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USS Theodore Roosevelt and Japanese Maritime Self-Defense Force Akizuki-class destroyer JS Fuyuzuki sail alongside the Indian Deepak-class fleet tanker INS Shakti in the Indian Ocean during a replenishment-at-sea exercise (Mass Communication Specialist Seaman Chad M. Trudeau / Public Domain)

Decoding U.S.-India Relations

A Conversation with Ambassador Tim Roemer

Interviewed by Divya Prabhakar

Fletcher Security Review: What were the dynamics of the U.S.-India relationship in 2009 when you were appointed as the U.S. Ambassador to India under the newly elected Obama administration? Did the administration inherit a healthy relationship from the previous administration or were things lukewarm?

Ambassador Roemer: In 2009, the Obama administration inherited a strong and robust U.S.-India relationship from the Bush administration. In fact, the strategic depth of the relationship increased even under the Clinton administration. The economic engagement too was slowly improving and there was a rich potential for exploring further possibilities for engagement. However, we still needed something more tangible to build on, primarily on security. We had recently passed a nuclear initiative which unleashed immense potential for taking commercial and defence relations to the next level, but large parts of this initiative were never implemented. Taking charge in 2009, I had spoken to president Obama about the shift or rebalance to Asia, the primary element of his foreign policy doctrine as well as the fact that India was going to be a linchpin in this pivot.

We were looking for opportunities on defence, energy, intelligence, and counterterrorism to broaden and deepen the strategic aspects of this relationship. We found it. In fact, the recent Mumbai attacks, despite being a black swan and a tragedy for India, did not prevent it from opening up to the United States. India was forthcoming and willing to learn how it could prevent such an attack from happening again. Through improving its intelligence gathering, counterterrorism forces, and law enforcement, locally, in cities like Mumbai. We built upon this need while also responding to India's desire to increase contacts through two very important initiatives. One was a new counterterrorism agreement and the second related to defence and technology exchanges. Those two areas served to build bridges, creating tangible and concrete avenues for India and the United States to work together.

FSR: Given the wide range of issues at hand, in particular defence and security, what was the potential for building stronger economic and trade ties and where did this figure on your agenda as the ambassador?



44th United States President Barack Obama shakes hands with U.S. Ambassador to India Timothy J. Roemer at the U.S.-India Strategic Dialogue reception (White House Photo / Public Domain)



AR: The President, as well as the Secretary of State Hillary Clinton, wanted to try to make the economic and trade relationship a key priority, but also recognized how difficult these issues could get. Going back to 2009, when I was there, trade had become a touchpoint for domestic audiences as well as politicians in both the United States and in India. So President Obama and I were keen on putting together a new framework on trade that would allow both countries to win. We were seeking ways to establish trade relations that would result in job creation in the United States while meeting India's desire for defence and cleaner energy equipment.

Economic issues can be the most difficult, thorny and politically divisive. As such, in this critical security relationship between the United States and India, poised to be one of the most important relationships of the 21st century, we recognized that any differences must not derail the entire relationship. This was going to be a relationship based on democracy, human rights, rule of law, shared values, defence, the Indian Ocean domain, and on better intelligence to prevent terrorism in both our countries. We realized the importance of formally and resolutely negotiating economic disagreements without letting these disturb the importance of the overall relationship.

While one must not dismiss or diminish the significance of economic relationships, the business community

in the United States has been extremely frustrated by India's lack of intellectual property protection, their requirement for domestic content in the solar industry, and their conditions on foreign investment in infrastructure that almost exclude U.S. contractors from even being eligible to bid for contracts. Both sides need to work assiduously on changing these laws and overcoming barriers.

FSR: Talking about intellectual property protection, negotiations for a U.S.-India Bilateral Investment Treaty (BIT) began in 2009. While the Civil Nuclear Agreement was approved in 2008, within three years of being announced, thus lifting the three-decade U.S. moratorium on nuclear trade with India, the BIT turned out to be a not-so-easy ride. 9 years since, there is still no consensus on this. The model BITs of the two sides are very different, with India having adopted a very protectionist stance in its model. Could you throw some light on where things, back then, started to go off-balance? Would you say that absence of a BIT could be a deterrent to further strengthening economic ties?

