

CRS Report for Congress

India-U.S. Relations

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India-U.S. Relations

Summary

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

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

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

Contents

Key Current Issues and Developments	1
Economic Woes	1
U.S.-India Civil Nuclear Cooperation	1
Recent Background	2
Current Status	5
Indian Domestic Political Developments	7
Other Recent Developments	8
Context of the U.S.-India Relationship	9
Background	9
Current U.S.-India Engagement	12
India's Regional Relations	14
Pakistan	14
China	18
Burma	22
Iran	23
The "IPI" Pipeline Project	26
Other Countries	26
Political Setting	29
National Elections	29
The Congress Party	30
The Bharatiya Janata Party (BJP)	31
Regional Parties	32
The Left Front	32
Bilateral Issues	33
"Next Steps in Strategic Partnership" and Beyond	33
Civil Nuclear Cooperation	34
Civil Space Cooperation	41
High-Technology Trade	41
Security Issues	42
The Indian Military	42
U.S.-India Security Cooperation	43
Nuclear Weapons and Missile Proliferation	48
U.S. Nonproliferation Efforts and Congressional Action	48
India's Economy and U.S. Interests	49
Overview	49
Trade and Investment	52
Barriers to Trade and Investment	53
Special Economic Zones (SEZs)	55
Multilateral Trade Negotiations	55
The Energy Sector and Climate Change	56
The Kashmir Issue	59
Other Regional Dissidence	63
The Northeast	64
Maoist Insurgency	64
Hindu-Muslim Tensions	66
Human Rights Issues	67

Human Trafficking	68
Religious Freedom	68
Caste-Based Discrimination	69
Female Infanticide and Feticide	69
HIV/AIDS	70
U.S. Assistance	71
Economic	71
Security	72
Selected Relevant Legislation in the 110 th Congress	72

List of Figures

Figure 1. Deaths Related to Kashmiri Separatism, 1988-2006	62
Figure 2. Map of India	74

List of Tables

Table 1. Direct U.S. Assistance to India, FY2001-FY2009	73
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India-U.S. Relations

Key Current Issues and Developments

Economic Woes

India's economy has in recent months been rocked by soaring inflation, and power shortages have sparked public outrage and protests. In early June, the New Delhi government took a political risk in announcing a ten percent hike in fuel prices. The move triggered street protests in several states, including strikes that virtually shut down the Andhra Pradesh and West Bengal. Investor concerns about soaring gasoline costs likely contributed to a 3.3% one-day drop in the value of the Sensex index of the Bombay Stock Exchange. Indeed, a sharp increase in food and fuel costs may counterbalance recent growth in the Indian economy.¹ In mid-June, inflation rates reached a 13-year high of more than 11% and prices for basic foodstuffs reportedly rose by as much as 50% in some smaller Indian cities in less than six months. The Reserve Bank of India responded by raising its benchmark lending rate to the highest level in six years.² Economic difficulties have added to the ruling coalition government's political woes: One powerful Uttar Pradesh regional party protested the failure to curb inflation by withdrawing its support for the UPA coalition.³ Despite these difficulties, some more optimistic commentators offer that, because the shocks are largely external, and high investment rates persist, India's economy can be expected to continue to perform strongly.⁴

U.S.-India Civil Nuclear Cooperation⁵

Plans to initiate U.S.-India civil nuclear cooperation have been hampered by domestic political resistance in India. In a major policy shift by the United States, a July 2005 U.S.-India Joint Statement notably asserted that "as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states," and President Bush vowed to work on achieving "full civilian nuclear energy cooperation with India." As a reversal of three decades of U.S. nonproliferation policy, such proposed cooperation stirred controversy and

¹ "India Wobbles on Fuel Hikes After Anger, Malaysia Firm," *Reuters*, June 6, 2008; "India's Fiscal Gains Offset by Rising Prices," *New York Times*, June 11, 2008.

² "Scale of India's Inflation Revealed," *BBC News*, June 23, 2008.

³ "Indian Govt Ally Quits Over High Inflation," *Agence France Presse*, June 21, 2008. See also "The Price of Inflation" (editorial), *Hindu* (Chennai), June 23, 2008.

⁴ Kaushik Basu, "India's Economy - Reasons to Be Cheerful" (op-ed), *BBC News*, June 18, 2008.

⁵ See also CRS Report RL33016, *U.S. Nuclear Cooperation With India*, and "Civil Nuclear Cooperation" section below.

required changes in both U.S. law and in international guidelines. Enabling U.S. legislation became public law in December 2006 (P.L. 109-401 or “the Hyde Act”). To date, however, India’s United Progressive Alliance (UPA) coalition government, led by the Congress Party of Prime Minister Manmohan Singh, has been unable to overcome persistent and unrelenting resistance to the pact from communist party leaders who provide the ruling coalition with crucial parliamentary support. By threatening to withdraw such support if the UPA goes forward with the initiative, the Left Front has successfully prevented its consummation, leading many analysts to conclude that planned cooperation will not take place in the foreseeable future.

India’s unexpectedly strong domestic political resistance to plans for bilateral civil nuclear cooperation combined with some minor controversies over the meaning of certain clauses in the 123 Agreement combined to interrupt what have been mostly enthusiastic sentiments about U.S.-India relations. A key question of late has been the extent to which the civil nuclear deal’s potential collapse would negatively affect the broader bilateral relationship. The U.S. Ambassador to India, David Mulford, reportedly views the U.S.-India relationship “essentially as a massive civil private sector relationship,” one which he does not see significantly affected by a possible failure to consummate the nuclear deal.⁶

Recent Background. In July 2007, the United States and India announced having concluded negotiations on a peaceful nuclear cooperation (or “123”) agreement (the text was released on August 3). Then-Under Secretary of State for Political Affairs Nicholas Burns, the lead U.S. negotiator, called the deal “perhaps the single most important initiative that India and the United States have agreed to in the 60 years of our relationship” and “the symbolic centerpiece of a growing global partnership between our two countries.”⁷ U.S. officials urged New Delhi to move rapidly toward completing remaining steps to consummation of the pact. These include finalizing arrangements for International Atomic Energy Agency (IAEA) inspections of India’s civilian nuclear facilities and winning the endorsement of the Nuclear Suppliers Group (NSG) for nuclear trade. Following these steps, the 123 Agreement can become operative only through a Joint Resolution of Approval from Congress. There have been significant apparent contradictions between the expectations of and public statements by U.S. and Indian officials on this issue.⁸

Many independent Indian commentators are approving of the pact, seeing in it an end to “nuclear apartheid” that likely will “go down as one of the finest achievements of Indian diplomacy.”⁹ There also is evidence that the Indian business community supports the deal as a means contributing to India’s rise as a major power and of bolstering the country’s energy security. In November 2007, 23 former Indian

⁶ ““Nuclear Deal Will Have Little Effect on Broad Framework of Bilateral Ties” (interview), *Hindu* (Chennai), May 20, 2008.

⁷ See [<http://www.state.gov/p/us/rm/2007/89559.htm>].

⁸ A useful table is at [<http://www.carnegieendowment.org/files/123agreementchart.pdf>].

⁹ Indrani Bagchi, “End of Nuke Apartheid Against India,” *Times of India* (Delhi), August 4, 2007; C. Raja Mohan, “India Gains, US Doesn’t Lose,” *Indian Express* (Delhi), August 4, 2007.

military chiefs, senior bureaucrats, and scientists signed an open letter to Parliament urging approval of the pact so as to remove the “crippling constraints” India suffers due to international regimes that deny it high-technology goods.¹⁰ With multiple admonitions from senior U.S. government officials in 2008 that the time needed to consummate the deal grows short, many Indian commentators have joined in pressing their government to avoid an uncertain future by moving quickly to finalize the pact. Some assert that India’s nuclear power industry is in dire need of uranium supplies that can only come from the international market.¹¹ Uranium shortages appear to be hampering India nuclear power sector, which is running at or below half capacity.¹²

In New Delhi, where the executive can enter international agreements without parliamentary approval, Prime Minister Singh’s Congress Party-dominated cabinet endorsed the agreement text immediately upon its finalization. His UPA coalition government then set about assuring domestic skeptics that the autonomy of the country’s nuclear weapons program would be maintained and that all key commitments previously made to parliament were being adhered to, including those related to plutonium reprocessing and nuclear weapons testing rights, as well as assured and uninterrupted supplies of nuclear fuel even if the agreement is terminated.¹³ Later, in response to continued controversy over whether or not India’s freedom to conduct future nuclear weapons tests is restricted by the agreement, External Affairs Minister Pranab Mukherjee told Parliament, “There is nothing in the bilateral agreement that would tie the hands of a future government or legally constrain its options.”¹⁴

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

¹⁰ See [<http://www.indianexpress.com/story/239308.html>].

¹¹ See, for example, G. Parthasarathy, “We Won’t Get a Better Deal” (op-ed), *Times of India* (Delhi); “Don’t Wait for Obama” (editorial), *Indian Express* (Mumbai), both February 22, 2008; M.R. Srinivasan, “Nuclear Ground Realities” (op-ed), *Indian Express* (Mumbai), March 29, 2008; K. Subramanyam, “Why the Nuke Deal is Crucial” (op-ed), *Times of India* (Delhi), April 7, 2008.

¹² “Govt Admits Lack of Fuel Delayed Start-Up of Two N-Power Plants,” *Indian Express* (Mumbai), May 8, 2008.

¹³ See [http://www.indianembassy.org/newsite/press_release/2007/Aug/4.asp].

¹⁴ See [http://www.indianembassy.org/newsite/press_release/2007/Aug/7.asp].

tolerate a subservient relationship” and retains significant differences in approaches to third parties such as Iran and Pakistan. India’s largest communist party reportedly wants to see the deal renegotiated with a new U.S. presidential administration.¹⁵

In a surprise development, political squabbling in New Delhi put the nuclear deal on possibly indefinite hold. In October 2007, Prime Minister Singh informed President Bush that “certain difficulties have arisen with respect to the operationalization” of the deal. Spokesmen for both the White House and for India’s ruling coalition-leading Congress Party later denied that the deal was “dead.”¹⁶ Hopes for consummation were revived in November when the Left Front allowed the Indian government to begin talks with the IAEA. Yet, by year’s end, the communist leadership was again threatening to withdraw support for the ruling coalition unless talks were halted. Meanwhile, some reports indicated that New Delhi was meeting with unexpected difficulties at the IAEA, especially with regard to assurances on future fuel supplies.¹⁷

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

Nonproliferation experts have been consistent in their opposition to the nuclear deal, believing it will significantly damage the global nonproliferation regime and facilitate an Asian nuclear arms race. Some have asserted that the text of the 123 Agreement disregards the legislative intent of the Hyde Act, especially in the area of

¹⁵ “Indian Communists Reject U.S. Nuclear Pact,” *Reuters*, August 7, 2007; Brajesh Mishra, “No to Subservient Relations,” *India Today* (Delhi), September 24, 2007; “Communist Leader Says No Nuke Deal Until Bush Goes: Report,” *Agence France Presse*, February 12, 2008.

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

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

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

¹⁹ “China Non-Committal on Supporting India in NSG,” *Times of India* (Delhi), January 15, 2008.

continued supplies of nuclear fuel to India even if that country tests a nuclear weapons and the agreement is terminated. Others warn that NSG endorsement of an exception for India will “virtually ensure the demise of global nuclear export restraints.”²⁰ A January 2008 letter to NSG officials endorsed by more than 130 nonproliferation experts and nongovernmental organizations argued that India’s commitments thus far did not justify making “far-reaching” exceptions to international nonproliferation rules and norms. The document asked that NSG members consider the potential costs of granting to India any special safeguards exceptions and urged the body to make clear that all nuclear trade with India would cease upon that country’s resumption of nuclear testing for any reason.²¹

At least one nonproliferation advocate in Congress concluded that the 123 Agreement “is not consistent with [congressional] requirements and restrictions” and would “deeply damage” the global nonproliferation regime. He identified the issues of nuclear testing, assurances of fuel supply, and the reprocessing of U.S.-origin nuclear material three core concerns.²² During a February 2008 hearing, Secretary of State Condoleezza Rice assured the House Foreign Affairs Committee that the U.S. government will support India in the NSG only if any resulting exemptions are fully consistent with the provisions of the Hyde Act. Nonproliferation advocates say Secretary Rice’s pledge will require a shift in U.S. policy, in particular by placing conditions on India’s ability to engage in global nuclear trade.²³

Current Status. Left Front leaders maintain their adamant opposition to any “operationalization” of the nuclear deal, which for them means the government should not seek IAEA Board of Governors approval for the draft agreement on safeguarding India’s nuclear facilities. They see Prime Minister Singh following a timeline set by the Bush Administration at the expense of India’s national interests, and they have formally threatened to withdraw support for the UPA coalition.²⁴

There were signs in early May that the U.S. government had wound down its efforts to persuade NSG members to provide an exemption for India. In mid-May, U.S. officials were saying the window for completing the necessary steps had become

²⁰ See, for example, William Potter and Jayantha Dhanapala, “The Perils of Non-Proliferation Amnesia,” *Hindu* (Chennai), September 1, 2007.

²¹ See “Fix the Proposal for Renewed Cooperation With India,” January 7, 2008, at [<http://www.armscontrol.org/pressroom/2008/NSGappeal.asp>].

²² “Courses of Action for Congress and the Nuclear Suppliers Group: A Conversation with the Hon. Edward J. Markey on Nuclear Cooperation Between the United States and India,” Council on Foreign Relations, September 13, 2007.

²³ Transcript: House Foreign Affairs Committee Holds Hearing on the Fiscal 2009 International Relations Budget, February 13, 2008; Arms Control Association press release at [http://www.armscontrol.org/pressroom/2008/20080214_Rice_India.asp].

²⁴ Prakash Karat, “Left Will Not Compromise,” *People’s Democracy* (New Delhi), June 29, 2008; “India’s Left-Wing to Reconsider Support for Gov’t: Officials,” *Agence France Presse*, July 1, 2008.

“very narrow” and, by June, reports of the deal’s outright failure were appearing.²⁵ A scheduled mid-June UPA-Left Front meeting was postponed for unexplained reasons. With Prime Minister Singh and Congress Party chief Gandhi reportedly considering going forward without the Left Front’s blessing, talk of the imminent collapse of the UPA government became rife. Economic woes and coalition partners not eager to face the electorate may yet dissuade Congress leaders from breaking their ties with the communists.²⁶

A June 25 meeting of the UPA-Left Front committee — its ninth and likely penultimate session — failed to break the deadlock. The failure led some observers to conclude the mechanism itself essentially was defunct. Still, proponents urge the government to move ahead even if it means losing the Left’s parliamentary support, arguing that backing down now would only show the coalition’s “impotence” and lead to a major loss of face for India on the world stage.²⁷ Congress’s junior coalition partners, averse to the prospect of early elections, have urged the government to press ahead in its efforts to break the deadlock. Some reports have the Congress-led government resolved to push forward without the Left Front if it can win the support of the influential Samajwadi Party of Uttar Pradesh.²⁸

While top U.S. officials will withhold comment on India’s internal political processes, there has remained a sense of urgency in Washington, with the Bush Administration (and many in Congress) eager to see the deal consummated during its remaining term in office and so exerting diplomatic pressure on the New Delhi government to reverse its apparent climb-down. This pressure has included warnings to New Delhi that the U.S. political calendar requires the 123 Agreement be submitted to the U.S. Congress in early summer in order to see fruition in 2008. Some analysts fear that a failure to do so would require starting the difficult negotiation process anew in 2009, perhaps involving a Democratic U.S. Administration and/or Congress that might be more favorable to arguments made by nonproliferation advocates. Under Secretary Burns’s early 2008 departure from the State Department further complicates any future efforts to consummate the deal.²⁹

²⁵ “Zilchonium Bomb,” *Outlook* (Delhi), May 12, 2008; “Nuclear Deal Is Not Dead But Down to Last Days: Mulford,” *Hindu* (Chennai), May 20, 2008; “US-India Nuclear Deal Dead,” *Financial Times* (London), June 10, 2008.

²⁶ “India May Push On With US Nuclear Deal,” *Associated Press*, June 20, 2008; “Congress-Left Near Break-Up on Nuclear Deal,” *Hindu* (Chennai), June 19, 2008; “India election Talk Resurfaces Over US Nuclear Row,” *Reuters*, June 19, 2008.

²⁷ While the BJP leadership opposes the deal in its present form, Brajesh Mishra, who served as National Security Advisor in Prime Minister Vajpayee’s government, recently said India’s failure to see the deal through would represent a “severe loss of face” for India internationally (“Advani Slams N-Deal, Brajesh Says Grab It,” *Times of India* (Delhi), April 28, 2008).

²⁸ “UPA-Left Meltdown,” *Indian Express* (Mumbai), June 26, 2008; “It’s Now Or Never” (editorial), *Times of India* (Delhi), June 27, 2008; “Credible India?” (op-ed), *Outlook* (Delhi), July 7, 2008; “UPA Allies Oppose Early Election,” *Hindu* (Chennai), June 24, 2008; “Govt Bites N-Bullet, to Go to IAEA in July,” *Times of India* (Delhi), June 29, 2008.

²⁹ “Post-Bush, India May Have to Start From Scratch,” *Hindustan Times* (Delhi), October (continued...)

Burns has himself opined that a future U.S. presidential administration is highly unlikely to replicate the deal in its present form, meaning that “the only opportunity to realize the potential of this deal is with the administration of President Bush.”³⁰ On July 1, the Chairman of the House Foreign Affairs Subcommittee on the Middle East and South Asia, Representative Gary Ackerman, reportedly said the “clock has run out” and there is no chance of congressional approval for the 123 Agreement during the remainder of President Bush’s term in office.³¹

Indian Domestic Political Developments

Domestic debate in India on the pending U.S.-India nuclear deal triggered the most serious crisis faced by the UPA government since it came to power in May 2004. In fact, the turmoil nearly led to a collapse of the ruling coalition and early elections as both Prime Minister Singh and the Left Front parties maintained staunch and mutually incompatible positions on the deal. The August release of the 123 Agreement text brought an uproar in the Indian Parliament — effectively shutting the body down at times — with numerous lawmakers complaining that the deal would restrict India’s ability to test nuclear weapons in the future and threaten its foreign policy independence.³² An urgent meeting between Singh and communist leader Prakash Karat ended without reconciliation, and the Left Front warned the central government of “serious consequences” if it moved forward with the plan. Communist officials subsequently threatened to end their support for the UPA coalition if it moved forward with the deal and, in October, they issued a fresh demand that the deal be put on hold.³³ The leader of the main opposition BJP, L.K. Advani, reiterated his view that the nuclear deal was “unacceptable” and he urged his party to prepare for anticipated early elections.

To facilitate what could only be an interim truce between the Congress party and the Left Front, the government created a panel of government officials, politicians, and scientists to “study” the nuclear deal. Communist leaders agreed to join the 15-member panel, which met for the first time in September. Several rounds of talks were held over ensuing months, but neither side budged from its strident position. By March, communist leaders again were openly threatening to withdraw support for the UPA coalition and so bring an early end to the government’s term, which is scheduled to terminate in May 2009. Reports began to indicate that the UPA leadership’s priority was saving the government, especially with signs that junior

²⁹ (...continued)

23, 2007; “Diplomat’s Exodus Muddles Nuclear Deal,” *Associated Press*, January 19, 2008.

³⁰ See [<http://www.state.gov/p/us/rm/2008/101628.htm>].

³¹ “No U.S. OK seen this Year for India Atomic Pact,” *Reuters*, July 1, 2008.

³² In September, India’s leading communist party issued an open letter to Parliament expressing the Left Front’s strong opposition to the proposed nuclear deal, calling the alleged creation of a “strategic alliance with America” an unacceptable departure from the Common Minimum Program and rejecting a perceived “military alliance with America” (see [http://www.cpim.org/statement/statements_2007.htm]).

³³ “India’s Left Issues Blunt Threat Over Nuclear Deal,” *Reuters*, September 13, 2007; “India Left Sets New Deadline in Nuclear Deal Row,” *Reuters*, October 1, 2007.

coalition partners and even some Congress Party stalwarts did not share the Prime Minister's enthusiasm for the nuclear deal and/or were reluctant to face the Indian electorate in early 2008.³⁴ With Prime Minister Singh and Congress Party chief Gandhi seeming to veer from strident support for the deal to an acceptance of its potentially permanent hibernation in only a matter of days during October, the New Delhi government's credibility came into question. According to a U.S.-based analyst, "The abrupt halt ... now casts a serious doubt about the willingness and ability of any government in New Delhi to act in a responsible, predictable, and reliable fashion."³⁵

In February, the Indian government released a "populist" 2008-2009 federal budget that includes large loan waivers for small farmers and tax cuts for the middle-class. Many observers saw the budget being shaped with an early national election in mind, as the "voter-friendly" provisions could strengthen the Congress Party's hand if new parliamentary polls are held in 2008.³⁶ With the Left Front's status damaged by domestic developments in its stronghold of West Bengal, it was considered possible that the communist leadership would shy from bringing down the current government if the electoral outlook for their parties was questionable. However, skyrocketing inflation saw analysts doubting that early elections would be called for.³⁷ Yet indications in late June that Prime Minister Singh would push for approval of U.S.-India civil nuclear cooperation despite Left Front opposition saw the probability of early elections again increase.

Other Recent Developments

- On July 1, National Security Advisor Narayanan paid a visit to Tehran for talks with top Iranian leaders.
- Also on July 1, at least six people were killed after suspected separatist militants exploded a bomb in a crowded Assam market.
- On June 30, the New Delhi government unveiled India's first-ever national action plan to address climate change.
- On June 29, at least 39 elite Indian anti-insurgency troops were feared drowned after their boat capsized following an attack by Maoist militants in Orissa.
- On June 27, External Affairs Minister Mukherjee met with his Pakistani counterpart in New Delhi, where the two leaders agreed to launch the fifth round of the Composite Dialogue in July.
- On June 24, Indian and Pakistan officials held a third meeting of their Joint Anti-Terrorism Mechanism in Islamabad.
- On June 18, Syrian President Assad began a five-day visit to India, the first by a Syrian president since 1978.

³⁴ "Suddenly, UPA Gets Cold Feet," *Times of India* (Delhi), October 11, 2007.

³⁵ Sumit Ganguly, "Save the Nuclear Deal," *Times of India* (Delhi), October 26, 2007.

³⁶ "India Gets Populist Pre-Election Budget," *BBC News*, February 29, 2008; "Nuclear Deal, Elections on Menu After India Budget," *Reuters*, February 29, 2008.

³⁷ "Left Alone," *India Today* (Delhi), March 17, 2008; "Inflation Douses Talk of Early India Polls - For Now," *Reuters*, April 4, 2008.

- On June 16, a Singaporean national was sentenced to three years in U.S. federal prison for conspiring with Indian government officials to illegally ship controlled U.S. computer technology to India for use in military missile systems.
- On June 5, External Affairs Minister Mukherjee met with his Chinese counterpart in Beijing, where the two leaders pledged to maintain peace on the India-China border but offered no new approaches to resolving outstanding territorial disputes.
- Also on June 5, at least 14 separatist rebels were reported killed in internecine gunbattles in Nagaland.
- On May 29, at least 42 people were killed in a week of caste riots in Rajasthan.
- On May 25, the BJP won a plurality of seats in Karnataka's state elections, marking the first time ever the party will oversee a state government in India's south.
- On May 22, India test fired a nuclear-capable Prithvi II short-range ballistic missile.
- On May 21, External Affairs Minister Mukherjee met with his Pakistani counterpart in Islamabad for a review of the fourth round of the India-Pakistan Composite Dialogue.
- On May 16, at least 16 people were reported killed in days of election-related violence in West Bengal.
- On May 14, six Maoist militants were reported killed in a gunbattle with security forces near the Bihar-Jharkhand border.
- On May 13, 7 coordinated bomb blasts left at least 63 people dead in Jaipur, Rajasthan.
- On May 10, at least 11 tribal militants were reported killed in a gunbattle with security forces in Assam. The next day, eight railway workers were killed in an apparent revenge attack.
- On May 7, India test fired a nuclear-capable Agni-III intermediate-range ballistic missile.

