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SUMMARY

The end of the Cold War freed India-U.S. relations from the constraints of global bipolarity, but interactions continued for a decade to be affected by the burden of history, most notably the longstanding India-Pakistan rivalry and nuclear weapons proliferation in the region. Recent years, however, have witnessed a sea change in bilateral relations, with more positive interactions becoming the norm. India's swift offer of full support for U.S.-led counterterrorism operations after September 2001 was widely viewed as reflective of such change. Today, the Bush Administration vows to "help India become a major world power in the 21st century."

In July 2005, President Bush and Indian Prime Minister Singh issued a Joint Statement resolving to establish a U.S.-India "global partnership." In recent years, the United States and India have engaged in numerous and unprecedented joint military exercises. Discussions of possible sales to India of major U.S.-built weapons systems are ongoing. Plans to expand high-technology trade and civilian space and civilian nuclear cooperation, as well as to expand dialogue on missile defense, have become key bilateral issues in recent years. The Bush Administration has dubbed India "a responsible state with advanced nuclear technology" and seeks to achieve "full civilian nuclear energy cooperation with India." Such proposed cooperation is controversial and would require changes in both U.S. law and international guidelines.

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 May 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.

Continuing U.S. interest in South Asia focuses on ongoing tensions between India and Pakistan, a problem rooted in unfinished business from the 1947 Partition and competing claims to the Kashmir region. The United States strongly encourages maintenance of a cease-fire in Kashmir and continued, substantive dialogue between India and Pakistan.

The United States remains concerned with human rights issues related to regional dissidence and separatism in several Indian states. Strife in these areas has killed tens of thousands of civilians, militants, and security forces over the past two decades. Hindu-Muslim tensions have been another matter of concern. Many in Congress, as well as in the State Department and international human rights groups, have criticized India for perceived human rights abuses in these areas.

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 steps in this direction, with coalition governments keeping the country on a general path of reform. However, there is U.S. concern that movement remains slow and inconsistent. See also CRS Report RL33072, *U.S.-India Bilateral Agreements in 2005*; CRS Report RL32259, *Terrorism in South Asia*; and CRS Report RS21502, *India-U.S. Economic Relations*.

MOST RECENT DEVELOPMENTS

In July 2005, President Bush vowed to achieve “full civilian nuclear energy cooperation with India.” Such proposed cooperation is controversial and would require changes in both U.S. law and international guidelines. Ensuing congressional hearings have seen Administration officials present their case, expert witnesses discuss potential problems, and Members raise questions about the wisdom and details of Administration plans. In December, H.Con.Res. 318, expressing concern regarding nuclear proliferation with respect to proposed full civilian nuclear cooperation with India, was introduced in the House. Close U.S.-India diplomatic interactions continue apace: in late 2005, U.S. Trade Representative Portman met with Commerce Minister Nath in New Delhi for the inaugural session of the U.S.-India Trade Policy Forum; U.S. Secretary of Defense Rumsfeld met with Defense Secretary Dutt in Washington for the seventh session of the U.S.-India Defense Policy Group; Under Secretary of Commerce McCormick traveled to New Delhi for the fourth meeting of the U.S.-India High-Technology Cooperation Group; and Indian Foreign Secretary Saran met with top U.S. officials in Washington. In February, Under Secretary of State for Global Affairs Dobriansky led the U.S. delegation for a fourth meeting of the U.S.-India Global Issues Forum in New Delhi. President Bush is slated to travel to India in March in what would be the first such visit by a U.S. president in six years. (See CRS Report RL33072, *U.S.-India Bilateral Agreements in 2005*, and CRS Report RL33016, *U.S. Nuclear Cooperation With India*.)

Under Secretary of State Burns met with top Indian officials in New Delhi January 19-20, where the proposed nuclear deal and India’s position on Iran’s controversial nuclear program were leading topics of discussion. Secretary Burns called negotiations toward establishing bilateral nuclear power cooperation “quite challenging” and “quite complex,” but expressed confidence that an agreement would be reached. A diplomatic stir came on January 25, when U.S. Ambassador to India Mulford explicitly linked progress on the proposed nuclear deal with India’s upcoming IAEA vote on Iran, saying if India chose not to vote with the United States, he believed the U.S.-India initiative “will die in the Congress.” A State Department spokesman called the Ambassador’s comments a “personal opinion” and denied that the issues were linked. India’s External Affairs Ministry responded that India “categorically rejects” any attempts to link the two issues, and opposition and leftist Indian political criticized the remarks as “a serious affront to India and its sovereignty.” On February 4, India voted with the majority (and the United States) on an IAEA resolution to refer Iran to the U.N. Security Council. New Delhi called the resolution “well-balanced” and insisted that its vote should not be interpreted as detracting from India’s traditionally close relations with Iran. The United States later expressed being pleased with India’s vote.

