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## U.S.-India Bilateral Agreements in 2005

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## Summary

On July 18, 2005, President George W. Bush and Prime Minister Manmohan Singh issued a Joint Statement resolving to establish a “global partnership” between the United States and India through increased cooperation on numerous issues, including “full civilian nuclear energy cooperation” (such cooperation would require changes in both U.S. law and international guidelines). This clause is widely viewed as representing the most direct recognition to date of India’s status as a nuclear weapons state and thus as a reversal of more than three decades of U.S. nonproliferation policy. On June 28, 2005, the United States and India signed a ten-year defense framework agreement that calls for expanding bilateral cooperation in a number of security-related areas. U.S.-India bilateral agreements in 2005 represent a new set of landmarks in rapidly warming ties between the world’s two most populous democracies. Many observers view U.S. moves to build strategic relations with India as part of an effort to “counterbalance” the rise of China as a major power.

The Administration’s policy of assisting India’s rise as a major power has significant implications for U.S. interests in Asia and beyond. The course of U.S. relations with China and Pakistan, especially, is likely to be affected by an increase in U.S.-India strategic ties. Of most immediate interest to the U.S. Congress may be the Bush Administration’s intention to achieve “full civilian nuclear energy cooperation with India,” and its promise to bring before Congress related and required legislative proposals in the latter months of 2005.

During a September 8, 2005 hearing on U.S.-India relations, members of the House International Relations Committee expressed widespread approval of increasingly warm U.S.-India relations. However, many also expressed concerns about the potential damage to international nonproliferation regimes that could result from changes in U.S. law that would allow for full civil nuclear cooperation with India. Many also voiced concerns about India’s relations with Iran and the possibility that New Delhi’s policies toward Tehran’s controversial nuclear program may not be congruent with those of Washington. More broadly, congressional oversight of U.S. foreign relations in Asia likely will include consideration of the potential implications of increased U.S. cooperation with India in functional areas such as arms sales and high-technology trade. With rapid increases in Indian and Chinese influence on the world stage, many in Congress will seek to determine how and to what extent a U.S.-India “global partnership” will best serve U.S. interests.

This report reviews the major provisions of the agreements signed in 2005, including the status of issues addressed in the recently completed Next Step in Strategic Partnership initiative, security relations, and economic relations. The report reviews arguments made in favor of and in opposition to increased bilateral cooperation in each major issue-area and includes Indian perspectives. Regional issues involving China, Pakistan, and Iran also are discussed. The report will be updated as warranted by events. See also CRS Issue Brief IB93097, *India-U.S. Relations*, and CRS Report RL33016, *U.S. Nuclear Cooperation With India*.

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# U.S.-India Bilateral Agreements in 2005

## Overview and Congressional Interest

On July 18, 2005, during the first state visit to Washington, DC by an Indian leader since November 2001, President George W. Bush and Prime Minister Manmohan Singh issued a Joint Statement resolving to establish a “global partnership” between the United States and India through increased cooperation on economic issues, on energy and the environment, on democracy and development, on non-proliferation and security, and on high-technology and space. Of particular interest to many in Congress were the statement’s assertion that, “as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states,” and President Bush’s statement that he would work on achieving “full civilian nuclear energy cooperation with India.”<sup>1</sup> Such cooperation would require changes in both U.S. law and Nuclear Suppliers Group (NSG) guidelines. This clause is widely viewed as representing the most direct (if still implicit) recognition to date of India’s status as a nuclear weapons state and thus as a reversal of more than three decades of U.S. nonproliferation policy. Notably omitted from the July 18 statement was any mention of India’s aspirations for a permanent seat on the U.N. Security Council. Just weeks earlier, the United States and India signed a ten-year defense framework agreement.<sup>2</sup> Many observers view this and other U.S. moves to build strategic relations with India as part of an effort to “counterbalance” the rise of China as a major power.

This report reviews the major provisions of the agreements signed in 2005, including the status of issues addressed in the recently completed Next Step in Strategic Partnership initiative, security relations, and economic relations. The report reviews arguments made in favor of and in opposition to increased bilateral cooperation in each major issue-area and includes Indian perspectives. Regional issues involving China, Pakistan, and Iran also are discussed.<sup>3</sup>

U.S.-India agreements in June and July 2005 represent a new set of landmarks in rapidly warming ties between the world’s two most populous democracies. After decades of estrangement during the Cold War, U.S.-India relations were freed from the constraints of global U.S.-Soviet bipolarity in 1991, the same year that New Delhi began efforts to transform its once quasi-socialist economy through fiscal reform and

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<sup>1</sup> “Joint Statement Between President George W. Bush and Prime Minister Manmohan Singh,” July 18, 2005, at [<http://www.state.gov/p/sa/rls/pr/2005/49763.htm>].

<sup>2</sup> “New Framework for the U.S.-India Defense Relationship,” June 28, 2005, at [[http://www.indianembassy.org/press\\_release/2005/June/31.htm](http://www.indianembassy.org/press_release/2005/June/31.htm)].

<sup>3</sup> See also CRS Issue Brief IB93097, *India-U.S. Relations*, and CRS Report RL33016, *U.S. Nuclear Cooperation With India*.

market opening. However, relations with India continued to be viewed primarily through the lens of U.S. nonproliferation interests. The marked improvement of relations that began in the latter months of the Clinton Administration — President Clinton spent six days in India in March 2000 — was accelerated after a November 2001 meeting between President Bush and then-Indian Prime Minister Atal Bihari Vajpayee, when the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues. India's swift post-9/11 offer of full support for U.S.-led counterterrorism operations was widely viewed as reflective of the positive new trajectory in bilateral relations. Pro-U.S. sentiment is widespread in India: in a June 2005 opinion poll, 71% of Indians expressed a favorable view of America, the highest percentage among all 16 countries surveyed.<sup>4</sup> Many in Washington and New Delhi see a crucial common interest in cooperating on efforts to defeat militant Islam.

President Bush's 2002 *National Security Strategy of the United States* stated that "U.S. interests require a strong relationship with India," and a recent National Intelligence Council projection said the likely rise of China and India "will transform the geopolitical landscape" in dramatic fashion.<sup>5</sup> In January 2004, President Bush and Prime Minister Vajpayee formally launched the "Next Steps in Strategic Partnership" (NSSP) initiative, which sought to address longstanding Indian interests by expanding bilateral cooperation in the areas of civilian nuclear activities, civilian space programs, and high-technology trade, and expanding dialogue on missile defense.<sup>6</sup> In March 2005, the Bush Administration unveiled a "new strategy for South Asia" based in part on a judgment that the NSSP was insufficiently broad and that sets as a goal "to help India become a major world power in the 21<sup>st</sup> century."<sup>7</sup>

Nongovernmental proponents of closer U.S.-India security cooperation often refer to the rise of China and its potential disturbance of Asian stability as a key reason to "hedge" by bolstering U.S. links with India. While the Bush Administration has sought to downplay this probable motivator, Pentagon officials reportedly assert that India is likely to purchase up to \$5 billion worth of conventional weapons from the United States, including platforms that could be

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<sup>4</sup> Pew Global Attitudes Project, "U.S. Image Up Slightly, But Still Negative," at [<http://pewglobal.org/reports/display.php?ReportID=247>].

<sup>5</sup> *National Security Strategy of the United States* at [<http://www.whitehouse.gov/nsc/nssall.html>]; NIC Report "Mapping the Global Future" at [[http://www.cia.gov/nic/NIC\\_globaltrend2020.html](http://www.cia.gov/nic/NIC_globaltrend2020.html)].

