



**BUTTRESSING US-INDIA
ECONOMIC RELATIONS**
*INDIA'S EMERGING ROLE IN
THE INDO-PACIFIC REGION*

WASHINGTON DC, APRIL 19, 2018

EVENT REPORT

**LAUNCH OF
CUTS WASHINGTON DC CENTER**

SESSION I: CREATING A BALANCED DISCOURSE IN THE INDO-PACIFIC

The event commenced with the first session focusing on identifying challenges and opportunities for buttressing US-India relations in the context of India's emerging role in the Indo-Pacific region. Panelists broadly discussed why and how should the Quad of Australia, India, Japan and the US enhance their cooperation beyond maritime security engagement in the Indo-Pacific region.

Discussing these challenging subjects were a panel of distinguished dignitaries and practitioners of US-India relations: **Pradeep S Mehta**, Secretary General, CUTS International; **Arvind Subramanian**, Chief Economic Advisor to the Government of India; **Ambassador Alice Wells**, Principal Deputy Assistant Secretary for South and Central Asia, US State Department, Washington DC; **Ambassador Katrina Cooper**, Deputy Chief of Mission, Embassy of Australia, Washington DC; **Ambassador Santosh Jha**, Deputy Chief of Mission, Embassy of India, Washington DC. **Ambassador Kazutoshi Aikawa**, Deputy Chief of Mission, Embassy of Japan was an observer.

Additionally, the first session hosted another group of speakers discussing the same topic: **Subir Gokarn**, Executive Director, International Monetary Fund; **Mukesh Aghi**, President & CEO, US India Strategic Partnership Forum; and **Nisha Biswal**, President, US India Business Council.

During the session, it was mentioned that more than a decade after the global financial crisis, the global community continues to witness significant geo-economic shifts with concomitant challenges and opportunities in the geo-strategic and geo-political spheres. Expectedly, the center of gravity of this shift is moving towards the Indo-Pacific region – a vast swathe from the west coast of the US to the Bay of Bengal. Many pundits have argued that in the 21st century access to global public goods – Trade, Environment and Security – will be shaped by three Cs – Conflict, Competition and Cooperation – in this region.

This is reflected in a number of far-reaching initiatives in the Indo-Pacific region. While this term may be a geo-strategic concept, it embodies geo-economics as well as geo-political paradigms. The re-emergence of the Quad comprising Australia, India, Japan and the US assumes importance in the context of maritime security in the greater Indian ocean. Asia-Africa Growth Corridor – a joint initiative of India and Japan – is another example. Given this background and context, a moot question arises: can India play a pivotal role in shaping the future of the Indo-Pacific region – by preventing conflicts, balancing competition, fostering cooperation? While there is no single and easy answer to this question, one of the conditions for this to play out is to bolster US-India economic

relations in the near term in trade, energy, industry-military complex, disruptive technologies, etc.

However, there is still a substantial space to bridge the two-way gap in thoughts and actions between India and Washington DC to take the bilateral engagement to a higher level. CUTS International is rightly placed to address this situation and thus, is the objective to launch the CUTS International Washington, DC Center.

All the speakers acknowledged that this is a historic event, i.e. launch of the CUTS WDC as a tribute to CUTS, its leadership, and the advancement of India itself in having an Indian organization open a Center in the US. The relationship between India and the US is extremely important, e.g. shared values, democracy, vibrant Indian diaspora in the US, cultural and educational exchange, strategic and defense relations, the potential is still to be realized particularly in the economic and trade realm.

From a country that has benefited much from an open trading system, it is critical for India and the US to sustain their trading relations, despite the recent backlash against globalization in many parts of the world. The Indo-Pacific is and will continue to be the center of gravity of economics and trade in the world. As such, in the mid-term it is up to countries, such as India to sustain an open trading system. Therefore, India has to be well positioned to contribute to this region.

One is hopeful that the US will reconsider joining the Trans-Pacific Partnership deal it left early in 2017. Indeed, India will also have to prepare itself eventually to join such a comprehensive and large encompassing pact. It was suggested that while US-India energy relations have been positive in renewables they could now look at cooperation in clean coal technology. Indian Prime Minister Narendra Modi has made coal a major strategic source of India's energy needs which continue to grow and thus, it is obvious that coal has to become cleaner, for this to be a viable and climate-friendly option.

During the discussion, it was opined that opening of the CUTS WDC Center reflects the growing positive relations between the two countries. Hopefully it will not be the last Indian think tank to set up in the US, but certainly CUTS will have the distinction of being the first. The US has committed itself to deepening its relationship with India and partners in the Indo-Pacific region. The US presence in the region underpins freedom of movement on maritime routes, respect for rule of law, fair trade and sovereignty. The US will work with India in their shared values and interest as well as Australia and Japan and other partnership groups, such as Association of Southeast Asian Nations (ASEAN).

Importantly, it was noted that strengths of the Indo-Pacific region are the connection of its people, economies, and cultures and the opening of CUTS WDC is a continuation of it.

Stakeholders from the India-US business sector were also present, commenting on India's role in the Indo-Pacific, including bringing the power of private capital to strengthen infrastructure, connectivity and security. Challenges remain, however, to capital investment such as how to de-risk major infrastructure finance in the region. Furthermore, stakeholders are witnessing major US companies gaining market shares in India. However, issues remain from recent tariff threats and India's defense platform that is still deeply connected to Russia. The speakers noted that there is a need to work on easing such tensions while each country looks into their own and collective defense needs.

