

**U.S.-INDIA RELATIONS: BALANCING PROGRESS  
AND MANAGING EXPECTATIONS**

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**HEARING**

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE**

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## **U.S.-INDIA RELATIONS: BALANCING PROGRESS AND MANAGING EXPECTATIONS**

**TUESDAY, MAY 24, 2016**

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The committee met, pursuant to notice, at 10:03 a.m. in Room SD-419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Rubio, Johnson, Gardner, Perdue, Cardin, Menendez, Shaheen, Coons, Murphy, Kaine, and Markey.

### **OPENING STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE**

The CHAIRMAN. The Foreign Relations Committee will come to order. We welcome everybody.

The nature and scope of the U.S.-India relationship has changed significantly over the past couple of decades. Indeed, political, economic, and strategic cooperation between the United States and India is at an all-time high.

There is considerable potential to further strengthen many aspects of our relationship. For example, I am encouraged by efforts to expand U.S.-India defense and security cooperation specifically in the maritime sphere. As the world's two largest democracies, it is essential that Washington and Delhi stand together to uphold democratic values, principles, and norms in the Indo-Pacific, particularly as China seeks to gain greater influence in the region.

India's positive engagement and support for peace and stability in Afghanistan is also another reason for optimism.

Unquestionably India has much to contribute to the international efforts to tackle complex global challenges.

And there is little doubt that the overall trajectory of the U.S.-India relations is positive, and we talked a little bit about that before the meeting. And again, we thank you for being here to testify.

But there remain a number of challenges as well, including our economic and trade relationship. Onerous and unreasonable localization requirements, high tariffs, limits on foreign investment, and unparalleled bureaucratic red tape hinder further access to the Indian market by American businesses.

There are also serious concerns about the treatment of intellectual property in India. Prime Minister Modi has made repeated statements about undertaking economic reforms and making India

more hospitable for foreign investors. And there have been some small movements in certain sectors such as defense.

However, the rhetoric has far outpaced the reforms. Moreover, it appears that trade and investment remain principally transactional for the Indians rather than serving as indispensable tools to establishing a genuinely free market economy.

I am concerned that the robust rhetoric has created a widening expectations gap between Washington and Delhi.

Of course, we must aspire as a government to achieve certain goals in any relationship, especially with India. But in the case of U.S.-India relations, the hopeful rhetoric has far exceeded actual, tangible achievements.

I can think of no more poignant example than the U.S.-India civil nuclear cooperation agreement. Nearly 8 years have passed since the nuclear cooperation agreement was signed, and only in recent weeks have we been assured that contracts for U.S. companies are imminent. Of course, we need to see what those contracts actually look like as well.

For these reasons, U.S.-India relations would be better served by a more sober and pragmatic approach that could go a long way towards laying the groundwork for genuine progress in areas that would be mutually beneficial to both the United States and India.

I look forward to hearing the witness, and I want to thank you for being here.

I look forward to our distinguished ranking member and his opening comments. And thank you for being here.

**STATEMENT OF HON. BENJAMIN L. CARDIN,  
U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Well, thank you, Mr. Chairman, and I welcome both panels of our witnesses today.

And thank you for calling this hearing. It could not be more timely with Prime Minister Modi's visit scheduled early next month. It is important that this committee have this hearing to look at the deepening ties between India and the United States. It has been a relationship that has only grown stronger in recent years. We look at the 2-year anniversary of the Modi administration, which has, I think, deepened the ties between the United States and India. And as you pointed out, the United States and India are the two largest democracies in the world. So there is an expectation that that relationship would get stronger and it has.

Today I hope we will have a chance to explore our defense relationship. Clearly we have a lot in common. The South China Sea and China's activities on maritime security dictate that the United States and India work a closer defense cooperative arrangement to make sure that we maintain the commerce of the seas and the openness of the shipping lanes.

We also need to deal with counterterrorism. We still recall the tragic terrorist episode in Mumbai in 2008. Three of my constituents from Maryland were killed during that attack, and that is still fresh in the minds of the people of India. So I think strengthening our ties on counterterrorism, working towards further cooperation in South Asia is an important part of the growing relationship between our two countries.

You mentioned the nuclear agreements on civil nuclear cooperation. India, of course, which has nuclear power and also nuclear weapons, is a country that we need to make sure that we have a close tie on the nuclear front, on nuclear safety, and nuclear proliferation. So I would be interested in hearing from our witness the status of the agreements between our countries that could improve logistical on the defense front.

On other areas, in climate we have been major progress made. We applaud the relationship between President Obama and Prime Minister Modi in the successful completion of COP21, India's presence at the United Nations on the signing, and would welcome your assessment as to how the ratification process will be proceeding in India.

On the economic front, we clearly have challenges. There are many areas that I have heard from American companies of concerns as to the hurdles that they have in doing business in India. So we will be interested in hearing about market access.

On the human rights front, Mr. Chairman, as you know, I will always raise human rights issues. There is no country that cannot improve their human rights records, including the United States and India. India, according to the State Department's human rights list of concerns related to women's rights, minority communities, religious freedom, press freedom, and the freedom of civil societies. Similar concerns have been raised by many of our civil society groups including Human Rights Watch. The expectations are higher from a country with capable democracy where institutions are well positioned and have the responsibility and ability to correct shortcomings and over-extensions of authority.

India's vibrant civil society and press are extraordinary assets that deserve expansion not limitation as they also play better roles in safeguarding fundamental freedoms. Prime Minister Modi is right when he says that diversity is our pride and it is our strength. As friends, we should stand ready to support India's efforts towards this vision.

In closing, we must set realistic expectations but steadily remove obstacles to our deeper cooperation and partnership. This will come over time as trust is built and our respective systems get used to working with each other. As we look forward to the future, support in Congress for a strong and growing partnership with India will help to frame the policy debate.

I look forward again, Mr. Chairman, to hearing from our witnesses.

The CHAIRMAN. Well, thank you. And I would not expect to have an opening statement from you without human rights being mentioned. So thank you for that.

I would say that while this committee has been unanimously supportive of an end modern slavery movement that the United States would lead, India also has the largest number of slaves. I am not talking about people working for a dollar a day. I am talking about people who are enslaved in any country in the world. So I very much appreciate you bringing that up.

And with that, our first witness is the Honorable Nisha Biswal, Assistant Secretary of State for South and Central Asian Affairs. We thank you for being here. I know you have done this before. If

you could summarize your comments, without objection, we will enter your written statement into the record. And again, we thank you so much for being here and sharing your wisdom with us.

**STATEMENT OF HON. NISHA DESAI BISWAL, ASSISTANT SECRETARY, BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, D.C.**

Ms. BISWAL. Thank you very much, Mr. Chairman, Ranking Member Cardin for inviting me to testify today. And I will summarize my comments and ask that my statement be entered for the record. Thank you.

As you noted, this hearing, Mr. Chairman, provides us with a timely opportunity to take stock of the U.S.-India relationship.

Over the past 8 years, we have seen tremendous progress across every major dimension of our relationship. Indeed, the relations between our two great democracies have never been stronger, even as both sides recognize that there is much more that needs to be done.

The strategic partnership between the United States and India is anchored in the premise that our two democratic, pluralistic, and secular societies share not only many of the same attributes but also many of the same aspirations.

India is Asia's fastest growing major economy and soon to be the most populous nation on earth. How it grows its economy, evolves its strategic doctrine, asserts its interests and values, and projects its growing economic, military, and political power will have important consequences not only for the 1.25 billion Indian citizens but also for the rest of the planet. That is why the U.S.-India partnership is so significant and why I believe that this relationship will shape the future of geopolitics and economics in the 21st century.

The bilateral architecture of the U.S.-India partnership reflects the investment that both countries have made in building ties between our people, our industries, our governments, and our defense establishments.

Secretary Kerry stated last year that we may do more with India on a government-to-government basis than with virtually any other nation. Yet, for India to be a strong and capable strategic partner, it must have the economic strength to back up its growing global leadership.

At the same time, we must note that expanding trade between our nations will create more jobs here and offer U.S. firms greater access to one of the most important foreign markets of this century. Bilateral trade in goods and services has nearly doubled since 2009. U.S. exports to India have increased by nearly 50 percent over the same period, supporting more than 180,000 U.S. jobs.

Despite these gains, as you noted, much still needs to be done to get two-way trade closer to its potential. Among the steps that we have urged India to take to attract more companies would be to negotiate a high standard, high quality bilateral investment treaty with the U.S. India's economy cannot achieve its full potential without strengthening the protection of intellectual property rights and creating a more transparent and predictable regulatory and tax regime.

In the defense and security sectors, ties are critically important to securing U.S. interests in Asia and across the Indo-Pacific re-

gion. This is well respected in the words of former and current Defense Secretaries Leon Panetta and Ash Carter who have referred to India both as the linchpin of the U.S. rebalance to Asia and the U.S.-India defense partnership as an anchor of global security. And India now conducts more military exercises with the United States than any other country. In recent years, we have become one of India's largest defense suppliers, enabling greater interoperability between our armed forces. To that end, we have launched the Defense Technology and Trade Initiative, or DTTI, which includes working groups on jet engine technology, aircraft carrier development, and others.

In addition to the security partnership, how India's energy market develops will have a profound impact beyond its borders. Our cooperation in this arena is critical to ensuring global growth is achieved in a sustainable way. Building an international consensus to combat climate change has been a top priority for President Obama and Secretary Kerry, and India's leadership, as you noted, Senator Cardin, was essential to the successful conclusion of the COP21 negotiations in Paris.

Clean and renewable energy is where our cooperation can have the greatest effect. Our partnership to advance clean energy now includes cooperation on smart grids, energy storage, as well as solar, biofuels, and building efficiencies. And since 2009, we have helped mobilize more than \$2.5 billion to develop clean energy solutions in India. We are confident that as India looks to increase its civilian nuclear capabilities, that U.S.-built nuclear reactors will play a contributing role to that effort.

But our partnership is also focused on strengthening the ties between our peoples and addressing the challenges that keep them from achieving their full potential. Last year in his speech in New Delhi, President Obama said, "our nations are strongest when we uphold the equality of all of our people." And to that end, to build on those strengths, we have a range of dialogues focused on human rights, including religious freedom, trafficking in persons, as you both noted, child labor, and gender-based violence.

Taken together, the progress we have made across the breadth of this relationship over previous administrations and certainly over the past 8 years has ushered in a new era of relations between the United States and India, strengthening the foundations of a partnership which we believe will help ensure the peace of the Indo-Pacific region and shared prosperity across that expanse.

Thank you, Senator. And, Mr. Chairman, I look forward to your questions.

[Ms. Biswal's prepared statement is located at the end of this transcript on page 41.]

The CHAIRMAN. Thank you. Thank you very much for being here and your service to our country.

I am going to reserve my time for interjections down the road. Senator Cardin.

Senator CARDIN. Let me just ask you directly. With the Prime Minister's visit here to the United States, do you expect that there will be formal agreements that will be signed in regards to security cooperation during the visit?

Ms. BISWAL. We have already strengthened our security cooperation on a number of key fronts, and certainly Secretary Carter's visit earlier this year was key in advancing many of those things.

We are looking at what additional areas we can engage in to deepen that cooperation. We just launched a maritime security dialogue. We have, as I noted, undertaken a great deal of activity in terms of co-production and co-development of various next generation technologies.

And we are looking to see if there are additional things that we can conclude during the Prime Minister's visit. We are hopeful that progress will be made on some of the foundational agreements, including the logistics agreement, that might be concluded prior to the visit. And we are looking to see if there are other things that we can take on board.

Senator CARDIN. Clearly anti-terrorism is going to be a huge issue, fighting forms of extremism. Yesterday I believe an agreement was announced between Iran and India in regards to the Port of Chabahar. Are we concerned knowing that Iran is continuing to sponsor terrorism in that region? Obviously, there is nothing that appears to be in violation of any of our agreements. But how do we see India as a partner in fighting extremism and financing of terrorism?

Ms. BISWAL. Well, it is a very important question in light of the Indian Prime Minister's recent visit and announcements. And I am going to answer it in two points.

One is with respect to the announcement on the Chabahar Port, we have been very clear with the Indians on what we believe are the continuing restrictions on activities with respect to Iran. And they have been very responsive and receptive to our briefings to explain where we believe the lines are. And we have to examine the details of the Chabahar announcement to see where it falls in that place.

But with respect to India's relationship with Iran, which I do believe is primarily focused on economic and energy issues, we do recognize that from the Indian perspective that Iran represents for India a gateway into Afghanistan and Central Asia. For India to be able to contribute to the economic development of Afghanistan, it needs access that it does not readily have across its land boundaries, and that India is seeking to deepen its energy relationships with the Central Asian countries and are looking for routes that would facilitate that.

That said, we have been very clear with the Indians on what our security concerns have been and we will continue to engage them on those issues.

Senator CARDIN. Well, I just hope that we are getting candid discussions. Again, economic issues we understand. But if it is also being used as a way to increase their capacity to support terrorism—that is Iran—we need to know that we have a reliable partner in India in fighting terrorism. And I assume those candid discussions are taking place?

Ms. BISWAL. They are absolutely, Senator.

Senator CARDIN. And you will keep our committee informed of those discussions?

Ms. BISWAL. Indeed.

Senator CARDIN. So let me change focus to the human rights. The chairman mentioned the trafficking issues. I mentioned the human rights issues. India is on the State Department's tier 2 as a source, destination, and transit country for men, women, and children. We know that they have an inconsistent record on the manner in which they treat women and girls. So tell us the progress being made in regards to dealing with modern day slavery in our relationship with India.

Ms. BISWAL. Thank you, Senator.

Our representative on global trafficking issues, Susan Coppedge, was actually just in India a few weeks ago. And I will say that this is the first time that we have been able to engage with the Indians and travel to India at that level on these issues. In the past, irrespective of whether it was this administration or previous administrations in India, they have not been willing to allow our folks to travel on these issues. I think it marks a progress in the relationship and in India's own commitment to work towards ending or combating trafficking. I believe Ambassador Coppedge had very useful and constructive discussions particularly on how we can strengthen the cooperation of our law enforcement bodies, as well as working on civil society's role to address trafficking in persons. It is an issue that I think is a challenge across the South and Central Asian region and one that I know that the Secretary prioritizes.

Senator CARDIN. Let me just point out the 2015 TIP Report made specific recommendations. The 2016 outlook indicates that they have not successfully implemented many of the recommendations, including they have not increased prosecution and convictions for trafficking in persons crimes, especially bonded labor. And India has failed to fully fund and staff its anti-human trafficking police units. The fast courts continue to lack adequate resources and funding to train prosecutors, judges, and core personnel. This is a democratic ally, friend. Are we being candid with them in regards to what is expected in regards to trafficking?

Ms. BISWAL. Absolutely we are being candid. Ultimately it is an issue of Indian capacity to address the very large, complex network.

Senator CARDIN. The recommendations in our trafficking reports take that into consideration.

I can also bring up their anti-conversion laws that are problematic in regards to how they are dealing with religious freedom.

I guess my question to you, other than releasing the Department's human rights report, how does State engage with India on the issues that are raised as human rights concerns?

Ms. BISWAL. So we have a number of different opportunities across our relationship. One, we have specific dialogues that focus on human rights, trafficking religious freedom issues, including our global issues forum at the under secretary level where we go through in great detail where we have areas of concern. But we also, in all of our interactions, raise issues, particularly if we have specific instances or cases of concern to seek Indian responses and actions. We also, in the way that we do our diplomacy, make clear the values that we stand for and ensuring that we are engaging all communities and ethnicities and religions in India, that we are en-

gaging with civil society as a core component of the relationship. And we look to partner not only at the national level, but also at the state level where many of these challenges manifest to see what kinds of solutions.

For example, in the specific instance of combating gender-based violence, we know that this is about how local law enforcement implements and acts on an existing legal stricture, and so we are trying to deepen our cooperation with Indian law enforcement agencies on community policing and creating greater awareness and best practices in terms of how to combat gender-based violence.

So across all of these areas, we do try to engage constructively, both at the national and at the state level.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I gave up my time on the front end, so I am just going to ask my first question.

Just to follow on with our ranking member's great questions, India has 12 million to 14 million slaves. There are 27 million slaves in the world. How does a country like this have 12 million to 14 million slaves in the year 2016? How does that happen?

Ms. BISWAL. Well, Senator, it is a huge challenge in this massive country to deal with the issues of uniform capacity and capability to address the rights of every individual citizen. We do think that there is a lot more that can and should be done to address issues of trafficking and—

The CHAIRMAN [continuing]. But how could you have that many slaves? I mean, seriously. Do they have just zero prosecution abilities, zero law enforcement? I mean, how could this happen? On that scale, it is pretty incredible.

Ms. BISWAL. Mr. Chairman, I would say that there is increasing awareness and commitment at the national level to try to deal with these. And we have seen them break up trafficking rings in places like Shinai. But there is a long way to go, and there is an economic reality that is going to incentivize, unfortunately, this kind of criminal network from existing. And it will be increasingly, I believe, incumbent upon India to advance the rule of law across all aspects of its society to ensure that these kinds of conditions do not exist and this kind of trafficking does not exist. We are committed to supporting those efforts and to being a partner in that endeavor.

The CHAIRMAN. Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman.

And thank you, Madam Secretary.

I just have two questions, one related to global security and the other economic.

Prime Minister Modi just concluded a 2-day visit in Tehran. I think he met with President Rouhani. My information says they signed 12 agreements talking anything from trade to security. You have related some comments to a relationship with Iran and its growing import to India. I would like you to talk about that in perspective with Pakistan and the relationship that India has with Pakistan, two nuclear powers, an aspiring nuclear power in Iran. How do you assess the developments of this growing India-Iran relationship, and how does it affect U.S. interests in the region?

Ms. BISWAL. Thank you, Senator.

We have, over the course of years, invested a great deal of effort in engaging India on our desire to prevent Iran from acquiring nuclear weapons and the sanctions regime that has been in place for that reason. The Indians have been very consistent partners, even when it has adversely impacted their economic interests, in ensuring that they were working with us and in compliance of that sanctions regime.

Senator PERDUE. I am sorry. But some of these 12 agreements that they just signed have to do with increased trade between the two countries. Correct?

Ms. BISWAL. So we are at the point now under the Joint Comprehensive Plan of Action where some activities that were previously prohibited are, in fact, permissible. We do not have yet the details of the agreements that have been signed, and we will look to engage with our Indian counterparts to better understand the specific details and how they comport with what continuing requirements are in place and what restrictions are in place.

Senator PERDUE. With India having the world's third largest—and I know this is a debatable measure—third largest military and the relationship with Iran having been somewhat tenuous over the last few decades—it seems to be better today. But with the diversity, religious diversity, demographic diversity, the Pashtun issue across both countries, give us an update on the India-Pakistan security issues today.

Ms. BISWAL. Well, clearly we have long encouraged India and Pakistan to engage in dialogues and to address some of the many issues that continue to be outstanding in that relationship. We have a very important relationship with each country, and we seek to advance our interests with each country. We do not see this as zero sum, but we do recognize that for India and Pakistan, that there are a number of outstanding issues between both that would be benefited by dialogue.

On the other hand, we do understand that countering and combating terrorism is an important objective not just for India, for Pakistan, for Afghanistan, but for the United States across that area. And so these are areas that we try to support conversations across all of our bilateral relationships, as well as pushing countries in the region to address it themselves.

We do believe that increasingly there is recognition that no kind of terrorist organization will be acceptable, that you cannot differentiate between good terrorists and bad terrorists. That has been a stalwart tenet of our engagement in the region, and we do believe that we are starting to get that recognition back in at least the commitments that countries in the region are making to us. We do need to see more in terms of actions in that space, and we will continue to push on those issues.

Senator PERDUE. Thank you.

Moving over to the economic question, India is a growing economy, one of the fastest growing. It is the third largest now, in line with having the third largest military. And yet, the bilateral trade is really anemic between the U.S. and India. We still have a net negative trade balance with them, and yet they are a large source of foreign direct investment in the U.S., one of the fastest growing I might add.

The question is will they—and I am a little bit dubious of these rankings. But the World Bank ranks India 130th out of 189 countries that they rank in terms of ease to do business. I can relate to that in some ways. I have done business there much of my career, having lived in Asia a couple times.

And by the way, I am not sure that the U.S. ranking of 7 on that World Bank ranking is merited either. I know how tough it is to do business in the U.S. today.

So having said that, what is the administration doing to increase trade between the two countries and influence economic development of that region related to several things, the refugee issue being one, where we have to get those economies growing again when these people get to go home and not just in Syria but all across the Middle East, Afghanistan, Iraq, et cetera, including Africa? So can you talk specifically about—this is one of the three top economies in the world, and yet trading with the top economy in the world is really anemic. And yet, we have the economic development needs of the third world. And I do not see India playing in that today. And the question I have is how can these two juggernauts economically get together and trade better together but also work together for the economic development of the third world.

Ms. BISWAL. Well, that is an excellent question. It has been an effort that has been one of both the most important but also most complex between our two countries.

The Indian economy, which has for so long been very inward and insular, is increasingly looking to see how it can integrate and connect. And as they do that, I think that the Indian Government is recognizing its need to open up and liberalize. It is not happening at a pace that any of us would want. I think that the Prime Minister created very high expectations in his campaign about what an India that is open for business would look like. In terms of the reforms that he has been able to get passed through parliament and implemented, the pace has been slower than what many not only in the United States but, frankly, in India would have liked to see.

That said, we do believe that there has been greater ease in doing business and in attracting investment. We have seen that in terms of the increase in U.S. investment flows into India. We have also seen that in terms of the interest of American companies. They increasingly are looking at India as one of their top destinations for where they want to put their investments, where they want to sell their products and their services. And so it will be incumbent upon both of us to try to create the economic architecture that allows that to happen and for India to create the environment both with respect to larger legislative changes that they need to make in terms of the tax regime and others, but also in terms of the regulatory policies and how they are implemented across the board.

Senator PERDUE. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Madam Secretary, I read the testimonies of the private panel of witnesses that is going to appear following your testimony, and without stealing their thunder, I was struck by similarities in their policy recommendations. In my view, the point that resonated the

loudest was the U.S. interest in a strong economic relationship with India and, conversely, India's interests in a similar relationship with the United States. And like those witnesses, I believe that developing that bilateral economic relationship should be elevated to one of our highest bilateral priorities for the U.S. agenda.

Now, we are engaged mutually in a comprehensive set of diplomatic dialogue and working groups covering a wide range of issues in the areas of economic security, climate change, and education. So this is a relationship that does not suffer from the lack of dialogue. But it, unfortunately, does suffer from a lack of results, especially since the civilian nuclear deal was signed in 2006.

So it would be my hope that with a strong push from Prime Minister Modi—and I am pleased he is returning to the United States—that the time is right for these dialogues to translate into action. And there is no better example of the benefits to both the United States and India of a strong bilateral relationship than my home State of New Jersey. You were gracious enough to come in 2014 and be part of a panel discussion there. Indian Americans start more companies than any other immigrant group in America. New Jersey leads every State in Indian American startups. Nine companies on the Fortune 500 list have Indian American CEOs. They account for about 1 percent of the U.S. population but have a disproportionately influential position in American medicine, academia, corporations, and especially the high tech sector.