<sup>6</sup> In June 2003, Indian Deputy Prime Minister Lal Advani said progress on the so-called "trinity" issues (which exclude missile defense) was necessary "in order to provide tangible evidence of the changed relationship" ("Press Statement by Deputy Prime Minister Mr. L.K. Advani," Embassy of India, June 10, 2003).

<sup>7</sup> "Background Briefing by Administration Officials on U.S.-South Asia Relations," Mar. 25, 2005, at [<http://www.state.gov/r/pa/prs/ps/2005/43853.htm>]. A cogent argument for U.S. efforts to increase Indian power in general and cooperate in the civil nuclear field specifically is made by Ashley Tellis, former senior advisor to the U.S. Ambassador in New Delhi, in "India as a New Global Power," Carnegie Endowment for International Peace, July 2005. The former Ambassador, Robert Blackwill, is a strong proponent of closer U.S.-India relations and suggests that current top State Department officials are more India-friendly than ever before ("A New Deal for New Delhi," *Wall Street Journal*, Mar. 21, 2005).

“useful for monitoring the Chinese military.”<sup>8</sup> Skeptics of a U.S. embrace of India note that the Indian Parliament passed resolutions condemning U.S. military operations against Iraq and later declined U.S. requests for troop contributions in the effort to stabilize that country. India’s U.N. Mission has voted with the United States roughly 20 percent of the time over the past five years.<sup>9</sup>

According to the current Indian Prime Minister, three major factors have driven a redefinition of U.S.-India ties: the end of the Cold War, the accelerating pace of globalization, and the increasing influence of nearly two million Indian-Americans. However, there is concern among elements of India’s security establishment and influential leftist political parties that the United States is seeking to turn India into a regional “client state.” In line with India’s traditional nonalignment sentiments, leftist figures have called the July 18 Joint Statement overly concessional to U.S. interests and a further violation of the ruling coalition’s commitment to independence in foreign affairs. Such criticism may have elicited assurances by India’s defense ministry that decisions about any future joint Indian-U.S. military operations would be strictly guided by India’s national interest and the principles of its foreign and defense policies. In 2003, the Indian external affairs minister denied that India’s relations with the United States could be used as a “counterforce” against China, saying, “We categorically reject such notions based on outmoded concepts like balance of power. We do not seek to develop relations with one country to ‘counterbalance’ another.”<sup>10</sup>

The Administration’s policy of assisting India’s rise as a major power has significant implications for U.S. interests in Asia and beyond. The course of U.S. relations with China and Pakistan, especially — and the relationship between Beijing and Islamabad, itself — is likely to be affected by an increase in U.S.-India strategic ties. Of most immediate interest to the U.S. Congress may be the Bush Administration’s intention to achieve “full civilian nuclear energy cooperation with India,” and its promise to bring before Congress related and required legislative proposals in the latter months of 2005.<sup>11</sup> Many in Congress also express concerns about India’s relations with Iran and the possibility that New Delhi’s policies toward Tehran’s controversial nuclear program may not be congruent with those of Washington. More broadly, congressional oversight of U.S. foreign relations in Asia

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<sup>8</sup> Dafna Linzer, “Bush Officials Defend India Deal,” *Washington Post*, July 20, 2005.

<sup>9</sup> “Indian Parliament Resolution Deplores US Action in Iraq,” Dow Jones International, Apr. 8, 2003; “India to Send Troops in Case of UN Mandate: Pranab,” *Times of India* (Delhi), June 14, 2004; U.S. Department of State, “Voting Practices in the United Nations.”

<sup>10</sup> Prime Minister Manmohan Singh, “India and the U.S.: Towards a New Partnership” (speech to the Council on Foreign Relations, New York), Sep. 24, 2004; “Mixed Response to Indo-US Security Pact,” *Hindustan Times* (Delhi), July 3, 2005; “Agreements With US Compromising Independent Policy CPI-M,” Press Trust of India, Aug. 30, 2005; “Accord Will Hurt Security Interests: Left,” *Hindu* (Madras), July 9, 2005; “New Framework for the US-India Defense Relationship,” Indian Ministry of Defense Press Release, July 27, 2005; Yashwant Sinha, “The Updated Paradigm,” *Outlook* (Delhi), Nov. 25, 2003.

<sup>11</sup> Under Secretary of State Nicholas Burns, “India, U.S. Sign Civil Nuclear Energy Cooperation Agreement,” July 20, 2005, at [<http://usinfo.state.gov/usinfo/Archive/2005/Jul/20-168736.html?chanlid=washfile>].

likely will include consideration of the potential implications of increased U.S. cooperation with India in functional areas such as arms sales and high-technology trade. With rapid increases in Indian and Chinese influence on the world stage, many in Congress will seek to determine how and to what extent a U.S.-India “global partnership” will best serve U.S. interests.

## Next Steps in Strategic Partnership and Beyond

Prior to the formal launching of the NSSP initiative in January 2004, the United States had sought to balance Indian interests in cooperation on and trade in sensitive technologies with concerns about proliferation and security. According to Secretary of State Powell in October 2003,

We have been trying to be as forthcoming as we can because it's in our interest to be forthcoming, but we also have to protect certain red lines that we have with respect to proliferation, because it's sometimes hard to separate within space launch activities and industries and nuclear programs, that which could go to weapons, and that which could be used solely for peaceful purposes.<sup>12</sup>

India's export controls are considered sturdy, with analysts calling New Delhi's track record comparable to or better than that of most signatories to multilateral export regimes.<sup>13</sup> The “strategic partnership” forwarded by the NSSP involved progress through a series of reciprocal steps in which both countries took action designed to expand engagement on nuclear regulatory and safety issues, enhanced cooperation in missile defense, peaceful uses of space technology, and creation of an appropriate environment for increased high-technology commerce.<sup>14</sup> Despite the “nuts-and-bolts” nature of NSSP efforts, some analysts characterized the initiative's overarching goal — increasing rather than denying New Delhi's access to advanced technologies — as a revolutionary shift in the U.S. strategic orientation toward India.<sup>15</sup> On July 18, 2005, the State Department announced successful completion of the NSSP, calling it “an important milestone” in the transformation of U.S.-India relations and an enabler of further cooperative efforts.<sup>16</sup> The July 18 Joint Statement includes provisions for moving forward in three of the four NSSP issue-areas.

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<sup>12</sup> “Washington Post Reporters Interview Powell,” U.S. Department of State Washington File, Oct. 3, 2003.

<sup>13</sup> Seema Gahlaut and Anupam Srivastava, “Nonproliferation Export Controls in India,” Center for International Trade and Security, University of Georgia, June 2005. In May 2005, the Indian Parliament enacted further laws to tighten control over WMD-related materials and technologies.

<sup>14</sup> See the January 2004 “Statement by the President on India” at [<http://www.whitehouse.gov/news/releases/2004/01/20040112-1.html>].

<sup>15</sup> Ashley Tellis, “Last Tango in Washington,” *Indian Express* (Bombay), Nov. 11, 2004.

<sup>16</sup> “United States and India Successfully Complete Next Steps in Strategic Partnership,” July 18, 2005, at [<http://www.state.gov/p/sa/rls/fs/2005/49721.htm>].

