

# CRS Report for Congress

## India-U.S. Relations

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# India-U.S. Relations

## Summary

Long considered a “strategic backwater” from Washington’s perspective, South Asia has emerged in the 21<sup>st</sup> century as increasingly vital to core U.S. foreign policy interests. India, the region’s dominant actor with more than one billion citizens, is now recognized as a nascent major power and “natural partner” of the United States, one that many analysts view as a potential counterweight to China’s growing clout. Washington and New Delhi have since 2004 been pursuing a “strategic partnership” based on shared values such as democracy, pluralism, and rule of law. Numerous economic, security, and global initiatives, including plans for “full civilian nuclear energy cooperation,” are underway. This latter initiative, launched by President Bush in July 2005 and provisionally endorsed by the 109<sup>th</sup> Congress in 2006 (P.L. 109-401, the “Hyde Act”), would reverse three decades of U.S. nonproliferation policy. It requires, among other steps, conclusion of a peaceful nuclear agreement between the United States and India, which would itself enter into force only after a Joint Resolution of Approval by Congress. Also in 2005, the United States and India signed a ten-year defense framework agreement that calls for expanding bilateral security cooperation. Since 2002, the two countries have engaged in numerous and unprecedented combined military exercises. The issue of major U.S. arms sales to India may come before the 110<sup>th</sup> Congress. The influence of a growing and relatively wealthy Indian-American community of more than two million is reflected in Congress’s largest country-specific caucus.

Further U.S. interest in South Asia focuses on ongoing tensions between India and Pakistan rooted in unfinished business from the 1947 Partition, competing claims to the Kashmir region, and, in more recent years, “cross-border terrorism” in both Kashmir and major Indian cities. In the interests of regional stability, the United States strongly encourages an ongoing India-Pakistan peace initiative and remains concerned about the potential for conflict over Kashmiri sovereignty to cause open hostilities between these two nuclear-armed countries. The United States seeks to curtail the proliferation of nuclear weapons and ballistic missiles in South Asia. Both India and Pakistan have resisted external pressure to sign the major nonproliferation treaties. In 1998, the two countries conducted nuclear tests that evoked international condemnation. Proliferation-related restrictions on U.S. aid were triggered, then later lifted through congressional-executive cooperation from 1998 to 2000. Remaining sanctions on India (and Pakistan) were removed in October 2001.

India is in the midst of major and rapid economic expansion. Many U.S. business interests view India as a lucrative market and candidate for foreign investment. The United States supports India’s efforts to transform its once quasi-socialist economy through fiscal reform and market opening. Since 1991, India has taken major steps in this direction and coalition governments have kept the country on a general path of reform, yet there is U.S. concern that such movement is slow and inconsistent. Congress also continues to have concerns about abuses of human rights, including caste- and gender-based discrimination, and religious freedoms in India. Moreover, the spread of HIV/AIDS in India has been identified as a serious development. See also CRS Report RL34161, *India-U.S. Economic and Trade Relations*. This report will be updated regularly.

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# India-U.S. Relations

## Key Current Issues and Developments

**U.S.-India Civil Nuclear Cooperation.**<sup>1</sup> Plans to initiate U.S.-India civil nuclear cooperation have been hampered by domestic political resistance in India (see “Indian Political Crisis” section below). In July 2007, the United States and India announced having concluded negotiations on a peaceful nuclear cooperation (or “123”) agreement (the agreement text was released on August 3). Under Secretary of State for Political Affairs Nicholas Burns, the lead U.S. negotiator, called the deal “perhaps the single most important initiative that India and the United States have agreed to in the 60 years of our relationship” and “the symbolic centerpiece of a growing global partnership between our two countries.”<sup>2</sup> U.S. officials urged New Delhi to move rapidly toward completing remaining steps to consummation of the pact. These include finalizing arrangements for International Atomic Energy Agency (IAEA) inspections of India’s civilian nuclear facilities and winning the endorsement of the Nuclear Suppliers Group (NSG) for nuclear trade. Following these steps, the 123 Agreement can become operative only through a Joint Resolution of Approval from Congress. There have been significant apparent contradictions between the expectations of and public statements by U.S. and Indian officials on this issue.<sup>3</sup> (See also “Civil Nuclear Cooperation” section below.)

Among the 123 Agreement text’s more salient provisions are the granting to India of a right to reprocess spent fuel at a national reprocessing facility that New Delhi plans to establish under IAEA safeguards; assurances to India that supplies of fuel for its civilian reactors will not be interrupted — even if the United States terminates the 123 Agreement — through U.S. commitments to “work with friends and allies ... to create the necessary conditions for India to obtain full access to the international fuel market” and to “support an Indian effort to develop a strategic reserve of nuclear fuel;” and what some critics view as watered-down language on the effects of any future nuclear test by India: while the U.S. President would maintain a right to demand the return of all U.S.-supplied nuclear equipment and material in such a circumstance, the text calls for immediate bilateral consultations to “consider carefully the circumstances” and take into account whether the circumstances resulted from “serious concern about a changed security environment

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<sup>1</sup> See also CRS Report RL33016, *U.S. Nuclear Cooperation With India*.

<sup>2</sup> See [<http://www.state.gov/p/us/rm/2007/89559.htm>].

<sup>3</sup> A useful table is at [<http://www.carnegieendowment.org/files/123agreementchart.pdf>].

or as a response to similar actions by other states which could impact national security” (likely a reference to potential nuclear tests by China and/or Pakistan).<sup>4</sup>

Press reports suggested that U.S. negotiators had made considerable concessions to Indian demands on these points and that the agreement could face resistance from some in Congress if its legal stipulations are seen to deviate from those found in enabling legislation (P.L. 109-401, the “Hyde Act”).<sup>5</sup> A July 2007 letter to President George W. Bush signed by 23 House Members stressed the need for any civil nuclear cooperation agreement with India to conform to “the legal boundaries set by Congress.”<sup>6</sup> In October, **H.Res. 711**, expressing the sense of the House concerning the U.S.-India nuclear cooperation agreement, was referred to House committee. The bill would seek Bush Administration clarifications on the 123 Agreement’s compliance with U.S. law.

Many independent Indian commentators are approving of the pact, seeing in it an end to “nuclear apartheid” that likely will “go down as one of the finest achievements of Indian diplomacy.”<sup>7</sup> There also is evidence that the Indian business community is supportive of the deal as a means contributing to India’s rise as a major power and of bolstering the country’s energy security. In November 2007, 23 former Indian military chiefs, senior bureaucrats, and scientists signed an open letter to Parliament urging approval of the pact so as to remove the “crippling constraints” India suffers due to international regimes that deny it high-technology goods.<sup>8</sup>

In New Delhi, where the executive can enter international agreements without parliamentary approval, Prime Minister Manmohan Singh’s Congress Party-dominated cabinet endorsed the agreement text in late July 2007. It then set about assuring domestic skeptics that the autonomy of the country’s nuclear weapons program would be maintained and that all key commitments previously made to parliament were being adhered to, including those related to plutonium reprocessing and nuclear weapons testing rights, as well as assured and uninterrupted supplies of nuclear fuel even if the agreement is terminated.<sup>9</sup> Later, in response to continued controversy over whether or not India’s freedom to conduct future nuclear weapons tests is restricted by the agreement, External Affairs Minister Pranab Mukherjee told

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<sup>4</sup> See the 123 Agreement text at [<http://www.state.gov/r/pa/prs/ps/2007/aug/90050.htm>].

<sup>5</sup> “In Its Nuclear Deal With India, Washington Appears to Make More Concessions,” *New York Times*, July 28, 2007; “India Nuclear Deal Said Complies With US Law,” *Reuters*, July 25, 2007; “US Congress to Scrutinize Nuclear Pact With India,” *Agence France Presse*, August 3, 2007.

<sup>6</sup> Letter available at [[http://markey.house.gov/index.php?option=com\\_content&task=view&id=3003&Itemid=141](http://markey.house.gov/index.php?option=com_content&task=view&id=3003&Itemid=141)].

<sup>7</sup> Indrani Bagchi, “End of Nuke Apartheid Against India,” *Times of India* (Delhi), August 4, 2007; C. Raja Mohan, “India Gains, US Doesn’t Lose,” *Indian Express* (Delhi), August 4, 2007.

<sup>8</sup> See [<http://www.indianexpress.com/story/239308.html>].

<sup>9</sup> See [[http://www.indianembassy.org/newsite/press\\_release/2007/Aug/4.asp](http://www.indianembassy.org/newsite/press_release/2007/Aug/4.asp)].

Parliament, “There is nothing in the bilateral agreement that would tie the hands of a future government or legally constrain its options.”<sup>10</sup>

Despite such assurances, ensuing debate over the deal appears to have divided the New Delhi establishment as much as any issue in the country’s history. Prime Minister Singh may have underestimated the degree of anti-Americanism and anti-imperialism held by his coalition’s communist Left Front allies, who provide his ruling coalition with crucial parliamentary support. In August 2007, senior leaders of the main opposition Bharatiya Janata Party (BJP) reiterated their party’s “reservations” about the nuclear deal and its potentially negative impact on India’s nuclear weapons program. Yet India’s communist parties went much further in their criticisms, issuing a joint statement which called the 123 Agreement “flawed” and claiming that it “must be seen as a crucial step to lock India into the U.S. global strategic designs.”<sup>11</sup> Their view is not limited to those with communist sentiments: One former Indian national security advisor asserts that while a vast majority of the country’s rising urban middle class firmly favors closer India-U.S. ties, it “will not tolerate a subservient relationship” and retains significant differences in approaches to third parties such as Iran and Pakistan.<sup>12</sup>

Nonproliferation experts have been consistent in their opposition to the nuclear deal, believing it will significantly damage the global nonproliferation regime and facilitate an Asian nuclear arms race. Some have asserted that the text of the 123 Agreement disregards the legislative intent of the Hyde Act, especially in the area of continued supplies of nuclear fuel to India even if that country tests a nuclear weapons and the agreement is terminated. Others warn that NSG endorsement of an exception for India will “virtually ensure the demise of global nuclear export restraints.”<sup>13</sup> On January 7, a letter to NSG officials endorsed by more than 130 nonproliferation experts and nongovernmental organizations argued that India’s commitments thus far did not justify making “far-reaching” exceptions to international nonproliferation rules and norms. The document asked that NSG members consider the potential costs of granting to India any special safeguards exceptions and urged the body to make clear that all nuclear trade with India would cease upon that country’s resumption of nuclear testing for any reason.<sup>14</sup>

At least one nonproliferation advocate in Congress concluded that the 123 Agreement “is not consistent with [congressional] requirements and restrictions” and that it would “deeply damage” the global nonproliferation regime. He identified the

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<sup>10</sup> See [[http://www.indianembassy.org/newsite/press\\_release/2007/Aug/7.asp](http://www.indianembassy.org/newsite/press_release/2007/Aug/7.asp)].

<sup>11</sup> “Indian Communists Reject U.S. Nuclear Pact,” *Reuters*, August 7, 2007.

<sup>12</sup> Brajesh Mishra, “No to Subservient Relations,” *India Today* (Delhi), September 24, 2007.

<sup>13</sup> See, for example, William Potter and Jayantha Dhanapala, “The Perils of Non-Proliferation Amnesia,” *Hindu* (Chennai), September 1, 2007.

<sup>14</sup> See “Fix the Proposal for Renewed Cooperation With India,” January 7, 2008, at [<http://www.armscontrol.org/pressroom/2008/NSGappeal.asp>].

issues of nuclear testing, assurances of fuel supply, and the reprocessing of U.S.-origin nuclear material three core concerns.<sup>15</sup>

In a surprise development, political squabbling in New Delhi put the nuclear deal on possibly indefinite hold. On October 15, 2007, Prime Minister Singh informed President Bush that “certain difficulties have arisen with respect to the operationalization” of the deal. Spokesmen for both the White House and for India’s ruling coalition-leading Congress Party later denied that the deal was “dead.”<sup>16</sup> Hopes for consummation were revived in November when the Left Front allowed the Indian government to begin talks with the IAEA. Such consultations began on November 21, and New Delhi later submitted written “discussion points” on a safeguards agreement. Yet, in early December, the communist leadership was again threatening to withdraw support for the ruling coalition unless talks were halted. Meanwhile, some reports indicate that New Delhi is meeting with unexpected difficulties at the IAEA, especially with regard to assurances on future fuel supplies.<sup>17</sup>

December 2007 negotiations with the IAEA reportedly were hampered by “technical glitches” related to India’s demand for “unconditional” guarantees of fuel supplies in perpetuity. A third round of India-IAEA talks was completed in January, but a fourth round reportedly is needed to work out lingering difficulties.<sup>18</sup> Mukherjee insisted in the first days of 2008 that New Delhi had not given up on the deal and was continuing with its efforts to resolve the face-off with the Left Front. New Delhi’s lead negotiator on the deal, former Foreign Secretary Shyam Saran, later expressed his assessment that prevailing sentiments at the NSG favor India.<sup>19</sup> China, a relatively new NSG member, is seen by some as implicitly seeking to block fruition of the U.S.-India initiative. Indian leaders continue to seek assurances from Beijing that China will support India’s case in the NSG. While they believe it unlikely that China will present an obstacle, no such assurances have been forthcoming to date. During his January 2008 visit to China, Prime Minister Singh held out the prospect that India and China could cooperate on civil nuclear energy in the future.<sup>20</sup>

While top U.S. officials will withhold comment on India’s internal political developments, there remains a sense of urgency in Washington, with the Bush Administration clearly eager to see the deal consummated during its remaining term in office and so exerting diplomatic pressure on the New Delhi government to reverse

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<sup>15</sup> “Courses of Action for Congress and the Nuclear Suppliers Group: A Conversation with the Hon. Edward J. Markey on Nuclear Cooperation Between the United States and India,” Council on Foreign Relations, September 13, 2007.

<sup>16</sup> See [[http://www.indianembassy.org/newsite/press\\_release/2007/Oct/12.asp](http://www.indianembassy.org/newsite/press_release/2007/Oct/12.asp)]; “US Nuclear Deal On, Says India Ruling Party,” *Agence France Presse*, October 17, 2007.

<sup>17</sup> See, for example, “Tough Talk by IAEA, Pact on Safeguards May Take More Time,” *Asian Age* (Mumbai), December 13, 2007.

<sup>18</sup> “N-Deal: India-IAEA Talks Go Into 4th Round,” *Times of India* (Delhi), January 19, 2008.

<sup>19</sup> “India Says Not Given Up on U.S. Nuclear Deal,” *Reuters*, January 4, 2008; “NSG Sentiment in Favor of India,” *Hindu* (Chennai), January 18, 2008.

<sup>20</sup> “China Non-Committal on Supporting India in NSG,” *Times of India* (Delhi), January 15, 2008.



its apparent climb-down. Some analysts fear that a failure to do so will require starting the difficult negotiation process anew in 2009, perhaps involving a Democratic U.S. Administration and/or Congress that might be more favorable to arguments made by nonproliferation lobbyists. Under Secretary Burns's impending departure from the State Department, announced in mid-January, may complicate future efforts to consummate the deal.<sup>21</sup>

**Indian Political Crisis.** Domestic debate in India on the pending U.S.-India nuclear deal triggered the most serious crisis faced by the United Progressive Alliance (UPA) government since it came to power in May 2004. In fact, the turmoil nearly led to a collapse of the ruling coalition and early elections as both Prime Minister Singh and the Left Front parties maintained staunch and mutually incompatible positions on the deal. The August release of the 123 Agreement text brought an uproar in the Indian Parliament — effectively shutting the body down at times — with numerous lawmakers complaining that the deal would restrict India's ability to test nuclear weapons in the future and threaten its foreign policy independence.<sup>22</sup> An urgent meeting between Singh and top communist leader Prakash Karat ended without reconciliation, and the Left Front warned the central government of “serious consequences” if it moved forward with the plan. Communist leaders subsequently threatened to end their support for the UPA coalition if it moved forward with the deal and, in October, they issued a fresh demand that the deal be put on hold.<sup>23</sup> The leader of the main opposition BJP, L.K. Advani, later reiterated his view that the nuclear deal was “unacceptable” and he urged his party to prepare for anticipated early elections.

To facilitate what could only be an interim truce between the Congress party and the Left Front, the government created a panel of government officials, politicians, and scientists to “study” the nuclear deal. Communist leaders agreed to join the 15-member panel, which met for the first time in September. Three further meetings were held by early October, with neither side budging from its strident position.<sup>24</sup> By this time, communist leaders were openly threatening to withdraw support for the UPA coalition and so bring an early end to the government's term, which is scheduled to terminate in May 2009. Almost immediately, reports began to indicate that the UPA leadership's priority was saving the government, especially with signs that junior coalition partners and even some Congress Party stalwarts did not share

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<sup>21</sup> “Time Running Out for India Nuclear Deal - US Official,” *Reuters*, October 23, 2007; “Post-Bush, India May Have to Start From Scratch,” *Hindustan Times* (Delhi), October 23, 2007; “Diplomat's Exodus Muddles Nuclear Deal,” *Associated Press*, January 19, 2008.

<sup>22</sup> In September, India's leading communist party issued an open letter to Parliament expressing the Left Front's strong opposition to the proposed nuclear deal, calling the alleged creation of a “strategic alliance with America” an unacceptable departure from the Common Minimum Program and rejecting a perceived “military alliance with America” (see [[http://www.cvim.org/statement/statements\\_2007.htm](http://www.cvim.org/statement/statements_2007.htm)]).

<sup>23</sup> “India's Left Issues Blunt Threat Over Nuclear Deal,” *Reuters*, September 13, 2007; “India Left Sets New Deadline in Nuclear Deal Row,” *Reuters*, October 1, 2007.

<sup>24</sup> A fifth panel session came on October 22, after which Foreign Minister Mukherjee said the accord would not be “operationalized” before the panel's sixth and final meeting on November 16, when the panel's findings were finalized.

the Prime Minister's enthusiasm for the nuclear deal and/or were reluctant to face the Indian electorate in early 2008.<sup>25</sup> With Prime Minister Singh and Congress Party chief Gandhi seeming to veer from strident support for the deal to an acceptance of its potentially permanent hibernation in only a matter of days during mid-October, the New Delhi government's credibility came into question. According to one senior U.S.-based analyst, "The abrupt halt ... now casts a serious doubt about the willingness and ability of any government in New Delhi to act in a responsible, predictable, and reliable fashion."<sup>26</sup>

**India-Burma Relations.** During September 2007, major pro-democracy street protests in Burma grew in scale and, on September 25, the Rangoon military regime launched a violent crackdown to suppress the movement being led by Buddhist monks. In response, the United States announced new sanctions on Burma and urged other countries to follow suit. India has in recent years been pursuing closer relations with the repressive regime in neighboring Burma, with an interest in energy cooperation, counterinsurgency, and to counterbalance China's influence there. The Bush Administration urges India to be more active in pressing for democracy in Burma: in October, Deputy Secretary of State John Negroponte said, "Now is the time for Beijing and New Delhi to forgo any energy deals that put money in the pockets of the junta and to suspend weapons sales to this regime."<sup>27</sup> However, New Delhi calls democracy and human rights internal Burmese issues. In late September, External Affairs Minister Mukherjee called for a "broad-based process of national reconciliation and political reform" in Rangoon.<sup>28</sup>

On October 1, **S.Res. 339**, expressing the sense of the Senate on the situation in Burma, was passed by the full Senate. The resolution includes a call for the United States and the United Nations to "strongly encourage China, India, and Russia to modify their position on Burma and use their influence to convince the Government of Burma to engage in dialogue with opposition leaders and ethnic minorities towards national reconciliation." On the same day, New Delhi reiterated its calls for political reform in Burma and urged Rangoon to launch a formal inquiry into recent use of force against pro-democracy protestors there, but New Delhi was not seen to be adjusting its Burma policy in any meaningful way.<sup>29</sup> In a justification of New Delhi's relatively uncritical approach to the Rangoon regime, some commentators call past and continued cooperation by the Burmese military vital in New Delhi's efforts to battle separatist militants in India's northeast.<sup>30</sup>

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<sup>25</sup> "Suddenly, UPA Gets Cold Feet," *Times of India* (Delhi), October 11, 2007.

<sup>26</sup> Sumit Ganguly, "Save the Nuclear Deal," *Times of India* (Delhi), October 26, 2007.

<sup>27</sup> See [<http://www.state.gov/s/d/2007/94077.htm>].

<sup>28</sup> See [<http://meaindia.nic.in/pbhome.htm>].

<sup>29</sup> "India Renews Pressure on Myanmar, Suggests Probe," *Reuters*, October 1, 2007; "India Silent on Myanmar Crackdown," *Associated Press*, October 23, 2007.

<sup>30</sup> See, for example, Shishir Gupta, "Rangoon Isn't Kathmandu" (op-ed), *Indian Express* (Delhi), October 2, 2007.

Later in October, all 16 female U.S. Senators, representing the Senate Women's Caucus on Burma, signed a letter to Prime Minister Singh urging that, as the world's largest democracy, India should "join the growing international condemnation of Burma's military government and its brutal repression of its own citizens" and "use its influence to put pressure on the regime to stop the violence against pro-democracy activists, release all political prisoners including Aung San Suu Kyi, and begin a true national dialogue on national reconciliation that will lead to a restoration of democratic government." While recognizing India's "geopolitical imperatives" and desire to maintain good relations with Burma, the letter also expressed concern about reports of New Delhi's ongoing military-to-military relationship with Rangoon.<sup>31</sup>

Burma's foreign affairs minister visited New Delhi in the first week of 2008 for wide-ranging discussions with his Indian counterpart. Prime Minister Singh expressed satisfaction with positive India-Burma relations while also stressing "the need for greater urgency in bringing about political reforms and national reconciliation" through a "broad-based" process.<sup>32</sup> Press reports in December indicated that New Delhi was halting arms sales to Rangoon; however it appears that India's supply of military equipment to Burma has only been "slowed."<sup>33</sup>

**India-Pakistan Relations.** The India-Pakistan peace initiative has become moribund in the final months of 2007, given especially domestic political and security crises which have diverted the Pakistani government's attention away from its relations with India, as well as a degree of political uncertainty in New Delhi. India has watched the domestic turmoil of its neighbor and long-time rival with great interest, but little public comment. New Delhi takes pains to avoid even the perception of meddling in Pakistan's domestic political problems and so has been reticent and extremely cautious in its relevant public statements. A destabilized Pakistan represents a major security concern for New Delhi, but at the same time history shows that as Pakistan's internal difficulties grow, Pakistani interference in Indian affairs tends to decrease. Some view India's relatively muted response as strong evidence that the two countries have finally become "de-hyphenated."<sup>34</sup>

Officials from both countries (and the United States) continue to offer generally positive assessments of the India-Pakistan relationship, even as substantive progress remains elusive. Indian and Pakistani officials are reported to be optimistic about reinvigorating the dialogue process following Pakistan's parliamentary elections scheduled for mid-February.<sup>35</sup> While rates of infiltration of militants into Indian

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<sup>31</sup> Letter text at [<http://hutchison.senate.gov/pr102307a.html>].

<sup>32</sup> See the External Affairs Ministry January 2, 2008, press briefing at [<http://meaindia.nic.in/pbhome.htm>].

<sup>33</sup> "India's Halt to Burma Arms Sales May Pressure Junta," *Washington Post*, December 30, 2007; "Indian arms Sales to Myanmar Remain Under Scrutiny," *Jane's Defense Weekly*, January 16, 2008.

<sup>34</sup> "As Pakistan Boils, India Watches," *Chicago Tribune*, December 30, 2007; "Pakistan Turmoil Draws Muted Concern in India," *Washington Post*, January 19, 2008.

<sup>35</sup> "Pranab May Visit Pakistan After February Polls," *Asian Age* (Mumbai), January 12, (continued...)

Kashmir appear to be down, New Delhi's concerns about Pakistani links to terrorism have not abated: In April 2007, Defense Minister A.K. Antony said there had been "no change in Pakistan's support for cross-border terrorism" in Kashmir, and some Indian officials have suggested that deadly August bombings in Hyderabad were linked to Pakistan-based terrorist groups.

