

## Modi's US State Visit Was a Success Now What

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Prime Minister Narendra Modi's state visit to Washington, DC brought international press as well as domestic discussion in the US and Indian media. Indian abstentions at the UN and continued purchase of price-capped Russian oil at steep discounts have roiled many in both US parties, and the characterisation of Modi's administration as "[authoritarian](#)," "[Hindu fascist](#)," and even "[Hindu supremacist](#)" by media and think tanks aligned with President Joe Biden's party have long crated points of contention. However, the state visit marked an inflection point.

### Recent Strides in the Military Relationship

While this visit accelerated growing US-India ties, both countries have been inching toward each other for quite some time. In 2016, the [US-India Defence Technology and Partnership Act](#) was added as an [amendment](#) to the [National Defence Authorization Act](#). Less than a month later, India was made a "[Major Defence Partner](#)" of the US and, in 2018, India was given Strategic Trade Authorisation [tier 1](#) status. In March 2021, the Quad took a giant step forward with various working groups and has held regular summit meetings ever since. In a minor but meaningful step last year, India's Defence attaché was granted the privilege of [unescorted access](#) at the Pentagon as the burgeoning Quad began in earnest.

It is worth noting that India is the only 'Major Defence Partner' of the US, and unescorted access to the Pentagon is an unusual privilege for a non-NATO partner. Yet, this is consistent with the unusual niche India has occupied in US Defence circles. When NATO-member Turkey signed a deal in 2017 for Russian S-400 missiles, the US Secretary of State raised concerns, and when it procured the system in 2019, the US immediately suspended Turkey from the F-35 aircraft program. However, when India signed a deal in 2018 for S-400 missiles, despite warnings from the US Secretary of State that such a deal could trigger sanctions under the Countering America's Adversaries Through Sanctions Act (CAATSA), the US effectively looked the other way when India began receiving the shipment from Russia in 2021. While circumstances differed, this was a telling moment.

India's shift away from Russia might well have begun with the S-400 purchase. Shortly after India acquired the missiles, Russia sold Pakistan a [system](#) to protect a nuclear power plant in Karachi. In effect, Russia played both sides. Yet Russia, suffering shortages of equipment for its war in Ukraine, now has [issues supplying](#) military kit to India that Delhi has already ordered, including, oddly enough, the S-400 Triumf.

Observing these problems, India has come to recognise a strained Russia is an uncertain partner for India's future needs. India may also have observed the battlefield failures of Russian materiel, including embarrassing problems at the outset, as a sign Russian military equipment is not as effective as advertised. Russian technology may not be as advanced as India would hope, and India may need new partners to foster the kinds of defence capabilities and businesses it wants.

### Government follows where Business Leads

America, in many ways, is an ideal partner in India's expansion, particularly since closer military and diplomatic relations would simply follow in the footsteps of business. India's first Apple store was opened earlier this year, and it is the leading destination for [smartphone manufacturing](#) leaving China. Apple plans to expand iPhone production in India from its current 7% to 25% [by 2025](#). IBM has already discovered the promise of India and now has about [1/3](#) of its workforce there, which eclipses its employee count in the US. Furthermore, [around 60](#) Fortune 500 companies have Indian CEOs.

Meanwhile, Beijing's 'zero Covid policy' led to shutdowns and quarantines, making businesses in China unreliable supply chain partners. Adding insult to injury, Chinese [hacks](#) of government emails, a notable [surveillance balloon](#) that floated over America, [crackdowns](#) on due diligence firms, [restrictions](#) on the financial data provider Wind Information and myriad other issues have left the US-Sino relationship in tatters. Concerns about Taiwan's independence, and Biden's many statements muddying the long-standing 'strategic ambiguity' stance of the US toward Taiwan, not to mention the notorious theft of intellectual property by China, have also given business leaders pause.

While transportation has long been a concern voiced by corporate heads looking to move manufacturing to India, Nitin Gadkari, the longest-serving Minister of Road Transport and Highways, has plowed his experience and energy into a [dramatically expanded](#) national highway network. This effort has been going on for [quite some time](#) and will accommodate the corporate and industrial interests of companies headquartered in the US and elsewhere that are increasingly adopting a China +1 approach to supply chains and "friendshoring" manufacturing interests. Of course one has to be an ally for friendshoring to work, but Modi's recent interview with *The Wall Street Journal* expressed "[unprecedented trust](#)" between the US and India, and relations have warmed significantly. This occurs not by chance as foreign direct investment in China has [fallen off a cliff](#).