Now, I have talked to many U.S. companies, and they definitely want to—they seek to invest in India. But they need transparent governance, a fair regulatory environment, strong legal mechanisms to protect those investments. So there is great optimism but there is also a realization that there is not the type of progress necessary in those fields to try to capitalize on that possibility.

If the Indian Government can deliver on its plans for greater openness with capital flows and stronger intellectual property rights, I am confident that our companies are ready to invest.

And so the question for me, with that as a background, particularly my concern in these different areas of the necessity for India to undertake reforms to recognize intellectual property rights, real reforms on this issue, which significantly impacts the ability of many U.S. companies to do business in India's important markets, particularly the pharmaceutical industry which faces continuing challenges in IPR protections—so realizing that some progress has been made, why has the relationship not realized its full economic potential? What is the administration's top priority in this regard with the Indian Government?

Ms. BISWAL. Thank you, Senator.

I do believe that it is an extraordinarily complex not only economy but government with very robust state and provincial leadership that are not always on the same page or on the same mindset. And so while we have seen progress, the progress has been uneven. There are states that many of our companies would rank at the very top in terms of the ease of doing business, and then there are states that are prohibitively difficult to engage in. And so there is a great deal of unevenness across the board in terms of where we have success and where we have extraordinary and prohibitive challenges.

Senator MENENDEZ. So you are suggesting there is a structural challenge in the way the Indian Government works between the provinces and the central government?

Ms. BISWAL. I do believe that there are structural challenges, as well as I believe some of the progress that we would like to see is a national enabling environment and legal framework where we believe that the government has not been able to pass the kind of reforms through parliament that would dramatically change the outlook in this sphere.

Have we seen progress? I think we have. And I think as I talk to our executives across the board, they would say that over the past 2 years, that they have seen a dramatic change in the nature of the conversations and more of a problem-solving approach to trying to address these issues, but not yet, as you have noted, the concrete outcomes that would give us the measure of assurance that we are seeking that our business, our economic relationships can grow at the pace that both countries would like to see.

Senator MENENDEZ. Well, so in the areas of intellectual property rights, what is the State Department doing and the administration doing to further not just a conversation but actions that ultimately create an Indian legal framework that will recognize and guarantee intellectual property rights? Because in so many ways, whether it is the pharmaceutical industry, whether it is the high tech industry and others, the concern of pirating and/or just outright—I will call it—*forfeiting intellectual property rights* is a real concern. And that is going to be a challenge for India as well in terms of opportunities that exist.

Ms. BISWAL. You are exactly right. And that is the approach that we have taken, which is that as India seeks to increase its—you know, making India its innovation economy that it seeks to create, it will need to have a stronger intellectual property regime.

Now, in our trade policy forum, which is led by USTR, we make this a centerpiece of our conversations, of our engagement. We also have an intellectual property working group, an IPR working group, between the U.S. and India, including engaging with the private sector on their specific interests and concerns.

And finally, there, I believe, is a growing constituency within India to see a strengthening IPR regime. And the Indian Government just recently announced a new IPR policy that amongst the positive aspects I would say are that they seek to create a greater awareness and understanding in the Indian population about the need for strong intellectual property, to change the nature of that conversation so that they can make a systemic change, a need to increase the capacity, particularly the length of time it takes to issue a patent in India because of the enormous backload is inhibitive and prohibitive for innovation. And many Indian innovators are looking to offshore their patents because they cannot get a timely consideration. So these are positive steps.

But we know that there are many other areas that we want to see greater progress on intellectual property not only in the pharmaceutical industry but increasingly across the innovation economy that both our countries want to see enabled.

Senator MENENDEZ. Well, I would just say it would be ironic that Indian entrepreneurs and inventors would offshore their patents

and then would not have their patent recognized successfully in their native country.

So I look forward to continuing that engagement.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman.

And thank you, Secretary Biswal, for this hearing today and your time and testimony today.

I first had the opportunity to visit India almost 10 years ago now. What an incredible experience it was. Our nation's oldest democracy, the United States, to the world's—the world's oldest democracy in the United States to the world's largest democracy in India. What an incredible opportunity to see a vibrant economy, the incredible energy of the people of India. And throughout our meetings, no matter where we were, there was always this energy about how we could work better with the United States, how we could partner more in terms of business and relationships to further the already strong ties that we have. And so I continue to be excited about the future of U.S.-India relations and certainly look forward to working every way I can to further those relations.

But I wanted to thank you personally, though, for something that you and your colleagues have helped me out at the SCA Bureau, working with my office to assist a Christian organization called Compassion International, which is based in Colorado Springs, Colorado. A situation that Compassion International has found itself in India is deeply concerning to me, and I hope that we can find a resolution to it soon. So thank you for you and your Bureau's engagement.

I received a letter from Compassion International talking about what is happening in India to the organization, an organization that cares for some sponsors—has sponsored since 1968 nearly 145,000 children. This organization has been active since 1968, millions of dollars going to help children, sponsor them, bring them up and out of poverty to greater opportunities. But in India, Compassion has now been sued by the income tax commission four times. Their assets have been seized. They have had employees and church pastors interrogated after hours by the intelligence bureau. 12 separate visa applications have been denied.

The situation does raise concern about religious freedom in India. According to the U.S. Commission on International Religious Freedom (USCIRF), in 2015—and I quote from the report—religious tolerance deteriorated and religious freedom violations increased in India. Minority communities, especially Christians, Muslims, and Sikhs, experienced numerous incidents of intimidation, harassment, and violence.

Furthermore, there seems to be a real crackdown on religious NGOs by the Indian Government in the last year. According to USCIRF, in April of 2015, the Ministry of Home Affairs revoked the licenses of nearly 9,000 charitable organizations. The ministry stated that the revocations were for noncompliance with legal reporting requirements, but numerous religious and non-religious NGOs claimed that they were in retaliation for highlighting the government's poor record on human trafficking, labor conditions,

religious freedom, and other human rights, environmental, and food issues. Among the affected organizations were Christian NGOs that receive money from foreign co-religionists to build or fund schools, orphanages, and churches and human rights activists and their funders. And I believe this year even the employees of the bureau who were going to help right the USCIRF were denied their visa by India.

So is this an accurate position in your view or statement of view of what is happening to NGOs being retaliated against by the Government of India or local governments?

Ms. BISWAL. I do believe that one of the concerns that we have raised with our counterparts in India consistently has been about the regulatory and/or legal framework that seeks to constrain the activities of civil society organizations, whether they be Indian or international organizations, American organizations, and to try to work through exactly what the concerns are on the Indian side but to ensure that one of the pillars of our relationship, which is a people-to-people relationship founded in the role of civil society organizations in both countries, that that is allowed and enable to flourish. And so this is a continuing area of concern.

Now, with respect to USCIRF, I will note that we have engaged consistently to try to enable members of that committee to travel to India. I am not aware in the tenure of not only my term in this position but in government, that India has ever provided visas to that committee in successive administrations dating back since the foundation of that committee. We have tried to impress upon our counterparts that this organization with a congressional mandate is undertaking very important work and that a dialogue, a constructive dialogue, between the Government of India and the U.S. Commission for International Religious Freedom would benefit all sides. And we will continue to press upon them.

Senator GARDNER. And thank you. So what you are saying basically is that it is not just Compassion International, there are other Christian organizations or otherwise that are now in the same situation that Compassion International finds itself in.

Ms. BISWAL. I think that there are probably an uneven experience of civil society organizations. We are looking into specifically the issues that you have raised with Compassion International to see if there is some way that we can work through those concerns and try to facilitate their activities in India. And I look forward to working with you and with them to try to get to the bottom of that.

Senator GARDNER. And thank you. In terms of the Government of India's response to our actions in Delhi from our embassy, what exactly have they done to this point perhaps to alleviate the concerns that you have expressed?

Ms. BISWAL. Well, we have engaged on behalf of both specific concerns when U.S. civil society organizations raise them with us, as well as the broad-based issues of, on the one hand, understanding that in our country, as well as any other, that there is a legal frame under which civil society operates and to ensure that that frame is one well understood and, two, that it is transparently and evenly applied. One of the conversations that we have had with our counterparts is that an uneven application of the law can itself represent a bias that can constrain the activity of civil society

and constrain the speech of private entities. So we do try to work through those issues.

I will say it is inherently going to be dependent on the very robust constituencies within India that push on these issues in the public debate, in the media, and in the interactions between civil society and members of government and members of parliament that you are going to see the greatest possibility for progress. But we are doing our part in our conversations both publicly and privately to encourage progress in this area.

Senator GARDNER. And again, I want to thank you for your office's actions. It would be a shame to see this organization stop its great work because of this activity taking place right now and this policy in India. So thank you for that. And perhaps we could have further discussions later—I am out of time now—about the partnership that we have right now on the South China Sea with India and their views of freedom of navigation operations. But perhaps at a later time. Thank you very much.

Ms. BISWAL. Thank you, Senator.

The CHAIRMAN. Thank you.

Senator KAINE.

Senator KAINE. Thank you, Mr. Chair.

And thank you, Secretary Biswal. It is good to be back together with you.

I want to follow up on the line of questioning for Senator Gardner because I want to make sure I understood some of your answers and underline this issue.

The Indian Government denied visas for American researchers in March who were going as part of the U.S. Commission on International Religious Freedom. These were researchers who work to prepare the annual report that is done about religious freedom around the world. That is a most unusual action. Is it not?

Ms. BISWAL. We certainly would have encouraged them to allow these researchers to travel because we believe it would foster greater understanding and support and dialogue between USCIRF and Indian authorities and would enable them to have a more comprehensive report and understanding.

Senator KAINE. I was not exactly clear about your testimony. I just was distracted for a second. In the past, have similar researchers been denied visas in India or have they been allowed in?

Ms. BISWAL. It is my recollection that we have never been able to gain entry or gain visas for them to travel to India in successive Indian administrations, that that has been a longstanding policy of the Indian Government that we have not been able to change.

Senator KAINE. And what has been the general policy with respect to other nations' willingness to grant visas to researchers from the U.S. commission?

Ms. BISWAL. I suspect that it is a mixed and uneven record, but I cannot tell you definitively what it is across the board.

Senator KAINE. The 2015 report of the commission was pretty hard on India, and in fact, on India's—I think in their conclusion—sort of declining religious tolerance, or maybe to say it in the reverse, increased instances of sectarian tension and disturbances, as I recall.

Ms. BISWAL. I believe that is correct.

Senator KAINE. From my constituents—I have a very, very vibrant Indian American community in Virginia, as you know, including a pretty active Sikh community. And the Sikh community in particular has expressed a lot of concerns about Indian governmental response, for example, to desecration of Sikh religious texts and sites that have been conducted in certain parts of the country and what they view as an inadequate government response to that. Has your office been following those concerns as well?

Ms. BISWAL. We have been and we have also engaged with the Sikh community here in the United States.

Senator KAINE. I met with the Indian Ambassador to the United States in recent months to talk about this and shared my very significant concern about it. I think the message was delivered. I think the explanation was during election seasons, there can sometimes be things happen, and then after the election season, tensions abate a little bit. But I was not completely satisfied with that answer. Again, I consider myself a strong supporter of this bilateral relationship.

I also understand over these issues of religious tolerance, there have been in India recently a number of artists and others who have been refusing cultural prizes to try to make kind of a public statement of concern about the state of religious tolerance and liberty in India. Am I correct in that?

Ms. BISWAL. There has been a fairly vigorous and vociferous debate within India with respect to issues of religious freedoms and religious tolerance.

Senator KAINE. Well, this is an issue that I think is a really important one for us to stay up on. We are going to have the opportunity, which I really look forward to, to have the Prime Minister in Washington soon. But India's status as that secular democracy, as you described it, is a really important one, but you can only have that status if people do not feel like they are going to be preferred or punished for how they choose to worship.

Ms. BISWAL. I guess if I may comment, Senator. My own perspective on this issue is that there is no more robust voice than the voice of the Indian people that is taking up these issues within increasing vigor and public debate. It is on the headlines of Indian newspapers that you are seeing a very active engagement on this issue. I think these are issues and these are values that we hold very dear that we bring into the conversation, but we try to do it in as constructive a way possible to not take away from the fact that these are issues that Indians must grapple with and get right for their own country, for their own democracy, for their own society and that we in the United States have experiences to share, lessons to share, best practices to share, but we seek to do that in a way that respects and honors the fact that this democracy has a very vibrant and very vocal civil society and media and political party system that is also trying to get this right.

Senator KAINE. And that certainly has been my experience as I have visited. That is a heartening aspect of India today is that vibrant civil society that is not shy at all about raising these issues.

Just to conclude, moving to defense cooperation, an aspect of the testimony of all the witnesses, I am very heartened by the ongoing work that is being done in that area. Senator King and I visited

India in October 2014 and went to the Mazagon docks in Mumbai to see the Indian shipbuilding industry and encouraged the defense ministry to send a delegation here, and I think that has happened maybe last summer. And then there is ongoing work in these various defense spaces. Secretary Carter has been really good about it.

And I even noticed—this is interesting being on the Armed Services Committee—every DOD witness we now have always talks about the Indo-Asia-Pacific. When I started on the committee, they always talked about the Asia-Pacific. Now they always talk about the Indo-Asia-Pacific. And I think it is good that as we think about that part of the world, we are changing our vocabulary to reflect the fact that the relationship with India is of growing strategic importance. I believe that it is. And I just want to encourage that we continue in that way.

And with that, Mr. Chair, I yield back.

The CHAIRMAN. Thank you.

I did not use my time on the front end, and I wanted to ask a couple of questions. This is my second one.

I get the feeling just in listening to your testimony and some of the concerns that people on both sides have had that we are not as brutally honest about our relationship with India as we should be, and it benefits neither them nor us. It just seems that they are huge country and we see promise there. We do not see much action. But we are just not that honest in our discussions—brutally honest—about some of the issues that have been raised here, whether it is human rights, whether it is slavery, whether it is really a lack of the intellectual property issues that have been brought up.

The civil nuclear deal. I mean, I am sorry. It never materialized into anything that mattered yet. A long time ago one of the first votes I made coming into the Senate—I have been here 9 years and 4 or 5 months.

So do we just sort of walk around these issues with India and hit them on the edges but have fear about fully addressing the issues head on with them?

Ms. BISWAL. I would actually take exception with that characterization, Mr. Chairman, because I do believe that we have a very robust and very honest and very transparent discourse. We are a very transparent democracy, and the concerns that we have are communicated very clearly and at very senior levels to the Indian Government. India is also an extraordinarily transparent democracy in that the issues that we raise are not only issues that we are raising, but they are grappling with these issues in the context of their own democracy and debate. What I believe the administration seeks to do in these engagements is to find the places where our engagement on these issues can have the kind of results and actions in a constructive way that we would like to see.

That is not to say that we do not engage in a candid and brutally honest conversation. I think our human rights report, our religious freedom report, our trafficking in persons report lays bare in very clear and detailed terms the concerns that we have and the assessments that we make. And those are conveyed and communicated very clearly to the Government of India and to the Indian people at large.

That said, we do have a desire to advance this relationship in a way that I think is going to be increasingly important to both our countries, to both our peoples, and to both our economies.

The CHAIRMAN. Thank you.

Senator Rubio.

Senator RUBIO. Thank you.

Thank you for being here today.

Oftentimes I hear the role of India's future discussed as a sort of counterbalance to China. I think it should be much more than that. Obviously, there is an element of that, but I think India in and of itself is a nation with incredible potential and there is incredible potential in our bilateral relationship. So my questions about military exchanges are not towards the desire to use viewing India as some sort of surrogate counterbalance to China and the region but rather one that recognizes what I think is their potential and ultimately their rightful role in South Asia and across the world.

So how do you see the future of U.S.-India military-to-military relations progressing in the near future? I know there has been concern in the past within India that the United States has either proven to be unreliable and/or a meddling nation that they view—sell arms and they want to go around and tell them what to do internally. So how has that progressed and how do you view the future of our military-to-military engagements?

Ms. BISWAL. Thank you, Senator.

I do believe that this is an area of extraordinary progress and ambition in both countries. We have seen the growth in our defense ties that has dramatically scaled up over the past decade. Our defense trade, which has gone from something in the neighborhood of \$250 million to \$300 million per year, is now over \$14 billion.

Our exercises have grown tremendously and in complexity. We are just concluding our air-to-air combat exercises, Red Flag, but also we are doing exercises not only bilaterally but including increasingly trilaterally. Malabar is now done with U.S., India, and Japan. India is a participant in RIMPAC.

We are also, I believe, on the cusp of an era where we could well see the U.S. and India doing joint or coordinated operations across the Indo-Pacific. And we believe that India has an important role to play as a net security provider and a guarantor of an open and rules-based maritime order across the Indo-Pacific.

Senator RUBIO. You discussed for a moment the trilateral cooperation, and you mentioned specifically Japan. It is my understanding that that relationship is ripe for growing. How is that moving forward? How are those two countries interacting now both economically and militarily?

Ms. BISWAL. We have certainly seen a dramatic increase and scale-up on India-Japan ties. On the economic side, Japan has announced a major \$100 billion investment in the Mumbai-Delhi corridor but I think is increasingly looking to prioritize India as an investment destination for Japanese investment.

But we are also seeing increased cooperation between India and Japan on the defense side. I noted the discussions, the inclusion of Japan in the Malabar exercises not only when it is happening in the Indian Ocean region but in every locale.

And I do believe that we will also look to enhance our cooperation on other areas such as humanitarian assistance and disaster relief and other platforms where the United States, India, and Japan can really advance a joint effort and a shared effort.

Senator RUBIO. It is also clear that groups like ISIS and other radical Islamic groups see India as a prime potential target for fomenting the rise of surrogate groups and affiliates within India. How would you assess the U.S.-Indian counterterrorism and intelligence sharing relationship, and is it one that is growing along the lines of our strategic partnership and our military partnership?

Ms. BISWAL. It certainly is. We have a very robust cooperation with India on counterterrorism that includes intelligence and information sharing, includes the sharing of tools and technologies and best practices so that we can enhance the capabilities to combat terrorism and violent extremism. We have a homeland security dialogue and a joint counterterrorism working group that is increasingly looking at both regional and global terrorist networks.

India has been a strong partner in combating terrorism financing that increasingly we have concerns about the reach of terrorist financing networks across South and Central Asia, and India has been a strong partner in that.

And we believe that the potential for greater cooperation is there as we deepen our ties on intelligence and on security. We are also deepening our ties in the internal security matters as well.

Senator RUBIO. And my last question. You know, in Indian history, there are multiple examples of very prominent and successful women that have been leaders in their government, and yet we also see these reports about the treatment of women at the societal level, particularly in some local jurisdictions where crimes committed against women, ranging from assault to all-out harassment, is often ignored by local officials. Is it your sense that at the national level that its leaders understand that they are facing a significant global perception challenge and a reality challenge on the ground in the treatment and status of women in their society?

Ms. BISWAL. You know, when we had the rape I believe 4 years ago now of Nirbaya on a bus in New Delhi and the brutal murder, it created not only the shock and outrage in the United States and around the world, but actually the biggest and most vocal reaction was in India itself. And as a result of that, there has been, I believe, a tremendous awareness of the challenges that women's security in India and that law enforcement face in advancing that, a great deal of sensitivity now in the Indian media and civil society to not push that under the rug but to actually put it out into the open, but also some progress.

The Verma Commission, which was headed by a former chief justice of the Indian Supreme Court, came out with a number of critical recommendations, many of which are now in place, enacted, and implemented. And New Delhi has created a new women's rights bill to specifically address issues of women's security and in curbing gender-based violence.

So this is a very important issue within India, but it is going to take a great deal of focus and effort not just at the national level, but to drill it all the way down to the local level to change dramati-

cally and evenly across the board the prospects of women and girls in India to live in a secure environment that protects their rights.

Senator RUBIO. Thank you, Madam Secretary.

The CHAIRMAN. Thank you.

Senator Coons.

Senator COONS. Thank you, Chairman Corker, Ranking Member Cardin. Thank you for convening this important hearing on the future of relations between the United States and the world's most populous democracy.

Delaware is home to a large, industrious, engaged, and very entrepreneurial Indian American community that is constantly working with me to seek ways to strengthen bilateral ties. And last year's renewal of the U.S.-India defense framework agreement is, I hope, the sign of a new and positive era in U.S.-India relations that we can build on to work together to address security threats in Asia and to build stronger and more mutually beneficial economic relationships.

I will simply say a number of issues raised by other members on this committee around intellectual property, the importance of a BIT, the central role that India played in COP21, the importance of renewable energy are all topics. I agree with many of the issues raised.

I also just want to commend the Chairman for his relentless focus on the suffering of those who are enslaved around the world and the ranking member for his repeatedly raising trafficking issues. I think these remain an important area of work for us in our relationship with India to make sure that we address our shared values, whether religious tolerance and inclusion or addressing the fundamental human rights violations against women and those who are enslaved in India.

Let me ask two perhaps more parochial questions. I represent a State that has a county that grows more poultry than any other county in America, and in June of 2015, India lost a case in the WTO that said that India's ban on U.S. poultry was inconsistent with global norms. India has requested 18 months to take down these restrictions and to open up a market that could be \$300 million of potential for the U.S. poultry export community which is rooted in more than 30 of our 50 states.

Can you give me any update? And I will just share my concern that other countries that have also lost similar cases in the WTO like China have ultimately taken years. The USTR just announced another WTO suit against China because they neglected to ever follow through on meeting their WTO commitments.

How do you see the path forward for U.S. and India when it comes to agricultural exports and, in particular, poultry?

Ms. BISWAL. Senator, I will have to get back to you on the specifics of the poultry case. But in terms of the agricultural exports at large, I do believe that we have an agricultural dialogue which seeks to advance market access. It has been challenging. And we do believe that as India looks to reform its economy, that one of the major areas to focus on is the agricultural sector where I believe we can have a robust partnership that can, one, help India prevent the post-harvest losses that really account for almost 40 percent of India's agricultural produce that does not ever make it

to the market. But for us to be able to do that, we do need to ensure that our companies and our producers have the kind of access that would enable us to really deepen that partnership. So this is something that I know that Secretary Vilsack is very committed to.

Senator COONS. Thank you.

One of the things I have worked hard in the African context with our poultry companies to try and emphasize and highlight is that this should be a two-way trade where there is investment in technology transfer in developing a modern and world-class poultry industry for the people of India, as well as an export opportunity for the United States.

DuPont, a company headquartered in my home State of Delaware, has a strong public-private partnership with the Uttar Pradesh Department of Agriculture. They have created rice farming schools at the local level in order to provide farmers with modern scientific and practical expertise to improve yields and productivity and profitability, which would be another step towards creating a sustainable agricultural future. It has been very successful. There have been more than a quarter million farmers in 11,000 villages that have participated, and they hope to keep expanding this program.

