumbersome U.S. export control system, proposed H-1B visa legislation in the immigration reform bill, and the U.S. military drawdown in Afghanistan. Both governments have been engaged in a proliferation of dialogues and working groups in a range of areas, such as education, environment, energy, and homeland defense, to tackle these issues.

In the lead up to India’s elections set for May 2014, the Indian government is focused largely on domestic priorities including debates around food subsidies and its own economic slowdown. This leaves little space for pushing forward politically contentious economic reforms, such as decreasing domestic content requirements and strengthening intellectual property laws to protect foreign companies. Therefore, in the near term, the U.S.-India relationship may continue to underwhelm its observers, without significant advances. Regardless, Prime Minister Singh and President Obama must chart a long-term course in which both countries make changes and reforms in order to ensure that this relationship stays on the right track.

Trade and investment

Over the past two decades, the Indian economy seemed unstoppable. U.S. and global companies looked to the country’s fast-growing population for new consumers, its bulging youth workforce for new labor, and its skyrocketing economic growth for investment and trade opportunities.
The recent economic downturn in India, however, has revealed not only India’s vulnerabilities to external global dynamics, but also the serious weaknesses within the Indian economy that have given pause to foreign businesses and caused companies to cut their investments in India, such as in the steel industry. Fundamental internal problems include India’s large current account deficit, narrow tax base (only 3 percent of Indians pay income tax), run-down infrastructure, outdated labor laws and weak rule of law, corruption, and burdensome bureaucracy. The rupee, now markedly the worst-performing currency in Asia, continues to tumble, having fallen 16 percent against the U.S. dollar since May. While a weak currency has the potential to make India a lucrative export market, factors such as high prices on oil imports, poorly built and crowded ports, and irregular taxes in export zones impede upward growth after an economic slump such as the one India is facing. Moreover, annual Indian GDP growth—which averaged 7.7 percent from 2002 to 2011—has slowed to 4.4 percent, and inflation has hit 6 percent.

While bilateral trade and investment between the United States and India has quadrupled since 2006—now at approximately $100 billion, with U.S. investment in India at $28 billion—the Obama administration and U.S. businesses argue that the trade partnership has not reached its potential and that India’s trade policies are, in fact, sometimes discriminatory to U.S. companies. Channeling the complaints of some American businesses, the Obama administration has urged the Indian government to break down business barriers by changing its intellectual property laws, especially as they relate to pharmaceuticals. The administration has also urged the Indian government to address inconsistent tax treatment; requirements that companies buy local content, such as in the telecommunications industry and renewable energy sector; and limitations on foreign direct investments.

The Indian government has already undertaken a number of policy changes to begin addressing the economic slowdown and its trade and investment partnerships, including easing investment rules for the retail sector and a number of other industries—a direct attempt to woo foreign direct investment flow into the country’s plummeting economy. While India has lessened many of these investment restrictions, however, myriad state rules and regulations have emerged, creating additional investment barriers.

India has also taken other steps, such as:

- Increasing import taxes on gold and silver, which analysts credit as a key contributor to the state of the current account deficit
- Halting the implementation of its preferential market access policy until further review, which included local content requirements in technology
- Requiring central bank approval for overseas investments that are more than 100 percent of a company’s value, as a measure to keep dollar outflows in check
These reforms are already helping to dissipate tensions between the two countries.

But India has also resisted other demands based on those of its own constituencies. For example, the Indian Pharmaceutical Alliance, or IPA, recently responded to a U.S. company’s allegations that anti-patent decisions taken by the Indian government were benefiting Indian generic companies.14 The IPA asserted that the Indian government was allowed to annul patents to ensure that its citizens had access to affordable medicine by World Trade Organization, or WTO, standards—suggesting that the United States should take up the issue with the WTO and not India.15 Moreover, some Indians see hypocrisy in these requests, given that the United States also has requirements for buying American goods and policies to ensure that Americans have affordable access to medicine.

In meetings with Prime Minister Singh, the Obama administration will continue to push for a bilateral investment treaty, or BIT, which it sees as a central mechanism for strengthening trade relations between the two democracies and as an essential building block to a much more robust trade partnership.16 This treaty, which has languished since 2006, aims to protect and promote investments by setting out a consistent set of rules for companies in both countries. Policymakers from both countries have engaged in conversations discussing the details of the treaty in anticipation of Prime Minister Singh’s visit, and Indian officials have recently indicated that they may be willing to sign the treaty if Indian courts are given jurisdiction over cases that arise.17 The Obama administration will also continue to make its case that the Indian government should address U.S. companies’ concerns related to local content rules, foreign direct investment restrictions, and intellectual property, among other issues.

