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India-U.S. Relations

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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. The new century, however, has witnessed a sea change in bilateral relations, with far more positive interactions becoming the norm. Today, President George W. Bush calls India a "natural partner" of the United States and his Administration seeks to assist India's rise as a major power. In July 2005, President Bush and Indian Prime Minister Manmohan Singh issued a Joint Statement resolving to establish a "global partnership" between their two countries through increased cooperation on numerous economic, security, and global issues. In this Joint Statement, the Bush Administration dubbed India "a responsible state with advanced nuclear technology" and vowed to achieve "full civilian nuclear energy cooperation" with India. As a reversal of three decades of U.S. nonproliferation policy, such proposed cooperation is controversial and would require changes in both U.S. law and international guidelines (Congress has taken action on enabling legislation — H.R. 5682 and S. 3709 — in the summer of 2006). Also in 2005, the United States and India signed a ten-year defense framework agreement that calls for expanding bilateral security cooperation. Since 2002, the United States and India have engaged in numerous and unprecedented combined military exercises. Discussions of possible sales to India of major U.S.-built weapons systems are ongoing.

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 an international cease-fire in Kashmir and continued, substantive dialogue between India and Pakistan. The United States also 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. U.S. concerns about human rights issues related to regional dissidence and separatism in several Indian states continue. Strife in these areas has killed tens of thousands of civilians, militants, and security forces over the past two decades. Communal tensions, religious freedom, and caste-based discrimination have been other matters of concern. Many in Congress, along with the State Department and human rights groups, have criticized India for perceived abuses in these and other 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. Yet there is U.S. concern that such movement remains slow and inconsistent. This report replaces CRS Issue Brief IB93097, *India-U.S. Relations*.

Contents

List of Figures

List of Tables

India-U.S. Relations

Most Recent Developments

- On July 27, press reports said that the Bush Administration will sanction two Indian firms Iran-Syria Nonproliferation Act for missile-related transactions with Iran. Some in Congress suspected that the Administration had delayed the sanctions reporting until after the House vote on U.S.-India civil nuclear cooperation.

- On July 26, the United States and India Nuclear Cooperation Promotion Act of 2006 (H.R. 5682) was passed by the House on a vote of 359-68. Amendments to require Presidential certifications related to India's domestic uranium usage, its fissile material production, and its policy toward Iran each failed. A related bill (S. 3709) was passed by the Senate Foreign Relations Committee on June 29 and may soon come before the full Senate. Important Indian political constituencies warned that U.S. legislation departs from the original July 2005 agreement and is not in India's interests. (See CRS Report RL33016, *U.S. Nuclear Cooperation With India*.)

- On July 24, the Doha round of global trade negotiations was suspended indefinitely following a failed meeting of the six major participants, including the United States and India. Commerce Minister Nath later blamed the United States for the failure, saying it "brought nothing new to the table."

- On July 11, a series of explosions on Bombay commuter trains left nearly 200 people dead and more than 700 injured. Investigators have focused their attention on the Pakistan-based Lashkar-e-Taiba (LeT), a Sunni militant group fighting in Kashmir and designated as a terrorist organization by the United States, as well as the indigenous Students Islamic Movement of India. Days later, Prime Minister Singh said the attackers were "supported by elements across the border" and he postponed planned foreign secretary-level talks with Pakistan, saying "the environment is not conducive." On July 28, Bombay police said that six Indian Muslim suspects detained in connection with the 7/11 Bombay bombings confessed to having received weapons and explosives training in Pakistan. The Bush Administration condemned the Bombay "atrocities" in the "strongest possible terms." Senate and House resolutions (S.Res. 527; H.Res. 913) strongly condemning the bombings and expressing sympathy for the victims were passed on July 12 and July 19, respectively.

- On July 9, India for the first time tested its intermediate-range Agni-3 ballistic missile, which could potentially reach targets in eastern China and in the Middle East. The test was a failure, with the missile falling into the Bay of Bengal well short of its target. One day later, an Indian rocket carrying a satellite for television broadcasts veered of course and exploded shortly after takeoff.

- On July 6, Prime Minister Singh announced that all government disinvestment decisions would be put on hold following opposition from a powerful member of the ruling coalition. The move was criticized by industrial groups.

- On June 28, the Bush Administration announced its proposal to sell 36 F-16 combat aircraft to Pakistan, along with plans to upgrade existing Pakistani F-16s and provide various missiles, munitions and associated hardware. Some in Congress have expressed concern that such weapons could be used against India. In reaction to the announcement, an Indian External Affairs Ministry statement said the step "is not conducive to improving ties between India and Pakistan." (See CRS Report RL33515, *Combat Aircraft Sales to South Asia*.)

- Rates of separatist-related violence in India-controlled Kashmir have spiked following a May massacre of 35 Hindu villagers by suspected Islamic militants. Numerous grenade and other attacks by militants — many of them targeting tourists — combine with Indian suspicions regarding the July 11 Bombay bombings to raise serious concerns about the future viability of an ongoing but increasingly sluggish India-Pakistan peace process.