How can the State Department work with companies like DuPont in the United States that has been a great partner in Africa and the Indian Government, central government and state governments, to expand development programs that actually can improve world communities and develop sustained positive economic ties?

Ms. BISWAL. I think there is a tremendous opportunity. You know, in 2010 when President Obama made his first trip as President to India, one of the things that was launched and announced was a partnership for a second green revolution, which really focuses on how the United States and India, working together, can not only benefit Indian farmers but also can partner to advance technologies and best practices in Africa and other places.

And in that, there is an important opportunity for the private sector, which brings a lot of the tools and technology and best practices—both U.S. private sector and Indian private sector—to be able to work on that. We are already seeing that in some of the things that we are doing in terms of agricultural extension programs and the technologies that can create more efficiency in the extension programs, but also in areas of water in agriculture and irrigation and many other areas. So I would look forward to seeing how there are opportunities for DuPont to collaborate in that.

Senator COONS. I appreciate your long service at USAID, as well as State.

And it is my hope that the Global Food Security Act will be soon enacted by both houses of Congress and the President. It is the sort of partnership—the Feed the Future program is the sort of robust public-private partnership that I think has been a hallmark of this administration.

Let me ask a last question, if I might. I will just renew the comments that several Senators have made. Senator Cardin first raised them about the Prime Minister's visit to Iran and the potential challenges of a strengthened India-Iran alliance. What obstacles stand in the way of increasing U.S.-India security ties? And

what are we doing to overcome those obstacles? And to what extent do you view an opening to Iran by India as an obstacle to our having a closer and sustained security relationship with India?

Ms. BISWAL. Thank you, Senator.

With respect to, first, the challenges in our own security ties, I would say that for both countries we are increasingly looking to see how we can create more efficiency in the defense relationship. That means on the Indian side efficiencies in their procurement processes and efficiencies in their regulatory environments and hopefully increasingly an Indian progress on such basic bedrock issues as the foundational agreements. And we hope to have a logistics agreement like I said in place before the Prime Minister's visit, but also other foundational agreements.

And on the U.S. side, as we increase our own confidence in India as a reliable partner of cutting-edge advanced technology, we are looking to see how we can work through the licensing process with greater efficiency so that we can move collaboration and opportunities for partnership on more advanced platforms and technologies. What we want to get at, at the end of the day, is greater interoperability that can then allow our militaries to do more in real time together as and when the need arises.

With respect to Iran, I will say that as of yet, we have not seen Indian engagement with Iran on a military security or CT front that would cause us concern. We watch very closely. We have very candid conversations about what our concerns and red lines are. We also track very closely what their economic engagement is and make sure that they understand what we believe are the legal parameters and requirements that we believe any engagement needs to follow. So far, we have had a very responsive reaction from the Indians on that.

Senator COONS. Well, thank you, Madam Assistant Secretary. I view Iran as a very dangerous country, and so I am quite cautious and concerned, as others seek to open, and I do think the U.S.-India relationship is one that has immense potential and we need to continue to work together to find ways to realize that potential.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman.

Thank you for taking the time with us today.

I think this is an incredibly important hearing. I thank the chairman for calling it. The deepening ties to India has really spanned three different administrations from the Clinton administration to the Bush administration to the Obama administration.

It is a wonderful counter-narrative to this mythology that exists about American global weakness. The Indians have had a very purposeful, long-term commitment to nonalignment, but they have made a decision over the course of the last several decades to create an alliance with the United States because they are making a long-term bet on the importance of American economic, political, and military power in the globe for a long time moving forward. So I think it is important to put their decision in the context of what other nations think about the future of America's role in the world.

I wanted to ask a couple of questions to follow up on a line of questions from Senator Rubio on our intelligence sharing. So Secretary Kerry and the Indian Foreign Minister signed this joint declaration on combating terrorism in September of 2015. But we know that there are some obstacles that still exist to effective intelligence sharing. One is a pretty traditional reluctance on behalf of the Indians that exists in many other countries to engage in sharing with the United States because of fears as to what happens to that information. Second is the fact that as I understand it, most of the most important intelligence operations in India are done at the state level, that there is really not a national capability that exists like it does here in the United States.

Can you just talk about what some of the obstacles are that we need to overcome in order to have a closer intelligence sharing relationship with the Indians?

Ms. BISWAL. Sure, Senator. I will go as far as I can go in this setting. I would be happy to also come up and brief in a private setting and bring colleagues from the IC to have that lengthier conversation.

I would say that India absolutely has a national level capability and structure on intelligence that we do engage with and have a robust dialogue with through the IC channels and that there has been a lot of progress in that arena, including engagement at the cabinet level with the leadership of our intelligence community both with Director Brennan and with Director Clapper and their counterparts and an operational level of engagement as well.

That said, there is a role, I think, in terms of combating terrorism, of state level entities. And we are looking to see where and how we can engage on that. We have had very candid conversations when we believed that the security of information that has been passed has been compromised in any way and have gotten very good responses on that. Again, I do believe that this is an area where we are seeing deepening cooperation. I would be happy to elaborate in a different setting.

Senator MURPHY. I wanted to ask you about the penetration of Islamic extremism in India. They have had a long history of success, frankly, in rebuffing attempts by these groups to set up footholds within India.

And then more specifically, I wonder if you would talk about what we know about the Gulf investments in India. There is a lot of reporting about some major investments being made by the Saudis, by the Wahabi clerical movement to set up a large network of schools, madrasas, universities throughout India. We know about the connection between the penetration of that ideology and its connection often to the ability of terrorist recruiters to find success. There is an article in "The New York Times" this weekend about what happened in post-war Kosovo related to the investment of the Saudis in building out the reach and capability of the Wahabi conservative movement there. So can you talk about that specific issue and then, more broadly, about any developing trend lines on the penetration of some of these extremist groups to gain some foothold inside India?

Ms. BISWAL. Sure. We are clearly tracking and very concerned about the reach of these global networks in India and around the

world, and that is a very focused part of our conversations and engagement on the CT front and on the intelligence front. We have had very strong success in engaging with India on tracking financial flows that represent areas of concern, and the Indians themselves are doing a lot to track flows coming in not only from the Gulf but from many parts of the world that they think can cause concern.

The challenge is always identifying what we believe is appropriate financial flows coming in from across and around the world versus areas of concern and creating the distinctions and the systematic framework to constrain one and enable the other. And that is a challenging area—I will be quite honest—in being able to get that right.

We do believe that through both our Treasury dialogues which deal with the financial flows issue and terrorism financing concerns and in our CT and Homeland Security dialogues which deal with the focus of efforts by global networks to tie into and reach into South Asia and India in particular, that we have very robust cooperation. India actually has demonstrated and the Indian Muslim community has demonstrated a great deal of resilience against such overtures, and we have seen in India that radical ideology has, by and large, not been successful in taking root.

Senator MURPHY. My time is up, but can you answer my second question. Are we watching this trend line of Saudi and Gulf state investment inside India?

Ms. BISWAL. I will have to take that back to give you a more specific answer on the areas that you are mentioning. It is certainly something that, like I said, through our various components with the U.S. Treasury and with our counter-ISIL task force that there is a great deal of focus on what some of the destination countries are and what could be at play. So I will give you a more specific answer on that after consulting with some of my colleagues who track that.

[Ms. Biswal's response to Senator Murphy's question follows:]

Ms. BISWAL. Several of the Gulf countries are important Indian partners for trade and investment. According to the Indian Ministry of Commerce, Saudi Arabia and the United Arab Emirates are among India's top five trading partners. Gulf Cooperation Council countries provide half of India's oil imports, and the region is home to more than 7 million Indians who repatriate over \$50 million a year in remittances. In the past year, Prime Minister Modi has visited the United Arab Emirates, Saudi Arabia, Qatar and Iran. During his June 5 visit to Qatar, both sides agreed to share information on terrorism financing and money laundering. External Affairs Minister Swaraj led the inaugural Arab-India Cooperation Forum in Bahrain in January 2016.

In response to your question on private support for terrorism in India, we maintain a vigorous and productive counterterrorism relationship with India, as we do with our partners in the Gulf.

As a strategic partner, the United States actively engages India on these issues. We will hold a bilateral Counterterrorism Working Group and a Homeland Security Dialogue in summer 2016 to discuss issues such as capacity building, information sharing, and exchanges on urban policing. Mumbai is part of the Strong Cities Network - a multilateral forum to increase local resiliency to violent extremism. We also hold regular consultations on the Middle East with the Indians to discuss a range of issues in the region, including security, as well as the U.S.-India Global Issues Forum that includes discussion of migration and countering violent extremism among other issues.

Radicalism in India is an extremely limited phenomenon; one with which the Indian state is well-equipped to deal, and which the Modi government has been proactive in working with the Muslim community to monitor and address.

Senator MURPHY. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Before turning to Senator Markey, I reserved my time up front, and I just have one last question. And I know Senator Markey is likely to get into this. But what kind of liability issue did we end up with relative to the civil nuke deal that we understand may be about to break in a very positive way? I know that has been a big problem for our companies in trying to do business with them. Where have we ended up with them in this regard?

Ms. BISWAL. Thank you, Mr. Chairman. And I wanted to be able to be responsive to your concerns on the civil nuclear deal and where it stands.

I do believe that the issues that bedeviled progress on a civil nuclear deal being implemented and having a commercial deal, viable deal, take place have been issues of liability. And under the previous administration, there had not been an ability to move forward on liability concerns. The breakthrough understanding that President Obama and Prime Minister Modi achieved last January on his Republic Day visit was with respect to this particular issue of liability.

India has subsequently ratified the International Convention on Supplementary Compensation and has, therefore, confirmed and attested that its liability laws will be in compliance with the International Convention. India has also moved to establish insurance pools that can help, again, address issues of liability.

We believe that the steps that India has taken have addressed, by and large, the key concerns that had been in place, and it is now for U.S. companies to make the commercial determinations—

The CHAIRMAN. Surely they gave input on the front end. So have they told you that, yes, they feel comfortable doing business in India or not?

Ms. BISWAL. I believe that it is going to be different for each company. We do believe that there are companies that are moving aggressively forward on pursuing a commercial deal and are quite close, and there are companies that perhaps have a different risk perception and are moving a little bit more cautiously in that space. I think that those are going to be individual determinations that companies are going to have to make in terms of what the risk profile is that they are comfortable with, but we believe that the commitments are in place and have largely addressed the concerns that we had raised with them very consistently over the past decade.

The CHAIRMAN. Thank you.

Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much.

Since 2010, the Obama administration has sought to gain Indian membership in the Nuclear Suppliers Group. If India joined the Nuclear Suppliers Group, it would be the only participating government that was not also a party to the Nuclear Nonproliferation Treaty.

Now, despite the lack of consensus in the Nuclear Suppliers Group on Indian membership, the Obama administration has de-

cided to forcefully press for a vote on the issue in the coming months.

The purpose of the Nuclear Suppliers Group has been to encourage states to accept full-scope IAEA safeguards and to prevent the spread of sensitive technology that could be used to build nuclear weapons. Instead of strengthening those objectives, admitting India would undermine them.

Now, unfortunately, we have repeatedly carved out exemptions for India. We did it in 1980 in the sale of uranium to them without full-scope safeguards. We did it in 2008 in the U.S.-India nuclear deal that did not require full-scope safeguards.

Today we are not only granting India exemptions from global nonproliferation rules, but we are actually proposing to include India in the body that decides on those rules.

So, Secretary Biswal, the Nuclear Suppliers Group has agreed to a set of factors that must be taken into account when considering whether to accept a new member. Among those factors is the state must be a party to the Nuclear Nonproliferation Treaty or an equivalent nonproliferation agreement and that it must accept full-scope safeguards from the IAEA. In other words, Indian membership would require us either to set these factors aside or to revise them. So which of these two options, revising the rules or setting them aside, does the administration plan to pursue?

Ms. BISWAL. Thank you, Senator.

Let me say that the President has reaffirmed that the U.S. views that India meets not only the missile technology control regime but also that it is ready for NSG membership.

Senator MARKEY. Are you going to revise the rules for their membership, or are you just going to set them aside? Which is the administration going to do?

Ms. BISWAL. I do believe that as you have stipulated what the requirements are, that India has harmonized its export controls with the Nuclear Suppliers Group. It has adhered to—

Senator MARKEY. Yes, but they are not in compliance. I understand. They are not in compliance with the rules. So which are they going to do? That is, what is the administration going to do? Is it going to ask for a revision of the rules or just set aside the rules for India?

Ms. BISWAL. So I do believe that in our engagement with the NSG, we have made the case that we believe that India has complied with and is consistent with the requirements of the NSG and, therefore, should be considered for membership.

Now, I do not believe that requires us to set aside—

Senator MARKEY. So you are saying that you are not exempting India from the NSG membership guidelines and that they are in compliance with the guidelines. Is that the administration's perspective?

Ms. BISWAL [continuing]. Our position is that India is very much consistent with the NSG guidelines.

Senator MARKEY. Are they in compliance with the membership guidelines?

Ms. BISWAL. So I would be happy to take back and talk to our colleagues who negotiate on these issues to get the specific technical frame, but I do believe that it is our considered opinion that

India has met the requirements and therefore should be considered—

Senator MARKEY. Well, I do not think any clear reading of the NPT or the NSG rules can lead to that logical conclusion, I will be honest with you. And I guess what I would say to you—and maybe you can bring this back—that it should also require some specific new nonproliferation commitments from India such as signature of the Comprehensive Test Ban Treaty, an agreement to halt production of fissile material before pursuing full membership in the Nuclear Suppliers Group. I think that would be a strong message.

And why is that? Well, it is because since 2008 when we also gave them an exemption, the country has continued to produce fissile material for its nuclear weapons program virtually unchecked. At that time, Pakistan warned us that the deal would increase the chances of a nuclear arms race, and sure enough, since that time, Pakistan has declared its intention to give control over battlefield nuclear weapons to frontline military commanders and it has declared its intention to use nuclear weapons earlier in a conflict with India.

In your view, how would granting state-specific exception to India affect Pakistan's nuclear choices? Would it complicate efforts to get Pakistan to refrain from undertaking destabilizing actions such as deploying battlefield nuclear weapons?

Ms. BISWAL [continuing]. So I do believe we have a specific and separate dialogue with both countries to address both our concerns and to—

Senator MARKEY. Is there any relationship between what we do for India in terms of exempting them from rules and regulations and, as a result, a response from Pakistan in saying we are going to actually move closer and closer to the use or putting their nuclear weapons in a situation where they become more likely that they are going to be used?

Ms. BISWAL [continuing]. Well, I do believe that we address the interests of both countries on their own merits, and we have very distinct and robust discussions with both countries as to what their aspirations are.

Senator MARKEY. I do appreciate that. I just think that what you are doing is you are creating an action/reaction that is leading to a never-ending escalation that ultimately brings these battlefield nuclear weapons closer and closer to the border of both countries. I think it is a dangerous policy. It is an unnecessary policy. Making these exemptions only infuriates Pakistan and leads them to further increase their own nuclear capacities. So I just think it is a very dangerous long-term trend, especially in view of how concerned we are about those weapons in Pakistan potentially falling into the hands of non-state actors. So I would hope you would bring that message back. I just think it is very dangerous.

And if I may, just one other question which is on India's renewables program. President Modi is now talking about 175,000 megawatts of renewables by the year 2022. What is the United States' role in helping on a bilateral basis to encourage the full development of those 175,000 megawatts of renewables?

Ms. BISWAL. Thank you.

You know, this is an ambitious target that Prime Minister Modi has put forward, in fact, the most ambitious target globally.

We believe the biggest constraint to implementing that is going to be having the right framework to attract low-cost financing that will allow them to really unleash that. And this is an area where we are working with them to see what we can do to, one, create opportunities for greater private investment in their renewable sector, but two, to share with them what are some of the tools and some of the mechanisms that they can put in place.

So we have a Clean Technology Financing Forum that we have engaged in with the Indians to try to have that conversation about what the enabling environment must be. We are also working with them on different tools that can help mitigate some of the risk and create greater willingness for private financing to go into that space.

Senator MARKEY. Thank you. This is an enormous area of potential for the U.S. and India. It is an example for the rest of the world.

Ms. BISWAL. Absolutely.

The CHAIRMAN. Thank you.

Senator Cardin.

Senator CARDIN. I just wanted—before the Secretary leaves—several members have been raising the issues of change in India on human rights, whether it deals with religious tolerance or the trafficking issues, women's issues. And you repeatedly refer to the robust activities of the population. And I fully understand that. But I would just point out that is another reason why we are concerned about the attack on civil society within India. They have to effectively be able to speak.

And then lastly, it does not relieve us from developing and working with leaders in India that recognize that these are not Western values but these are universal issues that India needs to make progress on. I just want to underscore that point because we cannot put everything on the people, particularly if the civil societies are under attack.

Ms. BISWAL. Absolutely, Senator. I do not disagree with a word that you have said. And I in no way mean to imply that we are not engaging on these issues ourselves.

The CHAIRMAN. Madam secretary, thank you for being here today and for your service to our country. We are going to leave questions open until the close of business Thursday. If you would attempt to answer them fairly promptly, we would appreciate it. Again, thank you for being here today, and we look forward to the visit in a few weeks and hopefully it is going to be very productive. But thank you.

We are going to move to the second panel.

Ms. BISWAL. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you so much.

The second panel, as they are making their way to the table. The first witness is Mr. Sadanand Dhume, Resident Fellow at the American Enterprise Institute. We thank him for sharing his wisdom with us today. The second witness will be Dr. Alyssa Ayres, Senior Fellow for India, Pakistan, and South Asia, Council on Foreign Relations.

Mr. Dhume, if you would, if you would go first. Again, thank you for sitting through the testimony you just heard, and our second panels always have a little less attendance. For that, we apologize. We also know that many times the second panels are the most interesting. So, again, thank you both for being here, and if you would begin, we would appreciate it.

**STATEMENT OF SADANAND DHUME, RESIDENT FELLOW,  
AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, D.C.**

Mr. DHUME. Well, thank you very much, Mr. Chairman and Mr. Ranking Member, and members of the committee. My name is Sadanand Dhume. I am a Resident Fellow at the American Enterprise Institute. It is a real honor to be here. This is a topic that is particularly interesting to me not just because it is my intellectual interest, but because I grew up in India and I think it is a testimony not only to the relationship but to the opportunities afforded by the United States to immigrants from all over that I am here today. So thank you again.

I am going to use my limited time to just make four broad points. There are greater details in my written testimony, of course. But I think that with the impending visit of Prime Minister Modi, which will be his fourth visit to the United States in 2 years and his second bilateral visit since he took office, just to keep in mind the big picture. And of course, I will be happy to take questions on more detailed issues during the Q&A.

The first big point is that the U.S. and India are enjoying arguably the best period of their relationship. Trade has quintupled to \$107 billion in a little over a decade. The defense relationship has gone from essentially zero to \$14 billion worth of U.S. defense sales. The military exercises between the two countries are not only greater than before, but also more complex in terms of what they are achieving and what they are setting out to do and in terms of involving other partners such as Japan. That is the first point.

The second is that as we saw during the questions from the members, that this is really a relationship that stands out for having been driven by a bipartisan consensus. And I think that when you look at where the U.S. and India were during much of the Cold War, if you look at where the U.S. and India were in 1998 when India tested its nuclear weapons and look at the dramatic progress that we have seen since then, it is fair to say that no single party can claim credit for that. This is something that both parties have worked towards, and this is something that administrations have successively built upon but also Congress, including many of you, have been instrumental in taking forward.

The third major point is—now, this is something that others have raised as well—that for the relationship to be sustained, when we look out ahead, when we look into the future, there needs to be a much stronger economic basis. I think that the progress has been particularly dramatic in terms of coming to a broadly shared understanding of the threats and opportunities that face both our democracies as we look at the world, particularly with the rise of China as a potential hegemon in Asia and also the turmoil in the broader Middle East and the Islamic world. But where the relation-

ship continues to lag is in terms of trade and economics. Even though the trade relationship is at an all-time high in U.S.-India terms, it is still one-sixth of the relationship compared to the U.S. and China, for instance.

And finally, I would say that just in terms of one word of caution going ahead is that I think that because the relationship has generally done quite well, we tend to take it for granted. I think that certainly happens over here, but it certainly happens in New Delhi also. And both countries should recognize the fact that because they are democracies, it helps the relationship become stronger but also because they are democracies and that politicians in both countries have to be responsive to voter concerns and constituency concerns, both countries need to be a little bit careful about doing things that unnecessarily are seen as a poke in the eye. I think you raised some of those, several economic issues and several other issues during the Q&A.

But I also wanted to thank you, Senator Corker, for being cognizant of how the F-16 sales issued to Pakistan played in India and played out negatively for the U.S.-India relationship. And I think going forward, both these sets of concerns are important to keep in mind.

And with that, I will wrap up my testimony. I would be happy to take questions. Thank you.

[Mr. Dhume's prepared statement is located at the end of this transcript on page 46.]

The CHAIRMAN. Thank you.  
Ms. Ayres?

**STATEMENT OF ALYSSA AYRES, PH.D., SENIOR FELLOW FOR INDIA, PAKISTAN, AND SOUTH ASIA, COUNCIL ON FOREIGN RELATIONS, WASHINGTON, D.C.**

Dr. AYRES. Thank you very much, Chairman Corker, Ranking Member Cardin, and members of the committee. Thank you for the invitation to appear before you on U.S. relations with India.

I shared in advance with the committee a copy of the recent Council on Foreign Relations independent task force report, for which I served as project director. It addresses many of the issues that you wish to explore, and I respectfully request that the report be submitted for the record.

On progress, the subject of this hearing, every aspect of the U.S.-India relationship has changed over the past 15 years. The civil nuclear agreement bridged a 30-year divide. Economic ties are no longer thin. Defense trade has increased from nothing to more than \$14 billion in the past decade and, as you have heard, joint exercises are now a regular occurrence.

Progress does not mean, however, that we are free from disagreements. Since the hearing focuses on progress and managing expectations, I will offer a few recommendations focused on government-to-government cooperation.

Think joint venture not alliance. Many Americans see India, the world's largest democracy, a fast growing economy, and a nation of great diversity, and see a future along the pattern of an alliance. India does not seek alliances, seeing them as constraints on its

freedom. Our task force recommended an alternate framework, the model of a joint venture in the business sense rather than a not-quite alliance. This model provides conceptual space to increased cooperation without assuming support on all matters, as one would expect from an alliance.

Economics. India's economic growth rate has bounced back and now is at an estimated 7.6 percent, making it the fastest growing major economy in the world. Last year, India became the seventh largest economy at market exchange rates, bypassing Canada, Italy, and Brazil. One of the task force's findings was that if India can maintain its current growth rate, let alone attain sustained double digits, it has the potential over the next 20 to 30 years to follow China on the path to becoming a \$10 trillion economy.

But U.S.-India trade, as you have heard, remains well below its potential, a little more than one-tenth of U.S.-China trade in goods. India can still do more to make its economy more open. Our economic ties face differences, including over worker mobility issues and intellectual property rights.

