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Repairing the Breach

Getting U.S.-India Ties Back on Track

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New Rules

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Executive Summary

U.S.-INDIA RELATIONS stumbled badly during the second half of 2025. Differences between U.S. and Indian officials over how a ceasefire was reached between New Delhi and Islamabad on May 10, 2025, created a breach of trust, while President Donald Trump's imposition of 50 percent tariffs on Indian exports in August 2025 led to a crisis in the relationship.

The February 6, 2026, announcement of the U.S.-India framework for an interim trade deal provides an opportunity for the two nations to get the relationship back on track.¹ This is important because India will play a key role in shaping the future of the Indo-Pacific region and has both the ambition and political will to help the United States compete more effectively against a rising China. The reduction in U.S.-India trade tensions will help unlock progress in other areas, such as energy, defense, technology, and maritime security, on which much groundwork has already been laid. However, reestablishing Indian trust in the relationship will take time, especially given the second Trump administration's overtures to India's archrival, Pakistan.

One area ripe for greater cooperation is critical minerals. Though still a nascent sector in India, particularly in mining, refining, and processing capacity, recent reforms signal New Delhi's desire to move up the value chain. These include the passage of the Mines and Minerals (Development and Regulation) Amendment Act 2025 and a \$4 billion investment in its National Critical Mineral Mission.² Together, these steps aim to shift India from exporting raw minerals to developing domestic refining and processing capabilities. This shift aligns closely with the objectives advanced at the 2026 Critical Minerals Ministerial, where the United States and its partners launched initiatives, such as the Forum on Resource Geostrategic Engagement, to build secure, diversified, end-to-end supply chains.³ These efforts position

India to emerge as a trusted regional supplier of critical minerals and a credible alternative to China in rare-earth and strategic materials value chains.⁴

The United States and India have continued to advance their cooperation on defense and security, despite friction in the relationship. In October 2025, U.S. Secretary of Defense Pete Hegseth and Indian Defense Minister Rajnath Singh renewed the bilateral 10-year defense framework agreement, first signed in 2005 and once again in 2015, highlighting shared priorities and a deepening partnership in a number of areas, including operational coordination, information sharing, regional maritime cooperation, and defense industrial technology.⁵ Additionally, after signing an interim bilateral trade deal in February 2026, India confirmed it would purchase six additional Boeing P-8I maritime surveillance aircraft, negotiations which had been halted due to the imposition of tariffs in August 2025.⁶

Nonetheless, while economic, defense, and technology ties have been sustained during the last year of turbulence in the U.S.-India relationship, there remain fundamental differences between Washington and New Delhi when it comes to Pakistan and perceptions about its role in terrorism.⁷ Even though the U.S. State Department designated the Resistance Front—the group that claimed responsibility for the April 22, 2025, attack in Indian Kashmir that killed 26 civilians—as a Foreign Terrorist Organization and a Specially Designated Global Terrorist group, New Delhi has been disappointed by the overall lack of U.S. attention to the problem of terrorism that emanates from Pakistan.⁸

India will play a vital role in shaping the geopolitical landscape of the Indo-Pacific, and it is critical that the United States arrests the downward slide in relations and renews strategic ties. To fully restore relations and revive trust, the United States should take the following actions.

Summary of Recommendations

Strengthen U.S.-India energy security through civil nuclear cooperation.

The United States and India should deepen energy security cooperation by leveraging reforms outlined in India's recently passed Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India Act to expand civil nuclear engagement and accelerate the deployment of advanced nuclear technologies, including small modular reactors. Coordinated investment, regulatory alignment, joint research and development (R&D), and integrated fuel and technology supply chains would enhance resilience, support India's 100 gigawatt (GW) nuclear target, and reinforce Indo-Pacific stability.

Institutionalize India's Indian Ocean maritime security role within the Quad.

Washington can support India's role as the lead maritime security provider in the Indian Ocean, particularly the western Indian Ocean, by encouraging India's implementation and deployment of the Indo-Pacific Partnership for Maritime Domain Awareness initiative, which will deepen operational integration and burden-sharing arrangements within the Quad framework.

Leverage India's central role in the Indian Ocean by assisting India in transforming strategic ports into integrated, resilient maritime hubs.

The United States should engage through the Development Finance Corporation to provide technical assistance, transparent financing mechanisms, and public-private partnership models that enhance port efficiency, digital infrastructure, and supply chain resilience.

Operationalize a U.S.-India pharmaceutical resiliency initiative.

To strengthen pharmaceutical supply chains and long-term health security, the United States and India should implement a pharmaceutical resiliency framework centered on dual-location production of active pharmaceutical ingredients and essential medicines, structured supply chain risk monitoring, and targeted regulatory streamlining to ensure stability, affordability, and uninterrupted access to critical drugs.

Advance biotechnology supply chains through R&D integration.

