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US-India Strategic Partnership: Diplomatic Standoff Strains Ties

By Harshita Kohli

Synopsis

The diplomatic standoff between the US and India over the arrest and strip-search of an Indian diplomat in New York threatens to hamper their bilateral ties.

Commentary

THE ARREST and subsequent strip-search of an Indian diplomat in New York has turned into a full-fledged diplomatic standoff between the United States and India. This incident appears to be the latest bump on the road of the strategic relations between the two nations that is already plagued with political and economic pressures.

The ongoing diplomatic row between the two nations is over the arrest of Devyani Khobragade, India's deputy consul-general in New York. Khobragade was not only handcuffed in public but subsequently, after being handed over to US Marshals, was strip-searched. She was released two hours later after posting a US \$250,000 bail. According to American officials, Devyani Khobragade was arrested on the grounds of visa fraud and submitting false information in an application for her housekeeper to live and work in the US. Khobragade, who has since been posted to the Indian permanent mission to the UN, has refuted all charges and challenges the arrest on grounds of diplomatic immunity.

India's retaliatory stance

In response, the Indian government has taken an extremely tough stand against its strategic ally over the incident. New Delhi has asked for complete details from all US diplomats regarding salaries paid to their domestic help and bank account details of all consulate employees and their family members to ensure they meet Indian laws. The Delhi Police was instructed to remove concrete barricades that have existed as security measure for years outside the US embassy. The government has also asked the entire American diplomatic fraternity for their airport passes and put a stop on all import clearances for the US embassy.

The escalating row has turned the spotlight on the stability of Indo-US ties. While bilateral ties between the two nations will not come to an end with this incident, it is certain to have an effect on the already languishing relationship. While the bilateral military relationship has strengthened considerably in recent years, the anticipated cooperation in the nuclear, economic and geopolitical domains has failed to materialise.

Languishing nuclear cooperation

Growing US-India defence trade remains the highpoint of this relationship with total trade having reached US\$10 billion. The defence relationship between the two countries, which gained momentum with the signing of the 2005 New Framework Agreement, appears set to go beyond the mere sale of helicopters and F-16s to encompass bilateral technology transfer and collaboration. The Joint Declaration on Defence Cooperation made on 27 September 2013 at the end of Prime Minister Manmohan Singh's meeting with President Obama is important not just for what it offers -- defence technology transfer, joint research, co-development and co-production -- but also for the fact that both nations elevated each other to their "closest partners" category.

With this declaration, the US defence industry also stands to potentially secure a significant portion of the multi-million dollar modernisation programme that India has planned for its defence arsenal – a market that so far has been dominated by Russia. Having already engaged in several military training exercises with the US, India has also accepted an invitation to participate in the 2014 Rim of the Pacific Exercise at Hawaii.

In contrast, progress on nuclear cooperation has continued to languish due to the regulation on liability. According to an Indian law passed in 2010, foreign suppliers can be held responsible for majority of the liability for any nuclear accidents that may occur in the future. This is not acceptable for American companies who consider such a ruling contrary to established international norms but also commercially unviable.

A preliminary contract was signed at the latest summit between Nuclear Power Corp of India Limited and Westinghouse Electric Corp to build reactors in India's northwestern Gujarat state. However, there is no timeline for the actual production of nuclear power for civilian use in India.

Economic relations between the two countries have also been underwhelming. Since 2000, bilateral trade has increased nearly five-fold to approximately US\$100 billion. Foreign Direct Investment (FDI) by Indian businesses in the US increased from US\$227 million in 2002 to US\$5.2 billion while US investments in India reached more than US\$28 billion in 2012. However, India remains the United States' 13th largest trading partner while the volume of US-China trade continues to dwarf Indo-US trade.

American businesses are finding it difficult to capitalise on the booming Indian middle class market due to New Delhi's stance on patent protection and FDI restrictions across different sectors. American companies are also unhappy with the regulation that requires 30 percent of the products to be sourced from within India. Lack of clarity on the changing regulations and political uncertainty over the upcoming 2014 general elections has made US business extremely cautious about investing in India.

Weakening strategic partnership

The Indo-US "strategic partnership" is also weakened by conflicting geopolitical goals. While Washington hopes that strengthening ties with India will help it balance China's rise, New Delhi is circumspect about being seen by Beijing in that role. Meanwhile, New Delhi would like Washington to take a stronger stance against Pakistan for its failure to curb cross-border terrorism.

More broadly, the Indian administration is also apprehensive about the security and stability of the region after the scheduled withdrawal of US troops from Afghanistan. It fears that Afghanistan could once again turn into a safe haven for non-state actors which may result in the rise in insurgencies in Kashmir. Reports of the National Security Agency conducting surveillance of communication by Indian government agencies, including several Indian diplomatic posts in the US, have also contributed to the lack of trust between the two governments.

It is clear that both India and the US need to take decisive action to restore the momentum in their flagging partnership. Both nations stand to gain politically and economically from deeper engagement. Doing so will not only help Washington achieve the strategic aims of its pivot to Asia but also enable New Delhi further its larger strategic and economic objectives in East Asia. It would thus be detrimental for both nations to allow the diplomatic row over the treatment of an Indian consular official in New York to escalate any further.

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