India-U.S. Relations

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Summary

Long considered a "strategic backwater" from Washington's perspective, South Asia has emerged in the 21st century as increasingly vital to core U.S. foreign policy interests. India, the region's dominant actor with more than one billion citizens, is often characterized as a nascent major power and "natural partner" of the United States, one that many analysts view as a potential counterweight to China's growing clout. Washington and New Delhi have since 2004 been pursuing a "strategic partnership" based on shared values such as democracy, pluralism, and rule of law. Numerous economic, security, and global initiatives, including plans for civilian nuclear cooperation, are underway. This latter initiative, launched by President Bush in 2005 and finalized by the 110th Congress in 2008 (P.L. 110-369), reverses three decades of U.S. nonproliferation policy. Also in 2005, the United States and India signed a ten-year defense framework agreement that calls for expanding bilateral security cooperation. Since 2002, the two countries have engaged in numerous and unprecedented combined military exercises. Major U.S. arms sales to India are underway; more are anticipated. The influence of a growing and relatively wealthy Indian-American community of more than two million is reflected in Congress's largest country-specific caucus.

Further U.S. interest in South Asia focuses on ongoing tensions between India and Pakistan rooted 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 currently 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 seeks to curtail the proliferation of nuclear weapons and ballistic missiles in South Asia. Both India and Pakistan resist external pressure to sign the major nonproliferation treaties. In 1998, the two countries conducted nuclear tests that evoked international condemnation. Proliferation-related restrictions on U.S. aid were triggered; remaining sanctions on India (and Pakistan) were removed in late 2001.

Upon the seating of a new U.S. President in 2009, most experts expected general policy continuity with regard to U.S.-India relations. Yet some look to history in anticipating potential friction on issues such as nonproliferation (where India may be pressed to join such multilateral initiatives as the Comprehensive Test Ban Treaty and the Fissile Material Cutoff Treaty); human rights and Kashmir (where the new Administration could become more interventionist); and bilateral economic relations (where the new Administration may pursue so-called protectionist policies). Yet President Obama's statement that, "Our rapidly growing and deepening friendship with India offers benefits to all the world's citizens," suggests that the bilateral strategic partnership likely will continue and even deepen.

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

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Introduction

Long considered a "strategic backwater" from Washington's perspective, South Asia has emerged in the 21st century as increasingly vital to core U.S. foreign policy interests. India, the region's dominant actor with more than one billion citizens, is often characterized as a nascent major power and "natural partner" of the United States, one that many analysts view as a potential counterweight to China's growing clout. Washington and New Delhi have since 2004 been pursuing a "strategic partnership" based on shared values such as democracy, pluralism, and rule of law. Numerous economic, security, and global initiatives, including plans for "full civilian nuclear energy cooperation," are underway. This latter initiative, launched by President Bush in 2005, provisionally endorsed by the 109th Congress in 2006 (P.L. 109-401, the "Hyde Act"), and finalized by the 110th Congress in 2008 (P.L. 110-369), reverses three decades of U.S. nonproliferation policy. Also in 2005, the United States and India signed a ten-year defense framework agreement that calls for expanding bilateral security cooperation. Since 2002, the two countries have engaged in numerous and unprecedented combined military exercises. Major U.S. arms sales to India are underway. The influence of a growing and relatively wealthy Indian-American community of more than two million is reflected in Congress's largest country-specific caucus. Moreover, since 2001, Indians have been the largest foreign student population on American college campuses, with nearly 95,000 students in 2008 comprising fully 15% of all foreign students in the United States.[1]

During the 2008 U.S. presidential campaign, both leading candidates expressed full-throated support for a deepened and expanded U.S.-India partnership. Then-Senator Barack Obama said he would seek U.S.-India ties strengthened "across the board," with a particular focus on energy issues. Senator John McCain claimed the United States has a "vested interest in India's success" and he called for improved military and counterterrorism cooperation, along with mutual efforts to strengthen democracy and energy security. Both candidates were explicit supporters of U.S.-India civil nuclear cooperation as proposed by the Bush Administration.[2] A January 2009

India in Brief

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

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

Capital: New Delhi

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

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

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

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

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

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

Gross Domestic Product (at PPP): $3.4 trillion; *per capita*: $2,953; *growth rate* 5.6% (2008 est.)

