

# CRS Issue Brief for Congress

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## India-U.S. Relations

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## India-U.S. Relations

### 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 21<sup>st</sup> century."

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. In July 2005, President Bush and Indian Prime Minister Singh issued a Joint Statement resolving to establish a "global partnership" between the United States and India. The Bush Administration dubbed India "a responsible state with advanced nuclear technology" and vowed to work on achieving "full civilian nuclear energy cooperation with India." Such cooperation 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 continuing tensions between India and Pakistan, a problem rooted in unfinished business from the 1947 Partition and competing claims to the former princely state of Kashmir. The United States strongly encourages maintenance of a cease-fire in Kashmir and continued, substantive dialogue between India and Pakistan.

The United States also has been 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. Communalism has been another matter of concern, with early 2002 rioting in the Gujarat state resulting in up to 2,000, mostly Muslim, deaths. 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.

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 to privatize state-owned industries, and to reduce tariffs and licensing controls. Coalition governments have kept India on a general path of reform, though 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, President Bush and Prime Minister Singh issued a Joint Statement resolving to establish a “global partnership” between the United States and India. President Bush vowed to work on achieving “full civilian nuclear energy cooperation with India.” Such cooperation would require changes in both U.S. law and Nuclear Suppliers Group guidelines. In the months since the Joint Statement, congressional committees have held hearings at which Administration officials presented their case, experts witnesses discussed potential problems, and Members raised numerous questions about the wisdom and details of Administration plans. Many in Congress have voiced strong concerns about India’s relations with Iran and the possibility that New Delhi’s policies toward Tehran’s nuclear program may not be congruent with those of Washington. In September, in what many saw as the first test of India’s position, New Delhi voted with the majority (and the United States) on an International Atomic Energy Agency resolution finding Iran in noncompliance. The vote brought waves of criticism from Indian opposition parties and others who accused the government of betraying a friendly country by “capitulating” to U.S. pressure. New Delhi later defended the vote in the interests of “allowing time for further negotiations” and being in India’s national interest. In October, Under Secretary of State Nicolas Burns, the Bush Administration’s lead negotiator with India, called India’s vote a “dramatic example” of its nonproliferation stance. Burns then visited New Delhi to further discuss U.S.-India relations, where he expressed being “convinced” that Congress would support making changes in U.S. law to enable civil nuclear cooperation with India. Days later, the Chairman of the House International Relations Committee said he was “troubled” by public statements from the Administration suggesting that congressional support for such cooperation was broad and virtually guaranteed (see CRS Report RL33072, *U.S.-India Bilateral Agreements in 2005*, and CRS Report RL33016, *U.S. Nuclear Cooperation With India*).

On October 29, three terrorist bombs exploded in Delhi, killing at least 60 people and injuring 210 more on the eve of the Hindu Diwali festival. Days later, Prime Minister Singh received a telephone call from Pakistani President Musharraf, who sought to extend condolences for the loss of life in terrorist bombings in New Delhi. Singh reportedly told Musharraf that there were “indications” of “external linkages” in the investigation and reminded the Pakistan president of past commitments to end “cross-border terrorism” (New Delhi has since implicated the Pakistan-based Lashkar-e-Taiba terrorist group). On November 12, Singh held talks with his Pakistani counterpart on the sidelines of a South Asia summit in Bangladesh, but no new steps were announced for improving bilateral relations. Singh reportedly warned that terrorist incidents could disrupt the peace process. Separatist-related violence in India’s Jammu and Kashmir state continues and Indian officials issue criticisms that Pakistan has not eliminated the “terrorist infrastructure” in the region.

On October 8, a major earthquake in Pakistan-controlled Kashmir left at least 73,000 Pakistanis and Kashmiris dead and millions homeless. Approximately 1,400 Indians were killed in what Prime Minister Singh later called a “national calamity.” On October 18, the House and Senate passed separate resolutions (H.Res. 492; S.Res. 274) expressing U.S. sympathy and pledging continued U.S. assistance to earthquake victims. While the humanitarian tragedy had brought hopes of a softening in troubled India-Pakistan relations, bilateral cooperation has been halting. On October 29, India and Pakistan issued a joint statement agreeing to open five crossing points on the Kashmiri Line of Control for

earthquake relief efforts. As of November 15, four such points had been opened, but only relief supplies (and no Kashmiris) had been allowed to cross.

