

THE BROOKINGS INSTITUTION  
SAUL/ZILKHA ROOM

PREVIEWING PRESIDENT OBAMA'S TRIP TO INDIA

Washington, D.C.

Thursday, January 22, 2015

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## P R O C E E D I N G S

MS. MADAN: Thank you all for coming today. I'm Tanvi Madan. I'm Director of the India Project here at Brookings and a Fellow in the Foreign Policy program.

A few months ago, we had a panel discussion like this on Indian Prime Minister Narendra Modi's visit to DC and to New York. I think very few of us, at the time, thought we'd be back here for a similar panel so soon after the last summit. We're going to be discussing the leadership summit that will take place over this next weekend and into next week in New Delhi when President Obama travels there. And you will here, two firsts about this visit again and again.

That this is the first time an American president has been to India twice while he's been in office and second, that this is the first invitation that has been extended for the Republic Day to be Chief Guest for an American president.

In the run up to this visit, the Brookings-India Initiative which is the India Project here and the Brookings-India Center New Delhi has released a briefing book for the summit. This is about 16 memos, two dozen of my colle -- rather about 20 of my colleagues have written memos on various subjects related. It's kind of a follow-up to our previous memo or briefing book which was for the last summit that took place in September.

You can find these memos for this new briefing at [brookings.edu/obamainindia](http://brookings.edu/obamainindia). Obama in India is also the hashtag we'll be using for this event if you're tweeting. The briefing book was released in India yesterday. It was launched by Ambassador Rich Verma who has just gone out to India very recently and these were his first public remarks. We'll be posting video of that event shortly on the Web site.

Here today to provide context for the visit, to discuss some of the expectations, some of the issues that might come up during the visit and what we might see and what we might not see during the visit, we have an all-star cast of some of a number of India watchers some of whom you might have seen at other events, some of whom you've seen here before.

Just to introduce them briefly, you've got their bios; you will have details of that. Richard Fontaine, who's President of Center for New American Security, he's been a foreign policy advisor to Senator John McCain. He's also worked at the State Department, the National Security Council and has been a staffer at the Senate Foreign Relations Committee.

Next will be Alyssa Ayres who's Senior Fellow for India, Pakistan and South Asia, the Council on Foreign Relations also here in DC. And Alyssa's been Deputy Assistant Secretary of State for South Asia most recently before she joined CFR.

Josh White, to my left, is Deputy Director for the Stimson Center South Asia program. Before that Josh served as a senior advisor for Asian and Pacific Security Affairs in the Office of Secretary of Defense.

To his left is Rick Rossow who's Senior Fellow and holds the Wadhvani Chair of US-India Policy Studies at the Center for Strategic and International Studies. He's had a number of roles in the past including Deputy Director of the US-India Business Council for about a decade. And Rick is hopefully going to give us some perspective today. He was on the Bill Clinton visit in 2000 and so, a decade and a half later has a unique perspective in that sense.

Without further ado, I'm going to turn to Richard to give us a little bit of the broader context for the visit. Where does India fit into US strategy? We've heard some say this is "non-essential foreign travel." Do you think it is or why is President

Obama going in? Is it worth it?

MR. FONTAINE: Thanks, Tanvi. And I think the first thing to think about as we step back and ask about the broader strategic context for the visit and for US-India relations is to view the transformation of ties with India after decades of Cold War mistrust as really a rarity in the annals of US foreign policy. It's not every day that you see in Washington a long-term calculation of strategic interest rooted in a foundation of shared values and supported in a bipartisan way through successive American administrations.

But that's what I think you've seen when it comes to India policy starting with the tail end of the Bill Clinton administration through the Bush administration and into the Obama administration. So successive American administrations have taken some pretty bold steps with respect to India whether it's Obama's public support for India's permanent membership in the UN Security Council, Bush's moves on a civil nuclear agreement with India, liberalizing export controls on technology transfer, is supporting India's inclusion in a raft of international institutions and rulemaking bodies and so forth.

And these moves have tended to come without the expectation of an immediate payoff. The relationship has been anything but transactional in recent years and rather, American officials have calculated that a stronger India is good for the United States and for the stability that the United States seeks in the broader Indo-Pacific region.

There are a number of interests that the United States and India share in the region and more broadly whether it's ensuring a stable balance of power in Asia, expanding economic relations, preserving access to the global commons, countering terrorism, expanding access to energy sources and supporting the expansion of human rights.

Obama, on his visit, will very likely quickly hear about China and the role

it's playing in the region and this from the inception of the transformation of US-India ties has been at least a partial driver of that. India and the United States view China's rise somewhat similarly. They seek stronger economic ties with China, deep diplomatic engagement but want to hedge their bets by strengthening their ties with regional powers especially in security terms including with each other.

For the United States, stronger ties to India signal that America's committed to a long-term enduring presence in Asia. For India, I think stronger ties with the United States signals to China that it's a country to be taken seriously in the region and beyond.

At a global level, as India increases its heft and seeks greater weight in the international system, this creates a number of other opportunities simply because in light of India's rise there will be frequent -- there will be increasingly few numbers of global issues in which India won't play an important role. And from that perspective, the United States has an interest in encouraging and facilitating India's rise as full stakeholder in the international order.

But despite or perhaps because of the underlying rationale for this closer partnership, it seems to me that Indian American leaders have frequently fallen into a romantic reading of relations rather than a more realistic one. We'll see if President Obama and Prime Minister Modi, in their speeches next week, invoke the natural linkages between the world's oldest democracy and the world's largest democracy as you tend to hear each time or the sort of high-flying rhetoric about natural allies that inevitably should work together.

The rhetoric is fine but it obscures, to some degree, the challenge of actually converting the vision and the enthusiasm into concrete policy achievements between the United States and India. I think you already see this to some degree after

Modi's election where on both sides there's a sense that well, the Congress Party and the sort of paralysis that characterize the last couple of years are gone. Prime Minister Modi is going to return economic growth to a significant level. He's going to be more assertive on the international scene. He will be more enthusiastic and energetic about the US-India relationship and so, the rest will just sort of flow naturally from that.

The issue is that when the, you know, at root India and United States, as I said, share a number of interests but they continue to see the world in different ways. For, you know, for all the emphasis on India's emergence as a great power 600 million Indians still live on \$2 a day or less. 300 million Indians are unconnected to the power grid and per capita income remains under \$2,000.

Modi was swept to power with a single-minded focus on boosting economic growth and putting in place economic reforms. That informs, I think, the Modi team's view of not just domestic policy but foreign policy. As a result, the government has sought close and ever warmer ties with the United States but doesn't want to pursue them at the expense of other international relationships that have a significant economic component whether that's Russia or China or Iran or others.

And so, what this is what some like Brahma Chellaney and Ambassador Bob Blackwill have referred to as not a non-aligned approach to the world but a multi-aligned approach where India seeks productive ties especially economic ties with all of the middle and major powers and would like to avoid hard choices between or among them. So the question for the United States will be can India, can Prime Minister Modi keep all these foreign policy balls up in the air at the same time?

Can India pursue close ties with -- closer ties with the United States and China and Russia and others avoiding fundamental choices between them in pursuit of enhanced economic partnership with these countries? I think and just to close in India's

neighborhood we see the emergence of five general factors.

Hopefully, a renewed Indian economic growth rate which both national confidence and India's ability to project power abroad, an increasingly assertive China, a bolder Japan, a complete US withdrawal from Afghanistan and continued uncertainty in Pakistan and stepped up competition in the Indian Ocean and the Western Pacific. The President's visit is an opportunity to build a closer US-India partnership on the backs of all these trends and in light of the interests but for all of the optics and the vision and the enthusiasm, I think it will be necessary to actually inject more transactionalism rather than less into the US-India relationship and work out specific concrete policy achievements.

Otherwise, I think India has the potential and the US-India relationship has the potential to have a great visit that then just sort of plateaus and doesn't move forward in the following months. So that's sort of my overall take at the highest level of abstraction and we're back over to you.

MS. MADAN: Thanks, Richard. Alyssa, can you talk a little bit about what we'll see during the visit, optic substance and what we might not see as well?

MS. AYRES: So you've asked me to speak both about the optics and the substance. And I will say a few words about the optics here. I think this is actually pretty important to drill down a little bit. There's been a lot of media comment and sort of a sense that this is a symbolic visit and then no further elaboration on what that really means.

What does it mean to have a symbolic visit? It's not just that the President is showing up. Of course, that is important. It's a huge effort and a big decision whenever the President decides to travel somewhere overseas. But traveling to India for India's Republic Day celebration has some pretty specific meaning and I just want to take a couple of minutes to talk about that.

What Republic Day really stands for and why it is significant that our President will be there to celebrate with India's leaders. Republic Day stands for democracy in India. It commemorates the day that India became a republic, the day that the Indian Constitution came into force and invested sovereignty in the people of India rather than in a Viceroy or in an appointed Governor General.