The task force recommended that we elevate support for India's economic growth and its reform process to the highest bilateral priority, committing to ambitious targets for bilateral economic ties, along with steps to get there. Securing Indian membership in economic institutions focused on transparency and openness would be a good start, beginning with APEC and looking as well at the Organization for Economic Cooperation and Development and the International Energy Agency.

Democracy and human rights. India and the United States have much in common with democracy, as we have heard, but have important what I would call tactical differences in approach. Indian foreign policy for decades has upheld the principle of non-intervention. India sees issues of democracy and rights as matters of domestic sovereignty.

In the bilateral discussion with India and the United States, a similar concern over tactics exists. The United States, as we know, approaches its support for advancing democracy and human rights around the world through both private diplomacy, as well as through public reports. The Indian Government sees these reports as an intrusion upon domestic sovereignty. I would note here as well that while India continues to struggle with rights and discrimination issues, including on the basis of religion, gender, and caste, its active civil society, press, and judiciary serve as constant domestic oversight mechanisms.

We will likely find opportunity with India to work on democracy and rights in third countries through technical training on democracy, as our task force recommended. On U.S. bilateral concerns about rights issues within India, while our annual public reporting obligations will continue, no one should be surprised to see the Indian Government take no cognizance,—as the Ministry of External Affairs said last year. “Where we can craft an agenda of mutual interest, on the other hand, the conversation can go much farther.”

A note on defense. The geostrategic case for stronger defense ties with India is well known. A stronger, more capable India represents a bulwark of democracy in a volatile region and a model across Asia capable of ensuring that no single country dominates

the region. India's military capabilities increasingly make it a first responder for humanitarian assistance and disaster relief, as demonstrated with the Nepal earthquake and the Yemen evacuations last year. India is also a major donor to Afghanistan, providing humanitarian assistance, building infrastructure, training civilians and military officers on Indian soil.

As the task force observed, defense ties have progressed well but still have much room to grow. The task force recommended building further on security cooperation while expanding across the entire spectrum. Homeland security and counterterrorism cooperation should receive added emphasis.

One quick final note, preparing the United States for working with India. Familiarity with India should be an economic preparedness issue for our own country, but our higher education metrics do not reflect this. Nearly twice as many U.S. students head to Costa Rica than opt to study abroad in India. Total enrollments in all Indian languages combined account for less than one-quarter of those of Korean, only 14 percent of Russian, 9.5 percent of Arabic, and just 5 percent of Chinese. The Higher Education Act, which I realize is not part of this committee, but the Higher Education Act provides greater resources for East Asia, Latin America, Russia and Eastern Europe, the Middle East, and Africa than it does for South Asia. So we ought to bring these to a more appropriate level.

In my written testimony, I have provided a bulleted list of recommendations for U.S. policy that draw upon and amplify the above.

Thank you very much and I look forward to questions.

[Dr. Ayres's prepared statement is located at the end of this transcript on page 51.]

The CHAIRMAN. Thank you. Thank you both very much.  
Senator Cardin.

Senator CARDIN. Well, thank you both.

I am going to ask your help in trying to understand how the United States can strengthen its ties with India as it relates to our relationship with Pakistan because, quite frankly, I do not quite understand the full impact of that relationship.

Clearly the United States made a decision several decades ago to have a more strategic relationship with Pakistan. It became extremely controversial during Bangladesh independence. I am well aware of the history here. If we had a hearing on Pakistan, I can assure you it would be much more critical on questioning than a hearing on India. We have many issues with what Pakistan does, but we have a strategic partnership that is critically important to our counterterrorism activities. As a result, there are economic issues between our two countries, including military issues, that advance U.S. interests.

So how do we handle Pakistan in our relationship with India? Because it seems to me it is almost a subject we do not talk about. And it is to me somewhat remarkable because in Maryland we have a large Pakistani American community and large Indian American community. And quite frankly, they are much friendlier than the countries' representatives are. So how would you rec-

commend the United States handle its relationship with Pakistan as it relates to India?

Dr. AYRES. I will take a stab at that one. You have actually asked one of the most challenging questions for dealing with U.S. policy towards South Asia.

And that is a question that I do worry about. I think that Pakistan in the past several years has missed a number of opportunities to allow itself to better its ties with India and to allow itself to open its economy further to some of the opportunities that its strategic location affords it.

By that, I would focus on some of the economic connectivity issues. You have probably heard before that South Asia, as the World Bank has said, is one of the least economically integrated regions of the world. India in, I believe, 1996 granted Pakistan what the WTO calls most favored nation status. Now, Pakistan went through a process around 2012 of looking to reciprocate that status to India, which potentially could have made a major trade opening for both countries. Their trade, which is very limited, goes through third countries like the UAE. And there is potential there to have the private sector play a leading role in sort of the thin end of the wedge in creating more exchange and opening ties between them.

Now, that reciprocal status never made it through in Pakistan, unfortunately. So you still see this very limited relationship and limits to which the civil—

Senator CARDIN. I understand that Pakistan has issues.

Dr. AYRES. Yes.

Senator CARDIN. I want to take it from India's perspective. What should we be asking from India in regards to how do we handle Pakistan in our relationship with India?

Dr. AYRES. Well, I think we should be asking Pakistan to do more on, A, the trade opening and, B, the counterterrorism questions. And this is an issue that I am certain comes up over and over again.

Senator CARDIN. What should we be asking India to do?

Dr. AYRES. We are asking them to do a lot it seems. They have serious concerns. The Mumbai attackers' trial still has not gone forward. You just saw—

Senator CARDIN. I understand the things that have not happened in regards to other countries affecting the counterterrorism.

As I said, if we had Pakistan here, my book would be three times bigger as far as questions to ask. There is not a lack of major concerns we have in regards to our relationship with Pakistan.

We are going to have an opportunity to have the Prime Minister in our country. How do we advance the regional security and how do we handle what India can do in regards to the Pakistan relationship?

Dr. AYRES. Right. It is my understanding that we continue to encourage both countries to try to keep that dialogue open. And you have seen where there have been hiccups in the course of the past year, but the Indian Government does come back and try to keep that channel open. You saw the Prime Minister's stop in Lahore to meet with Prime Minister Nawaz Sharif on Christmas Day, on his birthday. Shortly after that, you saw a terrorist attack take place across the border in Pathankot. So I think that conversation with

India about ensuring that they do have an open channel and that they are working to try to have an ongoing dialogue with the Government of Pakistan lets the Government of India know that this is of deep interest to the United States and to U.S. Members of Congress.

I think the challenge here is finding a way to press Pakistan so these terrorist attacks do not derail the process because that is the other part of the pattern that we continually see.

Mr. DHUME. If I can take a stab. It is an extremely difficult question. I would like to take a stab at that and use a historical analogy.

One of the places where I think the U.S. was extremely successful is Southeast Asia. So if you look at Southeast Asia before the late 1960s, you had many of the countries in the region squabbling, at each others' throats, and then the U.S. emerged and by helping cobble together ASEAN really underwrote a long period of prosperity and peace in the region.

So the question here, if you look at South Asia, is economic integration, as Dr. Ayres suggested. But I think more fundamentally to impress upon Pakistan that terrorism cannot be used as an equalizer. This has been the single sorest point.

I think that between the U.S. and India, Pakistan only emerges as a problem when certain red lines are crossed. I think that most serious policymakers in India recognize that the United States is a super power. It has to have relations with many countries, including difficult countries like Pakistan, and that the U.S. has wrestled in many ways in that relationship with Pakistan to sort of keep something going in a pragmatic way while recognizing that there are security concerns, including Pakistan's sponsorship of terrorism against U.S. troops in Afghanistan.

But when the U.S. is seen as helping Pakistan in ways that directly hurt India's security, I mean things like advanced weapons sales, which are of doubtful value in targeting terrorists but are of immense military value in targeting another country, such as the F-16 issue, I think that becomes very hard for the Indian leadership to then sell to their people and say, look, the United States is our most important friend. This is the most important strategic relationship for us. The United States is helping the rise of India. So I think those are the kinds of things to avoid.

But by and large, in terms of maintaining a relationship, maintaining parallel relationships, that is simply a reality that has been in the—

Senator CARDIN. Let me try one more time on a different subject. Let us take use of nuclear weapons.

Senator Markey made a very interesting observation, which is absolutely accurate. We have seen a proliferation in recent years. Certainly there has been more indication on the Pakistani side that it may be okay to use nuclear weapons in a regional conflict. That is obviously unacceptable.

What can we do in our relationship with India to try to think back the proliferation and use of nuclear weapons in that region?

Mr. DHUME. So on that issue, I would argue that Pakistani doctrine cannot be influenced by the U.S.-India relationship. Pakistani doctrine or the fact that they are trying to move towards tactical

nuclear weapons has to be influenced by the U.S.-Pakistan relationship. So the questions to be asked are why do Pakistani military commanders or why does the Pakistani military leadership feel that putting nuclear weapons in the hands of military commanders, which I think is widely recognized as very dangerous, is a wise move as opposed to an extremely unwise move. And that is something that really goes down to how they think of nuclear weapons and how they view nuclear weapons as an equalizer. And it is obviously a serious concern. But I think the concern is in the wrong place—

Senator CARDIN. So what you are both saying is that Pakistan should not at all worry about India.

Mr. DHUME. No. It should, but it should—

Senator CARDIN. Look, as I said before—and I am going to give up because I am really trying to get how we use our relationship with India to deal with some of these problems. We know we have a challenge with Pakistan. And you said it fairly well. The United States needs to have relationships with countries sometimes we disagree with in order to advance our causes. And I always raise, as the chairman knows, human rights. We deal with countries that have horrible human rights records, but we have to have relations. I understand that. But we have the unique opportunity in the next 2 weeks to advance regional security, and clearly Pakistan is going to be in the discussions. And I was hoping to get some idea as to how to use our relationship with India to advance that cause. Maybe it is not possible.

So I thank you both for your testimony.

The CHAIRMAN. Thank you.

What is the security posture of India relative to Pakistan? We know that Pakistan—at least half of their military budget and more is oriented towards India. But what is India's posture relative to Pakistan?

Mr. DHUME. So I think in many ways this sort of gets to the heart of what the disagreements hinge on. Now, when India looks at its military budgeting, it is budgeting for essentially two fronts. It is facing China and it is facing Pakistan. When Pakistan looks at the Indian defense budget, it only sees itself. So from a U.S. perspective, we would like India to be spending more on defense and continue to build out its navy as it is doing. From a Pakistani perspective, whatever India puts into defense is viewed by Pakistan with alarm.

I think that as long as there is evidence that India is not showing aggression towards Pakistan, is not making territorial claims, is not trying to change the borders, I think that the U.S. should reassure Pakistan that India is essentially a status quo power in that region. It does not seek any territory or to redraw the maps in that part of the world. And that is important because it is in fact in the U.S.'s interest for India to be spending more on defense, which it has been doing.

So to answer your question, the way it works is that much of Indian spending which is in fact, like if you look at the naval spending and if you look at the nuclear deterrent, for instance, that is keeping in mind the very dramatic rise of China particularly over the last 25 years. And India, as you know, had a war with China

in 1962. So the question is how do you explain to Pakistan that India's defense capability in and of itself cannot be viewed as a threat to Pakistan.

Dr. AYRES. I would just add to that. On the nuclear question, India has a declared no first use doctrine for its nuclear weapons. You do not see a no first use doctrine with Pakistan, and you do see the development of these tactical nuclear weapons. So to me those are very different postures. One is a defensive only, no first use. The other is looking to have these very dangerous weapons utilized in a way that could be even more dangerous.

The CHAIRMAN. And they are roughly right now at parity as it relates to the numbers of nuclear warheads. Is that correct?

Mr. DHUME. Pakistan has slightly more I believe.

The CHAIRMAN. But very slightly more. A lot of fissile material but only slightly more in the way of warheads.

Is there a perceived, within the countries, race to continue to outdo each other? What is the psychology of the two countries relative to the nuclear arms right now?

Mr. DHUME. I would say they are very different. I think the way India has historically viewed nuclear weapons is in two ways. The first is to kind of be a member of the club of great powers, so to speak. It has almost been a status issue. The second is to have a minimal capability particularly in case of another war with China, but to have the minimal capability to defend itself. Beyond that, India has not been particularly aggressive in terms of its nuclear buildup. Out of the countries that have acknowledged nuclear weapons programs, India has the smallest number of warheads. And so it is non-aggressive. It is essentially defensive.

I think that in the case of Pakistan, the nuclear weapons play a more active role not just in terms of the recent thing we have seen in a few years of moving toward tactical nuclear weapons but also being used as an umbrella under which terrorism can be used against India. And in fact, I think that is one of the concerns that we should have more broadly with nuclear nonproliferation in the world not just worrying about the weapons themselves being used but worrying about when these weapons are in the hands of countries that also happen to host a plethora of Islamist terrorist groups, how it affects the use of terrorism.

The CHAIRMAN. Ms. Ayres, do you have anything to add to that?

Dr. AYRES. I actually agree with that statement.

The CHAIRMAN. I do want to correct one thing, and I am probably shooting myself in the foot by saying this. My position on the F-16's really had nothing to do with how it would be perceived in India. It was solely about what Pakistan was doing—not doing—relative to the Haqqani Network and the fact there has been total duplicity on their part relative to working with us. The fact is they are undermining—they are the number one by not really going against the Haqqani Network in a proper manner, nor the Taliban. They are, in essence, aiding, first of all, the greatest threat to U.S. men and women in uniform in Afghanistan but also destabilizing the government. So that was the reason that we took the position we did on the F-16's.

Let us move to something a little different. Economically India ranks 130 out of 189 in the World Bank's Doing Business Report.

While I said in earlier comments I do not think we are honest as we should be about the relationship, I will also say that having attended a world economic forum there years ago and seeing the incredible capital formation and entrepreneurial capacity and just the business community there is really phenomenal—it is. It is very impressive. At the same time, you look at the way the country is governed. The bureaucracy is just stifling. We obviously complain about it here, as we should be, but there it is incredible.

What is your sense of their own ability—you know, Modi came in with great fanfare. Everyone thought this was going to be a new day. It has not really worked out that way. What are the possibilities from your perspective in changing the business climate itself in India, which benefits us over time?

Dr. AYRES. I will try that one first.

We have a difference of opinion I think on this. I think that you have seen over the course of the last 2 years of the Modi government a very intensive emphasis on ease of doing business. You saw their number did move up in that World Bank ranking. I would anticipate that it would move up even further a few notches when the next one comes out in the fall.

The Modi government has been able to do more than I think we generally acknowledge. They were able to get parliament to get parliament to pass an amendment to the insurance law that lifted the FDI cap on insurance. This was something that the previous Indian Government could not accomplish in two terms, so in a decade. So that was a big deal.

In defense, they have lifted the FDI cap from 26 to 49 percent with the possibility of 100 percent foreign investment on a case-by-case basis, another big deal considering the interest that both countries have in developing the defense technology industry cooperation.

They have lifted investment caps on a number of lower profile kinds of industries, ones that nobody is really paying attention to but will have an impact like in real ways. They have done this for courier services. You could go through. There is a long list.

The other thing that they have done is place a high priority on infrastructure issues, whether that is cleaning up India, building toilets, building more roads, modernizing the railway system, looking at high speed bullet trains. So you do see an emphasis on—building ports I should have mentioned—all the building blocks that will lead to much higher economic growth once these things are in place.

Mr. DHUME. I think that is an extremely important question. In many ways, it is sort of like India is recovering from socialism, and that recovery process has not been as swift as we would like to see.

Now, it is certainly true that the Modi government really has placed a lot of emphasis on improving the ease of doing business. It is also true that Modi has sort of turned himself into a kind of chief pitch man for India. He travels the world, including to the United States. He goes and meets with CEOs directly. He asks for investment.

But two quick points. The first is that—

The CHAIRMAN. Since you brought that up, you are actually feeding into my second question. You can answer them both at once.

So you have him—you are right—traveling around the world trying to attract investment, and yet they have investment caps, which is very self-defeating. I mean, so you are going around the world and you have all kinds of limitations on investment. So why would someone who we know knows better, who is traveling the world seeking investment—why are they continuing to have policies in their country that limit that investment?

Mr. DHUME. So I think a lot of these are simply legacy issues and it is a question of moving and in which direction they are moving. So, for instance, defense would be a good example. There would have been zero percent. Then they moved to 26. Now they have moved to 49. I believe they should have moved to at least 51. That will be the next step. A lot of it is just the nature of how things move. It is like the Titanic. It moves really slowly. Just be happy that it is not sinking.

So Modi has been very good in terms of trying to attract investment. Foreign investment in India has increased increasingly. It has overtaken China. It is the largest destination for inward green field investment.

But what I have been writing about and have been somewhat disappointed by has been the speed and pace of economic reform. So on the one hand, there is definitely a more business-friendly environment, but on the other hand, there still remains in my view a certain amount of ambivalence about how much of a role the market is going to play in the economy. I will give you just one quick example to illustrate this.

70 percent of India's banking sector is run by state-owned banks. So how can you have a functioning market economy when 70 percent of your banking sector is run by state-owned banks which essentially making decisions not for commercial reasons but at least partly for political reasons?

And so when you compare the Modi administration to his predecessor, he has certainly been an improvement in terms of economic policy. No question. But when you compare the Modi administration with the expectations that were raised by that big victory in 2014, then I feel there is still a ways to go.

The CHAIRMAN. Did you want to comment on any of the—

Dr. AYRES. If I could just add to that. I mean, the process of carrying out reform in a democracy adds additional elements. One of the areas that the government had hoped to reform has been labor laws. India has some very restrictive labor laws that actually constrain growth of companies. So, for example, there is an industrial disputes act that makes it very difficult to fire people even for a company that is not making a profit if the company is larger than 100 people. So what you see then is a lot of small companies that do not grow larger because of this industrial disputes act.

In any case, the current government tried to begin reforming labor laws, and 150 million people, members of many different unions that came together to organize a national strike, went on strike to protest this effort. So it is not that the government is not trying to carry out reforms. It is that there is a pushback. There are a lot of different voices in the Indian democracy. And so now this labor law reform has been pushed down to individual states

to try to carry out reforms in the best way they can at the state level.

The CHAIRMAN. Well, you all have been invaluable to us. We appreciate you sharing your knowledge with us. As you heard on the last panel—I know a lot of members disappear after the first panel. It is sort of a standard around here, but many of them will wish to ask you questions on the record. We will have questions until the close of business Thursday. And if you would, if you could answer them fairly promptly, we would appreciate it. We thank you for your interest in helping us in this manner. Thank you for the time to prepare, and we look forward to seeing you again.

And with that, the meeting is adjourned. Thank you.

[Whereupon, at 12:15 p.m., the hearing was adjourned.]



## **Additional Material Submitted for the Record**

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### **Witnesses' Prepared Statements**

PREPARED STATEMENT OF NISHA DESAI BISWAL

#### INTRODUCTION

Thank you, Chairman Corker and Ranking Member Cardin, for inviting me to testify today on the progress and expectations of the U.S.-India relationship. The White House announced last week that President Obama will host Indian Prime Minister Modi on June 7th. The Prime Minister has also been invited to address a joint session of the U.S. Congress during that visit.

So this hearing provides us with a timely opportunity to take stock of the U.S.-India relationship. Sixteen years ago, when another Indian Prime Minister, Atal Vajpayee, had the honor of addressing the U.S. Congress at the dawn of this new century, he set out a vision that the United States and India—based on our shared values and common interests—would forge a natural partnership that would help to shape the century to come.

Since that time, and over the past eight years, we have seen a tremendous amount of progress across every major dimension of our relationship, including our strategic, economic, defense and security, and energy and environment ties. When President Obama welcomes Prime Minister Modi to Washington next month, we will be able to say with confidence that relations between our two great democracies have never been stronger, even as both sides recognize there is much more to be done.

#### STRATEGIC RELATIONS

The strategic partnership between the United States and India is anchored on the premise that our two democratic, pluralistic, and secular societies share not only many of the same attributes but also many of the same aspirations. It is that premise which has led President Obama to characterize the relationship as a defining partnership of the 21st century.

India is the world's largest democracy, Asia's fastest-growing major economy, and soon-to-be the most populous nation on Earth. How India grows its economy, evolves its strategic doctrine, asserts its interests and values, and projects its growing economic, military, and political power will have important consequences not just for 1.25 billion Indian citizens, but increasingly for the rest of the planet. That is why the U.S.-India partnership is of such extraordinary importance for the United States and one that will, I believe, shape the future of geo-politics and geo-economics in the 21st century.

Mr. Chairman, as we reflect on the ambitious trajectory of this important relationship, one must give credit to the previous administrations in the United States and India, and to the U.S. Congress, for setting us on this path. The historic U.S.-India Civil Nuclear Agreement of 2008, signed by President Bush and Prime Minister Singh, and passed with bipartisan support in Congress, not only made possible civil nuclear cooperation between the United States and India, but laid a foundation on which we have built a strategic partnership that has made both countries safer and more prosperous.

The U.S.-India Strategic Dialogue, launched by Secretary Clinton in 2009, has expanded dramatically in the past seven years and now includes high-level bilateral dialogues and working groups spanning policy planning, global leadership, finance and economics, commerce, transportation, aviation, space, climate change, maritime security, energy security, infrastructure, cyber policy, defense policy, political-military relations, homeland security, the oceans, East Asia, Africa, the Middle East, and the United Nations. There was no hyperbole in Secretary Kerry's statement last

year that “we may do more with India—on a government-to-government basis, than with any other nation.”

The impressive bilateral architecture of the U.S.-India partnership reflects the investment both countries have made in building ties between our people, our industries, our governments, and our security establishments. It has created a platform for an unprecedented level of cooperation meant to grow our respective economies and make our citizens more secure.

India represents a key part of the Administration’s Asia policy. To be sure, India’s Act East strategy and the U.S. Rebalance to Asia are complementary and mutually reinforcing, promising to bring greater security and prosperity to the Indo-Pacific region. And at a time of new challenges from both state- and non-state actors to the modern international rules-based order, India has increasingly taken a strong stand in defending a system that has sustained global security and prosperity for over seven decades.

Nowhere is this expressed more clearly than in our Joint Strategic Vision for the Asia Pacific and Indian Ocean Region, issued by President Obama and Prime Minister Modi last year, which enshrined our mutual commitment to safeguarding maritime security and ensuring freedom of navigation and overflight throughout the region, including in the South China Sea.

And India has provided the world with an excellent model of how a large power can peacefully resolve territorial and maritime disputes with its smaller neighbors. By accepting the results of international arbitration on disputed maritime claims in the Bay of Bengal, India—along with Bangladesh and Burma—created a template for others to follow.

Taken together, it is clear that a strong and long-term strategic partnership with India is the best way we can ensure open and secure access to the global commons across the Indo-Pacific and beyond.

#### ECONOMIC RELATIONS

Yet, for India to be a strong and capable strategic partner, it must have the economic strength to back up its growing global leadership. Our fast-growing economic partnership is based on the understanding that deepening the trade and commercial ties between our two countries will advance opportunity and prosperity for both of our peoples.