As a vital partner in the Indo-Pacific, Australia's presence at the event was essential. During the discussion, Australia's White Paper on Indo-Pacific¹ was referred to as an important document indicating Australia's keen commitment in the region. The White Paper looks at Australia's foreign relations as risk and opportunity as well as growing conflicts. It was emphasized that India is an important player in the region and one of the top strategic partners. The Australian government recently commissioned economic strategic review of their relationship with India that recognizes the need to align Australia's strengths with India's in areas, such as education, agriculture, energy and trade. The review is yet to be released formally. Additionally, in regional architecture, groups like ASEAN are central of Indo-Pacific region and Australia continues to be a strong supporter of ASEAN. Thus, it is important that Indo-Pacific is not in conflict with other architectures like ASEAN, rather they are in cooperation.

It was emphasised that India has been in the Indo-Pacific region and a maritime power for some time. This is illustrated in India's Neighborhood First Policy. Similarly, India's engagement has spread beyond Asia and given a significant amount of credit to countries in the African continent. As many speakers pointed out, the defense cooperation between the US and India is strong and growing with various exercises occurring between their armed forces. Also, there is a developing partnership in disaster relief as well. The quality of their relationship is also reflected in their close shared work in Afghanistan.

Shifting to trade relations, it was mentioned that as India continues to grow, being the fastest growing large economy in world, it will need to trade and buy from other countries. This is an excellent opportunity to deepen India's connection with US manufacturing, such as oil and gas and defense contracting. Finally, and most importantly, trade and economic cooperation has to be the bedrock of Indo-US relations for it to be sustainable.

¹ <https://www.fpwhitepaper.gov.au/foreign-policy-white-paper>

It was emphasised that CUTS should continue to look through the lens of consumer welfare in its work on Indo-US relations as it sets out on this new and exciting adventure in Washington, DC. Further, having India and China being located so close to each other where they may house 30 percent of the global economy in the coming decades might lead to conflict if all nations in the region are not able to cooperate. Conversely, Asia is also the fastest aging region in the world and thus, the growth opportunity may not last long, particularly considering the use of labor resources and increase in automation.

In conclusion, considering recent economic and trade relations shifts and the acknowledged need for deeper Indo-US relations, the timing of establishing an Indian policy research Center in Washington DC was emphatically welcomed by speakers and participants. Indeed, many opportunities were presented and participants were hopeful that CUTS will pursue such opportunities through its Washington, DC Center.

SESSION II: ADDRESSING THE BILATERAL STRATEGIC AGENDA

This session attempted to propose actions to buttress US-India economic relations in areas, such as trade connectivity, energy cooperation, industry-military complex, disruptive technologies, etc., with an expected outcome to understand the economic and political economy context for creating a politically acceptable narrative for a potential US-India Free Trade Agreement (FTA).

Bruce Stokes, Director of Global Economic Attitudes, Pew Research Center, was the Session Chair, while the panelists were **Subhash Chandra Garg**, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India; **Richard Rossow**, Senior Adviser and Wadhvani Chair in US-India Policy Studies, Center for Strategic & International Studies; **Rufus Yerxa**, President, National Foreign Trade Council; and **Sanjay Puri**, Chairman, United States India Political Action Committee.

Currently, the US-India relations are on an all-time high, with both nations deepening ties in various political and economic activities. In terms of perception, most Indian citizens are optimistic about the current relationship between both the countries. India is facing job creation crisis and in order to come over this dilemma, it has to open up to new ways of doing business and develop global business opportunities for both domestic and international enterprises.

To buttress US-India economic relations, it is important for India to let go off certain restrictive policies such as localisation and protectionism and develop an open market model to enhance opportunities for US companies. In the current and tense US-China trade war situation, India is a credible ally for US in fostering bilateral ties in areas of

defense, security, trade, energy, etc. The fact remains that there is lot of energy and dynamism on both the sides.

The Indian oil & gas and energy sector have made significant progress in recent years and attracted investments from US businesses. However, with the present Indian government's strong agenda of job creation, issues regarding the H-1B visas are a huge area of concern. It is critical for both nations to jointly work together to find an amicable solution.

The Indian American community in the US is one of the richest and educated, which is now also becoming politically involved and thus, must be galvanised to build stronger relations with India. The US-India nuclear deal in 2005 was a prime example of the community's involvement in this landmark agreement.

CLOSING SESSION

Digital economy and technology are most promising sectors that have enormous opportunities for both nations to thrive on and build economic relations. There are a lot of non-trade mechanisms for India to boost trade with the US. Both nations must have a progressive attitude rather than a regressive attitude in order to build a geopolitical rationale. There are numerous positive steps and likely opportunities set before the two democratic nations.

Ambassador **Pradeep Kapur**, Senior Advisor, CUTS WDC, delivered the vote of thanks by outlining the Center's vision of impacting US-India economic and strategic relations in the broader Indo-Pacific context as well to raise the level of bilateral trade from the present US\$115bn to US\$500bn within this decade. In association with like-minded bodies, the Center will work in the areas of Trade, Energy and Strategic Issues. As the next engagement, CUTS WDC would organise an Infrastructure Summit in the US during the fall of 2018.