Context of the U.S.-India Relationship

Background

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

democracies. Throughout the 1990s, however, regional rivalries, separatist tendencies, and sectarian tensions continued to divert India's attention and resources from economic and social development. Fallout from these unresolved problems — particularly nuclear proliferation and human rights issues — presented major irritants in bilateral relations.

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

President Bill Clinton's March 2000 visit to South Asia seemed a major U.S. initiative to improve relations with India. One outcome was a Joint Statement in which the two countries pledged to "deepen the India-American partnership in tangible ways."³⁸ A U.S.-India Joint Working Group on Counterterrorism was established that year and continues to meet regularly. During his subsequent visit to the United States later in 2000, Prime Minister Atal Bihari Vajpayee addressed a joint session of Congress and issued a second Joint Statement with President Clinton agreeing to cooperate on arms control, terrorism, and HIV/AIDS.³⁹

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

India in Brief

Population: 1.15 billion; *growth rate:* 1.6% (2008 est.)

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

Capital: New Delhi

Head of Government: Prime Minister Manmohan Singh (Congress Party)

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

Languages: 22 official, 13 of which are the primary tongue of at least 10 million people; Hindi is the primary tongue of about 30%; English widely used

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

Life Expectancy at Birth: female 72 years; male 67 years (2008 est.)

Literacy: female 48%; male 73% (2001 census)

Gross Domestic Product (at PPP): \$3.03 trillion; *per capita:* \$2,730; *growth rate* 7.8% (2007 est.)

Currency: Rupee (100 = \$2.33)

Inflation: 6.4% (2007)

Defense Budget: \$28.5 billion (2.4% of GDP; 2007)

U.S. Trade: exports to U.S. \$24.0 billion; imports from U.S. \$17.6 billion (2007)

Sources: CIA World Factbook; U.S. Department of Commerce; Economist Intelligence Unit; Global Insight; Military Balance

³⁸ See [<http://www.usindiafriendship.net/archives/usindiavision/delhideclaration.htm>].

³⁹ See [http://clinton4.nara.gov/WH/new/html/Wed_Oct_4_105959_2000.html].

cooperation and the use of India's bases for counterterrorism operations. Engagement was accelerated after a November 2001 meeting between President Bush and Prime Minister Vajpayee, when the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues, including regional security, space and scientific collaboration, civilian nuclear safety, and broadened economic ties.⁴⁰ Notable progress has come in the area of security cooperation, with an increasing focus on counterterrorism, joint military exercises, and arms sales. In late 2001, the U.S.-India Defense Policy Group met in New Delhi for the first time since India's 1998 nuclear tests and outlined a defense partnership based on regular and high-level policy dialogue.

Prime Minister Manmohan Singh paid a landmark July 2005 visit to Washington, where what may be the most significant joint U.S.-India statement to date was issued.⁴¹ In March 2006, President Bush spent three days in India, discussed further strengthening a bilateral "global partnership," and issued another Joint Statement.⁴² The Bush Administration has vowed to "help India become a major world power in the 21st century," and U.S.-India relations are today conducted under the rubric of three major "dialogue" areas: strategic (including global issues and defense), economic (including trade, finance, commerce, and environment), and energy. President Bush's 2002 *National Security Strategy of the United States* stated that "U.S. interests require a strong relationship with India." The 2006 version claims that "India now is poised to shoulder global obligations in cooperation with the United States in a way befitting a major power."⁴³ In the course of an annual assessment of global threats, Director of National Intelligence Mike McConnell said,

We expect India's growing confidence on the world stage as a result of its sustained high rates of economic growth will make New Delhi a more effective partner of the United States but also a more formidable interlocutor in areas of disagreement, particularly in the WTO.⁴⁴

In late 2007, Under Secretary of State Burns, who traveled to New Delhi at least eight times over a two-year period, penned an article lauding stronger U.S.-India relations while also identifying "considerable hurdles" to achieving an effective "global partnership." Foremost among these are terrorism, narcotics trafficking, and nuclear proliferation, which he avers must be dealt with through stronger bilateral security ties that will include defense sales.⁴⁵ At a 2007 U.S.-India business conference in Washington, Secretary of State Rice laid out the perspective that,

⁴⁰ See [<http://www.state.gov/p/sca/rls/rm/6057.htm>].

⁴¹ [<http://www.whitehouse.gov/news/releases/2005/07/20050718-6.html>].

⁴² [<http://www.whitehouse.gov/news/releases/2006/03/20060302-5.html>].

⁴³ See [<http://www.comw.org/qdr/fulltext/nss2002.pdf>] and [<http://www.comw.org/qdr/fulltext/nss2006.pdf>].

⁴⁴ [<http://armed-services.senate.gov/statemnt/2007/February/McConnell%2002-27-07.pdf>].

⁴⁵ Nicholas Burns, "America's New Strategic Opportunity With India," *Foreign Affairs*, November/December 2007.

We in America look to the rise of India as an opportunity, a chance to work with a great fellow democracy to share not only the benefits of the international system, but indeed, the burdens and the responsibilities of maintaining it, of strengthening it, and defending it. We are eager to continue charting a global partnership with India, one that addresses the global challenges upon which the safety and success of every nation now depends: stemming nuclear proliferation, fighting terrorism, combating disease, protecting the environment, supporting education and upward mobility, expanding economic development, and promoting freedom under the rule of law.⁴⁶

Some analysts, however, see great potential but little likelihood of India becoming a major global power in the foreseeable future. Despite possession of a large, youthful, entrepreneurial population, a booming national economy, and growing power projection capabilities in the military realm, there remains much doubt about the capacity of India's leaders to engage in effective long-term strategic thinking and policy making. One senior Washington-based India-watcher has opined that, "The Indian strategic community is hopelessly unstrategic," and that its political community is "too domestically focused," thus precluding India's emergence as a substantive major power. Some Indian analysts agree that their national leaders lack a "coherent national grand strategy."⁴⁷

Recognition of India's increasing stature and importance — and of the growing political influence some 2.3 million Indian-Americans — is found in the U.S. Congress, where the India and Indian-American Caucus is now the largest of all country-specific caucuses. Over the past seven years, legal Indian immigrants have come to the United States at a more rapid rate than any other group. In 2005 and 2006, the Indian-American community, relatively wealthy, geographically dispersed, and well-entrenched in several U.S. business sectors, conducted a major (and apparently successful) lobbying effort to encourage congressional passage of legislation to enable U.S.-India civil nuclear cooperation.⁴⁸

Current U.S.-India Engagement

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

⁴⁶ See [<http://www.state.gov/secretary/rm/2007/06/87487.htm>].

⁴⁷ Stephen Cohen cited in "Look Before You Hop" (interview); Harsh Pant, "'Adamant for Drift, Solid for Fluidity,'" both in *Pragati: The Indian National Interest Review*, June 2008 and July 2008, respectively.

⁴⁸ See "Indian Community Burgeoning in America," *Associated Press*, October 22, 2006; "Forget the Israel Lobby, the Hill's Next Big Player is Made in India," *Washington Post*, September 30, 2007.

president of the India's ruling coalition-leading Congress Party. Among formal bilateral sessions over the past year were the following:

- In June 2007, a fifth meeting of the U.S.-India Agricultural Knowledge Initiative Board was held in Washington.
- Later in June, Commerce Minister Kamal Nath visited Washington to give a special address at the U.S.-India Business Council's 32nd Anniversary "Global India" Leadership Summit.
- In October, a second meeting of the Asia Pacific Partnership on Clean Development and Climate was held in New Delhi.
- In November, a session of the U.S.-India Joint Working Group on Counterterrorism met in Washington.
- In January 2008, the U.S.-India Defense Policy Group met in Washington.
- In February, the U.S.-India High Technology Working Group met in New Delhi.
- Later in February, the U.S.-India Trade Policy Forum met in Chicago.
- In April, a U.S.-India Energy Dialogue was held in New Delhi.
- Later in April, a sixth meeting of the U.S.-India Global Issues Forum was held in New Delhi.

During a 2008 visit to India, a senior U.S. Treasury Department official proffered for a Chennai audience the U.S. view that, "India can only be a major player in the global community if it demonstrates much-needed leadership on common challenges and opportunities such as climate change, energy security, nonproliferation, global trade, and investment." He called infrastructure development and financial sector liberalization necessary steps toward India's further development.⁴⁹

In April, Secretary of State Rice suggested that greater food demand in India (and China) was a contributing factor to a global food crisis in 2008. President Bush himself echoed the notion with a specific reference to India's growing middle class, saying, "When you start getting wealth, you start demanding better nutrition and better food. And so demand is high, and that causes the price to go up." Indian officials reacted with anger; the country's defense minister called the comments a "cruel joke" and the opposition-leading BJP called for parliamentary debate.⁵⁰

Bilateral security ties continue apace: In August 2007, the Commander of the U.S. Pacific Command, Adm. Timothy Keating, was in New Delhi for talks with top Indian leaders and military officers. Adm. Keating lauded U.S.-India defense relations as "solid, good, and improving steadily."⁵¹ September's Malabar '07 joint naval exercises, of unprecedented scale, were held in the Bay of Bengal, with India

⁴⁹ See [<http://www.ustreas.gov/press/releases/hp940.htm>].

⁵⁰ "Indians, Chinese Behind Food Crisis: Condi Rice," *Indian Express* (Mumbai), April 29, 2008; "Indian Politicians Blast Bush Over Comments on Food Prices," *Associated Press*, May 5, 2008; "Indians Find U.S. at Fault in Food Costs," *New York Times*, May 14, 2008.

⁵¹ "US Admiral Says Military Cooperation With India Improving Steadily," *Associated Press*, August 23, 2007.

hosting a total of 27 warships from five countries, including the United States, Japan, Australia, and Singapore. Even as U.S. and Indian leaders insisted the exercises were about increasing interoperability and preparedness for operations in maritime security and humanitarian relief, many analysts see a nascent “alliance of democracies” which could be intended to balance against growing Chinese power. In February 2008, Secretary of Defense Robert Gates paid a two-day visit to New Delhi, where he sought ways of further expanding U.S.-India military-to-military relations. Reportedly among Secretary Gates’s goals was facilitating deals that would allow eager U.S. defense firms to more robustly enter Indian arms procurement market.⁵² In a blow to optimistic expectations, New Delhi announced that it was shelving plans to sign a Logistics Support Agreement with the United States pending further review.

India’s Regional Relations

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

Pakistan.⁵³ Decades of militarized tensions and territorial disputes between India and Pakistan arguably have hamstrung economic and social development in both countries while also precluding establishment of effective regional economic or security institutions. Seemingly incompatible national identities contributed to both wars and to the nuclearization of the Asian Subcontinent, with the nuclear weapons capabilities of both countries becoming overt in 1998. Since that time, a central aspect of U.S. policy in South Asia has been prevention of interstate conflict that could destabilize the region and lead to nuclear war. In 2004, New Delhi and Islamabad launched their most recent comprehensive effort to reduce tensions and resolve outstanding disputes, an effort that has to date resulted in modest, but still meaningful successes. New Delhi acknowledges that a stable Pakistan is in India’s interests. At the same time, however, many top Indian leaders are convinced that Pakistan has long been and remains the main source India’s significant domestic terrorism problems. They continue to blame Islamabad for maintaining an “infrastructure of terror” and for actively supporting terrorist groups such as Jaish-e-Mohammed and Laskar-e-Taiba that are held responsible for attacks inside India.⁵⁴

⁵² “Gates Butters Up India for U.S. Guns,” *Business Week*, February 26, 2008.

⁵³ See also CRS Report RL33498, *Pakistan-U.S. Relations*.

⁵⁴ While levels of violence in Kashmir declined significantly in 2007 as compared to the previous year, some Indian analysts see signs that Islamist militants will seek to reverse this trend, perhaps with the urging and even support of Pakistani government elements. According to Indian National Security Advisor M.K. Narayanan, a former chief of the country’s domestic intelligence agency, very few Indian Muslims have played major roles in domestic terrorism. He has asserted that, “Mostly, the [terrorist] activity has been
(continued...)

Current Status. The halting India-Pakistan peace initiative was revived in mid-2008 after becoming moribund in the final months of 2007, when domestic political and security crises diverted the Pakistani government's attention away from its relations with India. New Delhi has watched the domestic turmoil of its neighbor and long-time rival with great interest, but little public comment. India takes pains to avoid even the perception of meddling in Pakistan's domestic political problems and so has been reticent and extremely cautious in its relevant public statements. A destabilized Pakistan represents a major security concern for New Delhi, but at the same time history shows that as Pakistan's internal difficulties grow, Pakistani interference in Indian affairs tends to decrease. Some view India's relatively muted response as strong evidence that the two countries have finally become "de-hyphenated." Others call on New Delhi to reach out to the new Islamabad government with conciliatory gestures that could facilitate the consolidation of democratization in Pakistan.⁵⁵

Officials from both countries (and the United States) continue to offer generally positive assessments of the India-Pakistan relationship, even as substantive progress remains elusive. In 2006, India and Pakistan agreed to open a second Kashmiri bus route and to allow new truck service to facilitate trade in Kashmir (the new bus service began in June of that year). Subsequent "Composite Dialogue" talks 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 have been dashed with repeated sessions ending without progress. Multiple sessions on the Tubal navigation project/Wullar barrage water dispute similarly have ended without forward movement.

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

⁵⁴ (...continued)

generated from outside" and "the overwhelming majority" of India's terrorism problems emanates from the Pakistan-Afghanistan border region. Internal Indian government documents reportedly conclude that Pakistan's main intelligence agency has not changed its central objectives, which, according to these sources, include supporting anti-Indian militancy in Kashmir, Punjab, Assam, and along the India-Nepal and India-Bangladesh borders ("Negotiating War," *Outlook* (Delhi), May 28, 2008; "MK Narayanan" (interview), *India Abroad*, September 21, 2007; "ISI Still Helping Terror Groups Against India: Narayanan," *Times of India* (Delhi), March 26, 2008; "No Let Up in ISI Operations: Report," *Times of India* (Delhi), June 9, 2008).

⁵⁵ "As Pakistan Boils, India Watches," *Chicago Tribune*, December 30, 2007; "Pakistan Turmoil Draws Muted Concern in India," *Washington Post*, January 19, 2008; Praful Bidwai, "Changing Pakistan," *Frontline* (Chennai), July 4, 2008.

public with or shared with Pakistan any incriminating evidence of Pakistani government involvement in the Bombay bombings.)

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

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

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

A fourth round of the Composite Dialogue also was launched in March 2007, when the two foreign ministers met again in Islamabad. No new agreements were reached, but both officials lauded improved bilateral relations and held “the most sustained and intensive dialogue” ever on the Kashmir problem.⁵⁶ A fourth round of bilateral talks on economic and commercial cooperation held in August 2007 ended with agreements to facilitate importation of cement from Pakistan and tea from India, among others. Indian and Pakistani officials also held technical-level talks on the modalities of cross-border movement.

In September 2007, Pakistan issued a formal protest and expressed “deep concern” in response to the Indian government’s announced intention to open the disputed territory of the Siachen Glacier to tourism, saying the region was “illegally

⁵⁶ See Pakistan Foreign Ministry Press Release No. 81/2007 at [http://www.mofa.gov.pk/Press_Releases/2007/March/PR_81_07.htm].

occupied” by Indian troops in 1984 and its final status has yet to be determined due to an “inflexible Indian attitude.”⁵⁷ October saw a second meeting of the Joint Anti-Terrorism Mechanism in New Delhi, where the two sides shared new information on terrorism and agreed to continue mutual investigatory cooperation.

Following a November 2007 imposition of emergency rule in Pakistan, political crisis in Islamabad is widely seen as having put what are at least temporary brakes on the bilateral peace process, and has also brought into question the efficacy of India’s seeking to strike agreements with a Pakistani leader (Musharraf) whose political legitimacy and longevity in office are in doubt. New Delhi lauded Pakistan’s February 2008 electoral processes and expressed preparedness to resume the Composite Dialogue once a new government is in place in Islamabad. The leader of Pakistan’s leading political party, Asif Zardari, expressed hope that India-Pakistan economic ties should be strengthened even without a settlement of the Kashmir issue, saying Kashmir is a situation upon which Pakistan and India “can agree to disagree.” Prime Minister Singh has invited Pakistan’s new civilian leaders to put the past behind them and build a new cooperative relationship with India.⁵⁸

In May 2008, External Affairs Minister Mukherjee met with his Pakistani counterpart in Islamabad for a review of the fourth round of the Composite Dialogue. The two leaders reaffirmed their determination to not let terrorism impede the bilateral peace process. A month later, the new Pakistani Foreign Minister, Shah Mehmood Qureshi, made his first official trip to New Delhi, where it was agreed that the fifth round of the Composite Dialogue would take place in July. June 2008 also saw the bilateral anti-terrorism mechanism meet for only the third time in nearly two years. Among the top goals of Indian officials has been gauging the new Pakistani government’s commitment to the bilateral peace process. Within this modest context, the outcomes have been viewed as positive.⁵⁹

Background. Three wars — in 1947-48, 1965, and 1971 — and a constant state of military preparedness on both sides of the border have marked six decades of bitter rivalry between India and Pakistan. The bloody and acrimonious nature of the 1947 partition of British India and continuing violence in Kashmir remain major sources of interstate tensions. Despite the existence of widespread poverty across South Asia, both India and Pakistan have built large defense establishments — including nuclear weapons capability and ballistic missile programs — at the cost of economic and social development. The two countries reportedly continue to stockpile a combined 11 million landmines and up to 2,000 square kilometers of India’s Jammu and Kashmir state may remain mined.⁶⁰ The nuclear weapons

⁵⁷ See [http://www.mofa.gov.pk/Spokesperson/2007/Sep/Spokes_17_09_07.htm].

⁵⁸ See [http://www.indianembassy.org/newsite/press_release/2008/Mar/1.asp]; “Benazir Bhutto’s Widow Wants Improved Relations With India,” *Associated Press*, March 1, 2008; “India PM Wants to Meet Pakistan’s Leaders Halfway,” *Reuters*, March 5, 2008.

⁵⁹ “India, Pakistan Say Satisfied With Peace Process,” *Agence France Presse*, May 20, 2008; “Quietly Forward,” *Frontline* (Chennai), June 20, 2008.

⁶⁰ See a 2007 International Campaign to Ban Landmines report at [<http://www.icbl.org/>]

capabilities of India and Pakistan became overt in May 1998, magnifying greatly the potential dangers of a fourth war. Although a bilateral peace process has been underway for more than four years, little substantive progress has been made toward resolving the Kashmir issue, and New Delhi continues to be rankled by what it calls Islamabad's insufficient effort to end Islamic militancy that affects India.

The Kashmir problem is itself rooted in claims by both countries to the former princely state, now divided by a military Line of Control (LOC) into the Indian state of Jammu and Kashmir and Pakistan-controlled Azad [Free] Kashmir (see "The Kashmir Issue," below). Normal relations between New Delhi and Islamabad were severed in December 2001 after a terrorist attack on the Indian Parliament was blamed on Pakistan-supported Islamic militants. Other lethal attacks on Indian civilians spurred Indian leaders to call for a "decisive war," but intense international diplomatic engagement, including multiple trips to the region by high-level U.S. officials, apparently persuaded India to refrain from attacking.⁶¹ 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. 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. 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,

⁶⁰ (...continued)
lm/2007/india.html].

⁶¹ See Polly Nayak and Michael Krepon, "US Crisis Management in South Asia's Twin Peaks Crisis" at [<http://www.stimson.org/southasia/pdf/USCrisisManagement.pdf>].

while China lays claim to 35,000 square miles in the northeastern Indian state of Arunachal Pradesh. The 1962 clash ended a previously friendly relationship between the two leaders of the Cold War “nonaligned movement” and left many Indians feeling shocked and betrayed. While Sino-Indian relations have warmed considerably in recent years, the two countries have yet to reach a final boundary agreement. 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. A strategic orientation focused on China appears to have affected the course and scope of New Delhi’s own nuclear weapons, ballistic missile, and other power projection programs.⁶²

Beijing’s military and economic support for Pakistan — support that is widely understood to have included nuclear weapons- and missile-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 and port facilities on the Indian Ocean.⁶³ The two countries also have competed for trade partners and energy resources to feed their rapidly growing economies; India’s relative poverty puts New Delhi at a significant disadvantage in such competition.⁶⁴

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

Despite historic and strategic differences, high-level exchanges between India and China regularly include statements that there exists no fundamental conflict of interest between the two countries. During a landmark 1993 visit to Beijing, then-Prime Minister Narasimha Rao signed an agreement to reduce troops and maintain peace along the Line of Actual Control that divides the two countries’ forces at the disputed border. Numerous rounds of border talks and joint working group meetings aimed at reaching a final settlement have been held since 1981 — a dozen of these since both countries appointed special representatives in 2003 — with New Delhi and Beijing agreeing to move forward in other issue-areas even as territorial claims

⁶² See, for example, “Wary of China, India to Boost Eastern Naval Fleet,” *Reuters*, November 14, 2007; “Indian Army Wants Military Space Program,” *Associated Press*, June 17, 2008.

⁶³ For example, China is developing a billion dollar commercial port on the southern tip of Sri Lanka. Some Indian analysts fear the port could be used to support Chinese naval activity in the India Ocean (“India, China Jostle for Influence in Indian Ocean,” *Associated Press*, June 7, 2008).

⁶⁴ An example is found in relations with Africa, where India’s historical advantage has been eroded by Beijing’s deeper pockets. The value of China’s two-way trade with African countries is now more than double that of India’s (“On China’s Heels, India Vies for Its Old Edge in Africa,” *Christian Science Monitor*, May 5, 2008).

remain unresolved. Some skeptical Indian analysts believe China is using the so far unavailing border dialogue as “diplomatic cover to be intractable and revanchist.”⁶⁵

A 2003 visit to Beijing by then-Prime Minister Vajpayee was viewed as marking a period of much improved relations. In 2004, India’s army chief visited Beijing to discuss deepening bilateral defense cooperation and a first-ever India-China strategic dialogue was later held in New Delhi. Military-to-military contacts have included modest but unprecedented combined naval and army exercises. During Chinese Prime Minister Wen Jiabao’s 2005 visit to New Delhi, India and China inked 11 new agreements and vowed to launch a “strategic partnership” to include broadened defense links and efforts to expand economic relations.⁶⁶ 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.⁶⁷ Moreover, in 2006, dubbed the “Year of India-China Friendship,” the two countries formally agreed to cooperate in securing overseas oil resources. In July of that year, India and China reopened the Nathu La border crossing for local trade (the Himalayan pass had been closed since the 1962 war). Sino-India trade relations are soaring — bilateral commerce was worth nearly \$39 billion in 2007, a 15-fold increase over the 1999 value. In fact, China may soon supplant the United States as India’s largest trading partner. Still, Indian leaders are concerned that trade with China is woefully unbalanced, with China enjoying a large surplus.