Since 1998, several Indian entities have been subjected to case-by-case licensing requirements and appear on the U.S. Commerce Department's "Entity List" imposing licensing requirements for exports to foreign end users involved in weapons proliferation activities. In October 2001, President Bush waived nuclear-related sanctions on aid to India, and the number of Indian companies on the Entity List was reduced from 159 to 2 primary and 14 subordinate. In September 2004, as part of NSSP implementation, the United States modified some export licensing policies and removed the Indian Space Research Organization (ISRO) headquarters from the Entity List. Further adjustments came in August 2005 when six more subordinate entities were removed. Indian companies remaining on the Entity List are four subordinates of the ISRO, four subordinates of the Defense Research and Development Organization, one Department of Atomic Energy entity, and Bharat Dynamics Limited, a missile production agency.<sup>17</sup>

It may be that numerous Indian observers will remain skeptical about the NSSP process even after the July 18 Joint Statement, viewing it in the past as a mostly symbolic exercise that will not alter a perceived U.S. intention of ensuring its own technological superiority.<sup>18</sup> Many such analysts believe that past U.S. moves have not been substantive, opining that changes in licensing requirements for high-technology trade have been of little consequence for prospective Indian buyers and progress on space and nuclear energy cooperation has been marginal. Months after its January 2004 launch, the NSSP appeared to some Indian analysts to have "crashed against bureaucratic obstacles in Washington" (often an oblique reference to the nonproliferation interests of the State Department).<sup>19</sup>

## Civilian Nuclear Cooperation

Among the more controversial and far-reaching provisions of the July 18 Joint Statement is an implicit recognition of India's status as a nuclear weapons state.<sup>20</sup> The Bush Administration notes India's "exceptional" record on (horizontal) nonproliferation and its newly enacted laws to strengthen export controls on sensitive technologies. The Administration insists that U.S. interests are best served with India "joining the mainstream of international thinking and international practices on the nonproliferation regime."<sup>21</sup> The Director General of the International Atomic Energy Agency (IAEA) has welcomed the agreement as "out of the box thinking" that could

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<sup>17</sup> Federal Register, Aug. 30, 2005, p. 51251. See the Commerce Department's Entity List at [<http://www.bis.doc.gov/Entities>].

<sup>18</sup> Deepa Ollapaly, "U.S.-India Relations: Ties That Bind?," Sigur Center for Asian Studies, George Washington University, 2005.

<sup>19</sup> R. Ramachandran, "The Hype on High-Tech," *Frontline* (Madras), Oct. 20, 2004; Raja Mohan, "A Last Opportunity," *Hindu* (Madras), June 21, 2004. See also V. Sudarshan, "N-Tangled," *Outlook* (Delhi), Nov. 11, 2004.

<sup>20</sup> See also CRS Report RL33016, *U.S. Nuclear Cooperation With India*.

<sup>21</sup> Under Secretary of State Nicholas Burns, *op. cit.* India appears to be continuing its vertical proliferation of nuclear weapons (David Albright and Kimberly Kramer, "Stockpiles Still Growing," *Bulletin of the Atomic Scientists*, Nov./Dec. 2004).



contribute to the enhancement of nuclear safety and security.<sup>22</sup> Many favorable analysts view the decision in the context of a perceived need to “counterbalance” a rising China, calling nuclear cooperation with India a means of both demonstrating U.S. resolve to assist India in increasing its power and stature, and bringing New Delhi into the global nonproliferation regime rather than leaving it on the outside. For these observers, engaging a *de facto* nuclear India as such is a necessary and realistic policy.<sup>23</sup>

There is evidence that India’s increasingly voracious energy needs can partially be offset though increased nuclear power capacity, although at present nuclear power accounts for about 2.6% of India’s total electricity generation. Prime Minister Singh asserts that a major expansion of India’s capacity in this sector is “imperative,” and India sets as its goal generation of at least 20,000 megawatts of nuclear power by the year 2020 (present capacity is less than 3,000 MWe). General Electric, which built India’s Tarapur nuclear power plant in 1969, is an American company that might see financial gains from resumed sales of nuclear fuel to India.<sup>24</sup>

In April 2005, Secretary of State Rice noted that current U.S. law precludes the sale of nuclear technology to India, and she conceded that U.S. nuclear cooperation with India would have “quite serious” implications for the Nuclear Nonproliferation Treaty (NPT).<sup>25</sup> Critics of such cooperation insist that a policy of “exceptionalism” toward India may permanently undermine the coercive power of the NPT. They say such a move would seriously risk turning the existing nonproliferation regime from “imperfect but useful mechanisms to increasingly ineffectual ones,” and they fault the Bush Administration for “lowering the bar too much” with a selective and self-serving policy.<sup>26</sup> Many opponents worry that the Joint Statement exacerbates a global

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<sup>22</sup> “IAEA Director General Reacts to U.S.-India Cooperation Agreement,” IAEA Press Release, July 20, 2005.

<sup>23</sup> Howard LaFranchi, “Why US Is Shifting Nuclear Stand With India,” *Christian Science Monitor*, July 20, 2005; Teresita Schaffer, “India and the United States: Turning a Corner,” *CSIS South Asia Monitor* 85, Aug. 1, 2005; Selig Harrison, “End the Nuclear Double Standard for India,” *Los Angeles Times*, Dec. 9, 2002; Baker Spring, “India and a Two-Track Policy to Combat Nuclear Proliferation,” Heritage Foundation WebMemo 810, July 29, 2005; Sumit Ganguly, “Giving India a Pass,” *Foreignaffairs.org*, Aug. 17, 2005.

<sup>24</sup> Indian Ministry of Power, “Generation Overview;” “Nuclear Power Crucial to Fuel India’s Booming Economy,” Agence France Presse, July 20, 2005; “Remarks of Prime Minister Singh at the Meeting of Bhabha Atomic Research Centre Scientists,” Indian Ministry of External Affairs, June 4, 2005; Adam Entous, “With Bush’s Help, GE Courts Indian PM, Nuke Sector,” Reuters, July 23, 2005. For an overview of India’s energy sector, see Debnath Shaw, “Securing India’s Energy Future,” Center for Strategic and International Studies, 2005, at [[http://www.csis.org/saprog/0505\\_Shaw.pdf](http://www.csis.org/saprog/0505_Shaw.pdf)].

<sup>25</sup> Secretary Condoleezza Rice, “Interview With the Wall Street Journal,” U.S. Department of State, Apr. 13, 2005.

<sup>26</sup> Lawrence Korb and Peter Ogden, “A Bad Deal With India,” *Washington Post*, Aug. 3, 2005; Strobe Talbott, “Good Day for India, Bad Day for Non-Proliferation,” *YaleGlobal*, July 21, 2005; comments by Robert Einhorn at the American Enterprise Institute event “The United States and India: A New Nuclear Partnership,” July 25, 2005, at [<http://www.aei.org/events/filter.all,eventID.1113/transcript.asp>]. See also Michael Krepon,

perception that the United States cannot be counted upon to honor its own nonproliferation obligations, including those made in the 1995 and 2000 NPT Review Conferences. This may encourage other supplier countries, such as France, Russia, and China, to relax their own rules and provide increased aid to potential security risks, such as Iran, Pakistan, and Syria.<sup>27</sup> A further concern is that NPT member countries with advanced scientific establishments that have foresworn nuclear weapons may become tempted to develop their own such capabilities, especially if negotiations over the status of Iran and North Korea break down.<sup>28</sup> Some also see overt U.S. strengthening of India as disruptive to existing balances of power involving both Pakistan and China.<sup>29</sup> Moreover, some in Congress do not believe the United States should sell nuclear materials to any country that is not a member of the NPT and which has detonated a nuclear device.<sup>30</sup>

During a September 8, 2005 hearing on U.S.-India relations, Members of the House International Relations Committee expressed widespread approval of increasingly warm U.S.-India relations. However, many also expressed concerns about the potential damage to international nonproliferation regimes that could result from changes in U.S. law that would allow for civil nuclear cooperation with India. Some voiced negative appraisals of the Bush Administration's lack of prior consultation with Congress leading up to the July 18 Joint Statement. Administration officials appearing before the panel insisted that the United States was not condoning India's nuclear weapons program and that bringing India into the mainstream of nonproliferation norms would represent a "net gain" for international nonproliferation efforts. These officials also assured the Committee that the Administration will do nothing to undercut NSG guidelines or the body's consensus process, even as they conceded that preliminary consultations with NSG members

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"Is the U.S.-India Nuclear Cooperation Agreement Good or Bad for Proliferation?," Henry L. Stimson Center, Aug. 31, 2005; Daryl Kimball, "U.S.-India Nuclear Cooperation: A Reality Check," *Arms Control Today*, Sep. 2005.