Beyond pharmaceutical resilience, U.S.-India biotechnology cooperation should prioritize joint research funding, translational science, and commercialization pathways that elevate India's role in advanced biologics, genomics, and next-generation biomanufacturing, embedding it more fully in global biotechnology innovation ecosystems.

Reframe artificial intelligence and semiconductor cooperation around joint infrastructure.

With India's data center demand, estimated at 5–17 GW by 2030, and with the United States already accounting for the bulk of its \$80 billion in tech-related foreign direct investment, the partnership should prioritize jointly scaling the development of data centers and semiconductor infrastructure.⁹

Refrain from talking about mediating the India-Pakistan dispute over Kashmir.

Maintaining trust with India requires that the United States respects India's strategic red lines. One of those is its opposition to any outside involvement in its dispute with Pakistan.

Reinvigorate the U.S.-India counterterrorism dialogue.

The State Department should elevate its counterterrorism dialogue with India, focusing on both regional and global terrorist threats. This kind of cooperation could help restore India's trust and confidence that the United States takes terrorism threats in the region seriously.

Introduction

DESPITE THE ANNOUNCEMENT of a trade deal between the United States and India on February 2, 2026, U.S.-India relations are likely to remain strained for the foreseeable future. Relations stumbled badly during the second half of 2025, turning Indian public opinion against the United States.¹⁰ This provided members of the Indian foreign policy establishment who are skeptical of the United States with fodder to make their case against getting too close to Washington and instead advocate for preserving India's policy of strategic autonomy.

Troubled ties between New Delhi and Washington are problematic for broader U.S. strategy in the Indo-Pacific region, because India, with the fastest growing economy in the world, third-largest military, and largest population, will play a significant role in shaping the future of the region.¹¹ India also shares U.S. concerns about a rising China and its ambition to become the regional hegemon and stands poised to help the United States compete more effectively with China.

A major source of the relationship strain comes from trade tensions, particularly from August 2025 when President Donald Trump imposed 50 percent tariffs on Indian exports—25 percent in reciprocal tariffs and 25 percent to punish India for importing Russian oil—making India face one of the highest levels of U.S. tariffs in the world.¹² The trade deal announced in February reduces U.S. tariffs on India's exports to 18 percent and includes a pledge by India to buy more U.S. goods.¹³ This will help assuage bilateral tensions to some degree, but relations are unlikely to return to the high points they had reached by the end of Trump's first term in office in January 2021 and during President Joe Biden's administration.

The breach of trust that occurred in the immediate aftermath of the May 2025 Indo-Pakistani conflict, when President Trump took credit for a ceasefire between New Delhi and Islamabad, is

deep and will take time to repair. Indian officials contradicted Trump's version of events, claiming instead that Pakistani military leaders requested a ceasefire following Indian bombardment of multiple Pakistani military bases in the early hours of May 10, 2025.¹⁴ Trump then welcomed Pakistani Field Marshal Asim Munir to the Oval Office in mid-June, following which the Pakistani government formally nominated President Trump for a Nobel Peace Prize.¹⁵ The visit of Pakistan's top army official one month after a conflict that was precipitated by a terrorist attack on India, which New Delhi claims was sponsored by Pakistan, was met with anger and disbelief in India.

Despite the strains in the relationship during the past year, the two governments are continuing to work together on defense and technology initiatives, and U.S. companies are continuing to make large-scale investments in India, particularly in the artificial intelligence (AI) sector. While India still views the United States as its most important partner, it has reverted to hedging its bets by building closer ties to European and Middle Eastern countries, bolstering relations with Russia, and seeking greater accommodation with China.

This paper will discuss the tensions in the U.S.-India relationship during the past year, areas where cooperation continued amid the friction, and what the February 2026 interim trade deal means for future ties. The paper examines opportunities for greater U.S.-India cooperation in nuclear energy, critical minerals, and pharmaceuticals and assesses where the defense relationship and technology partnership are likely headed. It also notes that continuing differences between New Delhi and Washington over Pakistan will pose a challenge to deepening U.S.-India ties. Finally, it puts forth several policy recommendations for improving relations and expanding areas of mutually beneficial cooperation.