Indo-Chinese relations further warmed in late 2006, when Chinese President Hu Jintao made a trip to India, the first such visit by a Chinese president in a decade. There India and China issued a Joint Declaration outlining a “ten-pronged strategy” to boost bilateral socio-economic ties and defense cooperation, and to “reinforce their strategic partnership.” The two countries, which declared themselves “partners for mutual benefit” rather than rivals or competitors, also signed 13 new pacts on a variety of bilateral initiatives. The Joint Declaration notably contained an agreement

⁶⁵ Brahma Chellaney, “Don’t Get Cowed Down” (op-ed), *Times of India* (Delhi), October 2, 2007.

⁶⁶ See “India, China Hoping to ‘Reshape the World Order’ Together,” *Washington Post*, April 12, 2005.

⁶⁷ March 2008 saw growing violence and instability in the disputed Tibet region when pro-independence protesters there took to the streets of Lhasa and Chinese government forces were deployed to suppress the agitators. While India recognizes Chinese sovereignty in Tibet, for 50 years the Indian city of Dharamasala has been home to the exiled Dalai Lama — a Tibetan spiritual leader and focus of the pro-independence movement — as well as to some 180,000 other Tibetan exiles who are given refuge but who are not allowed to engage in political activities on Indian soil. Discord in Tibet creates a dilemma for New Delhi, where officials seek to balance human rights concerns with a desire to maintain warm relations with Beijing. Many large Indian rivers originate in Tibet. Both India and the United States support Chinese dialogue with the Dalai Lama, even as New Delhi warns that figure to refrain from political activity. Some analysts criticize New Delhi’s perceived timidity on the issue and assert that India’s aspired great power status requires standing up to China on human rights issues. During her March visit to India, Speaker of the House Rep. Nancy Pelosi met with and expressed support for the Dalai Lama, and called on the Chinese government to end its violent crackdown in Lhasa (see [<http://www.house.gov/pelosi/press/releases/March08/dalai-lama.html>]).

to “promote cooperation in the field of nuclear energy,” although no details have been provided on what form such cooperation might take. India’s army chief spent a week in China in mid-2007, providing fresh impetus to bilateral defense cooperation. A late 2007 visit to Beijing by Congress Party chief Sonia Gandhi may have been part of an effort to balance New Delhi’s increasingly close relations with the United States, Japan, and other regional countries, relations that may be straining Indo-Chinese ties.

Prime Minister Singh’s January 2008 visit to Beijing, his first as Prime Minister, saw India and China agreed to further strengthen trade and defense relations. Singh called on Beijing to expand market access for Indian goods so as to correct his country’s growing trade imbalance with China. A number of significant unresolved bilateral issues, not least the conflicting territorial claims, had analysts foreseeing no major new initiatives growing from the summit. The resulting document, “A Shared Vision for the 21st Century,” resolved to promote global peace and prosperity through an India-China relationship built on trust and based on equality. It included an unprecedented expression of Chinese support for a greater Indian in the U.N. Security Council, as well as calls for further regional economic integration and resolution of outstanding territorial disputes through peaceful negotiations.⁶⁸ External Affairs Minister Mukherjee met with his Chinese counterpart in Beijing in June 2008; the two leaders pledged to maintain peace on the India-China border but offered no new approaches to resolving outstanding territorial disputes.⁶⁹

Militarized bilateral frictions persist. Ahead of Prime Minister Singh’s China trip, External Affairs Minister Mukherjee conceded that Chinese troops had “sometimes” intruded on Indian territory and that infrastructure development on the Chinese side of the border was “much superior” to that on the Indian side. Just two weeks after returning from China, Singh was in India’s remote Arunachal Pradesh state for the first such prime ministerial trip in nearly a decade. The visit ostensibly was meant to assure the region’s citizens that New Delhi remained mindful of their development needs. Indian officials have been clear in conveying to Beijing that they consider the state to be “an integral part of India.”⁷⁰ Some Indian analysts, wary of China’s territorial claims and military presence in the region, lauded what they saw as Singh’s symbolic demonstration of Indian resolve in the face of Chinese provocations. In apparent response to China’s rapid development of infrastructure on its side of the disputed border, the Indian army plans to deploy two new mountain divisions to the region within eight years.⁷¹ In May 2008, reports that China was basing a nuclear submarine on Hainan Island in the South China Sea triggered alarm in New Delhi. Hainan is 1,200 miles from the strategically vital Malacca Straits. Indian concern was compounded by reports of apparent missile launch sites from

⁶⁸ “Aiming Low at China-India Summit,” *BBC News*, January 13, 2008; “Shared Vision” at [<http://meaindia.nic.in>].

⁶⁹ “India, China Pledge Stronger Ties on Foreign Minister’s Visit Amid Tensions,” *Associated Press*, June 6, 2008.

⁷⁰ See [http://www.indianembassy.org/newsite/press_release/2008/Mar/1.asp].

⁷¹ “Belated Awakening,” *India Today* (Delhi), February 18, 2008; “India to Counter China With Strengthened Border Presence,” *Jane’s Defense Weekly*, February 20, 2008.

which Chinese nuclear forces may target northern India. Moreover, India's pursuit of a military space program to defend its satellites may portend a regional arms race and exacerbate existing India-China tensions.⁷²

Burma. India continues to pursue closer relations with the repressive regime in neighboring Burma, with an interest in energy cooperation and to counterbalance China's influence there. Such engagement seeks to achieve economic integration of India's northeast region and western Burma, as well as to bolster energy security. The Bush Administration urges India to be more active in pressing for democracy in Burma: in October 2007, Deputy Secretary of State John Negroponte said, "Now is the time for Beijing and New Delhi to forgo any energy deals that put money in the pockets of the junta and to suspend weapons sales to this regime." However, New Delhi calls democracy and human rights internal Burmese issues.⁷³

During September 2007, major pro-democracy street protests in Burma grew in scale and the Rangoon military regime launched a violent crackdown to suppress the movement being led by Buddhist monks. In response, the United States announced new sanctions on Burma and urged other countries to follow suit. Following Rangoon's crackdown, New Delhi has continued to favor dialogue and is opposed to imposing sanctions on Rangoon. India is, in fact, moving ahead with plans to assist Rangoon in building a port in northwestern Burma as part of an effort develop that country's natural gas industry. This approach, justified by Indian leaders as being a pragmatic pursuit of their national interest, has elicited accusations of Indian complicity in Burmese repression.⁷⁴

On October 1, 2007, **S.Res. 339**, expressing the sense of the Senate on the situation in Burma, was passed by the full Senate. The resolution includes a call for the United States and the United Nations to "strongly encourage China, India, and Russia to modify their position on Burma and use their influence to convince the Government of Burma to engage in dialogue with opposition leaders and ethnic minorities towards national reconciliation." On the same day, New Delhi reiterated its calls for political reform in Burma and urged Rangoon to launch a formal inquiry into recent use of force against pro-democracy protestors there, but New Delhi was not seen to be adjusting its Burma policy in any meaningful way.⁷⁵ In a justification of New Delhi's relatively uncritical approach to the Rangoon regime, some

⁷² "China Does Intrude Into India, Admits India," *Indian Express* (Delhi), January 12, 2008; "China's New N-Submarine Base Sets Off Alarm Bells," *Indian Express* (Mumbai), May 3, 2008; "India in China's Nuke Crosshairs," *Times of India* (Delhi), May 17, 2008; "Indian Army Wants Military Space Program," *Associated Press*, June 17, 2008.

⁷³ See [<http://www.state.gov/s/d/2007/94077.htm>] and [<http://meaindia.nic.in/pbhome.htm>].

⁷⁴ "India to Push On With Myanmar Port Despite Unrest," *Reuters*, October 10, 2007; "India Silent on Myanmar Crackdown," *Associated Press*, October 23, 2007. One observer called New Delhi's policy a "reprehensively passive and callous posture" toward Burma's pro-democracy forces (Praful Bidwai, "Failing the Foreign Policy Test" (op-ed), *Frontline* (Chennai), October 19, 2007).

⁷⁵ "India Renews Pressure on Myanmar, Suggests Probe," *Reuters*, October 1, 2007; "India Silent on Myanmar Crackdown," *Associated Press*, October 23, 2007.

commentators call past and continued cooperation by the Burmese military vital in New Delhi's efforts to battle separatist militants in India's northeast.⁷⁶

Press reports in late 2007 indicated that New Delhi was halting arms sales to Rangoon; however it appears that India's supply of military equipment to Burma has only been "slowed."⁷⁷ International human rights groups and some in Congress have criticized New Delhi's military interactions with Rangoon.⁷⁸ Burma's foreign affairs minister visited New Delhi in the first week of 2008 for wide-ranging discussions with his Indian counterpart. Prime Minister Singh expressed satisfaction with positive India-Burma relations while also stressing "the need for greater urgency in bringing about political reforms and national reconciliation" through a "broad-based" process.⁷⁹ When Burma's second-highest ranking military ruler visited New Delhi in April 2008, the two countries reached agreement on a \$120 million-project that will see India upgrade numerous waterways and highways in Burma. An early May cyclone devastated Burma's coastal areas and left at least 78,000 people dead. The New Delhi government sought to keep with "India's close and good neighborly ties with the friendly people" of Burma by quickly rushing food, water, and medical supplies to its devastated neighbor.⁸⁰

Iran.⁸¹ India-Iran relations may complicate progress in New Delhi's nascent "strategic partnership" with Washington. India's relations with Iran traditionally have been positive and, in 2003, the two countries launched a bilateral "strategic

⁷⁶ See, for example, Shishir Gupta, "Rangoon Isn't Kathmandu" (op-ed), *Indian Express* (Delhi), October 2, 2007.

⁷⁷ "India's Halt to Burma Arms Sales May Pressure Junta," *Washington Post*, December 30, 2007; "Indian arms Sales to Myanmar Remain Under Scrutiny," *Jane's Defense Weekly*, January 16, 2008. In 2006, India transferred to Burma two maritime surveillance aircraft and a number of air defense guns, and the Indian defense minister announced the sale to Burma of more defense equipment — including tanks and heavy artillery — in exchange for Rangoon's counterterrorism cooperation and assistance in neutralizing Indian separatists operating near their shared border. Such transfers reportedly are underway ("Why India is Selling Weapons to Burma" *Christian Science Monitor*, July 23, 2007).

⁷⁸ Since 1988, the United States has imposed a wide range of sanctions against Burma, including congressional passage in 2003 of the Burma Freedom and Democracy Act (P.L. 108-61) banning imports from Burma (renewed by Congress in 2007). In a July 23, 2007, floor statement, the Chairman of the House Foreign Affairs Committee criticized India (and China) for propping up the Rangoon government "through shockingly direct, blatant deals, including arms trading with this cruel junta in Burma." New York-based Human Rights Watch has lambasted India (among other countries) for "supplying Burma with weapons that the military uses to commit human rights abuses and to bolster its ability to maintain power" (see [<http://hrw.org/english/docs/2007/10/10/burma17066.htm>]).

⁷⁹ See the External Affairs Ministry January 2, 2008, press briefing at [<http://meaindia.nic.in/pbhome.htm>].

⁸⁰ "India Rushes Aid to Myanmar, Helping Warming Ties," *Reuters*, May 5, 2008.

⁸¹ See also CRS Report RS22486, *India-Iran Relations and U.S. Interests*, and CRS Report RS20871, *The Iran Sanctions Act (ISA)*.

partnership” of their own.⁸² The Indian government and firms have invested a reported total of nearly \$10 billion in Iran since 2000, placing India 10th on the list of international investors worldwide. Some in the U.S. Congress voiced past concerns that New Delhi’s policies toward Tehran’s controversial nuclear program were not congruent with those of Washington, although these concerns were eased when India voted with the United States (and the majority) at the International Atomic Energy Agency sessions of September 2005 and February 2006. India urges the United States to refrain from unilaterally taking on the task of preventing Iran’s potential development of nuclear weapons and leave the job to the IAEA.

During the period from 2004 to 2006, the United States sanctioned Indian scientists and chemical companies for transferring to Iran WMD-related equipment and/or technology (most sanctions were chemical-related, but one scientist was alleged to have aided Iran’s nuclear program). New Delhi called the moves unjustified. Included in legislation to enable U.S.-India civil nuclear cooperation (P.L. 109-141, the “Hyde Act”) was a non-binding assertion that U.S. policy should “secure India’s full and active participation” in U.S. efforts to prevent Iran from acquiring weapons of mass destruction.⁸³ New Delhi firmly opposes the emergence of any new nuclear weapons powers in the region.

Many in Congress have voiced concern about India’s relations with Iran and their relevance to U.S. interests. Some worry especially about New Delhi’s defense ties with Tehran and have sought to link the issue with congressional approval of U.S.-India civil nuclear cooperation.⁸⁴ Expressions of these congressional concerns became more pointed in 2007.⁸⁵ New Delhi has offered assurances that all of India’s

⁸² See text of the January 2003 “New Delhi Declaration” at [<http://meaindia.nic.in/declarestatement/2003/01/25jd1.htm>]. In December 2007, Indian Foreign Secretary Menon visited Iran, where he held several high-level meetings and reiterated New Delhi’s interest in establishing a strategic partnership with Tehran.

⁸³ Although President Bush indicated he has not adopted the law’s statements of policy as U.S. foreign policy, this provision rankled many in New Delhi who view it as an “extraneous” constraint on India’s foreign policy independence. In their explanatory statement accompanying P.L. 109-401, congressional conferees repeatedly emphasized their belief that securing India’s assistance on this matter was “critical” (H.Rept. 109-721).

⁸⁴ See, for example, “Indian Navy Trains Iranian Sailors,” *Defense News*, March 27, 2006; C. Christine Fair, “India and Iran: New Delhi’s Balancing Act,” *Washington Quarterly*, Summer 2007; “India Trains Iranian Navy Despite US Pressure,” *Hindustan Times* (Delhi), September 4, 2007.

⁸⁵ In April, eight U.S. Senators sent a letter to Prime Minister Singh requesting that New Delhi “suspend its military cooperation” with Iran, asserting that “India’s own interests are damaged by its support for the Iranian military” and that “India’s principles are also poorly served by deepening its military relationship with Iran.” In May, eight U.S. Representatives — including the Chair and Ranking Member of the House Foreign Affairs Committee — sent Singh a letter expressing “grave concern” at India’s “increasing cooperation” with Iran. In July, a letter to President Bush by 23 House Members expressed concern with “India’s deepening military-to-military relationship with Iran ... [which] places congressional approval of the Agreement for Nuclear Cooperation in jeopardy.” In September, two Senators wrote to Secretary of State Rice to express their concern about India-Iran military-

(continued...)

dealings with Iran are permitted under U.N. Security Council Resolutions; one official expressed being “quite amazed” at reports of closer India-Iran military ties. In September 2007, Assistant Secretary of State Boucher conceded that some concerns about India-Iran military relations are “exaggerated,” but that the onus is on New Delhi to “explain” its relations with Tehran.⁸⁶

In April 2008, President Ahmadinejad arrived in New Delhi for a five-hour visit and met with top Indian leaders. It was the first such visit by an Iranian president since 2003. India’s foreign secretary took the opportunity to express satisfaction with the course of the bilateral relationship and stressed his government’s view that building a physically secure, economically and commercially viable natural gas pipeline from Iran to India would be in both countries’ interests. When asked if India’s relations with Iran could jeopardize warm relations with the United States, the foreign secretary said he did not think so, offering that deeper engagement with Iran would facilitate regional stability and that, “Everything we do with Iran is open, above-board, and quite clear to everybody.”⁸⁷ In the run-up to the Iranian leader’s visit, a State Department spokesman had expressed hope that New Delhi would call on Ahmadinejad to meet U.N. Security Council requirements that Iran suspend its uranium enrichment activities. The comment sparked outrage and indignation in New Delhi, where the External Affairs Ministry responded by saying India and Iran were “perfectly capable” of managing their own bilateral relations and needed no external guidance in this regard.⁸⁸

There are further U.S. concerns that India will seek energy resources from Iran, thus benefitting financially a country the United States is seeking to isolate. Indian firms have in recent years taken long-term contracts for purchase of Iranian gas and oil. Natural gas purchases could be worth many billions of dollars, but thus far differences over pricing and transport have precluded sales. Building upon growing energy ties is the proposed construction of a pipeline to deliver Iranian natural gas to India through Pakistan. The Bush Administration repeatedly expresses strong opposition to any gas pipeline projects involving Iran, but top Indian officials insist the project is in India’s national interest and they remain “fully committed” to the multi-billion-dollar venture. The Iran-Libya Sanctions Act (P.L. 107-24) required the President to impose sanctions on foreign companies that make an “investment” of more than \$20 million in one year in Iran’s energy sector. The 109th Congress

⁸⁵ (...continued)

to-military relations, saying that, as supporters of the U.S.-India civil nuclear deal, they are “apprehensive that the [123] agreement could be sidetracked by what appears to be a growing relationship between Iran and India.”

⁸⁶ “India Official Dismisses Iran Reports,” *Washington Post*, May 2, 2007; “US Asks India to Come Clean On Ties With Iran,” *Press Trust India*, September 19, 2007. See also “India’s Long-Standing Ties With Iran Straining Alliance With U.S.,” *Washington Post*, September 20, 2007.

⁸⁷ “Briefing by Foreign Secretary Shri Shivshankar Menon on Visit of President Ahmadinejad of Iran to India,” Indian Ministry of External Affairs, April 29, 2008.

⁸⁸ See [<http://www.state.gov/r/pa/prs/dpb/2008/apr/103842.htm>]; “India Bristles at US Comments on Ahmadinejad Visit,” *Agence France Presse*, May 22, 2008.

extended this provision in the Iran Freedom Support Act (P.L. 109-293). To date, no firms have been sanctioned under these Acts.

The “IPI” Pipeline Project.⁸⁹ New Delhi insists it is going ahead with a proposed joint pipeline project to deliver Iranian natural gas to Pakistan and on to India. Despite positive signaling, New Delhi had in the latter months of 2007 maintained only low-profile participation in relevant negotiations, perhaps in part due to sensitivities surrounding the as-yet unconsummated U.S.-India civil nuclear cooperation agreement. In early 2007, officials from the three countries resolved a long-running price-mechanism dispute, opening the way for the fourth meeting of the India-Pakistan Joint Working Group on the IPI (Iran-Pakistan-India) Pipeline in Islamabad, where the two countries agreed to split equally expected gas supplies. Indian leaders consistently describe the pipeline project as being in the nation’s interest for greater energy security. As Iran and Pakistan move to finalize the pipeline project, India in April 2008 confirmed that it would rejoin talks. Beijing has expressed interest in Pakistani proposals that China participate in the IPI project, possibly spurring more energetic Indian participation.⁹⁰ Ever-optimistic Iranian leaders anticipate a trilateral agreement to launch the project will be inked by mid-summer 2008. Such a development could be considered a significant failure of U.S. policy that could convey a sobering message about America’s allegedly declining international and regional clout.⁹¹

Some independent analysts and Members of Congress assert that completion of an IPI pipeline would represent a major confidence-building measure in the region and could bolster regional energy security while facilitating friendlier Pakistan-India ties (see, for example H.Res. 353 in the 109th Congress). As part of its efforts to isolate Iran economically, the Bush Administration actively seeks to dissuade New Delhi from participation in this project, and a State Department official has suggested that current U.S. law dictates American opposition. In May 2007, Indian Oil Minister Murli Deora assured concerned Left Front parties that India “will not be cowed down by any threat” regarding its relations with Iran, saying that India’s participation in the IPI pipeline project “is not the business of the United States.”⁹²

Other Countries. India takes an active role in assisting reconstruction efforts in **Afghanistan**, having committed some \$800 million to this cause, as well as contributing personnel and opening numerous consulates there (much to the dismay of Pakistan, which fears strategic encirclement and takes note of India’s past support for Afghan Tajik and Uzbek militias). Among Indian assistance to Afghanistan are funding for a new \$111 million power station, an \$84 million road-building project, a \$77 million dam project, and construction of Kabul’s new \$67 Parliament building,

⁸⁹ See also CRS Report RS22486, *India-Iran Relations and U.S. Interests*, and CRS Report RS20871, *The Iran Sanctions Act (ISA)*.

⁹⁰ “China Shows Interest in Iran-Pakistan-India Gas Pipeline Project,” *BBC Monitoring South Asia*, April 26, 2008.

⁹¹ “Iran Sees Pipeline Deal With India, Pakistan by Mid-Year: Report,” *Agence France Presse*, May 28, 2008; “India’s Iran Pipeline Deal,” *Forbes*, July 1, 2008.

⁹² “India Won’t Be Cowed Down: Deora” *Hindu* (Chennai), May 9, 2007.

to be completed in 2010. There are reported to be several hundred Indian commandos stationed in Afghanistan to provide protection for Indian reconstruction workers. The United States has welcomed India's role in Afghanistan.

Looking to the north, New Delhi supports consolidation of **Nepal's** democratic and conflict resolution processes, in particular through continued political assimilation of the Maoists. India remains concerned by political instability in Kathmandu and by the cross-border infiltration of Maoist militants into India. In April 2008, Nepali Maoists won a surprise electoral victory in taking more than one-third of Kathmandu's Constituent Assembly seats to oversee a new coalition government. The new Kathmandu government has since threatened to abrogate the 1950 Indo-Nepal Peace and Friendship Treaty, which allows for unrestricted travel and residency across the shared border. While Indian officials are fairly sanguine about the development and vow openness to working with the new Nepali government, they are likely to have concerns about the potential for instability in Nepal to exacerbate India's own internal insecurities.⁹³

To the east, and despite India's key role in the 1971 creation of neighboring **Bangladesh**, New Delhi's relations with Dhaka have been fraught with tensions related mainly to the cross-border infiltration of Islamic and separatist militants, and huge numbers of illegal migrants into India. New Delhi is undertaking a \$1.2 billion project to fence India's entire 2,000-mile shared border with Bangladesh. The two countries' border forces engage in periodic gunbattles. Still, New Delhi and Dhaka have cooperated on counterterrorism efforts and talks on energy cooperation continue. The Bangladeshi faction of the Harakat ul-Jihad-I-Islami — an Islamist militant outfit that was designated as a Foreign Terrorist Organization under U.S. law in March 2008 and that has links to Pakistan-based terrorist groups — has been implicated in several terrorist attacks inside India, including May 2008 terrorist bombings that killed at least 63 people in Jaipur, Rajasthan. Bangladesh's military-backed interim government, which took power in 2007, may benefit India by reducing anti-India rhetoric and by addressing the apparently growing influence of Islamist forces that are seen as a threat to Indian interests.

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

⁹³ "Maoists Scrap 1950 Indo-Nepal Treaty," *Indian Express* (Mumbai), April 24, 2008; "Elections in Nepal: Maoists Offer an Uncharted Course," *CSIS South Asia Monitor* 118, May 2, 2008.

island's ethnic troubles. The Indian Navy played a key role in providing disaster relief to Sri Lanka following the catastrophic December 2004 Indian Ocean tsunami.