On June 13, a Pew Center opinion poll found 56% of Indians holding a favorable opinion of the United States, down from 71% in 2005. On July 18, the Senate Energy Committee held a hearing on U.S.-India Energy Cooperation. For more information, see CRS Report RS21589, *India: Chronology of Recent Events*.

Context of the U.S.-India Relationship

Overview

U.S. and congressional interests in India cover a wide spectrum of issues, ranging from the militarized dispute with Pakistan and weapons proliferation to concerns about regional security, 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 significant economic policy reforms beginning in 1991, a

deepening bitterness between India and Pakistan over Kashmir, and signs of a growing Indian preoccupation with China as a potential long-term strategic rival. With the fading of Cold War constraints, the United States and India began exploring the possibilities for a more normalized relationship between the world's two largest democracies. Throughout the 1990s, however, regional rivalries, separatist tendencies, and sectarian tensions continued to divert India's attention and resources from economic and social development. Fallout from these unresolved problems — particularly nuclear proliferation and human rights issues — presented irritants in bilateral relations.

INDIA IN BRIEF

Population: 1.1 billion; *growth rate*: 1.4% (2006 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%, other 2% (2001 census)
Life Expectancy at Birth: female 65.6 years; male 63.9 years (2006 est.)
Literacy: female 48%; male 70% (2003 est.)
Gross Domestic Product (at PPP): $3.7 trillion; *per capita*: $3,741; *growth rate* 7.8% (2005 est.)
Inflation: 4.6% (2005 est.)
Military Expenditures: $19 billion (2.5% of GDP; 2005, est.)
U.S. Trade: exports to U.S. $18.8 billion; imports from U.S. $8 billion (2005)
Sources: CIA World Factbook; U.S. Commerce Department; Economist Intelligence Unit; Global Insight

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

President Bill Clinton's March 2000 visit to South Asia seemed a major U.S. initiative to improve relations with India. A U.S.-India Joint Working Group on Counterterrorism was established in 2000 and continues to meet regularly. During his subsequent visit to the United States later that year, Prime Minister Atal Vajpayee addressed a joint session of Congress and issued a joint statement with President Clinton agreeing to cooperate on arms control, terrorism, and HIV/AIDS. In the wake of the September 2001 terrorist attacks on the United States, India took the immediate and unprecedented step of offering to the United States full cooperation and the use of India's bases for counterterrorism operations. Engagement was accelerated after a November 2001 meeting between President Bush and 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 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 late 2001, the

U.S.-India Defense Policy Group met in New Delhi for the first time since India's 1998 nuclear tests and outlined a defense partnership based on regular and high-level policy dialogue. President Bush's 2002 *National Security Strategy of the United States* stated that "U.S. interests require a strong relationship with India."

Prime Minister Singh paid a landmark July 2005 visit to Washington, where a significant joint U.S.-India statement was issued. In March 2006, President Bush spent three days in India. 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*). Recognition of India's growing stature and importance is found in the U.S. Congress, where the India and Indian-American Caucus is now the largest of all country-specific caucuses.

Current U.S.-India Engagement. U.S. engagement with India continues to be deep and multifaceted. In June 2006, key congressional committees took action on proposed U.S.-India civil nuclear cooperation. President George W. Bush visited New Delhi in March, the first such trip by a U.S. President in six years. Subsequent high-level bilateral interactions included a late March visit to Washington by Indian Foreign Secretary Shyam Saran; a two-day meeting of the U.S.-India Joint Working Group on Counterterrorism in April in Washington, where Counterterrorism Coordinator Henry Crumpton led the U.S. delegation; Indian Power Minister Sushil Shinde's April visit to Washington for meetings with top U.S. officials; and the fourth meeting of the U.S.-India Trade Policy Forum in May in New Delhi, where talks focused on trade barriers, agriculture, investment, and intellectual property rights. In June, the Chairman of the U.S. Joint Chiefs of Staff, General Peter Pace, met with top Indian officials in New Delhi to discuss expanding U.S.-India strategic ties, and new U.S. Trade Representative Susan Schwab met with Indian Commerce Minister Kamal Nath in Washington, agreeing on initiatives to strengthen and deepen bilateral trade. (See CRS Report RL33072, *U.S.-India Bilateral Agreements*.)

India's Regional Relations

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

Pakistan. The India-Pakistan peace initiative continues, with officials from both countries (and the United States) offering a positive assessment of the ongoing dialogue. In early May 2006, India and Pakistan agreed to open a second Kashmiri bus route and to allow new truck service to facilitate trade in Kashmir (the new bus service began in June). Subsequent "Composite Dialogue" talks were held to discuss militarized territorial disputes, terrorism and narcotics, and cultural exchanges, but

high hopes for a settlement of differences over the Siachen Glacier were dashed when a May 24 session ended without progress. A June session on the Tubal navigation project/Wullar barrage water dispute similarly ended without forward movement. Compounding tensions, separatist-related violence has spiked in Indian Kashmir, including a May massacre of 35 Hindu villagers by suspected Islamic militants, and grenade attacks correlated with a late May roundtable meeting of Prime Minister Singh and Kashmiri leaders left at least two dozen civilians dead. Gunbattles between militants and security forces killed 13 people on July 3. Significant incidents of attempted "cross-border infiltration" of Islamic militants at the Kashmiri Line of Control came in June and top Indian leaders have renewed their complaints that Islamabad is taking insufficient action to quell terrorist activities on Pakistan-controlled territory.