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Economic Cooperation amid the Trade Disruption

THE STATE OF U.S.-INDIA ECONOMIC TIES in early 2026 reflects cautious reengagement following a turbulent period of tariff disputes and commercial uncertainty in the latter half of 2025. The signing of an interim bilateral trade deal in February 2026 marked a meaningful step toward deepening economic ties, which in recent years have seen the United States become the top export market for Indian goods and IT services and a top source of foreign direct investment in the country.¹⁶

The interim deal seeks to reset momentum by reducing U.S. reciprocal tariffs on Indian goods from 25 to 18 percent and removing the additional 25 percent tariff on imports from India that was imposed because of India’s imports of Russian oil. The deal also includes an Indian reduction of tariffs on U.S. industrial goods, a bilateral commitment to address nontariff barriers, and an Indian statement of intent to purchase \$500 billion of U.S. energy, metals, and tech products over the next five years.¹⁷ While the aftershocks of the 2025 tariff upheaval continue to weigh on trade momentum and investor confidence and have accelerated India’s diversification into alternative markets, exemplified through its free trade agreement signed with the European Union in late January 2026, the bilateral agenda is increasingly anchored in strategic sectors.¹⁸ Energy, critical minerals, pharmaceuticals, and deepening business-to-business ties, including through U.S. investment in Global Capability Centers (GCCs) and data centers, have emerged as the most promising areas for restoring momentum and translating economic alignment into durable cooperation and supply chain resiliency.

Even with the uncertainty in their economic relationship, energy cooperation remains a high point of U.S.-India economic relations, with both countries strengthening cooperation on energy security through strategic petroleum reserves, civil nuclear cooperation, and expanded hydrocarbon production.¹⁹ The recent bilateral trade deal included a commitment by India to increase imports of U.S. liquefied natural gas and crude oil, where the U.S. share of Indian oil imports

doubled to 8 percent in the second half of 2025.²⁰ A major milestone was also India’s passage of the Sustainable Harnessing and Advancement of Nuclear Energy for Transforming India (SHANTI) Act in December 2025, which opens the Indian nuclear sector to private and foreign participation.²¹ This reform creates new opportunities for U.S. firms in reactor construction, fuel services, and advanced technologies, including small modular reactors (SMRs). This was a major, long-awaited step in civil

nuclear cooperation following the 2008 U.S.-India Civil Nuclear Agreement, which enabled India to access civilian nuclear technology, despite remaining outside the Treaty on the Non-Proliferation of Nuclear Weapons.²² The passage of the SHANTI Act could help India meet its ambitious energy goals of 100 gigawatts (GW) of nuclear capacity by 2047, as long as New Delhi develops an enabling framework to accelerate SMR deployment.²³

Critical minerals also remain a focus area of U.S.-India cooperation with the aim of reducing both countries’ dependence on China and securing inputs as trusted partners for high-tech manufacturing, including for defense equipment and sustainable energy technologies. The United States and India have collaborated on projects to develop lithium and rare earths, and India has been a participant in the U.S. Minerals Security Partnership started during the Biden administration.²⁴ Indian External Affairs Minister Subrahmanyam Jaishankar traveled to Washington in February 2026 to attend a ministerial meeting of about 20 nations on critical minerals hosted by U.S. Secretary of State Marco Rubio.²⁵ Though still a nascent sector in India, domestic policies, such as the passage of the Mines and Minerals (Development and Regulation) Amendment Act 2025 and a \$4 billion investment in its National Critical Minerals Mission, are positioning India to evolve into a regional supplier of critical minerals.²⁶ For the United States, this offers an opportunity to secure reliable, diversified supply chains while supporting India’s industrial growth and energy sovereignty.

The pharmaceutical sector is another crucial area for U.S.-India collaboration. India currently supplies over 45 percent of U.S. generic medicines, yet both countries’ overreliance on Chinese active pharmaceutical ingredients (APIs) and precursor chemicals—including key starting materials (KSMs) and intermediates—present vulnerabilities, especially amid tariff disputes and the continued U.S. Section 232 review of pharma imports.²⁷ Strengthening bilateral cooperation in pharmaceuticals requires increased dual-location manufacturing between the two countries, regulatory harmonization, and targeted incentives for U.S. domestic production and co-research and development (R&D).²⁸

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Deepening this partnership is strategically important, as both countries rely on resilient supply chains for national

security and global competitiveness. Coordinated investment in infrastructure, demand forecasting, and research collaboration can accelerate the development of a diversified, India-U.S.-based API ecosystem, reducing dependence on China while ensuring timely access to critical medicines. Furthermore, aligning regulatory processes and promoting joint innovation in high-priority areas can position the bilateral partnership as a global model for secure, efficient, and sustainable pharmaceutical production.

U.S. business investment in India is increasingly focused on tapping the country’s large, youthful, and highly skilled workforce. India’s youth population, with over 65 percent of the population under 35, is the largest in the world.²⁹ India’s 1,800-plus GCCs, over half operated by U.S. firms, serve as key hubs for innovation, operations, and R&D. They enable U.S. firms to access India’s talent pool in sectors such as AI, biotech, quantum computing, space, and defense to develop products, algorithms, and intellectual property directly in India.³⁰ Additionally, free movement of skilled professionals between the United States and India, particularly in STEM fields, has been critical to leveraging this bilateral talent potential in key sectors. However, recent H-1B and student visa restrictions in the United States have harmed businesses and significantly curtailed potential innovative Indian talent from coming into the U.S. market. India currently represents over 70 percent of current H-1B visa holders and is a top source of foreign students in the United States.³¹

The economic relationship is defined by both opportunity and complexity. Trade disruptions and tariff disputes in 2025 highlight the fragility of relying solely on national-level agreements, while sectors like energy, critical minerals, and pharmaceuticals offer tangible pathways for strategic collaboration moving forward. U.S. firms can capitalize on India’s skilled workforce and GCCs to drive innovation and operational growth, but success ultimately hinges on navigating geopolitical volatility.