A two-year-old India-Pakistan peace initiative continued with a third round of “composite dialogue” talks January 17-18. Officials from both countries offered a positive assessment of the ongoing dialogue and arrangements for new cross-border transit services have been made, but Indian Foreign Secretary Saran also asserted that the peace process is hamstrung as Pakistan had not taken sufficient steps to end “cross-border terrorism” in India (and lethal separatist-related violence in India’s Jammu and Kashmir state continues). Other bilateral frictions arose with India’s December expression of concern over Pakistan’s “heavy

military action” in Baluchistan. Islamabad sternly rejected India’s comments and Pakistani President Musharraf later accused India of arming and financing militants in that region.

On January 19, Career Foreign Service officer Richard Boucher was nominated to be Assistant Secretary of State for South Asian Affairs. On January 27, India and Saudi Arabia agreed to develop a “strategic energy partnership.” On January 29, Prime Minister Singh replaced Oil Minister Aiyar with Murli Deora, who is considered to be pro-reform and pro-U.S. On February 3, the Indian Navy declined an offer to lease two U.S. P-3C maritime reconnaissance aircraft, calling the arrangements “expensive and time-consuming.” For more information, see CRS Report RS21589, *India: Chronology of Recent Events*.

BACKGROUND AND ANALYSIS

Context of the U.S.-India Relationship

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. The offer reflected the sea change that has occurred in recent years in the U.S.-India relationship, which for decades was mired in the politics of the Cold War and India’s friendly relations with the Soviet Union. A marked improvement of relations began in the latter months of the Clinton Administration — President Clinton spent six days in India in March 2000 — and was accelerated after a November 2001 meeting between President Bush and Indian Prime Minister Atal Bihari Vajpayee, when the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues, including counterterrorism, regional security, space and scientific collaboration, civilian nuclear safety, and broadened economic ties. Notable progress has come in the area of security cooperation, with an increasing focus on counterterrorism, joint military exercises, and arms sales. In December 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. A U.S.-India Joint Working Group on Counterterrorism meets regularly.

INDIA IN BRIEF

Population: 1,080 million; *growth rate:* 1.4% (2005 est.)

Area: 3,287,590 sq. km. (slightly more than one-third the size of the United States)

Capital: New Delhi

Ethnic Groups: Indo-Aryan 72%; Dravidian 25%; other 3%

Languages: 15 official, 13 of which are the primary tongue of at least 10 million people; Hindi is primary tongue of about 30%; English widely used

Religions: Hindu 81%; Muslim 13%; Christian 2%; Sikh 2% (2001)

Life Expectancy at Birth: female 65.2 years; male 63.6 years (2005 est.)

Literacy: female 48%; male 70% (2003 est.)

Gross Domestic Product (at PPP): \$3.75 trillion; *per capita:* \$3,420; *growth rate* 7.5% (2005 est.)

Inflation: 4.2% (2005 est.)

Military Expenditures: \$18.9 billion (2.9% of GDP; 2005)

U.S. Trade: exports to U.S. \$18.8 billion; imports from U.S. \$7.9 billion (2005 est.)

Sources: CIA World Factbook; U.S. Commerce Department; Economist Intelligence Unit

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 human rights, health, 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 sweeping 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. A 1994 visit to the United States by Indian Prime Minister Narasimha Rao marked the onset of improved U.S.-India relations. Although discussions were held on nuclear nonproliferation, human rights, and other issues, the main focus of the visit was rapidly expanding U.S.-India economic relations. Throughout the 1990s, however, regional rivalries, separatist tendencies, and sectarian tensions continued to divert India’s attention and resources from economic and social development. Fallout from these unresolved problems — particularly nuclear proliferation and human rights issues — presented serious irritants in bilateral relations.