On November 1, S. 1950, to promote global energy security through increased cooperation between the United States and India on energy-related issues, was introduced in the Senate. On November 6, Treasury Secretary Snow arrived in India for a visit focusing on India's efforts to further liberalize its financial sector and improve financing infrastructure. On November 7, the United States and India began 12-day joint air force exercises in the eastern West Bengal state where tens of thousands of Indian communists reportedly turned out in street protests against the event. On the same day, External Affairs Minister Natwar Singh was stripped of his ministry portfolio following accusations that he was involved in corruption in the U.N.-Iraq oil-for-food program. On November 12, U.S. Trade Representative Portman visited New Delhi for meetings with top Indian officials. 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. The marked improvement of relations that began in the latter months of the Clinton Administration — President Clinton spent six days in India in March 2000 — 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 12%; Christian 2%; Sikh 2% (2000 est.)  
**Life Expectancy at Birth:** female 65.1 years; male 63.6 years (2005 est.)  
**Literacy:** female 48%; male 70% (2003 est.)  
**Gross Domestic Product (at PPP):** \$3.3 trillion; *per capita:* \$3,060; *growth rate* 7.1% (2004 est.)  
**Inflation:** 3.8% (2004 est.)  
**U.S. Trade:** exports to U.S. \$15.6 billion; imports from U.S. \$6.1 billion (2004)  
**Sources:** CIA World Factbook; U.S. Department of Commerce; 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 threat. 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. Rao addressed a joint session of Congress and met with President Clinton. 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 made 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 2006. 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 (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.

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 at least 40,000 and perhaps 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 have been blamed on Pakistan-sponsored groups, including a May 2002 attack on an army base that killed 34, most of them women and children. This event 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 was no high-level diplomatic dialogue between India and Pakistan since a July 2001 summit meeting in the city of Agra 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, in October 2003, New Delhi 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.

**China.** India and China 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.

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; 20 have been held to date. 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. A June 2003 visit to Beijing by Vajpayee was viewed as marking a period of much improved relations. Military-to-military contacts have included a modest, but unprecedented November 2003 joint naval exercise off the coast of Shanghai and small-scale joint army exercises in August 2004. 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. While outstanding territorial disputes remain unresolved, China formally recognized Indian sovereignty over the former kingdom of Sikkim and India reiterated its view that Tibet is a part of China.

## 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 seven 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 had 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" perception 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 then-PM Indira Gandhi and the 1991 assassination of her son, then-PM 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 is again at the head of India's government. Congress maintained control of the populous Maharashtra state in October 2004 elections there, solidifying its national standing and dealing another blow to the BJP and its allies. However, February 2005 elections in Bihar unseated the key Congress-allied Rashtriya Janata Dal and its prominent lower-caste leader, Lalu Yadav.

**The Bharatiya Janata Party (BJP).** Riding a crest of rising Hindu nationalism, the BJP rapidly increased its parliamentary strength from 1984-1998. 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 organization Rashtriya Swayamsevak Sangh (RSS, or National Volunteer Force), responsible for the incidents. While leading a national coalition, the BJP worked — with only limited success — to change its image from right-wing Hindu fundamentalist to conservative, secular, and moderate, although early 2002 communal rioting in Gujarat again damaged the party's credentials as a moderate organization. In 1998, the BJP oversaw a fragile National Democratic Alliance (NDA) coalition under party notable Atal Vajpayee, whose widespread personal popularity helped to keep the BJP in power. The BJP has advocated "Hindutva," or an India based on Hindu culture, and views this as key to nation-building. Popular among upper caste groups, the party continued to be looked upon with suspicion by lower-caste Indians, 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, criticisms from Hindu nationalists, and a controversy involving party president and parliamentary opposition leader Lal Advani have weakened the BJP. Advani will step down from his leadership post in December 2005.

## India-U.S. Relations and Bilateral Issues

### "Next Steps in Strategic Partnership" and Beyond

The recently 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 Indian 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 on nuclear regulatory and safety issues, enhanced cooperation

in missile defense, peaceful uses of space technology, and steps to facilitate increased high-technology commerce. 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 (see also CRS Report RL33072, *U.S.-India Bilateral Agreements in 2005*, and CRS Report RL33016, *U.S. Nuclear Cooperation With India: Issues for Congress*).

