



# India-U.S. Relations

**K. Alan Kronstadt, Coordinator**  
Specialist in South Asian Affairs

**Paul K. Kerr**  
Analyst in Nonproliferation

**Michael F. Martin**  
Specialist in Asian Affairs

**Bruce Vaughn**  
Specialist in Asian Affairs

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## Summary

Long considered a “strategic backwater” from Washington’s perspective, South Asia emerged in the 21<sup>st</sup> century as increasingly vital to core U.S. foreign policy interests. India, the region’s dominant actor with more than one billion citizens, is often characterized as a nascent great power and “indispensible partner” of the United States, one that many analysts view as a potential counterweight to China’s growing clout. Since 2004, Washington and New Delhi have been pursuing a “strategic partnership” based on shared values and apparently convergent geopolitical interests. Numerous economic, security, and global initiatives, including plans for civilian nuclear cooperation, are underway. This latter initiative, first launched in 2005, reversed three decades of U.S. nonproliferation policy. Also in 2005, the United States and India signed a ten-year defense framework agreement to expanding bilateral security cooperation. The two countries now engage in numerous and unprecedented combined military exercises, and major U.S. arms sales to India are underway. The value of all bilateral trade tripled from 2004 to 2008 and continues to grow; significant two-way investment also flourishes. The influence of a large Indian-American community is reflected in Congress’s largest country-specific caucus. More than 100,000 Indian students are attending American universities.

Further U.S. attention on South Asia focuses on ongoing, historically-rooted tensions between India and Pakistan. In the interests of regional stability, in particular as a means of facilitating U.S.-led efforts to stabilize nearby Afghanistan, the United States strongly endorses an existing, but largely moribund 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 also seeks to curtail the proliferation of nuclear weapons and missiles in South Asia.

President Barack Obama’s Administration seeks to build upon the deepened U.S. engagement with India begun by President Bill Clinton in 2000 and expanded upon during much of the past decade under President G.W. Bush. This “U.S.-India 3.0” diplomacy was most recently on display in June 2010, when a U.S.-India Strategic Dialogue session saw a large delegation of senior India officials visit Washington, D.C., to discuss a broad range of global and bilateral issues. Many analysts view the U.S.-India relationship as being among the world’s most important in coming decades and see potentially large benefits to be accrued through engagement on many convergent interests. Bilateral initiatives are underway in all areas, although independent analysts in both countries worry that the partnership has lost momentum in recent years. Outstanding areas of bilateral friction include obstacles to bilateral trade and investment, including in the high-technology sector; outsourcing; the status of conflict in Afghanistan; climate change; and possibly stalled efforts to initiate civil nuclear cooperation.

India is the world’s most populous democracy and remains firmly committed to representative government and rule of law. Its left-leaning Congress Party-led ruling national coalition has been in power for more than six years under the leadership of Prime Minister Manmohan Singh, an Oxford-trained economist. New Delhi’s engagement with regional and other states is extensive and reflects its rising geopolitical status. The national economy has been growing rapidly—India’s is projected to be the world’s third-largest economy in the foreseeable future—yet poor infrastructure, booming energy demand, and restrictive trade and investment practices are seen to hamper full economic potential. Despite the growth of a large urban middle-class, India’s remains a largely rural and agriculture-based society, and is home to some 500-600 million people living in poverty. This report will be updated periodically.

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## Overview: U.S.-India Relations

With the lifting of Cold War geopolitical constraints and the near-simultaneous opening of India's economy in early 1990s, the world's largest democracy has emerged as an increasingly important player on the global stage. India dominates the geography of the now strategically vital South Asia region, and its vibrant economy, military power, pluralist society, and cultural influence have made the country a key focus of U.S. foreign policy attention in the 21<sup>st</sup> century. This attention is to no small degree motivated by China's longer-standing and more rapid rise, with many analysts viewing U.S. and Indian geopolitical interests as convergent on many fronts, perhaps especially in the area of Asian power balances. President G.W. Bush is credited with building on a new engagement launched by President Bill Clinton in 2000, and for more than six years the U.S. and Indian governments have been seeking to create and sustain a substantive "strategic partnership," even as bilateral business and people-to-people contacts are flourishing.

The U.S.-India "strategic partnership" is based on shared values such as democracy, pluralism, and rule of law. Numerous economic, security, and global initiatives, including unprecedented plans for civilian nuclear cooperation, are underway. The two countries inked a ten-year defense framework agreement in 2005 to facilitate expanded bilateral security cooperation. In the new century, numerous, large-scale combined military exercises have taken place, and bilateral cooperation on intelligence and counterterrorism is increasing. Major U.S. arms sales to India are underway; more are anticipated. The influence of a geographically dispersed and relatively wealthy Indian-American community of some 2.7 million is reflected in Congress's largest country-specific caucus. More than 100,000 Indian students are attending American universities, the greatest number from any foreign country. Notably, a number of Indian-Americans now occupy senior positions in the Obama Administration, Agency for International Development Administrator Rajiv Shah among them.<sup>1</sup>

Further U.S. interest in South Asia focuses on ongoing tensions between India and Pakistan rooted largely in competing claims to the Kashmir region and in "cross-border terrorism" in both Kashmir and major Indian cities. In the interests of regional stability, in particular as a means of forwarding U.S. interests in nearby Afghanistan, the United States strongly endorses an existing, but until recently moribund 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 also seeks to curtail the proliferation of nuclear weapons and missiles in South Asia.

The Administration of President Barack Obama seeks to continue expanded engagement and cooperation with India. In September 2010, a State Department spokesman called India "an anchor of stability in a critical part of the world."<sup>2</sup> Yet there are concerns among observers in both countries that momentum has waned (by some accounts due to U.S. inattention), that outstanding areas of friction continue to hinder optimal levels of cooperation, and that India's geostrategic, economic, and security circumstances combine with New Delhi's lingering skepticism over America's global and regional role to presently preclude the kind of "special relationship" that many boosters of U.S.-India ties envisage.

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<sup>1</sup> "Desis in DC," *Times of India* (Delhi), December 19, 2009.

<sup>2</sup> See <http://www.state.gov/r/pa/prs/dpb/2010/09/146914.htm>.

## Early Obama Administration Engagement

Just days into President Barack Obama's term, Secretary of State Hillary Clinton and India's external affairs minister agreed to "further strengthen the excellent bilateral relationship" between the United States and India. Soon after, President Obama issued a statement asserting that, "Our rapidly growing and deepening friendship with India offers benefits to all the world's citizens" and that the people of India "should know they have no better friend and partner than the people of the United States." As part of her confirmation hearing to become Secretary of State, Clinton told Senators she would work to fulfill President Obama's commitment to "establish a true strategic partnership with India, increase our military cooperation, trade, and support democracies around the world."<sup>3</sup>

Despite such top-level assurances from the new U.S. Administration, during 2009 and into 2010, many in India became increasingly concerned that Washington was not focusing on the bilateral relationship with the same vigor as did the Bush Administration, which was viewed in India as having pursued both broader and stronger ties in an unprecedented manner.<sup>4</sup> Many concerns have arisen in New Delhi, among them that the Obama

Administration was overly focused on U.S. relations with China in ways that would reduce India's influence and visibility; that it was intent on deepening relations with India's main rival, Pakistan, in ways that could be harmful to Indian security and perhaps lead to a more interventionist approach to the Kashmir problem; that a new U.S. emphasis on nonproliferation and arms control would lead to pressure on India join such multilateral initiatives as the Comprehensive Test Ban Treaty and the Fissile Material Cutoff Treaty; and that the Administration might pursue so-called protectionist economic policies that could adversely affect bilateral commerce in goods and services.<sup>5</sup>

### India in Brief

**Population:** 1.17 billion; *growth rate:* 1.4% (2010 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 67 years; male 65 years (2010 est.)

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

**Gross Domestic Product (at PPP):** \$3.78 trillion; *per capita:* \$3,320; *growth rate* 7.7% (2009)

**Currency:** Rupee (100 = \$2.37)

**Inflation:** 10.9% (2009)

**Defense Budget:** \$35.9 billion (2.8% of GDP; 2009)

**U.S. Trade:** exports to U.S. \$21.2 billion; imports from U.S. \$16.4 billion (2009)

**Sources:** CIA World Factbook; U.S. Department of Commerce; Economist Intelligence Unit; International Institute for Strategic Studies

<sup>3</sup> Indian Ministry of External Affairs, "Telephonic Conversation Between EAM and US Secretary of State," January 23, 2009; White House statement at [http://whitehouse.gov/58\\_years\\_of\\_Indian\\_democracy](http://whitehouse.gov/58_years_of_Indian_democracy); hearing transcript at <http://www.foreignpolicy.com/files/KerryClintonQFRs.pdf>.

<sup>4</sup> See, for example, Evan Feigenbaum, "Obama's India Problem," Council on Foreign Relations Expert Brief, April 9, 2010; G. Parthasarathy, "Does Mr. Obama Care About India?" (op-ed), *Wall Street Journal*, April 12, 2010.

<sup>5</sup> In a development illustrative of India's early trepidation, two days after taking office, President Obama announced the appointment of former Clinton Administration diplomat Richard Holbrooke to be Special Representative to Afghanistan and Pakistan. Prior to the announcement, there was speculation that the new U.S. President would appoint (continued...)

New Delhi has long sought the removal of Indian companies and organizations from U.S. export control lists, seeing these as discriminatory and outdated. Assistant Secretary of State for South and Central Asian affairs Robert Blake contends that much progress has been made in this area, with less than one-half of one percent of all exports to India requiring any license.<sup>6</sup> India also continues to seek explicit U.S. support for a permanent seat on the U.N. Security Council, support that has not been forthcoming. The Obama Administration recognizes a “need to reassess institutions of global governance” and asserts that India’s rise “will certainly be a factor in any future consideration of reform” of that Council.<sup>7</sup>

Secretary of State Clinton was widely seen to have concluded a successful visit to India in July 2009, inking several agreements, and also making important symbolic points by staying at Mumbai’s Taj Mahal hotel (site of a major Islamist terrorist attack in 2008) and having a high-profile meeting with women’s groups. While in New Delhi, Clinton set forth five key “pillars” of the U.S.-India engagement: (1) strategic cooperation; (2) energy and climate change; (3) economics, trade, and agriculture; (4) education and development; and (5) science technology and innovation.<sup>8</sup>

In November 2009, President Obama hosted his inaugural state visit when Prime Minister Singh dined at the White House. Despite the important symbolism, the resulting diplomacy was seen by many proponents of closer ties as disappointing (if not an outright failure) in its outcome, at least to the extent that no “breakthroughs” in the bilateral relationship were announced. Yet from other perspectives there were visible ideational gains: the relationship was shown to transcend the preferences of any single leader or government; the two leaders demonstrated that their countries’ strategic goals were increasingly well aligned; and plans were made to continue taking advantage of complementarities while differences are well managed. Perhaps most significantly, the visit itself contributed to ameliorating concerns in India that the Obama Administration was insufficiently attuned to India’s potential role as a U.S. partner.<sup>9</sup>

Still, in the wake of Prime Minister Singh’s Washington travel, some observers continued to voice concerns about the Obama Administration’s perceived “air of ambivalence” toward India, with one going so far as to accuse the U.S. Administration of “diplomatic negligence” in its allegedly

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(...continued)

a special envoy to the region with a wider brief, perhaps to include India and even Kashmir. Some earlier reporting listed Holbrooke’s title as “Special Representative for Afghanistan, Pakistan, *and related issues*” [italics added], yet this latter phrase was omitted from his official title. Upon persistent questioning, a State Department spokesman insisted that Holbrooke’s mandate was “strictly” limited to dealing with “the Pakistan-Afghanistan situation.” By some accounts, the Indian government vigorously (and successfully) lobbied the Obama Administration to ensure that neither India nor Kashmir were included in Holbrooke’s official brief (see <http://state.gov/r/pa/prs/dpb/2009/jan/115448.htm>; “India’s Stealth Lobbying Against Holbrooke’s Brief,” *Foreign Policy* (online), January 23, 2009).

<sup>6</sup> See Blake’s June 7, 2010, read-out of the U.S.-India Strategic Dialogue at <http://fpc.state.gov/142778.htm>.

<sup>7</sup> See Secretary Clinton’s June 3, 2010, remarks at <http://www.state.gov/secretary/rm/2010/06/142642.htm>.

<sup>8</sup> See the November 16, 2009, statements of Assistant Secretary Robert Blake at <http://www.state.gov/p/sca/rls/rmks/2009/132053.htm>. In the resulting U.S.-India Joint Statement, Clinton and Krishna committed their respective countries to enhancing a strategic partnership that “seeks to advance solutions to the defining challenges of our time” and to concentrate work in 11 major areas: (1) advancing common security interests; (2) defense cooperation; (3) seeking a world without nuclear weapons; (4) civil nuclear cooperation; (5) global institutions; (6) pursuing sustainable economic growth and development; (7) education; (8) space, science and technology, and innovation; (9) high technology cooperation; (10) energy security, environment, and climate change; and (11) global issues (see July 20, 2009, Joint Statement text at <http://meaindia.nic.in/mystart.php?id=530515048>).

<sup>9</sup> Ashley Tellis, “More Than Just Symbols” (op-ed), *Indian Express* (Delhi), December 9, 2009.

insufficient attention to New Delhi's key concerns, and for policies that could "put India back into its subcontinental box" by relegating it to a regional role through the Asia-wide elevation of China.<sup>10</sup>

President Obama's May 2010 National Security Strategy noted that, "The United States and India are building a strategic partnership that is underpinned by our shared interests, our shared values as the world's two largest democracies, and close connections among our people":

Working together through our Strategic Dialogue and high-level visits, we seek a broad-based relationship in which India contributes to global counterterrorism efforts, nonproliferation, and helps promote poverty-reduction, education, health, and sustainable agriculture. We value India's growing leadership on a wide array of global issues, through groups such as the G-20, and will seek to work with India to promote stability in South Asia and elsewhere in the world.<sup>11</sup>

One senior, independent American analyst identifies three major hurdles to overcome in order for the U.S.-India partnership to become truly substantive and lasting. First among these is India's own progress in economic expansion through opening its economy to greater competition and foreign investment. Second, New Delhi is criticized for failing as yet to articulate a coherent foreign policy vision, especially on global issues of interest to the United States. Such an overarching strategy could be considered necessary for India to break free of many of the constraints presented by its geography and unsettled region. Finally, U.S. policy makers are encouraged to maintain sensitivity to Indian concerns on issues upon which Washington and New Delhi have clear differences, including U.S. engagement with Pakistan, Afghanistan, and China, as well as climate change and arms control, among others. The successful management of looming disputes in these areas has been called essential to effective cooperation.<sup>12</sup> Although only some of the potential problems envisaged in India have become manifest (even if only to a limited degree)—and important high-level diplomatic engagements have continued—Indian anxieties persist on a number of diplomatic fronts.

## June 2010 Strategic Dialogue

In June 2010, the United States and India formally reengaged the U.S.-India Strategic Dialogue initiated under President Bush when a large delegation of high-ranking Indian officials led by External Affairs Minister S.M. Krishna visited Washington, DC. As leader of the U.S. delegation, Secretary of State Clinton lauded India as "an indispensable partner and a trusted friend." President Obama appeared briefly at a State Department reception to declare his firm belief that "the relationship between the United States and India will be a defining partnership in the 21<sup>st</sup> century."<sup>13</sup>

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<sup>10</sup> Jim Hoagland, "India's Unease With Obama (op-ed), *Washington Post*, February 16, 2010; Daniel Twining, "Diplomatic Negligence" (op-ed), *Weekly Standard*, May 10, 2010.

<sup>11</sup> See [http://www.whitehouse.gov/sites/default/files/rss\\_viewer/national\\_security\\_strategy.pdf](http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf).

<sup>12</sup> Evan Feigenbaum, "India's Rise, America's Interest," *Foreign Affairs*, March 2010. See also Jeff Smith, "How to Fix US-India Ties," *Diplomat*, August 20, 2010.

<sup>13</sup> See Secretary Clinton's and Minister Krishna's June 3, 2010, remarks to the media at <http://www.state.gov/secretary/rm/2010/06/142642.htm>. President Obama's June 3, 2010, remarks at <http://www.whitehouse.gov/the-press-office/remarks-president-us-india-strategic-dialogue-reception>.



In anticipation of the Dialogue, Undersecretary of State for Political Affairs William Burns had given a major policy speech on “India’s rise and the future of the U.S.-India relationship” in which he asserted, “The simple truth that India’s strength and progress on the world stage is deeply in the strategic interest of the United States.” Burns acknowledged that progress in the partnership is not automatic and would require sustained efforts on both sides, and also that some Indians worry the United States sees India through the prism of ties with Pakistan and/or was overly focused on China. He sought to ameliorate these concerns by assuring his audience that the United States does not view relations in Asia as a zero-sum game and that its relations with Pakistan did not come at the expense of India.<sup>14</sup>

The Strategic Dialogue produced a joint statement in which the two countries pledged to “deepen people-to-people, business-to-business, and government-to-government linkages ... for the mutual benefit of both countries and for the promotion of global peace, stability, and prosperity.” It outlined extensive bilateral initiatives in each of ten key areas: (1) advancing global security and countering terrorism; (2) disarmament and nonproliferation; (3) trade and economic relations; (4) high technology; (5) energy security, clean energy, and climate change; (6) agriculture; (7) education; (8) health; (9) science and technology; and (10) development. Secretary Clinton confirmed President Obama’s intention to visit India in November 2010.<sup>15</sup>

Following this senior-level engagement, some observers complained that no meaningful “deliverables” had emerged from the process. The top U.S. diplomat for South and Central Asia responded by saying it had been decided that having many deliverables was not required, and that the main emphasis was upon the “strategic nature” of the dialogue, i.e., the event itself was the “real deliverable.” He also asserted that the two major initiatives being mooted at present were related to energy and education, and on both issues “the ball is in India’s court.” The first regarded ongoing efforts by the New Delhi government to move nuclear liability legislation through Parliament to allow U.S. companies to establish new nuclear reactor parks in India. The second regarded moving through Parliament an education bill that would allow foreign universities to open campuses in India.<sup>16</sup>

## **President Obama’s Planned Travel to India**

While U.S.-India engagement under the Obama Administration has not (to date) realized any groundbreaking initiatives as was the case under the Bush Administration, it may be that the apparently growing “dominance of ordinariness” in the relationship is a hidden strength that demonstrates its maturing into diplomatic normalcy.<sup>17</sup> In this way, the nascent partnership may yet transform into a “special relationship” similar to those the United States has with Britain, Australia, and Japan, as is envisaged by some proponents of deeper U.S.-India ties.<sup>18</sup> As the U.S. President planned his November 2010 visit to India, an array of prickly bilateral issues confronted him, including differences over the proper regional roles to be played by China and Pakistan; the

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<sup>14</sup> See the June 1, 2010, speech transcript at <http://www.state.gov/p/us/rm/2010/136718.htm>.

<sup>15</sup> See the June 3, 2010, document at <http://www.state.gov/r/pa/prs/ps/2010/06/142645.htm>.

<sup>16</sup> See Assistant Secretary Blake’s June 9, 2010, comments at <http://www.state.gov/p/sca/rls/rmks/2010/143117.htm>.

<sup>17</sup> Ashley Tellis, “Manmohan Singh Visits Washington: Sustaining U.S.-Indian Cooperation and Differences,” Carnegie Endowment for International Peace Policy Brief 85, November 2009.

<sup>18</sup> See, for example, the November 2009 U.S.-India Political Action Committee position paper “US National Security and US-India Strategic Relations.”

status of conflict in Afghanistan; international efforts to address Iran's controversial nuclear program; restrictions on high-technology exports to India, outsourcing, and sticking points on the conclusion of arrangements for both civil nuclear and defense cooperation, among others.<sup>19</sup> Moreover, while Indian officials will present a long list of demands to their American interlocutors, they come under fire for paying insufficient attention to American interests and concerns, and for not recognizing the sometimes serious costs of appearing insensitive to same. In the words of one senior observer:

India's key policy makers need to realize that the construction and sustenance of a stable strategic partnership requires a particular sensitivity to the vital principle of reciprocity. Their failure to do so stems in part from a prickly sense of independence, deep-seated fear of American unreliability, and a degree of residual anti-Americanism.<sup>20</sup>

The search for major initiatives continues among observers. There have been rumors in recent months that the Obama Administration is pressuring India to resolve the Kashmir dispute, perhaps in return for a U.S. endorsement of New Delhi's bid for a permanent seat on the UNSC.<sup>21</sup> It may be that the sole major "deliverable" to potentially come from President Obama's travel would be an announcement that New Delhi will choose to purchase \$11 billion worth of combat aircraft from an American firm in a long-awaited decision.<sup>22</sup>

## India's Geopolitical Setting and Issues

The end of Cold War political constraints and the rapid growth of India's economy has allowed New Delhi to more energetically engage global diplomacy. Expanded engagement is evident through the huge increase in the number of bilateral defense arrangements the Indian government has made in the past decade, more than tripling from 7 in 2000 to at least 26 today.<sup>23</sup> Yet some observers argue that the New Delhi government acts too timidly on the global stage, and the country's regional and domestic difficulties continue to hinder its ability to exert influence on the greater geopolitical stage.<sup>24</sup> Many observers view India's foreign policy establishment—its foreign service, think-tanks, public universities, and relevant media—as being too small and/or too poorly developed for India to achieve true great power status in the foreseeable future. By one substantive account, without a major modernizing and revamping of this establishment, "India's worldview will [continue to] be parochial, reactive, and increasingly dominated by business rather than by strategic or political concerns."<sup>25</sup> In October 2010, India was elected to a nonpermanent seat on the U.N. Security Council, its first appearance in that body in 20 years.

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<sup>19</sup> "U.S. Seeks Billions in India Deals," *Wall Street Journal*, October 18, 2010; T.P. Sreenivasan, "Mr. Obama's Passage to India" (op-ed), *Wall Street Journal*, September 30, 2010.

<sup>20</sup> Sumit Ganguly, "Great Expectations," *Newsweek*, October 11, 2010.

<sup>21</sup> "Obama's Pitch: Fix Kashmir for UN Security Council Seat," *Times of India* (Delhi), September 29, 2010.

<sup>22</sup> "Washington Pins Hopes on Indian Fighter Deal," *Financial Times* (London), October 1, 2010.

<sup>23</sup> Brian Hendrick, "India's Strategic Defense Transformation: Expanding Global Relationships," Strategic Studies Institute, November 2009.