Defense cooperation

Policymakers in India and the United States have placed a high priority on improving defense cooperation as a central component of a more robust partnership. As part of the U.S. rebalance to the Asia-Pacific, the United States sees India as a key partner in South Asia’s stability and in advancing common security goals related to combating terrorism, piracy, and nuclear proliferation; supporting Afghanistan’s stability; and in providing a counterweight to China. Therefore, the United States has committed to supporting India’s efforts to modernize its military and in fast tracking defense acquisitions for India.
Over the past decade, the U.S.-India defense relationship has dramatically improved alongside India’s significant modernization of its armed forces, especially its navy. In 2005, the U.S. and Indian defense secretaries signed the New Framework Agreement—which expanded defense trade, increased joint exercises and exchanges, expanded collaboration in multinational operations, and increased opportunities for co-production and technology transfer—which has acted as the foundation for U.S.-India defense cooperation. Since then, a series of subgroups and agreements have provided guidance on facilitating stronger dialogue between the two nations, ranging from maritime security to counterterrorism operations.

Cooperation on counterterrorism and intelligence sharing has never been closer. Joint military exercises and training occur with increased frequency; India conducts more joint exercises with the United States than any other country. In addition, the Indian government has bought more than $8 billion in U.S. military goods since 2008, and is expected to purchase $5 billion more in defense products in the near future. U.S. companies such as Lockheed Martin, Boeing, and Raytheon are seeking to expand business in India as the nation plans to upgrade its Cold War-era military equipment, becoming the world’s top arms buyer with a plan to spend $100 billion over the next 10 years.

In order to jumpstart U.S.-India defense trade, the Pentagon has also taken steps to reduce bureaucratic barriers and impediments that had previously restricted defense trade. President Obama’s 2010 Export Control Reform Initiative has reorganized and updated the system to better suit the post-Cold War landscape by reducing bureaucratic red tape and streamlining defense acquisition processes. And the Defense Trade and Technology Initiative, or DTI, in collaboration with Indian counterparts, aims to reduce U.S. bureaucratic processes to make defense trade “more simple, responsive and effective,” as Deputy Secretary of Defense Ashton Carter stated.

By making changes in the regulatory landscape, the Pentagon seeks to open up high-end technology trade flows. It has also eased the licensing burden for the export of defense and dual-use goods and decontrolled a number of items. The administration is now seeking co-production and co-development of military equipment to boost collaboration between American and Indian companies. In a recent trip to India, Deputy Secretary Carter has proposed that the United States and India partner in five co-production projects, including the MH-60 Romeo multi-role helicopter, the Javelin missile, and a naval gun.
While U.S.-India defense relations have dramatically improved since the 1998 arms embargo was lifted under President George W. Bush, challenges to further defense cooperation remain. The denial to grant the contract for India’s advanced fighter aircraft to an American company disappointed U.S. policymakers. At the same time, however, India has bought billions of dollars in cargo planes from Boeing and Lockheed. (The F-16 fighter offered to India was not seen as a competitive buy due to the fact that Pakistan flies the identical aircraft.) Moreover, the Indian government has still struggled to make significant reforms in its defense sector to open up the market to U.S. companies and loosen the restrictions related to foreign direct investment and defense offsets—requirements that contractors source a certain percentage of the contract from Indian defense suppliers.

Prime Minister Singh’s visit offers an opportunity to cement further defense cooperation between the two countries, especially in pursuing co-production and co-development of military hardware. Despite movement by the Pentagon to decrease bureaucratic impediments, Prime Minister Singh will likely voice concerns over the difficulties in buying military hardware from the United States.

The U.S.-India civil nuclear deal

The passage of the U.S.-India Civil Nuclear Cooperation Initiative in 2008 relieved much of the historical tension in the U.S.-India relationship and enabled the two countries to begin building a multifaceted partnership. This agreement allowed for nuclear cooperation between the two democracies, lifting a 34-year U.S. freeze on nuclear trade with India. However, many critics worried about the message it sent to states such as Iran and North Korea.

The deal established provisions that would allow the United States to sell nuclear technology and fuel to India; in exchange, India would allow inspectors from the International Atomic Energy Association, or IAEA, to access India’s civilian nuclear reactors. In addition, Indians agreed to work with U.S. companies as they built nuclear plants.