It's actually pretty interesting to look at the links between India and the United States in that process of becoming a Republic and in the fact of India's writing its first constitution. The primary architect of the Indian constitution, Dr. B. R. Ambedkar earned his PhD at Columbia University and refined many of his ideas about social justice from his time and experience studying in the United States.

The US and Indian Constitutions also share similar inspirations. They both begin, as many of you probably know, with We, the People an invocation of that investment of sovereignty in the people. And if you take a look at the language of both documents, there are invocations of justice, liberty and the union and unity of the peoples of both countries. I also wanted to make sure everybody here remembers that we, in the United States, take the oath of office to support and defend the US Constitution. That's our highest pledge. So the symbolism of an American President committed to upholding the US Constitution, traveling to India and commemorating India's Constitution and the development of it is quite powerful.

So on to the substance. That was the optics, my little editorial there. The administration has previewed four areas of content that will likely be on the agenda for the bilateral conversation between Prime Minister Modi and President Obama. Those are clean energy and climate change, defense cooperation, civil nuclear cooperation and economics.

I will cover a couple of these because Tanvi has partitioned our remits of



responsibility in that way and Josh and Rick are going to be speaking about defense and economic ties respectively. Let me say a few words about clean energy cooperation. This has actually been one of the breakaway successful areas of US-India collaboration in the past five or six years.

There is something called the partnership to advance clean energy. It's Googleable. There are Web sites set up to provide more details about this. It operates on a public-private partnership with challenge grants that have created joint clean energy consortia; the search for alternative energy fuels has mobilized more than \$2 billion which is quite an amazing thing. Focus areas are solar, biofuels, building efficiency.

Obviously, this is a space where both countries can do more of this leverages, the innovation and the scientific talents of both countries. The Modi government, in particular, is looking to really increase what India's doing in the renewable space. He would like to see the country leapfrog to clean technologies.

The September summit when Prime Minister Modi was here in the United States resulted in an announcement of another billion dollars in financing to support renewable energy deployment. That was a memorandum of understanding between our EXIM bank and India's renewable energy development agency. So there's huge scope here.

I would look to this area to see sort of additional projects likely to be announced or sort of new MOUs announced. The Indian government is not looking to rapidly scale up. Modi has already increased India's targets in the renewable space. The government has revised, for example, their solar target which used to be a target of 22 gigawatts by 2022 to 100 gigawatts by 2019, the end of Mr. Modi's first term. That's hugely ambitious but you got to aim somewhere.

India's also looking to double its wind capacity, for example, to 40

gigawatts by 2019. So there's a lot happening in the clean energy space and India and the United States are doing a lot together there.

Let me say a couple of words also about climate change because this has come up repeatedly. India and the United States, if you're looking for a big agreement like what was announced between the United States and China last fall I wouldn't beat the drum on that. I think India is not right now in a place where it would like to announce a date certain at which it's going to cap its emissions and scale down.

India also is pushing quite aggressively to see greater financing or technology transfer from the developed countries to developing countries. I just don't think and certainly Indian officials have been previewing for months that where they are on the international multilateral climate change negotiations. It's probably not where China is. Some Indian officials have said, you know, in fact it was a mistake for us to align with China on the climate negotiations because we simply aren't in the same place in terms of our economic growth and we need to allow ourselves scope to get there before we're able to commit to when we're going to bring our emissions down.

India still in its energy, in its development is very coal-led despite the rapid development of its renewable sector. It's going to continue to be coal-led for some time.

Civil nuclear cooperations is an issue that many of us view with some fondness and some concern. Those of us who have worked on this agreement for years, obviously, we would like to see it realize its commercial potential for US companies. There's been substantial speculation in the US and in the Indian media about the possibility of a breakthrough announcement that may be made on the margins of this visit.

I sure hope so. I think that would be great. It's a particularly tricky set of

issues. The reason for that is because again, many people in the room are probably well familiar with this issue but on the heels of the US-India Civil Nuclear Cooperation Agreement, India's parliament passed a law in the summer of 2010, a civil nuclear liability law that departs substantially from the international standard of these liability laws which typically channel liability of the operator.

This makes it very difficult for suppliers that aren't backed by a sovereign guarantee. And by that, I mean a kind of para-statal supplier like Rosatom or something to be able to price in, you know, how they would be able to operate in a situation that might present a sort of unlimited, uncapped liability situation.

So that's what's been at stake in conversations over the course of the last several years. Following the September summit between President Obama and Prime Minister Modi, a contact group has been created to have much more in-depth conversations on looking for workarounds here.

What we have seen in some of the press is that some kind of proposed fix is under discussion that could involve an insurance pool. I think, ultimately, the proof of the pudding here is going to be whether this makes sense for private companies that would be asked to bid as suppliers under this regime. And I don't think any of us have the answer to that yet. So we'll have to look to see whether the companies find whatever proposed solutions are to be workable.

Regional issues, certainly there is going to be a discussion about regional issues between the two sides in this upcoming visit. Let me say a few words about what I think will be the issues on the agenda. Certainly, Afghanistan is the international presence, is, you know, substantially drawing down, looking to almost be gone by the end of next year. Instability in Pakistan, certainly further discussion on the problems in Iraq and Syria with the rise of ISIS and to coalition against ISIS or what the

administration calls ISIL.

I would imagine some conversation on Russia and Ukraine, perhaps seeking a clearer statement of Indian support and perhaps some likely conversation about progress in the P5+1 talks about Iran.

On Afghanistan, I think it will be no surprise to anyone here that India has deep concerns about the prospects of instability in the region as the international presence shrinks and eventually goes away. India's concerned that this will free up terrorists to turn their sights in an unencumbered fashion to India and to launching a much more sustained series of terrorist attacks on India.

You saw this in the comments that Prime Minister Modi made when he was in the United States. Back in September he gave a speech at the Council on Foreign Relations which is up on our YouTube channel where he said pretty clearly, you know, when you departed Iraq, you left chaos. We are hoping that you won't do the same thing in Afghanistan. So I think this is an area where some much deeper consultation about what's likely to happen will certainly take place.

And the corollary is instability in Pakistan. You know, there are many people in India who disagree with the US approach to Pakistan. Pakistan has been a challenging partner for the United States. It remains a partner. It also remains a country that has deep cleavages internally and problems dealing with its own security situation. And I think nobody has any illusions about that.

I would certainly think that the challenge of terrorism that the United States and India both face coming from terrorists that are based in Pakistan will be on the agenda for conversation. And further, on the topic of Iraq and Syria, I think this is something as the situation with ISIS continues to deteriorate and we saw just, not this past weekend but the weekend before, a video released over the weekend and with a

beheading carried out by people who claimed to former Taliban who are now associating themselves with the Islamic State as their kind of new badge of greater radicalism. It's almost like a radicalism outbidding war.

The closer the threat of the Islamic State comes to India and the more that people seek to affiliate themselves with this kind of brutality, the worse the security situation gets for India. There have also been a couple of small reports about potential Indian recruits who have either traveled to Syria to fight with ISIS or most recently an arrest of a young man to great surprise actually, the arrest of a young man in Bangalore who was a technology executive who had become kind of a, you know, a Twitterer supporter of ISIS and potentially a recruiter.

So there are a lot of issues there and some deep stakes for India. This is an area where India could certainly be doing more. India has been relatively quiet about the threat of ISIS and what India thinks should happen. There is an international coalition that's been put together. Being a member of a coalition does not mean you necessarily need to send troops. There could be a diplomatic level of engagement. I think that would be terrific, here I'm editorializing. I think that would be a great place for India to try to step up its engagement.

I'm going to stop in a second but I do want to say I would imagine there would be further conversation on the question of Russia and particularly what's happening in the Eastern part of Ukraine where there are continued destabilization and what appears to be further incursion of, sort of, you know, non-troop troops in some manner that are causing real territorial challenges in Ukraine.

Again, India has been silent on this question and has a very strong relationship with Russia. I think it would not be any surprise to hear that a conversation with officials between the United States and India might involve more questioning of why

India isn't speaking more publicly about what appears to be a kind of ongoing invasion of Ukraine.

Finally, just a bit on Iran. India has actually, in many ways, been very helpful with the ongoing situation in Iran. And it's in a sense that India's been very publicly stated Iran should uphold its obligations under the non-proliferation treaty. Iran is a member and that means it will not develop a nuclear weapon.

As far as I understand it, India has urged Iran to continue to look for a solution in the P5+1 talks. Those are ongoing. I would imagine there would be a briefing out to the Indian side of what the status is of those current talks, where things are likely to go and whether India might be able to do anything further to help those talks reach a possible conclusion. So I'll stop there. I've gone over by a couple of minutes. Over to you.

MS. MADAN: They were absolutely worth it. Thank you, Alyssa. Josh, I'm going to turn to you. Taking the next step on the security side, on the defense issues, we've seen kind of talk of the renewal. There was a commitment made in the September visit for the renewal of the Defense framework agreement. The last one was signed in 2005. Some discussion about actually operationalizing the defense train and technology initiative and we also know that there's a fair amount of defense sales and interest in more.

Over the last three years, India's bought in dollar amounts more from the US than any other country. Talk to us a little bit about defense cooperation. What are we likely to see? What will we not see on this visit?