Defense and Security Cooperation Largely Stays on Track

THE UNITED STATES AND INDIA have continued to advance their cooperation on defense and security, despite friction in relations, but this trend could reverse if the downturn in overall relations persists in 2026. The Indian and U.S. armies conducted their annual Yudh Abhyas (“prepare for war”) military exercise in September 2025 in Alaska.³² Then in October, U.S. Secretary of Defense Pete Hegseth and Indian Defense Minister Rajnath Singh signed a 10-year defense framework agreement on the sidelines of the Association of Southeast Asian Nations (ASEAN) Defense Ministers’ Meeting.³³ Both sides hailed the pact’s commitment to deepen intelligence sharing and defense technology collaboration.³⁴ In late 2025, the two sides also concluded an agreement for India to buy Javelin antitank missile systems and precision-guided artillery and signed a nearly \$1 billion contract for maintaining U.S.-origin MH-60R Seahawk helicopters.³⁵ In late January 2026, during U.S. Army Secretary Daniel Driscoll’s visit to India, U.S. Ambassador to India Sergio Gor praised the two countries’ growing defense partnership.³⁶

However, the current tensions have had some negative impacts on defense ties. India is likely to increasingly look toward Europe for its defense needs amid the uncertainty in the U.S.-India relationship. India and the European Union signed a defense pact during President of the European Commission Ursula von der Leyen’s visit to India in late January 2026.³⁷ The trade friction and Indian mistrust over U.S. overtures to Pakistan has also reinforced India’s commitment to a policy of diversifying its defense purchases. For instance, in February, India approved a deal with Russia worth \$1.1 billion to purchase 288 additional S-400 missiles.³⁸ Some Indian business leaders have also acknowledged that it is becoming more difficult to engage with the Indian government when it comes to U.S.-India private sector defense cooperation.

On the sidelines of the ASEAN Defense Ministers’ Meeting on October 31, 2025, U.S. Secretary of Defense Pete Hegseth and Indian Defense Minister Rajnath Singh once again renewed a two-decade-long defense partnership aimed at deepening intelligence and technology ties. (@SecWar/X)



An Indian Coast Guard vessel patrols off the coast of Chennai, Tamil Nadu, on October 6, 2025, illustrating India's operational role in safeguarding sea lanes and strengthening maritime cooperation across the Indian Ocean region. (R. Satish Babu/AFP via Getty Images)



India's Contribution to Maritime Security

India plays a critical role in maintaining security and open navigation in the Indian Ocean, particularly the western Indian Ocean. Through a combination of naval operations and diplomatic engagements, India addresses the capability and presence gaps that other partners leave in the region. India's expanding operational reach in its neighborhood strategically complements U.S. objectives by enhancing freedom of navigation, intelligence

sharing, and coordinated humanitarian assistance and disaster relief (HADR) in the Indian Ocean region.³⁹ Initiatives such as the Information Fusion Centre–Indian Ocean Region (IFC-IOR) and the Indian Ocean Naval Symposium (IONS), along with India-Africa initiatives, including the Mutual and Holistic Advancement for Security and Growth Across Regions (MAHASAGAR) and the launch of the Africa-India Key Maritime Engagement (AIKEYME), play a key role in regional

maritime cooperation.⁴⁰ These efforts are reinforced by new assets, such as India's first indigenous antisubmarine warfare vessel, *INS Mahe*, the Indian Naval Air Squadron INAS 335, and the naval patrol vessel *ICGS Amulya*.⁴¹ Additionally, India's Maritime India Vision 2030, which aims to improve India's strategic ports, offers a positive step to enhance economic and maritime connectivity and resiliency within the Indian Ocean region.⁴²

Background on Defense and Security Ties

Going back 25 years, U.S. presidential administrations have played a part in advancing U.S.-India military-to-military ties and defense trade. India, which barely imported any defense items from the United States two decades ago, has concluded about \$24 billion in defense deals with the United States since 2008. India also currently exercises with the United States more than any other country by far. U.S.-India military exercises have also grown in complexity, frequency, and scope over the last 20 years. In 2019, the United States and India completed their first-ever tri-services exercise, called Tiger Triumph, in the Bay of Bengal. It was designed to develop interoperability between the two militaries for HADR. Also notable was the 2022 iteration of the Yudh Abhyas military exercise, which was held in Uttarakhand, prompting objections from Chinese officials who argued that it was too close to the Line of Actual Control that divides Indian and Chinese territory.

