



Investment Incentive Agreement (IIA)

For Prelims: Investment Incentive Agreement (IIA), OPIC, Indian Ocean Region, QUAD, Malabar exercise, BECA, GSOMIA, COMCASA, ISRO, NASA

For Mains: Bilateral Groupings & Agreements, India US Relations

Why in News?

Recently, India and the United States signed an **Investment Incentive Agreement (IIA)** at Tokyo, Japan.

What is an Investment Incentive Agreement (IIA)?

▪ About:

- This IIA **supersedes the Investment Incentive Agreement** signed between both the countries in the year 1997.
- There have been significant developments since the earlier IIA was signed in 1997, such as the **founding of a new organization called Development Finance Corporation (DFC)**.
 - DFC as a **successor agency of the erstwhile Overseas Private Investment Corporation (OPIC)** after the enactment of a recent legislation of USA, the **BUILD Act 2018**.

▪ Purpose:

- To **keep pace with the additional investment support programmes**, offered by the DFC, such as debt, equity investment, investment guaranty, investment insurance or reinsurance, feasibility studies for potential projects and grants.
- The Agreement is the **legal requirement for DFC**, to continue providing investment support in India.
- It is expected that **signing of IIA would lead to enhanced Investment support provided** by DFC in India, which shall further help in India's development.

What is the Status of DFC in India?

- DFC or their predecessor agencies **have been active in India since 1974** and have so far **provided investment support worth USD 5.8 billion** of which USD 2.9 billion is still outstanding.
- Proposals worth USD 4 billion are under consideration by DFC for providing investment support in India.
- DFC has provided investment support in sectors that matter for development such as [Covid-19 vaccine](#) manufacturing, healthcare financing, renewable energy, [Small and Medium Enterprises \(SME\) financing](#), financial inclusion, infrastructure etc.

What is the current Status of India-US Relations?

- **About:**
 - India-US bilateral relations have **developed into a "global strategic partnership"**, based on shared democratic values and increasing convergence of interests on bilateral, regional and global issues.
 - In 2015, both the countries issued a **Delhi Declaration of Friendship** and adopted a **Joint Strategic Vision for Asia-Pacific** and the [Indian Ocean Region](#).
- **Civil-Nuclear Deal:**
 - The [bilateral civil nuclear cooperation](#) agreement was signed in October 2008.
- **Energy and Climate Change:**
 - As a priority initiative under the **PACE (Partnership to Advance Clean Energy)**, the US Department of Energy (DOE) and the Government of India have established the Joint Clean Energy Research and Development Center (JCERDC) designed to promote clean energy innovations by teams of scientists from India and the United States.
 - [India-US Clean Energy Agenda 2030 Partnership](#) was launched at the Leaders climate summit 2021.
- **Defence Cooperation:**
 - Defence relationship has emerged as a major pillar of India-US strategic partnership with the signing of **'New Framework for India-US Defense Relations' in 2005** which was further updated for 10 years in 2015.
 - India and US inked **important defence pacts in the last few years** and also formalised the four nation alliance of [QUAD \(India, US, Japan and Australia\)](#).
 - The alliance is seen as an important counter to China in the Indo-Pacific.
 - The [Malabar exercise](#) in November 2020 portrayed a high point in Indo-US strategic ties, it was the **first time in 13 years** that all four countries of QUAD came together sending a strong message to China.
 - India now has access to American bases from [Djibouti in Africa](#) to Guam in the Pacific. It can also access advanced communication technology used in US defence.
 - India and US have [four foundational defence agreements](#):
 - [Basic Exchange and Cooperation Agreement for Geospatial Intelligence \(BECA\)](#).
 - [General Security of Military Information Agreement \(GSOMIA\)](#).
 - Logistics Exchange Memorandum of Agreement (LEMOA).
 - [Communication Compatibility and Security Agreement \(COMCASA\)](#).
 - India-US Counter-Terrorism Cooperation Initiative was signed in 2010 to expand collaboration on counter-terrorism, information sharing and capacity building.
 - A tri-services exercise- [Tiger Triumph](#)- was conducted in November 2019.
 - Bilateral and regional exercises include: Yudh Abhyas (Army), [Vajra Prahar](#) (Special Forces), RIMPAC, Red Flag.
- **Trade:**
 - The US is **India's second largest trading partner** and a major destination for India's exports of goods and services.
 - The US replaced Mauritius as the second largest source of [foreign direct investment](#) into India during 2020-21.
 - The previous US government [ended India's special trade status \(GSP withdrawal\)](#) and also imposed several bans, India also retaliated with bans on 28 US products.
- **Science & Technology:**
 - [Indian Space Research Organization \(ISRO\)](#) and [National Aeronautics and Space Administration \(NASA\)](#) are working together to realize a joint microwave remote sensing satellite for Earth observation, named [NASA-ISRO Synthetic Aperture Radar \(NISAR\)](#).

Way Forward

- India is **emerging as a leading player in an international system** that is undergoing an unprecedented transformation. It shall use its present situation to explore opportunities to further its vital interests.
- **India and the US are strategic partners today** in the true sense of the term - a partnership among mature major powers that is not seeking a complete convergence but managing differences by ensuring a continuous dialogue and channeling these differences into crafting new opportunities.

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