This deal, however, has faced almost a decade of uncertainty and delayed implementation due to differences between New Delhi and Washington regarding liability concerns, with U.S. companies fearful that they will be vulnerable to debilitating lawsuits. India’s nuclear-liability provision that has deterred American firms from engaging in India stems from an act passed by India’s parliament in 2010. The law originally said that companies are liable to pay potentially limitless monetary compensation in the case of a nuclear accident. As of November 2011, the Indian government announced new rules that cap the liability on foreign firms to under $300 million and also subject claimants seeking compensation from those firms to time constraints.
The bill allows for both operators and suppliers to be liable under different laws, but without clarifying which ones will apply to what situations. This leaves every case to the interpretation of courts, which again is subject to emergent conflicts of interest. Nonetheless, American companies, including Westinghouse, have argued that global norms require the operator of nuclear plants to oversee their safety, not the firms supplying materials. For the Indians, the 1984 Union Carbide Bhopal gas leak, which killed 15,000 people, still triggers fears about foreign firms conducting work that is potentially hazardous to public health without considerable liability measures, thereby creating political opposition to weakening liability provisions.39

During Prime Minister Singh’s visit, Obama administration officials will continue to press on implementing the civil nuclear deal, and specifically a commercial agreement between the Nuclear Power Corporation of India, Ltd., or NPCIL; Westinghouse; and General Electric to begin building nuclear power plants in India.40 If the two countries bypass the longstanding impediments surrounding the nuclear-liability law by establishing a level playing field for U.S. companies in the Indian nuclear sector, it would be one of the main takeaways from Prime Minister Singh’s meeting with President Obama.41

Climate change and clean energy

The consequences of climate change have ravaged India, as hundreds of millions of Indians’ livelihoods depend on climate-sensitive sectors. Monsoon rains have been unpredictable, and when it does rain, it rains harder for shorter periods of time, increasing flooding but doing little to alleviate drought conditions.42 Temperatures have climbed as well, shrinking Himalayan glaciers and creating water shortages in the rivers below. Tensions over water between India and neighboring countries are also on the rise. And as a result of energy shortages and weak crop yields, India’s rural population has continued its migration into the cities, putting additional pressure on power, sanitation, and infrastructure resources in India’s already overtaxed urban areas.43

The United States and India have launched a number of joint initiatives on clean energy, low carbon growth, climate, and a range of related topics. The U.S.-India Partnership to Advance Clean Energy, or PACE, is the signature initiative of the Obama administration, tying together U.S.-India cooperation on clean energy research and deployment.44 For example, under PACE-R—PACE’s research component—both countries funded a $125 million public-private joint research center with a focus on solar energy and advanced biofuels. The center aims to involve more than 95 government, private, and university organizations in this effort over five years. And under PACE-D—PACE’s deployment component—USAID and the Indian Ministries of Power and Renewable Energy awarded $20 million over five years to finance and build strategies to deploy technologies such as these at scale in India.45
The United States and India are also collaborating with energy and environment ministers of the world’s major economies in the Clean Energy Ministerial to promote policies and programs that encourage low-carbon energy production and consumption.46 The Indian government co-sponsored the last Clean Energy Ministerial last spring in New Delhi, prompting the Indian government to sign on to a range of new voluntary initiatives.

But while the U.S.-India relationship on clean energy has progressed, their relationship on climate change—especially cooperation in multilateral forums—has deteriorated since 2009 to its lowest point to date. While the United States and India have a formal climate dialogue as part of the current strategic dialogue, many U.S. policymakers believe that India has not yet played the role that it could for advancing either a significant level of bilateral cooperation between the two countries or improving their relationship in the multilateral process.

In June, during the fourth U.S.-India Strategic Dialogue in New Delhi, Secretary Kerry urged India for increased cooperation on the ill effects of climate change, stating that “the irreversible climate challenge is speeding towards us, crying out for a global solution.”47 One positive development from the dialogue was an agreement to re-launch the climate dialogue, but it is still struggling on basic agenda items. Moreover, India’s Environment Ministry is focused on cooperation with other BASIC countries—Brazil, South Africa, and China—on a common position in opposition to developed countries in the U.N. climate talks.