Three wars — in 1947-48, 1965, and 1971 — and a constant state of military preparedness on both sides of the border have marked six decades of bitter rivalry between India and Pakistan. The bloody and acrimonious nature of the 1947 partition of British India and continuing violence in Kashmir remain major sources of interstate tensions. Despite the existence of widespread poverty across South Asia, both India and Pakistan have built large defense establishments — including nuclear weapons capability and ballistic missile programs — at the cost of economic and social development. The 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 (see "The Kashmir Issue," below). Normal relations between New Delhi and Islamabad were severed in December 2001 after a terrorist attack on the Indian Parliament was blamed on Pakistan-supported Islamic militants. Other lethal attacks on Indian civilians spurred Indian leaders to call for a "decisive war," but intense international diplomatic engagement, including multiple trips to the region by high-level U.S. officials, apparently persuaded India to refrain from attacking. In October 2002, the two countries ended a tense, ten-month military standoff at their shared border, but there remained no high-level diplomatic dialogue between India and Pakistan (a July 2001 summit meeting in the Indian city of Agra had failed to produce any movement toward a settlement of the bilateral dispute).

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. A

major breakthrough in bilateral relations came at the close of a January 2004 summit session of the South Asian Association for Regional Cooperation in Islamabad. After a meeting between Vajpayee and Pakistani President Musharraf — their first since July 2001 — the two leaders agreed to re-engage a "composite dialogue" to bring about "peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides."

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

China. India and China together account for one-third of the world's population and are seen to be rising 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. Today, India accuses China of illegitimately occupying nearly 15,000 square miles of Indian territory in Kashmir, while China lays claim to 35,000 square miles in the northeastern Indian state of Arunachal Pradesh. The 1962 clash ended a previously friendly relationship between the two leaders of the Cold War "nonaligned movement." While 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 takes note of Beijing's security relations with neighboring Burma and the construction of military facilities on the Indian Ocean. The two countries also have competed for energy resources to feed their rapidly growing economies.

Despite historic and strategic frictions, high-level exchanges between India and China regularly include statements that there exists no fundamental conflict of interest between the two countries. During a landmark 1993 visit to Beijing, Prime Minister Narasimha Rao signed an agreement to reduce troops and maintain peace along the Line of Actual Control that divides the two countries' forces at the disputed border. Periodic working group meetings aimed at reaching a final settlement continue, with New Delhi and Beijing agreeing to move forward in other issue-areas even as territorial claims remain unresolved. A 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 combined naval and army exercises. In late 2004, India's army chief visited Beijing to discuss deepening bilateral defense cooperation and a first-ever India-China strategic dialogue was later held in New Delhi. In April 2005, Chinese Prime Minister Wen Jiabao paid a visit to 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 tensions, China formally recognized Indian sovereignty over the former kingdom of Sikkim, and India reiterated its view that Tibet is a part of China. Moreover, in January 2006, the two countries formally agreed to cooperate in securing overseas oil resources. Sino-India trade relations are blossoming — bilateral commerce was worth nearly $19 billion in 2005, almost an eight-fold increase over the 1999 value. In fact, China may soon supplant the United States as India's largest trading partner.

Other Countries. India has taken an active role in assisting reconstruction efforts in **Afghanistan**, having committed $650 million to this cause, as well as contributing personnel and opening numerous consulates there (much to the dismay of Pakistan, which fears strategic encirclement and takes note of India's past support for Afghan Tajik and Uzbek militias). The United States has welcomed India's role in Afghanistan. To the north, New Delhi called King Gyanendra's February 2005 power seizure in **Nepal** "a serious setback for the cause of democracy," but India renewed non-lethal military aid to the Royal Nepali Army only months later. India remains concerned about the cross-border infiltration of Maoist militants from Nepal. The United States seeks continued Indian attention to the need for a restoration of democracy in Kathmandu. To the east, and despite India's key role in the creation of neighboring **Bangladesh** in 1971, New Delhi's relations with Dhaka have been fraught with tensions related mainly to the cross-border infiltration of Islamic militants and huge numbers of illegal migrants into India. The two countries' border forces engage in periodic gunbattles and India is completing construction of a fence along the entire shared border. Still, New Delhi and Dhaka have cooperated on counterterrorism efforts and talks on energy cooperation continue. Further to the east, India is pursuing closer relations with the repressive regime in neighboring **Burma**, with an interest in energy cooperation and to counterbalance China's influence there. The Bush Administration has urged New Delhi to be more active in pressing for democracy in Rangoon. In the island nation of **Sri Lanka** off India's southeastern coast, a Tamil Hindu minority has been fighting a separatist war against the Sinhalese Buddhist majority since 1983. More than 60 million Indian Tamils live in southern India. India's 1987 intervention to assist in enforcing a peace accord resulted in the deaths of more than 1,200 Indian troops and led to the 1991 assassination of the Indian Prime Minister Rajiv Gandhi by Tamil militants. Since that time, New Delhi has maintained friendly relations with Colombo while refraining from any deep engagement in third-party peace efforts. The Indian Navy played a key role in providing disaster relief to Sri Lanka following the catastrophic December 2004 tsunami.

