US-India relations

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US-India relations June 18, 2019 Tridivesh Singh Maini and Mahitha Lingala Image credit: moneycontrol.com by Tridivesh Singh Maini and Mahitha Lingala June 18, 2019

Introduction

While in certain areas, especially pertaining to terrorism and cooperation in the Indo-Pacific, India-US ties may be witnessing an upswing, there are serious differences on critical economic and strategic issues, such as India’s economic relations with Iran, disputes over trade issues between Washington and Delhi and India’s purchase of missile defence systems from Russia. Key Challenges

First, India had to stop importing Iranian oil, after Washington, in May 2019, had removed the waiver from sanctions, which it had provided to India and other countries — China, Greece, Italy, Taiwan, Japan, Turkey, and South Korea — for purchase of oil from Iran, in November 2018. This exemption from sanctions had been given keeping in mind, the dependence of these countries on Iranian oil, with the ultimate aim of reducing oil imports to zero. Second, the US has withdrawn the Generalised System of Preferences (GSP) that covered around 3,500 items valued at well over $6.3 billion. While Trump had given indicators in this direction in March 2019, a decision to this effect was ultimately taken in June 2019. The Trump administration withdrew the GSP on the ground that India wasn’t reciprocating USA’s efforts and that it wasn’t providing equitable market access to American businesses. In addition to India, the USA also withdrew the same concessions given to Turkey. This step taken by the Trump Administration comes as a significant hit because the US was India’s top export destination in 2017-18 worth $47.88 billion. In retaliation, India imposed higher tariffs on 28 US products making them more expensive in Indian markets. But this move isn’t of much consequence as India exports goods and services worth $47.88 Billion while it imports only $26.7 Billion from the USA, so Indian export markets are more affected than their American counterparts. Trump has criticized India on the issue of Trade Tariffs. Said the US President. Even the US Secretary of Commerce, Wilbur Ross, stated that India needs to reduce its tariffs and move towards being a more ‘open economy.’ Senior State Department official, Alice Wells also alluded to the need of resolving trade issues: “Properly conducted trade can be a huge strength to the relationship, and that’s certainly our focus as we begin our engagement with Prime Minister Modi in his second term as to how do we fix this part of the relationship,” Third, as a consequence of the introduction of stringent conditions, H1-B Visas issued in 2018 also came down with a 10% decrease in issuance. This decrease is attributed to the “aggressive” policies of the Trump administration regarding immigration, popular among highly-skilled Indian IT professionals. The US Citizenship and Immigration Services (USCIS) approved 335,000 H-1B visas this year as opposed to 373,400 in the previous year. Furthermore, the approval rate also declined from 93 percent to 85 percent.
India’s top five tech companies saw a 49% drop in petitions in the fiscal year of 2018, and it has reduced to fewer than 22,500 with Infosys accounting for 36% of these denials. This has led to more local hiring on the part of Indian tech companies that have increased their costs. India’s reaction to the US’ Iran policy India’s stand on the Iran issue has come in for criticism from several analysts, PM Modi was supposed to meet the Iranian President on the sidelines of the SCO Summit this year at Bishkek, but that was called off in the last minute due to scheduling issues. This meeting was highly awaited due to the Chabahar port project and Sushma Swaraj’s earlier announcement that a call on oil imports would be taken after the general elections. It’s interesting to note that the Trump Administration announced that no fresh sanction waivers would be issued to existing importers of Iranian oil, including India, but at the same time, it has waived the same for Iraq and has allowed it to import Iranian gas for another three months. If Trade and Iran weren’t enough, Washington has offered to strengthen further its defense cooperation with India, but also put forward a conditionality, that it avoids purchasing S400 from Russia. Alice Wells stated that there is no ‘blanket’ or ‘country waiver’ concerning the purchase of S 400. She further stated: ‘...We have a serious concern about a possible S-400 purchase (by India), and we’re continuing our conversations on what the United States or other defense providers could assist India,’ As for the S400, Trump administration’s decision is surprising because the previous Defence Secretary Jim Mattis had pitched for giving a waiver to India and some other allies from Countering America’s Adversaries Through Sanctions Act (CAATSA). New Delhi’s engagement with Russia and China Keeping in mind US unpredictability as well as rigidity, New Delhi realizes the need for finding synergies on crucial economic issues with both Russia and China. Modi during the SCO Summit had a productive meeting with Putin on the sidelines of the SCO. The two leaders reviewed all aspects of bilateral relations to boost the strategic relationship between India and Russia further. Indian PM has been invited for being the chief guest at the Eastern Economic Forum in Vladivostok. Russia also urged India to explore potential opportunities in it’s Far Eastern Region (FER) and Arctic regions. Before Modi’s visit, Indian state governments are likely to visit Far Eastern Region, for exploring synergies. During the meeting between Xi and Modi, several crucial economic issues were discussed. China said that it was doing away with some regulatory procedures which could lead to a rise in imports of commodities like Non-Basmati rice, pharmaceuticals, and sugar. Conclusion: While for long, India could be hopeful about balancing its relationships. This is becoming tougher under President Trump, and it needs to make choices. On specific issues, many would argue that it has even given up its self-interest. While the strategic relationship with the US is meaningful, New Delhi does need to send out a message, to Washington, that it can not be taken for granted.