

# ISSUE BRIEF

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## Another First: U.S. and India to Hold 2+2 Dialogue in Delhi

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On September 6, after two false-starts,<sup>1</sup> the U.S. and India will hold their first Two-Plus-Two (2+2) dialogue in New Delhi. It will pair the two countries' two top diplomats and defense officials<sup>2</sup> to discuss “strengthening strategic, security, and defense cooperation as the U.S. and India jointly confront global challenges.”<sup>3</sup>

A 2+2 is generally reserved for the most intensive strategic partnerships and its creation adds yet another substantive layer to the maturing Indo–U.S. relationship. India conducted its first two 2+2 dialogues with U.S. treaty allies Japan and Australia in 2010 and 2017, respectively.<sup>4</sup>

After the September 6 meeting, India will have had 2+2 dialogues with each fellow member of the “Quad,” the informal grouping of the four Indo–Pacific democracies—Australia, India, Japan, and the U.S.—that reconstituted their Quadrilateral Strategic Dialogue (QSD) last November after a 10-year hiatus.

### Trump and U.S.–India Relations

Like its predecessors, the Trump Administration has been an enthusiastic advocate of the Indo–U.S. partnership, which senior officials from both countries have described as the “defining partnership of

the 21st century.” The December 2017 U.S. National Security Strategy pledges to “deepen our strategic partnership with India and support its leadership role in Indian Ocean security and throughout the broader region.”<sup>5</sup>

**Defense Cooperation.** Bilateral defense cooperation has taken several meaningful steps forward in the past year and a half. Most recently, in August 2018, the Trump Administration granted India Strategic Trade Authorization-1 (STA-1) status, easing regulations for advanced defense and aerospace exports to India.<sup>6</sup> The STA-1 designation reduces the number of licenses required for such exports and increases the availability of license exceptions for India.

In March 2018, Delhi and Washington agreed that India will station a military attaché at U.S. Naval Forces Central Command (NAVCENT) in Bahrain. The agreement addressed a long-standing Indian request to enhance dialogue with Central Command (CENTCOM) and improve cooperation in the Western Indian Ocean and Persian Gulf. Similarly, in 2017, CENTCOM was invited to join an existing U.S.–India Military Cooperation Group tasked with “developing, implementing and refining a 5-year [military cooperation] plan.”<sup>7</sup>

Looking ahead, India and the U.S. are planning a new “joint service amphibious humanitarian assistance/disaster relief exercise in 2018 and a joint service counter terrorism exercise in 2019.”<sup>8</sup> India and the U.S. have also reportedly agreed to their “first-ever mega tri-Service amphibious exercise.”<sup>9</sup>

**China and the BRI.** As the early and only vocal critic of China’s Belt and Road Initiative (BRI), India has welcomed the Trump Administration’s growing

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criticism of the Chinese initiative. Shortly after a trip to India, in mid-2017, Defense Secretary James Mattis directly criticized the BRI for the first time in congressional testimony. Since then, a litany of U.S. officials has expressed varying degrees of concern about the Chinese initiative and its lack of transparency and accountability, and irresponsible debt-financing practices.

Meanwhile, India and the U.S. have begun to explore greater cooperation in regional connectivity and infrastructure initiatives through the India–Japan–U.S. trilateral strategic dialogue and a dedicated Trilateral Infrastructure Working Group. In May 2018, the U.S.–India Business Council and U.S.–Japan Business Council launched a new initiative, the Indo–Pacific Infrastructure Trilateral Forum, designed to improve coordination among private-sector companies to develop infrastructure abroad.

**Pakistan.** India has welcomed President Trump’s more muscular approach to Pakistan.<sup>10</sup> Among other things, the Administration has suspended more than \$1 billion in security assistance to Islamabad, and supported Pakistan’s “grey-listing” at the Financial Action Task Force, an international watchdog for terrorist financing. Recent reports suggest that

the Administration has also “quietly started cutting scores of Pakistani officers from coveted [military] training and educational programs.”<sup>11</sup>

## Agenda Items for the 2+2

At the upcoming dialogue, India and the U.S. should:

- **Promote defense sales.** India is the world’s largest importer of arms and plans to spend over \$100 billion over the next decade filling critical capability gaps.<sup>12</sup> Negotiations are underway to sell India Sea Guardian drones<sup>13</sup> and to add to previous orders for U.S. Apache attack helicopters, heavy-lift transport helicopters, and multi-role anti-submarine warfare helicopters. Meanwhile, U.S. defense firms Boeing and Lockheed Martin continue to pitch their F/A-18 and F-16 fighter jets to India, with the latter offering to establish fighter production lines in India.
- **Streamline the bureaucracy.** Just as the U.S. continues to reform its defense bureaucracy to facilitate greater military ties and sales, India

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1 The first attempt at a 2+2 dialogue was delayed by the resignation of Secretary of State Rex Tillerson. The second, scheduled for July 6, 2018, was rescheduled after Secretary of State Mike Pompeo was asked by President Donald Trump to make a diplomatic visit to North Korea the same week.