Political Setting

India is the world's most populous democracy and remains firmly committed to representative government and rule of law. U.S. policymakers commonly identify in the Indian political system shared core values and this has facilitated increasingly friendly relations between the U.S. and Indian governments.

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. Congress's electoral strength reached a nadir in 1999, when the party won only 110 parliamentary seats. Observers attributed the 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 Italian-born, Catholic widow, refrained from active politics until the 1998 elections. She later made efforts to revitalize the party by phasing out older leaders and attracting more women and lower castes — efforts that appear to have paid off in 2004. Today, Congress again occupies more parliamentary seats (145) than any other party and, through unprecedented alliances with powerful regional parties, it again leads India's government. 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). With the rise of Hindu nationalism, the BJP rapidly increased its parliamentary strength during the 1980s. In 1993, the party's image was tarnished among some, burnished for others, by its alleged complicity in serious communal violence in Bombay and elsewhere. Some hold elements of the BJP, as the political arm of extremist Hindu groups, responsible for the incidents (the party has advocated "Hindutva," or an India based on Hindu culture, and views this as key to nation-building). While leading a national coalition from 1998-2004, the BJP worked — with only limited success — to change its image from right-wing Hindu fundamentalist to conservative and secular, although 2002 communal rioting in Gujarat again damaged the party's credentials as a moderate organization. The BJP-led National Democratic Alliance was overseen by party notable Prime Minister Atal Vajpayee, whose widespread personal popularity helped to keep the BJP in power. Since 2004, the BJP has been weakened by leadership disputes, criticism from Hindu nationalists, and controversy involving party president Lal Advani (in December 2005, Advani ceded his leadership post and Vajpayee announced his retirement from politics). In spring 2006, senior BJP leader Pramod Mahajan was shot and killed in a family dispute.

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. The Indian government has long pressed the United States to ease restrictions on the export to India of dual-use high-technology goods (those with military applications), as well as to increase civilian nuclear and civilian space cooperation. These three key issues came to be known as the "trinity," and top Indian officials insisted that progress in these areas was necessary to provide tangible evidence of a changed U.S.-India relationship. There were later references to a "quartet" when the issue of missile defense was included. In January 2004, President Bush and Prime Minister Vajpayee issued a joint statement declaring that the U.S.-India "strategic partnership" included expanding cooperation in the "trinity" areas, as well as expanding dialogue on missile defense. This initiative was dubbed as the NSSP and involved a series of reciprocal steps. In July 2005, the State Department announced successful completion of the NSSP, allowing for expanded bilateral commercial satellite cooperation, removal/revision of some U.S. export license requirements for certain dual-use and civil nuclear items. Taken together, the July 2005 U.S.-India Joint Statement and a June 2005 U.S.-India Defense Framework Agreement include provisions for moving forward in all four NSSP issue-areas. Many observers saw in the NSSP evidence of a major and positive shift in the U.S. strategic orientation toward India, a shift later illuminated more starkly with the Bush Administration's intention to initiate full civil nuclear cooperation with India. (See also CRS Report RL33072, *U.S.-India Bilateral Agreements*.)

High-Technology Trade. U.S. Commerce Department officials have sought to dispel "trade-deterring myths" about limits on dual-use trade by noting that only about 1% of total U.S. trade value with India is subject to licensing requirements and

that the great majority of dual-use licensing applications for India are approved (more than 90% in FY2005). 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; the fourth HTCG meeting was held in New Delhi in November 2005 (in early 2005, the inaugural session of the U.S.-India High-Technology Defense Working Group was held under HTCG auspices). Since 1998, a number of Indian entities have been subjected to case-by-case licensing requirements and appear on the U.S. export control "Entity List" of foreign end users involved in weapons proliferation activities. In September 2004, as part of NSSP implementation, the United States modified some export licensing policies and removed the Indian Space Research Organization (ISRO) headquarters from the Entity List. Further adjustments came in August 2005 when six more subordinate entities were removed. Indian entities remaining on the Entity List are four subordinates of the ISRO, four subordinates of the Defense Research and Development Organization, one Department of Atomic Energy entity, and Bharat Dynamics Limited, a missile production agency.