<sup>24</sup> "Timid India," *India Today* (Delhi), August 3, 2009; "Local Troubles Still Hinder India's Global Role," Reuters, June 12, 2009.

<sup>25</sup> Daniel Markey, "Developing India's Foreign Policy 'Software,'" *Asia Policy*, July 2009.

## Rivalry and Conflict With Pakistan<sup>26</sup>

Three full-scale wars—in 1947-1948, 1965, and 1971—and a constant state of military preparedness on both sides of their mutual border have marked more than six decades of bitter rivalry between India and Pakistan. The acrimonious partition of British India into two successor states in 1947 and the unresolved issue of Kashmiri sovereignty have been major sources of tension. Both countries have built large defense establishments at significant cost to economic and social development.

A major factor in U.S. interest in South Asia is the ongoing tension between India and Pakistan rooted largely in competing claims to the Kashmir region and in “cross-border terrorism” in both Kashmir and major Indian cities. In the interests of regional stability, the United States strongly endorses an existing, but recently moribund, India-Pakistan peace initiative, and it remains concerned about the potential for conflict over Kashmiri sovereignty to cause open hostilities between these two nuclear-armed countries. Senior Indian officials continue to press the U.S. government to convince Islamabad to take stronger action against anti-India terrorist groups operating inside Pakistan.<sup>27</sup> The effects of this bilateral conflict are seen as negatively affecting U.S.-led efforts to stabilize Afghanistan, as well. Most observers assert that U.S. success in Afghanistan is to a significant degree dependent on improved India-Pakistan relations, the logic being that Pakistan will need to feel more secure vis-à-vis a perceived existential threat on its eastern front in order to shift its attention and military resources more toward the west. Some in Pakistan believe that, by feeding their country’s insecurities, the increasingly warm U.S.-India relationship actually foments regional instability.<sup>28</sup>

In 2010, Indian decision makers have been discomfited by signs that the United States and its allies are preparing to leave Afghanistan in such a way that would provide a central role for Pakistan in mediating between Kabul and Taliban elements, perhaps even to include a role for the latter in Afghanistan’s governance. Such an outcome would be anathema to Indian leaders, who wish to limit Islamabad’s influence in a post-war Afghanistan. During his July 2010 confirmation hearing, the newly appointed U.S. military commander in Afghanistan, Gen. David Petraeus, said India “without question” has a legitimate interests in Afghanistan.<sup>29</sup>

A panel of experts of security and terrorism brought together by *India Today* magazine outlined ten strategies for India-Pakistan dialogue. Each of the top three involved actions to be taken by Pakistan: (1) firmer and more rapid action the perpetrators of the 11/08 Mumbai attack; (2) extradition of the fugitives most wanted in India; and (3) action against the “terrorist infrastructure” on Pakistani soil. The experts also called for establishment of a regular dialogue between the two countries’ intelligence chiefs.<sup>30</sup>

<sup>26</sup> See also CRS Report R41307, *Pakistan: Key Current Issues and Developments*, by K. Alan Kronstadt.

<sup>27</sup> “Manmohan to Obama: Pakistan Must Act Against Terrorists,” *Hindu* (Chennai), June 28, 2010.

<sup>28</sup> See, for example, “US’s India Tilt” (editorial), *Daily Times* (Lahore), January 19, 2010.

<sup>29</sup> “India Has Legitimate Stake in Afghanistan: Top US Gen,” *Times of India* (Delhi), July 1, 2010.

<sup>30</sup> Other strategies include (5) halting cross-border infiltrations in Kashmir; (6) settling water disputes; (7) expanding economic cooperation; (8) establishing a permanent ceasefire along the Kashmiri Line of Control; (9) implementing back channel Kashmir proposals; and (10) promoting greater people-to-people contacts (“Getting Tough on Peace,” *India Today* (Delhi), March 1, 2010).

## **The India-Pakistan “Composite Dialogue” Process**

A bilateral Composite Dialogue between New Delhi and Islamabad, formally resumed in 2004, has realized some modest but still meaningful successes, including a formal cease-fire along the entire shared frontier, and some unprecedented trade and people-to-people contacts across the Kashmiri Line of Control (LOC). As per New Delhi’s and Islamabad’s intents, the dialogue is meant to bring about “peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides.”<sup>31</sup> Yet 2008 saw significant deterioration in India-Pakistan relations, especially following the large-scale November terrorist attack on Mumbai, India, that left some 165 civilians dead (22 of those killed were foreigners, including 6 Americans). More broadly, militarized territorial disputes over Kashmir, the Siachen Glacier, and the Sir Creek remain unresolved, and Pakistani officials regularly express unhappiness that more substantive progress, especially on the “core issue” of Kashmir, is not occurring.

Officials in New Delhi continue to declare unacceptable the “terrorist-infrastructure” they say remains intact in Pakistani Kashmir. The Obama Administration continues to refrain from taking any direct role in the bilateral dispute, and Indian leaders see no need for third-party involvement, in any case.<sup>32</sup>

In February 2010, India proposed new high-level bilateral talks, inviting Pakistani Foreign Secretary Salman Bashir to New Delhi. Pakistani observers variously attributed the Indian move to an apparent failure of coercive diplomacy, to U.S. pressure, and to new talk of Western reconciliation with the Afghan Taliban, which could leave India in a disadvantageous position vis-à-vis Kabul. From the Indian perspective, New Delhi’s leaders were compelled by the desire to offer Islamabad tangible benefits for cooperating, and by a perceived need for greater flexibility in the case of a future terrorists attack traced to Pakistan. Pakistan accepted the Indian offer, saying it would raise “all core issues” at the talks and urge India to resolve them quickly. New Delhi responded by asserting that the Composite Dialogue remained in suspension and that, while all subjects could be raised at the impending meeting, India would focus only on terrorism.<sup>33</sup> Following the meeting, which ended with no agreements, India’s foreign secretary declined to comment on the outcome, but said “the time is not yet right” for a resumption of the Composite Dialogue as requested by Islamabad.<sup>34</sup> Subsequent major military exercises by both countries near their shared border (India in February, Pakistan in April) indicated that mutual distrust remained serious.

In April 2010, senior Indian leaders were ruling out any renewal of substantive talks until Pakistan took “credible steps” to bring Mumbai perpetrators to justice. Yet, at month’s end, Indian Prime Minister Singh met with his Pakistani counterpart on the sidelines of a regional summit in Bhutan, where the Indian leader expressed a willingness to discuss all issues of mutual interest, apparently with the conviction that even a dialogue that produces no immediate results is

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<sup>31</sup> See the January 6, 2004, joint statement at [http://www.indianembassy.org/press\\_release/2004/jan/07.htm](http://www.indianembassy.org/press_release/2004/jan/07.htm).

<sup>32</sup> “Clinton Defers Role in South Asia Feud,” *Wall Street Journal*, October 31, 2009; “India Rejects Third-Party Role in Pakistan Talks,” CNN.com, November 18, 2009. There had been reports of a “secret directive” issued by the Obama Administration in late 2009 to intensify U.S. diplomatic efforts aimed at reducing bilateral tensions between Pakistan and India, with a proximate goal of winning greater Pakistani cooperation vis-à-vis Afghanistan (“U.S. Aims to Ease India-Pakistan Tension,” *Wall Street Journal*, April 5, 2010).

<sup>33</sup> “Pakistan Says Talks With India Will Go Ahead,” Associated Press, February 12, 2010; “India to Pakistan: No Composite Dialogue,” *Hindu* (Madras), February 18, 2010.

<sup>34</sup> “India and Pakistan Talks End without Deal,” *Financial Times* (London), February 25, 2010.

preferable to a diplomatic freeze. Pakistan's foreign minister subsequently invited his Indian counterpart to visit Islamabad in July. Meanwhile, key talks were held in Islamabad in June when Indian Foreign Secretary Nirupama Rao met her Pakistani counterpart. No agreements were reached, and Rao continued to stress New Delhi's expectation that Islamabad take "credible action" on the Mumbai terrorism case, but the very fact of the meetings had many observers optimistic that the bilateral peace process was getting back on track.<sup>35</sup>

External Affairs Minister Krishna did visit Islamabad in July 2010, but what he called "good and constructive" talks failed to achieve any tangible progress, and only an agreement to keep talking resulted. Islamabad called India's "selective" approach to outstanding issues (an oblique reference to Kashmir) a major impediment.<sup>36</sup> Although the Pakistani foreign minister had indicated he would visit New Delhi before the end of 2010, such a trip is unlikely to take place, and a new round of talks is currently being envisaged for early 2011. Even as they strongly suspect official Pakistani involvement in the 2008 Mumbai attack, Indian leaders see no good option other than continuing their dialogue with Islamabad.<sup>37</sup>

In 2010, conflict over water resources has emerged as another major exacerbating factor in the bilateral relationship. Some in Pakistan accuse India of violating international law, bilateral agreements, and ethical principles of peaceful coexistence through the allegedly illicit manipulation of water flows into Pakistan. Of particular concern for Indian and Western observers has been the fact that some of these complaints are emanating from the leaders of militant Pakistani Islamist groups such as Lashkar-e-Taiba. Pakistan's foreign minister sees water "emerging as a very serious source of [bilateral] tension," but a senior Indian official denies that India is in violation of the Indus Waters Treaty and calls Pakistani rhetoric a "political gimmick" meant to distract from Islamabad's own poor water management.<sup>38</sup>

## Mumbai Terrorist Attacks and the LeT<sup>39</sup>

The perpetrators of a horrific terrorist attack on India's business and entertainment capital that resulted in 165 innocent deaths were identified as members of the Pakistan-based Lashkar-e-Taiba (LeT), a U.S.-designated terrorist group that has received past support from Pakistani security agencies. The Indian government demands that Pakistan take conclusive action to shut down the LeT and bring its terrorist leadership to justice. At least one ranking Indian official has openly accused Pakistan's powerful main intelligence agency of overseeing the planning and

<sup>35</sup> "Blanket Signal for Pak Talks," *Telegraph* (Kolkata), April 29, 2010; "Pakistan Invites India for Talks," BBC News, May 11, 2010; "Indian, Pakistani Diplomats in Key Islamabad Talks," Agence France Presse, June 24, 2010.

<sup>36</sup> "Pakistan Blames India for Lack of Progress in Talks," Reuters, July 16, 2010.

<sup>37</sup> "No India-Pak Talks Before Next Year," *Times of India* (Delhi), October 14, 2010; "No Option But to Keep Talking to Pak: Rao," *Times of India* (Delhi), August 9, 2010.

<sup>38</sup> "Distrust Complicates India-Pakistan River Row," Reuters, February 24, 2010; "Indian Weapon of Water Terrorism," *Pulse* (Islamabad), February 26, 2010; "Pakistan Steps Up Water Dispute," *Financial Times* (London), March 29, 2010; quotes in "India and Pakistan Feud Over Indus Waters," *Wall Street Journal*, March 31, 2010. See also "A Watershed for India and Pakistan," *Washington Post*, May 28, 2010; "The Other Kashmir Problem: India and Pakistan Tussle Over Water," *Christian Science Monitor*, August 11, 2010. Pakistan has asked the United States to use its influence to help settle outstanding water disputes ("Pakistan to Seek US Help Over Water Row With India," *Daily Times* (Lahore), July 17, 2010).

<sup>39</sup> See also CRS Report R40087, *Terrorist Attacks in Mumbai, India, and Implications for U.S. Interests*, by K. Alan Kronstadt.

execution of the attack.<sup>40</sup> After being granted access to an American national of Pakistani descent who has pled guilty to participating in the planning of the attack (David Headley) in June, Indian officials claimed to have established an official Pakistani role in the attack, a claim Islamabad strongly rejected as being “baseless.” Yet reports continue to finger Pakistan’s main intelligence service as being culpable.<sup>41</sup>

Of particular relevance for India is LeT founder Hafiz Saeed, whom India believes is demonstrably culpable, but whom Pakistani officials say they do not possess sufficient evidence to formally charge.<sup>42</sup> In September 2009, Pakistani police placed Saeed under house arrest. Only weeks later, a court dismissed the two cases brought against him (unrelated to the Mumbai attack), but he remained confined to his home. The Islamabad government insisted that it was powerless to take further action against Saeed in the absence of more convincing evidence of wrongdoing. New Delhi countered that Pakistan was “shielding” the masterminds of the attack.<sup>43</sup> In May 2010, Pakistan’s Supreme Court dismissed a government appeal and upheld a lower court’s decision to release Saeed, saying the case presented against him was insufficient. A senior Indian official expressed disappointment with the ruling.<sup>44</sup> Many analysts believe Saeed maintains substantive control of the organization’s daily operations even as he remains under house arrest.

In November 2009, Pakistani authorities brought formal charges against seven men accused of planning the Mumbai raid, among them Zaki ur-Rehman Lakhvi, a senior LeT figure said to have been the operational commander. New Delhi insists that the suspects be extradited to India.<sup>45</sup> Yet the Islamabad government refuses and has to date pressed no further than preliminary hearings, and the start-and-stop nature of the proceedings has only engendered Indian and international skepticism about Pakistan’s determination. One senior observer, reflecting a widely-held view, contends that the Pakistani military “will do everything to preserve Lashkar as long as it believes there is a threat from India.”<sup>46</sup> Analysts warn that another major terrorist attack in India that is traced to Pakistan would likely lead to a significant international crisis. One offers numerous U.S. policy options for preventing such an attack or managing any crisis that results.<sup>47</sup>

<sup>40</sup> “India: Pakistan Spy Agency Executed Mumbai Attacks,” Associated Press, July 14, 2010. In October 2010, Interpol issued warrants for five Pakistani nationals in relation to the attack, among them two army officers (“Warrants Issued for 5 Pakistanis in Mumbai Attacks,” Associated Press, October 7, 2010).

<sup>41</sup> “Indian Probe of Mumbai Suspect Headley Exposed Official Role, Menon Says,” Bloomberg, July 20, 2010; Pakistani Ministry of Foreign Affairs July 20, 2010, response at [http://www.mofa.gov.pk/Press\\_Releases/2010/July/PR\\_165.htm](http://www.mofa.gov.pk/Press_Releases/2010/July/PR_165.htm); “India Ties Pakistan Agency to 2008 Mumbai Attack,” Associated Press, October 19, 2010.

<sup>42</sup> “Pakistan Says Indian Evidence on Militant Leader Weak,” Reuters, August 6, 2009.

<sup>43</sup> “Give Us Proof to Nail Hafiz Saeed: Gilani,” *Times of India* (Delhi); “Pakistan Shielding 26/11 Masterminds,” *Hindu* (Madras), both January 29, 2010.

<sup>44</sup> “Pakistani Court Quashes Appeals Against Militant,” Reuters, May 25, 2010.

<sup>45</sup> At one point, the Indian foreign minister seemed to suggest that extradition of the suspects was not necessary and that India would accept their trial in Pakistani court, but he later reiterated his government’s extradition demand and maintains that New Delhi will not accept “sham trials” in Pakistan. Pakistan’s Prime Minister has stated that, because Pakistan has no extradition treaty with India, Pakistani suspects will not be handed over, adding that his country’s laws do not allow for prosecutions of terrorist acts committed outside of Pakistan and would need to be amended in order to try Mumbai attack suspects (“India Drops Extradition Demand,” *News* (Karachi), January 16, 2009; “India Says Still Seeking Extraditions From Pakistan,” Reuters, January 16, 2009; Prosecution Not Possible: Gilani,” *Hindu* (Chennai), January 24, 2009).

<sup>46</sup> “Deadlock Over Pakistan’s Mumbai Suspects,” BBC News, May 3, 2010; Ahmed Rashid, “The Afghanistan Impasse” (review), *New York Review of Books*, September 10, 2009.

<sup>47</sup> Daniel Markey, “Terrorism and Indo-Pakistani Escalation,” Council on Foreign Relations Contingency Planning (continued...)

## The Kashmir Dispute<sup>48</sup>

Many U.S. officials, as well as the Pakistani government, aver that regional peace is inextricably linked to a solution of the Kashmir dispute.<sup>49</sup> New Delhi views separatism in its Jammu and Kashmir state to be an internal issue or, at most, a bilateral one with Pakistan. It rejects any third-party or multilateral engagement on the issue. While levels of violence in Kashmir have declined significantly from their 1990s peak, the situation remains fragile, and Islamabad insists that what it calls New Delhi's "administrative and half-hearted political measures" will not resolve what is in essence a Kashmiri "struggle for the right to self-determination."<sup>50</sup>

In September 2009, India's home minister stated that the Pakistani threat to Indian Kashmir had "not diminished" and he estimated that 50-60 militants were infiltrating across the LOC each month. India's army chief accused Pakistan of providing assistance to "push in additional terrorists" before winter's onset. According to India's defense minister, militants made an average of more than one cross-LOC infiltration attempt per day during 2009.<sup>51</sup> Similar complaints were made in mid- and late 2010, with India's defense minister saying there were "conscious, calculated attempts" underway to push more militants into the Valley, and the army chief later reiterating his claim that Pakistan was not taking action to dismantle the "terror infrastructure" on its side of the LOC.<sup>52</sup>

Under the Obama Administration, the U.S. government has continued its long-standing policy of keeping distance from the Kashmir dispute and refraining from any mediation role therein. U.S. Special Representative for Afghanistan and Pakistan Richard Holbrooke, who has many times used the term "K-word" in discussing Kashmir, said in February 2010, "We are not going to negotiate or mediate on that issue and I'm going to try to keep my record and not even mention it by name."<sup>53</sup>

Officially, India lays claim to the entire former princely state, but in practice New Delhi is generally accepting of the status quo wherein it controls two-thirds of the state, including the prized, Muslim-majority Kashmir Valley. Indian policy will not accept any territorial or border shifts, but Prime Minister Singh has for many years sought to "make the border irrelevant" and open the LOC to greater trade and people-to-people contacts. A rare major opinion survey of 3,700 Kashmiris on both sides of the LOC in 2010 found that less than half supported separatist

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(...continued)

Memorandum No. 6, January 2010, at [http://www.cfr.org/publication/21042/terrorism\\_and\\_indopakistani\\_escalation.html](http://www.cfr.org/publication/21042/terrorism_and_indopakistani_escalation.html).

<sup>48</sup> For background and further discussion on Kashmir, see the "India's Domestic Security Setting" section below.

<sup>49</sup> "Kashmir Vital for Regional Peace: Pakistan Leader," Reuters, January 5, 2010.

<sup>50</sup> See the July 2, 2009, Pakistan Foreign Ministry press briefing at [http://www.mofa.gov.pk/Pages/2009/July/Spokes\\_02\\_07\\_09.htm](http://www.mofa.gov.pk/Pages/2009/July/Spokes_02_07_09.htm).

<sup>51</sup> "Indian Minister Says Increase in Infiltration From Pakistan Side," BBC Monitoring South Asia, September 11, 2009; "Indian Army Chief Accuses Pakistan of Assistant Militant Infiltration," *Jane's Terrorism Watch Report*, September 24, 2009; "Militants Making a Comeback," *Hindu* (Madras), January 10, 2010.

<sup>52</sup> "Infiltration Attempts Into J&K Rising," *Statesman* (Delhi), July 7, 2010; "Spurt in Infiltration Attempts: Army Chief," *Times of India* (Delhi), October 12, 2010.

<sup>53</sup> See the State Department's February 3, 2010, release at <http://fpc.state.gov/136466.htm>.

goals. Only in the Muslim-majority valley did a large majority (up to 95%) express support for full Kashmiri independence.<sup>54</sup>

During the summer of 2010, Indian Kashmir experienced its worst separatist-related violence in two years. This latest spasm began in June, when a 17-year-old protester was killed by a tear gas canister fired by police. In the ensuing three months, more than 100 other mostly young street protesters died in clashes with security forces, a curfew was imposed in the Valley, dozens of separatist political leaders were arrested, and thousands of Indian police and paramilitary troops were deployed to quell the protests. In September, Pakistan's Foreign Ministry issued a formal condemnation of "the blatant use of force by Indian security forces," called the ongoing violence "unacceptable," and asked New Delhi to "exercise restraint." The Pakistani Parliament subsequently passed resolutions on the issue; New Delhi angrily rejected the attempted interference in "what is purely an internal affair of India." Islamabad was not deterred, however, and further sharp diplomatic exchanges ensued.<sup>55</sup>

### **Competition in Afghanistan<sup>56</sup>**

India takes an active role in assisting reconstruction efforts in Afghanistan, having committed some \$1.3 billion to this cause, as well as contributing thousands of workers and opening a number of consulates there. It is the leading regional contributor to Afghan reconstruction. New Delhi characterizes its relations with Kabul as unique in that Indian humanitarian assistance and infrastructure development projects there are geographically extensive while also entirely Afghan-led in terms of prioritization. India's extensive assistance program in the country is aimed at boosting all sectors of development in all areas of Afghanistan. New Delhi declares itself "committed to the unity, integrity, and independence of Afghanistan underpinned by democracy and cohesive pluralism and free from external interference." It supports efforts toward peace and reintegration with Taliban insurgents, but emphasizes that, to be successful and enduring, these should be wholly "Afghan-led and Afghan-owned," the clear implication being that Islamabad's participation is not desirable.<sup>57</sup>

Among Indian assistance to Afghanistan are funding for a new \$111 million power station, an \$84 million road-building project to link Afghanistan with Iran's Chhabahar port, a \$77 million dam project, and construction of Kabul's new \$67 Parliament building. Some 3,500 Indian personnel are working on various relief and reconstruction projects inside Afghanistan. These workers are guarded by about 500 Indian police.<sup>58</sup>

India and Pakistan may be fighting a "shadow war" inside Afghanistan with spies and proxies, and high-visibility Indian targets have come under attack there. A July 2008 suicide bombing at India's Kabul Embassy was traced to militants with possible ties to the Pakistani government, and

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<sup>54</sup> "'First' Kashmir Survey Produces 'Startling' Results," BBC News, May 27, 2010.

<sup>55</sup> Pakistan Foreign Ministry's September 17, 2010, statement at [http://www.mofa.gov.pk/Press\\_Releases/2010/Sept/PR\\_224.htm](http://www.mofa.gov.pk/Press_Releases/2010/Sept/PR_224.htm); "India Rejects Pakistan Parliament's Resolution on Kashmir," BBC Monitoring South Asia, September 21, 2010; "India and Pakistan Spar Over Kashmir," BBC News, September 29, 2010.

<sup>56</sup> See also CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman.

