

# ***BIT AND BEYOND***

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***Advancing the US-India Economic  
Relationship***

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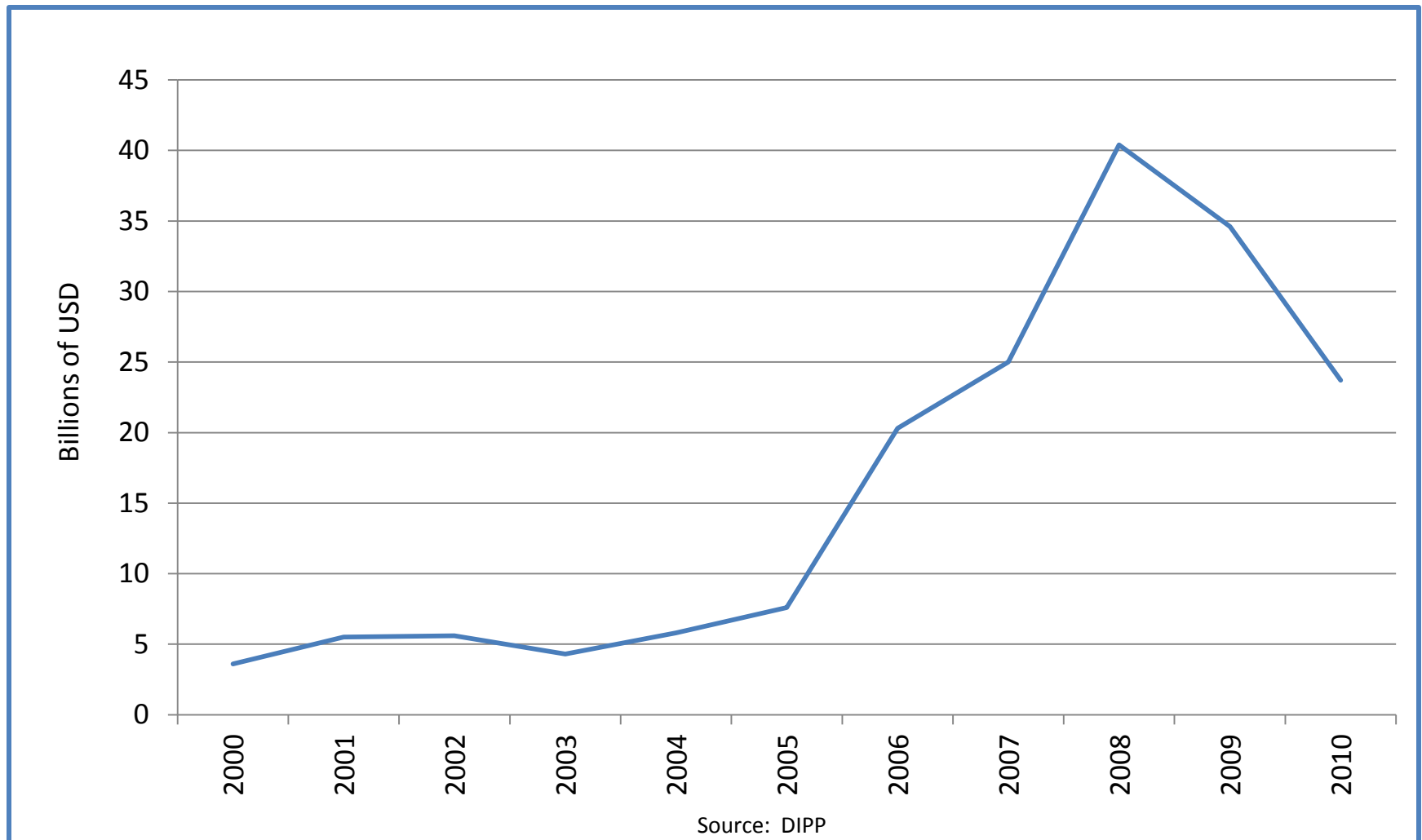
# Has the U.S.-India Bilateral Relationship Been “Oversold”?