<sup>27</sup> William Potter, "India and the New Look of U.S. Nonproliferation Policy," *Nonproliferation Review*, Summer 2005; Henry Sokolski, "The India Syndrome," *Weekly Standard*, Aug. 1, 2005.

<sup>28</sup> A cogent review of the potential problems arising from nuclear cooperation with India as proposed by the Bush Administration is George Perkovich, "Faulty Promises," Carnegie Endowment for International Peace, Sep. 2005.

<sup>29</sup> Bryan Bender, "US to Aid India on Nuclear Power," *Boston Globe*, July 19, 2005; Steven Weisman, "U.S. to Broaden India's Access to Nuclear-Power Technology," *New York Times*, July 19, 2005. See also Carla Ann Robbins, "Bush's India Deal Bends Nuclear Rules," *Wall Street Journal*, July 20, 2005; "Green Light for Bomb Builders" (editorial), *New York Times*, July 22, 2005; Pat Holt, "US Shift on India Nuclear Policy Tilts Regional Balance," *Christian Science Monitor*, Aug. 4, 2005.

<sup>30</sup> See, for example, a press release from Rep. Edward Markey, "House Energy Conference Committee Questions Logic of New India Nuke Strategy," July 19, 2005. Immediately following the July 18 Joint Statement, an amendment to Sec. 632 of the Energy Policy Act of 2005 (P.L. 109-190) sought to prohibit nuclear exports to countries which are not signatories to the NPT and which have detonated a nuclear device. The amendment was supported by the House side of the conference committee but rejected by the Senate side.

had brought “mixed results,” with some expressing reservations and/or opposition to making an exception for India.<sup>31</sup>

Many influential Indian figures have weighed in with criticism of the specifics of greater U.S.-India nuclear cooperation. For example, former Indian Prime Minister Vajpayee of the Bharatiya Janata Party (BJP) criticized the July 18 Joint Statement as causing “consternation” among Indian nuclear scientists and defense analysts. His primary objections were that separating India’s civilian and military nuclear facilities could erode India’s ability to determine the future size of its nuclear deterrent and that the costs of such separation would be “prohibitive.” India’s main opposition BJP asserts that India stands to lose from the July 18 deal while the United States risks little, a claim echoed by some nongovernmental analysts. Prime Minister Singh has dismissed such criticisms as misguided, insisting that the stipulations will not lead to any limitations on or outside interference in India’s nuclear weapons program, and that substantive Indian action is conditional upon reciprocal U.S. behavior.<sup>32</sup>

Under the heading of “Energy and the Environment,” the July 18 Joint Statement contains an agreement to “strengthen energy security and promote the development of stable and efficient energy markets in India ...” This clause has obvious relevance to the above discussion and may also be considered in the context of U.S. efforts to discourage India from pursuing construction of a proposed pipeline that would deliver Iranian natural gas to India through Pakistan (see “Regional Issues” section below). Washington and New Delhi launched a new Energy Dialogue in May 2005. The forum’s five Working Groups, one of which addresses nuclear power, seek to help secure clean, reliable, affordable sources of energy.<sup>33</sup>

## Civilian Space Cooperation

In March 2005, a U.S.-India Joint Working Group on Civil Space Cooperation was established. An inaugural meeting was held in Bangalore, home of the Indian Space Research Organization (ISRO), in June 2005. This forum is meant to provide a mechanism for enhanced cooperation in areas including joint satellite activities and launch, space exploration, increased interoperability among existing and future civil space-based positioning and navigation systems, and collaboration on various Earth observation projects. The next meeting is slated to take place in Washington, DC by

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<sup>31</sup> Hearing of the House International Relations Committee, “U.S.-India Relations: A New Entente?,” Sep. 8, 2005 see [[http://www.house.gov/international\\_relations/fullhear.htm](http://www.house.gov/international_relations/fullhear.htm)].

<sup>32</sup> “Statement by Atal Bihari Vajpayee,” Bharatiya Janata Party Press Release, July 20, 2005; “India a ‘Loser’ in Nuclear Deal With US, Says Opposition,” BBC Monitoring South Asia, Aug. 2, 2005; Prem Shankar Jha, “Coming of Nuclear Age,” *Outlook* (Delhi), Aug. 1, 2005; “Statement of Prime Minister Dr. Manmohan Singh in Parliament on His Visit to the United States,” Embassy of India, July 29, 2005.

<sup>33</sup> “Secretary Bodman Announces U.S.-India Energy Dialogue,” Department of Energy Press Release, May 31, 2005.

spring 2006.<sup>34</sup> The July 18 Joint Statement calls for closer ties in space exploration, satellite navigation and launch, and in the commercial space arena. U.S. proponents aver that increased civil space cooperation with India can lead to practical solutions to everyday problems related to communication, navigation, the environment, meteorology, and other areas of scientific inquiry. Immediate benefits could include launching U.S. instruments on a planned Indian moon mission and working to include an Indian astronaut in the U.S. astronaut training program. The two nations also express a readiness to expand cooperation on the Global Positioning System.<sup>35</sup> While current cooperative plans may be considered noncontroversial, there have in the past been U.S. efforts to prevent India from obtaining technology and know-how which could allow New Delhi to advance its military missile programs.<sup>36</sup>

## High-Technology Trade

In November 2002, the United States and India established a U.S.-India High-Technology Cooperation Group (HTCG). The July 2003 inaugural HTCG session saw trade representatives from both countries discuss a wide range of issues relevant to creating conditions for more robust bilateral high technology commerce, including market access, tariff and non-tariff barriers, and export controls. Several public-private events have been held under HTCG auspices, including a July 2003 meeting of some 150 representatives of private industries in both countries to share their interests and concerns with governmental leaders. Commerce Department officials have sought to dispel “trade-detering myths” about limits on dual-use trade by noting that only a very small percentage of total U.S. trade with India is subject to licensing requirements and that the great majority of dual-use licensing applications for India are approved.<sup>37</sup> In February 2005, the inaugural session of the U.S.-India High-Technology Defense Working Group met in Bangalore, where participants sought to identify new opportunities for cooperation in defense trade. The July 18 Joint Statement noted the signing of a Science and Technology Framework Agreement. A later resolution of a dispute over intellectual property may lead to increased scientific collaboration.<sup>38</sup>

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<sup>34</sup> “U.S.-India Joint Working Group on Civil Space Cooperation Joint Statement,” July 14, 2005, at [<http://www.state.gov/p/sa/rls/pr/2005/49656.htm>].