President Clinton’s 2000 visit to South Asia seemed a major U.S. initiative to improve cooperation with India. During his subsequent visit to the United States later in 2000, Prime Minister Vajpayee addressed a joint session of Congress and was received for a state dinner at the White House, where he and President Clinton issued a joint statement agreeing to cooperate on arms control, terrorism, and HIV/AIDS. Vajpayee returned to Washington in November 2001 and during the Bush Administration high-level visits have continued at a greatly accelerated pace. Prime Minister Singh paid a July 2005 visit to Washington where a significant joint U.S.-India statement was issued, and President Bush is slated to visit India in March 2006. Today, the Bush Administration vows to “help India become a major world power in the 21st 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 (see also CRS Report RL33072, *U.S.-India Bilateral Agreements in 2005*).

Regional Rivalries

Pakistan. Three wars — in 1947-48, 1965, and 1971 — and a constant state of military preparedness on both sides of the border have marked nearly six decades of bitter rivalry between India and Pakistan. The bloody and acrimonious nature of the partition of British India in 1947 and continuing in Kashmir remain major sources of interstate tension and violence. 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 nuclear weapons capabilities of the two countries became overt in May 1998, magnifying greatly the potential dangers of a fourth India-Pakistan war. Although a bilateral peace process has been underway for more than two 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. India blames Pakistan for supporting “cross-border terrorism” and a separatist rebellion in the Muslim-majority Kashmir Valley

that has claimed as many as 90,000 lives since 1989. Pakistan admits only to lending moral and political support to what it calls “freedom fighters” operating mostly in and near the valley region around the city of Srinagar. 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. 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 city of Agra had failed to produce any movement toward a settlement of the bilateral dispute).

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 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 (as of this writing, a formal cease-fire agreement continues). 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 PM, Manmohan Singh, met with 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 (“Track II diplomacy”) 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.

China. India and China account for one-third of the world’s population and are seen to be rising 21st 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. The clash ended a previously friendly relationship between the two leaders of the Cold War “nonaligned movement.” Although Sino-Indian relations have warmed considerably in recent years, the two countries have yet to reach a final boundary agreement. Adding to New Delhi’s sense of insecurity have been suspicions regarding China’s long-term nuclear weapons capabilities and strategic intentions in 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 and ballistic missile programs. Beijing’s military and economic support for Pakistan — support that is widely believed 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 also has taken 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.

Despite still unresolved issues, high-level exchanges between New Delhi and Beijing regularly include statements from both sides that there exists no fundamental conflict of interest between the two countries. During a landmark visit to China in 1993, Prime Minister 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. Periodic working group meetings aimed at reaching a final settlement continue. A June 2003 visit to Beijing by Prime Minister Vajpayee was viewed as marking a period of much improved relations. Military-to-military contacts have included modest, but unprecedented joint naval and army exercises. In December 2004, India's army chief visited Beijing to discuss deepening bilateral defense cooperation, and a first-ever India-China strategic dialogue was held in New Delhi in January 2005. In April 2005, Chinese Prime Minister Wen Jiabao visited New Delhi where India and China agreed to launch a "strategic partnership" that will include broadened defense links and efforts to expand economic relations. In a move that eased border frictions, 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 January 2006, the two countries agreed to cooperate in securing overseas oil resources, and Sino-India trade relations are blossoming, with bilateral commerce worth about \$13 billion in 2004, more than five times the 1999 value. In fact, China may soon supplant the United States as India's largest trading partner.

Political Setting

National Elections. India, with a robust and working democratic system, 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). As a nation-state, India presents a vast mosaic of hundreds of different ethnic groups, religious sects, and social castes. 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. 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 May 2004 national 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. (See CRS Report RL32465, *India's 2004 National Elections*.)

The Congress Party. With only 110 parliamentary seats after 1999, Congress was at its lowest national representation ever. Observers attributed the party's poor showing to a number of factors, including perceptions that party leader Sonia Gandhi lacked the experience to lead the country and the failure of Congress to make strong pre-election alliances (as had the BJP). Support for Congress 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 widow, refused to be drawn into active politics until the 1998 elections. She later made efforts to revitalize the organization 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. As party chief, Sonia Gandhi is believed to wield considerable influence over the ruling coalition's policy decision-making process.

The Bharatiya Janata Party (BJP). Riding a crest of rising Hindu nationalism, the BJP rapidly increased its parliamentary strength after 1984. In 1993, the party's image was tarnished among some, burnished for others, by its alleged complicity in outbreaks of serious communal violence in Bombay and elsewhere. Some hold elements of the BJP, as the political arm of the extremist Hindu nationalist Rashtriya Swayamsevak Sangh (RSS, or National Volunteer Force), 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. A fragile BJP-led National Democratic Alliance (NDA) coalition was overseen by party notable Prime Minister Atal Vajpayee, whose widespread personal popularity helped to keep the BJP in power. Favored by upper-caste Indians, the party continued to be looked upon with suspicion by lower castes, India's 145 million Muslims, and non-Hindi-speaking Hindus in southern India, who together comprise a majority of India's voters. In 2005, leadership disputes, criticism from Hindu nationalists, and controversy involving party president Lal Advani weakened the BJP. In December 2005, Advani ceded his leadership post and Vajpayee announced his retirement from politics.