MR. WHITE: Thanks, Tanvi. It's always great to be back at Brookings. I want to start where you left off with the defense sales.

In some ways this is perhaps the flashiest but least interesting part of

what we might see at this visit. The United States, unlike some other countries, really tries to disconnect announcements of defense sales with high level visits in part because trying to line these up is extraordinarily difficult. You have approvals on both sides. So it's certainly possible there would be some announcement of defense sales, Chinooks and Apaches are in the pipeline.

There are things we might see but I think that's really something that is secondary that we can bracket. There's been, as you said, an enormous volume of sales over the last 10 years. And if you do back of the envelope calculations about potential sales over the next few years, you're also talking the \$6, \$7, \$8 billion range. So there's a lot on the table and I think it's going to happen in its own time and I think a lot of us are encouraged to see that the Indian procurement is, and this is the technical term, being unstuck at the moment.

It's been clogged for a while and the Indian Defense Establishment and the Ministry of Defense seem to be under some pressure to move things through the pipeline. And certainly, from the American perspective, I think a lot of us are less concerned about whether American firms get particular deals than we are about whether the process itself in India is conducive to making deals possible, making deals happen.

So we may see some of that but I want to touch on some of the other issues you raised about what we might reasonably expect in the course of this visit. And I think there are three things that are on the table, things to watch for with respect to Obama's visit. The first is, as you mentioned, the renewal of the defense framework. In September, the September joint statement, it was both sides said that they agreed to renew and revise this framework. I think all of us, most all of us expect this is going to happen at this visit.

And, you know, if you look back at the 2005 framework, I imagine most

of you don't spend your time reading 10-year old diplomatic documents. But if you did, you would see that it was in its own way ambitious but also a product of time focused heavily on counter terrorism, on countering weapons of mass destruction, put out a laundry list of activities that both sides wanted to achieve, some of which happened, some of which didn't. Put out a laundry list of various kinds of committees that were going to be constituted, some of which meet regularly, some of which have had a really difficult time meeting on a regular basis.

So I think as we look toward what this so-called new new framework is going to look like, the renewal of the 2005 new framework, I think what a lot of us would like to see is something that's both more ambitious and something that has some mechanisms of mutual accountability built into the framework. So that there is a sense of being able to reflect on what we are actually achieving together and what new things get stuck in that process.

The things that I'm going to be looking for in that framework is whether it spells out any kind of priorities for the defense and security relationship. It's a lot easier to put out a laundry list than it is to say here are the things we want to prioritize in terms of defense cooperation, defense sales. That might be maritime related, there might be other areas but are there any priorities?

The other thing I'll be looking for is whether in the structure of it, it creates more opportunities for the uniformed services to engage. The United States and India have very different defense cultures, different defense structures and it's often very challenging for US officials to engage with uniformed service members on the Indian side and to have a robust conversation that engages both the civil and the military on both sides in the realm of defense and security.

The other piece that Tanvi is the DDTI, the Defense Trade and



Technology Initiative. This is an effort that's a few years old to focus not just on defense sales but on deeper defense cooperation and I think both sides believe but neither has really said publicly that 2015 is the make or break year for DDTI.

It's the year in which both sides are really going to evaluate whether this is worth the time, energy and effort that's been invested in it. And I think both sides expect that it will be and should be but there has been an enormous amount of time. The US has put forward long lists of potential proposals for co-production in India, for codevelopment with India. The Indian side has come back with rather shorter lists and there's an ongoing back and forth and depending on who you talk to, you know, the ball's in the US court or the ball's in the Indian court.

I'm less concerned about that than I am about seeing that something is put on the table relatively soon as examples of what can be done together. The level of effort now, at least from the US side, is very high. Frank Kendall, who's the Under Secretary of Defense for Acquisition, Technology and Logistics, has a painfully complicated global portfolio.

He's the guy in the United States who is in charge of US defense acquisition. And he is spending enormous amounts of time, personal time and investment in trying to move the ball forward on this defense engagement with India. He has a special team set up at the Pentagon, all kinds of work is going forward. That little of effort is worthwhile for the United States if this begins to come to fruition in next 6, 9, 12 months. Otherwise, I expect both sides will recalibrate their parameters.

Ash Carter coming in as Secretary of Defense, I think is also a very good sign, very auspicious. I worked with Dr. Carter on some of these efforts when I was at the Pentagon and he personally sees India as part of his legacy. So I expect from the top level there will be engagement.

What's been sort of floating in the news over the last few days as projects that may be announced are to be frank both rather modest but they're also smart and reasonable projects to begin with. If indeed these are the two projects that are announced, I think the conclusion can be that both sides, but particularly the Indian side, wanted to focus on projects that are smaller, that are practical, that are achievable rather than big splash projects just to get something moving.

And these two projects, in case you hear about them, one of them is the RQ-11 Bravo. It's a UAV or a very, very small drone. And when I very small I mean you can hold it in your hand. It weighs five pounds. It has a 10 kilometer range and it can stay in the air for an hour or an hour and a half, you know, if you're lucky. So this is not the kind of equipment that is difficult to export. It's been exported to Uzbekistan. It's the kind of equipment that is relatively cheap, relatively small, doesn't raise any concerns with international legal regimes like the missile technology control regime.

But what we're talking about here would potentially be not a sale but local assembly of this in India. And that's why it would be significant. It would be finding a practical way to do something together in a space where all the projections suggest that India's going to want a lot more of these small unmanned aircraft. The other piece that is under discussion, that's out in the news is what's called a roll-on, roll-off mission module for the C130J. I won't go into boring detail about this but imagine these are sort of plug and play shipping containers that you can put into a very large cargo aircraft to allow it to do different things.

India had six C130Js. They crashed one of them which may be replaced. They have six more in the pipeline and so, this is a very practical project that allows this aircraft to do more particularly hopefully in the intelligence, surveillance, reconnaissance realm. So again, not a high dollar item but this is important, in particular,

because at least the news reports have suggested the cooperation would be in the area of systems integration.

Systems integration will, you know, sort of a snoozer to the general public but if you're spending time in the defense world you know that systems integration, connecting new things you make with platforms you have, is what separates good defense industrial bases from great defense industrial bases. So this is an area in which there's potential to show and to get some cooperation in a way that can move something forward.

Finally, I'll say there is likely to be a number of other incremental movements forward. The way that the US bureaucracy likely responded when they heard that Obama accepted the invitation to go to Republic Day is they pulled out the joint statement from September and they went to their section of the joint statement, in this case the defense and security part, and they circled all the different categories of things they said they would do and they said, shoot, now we have four months to do something a little bit further in each of these categories.

So we're likely to see attempts to move a little bit further in each of these categories. In the defense and security realm, that means things like professional military education. More exchanges, more cooperation with national defense universities, there was talk in the last statement about upgrading the flagship Malabar exercise between the US and India which has, on several occasions, included Japan. The question is are they going to broaden the exercise, are they going to include Japan as a regular member? Are they going to include Australia or Singapore? What is the upgradation look like?

And then, there's always a possibility that there will finally be agreement on what are called these foundational defense agreements. And I won't bore you with the details but there's the Sisboa, the BECA, there's the logistics support agreement.

These are very practical things that the US asks of countries that buy US equipment and it makes cooperation in very practical ways much easier.

In the case of India, this has huge symbolic affect if it were to happen because the UPA government, in particular, Defense Minister Antony, seemed to have it as a personal mission to make sure that India would not sign any agreements that made it look like it was moving toward close defense cooperation with the United States. So there would be practical value but actually, significant symbolic value if these would cross the finish line.

I'll just end by saying there may be also things that happen on this trip, probably a lot of things that move forward that we're not going to see. Some of this in the counterterrorism and intelligence cooperation realm. And in talking with both sides, you know, I've already heard that since September things have moved forward. Things have deepened and both sides are pleased with the way in which they are cooperating and talking about the mutual threats that they face.

The other thing that is probably further on the horizon that we won't hear about much on this trip are Indian efforts to reform their Defense procurement process. This is not going to be something that is obviously highlighted on this trip. The Indians don't want to connect this with the visit but there have been indications that they want to reform the defense procurement procedure, the offset procedures, some of these technical procedures that make it very difficult for outside investors to invest in India.

And at the end of the day, I think this is significant because if Prime Minister Modi, as he says, wants foreign direct investment in the defense sector, if he wants to move toward a make in India vision for the defense sector, it's necessary that there actually be a business case for private industry in the United States and in the rest of the world to make these investments. And that requires some structural change. So I

would expect that on the horizon in the next few months but not something we'll see immediately.

MS. MADAN: Thanks, Josh. That actually helps me segue into Rick's section. So Rick, let's talk business, major emphasis of the visit, economic ties. We're seeing Commerce Secretary Penny Pritzker accompany the President as is USTR Mike Froman, a number of business leaders and both Prime Minister Modi and President Obama expected to spend half a day with business leaders on that subject.

So talk to us about those economic ties, what you think we're going to see and where you think the relationship might be going, what some of the challenges might be as well.