Growing commercial ties will empower India’s young and inventive workforce, contributing to regional prosperity, globally-significant innovation, and sustainable development of India’s cities—over 60 of which boast more than 1 million citizens. And growing trade between our nations will create more jobs in the United States and offer U.S. firms access to one of the most important foreign markets of this century.

And the economic data supports this premise. Bilateral trade in goods and services has expanded from \$60 billion in 2009 to over \$107 billion in 2015. U.S. exports to India increased by nearly 50% over the same period, supporting more than 180,000 U.S. jobs. While many trade barriers still remain, agricultural exports, in particular, have grown substantially and almost quadrupled in value over the past decade, reaching an all-time high last year.

Indian foreign direct investment (FDI) in the United States nearly tripled between 2009 and 2014—making it the fourth-fastest growing source of FDI into the United States—and U.S. FDI in India increased by nearly 30 percent over the same period. Last year, U.S. investors’ stakes in Indian equities surpassed those in Chinese equities for the first time, rising to \$12 billion.

Today, well over 500 U.S. companies are active in India, a country whose middle class could grow to half a billion people in the next 15 years. American companies have focused their investments on the opportunities that a growing India represents for the future of their businesses.

Companies like Corning, which built a new factory there in 2013—and Ford, whose 460-acre plant was created with a \$1 billion investment—will be positioned to access not only the vast Indian market, but will use these platforms to grow their exports across Asia and the Indo-Pacific region.

As India seeks to build the infrastructure to power its economy, it is looking directly to the United States to attract the technology and private capital it needs. A McKinsey report from 2010 concluded that approximately 70 to 80 percent of the infrastructure of the India of 2030 has yet to be built. This represents a tremendous opportunity for American companies with infrastructure expertise.

For example, General Electric was awarded a deal worth \$2.6 billion to provide India’s railways with 1,000 locomotives. That is the largest deal in GE’s 100-year

history in India, and marks a doubling of the company's investment there in just the last five years.

And we are working actively to find new commercial opportunities: the Department of Commerce, for example, is supporting work by the Harvard Business School and the Ahmedabad Institute of Management to better enable U.S. companies to identify markets in India for exports of products and services, by developing a cluster map compatible with our current, U.S.-based cluster map. By making more efficient and data-driven investment and business decisions, our companies and regions will be more competitive in developing export strategies that maximize benefit.

We are also working to bring more Indian investment to the United States. More than 200 Indian companies now have operations here, up from just 85 about a decade ago. According to a study released last year by the Confederation of Indian Industries, just 100 of those companies have together invested more than \$15 billion in the United States, supporting over 90,000 jobs, and 84 percent of those companies plan to invest more here in the next five years.

And through a partnership with diaspora entrepreneurs in Silicon Valley, the Department of Commerce's SelectUSA initiative will help Indian entrepreneurs get the data and support they need to expand their operations in the United States, bringing more innovation, jobs, and prosperity here at home.

Despite these gains, there is still much to be done to get two-way trade much closer to its potential. While India's business climate has improved—India climbed four places on the World Bank's Ease of Doing Business survey last year—our companies still struggle with an over-burdened and inefficient legal system for adjudicating commercial disputes and with a variable—and at times inconsistent—regulatory environment and tax code.

Among steps India can take to attract more companies would be to negotiate a high-standard bilateral investment treaty (BIT) with the United States, which would send an important signal to U.S. investors that India is not only open for business, but also open to liberalizing its trade and investment practices. And while India has made some progress in improving the ease of doing business, its economy cannot achieve its full potential without strengthening the protection of intellectual property rights and creating a more transparent and predictable regulatory and tax regime. While these issues are some of the most challenging in our relationship, they are also some of the most important for both countries to get right.

It is for these reasons—both the remaining challenges and the bright opportunities—that we have elevated our commercial relationship by expanding our annual U.S.-India Strategic Dialogue to include a commercial component. We are using the S&CD—as it is now called—to expand our commercial engagement in four areas: ease of doing business, standards, infrastructure, and innovation and entrepreneurship. One of the key private sector vehicles informing the S&CD is the U.S.-India CEO Forum. In addition, the Trade Policy Forum, the U.S.-India Economic and Financial Partnership, and myriad other working groups address these commercial and economic issues, as well as chart an ambitious future for our bilateral economic ties.

#### DEFENSE AND SECURITY RELATIONS

Of all the areas that define the future and help frame the stakes for a strong U.S.-India partnership, none is more prescient and important in my opinion than our defense and security ties. Without ensuring the safety and security of our democracies, the other areas of cutting-edge cooperation would simply not be possible.

Our defense and security partnership with India is critically important to securing U.S. interests in Asia and across the Indo-Pacific region. Former Defense Secretary Leon Panetta noted several years ago that India is a "lynchpin" of the U.S. Rebalance to Asia. And it is no surprise that Secretary Carter refers to the U.S.-India defense partnership as "an anchor of global security."

India now conducts more military exercises with the United States than with any of the other 23 countries that it holds bilateral exercises with. These military exercises have grown not just in number, but also in complexity. Our bilateral army exercise "Yudh Abhyas," for example, has evolved from a squad- and platoon-level exercise to the company- and battalion-level. Our annual naval exercise, MALABAR, last year mobilized over 8,000 personnel, including a U.S. Carrier Strike Group, U.S. and Indian submarines, and P-8 surveillance planes. Reflecting our close cooperation, we now also welcome Japan as a regular participant in the MALABAR exercise.

The benefits of our enhanced coordination were on display during relief operations after the tragic earthquake that struck Nepal last year, when the U.S. and Indian militaries jointly worked together to rescue stranded civilians and deliver badly

needed food, water, and shelter to those affected by the disaster. And last year, our two countries signed a renewed 10-year Defense Framework Agreement, which will provide new avenues for strengthening cooperation between our militaries. We're also now working with India to jointly train peacekeepers in African countries.

And, as you probably read after Secretary Carter's recent visit to India, we are moving toward concluding a logistics exchange memorandum of understanding, which would allow our armed forces to use each other's bases for resupply and repair. We are hopeful that the successful conclusion of this agreement will lead to progress on the remaining foundational agreements and allow greater interoperability in our militaries, so that we can go from joint exercises to coordinated operations in the Indian Ocean.

In recent years, the United States has become one of India's largest defense suppliers, totaling nearly \$14 billion and up from less than \$300 million eight years ago. These sales include C-130 and C-17 transport planes, Poseidon (P-8) maritime reconnaissance aircraft, and Apache attack and Chinook heavy-lift helicopters. The deal for those helicopters was just finalized last September and will support thousands of American jobs. These deals not only increase interoperability between our armed forces, they also help buttress the growing economic ties through partnership and cooperation between our nations.

To that end, in 2012 we launched the Defense Technology and Trade Initiative (DTTI), which includes the joint development and production of new defense products. We also have DTTI working groups on jet engine technology and aircraft carrier development. The carrier working group marks the first time the United States has lent support to another country's indigenous carrier development program, and we hope to see a day in the not-too-distant future when the U.S. and Indian navies—including aircraft carriers—operate side-by-side to promote maritime security and protect freedom of navigation for all nations.

The Maritime Security Dialogue provides an important channel to discuss such cooperation—it was launched under the auspices of the our Joint Strategic Vision and met for the first time this month, co-led by the Departments of Defense and State. All of these efforts are built toward enabling India to become a net provider of security in the Indian Ocean region and beyond.

We have also expanded our cooperation with India to combat terrorism and violent extremism, and continue to work toward finalizing a bilateral agreement to exchange intelligence and terrorist watch-list information. This cooperation, which includes regular trainings through the State Department's Anti-Terrorism Assistance program, as well as joint sponsorship of terrorist designations at the United Nations, has made both our nations more secure.

#### ENERGY AND ENVIRONMENT

In addition to our security partnership, the size, scope, and nature of India's energy market will have a profound impact beyond its borders. With over 400 million people without reliable access to electricity, and the needs of a growing economy increasing by the day, the stakes for India's widespread adoption of clean energy technology have never been greater.

What some people may not realize is that how India chooses to fuel its growth will have enormous, transformational effects on the health, well-being, and sustainable growth of the country, of the Indo-Pacific, and the entire globe. India does not have to choose between growth and sustainability—Secretary Kerry often says that the development, scaling, and adoption of clean energy technology represents a “multi-trillion dollar” business opportunity.

This is why many leaders in both our countries have posited that our cooperation on energy and environment can have dramatic consequences for how global growth is supported in the coming decades. And our energy ties are reflecting this. For instance, this year saw the first shipment to India of U.S. liquefied natural gas (LNG), providing more of a low-carbon alternative to oil and coal for powering India's economic rise.

India is also looking to increase its civilian nuclear power capacity, and we are confident that U.S.-built nuclear reactors will contribute to that effort. We are very encouraged by the progress made over the last year. In particular, India ratified the Convention on Supplementary Compensation for Nuclear Damage (CSC), which was an important step toward creating a global nuclear liability regime.

Now it is up to individual companies—and our leading U.S. firms can count on our support—to help ink contractual agreements that will bring civil-nuclear power to India. As President Obama has stated, we are hopeful that this year will see deals for U.S. companies to build new reactors, providing clean, reliable energy that can support the needs of megacities on the scale of Mumbai or Delhi, even on the

hottest day. I am confident we will see progress on this critical part of our partnership soon.

Clean and renewable energy is where our cooperation can have the greatest effect, and where many of our efforts are focused, including joint research and development, supporting early stage innovative technologies, and exploring new approaches to clean energy financing and mobilizing private sector funding.

Our Partnership to Advance Clean Energy (PACE), which was launched in 2009 and expanded in 2015, now includes cooperation on smart grids and energy storage in addition to solar, biofuels, and building efficiency. Super-efficient air conditioners alone have the potential to offset the need for over 100 power plants by the year 2030.

We are also working together through the Clean Energy Ministerial and Mission Innovation—a global clean energy R&D initiative—to accelerate the research, development, and adoption of clean energy technologies. Since 2009, we've helped mobilize more than \$2.5 billion to develop clean energy solutions in India. These investments have demonstrated the promise and potential of renewable energy in the country, and it now has some of the most ambitious renewable energy goals in the world—175 gigawatts of capacity by 2022, including 100 gigawatts of solar.

India is also playing a more prominent role in combatting global climate change. India's leadership was essential to the successful conclusion of the COP21 negotiations in Paris. Through the U.S.-India Climate Change Working Group, initiated in 2014, we're expanding cooperation on issues like adaptation, forestry, and air quality.

Our joint U.S.-India space collaboration includes a bilateral expansion of cooperative satellite-based Earth observation efforts to support regional and global goals. This space cooperation between the U.S. civil space agencies: the National Oceanic and Atmospheric Administration (NOAA), the National Aeronautics and Space Administration, the U.S. Geological Survey, and the Indian Space Research Organization includes joint work on satellite missions that will help the international community better understand the connections between climate change and natural disasters as well as provide weather observations in near real-time to the global forecasting community.

In addition, since 2008, NOAA and India's Ministry of Earth Science have collaborated on research projects to monitor climate patterns in the Indian Ocean and better forecast tropical cyclones and monsoons.

And at the sub-national level, some Indian states have opened lines of communication with California on reducing carbon emissions and improving air quality, and we are working to increase engagement between other states and cities in the U.S. and India.

#### CONCLUSION

Underpinning all elements of our relationship are our people-to-people ties, which have grown stronger than ever throughout this Administration. Our efforts to promote tourism have paid off handsomely, with the number of Indian visitors to the United States going from less than 550,000 in 2009 to over 960,000 in 2014, while their spending nearly tripled over the same period, to \$9.5 billion.

The number of Indian students studying in the United States increased over 30 percent from 2009 to 2015, reaching over 130,000 and bringing an estimated \$3.6 billion into the U.S. economy. The Fulbright-Nehru exchange program, which builds life-long bridges among our young scholars and academics, has tripled in size since 2009. And through the Indo-U.S. 21st Century Knowledge Initiative, launched in 2012, we have built 32 new partnerships between our institutes of higher education, ranging from efforts to improve mental health care to developing more sustainable aquaculture systems.

Overall, our long-running U.S. government exchange programs have graduated over 15,000 alumni from India, including six current and former heads of state, 35 members of parliament, 11 chief ministers, and other leaders in business, civil society, academia, and the arts.

In his speech last year at Siri Fort, New Delhi, President Obama said that "our nations are strongest when we uphold the equality of all our people." To build that strength, we have a range of dialogues, engagements, and private conversations about human rights with India's government. Our U.S.-India Global Issues Forum, led earlier this year by Under Secretary of State Sarah Sewall, focused on a wide range of issues including transparency and governance, countering violent extremism, migration and refugees, trafficking, and LGBTI rights. Our Ambassador-at-Large to Monitor and Combat Trafficking in Persons, Susan Coppedge, just returned from India, where she had a fruitful exchange with the government on how it com-

bats trafficking, and also shared U.S. efforts on prosecution, protection, and prevention. And we are always looking for new ways to partner with India to advance human rights, strengthen democratic institutions, and support societies that are more inclusive, secular, and tolerant.

Taken together, the progress we have made over the past eight years in our strategic, economic, defense and security, and energy and environment ties has truly ushered in a new era of relations between the United States and India, strengthening the foundation of a partnership that will help ensure that the Indo-Pacific region and the world is a more peaceful and prosperous place. Thank you and I look forward to your questions.

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PREPARED STATEMENT OF SADANAND DHUME

Chairman Corker, Ranking Member Cardin, members of the committee, thank you for this opportunity to testify before the committee on “U.S.-India Relations: Balancing Progress and Managing Expectations.” I am Sadanand Dhume, a resident fellow at the American Enterprise Institute, a non-profit, non-partisan public policy research organization based in Washington, DC. My comments today are my own and do not necessarily reflect the views of AEI.

Over the past two decades, both Democratic and Republican administrations have pursued closer relations with India. A strong bipartisan consensus in Congress has boosted this effort to build ties with the world’s most populous democracy. At a time of great flux in Asia, India occupies a pivotal place in the region, wedged between a rapidly rising China and the turmoil of Afghanistan and Pakistan. U.S. hopes of fostering peace and prosperity in Asia—and of preventing any single power from dominating this region—rest in no small measure on deepening the U.S.-India relationship and supporting ongoing Indian efforts at economic and military modernization.

Prime Minister Narendra Modi’s visit to Washington next month, when he will become the first foreign leader to address a joint session of Congress in 2016, underscores the importance both countries attach to this relationship. This will be Mr. Modi’s second bilateral visit to Washington in less than two years, and his fourth to the U.S. since he took office two years ago. Mr. Modi and President Obama have met seven times in the last two years. This sustained high level engagement, culminating in next month’s visit, presents an opportunity to cement progress made over the past few years and set a platform for the next administration to build upon.

Despite occasional hiccups, U.S.-India ties have witnessed a steady upward trajectory since the late 1990s. India conducts more military exercises with the U.S. than with any other country. Over the past 10 years, total U.S. defense sales to India have grown from \$300 million to approximately \$14 billion. India now has 10 heavy lift C-17s, the largest fleet outside the U.S.

Military exercises are also growing in complexity. Last year, Japan joined the U.S.-India Malabar naval exercises as a permanent member. Since 2012, India has also participated in PACOM’s Rim of the Pacific Exercise (RIMPAC), the world’s largest international maritime warfare exercise. Thanks in large part to the efforts of Defense Secretary Ashton Carter, the Defense Technology and Trade initiative also shows promise as the two countries move toward co-production and co-development on six projects spanning protective clothing for soldiers to aircraft carriers.

In fighting terrorism, too, the U.S. and India face common challenges. But as pluralistic societies they also share experiences of managing the threat. Although it houses the second largest Muslim population in the world, India shows relatively few signs of homegrown radicalization. Barely a few dozen Indian Muslims have signed up to fight for the Islamic State, compared with several thousand from Western Europe.

Economic relations have deepened too, albeit from a modest base. Between 2002 and 2015, bilateral trade in goods and services quintupled from \$21 billion to \$107 billion. Since 2004, U.S. FDI stock in India has more than tripled from \$8 billion to \$28 billion. According to the Confederation of Indian Industry, 100 Indian companies have invested \$15 billion in 35 U.S. states, creating 91,000 jobs. Indian students add \$3.6 billion to the U.S. economy each year. At the same time, the three-million-strong Indian-American population continues to act as a bridge between the two countries.

Nonetheless, neither country should take this continued progress for granted. For one, recent gains notwithstanding, trade ties remain far below potential. With an annual output of \$2.1 trillion, India is the seventh largest economy in the world. In purchasing power parity terms it is even larger—a \$8 trillion economy, or the

world's third largest. Yet, in 2015, with trade in goods of \$66.7 billion, India was only the U.S.'s tenth largest trading partner in goods, ranked below smaller economies such as Taiwan and South Korea. Without a deeper trade relationship, and an India more deeply integrated into the global economy, the relationship risks remaining unsustainably lopsided toward shared geopolitical and security concerns.

The U.S. should also recognize that India's history and domestic politics preclude it from becoming a formal U.S. ally such as Japan or South Korea. Keeping expectations sober will ensure that ties remain on even keel rather than careening between unrealistic ambition and ensuing disappointment. At its heart, the U.S. bet on India represents the hope that a large democratic, pluralistic country, rooted in common law traditions, and home to an English-speaking elite, will succeed in Asia. At the same time, however, U.S. interest in India's future carries implicit expectations: of economic reforms and a continued adherence to democratic values including pluralism, freedom of speech and human rights.

In the absence of a formal alliance, the robustness of India's economy, strength of its military and quality of its democracy naturally become proxies for the health of the U.S.-India relationship, and the amount of policy attention New Delhi can sustainably attract from Washington. For this relationship to fulfill its potential, the U.S. ought to continue to take the long view, as it has during much of the past two decades, by playing a part in helping India fulfill its own aspirations. At the same time, India must recognize that the sustainability of U.S. commitment to its rise rests in large part on the success of the so-called "India model." This will require not just continued strategic engagement with the U.S., but also continued reforms to make India a more competitive economy.

#### KEY POLICY RECOMMENDATIONS:

- Asia-Pacific Economic Cooperation: Back India for full membership in APEC as a step toward eventual inclusion in the Trans-Pacific Partnership.
- Seize new economic opportunities: The Modi government's landmark economic initiatives in digital technology, renewable energy and urban infrastructure provide opportunities for U.S. firms to boost trade and deepen economic ties with India.
- Enhance technology sharing: Make technology-sharing processes with India easier in order to assist its ongoing military modernization.
- Champion sound economic principles: Instead of focusing solely on specific firms or areas of the economy, the U.S. should broadly support the principles of free enterprise that will allow India to unlock its economic potential.

#### BACKGROUND:

##### *Economic policy: India's tryst with socialism*

India bears the harmful legacy of past mistakes that have not been fully acknowledged, and therefore not fully repudiated. India's first prime minister, Jawaharlal Nehru, was a Fabian socialist who was contemptuous of markets, mistrustful of trade and enamored of state planning.

Nehru's daughter, Indira Gandhi turned the crude license-permit system she inherited from her father into a refined instrument of economic torture. In her time, the marginal tax rate rose to 97 percent and, thanks to the infamous license-permit raj even the most routine economic decisions, such as where to build a factory or how much it could produce, were made by bureaucrats. These policies, no more successful in India than anywhere else, guaranteed decades of stagnation and inspired the disparaging economic moniker, "Hindu rate of growth."

Between them, Nehru and Gandhi ruled India for all but four of its first 37 years of independence. They created a political discourse on the economy centered on government intervention that has not been fully overcome to this day.

Between independence in 1947 and the advent of economic reforms in 1991, India was one of Asia's worst performing economies. In the first three decades after independence (1947–77), despite a low base, the Indian economy grew at an anemic annual average of 3.5 percent. In 1964, the average Indian was about three-fourths as rich as the average South Korean. By 1984, the average South Korean was four times richer than the average Indian.

Only in 1991, faced with a balance-of-payments crisis, did India embark upon economic reforms. Then prime minister P. V. Narasimha Rao proceeded to scrap most licensing programs, reduce tariffs, and open the door to foreign investment. Almost as if on cue, growth rates, exports, and foreign-exchange reserves began to rise, and India joined a larger club of fast-growing Asian economies.

Since then, India's reform program has deepened, albeit in fits and starts. A new telecom policy led to India's mobile phone revolution. India currently has one billion mobile phone subscribers, the second highest number in the world. Competitive private firms have changed the face of Indian telecoms and aviation, and have made inroads in banking.

Between 1991 and 2014, the Indian economy grew on average at 6.6 percent per year. However, the reform process lost steam after 2004, when a left-of-center government took power. Though the economy continued to grow—buoyed by healthy global conditions and reforms unfurled before 2004—ultimately the lack of fresh reforms caught up with India. According to the World Bank, growth fell from a high of 10.3 percent in 2010 to 5.1 percent in 2012. By the end of 2013, with the stock market falling and the rupee hitting historic lows against the dollar, India had come to be seen as one of the world's "fragile five" economies.

Though India's economy is large in absolute terms, it has failed to live up to its potential. Per capita income of \$5,700 (in PPP terms) is less than half that of China, though both countries had similar levels of per capita income barely 35 years ago. With a median age of 27, India is one of the youngest large countries in the world. In order to provide jobs to the 12 million people who enter the workforce each year, New Delhi will have to significantly deepen an economic reform program first embarked upon 25 years ago, but that has lost steam over much of the past decade.

Currently, the IMF regards India as "a bright spot" in the global economy. But today's generation of reformers faces essentially the same challenges as its predecessors: to complete India's transformation from a state-dominated economy to a market-oriented economy.

*Foreign Policy: The legacy of non-alignment*

Through most of the Cold War, U.S.-India ties were frosty. Indeed, India largely took a parallel approach to economics and international politics. Nehru spearheaded the non-aligned movement (NAM): an alliance of third-world countries whose aim—as the 1979 Havana Declaration would later summarize—was to protect "the national independence, sovereignty, territorial integrity, and security" of its members in their joint "struggle against imperialism, colonialism, neo-colonialism, racism, Zionism, and all forms of foreign aggression, occupation, domination, interference, or hegemony, as well as against great-power and bloc politics."

In theory, the NAM was intended to keep New Delhi independent of both Moscow and Washington. In practice, beginning with India's failure to condemn the Soviet Union's 1956 invasion of Hungary, both the movement's worldview and its rhetoric tilted conspicuously toward the Kremlin. This, along with the stark Dullesian division of the world into friend or foe, helps explain the frigid state of U.S.-India relations for many years, and the contrasting warmth of the U.S. embrace of a pliant Pakistan.

Though the nonaligned movement still exists in theory, in practice the end of the Cold War, and the emergence of the U.S. as the sole superpower, ended its relevance. Changes in attitudes toward the West have accompanied the opening of India's economy. Patient diplomacy and family ties forged by immigration have also played a part. Today Indians are among the most pro-American people in Asia. A Pew Research Center survey of "global attitudes" last year found that seven in ten Indians hold a favorable view of the United States.