India-U.S. Relations and Bilateral Issues

"Next Steps in Strategic Partnership" and Beyond

The now-concluded Next Steps in Strategic Partnership (NSSP) initiative encompassed several major issues in India-U.S. relations. Since 2001, the Indian government has pressed the United States to ease restrictions on the export to India of dual-use high-technology goods, 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 stated 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 indicating that the U.S.-India "strategic partnership" included expanding cooperation in the "trinity" areas, as well as expanding dialogue on missile defense. This initiative was dubbed as the NSSP and involved a series of reciprocal steps on expanded engagement in the "quartet" areas. In July 2005, the State Department announced a "milestone" in the U.S.-

India strategic relationship: successful completion of the NSSP, allowing for expanded bilateral commercial satellite cooperation, removal of U.S. export license requirements for unilaterally controlled nuclear items to most end users, and the revision of U.S. export license requirements for certain items used in safeguarded civil nuclear power facilities. Taken together, the July 2005 U.S.-India Joint Statement and the June 2005 U.S.-India Defense Framework Agreement include provisions for moving forward in all four NSSP issue-areas. (See also CRS Report RL33072, *U.S.-India Bilateral Agreements in 2005*.)

Many nongovernmental U.S. experts insist that, while India is not regarded as a proliferator of sensitive technologies, U.S. obligations under existing law may limit significantly the scope of post-NSSP engagement, and some Indian analysts feared that the NSSP would become moribund due to U.S. “bureaucratic obstacles.” Despite these considerations, many observers saw in the NSSP evidence of a major and positive shift in the U.S. strategic orientation toward India. Notably, the July 2005 U.S.-India Joint Statement 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.” Such proposed cooperation is controversial and would require changes in both U.S. law and in the guidelines of the Nuclear Suppliers Group, a multilateral export control regime. 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 have expressed concern that civil nuclear and civil space cooperation with India might allow that country to advance its military nuclear and/or missile projects and be harmful to broader U.S. nonproliferation efforts. While the Bush Administration previously had insisted that such future cooperation with India would take place only within the limits set by multilateral nonproliferation regimes, the President now seeks “agreement from Congress to adjust U.S. laws and policies, and ... will work with friends and allies to adjust international regimes to enable full civil nuclear energy cooperation and trade with India.” Relevant and required legislation may come before the Congress in 2006. (See also CRS Report RL33016, *U.S. Nuclear Cooperation With India*.)

Commerce Department officials have sought to dispel “trade-detering myths” about limits on dual-use trade by noting that only a very small percentage of total U.S. trade with India is subject to licensing requirements and that the great majority of dual-use licensing applications for India are approved. July 2003 saw the inaugural session of the U.S.-India High-Technology Cooperation Group (HTCG), where officials discussed a wide range of issues relevant to creating the conditions for more robust bilateral high technology commerce, including market access, tariff and non-tariff barriers, and export controls (the fourth HTCG meeting was held in New Delhi in November 2005). In February 2005, the inaugural session of the U.S.-India High-Technology Defense Working Group was held under HTCG auspices.

In 2003, the Chairman of the U.S. Nuclear Regulatory Commission (NRC) visited India for the first time in more than five years, reportedly to discuss issues of safety and emergency operating procedures for India’s civilian nuclear program. Other NRC delegations have since held further technical discussions and made visits to selected Indian nuclear facilities. Conferences on India-U.S. space science and commerce were held in Bangalore in 2004 and 2005. 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 companies remaining on the Entity List are four subordinates of the ISRO, four subordinates of the Defense Research and Development Organization, one Department of Atomic Energy entity, and Bharat Dynamics Limited, a missile production agency.

Security Issues

Nuclear Weapons and Missile Proliferation. Many 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 Arms Export Control Act. 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. 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. In August 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 January 2003, New Delhi announced creation of a Nuclear Command Authority. After the body’s first session in September 2003, participants vowed to “consolidate India’s nuclear deterrent.” As such, India appears to be taking the next steps toward operationalizing its nuclear weapons capability. (See also CRS Report RL32115, *Missile Proliferation and the Strategic Balance in South Asia*, and CRS Report RS21237, *Indian and Pakistani Nuclear Weapons*.)