MR. ROSSOW: And as you'd asked about the lead-in too is comparing this versus President Clinton's trip back in 2000 and I was at the USIBC and so we led the business delegation. And looking back at that joint statement, I mean, you know, if we have a bad day in US-India relations as we've had a few of them in recent years, it feels like it's the worst thing that's ever happened and really.

But you look back at just what 15 years ago, the vision in that joint statement and how small it was comparatively and how far we've come, it was appropriate for that time and place but the lead-in point was we want India to give up its nuclear weapons. That's probably not going to make its way into the joint statement this time around.

We talk about collaboration on HIB, there was on counterterrorism but otherwise, when you talk about business level issues at that point and how the agenda changes, it was IT services and it was financial services as things that we were looking forward to developing. And on the negative side, it was really about the power plants that American companies had built and trying to get those operational and resolving some

disputes that had cropped up.

So things have changed quite a bit since then. We have come through a rough patch. I mean, the broad narrative on the UPA regime, I think, at least as how the business community in the United States looks at it, you know, they spend a lot of time and energy really kind of focusing on social programs rather than doing things to stimulate economic growth. And late in the regime, some measures that they took, short-sighted measures, on local content rules and manufacturing, the patent issues which I know are extremely controversial, some money grabs through tax collections that really triggered a backlash by the American business community. And that had been driving a lot of our agenda over the last couple of years.

The business agenda really had crumbled not long after the strategic agenda had suffered some setbacks. And so, the agenda was dominated by a lot of negativity and business certainly played a role in that for reasons that we all sort of understand.

So with Modi coming in and his pro-business outlook, also for the Washington business community that's a bit of a Rorschach test. When you hear pro-business, to everybody that means something a little bit different. And so, for the trade community that meant that he was pro-trade and he's going to open up borders. And so, the Trade Facilitation Agreement, the WTO, that was a huge setback for a lot of folks.

But for others that look at him and his record in Gujarat, he wants to build stuff. He wants to carry out things that he promises. You know, for that group that's looking at it through that lens, I think they see a prime minister that they can work with. And so far, and I always like to point out first and foremost the numbers prove that indeed business is enthused.

Last year, through November, the latest numbers that have been

released, FDI was up 27 percent. A pretty nice bump for the first year of a new government. Foreign institutional investment last year, portfolio investment was 43 billion, an all-time record and most of that came in after the May elections. So I think the numbers already that business is enthused but, of course, we all want to see the next big things and trips like this can set the table and set the agenda for seeing the economic relationship moving forward.

So most of you that know me know that I love bullet points and I love lists. So I think for this one I would take it in terms of what -- when the President of the United States goes and meets with the Prime Minister and various other government officials participate in those meetings that's government. It's not business themselves although I'll touch on that afterwards. But from the government-to-government, what is the role of government-to-government and encouraging economic collaboration?

So I thought I'd run through eight points on that that I think that from the government-to-government you can expect to see and what -- how that translates into business. First is unlocking strategic trade. My colleagues have already talked quite a bit about that but there are controls on certain elements of strategic trade, nuclear defense space. Where the US government agreeing to unlock controls and partnering is critical. So in those areas the US government very much has a role in trying to see whether or not there's path forward.

The second, the US government could put money forward for small and medium projects. We may not decide that we're going to invest 50 percent of in industrial corridor but still, we've got small and substantive projects that we can do in various areas. I mean, the last joint statement was peppered, various joint statements before that were peppered with them. We can provide money to adopt clean technologies for various other programs. So it won't be big block dollars for development spending the way that

you see other countries promising India but small, substantive ones that could add up to quite a bit.

Technical collaborations, so for instance, anti-money laundering rules or tax collections and jurisdiction or expansion of financial services, financial inclusion. These are areas where we have some expertise where we can share as well. So promises on economic issues that actually involve technical collaboration from American experts. So that's the third area.

The fourth, and this, I think, is actually sort of the most important in some ways in dealing with the Modi government is the convening power. The fact that so many executives are going to be travelling with. The fact that the US is talking about launching big trade missions as we'd seen in the past. Ultimately, if we want to get this economic partnership to be a lot bigger, we've got to get more American boardrooms to look at India as the next big thing and they don't right now with some notable exceptions. But for the most part, India is still viewed as that troubling place, difficult to do. English is there, sure, but everything else is completely cryptic.

And so, I think getting companies out there to engage, to meet and see that there's been progress on the reforms that were promised is important. So these missions, the CEO forum, things like that are important. And those are a lot easier to do when you've got senior US officials that are leading that.

Fifth is the creation of spirit of bonhomie which again sounds a little esoteric perhaps, but, you know, I can tell you from having worked inside and worked on the outside with a lot of major American corporations, the fact that boardrooms don't have good Indian knowledge, when do the decision makers think about India? They think about it twice a year when they got a shareholder meeting to decide on where they're going to put the next \$100 million. And then, the rest of the year they think about it when



they read the New York Times article about a girl in Uttar Pradesh who married a tree.

I mean, there's not a lot of India knowledge there and so, when suddenly you've got these great things happening, when the press is very positive, when decision makers in the United States are getting a little bit more of a trickle on positive news about the relationship and what India might mean, that buries in their minds. And when they come to the table to decide where's the next place I'm putting \$100 million they may think about India a little more positively in that aspect.

The sixth area is establishing and enforcing frameworks for trade. With India I think we're talking about the bilateral investment treaty which I'm a huge supporter of. I think potentially it could unlock a lot of new areas for American investment. It could resolve some of the existing disputes. And I think for India, and I've been meeting with the finance ministry a number of times in recent weeks.

For India, which wants to develop infrastructure and again, lacking big block grants from the United States and development funding to do that, it's got to be the private sector and I think the investment treaty and the payment security that would give is going to be critical to get American companies to the table. So investment treaty, negotiating tax disputes from our tax treaty, these are also important things that the US government does to further the economic agenda.

Seventh, and this is really more on our side which is curtailing damaging actions that we may take against ourselves and there's a number of those that are pending and in process right now. It could be passing an immigration bill that would actually curtail the growth of our IT service relationship. It could be actions that we decide to take pending these reviews of India's trade policy that the US International Trade Commission, they've got the first version out and the second one's coming out next year or the 301 review by P policy.

So there are time and places when you want to take trade actions against foreign countries. But at that moment when you think that the 20-year vision of partnership is back and you want to build that, it's probably not the best time to take trade actions that would actually harm the relationship.

The eighth and the last one that I'll mention is probably the one that gets the most attention but also has the least command to be anything done in these kind of meetings which is encouraging other reforms that open the market. Certainly, we'll talk about FDI caps. Will they pass the law that will strengthen the ordinance on insurance? Will they open up e-commerce FDI? Will they change the rules on bricks and mortar FDI in retail? You know, a variety of other economic reforms that American companies have been clamoring, those will certainly get raised but those aren't the kind of things where you get an announcement in the meeting.

But hopefully, you'll see movement on that in-between. So those are the eight broad categories, I think, that when we think about American engagement, what does a US President going to India mean for the economic agenda? I think that's how things kind of break down a little bit.

There will be, of course, a robust business delegation going along with. And so, the business community themselves will have a little bit different perspective on this. So I'll touch briefly on a few points for the business community.

They want to see specific deals happen and whether it's defense deals get announced or other areas where there's going to be American product getting procured, that's obviously interest that leads those companies. The broadening of strategic trade issues, opening the door for defense companies, nuclear companies and others to actually unlock trade. So companies are going to be looking at that very closely.

These trade frameworks they help quite a bit. On the tax, I mean, tax issues right now, right, there's about 200 cases of cross border tax disputes between American, primarily American companies with the government of India. So seeing progress on tax certainly is one of the things that companies look for very closely. They're also going to want to see in their engagements with the government on the sidelines clarity from the government on their intentions and prospects for some of these reform initiatives.

So again, they're not expecting to get a specific response but they'll look in the intervening period to see what was promised to us and what have they actually carried out. And the last thing that business is looking for in their engagement on this trip is they would like the pledge by the Modi government to resolve some of the previous disputes.

And heading in again to the Modi government's inauguration, you had four broad categories, I think, that I sort of break it down into. You had the patent issues which I think there's no real feasible way that India is going to amend section 3D or curtail its ability to issue compulsory licenses but that remains one of the top issues on the American business agenda.

You've got the issue of local content rules in manufacturing in a wide variety of industries. There again, we've seen nothing from the Modi government yet to say that they actually want to ratchet that down. And in fact, they've reinforced it in some ways and the make an India campaign doesn't really sound like something where they actually want to release these rules necessarily.

The third is on cross-border taxation and that's where I think we've seen the most progress so far and hopefully more to come. And then, the fifth is further move on FDI caps and we've seen some progress on that as well. So from what the

government expects as they walk into the room for these bilats and what business -- that's kind of how I wanted to break things down but happy to answer questions on specific reforms and other things during Q & A.