- Washington mood on the relationship is up and down – currently down
- U.S. and India: Shared Values... and Differences
- Politics is a messy business everywhere

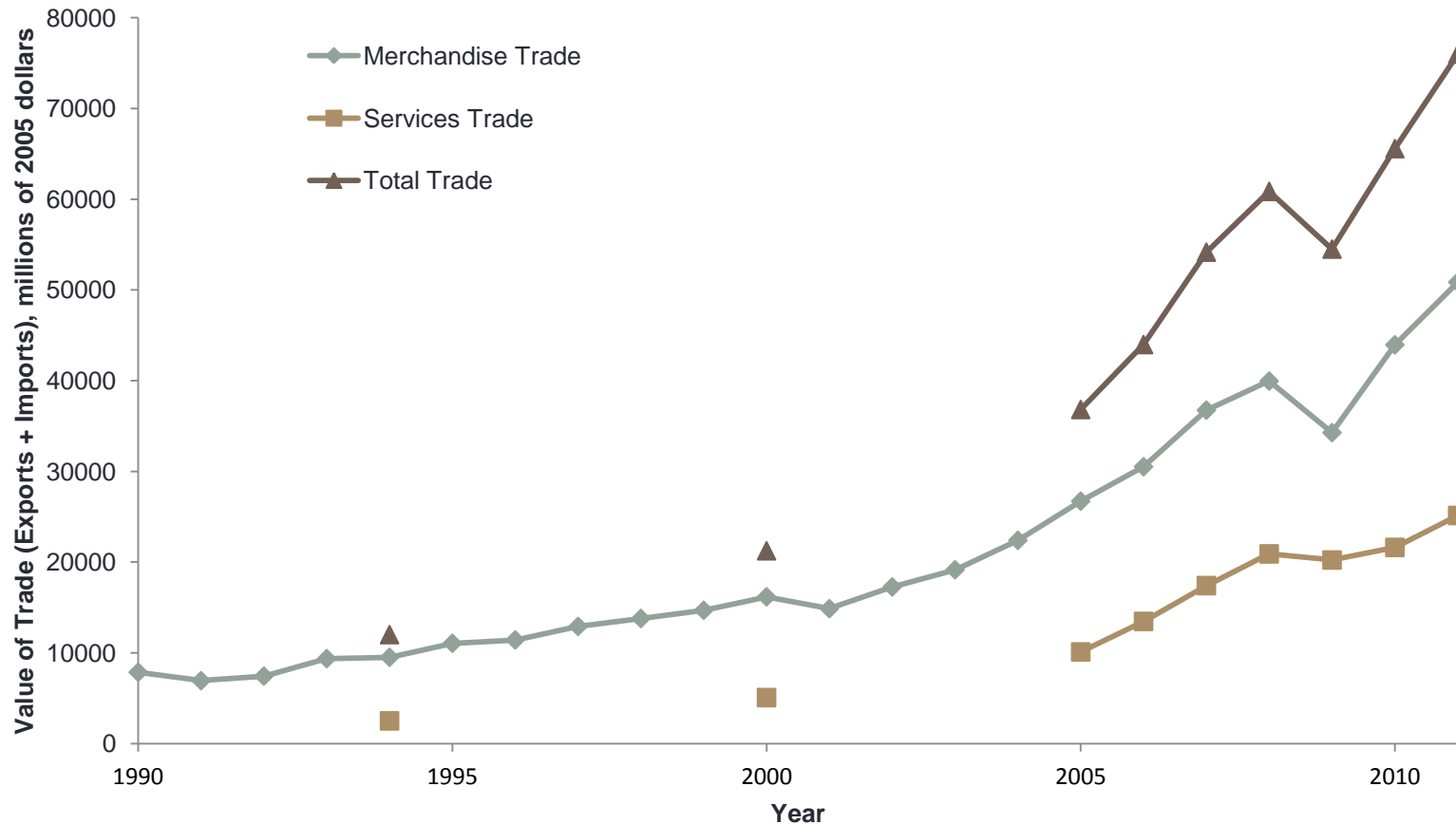
# U.S. Starting Point

- Bush: A “Strategic bet” on India
- Obama: Economic issues growing role in foreign affairs
  - Bureaucracy catching up
- Business interests champion the relationship
- Strong support for India on the Hill – for now