A fourth round of bilateral talks on economic and commercial cooperation held in August 2007 ended with agreements to facilitate importation of cement from Pakistan and tea from India, among others. Indian and Pakistani officials also held technical-level talks on the modalities of cross-border movement. Also in August, bilateral talks on the Tubal navigation project/Wullar barrage water dispute ended without progress. In September, Pakistan issued a formal protest and expressed "deep concern" in response to the Indian government's announced intention to open the disputed territory of the Siachen Glacier to tourism, saying the region was "illegally occupied" by Indian troops in 1984 and its final status has yet to be determined due to an "inflexible Indian attitude."<sup>36</sup> In a more positive sign, in October trucks carrying tomatoes from India to Pakistan crossed the international border for the first time in 60 years. October also saw mid-level Indian and Pakistani officials meet to discuss both conventional and nuclear confidence-building measures, but no new initiatives were announced. Later that month, officials held a second meeting of their Joint Anti-Terrorism Mechanism in New Delhi, where the two sides shared new information on terrorism and agreed to continue mutual investigatory cooperation.

**U.S.-India Relations.** Unexpectedly strong domestic political resistance to plans for U.S.-India civil nuclear cooperation combined with some minor controversies over the meaning of certain clauses in the 123 Agreement to interrupt what have been mostly enthusiastic sentiments about U.S.-India relations.<sup>37</sup> Security ties, however, appeared unaffected: In August 2007, the Commander of the U.S. Pacific Command, Adm. Timothy Keating, arrived in New Delhi for talks with top Indian leaders and military officers. Adm. Keating lauded U.S.-India defense relations as "solid, good, and improving steadily," and he rejected suggestions that upcoming "Malabar 07" joint naval exercises were an effort to sideline China.<sup>38</sup> Those September exercises, of unprecedented scale, were held in the Bay of Bengal, with India hosting a total of 27 warships from five countries, including the United States, Japan, Australia, and Singapore. Even as U.S. and Indian leaders insisted the exercises were about increasing interoperability and preparedness for operations in maritime security and humanitarian relief, many analysts see a nascent "alliance of democracies" which could be intended to balance against growing Chinese power.

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<sup>35</sup> (...continued)  
2008.

<sup>36</sup> See [[http://www.mofa.gov.pk/Spokesperson/2007/Sep/Spokes\\_17\\_09\\_07.htm](http://www.mofa.gov.pk/Spokesperson/2007/Sep/Spokes_17_09_07.htm)].

<sup>37</sup> See, for example, "A Bump in U.S.-India Rapport: Defining 'Ally,'" *New York Times*, August 23, 2007; "PM, Rice Visits on Ice as Bilateral Ties Skid," *Times of India* (Delhi), August 22, 2007.

<sup>38</sup> "US Admiral Says Military Cooperation With India Improving Steadily," *Associated Press*, August 23, 2007.

U.S. Treasury Secretary Henry Paulson visited Kolkata, Mumbai, and New Delhi during the final week of October. Secretary Paulson seeks to assist the Indian government in advancing its economic reform agenda, in particular by working cooperatively on New Delhi's plans to finance physical infrastructure improvements (an effort that could require up to \$500 billion over the next five years), as well as by helping strengthen and expand India's financial system through the creation of a new International Financial Center in Mumbai.<sup>39</sup> In January, U.S. Health and Human Services Secretary Michael Leavitt began a four-city tour of India to review Indian production food and medicine facilities.

In other developments:

- On January 22, India's main Sensex stock index lost nearly 5% of its value as global markets reacted to growing fears of a U.S. economic recession.
- On January 17, **H.Res 928**, expressing the sense of the House that the United States should initiate negotiations to enter into a free trade agreement with India, was introduced in the House.
- On January 15, Human Rights Watch and Amnesty International issued a joint call for an independent and impartial Indian government inquiry into "serious acts of violence" in West Bengal since early 2007.
- Also on January 15, the new Australian government reversed a controversial decision of the previous government in announcing that it would not sell uranium to India so long as New Delhi is not signatory to the Nuclear Nonproliferation Treaty.
- On January 14, five people, including three police officers, were killed in a grenade attack by suspected separatist militants in Assam.
- On January 1, seven police officers and a civilian were killed when Maoist rebels ambushed a police recruitment center in Uttar Pradesh. On the same day, four soldiers were killed when they were ambushed by Maoist rebels in Bihar.
- On December 27, 3 days of clashes between Hindu extremists and Christians left 3 people dead and 19 churches and 3 Hindu temples damaged in Orissa.
- On December 23, voters in Gujarat reelected the BJP state government led by controversial Hindu nationalist Narendra Modi.
- On December 20, some 200 Indian and Chinese troops began week-long joint counterterrorism exercises in southwestern China.
- On December 16, Maoist rebels "liberated" a Chhattisgarh jail and 300 prisoners escaped.
- On December 15, Foreign Secretary Menon visited Iran, where he held several high-level meetings and reiterated New Delhi's interest in establishing a strategic partnership with Tehran.
- On November 29, a meeting of the U.S.-India Joint Working Group on Counterterrorism ended in Washington.

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<sup>39</sup> See remarks by Secretary Paulson at [<http://www.ustreas.gov/press/releases/hp648.htm>].

- On November 12, Prime Minister Singh visited Moscow, where he and Russian President Putin discussed economic, energy, and defense ties.
- On November 2, a landmine detonated by Maoist rebels killed 16 policemen in Chhattisgarh.
- On October 30, German Chancellor Angela Merkel met with Prime Minister Singh in New Delhi, where India and Germany agreed to bolster cooperation in several issue-areas.
- On October 29, the benchmark Sensex index of the Bombay Stock Exchange rose above the 20,000 mark for the first time.
- On October 27, Maoist rebels shot and killed 17 civilians at a festival in Jharkhand.

## Context of the U.S.-India Relationship

### Background

U.S. and congressional interests in India cover a wide spectrum of issues, ranging from the militarized dispute with Pakistan and weapons proliferation to concerns about regional security, terrorism, human rights, health, energy, and trade and investment opportunities. In the 1990s, India-U.S. relations were particularly affected by the demise of the Soviet Union — India's main trading partner and most reliable source of economic and military assistance for most of the Cold War — and New Delhi's resulting need to diversify its international relationships. Also significant were India's adoption of significant economic policy reforms beginning in 1991, a deepening bitterness between India and Pakistan over Kashmir, and signs of a growing Indian preoccupation with China as a potential long-term strategic rival. With the fading of Cold War constraints, the United States and India began exploring the possibilities for a more normalized relationship between the world's two largest democracies. Throughout the 1990s, however, regional rivalries, separatist tendencies, and sectarian tensions continued to divert India's attention and resources from

#### India in Brief

**Population:** 1.13 billion; *growth rate:* 1.6% (2007 est.)  
**Area:** 3,287,590 sq. km. (slightly more than one-third the size of the United States)  
**Capital:** New Delhi  
**Head of Government:** Prime Minister Manmohan Singh (Congress Party)  
**Ethnic Groups:** Indo-Aryan 72%; Dravidian 25%; other 3%  
**Languages:** 22 official, 13 of which are the primary tongue of at least 10 million people; Hindi is the primary tongue of about 30%; English widely used  
**Religions:** Hindu 81%; Muslim 13%; Christian 2%; Sikh 2%, other 2% (2001 census)  
**Life Expectancy at Birth:** female 71 years; male 66 years (2006 est.)  
**Literacy:** female 48%; male 70% (2003 est.)  
**Gross Domestic Product (at PPP):** \$4.77 trillion; *per capita:* \$4,290; *growth rate* 7.9% (2007 est.)  
**Currency:** Rupee (100 = \$2.53)  
**Inflation:** 5.8% (2006)  
**Defense Expenditures:** \$23.9 billion (2.7% of GDP; 2006)  
**U.S. Trade:** exports to U.S. \$24.2 billion; imports from U.S. \$17.3 billion (2007 est.)  
**Sources:** CIA World Factbook; U.S. Department of Commerce; Economist Intelligence Unit; Global Insight; Military Balance

economic and social development. Fallout from these unresolved problems — particularly nuclear proliferation and human rights issues — presented irritants in bilateral relations.

India's May 1998 nuclear tests were an unwelcome surprise and seen to be a policy failure in Washington, and they spurred then-Deputy Secretary of State Strobe Talbott to launch a series of meetings with Indian External Affairs Minister Jaswant Singh in an effort to bring New Delhi more in line with U.S. arms control and nonproliferation goals. While this proximate purpose went unfulfilled, the two officials soon engaged a broader agenda on the entire scope of U.S.-India relations, eventually meeting fourteen times in seven different countries over a two-year period. The Talbott-Singh talks were considered the most extensive U.S.-India engagement up to that time and likely enabled circumstances in which the United States could play a key role in defusing the 1999 Kargil crisis, as well as laying the groundwork for a landmark U.S. presidential visit in 2000.

President Bill Clinton's March 2000 visit to South Asia seemed a major U.S. initiative to improve relations with India. One outcome was a Joint Statement in which the two countries pledged to "deepen the India-American partnership in tangible ways."<sup>40</sup> A U.S.-India Joint Working Group on Counterterrorism was established that year and continues to meet regularly. During his subsequent visit to the United States later in 2000, Prime Minister Atal Bihari Vajpayee addressed a joint session of Congress and issued a second Joint Statement with President Clinton agreeing to cooperate on arms control, terrorism, and HIV/AIDS.<sup>41</sup>

In the wake of the September 2001 terrorist attacks on the United States, India took the immediate and unprecedented step of offering to the United States full cooperation and the use of India's bases for counterterrorism operations. Engagement was accelerated after a November 2001 meeting between President Bush and Prime Minister Vajpayee, when the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues, including regional security, space and scientific collaboration, civilian nuclear safety, and broadened economic ties.<sup>42</sup> Notable progress has come in the area of security cooperation, with an increasing focus on counterterrorism, joint military exercises, and arms sales. In late 2001, the U.S.-India Defense Policy Group met in New Delhi for the first time since India's 1998 nuclear tests and outlined a defense partnership based on regular and high-level policy dialogue.

Prime Minister Manmohan Singh paid a landmark July 2005 visit to Washington, where what may be the most significant joint U.S.-India statement to date was issued.<sup>43</sup> In March 2006, President Bush spent three days in India, discussed further strengthening a bilateral "global partnership," and issued another Joint

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<sup>40</sup> See [<http://www.usindiafriendship.net/archives/usindiavision/delhideclaration.htm>].

<sup>41</sup> See [[http://clinton4.nara.gov/WH/new/html/Wed\\_Oct\\_4\\_105959\\_2000.html](http://clinton4.nara.gov/WH/new/html/Wed_Oct_4_105959_2000.html)].

<sup>42</sup> See [<http://www.state.gov/p/sca/rls/rm/6057.htm>].

<sup>43</sup> [<http://www.whitehouse.gov/news/releases/2005/07/20050718-6.html>].

Statement.<sup>44</sup> Today, the Bush Administration vows to “help India become a major world power in the 21<sup>st</sup> century,” and U.S.-India relations are conducted under the rubric of three major “dialogue” areas: strategic (including global issues and defense), economic (including trade, finance, commerce, and environment), and energy. President Bush’s 2002 *National Security Strategy of the United States* stated that “U.S. interests require a strong relationship with India.” The 2006 version claims that “India now is poised to shoulder global obligations in cooperation with the United States in a way befitting a major power.”<sup>45</sup> In the course of an annual assessment of global threats, Director of National Intelligence Mike McConnell said,

We expect India’s growing confidence on the world stage as a result of its sustained high rates of economic growth will make New Delhi a more effective partner of the United States but also a more formidable interlocutor in areas of disagreement, particularly in the WTO.<sup>46</sup>

In late 2007, Under Secretary of State Burns, who has traveled to New Delhi at least eight times over a two-year period, penned an article lauding stronger U.S.-India relations while also identifying “considerable hurdles” to achieving an effective “global partnership.” Foremost among these are terrorism, narcotics trafficking, and nuclear proliferation, which he avers must be dealt with through stronger bilateral security ties that will include defense sales.<sup>47</sup> At a 2007 U.S.-India business conference in Washington, Secretary of State Rice laid out the perspective that,

We in America look to the rise of India as an opportunity, a chance to work with a great fellow democracy to share not only the benefits of the international system, but indeed, the burdens and the responsibilities of maintaining it, of strengthening it, and defending it. We are eager to continue charting a global partnership with India, one that addresses the global challenges upon which the safety and success of every nation now depends: stemming nuclear proliferation, fighting terrorism, combating disease, protecting the environment, supporting education and upward mobility, expanding economic development, and promoting freedom under the rule of law.<sup>48</sup>

Recognition of India’s increasing stature and importance — and of the growing political influence some 2.3 million Indian-Americans — is found in the U.S. Congress, where the India and Indian-American Caucus is now the largest of all country-specific caucuses. Over the past six years, legal Indian immigrants have come to the United States at a more rapid rate than any other group. In 2005 and 2006, the Indian-American community, relatively wealthy, geographically dispersed, and well-entrenched in several U.S. business sectors, conducted a major (and

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<sup>44</sup> [<http://www.whitehouse.gov/news/releases/2006/03/20060302-5.html>].

<sup>45</sup> See [<http://www.comw.org/qdr/fulltext/nss2002.pdf>] and [<http://www.comw.org/qdr/fulltext/nss2006.pdf>].

<sup>46</sup> [<http://armed-services.senate.gov/statemnt/2007/February/McConnell%2002-27-07.pdf>].

<sup>47</sup> Nicholas Burns, “America’s New Strategic Opportunity With India,” *Foreign Affairs*, November/December 2007.

<sup>48</sup> See [<http://www.state.gov/secretary/rm/2007/06/87487.htm>].



apparently successful) lobbying effort to encourage congressional passage of legislation to enable U.S.-India civil nuclear cooperation.<sup>49</sup>

## Current U.S.-India Engagement

Following President Bush's March 2006 visit to New Delhi — the first such trip by a U.S. President in six years — U.S. diplomatic engagement with India has continued to be deep and multifaceted, including visits to India by the U.S. Secretaries of Commerce, Energy, Agriculture, Treasury, and Health and Human Services, the Trade Representative, and the then-Chairman of the Joint Chiefs of Staff. Indian officials visiting the United States in the past year include the then-Defense Minister (and current Foreign Minister), the Ministers of Commerce and Power, the Foreign Secretary, the National Security Advisor, and the Deputy Minister of the Planning Commission. Among formal bilateral sessions over the past year were the following:

- In February 2007, a fifth session of the U.S.-India High Technology Working Group met in Washington.
- Also in February, a meeting of the U.S.-India Joint Working Group on Counterterrorism was held in New Delhi.
- Later in February, a meeting of the U.S.-India Joint Working Group on Civil Space Cooperation was held in Washington.
- In March, Energy Secretary Sam Bodman was in New Delhi as part of the ongoing U.S.-India Energy Dialogue.
- In April, the inaugural session of the U.S.-India Defense Joint Working Group was held in New Delhi.
- Also in April, U.S. Trade Representative Susan Schwab was in New Delhi the sixth session of the U.S.-India Trade Policy Forum.
- Later in April, Foreign Secretary Shiv Shankar Menon was in Washington for a fifth meeting of the U.S.-India Global Issues Forum.
- In June, a fifth meeting of the U.S.-India Agricultural Knowledge Initiative Board was held in Washington.
- Later in June, Commerce Minister Kamal Nath visited Washington to give a special address at the U.S.-India Business Council's 32<sup>nd</sup> Anniversary "Global India" Leadership Summit.
- In October, a second meeting of the Asia Pacific Partnership on Clean Development and Climate was held in New Delhi.
- In November, a meeting of the U.S.-India Joint Working Group on Counterterrorism was held in Washington.
- In January 2008, U.S.-India Defense Policy Group met in Washington.

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<sup>49</sup> "Indian Community Burgeoning in America," *Associated Press*, October 22, 2006; "Forget the Israel Lobby, the Hill's Next Big Player is Made in India," *Washington Post*, September 30, 2007.

## India's Regional Relations

India is geographically dominant in both South Asia and the Indian Ocean region. While all of South Asia's smaller continental states (Pakistan, Bangladesh, Nepal, and Bhutan) share borders with India, none share borders with each other. The country possesses the region's largest economy and, with more than one billion inhabitants, is by far the most populous on the Asian Subcontinent. The United States has a keen interest in South Asian stability, perhaps especially with regard to the India-Pakistan conflict nexus and nuclear weapons dyad, and so closely monitors India's regional relationships.

**Pakistan.**<sup>50</sup> Decades of militarized tensions and territorial disputes between India and Pakistan have seriously hamstrung economic and social development in both countries while also precluding establishment of effective regional economic or security institutions. Seemingly incompatible national identities contributed to the nuclearization of the Asian Subcontinent, with the nuclear weapons capabilities of both countries becoming overt in 1998. Since that time, a central aspect of U.S. policy in South Asia has been prevention of interstate conflict that could destabilize the region and even lead to nuclear war. In 2004, New Delhi and Islamabad launched their most recent comprehensive effort to reduce tensions and resolve outstanding disputes, an effort that has to date resulted in modest, but still meaningful successes. At the same time, however, many top Indian leaders are convinced that Pakistan has long been and remains the main source India's significant domestic terrorism problems: According to National Security Advisor M.K. Narayanan, a former chief of the country's domestic intelligence agency, very few Indian Muslims have played major roles in domestic terrorism. He asserts that, "Mostly, the [terrorist] activity has been generated from outside" and "the overwhelming majority" of India's terrorism problems emanates from the Pakistan-Afghanistan border region.<sup>51</sup>

**Current Status.** The India-Pakistan peace initiative continues at a slow pace, with officials from both countries (and the United States) offering generally positive assessments of the ongoing dialogue. In May 2006, India and Pakistan agreed to open a second Kashmiri bus route and to allow new truck service to facilitate trade in Kashmir (the new bus service began in June of that year). Subsequent "Composite Dialogue" talks have been held to discuss militarized territorial disputes, terrorism and narcotics, and cultural exchanges, but high hopes for a settlement of differences over the Siachen Glacier have been dashed with repeated sessions ending without progress (most recently in April 2007). Multiple sessions on the Tubal navigation project/Wullar barrage water dispute (most recently in August 2007) similarly have ended without forward movement.

Compounding tensions, separatist-related violence spiked in Indian Kashmir in the spring and summer of 2006, and included a May massacre of 35 Hindu villagers by suspected Islamic militants. Grenade attacks on tourist buses correlated with a late May roundtable meeting of Prime Minister Singh and Kashmiri leaders, leaving

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<sup>50</sup> See also CRS Report RL33498, *Pakistan-U.S. Relations*.

<sup>51</sup> "MK Narayanan" (interview), *India Abroad*, September 21, 2007.

at least two dozen civilians dead and devastating the Valley's only recently revitalized tourist industry. Significant incidents of attempted "cross-border infiltration" of Islamic militants at the Kashmiri Line of Control continued and top Indian leaders renewed their complaints that Islamabad was taking insufficient action to quell terrorist activities on Pakistan-controlled territory.

The serial bombing of Bombay commuter trains on July 11, 2006, killed nearly 200 people and injured many hundreds more. With suspicions regarding the involvement of Pakistan-based groups, New Delhi suspended talks with Islamabad pending an investigation. However, at a September meeting on the sidelines of a Nonaligned Movement summit in Cuba, Prime Minister Singh and Pakistani President Musharraf announced a resumption of formal peace negotiations and also decided to implement a new Joint Anti-Terrorism Mechanism. Soon after, however, Bombay's top police official said the 7/11 train bombings were planned by Pakistan's intelligence services and, in October 2006, Prime Minister Singh himself said India had "credible evidence" of Pakistani involvement. (To date, India is not known to have gone public with or shared with Pakistan any incriminating evidence of Pakistani government involvement in the Bombay bombings.)

The Composite Dialogue resumed with a third round of foreign secretary-level talks when Foreign Secretary Shiv Shankar Menon hosted a New Delhi visit by his Pakistani counterpart, Riaz Khan, in November 2006. No progress came on outstanding territorial disputes, but the two officials did give shape to the new anti-terrorism mechanism. Such a mechanism is controversial in India, where some analysts are skeptical about the efficacy of institutional engagement with Pakistan in this issue-area even as Islamabad is suspected of complicity in anti-India terrorism.

In January 2007, Indian Foreign Minister Mukherjee met with his Pakistani counterpart, Kurshid Kasuri, in Islamabad for the first such visit in more than a year. The two men reviewed past progress and planned for a new round of talks. In February, two bombs exploded on an Indian segment of the Samjhauta [Friendship] Express train linking Lahore, Pakistan, with Delhi. Resulting fires killed 68 people, most of them Pakistanis. Days later, Mukherjee hosted Kasuri in New Delhi, where the two men reaffirmed a bilateral commitment to the peace process despite the apparent effort to subvert it. While India refused a Pakistani request to undertake a joint investigation into that attack, the two countries did sign an agreement to reduce the risk of accidental nuclear war.

The new India-Pakistan anti-terrorism mechanism met for the first time in Islamabad in early March 2007 and produced a joint statement in which both governments agreed to use the forum for exchanging information about investigations of and/or efforts to prevent terrorist acts on either side of the shared border, and to meet quarterly while immediately conveying urgent information. Hopes that the Samjhauta train bombing would provide a fitting "test case" apparently were dashed, however, when India declined to share relevant investigative information with Pakistan. Moreover, Indian officials were unhappy with Islamabad's insistence that the "freedom struggle" underway in Kashmir should not be treated as terrorism under this framework. Still, the continuing engagement even after a major terrorist attack was widely viewed as evidence that the bilateral peace process had gained a sturdy momentum.

A fourth round of the Composite Dialogue was launched in March 2007, when the two foreign ministers met again in Islamabad. No new agreements were reached, but both officials lauded improved bilateral relations and held “the most sustained and intensive dialogue” ever on the Kashmir problem.<sup>52</sup> Since that time, a political crisis in Islamabad is widely seen as having put what are at least temporary brakes on the bilateral peace process, and has also brought into question the efficacy of India’s seeking to strike agreements with a Pakistani leader (Musharraf) whose political legitimacy and longevity in office are in doubt. Multi-pronged dialogue sessions continue apace, however, most recently including August talks on economic and commercial cooperation; and a pair of October sessions on conventional and nuclear confidence-building measures.

**Background.** Three wars — in 1947-48, 1965, and 1971 — and a constant state of military preparedness on both sides of the border have marked six decades of bitter rivalry between India and Pakistan. The bloody and acrimonious nature of the 1947 partition of British India and continuing violence in Kashmir remain major sources of interstate tensions. Despite the existence of widespread poverty across South Asia, both India and Pakistan have built large defense establishments — including nuclear weapons capability and ballistic missile programs — at the cost of economic and social development. The two countries reportedly continue to stockpile a combined 11 million landmines and up to 2,000 square kilometers of India’s Jammu and Kashmir state may remain mined.<sup>53</sup> The nuclear weapons capabilities of India and Pakistan became overt in May 1998, magnifying greatly the potential dangers of a fourth war. Although a bilateral peace process has been underway for nearly four years, little substantive progress has been made toward resolving the Kashmir issue, and New Delhi continues to be rankled by what it calls Islamabad’s insufficient effort to end Islamic militancy that affects India.

The Kashmir problem is itself rooted in claims by both countries to the former princely state, now divided by a military Line of Control (LOC) into the Indian state of Jammu and Kashmir and Pakistan-controlled Azad [Free] Kashmir (see “The Kashmir Issue,” below). Normal relations between New Delhi and Islamabad were severed in December 2001 after a terrorist attack on the Indian Parliament was blamed on Pakistan-supported Islamic militants. Other lethal attacks on Indian civilians spurred Indian leaders to call for a “decisive war,” but intense international diplomatic engagement, including multiple trips to the region by high-level U.S. officials, apparently persuaded India to refrain from attacking.<sup>54</sup> In October 2002, the two countries ended a tense, ten-month military standoff at their shared border, but there remained no high-level diplomatic dialogue between India and Pakistan (a July 2001 summit meeting in the Indian city of Agra had failed to produce any movement toward a settlement of the bilateral dispute).

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<sup>52</sup> See Pakistan Foreign Ministry Press Release No. 81/2007 at [[http://www.mofa.gov.pk/Press\\_Releases/2007/March/PR\\_81\\_07.htm](http://www.mofa.gov.pk/Press_Releases/2007/March/PR_81_07.htm)].

<sup>53</sup> See a 2007 International Campaign to Ban Landmines report at [<http://www.icbl.org/lm/2007/india.html>].

<sup>54</sup> See Polly Nayak and Michael Krepon, “US Crisis Management in South Asia’s Twin Peaks Crisis” at [<http://www.stimson.org/southasia/pdf/USCrisisManagement.pdf>].