Growing US-India ties took a substantial leap when India's Defence Acquisition Council [approved](#) a \$3 billion [drone purchase](#) in the run-up to Modi's state visit. The deal to sell India 30 armed MQ-9B drones dovetails with its concluding 2020 lease of two SeaGuardian versions of the drone, and this deal represents a substantial defence investment for India. Approval of the purchase begat another landmark deal announced during the state visit: India will soon begin production of GE engines for its Tejas fighter, which will allow for the transfer of [12 key technologies](#). For the time being, India will be the beneficiary of technology transfers, but it is developing technologies in its [own right](#) that may have far-reaching consequences. Those with vision increasingly talk about India as a place where seeding ideas and advancing technologies are investments that will pay off in the long run.

Covid, a mistrust of China, and the war in Ukraine have expedited an inevitable expansion of the relationship between the US and India, but what follows is essential.

### **Tightrope for India**

With growing ties to the US, how then can India satisfy the increasingly mutually exclusive interests of Russia and the US, while serving domestic interests? Carefully. While the war in Ukraine has allowed India to Hoover up cheaper oil, it has taken tactful and, at times for the US, frustrating positions. Meanwhile, Indian wariness of Russia's relationship with China has made her nervous. While still retaining ties with Russia, India has laid the groundwork for a closer

relationship with the US, no doubt to the consternation of Moscow. It is not lost on Washington that while India has responded to the Russian relationship with diplomacy, [varying accounts](#) of a recent call between President Vladimir Putin and Modi show daylight emerging between the long-time allies.

Yet, India continues to serve as a [symbiotic financial lifeline](#) for Russia. India provides a vital source of revenue for the stagnant Russian economy and gets discounted oil in the process. India also relies on Russian military equipment from T-90 tanks to the AK-47s now [domestically produced](#) in the country. While many in the US chafe at energy purchases that end-run US sanctions, many American policymakers recognise India needs inexpensive energy to avoid high inflation and continue its economic growth.

For those who wish to cultivate India as a friend in tough times, the “glass half full” comments by the EU’s High Representative of the Union for Foreign Affairs Josep Borrell, proved useful. In granting some license in the face of India’s dilemma [he said](#) in May, “if, thanks to our limitations on the price of oil, India can buy this oil much cheaper, well the less money Russia gets, the better,” though he added this understanding extended only to India’s domestic requirements.

Despite these differences, the relationship between the US and India is building. Both countries are intent on countering the growing force of China, and an America exhausted of blood and treasure from two decades of war in Iraq and Afghanistan, large commitments to Ukraine, and a growing concern over Taiwan is coming to view India as a partner that can help maintain global stability and keep shipping lanes open.

## **What the Future Holds**

Beginning in 2011, the US [moved away](#) from the Cold War capability of fighting a two-front war. Yet, that very scenario grows less far-fetched every day. The US is [denuding stockpiles](#) of military equipment to assist Ukraine. Under threat from China, Taiwan is asking for weapons supplies. In the face of these twin challenges, an under-nourished military budget is seeing real cuts in purchasing power. This means more of the burden will have to be shared with partners – or create a defence vacuum. Over time, India’s rapidly growing economy could be a lifeline to strained US resources and global security. Recruiting issues [plague](#) the US military and there has been a [recent dip](#) in those who qualify for military service. Therefore, many see India’s [1.45 million strong](#) standing army and growing economy as not just a relief but a necessity in preserving global stability.

Although China would rather wish Russia hadn’t invaded Ukraine, Beijing sees Moscow as a long-term partner to combat a Western-run global system. Similarly, Russia needs to nurture its ties with China given the country’s growing economic and military strength. Both countries are authoritarian partners of convenience. Russia may earn money from India for oil exports, but it sees greater advantage with closer China ties. Moscow also has no illusions that New Delhi will continue to buy oil from it only so long as the price is right. Meanwhile, the conflict on India’s border with China shows no signs of relenting as China digs in for the long haul. New Delhi takes no comfort in the “[no limits partnership](#)” cozying between Moscow and Beijing, and this deepening Russia-China relationship may leave India with no other choice but to accelerate a move away from Russian reliance.

As India becomes an economic superpower, its importance as a 'friendshoring' partner will certainly increase. That makes open sea lanes all the more important to India and gives the country a stake in global transportation routes and stability. From the US side, like it or not, Modi's popularity and likely re-election lends political consistency and cements the appeal of India as a dependable economic and military partner.

The recent state visit serves less as an accelerant of the US-India relationship as it is a formal recognition by the US Government that the future of global security and business increasingly depends on India. India was welcomed with open arms, and the US Government shows no signs of arresting the momentum of this friendship. In fact, the seeds of the relationship were further cemented when, weeks after the state visit, Secretary of the Treasury Janet Yellen [travelled to Gandhinagar](#) on the back of her trip to China.

Atul Singh, the CEO of *Fair Observer*, has likened the state visit to a wedding, and while the two countries seem to be enjoying a honeymoon phase, the hard work of building the relationship now begins in earnest. Fortunately, the reciprocal nature of the alliance bodes well for the future.

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**Uploaded on** 04-08-2023

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