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.¹ 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 and/or missile race, and promote Indo-Pakistani bilateral dialogue. In light of these goals,

¹ 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 the October 1999 coup). (See CRS Report RS20995, *India and Pakistan: U.S. Economic Sanctions*.)

the Clinton Administration set forward five key “benchmarks” for India and Pakistan based on the contents of U.N. Security Council Resolution 1172 (June 1998) which condemned the two countries’ nuclear tests. These were: 1) signing and ratifying the Comprehensive Nuclear Test Ban Treaty (CTBT); 2) halting all further production of fissile material and participating in Fissile Material Cutoff Treaty negotiations; 3) limiting development and deployment of WMD delivery vehicles; 4) implementing strict export controls on sensitive WMD materials and technologies; and 5) establishing bilateral dialogue between India and Pakistan to resolve their mutual differences.

Progress in each of these areas has been limited, and the Bush Administration makes no reference to the benchmark framework. Aside from security concerns, the governments of both India and Pakistan are faced with the prestige factor attached to their nuclear programs and the domestic unpopularity of relinquishing what are 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. Early optimism in the area of export controls waned and then vanished in February 2004 when it became clear that Pakistanis were involved in the export of WMD materials and technologies. In September 2004, two Indian scientists were sanctioned for providing WMD-related equipment or technologies to Iran. Section 1601 of P.L. 107-228 outlined U.S. nonproliferation objectives for South Asia. Among concerns voiced by some Members of Congress was that there continue to be “contradictions” in U.S. nonproliferation policy toward South Asia, particularly as related to the Senate’s rejection of the CTBT.

U.S.-India Security Cooperation. Security 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. 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; U.S. diplomats call military cooperation among the most important aspects of transformed bilateral relations. 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 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 laud increased U.S.-India security ties as providing an alleged “counterbalance” to growing Chinese influence in Asia.

Since early 2002, the United States and India have held numerous and unprecedented joint exercises involving all military branches. Advanced air combat exercises provided the U.S. military with its first look at the Russian-built Su-30MKI; 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 November 2005. U.S. and

Indian special forces soldiers have held joint exercises near the India-China border, and the major, annual “Malabar” joint naval exercises are held off the Indian coast. Despite these developments, there remain indications that the perceptions and expectations of top U.S. and Indian military leaders are divergent on several key issues, including India’s role in the Persian Gulf and Central Asia, approaches to countering terrorism, and a potential U.S. role in resolving the India-Pakistan dispute. Moreover, the existence of a nonproliferation constituency in the United States is seen as a further hindrance to more fully developed military-to-military relations.

Along with increasing military-to-military ties, the issue of U.S. arms sales to India has taken a higher profile. In 2002, the Pentagon negotiated a sale to India 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 July 2004, Congress was notified of a possible sale to India involving up to \$40 million worth of aircraft self-protection systems to be mounted on the Boeing 737s that carry the Indian head of state. 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. 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 F-16 fighters. 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 multi-role 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.” 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 (in February 2006, the Indian Navy declined an offer to lease two U.S. P-3C maritime reconnaissance aircraft, calling the arrangements “expensive and time-consuming”).

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 are seen to support the sale as meshing with President Bush’s policy of cooperating with friendly countries on missile defense, State Department officials are reported to oppose the transfer, believing that it would send the wrong signal to other weapons-exporting states at a time when the U.S. is seeking to discourage international weapons proliferation. 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 have caused disquiet in Pakistan, where there is concern that the developments could lead to induction of advanced weapons systems into the region and destabilize strategic balance there. Islamabad is concerned 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 what may be 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. (For further discussion, see CRS Report RL33072, *U.S.-India Bilateral Agreements in 2005*, and CRS Report RS22148, *Combat Aircraft Sales to South Asia: Potential Implications*.)

The Kashmir Issue. Although India suffers from several militant regional separatist movements, the Kashmir issue has proven the most lethal and intractable. 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 Jammu and Kashmir and Pakistan-controlled Azad [Free] Kashmir. India and Pakistan fought full-scale wars over Kashmir in 1947 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 has claimed perhaps 66,000 lives. India blames Pakistan for fanning the rebellion, as well as supplying 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 Muslim-majority region. New Delhi insists that the dispute should not be "internationalized" through involvement by third-party mediators and India is widely believed to be satisfied with the territorial status quo. In 1999, a bloody, six-week-long battle 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. (See also CRS Report RL32259, *Terrorism in South Asia*.)