AR: Rather than concentrating on the problems with the BIT, and some of the more difficult and thorny economic issues between the United States and India, let us instead look at the bigger picture and concentrate on the trade potential going forward. The Trump administration is in the process of renegotiating the North Atlantic Free Trade Agreement (NAFTA). It has already

torn up the Trans-Pacific Partnership and it looks like they are not seriously engaged in a BIT with India. With trade becoming more difficult today and the rising populism in both the United States and India, the focus should be on finding ways to propose new paradigms for trade that result in win-win propositions. One way might be to go past the big multi-lateral trade agreements like Doha and not bother with smaller things like a BIT for now, but to start putting together a Free Trade Agreement that would serve to be a model for future trade with other countries. President Trump likes bilateral negotiations as opposed to multi-lateral negotiations. He is worried about a deficit with India. Why would he not see where he could get with a Free Trade Agreement and make this a win-win proposition that creates more jobs in the United States., improves U.S. access to Indian markets, and creates more investment opportunities that Mr. Modi wants in India?

FSR: But it looks like President Trump is very cautious in engaging with India so far as trade is concerned. Recently, in a meeting at the White House, he criticized India for imposing high tariffs on U.S.-manufactured motor bikes. On the other hand, Mr. Modi recently increased import duties to its highest in three decades. More generally speaking, President Trump is determined in his effort to change the game of trade by imposing newer tariffs. What we witness today looks like a tit-for-tat dynamic. Do you not think this could hamper the trade relations going forward? What other factors do you anticipate could challenge the U.S.-India relationship going forward?

AR: One of the biggest challenges for the United States and India moving forward in defining and executing a strategic relationship, is squaring “Make America Great Again” with Mr. Modi’s “Make in India.” The key is to get through these difficult, arduous economic issues and to negotiate them fairly and squarely while keeping an eye on the mutually intersecting global interests. We have mutual interests in our national security in the South Asian region, a growing and an aggressive China, and a peaceful and a stable Afghanistan. From an Indian perspective; the Maldives is in crisis, Myanmar is faced with the Rohingya problem, Bangladesh is going through a tumultuous time, Nepal has elected a communist leader, and Afghanistan and Pakistan are both in difficult straits. Issues like national security, the Indian Ocean domain, intelligence sharing, and defence technology will continue to define the relationship while we

work through some of those economic problems. India’s success in the long term is America’s success - in global security, trade and in fighting terrorism around the globe.

FSR: Speaking of China, President Trump has been upset with China over trade and is considering bringing a case against China over unfair technology transfer regulations. Poor intellectual property protection is a key challenge for U.S. investors in China as well. President Trump’s National Security Strategy released in December referred to China as a “rival power.” In reference to India, however, the tone was fairly positive. On the other hand, India and China relations have not been rosy either and India too has been vocal about the challenges it faces from a rising China. How could this anti-China stance on both sides play out so far as U.S.-India relations are concerned?

AR: I believe that the United States and India often see China with a similar lens. For the United States, China is a trade partner and can be an international friend as well as a facilitator of economic growth. However, given its aggressive foreign policy, China can be a tough competitor creating instability in places like the South China Sea. It can stir things up on the human rights, cyber security, and North Korea agenda, when it is in its interest. China can also throw a wrench in human rights in the world, especially with the cavalier attitude towards the Dalai Lama. I am not trying to say that India believes all those same things that I have articulated from the U.S. perspective, but I know that after the border incursion from China in the Bhutan region last summer and China’s efforts to build a network of ports in Pakistan, Myanmar, and Sri Lanka, and India’s initiative in the Seychelles, there is a growing concern on India’s part regarding Chinese encirclement and aggressive behaviour.

The Indian Ocean domain continues to be a key security area for India, the United States, China and the ASEAN nations. The Malacca Strait, where 65% of global trade is transported on a daily basis is integral for free transportation and navigation, and must be sustained. This is a common interest for the United States and India. I think we both see China as a country that neither wants to contain. Both countries want to balance China’s aggressive growth and make sure China’s pushing other countries around in the neighbourhood does not destabilize Asia.



45th United States President Donald J. Trump and Prime Minister of India Narendra Modi meet during the G20 Summit (Shealah Craighead / Public Domain)

FSR: The leadership styles of President Obama and President Trump are very different. The same holds for Prime Minister Modi and former Prime Minister Manmohan Singh. How do you think this has transformed the way both countries see each other?

AR: I believe that the U.S.-India strategic relationship is on a trajectory irrespective of who is in office in India or in the United States. It has rich and deep bi-partisan support on both sides. It also has phenomenal support from people in both countries. The public level support in India towards the United States is astronomical, and the public level support from the United States towards India is also truly profound. Such trends will continue to propel this relationship forward in a very positive way, notwithstanding the bumps or detours along the road. I do think however, that the Trump administration is off to a slow and an inconsistent start on foreign policy. It took them almost a year to appoint an ambassador to India. It took them almost a year to elect key people in the Defence and the State department to advocate for critically vital policies in Asia. We know that when there is a vacuum due to the delays of this administration, China will fill that vacuum. They will readily step in with their one belt one road initiative, their infrastructure bank, their South China Sea policy and their aggressive cyber security program.