Like their counterparts in the U.S., most major Indian political parties share a broad consensus on the importance of deeper ties with Washington. Since the end of the Cold War, both the ruling right-of-center Bharatiya Janata Party and the opposition Congress Party have recognized the central role the U.S. will play in India's modernization. Nonetheless, of the two major parties, the BJP has traditionally felt less constrained by the legacy of nonalignment. This gives it greater room to pursue rapid strategic convergence with the U.S.

THE RISE OF NARENDRA MODI

After a period of pronounced drift in India between 2011–14, the election of Mr. Modi as prime minister in 2014, with the first single party electoral majority in 30 years, raised hopes that New Delhi would return emphatically to the path of greater global engagement as well as structural economic reform. Despite a few mishaps, Mr. Modi's foreign policy is widely regarded as astute and imaginative. On his watch, India's relations with the U.S., Japan and Israel have thrived, as they have with important neighbors such as Sri Lanka and Bangladesh. The prime minister has rightly made the U.S. the centerpiece of his foreign policy, though, as with past Indian leaders, this has not meant forswearing the pursuit of better ties with other important powers.

However, on the economy, the single biggest determinant of India's trajectory, Mr. Modi's record is mixed. On the campaign trail two years ago, Mr. Modi painted his vision for the economy through slogans such as: "minimum government, maximum governance," "red carpet, not red tape," and "the government has no business being in business." His record as the dynamic and business-friendly chief minister (the Indian equivalent of governor) of the industrialized western state of Gujarat (2001–14) also raised hopes among investors and commentators that he would swiftly implement the kind of far-reaching reforms that had long been discussed, but had nonetheless eluded India over the past decade.

So far, the Modi government has proceeded cautiously on reforms, preferring what it calls "creative incrementalism" to so-called "big bang reforms."

On the positive side, the government has rolled out the proverbial red carpet for investors, with the prime minister himself acting as India's chief pitchman. Foreign investment caps have been eased in, among other areas, defense, insurance and food processing. According to the United Nations Conference on Trade and Development, \$59 billion of FDI poured into India in 2015, nearly twice as much as the year before. In the same period, pledged greenfield FDI—proposed investments in new assets rather than existing ones—in India was the highest in the world at \$63 billion. Several high profile firms including Taiwan's Foxconn and South Korea's Posco have pledged billions of dollars of fresh investment in India. Large U.S. investors include General Electric, General Motors, Uber and Oracle. India is trying to woo Apple to set up a manufacturing plant.

The IMF expects India's GDP to grow at 7.5 percent this year, which would make it the world's fastest growing major economy. The government also intends to boost infrastructure spending to \$32 billion dollars this year, a 22.5 percent increase from the previous year, in order to upgrade India's roads and railways. Despite stepped-up government spending, Finance Minister Arun Jaitley expects to keep India's fiscal deficit in check at a reasonable 3.5 percent of GDP next year.

The government also hopes to end harassment by tax officials by simplifying rules. This is part of a larger effort to improve India's Ease of Doing Business ranking, which despite government efforts to improve it, is currently an unimpressive 130 of 189 countries surveyed by the World Bank. In May, the government passed a much-awaited bankruptcy law designed to make it easier for firms to shut down. This will likely further boost India's ease of doing business ranking.

However, in terms of deep structural reform, Mr. Modi has either been stymied by the opposition or has himself preferred caution to boldness. Thanks to opposition in the indirectly elected upper house of Parliament, a proposed goods and services tax to stitch India into a common market was not rolled out this April as planned. The opposition has also forced the government to retreat on a proposal to ease land-acquisition norms for industry.

Labor law reform—in effect making it easier for firms to lay off workers during a downturn—has been shunted to the states, but only a handful of them appear interested in pursuing them seriously. A proposed privatization program has stalled. Though the government says it remains committed to privatization, the prime minister has also suggested that he can stem the rot in state-owned companies, and a largely state-owned banking system, simply by picking the right managers. This has not worked in the past; there is no reason to believe that it will change.

Despite holding a comfortable majority in the lower house of Parliament, the Modi government has done nothing to reverse the previous government's worst laws, like an unpopular retroactive tax. Also in force is a government directive that goads companies to channel some of their profits toward social objectives such as reducing child mortality and combating AIDS. In reality, politicians use the provision to "encourage" businessmen to fund their favorite boondoggles.

Mr. Modi has undoubtedly stabilized the economy and piqued foreign investor interest. But the jury is still out on his ability to launch India on a path of sustained high growth. The measures he enacts over the remaining three years of his term will determine whether his contribution to the economy will extend beyond better administration to the deeper reforms India needs.

#### WHAT THE U.S. CAN DO:

*Asia-Pacific Economic Cooperation:* Back India for full membership in APEC as a step toward eventual inclusion in the Trans-Pacific Partnership.

Founded in 1989, the 21-nation APEC is East Asia's broadest economic grouping and the world's largest trading bloc, accounting for three billion consumers and 44 percent of global trade. In 2010, a decade long moratorium on new members expired, opening the door for India, whose initial application for membership in 1991 was rejected.

The U.S. has welcomed India's interest in joining APEC, but has not backed formal membership. Publicly backing India's candidacy for APEC membership would echo a broad U.S. policy that supports India's rise as a responsible global power. Washington has already supported Indian membership in the G-20, four multilateral nonproliferation regimes, and an expanded United Nations Security Council. In addition, India is already a full member of the East Asian Summit and the ASEAN Regional Forum, and is a dialogue partner with ASEAN.

The case against backing India's entry into APEC hinges on its notoriously obstreperous trade negotiators, who some of their American counterparts hold responsible for helping create a stalemate at the World Trade Organization. They fear that admitting India into APEC will hurt the group's capacity for consensus building and dilute the quality of its trade agreements.

Although these concerns are legitimate, backing India's APEC membership is a low-risk gambit for the United States and carries potentially large rewards. At worst, India complicates the workings of an already unwieldy body that concludes nonbinding agreements among members. At best, India uses APEC membership as training wheels to prepare it for the more ambitious Trans-Pacific Partnership (TPP), embraces the best practices APEC espouses, invigorates the grouping with new energy, and integrates itself more fully into the global economy.

*Seize new economic opportunities:* The Modi government's landmark economic initiatives in digital technology, renewable energy and urban infrastructure provide opportunities for U.S. firms to boost trade and deepen economic ties with India.

India's ongoing economic expansion, spurred by a government that has placed economic development at the heart of its program, opens up new opportunities for U.S. firms, and a chance to boost U.S.-India trade. The U.S. ought to continue efforts to emerge as a significant player—in terms of both business and technology—in Indian efforts to modernize urban infrastructure, enhance digital connectivity and boost the proportion of energy produced by renewable sources such as solar power.

According to the government, India will need to spend up to \$1 trillion over the next few years to upgrade its ports, roads and airports. As part of its "smart cities" project, India has already marked Ajmer in Rajasthan, Allahabad in Uttar Pradesh and Visakhapatnam in Andhra Pradesh as centers for U.S.-India collaboration. The U.S. Trade and Development Agency (USTDA) is involved in planning and providing technical assistance for these cities. A three-company consortium led by AECOM will implement a master plan for Visakhapatnam, the largest city in Andhra Pradesh.

The "Smart Cities" initiative reflects India's ongoing urbanization. Currently only about 32 percent of Indians live in cities, compared to 81 percent of Americans or 54 percent of Chinese. Similarly, Digital India and the Indian bid to build renewable energy capacity add up to a vision of the country's future: increasingly urbanized, networked, and (proportionally) less reliable on fossil fuel. An early U.S. involvement with these initiatives ought to go a long way toward strengthening the weakest link in bilateral relationship—comparatively weak trade ties.

According to the Telecom Regulatory Authority of India, the country currently has only 325 million Internet subscribers, or 25 percent of the population. The government expects this to rise to 38 percent of the population by the end of 2016. U.S. companies including Google, Facebook, Qualcomm and Microsoft will likely play a critical role in this ongoing modernization. Similarly, India hopes to install 100 Gigawatts of solar energy by 2022 at a cost of \$90 billion. If allowed to compete fairly, U.S. firms such as First Solar and SunPower ought to play a significant role in India's solar power expansion.

*Enhance technology sharing:* Make technology-sharing processes with India easier in order to assist its ongoing military modernization.

For decades following India's first nuclear tests in 1974, many Indian policy makers and strategic thinkers viewed U.S.-India relations through a thick web of technology denial spun in response by Washington. With the 2008 U.S.-India civil nuclear deal, as well as subsequent actions by the U.S. government, much of the technology denial regime once put in place to punish India for its nuclear explosions has receded. Nonetheless, both private Indian defense company executives and government officials say they find it easier to obtain high-end defense or dual use technology from Israel, France or Russia than from the United States.

The U.S. has already embarked upon technology sharing with India in multiple respects, most significantly through the Defense Technology and Trade Initiative. This includes six projects, including at least two, on jet engine technology and aircraft carrier technology that hold great promise. The Pentagon's creation of the India Rapid Reaction Cell, its first country-specific cell, should add further momen-

tum in pushing the DTTI forward. If the U.S. and India can get DTTI to work it will automatically bring both countries' militaries closer in terms of interoperability, help India modernize its military more effectively, and ensure that the U.S. cements its place as India's most important defense partner.

*Champion sound economic principles:* Instead of focusing solely on specific firms or areas of the economy, the U.S. should broadly support the principles of free enterprise that will allow India to unlock its economic potential.

If economic relations between the U.S. and India are to avoid getting bogged down in minutiae, and are instead to serve U.S. strategic goals in Asia, the U.S. should encourage India to become a more competitive, market-oriented economy for its own sake, even if specific reforms offer no clear payoff for U.S. firms. For instance, India needs better roads, but given the lack of U.S. competitiveness in this area they are unlikely to be built by American firms, though they may at times be built with American equipment.

At the same time, the U.S. should aim to remain India's top trade partner. Last year, Secretary of State John Kerry reiterated the goal of multiplying U.S.-India trade fivefold, to \$500 billion, over ten years. But beyond just that number, the U.S. should also aim to stay ahead of China in volume of bilateral trade with India. This will likely spur more day-to-day attention to the relationship than a theoretical longer-term target would.

While consistently advocating for U.S. businesses, Washington should not allow individual companies to hijack the agenda. For instance, while India will undoubtedly benefit from opening up its retail market to Walmart and others, this is not necessarily the most pressing economic issue facing the country.

India needs to liberalize its labor and land markets, rationalize expensive food, fuel, and fertilizer subsidies, and privatize loss-making state-owned companies. Over time, as India's economy becomes bigger and more outward looking, many of these decisions will likely benefit U.S. companies. But they're important mostly because they will unleash India's own economy, raise the living standards of its people, and give it the wherewithal to fulfill the larger role it seeks on the world stage. Though the U.S. cannot make policy for India, it can certainly provide assistance to would-be Indian reformers who look to it for ideas and expertise.

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#### PREPARED STATEMENT OF ALYSSA AYRES

Chairman Corker, Ranking Member Cardin, and members of the committee, thank you very much for the invitation to appear before you on U.S. relations with India. I am honored to serve as a witness in this hearing on U.S.-India relations, and commend the committee for holding it. India does not always receive the attention it should as a rising power and close U.S. partner. I shared in advance with the committee a recent Council on Foreign Relations (CFR) Independent Task Force report, for which I served as project director, which addresses many of the issues you wish to explore in some detail. I respectfully request that the report be submitted for the record. My testimony here draws extensively from the Task Force report's findings and recommendations, and from my work on a book about India's rise on the world stage.

In two weeks, India's prime minister, Narendra Modi, will return to the United States for a working visit, and will address a joint meeting of the U.S. Congress. With his upcoming visit in mind, I will touch briefly on several areas of importance to our bilateral relations. First, we have come a long way since the twentieth-century years of estrangement. Reflecting on the changed nature of U.S.-India ties during a recent symposium, former U.S. Ambassador to India Frank G. Wisner noted that back in 1994, prior to his departure for India, the only subject of strategic significance discussed was a "dispute over almond trade."<sup>1</sup> The United States and India were divided over nonproliferation, economic ties were weak, and India's strongest defense relationship was with Russia.

Every aspect of the U.S.-India relationship has changed dramatically. The civil-nuclear agreement helped overcome what had been the single most divisive issue between both countries for more than thirty years. While its full commercial development remains incomplete, the civil-nuclear deal has had the effect of bringing India "inside" the nonproliferation tent it spent three decades outside. India has

<sup>1</sup>Frank G. Wisner, "The New Geopolitics of China, India, and Pakistan: Keynote Session" (YouTube video, from a symposium streamed live by the Council on Foreign Relations, May 4, 2016), <https://www.youtube.com/watch?v=cgcbKFVH85Y>.

brought its civil-nuclear facilities under International Atomic Energy Agency safeguards, harmonized its own export controls with global nonproliferation regimes, and seeks entry in the Nuclear Suppliers Group, the Missile Technology Control Regime, the Wassenaar Arrangement, and the Australia Group down the line. These steps mark a complete turnaround.

Secondly, our economic ties are no longer confined to almond trade: last year, two-way trade in goods and services reached \$107 billion, a more than fivefold increase over the \$21 billion level of 2002. The U.S.-India Business Council has seen a significant uptick in its membership, now around 450 companies. U.S. technology industries have strong links with India—last week Apple CEO Tim Cook visited India, just as many other U.S. CEOs have done in recent years. Ties among entrepreneurs increasingly bridge both countries, including through the three million-strong Indian diaspora in the United States.

Defense ties have improved markedly. Defense trade has increased from approximately zero to more than \$14 billion in the past decade, and the Defense Trade and Technology Initiative has positioned both countries for coproduction and codevelopment initiatives, a deeper cooperation than a buyer-seller exchange. The tempo of joint exercises keeps both countries continually practicing with each other, and India's promising indication that a logistics exchange agreement may at last be signed will make cooperation more seamless.

By any measure, when comparing with the past, the snapshot of U.S.-India relations shows great progress. That does not mean we are free of disagreements, or that there isn't room for further progress. Since this hearing focuses on progress and managing expectations, I will offer a few recommendations focused on government-to-government cooperation.

#### THE MODEL FOR U.S.-INDIA TIES: THINK JOINT VENTURE, NOT ALLIANCE

One of the overarching recommendations our Task Force made concerned how we think about what our relationship with India should look like. Many Americans see India, the world's largest democracy, a fast-growing economy, and a nation of great diversity, and see a future in which our shared values will bring both countries ever-closer together. That has been taking place, but the shared values of democracy do not always mean that Washington and New Delhi will see eye-to-eye on every matter.

Although the present Indian government does not emphasize nonalignment or its successor term, "strategic autonomy" in the same way its predecessors did, New Delhi's model for its own foreign relations focuses on the idea that "the world is a family." India does not seek alliance relationships, seeing them as potential constraints on its freedom of choice. As we in the United States look to advance ties with India, our Task Force recommended, given India's size, its independence, and what we termed its "class-of-its-own sense of self," an alternate framework for how we think about our relations with India: the model of a joint venture, in the business sense of the word, rather than a not-quite alliance.<sup>2</sup> This model provides more conceptual space to increase cooperation in areas of convergence without assuming agreement or support on matters across the board, as one would typically expect from an alliance. In the words of the Task Force, "Reframing ties with this flexible model will also create conceptual space for the inevitable disagreements without calling into question the basis of the partnership . . . the expectation will be that divergences inherently exist and, therefore, must be managed."

#### ECONOMIC TIES

As noted above, U.S.-India trade has crossed the \$100 billion threshold; economic ties have gone from being a weak link to a ballast. Last September, Secretary of Commerce Penny Pritzker noted that U.S. exports to India now "support more than 180,000 American jobs, and India's exports to our country support roughly 365,000 Indian jobs. U.S. firms employ about 840,000 people in India, while Indian-owned companies employ nearly 44,000 people in our communities."<sup>3</sup> In the past two years, the Indian government has made progress on reforms such as lifting foreign direct investment (FDI) caps in defense, insurance, a whole host of lower-profile sectors

<sup>2</sup> Charles R. Kaye, Joseph S. Nye, Jr., and Alyssa Ayres, "Working With a Rising India: A Joint Venture for the New Century," Independent Task Force Report No. 73 (New York: Council on Foreign Relations Press, November 2015), 29. <http://www.cfr.org/india/working-rising-india/p37233?co=C007301>.

<sup>3</sup> Secretary of Commerce Penny Pritzker, "U.S. Secretary of Commerce Penny Pritzker Addresses U.S.-India Commercial and Economic Relationship at Carnegie Endowment for International Peace," September 21, 2015.

such as courier services, and its efforts to cut red tape have helped bump India's ranking up in the World Bank's Ease of Doing Business index to 130 from 142. Two weeks ago India's parliament passed a major new bankruptcy law. The government has mounted initiatives to extend electrification, build more roads and rail, and modernize ports. Still, labor law reform has proven politically challenging, as has land acquisition reform; both have been devolved to the state level. Parliament has not yet passed an important constitutional amendment to unify India's states into a national single market through a goods and services tax.

India is poised for growth: growth rates have bounced back from a dip during the 2011 to 2014 period, and are now at an estimated 7.6 percent. India is the fastest-growing major economy in the world given China's slowdown. India has already become the seventh-largest economy in the world at market exchange rates, according to International Monetary Fund (IMF) data for 2015, bypassing Group of Seven members Canada and Italy, and also Brazil. On a per capita gross domestic product (GDP) basis, however, India's \$1,688 level ranks it at number 140 in the world, in the bottom third. Economic growth has lifted some 133 million people out of extreme poverty during 2001 to 2011, but 21.3 percent of the population, or around 259 million people, still live below the World Bank benchmark for extreme poverty of \$1.90 per day.<sup>4</sup>

Despite the upswing in economic ties, U.S.-India trade remains well below its potential, representing only a little more than one-tenth of U.S.-China trade in goods, and more on the scale of Taiwan or the Netherlands. In addition, the economic relationship faces some tough differences that will not be easy to resolve. On market access matters, the United States recently won a dispute in the World Trade Organization (WTO) regarding local content requirements in India's solar energy sector, but India has appealed that decision. Differences over intellectual property rights have been largely resolved in the media and entertainment fields, but remain a concern to U.S. companies, particularly in the pharmaceutical industry. India has its own high-level complaints, especially regarding worker mobility. Two months ago India filed the first step in a WTO dispute over U.S. law governing high-skilled worker visas. This is the first time that an issue of immigration has been disputed under global trade rules, and the outcome of this filing will set a global precedent.<sup>5</sup>

#### Ten Largest Global Economies, GDP (current prices)

2015 data in USD billions

Rank	Country	2015
1	United States	17,947
2	China	10,982
3	Japan	4,123
4	Germany	3,357
5	United Kingdom	2,849
6	France	2,421
7	India	2,090
8	Italy	1,815
9	Brazil*	1,772
10	Canada	1,552

\* staff estimate

Source: International Monetary Fund World Economic Outlook Database, April 2016

<sup>4</sup>Rakesh Kochhar, "A Global Middle Class Is More Promise Than Reality: From 2001 to 2011, Nearly 700 Million Step Out of Poverty, but Most Only Barely," Pew Research Center, July 2015.

<sup>5</sup>See Edward Alden, "India's Landmark WTO Challenge to US," Nikkei Asian Review, March 15, 2016.

One of the Task Force's findings, based on India's economic performance, its potential, and its ambitions, was that "if India can maintain its current growth rate, let alone attain sustained double digits, it has the potential over the next twenty to thirty years to follow China on the path to becoming another \$10 trillion economy." Few countries have such potential, and sustained growth would position India to become a larger proportion of the global economy, contributing more toward global prosperity.

India has its own hurdles to clear internally and its domestic political challenges to economic reform are something that the United States can do little about. But we have a clear stake in India achieving its ambitions. As our Task Force observed, "As the Indian economy grows, it has the potential to become increasingly indispensable for global prosperity—becoming an engine of growth for its region and its trading partners, and rising as a source of global investment."<sup>6</sup> Given India's fast-growing importance to the world economy in the aggregate, and to the U.S. economy, the Task Force recommended that the United States "elevate support for India's economic growth and its reform process to the highest bilateral priority, committing to ambitious targets for bilateral economic ties along with clear steps to get there."<sup>7</sup>

From my perspective, one of the most immediately actionable steps would be for the United States to champion actively India's candidacy for membership in the Asia-Pacific Economic Cooperation (APEC) forum. India has been waiting for nearly twenty years. APEC is not a binding negotiating forum, but rather a norm-setting organization with a commitment to transparency and continued work to further open trade goals. India would benefit from inclusion in ongoing consultation with Asia-Pacific peers on how the economic region can further trade.<sup>8</sup> Similarly, we should explore Indian membership in the Organization for Economic Cooperation and Development (OECD), which would also open up the possibility for Indian membership in the International Energy Agency. These are important norm-setting and economic information-sharing institutions that at this point should include India—especially since its economy is now far larger than many of its European members.

#### WORKING WITH INDIA ON DEMOCRACY AND HUMAN RIGHTS

The world's two largest multiethnic, multireligious democracies: India and the United States have much in common in this sense. But we have important tactical differences in approaches to democracy and human rights around the world. I will divide my observations into two types, the first focused on cooperation in other parts of the world, and the second focused on U.S. bilateral dialogue with India.

India was a founding supporter of the United Nations (UN) Democracy Fund, to which it is the second-largest donor after the United States, and has also been a founding supporter of the Community of Democracies. India has been a supporter of and involved with the UN Human Rights Council since its creation. But Indian foreign policy in general, and for decades, has upheld a core principle of non-intervention when it comes to concerns in other countries, and that extends to public comment. It sees issues of democracy and rights as matters of domestic sovereignty. While the Indian government has a great story to tell about its own history as a democracy, it does not seek to proselytize. Rather, it is happy to provide technical assistance if requested. Similarly, as a general principle, India does not typically vote for single-country condemnatory resolutions in the UN and its bodies; Human Rights Watch noted that India abstained from half of all UN Human Rights Council resolutions in 2015, and 40 percent in 2014.<sup>9</sup> A statement from India's permanent mission to the UN in Geneva in 2014 clarified this preference, explaining India's interest in strengthening capacities for upholding human rights, while adding that, "highlighting country situations and finger pointing has never proved to be productive. . . . India strongly believes that the advancement and realisation of human rights can be achieved only through the cooperation and full participation of the concerned States."<sup>10</sup> The few exceptions to this orientation tend to be situations that have an immediate effect on Indian national security, such as with neigh-

<sup>6</sup>Kaye, Nye, Jr., and Ayres, "Working With a Rising India," 15.

<sup>7</sup>*Ibid.*, 34.

<sup>8</sup>For a longer discussion of India and APEC, see Alyssa Ayres, "Bringing India Inside the Asian Trade Tent," Policy Innovation Memorandum No. 46 (New York: Council on Foreign Relations Press, June 2014), <http://www.cfr.org/india/bringing-indianside-asian-trade-tent/p33173>.

<sup>9</sup>Human Rights Watch, "Country Datacard, Human Rights Council Voting Record: India," VotesCount, 2015, <http://votescount.hrw.org/page/India>.