Civil Nuclear Cooperation. India's status as a non-signatory to the 1968 Nuclear Nonproliferation Treaty has kept it from accessing most nuclear-related materials and fuels on the international market for some 30 years. New Delhi's 1974 "peaceful nuclear explosion" spurred the U.S.-led creation of the Nuclear Suppliers Group (NSG) — an international export control regime for nuclear-related trade — and the U.S. government further tightened its own export laws with the Nuclear Nonproliferation Act of 1978. The July 2005 U.S.-India Joint Statement notably asserted that, "as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states," and President Bush vowed to work on achieving "full civilian nuclear energy cooperation with India." As a reversal of three decades of U.S. nonproliferation policy, such proposed cooperation is controversial and would require changes in both U.S. law and in NSG guidelines. India reciprocally agreed to take its own steps, including identifying and separating its civilian and military nuclear facilities in a phased manner and placing the former under international safeguards. Some in Congress express concern that civil nuclear cooperation with India might allow that country to advance its military nuclear projects and be harmful to broader U.S. nonproliferation efforts. While the Bush Administration previously had insisted that such future cooperation with India would take place only within the limits set by multilateral nonproliferation regimes, the Administration now actively seeks adjustments to U.S. laws and policies, and has approached the NSG to adjust the regime's guidelines.

On March 2, 2006, President Bush and Prime Minister Singh issued a Joint Statement expressing mutual satisfaction with "great progress" made in advancing the U.S.-India "strategic partnership." The statement, which reviewed bilateral efforts to expand ties in a number of key areas, notably announced "successful completion of India's [nuclear facility] separation plan." After months of complex and difficult negotiations, the Indian government presented a plan to separate its civilian and military nuclear facilities as per the July 2005 Joint Statement. The separation plan requires India to move 14 of its 22 reactors into permanent international oversight by the year 2014 and place all future civilian reactors under permanent safeguards. Shortly thereafter, H.R. 4974 and S. 2429, to waive the

application of certain requirements under the Atomic Energy Act of 1954 with respect to India, were, at the President's request, introduced in the Congress.

In early April 2006, Secretary of State Rice appeared before key Senate and House committees to press the Administration's case for civil nuclear cooperation with India. Further hearings in the Senate (April 26) and House (May 11) saw a total of fifteen independent analysts weigh in on the potential benefits and/or problems that might accrue from such cooperation. On May 23, the Senate Foreign Relations Committee passed S. 1950, to promote global energy security through increased cooperation between the United States and India on non-nuclear energy-related issues (a House version, H.R. 5580, was introduced on June 9). After months of consideration, the House International Relations Committee and Senate Foreign Affairs Committee both took action on relevant legislation in late June, passing modified versions of the Administration's proposals by wide margins. The new House and Senate bills (H.R. 5682 and S. 3709) made significant procedural changes to the Administration's proposal, changes that seek to retain congressional oversight of the negotiation process. Civil nuclear cooperation with India cannot commence until Washington and New Delhi finalize a peaceful nuclear cooperation agreement, the NSG allows for such cooperation, and New Delhi concludes its own safeguards agreement with the International Atomic Energy Agency. (See CRS Report RL33016, *U.S. Nuclear Cooperation With India*.)

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

Security Issues

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

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 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." India thus 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*, CRS Report RS21237, *Indian and Pakistani Nuclear Weapons*, and CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles*.)

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 race, and promote Indo-Pakistani bilateral dialogue. In light of these goals, the Clinton Administration set out "benchmarks" for India and Pakistan based on the contents of U.N. Security Council Resolution 1172, which condemned the two countries' nuclear tests. These included signing and ratifying the Comprehensive Nuclear Test Ban Treaty (CTBT); halting all further production of fissile material and participating in Fissile Material Cutoff Treaty negotiations; limiting development and deployment of WMD delivery vehicles; and implementing strict export controls on sensitive WMD materials and technologies.

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

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

CTBT, as well as the Nuclear Nonproliferation Treaty, as discriminatory, calling instead for a global nuclear disarmament regime. Although both India and Pakistan currently observe self-imposed moratoria on nuclear testing, they continue to resist signing the CTBT — a position made more tenable by U.S. Senate's rejection of the treaty in 1999.) The status of weaponization and deployment is unclear, though there are indications that this is occurring at a slow but steady pace. Section 1601 of P.L. 107-228 outlined U.S. nonproliferation objectives for South Asia. Some Members of Congress identify "contradictions" in U.S. nonproliferation policy toward South Asia, particularly as related to the Senate's rejection of the CTBT. In May 2006, the United States presented in Geneva a draft global treaty to ban future production of fissile material (a Fissile Material Cutoff Treaty) that it hopes will be supported by India. Some analysts speculated that the move was meant to bolster U.S. congressional support for proposed U.S.-India civil nuclear cooperation.

U.S.-India Security Cooperation. Defense cooperation between the United States and India is in the early stages of development (unlike U.S.-Pakistan military ties, which date back to the 1950s). Since September 2001, and despite a concurrent U.S. rapprochement with Pakistan, U.S.-India security cooperation has flourished. 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 a series of unprecedented and increasingly substantive combined exercises involving all military services. Air exercises have provided the U.S. military with its first look at Russian-built Su-30MKIs; in 2004, mock air combat saw Indian pilots in late-model Russian-built fighters hold off American pilots flying older F-15Cs, and Indian successes were repeated versus U.S. F-16s in 2005. U.S. and Indian special forces soldiers have held joint exercises near the India-China border, and major annual "Malabar" joint naval exercises are held off the Indian coast. 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 regional role, approaches to countering terrorism, and U.S.-Pakistan 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 fighter aircraft. The March 2005 unveiling of the Bush Administration's "new strategy for South Asia" included assertions that the United States welcomed Indian requests for information on the possible purchase of F-16 or F/A-18 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.")