Currency: Rupee (100 = $2.37)

Inflation: 8.1% (2008 est.)

Defense Budget: $25.3 billion (2.3% of GDP; 2008)

U.S. Trade: exports to U.S. $26.1 billion; imports from U.S. $19.2 billion (2008 est.)

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

[1] See http://newdelhi.usembassy.gov/pr111708.html.

[2] "'I Am Reluctant To Seek Changes In The N-Deal'" (interview with Barack Obama), *Outlook* (Delhi), July 21, 2008; (continued...)

report issued by the New York-based Asia Society asserted that India "matters to virtually every major foreign policy issue that will confront the United States in the years ahead" and it recommended "dramatically enhancing" U.S.-India cooperation between both governments and private sectors.[3]

Key Current Issues and Developments

The Newly-Seated U.S. Administration

Days after President Obama took office, Secretary of State Hillary Clinton and Indian External Affairs Minister Pranab Mukherjee agreed to "further strengthen the excellent bilateral relationship" between the United States and India. On January 26, India Republic Day, President Obama issued a statement of commemoration 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."[4] As part of her confirmation hearing to become Secretary of State, Clinton told Senators she will 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."[5] Senate Foreign Relations Committee Chairman Sen. John Kerry apparently concurs in contending that the United States must "work to deliver the deal's geopolitical potential to leverage our peaceful nuclear cooperation into a 21st-century U.S.-India strategic partnership" and that "India will be increasingly key to solving international challenges" looking forward.[6]

Many experts expect general policy continuity with regard to U.S.-India relations. Yet some look to history in anticipating potential friction on issues such as nonproliferation (where the new U.S. Administration may press India to join such multilateral initiatives as the Comprehensive Test Ban Treaty and the Fissile Material Cutoff Treaty);[7] human rights and Kashmir (where the Administration could become more interventionist); bilateral economic relations (where the Administration may pursue protectionist policies); and relations with China (where economic factors could lead to geopolitical tensions in Asia). While many Indian analysts opine that Republican U.S. presidents typically have been more beneficial to Indian interests than have Democratic ones, most appear to conclude that undue worry is unnecessary, and that the selection of a Secretary of State perceived as friendly to India has done much to ameliorate such concerns.[8]

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John McCain, "America Has a Vested Interest in India's Success" (op-ed), *Indian Express* (Mumbai), August 8, 2008.

[3] "Delivering on the Promise: Advancing US Relations With India," Asia Society Task Force Report, January 2009, at http://www.asiasociety.org/taskforces/india09/DeliveryOnThePromise_USRelationsWithIndia.pdf.

[4] Indian Ministry of External Affairs, "Telephonic Conversation Between EAM and US Secretary of State," January 23, 2009; White House statement at http://www.whitehouse.gov/58_years_of_Indian_democracy.

[5] See http://www.foreignpolicy.com/files/KerryClintonQFRs.pdf.

[6] John Kerry, "Building a Stronger U.S.-India Friendship" (op-ed), *Wall Street Journal*, October 8, 2008.

[7] Secretary of State Clinton has stated that the Obama Administration will seek ratification of the CTBT and will encourage India to become a party to that pact (see http://www.foreignpolicy.com/files/KerryClintonQFRs.pdf).

[8] "Experts Say Obama to Strengthen India, US Ties," BBC Monitoring South Asia, November 5, 2008; "Rajeswari Pillai Rajagopalan, "Obama Presidency: What Awaits India?," Observer Research Foundation (Delhi) Analysis, November 5, 2008; Siddharth Varadarajan, "Obama Presidency to Pose Challenges for Indian Diplomacy" (op-ed), (continued...)