<sup>10</sup>Permanent Mission of India to the United Nations, Geneva, "Statement on Agenda Item 4 General Debate: Human Rights Situation That Requires the Council's Attention, September 16, 2014" (Government of India, Ministry of External Affairs, September 16, 2014), <http://www.pmindiaun.org/pages.php?id=983>.

boring countries in South Asia, or situations of severe deterioration, such as in Syria by 2012.

In the bilateral discussion between India and the United States, a similar concern over tactics exists. The United States approaches its support for advancing democracy and human rights around the world through private diplomacy as well as through public reports providing a snapshot of problems in countries, including through annual reports to Congress on human rights, international religious freedom, trafficking in persons, and others. With many countries, these reports serve as a gauge to help them focus their efforts. The Indian government, on the other hand, does not view these reports as helpful; they are generally unwelcome and seen as an intrusion upon domestic sovereignty. In March, for example, the Indian embassy released a statement regarding visa denials to commissioners of the U.S. Commission on International Religious Freedom (USCIRF). The embassy's statement said, in part, "We do not see the locus standi of a foreign entity like USCIRF to pass its judgment and comment on the state of Indian citizens' constitutionally protected rights." It went on to welcome the "sharing of experience and best practice on all issues of mutual interest."<sup>11</sup> I would note here as well that while India continues to struggle with rights and discrimination issues, including on the basis of religion, gender, and caste, its active civil society, press, and judiciary serve as constant oversight mechanisms.

These two examples should illustrate where our divergences exist, and what some of the limits are to the usual U.S. template for cooperation. In third countries, we will likely find increased opportunity in technical training on the mechanics of democracy, as our Task Force recommended: "Either in bilateral collaboration with India or by supporting India's technical work with democracy-focused institutions . . . the United States should approach India as a frontline partner on technical training and capacity building for democracy around the world." India has recently created an Indian International Institute for Democracy and Election Management, which can train officers from anywhere in the world on the lessons learned by the Election Commission of India. On U.S. bilateral concerns about rights issues within India, private diplomacy will go much farther than public rebuke. While our annual public reporting obligations will continue, no one should be surprised to see the Indian government "take no cognizance," as the Ministry of External Affairs said last year in response to USCIRF's report.<sup>12</sup>

Where we can craft an agenda of mutual interest in collaboration with the Indian government, on the other hand, the conversation can go much farther. It is my understanding, for example, that U.S. Ambassador-at-Large to Monitor and Combat Trafficking in Persons Susan Coppedge recently traveled to India for discussions with the Indian government. The U.S.-India Women's Empowerment Dialogue, and the Global Issues Forum both provide platforms for consultations. India and the United States will continue to have differences on the best way to discuss rights problems, but we should continue looking for the spaces of agreement to build a larger and more open dialogue. I have also long believed that sharing some of the domestic challenges we struggle with in the United States, some of which have become higher profile over the course of the past two years—such as racial justice and law enforcement—could serve as a helpful basis for a broadened dialogue.

#### DEFENSE AND STRATEGIC PARTNERSHIP WITH INDIA

The transformation in defense and strategic ties with India stands as one of the great changes of the past fifteen years. India went from seeing Russia as its primary defense partner to diversifying its suppliers, and from a limited defense relationship with the United States to one in which it exercises more with U.S. forces than with any other country. India recently participated in this year's Red Flag held in Alaska, took part in the Rim of the Pacific Exercise (RIMPAC) last year, and will do so again this year.

The geostrategic case for stronger defense ties with India is well known. Successive U.S. administrations have viewed a stronger, more capable India as a bulwark of democracy in a volatile region, and as a model across Asia capable of ensuring that no single country dominates the region. India's military capabilities also increasingly make it a regional first responder for humanitarian assistance and disaster relief, as demonstrated with the Nepal earthquake last year, where it took an immediate leading role. During last year's humanitarian crisis in Yemen, similarly,

<sup>11</sup> Embassy of India, Washington, DC, "Press Release -In Response to a Media Query on Visa to USCIRF Visit," March 4, 2016, <https://www.indianembassy.org/press-detail.php?nid=2338>.

<sup>12</sup> Suhasini Haidar, "Govt. Rejects U.S. Panel's Report on Religious Freedom," *The Hindu*, May 1, 2015.

India took the lead evacuating not only its own citizens but also many other nationals, including stranded Americans.<sup>13</sup> India has also served as a major donor to Afghanistan, the fifth-largest over the past fifteen years, and has been an important source of humanitarian assistance, infrastructure development, and training for civilian officials and military officers on Indian soil.<sup>14</sup> We could be doing more with India on civilian security in Afghanistan, including on training, rule of law, and other areas.

India's air capabilities acquired from the United States—its C-17s, C-130Js, and P-8s—give it the ability to respond quickly in a disaster (such as sending relief to cyclone-hit Sri Lanka last week), haul supplies over long range, and conduct maritime surveillance in the greater Indian Ocean region. It is building aircraft carriers to augment its fleet of one, and one of the “pathfinder” projects in the U.S.-India Defense Trade and Technology Initiative concerns aircraft carrier technology. As the Task Force observed, defense ties “have progressed well . . . but still have much room to grow.” The Task Force recommended building further on security cooperation, while expanding “across the entire spectrum. Homeland security and counterterrorism cooperation should receive added emphasis.”<sup>15</sup>

Having recognized the great steps taken over the past decade, it is also true that U.S. and Indian systems for defense cooperation and acquisition are still learning to work with each other's differences. It has taken a long time to work through with Indian colleagues precisely how to approach foundational matters like end use monitoring, resolved in 2009 but not without a political firestorm in India over questions of sovereignty. Following Secretary of Defense Ashton Carter's visit to India, it appears that an approach to logistics support, evolving to a joint “logistics exchange memorandum” according to the Indian press, could be signed soon. Secretary Carter has had the right approach: be patient as the Indian system works through its responses to U.S. templates, and be flexible. A longer path to achieve agreements that take on a shape of their own should be the expectation; long negotiations or extended deliberations should not be interpreted as some kind of failure.

#### PREPARING THE UNITED STATES FOR A MORE GLOBAL INDIA

As a final reflection, I would urge that members consider ways to better structure the enabling environment in the United States for working with India as a global power. Knowledge and familiarity with the world's rising powers should be an economic preparedness issue for our own country—but our higher education metrics do not reflect this change. In U.S. colleges and universities, India receives far less attention than it should. American students do not study abroad in India at the levels one might expect; they head to the United Kingdom as their top study abroad destination, followed by Italy, Spain, France, China, Germany, Ireland, Costa Rica, Australia, Japan, and South Africa, with India coming in at number twelve, according to the Institute for International Education's Open Doors 2015 report. Nearly twice as many U.S. students head to Costa Rica than opt for a semester abroad in India. Americans do not study Indian languages—and admittedly there are many—at the levels they do for Chinese, or even American Sign Language. Total enrollments in all Indian languages combined account for less than one-quarter those of Korean, and a mere fraction of more commonly taught languages (14 percent of Russian, 9.5 percent of Arabic, or 5 percent of Chinese).<sup>16</sup>

U.S. funding mechanisms through the Higher Education Act routinely prioritize numerous other regions, providing greater resources for East Asia, Latin America, Russia and Eastern Europe, the Middle East, and Africa than for South Asia. The Fulbright mechanism has increased exchange between the United States and India for postgraduate and faculty fellowships, as the Indian government now shares the costs (and indeed, now the name: these are now called Fulbright-Nehru fellowships). But as Americans we ought to review more closely the incentive mechanisms to encourage students during their formative undergraduate years to study abroad in

<sup>13</sup> Ishaan Tharoor, “India Leads Rescue of Foreign Nationals, Including Americans, Trapped in Yemen,” *Washington Post*, April 8, 2015.

<sup>14</sup> Alyssa Ayres, “Why the United States Should Work With India to Stabilize Afghanistan,” Policy Innovation Memorandum No. 53 (New York: Council on Foreign Relations Press, April 2015), <http://www.cfr.org/afghanistan/why-united-states-should-workindia-stabilize-afghanistan/p36414>.

<sup>15</sup> Kaye, Nye, Jr., and Ayres, “Working With a Rising India,” 41.

<sup>16</sup> Data from the Modern Language Association's enrollments survey database, <https://apps.mla.org/flsurvey—search>. For the most recent MLA survey report, see David Goldberg, Dennis Looney, and Natalia Lusin, “Enrollments in Languages Other Than English in United States Institutions of Higher Education, Fall 2013,” *MLA Quadrennial Language Enrollments Survey* (New York: Modern Language Association, February 2015).

India, study a language, and place India on a par with the countries of Europe in terms of U.S. familiarity.

RECOMMENDATIONS FOR U.S. POLICY

1. Look to a "joint venture" model as the ideal for U.S.-India partnership. We will see eye-to-eye in many areas, but not always with others. India is not a U.S. ally and does not seek the implied obligations that an alliance represents. Focus on the opportunities and do not let the differences crowd out or undermine the positive progress.
2. Elevate support for India's economic growth to the highest bilateral priority for the U.S. agenda with India. Steps recommended by the CFR-sponsored Independent Task Force on U.S.-India Relations include:
  - leadership of a global diplomatic effort to support India's entry into APEC;
  - steps to enhance trade: high-level discussion of bilateral sectoral agreements, such as in services; completion of a bilateral investment treaty; and discussion of a longer-term pathway to a free trade agreement or Indian membership in an expanded Trans-Pacific Partnership as an equivalent;
  - creation of initiatives that respond to Indian interest in domestic reform needs, such as technical advice on market-based approaches to infrastructure financing; shared work with international financial institutions to reprioritize infrastructure financing; continued joint work on science and technology; technical cooperation on regulatory reform, bank restructuring, best practices in manufacturing, labor, supply chain, transportation, and vocational skills training;

In addition to these Task Force recommendations, I would add the necessity of working comprehensively to integrate India into global economic institutions such as the OECD and the International Energy Agency.

3. *Democracy and human rights issues:* Use private diplomatic channels, and have no illusions that our public rebukes will be welcomed. We should not stop being who we are, but be realistic about the responses we will receive. Work to build shared platforms of concern: globally, this likely means a technical focus on democracy training. Bilaterally, this will entail developing specific agendas in dialogue with the Indian government.
4. *Defense:* Among the most successful areas of partnership, we should build further on progress already made, including on defense and security consultations, defense trade, technology sharing and codevelopment. Homeland security and counterterrorism mark two critical areas where more emphasis could help advance further cooperation.
5. *Prepare our next generation:* Review federal funding incentives to encourage study abroad in India and study of Indian languages. Higher Education Act incentives place South Asia in the lower half of funding lines. Beyond the Higher Education Act, models to examine include Passport to India, the Boren national security education incentives, and Title VIII funding, which presently provides extra incentives for Russia and Eastern Europe.

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### Additional Questions Submitted by Members of the Committee

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO ASSISTANT  
SECRETARY OF STATE NISHA BISWAL BY SENATOR DAVID PERDUE

*Question 1.* Where does the issue of IPCA fit in the larger bilateral relationship? Have we included the issue of IPCA in our highest bilateral priorities?

Answer. The Department of State takes international parental child abduction (IPCA) very seriously. Senior Department officials have encouraged the Government of India to resolve reported abduction cases and to help ensure access rights for left-behind parents of children abducted to India on numerous occasions. We have encouraged India to accede to the 1980 Hague Convention on the Civil Aspects of International Abduction. We will continue to raise this issue at every appropriate opportunity.

*Question 2.* Has the administration raised the issue of IPCA with Prime Minister Modi, and have we secured a commitment from Prime Minister Modi to return abducted American children from India?

Answer. We repeatedly have asked the Modi administration to help resolve reported abduction cases. We have encouraged India to accede to the 1980 Hague Convention on the Civil Aspects of International Child Abduction. Ambassador Susan Jacobs, Special Advisor for Children's Issues, Consular Affairs Assistant Secretary Michele Thoren Bond, U.S. Ambassador to India Richard Verma and I have all pressed senior Indian officials to resolve reported IPCA cases. Other senior officials have raised this issue and will continue to do so at a high level.

*Question 3.* If this issue has not been raised with Prime Minister Modi, do we have your assurance that Secretary Kerry and President Obama will raise this during Prime Minister Modi's upcoming visit to the U.S., and seek his commitment to resolve this issue promptly?

Answer. We repeatedly have asked the Modi administration to help resolve reported abduction cases and encouraged India to accede to the 1980 Hague Convention on the Civil Aspects of International Child Abduction. We will continue to raise this at high levels and at every opportunity.

*Question 4.* What is India's response to this serious humanitarian issue, and what level of cooperation are we seeking from them?

Answer. We believe the 1980 Hague Convention on the Civil Aspects of International Child Abduction is one of the best tools to prevent and resolve international parental child abductions (IPCA). Senior Department officials continue to encourage the Government of India to accede to the Convention. The Government of India has neither acceded to the Convention, nor taken visible, concrete steps to help resolve reported cases. U.S. Embassy New Delhi officials are in regular contact with Indian officials on IPCA, and we will continue to raise this issue at high levels.

*Question 5.* How do you assess the developments in the India-Iran relationship?

Answer. India was a critical U.S. partner during the negotiations for the Joint Comprehensive Plan of Action (JCPOA). India remains interested in exploring economic opportunities with Iran in the wake of JCPOA implementation, with a focus on increasing its energy security and expanding its access to markets in Iran, Afghanistan, and Central Asia. During Prime Minister Modi's May 22-23 visit to Iran, India and Iran announced their intention to deepen bilateral ties, especially noting a desire to cooperate in the fields of connectivity and infrastructure, energy, and trade and investment. A trilateral agreement signed by Indian Prime Minister Modi, Iranian President Rouhani, and Afghan President Ghani has the potential to further strengthen the economies of India and Afghanistan. India's participation in efforts to develop Iran's Chabahar Port and associated road and rail projects would give Afghanistan an alternative outlet to global export markets and would furnish India with a platform to invest in the region.

Additionally, India perceives that it has deep-rooted historical and civilizational ties with Iran which it hopes to reinvigorate following the signing of the JCPOA through increased people-to-people contact such as student exchanges and initiatives to facilitate tourism.

*Question 6.* How might closer India-Iran ties impact U.S. interests in the region?

Answer. India has been a very consistent partner in working with us and complying with the sanctions regime, even when doing so has adversely impacted its economic interests. The Indians remain committed to supporting U. S. efforts to implement the JCPOA.

Indian investment in Iran likely has an important role to play in demonstrating to Iran the economic benefits of sanctions relief, and thereby ensuring Tehran's continued compliance with JCPOA and ensuring that Iran's nuclear program remains peaceful. Increased Indian investment in Iran, especially in transportation and infrastructure, could also increase regional economic connectivity both with Central Asia and Afghanistan. For Afghanistan in particular, improved connectivity would facilitate Indian economic investment in Afghanistan and expand Afghan access to regional markets, both of which could contribute to a more developed and peaceful Afghanistan.

For India to be able to contribute to the economic development of Afghanistan, it needs access that it does not readily have across its land boundaries. India is seeking to deepen its energy relationships with the Iran and Central Asian countries to develop routes that would facilitate that access. That being said, we have been very clear with the Indians on what our security concerns have been in regards to Iran, and will continue to engage them on those issues.

*Question 7.* What is India doing, in relation to its Muslim population, that's leading to such low recruitment rates? Can other countries learn from India on this front?

*Answer.* As the world's largest democracy, India has been largely successful in integrating Muslims and other minorities. India's constitution and laws provide a secular framework where all citizens are given political and economic opportunities. Indian Muslims are well-known members of society, including Bollywood stars, and have risen to top political positions such as president and vice-president. Leaders of India's Muslim community have generally been a voice for moderation. The Indian police, security services, and justice system have demonstrated their ability to counter and prevent terrorism. While no one single program has led to India's success, we believe there could be general lessons for other countries.

*Question 8.* To what extent, if any, do you see the Islamic State realizing successes in its reported efforts to recruit in South Asia, and in India specifically?

*Answer.* Da'esh supporters have sought to establish a larger, permanent presence in India since 2014 with little success, but we continue to monitor this issue closely. Some of its supporters are affiliated with dormant India-based extremist groups such as Indian Mujahideen and its offshoot Ansarul Tauheed, which pledged allegiance to Da'esh in 2014.

Despite a lack of success establishing a large presence in India, the region is home to a number of foreign terrorist fighters. Several hundred people from across South Asia have traveled to Iraq and Syria to join Da'esh's caliphate; among these, a small percentage are of Indian origin. The Government of India officially estimates a few dozen Indians, mostly middle-class and well-educated, which is consistent with the broader foreign fighter trends globally, have traveled to Syria since 2014 to join Da'esh and six have been killed in Syria. Given Da'esh's ongoing efforts to recruit Indian Muslims online, online radicalization and recruitment to violence are serious concerns for India.

India-based Da'esh supporters—those who aspire to conduct attacks in India in Da'esh's name—likely number in the dozens. Since January, Indian authorities have arrested at least two dozen Da'esh supporters planning attacks during national holidays and at festivals with a large presence of Westerners and Hindus. Despite the arrests, we remain concerned that the group's supporters could conduct small-scale attacks with little to no warning.

*Question 9.* What is the Indian government's policy toward current international military operations targeting IS in Iraq and Syria?

*Answer.* India is focused on both domestic radicalization and international terrorism, and shares our concerns about Da'esh. In the September 2015 U.S.-India Joint Declaration on Combatting Terrorism, the Indian government: "Recognize[d] the serious threat posed by Da'esh to global security and affirm[ed] efforts to degrade and defeat this threat in accordance with the provisions of United Nations Security Council Resolutions 2178, 2170, and 2199."

The Indian government is particularly concerned about Da'esh's potential influence in South and Central Asia, but has not joined the counter-Da'esh coalition. India has historically been reluctant to join informal coalitions outside of the UN framework. India also has concerns about endangering the millions of migrant Indian laborers in the Middle East: Da'esh has reportedly been holding 40 Indian workers hostage in Iraq for two years, a high profile case in which Minister of External Affairs Swaraj has played an active role.

India has strengthened security and counterterrorism ties with several Gulf countries under the Modi administration. It organized the first India-Arab League Forum in January 2016; the Forum's statement denounced Da'esh and called upon the "international community to lend to the Iraqi government support on its war against terrorism." The Muslim community in India, has spoken out against Da'esh—70,000 Muslim clerics signed a fatwa against Da'esh in the fall of 2015.

*Question 10.* Why has the administration not yet backed India's candidacy for APEC membership? At the same time, it appears that our talks with India on a bilateral investment treaty (BIT) are paused.

*Answer.* India has substantial and growing economic linkages with the United States and other Asia Pacific Economic Cooperation (APEC) member economies. We welcome India's interest in joining the APEC forum and plan to better understand India's interest in membership and how APEC fits into India's domestic economic reform agenda.

There is currently no consensus among APEC members on the parameters of membership expansion or on which of the roughly dozen candidates, including India

and other countries in the Americas and South and Southeast Asia, should be considered if the organization decides to expand.

*Question 11* What are prospects for the United States and India to conclude a “high-standard.” BIT?

Answer. A high-standard Bilateral Investment Treaty between the United States and India would foster investment and support economic growth and job creation in both the United States and India.

During President Obama’s visit to India in January, the President and Prime Minister Modi called for meetings to discuss the prospects for a high-standard BIT. We are continuing our technical discussions with the Indians to find common ground and seek a way forward. Working toward a high-standard agreement will take time.

*Question 12.* How would the proposed Trans-Pacific Partnership (TPP) affect U.S.-India trade relations?

Answer. India is not a member of the Trans-Pacific Partnership (TPP). The 12 TPP partners have negotiated TPP as a potential platform for broader integration of the Asia-Pacific regional economy. While the United States and the other 11 TPP Parties are currently focused on getting the agreement approved and entered into force, they also left open the possibility of expanding membership in the future to other regional economies that can demonstrate their readiness to adopt high-standard commitments and can win consensus support of all current TPP members to join.

*Question 13.* What is the likelihood of India joining TPP or other plural-lateral trade negotiations and agreements?

Answer. The text of the TPP agreement is useful reading for all our trading partners because it sets out the elements that the United States, as well as our 11 TPP partners, believe should be at the heart of 21st-century trade liberalization.

The Administration is focused on making the case for TPP to our domestic stakeholders, getting the agreement through the respective processes of the 12 current TPP signatories, and entering the agreement into force. Regional economies interested in seeking to join TPP in the future can review the text and consider their readiness to adopt TPP’s ambitious commitments. Decisions on new members are by consensus of all the current TPP members. For the United States, the process includes reviewing how a potential candidate has addressed bilateral issues in our trade relationship.

*Question 14.* What are the implications of doing so (or not)?

Answer. The U.S.-India economic relationship has seen significant gains over the past few years. Bilateral trade in goods and services has expanded from \$60 billion in 2009 to over \$107 billion in 2015. However, while the Indian government is working on important reforms to attract investment and improve the ease of doing business in the country, substantive trade and investment reforms are needed to ensure that India can fully take advantage of greater regional economic integration.

*Question 15.* How do you see U.S.-India defense trade progressing in coming years?

Answer. The United States supports India’s rise as a security partner in Asia, as envisioned in the January 2015 Joint Strategic Vision for the Asia-Pacific and the Indian Ocean Region; bilateral defense cooperation is an increasingly important pillar in this strategic partnership. The U.S.-India defense trade is robust and continues to grow. Defense trade helps build closer military to military ties and strengthen the overall bilateral defense relationship. Our engagement seeks to: improve our cooperation through exchanges and exercises; support joint ventures between American and Indian industry; and build India’s conventional capabilities through sales of military hardware and technology sharing.

As its Russian-origin equipment wears out, India has increasingly looked to the United States for military hardware, training, and partnership. Since January 2008, over \$13 billion in defense deals have been signed, including most recently in September 2015 when we signed a \$3 billion deal for Apache and Chinook helicopters. There are several more deals in the defense pipeline demonstrating the Government of India’s continued interest in purchasing U.S. defense articles and services and technology sharing and co-production.

A central focus of our bilateral security relationship is the Defense Technology and Trade Initiative (DTTI), an unprecedented effort to streamline technology-sharing and deepen defense co-development/co-production partnerships with India. The United States and India have finalized agreements on two projects (mobile hybrid

power sources and chemical-biological protective suits), and have also agreed in principle to work on two more (digital helmet mounted displays and a biological tactical detection system). Since 2013, 46 DTTI proposals have been exchanged. As a part of this initiative, we also are deepening collaboration with India on aircraft carrier technology and jet engine development.

*Question 16.* Is the U.S. government offering India arrangements that satisfy India's defense needs? What defense articles does India want from us that we cannot currently provide?

Answer. The U.S. government continues to identify ways to work more closely with India. This year, for example, the Department of Defense (DoD) enacted a major policy change on gas turbine engine technology transfer to India that will broaden the level of technology transfer that DoD would consider recommending during the case-by-case export license review. The United States and India have set up the Defense Technology and Trade Initiative (DTTI), as well as several working groups to address issues related to the procurement of sensitive technology defense items including on aircraft carrier technology development, jet engine development, and unmanned aerial systems (UAS). These opportunities should lead to authorizations for increased capabilities over time, allowing Indian scientists and engineers to continue increasing their expertise.