There is ample room, though, to try to improve the U.S.-India relationship in other areas. As a report co-sponsored by the Council on Foreign Relations and Aspen Institute India48 recommended, the United States could:

• Provide greater support to India’s attempts to combat deforestation through the U.N. Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation

• Fund a joint U.S.-India innovation center to “provide clean energy services to the poor focused on creating a bottom-up framework for accommodating the local needs and conditions of Indian citizens”

• Collaborate with India to pressure international organizations and forums to place a greater focus on financing for climate change, a critical issue for Indian policymakers49
The creation of a joint U.S.-India platform for open innovation in clean energy, which could get around some of the current disputes between the two countries over local content restrictions and intellectual property rights, is another important idea. There are also other strong opportunities for cooperation on resilience and adaptation to climate change, especially with regard to water security. Water has become a regional security issue as well, as the need for access to clean water in India and neighboring countries grows more acute.

The top priority for the administration now is to secure India’s agreement to phase down HFCs using the Montreal Protocol, which has historically been the most successful international treaty on environmental cooperation. President Obama will likely ask Prime Minister Singh to make the same commitment recently secured with China, to begin the formal process of amending the protocol when the parties to the agreement convene in Bangkok in October.50 HFCs are the fastest-growing and most potent greenhouse gas, used primarily in refrigerants and insulation. This one agreement in the Montreal Protocol could do more to reduce greenhouse gases in one stroke than anything else, and would buy the world needed time on forging an agreement to reduce carbon dioxide.

But while Prime Minister Singh agreed to language at the last G-20 summit that generally endorsed exploring use of the protocol, a series of recent articles in The Hindu show the government strongly walking back that position and deriding it as a grab for U.S. companies in the Indian market.51 A failure here will endanger other avenues for cooperation between the two countries and set a potentially disastrous tone for the larger U.N. climate negotiations, which reconvene in November in Warsaw. It is important to note that both India and China have agreed to working groups on HFCs, but have not agreed on the timing. The United States is pushing for October, but neither India nor China have committed to that date.52

Immigration reform

Indian immigrants are the third-largest immigrant group in the United States, behind immigrants from Mexico and China. According to a recent study by the Department of Homeland Security, India gets almost two-thirds of the H-1B visas to the United States—temporary nonimmigrant visas for high-skilled workers—receiving more of these visas than any other country in the world.53

In 2012, 72 percent of H-1B visas were for workers between the ages of 25 and 34, and 61 percent of approved H-1B visas were for workers in computer-related occupations.54 What’s more, 13 percent of incoming higher-education foreign students in 2012 were Indian, and 72 percent of these Indian students are pursuing graduate studies in science, technology, engineering, and mathematics, or STEM, degree programs.55
The number of students and professionals applying for these H-1B visas is consistently growing, and visa quotas are being filled at an increasing rate. U.S. Citizenship and Immigration Services begins accepting applications on April 1—for FY 2013, the 65,000 H-1B quota was filled within 10 weeks; for FY 2014, the quota was filled within five days.56

President Obama has stressed the need for immigration reform, stating that the United States’ current immigration system does not properly manage the current inflow and outflow of highly skilled workers. Addressing the nation earlier this year, the president honed in on the H-1B visa issue, outlining that the United States invites the brightest minds to study at top universities but then subjects them to the immigration gridlock and pushes out these high-skilled workers.57

While the recently passed Senate immigration reform bill, S. 744, increases the annual H-1B cap, the bill also proposes additional visa fees for firms, ranging from $5,000 to $10,000.58 The bipartisan Senate group pushing for the bill is hopeful that these fees will incentivize businesses to hire more qualified Americans, but these fees have also given rise to corporate backlash in India.59 Some of India’s biggest outsourcing firms, information technology and software firms, fear their cost of operations would increase significantly with the proposed bill.60

In a July visit to Washington, Indian Commerce Minister Anand Sharma raised concerns over the immigration reform bill and the adverse effect it would have on the Indian IT industry—up to an $8 billion loss, according to one JPMorgan Chase estimate.61 In early September, five former U.S. ambassadors to India sent a letter to House and Senate leadership asking them to support a cleaner immigration reform bill that does not have discriminatory provisions that would harm U.S.-India businesses.62

In addition, Indian companies are concerned about a provision in the bill that “prevents U.S. technology firms from placing personnel at client’s sites if more than 15 percent of their employees are on H-1B visas. This allegedly destroys the business models of many global IT service providers.”63

The immigration legislation passed by the Senate has not been taken up on the House side yet, with House GOP leaders stating that the House will discuss individual components of the broad Senate bill rather than push through the proposed bill.64 The House bill does not place restrictions on employers, leading many IT businesses and Indian policymakers to put their support behind the House legislation.65 The real conflict lies in the question of which bill—the House or the Senate version—lands on President Obama’s table.