In April 2003, Prime Minister Vajpayee extended a symbolic “hand of friendship” to Pakistan. The initiative resulted in slow, but perceptible progress in confidence-building, and within months full diplomatic relations between the two countries were restored. September 2003 saw an exchange of heated rhetoric by the Indian prime minister and the Pakistani president at the U.N. General Assembly; some analysts concluded that the peace initiative was moribund. Yet New Delhi soon reinvigorated the process by proposing mutual confidence-building through people-to-people contacts. Islamabad responded positively and, in November, took its own initiatives, most significantly the offer of a cease-fire along the Kashmir LOC. A major breakthrough in bilateral relations came at the close of a January 2004 summit session of the South Asian Association for Regional Cooperation in Islamabad. After a meeting between Vajpayee and Pakistani President Musharraf — their first since July 2001 — the two leaders agreed to re-engage a “composite dialogue” to bring about “peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides.”

A May 2004 change of governments in New Delhi had no effect on the expressed commitment of both sides to carry on the process of mid- and high-level discussions, and the new Indian Prime Minister, Manmohan Singh, met with President Musharraf in September 2004 in New York, where the two leaders agreed to explore possible options for a “peaceful, negotiated settlement” of the Kashmir issue “in a sincere manner and purposeful spirit.” After Musharraf’s April 2005 visit to New Delhi, India and Pakistan released a joint statement calling their bilateral peace process “irreversible.” Some analysts believe that increased people-to-people contacts have significantly altered public perceptions in both countries and may have acquired permanent momentum. Others are less optimistic about the respective governments’ long-term commitment to dispute resolution. Moreover, an apparent new U.S. embrace of India has fueled Pakistan’s anxieties about the regional balance of power.

**China.** India and China together account for one-third of the world’s population, and are seen to be rising 21<sup>st</sup> century powers and potential strategic rivals. The two countries fought a brief but intense border war in 1962 that left China in control of large swaths of territory still claimed by India. Today, India accuses China of illegitimately occupying nearly 15,000 square miles of Indian territory in Kashmir, while China lays claim to 35,000 square miles in the northeastern Indian state of Arunachal Pradesh. The 1962 clash ended a previously friendly relationship between the two leaders of the Cold War “nonaligned movement” and left many Indians feeling shocked and betrayed. While Sino-Indian relations have warmed considerably in recent years, the two countries have yet to reach a final boundary agreement.<sup>55</sup> Adding to New Delhi’s sense of insecurity have been suspicions regarding China’s long-term nuclear weapons capabilities and strategic intentions in

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<sup>55</sup> In late 2007, there are signs of renewed friction related to territorial disputes, with one Indian police official accusing Chinese soldiers of making 141 incursions into Indian territory over the past year, most of them in the Ladakh region of Kashmir, possibly triggering major movements of Indian troops (“Chinese Soldiers Better Equipped Than ITBP Personnel: DGP,” Press Trust India, October 23, 2007. See also “Creeping Aggression,” *India Today* (Delhi), October 15, 2007; “India: Rumbblings on the Border With China,” *Stratfor*, December 13, 2007).

South and Southeast Asia. In fact, a strategic orientation focused on China appears to have affected the course and scope of New Delhi's own nuclear weapons, ballistic missile, and other power projection programs.<sup>56</sup>

Beijing's military and economic support for Pakistan — support that is widely understood to have included WMD-related transfers — is a major and ongoing source of friction; past Chinese support for Pakistan's Kashmir position has added to the discomfort of Indian leaders. New Delhi takes note of Beijing's security relations with neighboring Burma and the construction of military facilities on the Indian Ocean. The two countries also have competed for energy resources to feed their rapidly growing economies; India's relative poverty puts New Delhi at a significant disadvantage in such competition.

Analysts taking a realist political theory perspective view China as an external balancer in the South Asian subsystem, with Beijing's material support for Islamabad allowing Pakistan to challenge the aspiring regional hegemony of a more powerful India. More wary observers, especially in India, see Chinese support for Pakistan as a key aspect of Beijing's perceived policy of "encirclement," or constraint, of India as a means of preventing or delaying New Delhi's ability to challenge Beijing's region-wide influence.

Despite historic and strategic differences, high-level exchanges between India and China regularly include statements that there exists no fundamental conflict of interest between the two countries. During a landmark 1993 visit to Beijing, then-Prime Minister Narasimha Rao signed an agreement to reduce troops and maintain peace along the Line of Actual Control that divides the two countries' forces at the disputed border. A total of 33 rounds of border talks and joint working group meetings aimed at reaching a final settlement have been held since 1981 — 11 of these since both countries appointed special representatives in 2003 — with New Delhi and Beijing agreeing to move forward in other issue-areas even as territorial claims remain unresolved. Some skeptical Indian analysts believe China is using the so far unavailing border dialogue as "diplomatic cover to be intractable and revanchist."<sup>57</sup>

A 2003 visit to Beijing by then-Prime Minister Vajpayee was viewed as marking a period of much improved relations. In 2004, India's army chief visited Beijing to discuss deepening bilateral defense cooperation and a first-ever India-China strategic dialogue was later held in New Delhi. Military-to-military contacts have included modest but unprecedented combined naval and army exercises. During Chinese Prime Minister Wen Jiabao's 2005 visit to New Delhi, India and China inked 11 new agreements and vowed to launch a "strategic partnership" to include broadened

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<sup>56</sup> See, for example, "Wary of China, India to Boost Eastern Naval Fleet," *Reuters*, November 14, 2007.

<sup>57</sup> Brahma Chellaney, "Don't Get Cowed Down" (op-ed), *Times of India* (Delhi), October 2, 2007.

defense links and efforts to expand economic relations.<sup>58</sup> In a move that eased border tensions, China formally recognized Indian sovereignty over the former kingdom of Sikkim, and India reiterated its view that Tibet is a part of China. Moreover, in 2006, dubbed the “Year of India-China Friendship,” the two countries formally agreed to cooperate in securing overseas oil resources. In July of that year, India and China reopened the Nathu La border crossing for local trade (the Himalayan pass had been closed since the 1962 war). Sino-India trade relations are soaring — bilateral commerce was worth nearly \$39 billion in 2007, a 15-fold increase over the 1999 value. In fact, China may soon supplant the United States as India’s largest trading partner. Still, Indian leaders are concerned that trade with China is woefully unbalanced, with China enjoying a large surplus.

Indo-Chinese relations further warmed in November 2006, when Chinese President Hu Jintao made a trip to India, the first such visit by a Chinese president since 1996. There India and China issued a Joint Declaration outlining a “ten-pronged strategy” to boost bilateral socio-economic ties and defense cooperation, and to “reinforce their strategic partnership.” The two countries, which declared themselves “partners for mutual benefit” rather than rivals or competitors, also signed 13 new pacts on a variety of bilateral initiatives. The Joint Declaration notably contained an agreement to “promote cooperation in the field of nuclear energy,” although no details have been provided on what form such cooperation might take. Prime Minister Singh intends to visit China during the second half of 2007. India’s Army Chief spent a week in China in May 2007, providing fresh impetus to bilateral defense cooperation. An October 2007 visit to Beijing by Congress Party chief Sonia Gandhi may be an effort to balance New Delhi’s increasingly close relations with the United States, Japan, and other regional countries, relations that may be straining Indo-Chinese ties.<sup>59</sup> Prime Minister Singh met with Chinese Premier Wen in Singapore in November, where the two men reiterated their readiness to take the India-China strategic and cooperative partnership “to a new level.”

In January 2008, Prime Minister Singh paid a visit to Beijing, his first as Prime Minister, where India and China agreed to further strengthen trade and defense relations. Singh called on Beijing to expand market access for Indian goods so as to correct his country’s growing trade imbalance with China. Ahead of Singh’s China trip, India’s foreign minister admitted that Chinese troops had “sometimes” intruded on Indian territory and that infrastructure development on the Chinese side of the border was “much superior” to that on the Indian side. A number of significant unresolved bilateral issues, not least the conflicting territorial claims, had analysts foreseeing no major new initiatives growing from the summit.<sup>60</sup> The resulting document, “A Shared Vision for the 21<sup>st</sup> Century,” resolved to promote global peace and prosperity through an India-China relationship built on trust and based on equality. It included an unprecedented expression of Chinese support for a greater

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<sup>58</sup> See “India, China Hoping to ‘Reshape the World Order’ Together,” *Washington Post*, April 12, 2005.

<sup>59</sup> “India’s Gandhi to Visit China as Ties Show Strain,” *Reuters*, October 23, 2007.

<sup>60</sup> “China Does Intrude Into India, Admits India,” *Indian Express* (Delhi), January 12, 2008; “Aiming Low at China-India Summit,” *BBC News*, January 13, 2008.

Indian in the U.N. Security Council, as well as calls for further regional economic integration, an early conclusion of the Doha Development Round of multilateral trade negotiations, bilateral cooperation on energy and efforts to address climate change, new confidence-building measures in the realm of defense relations, and resolution of outstanding territorial disputes through peaceful negotiations.<sup>61</sup>

**The “IPI” Pipeline Project.**<sup>62</sup> New Delhi insists it is going ahead with a proposed joint pipeline project to deliver Iranian natural gas to Pakistan and on to India. Despite positive signaling, New Delhi has in the latter months of 2007 maintained only low-profile participation in relevant negotiations, perhaps in part due to sensitivities surrounding the as-yet unconsummated U.S.-India civil nuclear cooperation agreement. In January 2007, officials from the three countries resolved a long-running price-mechanism dispute, opening the way for further progress. In February, the fourth meeting of the India-Pakistan Joint Working Group on the IPI (Iran-Pakistan-India) Pipeline was held in Islamabad, where the two countries agreed to split equally expected gas supplies. Indian leaders consistently describe the pipeline project as being in the nation’s interest for greater energy security. As Iran and Pakistan move to finalize the pipeline project, Tehran in November 2007 issued a four-month deadline to India to formally announce participation.

Some independent analysts and Members of Congress assert that completion of an IPI pipeline would represent a major confidence-building measure in the region and could bolster regional energy security while facilitating friendlier Pakistan-India ties (see, for example H.Res. 353 in the 109<sup>th</sup> Congress). As part of its efforts to isolate Iran economically, the Bush Administration actively seeks to dissuade New Delhi from participation in this project, and a State Department official has suggested that current U.S. law dictates American opposition. In May 2007, Indian Oil Minister Murli Deora assured concerned Left Front parties that India “will not be cowed down by any threat” regarding its relations with Iran, saying that India’s participation in the IPI pipeline project “is not the business of the United States.” In October, Deora and Finance Minister Chidambaram both reiterated India’s commitment to the project.<sup>63</sup> (See also “India-Iran Relations” section below.)

**Other Countries.** India takes an active role in assisting reconstruction efforts in **Afghanistan**, having committed \$750 million to this cause, as well as contributing personnel and opening numerous consulates there (much to the dismay of Pakistan, which fears strategic encirclement and takes note of India’s past support for Afghan Tajik and Uzbek militias). Among Indian assistance to Afghanistan are funding for a new \$111 million power station, an \$84 million road-building project, a \$77 million dam project, and construction of Kabul’s new \$67 Parliament building, to be completed in 2010. In January 2007, India announced a \$100 million increase in its aid to Afghanistan. There are reported to be several hundred Indian commandos

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<sup>61</sup> See [<http://meaindia.nic.in>].

<sup>62</sup> See also CRS Report RS22486, *India-Iran Relations and U.S. Interests*, and CRS Report RS20871, *The Iran Sanctions Act (ISA)*.

<sup>63</sup> “India Won’t Be Cowed Down: Deora” *Hindu* (Chennai), May 9, 2007; “India ‘Committed’ to Iran Pipeline,” *Financial Times* (London), October 23, 2007.



stationed in Afghanistan to provide protection for Indian reconstruction workers. The United States has welcomed India's role in Afghanistan.

Looking to the north, New Delhi supports early completion of **Nepal's** halting peace process and implementation of an agreement between Nepali political parties and Maoist rebels (in 2006, the Maoists — who had been at war with the Kathmandu government for a decade — agreed to join in power-sharing from the center following King Gyanendra's repression of pro-democracy forces and ensuing fall from power). India remains concerned by political instability in Nepal and by the cross-border infiltration of Maoist militants into India. The United States urges continued Indian attention to the need for a restoration of democracy in Nepal.

To the east, and despite India's key role in the 1971 creation of neighboring **Bangladesh**, New Delhi's relations with Dhaka have been fraught with tensions related mainly to the cross-border infiltration of Islamic and separatist militants, and huge numbers of illegal migrants into India. New Delhi is undertaking a \$1.2 billion project to fence India's entire 2,000-mile shared border with Bangladesh. The two countries' border forces engage in periodic gunbattles. Still, New Delhi and Dhaka have cooperated on counterterrorism efforts and talks on energy cooperation continue. The Bangladeshi faction of the Harakat ul-Jihad-I-Islami — an Islamist militant outfit that appears on the U.S. State Department Counterterrorism Office's list of "other groups of concern" and has links to Pakistan-based terrorist groups — has been implicated in several terrorist attacks inside India. Bangladesh's military-backed interim government, which took power in early 2007, may benefit India by reducing anti-India rhetoric and by addressing the apparently growing influence of Islamist forces that are seen as a threat to Indian interests.

Further to the east, India continues to pursue closer relations with the repressive regime in neighboring **Burma**, with an interest in energy cooperation and to counterbalance China's influence there. Such engagement seeks to achieve economic integration of India's northeast region and western Burma, as well as bolstering energy security. The Bush Administration presses India to be more active in supporting democracy in Burma; however, New Delhi calls democracy and human rights internal Burmese issues. In 2006, India transferred to Burma two maritime surveillance aircraft and a number of air defense guns, and the Indian defense minister announced the sale to Burma of more defense equipment — including tanks and heavy artillery — in exchange for Rangoon's counterterrorism cooperation and assistance in neutralizing Indian separatists operating near their shared border. Such transfers reportedly are underway.<sup>64</sup> Following Rangoon's October 2007 crackdown

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<sup>64</sup> "Why India is Selling Weapons to Burma" *Christian Science Monitor*, July 23, 2007. International human rights groups and some in Congress have criticized New Delhi's military interactions with Rangoon. Since 1988, the United States has imposed a wide range of sanctions against Burma, including congressional passage in 2003 of the Burma Freedom and Democracy Act (P.L. 108-61) banning imports from Burma (renewed by Congress in 2007). In a July 23, 2007, floor statement, the Chairman of the House Foreign Affairs Committee criticized India (and China) for propping up the Rangoon government "through shockingly direct, blatant deals, including arms trading with this cruel junta in Burma." New York-based Human Rights Watch has lambasted India (among other countries) for  
(continued...)

on pro-democracy protestors, New Delhi has continued to favor dialogue and is opposed to imposing sanctions on Rangoon. India is, in fact, moving ahead with plans to assist Rangoon in building a port in northwestern Burma as part of an effort to develop that country's natural gas industry. This approach, justified by Indian leaders as being a pragmatic pursuit of their national interest, has elicited accusations of Indian complicity in Burmese repression.<sup>65</sup>

In the island nation of **Sri Lanka** off India's southeastern coast, a Tamil Hindu minority has been fighting a separatist war against the Sinhalese Buddhist majority since 1983. A Norwegian-brokered cease-fire unraveled in 2006 and, after a number of military successes in 2007, the Colombo government abrogated the cease-fire in January 2008. More than 60 million Indian Tamils live in southern India and tens of thousands of Sri Lankan Tamil refugees have fled to India in recent months and years. India's armed 1987 intervention to assist in enforcing a peace accord resulted in the deaths of more than 1,200 Indian troops and led to the 1991 assassination of former Indian Prime Minister Rajiv Gandhi by Tamil militants. Since that time, New Delhi has maintained friendly relations with Colombo while refraining from any deep engagement in third-party peace efforts. New Delhi resists Colombo's push for more direct Indian involvement and insists there can be "no military solution" to the island's ethnic troubles. The Indian Navy played a key role in providing disaster relief to Sri Lanka following the catastrophic December 2004 Indian Ocean tsunami.

Moscow was New Delhi's main benefactor for the first four decades of Indian independence. **Russia** continues to be "indispensable to India's foreign policy interests," according to Prime Minister Singh, who calls energy cooperation the core of the two countries' "strategic partnership."<sup>66</sup> India's single largest foreign investment is a \$1 billion stake in a joint oil and gas venture on Russia's Sakhalin Island. Moreover, and despite some post-Cold War diversification of its defense suppliers, India continues to obtain the bulk of its imported military hardware from Russian firms. In January 2007, Russian President Putin paid a visit to New Delhi, where he met with top Indian officials; signed several bilateral agreements on energy, science, and space cooperation; and offered to sell four new 1,000-megawatt nuclear reactors to India. In November, Prime Minister Singh visited Moscow, where he and Putin discussed economic, energy, and defense ties. Agreement for the construction of four new nuclear reactors was deferred due to "technical hitches." Some commentators believe the U.S. government pressured New Delhi to avoid the deal. Russia's status as a main supplier of Indian defense equipment currently is threatened

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<sup>64</sup> (...continued)

"supplying Burma with weapons that the military uses to commit human rights abuses and to bolster its ability to maintain power" (see [<http://hrw.org/english/docs/2007/10/10/burma17066.htm>]).

<sup>65</sup> "India to Push On With Myanmar Port Despite Unrest," *Reuters*, October 10, 2007; "India Silent on Myanmar Crackdown," *Associated Press*, October 23, 2007. One observer called New Delhi's policy a "reprehensively passive and callous posture" toward Burma's pro-democracy forces (Praful Bidwai, "Failing the Foreign Policy Test" (op-ed), *Frontline* (Chennai), October 19, 2007).

<sup>66</sup> "Russia, India Cement Nuclear Ties With Offer of 4 New Reactors," *Associated Press*, January 25, 2007.

by disputes over the refitting of an aircraft carrier (which has seen major delays and cost overruns) and a spat over Russia's allegedly substandard upgradation of an Indian attack submarine.<sup>67</sup>

India's relations with **Japan** only began to blossom in the current decade after being significantly undermined by India's 1998 nuclear weapons tests. Today, leaders from both countries acknowledge numerous common values and interests. They are engaging a "strategic dialogue" formally launched with a March 2007 visit to Tokyo by Foreign Minister Mukherjee, who spoke of Japan as a "natural partner in the quest to create an arc of advantage and prosperity" in Asia. Mukherjee emphasized India's desire for economic integration in Asia and cooperative efforts to secure vital sea lanes, especially in the Indian Ocean. Japan's support for the latter initiative has included plans for unprecedented joint naval exercises. New Delhi and Tokyo also share an interest in seeing membership of the U.N. Security Council expanded; both governments aspire to permanent seats. India seeks Japan's endorsement for proposed U.S.-India civil nuclear cooperation, which has not been forthcoming to date. An August 2007 visit to New Delhi by then-Japanese Prime Minister Shinzo Abe, who was effusive in his praise of India as a "partner and friend," was seen by many as part of a long-term Japanese effort to hedge against China's growing regional influence. Abe and Prime Minister Singh issued a "Roadmap for New Dimensions to the Strategic and Global Partnership" outlining plans for security cooperation and comprehensive economic engagement.<sup>68</sup> Singh met with the new Japanese Prime Minister, Yasuo Fukuda, in Singapore in November and reiterated a commitment to the India-Japan "strategic and global partnership."

The U.S. and Japanese governments seek India's participation in a prospective **quadrilateral "axis of democracy"** that would include Australia and could conceivably have a security alliance dimension (Australian officials reportedly are skeptical of such a pact for fear of alienating China). In April 2007, U.S., Indian, and Japanese naval vessels conducted unprecedented combined exercises off Japan's east coast. In September, India hosted unprecedented five-country naval exercises in the Bay of Bengal (with Australian and Singaporean vessels also participating). Officials stressed that the exercises — which involved a total of 27 ships and submarines, among them two U.S. aircraft carriers — were not prompted by China's growing military strength. New Delhi favors greater trilateral India-U.S.-Japan cooperation, especially in the areas of trade and energy security, but shies from anything that could be construed as a multilateral security alliance.<sup>69</sup>

## Political Setting

India is the world's most populous democracy and remains firmly committed to representative government and rule of law. As a nation-state, India presents a vast

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<sup>67</sup> "After Gorshkov, Moscow-Delhi Spat Over submarine," *Times of India* (Delhi), January 18, 2008.

<sup>68</sup> See [<http://www.mofa.go.jp/region/asia-paci/pmv0708/joint-2.html>].

<sup>69</sup> See an address by the Indian Ambassador to the United States at [[http://www.indianembassy.org/newsite/press\\_release/2007/June/13.asp](http://www.indianembassy.org/newsite/press_release/2007/June/13.asp)].

mosaic of hundreds of different ethnic groups, religious sects, and social castes. U.S. policymakers commonly identify in the Indian political system shared core values, and this has facilitated increasingly friendly relations between the U.S. and Indian governments. In 2008, the often-cited Freedom House again rated India as “free” in the areas of political rights and civil liberties.

**National Elections.**<sup>70</sup> With a robust and working democratic system, India is a federal republic where the bulk of executive power rests with the prime minister and his or her cabinet (the Indian president is a ceremonial chief of state with limited executive powers). Most of India’s prime ministers have come from the country’s Hindi-speaking northern regions and all but two have been upper-caste Hindus. The 543-seat Lok Sabha (People’s House) is the locus of national power, with directly elected representatives from each of the country’s 28 states and 7 union territories. A smaller upper house, the Rajya Sabha (Council of States), may review, but not veto, most legislation, and has no power over the prime minister or the cabinet. National and state legislators are elected to five-year terms. The most recent parliamentary elections were held in the spring of 2004.

National elections in October 1999 had secured ruling power for a Bharatiya Janata Party (BJP)-led coalition government headed by Prime Minister Vajpayee. That outcome decisively ended the historic dominance of the Nehru-Gandhi-led Congress Party, which was relegated to sitting in opposition at the national level (its members continued to lead many state governments). However, a surprise Congress resurgence under Sonia Gandhi in the 2004 elections brought to power a new left-leaning coalition government led by former finance minister and Oxford-educated economist Manmohan Singh, a Sikh and India’s first-ever non-Hindu prime minister. Many analysts attributed Congress’s 2004 resurgence to the resentment of rural and poverty-stricken urban voters who felt left out of the “India shining” campaign of a BJP more associated with urban, middle-class interests. Others saw in the results a rejection of the Hindu nationalism associated with the BJP.

The current Congress-led United Progressive Alliance (UPA) ruling coalition has marked more than three years in power, exceeding the expectations of some observers. Opinion surveys suggest that both Prime Minister Singh and party chief Gandhi have remained fairly popular figures. However, February 2007 state elections in Punjab and Uttaranchal saw Congress candidates decisively defeated by the BJP and its allies, causing some pundits to suggest that national economic policies and rising inflation may have damaged the ruling coalition’s standing. Such analyses were forwarded when the Bahujan Samaj Party (BSP) won an outright majority in May 2007 state assembly elections in Uttar Pradesh, India’s most populous state. Prime Minister Singh, though widely admired as an honest and intelligent figure, has been unable to succeed in pushing through most of the UPA agenda, and his party’s state-level electoral setbacks have most analysts predicting no bold policy initiatives before the next national election expected in 2009. This is especially so in the wake of the New Delhi government’s failure to consummate a civil nuclear cooperation deal with the United States, an issue upon which the UPA

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<sup>70</sup> See also CRS Report RL32465, *India’s 2004 National Elections*.

leadership had staked considerable political capital. Many observers call 2007 a particularly unsuccessful year for the incumbent national government.<sup>71</sup>

**The Congress Party.**<sup>72</sup> Congress's electoral strength reached a nadir in 1999, when the party won only 110 Lok Sabha seats. Observers attributed the poor showing to a number of factors, including the failure of Congress to make strong pre-election alliances (as had the BJP) and perceptions that party leader Sonia Gandhi lacked the experience to lead the country. Support for the Congress, which dominated Indian politics for decades, had been in fairly steady decline following the 1984 assassination of Prime Minister Indira Gandhi and the 1991 assassination of her son, Prime Minister Rajiv Gandhi. Sonia Gandhi, Rajiv's Italian-born, Catholic widow, refrained from active politics until the 1998 elections. She later made efforts to revitalize the party by phasing out older leaders and attracting more women and lower castes — efforts that appear to have paid off in 2004. Today, Congress again occupies more parliamentary seats (145) than any other party and, through unprecedented alliances with powerful regional parties, it again leads India's government under the UPA coalition. As party chief and UPA chair, Sonia Gandhi is seen to wield considerable influence over the coalition's policy making process.