India continues to request Category 1 Missile Technology Control Regime (MTCR) platforms, including High-Altitude Long-Endurance (HALE) and armed Unmanned Aerial Systems (UAS). HALE UAS face a strong presumption of denial under our MTCR commitments, and armed UAS face similar constraints under the UAS Transfer Policy. Instead, we have articulated to India a willingness to cooperate, to some extent, on general UAS-enabling technologies and a high elevation, medium payload, autonomous resupply UAS, assuming those technologies are not for use on MTCR Category I systems, WMD delivery systems, or armed UASs. Further, through the DTTI and our broader bilateral security cooperation, we are working together to identify specific capability requirements and ways we can work collaboratively to fill those requirements in ways consistent with our export control commitments.

*Question 17.* How would a better-armed India more effectively counterbalance China, Russia, and Iran?

Answer. The United States sells defensive articles and services to the Government of India in accordance with the President's Conventional Arms Transfer (CAT) policy, which supports transfers that meet legitimate security requirements of our allies and partners in support of our national security and foreign policy interests. In line with this policy and the Arms Export Control Act, the United States government reviews all prospective sales of defense articles and services for their consistency with U.S. regional stability interests.

U.S.-India bilateral political-military cooperation, arms sales and technology sharing already have proceeded at an unusually fast pace and scope since 2008, in accordance with the shared political, cultural and economic interests of both of the world's largest democracies.

*Question 18.* What initiatives is Defense Minister Parrikar undertaking to smooth India's acquisition process and to speed up the modernization of India's arsenal?

Answer. In March 2016, Defense Minister Parrikar announced India's revised Defense Procurement Procedure (DPP 2016), which aims to align defense procurements with PM Modi's "Make in India" initiative, and includes a number of updates to promote greater flexibility and streamlining in the contracting and bidding process. In May, Parrikar tasked an 11-member committee to modify the Indian military's manpower ratio of combat personnel to noncombat personnel to release additional funds for weapons and equipment modernization.

Following other long-standing recommendations, he created a committee to study the creation of a defense procurement organization focused on streamlining the acquisition process, as well as a subcommittee to recommend how private sector companies should be shortlisted as strategic partners. Bureaucratically, the Defense Acquisition Council has increased the frequency of its meetings, and convenes almost monthly under Parrikar's leadership. Defense firms and other governments have commented that Minister Parrikar has provided greater transparency and access to his office and the Ministry of Defense to foreign. Under his leadership, the Ministry of Defense has also made better use of the internet for Requests For Information, tenders, and Requests For Proposals.

*Question 19.* How can we help India wean itself off of Russian military hardware?

Answer. The United States has greatly enhanced its bilateral defense relationship with India in the past several years through the Defense Technology and Trade Initiative (DTTI), the January 2015 Joint Strategic Vision for the Asia-Pacific and the Indian Ocean Region, and the recently renewed 10-year Defense Framework Agreement. With the U.S. government's increased focus on promoting defense trade with India, and with much of India's Russian-made systems reaching the end of their service lives, India has increasingly looked to the United States for military hardware, training, and partnership. Since January 2008, over \$13 billion in defense deals have been signed, including most recently in September 2015 when we signed a \$3 billion deal for Apache and Chinook helicopters. Our increased engagement through working groups, dialogues, and formalized initiatives, as well as the superior quality of U.S. defense articles, is already building trust and confidence on the Indian side at unprecedented speed for a large democratic system.

*Question 20.* Would it help if we made it easier for India by streamlining the export control process and making some of our best technology available, as we do for other close allies?

Answer. Technology release decisions involve many factors including interoperability requirements; military operational impact; end-user and end-use history; level of technology; ability and willingness to protect; and bilateral, multilateral, and international agreements. While not a treaty ally, we have a strong and growing strategic partnership with India. There are unique structures in place to promote defense trade cooperation and provide sensitive technologies, including via the Defense Technology and Trade Initiative (DTTI) and DoD's establishment of the India Rapid Response Cell (IRRC), which seeks to expeditiously advance ongoing projects with India. This unique cooperation is supported at the senior-most levels of our two governments. We have also taken several steps to facilitate the export licensing process, such as establishing an export licensing forum with India to ensure communication and transparency in our process, providing education and outreach on our system, and finding creative solutions to specific process hurdles as they arise. As with any country, we do not exempt India from export licensing requirements and procedures, or authorize "blanket" export authorizations. Our licensing regime is based on a case-by-case review process by design, as each defense export has specific national security and foreign policy considerations.

*Question 21.* Could you speak more to how do you assess the progress of U.S.-India intelligence and counterterrorism cooperation?

Answer. The United States and India's cooperation on counterterrorism issues is very strong and continues to grow with the recent signing of the HSPD-6 arrangement to share terrorism screening information. Both countries share intelligence and cooperate to fight against international terrorist organizations threatening security in India. Prime Minister Modi's government prioritizes its response to terrorism as a serious national security threat, although they have not yet joined the international counter-Da'esh Coalition.

The United States and India are deepening counterterrorism cooperation in a number of areas through the Homeland Security Dialogue and Counterterrorism Joint Working Group. This includes capacity building, intelligence sharing, cooperation on cyber issues, and exchanges on urban policing. In addition, Mumbai is part of the Strong Cities Network—a multilateral forum to increase local resiliency to violent extremism.

*Question 22.* To what extent, if any, does the U.S. relationship with Pakistan hinder such cooperation?

Answer. The United States has long-standing counterterrorism relationships with both Pakistan and India, and our work with both countries is essential to American interests and regional security. We discuss bilateral counterterrorism cooperation and capacity building with both countries. Our counterterrorism cooperation with India continues to grow and will be a key discussion topic during Indian Prime Minister Modi's June 6-8 visit to Washington.

*Question 23.* What, in your view, are the most important aspects of such cooperation?

Answer. We have a strong and growing counterterrorism relationship with India. This issue will be a key discussion topic during Indian Prime Minister Modi's June 6-8 visit to Washington. Our growing counterterrorism cooperation encompasses a range of important issues which include information sharing, the designation of terrorists at the United Nations, and sharing best practices relating to counterterrorism tactics used by our police forces.

*Question 24.* What do you plan to do/what can we do to ensure India's actions don't have a direct negative impact on jobs here at home?

Answer. The United States government has been actively working to ensure that India's intellectual property actions do not negatively impact jobs in the United States. Prompted in part by our engagement, the Modi Administration has promoted respect for intellectual property rights (IPR) in India and has taken significant steps to strengthen protection and enforcement. High-level national initiatives, such as "Make in India" and "Start-up India," have linked the realization of development goals to IPR creation and protection. The 2015 passage of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Bill may enable rights holders in India to more consistently enforce their rights in the courts. The Modi Administration has also announced a significant increase in the number of patent and trademark examiners, which should help to reduce the long delays new applicants currently face and gradually eliminate the backlog of pending applications. At the state level, Telangana has formed India's first anti-piracy policy unit, and Andhra Pradesh launched an aggressive anti-piracy campaign. The United States also welcomed the deliberate and transparent process employed in India's evaluation of a compulsory license application in 2015.

In addition, in May 2016, India released its long-awaited National IPR Policy, which sought to codify and clarify the government's overall framework for IPR issues. The Policy emphasizes that protecting IPR is essential to promoting innovation, and includes helpful language on reducing administrative hurdles to registering intellectual property. However, it does little to ameliorate long-standing and systemic deficiencies in India's IPR regime, and even endorsed problematic policies that may enable backsliding in the future. The Department of State and other executive branch agencies remain vigilant and continuously engage with counterparts in India and in law-enforcement to ensure that this backsliding does not happen.

*Question 25.* How do you plan to work with India to address these increasing challenges faced by U.S. businesses?

Answer. We maintain strong channels of engagement with India and, in the last few years, have improved communication with industry stakeholders, lobbied India to increasingly publicly recognize the importance of IPR and link it to India's future development, and take positive steps to address or avoid further erosions of the IPR regime.

The main avenue through which we seek to address IPR issues with India is through the U.S.-India Trade Policy Forum. In addition, President Obama and Prime Minister Modi announced in 2014 the creation of the High Level Working Group on Intellectual Property. Our Embassy in New Delhi also maintains close contact with India's Department of Industrial Policy and Promotion, which has primary responsibility for coordinating IPR policy in India, to ensure that our concerns on IPR are heard. Through these mechanisms, the United States is working with India to foster an environment favorable to IPR protection and enforcement while enabling India to achieve its important domestic policy goals of increasing investment and stimulating innovation.

*Question 26.* What was the administration's response to this visa denial for the USCIRF commissioners?

Answer. We strongly supported and actively worked to facilitate the United States Commission on International Religious Freedom's (USCIRF) planned trip to India, as noted in USCIRF's annual report. We have expressed to senior Indian officials our disappointment in the government's decision not to issue visas for USCIRF Commissioners and staff, and continue to underscore the importance of constructive engagement on issues of religious freedom. We have been and will continue to remain in close communication with USCIRF Commissioners and staff regarding any future travel plans for India.

*Question 27.* How can the U.S. work with India to address religious freedom and other important human rights issues?

Answer. We support the government of India's efforts to promote religious freedom and diversity, and we will continue to work with the Indian people, civil society organizations, and government to realize their vision for a society that is tolerant and inclusive. We have also welcomed statements from Prime Minister Modi and other officials who have called for tolerance and condemned violence in the name of religion.

We closely follow the situations of religious and other minorities in India, and report on these annually in the International Religious Freedom and Human Rights Reports. We regularly engage the Indian government on these issues, including in

the Global Issues Forum led by Under Secretary of State Sarah Sewall, last held in January. We strongly support India's own vibrant civil society, and encourage India's commitment to counter violent extremism, promote religious freedom, combat trafficking in persons, and increase transparency. We share our own experiences on fostering tolerance in the United States.

Our mission in India has taken a number of steps to welcome the diversity of India's many religions and support religious freedom. This year, our embassy and consulates in India worked with the Bureau of Educational and Cultural Affairs to create several International Visitor Leadership Programs through which representatives of religious minorities in India spent three weeks in the United States learning about American policy and values. The Community College Initiative Program provided U.S. study scholarships for 29 Indian students in the 2015-2016 academic year, with special recruitment focus given to religious minorities. For the past several years, the mission has also supported specialized English Access grants to Madrasas and Muslim schools in India. These grants provide additional English learning resources to underserved youth with a focus on encouraging economic empowerment and integration.

*Question 28.* How important is it to India and to India's relationship with the United States that full implementation of the bilateral civil nuclear agreement is realized?

Answer. The steps that the two governments have taken in the last two years on the civil nuclear agreement have laid a strong foundation for a long-term partnership between U.S. and Indian companies for building nuclear power plants in India. Once completed, the project would be among the largest of its kind, fulfilling the promise of the U.S.-India civil nuclear agreement and demonstrating a shared commitment to meet India's growing energy needs while reducing reliance on fossil fuels.

*Question 29.* What changes, if any, might be made to India's nuclear weapons doctrine and proliferation under the Modi government?

Answer. Any change to India's nuclear weapons policy must be decided by the Indian government. It is U.S. policy to discourage the spread of nuclear weapons, both in number and capacity. We continue to urge all nuclear-capable states, including India, to exercise restraint regarding their nuclear and missile capabilities, consistent with our shared interest in preventing the spread of nuclear weapons and in realizing a world without nuclear weapons.

*Question 30.* Do you consider India to be a "problem" or a "partner" in the context of global nonproliferation efforts? Please explain.

Answer. The United States and India are partners in the context of global nonproliferation efforts and share a commitment to prevent the proliferation of weapons of mass destruction and their means of delivery. India's domestic laws and regulations include provisions that support key principles of nonproliferation, disarmament, and the peaceful uses of nuclear energy.

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RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO ASSISTANT SECRETARY OF STATE NISHA BISWAL BY SENATOR CHRISTOPHER COONS

*Question 1.* In June 2015, India lost a case with the World Trade Organization that ruled that India's ban on U.S. poultry was inconsistent with global norms. India has requested eighteen months to remove these restrictions and open themselves up to \$300 million in potential U.S. poultry exports.

- What is the status of India's efforts to remove restrictions on poultry imports to India? What is the path forward for the United States and India when it comes to agricultural exports, and in particular U.S. poultry?

Answer. The United States and India agreed that India would have one year from the date that the World Trade Organization Dispute Settlement Body adopted the recommendations and rulings of the panel and Appellate Body in order to bring its avian influenza measures into compliance. The U.S. government, at all levels, continues to press India to implement the WTO ruling.

*Question 2.* Illegal production and trade of counterfeit crop protection products is a major problem in global agriculture, harming farmers and consumers, undermining agricultural productivity and investment in innovation here in the United States. We are aware that according to the Federation of Indian Chambers of Com-

merce and Industry, fully 30% of pesticides used in Indian agriculture are “counterfeit, spurious, adulterated or substandard.” Illegal manufacturing is an organized, criminal conspiracy that breeds corruption and threatens trade.

- Can the Department advise of mechanisms it has in place to promote joint efforts with the Indian Government to address this illegal trade?

Answer. The U.S. Patent and Trademark Office (PTO) in Embassy New Delhi recently met with DuPont and Crop Life to discuss counterfeit pesticides and related products. DuPont noted its work with various Indian states on awareness programs. The PTO plans to organize a public-private program with the Indian Ministry of Consumer Affairs to address spurious and counterfeit pesticides and herbicides. PTO also plans to hold a cross-industry anti-counterfeiting program later this year on agricultural chemicals.

*Question 3.* India places import restrictions on parent seed and export restrictions on commercial seed. If these restrictions could be eliminated, it would allow companies to expand their seed production in India.

- Are there opportunities to work with the Indian Government to reduce the current trade restrictions on seed, which would benefit both Indian agriculture and American companies investing in it?

Answer. The United States is working with India through numerous bilateral channels to encourage the liberalization of India’s economic policies and open India to greater trade and investment. For example, the United States and India engage in the U.S.-India Strategic and Commercial Dialogue and the Trade Policy Forum. The United States and India are also working toward a high-standard bilateral investment treaty that will deepen the bilateral economic relationship and support economic growth in both countries. Through these fora, we believe our efforts will encourage India to remove its trade restrictions on agriculture products, including seeds, and provide greater opportunities for U.S. investment in India.

*Question 4.* Sri Lanka has yet to begin undertaking many of the commitments it made in an October 2015 UN Human Rights Council resolution calling on Sri Lanka to take meaningful steps toward accountability for mass atrocities committed during Sri Lanka’s civil war. Three weeks ago, Juan Mendez, UN Special Rapporteur on Torture, Cruel, Inhuman or Degrading Treatment or Punishment visited Sri Lanka and noted that torture of Tamils by police and security forces is ongoing and systemic.

- Given this context, why has the State Department lifted select Directorate of Defense Trade Controls military export restrictions on Sri Lanka?

Answer. The United States takes seriously all reports of violations of human rights, including that of the UN Special Rapporteur on Torture, Cruel, Inhuman or Degrading Treatment, Juan Mendez. We have urged Sri Lanka to investigate these allegations and to hold perpetrators accountable, and continue to urge it to follow through on the commitments it made in the 2015 Human Right Council resolution.

We note that Sri Lanka welcomed the visit by the UN High Commissioner for Human Rights, and visits by the UN Special Rapporteurs for Transitional Justice, Judicial Independence, and Torture, all of whom received full and unfettered access to the island after years of being denied entry. Sri Lanka has also directed most military personnel to return to their barracks, and in August 2015, the last military checkpoint to the northern former conflict zone was closed.

In October 2015, a High Court convicted four members of the Army for sexually assaulting two women in the North, the first ever conviction of security sector personnel for post-war abuses. In December 2015, the Sri Lankan Army forced into retirement a controversial military general who allegedly committed war crimes. In May, the Sri Lankan Cabinet approved a bill establishing an Office of Missing Persons, and sent it to the Parliament for review and passage.

The changes to the Department’s export policy with respect to Sri Lanka reflect the fact that export restrictions from previous years’ Appropriations Acts were not carried forward in the FY 2016 Appropriations Act. It is important to note, however, that lifting the restrictions does not guarantee defense article transfers to Sri Lanka. The Directorate of Defense Trade Controls is now reviewing applications for licenses to export or temporarily import defense articles and defense services to or from Sri Lanka under the International Traffic in Arms Regulations (ITAR) on a case-by-case basis.

In reviewing export licenses for U.S.-origin defense articles to any country, the United States takes into account a full range of foreign policy, national security, and human rights considerations. In addition, all equipment provided under our military assistance programs or sales is also subject to end-use restrictions and conditions,

which grant U.S. government officials full access to monitor how the equipment is used.

All assistance to security forces is subject to the world-wide standard established under the Leahy Law to ensure that no material support is provided to security forces where there is credible reason to believe that they have committed gross violations of human rights. As we do around the world, we will continue to vet all potential recipients of our security assistance to Sri Lanka. In addition, there are still laws and policies in place that restrict the export of munitions to countries with significant human rights concerns. Accordingly, exports of munitions to Sri Lanka will still be reviewed on a case-by-case basis for human rights concerns.

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RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO ASSISTANT SECRETARY OF STATE NISHA BISWAL BY SENATOR EDWARD J. MARKEY

*Question 1.* Since the administration is insisting that India is “ready for NSG membership” and is engaging in diplomacy to achieve that objective, will it seek to alter the NSG’s guidelines for membership, or will it seek to set those guidelines aside in the case of India?

In either case, Indian membership in the Nuclear Suppliers Group would represent a turning point in the NSG’s history. The NSG was founded in response to India’s 1974 nuclear test, and it has worked for decades to prevent the spread of technology that could contribute to the proliferation of nuclear weapons. If India joined the NSG, it would be the only Participating Government in the organization that was not a party to the NPT. It would also be the only nuclear-armed country in the NSG that has not signed the Comprehensive Test Ban Treaty.

Answer. The NSG Guidelines fully allow for membership for non-NPT states, and the Administration does not believe that India needs to fulfill any additional requirements to support its already strong case for membership. As such, the United States is not seeking to alter the NSG’s guidelines nor is it seeking to set aside those guidelines for India.

*Question 2.* If India has, as it claims, harmonized its nuclear export control guidelines with those of the NSG, how would Indian membership in the NSG advance India’s compliance with and active support for those guidelines, including NSG policies regarding refraining from transferring sensitive enrichment and reprocessing technologies?

Answer. India’s NSG membership application is the culmination of years of domestic reform to align its laws and regulations with NSG Guidelines. As a member of the NSG, India’s large and growing repository of nuclear technology would be subject to the current and future versions of the Guidelines, including the NSG’s no undercut commitment under which one NSG state will not sell technology that another NSG state has previously notified as having refrained from selling until consultations have occurred. India also will make a commitment to paragraphs 6 and 7 of the NSG Guidelines, under which suppliers exercise a policy of restraint in the potential transfer of sensitive facilities, equipment, and technology.

*Question 3.* How, specifically, would India’s membership in the NSG advance the organization’s mission to promote the NPT and ensure nuclear trade with non-nuclear-weapon States occurs only if those states have an agreement with the IAEA for full-scope safeguards?

Answer. The NSG’s ability to advance the NPT’s objectives will not be impacted by Indian admission. The Indian Government shares the political objectives of many of the provisions of the NPT, and India’s domestic laws include provisions that support the key NPT principles of nonproliferation, disarmament, and peaceful uses of nuclear energy. The NSG Guidelines establish full scope safeguards as a condition of supply for all nuclear transfers to non-nuclear weapon states, and participating governments commit to implement the NSG conditions of supply in their domestic laws and export regulations. This condition would apply equally to transfers from India to other NPT-defined non-nuclear weapon states.

*Question 4.* What is the State Department’s assessment of the effect of Indian membership in the NSG on our ability to secure support from NPT member states for improving compliance with the NPT and its system of safeguards?

Answer. We have not seen any indication that the India-specific exception to the Nuclear Suppliers Group (NSG) Guidelines has reduced the readiness of Nuclear Non-Proliferation Treaty (NPT) Parties to respond effectively to cases of non-compli-

ance with the NPT or with International Atomic Energy Agency (IAEA) safeguards. Since this exception was adopted in 2008, NPT Parties have taken concerted action to respond to compliance and proliferation challenges from Iran, North Korea and Syria. NPT Parties recognize that non-compliance is a real threat to their security. By the same token, we do not expect Indian membership in the NSG to affect the willingness of NPT Parties to respond to the security challenges posed by non-compliance with the NPT.

*Question 5.* Is the administration seeking to secure any specific new nonproliferation commitments from India, such as signature of the Comprehensive Test Ban Treaty or agreement to halt production of fissile material, as part of its policy for Indian membership in the NSG? If not, why not?

Answer. The United States is committed to seeking the entry into force of the Comprehensive Test Ban Treaty and has consistently called on all states to refrain from nuclear explosive testing and to sign and ratify the Treaty if they have not yet done so. Similarly, the United States remains steadfastly committed to launching negotiations on a Fissile Material Cutoff Treaty. The United States has not sought to link our support for India's NSG membership to any specific new nonproliferation commitment. We believe that membership applications should be reviewed on their merits against the NSG's factors for consideration. The application would require a consensus of all 48 current members to be accepted.

*Question 7.* Is India continuing to produce fissile material for weapons? Has India's rate of production of fissile material increased since 2008? Is India actively expanding the type and number of nuclear weapons that it fields?

Answer. India continues to produce fissile material that can increase its nuclear weapon stockpiles. We refer you to the classified annex of the annual U.S. Report on Civil Nuclear Cooperation with India pursuant to the Hyde Act for additional information.

*Question.* If India violated the nonproliferation commitments it made in 2008 to help secure the NSG waiver that allowed nuclear trade with India, would the United States seek to terminate nuclear trade with India as then-Senator Barack Obama and Richard Lugar suggested in a colloquy on the floor of the U.S. Senate on November 16, 2006?

Answer. The United States is unaware of any violations of the nonproliferation commitments made in 2008 to help secure the NSG waiver that allowed for nuclear trade with India. That said, the policy articulated by then-Secretary of State Condoleezza Rice in April 2006 and reaffirmed during the 2008 congressional hearings regarding the India Civil Nuclear Cooperation Initiative remains—"should India test, as it has agreed not to do, or should India in any way violate the IAEA safeguards agreements to which it would be adhering, the deal, from our point of view, would, at that point, be off."

*Question 8.* Has the Modi government publicly expressed that it will not be the first country in South Asia to resume nuclear testing and that it supports the objectives of the CTBT, as Pakistan has recently stated following a meeting last month with Undersecretary of State Rose Gottemoeller?

Answer. India has abided by the unilateral testing moratorium it put in place in 1998 and, in August 2014, Prime Minister Modi publicly reiterated India's commitment to "maintaining a unilateral and voluntary moratorium on nuclear explosive testing." Additionally, in its May 2016 application for membership to the Nuclear Suppliers Group, India reaffirmed its commitment to maintaining its moratorium.