In his meeting with President Obama, Prime Minister Singh will likely raise Indian companies’ concerns regarding immigration reform proposals being debated in Congress. The Obama administration strongly believes that the Senate immigration reform bill should be passed and that, while there may be problematic sections related to India, the overall bill is too important to let fail.
Security issues and the strategic partnership

Given India’s growing economic clout, democratic values, shared security objectives, and modernizing military, the United States has seen India as a potential partner in confronting threats around the world and advancing stability, especially in the Asia-Pacific. Both India and the United States share concerns over terrorism, nuclear proliferation, China’s rising influence, and stability in Afghanistan, among other issues. However, differing perspectives, in addition to domestic constraints, have sometimes undermined close collaboration. Similar to other emerging powers, Indians want the prerogatives of being a great power without many of the responsibilities.

The following five issues may emerge during President Obama and Prime Minister Singh’s discussion related to the strategic partnership.

Afghanistan and Pakistan

The United States and India both support a stable, unified Afghanistan, which prevents terrorist groups from using Afghanistan’s territory and serves as a central trade hub connecting South and Central Asia. Indian policymakers have voiced fears about the Obama administration’s transition plan out of Afghanistan, fearing that the U.S. military withdrawal may lead to the collapse of the Afghan state, a Taliban resurgence, and strengthened terrorist groups. The upcoming Afghanistan presidential elections in April 2014, in which Afghan President Hamid Karzai will transfer the presidency to a democratically elected successor; potential talks with the insurgency; and the military drawdown are all likely topics during President Obama and Prime Minister Singh’s meeting.

Prime Minister Singh will also likely raise India’s increasing concerns over the status of a bilateral security agreement between the United States and Afghanistan, which would outline the post-2014 U.S. security presence and financial commitment to the Afghan government. That negotiation has been stalled for many months, with U.S. officials stating that if an agreement is not reached by October, they will suspend further negotiations until after April’s presidential elections. The Indians, in addition to many Afghans and leaders in other countries, believe that the uncertainty over the U.S. presence is creating fear in Afghanistan and the region, leading to dangerous hedging behavior by Afghan actors and regional players.

In addition, Prime Minister Singh is likely to discuss India’s concerns over the role that Pakistan may play in the lead-up to the Afghan elections and in post-2014 Afghanistan, as well as in any negotiations between the Afghan government and insurgents. Furthermore, Prime Minister Singh and President Obama may discuss the barrage of horrific terrorist attacks in Pakistan and the increase in violence across the Line of Control, the Indian-Pakistani disputed border dividing the Kashmir region. President Obama will hopefully voice his support for greater trade between the two countries and increased dialogue over terrorism concerns and the future of Afghanistan.
Iran

President Obama and Prime Minister Singh may discuss various signals from Iran’s leadership, indicating that recently elected Iranian President Hassan Rouhani may be willing to reduce tensions with the West and negotiate over Iran’s nuclear program.\(^6^6\)

Indian and U.S. policymakers have viewed Iran and its role in the world differently. Indian policymakers have aimed to maintain an amicable relationship with Iran based on Indian interests in Iranian natural gas to satisfy its growing domestic energy demands, and access to Afghanistan and Central Asia through Iran’s port of Chabahar. India supports Iran’s right to develop nuclear energy for peaceful purposes, but has supported IAEA and U.N. Security Council sanctions—but not U.S. sanctions—against Iran.\(^6^7\) As a result of significant pressure from the United States, India also agreed to reduce Iranian oil imports, which led to the United States exempting India from U.S. sanctions legislation. India has also argued for a more significant role for Iran in supporting Afghanistan’s long-term stability.

China

While India and the United States recognize that the ascension of China has had benefits for U.S. and Indian interests, both remain concerned over China’s claims to disputed islands and waterways in regards to other Asian nations, its strengthening military capabilities, and its potential to provoke conflict in Asia. For India, China’s increasing economic and military influence in Asia represents a direct challenge to India becoming a larger player on the regional and global stage. For the United States, China’s meteoric economic growth has raised concerns surrounding the right of access to international areas of the region such as waterways and trade routes.\(^6^8\)