**The Bharatiya Janata Party (BJP).**<sup>73</sup> With the rise of Hindu nationalism, the BJP rapidly increased its parliamentary strength during the 1980s. In 1993, the party's image was tarnished among some, burnished for others, by its alleged complicity in serious communal violence in Bombay and elsewhere. Some hold elements of the BJP, as the political arm of extremist Hindu groups, responsible for the incidents (the party has advocated "Hindutva," or an India based on Hindu culture, and views this as key to nation-building). While leading a national coalition from 1998-2004, the BJP worked — with only limited success — to change its image from right-wing Hindu fundamentalist to conservative and secular, although 2002 communal rioting in Gujarat again damaged the party's credentials as a moderate organization. The BJP-led National Democratic Alliance was overseen by party notable Prime Minister Atal Vajpayee, whose widespread personal popularity helped to keep the BJP in power. Since 2004, the BJP has been weakened by leadership disputes, criticism from Hindu nationalists, and controversy involving party president Lal Advani (in 2005, Advani ceded his leadership post and Vajpayee announced his retirement from politics). The party did, however, take control of the Karnataka state government in November 2007, the first time the BJP has held power in southern India. In preparing for a new round of general elections, the party reportedly is planning to adhere to its core Hindutva philosophy and it has nominated hardliner Advani to be its next prime ministerial candidate.<sup>74</sup>

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<sup>71</sup> "Unfinished Progressive Agenda," *India Today* (Delhi), June 11, 2007; "Weak India PM Battered by Allies and Enemies," *Reuters*, October 23, 2007; "The Nuclear Shadow," *India Today* (Delhi), January 14, 2008.

<sup>72</sup> See the Indian National Congress at [<http://www.congress.org.in>].

<sup>73</sup> See the Bharatiya Janata Party at [<http://www.bjp.org>].

<sup>74</sup> "BJP Goes Back to Hindutva," *Telegraph* (Kolkata), September 2, 2007.

**Regional Parties.** The influence of regional and caste-based parties has become an increasingly important variable in Indian politics; the 2004 national elections saw such parties receiving nearly half of all votes cast. Never before 2004 had the Congress Party entered into pre-poll alliances at the national level, and numerous analysts attributed Congress's success to precisely this new tack, especially thorough arrangements with the Bihar-based Rashtriya Janata Dal and Tamil Nadu's Dravida Munnetra Kazhagam. The newfound power of both large and smaller regional parties, alike, is seen to be reflected in the UPA's ministerial appointments, and in the Congress-led coalition's professed attention to rural issues and to relations between state governments and New Delhi.

Two significant regional parties currently independent of both the ruling coalition and the BJP-led opposition are the Samajwadi Party, a largely Muslim- and lower caste-based organization highly influential in Uttar Pradesh, and the Bahujan Samaj Party (BSP) of Bihar, which also represents mainly lower-caste constituents. State assembly elections in Uttar Pradesh — home to more than 170 million Indians and one of only four states where the Congress Party is not in power — concluded in May 2007 and saw a major victory for the BSP and its lower-caste, female leader Mayawati, who reached out to upper-caste and other groups to secure an outright majority, the first time in 14 years that a single party secured such status. Mayawati is believed to have national aspirations. The outcome may be an important indicator of national political trends, especially in gauging satisfaction with the current center coalition. In June 2007, eight regional parties formally launched a new “Third Front” that might emerge as a national alternative to the UPA and NDA. Well-known Tamil Nadu leader Jayalalithaa is a notable leader.<sup>75</sup>

**The Left Front.**<sup>76</sup> Although the Communist Party of India (Marxist) seated the third largest number of parliamentarians in 2004, its vote bank is almost wholly limited to West Bengal and Kerala (the Left Front coalition holds about 11% of all Lok Sabha seats). Communist parties have in the past been bitter rivals of the Congress in these states, but a mutual commitment to secularism appears to have motivated their cooperation against the BJP in 2004. Early alarm was sounded that the new influence of communists in New Delhi might derail India's economic reform efforts; Indian industrial leaders sought to assure foreign investors that Left Front members are not “Cuba-style communists,” but could be expected to support the UPA reform agenda. The communist Chief Minister of West Bengal, Buddhadeb Bhattacharya, has himself actively sought corporate investment in his state. However, since coming to power, the Congress-led coalition has slowed certain aspects of its economic reform program, including suspending major government disinvestment and special economic zone initiatives. These moves are widely viewed as gestures to the strongly opposed communists. The Left Front also has been vocal in criticisms of closer India-U.S. relations, taking particular aim at proposed civil nuclear cooperation and any signs that the United States seeks to make India a “junior partner” in efforts to counter China.

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<sup>75</sup> The new front includes such regional powerhouses as the Telugu Desam of Andhra Pradesh, the AIADMK of Tamil Nadu, and the Samajwadi of Uttar Pradesh.

<sup>76</sup> See the Communist Party of India (Marxist) at [<http://www.cpim.org>].

## Bilateral Issues

### “Next Steps in Strategic Partnership” and Beyond

The now-concluded Next Steps in Strategic Partnership (NSSP) initiative encompassed several major issues in U.S.-India relations. New Delhi has long pressed Washington to ease restrictions on the export to India of dual-use high-technology goods (those with military applications), as well as to increase civilian nuclear and civilian space cooperation. These three key issues came to be known as the “trinity,” and top Indian officials insisted that progress in these areas was necessary to provide tangible evidence of a changed U.S.-India relationship. There were later references to a “quartet” when the issue of missile defense was included. In January 2004, President Bush and Prime Minister Vajpayee issued a joint statement declaring that the U.S.-India “strategic partnership” included expanding cooperation in the “trinity” areas, as well as expanding dialogue on missile defense.<sup>77</sup> This initiative was dubbed as the NSSP and involved a series of reciprocal steps.

In July 2005, the State Department announced successful completion of the NSSP, allowing for expanded bilateral commercial satellite cooperation, and removal/revision of some U.S. export license requirements for certain dual-use and civil nuclear items. Taken together, the July 2005 U.S.-India Joint Statement and a June 2005 U.S.-India Defense Framework Agreement include provisions for moving forward in all four NSSP issue-areas.<sup>78</sup> Many observers saw in the NSSP evidence of a major and positive shift in the U.S. strategic orientation toward India, a shift later illuminated more starkly with the Bush Administration’s intention to initiate full civil nuclear cooperation with India.

**Civil Nuclear Cooperation.**<sup>79</sup> India’s status as a non-signatory to the 1968 Nuclear Nonproliferation Treaty (NPT) has kept it from accessing most nuclear-related materials and fuels on the international market for more than three decades. New Delhi’s 1974 “peaceful nuclear explosion” spurred the U.S.-led creation of the Nuclear Suppliers Group (NSG) — an international export control regime for nuclear-related trade — and Washington further tightened its own export laws with the Nuclear Nonproliferation Act of 1978 (P.L. 95-242). New Delhi has long railed at a “nuclear apartheid” created by an apparent double standard inherent in the NPT, which, they maintain, allows certain states to legitimately employ nuclear deterrents while other states cannot. Under U.S. and international law, civil nuclear cooperation with India cannot commence until Washington and New Delhi finalize a peaceful nuclear cooperation agreement (and Congress endorses such an agreement), until New Delhi concludes its own safeguards agreement with the International Atomic Energy Agency, and until the NSG allows for such cooperation. At present, nuclear power accounts for less than 3% of India’s total electricity generation, and an Indian

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<sup>77</sup> See [<http://www.whitehouse.gov/news/releases/2004/01/20040112-1.html>].

<sup>78</sup> See [<http://www.whitehouse.gov/news/releases/2005/07/20050718-6.html>] and [[http://www.indianembassy.org/press\\_release/2005/June/31.htm](http://www.indianembassy.org/press_release/2005/June/31.htm)].

<sup>79</sup> See also CRS Report RL33016, *U.S. Nuclear Cooperation With India*.

government official has estimated that, even under optimistic scenarios, this percentage would likely no more than double over the next 25 years.<sup>80</sup>

**The Bush Administration Policy Shift.** Differences over nuclear policy bedeviled U.S.-India ties for decades and — given New Delhi’s lingering resentments — have presented a serious psychological obstacle to more expansive bilateral relations. In a major policy shift, the July 2005 U.S.-India Joint Statement notably asserted that “as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states,” and President Bush vowed to work on achieving “full civilian nuclear energy cooperation with India.” As a reversal of three decades of U.S. nonproliferation policy, such proposed cooperation stirred controversy and required changes in both U.S. law and in NSG guidelines. India reciprocally agreed to take its own steps, including identifying and separating its civilian and military nuclear facilities in a phased manner and placing the former under international safeguards. Some in Congress express concern that civil nuclear cooperation with India might allow that country to advance its military nuclear projects and be harmful to broader U.S. nonproliferation efforts. While the Bush Administration previously had insisted that such cooperation would take place only within the limits set by multilateral nonproliferation regimes, it later actively sought adjustments to U.S. laws and policies, and has approached the NSG in an effort to adjust that regime’s guidelines, which are set by member consensus.

In March 2006, President Bush and Prime Minister Singh issued a Joint Statement that included an announcement of “successful completion of India’s [nuclear facility] separation plan.”<sup>81</sup> After months of complex and difficult negotiations, the Indian government had presented a plan to separate its civilian and military nuclear facilities as per the July 2005 Joint Statement. The separation plan would require India to move 14 of its 22 reactors into permanent international oversight by the year 2014 and place all future civilian reactors under permanent safeguards. Shortly thereafter, legislation to waive the application of certain requirements under the Atomic Energy Act of 1954 with respect to India was, at the President’s request, introduced in the U.S. Congress.

**Potential Benefits and Costs.** Secretary of State Rice appeared before key Senate and House committees in April 2006 to press the Bush Administration’s case for civil nuclear cooperation with India. The Administration offered five main justifications for making changes in U.S. law to allow for such cooperation, contending that doing so would

- benefit U.S. security by bringing India “into the nonproliferation mainstream;”
- benefit U.S. consumers by reducing pressures on global energy markets, especially carbon-based fuels;
- benefit the environment by reducing carbon emissions/greenhouse gases;

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<sup>80</sup> Cited in “U.S. Nuclear Deal Won’t Power India’s Boom,” *Reuters*, March 13, 2007.

<sup>81</sup> See [<http://www.whitehouse.gov/news/releases/2006/03/20060302-5.html>].



- benefit U.S. business interests through sales to India of nuclear reactors, fuel, and support services; and
- benefit progress of the broader U.S.-India “global partnership.”<sup>82</sup>

A number of leading American experts on South Asian affairs joined the Administration in urging Congress to support the new policy, placing particular emphasis on the “necessary” role it would play in promoting a U.S.-India global partnership.<sup>83</sup>

Further hearings in the Senate (April 26, 2006) and House (May 11, 2006) saw a total of fifteen independent analysts weigh in on the potential benefits and/or problems that might accrue from such cooperation. Numerous nonproliferation experts, scientists, and former U.S. government officials warned that the Bush Administration’s initiative was ill-considered, arguing that it would facilitate an increase in the size of India’s nuclear arsenal, potentially leading to a nuclear arms race in Asia, and would undermine the global nonproliferation regime and cause significant damage to key U.S. security interests. Some experts opined that the Administration’s optimism, perhaps especially as related to the potential effects on global energy markets and carbon emissions, could not be supported through realistic projections.<sup>84</sup>

The U.S. Chamber of Commerce — which, along with the U.S.-India Business Council, lobbied vigorously in favor of President Bush’s initiative — speculated that civil nuclear cooperation with India could generate contracts for American businesses worth up to \$100 billion, as well as generate up to 27,000 new American jobs each year for a decade. A more modest estimate foresees the deal generating as much as \$40 billion in new foreign investment into India.<sup>85</sup> However, foreign companies such as Russia’s Atomstroyexport and France’s Areva may be better poised to take advantage of the Indian market. Moreover, U.S. nuclear suppliers will likely balk at entering the Indian market in the absence of nuclear liability protection, which New Delhi does not offer at present.

**Geopolitical Motives.** In the realm of geopolitics, much of the Administration’s argument for moving forward with the U.S.-India nuclear initiative appears rooted in an anticipation/expectation that New Delhi will in coming years and decades make policy choices that are more congruent with U.S. regional and

<sup>82</sup> See “U.S.-India Civil Nuclear Cooperation Initiative Fact Sheet,” U.S. Department of State, at [<http://www.state.gov/r/pa/scp/2006/62904.htm>]; Condoleezza Rice, “Our Opportunity With India” (op-ed), *Washington Post*, March 13, 2006.

<sup>83</sup> See, for example, an open letter Congress at [[http://www.indianembassy.org/newsite/press\\_release/2006/Mar/30.asp](http://www.indianembassy.org/newsite/press_release/2006/Mar/30.asp)].

<sup>84</sup> See, for example, open letters to Congress at [[http://fas.org/intt2006/X3e\\_FDC01218.pdf](http://fas.org/intt2006/X3e_FDC01218.pdf)]; [[http://www.armscontrol.org/pdf/20060912\\_India\\_Ltr\\_Congress.pdf](http://www.armscontrol.org/pdf/20060912_India_Ltr_Congress.pdf)]; and [[http://www.armscontrol.org/pdf/20051118\\_India\\_Ltr\\_Congress.pdf](http://www.armscontrol.org/pdf/20051118_India_Ltr_Congress.pdf)].

<sup>85</sup> See Sridhar Krishnaswami, “Indo-US N-Deal a Historic Opportunity” (op-ed), *India Abroad*, March 22, 2006; “US Nuclear Deal Likely to Get India 40bn Dollars Business,” *BBC Monitoring South Asia*, August 13, 2007.

global interests (a desire for such congruence is, in fact, written into the enabling legislation, P.L. 109-401). Proponents suggest that this U.S. “gesture” will have significant and lasting psychological and symbolic effects in addition to the material ones, and that Indian leaders require such a gesture in order to feel confident in the United States as a reliable partner on the world stage. Skeptics aver that the potential strategic benefits of the nuclear initiative are being over-sold. Indeed, centuries of Indian anti-colonial sentiments and oftentimes prickly, independent foreign policy choices are unlikely to be set aside in the short run, meaning that the anticipated geopolitical benefits of civil nuclear cooperation with India remain speculative and at least somewhat dependent upon unknowable global political developments.

**Congressional Action.** After months of consideration, the House International Relations Committee and Senate Foreign Affairs Committee both took action on relevant legislation in June 2006, passing modified versions of the Administration’s proposals by wide margins. The new House and Senate bills (H.R. 5682 and S. 3709) made significant procedural changes to the Administration’s original proposal, changes that sought to retain congressional oversight of the negotiation process, in part by requiring the Administration to gain future congressional approval of a completed peaceful nuclear cooperation agreement with India (this is often referred to as a “123 Agreement,” as it is negotiated under the conditions set forth in Section 123 of the Atomic Energy Act).

During the final months of its tenure, the 109<sup>th</sup> Congress demonstrated widespread bipartisan support for the Administration’s policy initiative by passing enabling legislation.<sup>86</sup> So-called “killer amendments” were rejected by both chambers (Indian government and Bush Administration officials had warned that certain proposed new provisions, such as those requiring that India halt its fissile material production or end its military relations with Iran, would trigger New Delhi’s withdrawal from the entire negotiation).

In a December 2006 “lame duck” session, congressional conferees reconciled the House and Senate versions of the legislation and provided an explanatory statement (H.Rept. 109-721). On December 18, President Bush signed the Henry J. Hyde United States-India Peaceful Atomic Energy Cooperation Act of 2006 into law (P.L. 109-401 or the “Hyde Act”), calling it a “historic agreement” that would help the United States and India meet the energy and security challenges of the 21<sup>st</sup> century. The President also issued a signing statement asserting that his approval of the act “does not constitute [his] adoption of the statements of policy as U.S. foreign policy” and that he will construe such policy statements as “advisory.” Some Members of Congress later expressed concern that President Bush would seek to disregard Congress’s will.<sup>87</sup>

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<sup>86</sup> In July 2006, the House passed H.R. 5682 by a vote of 359-68. In November, the Senate passed an amended version of the same bill by a vote of 85-12.

<sup>87</sup> See [<http://www.whitehouse.gov/news/releases/2006/12/20061218-1.html>]; [<http://www.whitehouse.gov/news/releases/2006/12/20061218-12.html>]; “Bush India Statement Raises Congress Concerns,” *Reuters*, December 21, 2006.

In May 2007, 16 experts, scholars, and former U.S. government officials signed a letter urging Senators to hold the Bush Administration to the “set of core conditions and limitations” of the Hyde Act, including termination of assistance upon an Indian nuclear test, permanent and unconditional safeguards on civilian Indian facilities, and prohibitions on reprocessing and enrichment technologies.<sup>88</sup> A July 2007 letter to President Bush signed by 23 Members of the House stressed the need for any civil nuclear cooperation agreement with India to conform to “the legal boundaries set by Congress.” The letter noted that the U.S. Constitution provides Congress with the sole authority to regulate foreign commerce, and it expressed ongoing concerns about “India’s deepening military-to-military relationship with Iran ... [which] places congressional approval of the Agreement for Nuclear Cooperation in jeopardy.”<sup>89</sup>

**Indian Concerns.** Almost immediately upon the release of the July 2005 Joint Statement, key Indian political figures and members of the country’s insular nuclear scientific community issued strong criticisms of the bilateral civil nuclear initiative; such criticisms continue to this day. Former Prime Minister Vajpayee, along with many leading figures in his opposition BJP party, insisted that the deal as envisioned would place unreasonable and unduly expensive demands on India, particularly with regard to the separation of nuclear facilities. In reaction to the U.S. Congress’s passage of enabling legislation in late 2006, the BJP listed numerous continuing objections, and went so far as to call the deal “unacceptable” and aimed at “capping, rolling back, and eventually eliminating India’s nuclear weapons capability.”<sup>90</sup> Many analysts view the BJP’s opposition as political rather than substantive, especially in light of the fact that the 2004 NSSP initiative was launched during the BJP’s tenure.<sup>91</sup>

Some Indian analysts are wary of U.S. intentions in pursuing bilateral civil nuclear cooperation, believing the initiative may be cover for a broader effort to cement India’s cooperation in a number of non-energy-related areas, such as defense trade and New Delhi’s relations with Iran. From this perspective, the U.S. government also repeatedly has “shifted the goalposts” to forward its own (veiled) nonproliferation goals.<sup>92</sup> India’s influential communist parties, whose Left Front provides crucial support to the Congress-led ruling coalition in New Delhi, have focused their ire on geopolitical aspects of the civil nuclear initiative. In December

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<sup>88</sup> See [<http://www.armscontrol.org/pdf/20070515letteronUSIndia123House.pdf>]. The Chairman of the Senate Foreign Relations Committee reportedly has said it would be unlikely that Congress would be willing to further amend U.S. law on nuclear testing and reprocessing (“Biden Cool to US Compromise on India Deal,” *Reuters*, May 2, 2007).

<sup>89</sup> [[http://markey.house.gov/index.php?option=com\\_content&task=view&id=3003&Itemid=141](http://markey.house.gov/index.php?option=com_content&task=view&id=3003&Itemid=141)].

<sup>90</sup> See “Press Statement of the BJP on the Indo-US Nuclear Deal,” December 10, 2006, at [<http://www.bjp.org>].

<sup>91</sup> See, for example, “Politics of BJP’s Nuclear Tantrum,” *Telegraph* (Kolkata), August 7, 2007.

<sup>92</sup> Siddharth Varadarajan, “This Has Nothing To Do With Energy” (op-ed), *Hindu* (Chennai), May 2, 2007; Brahma Chellaney, “Nuclear Non-Starter” (op-ed), *Wall Street Journal*, May 9, 2007.

2006, the leader of India's main communist party said the U.S.-India civil nuclear deal was "not acceptable" as it would "seriously undermine India's independent foreign policy." Previously, the Left Front had called India's two IAEA votes on Iran a "capitulation" to U.S. pressure.<sup>93</sup> Indian leftists thus have been at the forefront of political resistance to India's becoming a "junior partner" of the United States.

Equally stinging and perhaps more substantive criticism has come from several key Indian scientists, whose perspectives on the technical details of the civil nuclear initiative are considered highly credible. India's nuclear scientific community, mostly barred from collaboration with international civil nuclear enterprises as well as direct access to key technologies, has worked for decades in relative isolation, making its members both proud of their singular accomplishments and sensitive to any signs of foreign "interference." Many view the enabling legislation passed by the U.S. Congress as being more about nonproliferation and less about energy cooperation. They consider it both intrusive on and preclusive of their activities.

The major criticisms of existing plans for U.S.-India civil nuclear cooperation made by Indian commentators (and at times by the Indian government) are summarized as follows:

- India's unilateral moratorium on nuclear tests was being codified into a bilateral obligation through a clause that would allow the United States to reclaim any supplied nuclear equipment if India were to test a nuclear device;
- India was being denied nuclear reprocessing technologies warranted under "full cooperation;"
- India was not being given prior authorization to reprocess spent fuel;
- India was not being given assurances that it will receive uninterrupted fuel supplies in perpetuity;
- the United States was retaining the right to carry out its own "intrusive" end-use verifications;
- language on securing India's assistance with U.S. efforts to prevent Iran from obtaining weapons of mass destruction would limit New Delhi's foreign policy independence.<sup>94</sup>

Prime Minister Singh stood firm against such wide-ranging and high-profile criticisms, repeatedly assuring his Parliament that relevant negotiations with the United States have not altered basic Indian policies or affected New Delhi's independence on matters of national interest. Within this context, however, Singh

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<sup>93</sup> In February 2007, a former U.S. Assistant Secretary of Defense reportedly said that India's two IAEA votes on Iran had been "coerced" and paved the way for congressional approval of proposed U.S.-India civil nuclear cooperation. U.S. Ambassador to India David Mulford later called the attributed statement "inaccurate" ("Rademaker is Not a U.S. Official," *Hindu* (Chennai), February 17, 2007).

<sup>94</sup> "Major Obstacles Persist in Nuclear Deal," *Hindu* (Chennai), April 25, 2007; A. Gopalakrishnan, "Hyde-Bound N-Deal Cannot Be Accepted" (op-ed), *Asian Age* (Mumbai), May 15, 2007.

expressed concern about some of the points listed above.<sup>95</sup> Regardless of the legally binding or non-binding nature of certain controversial sections of the U.S. legislation, New Delhi found many of them to be either “prescriptive” in ways incompatible with the provisions of the July 2005 and March 2006 Joint Statements, or “extraneous” and “inappropriate to engagements among friends.”<sup>96</sup>

***Bilateral Negotiations Completed.*** On July 27, 2007, the United States and India announced having concluded negotiations on a peaceful nuclear cooperation (“123”) agreement, calling it a “historic milestone” in the bilateral strategic partnership. The announcement came one week after a fifth round of formal bilateral negotiations had ended in Washington, where a high-level Indian delegation led by National Security Advisor M.K. Narayanan had met with numerous top U.S. officials, including Vice President Cheney and Secretary of State Rice. Under Secretary of State Burns, the lead U.S. negotiator, called the deal “perhaps the single most important initiative that India and the United States have agreed to in the 60 years of our relationship” and “the symbolic centerpiece of a growing global partnership between our two countries.”<sup>97</sup> U.S. officials urged New Delhi to move rapidly toward completing remaining steps to consummation of the pact. These include finalizing arrangements for IAEA inspections of India’s civilian nuclear facilities and winning the endorsement of the NSG for nuclear trade.

Among the text’s more salient provisions are the following:

- India is granted authorization to reprocess spent fuel at a national reprocessing facility that New Delhi plans to establish under International Atomic Energy Agency safeguards.
- In the event of a future nuclear test by India, the two countries would launch immediate bilateral consultations to “consider carefully the circumstances” and take into account whether the circumstances resulted from “serious concern about a changed security environment or as a response to similar actions by other states which could impact national security.” While the U.S. President would have a right to demand the return of all U.S.-supplied nuclear equipment and material in such a circumstance, the text recognizes that “exercising the right of return would have profound implications” for bilateral relations and calls for both parties to “take into account the potential negative consequences” of any termination of ongoing cooperation.
- India is given assurances that supplies of fuel for its civilian reactors will not be interrupted — even if the United States terminates the 123 Agreement — through U.S. commitments to “work with friends and allies ... to create the necessary conditions for India to obtain full

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<sup>95</sup> See “Excerpts from PM’s Reply to Discussion in Rajya Sabha on Civil Nuclear Energy Cooperation with the United States,” August 17, 2006, at [[http://www.carnegieendowment.org/static/npp/Singh\\_speech\\_Aug\\_2006.pdf](http://www.carnegieendowment.org/static/npp/Singh_speech_Aug_2006.pdf)].