<sup>35</sup> Under Secretary of Commerce Kenneth Juster, “Unleashing the Potential of U.S.-India Civil Space Cooperation,” June 22, 2004, at [<http://www.state.gov/p/sa/rls/rm/33811.htm>]; “The United States and India, Strong Global Partners,” July 18, 2005, at [<http://www.state.gov/p/sa/rls/fs/2005/49762.htm>].

<sup>36</sup> For example, in 1993, the Clinton Administration imposed sanctions on a Russian entity and ISRO for transfers of cryogenic rocket engine technology to India (the United States did not object to the transfer of the engines, themselves).

<sup>37</sup> “U.S.-India Dual-Use Export Control Policies and Procedures,” at [<http://www.bis.doc.gov/InternationalPrograms/IndiaCoopPresentation.htm>]. See also “U.S.-India Technology Cooperation Renewed, Commerce Official Says,” U.S. Department of State Washington File, June 22, 2004.

<sup>38</sup> “US, India Agree on Scientific Cooperation,” *New York Times*, Sep. 2, 2005.

U.S. proponents of increased high-technology trade with India assert that expanded bilateral commerce in dual-use goods will benefit the economies of both countries while meeting New Delhi's specific desire for advanced technologies. The United States has taken the position that "the burden of action rests largely on Indian shoulders" in this arena given past frustrations with Indian trade barriers and inadequate intellectual property rights protections.<sup>39</sup> In addition to concerns about sensitive U.S. technologies being transferred to third parties, critics warn that sharing high-technology dual-use goods with India could allow that country to advance its strategic military programs. Some in Congress have expressed concern that providing India with dual-use nuclear technologies could allow that country to improve its nuclear weapons capabilities.<sup>40</sup>

## Security Relations

Since September 2001, and despite a concurrent U.S. rapprochement with Pakistan, U.S.-India security cooperation has flourished. Both countries acknowledge a desire for greater bilateral security cooperation and a series of measures have been taken to achieve this. The India-U.S. Defense Policy Group — moribund since India's 1998 nuclear tests and ensuing U.S. sanctions — was revived in late 2001 and meets annually. U.S. diplomats have called bilateral military cooperation among the most important aspects of transformed U.S.-India relations. On June 28, 2005, Indian Defense Minister Pranab Mukherjee was in Washington, DC, where the United States and India signed a ten-year defense framework agreement that refers to a "new era" for bilateral relations and calls for collaboration in multilateral operations, expanded two-way defense trade, increasing opportunities for technology transfers and co-production, expanded collaboration related to missile defense, and establishment of a bilateral Defense Procurement and Production Group. 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.<sup>41</sup>

Some analysts believe that India, as a major democracy with a well-trained and professional military, is a worthy candidate for greater security cooperation with the United States, even if significant asymmetries (on technology transfers, for example) could persist and limit the relationship. Greater interoperability and coordination with the Indian armed forces has the potential to benefit the United States in areas including counterterrorism, counternarcotics, counterproliferation, and peacekeeping operations. (India has extensive experience in this latter category.)<sup>42</sup> Skeptics point to an Indian strategic culture rooted in concepts of nonalignment and multipolarity as reasons that a true strategic partnership will be difficult to develop in the security

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<sup>39</sup> "U.S.-India Relations and High-Technology Trade," Nov. 20, 2003, at [<http://www.state.gov/p/sa/rls/rm/26476.htm>].

<sup>40</sup> See, for example, a press release from Rep. Edward Markey, "Plans to Sell Dual-Use Nuclear Technologies to India by US Hasty, Reward Bad Behavior," Jan. 9, 2003.

<sup>41</sup> "New Framework for the U.S.-India Defense Relationship," *op. cit.*

<sup>42</sup> C. Christine Fair, "US-Indian Army-to-Army Relations," *Asian Security*, Apr. 2005.

realm.<sup>43</sup> Apparently divergent U.S. and Indian worldviews are demonstrated in significantly differing policies toward Iraq and the strategy for fighting religious extremism, relations with and investments in Iran and Burma, and, perhaps most importantly for New Delhi, relations with Pakistan. Also, the Indian military is quite new to doctrines entailing force projection, having long been focused on defending the country's sovereignty from internal or neighboring threats.

Several Indian officials have expressed 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. Indian military officers voice frustration at what they see as inconsistent U.S. policies and a lack of U.S. credibility.<sup>44</sup> The June defense pact and July Joint Statement apparently seek to mollify Indian concerns in these areas, but it remains to be seen whether or not leaders in both capitals can overcome potential political opposition and provide what their counterparts seek from the defense relationship.

## Military-to-Military Relations

Since early 2002, the United States and India have held numerous and unprecedented joint exercises involving all military branches. February 2004 "Cope India" mock air combat saw Indian pilots in late-model Russian-built fighters hold off American pilots flying older F-15Cs, surprising U.S. participants with their innovation and flexibility in tactics. While military-to-military interactions are extensive and growing, some analysts believe that joint exercises are of limited utility without a greater focus on planning for potential combined operations that arguably would advance the interests of both countries. One suggests that there is no reason why the United States and India cannot formalize a memorandum of understanding on cooperative military operations in the Indian Ocean region.<sup>45</sup> Such a move could, however, antagonize security planners in both Islamabad and Beijing.

## Arms Sales

Along with increasing military-to-military ties, the issue of U.S. arms sales to India has taken a higher profile. In early 2004, a group of 15 private U.S. arms dealers traveled to New Delhi for talks with Indian officials on potential sales. The Indian government reportedly possesses an extensive list of desired U.S.-made weapons, including P-3C Orion maritime patrol aircraft, PAC-3 anti-missile systems, electronic warfare systems, and possibly even F-16 fighters. In March 2005, the Bush

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<sup>43</sup> Amit Gupta, "The U.S.-India Relationship," Strategic Studies Institute, Feb. 2005.

<sup>44</sup> Sandeep Unnithan, "First Jet Engine Laugh," *India Today* (Delhi), Feb. 28, 2005; Maj. Gen. Mrinal Suman, "American Defense Equipment for India," *Indian Defense Review* (Delhi), Jan. 2005. A former Indian army chief has suggested that improved relations with the United States have reaped no meaningful benefits for India, and he urges establishment of a defensive Indian alliance with China and Russia ("Former Army Chief Urges India-Russia-China Alliance Against US Hegemony," BBC Monitoring South Asia, Sep. 1, 2005).

<sup>45</sup> David Fulghum, "Indian 'Scare,'" *Aviation Week & Space Technology*, Oct. 4, 2004; Ashley Tellis, "India as a New Global Power," op. cit.

Administration welcomed Indian requests for information on the possible purchase of F-16 or F/A-18 multi-role fighters and indicated that Washington is “ready to discuss the sale of transformative systems in areas such as command and control, early warning, and missile defense.” The Director of the Pentagon’s Defense Security Cooperation Agency is slated to visit New Delhi in September 2005 for classified technical briefings on U.S. missile defense systems and combat aircraft, and India may seek to purchase the *USS Trenton*, a decommissioned U.S. Navy transport ship. India has emphasized a desire that security commerce with the United States not be a “buyer-seller” interaction, but instead should become more focused on technology transfers, co-development, and co-production.<sup>46</sup> At present, approximately 70% of India’s imported military equipment has come from Russia.