<sup>57</sup> See the July 20, 2010, statements of External Affairs Minister Krishna at <http://meaindia.nic.in/mystart.php?id=530116150>.

<sup>58</sup> "India-Afghanistan Relations," Council on Foreign Relations Backgrounder, July 22, 2009.



was taken as a stark message to Indian leaders that Taliban militants and their allies want New Delhi to withdraw from Afghanistan. Prime Minister Singh instead responded by pledging \$450 million in new Indian aid for Afghan reconstruction.<sup>59</sup> Afghan President Karzai paid a “symbolic” visit to New Delhi in early 2009 to express solidarity with the government and people of India in the wake of the Mumbai terrorist attack.<sup>60</sup>

Islamabad accuses New Delhi of using Indian consulates in Afghanistan as bases for malevolent interference in Pakistan’s Baluchistan province, specifically by materially supporting Baloch separatist militants. The Pakistani government also accuses India of interfering in Pakistan’s western tribal regions along the Afghanistan border. When asked about such claims in late 2009, Secretary of State Clinton said the U.S. government had seen no supporting evidence. Yet senior Pakistani officials remain insistent.<sup>61</sup>

In the view of many analysts, Pakistan’s “paranoia” with regard to the perceived threat from India leads Pakistani leaders to engage a zero-sum regional competition with New Delhi. In this way, Pakistan’s primary goal with regard to Afghanistan is to prevent any dominant Indian influence there.<sup>62</sup> In 2010, signs of increasing cooperation between the Kabul and Islamabad governments has caused trepidation in other regional capitals, perhaps especially including New Delhi, where there are fears that India’s security could be compromised by an Afghanistan endgame that empowers Islamist extremists and their assumed Pakistani allies.<sup>63</sup> Some observers saw U.S. Gen. McChrystal’s August 2009 assessment that “increasing India’s influence in Afghanistan is likely to exacerbate regional tensions” as a sign that U.S. officials might press India to keep a low or lower profile there, yet the U.S. government has continued to welcome and laud India’s role in Afghanistan while at the same time rhetorically recognizing Islamabad’s legitimate security interests in having a friendly western neighbor.<sup>64</sup> Obama Administration officials have sought to ease India’s fears by assuring New Delhi that it has a legitimate role to play in Afghanistan and that it does not view regional relationships as a zero-sum game.<sup>65</sup>

<sup>59</sup> “Afghan Bombing Sends Stark Message to India,” *New York Times*, July 9, 2008; “India Announces \$450 Million Aid to Afghanistan,” *Reuters*, August 4, 2008.

<sup>60</sup> Indian Ministry of External Affairs, “Joint Statement on the Visit of President Hamid Karzai,” January 12, 2009.

<sup>61</sup> See the State Department’s October 26, 2009, release at <http://www.state.gov/secretary/rm/2009a/10/130989.htm>; “India ‘Supporting Pakistani Rebels’ – Commander,” *Reuters*, October 10, 2009; “India funding Taliban: Malik,” *Daily Times* (Lahore), October 27, 2009; “Concrete Proof of Indian Role in Waziristan Found,” *Daily Times* (Lahore), November 3, 2009; “Solid Proof of Delhi Involvement,” *Business Recorder* (Karachi), December 10, 2009.

<sup>62</sup> See, for example, Frederic Grare, “Pakistan,” in Ashley Tellis and Aroop Mukharji, eds., *Is a Regional Strategy Viable in Afghanistan?*, Carnegie Endowment for International Peace, May 2010. Islamabad fears strategic encirclement and takes note of India’s past support for Afghan Tajik and Uzbek militias who fought against the Pakistan-supported Taliban during the 1990s.

<sup>63</sup> “India Adjusts Afghan Strategy as Endgame Quickens,” *Reuters*, July 21, 2010; “India, Iran Distrustful of Renewed Afghan-Pakistan Ties,” *Washington Post*, July 23, 2010.

<sup>64</sup> See McChrystal’s August 30, 2009, assessment at [http://media.washingtonpost.com/wp-srv/politics/documents/Assessment\\_Redacted\\_092109.pdf](http://media.washingtonpost.com/wp-srv/politics/documents/Assessment_Redacted_092109.pdf).

<sup>65</sup> “U.S. Seeks to Ease India’s Afghan Fears,” *Reuters*, July 22, 2010.

## Rivalry With China<sup>66</sup>

### Background and Context

India and China together account for one-third of the world's population, and are seen to be rising 21<sup>st</sup> century powers and potential strategic rivals. As India has sought to expand its strategic horizons in recent years—eyeing influence over a vast region from Iran and the Persian Gulf states in the west to the Straits of Malacca and Gulf of Thailand in the east—it increasingly finds itself bumping into a rapidly spreading Chinese presence in the same area. New Delhi fears “encirclement” by Beijing, and many analysts view the Indian Ocean Region (IOR) as a key stage upon which 21<sup>st</sup> century geopolitical power struggles will play out.<sup>67</sup> Some further encourage Washington to leverage its own relationship with the region's leading pluralistic democracy to “set limits on Chinese expansion,” perhaps especially through increased joint naval coordination.<sup>68</sup> Many strategic thinkers in India fear that the United States is on a path of engagement with China that could threaten Indian interests and relegate India to a secondary role in Asia.<sup>69</sup>

India and China fought a brief but intense border war in 1962 that left China in control of large swaths of territory still claimed by India. Today, India accuses China of illegitimately occupying nearly 15,000 square miles of Indian territory in Kashmir (the Aksai Chin region), 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.<sup>70</sup> While some aspects of India-China relations, including bilateral trade, have warmed measurably 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.<sup>71</sup>

<sup>66</sup> See also CRS Report R41108, *U.S.-China Relations: Policy Issues*, by Thomas Lum.

<sup>67</sup> Analysts taking a “realist” political 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 (see, for example, Robert Kaplan, *The Indian Ocean and the Future of American Power* (Random House, 2010)).

<sup>68</sup> Robert Kaplan, “Center Stage for the Twenty-First Century,” *Foreign Affairs*, March/April 2010.

<sup>69</sup> So deep are the concerns among some Indian commentators that fears of a developing “U.S.-China-Pakistan nexus” have been discussed (G. Parthasarathy, “The Axis of Grudging Cooperation” (op-ed), *Wall Street Journal*, May 4, 2010).

<sup>70</sup> Shortly after Indian Independence in 1947, India and China enjoyed a brief period of close relations. This soon began to break down as China sought to renegotiate the border between the two countries because it viewed the border as a colonial legacy. India has taken the position that the post-independence Indian state has assumed the ‘McMahon line’ border established under the British Raj at the Simla conference of 1913 which generally follows the crest line of the Himalaya mountains (Karunakar Gupta, “The McMahon Line 1911-45: The British Legacy,” *China Quarterly*, September 1971).

<sup>71</sup> 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.

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 (LOAC) 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—13 of these since both countries appointed special representatives in 2003—with New Delhi and Beijing agreeing to move forward in other issue-areas even as territorial claims remain unresolved. Indian sources continue to accuse Chinese patrols of “transgressing” across the LOAC—an average of about ten such incursions per month was reported in 2008—and periodic reports of incursions continue. Official Chinese news outlets at times accuse the Indian media of issuing “war rhetoric” and “sowing the seeds of enmity” with reports of Chinese “intrusions” across the LOAC.<sup>72</sup>

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 bilateral friction. Past Chinese support for Pakistan's Kashmir position, along with more recent reports of a Chinese military presence in Aksai Chin, have added to the discomfort of Indian leaders. New Delhi takes note of Beijing's security relations with neighboring Burma and Sri Lanka, and of the construction of military and port facilities on the Indian Ocean.<sup>73</sup> 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.<sup>74</sup>

Despite the anxieties elicited by the now simultaneous rise of Asia's two largest countries, New Delhi calls its relationship with Beijing a “priority” and asserts that the two countries have continued to maintain “healthy momentum” in high-level exchanges, including efforts to build military-to-military trust and confidence that are “proceeding satisfactorily.” It also notes ongoing bilateral cooperation in areas such as finance, agriculture, water resources, energy, environment, tourism, and information technology, along with joint efforts in multilateral fora on global issues such as trade negotiations and energy security, which includes “cooperating very closely” on climate change issues.<sup>75</sup> Both governments have hailed their “strategic and cooperative partnership” which, according to New Delhi, has established important confidence-building measures and broadened people-to-people contacts.<sup>76</sup>

## Recent Developments

Tensions between India and China appear to be increasing despite a 30-fold jump in the value of their bilateral trade over the past decade. Some analysts now take the view that the bilateral

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<sup>72</sup> “Fresh Chinese Incursions Across LAC,” *Times of India* (Delhi), September 10, 2008; “Indian Media Engaging in War Rhetoric: Chinese Paper,” *Hindustan Times* (Delhi), September 10, 2009.

<sup>73</sup> 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).

<sup>74</sup> 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).

<sup>75</sup> Indian Ministry of External Affairs, “India-China Bilateral Relations,” September 2010.

<sup>76</sup> See the April 7, 2010, Ministry of External Affairs release at <http://meaindia.nic.in/mystart.php?id=530315707>.

relationship “has begun to take the form of a true geopolitical rivalry.”<sup>77</sup> China’s decision to issue special visas to Indian citizens from India’s Arunachal Pradesh and Jammu & Kashmir indicates China’s position that residents of these states have different status than other Indians, a position that obviously would antagonize India.<sup>78</sup> In 2009, India added two full army divisions to those already deployed near the disputed border, built at least three new airstrips in the region, and moved two squadrons of advanced Sukhoi-30 MKI combat aircraft to a base in the nearby Assam state.<sup>79</sup> The latter months of 2009 saw New Delhi and Beijing engage increasingly vituperative diplomatic and media barbs, placing U.S. officials in something of a dilemma over how to maintain friendly relations with both countries.<sup>80</sup> Meanwhile, the unresolved border dispute is seen to be a significant obstacle to expanded India-China economic and trade relations.<sup>81</sup>

There are mounting fears in the Indian press that China is encroaching upon what India sees as its sphere of influence in South Asia and the IOR. This takes the form of concern over what has become known as China’s “String of Pearls” strategy which strategic analysts and national media commentators see as China’s aim to encircle India with naval bases in the IOR. China’s involvement in developing port facilities in Gwadar in Pakistan, Hambantota in Sri Lanka, Chittagong in Bangladesh, and in developing an overland transportation and energy link from the northern reaches of the Bay of Bengal through Burma to Yunnan are key aspects of this perceived strategy.<sup>82</sup> Some analysts dismiss Indian fears and note that China does not have the capability to project significant naval power into the IOR. Others take a longer view and see present developments as part of a long term strategic plan that will give the Chinese the necessary logistical infrastructure in the IOR to secure its sea lines of communication (SLOCs) to the energy rich Persian Gulf. If developed, this infrastructure could give China a strong naval position relative to India in the IOR, though this will likely take decades to develop significantly.

The Chinese are increasingly wary over the growing strategic relationship between the United States and India, and Beijing has expressed concern over potential alignments in Asia that could result in the “encirclement” of China. Chinese concern in this regard was made evident when Beijing protested discussions under the Bush Administration to develop a quadrilateral group of like minded democracies in Asia that would include the United States, Japan, Australia, and India. China is also particularly sensitive to India’s influence in Tibet. India allows the Dalai Lama to live in India and has allowed him to visit Tibetans in India’s Arunachal Pradesh state, which borders Tibet.<sup>83</sup> The Indian territory of Ladakh, which is near the Chinese-held, Indian-claimed territory of Aksai Chin, is also ethnically Tibetan.<sup>84</sup> Nonetheless, India is particularly sensitive to

<sup>77</sup> Jeff Smith, “Mountains to Climb: China’s Complex Relationship with India,” *Jane’s Intelligence Review*, May 7, 2010.

<sup>78</sup> “India: Country Outlook,” *The Economist Intelligence Unit*, October 1, 2010.

<sup>79</sup> “India Quietly Bolsters Disputed China Border,” Reuters, November 13, 2009.

<sup>80</sup> “China, India Stoke 21<sup>st</sup>-Century Rivalry,” *Wall Street Journal*, October 23, 2009; “Rivals China, India in Escalating War of Words,” *Christian Science Monitor*, October 20, 2009.

<sup>81</sup> “Booming China-India Ties Strained By Border Tension,” Reuters, September 17, 2009.

<sup>82</sup> A useful overview of China’s activities with Pakistan, Sri Lanka, and Burma, especially, that cause unease in New Delhi is “Fear of Influence,” *Financial Times* (London), July 12, 2009.

<sup>83</sup> Beijing was openly displeased when New Delhi allowed the Dalai Lama to visit the disputed Arunachal Pradesh state in late 2009, saying the travel further revealed that figure’s “anti-China and separatist essence” (Chinese Foreign Ministry spokesman quoted in “China Opposes Dalai Lama Trip to Disputed Indian State,” Reuters, September 11, 2009).

<sup>84</sup> Reports that Chinese military units began building infrastructure in the Karakoram mountains of Jammu and Kashmir’s Ladakh region in 2009 raise further security concerns in New Delhi (“Construction by Chinese Army Across (continued...)”).

the development of U.S.-China relations, especially as they pertain to South Asia. This was evident as India railed at a clause in the 2009 U.S.-China Joint Statement which stated that Washington and Beijing will “work together to promote peace, stability, and prosperity in South Asia.”<sup>85</sup>

In August 2010, three separate episodes illuminated ongoing frictions. First, New Delhi and Beijing exchanged sharp diplomatic words after China refused to issue a visa to the Indian general responsible for Indian Kashmir. Later, India reportedly moved to counter the alleged deployment of advanced Chinese missiles to the border area with its own plans to place intermediate-range Agni II and short-range Prithvi III missiles near the frontier. Finally, two Chinese warships paid a first-ever port visit to Burma, exacerbating fears among some that Chinese naval power was being wielded too closely to Indian shores.<sup>86</sup> In September 2010, Prime Minister Singh reportedly warned that China “would like to have a foothold in South Asia.” Only days earlier, External Affairs Minister Krishna opined that China has been showing “more than the normal interest in the Indian Ocean affairs. So we are closely monitoring the Chinese intentions.”<sup>87</sup> Many commentators are even speculating that a new “Great Game” is unfolding between India and China, perhaps to be centered on Kashmir. Some analysts see Beijing’s Kashmir stance becoming more adversarial, as was the case in the past, perhaps even more hostile to India than is Islamabad’s.<sup>88</sup>

In the view of some commentators, the increased interdependence of growing bilateral trade will act as an inhibitor to conflict. Yet, for others, the workings of this dynamic are not so clear. Some analysts also note that the nature and imbalance of the dramatically growing trade between India and China is leading to a degree of antagonism in India toward China over the trade relationship. While there are causes for concern in the India-China relationship, there are also some new areas of convergence between the two states, as was made evident when the two governments closely coordinated their positions in the lead up to the Copenhagen Conference on climate change. The potential for future renewed conflict between India and China warrants a close watch as the correlates of power and strategic architectures evolve in Asia. Yet, while tensions appear to mount, neither country is likely to seek open conflict as both have made economic development their key national priority.

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(...continued)

Karakoram: J&K Report,” *Times of India* (Delhi), September 14, 2009).

<sup>85</sup> See the text of the November 17, 2009, Joint Statement at <http://www.whitehouse.gov/the-press-office/us-china-joint-statement>. See also “Stabilize South Asia,” *Harvard International Review*, Winter 2010.

<sup>86</sup> “India-China Relations Hit By Defense Row,” Agence Presse France, August 27, 2010; “India Responds to Chinese Missile Moves,” *Jane’s Defense Weekly*, August 26, 2010; “China Warships Dock in Burma, Rattling Rival Naval Power India,” *Christian Science Monitor*, August 30, 2010.

<sup>87</sup> Singh quoted in “India PM Warns China Wants Foothold in South Asia,” Reuters, September 7, 2010; “India Monitoring China’s Intention in Indian Ocean, Says Krishna,” *Hindu* (Chennai), September 1, 2010.

<sup>88</sup> Ravi Velloor, “The New Great Game is On” (op-ed), *Straits Times*, September 3, 2010; C. Raja Mohan, “India Worried Over China’s New J&K Line” (op-ed), *Indian Express* (Delhi), October 14, 2010.

## India's Other Regional Foreign Relations

### India-Bangladesh<sup>89</sup>

Despite India's key role in the 1971 creation of neighboring Bangladesh, New Delhi's past relations with Dhaka have been fraught with tensions related mainly to the cross-border infiltration of Islamist and separatist militants, and to the tens of millions of illegal migrants in India. The two countries share a heavily populated, 2,545-mile border, the great majority of which New Delhi is attempting to seal through fence construction. The two countries' border forces engage in periodic, sometimes lethal gun battles, and Bangladesh-based terrorists groups have been active inside India.<sup>90</sup> Still, New Delhi and Dhaka have cooperated on counterterrorism efforts and talks on energy cooperation continue.

India-Bangladesh ties improved markedly since 2008, facilitated by the election late that year of Bangladeshi Prime Minister Sheikh Hasina, whose Awami League has historically closer ties to India than the opposition Bangladesh National Party. New Delhi has lauded the restoration of multi-party democracy in Dhaka. The positive trend in relations gained momentum in early 2010 when India extended a \$1 billion line of credit to Bangladesh to aid infrastructure development.<sup>91</sup> India is also reportedly allowing increased trade access for Bangladesh across Indian territory to Bhutan and Nepal. India and Bangladesh signed a number of agreements during Hasina's January visit to Delhi, including pacts on cultural exchange, security, crime prevention, and power supply. At the time of this writing, however, some analysts are concerned that this momentum is being allowed to falter.

Cross border issues and the use of Bangladesh territory by insurgents in India's northeast are key issues for New Delhi. During her early 2010 visit to India, Prime Minister Hasina reportedly discussed with Prime Minister Singh Dhaka's crackdown on Bangladesh-based Indian separatists, and made a commitment that she would not allow Bangladesh territory to be used for anti-Indian activities.<sup>92</sup> Hasina's government reportedly arrested and handed over to India a key leader of the United Liberation Front of Assam.<sup>93</sup> There are reports that Bangladesh's efforts to crack down on Indian separatist militants in Bangladesh has led those elements to relocate to Burma.<sup>94</sup> In September 2010, it was also reported that Bangladesh handed over to India 28 leaders of the United Liberation Front of Assam (ULFA).<sup>95</sup>

<sup>89</sup> See also CRS Report R41194, *Bangladesh: Political and Strategic Developments and U.S. Interests*, by Bruce Vaughn.

<sup>90</sup> For example, the Bangladeshi faction of the Harakat ul-Jihad-I-Islami—an Islamist militant outfit with links to Pakistan-based terrorist groups and that is designated as a Foreign Terrorist Organization under U.S. law—has been implicated in several terrorist attacks inside India, including May 2008 bombings that killed at least 63 people in Jaipur, Rajasthan.

<sup>91</sup> "India to Give Bangladesh \$1 bn Line of Credit," *The Times of India*, January 12, 2010.

<sup>92</sup> "Eastern Entente," *India Today* (Delhi), January 25, 2010. Previously, Dhaka had taken action against some of the "terrorist camps" on Bangladeshi soil identified by Indian intelligence officials and assured New Delhi that it would not tolerate the presence of anti-India groups ("Mending Fences," *India Today* (Delhi), September 21, 2009).

<sup>93</sup> "India's Opening with Bangladesh," *New York Times*, January 12, 2010.

<sup>94</sup> "Northeast Militants Shifting to Myanmar from Bangladesh," Indo-Asian News Service, September 3, 2010.

<sup>95</sup> "ULFA Strike Force Leaders in Security Net," *Economic Times* (Delhi), September 26, 2010.

Improved ties with Bangladesh can provide India with an opportunity to counter Pakistani and Chinese influence there. China has been assisting Bangladesh in developing its port facilities in Chittagong, Burma, and some Indian sources believe Pakistan's main intelligence agency has used Bangladesh to infiltrate operatives and even "terrorists" into India. In October 2010, Bangladesh formally sought Chinese assistance to build a deep water sea port in the Bay of Bengal near the southeastern island of Sonadia. The Dhaka government hopes that such a port could become a key shipping hub for northeast India and China's Yunnan Province, as well as for Nepal, Bhutan, and Burma. Bangladesh is also reportedly in discussion with China and Burma on plans to build a highway linking Bangladesh's Chittagong with Kunming, the capital of China's Yunnan Province. Such connectivity with China would likely be an issue of concern for India.<sup>96</sup>

### **India-Sri Lanka<sup>97</sup>**

For many years India-Sri Lanka relations have been dominated by the now concluded Sri Lankan civil war between Colombo's government forces and the Liberation Tigers of Tamil Eelam (LTTE). Sri Lanka is divided between a largely Sinhalese-Buddhist south, which dominates the government, and a Hindu-Tamil minority in the north and east of the country. This conflict has complicated the relationship between India and Sri Lanka because of the large Tamil minority of more than 60 million in southern India (mainly the state of Tamil Nadu). The Indian Navy played a key role in providing disaster relief to Sri Lanka following the catastrophic December 2004 Indian Ocean tsunami.

Domestic sentiment and increased flows of refugees led India to intervene in the conflict in 1987 by sending a large Indian Peace Keeping Force to Sri Lanka to establish order and disarm Tamil militants. India's involvement led to an India-Sri Lanka Accord that became a source of resentment of India by many Sri Lankans for the role that it granted India in Sri Lankan affairs. Former Indian Prime Minister Rajiv Gandhi was assassinated by an LTTE suicide bomber in 1991. This led to a crackdown on LTTE activity and increased naval patrols in the Palk Strait to interdict supplies coming from India to the LTTE in northern Sri Lanka. The resolution of the fighting may open the way for more bilateral relations. A visit to India by Sri Lankan President Mahinda Rajapaksa in June 2010 reportedly yielded a number of agreements on social, legal, women's affairs, energy and transportation, as well as a soft loan of \$800 million for the reconstruction of a northern railway that was destroyed during the war.<sup>98</sup> Some strategic analysts in India are concerned with increased Chinese activity in Sri Lanka, where Beijing is financing the development of deep-water port facilities in Hambantota.

India remains concerned with the situation in Sri Lanka even after the end of open hostilities there. The New Delhi government desires to see national reconciliation proceed through the political settlement of ethnic issues within the framework of a united Sri Lanka and consistent with democracy, pluralism, and respect for human rights.<sup>99</sup> Some Members of India's Parliament have expressed their concern that Indian aid intended for the Tamils displaced by the conflict is

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<sup>96</sup> "Bangladesh Seeks Chinese Help to Build Deep Seaport," *Agence France Presse*, October 4, 2010.