<sup>96</sup> Author interview with Indian government official, New Delhi, September 2006.

<sup>97</sup> See [<http://www.state.gov/p/us/rm/2007/89559.htm>].

access to the international fuel market,” and to “support an Indian effort to develop a strategic reserve of nuclear fuel.”<sup>98</sup>

Press reports had indicated that U.S. granting of unambiguous reprocessing rights, along with an Indian insistence on U.S. guarantees of an uninterrupted fuel supply for all imported reactors, had become a central obstacle in the lead-up to July’s talks, and that Indian negotiators had taken uncompromising positions in both areas. Subsequent reports suggested that U.S. negotiators had made considerable concessions to Indian demands and that the agreement could face resistance from some in Congress if its legal stipulations are seen to deviate from those found in the Hyde Act (the 123 Agreement can become operative only through a Joint Resolution of Approval from Congress).<sup>99</sup> **H.Res. 711**, introduced in the House in October 2007, would seek the Bush Administration clarifications on the 123 Agreement’s compliance with U.S. law.

**Civil Space Cooperation.** India has long sought access to American space technology; such access has since the 1980s been limited by U.S. and international “red lines” meant to prevent assistance that could benefit India’s military missile programs. India’s space-launch vehicle technology was obtained largely from foreign sources, including the United States, and forms the basis of its intermediate-range Agni ballistic missile booster, as well as its suspected Surya intercontinental ballistic missile program. The NSSP called for enhanced U.S.-India cooperation on the peaceful uses of space technology, and the July 2005 Joint Statement anticipated closer ties in space exploration, satellite navigation and launch, and in the commercial space arena. Major conferences on India-U.S. space science and commerce were held in Bangalore (headquarters of the Indian Space Research Organization) in both 2004 and 2005. During President Bush’s March 2006 visit to India, the two countries committed to move forward with agreements that will permit the launch of U.S. satellites and satellites containing U.S. components by Indian space launch vehicles and they later agreed to include two U.S. scientific instruments on India’s planned Chandrayaan lunar mission. In February 2007, a meeting of the U.S.-India Joint Working Group on Civil Space Cooperation was held in Washington, where officials expressed satisfaction with growing bilateral ties in the aerospace field.

**High-Technology Trade.**<sup>100</sup> U.S. Commerce Department officials have sought to dispel “trade-detering myths” about limits on dual-use trade by noting that only about 1% of total U.S. trade value with India is subject to licensing requirements and that the great majority of dual-use licensing applications for India are approved (more than 90% in FY2006). July 2003 saw the inaugural session of the U.S.-India High-Technology Cooperation Group (HTCG), where officials discussed a wide

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<sup>98</sup> See text of the 123 Agreement at [<http://www.state.gov/r/pa/prs/ps/2007/aug/90050.htm>].

<sup>99</sup> “In Its Nuclear Deal With India, Washington Appears to Make More Concessions,” *New York Times*, July 28, 2007; “India Nuclear Deal Said Complies With US Law,” *Reuters*, July 25, 2007; “US Congress to Scrutinize Nuclear Pact With India,” *Agence France Presse*, August 3, 2007.

<sup>100</sup> See also CRS Report RL34161, *India-U.S. Economic and Trade Relations*.

range of issues relevant to creating the conditions for more robust bilateral high technology commerce; the fifth HTCG meeting was held in Washington in February 2007, when U.S. Commerce Secretary Carlos Gutierrez unveiled a new “Trusted Customer” program designed to facilitate greater high-tech trade with India. In 2005, the inaugural session of the U.S.-India High-Technology Defense Working Group was held under HTCG auspices.<sup>101</sup> Commerce’s Bureau of Industry and Security formally designated India as an eligible country under its “Validated End-User” program in October 2007. This designation will allow certain trusted Indian buyers to purchase high-technology goods without an individual license.<sup>102</sup>

Since 1998, a number of Indian entities have been subjected to case-by-case licensing requirements and appear on the U.S. export control “Entity List” of foreign end users involved in weapons proliferation activities. In September 2004, as part of NSSP implementation, the United States modified some export licensing policies and removed the Indian Space Research Organization (ISRO) headquarters from the Entity List. Further adjustments came in August 2005 when six more subordinate entities were removed. Indian entities remaining on the Entity List are four subordinates of the ISRO, four subordinates of the Defense Research and Development Organization, three Department of Atomic Energy entities, and Bharat Dynamics Limited, a missile production agency.<sup>103</sup>

## Security Issues

**The Indian Military.**<sup>104</sup> With more than 1.3 million active personnel, India’s is the world’s third-largest military (after China and the United States). The country’s defense budget grew by 9.2% to nearly \$24 billion in 2006 and is up 40% since 2002 (adjusted for inflation). The army — more than one million strong and accounting for nearly half of the budget — has traditionally dominated, but the navy and air force are becoming more important as India seeks to project its power and protect an Exclusive Economic Zone of more than two million square kilometers.

The Indian army possesses some 4,000 main battle tanks and 3,360 pieces of towed artillery. The navy has grown rapidly in recent years, currently operating 58 principal surface combatants (to include at least one aircraft carrier by 2008) and 16 submarines. There also is a significant amphibious capacity: 16 landing ships (including one recently acquired from the United States) can carry nearly 5,000 troops or 100 tanks. The navy is developing an indigenous nuclear-powered attack submarine to be armed with nuclear-tipped cruise missiles and also plans to lease a Russian Akula-class submarine as part of its “sea-based strategic deterrence.” The air force flies more than 800 fighter and ground attack aircraft, the majority of them

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<sup>101</sup> See U.S. Department of Commerce, Bureau of Industry and Security fact sheets at [<http://www.bis.doc.gov/InternationalPrograms/IndiaCooperation.htm>] and [<http://www.bis.doc.gov/InternationalPrograms/IndiaCoopPresentation.htm>].

<sup>102</sup> “US Streamlines High-Tech Export Controls on India,” *Reuters*, October 2, 2007.

<sup>103</sup> See Commerce’s Entity List at [<http://www.bis.doc.gov/Entities>].

<sup>104</sup> Much information in this section comes from *The Military Balance 2007* (Institute for International and Strategic Studies, London, 2007).

Russian-built MiGs, along with some late-model Sukhoi-30, as well as French-built Mirage and Anglo-French Jaguar aircraft. It also possesses modest airborne early warning and in-flight refueling capabilities provided by Russian-made platforms. A Strategic Forces Command oversees as many as 170 intermediate- and short-range ballistic missiles capable of delivering nuclear warheads, and has plans to field a new Agni-IV missile with a range that would give it inter-continental capabilities.

New Delhi increasingly seeks to shift advanced military imports from finished platforms to co-production with foreign suppliers. A 2005 deal with France provides for technology transfers and Indian construction of six Scorpene submarines to be delivered in the next decade. In seeking to replace its aging arsenal of MiG-21 fighters, India may purchase up to 186 new jets (126 for the air force and 60 for the navy) and has signaled a desire for technology sharing and co-production in this effort: only 18 of the new air force jets are to be manufactured abroad. In addition to the Scorpene submarines, other notable recent purchases for the Indian military include hundreds of the latest Russian T-90 tanks and upgrades on 600 existing T-72s; 3 new Russian-built missile frigates; 24 new MiG-29K naval jets for deployment on the *INS Vitramaditya* (formerly the Russian *Gorshkov*); major upgrades on MiG and Jaguar combat aircraft; and 66 jet trainers from Britain.

Russia continues to provide the bulk of India's imported defense wares. In recent years, however, Israel has roughly equaled Russia in the value of defense exports to India, with each country providing about \$1.5 billion worth of defense supplies in 2006. India was the leading developing world arms purchaser from 1999-2006, making arms transfer *agreements* totaling \$22.4 billion during that period.<sup>105</sup> As India seeks to expand its power projection capabilities, it has come under fire from some for continuing to prepare for a conventional interstate war that may be unlikely to occur. According to one report, of the country's nearly two million persons in uniform, only about 5,000 have meaningful counterterrorism training.<sup>106</sup>

**U.S.-India Security Cooperation.** Defense cooperation between the United States and India is in the early stages of development (unlike U.S.-Pakistan military ties, which date back to the 1950s). Since September 2001, and despite a concurrent U.S. rapprochement with Pakistan, U.S.-India security cooperation has flourished; U.S. diplomats rate military cooperation among the most important aspects of transformed bilateral relations. The India-U.S. Defense Policy Group (DPG) — moribund since India's 1998 nuclear tests and ensuing U.S. sanctions — was revived in late 2001 and meets annually.

In June 2005, the United States and India signed a ten-year defense pact outlining planned collaboration in multilateral operations, expanded two-way defense trade, increasing opportunities for technology transfers and co-production, expanded collaboration related to missile defense, and establishment of a bilateral Defense Procurement and Production Group. The agreement may be the most ambitious such security pact ever engaged by New Delhi. A Maritime Security Cooperation

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<sup>105</sup> See CRS Report RL34187, *Conventional Arms Transfers to Developing Nations, 1999-2006*.

<sup>106</sup> Ajai Sukla, "Dysfunctional Defense" (op-ed), *Wall Street Journal Asia*, July 19, 2007.



Agreement, inked in 2006, commits both countries to “comprehensive cooperation” in protecting the free flow of commerce and addressing a wide array of threats to maritime security, including piracy and the illicit trafficking of weapons of mass destruction and related materials. In April 2007, the Commander of the U.S. Pacific Command, Adm. Tim Keating, told a Senate panel that the Pentagon intends to “aggressively” pursue expanding military-to-military relations with India. During an August 2007 visit to New Delhi, Adm. Keating lauded U.S.-India defense relations as “solid, good, and improving steadily.”<sup>107</sup>

The United States views defense cooperation with India in the context of “common principles and shared national interests” such as defeating terrorism, preventing weapons proliferation, and maintaining regional stability. Many analysts view increased U.S.-India security ties as providing an alleged “hedge” against or “counterbalance” to growing Chinese influence in Asia, though both Washington and New Delhi repeatedly downplay such probable motives. Still, while a congruence of U.S. and Indian national security objectives is unlikely in the foreseeable future, convergences are being identified in areas such as shared values, the emergence of a new balance-of-power arrangement in the region, and on distinct challenges such as WMD proliferation, Islamist extremism, and energy security. There also remain indications that the perceptions and expectations of top U.S. and Indian strategic planners are divergent on several key issues, including the role of Pakistan, approaches to conflict resolution in Iraq and in Palestine, and Indian’s relations with Iran, as well as with repressive governments in places such as Burma and Sudan.<sup>108</sup>

**Combined Military Exercises.** Since early 2002, the United States and India have held a series of unprecedented and increasingly substantive combined exercises involving all military services. “Cope India” air exercises have provided the U.S. military with its first look at advanced Russian-built Su-30MKIs; in 2004, mock air combat saw Indian pilots in late-model Russian-built fighters hold off American pilots flying older F-15Cs, and Indian successes were repeated versus U.S. F-16s in 2005. U.S. and Indian special forces soldiers have held joint exercises near the India-China border, and major annual “Malabar” joint naval exercises are held off the Indian coast. The seventh and most recent of these came in September 2007, when India hosted a total of 27 warships from five countries — including the United States, Japan, Australia, and Singapore — for maneuvers in the Bay of Bengal. It was the first time such exercises were conducted off India’s east coast. U.S. and Indian officials tout ongoing joint maneuvers as evidence of a deepening bilateral defense relationship.

**Arms Sales.**<sup>109</sup> Along with increasing military-to-military ties, the issue of U.S. arms sales to India has taken a higher profile, with some analysts anticipating that New Delhi will spend as much as \$40 billion on weapons procurement over the

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<sup>107</sup> Senate Armed Services Committee Hearing on U.S. Military Command Budgets, April 24, 2007; “US Admiral Says Military Cooperation With India Improving Steadily,” *Associated Press*, August 23, 2007.

<sup>108</sup> See also Vibhuti Hate and Teresita Schaffer, “U.S.-India Defense Relations: Strategic Perspectives,” *CSIS South Asia Monitor*, April 4, 2007.

<sup>109</sup> See also CRS Report RL33515, *Combat Aircraft Sales to South Asia*.

next five years.<sup>110</sup> The first-ever major U.S. arms sale to India came in 2002, when the Pentagon negotiated delivery of 12 counter-battery radar sets (or “Firefinder” radars) worth a total of \$190 million. India also purchased \$29 million worth of counterterrorism equipment for its special forces and has received sophisticated U.S.-made electronic ground sensors to help stem the tide of militant infiltration in the Kashmir region. In 2004, Congress was notified of a sale to India involving up to \$40 million worth of aircraft self-protection systems for mounting on the Boeing 737s that carry India’s head of government. Moreover, the State Department has authorized Israel to sell to India the jointly developed U.S.-Israeli Phalcon airborne early warning system, an expensive asset that some analysts believe may tilt the regional strategic balance even further in India’s favor.

In 2006, Congress authorized and New Delhi approved the \$44 million purchase of the *USS Trenton*, a decommissioned American amphibious transport dock. The ship, which became the second largest in the Indian navy when it was commissioned as the *INS Jalashwa* in June 2007, set sail for India carrying six surplus Sikorsky UH-3H Sea King helicopters purchased for another \$39 million. In May 2007, the Pentagon notified Congress of a possible sale to India of six C-130J Hercules military transport aircraft (along with related equipment, training, and services) in a deal that could be worth more than \$1 billion. If the aircraft, which are manufactured by Maryland-based Lockheed Martin, are purchased, it would represent by far the largest-ever U.S. defense sale to India.

The Indian government reportedly possesses an extensive list of desired U.S.-made weapons, including PAC-3 anti-missile systems, electronic warfare systems, and possibly even combat aircraft. The March 2005 unveiling of the Bush Administration’s “new strategy for South Asia” included assertions that the United States welcomed Indian requests for information on the possible purchase of F-16 or F/A-18 fighters, and indicated that Washington is “ready to discuss the sale of transformative systems in areas such as command and control, early warning, and missile defense.”<sup>111</sup> India in August 2007 invited foreign tenders for the sale of 126 new multi-role combat aircraft in a deal that could be worth more than \$10 billion. Lockheed Martin’s F-16 and Illinois-based Boeing’s F/A-18 are competing with aircraft built in Russia, France, Sweden, and by a European consortium.

American defense firms eagerly pursue new and expanded business ties with India, lobbying in February 2007 at India’s biennial air show in Bangalore, where 52 U.S. companies exhibited their wares and sought to strike deals. According to the U.S. Ambassador to India, David Mulford, there is a widespread expectation in the United States that U.S. companies should get “favorable treatment” following American gestures to India, even as he denied there was any “negotiated *quid pro quo*” related to planned bilateral civil nuclear cooperation. Likewise, the Indian

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<sup>110</sup> “Building a Modern Arsenal in India,” *New York Times*, August 31, 2007; US Aims to Edge Out Russia in big Arms Sales to India,” *Reuters*, December 26, 2007. In December 2007, Boeing agreed in principle to send up to \$1 billion in aerospace manufacturing work to India’s state-owned Hindustan Aeronautics over the next decade. In January 2008, Lockheed Martin announced the opening of a subsidiary in New Delhi.

<sup>111</sup> See [<http://www.state.gov/r/pa/prs/ps/2005/43853.htm>].

defense minister reportedly has insisted that the final decision on which multi-role combat aircraft to purchase will be guided solely by the needs of the air force and have “nothing to do” with the U.S.-India nuclear deal.<sup>112</sup> Still, some top Indian officials express concern that the United States is a “fickle” partner that may not always be relied upon to provide the reciprocity, sensitivity, and high-technology transfers sought by New Delhi.<sup>113</sup> In 2006, the Indian Navy declined an offer to lease two U.S. P-3C maritime reconnaissance aircraft, calling the arrangements too costly.

In a controversial turn, the Indian government has sought to purchase a sophisticated anti-missile platform, the Arrow Weapon System, from Israel. Because the United States took the lead in the system’s development, the U.S. government has veto power over any Israeli exports of the Arrow. Although Defense Department officials have been seen to support the sale as meshing with President Bush’s policy of cooperating with friendly countries on missile defense, State Department officials reportedly opposed the transfer, believing it would send the wrong signal to other weapons-exporting states at a time when the U.S. is seeking to discourage weapons proliferation. Thus, indications are that a U.S. interest in maintaining a strategic balance on the subcontinent, along with U.S. obligations under the Missile Technology Control Regime, may preclude any approval of the Arrow sale.

Joint U.S.-India military exercises and arms sales negotiations can cause disquiet in Pakistan, where there is concern that induction of advanced weapons systems into the region could disrupt the “strategic balance” there. Islamabad worries that its already disadvantageous conventional military status vis-à-vis New Delhi will be further eroded by India’s acquisition of sophisticated “force multipliers.” In fact, numerous observers identify a pro-India drift in the U.S. government’s strategic orientation in South Asia. Yet Washington regularly lauds Islamabad’s role as a key ally in the U.S.-led counterterrorism coalition and assures Pakistan that it will take no actions to disrupt strategic balance on the subcontinent.

**U.S.-India Counterterrorism Cooperation.** One facet of the emerging “strategic partnership” between the United States and India is greatly increased counterterrorism cooperation. In November 2001, President Bush and then-Indian Prime Minister Vajpayee agreed that “terrorism threatens not only the security of the United States and India, but also our efforts to build freedom, democracy and international security and stability around the world.”<sup>114</sup> In 2002, India and the United States launched the Indo-U.S. Cyber Security Forum to safeguard critical infrastructures from cyber attack. The June 2005 “New Framework for the U.S.-India Defense Relationship” lists “defeating terrorism and violent religious extremism” as one of four key shared security interests, and it calls for a bolstering of mutual defense capabilities required for such a goal.<sup>115</sup> An April 2006 session of the U.S.-India Joint Working Group on Counterterrorism — the seventh such

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<sup>112</sup> “126 Have Nothing to Do With 123: Antony,” *Telegraph* (Kolkata), August 30, 2007.

<sup>113</sup> “Defense Firms Seek Sales in India,” *Chicago Tribune*, December 21, 2006.

<sup>114</sup> “Joint Statement of U.S., India on Terrorism, Bilateral Ties,” U.S. Department of State Washington File, November 9, 2001.

<sup>115</sup> See [[http://www.indianembassy.org/press\\_release/2005/June/31.htm](http://www.indianembassy.org/press_release/2005/June/31.htm)].

meeting since the group's founding in January 2000 — ended with a statement of determination from both countries to further advance bilateral cooperation and information sharing on such areas of common concern as bioterrorism, aviation security, advances in biometrics, cyber-security and terrorism, WMD terrorism, and terrorist financing.<sup>116</sup> Expanding military-to-military links have included company-level joint counterinsurgency training of army units.<sup>117</sup>

In October 2005, the United States and India concluded a treaty on criminal matters that would institutionalize law enforcement cooperation and create a regularized channel for mutual assistance. Among the hoped-for benefits has been more effective counterterrorism efforts.<sup>118</sup> It was reported in May 2006 that the United States had offered demining assistance, counterinsurgency training for police forces, and humanitarian relief for persons internally displaced by conflict related to the Maoist rebellion.<sup>119</sup> Moreover, three months after the July 2006 Bombay terrorist bombings, senior CIA officials reportedly traveled to New Delhi to discuss improving counterterrorism cooperation with Indian leaders, and an FBI official later called for closer law enforcement and intelligence coordination with India in light of terrorist attacks in that country's interior.<sup>120</sup> There have been signs that U.S. government agencies have taken greater notice of links apparent between Pakistan-based terrorist groups and wanted Indian criminal boss Dawood Ibrahim, who is suspected of residing in Karachi, Pakistan. In 2003, the U.S. Department of the Treasury formally designated Ibrahim as a terrorist supporter and accused him of collaborating with Al Qaeda in South Asia.<sup>121</sup>

**Nuclear Weapons and Missile Proliferation.**<sup>122</sup> Some policy analysts consider the apparent arms race between India and Pakistan as posing perhaps the most likely prospect for the future use of nuclear weapons by states. In May 1998, India conducted five underground nuclear tests, breaking a self-imposed, 24-year moratorium on such testing. Despite international efforts to dissuade it, Pakistan quickly followed. The tests created a global storm of criticism and represented a serious setback for two decades of U.S. nuclear nonproliferation efforts in South Asia. Following the tests, President Clinton imposed full restrictions on non-humanitarian aid to both India and Pakistan as mandated under Section 102 of the

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<sup>116</sup> See [<http://usinfo.state.gov/is/Archive/2006/Apr/24-821244.html>]. The most recent meeting of the Working Group was held in Washington in November 2007.

<sup>117</sup> "U.S. Troops on Front Line of Expanding India Ties," *Washington Post*, January 25, 2006.

<sup>118</sup> "U.S.-India Treaty on Mutual Legal Assistance in Criminal Matters Ratified," U.S. Embassy New Delhi Press Release, October 3, 2005.

<sup>119</sup> "US Offers India Help to Fight Maoists: Official," *Reuters*, May 26, 2006.

<sup>120</sup> "CIA Big Guns in Huddle," *Telegraph* (Calcutta), October 24, 2006; "FBI Looks to Boost Intelligence Ties With India," *Reuters*, November 27, 2006.

<sup>121</sup> "Hunting for India's 'Most Wanted,'" *Jane's Intelligence Digest*, December 9, 2005; Treasury notification at [<http://www.ustreas.gov/press/releases/js909.htm>].

<sup>122</sup> See also CRS Report RL32115, *Missile Proliferation and the Strategic Balance in South Asia*, and CRS Report RS21237, *Indian and Pakistani Nuclear Weapons*.

Arms Export Control Act. India currently is believed to have enough fissile material, mainly plutonium, for 55-115 nuclear weapons; Pakistan, with a program focused on enriched uranium, may be capable of building a similar number. Both countries have aircraft capable of delivering nuclear bombs. India's military has inducted short- and intermediate-range ballistic missiles, while Pakistan itself possesses short- and medium-range missiles (allegedly acquired from China and North Korea). All are assumed to be capable of delivering nuclear warheads over significant distances.

Proliferation in South Asia is part of a chain of rivalries — India seeking to achieve deterrence against China, and Pakistan seeking to gain an “equalizer” against a conventionally stronger India. In 1999, a quasi-governmental Indian body released a Draft Nuclear Doctrine for India calling for a “minimum credible deterrent” (MCD) based upon a triad of delivery systems and pledging that India will not be the first to use nuclear weapons in a conflict. In 2003, New Delhi announced creation of a Nuclear Command Authority. After the body's first session in September of that year, participants vowed to “consolidate India's nuclear deterrent.” India thus appears to be taking the next steps toward operationalizing its nuclear weapons capability. According to the director of the U.S. Defense Intelligence Agency in a 2007 statement to a Senate panel, India is building its stockpile of fission weapons and is likely to continue work on advanced warhead and delivery systems.<sup>123</sup>

**U.S. Nonproliferation Efforts and Congressional Action.** Soon after the May 1998 nuclear tests in South Asia, Congress acted to ease aid sanctions through a series of legislative measures.<sup>124</sup> In September 2001, President Bush waived remaining sanctions on India pursuant to P.L. 106-79. During the 1990s, the U.S. security focus in South Asia sought to minimize damage to the nonproliferation regime, prevent escalation of an arms race, and promote Indo-Pakistani bilateral dialogue. In light of these goals, the Clinton Administration set out “benchmarks” for India and Pakistan based on the contents of U.N. Security Council Resolution 1172, which condemned the two countries' nuclear tests. These included signing and ratifying the Comprehensive Nuclear Test Ban Treaty (CTBT); halting all further production of fissile material and participating in Fissile Material Cutoff Treaty negotiations; limiting development and deployment of WMD delivery vehicles; and implementing strict export controls on sensitive WMD materials and technologies.

Progress in each of these areas has been limited, at best, and the Bush Administration quickly set aside the benchmark framework. Along with security concerns, the governments of both India and Pakistan face the prestige factor attached to their nuclear programs and domestic resistance to relinquishing what are

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<sup>123</sup> Statement of Lt. Gen. Michael Maples before the Senate Select Committee on Intelligence, January 11, 2007, at [<http://intelligence.senate.gov/070111/maples.pdf>].