India-Iran Relations. India's relations with Iran traditionally have been positive, and, in 2003, the two countries launched a bilateral "strategic partnership." Many in the U.S. Congress have voiced concern that New Delhi's policies toward Tehran's controversial nuclear program may not be congruent with those of Washington and that Indian plans to seek energy resources from Iran may benefit a country the United States is seeking to isolate. In both 2004 and 2005, the United States sanctioned Indian scientists and chemical companies for transferring to Iran WMD-related equipment and/or technology, although New Delhi has called the moves unjustified. Moreover, Indian firms have in recent years taken long-term contracts for purchase of Iranian gas and oil. Building upon such growing energy ties is the proposed construction of a pipeline to deliver Iranian natural gas to India through Pakistan. The Bush Administration has expressed strong opposition to any gas pipeline projects involving Iran, but India insists that the pipeline project is in its own national interest and it remains "fully committed" to the venture, which may begin construction in 2007.

Regional Dissidence and Human Rights

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. 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. Maoist rebels continue to operate in eastern states. India also has suffered outbreaks of serious communal violence between Hindus and Muslims, especially in the western Gujarat state. (See also CRS Report RL32259, *Terrorism in South Asia*.)

The Northeast. Since the time of India's foundation, numerous separatist groups have fought for ethnic autonomy 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 25,000 people have been killed in such fighting since 1948, including some 2,000 in 2004. 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 groups at war with the central government. In April 2005, the U.S. State Department named ULFA in its list of "other selected terrorists organizations," the first time an Indian separatist group outside Kashmir was so named. 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 India reportedly has launched joint counter-insurgency operations with some of its 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 December 2003 and appeared to have routed the ULFA and NDFB. In April 2004, five leading separatist groups from the region rejected PM Vajpayee's offer of unconditional talks, saying talks 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, an October 2004 spate of bombings and shootings in Assam and Nagaland killed 73 and were blamed on ULFA and NDFB militants who may have re-established their bases in Bhutan. Major Indian army operations in November 2004 may have overrun numerous Manipur separatist bases near the Burmese border.

"Naxalites". Also operating in India are Naxalites — communist 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. Related violence caused some 1,300 deaths in 2004. Most notable 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 September 2004, the two groups merged to form the Communist Party of India - Maoist. Both appear on the U.S. State Department's list of "other selected terrorist organizations" and both are designated as terrorist groups by New Delhi, which claims there are about 9,300 Maoist rebels in the country. PWG fighters were behind an October 2003 landmine attack that nearly killed the chief minister of Andhra Pradesh. In July 2004, the Andhra Pradesh government lifted an 11-year-old ban on the PWG, but the Maoists withdrew from ensuing peace talks six months later, accusing the state government of breaking a cease-fire agreement. Violent attacks on government forces then escalated in 2005. New Delhi has expressed concerns that indigenous Maoists are increasing their links with Nepali communist rebels at war with the Kathmandu government. Some analysts fear that Naxalite activity is spreading and increasing in the face of incoherent and insufficient Indian government policies to halt it.

Gujarat. In February 2002, a group of Hindu activists returning by train to the western state of Gujarat from the city of Ayodhya — site of the razed 16th-century Babri Mosque and

a proposed Hindu temple — were attacked by a Muslim mob in the town of Godhra; 58 were killed. In the communal rioting that followed, up to 2,000 people died, most of them Muslims. The BJP-led state and national governments came under fire for inaction; some observers even 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 apparently ineffectual efforts to bring those responsible to justice; some of these criticisms were echoed by the Indian Supreme Court in September 2003. In March 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. The decision was strongly criticized in India.

Human Rights. According to the U.S. State Department's *India: Country Report on Human Rights Practices, 2004*, 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; poor prison conditions and lengthy pretrial detentions without charge; forced prostitution; child prostitution and female infanticide; human trafficking; and caste-based discrimination and violence, among others. Terrorist attacks and kidnappings also remained grievous problems, especially in Kashmir and the northeastern states. All of these same "serious problems" were noted in the previous year's report as well. New York-based Human Rights Watch's latest annual report noted "important positive steps" by the Indian government in 2005 with respect to human rights, but also reviewed the persistence of problems such as abuses by security forces and a failure to contain violent religious extremism.