Some nongovernmental U.S. experts have insisted that, while India is not regarded as a proliferator of sensitive technologies, U.S. obligations under existing law limit significantly the scope of 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. A July 2005 joint U.S.-India 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 cooperation would require changes in both U.S. law and in the guidelines of the 44-member 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 dual-use 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 future civil nuclear and civil space 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 legislation is expected to come before the Congress in 2006.

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 public-private event held under HTCG auspices was in Washington in November 2004). 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 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 June 2004 and June 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 step 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 sanctions. Through a series of legislative measures, Congress lifted restrictions on both India and Pakistan.<sup>1</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

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

nonproliferation regime, prevent escalation of an arms and/or missile race, and promote Indo-Pakistani bilateral dialogue. In light of these goals, 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 and indications that the Defense Department may continue to develop low-yield nuclear weapons.

**U.S.-India Security Cooperation.** Unlike U.S.-Pakistan military ties, which date back to the 1950s, security cooperation between the United States and India is in the early stages of development. Since September 2001, and despite a concurrent U.S. rapprochement with Pakistan, U.S.-India security cooperation has flourished. Both countries acknowledge a desire for greater bilateral security cooperation and a series of measures have been taken to achieve this. In August 2004, a top U.S. diplomat in India claimed that “military cooperation remains one of the most vibrant, visible, and proactive legs powering the transformation of U.S.-India 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 calling for 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. India’s Leftist parties, some Indian defense analysts, and the government of Pakistan have criticized the pact. Many analysts laud increased U.S.-India security ties as providing “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. U.S. and Indian special forces soldiers have held joint exercises near the India-China border, and 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 February 2002, Congress was notified of the negotiated sale to India of eight counter-battery radar sets (or "Firefinder" radars) and arrangements soon were made for the sale of four additional sets in a deal 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 P-3C Orion maritime patrol aircraft, PAC-3 anti-missile systems, electronic warfare systems, and possibly even F-16 fighters. In March 2005, the unveiling of the Bush Administration's "new strategy for South Asia" included assertions that the United States welcomes 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 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 U.S. 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 additional modern defense equipment such

as the Phalcon and Arrow. In fact, numerous observers now note what appears to be a pro-India drift in the U.S. government's strategic orientation in South Asia. Yet the United States regularly lauds Pakistan's role as a key ally in the U.S.-led counterterrorism coalition and assures Islamabad that it will take no actions that disrupt strategic balance on the subcontinent. (For further discussion, see CRS Report RL31644, *U.S.-India Security Relations*, 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 claims by both India and Pakistan 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 that unfairly favored pro-New Delhi candidates in 1989, an ongoing separatist war between Islamic militants and their supporters and Indian security forces in Indian-held Kashmir has claimed 40,000-90,000 lives. India blames Pakistan for fanning the rebellion, as well as supplying arms, training, and fighters. Pakistan, for its part, claims to provide only diplomatic and moral support to what it calls "freedom fighters" who resist Indian rule in the Muslim-majority region. New Delhi insists that the dispute should not be "internationalized" through involvement by third-party mediators. Islamabad has sought to bring external major power persuasion to bear on India, especially from the United States. 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. 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*.)

Some separatist groups, such as the Jammu and Kashmir Liberation Front (JKLF), continue to seek an independent or autonomous Kashmir. Others, including the Hizbul Mujahideen (HuM), seek union with Pakistan. 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 (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 India, Pakistan, and representatives of the Kashmiri people. Hurriyat leaders demand Kashmiri representation at any talks between India and Pakistan on Kashmir. In September 2003, the Hurriyat Conference formally split after a dispute between hardliners allied with Islamabad and those favoring negotiation with New Delhi. Subsequent efforts to reunify the group have failed. In September 2005, the Congress-led government renewed high-level contact with moderate Hurriyat leaders begun by the previous BJP-led coalition. While New Delhi vowed to pull troops out of Kashmir if militant infiltrations and violence there cease, no agreements were reached.