<sup>124</sup> The India-Pakistan Relief Act of 1998 (in P.L. 105-277) authorized a one-year sanctions waiver exercised by President Clinton in November 1998. The Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President permanent authority after October 1999 to waive nuclear test-related sanctions applied against India and Pakistan. On October 27, 1999, President Clinton waived economic sanctions on India (Pakistan remained under sanctions as a result of an October 1999 military coup). (See CRS Report RS20995, *India and Pakistan: U.S. Economic Sanctions*.)

perceived to be potent symbols of national power. Neither has signed the CTBT, and both appear to be producing weapons-grade fissile materials. (India has consistently rejected the CTBT, as well as the Nuclear Nonproliferation Treaty, as discriminatory, calling instead for a global nuclear disarmament regime. Although both India and Pakistan currently observe self-imposed moratoria on nuclear testing, they continue to resist signing the CTBT — a position made more tenable by U.S. Senate’s rejection of the treaty in 1999.) The status of weaponization and deployment is unclear, though there are indications that this is occurring at a slow but steady pace. Section 1601 of P.L. 107-228 outlined U.S. nonproliferation objectives for South Asia. Some in Congress identify “contradictions” in U.S. nonproliferation policy toward South Asia, particularly as related to the Senate’s rejection of the CTBT and U.S. plans to build new nuclear weapons. In May 2006, the United States presented in Geneva a draft global treaty to ban future production of fissile material (a Fissile Material Cutoff Treaty) that it hopes will be supported by India. Some analysts speculated that the move was meant to bolster U.S. congressional support for proposed U.S.-India civil nuclear cooperation.

**The Proliferation Security Initiative.**<sup>125</sup> In May 2003, President Bush announced a new multilateral initiative that aims to prevent the flow of WMD and related materials through a set of Interdiction Principles that include coordinated national export control and information exchange efforts, and the interception of WMD or related materials moving to or from “states or non-state actors of proliferation concern.” According to the State Department, PSI is not an organization, but rather an activity with more than 80 current “participants.”<sup>126</sup> New Delhi was at first concerned that a “core group” comprising PSI’s founding states represented a two-tiered system; India was reassured that the organization is nondiscriminatory, and the core group was disbanded in 2005. However, Indian officials express ongoing reservations about the mechanics of maritime interdiction and its legal ramifications.<sup>127</sup> While neither the June 2005 defense pact nor the July 2005 Joint Statement make direct mention of the PSI, U.S. legislation enabling U.S.-India civil nuclear cooperation (P.L. 109-401, the “Hyde Act”) calls for securing India’s full participation in the PSI and seeks New Delhi’s full commitment to the Interdiction Principles.

**India-Iran Relations.**<sup>128</sup> India-Iran relations may complicate progress in New Delhi’s nascent “strategic partnership” with Washington. India’s relations with Iran traditionally have been positive and, in 2003, the two countries launched a bilateral “strategic partnership” of their own.<sup>129</sup> The Indian government and firms have

<sup>125</sup> See also CRS Report RS21881, *Proliferation Security Initiative (PSI)*.

<sup>126</sup> See [<http://www.state.gov/t/isn/c10390.htm>].

<sup>127</sup> C. Raja Mohan, “Dismantling Core Group, US Eases India’s Path to Proliferation Security” (op-ed), *Indian Express* (Bombay), August 18, 2005; “India Seeks ‘Clarification’ on Anti-Proliferation Program,” Press Trust India, July 1, 2007.

<sup>128</sup> See also CRS Report RS22486, *India-Iran Relations and U.S. Interests*, and CRS Report RS20871, *The Iran-Libya Sanctions Act*.

<sup>129</sup> See text of the January 2003 “New Delhi Declaration” at [<http://meaindia.nic.in/>]  
(continued...)

invested a reported total of nearly \$10 billion in Iran since 2000, placing India 10<sup>th</sup> on the list of international investors worldwide. Some in the U.S. Congress voiced past concerns that New Delhi's policies toward Tehran's controversial nuclear program were not congruent with those of Washington, although these concerns were eased when India voted with the United States (and the majority) at the International Atomic Energy Agency sessions of September 2005 and February 2006. In each of the past three years (2004-2006), the United States has sanctioned Indian scientists and chemical companies for transferring to Iran WMD-related equipment and/or technology (most sanctions have been chemical-related, but one scientist was alleged to have aided Iran's nuclear program). New Delhi called the moves unjustified. Included in legislation to enable U.S.-India civil nuclear cooperation (P.L. 109-141, the "Hyde act") was a non-binding assertion that U.S. policy should "secure India's full and active participation" in U.S. efforts to prevent Iran from acquiring weapons of mass destruction.<sup>130</sup> New Delhi firmly opposes the emergence of any new nuclear weapons powers in the region.

Many in Congress have voiced concern about India's relations with Iran and their relevance to U.S. interests. Some worry especially about New Delhi's defense ties with Tehran and have sought to link the issue with congressional approval of U.S.-India civil nuclear cooperation.<sup>131</sup> Expressions of these congressional concerns became more pointed in 2007:

- In April, eight U.S. Senators sent a letter to Prime Minister Singh requesting that New Delhi "suspend its military cooperation" with Iran, asserting that "India's own interests are damaged by its support for the Iranian military" and that "India's principles are also poorly served by deepening its military relationship with Iran."
- In May, eight U.S. Representatives — including the Chair and Ranking Member of the House Foreign Affairs Committee — sent Singh a letter expressing "grave concern" at India's "increasing cooperation" with Iran.
- In July, a letter to President Bush by 23 House Members expressed concern with "India's deepening military-to-military relationship with Iran ... [which] places congressional approval of the Agreement for Nuclear Cooperation in jeopardy."

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<sup>129</sup> (...continued)

declarestatement/2003/01/25jd1.htm]. In December 2007, Indian Foreign Secretary Menon visited Iran, where he held several high-level meetings and reiterated New Delhi's interest in establishing a strategic partnership with Tehran.

<sup>130</sup> Although President Bush indicated he has not adopted the law's statements of policy as U.S. foreign policy, this provision rankled many in New Delhi who view it as an "extraneous" constraint on India's foreign policy independence. In their explanatory statement accompanying P.L. 109-401, congressional conferees repeatedly emphasized their belief that securing India's assistance on this matter was "critical" (H.Rept. 109-721).

<sup>131</sup> See, for example, "Indian Navy Trains Iranian Sailors," *Defense News*, March 27, 2006; C. Christine Fair, "India and Iran: New Delhi's Balancing Act," *Washington Quarterly*, Summer 2007; "India Trains Iranian Navy Despite US Pressure," *Hindustan Times* (Delhi), September 4, 2007.

- In September, two Senators wrote to Secretary of State Rice to express their concern about India-Iran military-to-military relations, saying that, as supporters of the U.S.-India civil nuclear deal, they are “apprehensive that the [123] agreement could be sidetracked by what appears to be a growing relationship between Iran and India.”

New Delhi has offered assurances that all of India’s dealings with Iran are permitted under U.N. Security Council Resolutions; one official expressed being “quite amazed” at reports of closer India-Iran military ties. In September 2007, Assistant Secretary of State Boucher conceded that some concerns about India-Iran military relations are “exaggerated,” but that the onus is on New Delhi to “explain” its relations with Tehran.<sup>132</sup>

There are further U.S. concerns that India will seek energy resources from Iran, thus benefitting financially a country the United States is seeking to isolate. Indian firms have in recent years taken long-term contracts for purchase of Iranian gas and oil. Purchases could be worth many billions of dollars, but thus far differences over pricing have precluded sales. Building upon growing energy ties is the proposed construction of a pipeline to deliver Iranian natural gas to India through Pakistan. The Bush Administration repeatedly expresses strong opposition to any gas pipeline projects involving Iran, but top Indian officials insist the project is in India’s national interest and they remain “fully committed” to the multi-billion-dollar venture. The Iran-Libya Sanctions Act (P.L. 107-24) required the President to impose sanctions on foreign companies that make an “investment” of more than \$20 million in one year in Iran’s energy sector. The 109<sup>th</sup> Congress extended this provision in the Iran Freedom Support Act (P.L. 109-293). To date, no firms have been sanctioned under these Acts.

## India’s Economy and U.S. Interests<sup>133</sup>

**Overview.** India is in the midst of a major and rapid economic expansion, with an economy projected to soon be the world’s third largest. Although there is widespread and serious poverty in the country, observers believe long-term economic potential is tremendous, and recent strides in the technology sector have brought international attention to such new global high-tech centers as Bangalore and Hyderabad. However, many analysts and business leaders, along with U.S. government officials, point to excessive regulatory and bureaucratic structures as a hindrance to the realization of India’s full economic potential. The high cost of capital (rooted in large government budget deficits) and an “abysmal” infrastructure also draw negative appraisals as obstacles to growth. Constant comparisons with the progress of the Chinese economy show India lagging in rates of growth and foreign

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<sup>132</sup> “India Official Dismisses Iran Reports,” *Washington Post*, May 2, 2007; “US Asks India to Come Clean On Ties With Iran,” *Press Trust India*, September 19, 2007. See also “India’s Long-Standing Ties With Iran Straining Alliance With U.S.,” *Washington Post*, September 20, 2007.

<sup>133</sup> Most of the economic data in these sections come from the Economist Intelligence Unit and Global Insight, as well as from U.S. and Indian government sources. See also CRS Report RL34161, *India-U.S. Economic and Trade Relations*.



investment, and in the removal of trade barriers. Just prior to his March 2006 visit to New Delhi, President Bush noted India's "dramatic progress" in economic reform while insisting "there's more work to be done," especially in lifting caps on foreign investment, making regulations more transparent, and continuing to lower tariffs.<sup>134</sup>

According to the World Bank, India's per capita GDP was only about \$805 in 2006 (\$4,294 when accounting for purchasing power parity). The highly-touted information technology and business processing industries employ only about one-third of one percent of India's work force and, while optimists vaunt an Indian "middle class" of some 300 million people, a larger number of Indians subsists on less than \$1 per day.<sup>135</sup> Yet, even with the existence of ongoing problems, the current growth rate of India's increasingly service-driven economy is among the highest in the world and has brought the benefits of development to many millions of citizens. The U.N. Development Program ranked India 128<sup>th</sup> out of 177 countries on its 2007/2008 human development index (between Morocco and Laos), down from 126<sup>th</sup> in 2006.<sup>136</sup>

After enjoying an average growth rate above 6% for the 1990s, India's economy cooled with the global economic downturn after 2000. Yet sluggish, Cold War-era "Hindu rates of growth" had become a thing of the past. For the fiscal year ending March 2006, real change in GDP was 8.5%, the second-fastest rate of growth among the world's 20 largest economies. During FY2006/2007, India's economy expanded by a blistering 9.2%. Robust growth in the services and industry sectors continues, but is moderated by a fluctuating agricultural sector (low productivity levels in this sector, which accounts for about one-fifth of the country's GDP, are a drag on overall growth). Short-term estimates are encouraging, predicting expansion well above 8% for the next two years. A major upswing in services is expected to lead; this sector now accounts for more than half of India's GDP.

India's central bank warned in early 2007 that rising inflation and surging stock and property markets were "signs of overheating" in the country's economy. Some analysts criticize the bank for being too timid in reining in domestic demand.<sup>137</sup> Consumer price inflation rose somewhat in mid-2007, then appeared to be leveling off at a lower rate toward year's end (with a year-on-year rate of 5.5% in October). The soaring Bombay Stock Exchange tripled in value from 2001-2006, then apparently overheated with the worst-ever daily decline of its benchmark Sensex index on May 22, 2006, when almost 11% of its total value was lost (related also to political developments). The market subsequently stabilized and then recovered mightily, reaching new highs in the closing months of 2006. More new record highs

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<sup>134</sup> See [<http://www.whitehouse.gov/news/releases/2006/02/20060222-2.html>].

<sup>135</sup> The Indian government's official poverty line for 2004-2005 was an income of 356 rupees (about \$9) per person per month. By this measure, the national poverty rate was about 28%. Yet estimates indicate that some 400 million Indians subsist on less than 40 rupees per day. See also "Economic Boom Fails to Generate Optimism in India," *New York Times*, August 16, 2007.

<sup>136</sup> See [<http://hdr.undp.org/en/reports/global/hdr2007-2008>].

<sup>137</sup> "India Overheats," *Economist* (London), February 3, 2007.

became even more frequent in the latter half of 2007; as of mid-December, the Sensex was up nearly 40% for the year. India now boasts more billionaires (40) than any other Asian country and has the fourth most in the world, trailing only the United States, Germany, and Russia. The bounty of India's newly-super-wealthy is traced largely to phenomenal gains in the country's stock market, but, in a further indicator of serious income disparity, only about 2% of the country's working-age population hold any stock at all.<sup>138</sup>

A major U.S. concern with regard to India is the scope and pace of reforms in what has been that country's quasi-socialist economy. Reforms begun in 1991, under the Congress-led government of Prime Minister Rao and his finance minister, current Prime Minister Singh, boosted growth and led to major new inbound foreign investment in the mid-1990s. Reform efforts stagnated, however, under weak coalition governments later in the decade, and combined with the 1997 Asian financial crisis and international sanctions on India (as a result of its 1998 nuclear tests) to further dampen the economic outlook. Following the 1999 parliamentary elections, the BJP-led government launched second-generation economic reforms, including major deregulation, privatization, and tariff-reducing measures.

Once seen as favoring domestic business and diffident about foreign involvement, New Delhi appears to gradually be embracing globalization and has sought to reassure foreign investors with promises of transparent and nondiscriminatory policies. A January 2007 report from global investment banking and securities firm Goldman Sachs called India's recent high growth rates a result of structural rather than cyclical increases and projected a sustainable growth rate of about 8% through 2020. It identified political developments — including a rise in protectionism; supply-side restraints, including business climate, education, and labor market reforms; and environmental degradation — as representing major risks to future growth.<sup>139</sup> An October 2007 country survey from the Paris-based Organization for Economic Cooperation and Development (OECD) traced India's economic successes to reforms that reduced the role of the state in economic affairs and claimed that New Delhi's pursuit of further “ambitious and wide-ranging reforms” could push India's growth rate to a sustainable 10% annually.<sup>140</sup> Other analyses identify water shortages, urban woes, and pollution as further potential threats to Indian prosperity.<sup>141</sup>

**Trade and Investment.** As India's largest trade and investment partner, the United States strongly supports New Delhi's continuing economic reform policies. A U.S.-India Trade Policy Forum was created in November 2005 to expand bilateral

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<sup>138</sup> “India's Superrich Get Even Richer,” *Christian Science Monitor*, December 18, 2007.

<sup>139</sup> [[http://www.usindiafriendship.net/viewpoints1/Indias\\_Rising\\_Growth\\_Potential.pdf](http://www.usindiafriendship.net/viewpoints1/Indias_Rising_Growth_Potential.pdf)].

<sup>140</sup> See [<http://www.oecd.org/eco/surveys/India>].

<sup>141</sup> Pramit Mitra, “Running on Empty,” CSIS South Asia Monitor 103, February 3, 2007, at [<http://www.csis.org/media/csis/pubs/sam103.pdf>]; World Bank, “Urban Challenges in India,” February 5, 2007. One study found that 70% of Kolkata's population suffers from respiratory disorders caused by air pollution (“Air Pollution Suffocates Calcutta,” *BBC News*, May 3, 2007).

economic engagement and provide a venue for discussing multilateral trade issues. The United States currently accounts for about one-sixth of all Indian exports. India was the 21<sup>st</sup> largest export market for U.S. goods in 2006 (up from 22<sup>nd</sup> the previous year). Levels of U.S.-India trade, while relatively low, are blossoming; the total value of bilateral trade has doubled since 2001 and the two governments intend to see it doubled again by 2009. U.S. imports from India in 2007 had an estimated value of \$24.2 billion (up 11% over 2006). Leading imports include cotton apparel; textiles; and pearls, gemstones, and jewelry. Estimated exports to India in 2007 totaled \$17.3 billion (up 71% over 2006), with aircraft; business and telecommunications equipment; finished pearls, gemstones, and jewelry; fertilizer; and chemicals as leading categories.<sup>142</sup>

Annual foreign direct investment to India from all countries rose from about \$100 million in 1990 to nearly \$6 billion for 2005 and more than \$11 billion in 2006. As of August 2007, India's foreign exchange reserves were at a record \$229 billion, up 38% in just one year. According to Indian officials, about one-seventh of foreign direct investment in India since 1991 has come from U.S. firms; in recent years, the major U.S.-based companies Microsoft, Dell, Oracle, and IBM have made multi-billion-dollar investments in India (U.S. firms invested about \$2 billion in India in 2006; Indian companies invested roughly the same amount in the United States). India has moved to raise limits on foreign investment in several key sectors, although U.S. officials prod New Delhi to make more rapid and more substantial changes to foreign investment ceilings, especially in the retail, financial services, and banking sectors. In March 2006, the U.S.-India CEO Forum — composed of ten chief executives from each country representing a cross-section of key industrial sectors — issued a report identifying India's poor infrastructure and dense bureaucracy as key impediments to increased bilateral trade and investment relations.<sup>143</sup>

In a May 2007 speech on U.S.-India relations, Under Secretary of State Burns captured all the major U.S. concerns (and advice) with regard to bilateral economic issues with India, saying New Delhi must insure that

new regulations or old red tape don't impeded growth, and that foreign companies have a clear path to settling commercial disputes when they arise. The Indian government should also continue economic reforms and liberalizations that have been the basis of India's economic boom so far. ... In order to achieve higher growth rates as well as broad rural development, India requires world-class airports, irrigation, and communications networks. It needs modern power grids, ports, and highways, and many other infrastructural improvements that could be vastly accelerated by greater investment, both public and private. ... Our focus is on facilitating and promoting foreign direct investment, enhancing bilateral consultations on reducing tariff and non-tariff barriers to trade in industrial goods, services, and agriculture, preventing the

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<sup>142</sup> See [<http://www.census.gov/foreign-trade/statistics/country/index.html>].

<sup>143</sup> See "U.S.-India Strategic Economic Partnership," U.S.-India CEO Forum, March 2006 at [<http://planningcommission.nic.in/reports/genrep/USIndia.pdf>].

illicit use of the financial system, and strengthening India's regime for intellectual property rights.<sup>144</sup>

In September 2007, U.S. Ambassador Mulford opined that, "Continued reform and liberalization will help further boost ... and spread the benefits of rapid economic growth to more recipients across India."<sup>145</sup> During his October 2007 visit to India, U.S. Treasury Secretary Paulson told a Mumbai audience,

In the long term, India can take a number of steps to become even more competitive, such as reducing requirements that financial institutions hold large amounts of government debt, reducing requirements for banks to provide credit to certain priority sectors, and removing various restrictions and caps on foreign investment. Limits on debt and equity financing, and asset allocation restrictions on financial institutions, are impediments to putting resources to their most productive use.<sup>146</sup>

**Barriers to Trade and Investment.** Despite significant tariff reductions and other measures taken by India to improve market access, according to the 2007 report of the United States Trade Representative (USTR), a number of foreign trade barriers remain, including high tariffs, especially in the agricultural sector. The USTR asserts that "substantial expansion of U.S.-India trade will depend on continued and significant additional Indian liberalization."<sup>147</sup> The Commerce Department likewise encourages New Delhi to continue lowering tariffs as a means of fostering trade and development. Indian Finance Minister Chidambaram agrees that high rates of investment must be maintained to sustain the country's economic growth. In 2007, India regained full investment-grade status after a 15-year hiatus when Standard & Poor's upgraded India's sovereign rating, but the country's public finances remain much weaker than comparable states: India has a public debt-to-GDP ratio (85%) more than three times higher than China's, and interest consumes nearly one-third of total revenue.<sup>148</sup>

India's extensive trade and investment barriers have been criticized by U.S. government officials and business leaders as an impediment to its own economic development, as well as to stronger U.S.-India ties. For example, in 2004, then-U.S. Under Secretary of State Alan Larson opined that "trade and investment flows between the U.S. and India are far below where they should and can be," adding that "the picture for U.S. investment is also lackluster." He identified the primary reason for the suboptimal situation as "the slow pace of economic reform in India." In 2007, Under Secretary of the Treasury Tim Adams urged India to further reduce trade and

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<sup>144</sup> See [<http://www.state.gov/p/us/rm/2007/85424.htm>].

<sup>145</sup> See [<http://newdelhi.usembassy.gov/pr91907.html>].

<sup>146</sup> See [<http://www.ustreas.gov/press/releases/hp648.htm>].

<sup>147</sup> See [[http://www.ustr.gov/Document\\_Library/Reports\\_Publications/Section\\_Index.html](http://www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html)].

<sup>148</sup> "India's Sovereign Credit Rating Upgraded," *Financial Times* (London), January 30, 2007.

investment barriers, liberalize its financial sector, and improve its business climate as key means to “compete effectively in the global economy.”<sup>149</sup>

Inadequate intellectual property rights protection is another long-standing issue between the United States and India. The USTR places India on its Special 301 Priority Watch List for “inadequate laws and ineffective enforcement” in this area. The International Intellectual Property Alliance (IIPA), a coalition of U.S. copyright-based industries, estimated U.S. losses of \$496 million due to copyright piracy in India in 2006, more than three-quarters of this in the categories of business and entertainment software (estimated loss amounts for 2006 do not include motion picture piracy, which in 2004 was estimated to have cost some \$80 million). The IIPA expresses frustration that “little significant progress” is being made in more effectively enforcing copyright protection in India.<sup>150</sup> In December 2006, Under Secretary of Commerce and Director of the U.S. Patent and Trademark Office Jon Dudas told a New Delhi audience that “further modifications are necessary” in India’s intellectual property rights protection regime and that India’s copyright laws are “insufficient in many aspects.” He also warned that “piracy and counterfeiting rates will continue to rise without effective enforcement.”<sup>151</sup>

While the past two decades have seen a major transformation of the Indian economy, it remains relatively closed in many aspects. The Heritage Foundation’s *2007 Index of Economic Freedom* — which may overemphasize the value of absolute growth and downplay broader quality-of-life measurements — again rated India’s economy as being “mostly unfree” and ranked it 104<sup>th</sup> out of 157 countries. The index highlights restrictive trade policies, heavy government involvement in the banking and finance sectors, rigorous investment caps, demanding regulatory structures, and a high incidence of corruption.<sup>152</sup> Berlin-based Transparency International placed India 72<sup>nd</sup> out of 179 countries in its 2007 “corruption perceptions index.” The group’s 2006 “bribery index” found India to be the worst offender among the world’s top 30 exporting countries.<sup>153</sup> The Vancouver-based Fraser Institute provides a more positive assessment of economic freedom in India, while also faulting excessive restrictions on capital markets and regulations on business.<sup>154</sup>

**Special Economic Zones (SEZs).** In March 2005, New Delhi announced plans to allow Indian states to establish Chinese-style special economic zones that would encourage foreign investment and boost employment by bypassing the country’s strict labor and tax laws. Parliament soon approved implementation and,

<sup>149</sup> See [<http://www.state.gov/e/rls/rm/2004/36345.htm>] and [<http://newdelhi.usembassy.gov/pr022007.html>].

<sup>150</sup> See [<http://www.iipa.com/rbc/2007/2007SPEC301INDIA.pdf>].

<sup>151</sup> See [<http://newdelhi.usembassy.gov/pr120706.html>]. Bush Administration policy is at [[http://mumbai.usconsulate.gov/chris\\_israel.html](http://mumbai.usconsulate.gov/chris_israel.html)].

<sup>152</sup> See [<http://www.heritage.org/research/features/index/country.cfm?id=India>].

<sup>153</sup> See [<http://www.transparency.org>].

<sup>154</sup> See [<http://www.fraserinstitute.ca/admin/books/chapterfiles/3aEFW2006ch3A-K.pdf#>].

in February 2006, the SEZ Act went into effect. With well over 200 such zones approved and hundreds more planned, SEZs have since become a matter of significant controversy. Proponents view them as sensible means of growing the economy through greatly increased investment, as well as improving infrastructure. Yet the policy has elicited energetic opposition from interest groups representing the political left and right, alike.