2 The U.S. side will be represented by Secretary of State Mike Pompeo and Defense Secretary James Mattis, while the Indian delegation is comprised of External Affairs Minister Sushma Swaraj and Defense Minister Nirmala Sitharaman.

3 News release, “United States and India to Hold 2+2 Dialogue on July 6,” U.S. Department of State, June 21, 2018, <https://www.state.gov/r/pa/prs/ps/2018/06/283383.htm> (accessed August 20, 2018).

4 India also established a mid-level, vice-ministerial 2+2 dialogue with South Korea in 2015.

5 The White House, *National Security Strategy of the United States of America*, December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf> (accessed August 20, 2018).

6 “India Third Asian Nation to Get STA-1 Status from US,” *The Economic Times*, August 4, 2018, <https://economictimes.indiatimes.com/news/defence/india-third-asian-nation-to-get-sta-1-status-from-us/articleshow/65266841.cms> (accessed August 2018).

7 Major Cassandra Gesecki, “Readout of 16th U.S.–India Military Cooperation Group,” USINDOPACOM, November 30, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1384848/readout-of-16th-us-india-military-cooperation-group/> (accessed August 20, 2018).

8 Ibid.

9 Rajat Pandit, “India–US Strategic Partnership Set for New High with Deals and Drills,” *The Times of India*, June 25, 2018, <https://timesofindia.indiatimes.com/india/india-us-strategic-partnership-set-for-new-high-with-deals-and-drills/articleshow/64725024.cms> (accessed August 20, 2018).

10 Jeff M. Smith, “A Belated Reckoning: U.S.–Pakistan Relations in the Trump Era,” Heritage Foundation congressional testimony, February 6, 2018, <https://docs.house.gov/meetings/FA/FA05/20180206/106831/HHRG-115-FA05-Wstate-SmithJ-20180206.pdf> (accessed August 20, 2018).

11 Idrees Ali and Phil Stewart, “Exclusive: As Trump Cracks Down on Pakistan, U.S. Cuts Military Training Programmes,” Reuters, August 11, 2018, <https://in.reuters.com/article/pakistan-usa-military/exclusive-as-trump-cracks-down-on-pakistan-u-s-cuts-military-training-programmes-idINKBN1KW07X> (accessed August 20, 2018).

12 For example, the Indian Air Force has stated aspirations to field 41 squadrons of fighter jets. Yet, today India has only 31 operational squadrons, and that number could fall to 27 by 2022.

13 India would be the first non-NATO, non-treaty ally to receive the platform.

has major challenges ahead in reforming its own, oft-derided procurement processes. In particular, Delhi must further reform its problematic “offset” policies<sup>14</sup> and its caps on foreign direct investment in its defense sector, both of which have stifled progress and dissuaded potential investors.

- **Sign COMCASA.** After more than a decade of negotiations, the U.S. and India signed the first of three “foundational” military cooperation agreements in 2016, a Logistics Exchange Memorandum of Agreement (LEMOA).<sup>15</sup> The two countries now appear on the verge of signing a Communications Compatibility and Security Agreement (COMCASA)<sup>16</sup> before or during the 2+2 dialogue on September 6. Signing a COMCASA would allow the two to exchange encrypted communications (and communications systems) on military platforms. To date, the U.S. has had to remove some advanced communications systems from platforms sold to India, which prevents the two from communicating over secure channels during exercises. The two sides are also actively negotiating the third foundational agreement, a Basic Exchange and Cooperation Agreement (BECA), which would enable them to share advanced satellite data for navigation and missile targeting.
- **Avoid sanctions.** When Congress passed the Countering America’s Adversaries Through Sanctions Act (CAATSA) in 2017, it did not foresee that key security partners like India were at risk of being sanctioned.<sup>17</sup> Recognizing the potential

for CAATSA sanctions to become a major irritant in bilateral relations, the 2019 National Defense Authorization Act (NDAA) expands the U.S. President’s ability to waive or delay sanctions for India. While a more permanent legislative “fix” is desirable, the NDAA at least removes the looming threat of sanctions in the short term.

Officials from the two governments are now discussing a forthcoming wave of Iran-related U.S. sanctions following the Administration’s withdrawal from the Iran nuclear deal.<sup>18</sup> While New Delhi has publicly suggested that it will only comply with U.N.-backed sanctions, Indian refiners have already begun to curb Iranian oil imports, even as U.S. oil exports to India reach record heights.<sup>19</sup> In August 2018, India plans to import a record 9.94 million barrels of U.S. crude, nearly tripling its average in recent months.<sup>20</sup>

- **Build convergence on the FOIP.** The U.S. and Japanese governments have laid out similar visions for a Free and Open Indo-Pacific (FOIP). Underpinning these visions is a rules-based order responsible for the region’s peace and prosperity. In recent years, India has become an increasingly vocal advocate for the rules and principles underpinning the FOIP,<sup>21</sup> and has embraced the “Indo-Pacific” as the successor to the “Asia-Pacific.” While it is not necessary that India formally endorse the FOIP, the two sides must take every opportunity to reinforce their commitment to support and defend the pillars of the rules-based order.

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14 India’s offset policies require foreign vendors to invest 30 percent or more of the value of a defense contract back into the Indian defense or aerospace sectors.