Greater U.S. Engagement on Kashmir?

After the U.S. presidential election, press reports began speculating that the Obama Administration was planning a diplomatic push to resolve the Kashmir dispute.[9] Even before the polls, then-candidate Obama had made statements revealing his interest in pursuing such a tack:

> Kashmir in particular is an interesting situation where that is obviously a potential tar pit diplomatically. But, for us to devote serious diplomatic resources to get a special envoy in there, to figure out a plausible approach, and essentially make the argument to the Indians, you guys are on the brink of being an economic superpower, why do you want to keep on messing with this?[10]

These and other comments on Kashmir caused immediate consternation in India, where many both inside and outside of government believe any direct U.S. involvement in the issue would have negative repercussions, in particular by causing a predicted hardening of Pakistani policy and an uptick in the incidence of separatist militancy in Indian Kashmir. Some analysts speculate that, by taking a "regional" approach to the Afghan problem, the United States could seek to make India a party to the conflict there.[11] Even some Pakistani analysts note a perceived futility of greater U.S. pressure on New Delhi.[12]

In an indication of official Indian sensitivities, New Delhi strongly rejected the British foreign secretary's January suggestion that South Asian security was closely linked to the Kashmir dispute. The Indian national security advisor later opined that President Obama risks "barking up the wrong tree" if he seeks to broker a settlement between India and Pakistan over Kashmir.[13]

Secretary of State Clinton recognizes the dangers of rising tensions in Kashmir while also deferring calls for greater U.S. involvement in the situation, saying the U.S. role will continue to be as it was under the previous Administration: settlement facilitation, but no mediation.[14] Two senior Washington-based experts had earlier suggested that a mid-2008 uprising in Kashmir showed the United States can no longer enjoy the "luxury" of inattention to the dispute; they urged more active U.S. diplomatic engagement to impress upon both New Delhi and Islamabad the importance of restraint and resolution, perhaps to include the dispatch of a "senior official to defuse the crisis."[15] Some independent analysts warn that South Asian circumstances are not amenable to such engagement and/or pressure, and that U.S. involvement could even backfire by

(...continued)

Hindu (Chennai), November 6, 2008; "Is Barack Obama Good for India?," *India Today* (Delhi), February 2, 2009.

[9] See, for example, "Is Kashmir Key to Afghan Peace?," *Christian Science Monitor*, November 21, 2008.

[10] "The Full Obama Interview," October 23, 2008, at http://swampland.blogs.time.com/2008/10/23/the_full_obama_interview.

[11] See, for example, C. Raja Mohan , "Barack Obama's Kashmir Thesis" (op-ed), *Indian Express* (Delhi), November 3, 2008; "Obama's Kashmir Conundrum," BBC News, January 21, 2009. On Afghanistan, see "M.K. Bhadrakumar, "U.S. Draws India Into the Afghan War" (op-ed), *Hindu* (Chennai), December 25, 2008.

[12] See, for example, Ijaz Hussain, "Obama and Kashmir" (op-ed), *Daily Times* (Lahore), December 3, 2008.

[13] "India Disagrees With Britain Over Security, Kashmir," Reuters, January 21, 2009; "India Warns Obama Over Kashmir," *Financial Times* (London), February 3, 2009.

[14] See http://www.foreignpolicy.com/files/KerryClintonQFRs.pdf.

[15] Howard Schaffer and Teresita Schaffer, "Kashmir's Fuse Alight" (op-ed), *Washington Times*, September 3, 2008.

breeding resentments in regional capitals. These observers urge instead a measured approach focused on the creation of a coherent and comprehensive U.S. regional strategy.[16]

The Appointment of a U.S. Special Representative

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, and as suggested in the above discussion, there was speculation that the new U.S. President would appoint 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 is "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 not Kashmir were included in Holbrooke's official brief.[17] Still, on his maiden "orientation" travel to the region, New Delhi was on Holbrooke's itinerary.