Some critics says that building SEZs on fertile agricultural land will impoverish farmers without adequate compensation. Even Congress Party chief Sonia Gandhi has openly opposed exposing farmers to “unscrupulous developers.” Other detractors, including India’s finance minister, warn that the government will be denied billions of dollars in tax revenues lost due to special concessions offered to participating firms. In January 2007, after the Left Front parties demanded extensive curbs on the SEZ initiative, New Delhi suspended approval of 304 more SEZs pending decisions on issues including compensation for displaced farmers.<sup>155</sup> In March 2007, police in Nandigram, West Bengal, opened fire on a group of protesters who were demonstrating against state land appropriations for a planned SEZ. At least 14 people were killed and the incident led to days of violent protests against the state government’s action, and the arrest of up to 800 farmers. Days later, the West Bengal government dropped its plans for the site and the ruling coalition in New Delhi vowed to “refine” its SEZ policy to make it more equitable.<sup>156</sup>

**Multilateral Trade Negotiations.**<sup>157</sup> In July 2006, the World Trade Organization’s “Doha Round” of multilateral trade negotiations were suspended due to disagreement among the WTO’s six core group members — which include the United States and India — over methods to reduce trade-distorting domestic subsidies, eliminate export subsidies, and increase market access for agricultural products. The United States and other developed countries seek substantial tariff reductions in the developing world. India, like other members of the “G-20” group of developing states, has sought more market access for its goods and services in the developed countries, while claiming that developing countries should be given additional time to liberalize their own markets. In particular, India is resistant to opening its markets to subsidized agricultural products from developed countries, claiming this would be detrimental to tens of millions of Indian farmers and result in further depopulation of the countryside. According to Indian officials, the WTO’s narrow focus on economic issues excludes political and social variables which are equally sensitive for New Delhi and which constrain the options available to the Indian government. They seek greater U.S. understanding of this dynamic.

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<sup>155</sup> “India Puts Brakes on Tax-Break Zones,” *Financial Times* (London), January 23, 2007; “India’s Farmers Grumbling as SEZs Eat Up Land,” *Financial Times* (London), March 12, 2007; “India to ‘Refine’ Economic Zone Policy After Shooting Deaths,” *Agence France Presse*, March 19, 2007.

<sup>156</sup> SEZ-related troubles continued in late 2007: In November, Amnesty International expressed concern over an upsurge in political violence in West Bengal and reports that state officials may have been complicit in attacks on farmers.

<sup>157</sup> See also CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, and CRS Report RL33144, *WTO Doha Round: The Agricultural Negotiations*.

Indian Commerce Minister Kamal Nath has blamed U.S. intransigence for the Doha Round's collapse. In November 2006, during a visit to New Delhi to discuss trade issues with top Indian leaders, U.S. Agriculture Secretary Mike Johanns urged India to match "ambitious" U.S. offers and "lead the way toward unlocking the Doha negotiations by offering real market access."<sup>158</sup> Indian officials later rejoined the negotiations, but, in June 2007, claimed the talks had "collapsed" due to lack of convergence among the major actors. Trade Representative Schwab later expressed U.S. surprise at how "rigid and inflexible" India (and Brazil) were during the June negotiations, and she suggested that "some countries ... really don't want a Doha round outcome." In September, however, Nath expressed renewed optimism in identifying a new and "greater comprehension of India's sensitivities" regarding the effects of U.S. farm subsidies.<sup>159</sup> According to U.S. Treasury Secretary Paulson, "Working together to successfully conclude a Doha agreement will be the single most effective thing we can do to help raise living standards in India and around the world."<sup>160</sup>

**The Energy Sector.** India's continued economic growth and security are intimately linked to the supply of energy resources. Indeed, Indian leaders insist that energy security is an essential component of the country's development agenda, calling for an integrated national energy policy, diversification of energy supplies, greater energy efficiency, and rationalization of pricing mechanisms. The country's relatively poor natural energy resource endowment and poorly functioning energy market are widely viewed as major constraints on continued economic growth. Estimates indicate that maintaining recent rates of growth will require that India increase its commercial energy supplies by 4%-6% annually in coming years.<sup>161</sup> The U.S. government has committed to assist India in promoting the development of stable and efficient energy markets there; a U.S.-India Energy Dialogue was launched in July 2005 to provide a forum for bolstering bilateral energy cooperation.<sup>162</sup>

India is the world's fifth largest energy consumer and may become third by the middle of this century. Overall power generation in the country more than doubled from 1991 to 2005.<sup>163</sup> Coal is the country's leading commercial energy source, accounting for more than half of national demand. India is the world's third most productive coal producer, and domestic supplies satisfy most demand (however, most of India's coal is an inefficient low-grade, high-ash variety). Oil consumption

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<sup>158</sup> "India Blames U.S. for Failure of WTO Talks," *Hindu* (Chennai), July 26, 2006; Secretary Johanns at [<http://newdelhi.usembassy.gov/pr112106b.html>].

<sup>159</sup> "U.S. Says Doha Risks Being Delayed for Several Years," *Reuters*, July 5, 2007; "World Leaders Express New Optimism on Doha Deal," *Reuters*, September 25, 2007.

<sup>160</sup> See [<http://www.ustreas.gov/press/releases/hp636.htm>].

<sup>161</sup> See Vibhuti Hate, "India's Energy Dilemma," Center for Strategic and International Studies, September 7, 2006, at [<http://www.csis.org/media/isis/pubs/sam98.pdf>].

<sup>162</sup> See U.S. Department of State fact sheet at [<http://www.state.gov/p/sca/rls/fs/2005/49724.htm>]. In May 2006, the Senate Foreign Relations Committee passed S. 1950, to promote global energy security through increased cooperation between the United States and India on non-nuclear energy-related issues, but the full Senate took no action on the bill.

<sup>163</sup> See a Ministry of Power report at [[http://powermin.nic.in/reports/pdf/ar05\\_06.pdf](http://powermin.nic.in/reports/pdf/ar05_06.pdf)].

accounts for some one-third of India's total energy consumption; about 70% of this oil is imported (at a rate of 1.7 million barrels per day in 2006), mostly from the West Asia/Middle East region. India's domestic natural gas supply is not likely to keep pace with demand, and the country will have to import much of its natural gas, either via pipeline or as liquefied natural gas. Hydropower, especially abundant in the country's northeast and near the border with Nepal, supplies about 5% of energy needs. Nuclear power, which Indian government officials and some experts say is a sector in dire need of expansion, currently accounts for only 1% of the country's energy supplies and less than 3% of total electricity generation.<sup>164</sup> Even optimistic projections suggest that nuclear power will provide less than 10% of India's generation capacity in 25 years and there are doubts about New Delhi's projected goal of generating 20 gigawatts of nuclear power by 2020.<sup>165</sup>

Roughly one-fifth of the India's power is consumed by farmers' irrigation systems, making the farm lobby a powerful obstacle to curtailing subsidies provided by State Electricity Boards, which collectively lose billions of dollars annually. Moreover, from one-quarter to one-half of India's electricity is said to disappear through "transmission losses," i.e., theft. In the summer of 2007, worsening shortfalls were causing electrical outages of up to nine hours per day in the industrial and agricultural belts of Punjab, Gujarat, and Maharashtra; the capital of Delhi often has power for only 14 hours each day. In fact, a burgeoning electricity crisis may be severely hampering India's continued economic security and growth.<sup>166</sup>

During a March 2007 visit to New Delhi, U.S. Energy Secretary Sam Bodman held wide-ranging talks with numerous Indian officials and business leaders to discuss India's energy needs and strategies for relevant bilateral cooperation. Secretary Bodman stressed "the absolute necessity of substantial and sustained investment in innovation on a global scale" and listed five major global goals for all countries, including the United States and India: 1) diversifying the available supply of conventional fuels and expanding their production; 2) diversifying energy portfolios through expanded use of alternative and renewable sources, including nuclear energy; 3) promoting increased energy efficiency and conservation; 4) reducing pollution and energy intensity in the global economy; and 5) protecting critical energy infrastructure.<sup>167</sup> One month later, Assistant Secretary of Commerce for Market Access and Compliance Mark Bohigian led a delegation of 17 U.S. companies on a Clean-Energy Technologies Trade Mission to New Delhi.

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<sup>164</sup> Energy data from U.S. Department of Energy, Energy Information Administration, January 2007, at [<http://www.eia.doe.gov/emeu/cabs/india.html>]; Tanvi Madan, "India," Brookings Institution Energy Security Series Report, November 2006 at [<http://www.brookings.edu/fp/research/energy/2006india.pdf>].

<sup>165</sup> John Stephenson and Peter Tynan, "Will the U.S.-India Civil Nuclear Cooperation Initiative Light India?," November 13, 2006, at [<http://www.npec-web.org>]; "Top Scientist Questions India's N-Energy Dream," *Times of India* (Delhi), September 9, 2007.

<sup>166</sup> "India Struggles With Power Theft," *BBC News*, March 15, 2006; "Blacked Out," *India Today* (Delhi), June 25, 2007; "Electricity Crisis Hobbles an India Eager to Ascend," *New York Times*, May 21, 2007.

<sup>167</sup> See [<http://newdelhi.usembassy.gov/pr032007a.html>].



With emissions of more than 500 million tons of carbon dioxide per year, India is the world's fourth-largest producer of greenhouse gases (per capita emissions are, however, only about one-sixteenth those of the United States). In July 2005, the United States joined with India, China, Japan, Australia, and South Korea in the Asia-Pacific Partnership on Clean Development and Climate, a U.S.-led effort to accelerate the development and deployment of clean energy technologies through a voluntary public-private partnership among six major Asia-Pacific nations. Sydney, Australia, hosted the inaugural meeting in January 2006 and the body's second ministerial meeting was held in October 2007 in New Delhi, where the United States announced providing grant funds for 23 clean technology projects in India under the Partnership's aegis.<sup>168</sup>

Some in Congress have sought to increase international cooperation on energy-related matters, including with India. The Energy Diplomacy and Security Act of 2007 (**S. 193**) was reported out of the Senate Foreign Relations Committee in April 2007. The bill includes provisions for establishing energy crisis response mechanisms in cooperation with the governments of India and China. In February, **H.R. 1186**, to promote global energy security through increased U.S.-India cooperation, was introduced in the House. The International Climate Cooperation Re-engagement Act of 2007 (**H.R. 2420**) was reported out of the House Foreign Affairs Committee in June. The bill contains provisions for expanding efforts to promote U.S. exports in clean and efficient energy technologies to India and China.

## The Kashmir Issue

Although India suffers from several militant regional separatist movements, the Kashmir issue has proven the most lethal and intractable. Gunbattles and bomb blasts in India's Jammu and Kashmir state reportedly have killed an average of 5 or 6 people every day over the past 18 years.<sup>169</sup> Conflict over Kashmiri sovereignty also has brought global attention to a potential "flashpoint" for interstate war between nuclear-armed powers. The problem is rooted in competing claims to the former princely state, divided since 1948 by a military Line of Control (LOC) separating India's Muslim-majority Jammu and Kashmir state and Pakistan-controlled Azad [Free] Kashmir. The dispute relates to the national identities of both countries: India has long sought to maintain its secular, multi-religious credentials, in part by successfully incorporating a Muslim-majority region, while Pakistan has since independence been conceived as a homeland for the subcontinent's Muslims. India and Pakistan fought full-scale wars over Kashmir in 1947-1948 and 1965. Some Kashmiris seek independence from both countries. Spurred by a perception of rigged state elections in 1989, an ongoing separatist war between Islamic militants (and their supporters) and Indian security forces in Indian-held Kashmir is ongoing and has claimed tens of thousands of lives.<sup>170</sup>

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<sup>168</sup> See remarks by James Connaughton, Chairman of President Bush's Council on Environmental Quality, at [<http://newdelhi.usembassy.gov/pr101507a.html>].

<sup>169</sup> "India Says Kashmir Toll Over 41,000, Others Differ," *Reuters*, December 7, 2006.

<sup>170</sup> Most estimates list from 41,000 to 66,000 related deaths. The Pakistan-based Kashmir (continued...)

India blames Pakistan for supporting “cross-border terrorism” and for fueling a separatist rebellion in the Muslim-majority Kashmir Valley with arms, training, and militants. Islamabad, for its part, claims to provide only diplomatic and moral support to what it calls “freedom fighters” who resist Indian rule and suffer alleged human rights abuses in the region. New Delhi insists that the dispute should not be “internationalized” through involvement by third-party mediators and India is widely believed to be content with the territorial status quo. In 1999, a bloody, six-week-long battle in the mountains near the LOC at Kargil cost more than one thousand lives and included Pakistani army troops crossing into Indian-controlled territory. Islamabad has sought to bring external major power persuasion to bear on India, especially from the United States. The longstanding U.S. position on Kashmir is that the issue must be resolved through negotiations between India and Pakistan while taking into account the wishes of the Kashmiri people.

During the early years of the Kashmir insurgency, hundreds of thousands of indigenous Hindu “Pandits” were driven from the region in what amounted to a form of “ethnic cleansing.” Up to half a million Kashmiri Pandits, accounting for the vast majority of Hindus then living in the area around Srinagar, fled their homes after coming under threat from Muslim militants. For many Indians, the Kashmir dispute cannot be resolved without arrangements for the return of these refugees, more than 100,000 of whom continue to live in camps with government support. Resolutions in the 110<sup>th</sup> Congress (**H.Con.Res. 55** and **S.Con.Res. 38**) call for the safeguarding of the physical, political, and economic security of the Kashmiri pandits.

Some separatist groups, such as the Jammu and Kashmir Liberation Front (JKLF), continue to seek an independent or autonomous Kashmir. Others, including the militant Hizbul Mujahideen (HuM), seek union with Pakistan.<sup>171</sup> In 1993, the All Parties Hurriyat [Freedom] Conference was formed as an umbrella organization for groups opposed to Indian rule in Kashmir. The Hurriyat membership of more than 20 political and religious groups has included the JKLF (originally a leading militant force, now a political group) and Jamaat-e-Islami (the political wing of the HuM). The Hurriyat Conference, which states that it is committed to seeking dialogue with the Indian government on a broad range of issues, calls for a tripartite conference on Kashmir, including Pakistan, India, and representatives of the Kashmiri people. Hurriyat leaders demand Kashmiri representation at any talks between India and Pakistan on Kashmir. The Hurriyat formally split in 2003 after a dispute between hardliners allied with Islamabad and moderates favoring negotiation with New Delhi. Subsequent efforts to reunify the group failed. In 2005, the Congress Party-led government renewed high-level contact with moderate Hurriyat leaders begun by the previous BJP-led coalition. Two years later, however, Hurriyat leader and noted Kashmiri cleric Mirwaiz Umar Farooq said talks between the Indian government and moderate Kashmiri separatists had suffered a “complete breakdown of

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<sup>170</sup> (...continued)

Media Service claims that more than 92,000 Kashmiris have been “martyred” in the fighting.

<sup>171</sup> An August 2007 opinion survey found nearly 90% of the residents of Srinagar, Kashmir’s most populous and Muslim-majority city, desiring Kashmiri independence from both India and Pakistan. In the largely Hindu city of Jammu, however, 95% of respondents said Kashmir should be part of India (see [<http://www.indianexpress.com/story/210147.html>]).

communication,” and he accused New Delhi of lacking the will needed to find a political solution to the problem.<sup>172</sup>

In December 2006, Pakistani President Musharraf issued a newly-modified version of his “out-of-the-box” thinking on resolution to the Kashmir problem, saying Pakistan is “against independence” for Kashmir, and offering instead a four-point proposal that would lead to “self-governance,” defined as “falling between autonomy and independence.” Many analysts saw the proposal as being roughly in line with New Delhi’s Kashmir position. Some Kashmiri separatist groups rejected the proposal as an abandonment of Islamabad’s long-held policy, but Indian leaders welcomed Musharraf’s statements; in February 2007, Prime Minister Singh said the Pakistani government was “saying the right thing” in rejecting armed militancy as a solution to the Kashmir problem. Still, a lack of consensus among Kashmiri leaders and political parties has hampered progress. Even Kashmiri political figures who accept the principle of a solution within the framework of the Indian Constitution cannot agree on what such a solution may look like, and the Hurriyat Conference — which may have contributed to its own marginalization by boycotting the state’s 2002 elections — remains rife with its own divisions. Some analysts urge greater U.S. efforts to prod the New Delhi and Islamabad governments along in the ongoing search for a final resolution.<sup>173</sup>

**Figure 1** indicates that levels of violence in Kashmir were high and steady through the mid- and late 1990s, peaked in 2001, and have been in decline since. Despite waning rates of infiltration and separatist-related violence, the issue continues to rankle leaders in New Delhi and remains a serious impediment to progress in the current India-Pakistan peace initiative. Even as the normalization of India-Pakistan relations moves forward — and to some extent in reaction to their apparent marginalization in the face of this development — separatist militants continue their attacks on both civilians and Indian security forces, and many observers in both India and the United States believe that active support for Kashmiri militants remains Pakistani policy. The militants, seeing their relevance and goals threatened by movement toward peaceful resolution, regularly lash out with bloody attacks meant to derail the process. For example, in May 2006, suspected Islamist separatists massacred at least 35 Hindu villagers just ahead of a meeting between Prime Minister Singh and a group of moderate Kashmiri figures. Likewise, as a relatively violence-free 2006 spring season seemed to be approaching, the Valley’s struggling tourist industry was on the brink of recovery, with hotels reporting full bookings for coming months. Yet a series of grenade attacks specifically targeting tourists killed and injured scores of people throughout May and June, and had the result of again devastating what could be a major source of income and development for the region: most hotels were deserted by July.<sup>174</sup>

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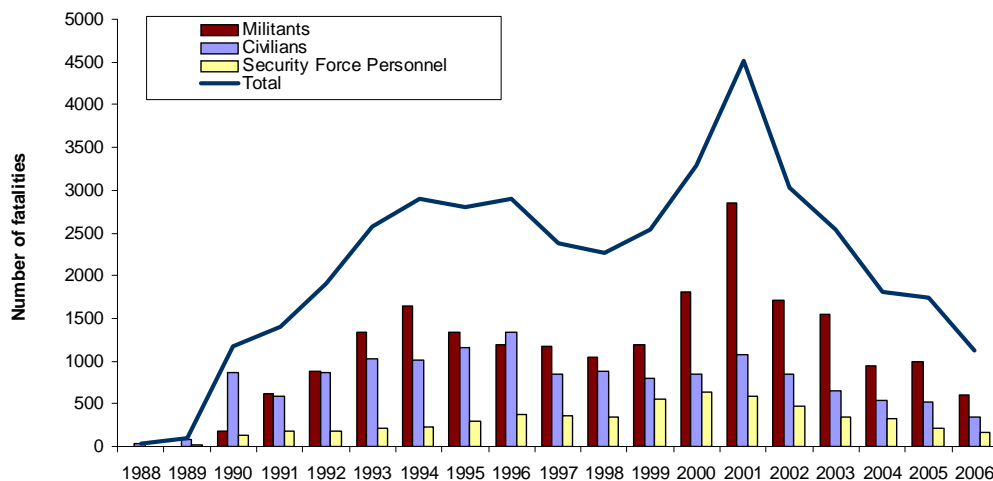
<sup>172</sup> “Kashmiri Separatist Says India Talks Break Down,” *Reuters*, August 30, 2007.

<sup>173</sup> See, for example, Lisa Curtis, “India and Pakistan Poised to Make Progress on Kashmir,” Heritage Backgrounder No. 1997, January 12, 2007, at [<http://www.heritage.org/Research/AsiaandthePacific/bg1997.cfm>].

<sup>174</sup> Author interviews, Srinagar, Kashmir, September 2006.

Despite this ongoing violence, many indicators point to positive long-term trends. The steadily reduced rates of infiltration may be attributed to the endurance of India-Pakistan dialogue and, with a flurry of diplomatic exchanges in late 2006, many analysts saw prospects for a meeting of minds between New Delhi and Islamabad as being better than ever before (determining and incorporating the desires of the Kashmiri people remain highly problematic).<sup>175</sup> In 2006, India's army chief credited much of a 20% drop in levels of violence in the region to the surrender of more and more "disillusioned" militants. At the same time, the state's political leadership has lauded a major decline in reported human rights abuses by security forces, attributing the improvement to policies of restraint launched by the Peoples Democratic Party-Congress Party coalition which took power in late 2002.<sup>176</sup> New Delhi has more recently vowed to pull troops out of Kashmir if militant infiltrations and violence there cease, but to date only nominal troop withdrawals have come in response to a somewhat improved security situation in the region. While those responsible for Kashmir's security remain vigilant and convinced that the Islamabad government "controls the tap" of cross-LOC infiltration, the people of the Muslim-majority Kashmir Valley are widely approving of the "flexibility" exhibited by Pakistan's president and hopeful that such flexibility will be mirrored in New Delhi so as to create a resolution that works for all stakeholders.<sup>177</sup>

**Figure 1. Deaths Related to Kashmiri Separatism, 1988-2006**



**Source:** Adapted by CRS. Data from the Institute for Conflict Management, New Delhi, India.

<sup>175</sup> "Army Chief Confirms Reduced Infiltration in Kashmir," *Hindustan Times* (Delhi), October 7, 2005; "A Step Closer to Consensus," *Frontline* (Chennai), December 15, 2006.

<sup>176</sup> "India's Army Says Tide Turning in Restive Kashmir," *Reuters*, October 1, 2006; "Kashmiri Leader Lauds Drop in Custodial Killings, Disappearances," *Agence France Presse*, October 30, 2006.

<sup>177</sup> Author interviews, Srinagar, Kashmir, September 2006.

## Other Regional Dissidence

The United States maintains an ongoing interest in India's domestic stability and the respect for internationally recognized human rights there. The U.S. Congress has held hearings in which such issues are discussed. As a vast mosaic of ethnicities, languages, cultures, and religions, India can be difficult to govern. Internal instability resulting from diversity is further complicated by colonial legacies such as international borders that separate members of the same ethnic groups, creating flashpoints for regional dissidence and separatism. Beyond the Kashmir problem, separatist insurgents in remote and underdeveloped northeast regions confound New Delhi and create international tensions by operating out of neighboring Bangladesh, Burma, Bhutan, and Nepal. At the same time, Maoist rebels continue to operate in numerous states. India also has suffered outbreaks of serious communal violence between Hindus and Muslims, especially in the western Gujarat state. According to the Indian Home Ministry, there were 4,542 incidents of domestic terrorism in 2006 — down from 4,930 the previous year — costing 2,863 lives, about two-fifths of them civilian.

**The Northeast.** Since the time of India's foundation, numerous militant groups have fought for greater ethnic autonomy, tribal rights, or independence in the country's northeast region. Some of the tribal struggles in the small states known as the Seven Sisters are centuries old. It is estimated that more than 50,000 people have been killed in such fighting since 1948, including about 20,000 killed in a 28-year-old Naga insurgency and another 10,000 deaths in 15 years of fighting in the Assam state. In the small state of Manipur alone there are said to be more than 20 separatist groups fighting the Indian army at a cost of more than 8,000 lives over two decades, and the writ of the central government there is tenuous, at best. As militant groups are seen to benefit from highly profitable criminal activities such as informal taxation, kidnaping, and smuggling, many observers conclude that only more effective economic development and integration of India's northeast will allow for the resolution of myriad ethnic conflicts there.<sup>178</sup>

The United Liberation Front of Assam (ULFA), the National Liberation Front of Tripura, the National Democratic Front of Bodoland (NDFB), and the United National Liberation Front (seeking an independent Manipur) are among the approximately 40 militant groups at war with the central government. These groups reportedly field a total of no more than 20,000 trained cadres. ULFA, like other groups, accuses New Delhi of exploiting their state's resources while doing little to forward development and allowing thousands of non-indigenous people (often Hindi-speakers from Bihar) to flood the local job markets. In April 2005, the U.S. State Department's Counterterrorism Office listed ULFA among its "other groups of concern," the first time an Indian separatist group outside Kashmir was so named.<sup>179</sup>

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<sup>178</sup> "India's Forgotten War," *BBC News*, August 8, 2007; "Militants' Hold Over Manipur Total," *Hindustan Times* (Delhi), September 9, 2007; "Militant Mire - Battling Insurgency in Northeast India," *Jane's Intelligence Review*, February 1, 2008.

<sup>179</sup> See [<http://www.state.gov/s/ct/rls/crt/2005/65275.htm>].

New Delhi has at times blamed Bangladesh, Burma, Nepal, and Bhutan for “sheltering” one or more of these groups beyond the reach of Indian security forces, and New Delhi has launched joint counter-insurgency operations with some of these neighbors. India also has accused Pakistan’s intelligence agency of training and equipping militants. Bhutan launched major military operations against suspected rebel camps on Bhutanese territory in 2003 and appeared to have routed the ULFA and NDFB there. In 2004, five leading separatist groups from the region rejected New Delhi’s offer of unconditional talks, saying negotiation can only take place under U.N. mediation and if the sovereignty issue was on the table. Later, in what seemed a blow to the new Congress-led government’s domestic security policies, a spate of lethal violence in Assam and Nagaland was blamed on ULFA and NDFB militants who had re-established bases in Bhutan. Major Indian army operations in late 2004 may have overrun Manipur separatist bases near the Burmese border, but did not end the insurgency. In early 2007, New Delhi requested further Burmese military action against separatist rebels operating in India’s northeastern states.