## Missile Defense

India was among the first (and few) countries to welcome President Bush’s May 2001 call for development of missile defenses. Expanded dialogue on missile defense was among the four issue-areas of the NSSP and the June 28 defense pact calls for expanded collaboration in this area. The United States has been willing to discuss potential sales to India of missile defense systems and has provided technical briefings on such systems. While New Delhi has expressed interest in purchasing Arrow and/or Patriot anti-missile systems for limited area use, the Indian defense minister states that India has no intention of “accepting a missile shield from anyone.” Some Indian commentary on missile defense has counseled against Indian purchases of U.S.-made systems, saying they are unlikely to be effective, could be overwhelmed by augmented Chinese and Pakistani missile inventories, and would increase regional insecurities.<sup>47</sup> U.S. proponents of increased missile defense dialogue with India view it as meshing with President Bush’s policy of cooperating with friendly countries on missile defense. Skeptics warn that the introduction of anti-missile systems in South Asia could disrupt the existing regional balance and perhaps fuel an arms race there.

## The Proliferation Security Initiative

The Proliferation Security Initiative (PSI) launched by President Bush in May 2003 seeks to create multilateral cooperation on interdiction of WMD-related shipments. According to the State Department, PSI is not an organization, but rather

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<sup>46</sup> “US Arms Makers to Offer High-Tech Military Hardware to India,” Agence France Presse, Feb. 4, 2004; “Background Briefing by Administration Officials on U.S.-South Asia Relations,” op. cit.; “India, U.S. Prepare to Discuss Weapons Buys,” *Defense News*, Aug. 23, 2005; “Speech by Defense Minister Pranab Mukherjee at the Executive Defense Industry Roundtable Lunch Organized by US-India Business Council,” June 27, 2005, at [[http://www.indianembassy.org/press\\_release/2005/June/10.htm](http://www.indianembassy.org/press_release/2005/June/10.htm)].

<sup>47</sup> Mandavi Mehta and Teresita Schaffer, “India and the United States: Security Interests,” Center for Strategic and International Studies *South Asia Monitor*, June 1, 2001; “US Willing to Talk to India About Supplying Missile Defense,” Agence France Presse, June 16, 2005; “India Rules Out Accepting US Missile Defense System,” Agence France Presse, July 5, 2005; Kartik Bommakanti, “A Theatre of Mistaken Missiles,” *Indian Express* (Bombay), Mar. 11, 2005; Seema Sirohi, “Patriot Games,” *Outlook* (Delhi), Dec.27, 2004.

an activity in which more than 60 “participants” cooperate and coordinate efforts. New Delhi has been concerned that a “core group” comprising PSI’s founding states represented a two-tiered system, but has since been reassured that organization will be nondiscriminatory. However, India’s navy chief indicates that India has “reservations” about the mechanics of maritime interventions and that New Delhi seeks to be among the initiative’s decision-makers rather than a “peripheral participant.”<sup>48</sup> Neither the June 28 defense pact nor July 18 Joint Statement make direct mention of the PSI.

## Economic Relations

As India’s largest trading and investment partner, the United States strongly supports New Delhi’s continuing economic reform policies. U.S. exports to India in 2004 were valued at \$6.1 billion (up 22% over 2003), while imports from India totaled \$15.6 billion (up 19% over 2003), making India the 22<sup>nd</sup> largest U.S. trading partner. The U.S.-India Economic Dialogue, which was inaugurated in New Delhi in March 2000, has four tracks: the Trade Policy Forum, the Financial and Economic Forum, the Environment Dialogue, and the Commercial Dialogue. Each of these tracks is led by the respective U.S. agency and Indian ministry. The July 18 Joint Statement includes calls for revitalizing the Economic Dialogue, most concretely through the launch of a new CEO Forum, and promoting modernization of India’s infrastructure “as a prerequisite for the continued growth of the Indian economy.” The CEO Forum, composed of ten chief executives from each country representing a cross-section of key industrial sectors, seeks to more effectively bring private sector input to government-to-government deliberations.<sup>49</sup>

In September 2004, U.S. Under Secretary of State Larson told a Bombay audience that “the slow pace of economic reform in India” has meant “trade and investment flows between the U.S. and India are far below where they should and can be,” adding that “the picture for U.S. investment is also lackluster.”<sup>50</sup> In August 2005, the New Delhi government announced that it was abandoning plans to sell more than a dozen state-owned companies in what many analysts called a major setback to India’s economic reform program, one that likely will affect the flow of foreign investment there. The move was seen as a gesture to India’s communist parties which support the ruling coalition in New Delhi.<sup>51</sup> Despite the generally

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<sup>48</sup> State Department Fact Sheet at [<http://www.state.gov/t/np/rls/fs/46839.htm>]; C. Raja Mohan, “Dismantling Core Group, US Eases India’s Path to Proliferation Security,” *Indian Express* (Bombay), Aug. 18, 2005; “Proliferation Security Initiative: New Delhi Discussing Reservations With Washington,” *Hindu* (Madras), May 22, 2005.

<sup>49</sup> “Enhancing the U.S.- India Economic Dialogue,” July 18, 2005, at [<http://www.state.gov/p/sa/rls/fs/2005/49736.htm>]. See also CRS Report RS21502, *U.S.-India Economic Relations*.

<sup>50</sup> “The American Vision of U.S.-India Economic Cooperation,” Sep. 24, 2004, at [<http://www.state.gov/e/rls/rm/2004/36345.htm>].

<sup>51</sup> Saritha Rai, “In a Blow to Reform Plans, India Halts Privatizations,” *International Herald Tribune*, Aug. 17, 2005.



closed nature of the Indian economy and U.S. concerns, India's recent GDP growth rates are among the highest in the world, averaging more than 6.5% annually for 2002-2004.

U.S. proponents of increased economic cooperation with India make traditional free-market arguments that more bilateral trade and investment will benefit the economies and citizens of both countries. Some U.S. interest groups have expressed concern that closer U.S.-India economic ties could accelerate the practice by some U.S. firms of outsourcing IT and customer service jobs to India. Proposals have been made in Congress and various state governments to restrict outsourcing work overseas. Bush Administration officials have expressed opposition to government restrictions on outsourcing, but they have told Indian officials that the best way to counter such "protectionist" pressures in the United States is to further liberalize markets. Other U.S. interest groups have raised concern over the outsourcing of financial services (such as call centers) to other countries that entail transmitting private information of U.S. consumers. U.S. officials have urged India to enact new privacy and cybersecurity laws to address U.S. concerns over identify theft.<sup>52</sup>

## Global Issues

### Terrorism

In the July 18 Joint Statement, President Bush and Prime Minister Singh resolved to "combat terrorism relentlessly" through "vigorous counterterrorism cooperation." The June 28 defense pact calls for strengthening the capabilities of the U.S. and India militaries to "promote security and defeat terrorism."<sup>53</sup> A U.S.-India Joint Working Group on Counterterrorism was established in January 2000 and meets regularly; the two countries also share relevant intelligence. New Delhi has long been concerned with the threat posed to India's security by militant Islamic extremism, especially as related to separatism in its Jammu and Kashmir state. Following major terrorist attacks on the United States in September 2001, Washington's own attention to this threat became greatly focused, and India's offers of full cooperation with U.S. counterterrorism efforts included base usage and territorial transit. However, ensuing U.S. operations in Afghanistan were better facilitated through accommodation with Pakistan, leaving many in New Delhi uncomfortable with a (renewed) U.S. embrace of a country that Indian leaders believed to be "the epicenter of terrorism." Thus, while Washington and New Delhi agree on the need to combat terrorism, there remains a disconnect in the two countries' definitions of the term and in their preferred policies for combating it globally (for example, the 2003 U.S.-led invasion of Iraq and its aftermath gave

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<sup>52</sup> The 108<sup>th</sup> Congress passed H.R. 2673 (P.L. 108-199), which limits certain federal government contractors from outsourcing work overseas. See CRS Report RS21883, *Outsourcing and Insourcing Jobs in the U.S. Economy*.