The signing of foundational defense agreements has gone a long way toward deepening the two countries' security cooperation over the last decade. During the first Trump administration in 2018, the governments signed three foundational defense agreements:

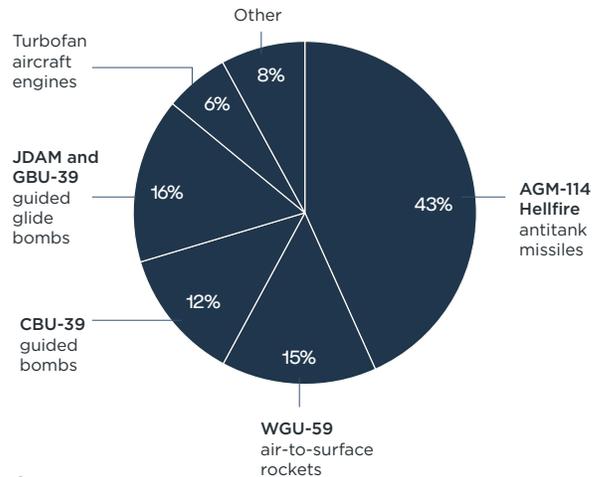
- **September 2018:** The Communications Compatibility and Security Agreement, which enables greater interoperability between the two militaries and the sale of high-end technology.⁴³
- **December 2019:** The Industrial Security Annex, which facilitates the exchange of classified military information and enables U.S. and Indian private firms to partner more closely.⁴⁴
- **October 2020:** The Basic Exchange and Cooperation Agreement, which enables geospatial information sharing in real-time across domains, further boosting bilateral defense ties.⁴⁵

Another major initiative launched during the first Trump administration is the U.S.-India 2+2 Ministerial Dialogue between the foreign and defense ministers of both countries. The first dialogue was held in September 2018 and twice more during the first Trump term in December 2019 and October 2020.

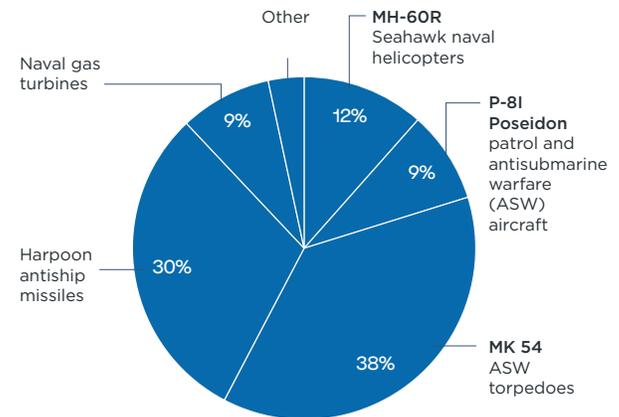
The most significant advancement in U.S.-India defense ties during the Biden administration was the signing of a memorandum of understanding between General Electric and Hindustan Aeronautics Ltd. for the manufacture of GE F414 jet engines in India, which will make India one of a handful of nations with the ability to produce jet engines.

Figure 1: U.S.-India Major Arms Purchases (2000–2025)⁴⁶

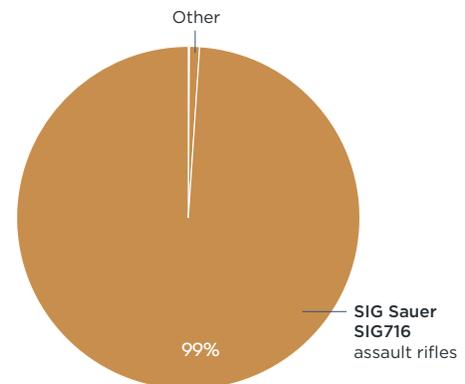
Air



Sea



Land



U.S.-India arms transfers across air, sea, and land domains reflect a dramatic expansion in the scale and sophistication of bilateral defense ties, spanning antitank missiles, antiship missiles, heavy transport aircraft, naval aviation, and artillery. The breadth, volume, and technological sensitivity of these purchases emphasize the significant transformation of the defense relationship into a deep strategic partnership over the past 25 years.

Technology Partnership Remains Intact

U.S.-INDIA TECHNOLOGICAL CONVERGENCES represent over a decade of deepening institutional trust and strategic alignment. During the first Trump administration, Washington granted India Strategic Trade Authorization-1 (STA-1) status for dual-use trade and signed three key foundational agreements: the Communications Compatibility and Security Agreement in 2018, the Industrial Security Annex in 2019, and the Basic Exchange and Cooperation Agreement in 2020 (see Background on Defense and Security Ties for more information).⁴⁷ Together, these measures enhanced interoperability, enabled sensitive data exchange, and opened new legal channels for high-end technology transfer, anchoring technology as a vital pillar of the bilateral relationship.