Moscow was New Delhi's main foreign benefactor for the first four decades of Indian independence. **Russia** continues to be "indispensable to India's foreign policy interests," according to Prime Minister Singh, who calls energy cooperation the core of the two countries' "strategic partnership."⁹⁴ India's single largest foreign investment is a \$1 billion stake in a joint oil and gas venture on Russia's Sakhalin Island. Moreover, and despite some post-Cold War diversification of its defense suppliers, India continues to obtain the bulk of its imported military hardware from Russian firms. In 2007, Russian President Vladimir Putin paid a visit to New Delhi, where he met with top Indian officials; signed several bilateral agreements on energy, science, and space cooperation; and offered to sell four new 1,000-megawatt nuclear reactors to India. In November, Prime Minister Singh visited Moscow, where he and Putin discussed economic, energy, and defense ties. Agreement for the construction of four new nuclear reactors was deferred due to "technical hitches." Some commentators believe the U.S. government pressured New Delhi to avoid the deal. Russia's status as a main supplier of Indian defense equipment currently is threatened by several disputes, including over the refitting of an aircraft carrier (which has seen major delays and cost overruns), a spat over Russia's allegedly substandard upgradation of an Indian attack submarine, and other irritants.⁹⁵

India's relations with **Japan** only began to blossom in the current decade after being significantly undermined by India's 1998 nuclear weapons tests. Today, leaders from both countries acknowledge numerous common values and interests. They are engaging a "strategic dialogue" formally launched with a 2007 visit to Tokyo by Foreign Minister Mukherjee, who spoke of Japan as a "natural partner in the quest to create an arc of advantage and prosperity" in Asia. Mukherjee emphasized India's desire for economic integration in Asia and cooperative efforts to secure vital sea lanes, especially in the Indian Ocean. Japan's support for the latter initiative has included plans for unprecedented joint naval exercises. New Delhi and Tokyo also share an interest in seeing membership of the U.N. Security Council expanded; both governments aspire to permanent seats. India seeks Japan's endorsement for proposed U.S.-India civil nuclear cooperation, which has not been forthcoming to date. A mid-2007 visit to New Delhi by Japanese Prime Minister Shinzo Abe, who was effusive in his praise of India as a "partner and friend," was seen by many as part of a long-term Japanese effort to hedge against China's growing regional influence. Abe and Prime Minister Singh issued a "Roadmap for New Dimensions to the Strategic and Global Partnership" outlining plans for security cooperation and comprehensive economic engagement.⁹⁶ Singh met with the new Japanese Prime Minister, Yasuo Fukuda, in Singapore in November and reiterated a commitment to the India-Japan "strategic and global partnership."

⁹⁴ "Russia, India Cement Nuclear Ties With Offer of 4 New Reactors," *Associated Press*, January 25, 2007.

⁹⁵ "Are India and Russia No Longer Comrades?," *BBC News*, March 12, 2008.

⁹⁶ See [<http://www.mofa.go.jp/region/asia-paci/pmv0708/joint-2.html>].

The U.S. and Japanese governments have sought India's participation in a prospective **quadrilateral "axis of democracy"** that would include Australia and could conceivably have a security alliance dimension (Australian officials reportedly are skeptical of such a pact for fear of alienating China). In 2007, U.S., Indian, and Japanese naval vessels conducted unprecedented combined exercises off Japan's east coast. In September of that year, India hosted unprecedented five-country naval exercises in the Bay of Bengal (with Australian and Singaporean vessels also participating). Officials stressed that the exercises — which involved a total of 27 ships and submarines, among them two U.S. aircraft carriers — were not prompted by China's growing military strength. New Delhi favors greater trilateral India-U.S.-Japan cooperation, especially in the areas of trade and energy security, but shies from anything that could be construed as a multilateral security alliance.⁹⁷

Political Setting

India is the world's most populous democracy and remains firmly committed to representative government and rule of law. As a nation-state, India presents a vast mosaic of hundreds of different ethnic groups, religious sects, and social castes. U.S. policymakers commonly identify in the Indian political system shared core values, and this has facilitated increasingly friendly relations between the U.S. and Indian governments. In 2008, the often-cited Freedom House again rated India as "free" in the areas of political rights and civil liberties.

National Elections.⁹⁸ With a robust and working democratic system, India is a federal republic where the bulk of executive power rests with the prime minister and his or her cabinet (the Indian president is a ceremonial chief of state with limited executive powers). Most of India's prime ministers have come from the country's Hindi-speaking northern regions and all but two have been upper-caste Hindus. The 543-seat Lok Sabha (People's House) is the locus of national power, with directly elected representatives from each of the country's 28 states and 7 union territories. A smaller upper house, the Rajya Sabha (Council of States), may review, but not veto, most legislation, and has no power over the prime minister or the cabinet. National and state legislators are elected to five-year terms. The most recent parliamentary elections were held in the spring of 2004.

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

⁹⁷ See an address by the Indian Ambassador to the United States at [http://www.indianembassy.org/newsite/press_release/2007/June/13.asp].

⁹⁸ See also CRS Report RL32465, *India's 2004 National Elections*.

BJP more associated with urban, middle-class interests. Others saw in the results a rejection of the Hindu nationalism associated with the BJP.

The current Congress-led United Progressive Alliance (UPA) ruling coalition has marked nearly four years in power, exceeding the expectations of some observers. Opinion surveys suggest that both Prime Minister Singh and party chief Gandhi have remained fairly popular national figures. However, February 2007 state elections in Punjab and Uttaranchal saw Congress candidates decisively defeated by the BJP and its allies, causing some pundits to suggest that national economic policies and rising inflation may have damaged the ruling coalition's standing. Such arguments were forwarded when the Bahujan Samaj Party (BSP) won an outright majority in May 2007 state assembly elections in Uttar Pradesh, India's most populous state. During its four years overseeing a national ruling coalition, the Congress Party has lost 12 assembly elections and was dislodged by the main opposition BJP in four states, including Karnataka and Punjab. Meanwhile, under the party presidency of Rajnath Singh, the BJP has enjoyed seven consecutive election victories.⁹⁹ Congress's surprise May 2008 loss in Karnataka set the party on its heels in the run-up to national polls expected in late 2008 or early 2009, with many analysts concluding that national political momentum has shifted away from the party. Some observers saw in the Karnataka election dynamics signs that urban voters are exercising new-found muscle in ways that could weaken the country's traditionally pro-rural politicians.¹⁰⁰

Prime Minister Singh, though widely admired as an honest and intelligent figure, has been unable to succeed in pushing through most of the UPA agenda, and his party's state-level electoral setbacks have most analysts predicting no bold policy initiatives before the next national election expected in 2009. This is especially so in the wake of the New Delhi government's failure to consummate a civil nuclear cooperation deal with the United States, an issue upon which the UPA leadership had staked considerable political capital. By most accounts, 2007 was a particularly unsuccessful year for the incumbent national government.¹⁰¹

The Congress Party.¹⁰² Congress's electoral strength reached a nadir in 1999, when the party won only 110 Lok Sabha seats. Observers attributed the poor showing to a number of factors, including the failure of Congress to make strong pre-election alliances (as had the BJP) and perceptions that party leader Sonia Gandhi lacked the experience to lead the country. Support for the Congress, which dominated Indian politics for decades, had been in fairly steady decline following the

⁹⁹ "BJP on a Roll, Congress on the Ropes," *India Today* (Delhi), June 9, 2008.

¹⁰⁰ "Wake-Up Call for the Congress," *Hindustan Times* (Delhi), May 25, 2008; "Cracks of Doom for India's Ruling Party," *Reuters*, May 26, 2008; "BJP on a Roll, Congress on the Ropes," *India Today* (Delhi), June 9, 2008; "India's Silicon Valley Eyes Political Change," *Reuters*, May 19, 2008.

¹⁰¹ "Unfinished Progressive Agenda," *India Today* (Delhi), June 11, 2007; "Weak India PM Battered by Allies and Enemies," *Reuters*, October 23, 2007; "The Nuclear Shadow," *India Today* (Delhi), January 14, 2008.

¹⁰² See the Indian National Congress at [<http://www.congress.org.in>].

1984 assassination of Prime Minister Indira Gandhi and the 1991 assassination of her son, Prime Minister Rajiv Gandhi.

Sonia Gandhi, Rajiv's Italian-born, Catholic widow, refrained from active politics until the 1998 elections. She later made efforts to revitalize the party by phasing out older leaders and attracting more women and lower castes — efforts that appear to have paid off in 2004. Today, Congress again occupies more parliamentary seats (145) than any other party and, through unprecedented alliances with powerful regional parties, it again leads India's government under the UPA coalition. As party chief and UPA chair, Gandhi is seen to wield considerable influence over the coalition's policy making process. Her foreign origins have presented an obstacle and likely were a major factor in her May 2004 decision to decline the prime ministership. As key Congress party figures express support for the future leadership of her son and new parliamentarian, Rahul Gandhi, Manmohan Singh's political authority is correspondingly undermined.¹⁰³

The Bharatiya Janata Party (BJP).¹⁰⁴ 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 (NDA) was overseen by party notable Prime Minister Atal Vajpayee, whose widespread personal popularity helped to keep the BJP in power. After 2004, the BJP was weakened by leadership disputes, criticism from Hindu nationalists, and controversy involving party president Lal Advani (in 2005, Advani ceded his leadership post and Vajpayee announced his retirement from politics). The party did, however, take control of the Karnataka state government in November 2007, the first time the BJP has held power in southern India. In preparing for a new round of national elections, the party may adhere to its core Hindutva philosophy; it has nominated hardliner Advani to be its next prime ministerial candidate and may continue efforts to demonize India's Muslim minority as part of a long-standing electoral strategy.¹⁰⁵ Some observers, however, believe the party is looking beyond its traditional vote bank to appeal to urban, middle-class concerns such as governance

¹⁰³ "Ruling Party Wonders if India Needs Another Gandhi," *Reuters*, April 15, 2008; "Downsizing Manmohan," *India Today* (Delhi), April 28, 2008.

¹⁰⁴ See the Bharatiya Janata Party at [<http://www.bjp.org>].

¹⁰⁵ See, for example, A.G. Noorani, "Merchants of Hate" (op-ed), *Frontline* (Chennai), June 21, 2008.

and commerce, especially in the wake of party notable Narendra Modi's reelection as Chief Minister of the western Gujarat state in December 2007.¹⁰⁶

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

Two significant regional parties currently independent of both the ruling coalition and the BJP-led opposition are the Samajwadi Party, a largely Muslim- and lower caste-based organization highly influential in Uttar Pradesh, and the Bahujan Samaj Party (BSP) of Bihar, which also represents mainly lower-caste constituents. State assembly elections in Uttar Pradesh — home to more than 170 million Indians and one of only four states where the Congress Party is not in power — concluded in May 2007 and saw a major victory for the BSP and its lower-caste, female leader Mayawati, who reached out to upper-caste and other groups to secure an outright majority, the first time in 14 years that a single party secured such status. Mayawati is believed to have national political aspirations and her party's success with caste-based politics may erode support for the Congress party in expected 2009 national elections.¹⁰⁷ The outcome may have been an important indicator of national political trends, especially in gauging satisfaction with the current center coalition. In June 2007, eight regional parties formally launched a new "Third Front" that might emerge as a national alternative to the UPA and NDA. Well-known Tamil Nadu politician Jayalalithaa is a notable leader.¹⁰⁸

The Left Front.¹⁰⁹ Although the Communist Party of India (Marxist) seated the third largest number of parliamentarians in 2004, its vote bank is almost wholly limited to West Bengal and Kerala (the Left Front coalition holds about 11% of all Lok Sabha seats). Communist parties have in the past been bitter rivals of the Congress in these states, but a mutual commitment to secularism appears to have

¹⁰⁶ "BJP Goes Back to Hindutva," *Telegraph* (Kolkata), September 2, 2007; "Finally Number One," *India Today* (Delhi), February 11, 2008. In mid-2008, a fanatic Hindu nationalist party and regional ally of the BJP appeared to issue a call for "Hindu suicide squads" as a response to Islamist terrorism, spurring widespread public outrage and embarrassment for the NDA alliance ("Call for Hindu Suicide Squads Sparks Anger in India," *Reuters*, June 1, 2008).

¹⁰⁷ See, for example, "India's 'Untouchables Queen' Gains Power, Enemies," *Reuters*, January 21, 2008.

¹⁰⁸ The new front includes such regional powerhouses as the Telugu Desam of Andhra Pradesh, the AIADMK of Tamil Nadu, and the Samajwadi of Uttar Pradesh.

¹⁰⁹ See the Communist Party of India (Marxist) at [<http://www.cpim.org>].

motivated their cooperation against the BJP in 2004.¹¹⁰ Early alarm was sounded that the new influence of communists in New Delhi might derail India's economic reform efforts; Indian industrial leaders sought to assure foreign investors that Left Front members are not "Cuba-style communists," but could be expected to support the UPA reform agenda. The communist Chief Minister of West Bengal, Buddhadeb Bhattacharya, has himself actively sought corporate investment in his state. However, since coming to power, the Congress-led coalition has slowed most aspects of its economic reform program, including suspending major government disinvestment and special economic zone initiatives. These moves are widely viewed as gestures to the strongly opposed communists.¹¹¹ The Left Front also has been vocal in criticisms of closer India-U.S. relations, taking particular aim at proposed civil nuclear cooperation and any signs that the United States seeks to make India a "junior partner" in efforts to counter China.

Bilateral Issues

"Next Steps in Strategic Partnership" and Beyond

The now-concluded Next Steps in Strategic Partnership (NSSP) initiative encompassed several major issues in U.S.-India relations. New Delhi has long pressed Washington to ease restrictions on the export to India of dual-use high-technology goods (those with military applications), as well as to increase civilian nuclear and civilian space cooperation. These three key issues came to be known as the "trinity," and top Indian officials insisted that progress in these areas was necessary to provide tangible evidence of a changed U.S.-India relationship. There were later references to a "quartet" when the issue of missile defense was included. In January 2004, President Bush and Prime Minister Vajpayee issued a joint statement declaring that the U.S.-India "strategic partnership" included expanding cooperation in the "trinity" areas, as well as expanding dialogue on missile defense.¹¹² This initiative was dubbed as the NSSP and involved a series of reciprocal steps.

In July 2005, the State Department announced successful completion of the NSSP, allowing for expanded bilateral commercial satellite cooperation, and removal/revision of some U.S. export license requirements for certain dual-use and civil nuclear items. Taken together, the July 2005 U.S.-India Joint Statement and a June 2005 U.S.-India Defense Framework Agreement include provisions for moving forward in all four NSSP issue-areas.¹¹³ Many observers saw in the NSSP evidence

¹¹⁰ In 2008, Congress Party officials have warned Left Front leaders that any effort by communists to forge a "third front" could leave the electoral field open to Hindu nationalist forces found mainly in the BJP and its allies ("India's Ruling Congress Slams Left Ally's 'Third Front,'" *Reuters*, January 21, 2008).

¹¹¹ "India Gets Populist Pre-Election Budget," *BBC News*, February 29, 2008.

¹¹² See [<http://www.whitehouse.gov/news/releases/2004/01/20040112-1.html>].

¹¹³ See [<http://www.whitehouse.gov/news/releases/2005/07/20050718-6.html>] and (continued...)

of a major and positive shift in the U.S. strategic orientation toward India, a shift later illuminated more starkly with the Bush Administration's intention to initiate full civil nuclear cooperation with India.

Civil Nuclear Cooperation.¹¹⁴ India's status as a non-signatory to the 1968 Nuclear Nonproliferation Treaty (NPT) has kept it from accessing most nuclear-related materials and fuels on the international market for more than three decades. New Delhi's 1974 "peaceful nuclear explosion" spurred the U.S.-led creation of the Nuclear Suppliers Group (NSG) — an international export control regime for nuclear-related trade — and Washington further tightened its own export laws with the Nuclear Nonproliferation Act of 1978 (P.L. 95-242). New Delhi has long railed at a "nuclear apartheid" created by an apparent double standard inherent in the NPT, which, they maintain, allows certain states to legitimately employ nuclear deterrents while other states cannot. Senior Indian officials reiterate the widely-held Indian perspective that reaching a civil nuclear deal with the United States remains crucial to the process of removing constraints placed on India by "an increasingly selective, rigorous, and continually expanding regime of technology denial," claiming that only by "turning the nuclear key" will India be able to open the door to global trade in dual use and other sophisticated technologies.¹¹⁵

Under U.S. and international law, civil nuclear cooperation with India cannot commence until Washington and New Delhi finalize a peaceful nuclear cooperation agreement (and Congress endorses such an agreement), until New Delhi concludes its own safeguards agreement with the International Atomic Energy Agency, and until the NSG allows for such cooperation. At present, nuclear power accounts for less than 3% of India's total electricity generation, and an Indian government official has estimated that, even under optimistic scenarios, this percentage would likely no more than double over the next 25 years.¹¹⁶

The Bush Administration Policy Shift. Differences over nuclear policy bedeviled U.S.-India ties for decades and — given New Delhi's lingering resentments — have presented a serious psychological obstacle to more expansive bilateral relations. In a major policy shift, the July 2005 U.S.-India Joint Statement notably asserted that "as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states," and President Bush vowed to work on achieving "full civilian nuclear energy cooperation with India." As a reversal of three decades of U.S. nonproliferation policy, such proposed cooperation stirred controversy and required changes in both U.S. law and in NSG guidelines. India reciprocally agreed to take its own steps, including identifying and separating its civilian and military nuclear facilities in a phased manner and placing the former under international safeguards. Some in Congress express concern that

¹¹³ (...continued)

[http://www.indianembassy.org/press_release/2005/June/31.htm].

¹¹⁴ See also CRS Report RL33016, *U.S. Nuclear Cooperation With India*.

¹¹⁵ See, for example, a February 2008 speech by Indian Special Envoy and former Foreign Secretary Shyam Saran at [<http://www.ndtv.com/convergence/ndtv/popups/shyamsaran.pdf>].

¹¹⁶ Cited in "U.S. Nuclear Deal Won't Power India's Boom," *Reuters*, March 13, 2007.

civil nuclear cooperation with India might allow that country to advance its military nuclear projects and be harmful to broader U.S. nonproliferation efforts. While the Bush Administration previously had insisted that such cooperation would take place only within the limits set by multilateral nonproliferation regimes, it later actively sought adjustments to U.S. laws and policies, and has approached the NSG in an effort to adjust that regime's guidelines, which are set by member consensus.

In March 2006, President Bush and Prime Minister Singh issued a Joint Statement that included an announcement of "successful completion of India's [nuclear facility] separation plan."¹¹⁷ After months of complex and difficult negotiations, the Indian government had presented a plan to separate its civilian and military nuclear facilities as per the July 2005 Joint Statement. The separation plan would require India to move 14 of its 22 reactors into permanent international oversight by the year 2014 and place all future civilian reactors under permanent safeguards. Shortly thereafter, legislation to waive the application of certain requirements under the Atomic Energy Act of 1954 with respect to India was, at the President's request, introduced in the U.S. Congress.

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

- benefit U.S. security by bringing India "into the nonproliferation mainstream;"
- benefit U.S. consumers by reducing pressures on global energy markets, especially carbon-based fuels;
- benefit the environment by reducing carbon emissions/greenhouse gases;
- benefit U.S. business interests through sales to India of nuclear reactors, fuel, and support services; and
- benefit progress of the broader U.S.-India "global partnership."¹¹⁸

Many leading American experts on South Asian affairs joined the Administration in urging Congress to support the new policy, placing particular emphasis on the "necessary" role it would play in promoting a U.S.-India global partnership.¹¹⁹

The U.S. Chamber of Commerce — which, along with the U.S.-India Business Council, lobbied vigorously in favor of President Bush's initiative — speculated that civil nuclear cooperation with India could generate contracts for American businesses worth up to \$100 billion, as well as generate up to 27,000 new American jobs each

¹¹⁷ See [<http://www.whitehouse.gov/news/releases/2006/03/20060302-5.html>].

¹¹⁸ See "U.S.-India Civil Nuclear Cooperation Initiative Fact Sheet," U.S. Department of State, at [<http://www.state.gov/r/pa/scp/2006/62904.htm>]; Condoleezza Rice, "Our Opportunity With India" (op-ed), *Washington Post*, March 13, 2006.

¹¹⁹ See, for example, an open letter Congress at [http://www.indianembassy.org/newsite/press_release/2006/Mar/30.asp].

year for a decade. A more modest estimate foresees the deal generating as much as \$40 billion in new foreign investment into India.¹²⁰ However, foreign companies such as Russia's Atomstroyexport and France's Areva may be better poised to take advantage of the Indian market. Moreover, U.S. nuclear suppliers will likely balk at entering the Indian market in the absence of nuclear liability protection, which New Delhi does not offer at present.

Further hearings in the Senate and House during mid-2006 saw a total of fifteen independent analysts weigh in on the potential benefits and/or problems that might accrue from such cooperation. Numerous nonproliferation experts, scientists, and former U.S. government officials warned that the Bush Administration's initiative was ill-considered, arguing that it would facilitate an increase in the size of India's nuclear arsenal, potentially leading to a nuclear arms race in Asia, and would undermine the global nonproliferation regime and cause significant damage to key U.S. security interests. Some experts opined that the Administration's optimism, perhaps especially as related to the potential effects on global energy markets and carbon emissions, could not be supported through realistic projections.¹²¹

Geopolitical Motives. In the realm of geopolitics, much of the Administration's argument for moving forward with the U.S.-India nuclear initiative appears rooted in an anticipation/expectation that New Delhi will in coming years and decades make policy choices that are more congruent with U.S. regional and global interests (a desire for such congruence is, in fact, written into the enabling legislation, P.L. 109-401). Proponents suggest that this U.S. "gesture" will have significant and lasting psychological and symbolic effects in addition to the material ones, and that Indian leaders require such a gesture in order to feel confident in the United States as a reliable partner on the world stage. Skeptics aver that the potential strategic benefits of the nuclear initiative are being over-sold. Indeed, centuries of Indian anti-colonial sentiments and oftentimes prickly, independent foreign policy choices are unlikely to be set aside in the short run, meaning that the anticipated geopolitical benefits of civil nuclear cooperation with India remain speculative and at least somewhat dependent upon unknowable global political developments.

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

¹²⁰ See Sridhar Krishnaswami, "Indo-US N-Deal a Historic Opportunity" (op-ed), *India Abroad*, March 22, 2006; "US Nuclear Deal Likely to Get India 40bn Dollars Business," *BBC Monitoring South Asia*, August 13, 2007.

¹²¹ See, for example, open letters to Congress at [http://fas.org/intt2006/X3e_FDC01218.pdf]; [http://www.armscontrol.org/pdf/20060912_India_Ltr_Congress.pdf]; and [http://www.armscontrol.org/pdf/20051118_India_Ltr_Congress.pdf].

months of its tenure, the 109th Congress passed enabling legislation with broad bipartisan support.¹²² So-called “killer amendments” were rejected by both chambers (Indian government and Bush Administration officials had warned that certain proposed new provisions, such as those requiring that India halt its fissile material production or end its military relations with Iran, would trigger New Delhi’s withdrawal from the entire negotiation).

In a December 2006 “lame duck” session, congressional conferees reconciled the House and Senate versions of the legislation and provided an explanatory statement (H.Rept. 109-721). President Bush then signed the Henry J. Hyde United States-India Peaceful Atomic Energy Cooperation Act of 2006 (P.L. 109-401 or the “Hyde Act”) into law, calling it a “historic agreement” that would help the United States and India meet the energy and security challenges of the 21st century. The President also issued a signing statement asserting that his approval of the act “does not constitute [his] adoption of the statements of policy as U.S. foreign policy” and that he will construe such policy statements as “advisory.” Some in Congress expressed concern that President Bush would seek to disregard Congress’s will.¹²³

In mid-2007, as negotiations on a 123 Agreement were underway, 16 experts, scholars, and former U.S. government officials signed a letter urging Senators to hold the Bush Administration to the “set of core conditions and limitations” of the Hyde Act, including termination of assistance upon an Indian nuclear test, permanent and unconditional safeguards on civilian Indian facilities, and prohibitions on reprocessing and enrichment technologies.¹²⁴ A July letter to President Bush signed by 23 Members of the House stressed the need for any civil nuclear cooperation agreement with India to conform to “the legal boundaries set by Congress.” The letter noted that the U.S. Constitution provides Congress with the sole authority to regulate foreign commerce, and it expressed ongoing concerns about “India’s deepening military-to-military relationship with Iran ... [which] places congressional approval of the Agreement for Nuclear Cooperation in jeopardy.”¹²⁵

Indian Concerns. Almost immediately upon the release of the July 2005 Joint Statement, key Indian political figures and members of the country’s insular nuclear scientific community issued strong criticisms of the bilateral civil nuclear initiative; some such criticisms continue to this day. Former Prime Minister Vajpayee, along with many leading figures in his opposition BJP party, insisted that

¹²² In July 2006, the House passed H.R. 5682 by a vote of 359-68. In November, the Senate passed an amended version of the same bill by a vote of 85-12.