New Delhi’s hesitant year-long efforts at negotiation with ULFA rebels and a six-week-old cease-fire in Assam collapsed in October 2006, leading to a spike of lethal violence that included multiple bombings the final months of 2006. Some analysts criticized the central government for allowing the militants to revive their strength during the cease-fire period. By 2007 a full-blown separatist war was again underway in Assam, with ULFA launching bomb and gun attacks that killed scores of civilians (most of them Hindi-speaking migrant workers), threatening and assassinating ruling Congress Party politicians, and warning Hindi-speakers to stay away from the region. In response, New Delhi sent some 13,000 army and paramilitary troops to fan out across the state in what were termed the largest-ever operations against ULFA rebels. Following the rash of violence, Defense Minister Antony said defeating the rebels would require the help of the Bangladesh and Burma governments. In March 2007, Burmese forces reportedly captured a base used by separatist rebels fighting in Nagaland, and India sent an additional 3,000 troops to its border with Bhutan to join 9,000 already there seeking to prevent militants from crossing over. New Delhi refuses further negotiations in the absence of stringent conditions, in particular a mutual acceptance of the Indian Constitution, most of which are rejected by rebel leaders.

**Maoist Insurgency.** Also operating in India are “Naxalites” — Maoist insurgents ostensibly engaged in violent struggle on behalf of landless laborers and tribals. These groups, most active in inland areas of east-central India, claim to be battling oppression and exploitation in order to create a classless society. Their opponents call them terrorists and extortionists. The groups get their name from Naxalbari, a West Bengal village and site of a militant peasant uprising in 1967. In 2006, Prime Minister Singh identified a worsening Maoist insurgency as “the single biggest internal security challenge” ever faced by India, saying it threatened India’s democracy and “way of life.” The U.S. State Department’s *Country Reports on Terrorism 2006* warned that attacks by Maoist terrorists in India “grew in sophistication and lethality” in 2006 and may pose a long-term threat.<sup>180</sup> Some of these groups may be growing poppy and extorting farmers and opium traders to fund

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<sup>180</sup> See [<http://www.state.gov/s/ct/rls/crt/2006/82734.htm>].

their activities. Naxalites now operate in about half of India's 28 states and related violence caused more than 700 deaths in 2006, including nearly 300 civilians.

The most notable of these outfits are the People's War Group (PWG), mainly active in the southern Andhra Pradesh state, and the Maoist Communist Center of West Bengal and Bihar. In 2004, the two groups merged to form the Communist Party of India (Maoist). Both appear on the U.S. State Department Counterterrorism Office's list of "groups of concern" and both are designated as terrorist groups by New Delhi, which claims there are nearly 10,000 Maoist militants active in the country. Other estimates see some 20,000 such fighters in India, including up to 5,000 in the central Chhattisgarh state alone. PWG cadres were behind a 2003 landmine attack that nearly killed the chief minister of Andhra Pradesh. In 2004, that state's government lifted an 11-year-old ban on the PWG, but the Maoists soon withdrew from ensuing peace talks, accusing the state government of breaking a cease-fire agreement. Violent attacks on government forces then escalated in 2005 and continued with even greater frequency in 2006.

The Chhattisgarh state government has since 2005 sponsored a grassroots anti-Maoist effort. This "Salwa Judum" ("Campaign for Peace" or, literally, "collective hunt") militia, comprised of about 5,000 lightly-armed tribal people who are paid about \$1 per day, is viewed by some as an effective countervailing people's movement. Others label it a vigilante group that has engaged in its own coercive and violent tactics against innocent tribals, one that only serves to accentuate the conflict as "a cure that is worse than the disease."<sup>181</sup> Following a March 2007 raid on a Chhattisgarh police camp by up to 600 armed rebels in which 55 people, including 19 policemen, were killed, Maoist leaders threatened further attacks if the Salwa Judum was not dismantled. July 2007 gunbattles in the Chhattisgarh jungles left at least 44 security troops and communist rebels dead.

New Delhi has in the past expressed concern that indigenous Maoists collaborate with Nepali communists that recently ended their war with the Kathmandu government. In June 2007, Maoists called a two-day strike to protest the central government's establishment of Special Economic Zones; the rebels disrupted transportation lines across several Indian states in their first-ever coordinated attack over a wide geographic area. Many analysts warn that Naxalite activity — including swarming attacks on government facilities and coordinated, multi-state economic blockades — is spreading and becoming more audacious in the face of incoherent and insufficient Indian government policies to halt it. Prime Minister has asked India's states to establish specialized, dedicated forces to address Maoist militancy.<sup>182</sup>

**Hindu-Muslim Tensions.** Some elements of India's Hindu majority have at times engaged in violent communal conflict with the country's Muslim minority. In

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<sup>181</sup> Asian Center for Human Rights press release at [<http://www.achrweb.org/press/2007/IND0307.htm>]. See also "Strategy Gone Awry," *Frontline* (Chennai), September 21, 2007.

<sup>182</sup> Ajai Sahni, "The Red Spreads," *Outlook* (Delhi), July 5, 2007; "In Heart of India, a Little-Known Civil War," *Christian Science Monitor*, May 1, 2007; "Manmohan Wants Naxal Forces Crippled," *Hindu* (Chennai), December 20, 2007.

1992, a huge mob of Hindu activists in the western city of Ayodhya demolished a 16<sup>th</sup> century mosque said to have been built at the birth site of the Hindu god Rama. Ensuing communal riots in cities across India left many hundreds dead. Bombay was especially hard hit and was the site of coordinated 1993 terrorist bombings believed to have been a retaliatory strike by Muslims. In 2002, another group of Hindu activists returning by train to the western state of Gujarat after a visit to the Ayodhya site of the now razed Babri Mosque (and a proposed Hindu temple) were attacked by a Muslim mob in the town of Godhra; 58 were killed. Up to 2,000 people died in the fearsome communal rioting that followed, most of them Muslims. The BJP-led state and national governments came under fire for inaction; some observers saw evidence of state government complicity in anti-Muslim attacks.

The U.S. State Department and human rights groups have been critical of New Delhi's largely ineffectual efforts to bring those responsible to justice; some of these criticisms were echoed by the Indian Supreme Court in 2003. In 2005, the State Department made a controversial decision to deny a U.S. visa to Gujarat Chief Minister Narendra Modi under a U.S. law barring entry for foreign government officials found to be complicit in severe violations of religious freedom.<sup>183</sup> The decision was strongly criticized in India. More than five years after the Gujarat riots, international human rights groups express serious concerns about obstacles faced by victims seeking justice, the continuing internal displacement of thousands of families who lack basic necessities, and large numbers of uninvestigated related criminal cases (despite the Indian Supreme Court's 2004 order to reopen nearly 1,600 such cases). A 2006 central government report found deep communal divisions continuing to haunt Gujarat, concretely expressed through ghettoization and religious segregation.<sup>184</sup>

Sporadic communal violence in India is ongoing. Recent examples include three days of rioting that followed the May 2006 demolition of a Muslim shrine in the western Gujarat state. Six people died and dozens of others were injured; more than 1,000 Indian army troops were deployed to quell the violence. In June 2006, clashes between Hindus and Muslims in the Uttar Pradesh state left two children dead and more than 100 homes destroyed by fire. July 2006 saw two policemen and two civilians killed, and at least three dozen people injured, in communal clashes in the western Maharashtra state. In October 2006, 2 people were killed and 86 others injured over several days of communal violence in the southern Kerala state. August 2007 bombings in the city of Hyderabad killed at least 40 people and are suspected to have been triggered by Islamist terrorists seeking to kill Hindus and precipitate further communal violence.

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<sup>183</sup> In November 2007, Human Rights Watch called on the Indian government to launch an investigation of Modi after he made statements apparently endorsing the extrajudicial execution of a terrorism suspect by police (see [<http://hrw.org/english/docs/2007/12/07/india17510.htm>]).

<sup>184</sup> See [<http://web.amnesty.org/library/Index/ENGASA200072007?open&of=ENG-IND>]; "Hindu, Muslim Ghettos Arise in Gujarat," *Christian Science Monitor*, July 5, 2007.



## Human Rights Issues

Many of India's more than one billion citizens suffer from numerous and oftentimes serious human rights abuses. Some analysts are concerned that, as Washington pursues a new "strategic partnership" with New Delhi, U.S. government attention to such abuses has waned. According to the U.S. State Department's *Country Report on Human Rights Practices, 2006*, the Indian government "generally respected the human rights of its citizens; however, numerous serious problems remained." These included extensive societal violence against women; extrajudicial killings, including faked encounter killings; excessive use of force by security forces, arbitrary arrests, and incommunicado detentions in Kashmir and several northeastern states; torture and rape by agents of the government; "harsh, life-threatening" prison conditions and lengthy pretrial detentions without charge; "pervasive" police corruption; forced prostitution; child prostitution and female infanticide; forced child labor; human trafficking; and "ubiquitous" caste-based discrimination and violence, among others. Terrorist attacks and kidnappings also remained grievous problems, especially in Kashmir and the northeastern states. Indian law provides for extensive human rights protections, but enforcement is "lax" and convictions rare.<sup>185</sup>

The 2007 annual report from New York-based Human Rights Watch noted that India has a vibrant press and civil society, but also suffers from a number of chronic human rights problems. It called impunity a "critical issue" involving officials and members of the security services abusing their power and who are "rarely if ever brought to justice for torture, arbitrary detentions and extrajudicial killings ...." Listed among other human rights concerns in India is the alleged "failure to implement policies that protect the rights of children, religious minorities, those living with HIV/AIDS or those belonging to vulnerable communities such as tribal groups, Dalits and other 'backward' castes." London-based Amnesty International's 2007 annual report also claims that perpetrators of human rights violations in India, in particular those related to 2002 communal rioting in Gujarat, continued to enjoy impunity, and it asserts that concerns over protection of economic, social, and cultural rights of already marginalized communities grew in 2006.<sup>186</sup> The State Department itself recognizes impunity as a major human rights problem in India, asserting in its most recent (April 2007) report on *Supporting Human Rights and Democracy* that "A widespread culture of impunity among police and security forces and pervasive corruption continued to be the principal obstacles to improving human rights" there.<sup>187</sup>

The State Department's Bureau of Democracy, Human Rights, and Labor has claimed that India's human right abuses "are generated by a traditionally hierarchical social structure, deeply rooted tensions among the country's many ethnic and religious communities, violent secessionist movements and the authorities' attempts

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<sup>185</sup> See [<http://www.state.gov/g/drl/rls/hrrpt/2006/78871.htm>].

<sup>186</sup> See [<http://hrw.org/englishwr2k7/docs/2007/01/10/global15039.htm>] and [<http://report2007.amnesty.org/eng/Homepage>].

<sup>187</sup> See [<http://www.state.gov/g/drl/rls/shrd/2006/80590.htm>].

to repress them, and deficient police methods and training.”<sup>188</sup> India’s 1958 Armed Forces Special Powers Act, which gives security forces wide leeway to act with impunity in conflict zones, has been called a facilitator of “grave human rights abuses” in several Indian states (in December 2006, Prime Minister Singh said he would seek to amend the controversial Act). In 2007, the problem of “staged encounters” in which police officers kill suspects in faked shootouts came to the fore.<sup>189</sup> India generally denies international human rights groups official access to Kashmir and other sensitive areas.

**Human Trafficking.** The State Department’s latest (June 2007) annual report on trafficking in persons said, “India is a source, destination, and transit country for men, women, and children trafficked for the purposes of forced labor and commercial sexual exploitation. India’s trafficking in persons problem is estimated to be in the millions.” It further stated that New Delhi “does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so” and it placed India on the “Tier 2 Watch List” for the fourth consecutive year “for its failure to show increasing efforts to tackle India’s large and multidimensional problem,” and “the lack of any significant government action to address bonded labor ....”<sup>190</sup> A major U.S. news outlet claimed that some U.S. officials had urged India be placed in the Tier 3 category, which is known as a “blacklist” and can lead to penalties in lieu of swift government action. These officials reportedly were overruled by the Secretary of State, who instead called for a special six-month evaluation of New Delhi’s progress in this area. Upon the report’s release, the head of State’s trafficking office, Ambassador Mark Lagan, said “The Tier 2 Watch List is not supposed to become a parking lot for governments lacking the will or interest to stop exploitation and enslavement on their soil,” and he called India “the world’s largest democracy [with] the world’s largest problem.”<sup>191</sup>

**Religious Freedom.** An officially secular nation, India has a long tradition of religious tolerance (with periodic lapses), which is protected under its constitution. The population includes a Hindu majority of 82% as well as a large Muslim minority of some 150 million (14%). Christians, Sikhs, Buddhists, Jains, and others total less than 4%. Although freedom of religion is protected by the Indian government, human rights groups have noted that India’s religious tolerance is susceptible to attack by religious extremists. In its annual report on international religious freedom released in September 2007, the State Department found “no change in the status of respect for religious freedom” by India’s national government:

[G]overnment policy continued to contribute to the generally free practice of religion; however, problems remained in some areas. Some state governments enacted and amended “anti-conversion” laws and police and enforcement

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<sup>188</sup> *Supporting Human Rights and Democracy: The U.S. Record 2002 -2003*, U.S. Department of State, at [<http://www.state.gov/g/drl/rls/shrd/2002/21760.htm>].

<sup>189</sup> See “Faked Deaths Show Ills of India’s Police,” *Associated Press*, June 7, 2007.

<sup>190</sup> See [<http://www.state.gov/g/tip/rls/tiprpt/2007/82806.htm>].

<sup>191</sup> “India Escapes U.S. List of Worst Human Traffickers,” *CNN.com*, June 13, 2007; “India Left Off Trafficking Blacklist,” *Associated Press*, June 12, 2007.

agencies often did not act swiftly enough to effectively counter societal attacks, including attacks against religious minorities. Despite Government efforts to foster communal harmony, some extremists continued to view ineffective investigation and prosecution of attacks on religious minorities, particularly at the state and local level, as a signal that they could commit such violence with impunity, although numerous cases were in the courts at the end of the reporting period. The National Government, led by the United Progressive Alliance (UPA), continued to implement an inclusive and secular platform that included respect for the right to religious freedom.

The report added that a “Hindutva” — or Hindu nationalist — ideology continued to influence some government policies and actions at the state and local levels over the previous year.<sup>192</sup>

A May 2007 report of the U.S. Commission on International Religious Freedom noted continued improvements since the 2004 election of the Congress-led coalition, but warned that concerns about religious freedom in India remain. These include ongoing attacks against religious minorities, perpetrated mainly by Hindu activists and most often in states with BJP-led governments. The Commission also continued to criticize allegedly insufficient state efforts to pursue justice in cases related to 2002 communal rioting in Gujarat. More than five years after those riots, the victims are said to still face serious challenges and obstacles in securing justice, and a large number of related criminal cases remain uninvestigated and unresolved.<sup>193</sup>

**Caste-Based Discrimination.** The millennia-old Hindu caste system reflects Indian occupational and socially-defined hierarchies. Sanskrit sources refer to four social categories: priests (Brahmin), warriors (Kshatriya), traders (Vayisha) and farmers (Shudra). Tribals and lower castes were long known as “untouchables” — a term now officially banned but still widely used — or Dalits.<sup>194</sup> Although these categories are understood throughout India, they describe reality only in the most general terms. National-level legislation exists to protect India’s lower castes, yet, according to the U.S. State Department, “The Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act lists offenses against disadvantaged persons and prescribes stiff penalties for offenders; however, this act had only a modest effect in curbing abuse and there were very few convictions.”<sup>195</sup> Human Rights Watch sits on the U.N. Committee on the Elimination of Racial Discrimination and in February 2007 criticized India’s “hidden apartheid”: the systematic abuses against low-caste Dalits and an “alarming” extent of sexual violence against Dalit women. That U.N. committee itself issued a March 2007 report which criticized the “frequent failure” of Indian law enforcement agencies to protect the country’s 165 million Dalits and

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<sup>192</sup> See [<http://www.state.gov/g/drl/rls/irf/2007/90228.htm>].

<sup>193</sup> See [<http://www.uscirf.gov/countries/publications/currentreport/index.html>] and [<http://web.amnesty.org/library/print/ENGASA200072007>].

<sup>194</sup> See [<http://www.state.gov/r/pa/ei/bgn/3454.htm>].

<sup>195</sup> See [<http://www.state.gov/g/drl/rls/hrrpt/2006/78871.htm>].

other lower-caste Indians from “de facto segregation.”<sup>196</sup> In July 2007, **H.Con.Res. 139**, expressing the sense of Congress that the United States should address the ongoing problem of untouchability in India, was passed by the full House.

## **HIV/AIDS**<sup>197</sup>

The United Nations has estimated that 5.7 million Indians are infected with HIV/AIDS, giving India the largest such population worldwide (India overtook South Africa in this category in 2006). However, a July 2007 U.N.-backed study found that India’s infected population was about 2.5 million.<sup>198</sup> Due to the country’s large population, prevalence rates among adults remain below 1%. India’s AIDS epidemic has become generalized in four states in the country’s south (Andhra Pradesh, Tamil Nadu, Karnataka, and Maharashtra) and two in the northeast (Manipur and Nagaland). According to USAID, these six states account for 80% of the country’s reported AIDS cases.<sup>199</sup> India first launched its AIDS control program in 1992; New Delhi boosted related funding to about \$120 million in the most recent fiscal year and in July 2007 launched a new \$2.8-billion National AIDS Control Program that will expand free treatment for HIV-positive persons, as well as boost the number of awareness and prevention campaigns. Stigma, gender inequalities, and discrimination present major obstacles to controlling India’s HIV/AIDS epidemic. In the country’s traditional society, open discussion of sexuality and risk of infection is rare, making education and awareness difficult: one recent Indian government survey found that nearly half of Indian women had not even heard of the disease. Analysts opine that substantially greater resources are needed to address HIV/AIDS in India than are currently available.<sup>200</sup>

As part of its foreign assistance program in India, the U.S. government supports integrated HIV/AIDS prevention, treatment, and support services in high prevalence states. India received more than \$16 million in direct U.S. assistance for such programs in FY2006 and the Administration has requested another \$23.5 million for FY2008. Additional resources are provided through the President’s Plan for AIDS Relief (PEPFAR). In January 2007, **H.R. 175**, to provide assistance to combat HIV/AIDS in India, and for other purposes, was introduced in the House.

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<sup>196</sup> See [<http://hrw.org/englishwr2k7/docs/2007/01/11/india14868.htm>] and [<http://www.hrw.org/reports/2007/india0207>].

<sup>197</sup> See also CRS Report RL33485, *U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008*.

<sup>198</sup> “India’s HIV Cases Highly Overestimated, Survey Shows,” *Reuters*, July 6, 2007.

<sup>199</sup> See [[http://www.usaid.gov/our\\_work/global\\_health/aids/Countries/ane/india\\_05.pdf](http://www.usaid.gov/our_work/global_health/aids/Countries/ane/india_05.pdf)].

<sup>200</sup> See, for example, Prमित Mitra and Teresita Schaffer, “Public Health and International Security: The Case of India,” July 2006, at [[http://www.csis.org/media/csis/pubs/060731\\_aids\\_india.pdf](http://www.csis.org/media/csis/pubs/060731_aids_india.pdf)].

## U.S. Assistance

A total of more than \$15 billion in direct U.S. aid went to India from 1947 through 2006, nearly all of it in the form of economic grants and loans, more than half as food aid. In February 2007, in response to several years of rapid Indian economic expansion and New Delhi's new status as a donor government, the State Department announced a 35% reduction in assistance programs for India. The bulk of the cuts are to come from development assistance and food aid programs.

**Economic.** According to the U.S. Agency for International Development (USAID), India has more people living in abject poverty (some 385 million) than do Latin America and Africa combined. USAID programs in India, budgeted at about \$64 million in FY2007, concentrate on five areas: (1) *economic growth* (increased transparency and efficiency in the mobilization and allocation of resources); (2) *health* (improved overall health with a greater integration of food assistance, reproductive services, and the prevention of HIV/AIDS and other infectious diseases); (3) *disaster management*; (4) *energy and environment* (improved access to clean energy and water; reduction of public subsidies through improved cost recovery); and (5) *opportunity and equity* (improved access to elementary education, and justice and other social and economic services for vulnerable groups, especially women and children).<sup>201</sup>

**Security.** The United States has provided about \$162 million in military assistance to India since 1947, more than 90% of this distributed from 1962-1966. In recent years, modest security-related assistance has emphasized export control enhancements and military training. Early Bush Administration requests for Foreign Military Financing were later withdrawn, with the two countries agreeing to pursue commercial sales programs. The Pentagon reports military sales agreements with India worth \$336 million in FY2002-FY2006.

## Selected Relevant Legislation in the 110<sup>th</sup> Congress

- **H.Res 928**, expressing the sense of the House that the United States should initiate negotiations to enter into a free trade agreement with India, was referred to House committee in January 2008.
- **The Clean Energy Act of 2007** became P.L. 110-140 in December 2007. The bill contains provisions for expanding efforts to promote U.S. exports in clean and efficient energy technologies to India and China.
- **H.Res. 711**, expressing the sense of the House concerning the U.S.-India nuclear cooperation agreement, was referred to House committee in October 2007.
- **H.R. 3730**, to establish a U.S.-India interparliamentary exchange group, was referred to House committee in October 2007.
- **S.Res. 339**, expressing the sense of the Senate on the situation in Burma, was passed by the full Senate in October 2007.

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<sup>201</sup> See USAID India at [<http://www.usaid.gov/in>].

- **H.Res. 638**, expressing the sense of the House that the U.N. Charter should be amended to establish India as a permanent member of the U.N. Security Council, was referred to House committee in September 2007.
- **H.Con.Res. 139**, expressing the sense of Congress that the United States should address the ongoing problem of untouchability in India, was passed by the full House and referred to Senate committee in July 2007.
- **S.Con.Res. 38**, calling for the safeguarding of the physical, political, and economic security of the Kashmiri pandits, was referred to Senate committee in June 2007 (a House version, **H.Con.Res. 55**, was referred to House subcommittee in April).
- **H.R. 1186**, to promote global energy security through increased U.S.-India cooperation, was referred to House committee in February 2007.
- **H.R. 175**, to provide assistance to combat HIV/AIDS in India, and for other purposes, was referred to House committee in January 2007.

**Table 1. Direct U.S. Assistance to India, FY2000-FY2008**  
(in millions of dollars)

Program or Account	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 (est.)	FY 2008 (req.)
CSH	22.8	24.6	41.7	47.4	47.8	53.2	52.8	53.4	62.2
DA	28.7	28.8	29.2	34.5	22.5	24.9	19.7	10.8	0.9
ESF	—	5.0	7.0	10.5	14.9	14.9	5.0	4.9	—
IMET	0.5	0.5	1.0	1.0	1.4	1.5	1.3	1.4	1.3
INCLE	—	—	—	—	—	—	—	—	0.4
NADR	0.3	0.9	0.9	1.0	0.7	4.2	2.7	1.1	2.7
<b>Subtotal</b>	<b>52.3</b>	<b>59.8</b>	<b>79.8</b>	<b>94.4</b>	<b>106.2</b>	<b>98.7</b>	<b>81.5</b>	<b>71.6</b>	<b>67.5</b>
Food Aid <sup>a</sup>	81.7	50.4	77.5	35.7	30.8	26.1	30.7	31.0	13.5
<b>Total</b>	<b>134.0</b>	<b>110.2</b>	<b>157.3</b>	<b>130.1</b>	<b>137.0</b>	<b>124.8</b>	<b>112.2</b>	<b>102.6</b>	<b>81.0</b>

**Sources:** U.S. Departments of State and Agriculture; U.S. Agency for International Development. FY2007 amounts are estimates; FY2008 amounts are requested. Columns may not add up due to rounding.

**Abbreviations:**

CSH: Child Survival and Health  
 DA: Development Assistance  
 ESF: Economic Support Fund  
 IMET: International Military Education and Training  
 INCLE: International Narcotics Control and Law Enforcement  
 NADR: Nonproliferation, Anti-Terrorism, Demining, and Related (mainly export control assistance, but includes anti-terrorism assistance for FY2007)

a. P.L. 480 Title II (grants), Section 416(b) of the Agricultural Act of 1949, as amended (surplus donations), and Food for Progress. Food aid totals do not include freight costs.

Figure 2. Map of India



Source: Map Resources. Adapted by CRS. (2/2007)