



Inaugural 2+2 Dialogue between India and the US: Ironing out the Potential Wrinkles in Relations on account of CAATSA

*Dr Chandra Rekha**

India and the United States' Foreign and Defense Ministers are set to meet for the inaugural 2+2 Talks on 6 September 2018 in New Delhi. During Prime Minister Narendra Modi's visit to the US in 2017, the two countries agreed for structured talks to build an ambitious partnership and for prompt redressal of bottlenecks that could impact the progress of the partnership in the future. The talks were earlier scheduled to take place in April this year but were postponed twice.

During the high level talks, India and the US also seek to finalise defence agreements including Basic Exchange and Cooperation Agreement (BECA), which would enable the two countries to share advanced satellite data for navigation and missile targeting.¹

The talks have nevertheless garnered much attention mainly due to the recent developments. The impact of US' unilateral actions against Iran and Russia are felt by countries such as India which share long standing economic and political relations with both countries. The agenda of the talks as stated by Defence Minister Nirmala Sitaraman is to develop and strengthen defence cooperation. However, External Affairs Minister Sushma Swaraj and Defence Minister Sitharaman are also expected to discuss the impact of US initiated Countering America's Adversaries Through Sanctions Act (CAATSA) on India's military purchases from Russia and also the issue of crude oil import from Iran, which also falls under the US imposed sanctions. There is therefore an emerging issue of some friction as India is keen to pursue long standing defence and trade ties with Russia and Iran despite the imposition of sanctions by the US on both these countries.

The talks are thus timely and the high level interaction between India's Foreign and Defence Minister and their counterparts will aim to strengthen the bilateral engagement especially in defence sphere.

Efforts to address both these issues have taken place earlier. New Delhi hopes that US will grant a waiver to India over its weapons purchase from Russia after the new defence bill 'National Defence Authorization Act of 2019' was enacted on 13 August 2018. However, Randall Schriver, the US Assistant Secretary for Defence for Asian and Pacific Security Officer, stated that there were misleading media reports from India that suggested that it would be completely insulated from the sanctions should it continue to engage in defence and intelligence sectors with Russia.²

This development has caused anxiety as for India; Russia has been a committed defence partner and US- India defence relations on the other hand cannot act as a substitute in this. Defence cooperation however remains a vital component of the Indo-US bilateral relations. The 2004 Agreement on Next Steps in Strategic Partnership was followed by a Defence Framework Agreement in 2005 and the 2012 Defence Technology and Trade Initiative (DTTI), granted India the transfer of advanced technologies. In 2016, India was accorded the status of Major Defence Partner by the US Congress. India and the US also signed the Logistical Exchange Memorandum of Agreement (LEMOA) in 2016. Earlier this year, the US military renamed its Pacific Command the US Indo-Pacific Command. In August 2018, India became the 37th country to be designated the Strategic Trade Authorisation-1 (STA) status by the US paving the way for high-technology sales particularly in civil space and defence sectors to India.

As for US sanctions on Iran, relations are likely to jeopardize oil imports as Iran is the second largest oil supplier to India. Should India adhere to US sanctions on Iran, it may also impact India's strategic partnership with Iran and joint Iran-India projects such as the Chahbahar project. However, India has continued to maintain bilateral engagement with Iran despite such pressures from the US in the past. According to news reports, 'India, to keep the oil import flowing has permitted state refiners to import Iranian oil with Tehran arranging tankers and insurance after firms including the country's top shipper Shipping Corp of India (SCI) halted voyages to Iran'.³ India will hope to work out a strategy with the US on crude purchases from Tehran without being significantly affected by the sanctions during the 2+2 talks given the growing demands for energy in India.

The US- India strategic partnership between the two holds significance in the 21st century as they share common goals on trade, military, nuclear and counter-terrorism cooperation. A unilateralist approach as sanctions will have implications in terms of holding India's confidence in the partnership and carry forward its strategic interests in the region.

The implementation of CAATSA sanctions has implications for the military modernisation process of India as 69 percent of India's defence purchases are from Russia. It poses similar questions with other countries such as Vietnam, and Indonesia which are also traditional defence

partners of Russia. We need to bear in mind that Russia has completed the delivery of the first regiment set of S-400 to China on 10 May 2018 thus making China the sole recipient of S-400s in the Asian region. This acquisition jeopardises India's national security as the finalising of the S-400 missile defence system agreement between India and Russia comes under the purview of the sanctions as Almaz-Antey Air and Space Defence Corporation, which makes the S-400 missile defence system faces sanctions under the Act. The US has to weigh a militarily stronger China in the Indo-Pacific region while its partners with common interests and concerns such as India are stuck in the defence trade war between Russia and the US.

India has experienced such issues in the past also. Lessons learnt from its past experience will be key in steering India's diplomacy in maintaining harmonious defence relations with both Russia and the US. Washington needs to be rounded in its approach and take into consideration the interests and its commitment to its partners when pursuing its own strategic and foreign policy interests. The upcoming 2+2 talks is an important mechanism as it paves the way for addressing the sanctions issue centrally and thereby strengthening bilateralism to enhance the strategic engagement further.

** Dr Chandra Rekha, Research Fellow, Indian Council of World Affairs, New Delhi.
Disclaimer: The views expressed are that of the Researcher and not of the Council.*

Endnotes

¹ "U.S., India to discuss sale of drones, exchange of satellite data", Reuters, 04 September 2018. <https://in.reuters.com/article/india-usa/us-india-to-discuss-sale-of-drones-exchange-of-satellite-data-idINKCN1LK0TY>

² "Impression That We'll Insulate India No Matter What, Is Misleading: US", NDTV, 30 August 2018.

<https://www.ndtv.com/india-news/impression-that-well-insulate-india-no-matter-what-is-misleading-us-on-india-russia-defence-deal-1908794>

³ "India Allows Refiners To Use Iran Tankers, Defies US Sanctions Pressure", NDTV, 03 September 2018. <https://www.ndtv.com/india-news/india-allows-refiners-to-use-iran-tankers-defies-us-sanctions-pressure-1910657>