<sup>97</sup> See also CRS Report RL31707, *Sri Lanka: Background and U.S. Relations*, by K. Alan Kronstadt and Bruce Vaughn.

<sup>98</sup> "President Returns from Indian State Visit," *Daily News*, June 12, 2010; "Indo-Lankan Ties Reach New Heights," *Euclid Infotech*, June 14, 2010.

<sup>99</sup> Indian Ministry of External Affairs, "Brief on India-Sri Lanka Relations," September 2010.

not reaching the targeted community.<sup>100</sup> Foreign Secretary Rao traveled to Sri Lanka as Special Emissary to assess such rehabilitation efforts.<sup>101</sup> Rao reportedly conveyed to Colombo India's hope that Sri Lanka would initiate a political process to resolve the underlying ethnic issues that fueled the previous civil war in addition to resettling and rehabilitating displaced Tamils.<sup>102</sup>

## India-Nepal<sup>103</sup>

India remains in close consultation with the Nepali government in an effort to support Nepal's transition to a democratic, peaceful, and prosperous state. India-Nepal relations traditionally have been close and are under the aegis of the 1950 Indo-Nepal Peace and Friendship Treaty, which allows for unrestricted travel and residency across their shared border. Nepal is the world's only officially Hindu country, and India continues to be its leading trade partner, as well as source of foreign investment and tourist arrivals.<sup>104</sup> The bilateral relationship is driven by two major geopolitical considerations. First, Nepal is considered to be a "buffer state" between India and China. As such, India seeks to minimize (or at least balance against) Chinese influence there. The substantial Tibetan community in Nepal can at times complicate this dynamic. While the Kathmandu government allows Tibetans to live in Nepal, it has a policy of not allowing any "anti-China" activity inside Nepal.<sup>105</sup> Nepali authorities prevented the election of a Tibetan community government-in-exile in October 2010. This step was viewed by some as representing a hardening of Nepal's stance toward Tibetan refugees.<sup>106</sup> Tibetan protests in Nepal in the lead-up to the 2008 Beijing Olympics led to a crackdown by Nepali authorities.

The second key Indian geopolitical interest in Nepal is to maintain political stability in Kathmandu and keep Nepal from becoming a base of support for insurgents in India. India is concerned that a Maoist government in Nepal could lend support to the already significant Maoist insurgency in India. Thus far, there have been only limited connections between these groups, but it appears that India is concerned the links could grow should the Maoists assert their dominance over Nepal. Political stability in Nepal could lead to infrastructure development that could establish new hydropower projects, in turn helping to address the growing power needs of Indian states that border Nepal.

India and Nepal have many close ties. The Madhesh of the Terai region bordering India share Hindi language as well as many cultural and familial ties across the porous border. The largely Hindu social and religious structure of Nepal is such that Nepal is similar to India in many respects. New Delhi and Kathmandu are negotiating a new extradition treaty, and Indian companies have sought to invest in Nepali hydro-power projects. Kathmandu evidently allowed Indian authorities to apprehend or take into custody a leader of the Indian separatist National Socialist Council of Nagaland in October 2010.<sup>107</sup>

<sup>100</sup> "MPs Allege Aid Not Reaching Displaced Sri Lankan Tamils," *Asian Tribune*, August 26, 2010.

<sup>101</sup> "Rao to Visit Lanka as Special Envoy," *Daily News and Analysis*, August 30, 2010.

<sup>102</sup> "India Pushes Sri Lanka on Political Settlement," *Hindustan Times*, September 2, 2010.

<sup>103</sup> See also CRS Report RL34731, *Nepal: Political Developments and Bilateral Relations with the United States*, by Bruce Vaughn.

<sup>104</sup> Indian Ministry of External Affairs, "India-Nepal Relations," September 2010.

<sup>105</sup> "China Intensifies a Tug of War with India Over Nepal," *New York Times*, February 18, 2010.

<sup>106</sup> "Nepal Stops Voting for Tibetan Government in Exile," *Hindustan Times* (Delhi), October 4, 2010.

<sup>107</sup> "NISC Demands Unconditional Release of NSCN Leader Arrested in Nepal," *Imphal Free Press*, October 4, 2010.



There is growing evidence of Chinese ties with Nepali Maoists. A high profile bribery case alleges that a Maoist leader asked a Chinese official for a substantial amount of money to influence Madheshi lawmakers to support the Maoists bid for the prime ministership. Nepali Maoist leader Prachanda has also traveled to China at least four times.<sup>108</sup>

## India-Burma<sup>109</sup>

India continues to pursue closer relations with the repressive military regime in neighboring Burma for both economic and political reasons. India seeks to bolster its energy security by strengthening economic ties between India's northeast region and western Burma. According to Burmese trade data, India was Rangoon's 4<sup>th</sup> largest trading partner in FY2009/10 (after Thailand, China, and Singapore), with total trade of \$1.2 billion.<sup>110</sup> India is also concerned about the maintenance of political stability in Burma, fearful that instability could result in a surge of refugees into India and an increase in China's influence in the region. India may also see good relations with Burma as part of its strategy for dealing with ongoing border disputes with China and Pakistan. In addition, some commentators see past and continued cooperation by the Burmese military vital in New Delhi's efforts to battle separatist militants in India's northeast.<sup>111</sup>

During September 2007, major pro-democracy street protests in Burma grew in scale and Burma's military junta, the State Peace and Development Council (SPDC), launched a violent crackdown to suppress the movement led by Buddhist monks. In response, the United States imposed new sanctions on Burma and urged other countries to follow suit. Following the SPDC's crackdown, New Delhi continued to favor dialogue and opposed the imposition of new sanctions. In fact, during the protests and immediately afterwards, India moved ahead with plans to assist with the construction of a port in northwestern Burma as part of an effort to develop that country's natural gas industry. This approach, justified by Indian leaders as being a pragmatic pursuit of their national interest as part of their "Look East" policy, has elicited accusations of Indian complicity in Burmese repression.<sup>112</sup> 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 was only "slowed."<sup>113</sup> In early 2008, Prime Minister Singh expressed satisfaction with India-Burma relations, but also stressed "the need for greater urgency in bringing about political reforms and national reconciliation" through a "broad-based" process.<sup>114</sup>

<sup>108</sup> "Prachanda to Visit China Amid Political Crisis in Nepal," Press Trust of India, September 27, 2010.

<sup>109</sup> See also CRS Report R41336, *U.S. Sanctions on Burma*, by Michael F. Martin.

<sup>110</sup> "Myanmar-India Bilateral Trade Pp Sharply in 2009-10," Xinhua, June 30, 2010.

<sup>111</sup> See, for example, Shishir Gupta, "Rangoon Isn't Kathmandu" (op-ed), *Indian Express* (Delhi), October 2, 2007.

<sup>112</sup> "India to Push On With Myanmar Port Despite Unrest," Reuters, October 10, 2007; "India Silent on Myanmar Crackdown," Associated Press, October 23, 2007. One observer called New Delhi's policy a "reprehensively passive and callous posture" toward Burma's pro-democracy forces (Praful Bidwai, "Failing the Foreign Policy Test" (op-ed), *Frontline* (Chennai), October 19, 2007).

<sup>113</sup> "India's Halt to Burma Arms Sales May Pressure Junta," *Washington Post*, December 30, 2007; "Indian Arms Sales to Myanmar Remain Under Scrutiny," *Jane's Defence 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).

<sup>114</sup> See the External Affairs Ministry January 2, 2008, press briefing at <http://meaindia.nic.in/?pbhome.htm>.

Burma again became the focus of international discussions in March 2010, when the SPDC released new laws governing parliamentary elections to be held on an undisclosed date in 2010.<sup>115</sup> The election laws appeared to restrict the participation of Burma's opposition parties in the elections, particularly the National League for Democracy and its leader, Aung San Suu Kyi. While the United States, the European Union, and others were quick to criticize the new election laws, India's comments were comparatively muted. New Delhi chose to disassociate itself from a June 2010 U.N. Human Rights Council resolution that condemned the "ongoing systematic violations of human rights" in Burma. However, as one of the 14 countries in the "Group of Friends on Burma"—a consultative body formed by U.N. Secretary-General Ban Ki-Moon—India supported the Group's March call for free and fair elections, and for the release of all political prisoners.

During late July 2010, SPDC leader Senior General Than Shwe paid a formal state visit to India, his second in six years. During the visit, Shwe met with Prime Minister Singh to discuss bilateral ties. The leaders reportedly discussed matters such as border security, economic relations, and upcoming elections in Burma. Since then, there have been reports that the Indian military plans on moving additional troops from the Border Security Force to guard the border with Burma. In September 2010, India's national security advisor, Shivshankar Menon, reportedly said that the planned November elections offer hope for Burma to "rebuild democracy and come back to the international mainstream."<sup>116</sup> Even some U.S.-based boosters of deepening U.S.-India relations issued criticisms of New Delhi's "Machiavellian turn" in welcoming the Burmese leader and pursuing greater links with his military regime.<sup>117</sup>

## India-Iran<sup>118</sup>

India's relations with Iran traditionally have been positive and, in 2003, the two countries launched a bilateral "strategic partnership" of their own.<sup>119</sup> During the period 2004-2006, 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. 109-401, the "Hyde Act") was a non-binding assertion that U.S. policy should "secure India's full and active participation" in U.S. efforts to prevent Iran from acquiring weapons of mass destruction.<sup>120</sup> New Delhi firmly opposes the emergence of any new nuclear weapons powers in the region, but also opposes the use of force and even sanctions, favoring instead diplomacy to address Iran's controversial nuclear program. While some in Congress have expressed concerns about signs of nascent India-Iran defense cooperation, most observers view such relations as remaining thin and patchy to date, although some Indian strategic analysts call for increasing these as a means of strengthening

<sup>115</sup> See also CRS Report R41218, *Burma's 2010 Elections: Implications of the New Constitution and Election Laws*, by Michael F. Martin.

<sup>116</sup> Lalit K. Jha, "India Says Burma Election Offers Hope," *The Irrawaddy*, October 1, 2010.

<sup>117</sup> Sumit Ganguly, "India's Machiavellian Turn" (op-ed), *Wall Street Journal*, July 29, 2010. Another notable realist analyst opined that, by hosting Shwe, India had "drifted a bit too far even by its new standards of realpolitik" (C. Raja Mohan, "Embracing Myanmar: India's Foreign Policy Realism," RSIS Commentaries, August 2, 2010).

<sup>118</sup> See also CRS Report R40849, *Iran: Regional Perspectives and U.S. Policy*, coordinated by Casey L. Addis.

<sup>119</sup> See text of the January 2003 "New Delhi Declaration" at <http://meaindia.nic.in/declarestatement/2003/01/25jd1.htm>.

<sup>120</sup> 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).

regional security, as well as to maintain New Delhi's foreign policy independence, especially vis-à-vis the United States.<sup>121</sup>

There are further U.S. concerns that India will seek energy resources from Iran, thus benefitting financially a country the United States is seeking to isolate. Indian firms have in recent years taken long-term contracts for purchase of Iranian gas and oil. 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 "IPI pipeline"), but participation in this project apparently has been abandoned by New Delhi. Still, India imported about \$10 billion worth of Iranian crude oil in 2009, making it the third-largest market in this category, and New Delhi is eager to develop Iran's Chabahar port so as to boost trade with Central Asia while skirting Pakistani territory.<sup>122</sup>

The Iran-Libya Sanctions Act (P.L. 107-24) required the President to impose sanctions on foreign companies that make an "investment" of more than \$20 million in one year in Iran's energy sector. The 109<sup>th</sup> Congress extended this provision in the Iran Freedom Support Act (P.L. 109-293). The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, which became P.L. 111-195 in July 2010, further tightened sanctions on Iran. To date, no Indian firms have been sanctioned under these Acts, although Indian firms potentially involved in the gas pipeline project would be sanctionable, as would companies that sell gasoline to Iran. Reliance Industries of Mumbai, a major supplier in recent years, reportedly has vowed to end such sales.<sup>123</sup>

## India-Russia<sup>124</sup>

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."<sup>125</sup> India's single largest foreign investment is a \$1 billion stake in a joint oil and gas venture on Russia's Sakhalin Island. Moreover, and despite some post-Cold War diversification of its defense suppliers, India continues to obtain the bulk of its imported military hardware from Russian firms. Russia's status as a main supplier of Indian defense equipment has been 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.

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<sup>121</sup> See, for example, Monika Chansoria, "India-Iran Defense Cooperation," *Indian Defense Review*, January 2010.

<sup>122</sup> Indian Ministry of External Affairs, "India-Iran Bilateral Relations," September 2010; "India Push to New Iran Port for Access to Afghanistan," *India Today* (Delhi), July 26, 2010.

<sup>123</sup> "US Expects India to Implement Iran Sanctions," *Hindustan Times* (Delhi), June 11, 2010. See also CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

<sup>124</sup> See also CRS Report RL33407, *Russian Political, Economic, and Security Issues and U.S. Interests*, coordinated by Jim Nichol.

<sup>125</sup> "Russia, India Cement Nuclear Ties With Offer of 4 New Reactors," Associated Press, January 25, 2007.

## India-Japan<sup>126</sup>

India's relations with Japan only began to blossom in the current decade after being significantly undermined by India's 1998 nuclear weapons tests. Today, leaders from both countries acknowledge numerous common values and interests. They are engaging a "strategic dialogue" formally launched in 2007, when the Indian foreign minister spoke of Japan as a "natural partner in the quest to create an arc of advantage and prosperity" in Asia. He also 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. After years of negotiations, New Delhi and Tokyo finalized a free trade agreement in October 2010, after differences over Indian tariff rates and Japanese restrictions on the importation of generic Indian pharmaceuticals were settled. India has also secured a \$4.5 billion loan from Japan for construction of a 900-mile freight railway between Delhi and Mumbai, the largest-ever single-project overseas loan offered by Japan. In 2007, U.S., Indian, and Japanese naval vessels conducted unprecedented combined 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.

## India's Domestic Policy Setting

### National Political System, Elections, and Parties

India is the world's most populous democracy and remains firmly committed to representative government and rule of law. As a nation-state, India contains 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 2010, the often-cited Freedom House again rated India as "free" in the areas of political rights and civil liberties.

### National System and Elections

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 15 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

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<sup>126</sup> See also CRS Report RL33436, *Japan-U.S. Relations: Issues for Congress*, coordinated by Emma Chanlett-Avery.

five-year terms. The most recent parliamentary elections were held in the spring of 2009 when the incumbent Indian National Congress Party-led coalition won a convincing victory, as it had five years earlier.

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

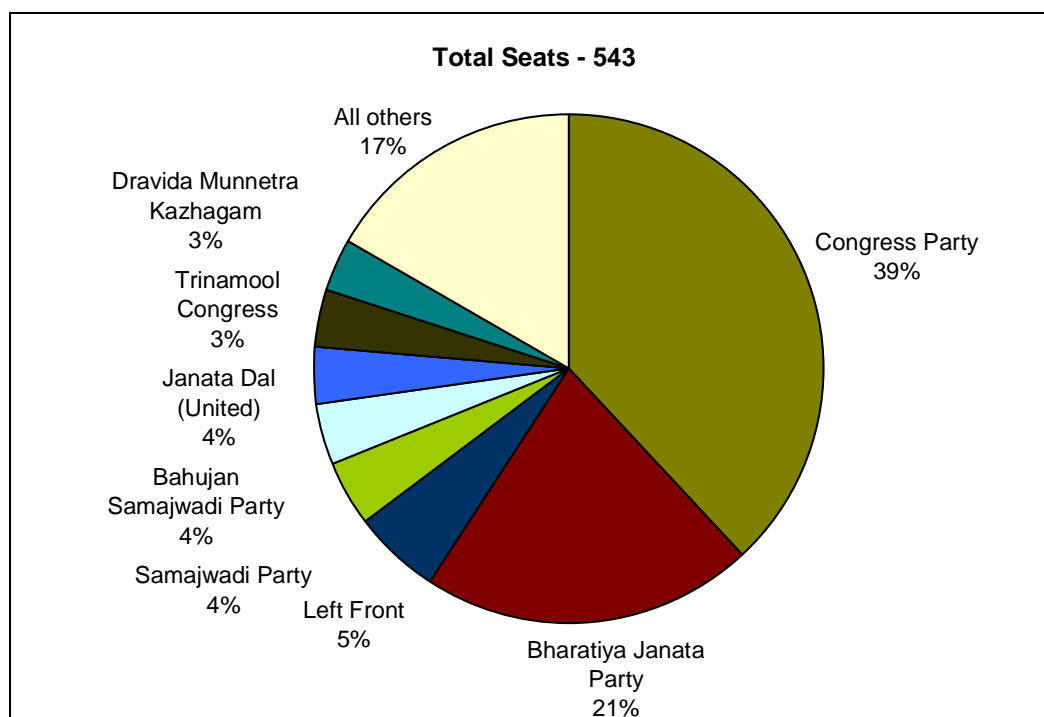
The Congress Party and its major coalition allies significantly improved their national standing in the spring 2009 elections. More than 1,000 parties vied for office and 60% of the country's 714 million eligible voters turned out at 838,000 polling stations. Congress Party candidates performed strongly both in direct contests against BJP opponents, as well as when contending against so-called "Third Front" candidates from a coalition of smaller regional parties that had sought to displace the incumbents. The result was a net increase of 61 Lok Sabha seats for Congress, bringing its total representation to 206 seats, or 38% of the total. Although the BJP's percentage share of the total vote was similar to that in 2004, it lost 22 more seats, and its second consecutive national defeat left it leaderless and in significant disarray. Meanwhile, the Left Front grouping of communist parties (former supporters of the Congress-led coalition) was devastated, losing 35 of its 60 seats.<sup>127</sup> See **Figure 1** for major party representation in the current Lok Sabha.

Prime Minister Singh oversees the United Progressive Alliance (UPA) ruling coalition that has now marked more than six years in power, far exceeding the expectations of some early observers. Both he and party chief Gandhi have remained fairly popular national figures. Yet, despite some notable successes, the UPA government has remained unpopular by many measures, having failed to capitalize on opportunities, and appearing to many as meek and indecisive. Singh himself, though widely admired as an honest and intelligent figure, has been unable to succeed in pushing through much of the UPA's domestic agenda, which focuses on development and uplift for India's hundreds of millions of poor citizens.<sup>128</sup>

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<sup>127</sup> The four most notable coalition allies for Congress—occupying a combined total of less than 10% of Lok Sabha seats—are the Trinamool Congress of West Bengal, the Dravida Munnetra Kazhagam of Tamil Nadu, the Nationalist Congress Party of Maharashtra, and the Jammu & Kashmir National Conference.

<sup>128</sup> See, for example, "India PM Defends Against Leadership Criticisms," Reuters, May 24, 2010; "Adrift and Listless," *Frontline* (Chennai), June 18, 2010.

**Figure 1. Major Party Representation in India's 15<sup>th</sup> Lok Sabha**

Source: Election Commission of India.

## Major Political Parties

### *Indian National Congress*<sup>129</sup>

Congress's electoral strength had reached a nadir in 1999, when the party won only 110 Lok Sabha seats. Observers attributed the poor showing to a number of factors, including the failure of Congress to make strong pre-election alliances (as had the BJP) and perceptions that party leader Sonia Gandhi lacked the experience to lead the country. Support for the Congress, which dominated Indian politics for decades, had been in fairly steady decline following the 1984 assassination of Prime Minister Indira Gandhi and the 1991 assassination of her son, Prime Minister Rajiv Gandhi.

Sonia Gandhi, Rajiv's Italian-born, Catholic widow, refrained from active politics until the late 1990s. 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 (206) 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 surprising 2004 decision to decline the prime ministership. As key Congress party figures express support for the future leadership of her youthful son, parliamentarian Rahul Gandhi, Manmohan Singh's political authority is correspondingly undermined. The 2009 polls

<sup>129</sup> See the Indian National Congress at <http://www.congress.org.in>.

may have represented a coming out party of sorts for the younger Gandhi, who many expect to be put forward as the Congress party prime ministerial candidate in future elections.

### *Bharatiya Janata Party*<sup>130</sup>

With the rise of Hindu nationalism, the BJP rapidly increased its parliamentary strength during the 1980s. In 1993, the party's image was tarnished among some, burnished for others, by its alleged complicity in serious communal violence in Mumbai 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; Hindutva can at times take an anti-Western cast). 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 its upset loss in 2004 and an even sounder defeat in 2009, the party has been in some disarray. While it continues to lead some important state governments, its national influence has been significantly eroded in recent years. Party leader Lal Krishna Advani, who had served as Vajpayee's deputy and home minister while the BJP was in power, apparently sought to transcend his Hindu nationalist roots by posturing mostly as "governance, security, development" candidate in 2009; the party's loss likely ended his political career. At present, the BJP president is Nitin Gadkari, a former Maharashtra official known for his avid support of privatization. Yet the party's likely candidate for the prime ministership in future elections is Narendra Modi, who has had some notable development successes as Chief Minister of the relatively prosperous western Gujarat state, but who is also dogged by controversy over his alleged role in lethal anti-Muslim rioting there in 2002 (Modi has in the past been denied a U.S. visa under an American law barring entry for foreign government officials found to be complicit in severe violations of religious freedom).

### *Regional Parties*

The influence of regional and caste-based parties has become an increasingly important variable in Indian politics; both the 2004 and 2009 national elections saw such parties receiving about 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.<sup>131</sup> The newfound power of both large and smaller regional parties, alike, is 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.

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<sup>130</sup> See the Bharatiya Janata Party at <http://www.bjp.org>.

<sup>131</sup> In October 2008, the DMK leader and chief minister of Tamil Nadu, home to tens of million of ethnic Tamils, threatened to withdraw his party from the Congress-led coalition—and so bring down the central government—unless India stopped "escalating" Sri Lanka's civil war, in which mostly Tamil civilians are caught in a crossfire. The threat was withdrawn days later, but the episode illuminated the fragile nature of a coalition government in New Delhi which can be destabilized by narrow regional and/or ethnic interests.

Two of India's three most notable regional parties are based in the densely-populated northern state of Uttar Pradesh (UP), home to some 190 million persons. The Samajwadi Party, a largely Muslim- and lower caste-based organization, is highly influential there, and holds 23 Lok Sabha seats. The rival Bahujan Samaj Party (BSP) controls the UP state government; its lower-caste, female leader and current Chief Minister Mayawati, is believed to have national political aspirations. The BSP occupies 21 Lok Sabha seats. A final regional party of note is the Janata Dal (United) (JDU) based, out of neighboring Bihar and led by that state's Chief Minister, Nitish Kumar. The JDU holds 20 Lok Sabha seats.