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 opposed 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 can cause disquiet in Pakistan, where there is concern that induction of advanced weapons systems into the region could disrupt the strategic balance there. Islamabad 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 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. (See also CRS Report RL33072, *U.S.-India Bilateral Agreements,* and CRS Report RS22148, *Combat Aircraft Sales to 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, although these concerns were eased when India voted with the United States (and the majority) at the International Atomic Energy Agency sessions of September 2005 and February 2006. In 2004 and 2005, the United States sanctioned

Indian scientists and chemical companies for transferring to Iran WMD-related equipment and/or technology (one scientist was believed to have aided Iran's nuclear program); New Delhi called the moves unjustified. There are further U.S. concerns that India plans to seek energy resources from Iran, thus benefitting a country the United States is seeking to isolate. Indian firms have in recent years taken long-term contracts for purchase of Iranian gas and oil. 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 top Indian officials insist the project is in India's national interest and they remain "fully committed" to the $4-7 billion venture, which may begin construction in 2007. The Iran-Libya Sanctions Act (P.L. 107-24) requires the President to impose sanctions on foreign companies that make an "investment" of more than $20 million in one year in Iran's energy sector (see CRS Report RS20871, *The Iran-Libya Sanctions Act*).

India's Economy and U.S. Concerns

Overview. India is in the midst of a major and rapid economic expansion, with an economy projected to be the world's third largest in coming decades. India was the 22nd largest export market for U.S. goods in 2005 (up from 24th the previous year). Although there is widespread and serious poverty in the country, observers believe the 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. However, many analysts and business leaders, along with U.S. government officials, point to excessive regulatory and bureaucratic structures as a hindrance to the realization of India's full economic potential. The high cost of capital (rooted in large government budget deficits) and an "abysmal" infrastructure also draw negative appraisals as obstacles to growth. Constant comparisons with the progress of the Chinese economy show India lagging in rates of growth and foreign investment, and in the removal of trade barriers. India's per capita GDP is still less than $800 ($3,825 when accounting for purchasing power parity). The highly-touted information technology and business processing industries only employ about one-third of one percent of India's work force and, while optimists tout an Indian "middle class" of some 300 million people, an even greater number of Indians subsist on less than $1 per day. Yet, despite ongoing problems, the current growth rate of India's increasingly service-driven economy is among the highest in the world and has brought the benefits of development to many millions of citizens.

After enjoying an average growth rate above 6% for the 1990s, India's economy cooled with the global economic downturn after 2000. Yet sluggish Cold War-era "Hindu rates of growth" became a thing of the past. For the fiscal year ending March 2005, real change in GDP was 6.9%, with continued robust growth in services and industry, but a nearly flat agricultural sector (low productivity levels in this sector, which accounts for nearly one-fifth of the country's GDP, is a drag on overall growth). Growth for the most recent fiscal year was 8.5% and short-term 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 (a year-on-year rate of 4.7% in April 2006), but may rise due to higher energy costs. As of November 2005, India's foreign exchange reserves were at more than $142 billion. The soaring

Bombay Stock Exchange tripled in value from 2001-2006, then apparently overheated with the worst-ever daily decline of its benchmark Sensex index on May 22, 2006, when 10.8% of its total value was lost. The market has since stabilized.

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 Prime Minister Rao and his finance minister, current Prime Minister Manmohan Singh, boosted growth and led to major new inbound foreign investment in the mid-1990s. Reform efforts stagnated, however, under weak coalition governments later in the decade, and combined with the 1997 Asian financial crisis and international sanctions on India (as a result of its 1998 nuclear tests) to further dampen the economic outlook. Following the 1999 parliamentary elections, the BJP-led government launched second-generation economic reforms, including major deregulation, privatization, and tariff-reducing measures. Once seen as favoring domestic business and diffident about foreign involvement, New Delhi appears to gradually be embracing globalization and has sought to reassure foreign investors with promises of transparent and nondiscriminatory policies. In February 2006, a top International Monetary Fund official said that India's continued rapid economic growth will be facilitated only by enhanced Indian integration with the global economy through continued reforms and infrastructure improvements. A July 2006 World Bank report emphasized "the need for India's rapidly growing economy to improve the delivery of core public services such as healthcare, education, power and water supply for all India's citizens."

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; the total value of bilateral trade has doubled since 2001 and the two governments intend to see it doubled again by 2009. U.S. exports to India in 2005 had a value of $8 billion (up 30% over 2004), with business and telecommunications equipment, civilian aircraft, gemstones, fertilizer, and chemicals as leading categories. 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 to India from all countries rose from about $100 million in 1990 to an estimated $7.4 billion for 2005; about one-third of these investments was made by U.S. investors (in late 2005 and 2006, the major U.S.-based companies Microsoft, Dell, Oracle, and IBM announced plans for multi-billion-dollar investments in India). Strong portfolio investment added another $10 billion in 2005. 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 2006 report of the United States Trade Representative (USTR), a number of foreign trade barriers remain, including high tariffs, especially in the agricultural sector. The USTR asserts that "substantial expansion of U.S.-India trade will depend on continued and significant additional Indian liberalization." In March 2006, the U.S.-India CEO Forum, composed of ten chief executives from each country representing a cross-section of key industrial sectors, issued a report identifying India's poor infrastructure and dense bureaucracy as key impediments to increased bilateral trade and investment relations.