MS. MADAN: Thanks, Rick. We're likely to hear two words a lot over the next couple of days, next few days. One is reinvigorate. We're already hearing it a lot. And other is transform. And both kind of the foreign ministry and the White House briefings where it was mentioned again and again, Alyssa is there something transformational about this moment? Is there something potentially transformational or is this another moment in kind of a longer process?

MS. AYRES: If you compare where we are today with India to a year ago with India, I think we'd probably all agree there's been a transform and a reinvigoration. Certainly, 2014 was a particularly difficult year with the kind of a crescendo of some of the business issues that Rick has referred to really reaching a peak.

The issue with the Indian consular official who was arrested and strip-searched in New York that caused a real breach in ties. And I think continues to be a sort of underlying issue of distrust but the level of disengagement that that produced in 2014, I think that hurdle has been cleared.

There is a new government in India who has been very clear that he wants to have much stronger ties with the United States and who sees the United States as a country that can be directly supportive of his own goals for domestic transformation, to use that word. So I think definitely those two words do apply to this case and I think we'll hear them in the coming days for good reason.

MS. MADAN: Richard, some of the things that Alyssa mentioned that were a part of kind of that Euro malaise so to speak stem partly from concerns on the Hill.

Given your experience, could you talk a little bit about how Capitol Hill is likely to see India over the next year or so? Are there issues that there are likely to be differences on?

And particularly, as we go into, I can't believe I'm saying this two years ahead, into an election season here, are there differences on India? We talk a lot about that there's bipartisan support for the relationship. Are there differences whether in the way it's viewed or particular areas of emphasis?

MR. FONTAINE: Well, one thing. Before I answer that, one thing that I would just add to the list that Alyssa put forward on 2014 is, of course, the Indian people elected a Prime Minister who was banned from entering the United States when he was Chief Minister of Gujarat and with whom the American Ambassador had only met right before his election when it became clear the BJP was going to win. And the fact that that has not really been an issue as well as the retreat of the diplomatic flap or the arrest of the Deputy Counsel General in New York, I think just getting that behind us, I think, is a good sign.

In terms of Capitol Hill, there is, I think, broad, bipartisan support for a close US-India relationship. The question is what does that mean at the end of the day and what are the potential irritants in the relationship? A lot of what is currently at issue; the stuff that was just described on the defense side, on the economic side would be carried out by the Executive branch and not by Capitol Hill.

I think if you look at the individuals who have taken up leadership positions whether it's Senator McConnell, my former boss Senator McCain as chairman of the Armed Services Committee and others, they tend to be very bullish on the US-India relationship. I think there's a couple of potential irritants that could come down the line.

One is if there is not a final agreement with Iran that is satisfactory to Capitol Hill; there will be renewed attention as we've seen just in the last 24 hours with the invitation of Benjamin Netanyahu to address a joint session of Congress without actually asking the President about this. The Hill is going to go its own way on Iran if it deems that that agreement is unsatisfactory or if an agreement is not reached and then, they'll be a push for additional sanctions.

This has been -- this has flared up from time to time in the US-India relationship because of India's economic relationship with Iran and the important of Iranian energy. I think there will be renewed pressure from Capitol Hill on India as well as other countries. It won't be India-specific but India and other countries to reduce their imports of Iran and to get tougher on Iran, whatever that may mean.

The other is things that Capitol Hill might do not because it's specific to India but which India will interpret as punitive or certainly unwelcome. You know, there's the potential -- there's always the issue with visas, H1B and others and the rhetoric related to outsourcing and call centers and things like that. My take on this is that is almost never driven by any desire to be harmful to the country of India or to the US-India relationship. This is rooted in kind of, you know, the rhetoric of Congressmen and senators talking about bread and butter issues.

But the collateral damage sometimes can be on the US-India relationship. So those are two areas that I would flag.

MS. MADAN: Thanks, Richard. Josh, given your background, if you could talk a little bit about kind of a region that is named and was named in the September summit but the country that shall not be named, the big Asian neighbor to the north of India. And how you see the US and India dealing with some of their common interests vis-à-vis China but also potential collaboration in Southeast Asia, you mentioned

maritime security with East Asian countries and the Asia-Pacific border as well?

MR. WHITE: Well, I think this is likely to be an area of significant discussion because there's significant convergence. There's not only convergence in terms of general geopolitical view but India, it has no interest in seeing a confrontation with China anytime soon.

So there's also, I think, a similar caution in terms of how both the United States and India want to engage with China to deepen economic ties, to try to find ways to smooth over these kind of tensions. I think to the extent that they do signal in any public way a sense of shared resolve or shared agenda with respect to East Asia, you'll see in how specific the joint statement speaks about maritime security, maritime platforms, maritime collaboration.

And also the extent to which the United States and India decide to more formally integrate Japan, perhaps, into the Malabar exercise or certainly the growth of the US-India-Japan trilateral, in the last few years I think it's been widely recognized as in the US and India as being very positive. Are there ways to more regularly institutionalize those kind of relationships?

I know that there's a lot of interest in the United States in finding ways to help build connectivity between India and Southeast Asia. And to facilitate that as best the US can from a great distance. And the Modi government has said they're trying to shift from look east to act east.

I don't know what else the US can do at this point to facilitate that but I think this is something where the interests converge very clearly and quite obviously.

MR. ROSSOW: Well, let me just on the staying on my lane here on the economic side, too. China plays pretty big in terms of our relationship with India because the United States has a two to one trade deficit with India or it's about 20 billion to 40

billion. And India has about a three to one trade deficit with China. And these are two of India's three largest trading partners.

So some of the issues that caused the backlash by the American business community on local content rules, those sectors were pretty much the top five list of India's imports from China. But yet, we felt that it was targeting us, the backlash came from the United States. So you've got this triangle, too, when you deal with China.

I mean, both of us say that the economic relationship is sort of the bright spot. And the strategic is there. We just need to make sure that we've got cards on the table for options in the future. But actually both of us face difficulties even in the economic relationship. The United States can bear that burden a little bit more but for India, you look at the trade deficit in total and it's almost 10 percent of GDP.

So and China's a big chunk of that. So for India, like we're seeing their economic relationship as kind of proving to be a pain point for the United States. And both the United States and India say, well, if we can't offset the trade deficit, China, at least, invest more in our countries but don't invest too much in our countries. So there's even limits on what we consider to be like the offsetting play there.

MS. MADAN: Well, Rick, one of the issues has been moving from kind of look east to ask east both on the economic and strategic side. It's been kind of delivering and we, a number of us have talked before about the importance in delivery. The reason there's been this transformation in the way India's seen is contingent on the Prime Minister delivering on the many promises he's made to his own people.

Have we seen signs that he has the capacity, in terms of his team, legislatively the steps he's taken, what are we seeing in terms of his ability to deliver and are there certain things that you will look at in particular over the next few months to see if he can deliver on those goals whether they're kind of India-specific or related to the



relationship?

MR. ROSSOW: I think when we talk about look east and whether it's going to be the Indo-Pacific corridor going to Southeast Asia, were I Modi and I think he's a practical kind of guy, India's own market itself is not connected. And where do you spend the most time and energy? It's clearly connecting your own market, good and services tax, building infrastructure, these corridors.

So the time and energy that you would spend on a national imperative to actually build stuff going further east, to me, I just, I mean, you'll say the right things but for action, if I was in his shoes, I also wouldn't take that step as my top priority, right? It might be page 5 or page 10 but it's certainly not the top priority when it takes two weeks to move a truck two blocks.

And you look at the sections of India that would be most closely connected. Bengal, Bahar, the Eastern India, the Seven Sisters, these aren't the places where you've got most of your productive capacity anyways. So if you opened up the doors, it would probably be importing more rather than exporting more from those regions. They even get a truck from Mumbai to Assam really quickly is the day I think that it makes sense immediately for making that connectivity.

There's other models for doing so. It doesn't have to be getting all that infrastructure down immediately but is it page one kind of stuff? As a practical matter, I don't think it necessarily can be.

MS. AYRES: Can I just offer a word on that?

MS. MADAN: Sure.

MS. AYRES: I mean I think there is a domestic imperative in the connectivity question particularly with India's northeast, the Seven Sisters that Rick just referred to. And that's a connectivity bridge that would cut across Bangladesh. This is a

relationship that the previous Indian government, the UPA government had tried very hard to revive and to craft what would have been a transshipment agreement, a river-sharing agreement.

These agreements sort of met their demise in India's famously raucous parliament. I think people are hoping that the same problem won't happen again. There are issues with India's federalism and trying to make sure that the Chief Minister of the state of West Bengal doesn't create problems for getting these agreements through.

But they're actually very powerful deliverables for Indian citizens who live in West Bengal, who live in the northeast. There's a national security state there. Some of the states in the northeast have had ongoing insurgencies. I think the world's longest insurgency, if I'm not mistaken, is in Manipur. Is it right? Or is it Nagaland?

MS. MADAN: I think it's Manipur.