### *The Left Front*<sup>132</sup>

Although the Communist Party of India (Marxist) (CPI-M) seated the third largest number of parliamentarians after the 2004 elections (43), its vote bank has been almost wholly limited to West Bengal and Kerala. Communist parties (the CPI-M and several smaller allies) have in the past been bitter rivals of the Congress in these states, but a mutual commitment to secularism appears to have motivated their cooperation against the BJP in 2004. Early alarm was sounded that the influence of communists in New Delhi after 2004 might derail India's economic reform efforts; Indian industrial leaders sought to assure foreign investors that Left Front members were not "Cuba-style communists," but could be expected to support the UPA reform agenda. In the end, that agenda moved only slowly from 2004-2009. The Left Front is vocal in its criticisms of closer India-U.S. relations, adamantly opposing bilateral civil nuclear cooperation and railing at any signs that the United States seeks to make India a "junior partner" in efforts to counter China. This made the communists difficult partners for the first UPA government, and they subsequently were jettisoned as Congress supporters and lost a 2007 state election in West Bengal after leading that government for 30 years. In the 2009 national elections, the Left Front competed for 130 seats, but won only 20, suffering especially costly losses in their traditional strongholds. Many analysts attributed their setbacks to poor governance records in these very states.

## **India's Economy**

India has been 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-technology centers as Bangalore and Hyderabad. However, many analysts and business leaders, along with U.S. government officials, point to excessive regulatory and bureaucratic structures as a hindrance to the realization of India's full economic potential.<sup>133</sup> Although India has made major progress in reducing corruption, it is still perceived as a major obstacle for the economy.<sup>134</sup> The high cost of capital (rooted in large government budget deficits) and an abysmal infrastructure also draw negative appraisals as obstacles to growth.<sup>135</sup> Ubiquitous comparisons with the progress

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<sup>132</sup> See the Communist Party of India (Marxist) at <http://www.cpim.org>.

<sup>133</sup> In 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 (see "U.S.-India Strategic Economic Partnership," U.S.-India CEO Forum, March 2006 at <http://planningcommission.nic.in/reports/genrep/USIndia.pdf>).

<sup>134</sup> According to Transparency International's 2010 corruption perception index, India is seen as being moderately corrupt, with a score of 3.3, comparable to China, Greece, and Thailand.

<sup>135</sup> Most recently, India's infrastructural challenges were made apparent when preparations for October's (continued...)



of the Chinese economy show India lagging in rates of growth, foreign investment, poverty reduction, and in the removal of trade barriers.

According to the International Monetary Fund (IMF), India's nominal gross domestic product (GDP) in 2009 was \$1.236 trillion, making it the 12<sup>th</sup> largest economy in the world. However, with an estimated population of 1.2 billion people, India's per capita GDP is \$1,031, 139<sup>th</sup> in the world and slightly higher than that of Pakistan, but still below that of Bhutan. Although India has had one of the fastest growing economies in the world since 2001, relatively high income disparities have left much of India's population in poverty. According to the United Nations Development Program (UNDP), nearly a third of India's population, and more than 60% of its women, live below the national poverty line.<sup>136</sup>

India was struck by the secondary effects of the global financial crisis of 2008, but its impact was comparatively light. According to the IMF, real GDP growth decreased from 7.3% in 2008 to 5.7% in 2009. While its financial sectors were largely insulated from the collapse of selected financial markets, the ensuing economic slowdown (particularly in Europe and the United States) led to a drop in demand for India's leading exports. In addition, the decline in global liquidity placed downward pressure on India's currency, the rupee. With less access to overseas capital, India's private sector turned to domestic sources, leading to a rise in interest rates. To expedite India's recovery, the Indian government passed a fiscal stimulus package amounting to about 3% of GDP in December 2008.

India's economy is showing signs of rebounding from the 2009 slowdown. The IMF predicts real GDP growth to increase to 9.7% in 2010.<sup>137</sup> India's Planning Commission has set a goal of 10% annual growth for the nation's 12<sup>th</sup> Five-Year Plan (2012-2017).<sup>138</sup> However, the nation faces several economic problems. First, inflationary pressures remain strong, particularly for food, which has a disproportionately harmful effect on the poor. India's wholesale price index for July was up 9.97% compared to a year before, and the food price index was up 12.47%. Prime Minister Singh reportedly believes that the overall rate of inflation could decline to 5%-6% by December.<sup>139</sup>

Second, India continues to have a problem with unemployment and underemployment. Despite years of comparatively high economic growth, job creation has lagged well behind the increases in international trade and GDP. In contrast to neighboring China, India's economic growth has relied on more capital-intensive, low employment sectors (such as information technology) and less on labor-intensive manufacturing. In addition, for much of rural India, there are few employment alternatives to agriculture.

Third, India's monetary policy is under pressure from differing directions. After nearly two decades of economic reform, India's financial sector remains a mixture of state and private

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(...continued)

Commonwealth Games in Delhi were marred by numerous problems, including unsanitary venues and a bridge collapse ("The Con Games," *India Today* (Delhi), August 2, 2010; "Games Fiasco Highlights Fissures in Indian Government," Reuters, September 23, 2010).

<sup>136</sup> See [http://www.undp.org.in/whatwedo/poverty\\_reduction](http://www.undp.org.in/whatwedo/poverty_reduction).

<sup>137</sup> "IMF raises India's growth forecast to 9.7%," *The Economic Times*, October 7, 2010.

<sup>138</sup> "10 Pct GDP Growth Aimed in 12<sup>th</sup> Plan," *The Financial Times*, June 19, 2010.

<sup>139</sup> "Inflation to Stay at High Levels in FY11," *The Economic Times*, June 21, 2010.

institutions subject to selective strict regulatory control. India's central bank and chief regulator of the nation's financial system is the Reserve Bank of India (RBI). The Indian government and the RBI have generally maintained a rather conservative view on financial regulation, prohibiting financial institutions from taking on excessive risk or allowing overexposure to international capital flows. This has been reinforced by the Asian financial crisis of 1997, as well as the global financial crisis of 2008. To sustain economic growth, the RBI could lower interest rates, but its concerns about inflation would support raising interest rates. In addition, India's comparatively high interest rates (India's commercial banks' prime lending rates are between 11% and 14%) have contributed to inward capital flows and a strengthening of the rupee. However, under India's "managed float" exchange rate regime, the RBI has attempted to reduce upward pressure on the rupee to maintain the competitiveness of India's exports. As of October 1, 2010, 44.578 rupees = U.S. \$1.

Fourth, India's infrastructure is inadequate and inefficient. Its electricity system poses a particular problem for the nation's economic growth, as undercapacity and poor management lead to frequent brownouts and blackouts. In addition, many businesses and households illegally tap into the electrical grid for power. Efforts to reform India's electricity system have been repeatedly thwarted by local politicians, who use access to electricity as a means of staying in power. India's transportation infrastructure is also in need of greater investment. The Indian government has been making significant investments in the nation's roads, but much still needs to be done.

Fifth, while the days of the License Raj are gone,<sup>140</sup> India continues to have a very complex bureaucratic system, often involving multiple layers of government and numerous agencies with regulatory oversight of the economy. In addition to the plethora of red tape, businesses and workers complain about official and corporate corruption, particularly at the local level.

While in Mumbai in October 2010, senior White House economic advisor Larry Summers lauded India's economic "third way," which he described as a "people-centric" approach driven by growth in consumption rather than in exports: "In 2040, the discussion will be less about the Washington consensus and the Beijing consensus than about the Mumbai consensus."<sup>141</sup>

## **India's Energy, Environment, and Climate Change Policies**

### **Energy Issues**

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. The current New Delhi government aspires to increase the nation's electricity generation by five-fold by the year

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<sup>140</sup> The License Raj refers to the complex regulations and licenses required to establish a business in India before the implementation of economic reforms in 1990. However, many observers still see India's economy as overregulated.

<sup>141</sup> Quoted in "In Mumbai, Advisor to Obama Extols India's Economic Model," *New York Times*, October 15, 2010. According to Summers, the "Mumbai consensus" avoids the rising income and wealth disparities associated with the Beijing and Washington consensuses.

2030. 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 2005 to provide a forum for bolstering bilateral energy cooperation.<sup>142</sup>

India was the world's fourth largest energy consumer in 2009 (after the United States, China, and Japan) and may become third by the middle of this century. Overall power generation in the country more than doubled from 1991 to 2005.<sup>143</sup> Coal and peat are the country's leading commercial energy sources, accounting for two-fifths of national demand. India is the world's third most productive coal producer (however, most of India's coal is an inefficient low-grade, high-ash variety), but also the world's fourth-ranked importer. Oil consumption accounts for some one-third of India's total energy consumption; about 70% of this oil is imported (at a rate of 2.1 million barrels per day in 2009), mostly from the West Asia/Middle East region, making India a leading net importer in this category, as well. India's domestic natural gas supply, while significant, has kept pace with demand, and the country became a net importer in 2004. Hydropower, especially abundant in the country's northeast and near the border with Nepal, is a booming sector and supplied about one-seventh of India's total energy needs in 2008, up from only 5% two years earlier. Nuclear power, which Indian government officials and some experts say is a sector in dire need of expansion, currently accounts for less than 3% of total electricity generation.<sup>144</sup>

Roughly one-fifth of the India's power is consumed by farmers' irrigation systems, making the farm lobby a powerful obstacle to curtailing subsidies provided by State Electricity Boards, which collectively lose billions of dollars annually. Moreover, from one-quarter to one-half of India's electricity is said to disappear through "transmission losses," i.e., theft. Approximately 44% of rural households, representing some 400 million Indians, do not have access to electricity. Government plans to increase energy production by 65% in less than a decade will increase demand for coal-fired power plants by an estimated 2% per annum to nearly double by 2030.<sup>145</sup>

India's dependence on oil imports presents India with a strategic and economic vulnerability and acts as an impetus for developing alternative sources of energy and reducing demand. In the absence of alternative energy sources, India's net oil imports are projected to increase to 90% by 2030. New Delhi's 11<sup>th</sup> five-year plan includes a target of increasing energy efficiency by 20% by the year 2017.<sup>146</sup> New Delhi has set a goal of 20% of its energy coming from renewable sources by 2020 and having 15% of its greenhouse gasses taken up by its forests by 2030. India hopes to create a new carbon sink by expanding forest cover from 22% of total land area to 33% of its land area. A shift to relatively cleaner oil or gas will likely necessitate further dependence on foreign sources of energy, most from the Middle East. It is likely that the Government of India will try to develop alternative energy sources, such as solar, because there is a perception that India's growth

<sup>142</sup> See U.S. Department of Energy information at [http://www.pi.energy.gov/usa\\_india\\_energy\\_cooperation.htm](http://www.pi.energy.gov/usa_india_energy_cooperation.htm).

<sup>143</sup> See Indian Ministry of Power data at <http://powermin.nic.in>.

<sup>144</sup> Energy data, mainly from 2007-2009, from U.S. Department of Energy, Energy Information Administration, August 2010, at <http://www.eia.doe.gov/emeu/cabs/India/Profile.html>; and the International Energy Agency's October 2010 "Key World Energy Statistics" at [http://www.iea.org/textbase/nppdf/free/2010/key\\_stats\\_2010.pdf](http://www.iea.org/textbase/nppdf/free/2010/key_stats_2010.pdf).

<sup>145</sup> Caroline Friedman and Terasita Schaffer, "India's Energy Options: Coal and Beyond," *South Asia Monitor*, August 24, 2009.

<sup>146</sup> "India's Per Capita Carbon Emissions to Rise Threefold by 2030," *Business News*, February 25, 2010.

will be jeopardized unless it embraces alternative sources of energy.<sup>147</sup> The extent to which it will be successful in this objective and the time frame within which it may do so remain obscure.

## **The Environment and Climate Change Issues**

The carrying capacity of the land in India is under stress. India has 2% of the world's surface area, 4% of the world's fresh water and 17% of its population. Over 70% of Indians depend on farm incomes with about 65% of Indian farms dependant on rain fall.<sup>148</sup> Pressure on agricultural production from climate change is exacerbated by degraded soils and water shortages. An estimated 45% of Indian land is seriously degraded due to erosion, soil acidity, alkalinity and salinity, and water logging. Rain has become more erratic in recent years as ground water is being depleted.<sup>149</sup> One study found that the water table in India's northwest is falling by 1.6 inches per year.<sup>150</sup>

Global climate change is anticipated to affect India in a number of ways. Sea level rise from global warming would inundate low lying areas. More intense and destructive weather events, such as cyclones, are also anticipated. Potential changes to the monsoon rains, which are critical for agricultural production in India, could also reduce agricultural output and undermine food security for millions in India. Rising temperatures will also likely lead to Himalayan glacial melt that would alter the flow of India's rivers.

The Prime Minister's Council on Climate Change issued a National Action Plan on Climate Change in 2008 that envisaged a gradual shift to greater reliance on sustainable sources of energy with an emphasis on solar power, but India has not made a commitment to binding carbon emissions cuts.<sup>151</sup> In announcing the National Action Plan, Prime Minister Dr. Manmohan Singh pointed out that in order to eradicate poverty in India there was a necessity for rapid economic growth but added that "I also believe that ecologically sustainable development need not be in contradiction to achieving our growth objectives."<sup>152</sup> The Plan has eight key components:

1. Solar
2. Enhanced energy efficiency
3. Sustainable habitat
4. Water
5. Sustaining the Himalayan ecosystem
6. "Green India"
7. Sustainable agriculture

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<sup>147</sup> Shyam Saran, Special Envoy of the Prime Minister for Climate Change, "India's Climate Change Initiatives," Address to The Carnegie Endowment for International Peace, March 24, 2010, Washington, DC.

<sup>148</sup> "Agricultural Growth Key to Food Security," *Business Times*, June 10, 2010.

<sup>149</sup> "Indian Land Seriously Degraded," *BBC News*, August 12, 2009.

<sup>150</sup> "India's Water Use Unsustainable," *BBC News*, August 13, 2009.

<sup>151</sup> Prime Minister's Council on Climate Change, National Action Plan on Climate Change, Government of India, 2008. "India Unveils Climate Change Plans," *BBC News*, June 30, 2008.

<sup>152</sup> Shyam Saran, Special Envoy of the Prime Minister for Climate Change, "India's Climate Change Initiatives," Address to The Carnegie Endowment for International Peace, March 24, 2010, Washington, DC.

## 8. Strategic knowledge on climate change

A report titled “Environment and Energy Sustainability: An Approach for India,” published by McKinsey Co. in 2009 has estimated that India could reduce its carbon footprint by half by 2030 through significant investment in energy efficiency.<sup>153</sup>

Despite the likely negative consequences of climate change and some moves to place new emphasis on renewable sources of energy in its energy mix, India has not taken a leadership role in addressing climate change on the world stage. As a developing economy that long suffered underdevelopment due to its colonial subjugation under the British, India is reluctant to undertake measures that it feels will hinder or slow its economic development for a problem it believes was largely caused by the West. India notes the fact that, on a per capita basis, its emissions are very low. Indians emit 1.16 tons of CO<sub>2</sub> on a per capita basis as compared to 19.78 for the United States, 9.66 for the United Kingdom, and 4.58 for China according to one source.<sup>154</sup> While very low at present, India’s CO<sub>2</sub> emissions are projected to rise to 3 to 3.5 tons annually by 2030.

Climate change is an issue that has the possibility to create tensions between India and the West at a time when the United States has been seeking a closer relationship with India and will likely require adept diplomacy to bring India along in global efforts to address the problem. India shares with China the fear that global efforts to contain carbon emissions will hinder its economic development. This commonality of interests with China was made evident by their dual opposition to European efforts to obtain meaningful binding carbon emissions reductions at the December 2009 U.N. Climate Conference in Copenhagen.<sup>155</sup> China and India subsequently signed the last-minute agreement that emerged from the summit.<sup>156</sup> The Copenhagen Accord calls for limiting global temperature rise to no more than 2 degrees Celsius beyond preindustrial levels, but is not legally binding.<sup>157</sup>

The United States and India have begun working together on energy efficiency and carbon reduction projects. In November 2009, the U.S. and India announced that they would work together to jointly develop clean coal technologies, smart grids, and increased energy efficiency.<sup>158</sup> Prime Minister Singh and President Obama launched a Clean Energy and Climate Change Initiative as part of their reaffirmation of their global strategic partnership.<sup>159</sup> The November 2009 MoU is to Enhance Cooperation on Energy Security, Energy Efficiency, Clean Energy and Climate Change.<sup>160</sup>

India shares China’s position that the Kyoto Protocol should be extended when it expires in 2012 to lock in commitments by developed states to cut emissions. While India has pledged reductions under the Copenhagen accord it is not subject to binding reductions. Developed states sought to shape a successor agreement to Kyoto that would be legally binding and would replace the Kyoto

<sup>153</sup> Joe Leahy, “India Could Half Emissions by 2030,” *Financial Times*, September 9, 2009.

<sup>154</sup> “Global Warming,” Union of Concerned Scientists, <http://www.ucsusa.org>.

<sup>155</sup> Tobias Rapp, “How China and India Sabotaged the UN Climate Summit,” *Speigel Online*, May 5, 2010.

<sup>156</sup> Damian Carrington, “China and India Join Copenhagen Accord,” *The Guardian*, March 9, 2010.

<sup>157</sup> John Broder, “Climate Goal is Supported by China and India,” *The New York Times*, March 9, 2010.

<sup>158</sup> “India-U.S. Cooperation in the Field of Energy,” *Press Information Bureau*, November 13, 2009.

<sup>159</sup> “India and the United States: Partnership for a Better World,” Joint Statement Between Prime Minister Singh and President Obama, November 24, 2009.

<sup>160</sup> “U.S., India on Energy Security, Climate Change Cooperation,” *America.gov*, November 30, 2009.

Protocol during the October 2010 meeting of 177 governments in Tianjin, China. This meeting took place in the lead-up to the November 29<sup>th</sup> to December 10<sup>th</sup> United Nations Climate meeting in Cancun, Mexico. The United States and developed nations want India and China to accept firm emissions goals which they have resisted.<sup>161</sup> A key tension in the talks has been the view by developing nations that the developed world needs to do more because the bulk of carbon emissions since the industrial revolution have been caused by developed nations.<sup>162</sup> President Obama will have an opportunity to raise energy and climate issues during his November 2010 visit to India.

## Security-Related Issues

### The Indian Military

#### *Overview and Strategy*

India is in the midst of transforming its military into one with global reach. With more than 1.3 million active personnel, India's is the world's third-largest military (after China and the United States).<sup>163</sup> The country's 2010 defense budget increased by nearly 13% over 2009. At \$36 billion, annual spending is up more than 25% 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 2009, the air force procurement budget of \$4.5 billion was about two-fifths of the service-specific total, with the navy receiving another \$2.5 billion. The 2008 Mumbai terrorist attacks spurred further Indian security spending, including plans to enhance the navy's surveillance capabilities, across-the-board strengthening of the National Security Guard counterterrorism force, and the raising of 29 new Border Security Force battalions.<sup>164</sup>

A new “Cold Start” doctrine, announced in 2004, represents an Indian effort to address the escalatory problems posed by Pakistan's nuclear deterrent and the perceived inability of the Indian military to respond effectively to Pakistani provocations in 2002. It calls for the establishment of smooth interservices coordination and forward deployments that would allow for rapid but limited retaliatory strikes by “integrated battle groups.” Observers in Islamabad and elsewhere see in the doctrine an offensive military strategy with the potential to destabilize the region's fragile strategic balance.<sup>165</sup> As India seeks to expand its power projection capabilities, it has come under fire from some for continuing to prepare for a conventional interstate war that may be unlikely to occur. According to a 2007 report, of the country's nearly two million persons in uniform, only about 5,000 had meaningful counterterrorism training.<sup>166</sup>

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<sup>161</sup> “Climate Talks Struggle as China, US Face Off,” *Reuters*, October 6, 2010.

<sup>162</sup> Chris Buckley, “US Says Climate Talks Fail to Make Headway,” *Reuters*, October 6, 2010.

<sup>163</sup> Additional paramilitary forces number about 1.3 million, with the Home Ministry overseeing most of these, including Border Security Forces and Central Reserve Police Forces with a combined strength of some 440,000.

<sup>164</sup> “Mumbai Attack Prompts Indian Security Spending,” *Jane's Defense Weekly*, January 23, 2009.

<sup>165</sup> See Walter Ladwig III, “A Cold Start for Hot Wars?,” *International Security*, Winter 2007/2008.

<sup>166</sup> Ajai Sukla, “Dysfunctional Defense” (op-ed), *Wall Street Journal Asia*, July 19, 2007.

## Defense Equipment and Procurement<sup>167</sup>

The Indian army operates more than 4,000 main battle tanks, the majority of them Russian-built T-72s and T-55s, and some 4,500 towed artillery tubes. The navy has grown rapidly in recent years, currently operating 45 principal surface combatants (including one aircraft carrier) and 16 submarines. There also is a significant amphibious capacity: 17 landing ships (including one acquired from the United States) can carry 4,000 troops or 88 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 boat in 2011 as part of its “sea-based strategic deterrence.” The air force flies some 632 combat-capable aircraft, the majority of them Russian-built MiGs, but also including 98 late-model Su-30s, 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 240 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. A three-stage, 5,000-km-range Agni-V is set to be tested in early 2011.

New Delhi increasingly seeks to shift advanced military imports from finished platforms to co-production with foreign suppliers. Under a license arrangement with Russia, India’s Hindustan Aeronautics Limited is building hundreds of advanced Sukoi-30 MKI ground attack jets. 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 plans to purchase up to 186 new jets (126 for the air force and 60 for the navy) and has signaled a desire for technology sharing and co-production in this effort: only 18 of the new air force jets are to be manufactured abroad. In addition to the Scorpene submarines, other notable recent purchases for the Indian military include 347 of the latest Russian T-90 tanks (with another 1,000 such tanks to be built in India under a technology-sharing agreement) 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-30s, major upgrades on existing MiG and Jaguar aircraft; and 66 jet trainers from Britain.

India was the world’s second-ranked arms purchaser from 2002-2009 (behind Saudi Arabia), making arms transfer *agreements* totaling \$32.4 billion during that period.<sup>168</sup> 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. Moreover, India and Israel are engaging in new joint development projects involving missile technology.