¹²³ See [<http://www.whitehouse.gov/news/releases/2006/12/20061218-1.html>]; [<http://www.whitehouse.gov/news/releases/2006/12/20061218-12.html>]; “Bush India Statement Raises Congress Concerns,” *Reuters*, December 21, 2006.

¹²⁴ See [<http://www.armscontrol.org/pdf/20070515letteronUSIndia123House.pdf>]. The Chairman of the Senate Foreign Relations Committee reportedly has said it would be unlikely that Congress would be willing to further amend U.S. law on nuclear testing and reprocessing (“Biden Cool to US Compromise on India Deal,” *Reuters*, May 2, 2007).

¹²⁵ [http://markey.house.gov/index.php?option=com_content&task=view&id=3003&Itemid=141].

the deal as envisioned would place unreasonable and unduly expensive demands on India, particularly with regard to the separation of nuclear facilities. In reaction to the U.S. Congress's passage of enabling legislation in late 2006, the BJP listed numerous continuing objections, and went so far as to call the deal "unacceptable" and aimed at "capping, rolling back, and eventually eliminating India's nuclear weapons capability."¹²⁶ Many analysts view the BJP's opposition as political rather than substantive, especially in light of the fact that the 2004 NSSP initiative was launched during the BJP's tenure.¹²⁷

Some Indian analysts, wary of U.S. intentions in pursuing bilateral civil nuclear cooperation, believe the initiative may be cover for a broader effort to cement India's cooperation in a number of non-energy-related areas, such as defense trade and New Delhi's relations with Iran. From this perspective, the U.S. government repeatedly "shifted the goalposts" to forward its own (veiled) nonproliferation goals.¹²⁸ India's influential communist parties, whose Left Front provides crucial support to the Congress-led ruling coalition in New Delhi, have focused their ire on geopolitical aspects of the civil nuclear initiative. In late 2006, the leader of India's main communist party declared the U.S.-India civil nuclear deal "not acceptable" as it would "seriously undermine India's independent foreign policy." Previously, the Left Front had called India's two IAEA votes on Iran a "capitulation" to U.S. pressure.¹²⁹ Indian leftists thus have been at the forefront of political resistance to India's becoming a "junior partner" of the United States.

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

¹²⁶ See "Press Statement of the BJP on the Indo-US Nuclear Deal," December 10, 2006, at [<http://www.bjp.org>].

¹²⁷ See, for example, "Politics of BJP's Nuclear Tantrum," *Telegraph* (Kolkata), August 7, 2007. Strobe Talbott, a Deputy Secretary of State in the Clinton Administration and a key interlocutor with India, has opined that the BJP government of the 1990s "would have been astonished" at and eager to accept a similar deal, had it been offered then ("Buzz of the Week," *India Today* (Delhi), March 17, 2008).

¹²⁸ Siddharth Varadarajan, "This Has Nothing To Do With Energy" (op-ed), *Hindu* (Chennai), May 2, 2007; Brahma Chellaney, "Nuclear Non-Starter" (op-ed), *Wall Street Journal*, May 9, 2007.

¹²⁹ In February 2007, a former U.S. Assistant Secretary of Defense reportedly said that India's two IAEA votes on Iran had been "coerced" and paved the way for congressional approval of proposed U.S.-India civil nuclear cooperation. U.S. Ambassador to India David Mulford later called the attributed statement "inaccurate" ("Rademaker is Not a U.S. Official," *Hindu* (Chennai), February 17, 2007).

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

- India's unilateral moratorium on nuclear tests was being codified into a bilateral obligation through a clause that would allow the United States to reclaim any supplied nuclear equipment if India were to test a nuclear device;
- India was being denied nuclear reprocessing technologies warranted under "full cooperation;"
- India was not being given prior authorization to reprocess spent fuel;
- India was not being given assurances that it will receive uninterrupted fuel supplies in perpetuity; and
- language on securing India's assistance with U.S. efforts to prevent Iran from obtaining weapons of mass destruction would limit New Delhi's foreign policy independence.¹³⁰

Prime Minister Singh stood firm against such wide-ranging and high-profile criticisms, repeatedly assuring his Parliament that relevant negotiations with the United States have not altered basic Indian policies or affected New Delhi's independence on matters of national interest. Within this context, however, Singh expressed concern about some of the points listed above.¹³¹ Regardless of the legally binding or non-binding nature of certain controversial sections of the U.S. legislation, New Delhi found many of them to be either "prescriptive" in ways incompatible with the provisions of the July 2005 and March 2006 Joint Statements, or "extraneous" and "inappropriate to engagements among friends."¹³²

Bilateral Negotiations Completed. In July 2007, the United States and India announced having concluded negotiations on a peaceful nuclear cooperation ("123") agreement, calling it a "historic milestone" in the bilateral strategic partnership. The announcement came one week after a fifth round of formal bilateral negotiations had ended in Washington, where a high-level Indian delegation led by National Security Advisor M.K. Narayanan had met with numerous top U.S. officials, including Vice President Cheney and Secretary of State Rice. Under Secretary of State Burns, the lead U.S. negotiator, called the deal "perhaps the single most important initiative that India and the United States have agreed to in the 60 years of our relationship" and "the symbolic centerpiece of a growing global partnership between our two countries."¹³³ U.S. officials urged New Delhi to move rapidly toward completing remaining steps to consummation of the pact.

¹³⁰ "Major Obstacles Persist in Nuclear Deal," *Hindu* (Chennai), April 25, 2007; A. Gopalakrishnan, "Hyde-Bound N-Deal Cannot Be Accepted" (op-ed), *Asian Age* (Mumbai), May 15, 2007.

¹³¹ See "Excerpts from PM's Reply to Discussion in Rajya Sabha on Civil Nuclear Energy Cooperation with the United States," August 17, 2006, at [http://www.carnegieendowment.org/static/npp/Singh_speech_Aug_2006.pdf].

¹³² Author interview with Indian government official, New Delhi, September 2006.

¹³³ See [<http://www.state.gov/p/us/rm/2007/89559.htm>].

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

- India is granted authorization to reprocess spent fuel at a national reprocessing facility that New Delhi plans to establish under International Atomic Energy Agency safeguards.
- In the event of a future nuclear test by India, the two countries would launch immediate bilateral consultations to “consider carefully the circumstances” and take into account whether the circumstances resulted from “serious concern about a changed security environment or as a response to similar actions by other states which could impact national security.” While the U.S. President would have a right to demand the return of all U.S.-supplied nuclear equipment and material in such a circumstance, the text recognizes that “exercising the right of return would have profound implications” for bilateral relations and calls for both parties to “take into account the potential negative consequences” of any termination of ongoing cooperation.
- India is given assurances that supplies of fuel for its civilian reactors will not be interrupted — even if the United States terminates the 123 Agreement — through U.S. commitments to “work with friends and allies ... to create the necessary conditions for India to obtain full access to the international fuel market,” and to “support an Indian effort to develop a strategic reserve of nuclear fuel.”¹³⁴

Press reports had indicated that U.S. granting of unambiguous reprocessing rights, along with an Indian insistence on U.S. guarantees of an uninterrupted fuel supply for all imported reactors, had become a central obstacle in the lead-up to the talks, and that Indian negotiators had taken uncompromising positions in both areas. Subsequent reports suggested that U.S. negotiators made considerable concessions to Indian demands and that the agreement could face resistance in Congress if its legal stipulations are seen to deviate from those found in the Hyde Act.¹³⁵ In early 2008, External Affairs Minister Mukherjee reassured the Indian Parliament of his government's view that the Hyde Act is relevant only to interaction between the legislative and executive branches of the U.S. government, and that only the provisions of the 123 Agreement will be binding upon New Delhi. This distinction was echoed by Assistant Secretary of State Boucher during his contemporaneous visit to New Delhi.¹³⁶

¹³⁴ See text of the 123 Agreement at [<http://www.state.gov/r/pa/prs/ps/2007/aug/90050.htm>].

¹³⁵ “In Its Nuclear Deal With India, Washington Appears to Make More Concessions,” *New York Times*, July 28, 2007; “India Nuclear Deal Said Complies With US Law,” *Reuters*, July 25, 2007; “US Congress to Scrutinize Nuclear Pact With India,” *Agence France Presse*, August 3, 2007. H.Res. 711, introduced in the House in October 2007, would seek the Bush Administration clarifications on the 123 Agreement's compliance with U.S. law.

¹³⁶ See [http://www.indianembassy.org/newsite/press_release/2008/Mar/1.asp]; “We Can Move Forward With Hyde Act and 123 Agreement: Boucher,” *Hindu* (Chennai), March 4, 2008.

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. India is today seen to maintain one of the world’s most advanced space programs.¹³⁷

The NSSP called for enhanced U.S.-India cooperation on the peaceful uses of space technology, and the July 2005 Joint Statement anticipated closer ties in space exploration, satellite navigation and launch, and in the commercial space arena. Major conferences on India-U.S. space science and commerce were held in Bangalore (headquarters of the Indian Space Research Organization) in both 2004 and 2005. During President Bush’s 2006 visit to India, the two countries committed to move forward with agreements that will permit the launch of U.S. satellites and satellites containing U.S. components by Indian space launch vehicles and they later agreed to include two U.S. scientific instruments on India’s planned Chandrayaan lunar mission. In 2007, a meeting of the U.S.-India Joint Working Group on Civil Space Cooperation was held in Washington, where officials expressed satisfaction with growing bilateral ties in the aerospace field.

High-Technology Trade.¹³⁸ U.S. Commerce Department officials have sought to dispel “trade-detering myths” about limits on dual-use trade by noting that less than 0.5% of total U.S. trade value with India is now subject to licensing requirements and that the great majority of dual-use licensing applications for India are approved (about 95% in 2007). 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 sixth HTCG meeting was held in New Delhi in February 2008 (at the 2007 session, U.S. Commerce Secretary Carlos Gutierrez had unveiled a new “Trusted Customer” program designed to facilitate greater high-tech trade with India). In 2005, the inaugural session of the U.S.-India High-Technology Defense Working Group was held under HTCG auspices.¹³⁹ Commerce’s Bureau of Industry and Security formally designated India as an eligible country under its “Validated End-User” program in October 2007. This designation will allow certain trusted Indian buyers to purchase high-technology goods without an individual license.¹⁴⁰

¹³⁷ In April 2008, India’s space agency set a world record by successfully launching ten satellites at one time in what was viewed as an impressive achievement and further sign that Indian scientists had made great and largely indigenous strides in mastering complex aerospace technologies (“India’s Growing Strides in Space,” *BBC News*, April 30, 2008).

¹³⁸ See also CRS Report RL34161, *India-U.S. Economic and Trade Relations*.

¹³⁹ See U.S. Department of Commerce, Bureau of Industry and Security, fact sheets at [<http://www.bis.doc.gov/InternationalPrograms/IndiaCooperation.htm>] and [<http://www.bis.doc.gov/InternationalPrograms/IndiaCoopPresentation.htm>].

¹⁴⁰ “US Streamlines High-Tech Export Controls on India,” *Reuters*, October 2, 2007.

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 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 2005 when six more subordinate entities were removed. Indian entities remaining on the Entity List are four subordinates of the ISRO, four subordinates of the Defense Research and Development Organization, three Department of Atomic Energy entities, and Bharat Dynamics Limited, a missile production agency.¹⁴¹

Security Issues

The Indian Military.¹⁴² With more than 1.3 million active personnel, India’s is the world’s third-largest military (after China and the United States). The country’s defense budget grew by 11% to about \$28 billion in 2007 and is up more than 30% since 2000 (adjusted for inflation). The army — more than one million strong and accounting for nearly half of the budget — has traditionally dominated, but the navy and air force are becoming more important as India seeks to project its power and protect an Exclusive Economic Zone of more than two million square kilometers. For 2007, the air force procurement budget of \$3.75 billion was nearly 44% of the service-specific total, with the navy receiving another \$2.56 billion.

The Indian army possesses more than 4,000 main battle tanks and as many as 4,500 towed artillery tubes. The navy has grown rapidly in recent years, currently operating 48 principal surface combatants (including one aircraft carrier) and 16 submarines. There also is a significant amphibious capacity: 17 landing ships (including one recently acquired from the United States) can carry nearly 5,000 troops or 100 tanks. The navy is developing an indigenous nuclear-powered attack submarine to be armed with nuclear-tipped cruise missiles and also plans to lease a Russian Akula-class submarine as part of its “sea-based strategic deterrence.” The air force flies 565 combat-capable aircraft, the majority of them Russian-built MiGs, along with some late-model Sukhoi-30, as well as French-built Mirage and Anglo-French Jaguar aircraft. It also possesses modest airborne early warning and in-flight refueling capabilities provided by Russian-made platforms. A Strategic Forces Command oversees as many as 170 intermediate- and short-range ballistic missiles capable of delivering nuclear warheads, and has plans to field a new Agni-IV missile with a range that would give it inter-continental capabilities.

New Delhi increasingly seeks to shift advanced military imports from finished platforms to co-production with foreign suppliers. A 2005 deal with France provides for technology transfers and Indian construction of six Scorpene submarines to be delivered in 2012-2017. In seeking to replace its aging arsenal of MiG-21 fighters, India may purchase up to 186 new jets (126 for the air force and 60 for the navy) and has signaled a desire for technology sharing and co-production in this effort: only 18

¹⁴¹ See Commerce’s Entity List at [<http://www.bis.doc.gov/Entities>].

¹⁴² Much information in this section comes from *The Military Balance 2008* (Institute for International and Strategic Studies, London, 2008).

of the new air force jets are to be manufactured abroad. In addition to the Scorpene submarines, other notable recent purchases for the Indian military include hundreds of the latest Russian T-90 tanks and upgrades on 600 existing T-72s; 3 new Russian-built missile frigates; 24 new MiG-29K naval jets for deployment on the *INS Vitramaditya* (formerly the Russian *Gorshkov*); 40 upgraded Su-30 MKI ground attack aircraft, major upgrades on existing MiG and Jaguar combat aircraft; and 66 jet trainers from Britain.

Russia continues to provide the bulk of India's imported defense wares. In recent years, however, Israel has roughly equaled Russia in the value of defense exports to India, with each country providing about \$1.5 billion worth of defense supplies in 2006. Moreover, India and Israel are engaging in new joint development projects involving missile technology.¹⁴³ India was the leading developing world arms purchaser from 1999-2006, making arms transfer *agreements* totaling \$22.4 billion during that period.¹⁴⁴ As India seeks to expand its power projection capabilities, it has come under fire from some for continuing to prepare for a conventional interstate war that may be unlikely to occur. According to one report, of the country's nearly two million persons in uniform, only about 5,000 have meaningful counterterrorism training.¹⁴⁵

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

In June 2005, the United States and India signed a ten-year defense pact outlining planned collaboration in multilateral operations, expanded two-way defense trade, increasing opportunities for technology transfers and co-production, expanded collaboration related to missile defense, and establishment of a bilateral Defense Procurement and Production Group. The agreement may be the most ambitious such security pact ever engaged by New Delhi. A Maritime Security Cooperation Agreement, inked in 2006, commits both countries to "comprehensive cooperation" in protecting the free flow of commerce and addressing a wide array of threats to maritime security, including piracy and the illicit trafficking of weapons of mass destruction and related materials. In April 2007, the Commander of the U.S. Pacific Command, Adm. Tim Keating, told a Senate panel that the Pentagon intends to

¹⁴³ India's January 2008 space launch of an Israeli military satellite elicited a formal complaint from Tehran, especially due to Iranian concerns that the satellite's sophisticated imaging systems will be used to monitor Iran's controversial nuclear program ("Iran Angered Over India's Launch of Israeli Spy Satellite," *Agence France Presse*, February 5, 2008).

¹⁴⁴ See CRS Report RL34187, *Conventional Arms Transfers to Developing Nations, 1999-2006*.

¹⁴⁵ Ajai Sukla, "Dysfunctional Defense" (op-ed), *Wall Street Journal Asia*, July 19, 2007.

“aggressively” pursue expanding military-to-military relations with India. During his August 2007 visit to New Delhi, Adm. Keating lauded U.S.-India defense relations as “solid, good, and improving steadily.”¹⁴⁶ The sentiment was echoed by Secretary of Defense Gates during his February 2008 visit to the Indian capital.

The United States views defense cooperation with India in the context of “common principles and shared national interests” such as defeating terrorism, preventing weapons proliferation, and maintaining regional stability. Many analysts view increased U.S.-India security ties as providing an alleged “hedge” against or “counterbalance” to growing Chinese influence in Asia, though both Washington and New Delhi repeatedly downplay such probable motives. Still, while a congruence of U.S. and Indian national security objectives is unlikely in the foreseeable future, convergences are being identified in areas such as shared values, the emergence of a new balance-of-power arrangement in the region, and on distinct challenges such as WMD proliferation, Islamist extremism, and energy security. There also remain indications that the perceptions and expectations of top U.S. and Indian strategic planners are divergent on several key issues, including the role of Pakistan, approaches to conflict resolution in Iraq and in Palestine, and Indian’s relations with Iran, as well as with repressive governments in places such as Burma and Sudan.¹⁴⁷

Combined Military Exercises. Since early 2002, the United States and India have held a series of unprecedented and increasingly substantive combined exercises involving all military services. “Cope India” air exercises have provided the U.S. military with its first look at advanced Russian-built Su-30MKIs; in 2004, mock air combat saw Indian pilots in late-model Russian-built fighters hold off American pilots flying older F-15Cs, and Indian successes were repeated versus U.S. F-16s in 2005. U.S. and Indian special forces soldiers have held joint exercises near the India-China border, and major annual “Malabar” joint naval exercises are held off the Indian coast. The seventh and most recent of these came in September 2007, when India hosted a total of 27 warships from five countries — including the United States, Japan, Australia, and Singapore — for maneuvers in the Bay of Bengal. It was the first time such exercises were conducted off India’s east coast. U.S. and Indian officials tout ongoing joint maneuvers as improving interoperability and as evidence of an overall deepening of the bilateral defense relationship.¹⁴⁸

Arms Sales.¹⁴⁹ Along with increasing military-to-military ties, the issue of U.S. arms sales to India has taken a higher profile, with some analysts anticipating that New Delhi will spend as much as \$40 billion on weapons procurement over the

¹⁴⁶ Senate Armed Services Committee Hearing on U.S. Military Command Budgets, April 24, 2007; “US Admiral Says Military Cooperation With India Improving Steadily,” *Associated Press*, August 23, 2007.

¹⁴⁷ See also Vibhuti Hate and Teresita Schaffer, “U.S.-India Defense Relations: Strategic Perspectives,” *CSIS South Asia Monitor*, April 4, 2007.

¹⁴⁸ “US-India Joint Exercises Growing in Sophistication, Scope,” *Inside the Pentagon*, January 31, 2008.

¹⁴⁹ See also CRS Report RL33515, *Combat Aircraft Sales to South Asia: Potential Implications*.

next five years.¹⁵⁰ The first-ever major U.S. arms sale to India came in 2002, when the Pentagon negotiated delivery of 12 counter-battery radar sets (or “Firefinder” radars) worth a total of \$190 million. India also purchased \$29 million worth of counterterrorism equipment for its special forces and has received sophisticated U.S.-made electronic ground sensors to help stem the tide of militant infiltration in the Kashmir region. In 2004, Congress was notified of a sale to India involving up to \$40 million worth of aircraft self-protection systems for mounting on the Boeing 737s that carry India’s head of government. Moreover, the State Department has authorized Israel to sell to India the jointly developed U.S.-Israeli Phalcon airborne early warning system, an expensive asset that some analysts believe may tilt the regional strategic balance even further in India’s favor.

In 2006, Congress authorized and New Delhi approved the \$44 million purchase of the *USS Trenton*, a decommissioned American amphibious transport dock. The ship, which became the second largest in the Indian navy when it was commissioned as the *INS Jalashwa* in June 2007, set sail for India carrying six surplus Sikorsky UH-3H Sea King helicopters purchased for another \$39 million.¹⁵¹ In May 2007, the Pentagon notified Congress of a possible sale to India of six C-130J Hercules military transport aircraft (along with related equipment, training, and services) in a deal that could be worth more than \$1 billion to the manufacturer, Maryland-based Lockheed Martin. In January 2008, Washington and New Delhi signed an agreement to finalize the deal, which represents the largest-ever U.S. defense sale to India.

The Indian government reportedly possesses an extensive list of desired U.S.-made weapons, including PAC-3 anti-missile systems, electronic warfare systems, and possibly even combat aircraft. The March 2005 unveiling of the Bush Administration’s “new strategy for South Asia” included assertions that the United States welcomed Indian requests for information on the possible purchase of F-16 or F/A-18 fighters, and indicated that Washington is “ready to discuss the sale of transformative systems in areas such as command and control, early warning, and missile defense.”¹⁵² India in August 2007 invited foreign tenders for the sale of 126 new multi-role combat aircraft in a deal that could be worth more than \$10 billion. Lockheed Martin’s F-16 and Illinois-based Boeing’s F/A-18 are competing with aircraft built in Russia, France, Sweden, and by a European consortium. Lockheed’s pitch reportedly includes offering a “super-cruise” version of the F-16 that saves large amounts of fuel by achieving supersonic speeds without the use of afterburners.

¹⁵⁰ “Building a Modern Arsenal in India,” *New York Times*, August 31, 2007; US Aims to Edge Out Russia in big Arms Sales to India,” *Reuters*, December 26, 2007. In December 2007, Boeing agreed in principle to send up to \$1 billion in aerospace manufacturing work to India’s state-owned Hindustan Aeronautics over the next decade. In January 2008, Lockheed Martin announced the opening of a subsidiary in New Delhi.

¹⁵¹ India’s comptroller later issued a report critical of the government for purchasing an “ageing ship” in a “hasty manner” without proper assessment of the ship’s sea-worthiness, prompting communists in Parliament to demand an investigation. Indian navy officials reject the criticism and say the inexpensive ship will provide significant sea-lift capabilities (“US-Made *Jalashwa* a Lemon: CAG,” *Times of India* (Delhi), March 15, 2008).

¹⁵² See [<http://www.state.gov/r/pa/prs/ps/2005/43853.htm>].

Boeing, for its part, has sought to establish multiple joint ventures that could better position the company to become India's preferred aerospace and defense partner.¹⁵³

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.¹⁵⁴ In 2006, the Indian Navy declined an offer to lease two U.S. P-3C maritime reconnaissance aircraft, calling the arrangements too costly. Moreover, India's offset policy states that any defense purchases worth more than \$76 million must include offset clauses amounting to at least 30% of the deal's total value. This policy, already described as "narrow" and "fairly restrictive" by the U.S. Ambassador to India, was altered to require that fully half of the value of any multi-role combat aircraft import be attached to offsets. U.S. laws requiring on-site verifications of exported defense equipment may represent a further irritant, as Indian officials reportedly have expressed discomfort with such physical inspections.¹⁵⁵

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

U.S.-India Counterterrorism Cooperation. One facet of the emerging "strategic partnership" between the United States and India is greatly increased counterterrorism cooperation. The U.S. State Department's *Country Reports on Terrorism 2007* identified India as being "among the world's most terror-afflicted countries" and counted more than 2,300 Indian deaths due to terrorism in 2007 alone. State finds numerous problems with New Delhi's capacity to combat terrorism:

The Indian government's counterterrorism efforts remained hampered by outdated and overburdened law enforcement and legal systems. The Indian court system was slow, laborious, and prone to corruption; terrorism trials can take years to complete. Many of India's local police forces were poorly staffed, lacked training, and were ill-equipped to combat terrorism effectively.¹⁵⁶

¹⁵³ "US Contenders Enhance Their MRCA Offerings to India," *Jane's Defense Weekly*, January 30, 2008; "Boeing Seeks Leverage on Indian Fighter Order," *Aviation International News*, February 19, 2008.