The State Department claims 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 to repress them, and deficient police methods and training." Indian and international human rights groups have been critical of India's record on these issues. The March 2002 enactment of a new Prevention of Terrorism Act came under fire as providing the government a powerful tool with which to arbitrarily target minorities and political opponents (the law was repealed by the new Congress-led government in September 2004). The 1958 Armed Forces Special Powers Act has been called a facilitator of "grave human rights abuses" in Jammu and Kashmir and the northeastern states. In general, India has denied international human rights groups official access to Kashmir, Punjab, and other sensitive areas. The State Department's 2004-2005 report on *Supporting Human Rights and Democracy* called India "a vibrant democracy with strong constitutional human rights protections," but asserted that "poor enforcement of laws, especially at the local level, and the severely overburdened court system weaken the delivery of justice." In June 2005, a State Department report on trafficking in persons again placed India on the "Tier 2 Watch List" for its "inability to show evidence of increased efforts to address trafficking in persons."

A secular nation, India has a long tradition of religious tolerance (with occasional lapses), which is protected under its constitution. India's 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 November 2005, the State Department found that the status of religious freedom in India had “improved in a number of ways ... yet serious problems remained.” It lauded the New Delhi government for demonstrating a commitment to a policy of religious inclusion, while claiming that “the government sometimes in the recent past did not act swiftly enough to counter societal attacks against religious minorities and attempts by some leaders of state and local governments to limit religious freedom.” A May 2005 annual report of the U.S. Commission on International Religious Freedom had placed India on a “Watch List” of countries requiring “close monitoring due to the nature and extent of violations of religious freedom engaged in or tolerated by the governments.” However, as a result of “marked improvement in conditions” since May 2004 elections, the Commission no longer recommended that India be designated as a Country of Particular Concern.

India’s Economy and U.S. Concerns

Overview. India is in the midst of a major and rapid economic expansion. Although there is widespread and serious poverty in India, observers believe the country’s long-term economic potential is tremendous, and recent strides in the technology sector have brought international attention to such high-tech centers as Bangalore and Hyderabad. Per capita GDP is \$756 (about \$3,740 when accounting for purchasing power parity). Many analysts — along with some 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 investment, and in the removal of trade barriers. Still, despite problems, the current growth rate of the Indian economy is among the highest in the world.

After enjoying an average growth rate above 6% for the 1990s, India’s economy cooled somewhat with the global economic downturn after 2000. Yet sluggish Cold War-era “Hindu rates of growth” became a thing of the past. For FY2003/04 (ending March 2004), real change in GDP was 8.2%, with continued robust growth in services and industry, and monsoon rains driving recovery in the agricultural sector. The economy grew by 6.9% in the most recent fiscal year, led by the manufacturing sector. Near-term growth estimates are encouraging, predicting expansion around 7% 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. Consumer price inflation has been fairly low (4.2% in 2005), but may rise due to higher energy costs. As of November 2005, India’s foreign exchange reserves were at more than \$142 billion. The Bombay Stock Exchange gained an impressive 80% in 2003, with the benchmark Sensex index reaching record highs in 2004 and 2005, and again in early 2006.

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. Economic reforms begun in 1991, under the Congress-led government of then-Prime Minister Rao, boosted growth and led to huge foreign investment to India in the mid-1990s. Reform efforts stagnated, however, under the weak coalition governments of the mid-1990s. The Asian financial crisis and sanctions on India (as a result of its May 1998 nuclear tests) further dampened the economic outlook. Following the 1999 parliamentary election, 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. In October 2004, the World Bank's India country director lauded the country's economic achievements, but called accelerating reforms "essential" for sustained growth and poverty reduction there, and a top International Monetary Fund official said that "India remains a relatively closed economy" and urged greater trade liberalization and regional economic integration.