Since 2020, this groundwork has been consolidated into a more structured cooperation architecture. The introduction of the U.S.-India Initiative on Critical and Emerging Technology (iCET) in 2023 created an official platform to coordinate policy, industry, and research collaboration across semiconductors, AI, biotechnology, and advanced telecommunications, as well as defense and space cooperation.⁴⁸ That momentum carried into early 2025, when Prime Minister Narendra Modi’s visit to Washington produced the U.S.-India Transforming the Relationship Utilizing Strategic Technology (TRUST) initiative, designed to amplify iCET’s priorities within a structure focused on trusted supply chains and innovation systems.⁴⁹ The early 2026 interim trade deal further codified this trend, committing both governments to expand bilateral technology ties.⁵⁰

Semiconductors sit at the core of this agenda. In March 2023, both governments signed a memorandum of understanding on semiconductor supply chains and innovation, aligning strategies under the U.S. CHIPS and Science Act with the India Semiconductor Mission.⁵¹ India produces about 20 percent of global data but hosts only 1 percent of global data center capacity, leaving substantial headroom as demand for compute accelerates.⁵² Meanwhile, nearly one-fifth of the world’s chip design engineers are based in India,

cementing its central role in the global semiconductor ecosystem.⁵³ Through India Semiconductor Mission 2.0, New Delhi has approved 10 semiconductor projects across six states, including Micron Technology’s \$2.75 billion assembly, testing, marketing, and packaging facility in Gujarat, which commenced commercial chip production in early 2026.⁵⁴ Complemented by the September 2024 Bharat Semi–U.S. Space Force fabrication partnership, these efforts advance supply chain diversification beyond East Asia, even as India remains reliant on imported advanced chips.⁵⁵

The United States has a direct stake in this trajectory. The TRUST initiative’s Roadmap on Accelerating AI Infrastructure signaled U.S. intent to address bottlenecks across compute, power, and regulation.⁵⁶ Despite tariff tensions in 2025, American AI capital has only intensified: Microsoft, Amazon, and Google have invested a combined \$67.5 billion in AI and data center projects in India, while Meta is developing infrastructure in collaboration with two Indian companies: Reliance Industries and Tata Group.⁵⁷ Alongside these

Figure 2: U.S. Digital Infrastructure Investments (2026)⁵⁸



Leading U.S. technology companies are expanding their digital infrastructure footprint in India by investing in semiconductors, cloud, artificial intelligence, and data centers. U.S. capital is scaling both fabrication and compute capacity across multiple Indian states, reinforcing India’s role across the technology stack and deepening the two countries’ bilateral technology interdependence.

cloud investments, semiconductor and R&D commitments from Qualcomm and Texas Instruments reinforce India's role across the technology stack.⁵⁹ Most recently, the U.S. invitation for India to join the U.S.-led Pax Silica initiative reflects a shift in semiconductor cooperation.⁶⁰ For New Delhi, a formal seat at the table lodges India into higher-value segments of the global technology stack, from trusted cloud environments to data center standards aligned with its AI ambitions. For Washington, India's participation fortifies a non-Chinese semiconductor ecosystem by anchoring trusted capacity at scale and integrating Indian industry more deeply into U.S.-shaped technology governance, helping redistribute global supply chains and reduce risk.⁶¹

Biotechnology cooperation has also gained traction. Under iCET, both nations elevated advanced biomanufacturing, biosafety, and biosecurity as priorities tied to pharmaceutical supply chain resilience.⁶² In June 2024, the two sides established a Track 1.5 Biopharmaceutical Supply Chain Consortium (Bio-5), linking joint research funding between the U.S. National Science Foundation (NSF) and India's Department of Biotechnology (DBT) with the Bio-X initiative to translate R&D coordination and regulatory practices into more reliable production of APIs and biologics.⁶³ The urgency is apparent: 39 percent of U.S. APIs and most KSMs for generics come from India and China, while India depends on China for 65–70 percent of its intermediates.⁶⁴ The exemption of pharmaceuticals from last summer's U.S. tariffs underscores their strategic significance. India is seeking to enhance its upstream API capabilities while moving into precision medicine and next-generation biologics to position itself as a credible alternative to China and to enhance pharmaceutical supply chain security.⁶⁵

India's role as host of the AI Impact Summit 2026 demonstrates its ability to convene broader global engagement around inclusive, application-driven AI.⁶⁶ The recent launch of a nationwide AI skilling program targeting 1 million youths highlights India's effort to frame AI adoption around workforce readiness.⁶⁷ For both governments, it will be critical to implement the TRUST framework in 2026 so that the two sides can continue to build on their technology convergences.