¹⁵⁴ "Defense Firms Seek Sales in India," *Chicago Tribune*, December 21, 2006.

¹⁵⁵ "India Realigns Its Offset Policy," *Jane's Defense Weekly*, February 6, 2008; "Delhi to US: No Arms-Site Scan," *Telegraph* (Kolkata), February 28, 2008.

¹⁵⁶ See [<http://www.state.gov/s/ct/rls/crt/2007/103709.htm>].

Some Indian analysts complain that the intelligence gathering capabilities of India's security forces remain woefully inadequate and preclude effective law enforcement and preventive action.¹⁵⁷

In November 2001, President Bush and then-Indian Prime Minister Vajpayee agreed that “terrorism threatens not only the security of the United States and India, but also our efforts to build freedom, democracy and international security and stability around the world.”¹⁵⁸ In 2002, India and the United States launched the Indo-U.S. Cyber Security Forum to safeguard critical infrastructures from cyber attack. The June 2005 “New Framework for the U.S.-India Defense Relationship” lists “defeating terrorism and violent religious extremism” as one of four key shared security interests, and it calls for a bolstering of mutual defense capabilities required for such a goal.¹⁵⁹ An April 2006 session of the U.S.-India Joint Working Group on Counterterrorism — the seventh such meeting since the group's founding in January 2000 — ended with a statement of determination from both countries to further advance bilateral cooperation and information sharing on such areas of common concern as bioterrorism, aviation security, advances in biometrics, cyber-security and terrorism, WMD terrorism, and terrorist financing.¹⁶⁰ Expanding military-to-military links have included company-level joint counterinsurgency training of army units.¹⁶¹

In October 2005, the United States and India concluded a treaty on criminal matters that would institutionalize law enforcement cooperation and create a regularized channel for mutual assistance. Among the hoped-for benefits has been more effective counterterrorism efforts.¹⁶² It was reported in May 2006 that the United States had offered demining assistance, counterinsurgency training for police forces, and humanitarian relief for persons internally displaced by conflict related to the Maoist rebellion.¹⁶³ Moreover, three months after the July 2006 Bombay terrorist bombings, senior CIA officials reportedly traveled to New Delhi to discuss improving counterterrorism cooperation with Indian leaders, and an FBI official later called for closer law enforcement and intelligence coordination with India in light of terrorist attacks in that country's interior.¹⁶⁴ There have been signs that U.S. government agencies have taken greater notice of links apparent between Pakistan-based terrorist groups and wanted Indian criminal boss Dawood Ibrahim, who is

¹⁵⁷ See, for example, Ajai Sahni, “Get to the Basics,” *Outlook* (Delhi), May 21, 2008.

¹⁵⁸ “Joint Statement of U.S., India on Terrorism, Bilateral Ties,” U.S. Department of State Washington File, November 9, 2001.

¹⁵⁹ See [http://www.indianembassy.org/press_release/2005/June/31.htm].

¹⁶⁰ See [<http://usinfo.state.gov/is/Archive/2006/Apr/24-821244.html>]. The most recent meeting of the Working Group was held in Washington in November 2007.

¹⁶¹ “U.S. Troops on Front Line of Expanding India Ties,” *Washington Post*, January 25, 2006.

¹⁶² “U.S.-India Treaty on Mutual Legal Assistance in Criminal Matters Ratified,” U.S. Embassy New Delhi Press Release, October 3, 2005.

¹⁶³ “US Offers India Help to Fight Maoists: Official,” *Reuters*, May 26, 2006.

¹⁶⁴ “CIA Big Guns in Huddle,” *Telegraph* (Calcutta), October 24, 2006; “FBI Looks to Boost Intelligence Ties With India,” *Reuters*, November 27, 2006.

suspected of residing in Karachi, Pakistan. In 2003, the U.S. Department of the Treasury formally designated Ibrahim as a terrorist supporter and accused him of collaborating with Al Qaeda in South Asia.¹⁶⁵

Nuclear Weapons and Missile Proliferation.¹⁶⁶ 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. India currently is believed to have enough fissile material, mainly plutonium, for 55-115 nuclear weapons; Pakistan, with a program focused on enriched uranium, may be capable of building a similar number. Both countries have aircraft capable of delivering nuclear bombs. India's military has inducted short- and intermediate-range ballistic missiles, while Pakistan itself possesses short- and medium-range missiles (allegedly acquired from China and North Korea). All are assumed to be capable of delivering nuclear warheads over significant distances.

Proliferation in South Asia is part of a chain of rivalries — India seeking to achieve deterrence against China, and Pakistan seeking to gain an “equalizer” against a conventionally stronger India. In 1999, a quasi-governmental Indian body released a Draft Nuclear Doctrine for India calling for a “minimum credible deterrent” (MCD) based upon a triad of delivery systems and pledging that India will not be the first to use nuclear weapons in a conflict. In 2003, New Delhi announced creation of a Nuclear Command Authority. After the body's first session in September of that year, participants vowed to “consolidate India's nuclear deterrent.” India thus appears to be taking the next steps toward operationalizing its nuclear weapons capability. According to the director of the U.S. Defense Intelligence Agency in a 2007 statement to a Senate panel, India is building its stockpile of fission weapons and is likely to continue work on advanced warhead and delivery systems.¹⁶⁷

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.¹⁶⁸ In September 2001, President Bush

¹⁶⁵ “Hunting for India's ‘Most Wanted,’” *Jane's Intelligence Digest*, December 9, 2005; Treasury notification at [<http://www.ustreas.gov/press/releases/js909.htm>].

¹⁶⁶ See also CRS Report RL32115, *Missile Proliferation and the Strategic Balance in South Asia*, and CRS Report RS21237, *Indian and Pakistani Nuclear Weapons*.

¹⁶⁷ Statement of Lt. Gen. Michael Maples before the Senate Select Committee on Intelligence, January 11, 2007, at [<http://intelligence.senate.gov/070111/maples.pdf>].

¹⁶⁸ 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
(continued...)

waived remaining sanctions on India pursuant to P.L. 106-79. During the 1990s, the U.S. security focus in South Asia sought to minimize damage to the nonproliferation regime, prevent escalation of an arms race, and promote Indo-Pakistani bilateral dialogue. In light of these goals, the Clinton Administration set out “benchmarks” for India and Pakistan based on the contents of U.N. Security Council Resolution 1172, which condemned the two countries’ nuclear tests. These included signing and ratifying the Comprehensive Nuclear Test Ban Treaty (CTBT); halting all further production of fissile material and participating in Fissile Material Cutoff Treaty negotiations; limiting development and deployment of WMD delivery vehicles; and implementing strict export controls on sensitive WMD materials and technologies.

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

India’s Economy and U.S. Interests¹⁶⁹

Overview. India is in the midst of a major and rapid economic expansion, with an economy projected to soon be the world’s third largest. Although there is widespread and serious poverty in the country, observers believe long-term economic potential is tremendous, and recent strides in the technology sector have brought international attention to such new global high-tech centers as Bangalore and Hyderabad. However, many analysts and business leaders, along with U.S.

¹⁶⁸ (...continued)

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.*)

¹⁶⁹ See also CRS Report RL34161, *India-U.S. Economic and Trade Relations*. Most of the economic data in these sections come from the Economist Intelligence Unit and Global Insight, as well as from U.S. and Indian government sources.

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. Just prior to his March 2006 visit to New Delhi, President Bush noted India's "dramatic progress" in economic reform while insisting "there's more work to be done," especially in lifting caps on foreign investment, making regulations more transparent, and continuing to lower tariffs.¹⁷⁰

According to the World Bank, India's per capita GDP was only about \$805 in 2006. The highly-touted information technology and business processing industries employ only about one-third of one percent of India's work force and, while optimists vaunt an Indian "middle class" of some 300 million people, a larger number of Indians subsists on less than \$1 per day.¹⁷¹ Yet, even with the existence of ongoing problems, the current growth rate of India's increasingly service-driven economy is among the highest in the world and has brought the benefits of development to many millions of citizens. The U.N. Development Program ranked India 128th out of 177 countries on its 2007/2008 human development index (between Morocco and Laos), down from 126th in 2006.¹⁷²

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

India's central bank warned in early 2007 that rising inflation and surging stock and property markets were "signs of overheating" in the country's economy. Some analysts criticize the bank for being too timid in reining in domestic demand.¹⁷³ Consumer price inflation rose somewhat in mid-2007, then appeared to level off at

¹⁷⁰ See [<http://www.whitehouse.gov/news/releases/2006/02/20060222-2.html>].

¹⁷¹ The Indian government's official poverty line for 2004-2005 was an income of 356 rupees (about \$9) per person per month. By this measure, the national poverty rate was about 28%. Yet estimates indicate that some 400 million Indians subsist on less than 40 rupees per day. One recent British medical study found that more than half of all Indian children under the age of five are "stunted" by lack of proper nutrition ("51% of Indian Children Stunted by Undernutrition," *Hindu* (Chennai), May 15, 2008; see also "Economic Boom Fails to Generate Optimism in India," *New York Times*, August 16, 2007).

¹⁷² See [<http://hdr.undp.org/en/reports/global/hdr2007-2008>].

¹⁷³ "India Overheats," *Economist* (London), February 3, 2007.

a lower rate toward year's end (with a year-on-year rate of 5.5% in January), but may rise again in 2008. The soaring Bombay Stock Exchange tripled in value from 2001-2006, then apparently overheated with the worst-ever daily decline of its benchmark Sensex index on May 22, 2006, when almost 11% of its total value was lost (related also to political developments). The market subsequently stabilized and then recovered mightily, reaching new highs in the closing months of 2006. More new record highs became even more frequent in the latter half of 2007 and the Sensex was up nearly 40% for the year. India now boasts more billionaires than any other Asian country and has the fourth most in the world, trailing only the United States, Germany, and Russia. The bounty of India's newly-super-wealthy is traced largely to phenomenal gains in the country's stock market, but, in a further indicator of serious income disparity, only about 2% of the country's working-age population hold any stock at all.¹⁷⁴

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

Once seen as favoring domestic business and diffident about foreign involvement, New Delhi appears to gradually be embracing globalization and has sought to reassure foreign investors with promises of transparent and nondiscriminatory policies. A January 2007 report from global investment banking and securities firm Goldman Sachs called India's recent high growth rates a result of structural rather than cyclical increases and projected a sustainable growth rate of about 8% through 2020. It identified political developments — including a rise in protectionism; supply-side restraints, including business climate, education, and labor market reforms; and environmental degradation — as representing major risks to future growth.¹⁷⁵ An October 2007 country survey from the Paris-based Organization for Economic Cooperation and Development (OECD) traced India's economic successes to reforms that reduced the role of the state in economic affairs and claimed that New Delhi's pursuit of further “ambitious and wide-ranging reforms” could push India's growth rate to a sustainable 10% annually.¹⁷⁶ Other analyses identify water shortages, urban woes, and pollution as further potential threats to Indian prosperity.¹⁷⁷

¹⁷⁴ “India's Superrich Get Even Richer,” *Christian Science Monitor*, December 18, 2007.

¹⁷⁵ [http://www.usindiafriendship.net/viewpoints1/Indias_Rising_Growth_Potential.pdf].

¹⁷⁶ See [<http://www.oecd.org/eco/surveys/India>].

¹⁷⁷ Pramit Mitra, “Running on Empty,” CSIS South Asia Monitor 103, February 3, 2007, at [<http://www.csis.org/media/csis/pubs/sam103.pdf>]; World Bank, “Urban Challenges in (continued...)”

Trade and Investment. As India's largest trade and investment partner, the United States strongly supports New Delhi's continuing economic reform policies. A U.S.-India Trade Policy Forum was created in November 2005 to expand bilateral economic engagement and provide a venue for discussing multilateral trade issues. The United States currently accounts for about one-sixth of all Indian exports. India was the 16th largest export market for U.S. goods in 2007 (up from 21st the previous year). Levels of U.S.-India trade, while relatively low, are blossoming; the total value of bilateral trade has doubled since 2001 and the two governments intend to see it doubled again by 2009. U.S. imports from India in 2007 were valued at \$24 billion (up 10% over 2006). Leading imports included cotton apparel; textiles; and pearls, gemstones, and jewelry. Exports to India in 2007 totaled \$17.6 billion (up 75% over 2006), with civilian aircraft; telecommunications equipment; finished pearls, gemstones, and jewelry; and chemical fertilizers as leading categories. Bilateral trade in private commercial services was worth more than \$13 billion more, split evenly between imports and exports.¹⁷⁸

Annual foreign direct investment to India from all countries rose from about \$100 million in 1990 to nearly \$6 billion for 2005 and more than \$11 billion in 2006. According to Indian officials, about one-seventh of foreign direct investment in India since 1991 has come from U.S. firms; in recent years, the major U.S.-based companies Microsoft, Dell, Oracle, and IBM have made multi-billion-dollar investments in India (U.S. firms invested about \$2 billion in India in 2006; Indian companies invested roughly the same amount in the United States). The stock of U.S. foreign direct investment in India was just below \$9 billion for 2006. As of August 2007, India's foreign exchange reserves were at a record \$229 billion, up 38% in just one year. India has moved to raise limits on foreign investment in several key sectors, although U.S. officials prod New Delhi to make more rapid and more substantial changes to foreign investment ceilings, especially in the retail, financial services, and banking sectors. In March 2006, the U.S.-India CEO Forum — composed of ten chief executives from each country representing a cross-section of key industrial sectors — issued a report identifying India's poor infrastructure and dense bureaucracy as key impediments to increased bilateral trade and investment relations.¹⁷⁹

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

¹⁷⁷ (...continued)

India," February 5, 2007. One study found that 70% of Kolkata's population suffers from respiratory disorders caused by air pollution ("Air Pollution Suffocates Calcutta," *BBC News*, May 3, 2007).

¹⁷⁸ See [<http://www.census.gov/foreign-trade/statistics/country/index.html>].

¹⁷⁹ See "U.S.-India Strategic Economic Partnership," U.S.-India CEO Forum, March 2006 at [<http://planningcommission.nic.in/reports/genrep/USIndia.pdf>]. One 2008 news report criticized "India's astonishing inability to plan for its future and fix its sagging infrastructure" ("An Indian Airport Hurries to Make the First Flight," *New York Times*, May 22, 2008).

new regulations or old red tape don't impeded growth, and that foreign companies have a clear path to settling commercial disputes when they arise. The Indian government should also continue economic reforms and liberalizations that have been the basis of India's economic boom so far. ... In order to achieve higher growth rates as well as broad rural development, India requires world-class airports, irrigation, and communications networks. It needs modern power grids, ports, and highways, and many other infrastructural improvements that could be vastly accelerated by greater investment, both public and private. ... Our focus is on facilitating and promoting foreign direct investment, enhancing bilateral consultations on reducing tariff and non-tariff barriers to trade in industrial goods, services, and agriculture, preventing the illicit use of the financial system, and strengthening India's regime for intellectual property rights.¹⁸⁰

In September 2007, U.S. Ambassador Mulford opined that, "Continued reform and liberalization will help further boost ... and spread the benefits of rapid economic growth to more recipients across India."¹⁸¹ During his October 2007 visit to India, U.S. Treasury Secretary Paulson told a Mumbai audience,

In the long term, India can take a number of steps to become even more competitive, such as reducing requirements that financial institutions hold large amounts of government debt, reducing requirements for banks to provide credit to certain priority sectors, and removing various restrictions and caps on foreign investment. Limits on debt and equity financing, and asset allocation restrictions on financial institutions, are impediments to putting resources to their most productive use.¹⁸²

Barriers to Trade and Investment. Despite significant tariff reductions and other measures taken by India to improve market access, according to the 2008 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 "continued reduction of the bilateral trade deficit will depend on significant additional Indian liberalization of the trade and investment regime."¹⁸³ The Commerce Department likewise encourages New Delhi to continue lowering tariffs as a means of fostering trade and development. Indian Finance Minister Chidambaram agrees that high rates of investment must be maintained to sustain the country's economic growth. In 2007, India regained full investment-grade status after a 15-year hiatus when Standard & Poor's upgraded India's sovereign rating, but the country's public finances remain much weaker than comparable states: India has a public debt-to-GDP ratio (85%) more than three times higher than China's, and interest consumes nearly one-third of total revenue.¹⁸⁴

¹⁸⁰ See [<http://www.state.gov/p/us/rm/2007/85424.htm>].

¹⁸¹ See [<http://newdelhi.usembassy.gov/pr91907.html>].

¹⁸² See [<http://www.ustreas.gov/press/releases/hp648.htm>].

¹⁸³ See [http://www.ustr.gov/Document_Library/Reports_Publications/Section_Index.html].

¹⁸⁴ "India's Sovereign Credit Rating Upgraded," *Financial Times* (London), January 30, 2007.

India's extensive trade and investment barriers have been criticized by U.S. government officials and business leaders as an impediment to its own economic development, as well as to stronger U.S.-India ties. For example, in 2004, then-U.S. Under Secretary of State Alan Larson opined that "trade and investment flows between the U.S. and India are far below where they should and can be," adding that "the picture for U.S. investment is also lackluster." He identified the primary reason for the suboptimal situation as "the slow pace of economic reform in India." In 2007, Under Secretary of the Treasury Tim Adams urged India to further reduce trade and investment barriers, liberalize its financial sector, and improve its business climate as key means to "compete effectively in the global economy."¹⁸⁵

Inadequate intellectual property rights protection is another long-standing issue between the United States and India. The USTR places India on its Special 301 Priority Watch List for "inadequate laws and ineffective enforcement" in this area. The International Intellectual Property Alliance (IIPA), a coalition of U.S. copyright-based industries, estimated U.S. losses of \$913 million due to copyright piracy in India in 2007, with some 95% of this in the categories of business and entertainment software (estimated loss amounts do not include motion picture piracy, which in 2004 was estimated to have cost some \$80 million). The IIPA expresses frustration that "little significant progress" is being made in more effectively enforcing copyright protection in India.¹⁸⁶ In December 2006, Under Secretary of Commerce and Director of the U.S. Patent and Trademark Office Jon Dudas told a New Delhi audience that "further modifications are necessary" in India's intellectual property rights protection regime and that India's copyright laws are "insufficient in many aspects." He also warned that "piracy and counterfeiting rates will continue to rise without effective enforcement."¹⁸⁷

While the past two decades have seen a major transformation of the Indian economy, it remains relatively closed in many aspects. The Heritage Foundation's *2008 Index of Economic Freedom* — which some say may overemphasize the value of absolute growth and downplay broader quality-of-life measurements — rated India's economy as being "54% free" and ranked it 115th out of 162 countries. The index highlights restrictive trade policies, heavy government involvement in the banking and finance sectors, rigorous investment caps, demanding regulatory structures, and a high incidence of corruption.¹⁸⁸ Berlin-based Transparency International placed India 72nd out of 179 countries in its 2007 "corruption perceptions index." The group's 2006 "bribery index" found India to be the worst offender among the world's top 30 exporting countries.¹⁸⁹ The Vancouver-based

¹⁸⁵ See [<http://www.state.gov/e/rls/rm/2004/36345.htm>] and [<http://newdelhi.usembassy.gov/pr022007.html>].

¹⁸⁶ See [<http://www.iipa.com/rbc/2008/2008SPEC301INDIA.pdf>].

¹⁸⁷ See [<http://newdelhi.usembassy.gov/pr120706.html>]. Bush Administration policy is at [http://mumbai.usconsulate.gov/chris_israel.html].

¹⁸⁸ See [<http://www.heritage.org/research/features/index/country.cfm?id=India>].

¹⁸⁹ See [<http://www.transparency.org>]. According to Transparency's findings, one in three Indian families living below the poverty line paid a bribe in 2007 for basic public services.

Fraser Institute provides a more positive assessment of economic freedom in India, while also faulting excessive restrictions on capital markets.¹⁹⁰

Special Economic Zones (SEZs). In 2005, New Delhi announced plans to allow Indian states to establish Chinese-style special economic zones that would encourage foreign investment and boost employment by bypassing the country's strict labor and tax laws. Parliament soon approved implementation and, in early 2006, the SEZ Act went into effect. With well over 200 such zones approved and hundreds more planned, SEZs became a matter of significant controversy. Proponents view them as sensible means of growing the economy through greatly increased investment, as well as improving infrastructure. Yet the policy has elicited energetic opposition from interest groups representing the political left and right, alike. Some critics say building SEZs on fertile agricultural land will impoverish farmers without adequate compensation. Even Congress Party chief Sonia Gandhi openly opposed exposing farmers to "unscrupulous developers." Other detractors, including India's finance minister, warn that the government will be denied billions of dollars in tax revenues lost due to special concessions offered to participating firms. In early 2007, after Left Front parties demanded extensive curbs on the initiative, New Delhi suspended approval of 304 more SEZs pending decisions on issues including compensation for displaced farmers.¹⁹¹ In March of that year, police in Nandigram, West Bengal, opened fire on a group of protesters who were demonstrating against state land appropriations for a planned SEZ. At least 14 people were killed and the incident led to days of violent protests against the state government's action. Soon after, the West Bengal government dropped its plans and the federal government vowed to "refine" its SEZ policy to make it more equitable.¹⁹²

Multilateral Trade Negotiations.¹⁹³ In 2006, the World Trade Organization's "Doha Round" of multilateral trade negotiations were suspended due to disagreement among the WTO's six core group members — which include the United States and India — over methods to reduce trade-distorting domestic subsidies, eliminate export subsidies, and increase market access for agricultural products. The United States and other developed countries seek substantial tariff reductions in the developing world. India, like other members of the "G-20" group of developing states, has sought more market access for its goods and services in the developed countries, while claiming that developing countries should be given additional time to liberalize their own markets. In particular, India is resistant to opening its markets to subsidized agricultural products from developed countries,

¹⁹⁰ See [<http://www.fraserinstitute.ca/admin/books/chapterfiles/3aEFW2006ch3A-K.pdf#>].

¹⁹¹ "India Puts Brakes on Tax-Break Zones," *Financial Times* (London), January 23, 2007; "India's Farmers Grumbling as SEZs Eat Up Land," *Financial Times* (London), March 12, 2007; "India to 'Refine' Economic Zone Policy After Shooting Deaths," *Agence France Presse*, March 19, 2007.

¹⁹² SEZ-related troubles continued in late 2007 with an upsurge in political violence in West Bengal and reports that state officials may have been complicit in attacks on farmers.

¹⁹³ See also CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, and CRS Report RL33144, *WTO Doha Round: The Agricultural Negotiations*.

claiming this would be detrimental to tens of millions of Indian farmers and result in further depopulation of the countryside. According to Indian officials, the WTO's narrow focus on economic issues excludes political and social variables which are equally sensitive for New Delhi and which constrain the options available to the Indian government. They seek greater U.S. understanding of this dynamic.