MS. AYRES: Yeah. So finding a way to better integrate those states to have greater economic connectivity with their own country, to making those states be a greater part of the Indian Federation, would certainly be beneficial for India. And so, to the extent that the Indo-Pacific economic corridor which is about better linking, India, Bangladesh, Myanmar, down into Southeast Asia, that can actually facilitate that process.

MR. ROSSOW: Yeah, I think those kind of reforms, too, they always make more sense when there's a political backing behind as Alyssa mentioned. And you look at what took place in Assam, right? A state that the BJP would never have considered in play and Modi spent a lot of time there and they won the majority of Lok Sabha seats in Assam and Assam has a state election coming up.

So when you've got that kind of political impetus, too, from a sitting government in Delhi, to actually show progress in a state where they think they can actually and Assam, of course, makes up the vast bulk of population throughout the

entire Northeast. So I completely agree. I think the Seven Sisters and getting connectivity to there, and there's also a political imperative, I think, from voters and from the BJP's own mindset to make that happen as well. It always makes a lot more sense when voters are behind that kind of thing.

MS. MADAN: I'm going to ask each of you to just comment on one thing before we go to Q & A which is on your wish list, if there was something you'd like to see in the visit or in the next six months related to the relationship, what is it you'd like to see? We've all been cautioned by our colleague Milan Vaishnav that we shouldn't just look for big ticket announcements. That the two countries do need to sweat the small stuff but Richard and then, just down the line, what would you like to see during the visit or in the next six months that you think will really help over the medium to long term?

MR. FONTAINE: Well, since we have a magic wand, I would say resolution on the liability issue on the civil nuclear agreement, bilateral investment treaty. And then, if we want to add some gravy, I would say CISMOA and the logistics memorandum of understanding.

If nothing else so we can stop talking about these things which we, you know, those who do things on the US-India relationship have literally been talking about for years and years and years. And talk about some things that could be done that are more ambitious and more positive.

MS. MADAN: Alyssa?

MS. AYRES: Just thinking in terms of India's role as a rising global power, I think it would be terrific if we could see a stronger statement of support from India for the Coalition Against ISIS. I think it's incredibly important and India has national security stakes in this matter.

Again, it doesn't mean India government needs to send troops

somewhere but really standing with the countries around the world that are trying to battle this emerging menace, I think, would be incredibly important. So that and a stronger statement, again, India's been a very important development and stability partner in Afghanistan. A stronger statement from India on what it sees as in its interest and what it would like to do in the coming couple of years.

MS. MADAN: Josh?

MR. WHITE: In the defense space, I think seeing actual projects brought into the open for DDTI this year is important. Not because these are the highest dollar value transactions but because they represent the prospect of connecting the public and private sectors on both sides in a more integrated way. So I think that looks like two, three, four projects put out in the open plus one area of cooperation that is larger and more ambitious that both sides commit in public to try and to move forward on that's of strategic value to both.

MS. MADAN: Rick?

MR. ROSSOW: Well, everybody said, I mean, I'd say the Islamic State. I would say the investment treaty. I would say nuclear. So I'll have to come up with something different. This won't be for the trip there but for the year. I just, I would love to see and I think the partnership would be deepened dramatically if India finally takes the decision that multilateral trade is good for it.

That I've seen this in the last 20 years numerous times. We get great bilateral relations going and just like trade facilitation or many other WTO rounds, the US officials come back from that and say, I'm not going to talk to India again for a year. And that's always going to be hanging over our heads.

And right now, when you talk about the threats to US-India economic relations over the next 20 years, signing TTP, TTIP, the Trade and Services Agreement,

the ITA-2 negotiations, getting these things done means that trade routes are going to flow around India even more deeply than they already do. And if India wants to be a piece of companies global supply chains, it's going to be a lot tougher for companies to make that decision if it's the rock sticking up out of the water.

MS. MADAN: Of course, related to that is climate change where I don't think anybody wants to see differences play out in Paris the way they did especially over a trade facilitation agreement. With that, we're going to turn to questions. If you have questions, please raise your hands. Identify yourself. If you could please keep your questions short and if there's a particular person you'd like to direct the question to, please let us know as well.

We'll start, actually, with the back right there in the middle.

MR. BERG: I'm Tim Berg, consultant. This is mostly for Mr. Rossow but anybody else can jump in. You mentioned a couple of legacies from years ago. One is what do you see about the possibility of the US involving itself in -- or American companies involving themselves with electric power generation? Which, I mean, I wonder about and then, with construction?

These are both fields which I haven't heard the American firms moving on and their reasons.

MR. ROSSOW: Yeah. Well, you know, construction actually we saw movement. The old rules when they opened up 100 percent FDI for construction, you had to build essentially a township. But they changed the rules a few months ago so now, it's really just an office building size. And so, construction already has been one of the largest destinations for foreign direct investment.

And my sense is that this will dramatically increase that scope. So I think construction will continue to be one of the main areas, one of the main target areas for

foreign direct investment. And the difference that we've seen in construction growth in India when the country is growing at four percent versus eight percent, feels to me, I don't have the numbers here, but feels to me like it's more than double. I mean, the big construction boom that you saw a few years ago. So that, I think, they're making changes and you'll see more.

On electric power, I mean, this is like, I mean, we talk about reforms and the difficulty of reforms. And some folks that are playing around in our space, too, keep talking about give more power to the states and let them be the laboratories for reform. Well, as a practical perspective from somebody that's dealt with these issues for 20 years, no.

States make the wrong decisions on these things. You look at the areas that states already have complete control and it would be water and power and a lot of rules around land acquisition. And you've got a few examples of good things. But that's the, I mean, I've seen tough electricity reforms in the state of Odisha in the nineties. Government voted out, retracted most good steps they took.

Tamil Nadu, just after that. Andhra Pradesh at about the same time. Delhi is the only place they've successfully rehabilitated their electricity grid and what's the first thing that Arvind Kejriwal announces? Free electricity for the poor again. So even the place that you expect, they say reforms. They saw the reforms. 10 years later the lights stay on all day and you pay a little more which is how it's supposed to work and even Delhi couldn't stomach it.

So I think in the big picture, electricity, you know, there's probably a few states. Gujarat's a little bit better than others. Andhra's fairly decent but I mean for big involvement it still seems like the states have a lot more work to do to get there. But there is small involvement and there's a guy, Raj Rajadhyaksha who runs a company

DLZ Corporation in Columbus and he builds small hydro projects. Run of the river, cheap, he gets his bills paid.

There's a few American solar companies now that are projects and they're getting paid, too. So there's small examples but the big projects that we used to see a lot, you know, that day is not yet back upon us.

MS. MADAN: Other questions, over here in front.

QUESTIONER: My name's (inaudible). Thanks for your presentation. I have my wish and I would like to have panelists to address how do you conclude that and I would like to have India and United States to build a very good relationship to be the world leaders. But think about it, Obama cannot solve that problem or United States solves. Obviously, he cannot solve the problem of the world.

Now, you and United Nations (inaudible) to say if you want to have development, you also have to think about human rights. So think about it. India has a very good traditional value and I hope it will not be destroyed by what they call capitalism. And all the world say capitalism is in trouble.

And so, I just wonder if you can really base on that not to lead to the 1 percent, 99 percent problem but to say partly private partnership now is misleading. It's totally misleading. It's really abuse so make (inaudible) population getting worse because they lost all the traditional values. They lost all the moral values. That is the way we have to preserve your traditional values. So I hope you can do that.

And it's all the problems in the United States you don't just listen to Obama or the corporate power. So TPP have problem. So long doesn't follow, what do you have to do is ask Obama to say stop the fast track. Think carefully. How do you benefit Indian people?

MS. MADAN: Let me turn to our panelists. Let's talk about, actually,

inclusiveness. One of the things Prime Minister Modi promised was a strong, prosperous, inclusive India. That inclusivity suggests both kind of a diversity question but also the inequality question which both countries, both in terms of having terms of characteristics are dealing with it.

Are we likely to see kind of values, both economic and social, come up in various ways? Richard, Alyssa, do you want to?

MR. FONTAINE: Well, I'll -- maybe I'll answer that from the international perspective because there's certainly given Modi's background and statements that have come out of BJP and allied leaders in recent months, there's a whole domestic values question with Hindu nationalism and all of this.

But from an international perspective, I mean, one of the things that Indian leader, I mean, Prime Minister Singh was very good about doing -- was drawing a not-so-subtle distinction between the democratic nature of India's rising power and that other non-democratic rising power that's not too far away. And becoming -- holding that up as something of a model to be emulated. And this has had some practical implications.

You know, the United States and India obviously share democratic values but have different approaches to the projection of those values internationally. And so, where the United States has a whole raft of democracy promotion organizations and projects and such things, one former Indian ambassador once told me that democracy is like Hinduism. You're either born into it or you're not.

And so, there's a different approach. But that said, India was a founding member of the UN democracy fund. It has done some things with respect to election consultations after the Arab Spring. There are a number of things that India has started to do proactively that you could say are related to sort of human rights or values. And I



think that there's more that the United States and India could do together on that front.

MS. MADAN: Alyssa, do you want to?