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Trails from an Indian air defense system are seen above Jammu, in the Indian Union Territory of Jammu and Kashmir, during a Pakistani strike on May 9, 2025, during the four-day conflict between the two nuclear-armed neighbors. (Rakesh Bakshi/AFP via Getty Images)

Divergences on Pakistan and Terrorism

WHILE ECONOMIC, DEFENSE, AND TECHNOLOGY ties have overall been sustained during the last year of turbulence in the U.S.-India relationship, there remain fundamental differences between Washington and New Delhi when it comes to Pakistan and perceptions about its role in terrorism. In the past, counterterrorism cooperation was a centerpiece of the U.S.-India strategic partnership. The United States was sympathetic to Indian concerns about the threat from Pakistan-based terrorist groups and has, over the course of the last 25 years, designated several groups and their leaders through both State and Treasury Department authorities. Washington has also helped ensure Pakistan-based terrorist groups and their leaders were designated as such through the United Nations (UN) process. For example, in 2019, following a suicide bombing in Pulwama in Indian-administered Kashmir that killed 40 Indian soldiers, the United States led a successful diplomatic effort at the UN to designate the leader of the Pakistan-based terrorist group responsible for the bombing through the UN 1267 ISIL and Al-Qaida Sanctions List process.⁶⁸

Even though Washington designated the Resistance Front (an offshoot of the Pakistan-based Lashkar-e-Taiba terrorist outfit), which claimed responsibility for the April 22 attack in Pahalgam, New Delhi has been disappointed by the overall lack of U.S. attention to the problem of terrorism that emanates from Pakistan.⁶⁹ At the UN Security Council in late January, India's Permanent Representative Ambassador Harish Parvathaneni said the April 22 attack was "sponsored" by Pakistan and that "it is not normal to tolerate Pakistan's continued use of terrorism as an instrument of state policy."⁷⁰

While economic, defense, and technology ties have overall been sustained during the last year of turbulence in the U.S.-India relationship, there remain fundamental differences between Washington and New Delhi when it comes to Pakistan and perceptions about its role in terrorism.

India is unlikely to ever publicly acknowledge that the United States had a role in bringing about the May 10, 2025, Indo-Pakistani ceasefire. India's denial that the United States played a role in brokering the ceasefire stems from its long-standing opposition to any third-party mediation in its dispute with Pakistan.⁷¹

Recommendations

THE TWO SIDES have taken a step forward by finalizing a trade framework deal. However, more work needs to be done to get relations back on track and overcome mistrust created by the Trump administration's tariff policies and handling of the aftermath of the India-Pakistan conflict. To fully restore relations and revive strategic trust, the United States should maintain momentum on economic and technology initiatives, as well as demonstrate regard for India's strategic red lines when it comes to Pakistan and terrorism. More specifically, the United States should do the following:

Strengthen U.S.-India energy security through civil nuclear cooperation.

The United States and India should deepen energy security cooperation by leveraging reforms outlined in India's SHANTI Act to expand civil nuclear engagement and accelerate deployment of advanced nuclear technologies, including SMRs. Establishing a U.S.-India energy trade initiative and a nuclear deployment framework would streamline regulatory approvals, facilitate technology transfer, and integrate cross-border supply chains for fuel, components, and services. U.S. firms should be positioned to invest in reactor construction, fuel management, and SMR development, supporting India's goal of achieving 100 GW of nuclear capacity by 2047. Complementary initiatives, such as joint strategic petroleum reserve planning and collaborative R&D in advanced reactor safety and efficiency, would enhance resilience against global energy market volatility. By combining investment, technology, and regulatory coordination, the U.S.-India partnership can secure long-term energy stability and reinforce strategic ties in the Indo-Pacific while creating opportunities for private sector growth and innovation.

Institutionalize India's Indian Ocean maritime security role within the Quad.

The United States can support India's role as the lead maritime security provider in the Indian Ocean, particularly the western Indian Ocean and the Bay of Bengal, by deepening operational integration and burden-sharing arrangements within the Quad framework and strengthening the Indian Navy-hosted IFC-IOR as the region's primary maritime coordination hub. Expanding monitoring while integrating AI-enabled analytics, data, and MANTRA (Maritime Analytical Tool for Regional Awareness) software would enable real-time coordination and anomaly detection for challenges including illegal, unreported, and unregulated fishing and drug trafficking. The United States, India, and other Quad partners should also prioritize the implementation of the Indo-Pacific Partnership for Maritime Domain Awareness to enhance intelligence fusion, logistics support, and capacity-building initiatives that amplify India's western Indian Ocean operational reach while freeing U.S. naval assets for the Pacific theater. Regularized Quad maritime exercises in the western Indian Ocean, integrated with IONS and India-Africa platforms such as AIKEYME, would further embed a rules-based and wide-ranging maritime order, deter coercive action by malign actors, and strengthen regional partner confidence. This approach leverages India's growing air and naval capabilities and geographical comparative advantage while advancing shared Quad objectives of freedom of navigation, regional stability, and crisis response.