<sup>53</sup> "Joint Statement Between President George W. Bush and Prime Minister Manmohan Singh," op. cit.; "New Framework for the U.S.-India Defense Relationship," op. cit.

pause to Indian leaders who may have been predisposed to greater U.S.-Indian counterterrorism cooperation).<sup>54</sup>

## United Nations Reform

India, Germany, Brazil, and Japan (the “G4”) have engaged in an effort to expand the U.N. Security Council (UNSC) and gain permanent membership in that body. After confirming that India is a worthy candidate for such status, the United States on July 12 announced a rejection of the “G4” proposal and urged U.N. member states against voting for changes. In early August, it was reported that the United States and China would begin coordinating their efforts to defeat the G4 measure, which requires a two-thirds majority in the U.N. General Assembly for passage. In what many analysts called the one substantive disappointment for India during the Prime Minister’s DC visit, the July 18 Joint Statement makes no explicit mention of New Delhi’s U.N. aspirations, although it does reflect President Bush’s view that “international institutions are going to have to adapt to reflect India’s central and growing role.” Many in Congress have expressed support for India’s permanent representation on the UNSC. The Bush Administration’s position is that proposed change in the makeup of the UNSC should take place only in the context of an overall agenda for U.N. reform.

## Other Global Issues

The inaugural session of the U.S.-India Global Issues Forum was held in October 2002; the most recent meeting came in May 2005. Within this forum, the United States and India discuss issues related to protection of the environment, sustainable development, protection of the vulnerable, combating transnational organized crime, and promotion of democratic values and human rights.<sup>55</sup> Other relevant provisions in the July 18 Joint Statement include establishment of a new U.S.-India Global Democracy Initiative and a new U.S.-India Disaster Relief Initiative. The United States and India also cooperate on efforts to combat HIV/AIDS; the Joint Statement calls for strengthening cooperation in this area. Bilateral initiatives pursued in the “global issues” realm may be considered politically noncontroversial.

## Regional Issues

Closer U.S.-India relations growing from an overt U.S. desire to increase India’s power have implications for U.S. relations with other regional countries, as well as for the dynamics among those countries. Policy makers in Beijing, Islamabad, and

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<sup>54</sup> “India Accuses Pakistan of Being Terror Hub,” Associated Press, Dec. 28, 2002; Deepa Ollapaly, “U.S.-India Relations: Ties That Bind?,” op. cit. See also, CRS Report RL32259, *Terrorism in South Asia*.

<sup>55</sup> “Meeting of the U.S.-India Global Issues Forum,” May 17, 2005, at [<http://www.state.gov/g/rls/rm/2005/46423.htm>].

Tehran are among those who follow closely the course of a U.S.-India “global partnership” with an eye toward how their own geopolitical standing is affected.

## China

A rising concern for U.S. policymakers is China’s growing global “reach” and the consequences that China’s increasing international economic, military, and political influence has for U.S. interests. After decades of relatively little U.S. attention to India, recent U.S. moves to embrace New Delhi are widely seen in the context of Washington’s search for friendly Asian powers that may offset Beijing’s power, prevent future Chinese hegemony, and give Washington more nuanced opportunities for leverage in Asia. However, for many observers, it appears unlikely that India will be willing to play a role of “balancer” against China except on New Delhi’s own terms and not those imposed from abroad; in this view, New Delhi tends to see Beijing more as an opportunity than as a problem. For some American analysts, the emergence of an overt counterweight alliance is viewed as both misguided as policy and unlikely as an outcome.<sup>56</sup>

A brief but intense India-China border war in 1962 had ended the previously friendly relationship between the two leaders of the Cold War “nonaligned movement.”<sup>57</sup> Just days before New Delhi’s May 1998 nuclear tests, India’s defense minister called China “potential threat number one,” and a 2002 projection by India’s Planning Commission warned, “The increasing economic and military strength of China may pose a serious challenge to India’s security unless adequate measures are taken to fortify our own strengths.” The Indian Defense Ministry asserts that China’s close defense and arms sales relations with Pakistan — which include key nuclear and missile transfers — its military modernization, its strategic weapons, and “its continental and maritime aspirations require observation.” Significant elements of India’s defense establishment consider China a potent future threat, express worry about New Delhi’s perceived military vulnerability vis-a-vis Beijing, and view with alarm a Chinese “string of pearls” strategy that may seek to restrain India through a series of alliances with its neighbors. More recently, some Indian analysts have concluded that China provided Pakistan with cruise missile technology. In addition, there are signs that the global oil market’s center of gravity is shifting toward the vast markets of India and China, and the two countries’ energy companies often find themselves competing for oil and gas supplies abroad.<sup>58</sup>

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<sup>56</sup> Stephen Cohen, “South Asia,” in *America’s Role in Asia* (Asia Foundation, 2004); Harry Harding, “The Evolution of the Strategic Triangle,” in *The India-China Relationship* (Woodrow Wilson Center Press, 2004). See also CRS Report RL32804, *China-U.S. Relations: Current Issues and Implications for U.S. Policy*.

<sup>57</sup> In early September 2005, lingering acrimony from the 1962 conflict emerged in a spat over the current Indian defense minister’s comment that it was a “Chinese invasion.”

<sup>58</sup> “R. Prasannan, “Enter the Dragon,” *The Week* (Cochin), Aug. 17, 2003; Jasjit Singh, “The Arc in the Sky,” *Indian Express* (Bombay), Nov. 10, 2003; Rahul Bedi, “India and China Vie for Regional Supremacy,” *Jane’s Intelligence Review*, June 10, 2005; Indian Ministry of Defense, *Annual Report 2003-2004*, released May 2, 2005; Sandeep Unnithan, “Cruise Contest,” *India Today* (Delhi), Aug. 29, 2005; Bhushan Baree, et. al., “Saudis Woo India on Oil Projects,” *Wall Street Journal*, Jan. 6, 2005.

Despite still unresolved issues, particularly on conflicting territorial claims, high-level exchanges between New Delhi and Beijing regularly include statements from both sides that there exists no fundamental conflict of interest between the two countries. Upon the Indian Prime Minister's June 2003 visit to Beijing — the first such visit in more than a decade — the two countries issued a joint statement asserting, "The common interests of the two sides outweigh their differences. The two countries are not a threat to each other." Recent years have seen bilateral security engagement including modest, but unprecedented, joint military exercises and plans to expand bilateral defense cooperation. In April 2005, Chinese Prime Minister Wen Jiabao visited New Delhi where India and China agreed to launch a "strategic partnership" to include broadened defense links and efforts to expand economic relations. Trade between India and China is growing rapidly and many in both countries see huge potential benefits in further trade expansion. New Delhi and Beijing also have agreed to cooperate on energy security.<sup>59</sup>

## Pakistan

For many observers, the July 18 Joint Statement struck a serious blow to the "hyphenization" of U.S. relations with India and Pakistan. A persistent and oftentimes perplexing aspect of U.S. engagement in South Asia has been the difficulty of maintaining a more-or-less balanced approach toward two antagonistic countries while simultaneously promoting perceived U.S. interests in the region. Despite India's clearly greater status in material terms, the United States has for the past half-century found itself much more closely engaged with Pakistan, even if U.S. policy toward one South Asian power often required justification in the context of another's perceived interests. In recent years, however, the United States has shown increasing signs of delinking its India policy from its Pakistan policy, and this process has been starkly illuminated with an explicit recognition of India as "a responsible state with advanced nuclear technology." Islamabad expressed "serious concern" over recent U.S.-India agreements and their potential meaning for Pakistan. It remains unclear whether or not Islamabad will insist on being given the same consideration as is being shown to New Delhi (though Pakistan's nonproliferation case was seriously undercut by the exposure of A.Q. Khan's global proliferation network), but Pakistan indicates that it may request such consideration, along with a defense pact similar to that signed by the United States and India.<sup>60</sup> On the other hand, increased U.S.-India cooperation may lead Pakistan to further deepen its ties with China.

