“CAATSA” Act and Indo-U.S. Ties

What is the issue?

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- The controversial “CAATSA Act” of the U.S. is proving to be a stress point in Indo-U.S. bilateral ties.
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- While there is hope that India will get certain exemptions, the larger picture remains dull.
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What is CAATSA Act and how does it affect India?

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- “Countering America’s Adversaries through Sanctions Act (CAATSA)”, is a U.S. law that seeks to constrain its enemy powers economically.
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- Through this law, U.S. imposes economic sanctions on its adversaries and all countries and firms dealing with its adversaries.
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- Considering the economic might of the U.S., it would be a big challenge for any nation to overlook U.S. and continue its trade with other partners.
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- U.S. has classified Iran and Russia (and North Korea) as adversary countries, but India has strong and critical trade ties with both these countries.
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- Notably, Russia is India’s major defence supplier for over 6 decades now, and Iran is India’s second largest oil supplier.
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- Hence, if India doesn’t cut trade ties with Iran and Russia, CAATSA Act would’ve kicked in U.S. sanctions against India.
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- This has put India in a tight spot as it can neither dare U.S. sanctions nor antagonize Iran and Russia (or forego supplies from them).

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What is current status?

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- **Indian Argument -** Indian delegation argued that Russian defence equipments were indispensible at the current point in time.
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- Further, they argued curtailing defence ties with Russia would affect India’s capabilities within the Quad Coalition which also has U.S.
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- Notably, Quad is an Asia-Pacific security bloc that has Japan, Australia, India and the U.S. as members.
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- Further, it was stressed that India has been reducing defence purchases from Russia over the years and simultaneously increasing purchases from the U.S.
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- **The result -** The Congressional committee looking into the issue seems to have relented as the need for waivers to some countries was recognized.
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- The committee has proposed amendments to CAATSA, in order to allow the President to waive sanctions in certain circumstances, for six months at a time.
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- So, as long as the president signs waivers for India every six months, it can continue to engage in trade with countries like Russia.
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How does the future look?

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- CAATSA was a major irritant in the bilateral relationship, and the current waivers are likely to ease the situation considerably.
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- Nonetheless, the risk of sanctions against energy trade with Iran still looms large, which could revive tensions.
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- The standoff at “World Trade Organisation” (WTO) over tariffs and

counter-tariffs the two countries have imposed on each other is another stress point.
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- Given the capricious and unpredictable policy swings Mr. Trump has shown, it will be prudent for India to not presume that CAATSA waiver solves all issues.
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Source: The Hindu

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