Some analysts predict that, in the absence of major policy and organizational adjustments, India’s efforts to modernize its armed forces will have little or no impact on the country’s overall capacity to address security threats. Among the recommended changes are development of a more transparent and efficient procurement process, creation of a new Chief of Defense Staff position (to better integrate interservices planning), and the opening of India’s defense research agencies to greater oversight.<sup>169</sup>

<sup>167</sup> Most military data in this section come from *The Military Balance 2010* (Institute for International and Strategic Studies, London, 2010).

<sup>168</sup> See CRS Report R41403, *Conventional Arms Transfers to Developing Nations, 2002-2009*, by Richard F. Grimmett.

<sup>169</sup> See Stephen Cohen and Sunil Dasgupta, “The Drag on India’s Military Growth,” Brookings Institution Policy Brief #176, September 2010.

## India's Domestic Security Setting

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. The violent, decades-old Kashmir dispute remains unresolved. Maoist rebels continue to operate in numerous states and represent a serious and growing threat to internal sovereignty. At the same time, 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 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. India also has suffered outbreaks of serious communal violence between Hindus and Muslims, especially in the western Gujarat state. The State Department’s most recent *Country Reports on Terrorism* (released August 2010) found that India “remained one of the countries most afflicted by terrorism,” having suffered more than 1,000 terrorism-related deaths in 2009, and that it continued to “face persistent and significant external threats” from Pakistan- and Bangladesh-based militant groups.<sup>170</sup>

### *The Jammu & Kashmir State*

Although India suffers from several militant regional separatist movements, the Kashmir issue has proven the most lethal and intractable. Gun battles and bomb blasts in India’s Jammu and Kashmir state reportedly killed an average of five or six people every day over the period 1989-2006.<sup>171</sup> Conflict over Kashmiri sovereignty also has brought global attention to a potential “flashpoint” for interstate war between nuclear-armed powers. Yet, despite a peaceful uprising in the summer of 2008, a resurgence of international attention to the issue following the late 2008 terrorist attack in Mumbai, and another round of sometimes violent street demonstrations in mid-2010, the number of militant incidents in the state has been falling continuously and is now at its lowest point since the violence began.

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.<sup>172</sup> 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. 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.<sup>173</sup> The United Nations refrains from playing a role in the Kashmir issue unless both India and Pakistan request its engagement.

<sup>170</sup> See <http://www.state.gov/s/ct/rls/crt/2009/140887.htm>.

<sup>171</sup> “India Says Kashmir Toll Over 41,000, Others Differ,” *Reuters*, December 7, 2006.

<sup>172</sup> 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.

<sup>173</sup> Many critical observers urge the U.S. government to be more active in pressing both India and Pakistan—whether (continued...)



Figure 2. Map of Kashmir



Source: CIA.

Note: Boundary representation is not necessarily authoritative.

(...continued)

overtly or, perhaps more effectively, in private—to settle their Kashmir dispute in the interests of regional stability, especially with regard to Afghanistan. At least one notable analyst argues that U.S. policy “sabotages” a process in which India’s aspirations for major power status could be used as leverage in finding a settlement on Kashmir. First, the argument goes, U.S. policy does not address the political grievances underlying “terrorism.” Second, it approaches the Kashmir issue as a bilateral dispute (between New Delhi and Islamabad), thus giving short shrift to Kashmiri concerns and “delegitimizing the only approach which would make Pakistani territorial concessions domestically acceptable” (Robert Grenier, “Losing Kashmir” (op-ed), *Al Jazeera* (online), July 14, 2010).

**Background.** The Kashmir 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 (see **Figure 2**). The dispute relates to the national identities of both countries: India has long sought to maintain its secular, multi-religious credentials, in part by successfully incorporating a Muslim-majority region, while Pakistan has since independence been conceived as a homeland for the subcontinent's Muslims. India and Pakistan fought full-scale wars over Kashmir in 1947-1948 and 1965. Some Kashmiris seek independence from both countries. Spurred by a perception of rigged state elections in 1989, an ongoing separatist war between Islamic militants (and their supporters) and Indian security forces in Indian-held Kashmir is ongoing and has claimed tens of thousands of lives.<sup>174</sup> Soon after the armed insurgency began, much of the Kashmir Valley's indigenous Hindu population fled.<sup>175</sup> At least 8,000 Kashmiris have "disappeared" during the conflict; some of these may occupy the unmarked graves discovered in 55 villages over a three-year study.<sup>176</sup>

Some separatist groups, such as the Jammu and Kashmir Liberation Front (JKLF), continue to seek an independent or autonomous Kashmir. Others, including the militant Hizbul Mujahideen (HuM), seek union with Pakistan.<sup>177</sup> In 1993, the All Parties Hurriyat [Freedom] Conference was formed as an umbrella organization for groups opposed to Indian rule in Kashmir. The Hurriyat membership of more than 20 political and religious groups has included the JKLF (originally a leading militant force, now a political group) and Jamaat-e-Islami (the political wing of the HuM). The Hurriyat Conference, which states that it is committed to seeking dialogue with the Indian government on a broad range of issues, calls for a tripartite conference on Kashmir, including Pakistan, India, and representatives of the Kashmiri people. Hurriyat leaders demand Kashmiri representation at any talks between India and Pakistan on Kashmir. The Hurriyat formally split in 2003 after a dispute between hardliners allied with Islamabad and moderates favoring negotiation with New Delhi. Subsequent efforts to reunify the group failed. In 2005, the Congress Party-led government renewed high-level contact with moderate Hurriyat leaders begun by the previous BJP-led coalition. Two years later, however, Hurriyat leader and noted Kashmiri cleric Mirwaiz Umar Farooq said talks between the Indian government and moderate Kashmiri

<sup>174</sup> Most estimates list from 41,000 to 77,000 related deaths. The Pakistan-based Kashmir Media Service claims that more than 93,000 Kashmiris have been "martyred" in the fighting.

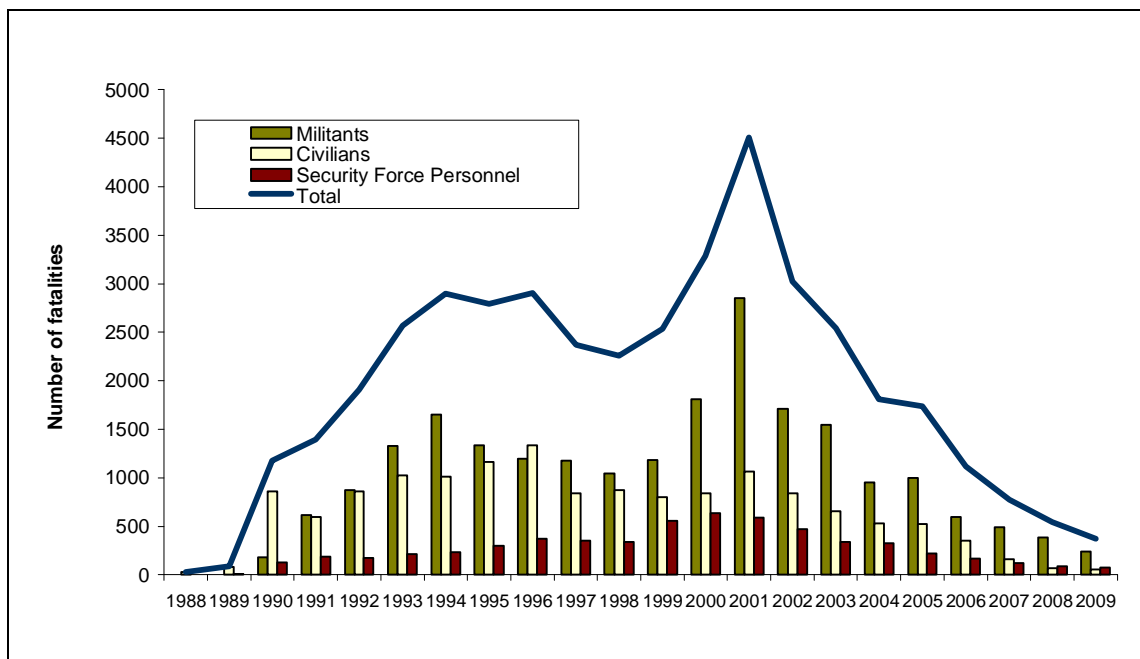
<sup>175</sup> During the early years of the Kashmir insurgency, hundreds of thousands of indigenous Hindu "Pandits" were driven from the region in what amounted to a form of "ethnic cleansing." Up to half a million Kashmiri Pandits, accounting for the vast majority of Hindus then living in the area around Srinagar, fled their homes after coming under threat from Muslim militants. For many Indians, the Kashmir dispute cannot be resolved without arrangements for the return of these refugees, more than 100,000 of whom continue to live in camps with government support. Resolutions in the 110<sup>th</sup> Congress (H.Con.Res. 55 and S.Con.Res. 38), and in the 111<sup>th</sup> Congress (H.Res. 1601), called for the safeguarding of the physical, political, and economic security of the Kashmiri Pandits, but none moved out of committee.

<sup>176</sup> "Report: 2,600 Bodies Found in Kashmir Graves," Associated Press, December 2, 2009.

<sup>177</sup> A 2007 public opinion survey found nearly 90% of the residents of Srinagar, Kashmir's most populous and Muslim-majority city, desiring Kashmiri independence from both India and Pakistan. In the largely Hindu city of Jammu, however, 95% of respondents said Kashmir should be part of India (see <http://www.indianexpress.com/story/210147.html>). A 2008 survey conducted in both India and Pakistan found a majority of respondents expressing an openness to a range of possible outcomes for Kashmir, including outright independence. While such an outcome was described as "unacceptable" by half of the Indians surveyed, the pollsters concluded that, "If a majority of all Kashmiris were to choose independence, a majority of Indians and Pakistanis would find such independence at least tolerable" (see [http://www.worldpublicopinion.org/pipa/pdf/jul08/Kashmir\\_Jul08\\_rpt.pdf](http://www.worldpublicopinion.org/pipa/pdf/jul08/Kashmir_Jul08_rpt.pdf)).

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.<sup>178</sup>

**Figure 3. Deaths Related to Kashmiri Separatist Conflict, 1988-2009**



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

**Figure 3** 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.<sup>179</sup> 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.

**Recent Developments.** In June 2010, large-scale street protests led to violence and the deaths of several protestors in clashes with paramilitary police. By early July, regular Indian army troops were being deployed on the streets of Srinagar to restore and maintain order, yet civil unrest only increased and spread to other parts of Indian Kashmir, even as separatist leaders appealed for calm. By August, the unrest was being called a “full-blown separatist uprising”—the most serious challenge to central rule in two decades—and evidence grew that the current iteration of unrest represented a wider and more spontaneous movement than those in past years. New Delhi imposed an indefinite curfew in September, but the central government, along with that of the

<sup>178</sup> “Kashmiri Separatist Says India Talks Break Down,” *Reuters*, August 30, 2007.

<sup>179</sup> “Tourists Flock Back to Kashmir,” *BBC News*, June 24, 2008.

state's Chief Minister, Omar Abdullah, were seen to be flummoxed by the resilience and depth of resentment demonstrated by protestors.<sup>180</sup> International human rights groups have urged Indian government officials to avoid excessive use of force while investigating the deaths of children.<sup>181</sup>

Prime Minister Singh convened an all-parties meeting in the capital in September to discuss the crisis with opposition parties, but the effort produced no new initiatives. In October, the government announced modest efforts to reduce the presence of security forces and facilities in the region, but the Indian military continues to resist amendment or suspension of the controversial Armed Forces Special Powers Act (AFSPA) that is named by rights groups as a facilitator of abuses in Kashmir and elsewhere. New Delhi more recently appointed a four-person team of official and unofficial "mediators," but the team's composition was widely deemed to be disappointing. Separatist leaders have called New Delhi's efforts "cosmetic" and continue to demand a blanket lifting of AFSPA, the withdrawal of army troops from the Valley, and the release of all political prisoners as preconditions for talks with the government.<sup>182</sup> Some of these demands also appear as suggestions in independent analyses, many of which emphasize economic development and political devolution as the best means of mitigating Kashmiri discontent. Indeed, economic uplift, perhaps in the form of a large-scale jobs program for the region, could be the most effective policy to address the growing numbers of disaffected Kashmiri youth.<sup>183</sup>

### *Maoist Rebels*

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 rebels get their name from Naxalbari, a West Bengal village and site of a militant peasant uprising in 1967. In 2006, Prime Minister Singh identified a worsening Maoist insurgency as "the single biggest internal security challenge" ever faced by India, saying it threatened India's democracy and "way of life."<sup>184</sup> Analysts warn that, by

<sup>180</sup> "India Struggles to Contain Kashmiri Rage," *Financial Times* (London), July 15, 2010; "India Struggles to Douse Kashmir's Separatist Fire," Reuters, August 5, 2010; "New Delhi Cogitates, Kashmir Burns," *Wall Street Journal*, September 15, 2010. Abdullah himself has been criticized for being slow to recognize the extent of the current problem and for appearing detached from his people's concerns, at considerable cost to his popularity ("Kashmir Chief is Target of Mounting Public Frustration," *Time*, August 16, 2010; "Indian Delegation, Back From Kashmir, Struggles to Break Deadlock," *New York Times*, September 21, 2010).

<sup>181</sup> See, for example, the July 2, 2010, Amnesty International statement at <http://www.amnesty.org/en/library/info/ASA20/017/2010/en>. Some critics of Indian policy in Kashmir compare it unfavorably to that of Israel in the West Bank, arguing that New Delhi should come suffer international opprobrium for its allegedly repressive tactics (see, for example, Rob Brown, "Why Isn't India a Pariah State?" (op-ed), *Jerusalem Post*, September 19, 2010).

<sup>182</sup> "Disappointment With Team to Ease Kashmir Tension," *Financial Times* (London), October 13, 2010; "India Kashmir Talks End in Deadlock; Violence Continues," Reuters, September 15, 2010; "India Starts Scaling Down Security in Kashmir," Reuters, October 5, 2010; "Political Leaders Search for Kashmir Peace Plan," *Wall Street Journal*, September 21, 2010;

<sup>183</sup> See, for example, Happymon Jacob, "Kashmir Needs a Political Package" (op-ed), *Hindu* (Chennai), September 23, 2010; Sumit Ganguly, "The 'Flag March' Won't Fix Kashmir" (op-ed), *Wall Street Journal*, July 10, 2010; Walter Anderson, "Understanding the Political Sociology of Violence in Kashmir," paper delivered at the Heritage Foundation, Washington, DC, October 7, 2010. See also "Solving the Kashmir Conundrum" (interviews), Council on Foreign Relations, October 15, 2010, at [http://www.cfr.org/publication/23165/solving\\_the\\_kashmir\\_conundrum.html](http://www.cfr.org/publication/23165/solving_the_kashmir_conundrum.html).

<sup>184</sup> "Indian PM Says Maoist Rebellion Gravest Threat," *Reuters*, April 13, 2006. A useful recent overview of the threat is "A Closer Look at India's Naxalite Threat," Stratfor (online), July 8, 2010.

blocking access to raw materials vital to India's manufacturing sector and deterring investors, the Naxalite movement could thwart India's long-term economic success.<sup>185</sup> At least 8,000 hardcore Naxalite fighters now operate in 20 of India's 28 states, in more than 200 of the country's 630 districts, and in fully one-seventh of the country's 14,000 police districts. Related violence has killed more than 7,000 people over the past two decades, including nearly 1,000 deaths in 2009 alone.<sup>186</sup>

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.

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 paid about \$1 per day—has been viewed by some as an effective countervailing people's movement. Others label it a vigilante group that has engaged in its own coercive and violent tactics against innocent tribals, one that only serves to accentuate the conflict as "a cure that is worse than the disease."<sup>187</sup> A 2008 report for India's Planning Commission recommended that the Salwa Judum campaign represented "an abdication of the state itself" and should immediately be ended. New York-based Human Rights Watch later called on the New Delhi and Chhattisgarh governments to end all official support for the campaign, including provision of weapons, and to launch "serious and independent investigations" of related human rights abuses.<sup>188</sup>

The New Delhi government had previously sought to undermine the Maoist rebellion by boosting development spending in affected areas. Yet 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; the rebels are able to attack in large enough numbers that most police units are rendered helpless.<sup>189</sup>

In 2007, Prime Minister Singh asked India's states to establish specialized, dedicated forces to address Maoist militancy. In 2008, the federal government announced plans to create a new 10,000-strong force trained specifically to fight the rebels. Yet New Delhi's tandem approach of combating Maoist militancy with simultaneous armed action and economic development paid few dividends and, by mid-2009, government officials were indicating that the two would henceforth be delinked. At present, the central government continues to focus on establishing the state's writ in affected areas before meaningful development projects are launched.<sup>190</sup> In mid-2010, New

<sup>185</sup> "Maoist Insurgency Can Hurt Industry in India – Experts," Reuters, June 23, 2009; "How Big a Threat Are the Maoists in India?," Reuters, August 3, 2010.

<sup>186</sup> "How Big a Threat Are India's Maoists?," Reuters, May 31, 2010; "Delhi Alters Maoist Strategy," *Telegraph* (Kolkata), September 24, 2009. See also data sheets at [http://www.satp.org/satporgtp/countries/india/maoist/data\\_sheets/fatalitiesnaxal09.htm](http://www.satp.org/satporgtp/countries/india/maoist/data_sheets/fatalitiesnaxal09.htm).

<sup>187</sup> Asian Center for Human Rights press release at <http://www.achrweb.org/press/2007/IND0307.htm>.

<sup>188</sup> "Scrap Sulwa Jundum: Planning Commission Panel," *Hindu* (Chennai), May 21, 2008; July 2008 HRW report at .

<sup>189</sup> "Police Unable to Fight Maoist 'Formations,'" *Hindu* (Chennai), October, 22, 2008.

<sup>190</sup> The central government is criticized by some analysts for viewing the battle as being essentially over territory, when the rebels appear more interested in maintaining "disruptive dominance" than in administrative control. These analysts (continued...)



Delhi announced that it would increase its assistance to state governments through the provision of more helicopters, the establishment or strengthening of 400 police stations, and the improvement of road connectivity in affected areas, among other measures. It also asked the governments of the four most-affected states (Chhattisgarh, Jharkhand, Orissa, and West Bengal) to create a Unified Command for anti-Naxal operations. However, these efforts do not address the “intellectual appeal” of the Maoists, which India’s former national security advisor identified as a key problem.<sup>191</sup>

Thus far in 2010, the Maoists have staged several spectacular attacks on both civilian and security targets, indicating that their capabilities are only growing. During the first half of the year, the rebels were accused of perpetrating an average of more than six incidents of violence every day across India, leaving an average of some 12 people dead per week.<sup>192</sup> Most notably, an April 2010 ambush in the Dantewada district of Chhattisgarh killed 75 Indian paramilitary soldiers and may have been a public relations disaster for the rebels; New Delhi soon after announced that 6,000 additional troops would be deployed to the region.<sup>193</sup>

### *Separatism and Insurgency in the Northeast*

Since the time of India’s foundation as an independent nation, 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 29-year-old Naga insurgency and another 10,000 deaths in 16 years of fighting in the Assam state. In the small state of Manipur alone there are said to be more than 20 separatist groups fighting the Indian army at a cost of more than 8,000 lives over two decades, and the writ of the central government there is tenuous, at best. As militant groups are seen to benefit from highly profitable criminal activities such as informal taxation, kidnapping, 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.

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 northeastern militant groups at war with the central government. They 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.<sup>194</sup>

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(...continued)

thus encourage the government to attain a more genuine “clearing” and “holding” of areas where the militants are active before the “build” phase of counterinsurgency can be successful (Ajay Sahni, “A Strategy in Disarray,” *India Today* (Delhi), April 19, 2010).

<sup>191</sup> P. Chidambaram, “New Anti-Maoist Measures,” *India Today* (Delhi), July 14, 2010; “Q&A With Indian National Security Advisor MK Narayanan,” *Straits Times* (Singapore), August 12, 2008.

<sup>192</sup> P. Chidambaram, “New Anti-Maoist Measures,” *India Today* (Delhi), July 14, 2010.

<sup>193</sup> “Support Slips Away from India’s Maoists,” BBC News, April 125, 2010.

<sup>194</sup> See <http://www.state.gov/s/ct/rls/crt/2005/65275.htm>.

## *Communal Tensions and Conflict*

**Hindu-Muslim.** Some elements of India's Hindu majority have at times engaged in violent communal conflict with the country's large Muslim minority of some 150 million, which is relatively poor, uneducated, and underrepresented in professions such as law and medicine.<sup>195</sup> In 1992, a huge mob of Hindu activists in the western city of Ayodhya demolished a 16<sup>th</sup>-century mosque said to have been built at the birth site of the Hindu god Rama. Ensuing communal riots in cities across India left many hundreds dead. Mumbai was especially hard hit and was the site of coordinated 1993 terrorist bombings believed to have been a retaliatory strike by Muslims. In 2002, another group of Hindu activists returning by train to the western state of Gujarat after a visit to the Ayodhya site of the now razed Babri Mosque (and a proposed Hindu temple) were attacked by a Muslim mob in the town of Godhra; 58 were killed. Up to 2,000 people died in the fearsome communal rioting that followed, most of them Muslims. The BJP-led state and national governments came under fire for inaction; some observers saw evidence of state government complicity in anti-Muslim attacks.

The U.S. State Department and human rights groups have been critical of New Delhi's largely ineffectual efforts to bring those responsible to justice; some of these criticisms were echoed by the Indian Supreme Court in 2003. In 2005, the State Department made a controversial decision to deny a U.S. visa to Gujarat Chief Minister Narendra Modi under a U.S. law barring entry for foreign government officials found to be complicit in severe violations of religious freedom.<sup>196</sup> The decision was strongly criticized in India. More than eight years after the Gujarat riots, international human rights groups express 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). In 2008, a Gujarat state government commission exonerated Chief Minister Modi, claiming to have found "absolutely no evidence" that he or his ministers had acted improperly.<sup>197</sup> In September 2010, India's Supreme Court issued a much-anticipated ruling on the Ayodhya site, determining that Hindus and Muslims should share the land. Anticipated large-scale communal violence did not occur.<sup>198</sup>

In September 2008, seven people were killed by two bomb blasts in the Maharashtra city of Malegaon, a hotbed of Hindu-Muslim communal strife. By year's end, police had arrested nine members of a "Hindu terrorist cell" in connection with the bombing, including an active army lieutenant colonel and a Hindu nun with links to the main opposition BJP.<sup>199</sup> Thus did "Hindu terrorism" become a new and highly controversial phrase in India's national dialogue. Never before in the country's history had the phrase been so widely used, and the development has had major and continuing effects on India's national psyche. Many Indian observers warned of the danger of a "militant majoritarianism" among Hindu nationalists that threatens to rend the secular

<sup>195</sup> "India's Dangerous Divide," *Wall Street Journal*, December 6, 2008.

