



India - US COMPACT Initiative

For Prelims: India - US COMPACT Initiative, [Tiger Triumph](#), [International Energy Agency](#), Mission 500' initiative, TRUST, [India-Middle East-Europe Corridor](#).

For Mains: India-US Relations, Multilateral and Regional Cooperation, Challenges and way forward

[Source: IE](#)

Why in News?

The **US-India COMPACT (Catalyzing Opportunities for Military Partnership, Accelerated Commerce & Technology)** for the 21st Century was launched by President Donald Trump and Prime Minister Narendra Modi.

What are the Highlights of the India - US COMPACT Initiative?

- **Defence Collaboration:** A new **10-year Framework for the US - India Major Defence Partnership (2025-2035)** will be signed, expanding Defence sales and co-production of **Javelin Anti-Tank Guided Missiles**, and enhancing joint exercises like **Tiger Triumph**.
 - The initiative includes the **Reciprocal Defence Procurement (RDP) Agreement** for seamless Defence trade and **Autonomous Systems Industry Alliance (ASIA)** to boost AI-driven autonomous Defence cooperation.
- **Trade and Investment Expansion:** Under the COMPACT Initiative, the '**Mission 500' initiative** was launched to increase bilateral trade to USD 500 billion by 2030, supported by negotiations for a **Bilateral Trade Agreement (BTA)**.
 - Efforts include reducing trade barriers, such as tariff cuts on beverages, vehicles, and Information and communication technology (ICT) products, while increasing market access for agricultural goods and industrial exports.
- **Energy Security:** Strengthens energy ties, boosting oil, gas, and nuclear cooperation, with the US supporting India's **International Energy Agency (IEA)** membership.
- **Technology Advancement:** The **Initiative on Critical and Emerging Technologies (iCET)** was rebranded as **TRUST (Transforming the Relationship Utilizing Strategic Technology)**, focusing on **semiconductors**, **quantum computing**, and **Artificial Intelligence (AI)**.
 - Efforts will expand **critical mineral supply** chains, including **lithium and rare earth recovery projects**.
 - Civil space cooperation will advance through **NASA-ISRO initiatives**, including an Indian astronaut's mission to the **International Space Station (ISS)** and the **NISAR** launch.
- **Multilateral and Regional Cooperation:** Strengthen **Quad partnerships**, enhance counterterrorism efforts, **Indo-Pacific** security and advance connectivity projects like the **India-Middle East-Europe Corridor**.
- **People-to-People Engagement:** The COMPACT initiative boosts academic and workforce mobility, eases legal migration, and strengthens law enforcement cooperation against trafficking

and transnational crime.

India - US Relations

- **Trade and Investment:** India-US ties have evolved into a "**global strategic partnership**".
 - In 2024, India's total goods trade with the U.S. reached **USD 129.2 billion**. India's exports to the U.S. stood at **USD 87.4 billion**, while imports from the US were **USD 41.8 billion**. India has a **USD 45.7 billion** trade surplus with the US in 2024.
 - USA is the **3rd largest investor in India** with cumulative **Foreign Direct Investment (FDI)** inflows of USD 65.19 billion from 2000- 2024.
- **International Cooperations:** India and the US collaborate in multilateral forums like the [United Nations](#), [G-20](#), [Association of Southeast Asian Nations](#), [World Trade Organization](#), [I2U2 group](#) and [Indo-Pacific Economic Framework for Prosperity \(IPEF\)](#).
- **Defence Cooperation:** India-US defense ties strengthened with the 2005 Defense Framework, renewed in 2015.
 - India is a **Major Defense Partner of the US** with **Strategic Trade Authorization-1 (STA-1)** status (allowing easier access to US defense technologies).
 - **Joint exercises:** [Ex VAJRA PRAHAR](#) (Army), [SALVEX](#) (Indian Navy), [Cope India](#) (Air Force) and [Malabar Exercise](#) (Quadilateral naval exercise of India, USA, Japan and Australia).
- **People to people Ties:** The 3.5 million Indian American community plays a key role in US society, strengthening India-US ties.

What are the Key Challenges in India-US Relations?

- **Tariff Disputes:** President Trump criticized India's "**onerous tariffs**" (burdensome and excessively high import duties) and reinforced his policy of "**reciprocal tariffs**" (tariffs imposed in response to similar tariffs by another country), which could increase **costs for Indian exporters**. Further, the absence of a [Free Trade Agreement](#) increases tariffs, and restricts trade.
 - India's current trade surplus with the **US may shrink as it increases imports** to reach the USD 500 billion trade target, potentially requiring selective **tariff reductions that favor US** interests over broader India's economic efficiency.
- **Immigration Policies:** India agreed to facilitate the return of 2,20,000–7,00,000 undocumented Indians immigrants, a move seen as aligning with **Trump's stricter immigration stance**.
 - Despite India's reliance on [H-1B visas](#) for IT professionals, no clear commitments were made, reflecting **ongoing tensions between Silicon Valley and Trump's nationalist policies**.
- **Technology Transfer:** Despite growing Defence ties, US restrictions on AI, drones, and missile technology hinder India's access to advanced Defence systems.
- **Data Localization:** The US opposes **India's data sovereignty laws**, arguing they hurt **American tech firms**, while India insists on national security and user privacy protections.
- **Geopolitical and Multilateral Differences:** Despite US support for **India's permanent UNSC membership**, differences in global governance persist, with the US urging India to leverage its ties with Russia to end the war, while India maintains neutrality.
 - India's historical Defence and energy ties with Russia conflict with US efforts to isolate Moscow.

Way Forward

- **BTA:** Finalize the **BTA to ease trade tensions**, improve supply chain integration in semiconductors and pharmaceuticals, and **harmonize regulatory standards** with US norms to attract investments.
- **Workforce Mobility:** India should push for **higher H-1B quotas**, and faster visa processing to support professionals and tech talent and mutual recognition of qualifications is essential to

enhance workforce integration.

- **Data Governance:** India should selectively **ease data localization norms**, facilitate US tech investments in India, and develop **joint cybersecurity frameworks** to enhance trust in digital governance.
- **Diplomatic Engagement:** Strengthening US-India engagement in multilateral forums like **Quad**, **IPEF** while leveraging India's strategic role in the **Global South** to address global governance differences and enhance economic and security influence.

Drishti Mains Question:

Discuss the significance of the India-US COMPACT Initiative in strengthening bilateral relations.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Consider the following countries: (2018)

1. Australia
2. Canada
3. China
4. India
5. Japan
6. deer

Which of the above are among the 'free-trade partners' of ASEAN?

- (a) 1, 2, 4 and 5
(b) 3, 4, 5 and 6
(c) 1, 3, 4 and 5
(d) 2, 3, 4 and 6

Ans: (c)

Mains

'What introduces friction into the ties between India and the United States is that Washington is still unable to find for India a position in its global strategy, which would satisfy India's National self-esteem and ambitions'. Explain with suitable examples. **(2019)**