Indian Commerce Minister Nath has blamed U.S. intransigence for the Doha Round's collapse. In June 2007, Indian officials rejoined the negotiations, but claimed the talks had again "collapsed" due to lack of convergence among the major actors. U.S. Trade Representative Schwab later expressed surprise at how "rigid and inflexible" India (and Brazil) were during the negotiations, and she suggested that "some countries ... really don't want a Doha round outcome." In September, however, Nath again expressed optimism in identifying a new and "greater comprehension of India's sensitivities" on the effects of U.S. farm subsidies.¹⁹⁴ According to U.S. Treasury Secretary Paulson, "Working together to successfully conclude a Doha agreement will be the single most effective thing we can do to help raise living standards in India and around the world."¹⁹⁵

Trade Representative Schwab met with Commerce Minister Nath in New York in May 2008 and again in Washington in June to discuss progress. Indian leaders are reported to be especially dissatisfied with draft documents they believe are too restrictive of their domestic policies meant to protect Indian farmers from a flood of foreign imports. The U.S. government, for its part, continues to insist that it can only cut its own domestic farm subsidies if advanced developing states such as India (and China and Brazil) do more to open their own markets to foreign goods. In June, a Commerce Department official called India a "roadblock to success" in the negotiations by treating them as a "donor's conference" and resisting all reasonable liberalization proposals, even those being offered by other developing countries.¹⁹⁶

The Energy Sector and Climate Change. India's continued economic growth and security are intimately linked to the supply of energy resources. Indeed, Indian leaders insist that energy security is an essential component of the country's development agenda, calling for an integrated national energy policy, diversification of energy supplies, greater energy efficiency, and rationalization of pricing mechanisms. The country's relatively poor natural energy resource endowment and poorly functioning energy market are widely viewed as major constraints on continued economic growth. Estimates indicate that maintaining recent rates of growth will require that India increase its commercial energy supplies by 4%-6%

¹⁹⁴ "India Blames U.S. for Failure of WTO Talks," *Hindu* (Chennai), July 26, 2006; "U.S. Says Doha Risks Being Delayed for Several Years," *Reuters*, July 5, 2007; "World Leaders Express New Optimism on Doha Deal," *Reuters*, September 25, 2007. American business interests also have been critical of the New Delhi government for failing to offer positive proposals for broaching the Doha impasse ("U.S. Business Presses India for More WTO Concessions," *New York Times*, May 6, 2008).

¹⁹⁵ See [<http://www.ustreas.gov/press/releases/hp636.htm>].

¹⁹⁶ "India Unhappy With Fresh WTO Negotiating Texts," *Hindu* (Chennai), May 21, 2008; "U.S. Concerned About Direction of Doha Talks," *New York Times*, May 28, 2008; "US Accuses India of Trying to Wreck WTO Talks," *Agence France Presse*, June 9, 2008.

annually in coming years.¹⁹⁷ The U.S. government has committed to assist India in promoting the development of stable and efficient energy markets there; a U.S.-India Energy Dialogue was launched in July 2005 to provide a forum for bolstering bilateral energy cooperation, meeting most recently in New Delhi in April 2008.¹⁹⁸

Increasing Energy Consumption. India is the world's fifth largest energy consumer and may become third by the middle of this century. Overall power generation in the country more than doubled from 1991 to 2005.¹⁹⁹ Coal is the country's leading commercial energy source, accounting for more than half of national demand. India is the world's third most productive coal producer, and domestic supplies satisfy most demand (however, most of India's coal is an inefficient low-grade, high-ash variety). Oil consumption accounts for some one-third of India's total energy consumption; about 70% of this oil is imported (at a rate of 1.7 million barrels per day in 2006), mostly from the West Asia/Middle East region. India's domestic natural gas supply is not likely to keep pace with demand, and the country will have to import much of its natural gas, either via pipeline or as liquefied natural gas. Hydropower, especially abundant in the country's northeast and near the border with Nepal, supplies about 5% of energy needs. Nuclear power, which Indian government officials and some experts say is a sector in dire need of expansion, currently accounts for only 1% of the country's energy supplies and less than 3% of total electricity generation.²⁰⁰ Even optimistic projections suggest that nuclear power will provide less than 10% of India's generation capacity in 25 years and there are doubts about New Delhi's projected goal of generating 20 gigawatts of nuclear power by 2020.²⁰¹

Roughly one-fifth of the India's power is consumed by farmers' irrigation systems, making the farm lobby a powerful obstacle to curtailing subsidies provided by State Electricity Boards, which collectively lose billions of dollars annually. Moreover, from one-quarter to one-half of India's electricity is said to disappear though "transmission losses," i.e., theft. In the summer of 2007, worsening shortfalls were causing electrical outages of up to nine hours per day in the industrial and agricultural belts of Punjab, Gujarat, and Maharashtra; the capital of Delhi often has

¹⁹⁷ See Vibhuti Hate, "India's Energy Dilemma," Center for Strategic and International Studies, September 7, 2006, at [<http://www.csis.org/media/csis/pubs/sam98.pdf>].

¹⁹⁸ See U.S. Department of State fact sheet at [<http://www.state.gov/p/sca/rls/fs/2005/49724.htm>]. In May 2006, the Senate Foreign Relations Committee passed S. 1950, to promote global energy security through increased cooperation between the United States and India on non-nuclear energy-related issues, but the full Senate took no action on the bill.

¹⁹⁹ See a Ministry of Power report at [http://powermin.nic.in/reports/pdf/ar05_06.pdf].

²⁰⁰ Energy data from U.S. Department of Energy, Energy Information Administration, January 2007, at [<http://www.eia.doe.gov/emeu/cabs/india.html>]; Tanvi Madan, "India," Brookings Institution Energy Security Series Report, November 2006 at [<http://www.brookings.edu/fp/research/energy/2006india.pdf>].

²⁰¹ John Stephenson and Peter Tynan, "Will the U.S.-India Civil Nuclear Cooperation Initiative Light India?," November 13, 2006, at [<http://www.npec-web.org>]; "Top Scientist Questions India's N-Energy Dream," *Times of India* (Delhi), September 9, 2007.

power for only 14 hours each day. A burgeoning electricity crisis may be severely hampering India's continued economic security and growth.²⁰²

During a March 2007 visit to New Delhi, U.S. Energy Secretary Sam Bodman held wide-ranging talks with numerous Indian officials and business leaders to discuss India's energy needs and strategies for relevant bilateral cooperation. Secretary Bodman stressed "the absolute necessity of substantial and sustained investment in innovation on a global scale" and listed five major global goals for all countries, including the United States and India: 1) diversifying the available supply of conventional fuels and expanding their production; 2) diversifying energy portfolios through expanded use of alternative and renewable sources, including nuclear energy; 3) promoting increased energy efficiency and conservation; 4) reducing pollution and energy intensity in the global economy; and 5) protecting critical energy infrastructure.²⁰³

Climate Change Policies. With emissions of more than 500 million tons of carbon dioxide per year, India is the world's fourth-largest producer of greenhouse gases (GHGs) (after the United States, China, and Russia). Per capita emissions are, however, only about one-sixteenth those of the United States. The negative impact of climate change likely will be seen across India's broad range of ecosystems, with agriculture, infrastructure, and water resources most affected. Indian officials, who note that India accounts for 17% of the earth's population but only 4% of its GHG emissions, thus far reject any policies or international agreements that would set limits on their own national emissions while calling it "imperative" that developed countries commit themselves to reducing their own emissions. New Delhi criticizes Washington for failing to take "historical responsibility for cumulative emissions" and for bringing "extraneous considerations of industrial competitiveness and employment" to bear on the debate. India asserts that its own continued economic development and poverty reduction efforts preclude capping its GHG emissions and claim there has been a "persistent attempt" by some developed countries to "avoid their legal obligations" under international treaties.²⁰⁴

In June 2008, the New Delhi government unveiled India's first-ever "national action plan" to address climate change, with Prime Minister Singh acknowledging that the country faced a "dangerous problem" and vowing to devote greater attention to renewable energy, water conservation, and preserving natural resources. The plan sets forth eight "national missions" for sustainable development: (1) solar energy; (2) enhanced energy efficiency; (3) sustainable habitat; (4) conserving water; (5)

²⁰² "India Struggles With Power Theft," *BBC News*, March 15, 2006; "Electricity Crisis Hobbles an India Eager to Ascend," *New York Times*, May 21, 2007; "Power Outages disrupt Life in India," *Associated Press*, March 10, 2008.

²⁰³ See [<http://newdelhi.usembassy.gov/pr032007a.html>].

²⁰⁴ "Talk by Special Envoy of Prime Minister, Shri Shyam Saran in Mumbai on Climate Change," Indian Ministry of External Affairs, April 21, 2008.

sustaining the Himalayan ecosystem; (6) a “Green India;” (7) sustainable agriculture; and (8) a Strategic Knowledge Platform for Climate Change.”²⁰⁵

Collaborative Efforts. India is a party to both the U.N. Framework Convention on Climate Change and the Kyoto protocol. According to the principles in both these treaties of “common but differentiated responsibility,” India is a developing country not required to set legally binding emissions limits under these agreements. In July 2005, the United States joined with India, China, Japan, Australia, and South Korea in the Asia-Pacific Partnership (APP) on Clean Development and Climate, a U.S.-led effort to accelerate the development and deployment of clean energy technologies through a voluntary public-private partnership among six major Asia-Pacific nations. Sydney, Australia, hosted the inaugural meeting in January 2006 and the body’s second ministerial meeting was held in October 2007 in New Delhi, where the United States announced providing grant funds for 23 clean technology projects in India under the Partnership’s aegis.²⁰⁶ However, funding shortfalls have hampered the APP initiative since its inception. India also participates in the Major Economies Meeting (MEM) on Energy Security and Climate Change, initiated by President Bush in 2007. The process involves 16 nations (plus the EU) that are major greenhouse gas emitters. Its third session was held in Paris in April 2008.²⁰⁷

Some in Congress have sought to increase international cooperation on energy-related matters, including with India. The Energy Diplomacy and Security Act of 2007 (**S. 193**) was reported out of the Senate Foreign Relations Committee in April 2007. The bill includes provisions for establishing energy crisis response mechanisms in cooperation with the governments of India and China. In February, **H.R. 1186**, to promote global energy security through increased U.S.-India cooperation, was introduced in the House. The International Climate Cooperation Re-engagement Act of 2007 (**H.R. 2420**) was reported out of the House Foreign Affairs Committee in June. The bill contains provisions for expanding efforts to promote U.S. exports in clean and efficient energy technologies to India and China. The Clean Energy Partnership With India Act of 2008 (**H.R. 5705**), referred to House committee in April 2008, would establish a commission for improving and promoting bilateral renewable energy cooperation with India.

The Kashmir Issue

Although India suffers from several militant regional separatist movements, the Kashmir issue has proven the most lethal and intractable. Gunbattles and bomb blasts in India’s Jammu and Kashmir state reportedly killed an average of 5 or 6

²⁰⁵ June 30, 2008 press release at [<http://pmindia.gov.in/pressrel.htm>]; “India Offers 8 Ideals on a Climate Change Policy, but Few Details,” *New York Times*, July 1, 2008.

²⁰⁶ See remarks by James Connaughton, Chairman of President Bush’s Council on Environmental Quality, at [<http://newdelhi.usembassy.gov/pr101507a.html>]. See also [<http://www.asiapacificpartnership.org>].

²⁰⁷ See [<http://www.state.gov/g/oes/climate/mem>] and [<http://www.whitehouse.gov/news/releases/2008/04/20080418-20.html>].

people every day over the period 1989-2006.²⁰⁸ Conflict over Kashmiri sovereignty also has brought global attention to a potential “flashpoint” for interstate war between nuclear-armed powers. The problem is rooted in competing claims to the former princely state, divided since 1948 by a military Line of Control (LOC) separating India’s Muslim-majority Jammu and Kashmir state and Pakistan-controlled Azad [Free] Kashmir. The dispute relates to the national identities of both countries: India has long sought to maintain its secular, multi-religious credentials, in part by successfully incorporating a Muslim-majority region, while Pakistan has since independence been conceived as a homeland for the subcontinent’s Muslims. India and Pakistan fought full-scale wars over Kashmir in 1947-1948 and 1965. Some Kashmiris seek independence from both countries. Spurred by a perception of rigged state elections in 1989, an ongoing separatist war between Islamic militants (and their supporters) and Indian security forces in Indian-held Kashmir is ongoing and has claimed tens of thousands of lives.²⁰⁹

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

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

Some separatist groups, such as the Jammu and Kashmir Liberation Front (JKLF), continue to seek an independent or autonomous Kashmir. Others, including the militant Hizbul Mujahideen (HuM), seek union with Pakistan.²¹⁰ In 1993, the All

²⁰⁸ “India Says Kashmir Toll Over 41,000, Others Differ,” *Reuters*, December 7, 2006.

²⁰⁹ Most estimates list from 41,000 to 66,000 related deaths. The Pakistan-based Kashmir Media Service claims that more than 92,000 Kashmiris have been “martyred” in the fighting.

²¹⁰ An August 2007 opinion survey found nearly 90% of the residents of Srinagar, Kashmir’s most populous and Muslim-majority city, desiring Kashmiri independence from both India (continued...)

Parties Hurriyat [Freedom] Conference was formed as an umbrella organization for groups opposed to Indian rule in Kashmir. The Hurriyat membership of more than 20 political and religious groups has included the JKLF (originally a leading militant force, now a political group) and Jamaat-e-Islami (the political wing of the HuM). The Hurriyat Conference, which states that it is committed to seeking dialogue with the Indian government on a broad range of issues, calls for a tripartite conference on Kashmir, including Pakistan, India, and representatives of the Kashmiri people. Hurriyat leaders demand Kashmiri representation at any talks between India and Pakistan on Kashmir. The Hurriyat formally split in 2003 after a dispute between hardliners allied with Islamabad and moderates favoring negotiation with New Delhi. Subsequent efforts to reunify the group failed. In 2005, the Congress Party-led government renewed high-level contact with moderate Hurriyat leaders begun by the previous BJP-led coalition. Two years later, however, Hurriyat leader and noted Kashmiri cleric Mirwaiz Umar Farooq said talks between the Indian government and moderate Kashmiri separatists had suffered a “complete breakdown of communication,” and he accused New Delhi of lacking the will needed to find a political solution to the problem.²¹¹

In December 2006, Pakistani President Musharraf issued a newly-modified version of his “out-of-the-box” thinking on resolution to the Kashmir problem, saying Pakistan is “against independence” for Kashmir, and offering instead a four-point proposal that would lead to “self-governance,” defined as “falling between autonomy and independence.” Many analysts saw the proposal as being roughly in line with New Delhi’s Kashmir position. Some Kashmiri separatist groups rejected the proposal as an abandonment of Islamabad’s long-held policy, but Indian leaders welcomed Musharraf’s statements; in February 2007, Prime Minister Singh said the Pakistani government was “saying the right thing” in rejecting armed militancy as a solution to the Kashmir problem. Still, a lack of consensus among Kashmiri leaders and political parties has hampered progress. Even Kashmiri political figures who accept the principle of a solution within the framework of the Indian Constitution cannot agree on what such a solution may look like, and the Hurriyat Conference — which may have contributed to its own marginalization by boycotting the state’s 2002 elections — remains rife with its own divisions. Some analysts urge greater U.S. efforts to prod the New Delhi and Islamabad governments along in the ongoing search for a final resolution.²¹²

At least 8,000 Kashmiris have “disappeared” during the conflict; some of these may occupy the nearly 1,000 unmarked graves discovered near the LOC in early

²¹⁰ (...continued)

and Pakistan. In the largely Hindu city of Jammu, however, 95% of respondents said Kashmir should be part of India (see [<http://www.indianexpress.com/story/210147.html>]).

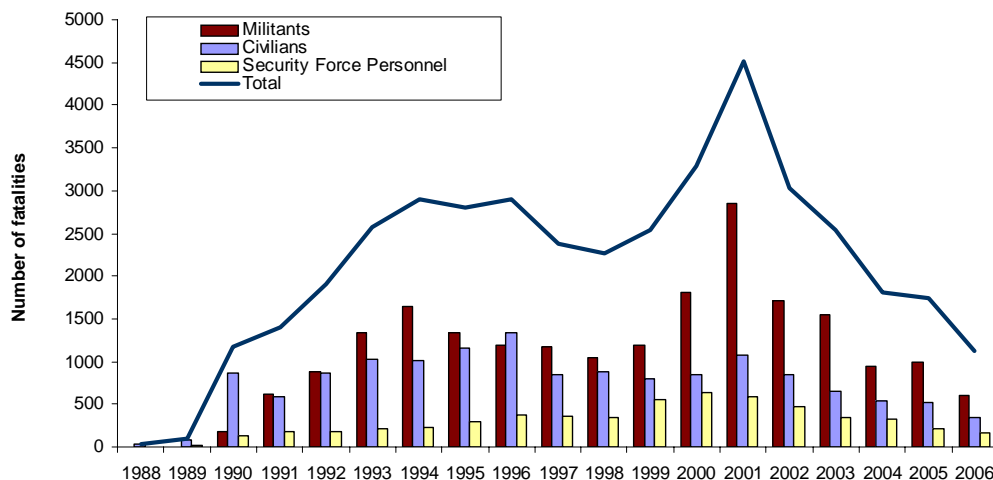
²¹¹ “Kashmiri Separatist Says India Talks Break Down,” *Reuters*, August 30, 2007.

²¹² See, for example, Lisa Curtis, “India and Pakistan Poised to Make Progress on Kashmir,” Heritage Backgrounder No. 1997, January 12, 2007, at [<http://www.heritage.org/Research/AsiaandthePacific/bg1997.cfm>].

2008.²¹³ When measured in terms of human deaths, levels of violence in Kashmir were high and steady through the mid- and late 1990s, peaked in 2001, and have been in decline since. Despite waning rates of infiltration and separatist-related violence, the issue continues to rankle leaders in New Delhi and remains a serious impediment to progress in the current India-Pakistan peace initiative. Even as the normalization of India-Pakistan relations moves forward — and to some extent in reaction to their apparent marginalization in the face of this development — separatist militants continue their attacks on both civilians and Indian security forces, and many observers in both India and the United States believe that active support for Kashmiri militants remains Pakistani policy. The militants, seeing their relevance and goals threatened by movement toward peaceful resolution, regularly lash out with bloody attacks meant to derail the process.

Figure 1 indicates that levels of violence in Kashmir were high and steady through the mid- and late 1990s, peaked in 2001, and have been in decline since. The long-term reduction in violence has allowed for a rebirth of the region’s major tourist industry.²¹⁴ Yet, despite waning rates of infiltration and separatist-related violence, the issue continues to rankle leaders in New Delhi and remains a serious impediment to progress in the current India-Pakistan peace initiative. Even as the normalization of India-Pakistan relations moves forward — and to some extent in reaction to their apparent marginalization in the face of this development — separatist militants continue their attacks on both civilians and Indian security forces, and many observers in both India and the United States believe that active support for Kashmiri militants remains Pakistani policy. The militants, seeing their relevance and goals threatened by movement toward peaceful resolution, still lash out with bloody attacks likely meant to derail the process.

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



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

²¹³ “Clinging to Hope in Kashmir,” *Chicago Tribune*, June 1, 2008.

²¹⁴ “Tourists Flock Back to Kashmir,” *BBC News*, June 24, 2008.

Despite some ongoing violence, many indicators point to positive long-term trends. The steadily reduced rates of infiltration may be attributed to the endurance of India-Pakistan dialogue and, with a flurry of diplomatic exchanges in late 2006, many analysts saw prospects for a meeting of minds between New Delhi and Islamabad as being better than ever before (determining and incorporating the desires of the Kashmiri people remain highly problematic).²¹⁵ In 2006, India's army chief credited much of a 20% drop in levels of violence in the region to the surrender of more and more "disillusioned" militants. At the same time, the state's political leadership has lauded a major decline in reported human rights abuses by security forces, attributing the improvement to policies of restraint launched by the Peoples Democratic Party-Congress Party coalition which took power in 2002.²¹⁶ New Delhi has more recently vowed to pull troops out of Kashmir if militant infiltrations and violence there cease, but to date only nominal troop withdrawals have come in response to a somewhat improved security situation in the region. In late 2007, India's Home Ministry stated that the "overall stable security situation in the [Jammu and Kashmir] State is indicative of transition to normalcy."²¹⁷ There appears to be widespread public support among Kashmir Valley citizens for demilitarization of the region and a major reduction in the number of India troops stationed there.²¹⁸

While those responsible for Kashmir's security remain vigilant and convinced that the Islamabad government still "controls the tap" of cross-LOC infiltration, the people of the Muslim-majority Kashmir Valley have been widely approving of the "flexibility" exhibited by Pakistan's president and hopeful that such flexibility will be mirrored in New Delhi so as to create a resolution that works for all stakeholders.²¹⁹

Other Regional Dissidence

The United States maintains an ongoing interest in India's domestic stability and the respect for internationally recognized human rights there. The U.S. Congress has held hearings in which such issues are discussed. As a vast mosaic of ethnicities, languages, cultures, and religions, India can be difficult to govern. Internal instability resulting from diversity is further complicated by colonial legacies such as international borders that separate members of the same ethnic groups, creating flashpoints for regional dissidence and separatism. Beyond the Kashmir problem, separatist insurgents in remote and underdeveloped northeast regions confound New Delhi and create international tensions by operating out of neighboring Bangladesh, Burma, Bhutan, and Nepal. New Delhi has at times blamed the governments of those

²¹⁵ "Army Chief Confirms Reduced Infiltration in Kashmir," *Hindustan Times* (Delhi), October 7, 2005; "A Step Closer to Consensus," *Frontline* (Chennai), December 15, 2006.

²¹⁶ "India's Army Says Tide Turning in Restive Kashmir," *Reuters*, October 1, 2006; "Kashmiri Leader Lauds Drop in Custodial Killings, Disappearances," *Agence France Presse*, October 30, 2006.

²¹⁷ See [[http://mha.nic.in/internal%20security/ISS\(E\)-050208.pdf](http://mha.nic.in/internal%20security/ISS(E)-050208.pdf)]. See also "After Brutal Years, Kashmiris Embrace New Calm," *Christian Science Monitor*, March 20, 2008.

²¹⁸ "Kashmir's Demilitarization Debate," *Jane's Intelligence Digest*, June 23, 2008.

²¹⁹ Author interviews, Srinagar, Kashmir, September 2006.

countries for “sheltering” separatist groups beyond the reach of Indian security forces, and New Delhi has launched joint counter-insurgency operations with some of these neighbors. At the same time, Maoist rebels continue to operate in numerous states and represent a growing threat to internal sovereignty. India also has suffered outbreaks of serious communal violence between Hindus and Muslims, especially in the western Gujarat state.

The Northeast. Since the time of India’s foundation, numerous militant groups have fought for greater ethnic autonomy, tribal rights, or independence in the country’s northeast region. Some of the tribal struggles in the small states known as the Seven Sisters are centuries old. It is estimated that more than 50,000 people have been killed in such fighting since 1948, including about 20,000 killed in a 28-year-old Naga insurgency and another 10,000 deaths in 15 years of fighting in the Assam state. In the small state of Manipur alone there are said to be more than 20 separatist groups fighting the Indian army at a cost of more than 8,000 lives over two decades, and the writ of the central government there is tenuous, at best.²²⁰ As militant groups are seen to benefit from highly profitable criminal activities such as informal taxation, kidnaping, and smuggling, many observers conclude that only more effective economic development and integration of India’s northeast will allow for the resolution of myriad ethnic conflicts there.²²¹

The United Liberation Front of Assam (ULFA), the National Liberation Front of Tripura, the National Democratic Front of Bodoland (NDFB), and the United National Liberation Front (seeking an independent Manipur) are among the approximately 40 militant groups at war with the central government. These groups reportedly field a total of no more than 20,000 trained cadres. ULFA, like other groups, accuses New Delhi of exploiting their state’s resources while doing little to forward development and allowing thousands of non-indigenous people (often Hindi-speakers from Bihar) to flood the local job markets. In 2005, the U.S. State Department’s Counterterrorism Office listed ULFA among its “other groups of concern,” the first time an Indian separatist group outside Kashmir was so named.²²² In June 2008, six ULFA field commanders abjured violence and vowed to seek peaceful resolution through negotiation.