Trade and Investment. As India's largest trade and investment partner, the United States strongly supports New Delhi's continuing economic reform policies. Levels of U.S.-India trade, while relatively low, are blossoming: U.S. exports to India in 2005 had an estimated value of \$7.9 billion (up 30% over 2004), with business and telecommunications equipment, civilian aircraft, gemstones, fertilizer, and chemicals as leading categories. Estimated imports from India in 2005 totaled \$18.8 billion (up 21% over 2004). Leading imports included gemstones, jewelry, cotton apparel, and textiles. Annual foreign direct investment (FDI) to India rose from about \$100 million in 1990 to an estimated \$7.4 billion for 2005; more than one-third of these investments was made by U.S. companies (in late 2005, the major U.S.-based companies Microsoft, Dell, and Oracle announced plans for multi-billion-dollar investments in India). In March 2004, the U.S. Ambassador to India told a Delhi audience that "the U.S. is one of the world's most open economies and India is one of the most closed." India has moved to raise limits on foreign investment in several key sectors, however, despite significant tariff reductions and other measures taken by India to improve market access, according to the 2005 report of the United States Trade Representative (USTR), a number of foreign trade barriers remain, including "remarkably high" tariffs, especially in the agricultural sector. The USTR asserts that "substantial expansion of U.S.-India trade will be unlikely without significant Indian liberalization."

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 September 2004, U.S. Under Secretary of State Larson told a Bombay audience 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 January 2006, U.S. Assistant Secretary of State for Economic Affairs Shiner said U.S.-India bilateral trade numbers should be three or four times greater than they were and she singled out "bureaucratic issues" as the major impediment. The Heritage Foundation's *2006 Index of Economic Freedom* — which may overemphasize the value of absolute growth and downplay broader quality-of-life measurements — again rated India as being "mostly unfree," highlighting especially restrictive trade policies, heavy government involvement in the banking and finance sector, demanding regulatory structures, and a high level of "black market activity." Corruption plays a role: in 2005, Berlin-based Transparency International placed India 88th out of 158 countries in its annual ranking of world corruption levels. Moreover, inadequate intellectual property rights protection is a long-standing issue between the United States and India. Major areas of irritation include counterfeiting of medicines and auto parts, and pirating of U.S. media. The USTR places India on its Special 301 Priority Watch List for "weak" protection and enforcement of intellectual property rights. The International Intellectual Property Alliance estimated U.S. losses of \$465 million due to trade piracy in India in 2004

— nearly half of this in the category of business software — and noted “only minor progress in combating piracy.” (See also CRS Report RS21502, *India-U.S. Economic Relations*.)

U.S. Assistance

Economic. According to the U.S. Agency for International Development (USAID), India has more people living in abject poverty (some 350 million) than do Latin America and Africa combined. From 1947 through 2004, the United States provided more than \$14 billion in economic loans and grants to India. USAID programs in India, budgeted at about \$67 million in FY2006, 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) *environmental protection* (improved access to clean energy and water; the reduction of public subsidies through improved cost recovery); and 5) *education* (improved access to elementary education, and justice and other social and economic services for vulnerable groups, especially women and children).

Security. The United States has provided \$157 million in military assistance to India since 1947, more than 90% of it distributed from 1962-1966. In recent years, modest security-related assistance emphasizes export control enhancements, along with funding for military training. Earlier Bush Administration requests for Foreign Military Financing were later withdrawn, with the two countries agreeing to pursue commercial sales programs. The Pentagon reports Indian military sales agreements worth \$202 million in FY2002-FY2004.

Table 1. U.S. Assistance to India, FY2001-FY2007

(in millions of dollars)

Program or Account	FY2001 Actual	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Actual	FY2006 Est.	FY2007 Request
CSH	24.6	41.7	47.4	47.8	53.2	47.7	48.4
DA	28.8	29.2	34.5	22.5	24.9	10.9	10.0
ESF	5.0	7.0	10.5	14.9	14.9	5.0	6.5
IMET	0.5	1.0	1.0	1.4	1.5	1.2	1.5
NADR-EXBS	0.9	0.9	1.0	0.7	4.2	2.4	1.5
Subtotal	\$59.8	\$79.8	\$94.4	\$106.2	\$98.7	\$67.2	\$67.9
P.L.480 Title II*	78.3	93.7	44.8	30.8	26.1	43.0	—
Section 416(b)*	—	12.0	—	—	—	—	—
Total	\$138.1	\$185.5	\$139.2	\$137.0	\$124.8	\$110.2	\$67.9

Sources: U.S. Departments of State and Agriculture; U.S. Agency for International Development.

Abbreviations:

CSH: Child Survival and Health
 DA: Development Assistance
 ESF: Economic Support Fund
 IMET: International Military Education and Training
 NADR-EXBS: Nonproliferation, Anti-Terrorism, Demining, and Related - Export Control and Related Border Security Assistance
 P.L.480 Title II: Emergency and Private Assistance food aid (grants)
 Section 416(b): The Agricultural Act of 1949, as amended (surplus agricultural commodity donations)

*Food aid amounts do not include freight costs.