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<sup>59</sup> "Declaration on Principles for Relations and Comprehensive Cooperation Between the Republic of India and People's Republic of China," Indian Ministry of External Affairs, June 23, 2003; "China, India Pledge to Deepen Defense Cooperation," Reuters, Dec. 28, 2004; "Joint Statement of the Republic of India and the People's Republic of China," Indian Ministry of External Affairs, Apr. 11, 2005; "India, China Trade Could Touch US\$100BLN," *Asia Pulse* (Sydney), July 21, 2005; Himangshu Watts, "India, China Agree to Cooperate on Energy Security," Reuters News, Apr. 11, 2005.

<sup>60</sup> Ihtasham ul Haque, "Concern Voiced Over Indo-US Defense Accord," *Dawn* (Karachi), July 24, 2005; "Pakistan Wants to Expand Nuclear Cooperation With US," BBC Monitoring South Asia, July 25, 2005; James Murphy, "Pakistan Wants Defense Pact With US," *Jane's Defense Industry*, Sep. 1, 2005. See also CRS Issue Brief IB94041, *Pakistan-U.S. Relations*.

India has never been completely comfortable with the post-9/11 U.S. embrace of Pakistan as a key ally, and New Delhi reacted with disappointment to March 2004 news that Pakistan would be designated a major non-NATO ally (MNNA) of the United States. When the Bush Administration suggested that India could be considered for similar status, New Delhi flatly rejected any military alliance with Washington. Many in India regarded U.S. handling of the MNNA announcement as a betrayal. One year later, New Delhi was again expressing disappointment with the United States, this time after the Bush Administration's decision to resume sales of F-16 fighters to Pakistan.<sup>61</sup> New Delhi likely will continue to view warily Islamabad's relations with both Washington and Beijing.

## Iran

As noted above, a potentially major area of friction in U.S.-India relations could be future dealings with Iran. India-Iran relations have traditionally been positive and, in January 2003, the two countries launched a "strategic partnership" with the signing of the New Delhi Declaration and seven other substantive agreements. Later that same year, India's external affairs minister said that India would continue to assist Iran's nuclear energy program. In September 2004, the State Department sanctioned two Indian scientists for violating the Iran Nonproliferation Act of 2000 by transferring to Iran WMD-related equipment and/or technology (India denied any transfers took place). Recently, New Delhi has given conditional diplomatic support for Iran's controversial nuclear program and indicates it will decline any U.S./Western requests that it act as intermediary with Tehran on this issue. Some Indian analysts offer that Indian relations with Iran will be a litmus test of the New Delhi government's pledge to pursue an independent foreign policy.<sup>62</sup>

In recent years, Indian firms have taken long-term contracts for purchase of Iranian gas and oil. Building upon growing India-Iran energy ties is the proposed construction of a pipeline to deliver Iranian natural gas to India through Pakistan. The project has become a point of contention in U.S.-India relations. In June 2004, Indian External Affairs Minister Natwar Singh said India would be willing to consider building the \$4-7 billion pipeline if Pakistan provided security guarantees. Secretary of State Rice has expressed U.S. "concerns" about the project, and a U.S. arms control official later said "it would be a mistake to proceed with this pipeline" as it would generate revenue that Iran would use "for funding its weapons of mass

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<sup>61</sup> "India Shows Ambitions for World Role by Rebuffing US Sops," Agence France Presse, Mar. 24, 2004; V. Sudarshan, "Uncle Sam's Sly Sally," *Outlook* (Delhi), Apr. 5, 2004; John Cherian, "A Shock From the West," *Frontline* (Madras), Apr. 23, 2004; "Turbulence Arises in US-India Relations," *Jane's Foreign Report*, Mar. 30, 2005.

<sup>62</sup> "The Republic of India and the Islamic Republic of Iran: 'The New Delhi Declaration,'" Indian Ministry of External Affairs, Jan. 25, 2003; "India Helping Iran With Nuclear Energy Program - Foreign Minister," Agence France Presse, Dec. 13, 2003; "Delhi Issues Plea on US Sanctions," BBC News, Oct. 1, 2004; "Iran's Clearance for LNG Project," *Hindu* (Madras), Sep. 4, 2005; Amit Baruah, "A Test for India's Foreign Policy," *Hindu* (Madras), Sep. 1, 2005. See also analyses in "The 'Strategic Partnership' Between India and Iran," Asia Program Special Report #120, Woodrow Wilson International Center for Scholars, Apr. 2004. See also CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*.

destruction program and for supporting terrorist activities.” U.S. law requires the President to impose sanctions on foreign companies that make an “investment” of more than \$20 million in one year in Iran’s energy sector. However, despite U.S. concerns, New Delhi has maintained that its relations with Tehran are positive and that the pipeline project is in its own national interest. In July 2005, Indian and Pakistani officials made a “serious commitment” to begin work on the pipeline, and a key Indian official reportedly said the United States had not pressured India to change its course on this issue.<sup>63</sup>

During a September 8, 2005 hearing on U.S.-India relations, numerous members of the House International Relations Committee expressed serious concerns about India’s relations with Iran, especially with New Delhi’s apparent opposition to the referral of Iran’s nuclear case to the U.N. Security Council. Some senior members of the panel suggested that full Indian cooperation with the United States on this matter should be a prerequisite for U.S.-India cooperation in the civil nuclear field.<sup>64</sup>

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<sup>63</sup> “India Likely to Consider Building Gas Pipeline From Iran Through Pakistan,” Associated Press, June 5, 2004; “Rice Sees Shared Values as Basis of U.S.-Indian Cooperation,” U.S. Department of State Washington File, Mar. 16, 2005; “‘Mistake’ for India to Proceed With Iran Pipeline: US Official,” *Hindustan Times* (Delhi), June 16, 2005; “India, Pakistan Pledge ‘Serious Commitment’ to Iran Gas Pipeline,” Agence France Presse, July 13, 2005; “No Pressure From US on Iran-Pakistan Pipeline Project: Aiyar,” *Hindustan Times* (Delhi), July 28, 2005. See also CRS Report RS20871, *The Iran-Libya Sanctions Act (ILSA)*.

<sup>64</sup> Hearing of the House International Relations Committee, “U.S.-India Relations: A New Entente?,” Sep. 8, 2005 see [[http://www.house.gov/international\\_relations/fullhear.htm](http://www.house.gov/international_relations/fullhear.htm)]; “US Raises Concerns With India Over Iranian Nuclear Issue,” Agence France Presse, Sep. 8, 2005.