<sup>196</sup> In November 2007, Human Rights Watch called on the Indian government to launch an investigation of Modi after he made statements apparently endorsing the extrajudicial execution of a terrorism suspect by police. In July 2008, 27 Members of Congress joined the U.S. Commission on International Religious Freedom in urging the State Department to reaffirm its past decision to block Modi's entry to the United States (see <http://hrw.org/english/docs/2007/12/07/india17510.htm> and [http://www.uscirf.gov/index.php?option=com\\_content&task=view&id=2219&Itemid=46](http://www.uscirf.gov/index.php?option=com_content&task=view&id=2219&Itemid=46)).

<sup>197</sup> "Modi 'Cleared' Over Gujarat Riots," BBC News, September 25, 2008.

<sup>198</sup> "In Surprise, Indian Court Divides Holy Site for Hindus and Muslims," *New York Times*, October 1, 2010.

<sup>199</sup> "India Police Say They Hold 9 From Hindu Terrorist Cell," *New York Times*, November 12, 2008.

fabric of the nation. Some even argued that the BJP itself should be held complicit in incidents of Hindu nationalist terrorism, and that an “Indian Taliban” would sink the fortunes of the BJP.<sup>200</sup>

Today, India continues to be home to militant Hindu nationalist groups with an interest in launching terrorist attacks inside the country.<sup>201</sup> Yet, despite New Delhi’s reluctance to openly acknowledge the fact, India also has its own indigenous Islamist terrorism threat. The newly emergent “Indian Mujahideen” (IM) group, widely believed to be an offshoot or pseudonym of the Students Islamic Movement of India (SIMI), has been found complicit in a number of recent bombings, even as government leaders continue to name Pakistan as an abettor of such episodes. The New Delhi government formally outlawed the IM in June 2010. Some Indian experts assert that the IM’s top operators, drawn mostly from SIMI’s ranks, receive training at LeT camps inside Pakistan.<sup>202</sup> Prime Minister Singh acknowledged in 2008 that the involvement of “local elements” in terrorist attacks added a “new dimension” to the country’s indigenous militancy problem.<sup>203</sup> SIMI may be viewed as being aligned with the greater international jihadi movement, given its endorsement of the goals of Al Qaeda and its links with other international terrorist organizations such as the Pakistan-based Lashkar-e-Taiba and Harakat-ul-Jihad-Islami. As India’s Muslim minority continues to suffer from glaring social inequities, it is likely that some among its numbers will remain vulnerable to recruitment in SIMI and/or the IM.<sup>204</sup>

**Hindu-Christian.** In mid-2008, lethal violent attacks on Orissa Christians erupted in apparent retaliation for the murder of a prominent local Hindu leader. Police blamed the murder on Maoist rebels, but Hindu radicals blamed local Christians. Rampaging mobs burned churches and other Christian buildings, killing at least 38 people and leaving up to 50,000 more homeless. U.S. officials took note of the unrest and urged Indian government officials to protect religious freedom throughout the country.<sup>205</sup> By some accounts, the Hindu radicals were pursuing a political agenda; there was speculation that violent attacks on Orissa’s Christian communities was part of an organized political project by Hindu nationalist parties.<sup>206</sup> Communal strife continued throughout the remainder of the year at a lower level, and state-level officials may have failed to provide sufficient security for the Christian minority. For many, the violence provided “a window into India’s hidden fragility, its sometimes dangerous political climate, and the fierce historical divisions buried in its vast diversity.”<sup>207</sup> There continue to be reports of anti-Christian repression and violence in India, especially in the Karnataka state (see also the “Religious Freedom” section below).<sup>208</sup>

<sup>200</sup> “‘Hindu Terrorism’ Debate Grips India,” BBC News, November 21, 2008; Praful Bidwai, “Saffron Terror” (op-ed), *Frontline* (Chennai), November 21, 2008; “The True Face of the BJP” (op-ed), *Outlook* (Delhi), October 29, 2008; “India’s ‘Taliban’ May Hurt Main Hindu Opposition Party,” Reuters, January 27, 2008.

<sup>201</sup> See “The Rise of Hindutva Terrorism,” *Outlook India* (Delhi) May 11, 2010.

<sup>202</sup> “India’s Al Qaeda,” *India Today* (Delhi), December 22, 2008.

<sup>203</sup> “Indian PM Worries About Home-Grown Militant Threat,” Reuters, September 17, 2008; “The New Terror,” *India Today* (Delhi), September 29, 2008; “The New Indian,” *Newsweek*, September 29, 2008.

<sup>204</sup> C. Christine Fair, “Students Movement of India and the Indian Mujahideen: An Assessment,” *Asia Policy*, January 2010. See also Praveen Swami, “The Rebirth of the Indian Mujahideen,” *Hindu* (Chennai), April 19, 2010.

<sup>205</sup> “US Asks Indian Govt to Protect Religious Freedom,” Press Trust of India, September 20, 2008.

<sup>206</sup> Prafulla Das, “Project Orissa,” *Frontline* (Chennai), September 26, 2008.

<sup>207</sup> “India Court Orders Protection of Christians in Orissa,” Reuters, January 5, 2009; “Christians Face Attacks in Eastern India,” Associated Press, October 25, 2008.

<sup>208</sup> See, for example, the U.S. Commission on International Religious Freedom’s 2010 annual report at <http://www.uscifr.gov/images/annual%20report%202010.pdf>.



## Nuclear Arms Control and Nonproliferation

India exploded a “peaceful” nuclear device in 1974 and tested nuclear weapons again in 1998. The country has between 60 and 100 nuclear warheads, according to public estimates,<sup>209</sup> and continues to produce plutonium for weapons.<sup>210</sup> New Delhi has stated that it will not engage in a nuclear arms race and needs only a “credible minimum deterrent,” but India has never defined what it means by such a deterrent. Both the U.S.-India nuclear cooperation agreement and associated 2008 Nuclear Suppliers Group decision described below will renew New Delhi’s access to the international uranium market. This access will result in more indigenous Indian uranium available for weapons because it will not be consumed by India’s newly safeguarded reactors.

New Delhi has refused either to sign the nuclear Nonproliferation Treaty (NPT) or accept International Atomic Energy Agency safeguards on all of its nuclear material and facilities.<sup>211</sup> The NPT states-parties adopted language following the 2010 NPT Review Conference, which ended on May 28, calling on non-signatories to accede to the treaty as “non-nuclear-weapon States ... promptly and without any conditions.” U.N. Security Council Resolution 1172, which was adopted after New Delhi’s 1998 nuclear tests, called on India to take a number of steps which New Delhi has not taken, such as acceding to the NPT, ratifying the Comprehensive Test Ban Treaty (CTBT), and refraining from developing nuclear-capable ballistic missiles.

Despite this resistance to international arms control and nonproliferation agreements, M.K. Narayanan, National Security Adviser to Indian Prime Minister Manmohan Singh, stated in December 2009 that “India has a long-standing commitment to global, non-discriminatory and verifiable nuclear disarmament.” Indeed, New Delhi has issued proposals for achieving global nuclear disarmament. For example, a 2007 working paper to the Conference on Disarmament called for the “[n]egotiation of a Nuclear Weapons Convention prohibiting the development, production, stockpiling and use of nuclear weapons and on their destruction, leading to the global, non-discriminatory and verifiable elimination of nuclear weapons with a specified timeframe.”<sup>212</sup> Moreover, Singh stated during the April 2010 Nuclear Security Summit that New Delhi is ready to “participate in the negotiation of an internationally verifiable Fissile Material Cut-off Treaty.”<sup>213</sup> Additionally, India has, despite its refusal to sign the CTBT, committed itself to a voluntary unilateral moratorium on nuclear testing. Furthermore, New Delhi supported the joint statement adopted at the Nuclear Security Summit, which contained a pledge to improve nuclear security standards and share best practices with other countries.<sup>214</sup>

<sup>209</sup> Arms Control Association, “Nuclear Weapons: Who Has What at a Glance,” available at <http://www.armscontrol.org/factsheets/Nuclearweaponswhohaswhat>; Robert S. Norris and Hans M. Kristensen, “Indian Nuclear Forces, 2008,” *Nuclear Notebook, Bulletin of the Atomic Scientists*, November/December 2008; SIPRI yearbook, 2009, available at <http://www.sipri.org/yearbook/2009/08>.

<sup>210</sup> *Global Fissile Material Report 2009: A Path to Nuclear Disarmament*, International Panel on Fissile Materials, 2009, p.16.

<sup>211</sup> India, Israel, and Pakistan are the only countries which are not parties to the NPT.

<sup>212</sup> India Working Paper “Nuclear Disarmament,” CD/1816 February 20, 2007. Available at <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/G07/604/46/PDF/G0760446.pdf?OpenElement>

<sup>213</sup> Statement by the Prime Minister of India Dr. Manmohan Singh at the Nuclear Security Summit, April 13, 2010, at <http://www.indianembassy.org/prdetail1501/statement-by-the-prime-minister-of-india-dr.-manmohan-singh-at-the-nuclear-security-summit—>.

<sup>214</sup> For more information on the summit, see CRS Report R41169, *Securing Nuclear Materials: The 2010 Summit and Issues for Congress*, by Mary Beth Nikitin.

## U.S.-India Bilateral Issues

### U.S.-India Economic and Trade Relations

As one of India's leading trade and investment partners, the United States strongly supports New Delhi's continuing economic reform policies. A U.S.-India Trade Policy Forum was created in 2005 to expand bilateral economic engagement and provide a venue for discussing multilateral trade issues. According to U.S. trade statistics, U.S. exports to India in 2009 totaled \$16.46 billion and imports from India totaled \$21.18 billion, for a bilateral trade deficit of \$4.71 billion.<sup>215</sup> With a total trade of \$37.64 billion, India was the 14<sup>th</sup> largest trading partner for the United States in 2009.

The leading U.S. exports to India in 2009 were (in order): Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof and imitation jewelry (chapter 71)—\$2.339 billion; nuclear reactors, boilers, machinery, and mechanical appliances, or parts thereof (chapter 84)—\$ 2.325 billion; and aircraft, spacecraft, and parts thereof (chapter 88)—\$2.254 billion. The top imports from India were (in order): Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof and imitation jewelry (chapter 71)—\$4.558 billion; pharmaceutical products (chapter 30)—\$1.660 billion; and articles of apparel and clothing accessories, not knitted or crocheted (chapter 62)—\$1.649 billion. The cross-trade in items under chapter 71 reflects a strong interrelationship for the industries in both nations. India is a major global supplier of precious gems and stones, whereas the United States is a major supplier of finished jewelry.<sup>216</sup>

In addition to their merchandise trade flows, India and the United States have significant service trade relations. In 2008 (latest available figures), U.S. private services exports to India totaled \$10.532 billion, and imports from India totaled \$12.123 billion.<sup>217</sup> Total bilateral trade in financial services in 2008 was \$755 million. Most of the services trade was in business, professional, and technical services, which include information technology.

Annual inward foreign direct investment (FDI) to India from all countries rose from about \$100 million in FY1990/91 to nearly \$3 billion in FY2000/01 and \$27 billion in FY2008/09. According to the Indian Ministry of Commerce and Industry, about 7.5% of FDI in India since 2000 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. The stock of U.S. FDI in India currently stands at about \$9 billion.<sup>218</sup>

<sup>215</sup> Trade statistics from the U.S. International Trade Commission (USITC).

<sup>216</sup> For more information on bilateral trade in jewelry, see CRS Report RL34161, *India-U.S. Economic and Trade Relations*, by Michael F. Martin and K. Alan Kronstadt.

<sup>217</sup> Data from the U.S. Bureau of Economic Analysis (BEA).

<sup>218</sup> See the Ministry's Department of Industrial Policy and Promotion data at [http://www.dipp.nic.in/fdi\\_statistics/india\\_fdi\\_index.htm](http://www.dipp.nic.in/fdi_statistics/india_fdi_index.htm).

## **U.S.-India Economic Issues**

While bilateral relations are generally good, there are a number of economic and trade issues between India and the United States of varying degrees of importance. For the United States, the more pressing issues are intellectual property rights protection, trade in dual-use technology, access to selective Indian markets, and India's participation in the U.S. Generalized System of Preferences (GSP) program. For India, the key issues are negotiations of a bilateral investment treaty (BIT), U.S. restrictions on the trade in services (including the limited supply of H1-B visas), high-technology export controls, and the U.S. farm subsidy program. In July 2010, Indian Commerce Minister Anand Sharma protested the legislation in a letter to the U.S. Trade Representative Ron Kirk, saying it could cost Indian firms an extra \$200 million per year in visa fees. New Delhi called the bill "discriminatory" because its primary impact would be on Indian firms. While in Washington, DC, for a September 2010 round of bilateral Trade Policy Forum talks, Sharma expressed to the USTR India's further concerns about "the trade restrictive and protectionist policies adopted by the United States in recent times."<sup>219</sup>

### **Intellectual Property Rights Protection**

Inadequate intellectual property rights protection is a long-standing issue between the United States and India. India appears on the U.S. Special 301 "Priority Watch List" for 2010 for failing to provide an adequate level of IPR protection or enforcement, or market access for persons relying on intellectual property protection.<sup>220</sup> While the United States acknowledges India's progress on enforcement, it maintains that piracy and counterfeiting, including the counterfeiting of pharmaceuticals, remains widespread. India remains critical of U.S. efforts to pressure developing nations, including India, to adopt laws and regulations governing pharmaceuticals that are overly supportive of the major pharmaceutical companies and could potentially deny poorer nations of access to important medicines.

### **Trade in Dual-Use Technology**

The year 2003 saw the inaugural session of the U.S.-India High-Technology Cooperation Group (HTCG), a forum in which officials can discuss a wide range of issues relevant to creating the conditions for more robust bilateral high technology commerce. The seventh HTCG meeting was held in Washington, DC, in March 2010. In 2007, India and the United States concluded a bilateral 123 Agreement on civil nuclear cooperation. While the accord addressed many concerns about India's nuclear program and trade in dual-use technology, there remain concerns in the United States about India's ability to prevent the distribution of potentially dangerous technology and equipment to undesirable recipients. Also in 2007, the United States developed a validated end-users (VEU) program that permits designated Indian companies expedited review of their applications to trade in dual-use or restricted technology. India had commented on the slow

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<sup>219</sup> "India Protests 'Discriminatory' U.S. Border Bill," Reuters, August 10, 2010; Sharma quote at <http://www.indianembassy.org/prdetail1582/indo-us-trade-policy-forum-discusses-trade-and-investment-relations>.

<sup>220</sup> The International Intellectual Property Alliance (IIPA), a coalition of U.S. copyright-based industries, estimated U.S. losses of more than \$1 billion due to copyright piracy in India in 2009, with the great majority of this in the categories of business and entertainment software. The IIPA expresses frustration that enforcement is "fragmented" and "is still not effective" (see <http://www.iipa.com/rbc/2010/2010SPEC301INDIA.pdf>).

implementation of this program, pointing out that the first Indian company was accepted by the VEU program in June 2009, two years after the program was created.<sup>221</sup>

Since 1998, a number of Indian entities have been subjected to case-by-case licensing requirements and appear on the U.S. export control “Entity List” of foreign end users involved in weapons proliferation activities. In 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.<sup>222</sup>

## **U.S Market Access in India**

The United States would like greater access to India’s domestic markets, particularly for such products and services as agricultural goods, financial services, and retail distribution. 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. The U.S. government maintains that India is using sanitary and phytosanitary (SPS) regulations to restrict the import of certain U.S. agricultural goods. India denies these claims, arguing that the U.S. farm subsidy program unfairly subsidizes U.S. agricultural exports and greater market access would threaten the livelihood of many of India’s farmers.

## **India’s Participation in the GSP Program**

India is designated as a beneficiary developing country (BDC) in the U.S. GSP program.<sup>223</sup> As such, a limited amount of Indian imports of selected goods can enter the United States duty-free. Some in Congress believe that India is too developed to remain a GSP beneficiary, while others contend that India should be removed from the GSP program because of its stance on various issues related to the World Trade Organization’s Doha Round negotiations. India was the third largest GSP beneficiary in 2009, after Angola and Thailand.

## **Bilateral Investment Treaty**

India is pressing the United States to start negotiations of a bilateral investment treaty (BIT). A BIT is frequently seen as the first step in the possible progress towards a free trade agreement (FTA). In addition, a BIT between India and the United States might foster greater FDI flows between the two nations. There are reports in India that completion of a U.S.-India BIT may be part of President Obama’s upcoming trip to India.<sup>224</sup>

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<sup>221</sup> See U.S. Commerce Department, Bureau of Industry and Security information at <http://www.bis.doc.gov/internationalprograms/indiacooperation.htm>.

<sup>222</sup> See Commerce’s Entity List at <http://www.bis.doc.gov/Entities>.

<sup>223</sup> For more about India’s participation in the U.S. GSP program, see CRS Report RL33663, *Generalized System of Preferences: Background and Renewal Debate*, by Vivian C. Jones.

<sup>224</sup> Anirban Bhaumik, “Investment Treaty may be Inked during Obama Visit,” *Deccan Herald*, September 26, 2010.

## **U.S. Restrictions on Trade in Services**

India would like to have greater access to U.S. services market, particularly the ability of Indian nationals to provide services in the United States. There are two aspects of this issue. First, via its various certification programs, the United States restricts the ability of many Indian professionals (such as accountants, medical doctors, and lawyers) from providing services in the United States. Second, the United States limits the number of people who can work in the country under its H1-B visa program for certain high-skilled jobs. India would like the United States to increase or remove the limit on H1-B visas.

## **U.S. Farm Subsidy Program**

India maintains that the U.S. farm subsidy program—worth an estimated \$17.7 billion per year—provides U.S. agricultural exports with an unfair trade advantage. To the Indian government, the U.S. program poses a threat to millions of Indian farmers, hence it maintains restrictions on U.S. agricultural imports. In addition, India sees the U.S. reluctance to curtail or eliminate its farm subsidy program as a major roadblock in making progress in the Doha Round negotiations.

## **Multilateral Trade Negotiations<sup>225</sup>**

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 resists opening its markets to subsidized agricultural products from developed countries, claiming this would be detrimental to tens of millions of Indian farmers and lead to 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. The Indian economy could benefit significantly from lowered farm subsidies in developed countries and expanded trade in services, but indigenous industries could also be harmed if New Delhi were to reduce tariffs that currently protect India's exporting sectors, especially in textiles and garments.

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<sup>225</sup> See also CRS Report RL32060, *World Trade Organization Negotiations: The Doha Development Agenda*, by Ian F. Fergusson, and CRS Report RL33144, *WTO Doha Round: The Agricultural Negotiations*, by Charles E. Hanrahan and Randy Schnepf.

## U.S.-India Civil Nuclear Cooperation<sup>226</sup>

### Background

India's status as a non-signatory to the 1968 Nuclear Nonproliferation Treaty (NPT) kept it from accessing most nuclear technology 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, has allowed certain states to legitimately deploy nuclear weapons while other states cannot.<sup>227</sup> Senior Indian officials maintain the widely held Indian perspective that reaching a civil nuclear deal with the United States was 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" would India be able to open the door to global trade in dual use and other sophisticated technologies, including nuclear technologies.<sup>228</sup>

Differences over nuclear policy bedeviled U.S.-India ties for decades and—given New Delhi's lingering resentments—presented a serious psychological obstacle to more expansive bilateral relations. In a major policy shift, 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."<sup>229</sup> 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 Atomic Energy Agency safeguards.

After extensive and difficult negotiations, U.S. legislation allowing the United States to conclude a peaceful nuclear cooperation agreement with India became law in December 2006 (P.L. 109-401). President Bush signed P.L. 110-369, which approved the agreement, into law in October 2008. Secretary of State Condoleezza Rice and India's External Affairs Minister Pranab Mukherjee signed the agreement later that month and it entered into force in December 2008. Following an intense U.S. lobbying effort, the NSG decided in September 2008 to exempt India from some of its export requirements—a decision that enabled the government to conclude nuclear cooperation agreements with several countries.<sup>230</sup> New Delhi has negotiated such

<sup>226</sup> See also CRS Report RL33016, *U.S. Nuclear Cooperation with India: Issues for Congress*, by Paul K. Kerr.

<sup>227</sup> Under the NPT, the five nuclear-weapon states are China, France, Russia, the United Kingdom, and the United States. All other parties are non-nuclear-weapon states; currently, India cannot join the NPT as a nuclear-weapon state. The final document adopted after the 2000 NPT Review Conference stated that India's nuclear tests "do not in any way confer a nuclear-weapon-State status or any special status whatsoever."

<sup>228</sup> 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>.

<sup>229</sup> See the statement text at <http://meaindia.nic.in/mystart.php?id=53059889>.

<sup>230</sup> The Nuclear Suppliers Group is a voluntary nuclear export control regime consisting of 46 participating governments.

agreements with Russia, France, Kazakhstan, Namibia, Mongolia, Argentina, the United Kingdom, and Canada.

In the realm of geopolitics, much of the Bush Administration's argument for moving forward with the U.S.-India nuclear initiative appeared 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 have been 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 largely speculative and at least somewhat dependent upon unknowable global political developments.