India's extensive trade and investment barriers have been criticized by U.S. government officials and business leaders as an impediment to its own economic development, as well as to stronger U.S.-India ties. For example, in 2004, 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." Later that year, U.S. Under Secretary of State Larson opined that "trade and investment flows between the U.S. and India are far below where they should and can be," adding that "the picture for U.S. investment is also lackluster." He identified the primary reason for the suboptimal situation as "the slow pace of economic reform in India." During his March 2006 visit to Delhi, President Bush noted India's "dramatic progress" in economic reform while insisting "there's more work to be done," especially in lifting caps on foreign investment, making regulations more transparent, and continuing to lower tariffs.

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 also 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. The USTR places India on its Special 301 Priority Watch List for "inadequate laws and ineffective enforcement" in this area. The International Intellectual Property Alliance, a coalition of U.S. copyright-based industries, estimated U.S. losses of $443 million due to trade piracy in India in 2005, three-quarters of this in the categories of business and entertainment software (estimated loss amounts for 2005 do not include motion picture piracy, which in 2004 was estimated to have cost some $80 million). (See CRS Report RS21502, *India-U.S. Economic Relations*.)

Regional Dissidence and Human Rights

The United States maintains an ongoing interest in India's domestic stability and the respect for internationally recognized human rights there. The U.S. Congress has held hearings in which such issues are discussed. As a vast mosaic of ethnicities, languages, cultures, and religions, India can be difficult to govern. Internal instability resulting from diversity is further complicated by colonial legacies such as international borders that separate members of the same ethnic groups, creating flashpoints for regional dissidence and separatism. Beyond the Kashmir problem, separatist insurgents in remote and underdeveloped northeast regions confound New Delhi and create international tensions by operating out of neighboring Bangladesh, Burma, Bhutan, and Nepal. Maoist rebels continue to operate in numerous states. India also has suffered outbreaks of serious communal violence between Hindus and Muslims, especially in the western Gujarat state. (See also CRS Report RL32259, *Terrorism in South Asia*.)

India's domestic security is an issue beyond the Jammu and Kashmir state: in April 2006, Prime Minister Singh identified a worsening Maoist insurgency as "the single biggest internal security challenge" ever faced by India, and lethal attacks by

these "Naxalites" continue and included a June 2006 landmine explosion that left 12 policemen dead in the Jharkhand state. Also in June, communal clashes between Hindus and Muslims in the Uttar Pradesh state left two children dead and more than 100 homes destroyed by fire. In May 2006, three days of communal rioting followed the demolition of a Muslim shrine in the Gujarat state and left six people dead and dozens more injured. More than 1,000 Indian army troops were deployed to quell the violence. Regarding separatism in the northeast, New Delhi reportedly has agreed to hold "direct talks" with the separatist United Liberation Front of Assam, which appears on the U.S. State Department's list of "other selected terrorists organizations."

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 supporting "cross-border terrorism" and for fueling a separatist rebellion in the Muslim-majority Kashmir Valley with arms, training, and militants. Islamabad, for its part, claims to provide only diplomatic and moral support to what it calls "freedom fighters" who resist Indian rule and suffer alleged human rights abuses in the region. New Delhi insists that the dispute should not be "internationalized" through involvement by third-party mediators and India is widely believed to be 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.

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 terrorist 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 2003 and appeared to have routed the ULFA and NDFB. In 2004, five leading separatist groups from the region rejected New Delhi'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, a spate of lethal violence in Assam and Nagaland was blamed on ULFA and NDFB militants who had re-established their bases in Bhutan. Major Indian army operations in late 2004 may have overrun Manipur separatist bases near the Burmese border.

Maoist Insurgency. Also operating in India are "Naxalites" — Maoist insurgents ostensibly engaged in violent struggle on behalf of landless laborers and tribals. These groups, most active in inland areas of east-central India, claim to be battling oppression and exploitation in order to create a classless society. Their opponents call them terrorists and extortionists. The groups get their name from Naxalbari, a West Bengal village and site of a militant peasant uprising in 1967. In April 2006, Prime Minister Singh identified a worsening Maoist insurgency as "the single biggest internal security challenge" ever faced by India, saying it threatened India's democracy and "way of life." The U.S. State Department's *Country Reports on Terrorism 2005* warned that attacks by Maoist terrorists in India are "growing in sophistication and lethality and may pose a long-term threat." Naxalites now operate in half of India's 28 states and related violence caused nearly 1,000 deaths in 2005.