On a bilateral basis, although, the Trump administra-

tion is very pro-India, it is still working on clearly defining how such an attitude should translate into precise policies. I think this administration tends to look at foreign policy in very binary ways and this could create some very difficult security and foreign policy problems for the United States.

FSR: Moving on to your current role at APCO Worldwide, where you work on market access issues, and specifically about India— where do you think, simply from an investor standpoint, India stands in terms of economic openness, especially after having taken many crucial steps in this direction in the past few years?

AR: As far as openness is concerned, India is still getting there. Since Manmohan Singh was the Finance Minister in the 1990s, they have come a long way. However, when Mr. Modi recently addressed the World Economic Forum at Davos, he indicated that India would be a free trader and bring down tariffs and barriers. Yet with his budget, in less than a few weeks of addressing the Forum, he announced new barriers/tariffs and new investment hurdles to overcome, as a short term approach for 2019 elections.

FSR: What is your usual advice to your clients planning to invest in India who may be worried about the regulatory bottlenecks?

AR: I think India is bullish if you are patient and will-

ing to look long term. The idea is to navigate through difficulties that are inevitable, but know that this is going to be the most populous country in the world by 2026 and maybe the fastest growing economy in the next 2-3 years. This country has great potential moving forward. It is a market you must be in but you must know well, a market you cannot afford to make mistakes in. Therefore, knowing the terrain and the government, recognizing opportunities in some states and hurdles in others, and gaining an intimate knowledge of the business operations must be coupled with patience and willingness to stay. Further, the Indian government must understand that they must take adequate steps to open up their system. With such caveats and an emphasis on the need for high endurance and commitment in the longer term, India is a bullish market.

FSR: What is your outlook on the most promising sectors in India? While energy has been a focus area, do you think U.S. withdrawal from the Paris Agreement will negatively influence U.S. investments in India's booming renewable energy sector?

AR: I think it is important to focus and not just say that everything is bullish. For instance, I think there are good and ripe, short-term opportunities in the defence and homeland security sectors. There certainly are some technology transfer issues to get through but both countries seem to be committed to resolving those. Secondly, working on clean energy initiatives, be it LNG [Liquefied Natural Gas], solar or hydro, could yield win-win results despite President Trump pulling us out of the Paris Climate Accord. U.S. businesses realize that this is the future and are going to be vested in this. Mr. Modi also knows that this is India's future — given the air pollution problems in India. Thirdly, with the Smart Cities initiative, there are more precise and specific opportunities for both countries to work in infrastructure, especially if the Indians are willing to make the required changes that will enable U.S. businesses to compete for contracts fairly.

FSR: Having said that, despite being one of the top reformers in the most recent Ease of Doing Business rankings, India continues to rank very low. How much does this bother potential investors?

AR: A lot! Mr. Modi campaigned in 2014 as being an advocate for business, somebody who would create millions of jobs for the youth and facilitate faster economic growth. Here we are in 2018, and he is being challenged on all three of those. This is the area where working with the United States and bilaterally negotiating more open trade agreements with U.S. businesses could help address some core issues while also being able to solve some of the domestic problems.

One interesting thing I would highlight is that back in 2009, the first thing we did whenever a trade/business delegation led by a U.S. Governor arrived in India, was to push them out into the states of India, rather than just sit in Delhi with the Prime Minister, Finance Minister and Commerce Minister. For instance, businesses in the energy and solar sector were encouraged to go to Rajasthan and those engaged in technology were advised to go down south, to Bangalore. State-to-state and local community-to-community negotiations were urged. The fact is that some of these states are much more progressive and much more capable of negotiating a deal. They have high budgets for infrastructure and many investment opportunities that can be facilitated at the state level, not the national level. An interesting thing Mr. Modi has done post 2014 in building upon this is changing the Ease of Doing Business from a national metric to a state metric, getting states competing with each other for business. Slowly, but surely, we have seen that some of the states are actually making better progress on the Ease of Doing Business by easing regulatory and bureaucratic burdens, cutting back on corruption issues, building infrastructure and facilitating greater investment in manufacturing facilities.

Ambassador Tim Roemer

Ambassador Tim Roemer has broad experience spanning international trade, national security, and education policy. Roemer served as U.S. Ambassador to India from 2009-11. He served in the U.S. House of Representatives from 1991 – 2003 as a Democrat from Indiana's 3rd congressional district. He is currently strategic counselor at APCO Worldwide, a global public affairs and strategic communications consultancy.