MS. AYRES: I have a two-part answer to your question. First, if I understood you correctly, I think that part of what you were asking is whether the encounter between the United States and India may cause India to lose its values. Is that part of what you were asking? Yeah.

So from my perspective, I don't think India is in any danger of losing its values because of contact with the United States or because of greater openness to markets or the rise of Indian business. I just think that India has a very, very strong and proud sense of its civilization, where it has come from, where it would like to go. And I don't think that the conversation with other countries has a detrimental effect on that.

I think, too, would be how has the Modi government chosen to approach this question of inclusivity? And I think it's been very clear from the campaign back in 2014 and through the steps that the Modi government has been taking once in office, they are approaching the question of lifting people out of poverty through doubling down on economic growth. It is not a focus on welfare as the means to do that though they have not looked to dismantle any of the large-scale rights-based welfare that were put in place by the previous government or that already existed.

But rather he is looking, in a very single-minded way, to get India's growth rates back up over eight percent so they can create the jobs needed for the people rising of workforce age every year. It's kind of 12 million jobs per year level that they need to be able to fulfill. India's not there yet.

The World Bank estimates are six point four percent growth for this year, perhaps crossing seven percent next year. They need to get above eight percent and that is the goal. Modi has been very, very clear in all of his statements that he will look to

do this in an unbiased way for all of the people of the country. He has also said he is not interested in poverty alleviation but he's interested in poverty eradication. And he sees growth in the market as the means to do that. So that would be my answer.

MS. MADAN: Next question. Over here.

MR. AMATAMASI: Thanks. Paul Amatamasi of Belgium. Just for both Richards, I think in September one could expect some framework, the bilateral investment treaty, and I recall your article. There was an expectation that it would at least show up in a joint statement. I mean not breakthrough but at least repeating a renewed interest.

Is this going -- might this happen? And if not, is this rather reluctance on the US side being not rewarding India because of the value to you issues or it is on the Indian side?

MS. MADAN: The two Richards.

MR. ROSSOW: The Treaty, so India's been undertaking review of its own model. I mean, talks on an investment treaty were started, what, seven or eight years ago. And we undertook a review of our own model and so, froze talks for a number of years. And then, India of its own because it was sued a number of times.

So the Ministry of Finance says they're just about done. They got the model out there. Different ministries in India are reviewing. So I would say, I mean, if it would have been announced a few months ago, it would have been fairly relevant because India didn't have its final model out yet. That's expected to come out pretty soon. And seeing the leaders commit to it would be terrific.

It's made its way into joint statements many times in the past. So whether or not it's there I don't think is the big factor. The question is now much did India change its model? Already, India used the OECD model which is fairly basis whereas

the US model, our section on definitions is almost half as long as India's entire model. So how much are they going to change it? They're trying to protect themselves against getting sued in certain cases. Is that going to be, I wouldn't say a deal killer, because you know there's going to be differences in the models.

And so, the question is can these differences be broached and come up with a product that actually moves the ball forward on what's capable. The bigger problem I think on both sides is and you see it rarely communicated, what's in it for both sides? And this is all that I spend my time doing.

With the Ministry of Finance they said there's a meeting coming up in a few weeks where we're going to sit down, approve the final model but we need to figure out how we can solve the fact that we even want a treaty with anybody anyways. And these kind of conversations are very helpful to have.

So again, and I mentioned before, I mean, from our side FDI caps are covered in our model. And there can be exclusions to it but still if it's in there that's great. Performance requirements in our model, that essentially says you can't force us to build locally which is one of the main irritants. And for India, I think this is one of the tools for electricity and others that could bring investors back, the threat of expropriation or non-payment of bills or non -- this is huge on investors' minds and we don't take the risks for big infrastructure.

So the model should be out. Hopefully, it'll make its way in the statement because having the heads of state say it that they're committed to it is great. And we'll see what the revised model looks like and how big of a breach we've got to cover up there.

MS. MADAN: Richard or Alyssa, do you want to add something?

MR. FONTAINE: No, I'm good.

MS. AYRES: A quick follow-on. India is revising its model bilateral investment promotion agreement not just for the US. It's doing this across the board because of the many of these arbitrations cases that the government didn't like the outcome. So whatever comes out of that process again isn't sort of US-specific. It's something that India's looking to do for the way it handles investment treaties around the world.

MS. MADAN: Let's take a couple of questions together. One over here and one on -- did you have a question, sorry. Then one question over there. First here and there.

MR. AU YONG: Hi. Just to -- my name is Jeremy Au Yong from the Straits Times of Singapore. Just a follow-up, Dr. Madan, on your question about the wish list. I was wondering from anyone in the panel, how much of your answer was based on hope and how much is expectation? So like what realistically will we expect from joint statement? Is it going to be closer to what we saw in September?

And for Mr. Fontaine, I was wondering if you could elaborate a little bit more about what a more transactional relationship looks like because I was under the impression that everything that was currently being done already is quite transactional. So I was wondering if you could elaborate on that.

MS. MADAN: And then, the question over here.

MR. KADIAN: Thank you, Tanvi. Yeah, I'm Rajesh Kadian. The question is directed towards Josh. It's a three-liner. Between 1953 and the current year, India has leased five warships from three countries. And the US has a long history of lend-lease during the Second World War. Where do you see the possible leasing of nuclear warships to India in the future? That would be a big ticket item. Thank you.

MS. MADAN: Richard, do you want to?

MR. FONTAINE: Sure. I mean, a transactional international relationship is one where you know what you're getting in exchange for an action that you take, right? So the United States led the international effort to revise the nuclear supplier's group rules with respect to India to carve out a space for it in the international operation regime. Same thing at the IEA, amended the Atomic Energy Act all in pursuit of the civil nuclear agreement.

That was not because it said, okay, we're doing all this and then, the payoff will be specifically this action that this Indians will take or this business that we will get. It was a long-term bet on the strategic trajectory of India that was underlined by two premises.

One is that a stronger India is inherently in the interests of the United States and two; a closer relationship with India is inherently in the interest of the United States. Same thing with, you know, President Obama went to India in 2010 and said, United States now publicly supports India's permanent membership in the UN Security Council. What did he get for that?

Well, it wasn't a transaction. Again, it was putting capital in the diplomatic bank for a long-term strategic bet on the right -- on India rise and what that means for US interests. There's only so much that you can do that, though, both sides can do that without any payoff at all. So if the civil nuclear agreement is done but there's no payoff at all or we pursue a bilateral investment treaty or whatever it is and you just don't get anywhere on the specific policy initiatives, you need something to sort of fill in because both sides are not going to continue to put, I think, diplomatic capital in the bank without any sort of near-term concrete result just indefinitely.

And so, I think to provide ballast to the relationship, you need to do some of these concrete things.

MS. MADAN: Josh?

MR. WHITE: Right. That was an interesting question about leasing nuclear warships. I think it's unlikely, in part; there are probably technology transfer concerns. But I think almost the more important issue might be on the Indian side.

The Indians have framed their maritime expansion and modernization very much in the making India sort of indigenous production vein. And are moving forward on a number of fronts. A lot of the capital budget for military modernization is now with the Navy and is tied up with the Navy already for quite some time.

So I think a more likely path, something that would have a high profile but would be more realistic would be cooperation on some large naval platforms. Cooperation on carrier technology, broadly speaking, that eventually could evolve into technology on propulsion. But things that are both symbolic and that allow for India's naval power projection in a way that consonant with US interests and also symbolically sends a statement about the convergence of those interests and the fact that the United States implicitly and sometimes even explicitly wants to see India as the primary provider, net security provider, in the Indian Ocean and is willing to invest some energy in that.

At the end of the day, and this is true for the civil nuclear, it's true in a lot of the sectors that were talked about earlier, there has to be a business case for a lot of this as well. The United States doesn't approach Indian the way that Russia approaches India. And so, it's a combination of thinking about what's in the realm of the possible with tech transfer, what send the right messages and what could US industry get excited about.

And those things have to come together in a very particular way for projects to move forward.

MS. MADAN: Does anybody want to address Jeremy's kind of hope or

expectation? I think what we'd probably all say is that it's good there's hope and expectation. At this time last year I think there was just hope and expectation that the relationship get back on an even keel. So maybe it's a good thing that we've got more ambitious than that.

Alyssa, (inaudible) kind of talk about how important the personal aspect of this is, kind of the two leaders actually getting to spend more time with each other and how that can make a difference or not, you know, over the next at least couple of years till President Obama is in office?

MS. AYRES: I think most people would agree that leadership relationships matter. It matters that our President seems to have found a great working relationship and a connection with India's new Prime Minister. President Obama had a good relationship with India's previous Prime Minister but having that connection between the two means that they will be comfortable with one another, comfortable speaking frankly, comfortable thinking about what the countries can do together and comfortable directing their respective bureaucracies to do things to help realize that vision.

So I think it matters a lot. I also think it matters that you see people all down the food chain in both bureaucracies spending more time with each other, too. That actually helps a lot because the more visits you have and the more connectivity you have across governments, across both executive branches, the more you can do together.

MS. MADAN: Richard?