## 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 terrorist groups" 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 in January 2005, accusing the state government of breaking a cease-fire agreement. Violent attacks on government forces then

escalated in the spring of 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 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 16<sup>th</sup>-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, some 2,000 people died, most of them Muslims. Many observers criticized the BJP-led state and national governments for inaction; some 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 allegedly ineffectual efforts to bring those responsible to justice; some of these criticisms were echoed by the Indian Supreme Court in September 2003. In September 2004, the U.S. Ambassador for International Religious Freedom said the Gujarat riots were carried out by mobs that "appear to have been aided by state or local government officials." In March 2005, the State Department made the 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 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.

The State Department has noted that "These 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. Also, the March 2002 enactment of a new Prevention of Terrorism Act (POTA) came under fire as providing the government a powerful tool with which to arbitrarily target minorities and political opponents (POTA 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,



particularly its lack of progress in forming a national law enforcement response to interstate and transnational trafficking crimes.”

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.** Although there is widespread and serious poverty in India, observers believe that 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. 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. 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 near 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 (3.8% in 2004), but is expected to rise due to higher energy costs. In August 2004, India’s foreign exchange reserves reached a record \$144 billion. The benchmark Bombay Stock Exchange gained an impressive 80% in 2003, with the Sensex index reaching record highs in late 2004 and again in mid- and late 2005.

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, the government 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 trading and investment partner, the United States strongly supports New Delhi's continuing economic reform policies. U.S. exports to India in 2004 were valued at \$6.1 billion (up 22% over 2003), with machinery and transport equipment (42%) and chemicals (18%) as leading categories. Imports from India in 2004 totaled \$15.6 billion (up 19% over 2003). Leading imports include apparel, household goods, diamonds, and jewelry. Annual foreign direct investment (FDI) to India rose from about \$100 million in 1990 to \$2.4 billion by 1996. Net FDI in 2004 reached \$6.5 billion and is estimated at \$7.4 billion for 2005. More than one-third of these investments was made by U.S. companies. New Delhi has moved to raise limits on foreign investment in several key sectors. However, in March 2004, U.S. Ambassador to India David Mulford told an audience in Delhi that "the U.S. is one of the world's most open economies and India is one of the most closed." 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 November 2005, Treasury Secretary Snow told a Delhi audience that "additional liberalization in the financial sector "was needed to address "India's pressing needs," and he opined that a "weak infrastructure" was a major constraint on Indian economic growth. The Heritage Foundation's *2005 Index of Economic Freedom* again rated India as being "mostly unfree," highlighting an especially restrictive set of trade policies, heavy government involvement in the banking and finance sector, demanding regulatory structures, and a high level of black market activity.

Inadequate intellectual property rights protection has been a long-standing issue between the United States and India. Major areas of irritation have included 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 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 \$90 million in FY2005, 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; promoting more efficient technology and management); 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. Security-related assistance for FY2003 military training and export control enhancements was \$2 million, with greater emphasis on training in FY2004 and FY2005. Bush Administration requests for Foreign Military Financing in 2002 and 2003 were later withdrawn, with the two countries since agreeing to pursue commercial sales programs. The Pentagon reports Indian military sales agreements worth \$138 million in FY2002, \$63 million in FY2003, and \$1 million in 2004.

**Table 1. U.S. Assistance to India, FY2001-FY2006**

(in millions of dollars)

Program or Account	FY2001 Actual	FY2002 Actual	FY2003 Actual	FY2004 Actual	FY2005 Estimate	FY2006 Request
CSH	24.6	41.7	47.4	47.8	51.0	48.8
DA	28.8	29.2	34.5	22.5	24.0	29.6
ESF	5.0	7.0	10.5	14.9	14.9	14.0
IMET	0.5	1.0	1.0	1.4	1.4	1.2
NADR-EXBS	0.9	0.9	1.0	0.7	0.7	0.6
<b>Subtotal</b>	<b>\$59.8</b>	<b>\$79.8</b>	<b>\$94.4</b>	<b>\$106.2</b>	<b>\$92.0</b>	<b>\$94.2</b>
P.L.480 Title II*	78.3	93.7	44.8	30.8	49.0	43.0
Section 416(b)*	--	12.0	--	--	--	--
<b>Total</b>	<b>\$138.1</b>	<b>\$185.5</b>	<b>\$139.2</b>	<b>\$137.0</b>	<b>\$141.0</b>	<b>\$137.2</b>

**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.