# India FDI Inflow to Declining since 2008

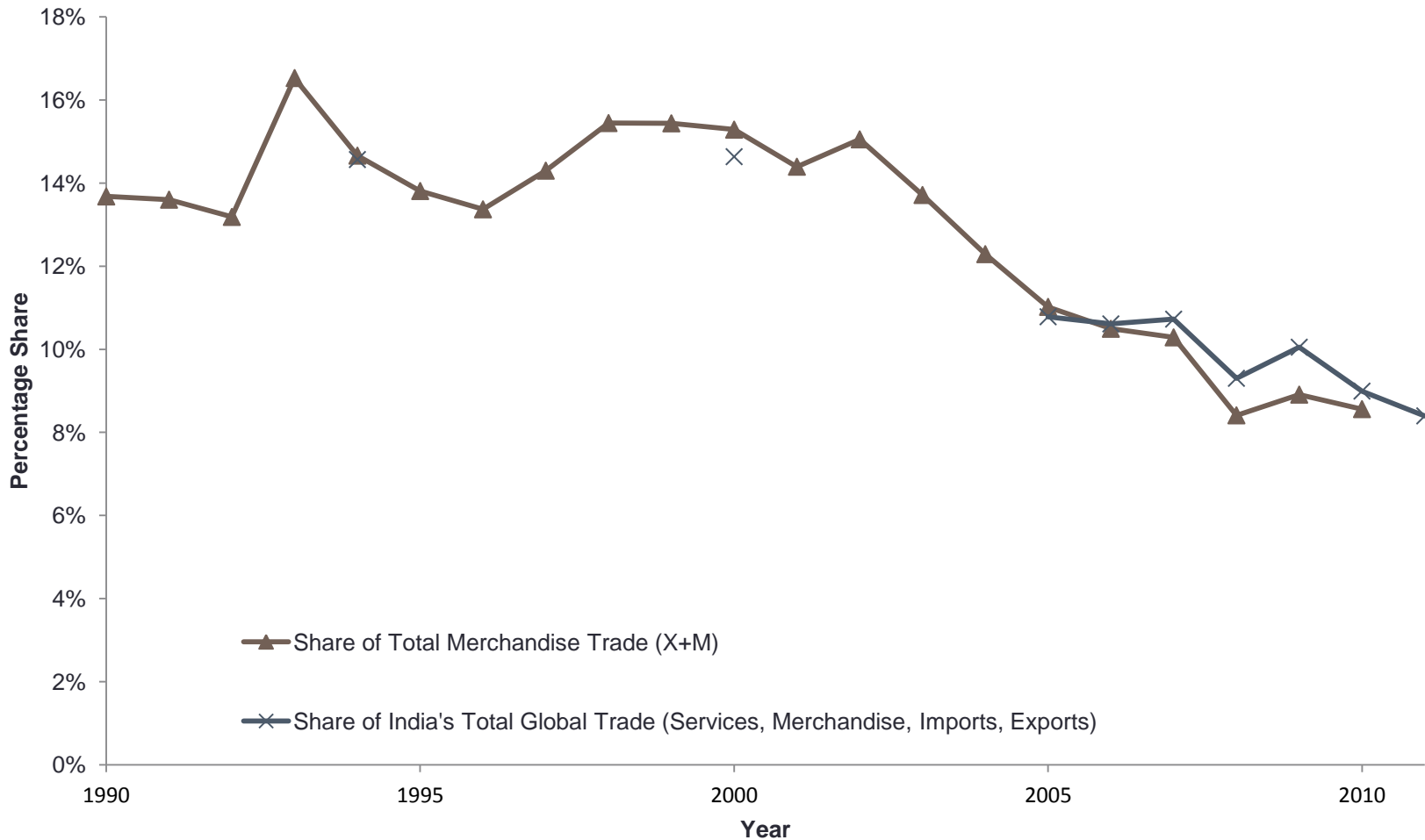


# US-India Bilateral Trade Volume is Increasing

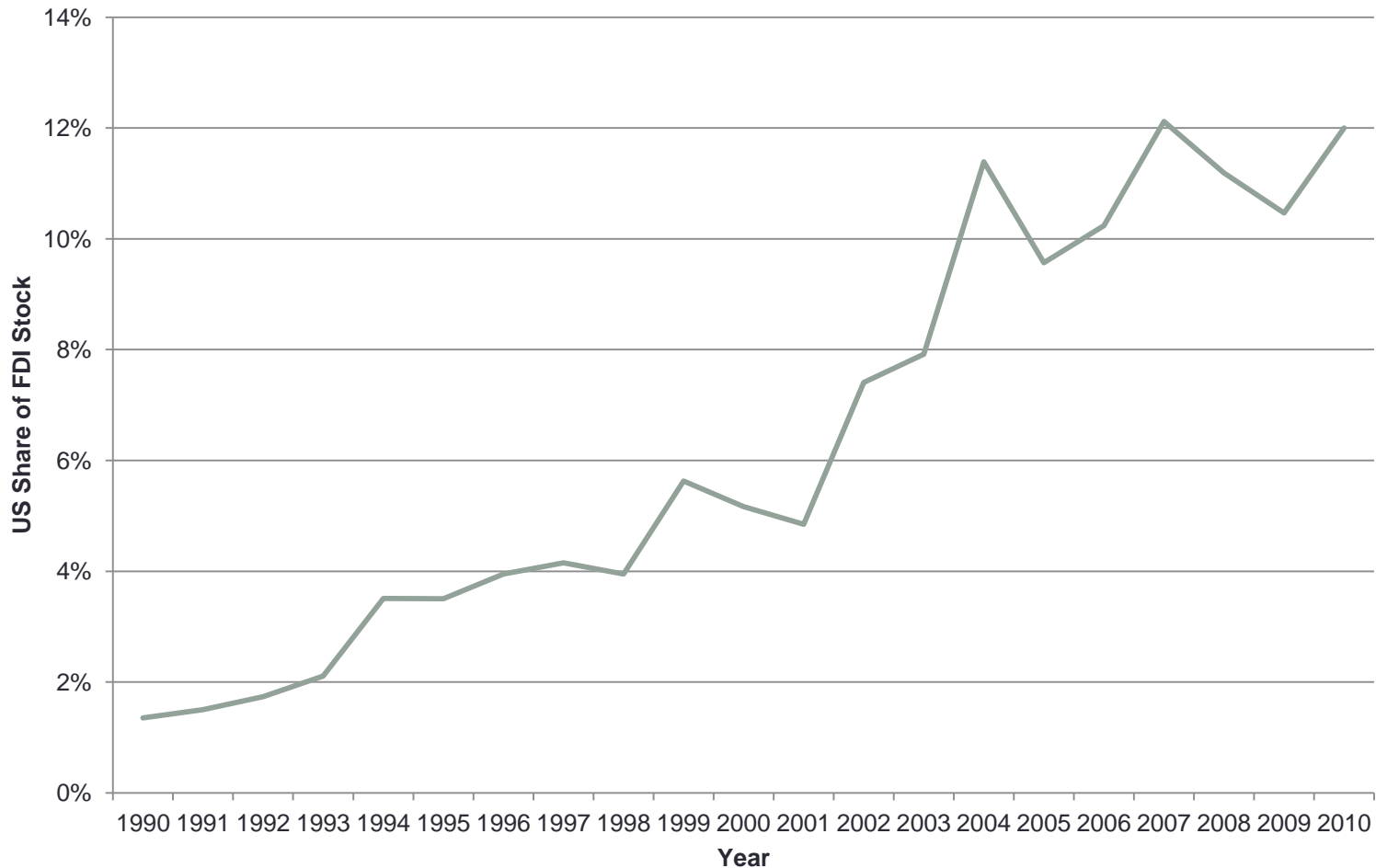


Source: U.S. Census Bureau

# U.S. Share of Indian Foreign Trade is Declining

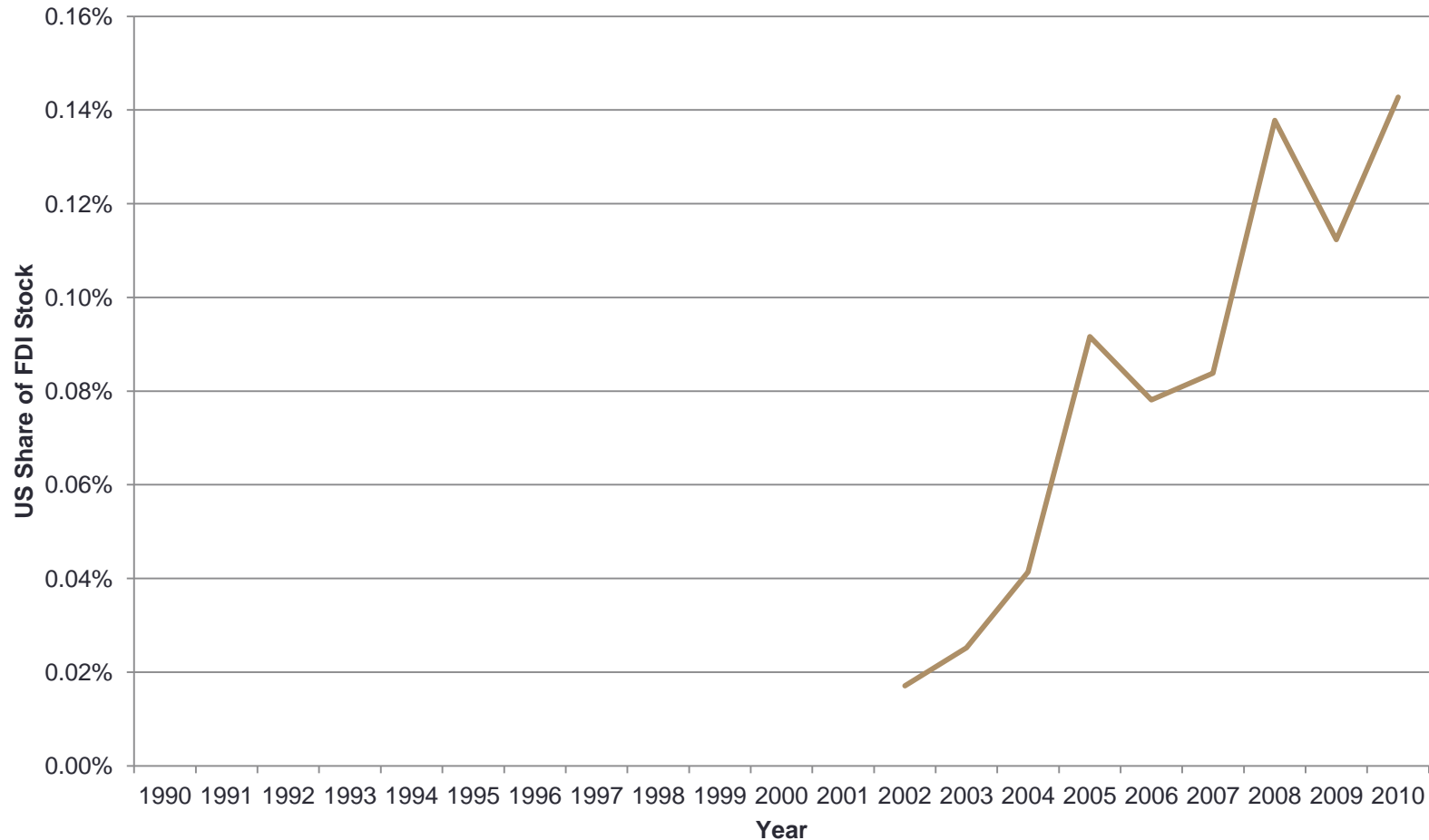


# US Share of FDI in India Growing



Source: CSIS calculation using IMF and U.S. Bureau of Economic Analysis data

# Indian Share of US FDI Small but Growing Quickly



Source: U.S. Bureau of Economic Analysis



# Why a BIT?

- India:
  - Attract FDI
  - Signal interest in economic reforms
- U.S.:
  - Avoid being “left behind”
  - Signal importance of values
- Both: A joint project to reclaim the positive trajectory

# Barriers to Success

- Inertia
- Technical issues
  - Investor-State Arbitration
  - Labor and Environment Standards
  - Performance requirements
  - Pre-establishment treatment
  - Non-conforming measures
- Political risk

# Over-reach

- Negotiators see most issues as surmountable
- But does a successful negotiation mean an implemented treaty?
  - Strong support in the Senate – for now.
  - The U.S. has a coalition that will push for this
  - Does India need a coalition? If it doesn't look like a political winner, what happens then?

# ...And Beyond

- Start with work that builds political support for further engagement
  - Sharing best practices
  - Trade missions
  - Public diplomacy
  - Indian efforts on visas and social security
- Identify a next section of an FTA/CEPA to work on – updating the ITA in a bilateral setting is a possibility
- Recognize that FTA status is the goal, but we can't negotiate it all at once.
- Negotiating is a win – so let's keep the pipeline full