Maoist Insurgency. Also operating in India are “Naxalites” — Maoist insurgents ostensibly engaged in violent struggle on behalf of landless laborers and tribals. These groups, most active in inland areas of east-central India, claim to be battling oppression and exploitation in order to create a classless society. Their opponents call them terrorists and extortionists. The groups get their name from Naxalbari, a West Bengal village and site of a militant peasant uprising in 1967. In 2006, Prime Minister Singh identified a worsening Maoist insurgency as “the single

²²⁰ In 2008, the Manipur government reportedly launched an initiative to arm and outfight villagers to facilitate the fight against separatist rebels there, a policy opposed by human rights groups (“India’s Manipur Arms Civilians to Fight Rebels,” *Reuters*, May 6, 2008).

²²¹ “India’s Forgotten War,” *BBC News*, August 8, 2007; “Militants’ Hold Over Manipur Total,” *Hindustan Times* (Delhi), September 9, 2007; “Militant Mire - Battling Insurgency in Northeast India,” *Jane’s Intelligence Review*, February 1, 2008.

²²² See [<http://www.state.gov/s/ct/rls/crt/2005/65275.htm>].

biggest internal security challenge” ever faced by India, saying it threatened India’s democracy and “way of life.”²²³ Some of these groups may be growing poppy and extorting farmers and opium traders to fund their activities. Further reports indicate the rebels are placing new emphasis on recruiting child soldiers. Some analysts warn that, by blocking access to raw materials vital to India’s manufacturing sector, the Naxalite movement could deter investors and so thwart India’s long-term economic success.²²⁴ Naxalites now operate in about half of India’s 28 states; related violence has killed more than 6,000 people over the past two decades, including some 650 deaths in 2007. Indian government officials seek to downplay the threat by pointing out that only 2% of the country’s 650,000 villages are affected and only 2% of the country’s 14,000 police stations report Naxalite activity.²²⁵

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

The Chhattisgarh state government has since 2005 sponsored a grassroots anti-Maoist effort. This “Salwa Judum” (“Campaign for Peace” or, literally, “collective hunt”) militia — comprised of about 5,000 lightly-armed tribal people who are paid about \$1 per day — is viewed by some as an effective countervailing people’s movement. Others label it a vigilante group that has engaged in its own coercive and violent tactics against innocent tribals, one that only serves to accentuate the conflict as “a cure that is worse than the disease.”²²⁶ Following a March 2007 raid on a Chhattisgarh police camp by up to 600 armed rebels in which 55 people, including 19 policemen, were killed, Maoist leaders threatened further attacks if the Salwa Judum was not dismantled. A May 2008 report for India’s Planning Commission

²²³ “Indian PM Says Maoist Rebellion Gravest Threat,” *Reuters*, April 13, 2006.

²²⁴ “Indian Maoists Step Up Recruitment of Child Soldiers,” *Reuters*, May 22, 2008; “In India, Death to Global Business,” *Business Week*, May 7, 2008.

²²⁵ See [<http://www.satp.org/satporgtp/countries/india/database/fatalitiesnaxal.htm>]; “Naxal Problem Should Not Be Exaggerated: Govt,” *Indian Express* (Mumbai), March 19, 2008. According to India’s Home Ministry, the states of Chhattisgarh and Jharkhand account for two-thirds of the country’s naxalite incidents and three-quarters of related casualties.

²²⁶ Asian Center for Human Rights press release at [<http://www.achrweb.org/press/2007/IND0307.htm>]. See also “Strategy Gone Awry,” *Frontline* (Chennai), September 21, 2007.

recommended that the Sulwa Jundum campaign represented “an abdication of the state itself” and should immediately be ended.²²⁷

Many analysts warn that Naxalite activity — including swarming attacks on government facilities and coordinated, multi-state economic blockades — is spreading and becoming more audacious in the face of incoherent and insufficient Indian government policies to halt it. A shortage of police personnel appears to be a key problem. In late 2007, Prime Minister Singh asked India’s states to establish specialized, dedicated forces to address Maoist militancy. In mid-2008, the federal government announced plans to create a new 10,000-strong force trained specifically to fight the rebels.²²⁸

Hindu-Muslim Tensions. Some elements of India’s Hindu majority have at times engaged in violent communal conflict with the country’s Muslim minority. In 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 2002, another group of Hindu activists returning by train to the western state of Gujarat after a visit to the Ayodhya site of the now razed Babri Mosque (and a proposed Hindu temple) were attacked by a Muslim mob in the town of Godhra; 58 were killed. Up to 2,000 people died in the fearsome communal rioting that followed, most of them Muslims. The BJP-led state and national governments came under fire for inaction; some observers saw evidence of state government complicity in anti-Muslim attacks.

The U.S. State Department and human rights groups have been critical of New Delhi’s largely ineffectual efforts to bring those responsible to justice; some of these criticisms were echoed by the Indian Supreme Court in 2003. In 2005, the State Department made a controversial decision to deny a U.S. visa to Gujarat Chief Minister Narendra Modi under a U.S. law barring entry for foreign government officials found to be complicit in severe violations of religious freedom.²²⁹ The decision was strongly criticized in India. More than five years after the Gujarat riots, international human rights groups express serious concerns about obstacles faced by victims seeking justice, the continuing internal displacement of thousands of families who lack basic necessities, and large numbers of uninvestigated related criminal cases (despite the Indian Supreme Court’s 2004 order to reopen nearly 1,600 such cases). A 2006 central government report found deep communal divisions

²²⁷ “Scrap Sulwa Jundum: Planning Commission Panel,” *Hindu* (Chennai), May 21, 2008.

²²⁸ Ajai Sahni, “The Red Spreads,” *Outlook* (Delhi), July 5, 2007; “In Heart of India, a Little-Known Civil War,” *Christian Science Monitor*, May 1, 2007; “Orissa Losing War Against Naxalite Violence,” *Hindu* (Chennai), February 18, 2008; “Manmohan Wants Naxal Forces Crippled,” *Hindu* (Chennai), December 20, 2007; “Center to Raise Anti-Naxalite Force,” *Hindu* (Chennai), July 1, 2008.

²²⁹ In November 2007, Human Rights Watch called on the Indian government to launch an investigation of Modi after he made statements apparently endorsing the extrajudicial execution of a terrorism suspect by police (see [<http://hrw.org/english/docs/2007/12/07/india17510.htm>]).

continuing to haunt Gujarat, concretely expressed through ghettoization and religious segregation. In 2008, a U.N. envoy said such divisions combine with a culture of impunity to raise the risk of future violence.²³⁰ Sporadic communal violence continues to affect several Indian states.

Human Rights Issues

Many of India's more than one billion citizens suffer from numerous and oftentimes serious human rights abuses. Some analysts are concerned that, as Washington pursues a new "strategic partnership" with New Delhi, U.S. government attention to such abuses has waned. According to the U.S. State Department's *Country Report on Human Rights Practices, 2007*, the Indian government "generally respected the human rights of its citizens; however, numerous serious problems remained." These included extensive societal violence against women; extrajudicial killings, including faked encounter killings; excessive use of force by security forces, arbitrary arrests, and incommunicado detentions in Kashmir and several northeastern states; torture and rape by agents of the government; "harsh, life-threatening" prison conditions and lengthy pretrial detentions without charge; "pervasive" police corruption; forced prostitution; child prostitution and female infanticide; forced child labor; human trafficking; and "ubiquitous" caste-based discrimination and violence, among others. Terrorist attacks and kidnappings also remained grievous problems, especially in Kashmir and the northeastern states. Indian law provides for extensive human rights protections, but enforcement is "lax" and convictions rare.²³¹

The 2007 annual report from New York-based Human Rights Watch noted that India has a vibrant press and civil society, but also suffers from a number of chronic human rights problems. It called impunity a "critical issue" involving officials and members of the security services abusing their power and who are "rarely if ever brought to justice for torture, arbitrary detentions and extrajudicial killings" Listed among other human rights concerns in India is the alleged "failure to implement policies that protect the rights of children, religious minorities, those living with HIV/AIDS or those belonging to vulnerable communities such as tribal groups, Dalits and other 'backward' castes." London-based Amnesty International's 2007 annual report also claims that perpetrators of human rights violations in India, in particular those related to 2002 communal rioting in Gujarat, continued to enjoy impunity, and it asserts that concerns over protection of economic, social, and cultural rights of already marginalized communities grew in 2006.²³² The State Department itself recognizes impunity as a major human rights problem in India, asserting in its most recent (April 2007) report on *Supporting Human Rights and Democracy* that "A widespread culture of impunity among police and security forces

²³⁰ See [<http://web.amnesty.org/library/Index/ENGASA200072007?open&of=ENG-IND>]; "Hindu, Muslim Ghettos Arise in Gujarat," *Christian Science Monitor*, July 5, 2007; "UN Envoy Says India Risks Religious Violence," *Reuters*, March 2008.

²³¹ See [<http://www.state.gov/g/drl/rls/hrrpt/2007/100614.htm>].

²³² See [<http://hrw.org/englishwr2k7/docs/2007/01/10/global15039.htm>] and [<http://report2007.amnesty.org/eng/Homepage>].

and pervasive corruption continued to be the principal obstacles to improving human rights” there.²³³

The State Department’s Bureau of Democracy, Human Rights, and Labor has claimed that India’s human right abuses “are generated by a traditionally hierarchical social structure, deeply rooted tensions among the country’s many ethnic and religious communities, violent secessionist movements and the authorities’ attempts to repress them, and deficient police methods and training.”²³⁴ India’s 1958 Armed Forces Special Powers Act, which gives security forces wide leeway to act with impunity in conflict zones, has been called a facilitator of “grave human rights abuses” in several Indian states (in December 2006, Prime Minister Singh said he would seek to amend the controversial Act). In 2007, the problem of “staged encounters” in which police officers kill suspects in faked shootouts came to the fore.²³⁵ India generally denies international human rights groups official access to Kashmir and other sensitive areas.

Human Trafficking. The State Department’s latest annual report on trafficking in persons (issued June 2008) said, “India is a source, destination, and transit country for men, women, and children trafficked for the purposes of forced labor and commercial sexual exploitation.” It placed India on the “Tier 2 Watch List” for the fifth consecutive year for “failure to provide evidence of increasing efforts to combat trafficking in persons” and for “making no progress” in efforts to address the problem of bonded labor, which affects an estimated 20-65 million Indians. Moreover, State criticized the India’s federal and state governments for largely ignoring “the pervasive problem of government complicity in trafficking.” Upon the report’s release, the head of State’s trafficking office, Ambassador Mark Lagan, said “India still doesn’t recognize the degree to which bonded labor is a substantial human trafficking problem in its country. It has weak anti-corruption efforts and prosecutions are too few.”²³⁶

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

²³³ See [<http://www.state.gov/g/drl/rls/shrd/2006/80590.htm>].

²³⁴ *Supporting Human Rights and Democracy: The U.S. Record 2002 -2003*, U.S. Department of State, at [<http://www.state.gov/g/drl/rls/shrd/2002/21760.htm>].

²³⁵ See “Faked Deaths Show Ills of India’s Police,” *Associated Press*, June 7, 2007.

²³⁶ See [<http://www.state.gov/g/tip/rls/tiprpt/2008/105388.htm>] and [<http://www.state.gov/g/tip/rls/rm/2008/105572.htm>].

[G]overnment policy continued to contribute to the generally free practice of religion; however, problems remained in some areas. Some state governments enacted and amended “anti-conversion” laws and police and enforcement agencies often did not act swiftly enough to effectively counter societal attacks, including attacks against religious minorities. Despite Government efforts to foster communal harmony, some extremists continued to view ineffective investigation and prosecution of attacks on religious minorities, particularly at the state and local level, as a signal that they could commit such violence with impunity, although numerous cases were in the courts at the end of the reporting period. The National Government, led by the United Progressive Alliance (UPA), continued to implement an inclusive and secular platform that included respect for the right to religious freedom.

The report added that a “Hindutva” — or Hindu nationalist — ideology continued to influence some government policies and actions at the state and local levels over the previous year.²³⁷

A May 2008 report of the U.S. Commission on International Religious Freedom noted continued improvements since the 2004 election of the Congress-led coalition, but warned that concerns about religious freedom in India remain. These include ongoing attacks against religious minorities, perpetrated mainly by Hindu activists and most often in states with BJP-led governments. The Commission also continued to criticize allegedly insufficient state efforts to pursue justice in cases related to 2002 communal rioting in Gujarat. More than five years after those riots, the victims are said to still face serious challenges and obstacles in securing justice, and a large number of related criminal cases remain uninvestigated and unresolved.²³⁸

Caste-Based Discrimination. The millennia-old Hindu caste system reflects Indian occupational and socially-defined hierarchies. Sanskrit sources refer to four social categories: priests (Brahmin), warriors (Kshatriya), traders (Vayisha) and farmers (Shudra). Tribals and lower castes were long known as “untouchables” — a term now officially banned but still widely used — or Dalits.²³⁹ Although these categories are understood throughout India, they describe reality only in the most general terms. National-level legislation exists to protect India’s lower castes, yet, according to the U.S. State Department, “The Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act lists offenses against disadvantaged persons and prescribes stiff penalties for offenders; however, this act had only a modest effect in curbing abuse and there were very few convictions.”²⁴⁰ In July 2007, **H.Con.Res. 139**, expressing the sense of Congress that the United States should address the ongoing problem of untouchability in India, was passed by the full House.

Female Infanticide and Feticide. Given traditional societal discrimination against females, uneven female-to-male ratios are a matter of concern for India. The incidence of female infanticide and gender-selective abortions is identified as a

²³⁷ See [<http://www.state.gov/g/drl/rls/irf/2007/90228.htm>].

²³⁸ See [<http://www.uscirf.gov>].

²³⁹ See [<http://www.state.gov/r/pa/ei/bgn/3454.htm>].

²⁴⁰ See [<http://www.state.gov/g/drl/rls/hrrpt/2006/78871.htm>].

growing human rights problem in India. The diffusion of enabling medical technology and the existence of unethical doctors have made sex-selective abortions more common there. Prime Minister Singh has called female feticide in India a “national shame” and said the government has a responsibility to curtail the widespread practice. The country’s most recent census (in 2001) found only 927 girls aged 0-6 for every 1,000 boys nationwide. Wealthier states, such as Delhi, Punjab, and Gujarat, have the lowest ratios (Punjab’s was the lowest at 798).²⁴¹ A 2006 study in the British medical journal *Lancet* estimated that up to 10 million Indian females are “missing” due to sex-selective abortions and infanticide over the past two decades, and that some 500,000 girls are being “lost” annually.²⁴² According to a June 2008 nongovernmental report, the incidence of female feticide is only increasing.²⁴³ The most recent U.S. State Department *Country Report on Human Rights* for India (released March 2008), claims that, in many Indian states,

Baby girls were either aborted or, after birth, left in the cold to contract pneumonia and perish. NGOs alleged that medical practitioners and government workers often were complicit in pushing or persuading women to abort their girl children. Sex determination tests are illegal under the 1994 Pre-Natal Diagnostic Techniques Act. However, NGOs reported that some family planning centers continued to reveal the sex of fetuses. According to the NGO IFES, feticide is a \$116 million industry.²⁴⁴

In 2007, the New Delhi announced the establishment of a series of orphanages to raise unwanted baby girls in an effort to reduce the incidence of female infanticide.²⁴⁵

HIV/AIDS

The United Nations has estimated that 5.7 million Indians are infected with HIV/AIDS, giving India the largest such population worldwide (India overtook South Africa in this category in 2006). However, a July 2007 U.N.-backed study found that India’s infected population was about 2.5 million and the U.S. government estimate rises only to 3.1 million.²⁴⁶ Due to the country’s large population, prevalence rates among adults remain below 1%. India’s AIDS epidemic has become generalized in four states in the country’s south (Andhra Pradesh, Tamil Nadu, Karnataka, and Maharashtra) and two in the northeast (Manipur and Nagaland). According to

²⁴¹ “Indian Prime Minister Denounces Abortion of Females,” *New York Times*, April 29, 2008; census data at [http://www.censusindia.net/t_00_004.html]. See also “Missing Girl Child,” *India Today* (Delhi), November 11, 2003.

²⁴² Cited in “India Loses 10m Female Births,” *BBC News*, Jan. 9, 2006. A 2006 report from the U.N. Children’s Fund found that about 7,000 fewer girls than expected are born each day in India due to female feticide (“Feticide Means 7,000 fewer Girls a Day in India,” *Reuters*, December 12, 2006).

²⁴³ “India Baby Girl Deaths ‘Increase,’” *BBC News*, June 21, 2008.

²⁴⁴ See [<http://www.state.gov/g/drl/rls/hrrpt/2007/100614.htm>].

²⁴⁵ “Indian Govt to Raise Abandoned Girls,” *Associated Press*, February 18, 2007.

²⁴⁶ “India’s HIV Cases Highly Overestimated, Survey Shows,” *Reuters*, July 6, 2007; U.S. Embassy Fact Sheet on Indo-US Cooperation in Public Health, April 2, 2008.

USAID, these six states account for 80% of the country's reported AIDS cases.²⁴⁷ India first launched its AIDS control program in 1992; New Delhi boosted related funding to about \$120 million in the most recent fiscal year and in July 2007 launched a new \$2.8-billion National AIDS Control Program that will expand free treatment for HIV-positive persons, as well as boost the number of awareness and prevention campaigns. Stigma, gender inequalities, and discrimination present major obstacles to controlling India's HIV/AIDS epidemic. In the country's traditional society, open discussion of sexuality and risk of infection is rare, making education difficult: one Indian government survey found that nearly half of Indian women had not even heard of the disease. Analysts opine that substantially greater resources are needed to address HIV/AIDS in India than are currently available.²⁴⁸

As part of its foreign assistance program in India, the U.S. government supports integrated HIV/AIDS prevention, treatment, and support services in high prevalence states. India received nearly \$30 million in direct U.S. assistance for such programs in FY2007 under the President's Plan for AIDS Relief (PEPFAR), for a projected total of some \$136 million for FY2004-FY2008. In January 2007, **H.R. 175**, to provide assistance to combat HIV/AIDS in India, and for other purposes, was introduced in the House, but has not moved out of committee to date.

U.S. Assistance

A total of more than \$15 billion in direct U.S. aid went to India from 1947 through 2007, nearly all of it in the form of economic grants and loans, more than half as food aid. In February 2007, in response to several years of rapid Indian economic expansion and New Delhi's new status as a donor government, the State Department announced a 35% reduction in assistance programs for India. The bulk of the cuts are to come from development assistance and food aid programs. Another smaller decrease came in 2008 "in recognition of the continuing growth of the Indian economy and the ability of the government to fund more" development programs.²⁴⁹

Economic. According to the U.S. Agency for International Development (USAID), India has more people living in abject poverty (some 385 million) than do Latin America and Africa combined. USAID programs in India, budgeted at about \$69 million in FY2008, concentrate on six areas: (1) *health* (improved overall health with a greater integration of food assistance, reproductive services, and the prevention of HIV/AIDS and other infectious diseases); (2) *environment* (improved access to clean energy and water); (3) *education* (improved literacy and teacher capacity); (4) *economic opportunity* (agricultural reform and improved financial markets); (5) *disaster response*; and (6) *tsunami recovery*.²⁵⁰

²⁴⁷ See [http://www.usaid.gov/our_work/global_health/aids/Countries/ane/india_05.pdf].

²⁴⁸ See, for example, Primit Mitra and Teresita Schaffer, "Public Health and International Security: The Case of India," July 2006, at [http://www.csis.org/media/csis/pubs/060731_aids_india.pdf].

²⁴⁹ See [<http://www.state.gov/p/sca/rls/2008/104699.htm>].

²⁵⁰ See [<http://www.usaid.gov/locations/asia/countries/india/india.html>].

Security. The United States has provided about \$169 million in military assistance to India since 1947, more than 90% of this distributed from 1962-1966. In recent years, modest security-related assistance has emphasized export control enhancements, counterterrorism and counternarcotics programs, and military training. Early Bush Administration requests for Foreign Military Financing were later withdrawn, with the two countries agreeing to pursue commercial sales programs. The Pentagon reports military sales agreements with India worth \$336 million in FY2002-FY2006.

Selected Relevant Legislation in the 110th Congress

- The Clean Energy Partnership With India Act of 2008 (**H.R. 5705**), was referred to House committee in April 2008.
- **H.Res. 928**, expressing the sense of the House that the United States should initiate negotiations to enter into a free trade agreement with India, was referred to House committee in January 2008.
- **The Clean Energy Act of 2007** became P.L. 110-140 in December 2007. The bill contains provisions for promoting U.S. exports in clean and efficient energy technologies to India and China.
- **H.Res. 711**, expressing the sense of the House concerning the U.S.-India nuclear cooperation agreement, was referred to House committee in October 2007.
- **H.R. 3730**, to establish a U.S.-India interparliamentary exchange group, was referred to House committee in October 2007.
- **S.Res. 339**, expressing the sense of the Senate on the situation in Burma, was passed by the full Senate in October 2007.
- **H.Res. 638**, expressing the sense of the House that the U.N. Charter should be amended to establish India as a permanent member of the U.N. Security Council, was referred to House committee in September 2007.
- **H.Con.Res. 139**, expressing the sense of Congress that the United States should address the ongoing problem of untouchability in India, was passed by the full House and referred to Senate committee in July 2007.
- **S.Con.Res. 38**, calling for the safeguarding of the physical, political, and economic security of the Kashmiri pandits, was referred to Senate committee in June 2007 (a House version, **H.Con.Res. 55**, was referred to House subcommittee in April).
- **H.R. 1186**, to promote global energy security through increased U.S.-India cooperation, was referred to House committee in February 2007.
- **H.R. 175**, to provide assistance to combat HIV/AIDS in India and for other purposes was referred to House committee in January 2007.

Table 1. Direct U.S. Assistance to India, FY2001-FY2009
(in millions of dollars)

Program or Account	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008 (est.)	FY 2009 (req.)
CSH	24.6	41.7	47.4	47.8	53.2	52.8	53.4	58.9	60.1
DA	28.8	29.2	34.5	22.5	24.9	19.7	15.7	10.5	0.9
ESF	5.0	7.0	10.5	14.9	14.9	5.0	4.9	—	—
IMET	0.5	1.0	1.0	1.4	1.5	1.3	1.5	1.2	1.2
INCLE	—	—	—	—	—	—	—	—	0.4
NADR	0.9	0.9	1.0	0.7	4.2	2.7	1.1	2.7	1.7
PEPFAR	—	—	—	20.4	26.6	29.6	29.9	29.8	^b
Subtotal	59.8	79.8	94.4	126.6	125.3	111.1	106.5	103.1	64.3
Food Aid ^a	50.4	77.5	35.7	30.8	26.1	30.7	31.0	13.5	13.5
Total	110.2	157.3	130.1	157.4	151.4	141.8	137.5	116.6	77.8

Sources: U.S. Departments of State and Agriculture; U.S. Agency for International Development. FY2008 amounts are estimates; FY2009 amounts are requested. Columns may not add up due to rounding.

Abbreviations:

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

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

b. Country sub-allocations for PEPFAR are released later in the fiscal year.

Figure 2. Map of India



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