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Once-Banned Modi Embraced by U.S. as China Interests Mesh

By Bibhudatta Pradhan and Shobhana Chandra - Sep 24, 2014

A decade ago, the U.S. saw Indian Prime Minister [Narendra Modi](#) as an international pariah. Next week he'll address a sell-out crowd at [Madison Square Garden](#) and stroll down the red carpet at the White House.

Modi starts a five-day trip to New York and Washington on Sept. 26, the first since he was denied a U.S. visa over 2002 anti-Muslim riots in his state of Gujarat. His landslide election win in May sent the Obama administration scurrying to rebuild ties with the new leader of the world's biggest democracy -- an effort now starting to bear fruit.

"The primary objective is to reset the relationship with Modi as an individual," [Milan Vaishnav](#), an associate in the South Asia program at the Carnegie Endowment for International Peace in Washington, said by phone. "The president wants to indicate that whatever may have happened in the past, they should begin a new chapter in the relationship."

Warmer relations between the U.S. and Modi would help them counter China's growing assertiveness over disputed territory, a goal they share even as India courts investment from Beijing's leaders to revive Asia's third-biggest economy. Closer ties would also yield more energy and defense deals between the world's largest weapons exporter and biggest arms importer.

"The emergence of a strong and capable India will alter the Asian strategic framework in a manner that is conducive both for India and U.S. interests," [C. Uday Bhaskar](#), director of the Society for Policy Studies in New Delhi, said by phone from the capital. "As the last decade has demonstrated, an empathetic India-U.S. relationship makes Beijing more malleable when it deals with Delhi."

Lagging Trade

China overtook the U.S. as India's largest trading partner in the past decade, with total commerce growing twice as fast in that period. U.S. trade with India fell 3 percent last year to \$65 billion, or \$3 billion less than its total trade with China, according to data compiled by Bloomberg.

Modi won a pledge from China to invest \$20 billion over five years during a visit last week from President [Xi Jinping](#), which included a riverside dinner in Gujarat. That added to the \$33 billion in loans and investment Japanese Prime Minister Shinzo Abe promised Modi when he visited Tokyo on Sept. 1.

“Unlike in the cases of China and Japan, the U.S. government is in no position to provide direct or indirect financing to India,” [Eswar Prasad](#), a former International Monetary Fund economist who teaches economics at Cornell University in Ithaca, New York, said in an e-mail. “India is really counting on obtaining more financing from private investors in the U.S. by convincing them about the economy’s robust long-term growth prospects.”

China Competition

As Modi courts the world’s powers to invest in India, he’s also criticized China’s “mindset of expansion” and called for talks on their disputed border. During Xi’s visit last week, hundreds of Indian and Chinese troops were engaged in a standoff in a remote Himalayan area claimed by both sides.

While Modi won’t abandon a policy of non-alignment, he’ll enhance ties with the U.S. and Japan in the face of strategic competition from China, according to [Patrick Cronin](#), a senior director of the Asia-Pacific Security Program at the Center for a New American Security in Washington.

“There is no doubt that China is still the big competition,” Cronin said. “India has a fixation on China and that is why the U.S. partnership makes more and more sense.”

Since Modi’s win -- the biggest for an Indian party in 30 years -- a slew of officials from the Obama administration have visited India, including Secretary of State John Kerry and Defense Secretary Chuck Hagel.

Garden Appearance

As part of his visit, Modi will address 18,500 people at Madison Square Garden -- a venue that usually hosts sports teams and rock stars -- in an event organized by the Indian American Community Foundation. He’ll also address the United Nations General Assembly, meet with [Hillary Clinton](#) and Bill Clinton, and share a private meal with President Barack Obama.

Modi’s scheduled to meet with New York Mayor Bill De Blasio on Sept. 26 and former Mayor Michael Bloomberg, who is founder and majority owner of Bloomberg News parent Bloomberg LP, the next day. Modi will also address the UN Assembly on Sept. 27 before the Madison Square Garden event on Sept. 28.

Modi will meet top officials of 11 U.S. companies, including Pepsico Inc., Google Inc., General Electric Co., Boeing Co., International Business Machines Corp., Goldman Sachs Group Inc. and KKR & Co. LP. He then heads to Washington for a Sept. 29 dinner hosted by Obama, with formal talks the next day.

Modi's trip will focus on trade and investment, energy, science and technology, defense relations and maritime security, Syed Akbaruddin, Indian foreign ministry spokesman, said in a briefing yesterday.

Visa Denial

The U.S. denied Modi a visa in 2005 over his alleged failure to control 2002 riots that killed about 1,000 people, mostly Muslims, in the state of Gujarat where he was chief minister. He was barred from the country under rules that ban officials who were responsible for "severe violations of religious freedom."

Modi has repeatedly denied the accusations, and a Supreme Court-appointed panel found no evidence he gave orders that prevented assistance from reaching those being attacked. A 2005 [Wikileaks cable](#) said Modi had a reputation as an "international pariah" and cited members of his Bharatiya Janata Party saying "Modi 'will never forgive the U.S.' for his treatment."

In an interview with CNN ahead of the U.S. trip, Modi said ties between the two countries would deepen. He said relations between India and the U.S. go far beyond links between political leaders in Washington and Delhi.

Investment Obstacles

India, a Cold War ally of the Soviet Union, moved closer to the U.S. under President George W. Bush, culminating in the accord that ended a ban on trade in nuclear fuel and technology imposed after India tested an atomic bomb in 1974.

U.S. companies continue to face obstacles in selling atomic equipment and technology to India because of India's tougher nuclear liability law. Under Indian rules, companies such as [General Electric Co.](#) and Westinghouse Electric Corp. are liable for damages in the event of a nuclear accident if found to have supplied defective equipment or material.

India's defense purchases from the U.S. include Chicago-based Boeing Co.'s C-17 military transport plane, as well as Bethesda, Maryland-based Lockheed Martin Corp.'s C-130J military cargo aircraft.

“The U.S. feels this is the time to make fast progress on many pending issues and do some serious business with the government of India,” said Naresh Chandra, former Indian ambassador to the U.S. and former cabinet secretary. “The visit will set the right trend for further follow up of India-U.S. relations.”

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