The most notable of these outfits are the People's War Group (PWG), mainly active in the southern Andhra Pradesh state, and the Maoist Communist Center of West Bengal and Bihar. In 2004, the two groups merged to form the Communist Party of India (Maoist). Both appear on the U.S. State Department'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 minster of Andhra Pradesh. In 2004, the Andhra Pradesh government lifted an 11-year-old ban on the PWG, but the Maoists soon withdrew from ensuing peace talks, accusing the state government of breaking a cease-fire agreement. Violent attacks on government forces then escalated in 2005 and continue with even higher frequency in 2006. New Delhi expresses concern that indigenous Maoists are increasing their links with Nepali communists that have been at war with the Kathmandu government. Many analysts see abundant evidence that Naxalite activity is spreading and becoming more audacious in the face of incoherent and insufficient Indian government policies to halt it.

Hindu-Muslim Tensions. Some elements of India's Hindu majority have at times engaged in violent conflict with the country's Muslim minority. In late 1992, a huge mob of Hindu activists in the western city of Ayodhya demolished a 16th century mosque said to have been built at the birth site of the Hindu god Rama. Ensuing communal riots in cities across India left many hundreds dead. Bombay was especially hard hit and was the site of coordinated 1993 terrorist bombings believed to have been a retaliatory strike by Muslims. In early 2002, another group of Hindu activists returning by train to the western state of Gujarat after a visit to the 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. Up to 2,000 people died in the

fearsome communal rioting that followed, most of them Muslims. The BJP-led state and national governments came under fire for inaction; some observers saw evidence of state government complicity in anti-Muslim attacks. The U.S. State Department and human rights groups have been critical of New Delhi's apparently ineffectual efforts to bring those responsible to justice; some of these criticisms were echoed by the Indian Supreme Court in 2003. In March 2005, the State Department made a controversial decision to deny a U.S. visa to Gujarat Chief Minster 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. Sporadic incidents of communal violence have continued to destroy both lives and property in 2006.

Human Rights. According to the U.S. State Department's *India: Country Report on Human Rights Practices, 2005*, 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 kidnapings also remained grievous problems, especially in Kashmir and the northeastern states. 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's June 2006 report on trafficking in persons said that New Delhi "does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so" and it placed India on the "Tier 2 Watch List" for the third consecutive year "due to its failure to show evidence of increasing efforts to address trafficking in persons." New Delhi later downplayed the claims and said the report was "not helpful." The trafficking of women and children is identified as a serious problem in India.

The State's Bureau of Democracy, Human Rights, and Labor has claimed that India's human right abuses "are generated by a traditionally hierarchical social structure, deeply rooted tensions among the country's many ethnic and religious communities, violent secessionist movements and the authorities' attempts to repress them, and deficient police methods and training." India's 1958 Armed Forces Special Powers Act, which gives security forces wide leeway to act with impunity in conflict zones, has been called a facilitator of "grave human rights abuses" in several Indian states. India generally denies international human rights groups official access to Kashmir and other sensitive areas. The State Department's 2005-2006 report on *Supporting Human Rights and Democracy* calls India "a vibrant democracy with strong constitutional human rights protections," but also asserts that "poor enforcement of laws, widespread corruption, a lack of accountability, and the severely overburdened court system weakened the delivery of justice."

An officially secular nation, India has a long tradition of religious tolerance (with occasional lapses), which is protected under its constitution. The population

includes a Hindu majority of 82% as well as a large Muslim minority of some 150 million (14%). Christians, Sikhs, Buddhists, Jains, and others total less than 4%. Although freedom of religion is protected by the Indian government, human rights groups have noted that India's religious tolerance is susceptible to attack by religious extremists. In its annual report on international religious freedom released in 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 policies 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 2006 report of the U.S. Commission on International Religious Freedom lauds continued improvements since the May 2004 election of the Congress-led coalition, but warns that concerns about religious freedom in India remain. These include ongoing attacks against religious minorities, perpetrated mainly by Hindu activists and most often in states with BJP-led governments. The Commission also continues to criticize allegedly insufficient state efforts to pursue justice in cases related to 2002 communal rioting in Gujarat.

U.S. Assistance

Economic. According to the U.S. Agency for International Development (USAID), India has more people living in abject poverty (some 385 million) than do Latin America and Africa combined. From 1947 through 2005, the United States provided nearly $15 billion in economic loans and grants to India. USAID programs in India, budgeted at about $68 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) *energy and environment* (improved access to clean energy and water; the reduction of public subsidies through improved cost recovery); and (5) *opportunity and equity* (improved access to elementary education, and justice and other social and economic services for vulnerable groups, especially women and children).

Security. The United States has provided about $161 million in military assistance to India since 1947, more than 90% of it distributed from 1962-1966. In recent years, modest security-related assistance has emphasized export control enhancements and 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 military sales agreements with India worth $288 million in FY2002-FY2005.

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	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**
Food Aid*	78.3	105.7	44.8	30.8	26.1	43.0	—
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: Nonproliferation, Anti-Terrorism, Demining, and Related (mainly export control assistance, but includes anti-terrorism assistance for FY2007)

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

Figure 1. Map of India

Source: Map Resources. Adapted by CRS. (K.Yancey 7/6/06)