Leverage India's central role in the Indian Ocean by assisting India in transforming strategic ports into integrated, resilient maritime hubs.

Partnering with India to transform strategic ports such as Nehru, Vadhavan,

Deendayal, Mundra, Paradip, Galathea, Vizhinjam, Chennai, and Visakhapatnam into integrated, resilient maritime hubs would align with India's Maritime India Vision 2030 by modernizing port infrastructure, expanding shipping capacity, and strengthening economic viability, security, and sustainability in the Indian Ocean region. The United States should engage through the Development Finance Corporation to provide technical assistance, transparent financing mechanisms, and public-private partnership models that enhance port efficiency, digital infrastructure, and supply chain resilience. Integrating smart port technologies, sustainable energy solutions, and coordinated logistics networks will enable these hubs to support regional trade, humanitarian response, and naval operations while reducing overreliance on single ports.

Operationalize a U.S.-India pharmaceutical resiliency initiative.

To strengthen pharmaceutical supply chains and ensure long-term health security, the United States and India should implement a pharmaceutical resiliency framework centered on diversified advanced manufacturing, dual-location production, and supply chain risk management. Co-located production of APIs and key intermediates in both countries would reduce single-source dependency, while structured information sharing, shared monitoring, and contingency planning mechanisms would mitigate supply chain disruption risks and ensure uninterrupted access to critical drugs. Regulatory streamlining between the U.S. FDA and Indian authorities should focus on accelerating approvals for essential medicines and maintaining consistent drug quality standards. This framework would promote drug affordability and strengthen U.S.-India strategic and economic ties, providing an actionable pathway for sustained collaboration and pharmaceutical security.

Advance biotechnology supply chains through R&D integration.

The lasting value of biotechnology collaboration occurs not only in diversifying pharmaceutical supply chains but also in assisting India's transition from generics to more cutting-edge biologics, genomics, and advanced biomanufacturing. Combined funding mechanisms, namely the Bio-5 NSF-DBT joint research program and the Bio-X platform, should be used to better unite research, translational science partnerships, and coordinated commercialization pathways that move discoveries from laboratories to scalable production.⁷² Moving in this direction would integrate Washington's innovation capabilities with New Delhi's manufacturing scale, strengthening advanced API and biologics capacity, and would embed India more fully in global biotechnology R&D ecosystems and supply chain governance.⁷³

Reframe AI and semiconductor cooperation around joint infrastructure.

U.S.-India convergence on advanced compute should focus on co-development of data centers, advanced packaging, and semiconductor assembly. New Delhi's projected data center capacity demand, estimated at 5–17 GW by 2030, far exceeds current supply, creating a structural opening for partnership. Washington already upholds the bulk of India's \$80 billion in tech-related foreign direct investment, providing a foundation to jointly develop data center infrastructure at scale.⁷⁴ In the AI domain, India can host U.S.-origin compute and serve as a large-scale deployment and training ground, leveraging its vast and diverse user base while operating within U.S.

export control frameworks. The TRUST initiative's Roadmap on Accelerating AI Infrastructure should serve as the primary vehicle for operationalizing this joint work, aligning economic incentives with longer-term supply chain resilience across the Indo-Pacific.⁷⁵ On the semiconductor front, India's strength in assembly, testing, and packaging positions it as an infrastructure bridge, anchoring trusted downstream capacity within a diversified supply chain.

Refrain from talking about mediating the India-Pakistan dispute over Kashmir.

Maintaining trust with India requires the United States to respect India's strategic red lines. One of those is its opposition to any outside involvement in its dispute with Pakistan. Any attempt to meddle on the Kashmir issue will needlessly irritate India and could even lead it away from deeper defense and security cooperation with the United States.

Reinvigorate the U.S.-India counterterrorism dialogue.

The U.S. State Department should elevate its counterterrorism dialogue with India, focusing on both regional and global terrorist threats. These discussions should focus on disrupting the financing and networks of terrorist outfits and collaborating within the UN system on terrorism challenges. This kind of cooperation could help restore India's trust and confidence that the United States takes terrorism threats in the region seriously. At the same time, enhancing collaboration and information and intelligence sharing on global terrorism threats will assist both countries in keeping their citizens safe at home and abroad.

Conclusion

THE RECENT CONCLUSION of the U.S.-India interim trade deal provides an opportunity for the two countries to recover what has been lost in their strategic ties over the last year and to get the broader relationship back on track. Many economic, defense, and technology initiatives continued, despite the turmoil in the relationship, and there are numerous opportunities to expand cooperation in areas like energy, technology, and maritime security.

Since India will play a vital role in shaping the geopolitical landscape of the Indo-Pacific, it is critical that the United States arrest the downward slide in relations and renew strategic ties. The quality of U.S.-India relations will be a major determining factor in whether China will succeed in becoming the regional hegemon or if there will be a balance of power in the region that favors a free and open Indo-Pacific.

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