MR. FONTAINE: Just to add to that, I think that is more important now than it was in the recent past because of the centralization of authority in the Prime Minister's office in India. So before there was a lot of talk about US-India relations and now there's a lot of talk almost of US-Modi relations. And Indian officials and the

bureaucracies will talk about what the Prime Minister's vision is and how the Prime Minister's going to get things done and things like that.

Whereas not many people were talking about the US-Singh relationship or the US-Sonia Gandhi relationship. It's also true, to a lesser extent, on the US side because the White House has a very strong hand in this administration in the making of foreign policy. So I think that elevates the importance of the personal relationship between the two leaders at this particular moment in time.

MR. ROSSOW: And that actually, if I can real quick, something that we haven't specifically but it's kind of in the background of a lot of our comments. We know with Modi and some of the foundation agreements on defense, these kind of things where they would never have come to the table because they're worried about the backlash; they're worried about being attacked from the right, as we say here in the United States on a hard right leader you can't do that with Modi.

If Modi agrees that signing the foundation agreements is in India's interest, it's going to be really hard for other parties to come and say, you're being weak. You're bowing to the United States because he's projected successfully such a powerful image in-country. I mean, for the President that wants to get a few more things done before the end of his presidency, he sees somebody that's actually in power to take those really tough decisions. So they may be more on the table with him.

MS. MADAN: It is also interesting how much time the two leaders are spending actually talking to the people including through this joint radio program speech to the Indian public which happens usually and sometimes not so directly and definitely not so openly.

Questions at the back? Right.

QUESTIONER: Thank you for hosting this event. I have a slightly more



systemic question which spins off of Dr. Madan's question about can he deliver. And the question that I have is the degree to which the Gujarat miracle can scale up across a country as large and diverse as India.

I mean, it's one thing to have a bureaucracy that one can argue is somewhat compliant in the state. How does that look when you start to move that into Delhi? And do we have a system whereby the bureaucrats are eager to get on with reform? And then, finally, just to take off on the comment that the last panelist made, what are we to make of the opposition if the reforms are to meet any sort of resistance and they may not, where is that likely to look? Do we have essentially a dead in the water opposition who just sits back and allows this to happen or are we going to see some sort of a real push-pull dynamic with respect to the political system? Thank you.

MS. MADAN: And let's take Allison's question as well and then, we'll wrap up.

MS. BERLIN: Hi, Allison Berlin. I'm a Research Fellow at SEIS. This is a great discussion. Just a quick comment. It seems to me that Modi's inclusive development agenda has really, to use a word, reinvigorated US-India relations. This is a question to anyone on the panel.

One thing I have noticed is in the last couple of months there have been some proponents of Hindu nationalism though not Modi, who have sort of stepped up some of their discourse. And so, my question is do you think there's any concern that his development agenda could be overshadowed by some of these comments?

My thinking is probably not but I'm just wondering if anyone has actually been concerned about this. Thanks.

MS. MADAN: Okay, we're going to go to -- Rick, do you want to start? Alyssa, do you want to take the last question and then, Josh and Richard, if you want to

add any closing comments?

MR. ROSSOW: Yes, I'll touch on the can he deliver and, actually, I think Allison your question kind of touches on that. Throws a little red meat to the base and that gives him a little operational space on the things that he wants to do but anyways, on can he deliver?

So I like bringing up this point about has he already delivered. I actually am more bullish about what he's done already than most commentators are. So I always do the contrast on Chidambaram's first budget speech in 2004, this shocking election when Congress came in and none of us had kind of expected. And from an American perspective FDI caps is our proxy for whether or not you're opening or not.

And Chidambaram's three sectors for FDI changes, civil aviation, telecomm and insurance and it took two years, three years and never to get those across the finish line. Two years, three years and never to actually issue the press notes or pass the law to change those things.

Whereas, Jaylee announces four sectors for FDI changes; defense, railways, construction and insurance. And three are firmly done and the fourth, insurance, is I guess we would say quasi-done with the ordinance and maybe one of the first bills up for vote in Parliament. So to wait two and three years to get anything done versus a few months later it's done, now, that's the non-legislative side.

Legislatively, you raised a good point. I mean, the BJP is, you know, we pointed out they only control about 19 percent of seats in the Upper House and some political commentators say, well, you know, in a year or two they'll have that. It's impossible. There's not enough seats opening in the next two years for them to control a majority in the Upper House.

You know, we've done the calculation that it looks like at the end of 2018

is the earliest and others say likely it would be later than that. But can they get things done? Yes. I mean, we talk about the last 10 years and Manmohan Singh's legislative record as being very poor but it was never his record. In the last 10 years there was only one boss and that was Sonia Ghandi and she got through a lot of very difficult votes. And she had a much weaker hand in the Lower House, a little bit better in the Upper House but weaker in the Lower House.

She called Parliament back in session a year ago in February when they weren't supposed to be in session to divide a state in half. And got that vote done. So the sitting governments have sticks and carrots to get tough votes done. The question is are they going to focus that on economic, on things that we would consider part of our shared agenda or is it going to be on domestic issues.

So if he uses those powers, I think, in that way then we actually may see some movement legislatively too. But it's going to be selective. You can't do it for everything.

MS. MADAN: Alyssa?

MS. AYRES: Just to get to the second part of the first question which is essentially the same question that Allison has asked. This is actually the conversation happening domestically in India that in a sense, in a very real sense, Mr. Modi's honeymoon at home ended in December. That was when you started seeing people who had been supporters of his government, pen op eds and attach their name to public statements saying, you know what? The Prime Minister needs to start delivering.

There is a very big distraction to his economic agenda going on right now and that is the uproar in the Upper House of Parliament. Unlike what happened with the previous Indian government where you could have uproar in Parliament over issues that were directly related to policy change or new legislation put on the table and then, you

could have some huge turmoil and a debate over whatever the law, proposed law, would be about its merits and its demerits.

What's happening now in India's Upper House is this turmoil that has to do with comments made by kind of fringe rightwing religious nationalists that's causing the opposition in the Upper House to say, hey, what is happening? We've got to debate this. This is outrageous. And so, that conversation is actually stymieing Mr. Modi's economic agenda.

And you see people writing about this quite widely in India. The difference that you see now with Modi is that he is very single-mindedly saying I am not going to let this obstructionism disrupt my economic agenda. So he's moved to this ordinance route that Rick has talked about.

These ordinances are kind of like a US executive order in the sense that it's issued by the executive. But EOs in the US can last forever. I mean, we are still using EO-13224 for terrorist designations, for example. In India, these executive actions, these ordinances have a sell-by date. They will expire. They expire by the end of the next Parliamentary session or after six months.

So there is a real question if there isn't further legislative movement in India because of these kind of discussions, these debates in the Upper House, whether the Prime Minister will look to kind of continue issuing ordinances. And so, that is another issue that people have been talking about and apparently, the President of India had some conversation a few days ago where he said, hey, we can't use these ordinances all the time.

So there are precisely the kind of domestic political issues that people are deliberating over right now.

MS. MADAN: Richard, any closing comments from you?

MR. FONTAINE: Well, the only thing that I would add is that I think one -  
- if you look at the region, I think this visit is an opportunity for Modi and for the Indian leadership to impart some views and wisdom to the US side about what's going on in the region.

The United States' footprint in Afghanistan is going, military footprint, is going to zero by the end of 2016 except for the troops that guard the US Embassy. There's been this electoral transformation in Sri Lanka so that Rajapaksa's out and suddenly everything seems up for grabs in Sri Lanka with respect to the relationship with China and with India. Pakistan is an ongoing concern but things don't ever seem to be getting better there.

I think the United States has the opportunity to be in a listening mode when it comes to quickly moving things in the region and also trying to listen for what role does Modi want to play with respect to each of those three issues in particular in the region.

MS. MADAN: Thanks, Richard. Josh?

MR. WHITE: I'd just like to build on those last few comments and also affirm that this moment won't necessarily last forever. We don't know what might happen in Indian politics or what might happen, certainly, in US politics but this is a moment where the White House is spending a lot of time working on India.

Secretary Kerry's visit to Pakistan got a lot of press but his visit to India to help prepare for the President's trip was very positive and very successful. Ash Carter coming in to the Defense Department.

So this is -- it's an important moment not only because of the US bureaucratic energy focused on it but also because Afghanistan and Pakistan are still there but it's a relatively quiet, perhaps it's an interregnum between periods of chaos but

it's a relatively quiet season in which the US bureaucratic energy can be focused on India instead of dealing with crises or potential crises in those countries.

That moment might not also last forever. And so, I think it really speaks to the importance of this incremental and maybe even transactional progress that can be made over the next few months.

MS. MADAN: Thanks, Josh. And I'm sure with that you will all join me in thanking our great panelists. You can follow them all on Twitter and follow their work which is excellent and a number of them have written pieces related to the trip and Richard's got a great co-authored piece about bipartisanship and foreign policy that is very much worth reading. Thank you all for coming. Do keep track of what we're doing on India and other things and we look forward to seeing you next time we do an event.

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