The United States has hoped that India, along with other key allies in the Asia-Pacific, would assist in stabilizing the existing power balance. Meanwhile, China’s economic rise has raised new questions about the regional architecture and U.S. strategy; countries trade with China but still see the United States as a security provider. As a result, the United States has attempted to strengthen Indian capabilities through military weapons sales, joint training exercises, and proposals for co-production of military hardware.\(^6^9\) While Indian defense planners appear to be reforming and building their military with an eye toward China as a larger potential threat than even their archrival Pakistan, they are reluctant to directly challenge China’s growing presence in the Asia-Pacific given their extensive trading relationship and close proximity. China is a critical trading partner for India; annual trade between the two countries reached $67.8 billion in 2012 to 2013, and is expected to increase to $100 billion by 2015.\(^7^0\) Still, India has started to make inroads in the region. For instance, India recently offered a $100 million credit line for defense purchases to Vietnam, a sign that India is ready to engage China’s neighbors on defense issues.\(^7^1\)
Syria

India has opposed military action in Syria due to a longstanding policy of nonintervention, arguing that the only acceptable resolution to the conflict must be a diplomatic one. Unlike the United States, India had been generally supportive of the government of Syrian President Bashar al-Assad. When demonstrations began, India supported the proposed reforms offered by the Assad regime to assuage the protesters and, as a result, did not participate in voting for early U.N. resolutions calling for Assad to step down. However, India has also emphasized the importance of an inclusive democratic government. While some disagreements remain between the United States and India on how to manage international peace and security, India has long been a major contributor to U.N. peacekeeping missions, and is engaged in a joint peacekeeping working group with the United States. The United States should bolster cooperation and dialogue along these lines.

Multilateral forums

Over the past decade, India has expanded its role in multilateral institutions, assisting in the launch of the G-20 Group of Developing Countries with Brazil and South Africa and participating in the World Trade Organization. A key issue in India is the endemic malnutrition and food-security problem. Last month, India passed a landmark Food Security Bill set to provide subsidized food grain to 800 million people, which is approximately two-thirds of the country’s population. India is home to the highest number of malnourished children in the world, and the Congress Party is pushing steps to fulfill one of their campaign promises—to alleviate the widespread hunger. This overarching bill touches on various key components of the widespread poverty—it ensures maternity benefits, provides mid-day meals to school-going children, and consolidates various food-related programs and entitlements propagated over the last decade.

This poses a problem at the international level, however, as trade relations may be strained with these new subsidy requirements. Launched in 2004, a key proposal to come out of the WTO Doha round of negotiations is the trade facilitation agreement, or TFA, which had stalled due to India’s concerns regarding food-security issues. The TFA would simplify and streamline international trade norms regarding customs and transaction costs on overall goods. Rajeev Kher, India’s chief negotiator at WTO, mentioned that while the TFA is desirable, the current proposal does not provide the ultimate benefits that developing nations such as India are seeking.

India has maintained that a comprehensive multilateral agreement cannot be reached unless a provision relaxing food-subsidy limits is included. Many countries are hoping that deal can be reached at the WTO Bali Ministerial Conference in early December. While the TFA aims to reduce bureaucratic red tape, the impasse on food security threatens its passage—many are upset with India for holding the Bali conversation “hostage.”
The United States has raised concerns that food-security programs will distort commodity markets and cloud transparency on export and import prices. India has argued that developing nations need a greater flexibility to settle prices to pay their farmers while maintaining a balance in their agricultural reserves. India and the United States are at the forefront of this conversation, but both nations have settled on negotiating a “peace clause,” which would ultimately allow negotiations to continue without opponents to India’s food-subsidy concerns challenging the WTO agreement.

Conclusion

Given the increasing convergence of interests and shared values between the United States and India, Prime Minister Singh and President Obama should focus on reaching an agreement on a few key areas to undergird the U.S.-India relationship. This includes advancing the bilateral investment treaty for the trade partnership; determining projects for co-development and co-production in the defense arena; advancing concerns around India’s liability laws to facilitate the civil nuclear deal’s implementation; and securing India’s agreement to phase down HFCs using the Montreal Protocol.

Reaching an agreement on these issues will not be easy, given India’s upcoming elections in 2014 and U.S. congressional deadlock. But U.S. and Indian agencies, businesses, and bureaucracies can continue to deepen their relationships. Moreover, Prime Minister Singh and President Obama may be able to use their own executive authorities, where appropriate, to push some steps forward. The last decade has shown that the U.S.-India strategic partnership is a priority for U.S. and Indian policymakers. Both India and the United States stand to benefit substantially from a strengthened economic, defensive, and strategic partnership. Moving forward on these issues will also quell critics’ comments that the U.S.-India relationship has been oversold—Prime Minister Singh and President Obama’s meeting will be crucial in solidifying these plans.

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Endnotes


63. Wisner and Venkatesan, “Collision Course.”


69. Shalal-Esa, “U.S. Aims To Expand India Arms Trade By Billions Of Dollars.”