## Recent Developments

U.S. companies have not yet started nuclear trade with India. Washington and New Delhi announced March 29, 2010, that they had concluded an agreement on a reprocessing facility in India; the two countries signed the agreement July 30, 2010. The arrangement, which the Administration had submitted to Congress on May 11, 2010, would not have taken effect if Congress had adopted a joint resolution of disapproval within 30 days of continuous session; Congress did not adopt such a resolution. New Delhi had reportedly insisted that India and the United States conclude the arrangement before New Delhi would sign contracts with U.S. nuclear firms. Despite the subsequent arrangement, U.S. firms may be reluctant to engage in nuclear trade with India if the government does not resolve concerns regarding its policies on liability for nuclear reactor operators and suppliers.<sup>231</sup>

India signed the Convention on Supplementary Compensation for Nuclear Damage (CSC), which has not yet entered into force, October 27, 2010. However, many observers have argued that India's Civil Liability for Nuclear Damage Bill, which both houses of India's parliament adopted in August 2010, is not consistent with the CSC, citing the provisions which make reactor suppliers, in addition to operators, liable for damages caused by a reactor accident.<sup>232</sup> U.S. officials have argued that India's law should be consistent with the Convention. Assistant Secretary of State Robert Blake stated in a June 9, 2010, interview with *India Abroad* that the U.S. interest is to "ensure that the bill that ultimately is enacted is compliant" with the CSC. Although Under Secretary of State William Burns described New Delhi's signing of the CSC as a "very positive step" during an October 27 press briefing, he also indicated that India will need to take additional steps in order to resolve U.S. concerns regarding India's liability policies. Shrikumar Banerjee, Chair of India's Atomic Energy Commission, argued September 16 that the law is compatible with the CSC.<sup>233</sup>

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<sup>231</sup> "India Weighs Measure to Ease Nuclear Liability," *Wall Street Journal*, October 10, 2010.

<sup>232</sup> "India Risks Nuclear Isolation with Break From Chernobyl Accord," Bloomberg, August 26, 2010; "India Liability Bill Seen Shaking Up Nuclear Trade, Liability Regime," *Nucleonics Week*, September 2, 2010.

<sup>233</sup> "Indian Regulator Says Country's Liability Law Compatible with CSC," *Nucleonics Week*, September 23, 2010.

## U.S.-India Security Cooperation

Defense cooperation between the United States and India is in relatively early stages of development (unlike U.S.-Pakistan military ties, which date back to the 1950s). Since late 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 after India's 1998 nuclear tests and ensuing U.S. sanctions—was revived in 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.

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. Senior officials in the Obama Administration's Pentagon have assured New Delhi that the United States is “fully committed to strengthening ties through the enhancement of our defense relationship.”<sup>234</sup> 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 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 remain indications that the perceptions and expectations of top U.S. and Indian strategic planners are divergent on several key issues, perhaps especially on the role of Pakistan, as well as and on India's relations with Iran and repressive governments in places such as Burma and Sudan.

Some 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, and that may act intrusively. This has contributed to New Delhi's years-long political resistance to sign several defense cooperation accords, including the Communications Interoperability and Security Memorandum of Agreement (CISMoa), the Basic Exchange and Cooperation Agreement for Geospatial Cooperation (BECA), and the Logistics Support Agreement (LSA). U.S. law requires that certain sensitive defense technologies can only be transferred to recipient countries that have signed the CISMoa and/or the BECA.<sup>235</sup> All three

<sup>234</sup> Under Secretary of Defense Michelle Flournoy quoted in “US and India Look to Enhance Defense Ties,” *Jane's Defence Weekly*, July 9, 2010.

<sup>235</sup> The CISMoa requires purchasers of U.S. defense equipment to ensure that equipment supplied to India is compatible with other American systems. The BECA provides for mutual logistical support and enables exchanges of communications and related equipment. The LSA permits armed forces of both countries to enjoy reciprocal use of facilities for maintenance, servicing, communications, refueling, and medical care.



outstanding accords have been opposed by some influential Indian politicians for their “intrusive” nature.

New Delhi did in 2009 sign on to an End User Monitoring Agreement (EUMA) after two years of protracted negotiations, but only after receiving the concession that the time and location of equipment verification would be determined by Indian officials.<sup>236</sup> Secretary of Defense Robert Gates, on a visit to New Delhi in January 2010, stated that not getting the outstanding agreements signed “is an obstacle to Indian access to the very highest level off technology.”<sup>237</sup> Despite U.S. claims that India’s military capabilities are hampered by lack of access to U.S. equipment and technologies, senior Indian military officers have reported to their government that the absence of these agreements makes no substantial difference in their operational abilities.<sup>238</sup>

## Intelligence and Counterterrorism

One facet of the emerging “strategic partnership” between the United States and India is greatly increased intelligence and counterterrorism cooperation. In 2000, the two governments established a U.S.-India Joint Working Group on Counterterrorism to coordinate bilateral efforts in this realm. In 2002, India and the United States launched the Indo-U.S. Cyber Security Forum to safeguard critical infrastructures from cyber attack. The 2005 “New Framework for the U.S.-India Defense Relationship” lists “defeating terrorism and violent religious extremism” as one of four key shared security interests, and it calls for a bolstering of mutual defense capabilities required for such a goal.<sup>239</sup> A bilateral Counterterrorism Cooperation Initiative was formally launched in July 2010.<sup>240</sup>

CIA and FBI personnel have worked in India to investigate terrorist attacks, including a major 2006 bombing in Mumbai, as well as the 2008 attack on the same city (FBI forensics experts provided testimony to the Indian court trying the sole surviving gunmen in the latter attack). In June 2010, the Indian government was granted access to David Headley, an American national who has confessed to participating in planning the November 2008 Mumbai assault. U.S. Ambassador to India Tim Roemer identified the development as “historic in the nature of security cooperation” and expressed optimism about multiple U.S.-India partnerships in this area, including a Counterterrorism Cooperation Initiative, joint work on megacity policing, forensic lab training, intelligence sharing, sharing of best practices, and cooperation on launching a National

<sup>236</sup> New Delhi is wary of LSA provisions, which some there believe could lead to India’s being caught up in U.S. regional military operations (“US Technology Transfer to India Faces Safeguards Hurdle,” *Jane’s Defence Weekly*, May 27, 2010; “US and India Urged to Complete Defense Cooperation Deals,” *Jane’s Defence Industry*, June 2, 2010).

<sup>237</sup> “Gates Uses India Visit to Push for Defense Technology Accords,” Bloomberg.com, January 19, 2010.

<sup>238</sup> “Absence of Military Pacts With U.S. Will Not Impact Capability: IAF Chief,” *Hindu* (Chennai), October 16, 2010.

<sup>239</sup> See [http://www.indianembassy.org/press\\_release/2005/June/31.htm](http://www.indianembassy.org/press_release/2005/June/31.htm).

<sup>240</sup> The initiative, inter alia, provides for strengthening capabilities to effectively combat terrorism; promotion of exchanges regarding modernization of techniques; sharing of best practices on issues of mutual interest; development of investigative skills; promotion of cooperation between forensic science laboratories; establishment of procedures to provide mutual investigative assistance; enhancing capabilities to act against money laundering, counterfeit currency and financing of terrorism; exchanging best practices on mass transit and rail security; increasing exchanges between Coast Guards and Navy on maritime security; exchanging experience and expertise on port and border security; enhancing liaison and training between specialist Counter Terrorism Units including National Security Guard with their US counterparts (see <http://www.indianembassy.org/prdetail1560/-india-us-sign-counter-terrorism-cooperation-initiative->).

Counterterrorism Center in India modeled on that in the United States.<sup>241</sup> Yet lingering and significant distrust of the United States—and its close relationship with Pakistan’s military and intelligence services—became evident after it was learned that U.S. officials had received prior warnings about LeT intentions to attack Mumbai from Coleman’s former wives. U.S. officials deny that any useful intelligence information had been withheld from India, but some observers remain skeptical.<sup>242</sup>

## Defense Cooperation and Trade

### *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. Such military-to-military relations have been key aspect of U.S.-India relations in recent years. These include “Cope India” air exercises,<sup>243</sup> joint Special Forces training,<sup>244</sup> and major annual “Malabar” joint naval exercises are held off the Indian coast.<sup>245</sup> U.S. and Indian officials tout ongoing joint maneuvers as improving interoperability and as evidence of an overall deepening of the bilateral defense relationship. Countries such as China and Pakistan are acutely interested in the progress of such relations, seeing them as the potential seeds of a more formal defense alliance.

### *Defense Trade*

Along with increasing military-to-military ties, the issue of U.S. arms sales to India has taken a higher profile. New Delhi is undertaking a major military modernization program, potentially spending \$100 billion over the next decade to update its mostly Soviet-era arsenal. U.S. weapons makers are eager to gain a slice of this lucrative pie, and American security companies also see in India a potentially also huge new market for sophisticated equipment such as surveillance and detection systems.<sup>246</sup> Yet many Indians continue to be wary of closer defense ties with the United States and are concerned that these could lead to future strings, such as conditionality and/or cutoffs, and perhaps constrain New Delhi’s foreign policy freedom. In an unusually open expression of frustration with the United States in this realm, India’s Army Chief in May 2010

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<sup>241</sup> See the Ambassador’s June 10, 2010, statement at <http://newdelhi.usembassy.gov/pr061110.html>.

<sup>242</sup> “Before ’08 Mumbai Attacks, U.S. Was Warned Key Figure in Plot Had Terrorist Ties,” *Washington Post*, October 16, 2010; “U.S. Shared Credible Terror Inputs With India: Roemer,” *Hindu* (Chennai), October 18, 2010; “U.S. Didn’t Warn India Despite ‘Information & Concerns,’” *Hindu* (Chennai), October 20, 2010.

<sup>243</sup> 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.

<sup>244</sup> U.S. and Indian special forces soldiers have held at least seven “Vajra Prahar” joint exercises, and hundreds of U.S. Special Forces soldiers have attended India’s Counter-Insurgency Jungle Warfare School.

<sup>245</sup> In 2008, the aircraft carrier *USS Ronald Reagan*, the nuclear submarine *USS Springfield*, and five other major American naval vessels joined Indian navy ships in the Arabian Sea. Unlike in previous years, the 2008 Malabar exercises were bilateral and did not include warships from any third country. During the previous exercise, 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.

<sup>246</sup> “As India Eyes Domestic Security, U.S. Firms Vie for Its Business,” *Washington Post*, September 19, 2010.

informed his Defense Ministry that the U.S. Foreign Military Sales program had proven troublesome for India.<sup>247</sup>

The first-ever major U.S. arms sale to India came in 2002, when the Pentagon negotiated delivery of 12 counter-battery radar sets (or “Firefinder” radars) worth a total of \$190 million. 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 2007, set sail for India carrying six surplus Sikorsky UH-3H Sea King helicopters purchased for another \$39 million. (The Security Cooperation Act of 2010 (P.L. 111-266) authorized the President to transfer to India two Osprey-class coastal minehunter ships as Excess Defense Articles). In 2008, Washington and New Delhi finalized a deal to send to India six C-130J Hercules military transport aircraft (along with related equipment, training, and services). The deal, which represented the largest-ever U.S. defense sale to India to date, is worth nearly \$1 billion to the manufacturer, Maryland-based Lockheed Martin. In 2009, New Delhi signed a \$2.1 billion deal to purchase eight P-8I maritime surveillance aircraft from Illinois-based Boeing. These aircraft, slated for delivery in 2013, also provide anti-submarine warfare capabilities, and their sale set a new record as the largest-ever U.S. arms transfer to India.

The Obama Administration is seeking to sell to India 145 M777 howitzers (worth \$647 million) and ten C-17 Globemaster III military transport aircraft (worth up to \$5.8 billion with training equipment, spare parts, and other support). Yet by far the most lucrative potential sale would serve India’s quest for 126 new medium, multi-role combat aircraft (MMCA) in a deal that could be worth some \$11 billion. Lockheed Martin’s F-16 and Boeing’s F/A-18 are competing with aircraft built in Russia, France, Sweden, and by a European consortium.<sup>248</sup> Hopes of an American firm landing the MMCA deal received a boost in 2009 when General Electric won in its bid to provide India with 99 jet engines for its Tejas light combat aircraft for some \$800 million.

## Human Rights Concerns

Many of India’s more than one billion citizens suffer from 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 State Department’s most recent *Country Report on Human Rights Practices* (released March 2010), the Indian government “generally respected the rights of its citizens and made progress in reducing incidents of communal violence, expanding efforts against human trafficking, and reducing the exploitation of indentured, bonded, and child workers, but serious problems remained”:

Major problems included reported extrajudicial killings of persons in custody, disappearances, and torture and rape by police and other security forces. Investigations into individual abuses and legal punishment for perpetrators occurred, but for many abuses, a lack of accountability created an atmosphere of impunity. Poor prison conditions and lengthy

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<sup>247</sup> “Army Chief Warns Against Govt-to-Govt Deals With US,” *Times of India* (Delhi), May 25, 2010.

<sup>248</sup> The wait for New Delhi’s MMCA decision has been years-long. Lockheed’s pitch reportedly has included offering a “super-cruise” version of the F-16 that saves large amounts of fuel by achieving supersonic speeds without the use of afterburners. 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 (“US Contenders Enhance Their MRCA Offerings to India,” *Jane’s Defence Weekly*, January 30, 2008; “Boeing Keen to Develop India’s Aerospace Industry,” *Reuters*, July 16, 2008).

detentions were significant problems. Some officials used antiterrorism legislation to justify excessive use of force. Corruption existed at all levels of government and police. While there were no large-scale attacks against minorities during the year, there were reports of delays in obtaining legal redress for past incidents. Some states promulgated laws restricting religious conversion. Violence associated with caste-based discrimination occurred. Domestic violence, child marriage, dowry-related deaths, honor crimes, and female feticide remained serious problems.<sup>249</sup>

International human rights groups echo many of these findings. According to the *2010 World Report* of Human Rights Watch, “The [Indian] government’s failure to protect minorities and other vulnerable groups engenders justified grievances and contributes to militant activity around the country.”<sup>250</sup> Constraints on religious freedom are another matter of concern; India’s Muslim and Christian minorities continue to face sometimes violent persecution. Moreover, rampant caste-based discrimination is identified as a major societal problem, as are female infanticide and feticide. “Honor killings” of couples accused of violating Hindu marriage traditions may be on the rise.<sup>251</sup> The State Department’s Bureau of Democracy, Human Rights, and Labor has in the recent past 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.”<sup>252</sup>

India’s 1958 Armed Forces Special Powers Act, which gives security forces wide leeway to act with impunity in conflict zones, has been called a facilitator of grave human rights abuses in several Indian states. An April 2010 report by the Delhi-based Asian Center for Human Rights found that the incidence of torture and prison custody deaths in India are on the rise, and it chastised the current New Delhi government for failing to address these problems through legislative changes.<sup>253</sup>

## Religious Freedom

An officially secular nation, India has a long tradition of religious tolerance (with periodic lapses), which is protected under its constitution. The population includes a Hindu majority of 82% as well as a large Muslim minority of some 150 million (14%). Christians, Sikhs, Buddhists, Jains, and others total less than 4%. Although freedom of religion is protected by the Indian government, human rights groups have noted that India’s religious tolerance is susceptible to attack by religious extremists. In its annual report on international religious freedom released in October 2009, the State Department found “no change in the status of respect for religious freedom” by India’s national government during the reporting period, but noted that “problems remained in some areas,” among them anti-conversion laws in several states and law enforcement agencies that “did not act swiftly to counter communal attacks effectively, including attacks against religious minorities.” The report added that a “Hindutva”—or Hindu nationalist—

<sup>249</sup> See <http://www.state.gov/g/drl/rls/hrrpt/2009/sca/136087.htm>.

<sup>250</sup> See <http://www.hrw.org/en/node/87394>. See also the 2010 Amnesty International report at [http://report2010.amnesty.org/sites/default/files/AIR2010\\_AZ\\_EN.pdf#page=113](http://report2010.amnesty.org/sites/default/files/AIR2010_AZ_EN.pdf#page=113).

<sup>251</sup> “In India, Castes, Honor, and Killings Intertwine,” *New York Times*, July 9, 2010.

<sup>252</sup> U.S. Department of State, *Supporting Human Rights and Democracy: The U.S. Record 2002-2003*.

<sup>253</sup> Asian Center for Human Rights, “Torture in India 2010,” April 2010.

ideology continued to influence some government policies and actions at the state and local levels.<sup>254</sup>

A May 2010 report of the U.S. Commission on International Religious Freedom (USCIRF) found that “India’s progress in protecting and promoting religious freedom during the past year was mixed” and that “justice for victims of communal violence was slow and often ineffective, thereby perpetuating a climate of impunity.” The Commission listed India among “Watch List” countries where it believes violations of religious freedom require very close attention, and it urged President Obama to highlight the importance of religious freedom during his visit to India.<sup>255</sup> New Delhi typically rejects external criticism of its protection of religious freedoms, and the central government has consistently refused to grant USCIRF researchers travel visas, giving to some the impression that India has something to hide in this realm.<sup>256</sup>

## Caste-Based Discrimination

The millennia-old Hindu caste system reflects Indian occupational and socially defined hierarchies. Sanskrit sources refer to four social categories: priests (Brahmin), warriors (Kshatriya), traders (Vayisha) and farmers (Shudra). Tribals and lower castes were long known as “untouchables”—a term now officially banned but still widely used—or Dalits.<sup>257</sup> Although these categories are understood throughout India, they describe reality only in the most general terms. National-level legislation exists to protect India’s lower castes, yet, according to the U.S. State Department, “The Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act lists offenses against disadvantaged persons and prescribes stiff penalties for offenders; however, this act had only a modest effect in curbing abuse and there were very few convictions.”<sup>258</sup> In the 110<sup>th</sup> Congress, 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.

## Human Trafficking

The State Department’s latest annual report on trafficking in persons (issued June 2010) said, “India is a source, destination, and transit country for men, women, and children subjected to trafficking in persons, specifically forced labor and commercial sexual exploitation.” It placed India on the “Tier 2 Watch List” for the seventh consecutive year because “the Indian government has not demonstrated sufficient progress in its law enforcement, protection, or prevention efforts to address labor trafficking, particularly bonded labor.” Moreover, State criticized the India’s federal and state governments for their “weak” efforts to implement and enforce anti-trafficking laws.<sup>259</sup>

<sup>254</sup> See <http://www.state.gov/g/drl/rls/irf/2009/127365.htm>.

<sup>255</sup> See <http://www.uscifr.gov/images/annual%20report%202010.pdf>; see the October 13, 2010, USCIRF letter at <http://www.uscifr.gov/news-room/press-releases/3422-10142010-.html>.

<sup>256</sup> “India Slams US Body’s Criticism on Religious Freedom,” *Times of India* (Delhi), August 13, 2009; “Access Denied,” *Outlook India* (Delhi), July 6, 2009.

<sup>257</sup> See <http://www.state.gov/r/pa/ei/bgn/3454.htm>.

<sup>258</sup> See <http://www.state.gov/g/drl/rls/hrrpt/2006/78871.htm>.

<sup>259</sup> See <http://www.state.gov/g/tip/rls/tiprpt/2010/142760.htm>.

## 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 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).<sup>260</sup> 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.<sup>261</sup> In subsequent years, the incidence of such practices only appears to be increasing.<sup>262</sup> The most recent U.S. State Department *Country Report on Human Rights* for India (released March 2010), identified Punjab, Haryana, and Rajasthan as states in which female feticide was an especially “acute problem.”<sup>263</sup> Baby girls are either aborted or, after birth, left in the cold to contract pneumonia and perish.

## U.S. Foreign Assistance

A total of more than \$15.7 billion in direct U.S. aid went to India from 1947 through 2009, nearly all of it in the form of economic grants and loans, more than half as food aid. In 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 came 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.<sup>264</sup> **Table 1** shows U.S. foreign assistance categories and figures for FY2001-FY2011.

According to the U.S. Agency for International Development (USAID), India has the world’s largest concentration of people living in poverty (more than 700 million earning less than \$2 per day). USAID and economic-related State Department programs in India, budgeted nearly \$120 million in FY2010, concentrate on five areas: economic growth; health; disaster management; energy and environment; and opportunity and equity.<sup>265</sup>

The United States has provided about \$175 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.

<sup>260</sup> “Indian Prime Minister Denounces Abortion of Females,” *New York Times*, April 29, 2008; census data at [http://www.censusindia.net/t\\_00\\_004.html](http://www.censusindia.net/t_00_004.html).

<sup>261</sup> 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).

<sup>262</sup> “Gender Selection: In India, Abortion of Girls on the Rise,” *Christian Science Monitor*, March 8, 2010.

<sup>263</sup> See <http://www.state.gov/g/drl/rls/hrrpt/2009/sca/136087.htm>.

<sup>264</sup> See <http://2001-2009.state.gov/p/sca/rls/2008/104699.htm>.

<sup>265</sup> See [http://www.usaid.gov/in/about\\_usaid/overview.htm](http://www.usaid.gov/in/about_usaid/overview.htm).

**Table I. Direct U.S. Assistance to India, FY2001-FY2011**

(in millions of dollars)

<b>Program or Account</b>	<b>FY2001- 2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010 (est.)</b>	<b>FY2011 (req.)</b>
CSH/GHCS	161.5	53.2	52.8	53.4	66.0	76.0	87.2	100.7
DA	115.0	24.9	19.7	15.7	16.6	11.0	31.3	34.0
ESF	37.4	14.9	5.0	4.9	—	—	—	—
IMET	3.9	1.5	1.3	1.5	1.3	1.4	1.2	1.4
NADR	3.5	4.2	2.7	1.1	1.7	1.7	3.2	5.2
PEPFAR	20.4	26.6	29.6	29.9	29.8	30.5	27.0	<sup>b</sup>
Subtotal	360.6	125.3	111.1	106.5	115.4	120.6	149.9	141.3
Food Aid <sup>a</sup>	81.2	26.1	30.7	31.0	13.5	13.5	4.0	4.0
Total	441.4	151.4	141.8	137.5	128.9	134.1	153.9	145.3

**Sources:** U.S. Departments of State and Agriculture; U.S. Agency for International Development. FY2010 figures are estimates; FY2011 amounts are requested. Columns may not add up due to rounding.

**Abbreviations:**

CSH: Child Survival and Health (Global Health and Child Survival, or GHCS, from FY2010)

DA: Development Assistance

ESF: Economic Support Fund

IMET: International Military Education and Training

NADR: Nonproliferation, Anti-Terrorism, Demining, and Related (mainly export control assistance, but includes anti-terrorism assistance for FY2007)

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 late in the fiscal year.

Figure 4. Map of India



Source: Map Resources. Adapted by CRS. (11/2010)

## Author Contact Information

K. Alan Kronstadt, Coordinator  
Specialist in South Asian Affairs  
akronstadt@crs.loc.gov, 7-5415

Paul K. Kerr  
Analyst in Nonproliferation  
pkerr@crs.loc.gov, 7-8693

Michael F. Martin  
Specialist in Asian Affairs  
mfmartin@crs.loc.gov, 7-2199

Bruce Vaughn  
Specialist in Asian Affairs  
bvaughn@crs.loc.gov, 7-3144