15 LEMOA allows partner countries to exchange food, fuel, transportation, ammo, and equipment. The agreement was operationalized in July 2017 when an Indian navy tanker refueled U.S. warships during the Malabar naval exercises. In November 2017, a U.S. warship returned the favor, refueling Indian navy ships in the Sea of Japan. LEMOA was also used for accounting purposes during the bilateral Yudh Abhyas army exercises.

16 COMCASA is another modified version of the Communications Interoperability and Security Memorandum of Agreement (CISMOA).

17 The bill imposes sanctions on any entity engaged in a “substantial transaction” with Russia’s defense and intelligence sectors. Yet, Russia has served as India’s principal supplier of defense hardware for decades, even though India has been gradually diversifying its defense imports over the past decade, largely to America’s benefit.

18 The Joint Comprehensive Plan of Action (JCPOA) was an executive agreement signed during the Obama Administration.

19 Irina Slav, “Indian Refiner Cancels Iranian Oil Shipment as Insurance Won’t Cover Cargo,” *Oilprice*, July 26, 2018, <https://oilprice.com/Latest-Energy-News/World-News/Indian-Refiner-Cancels-Iranian-Oil-Shipment-As-Insurance-Wont-Cover-Cargo.html> (accessed August 20, 2018).

20 “How US-China Trade War May Bring Cheaper Oil to Indian Shores,” *The Times of India*, August 9, 2018, <https://timesofindia.indiatimes.com/business/india-business/how-us-china-trade-war-may-bring-cheaper-oil-to-indian-shores/articleshow/65333316.cms> (accessed August 20, 2018).

21 The pillars of the FOIP include: freedom of navigation; peaceful dispute settlement; respect for international law; freedom from economic or military coercion; and transparent, high-quality connectivity and infrastructure.

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- **Accept the invitation.** Prime Minister Narendra Modi has reportedly invited President Trump to be his guest of honor at India's pre-eminent Republic Day ceremony, on January 26, 2019. It is one of the highest diplomatic honors accorded by India, and President Trump should accept the invitation—ideally before the 2+2 dialogue.
- **Navigate visas.** The economic relationship will not be a focal point of the 2+2 dialogue, but the Trump Administration's tightening of regulations for H-1B visas might be.<sup>22</sup> The U.S. receives over 200,000 H-1B visa applications per year and approves roughly 85,000, the majority for computer-related technology jobs. Indian IT firms account for a disproportionate share of approved visas, and Delhi expressed concern when the Administration unveiled new visa regulations last year.<sup>23</sup> Still, last year, Indians accounted for 75.6 percent of all approved H-1B visa petitions, with China and Canada a distant second and third at 9.4 percent and 1 percent, respectively. It should also be noted that H-1B visas accounted for only 50,000 to 60,000 of the 1.1 million visas issued to Indian nationals every year.
- **Collaborate on infrastructure.** In July 2018, Australia, Japan, and the U.S. signed a new regional infrastructure partnership agreement designed to “build infrastructure, address development challenges, increase connectivity, and promote economic growth.”<sup>24</sup> While India continues to promote new infrastructure initiatives with the U.S. and Japan at their trilateral dialogue and other forums, India's inclusion in this initiative would complement the QSD.

## Conclusion

At times, lofty rhetoric and high expectations have exceeded the pace of practical cooperation in Indo–U.S. relations. Today, perhaps the opposite is true. Functional defense and strategic collaboration are advancing at a formidable rate. Yet, there is a thin but perceptible air of unease in Delhi. It is fueled by a confluence of factors including trade frictions, high turnover in senior U.S. government positions, the absence of an Assistant Secretary of State for South Asia, and a general sense of unpredictability about the Trump Administration's priorities and intentions.

However, the geopolitical logic that has propelled this historic partnership remains intact. In some important ways it has only grown stronger. The Trump Administration has further diminished what was once the most imposing of obstacles to closer ties: America's Pakistan policy. Meanwhile, the Administration has aligned the U.S. and India on what is arguably today's key geostrategic initiative: China's BRI.

For its part, India has acquiesced to years of persistent lobbying by the Quad to reconstitute the four democracies' QSD. Paired with progress on foundational military agreements and reforms to U.S. export-control laws, the practical foundations of, and geopolitical motivations for, the U.S.–India partnership are as strong today as they have ever been.

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22 H-1B visas are the primary avenue for skilled immigrants to enter the U.S. on work visas for up to six years.

23 Ananya Bhattacharya, “No One—Not Even China—Can Compete Against India for H1-B Visas,” *Quartz India*, May 11, 2018, <https://qz.com/india/1273198/despise-trumps-crackdown-76-of-all-h-1b-visas-went-to-indians-in-2017/> (accessed August 20, 2018).

24 Jonathan Pearlman, “US, Japan and Australia Sign Infrastructure Agreement to Counter China's Belt and Road,” *The Telegraph*, July 31, 2018, <https://www.telegraph.co.uk/news/2018/07/31/us-japan-australia-sign-infrastructure-agreement-counter-chinas/> (accessed August 20, 2018).