The Mumbai Terrorist Attack and Deteriorated Relations With Pakistan[18]

Pre-November 26 Engagements

Among the top goals of Indian officials in 2008 was gauging the new civilian Pakistani government's commitment to the bilateral peace process. Within this modest context, the outcome of Pakistan's February national elections was viewed as generally positive.[19] However, ensuing months saw a marked deterioration of India-Pakistan relations, with some in New Delhi expressing frustration that Islamabad's civilian leaders exercised little influence over Pakistan's powerful military and intelligence agencies.[20]

In May, India accused Pakistan of committing multiple cease-fire and territorial violations along the Kashmiri Line of Control (LOC). June visits to Islamabad by External Affairs Minister Mukherjee, and later by Pakistan's foreign minister to New Delhi, were cordial and appeared to get the peace process back on track, but produced no new initiatives. Then, on July 7, a suicide car bomb killed 58 people, including four Indian nationals, at the Indian Embassy in Kabul,

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[16] See, for example, Daniel Markey, "So You Want to Be a Special Envoy," *Foreign Policy* (online), January 2009; Lisa Curtis, *U.S. South Asia Regional—Not Kashmir—Envoy Needed*, Heritage Foundation WebMemo No. 2158, December 5, 2008.

[17] See http://www.state.gov/r/pa/prs/dpb/2009/jan/115448.htm; "India's Stealth Lobbying Against Holbrooke's Brief," *Foreign Policy* (online), January 23, 2009.

[18] See also CRS Report R40087, *Terrorist Attacks in Mumbai, India, and Implications for U.S. Interests*.

[19] "Quietly Forward," *Frontline* (Chennai), June 20, 2008.

[20] "India Frustrated by a Rudderless Pakistan," *New York Times*, August 12, 2008; "India Yearns for Pakistan's Musharraf Amid Turmoil," *Associated Press*, August 12, 2008. In August, the Indian national security advisor expressed worry at the possibly imminent removal from office of Pakistani President Pervez Musharraf, saying such a development would "leave radical extremist outfits with freedom to do what they like" in the region ("Q&A With Indian National Security Advisor MK Narayanan," *Straits Times* (Singapore), August 12, 2008).

Afghanistan. Afghan and Indian officials later claimed to have evidence that Pakistan's intelligence agency was complicit in the attack, a charge echoed by the U.S. government. Late July serial bomb attacks in the cities of Bangalore and Ahmedabad killed scores of people and triggered heightened suspicions of foreign involvement in terrorist acts inside India.[21]

In late July, Foreign Secretary Menon met with his Pakistani counterpart in New Delhi to launch the fifth round of the bilateral Composite Dialogue. Following the meeting, Menon warned that recent events—culminating in embassy bombing—had brought the peace process "under stress." Blunt language again followed a high-level meeting in Sri Lanka, where Menon suggested that India-Pakistan relations were at a four-year low ebb.[22] Along with the Kabul bombing, Indians widely suspect Pakistani complicity in summer terrorist attacks inside India. At the same time, further lethal shooting incidents along the LOC exacerbated bilateral tensions. When the Pakistani Senate passed a resolution on the situation in India's Jammu and Kashmir state (see below), an Indian official called the move "gross interference" in India's internal affairs. The exchange was soon repeated when the Pakistani foreign minister decried "excessive and unwarranted use of force" in Kashmir by the Indian government, a charge rejected as unhelpful by New Delhi. Moreover, New Delhi's progress in an initiative that would allow India to purchase nuclear materials and technologies on the international market spurred Islamabad to warn of a potential new nuclear arms race on the Asian subcontinent.[23]

Still, senior government officials in both capitals sought to press ahead with engagement. Prime Minister Singh met with the Pakistani President in New York City, where the two leaders formally stated their intent to restart the waning peace process by scheduling the fifth round of composite dialogue talks by year's end.[24] National Security Advisor Narayanan hosted his Pakistan counterpart, Mahmud Ali Durrani, in New Delhi in October to review issues of mutual concern. Days later, a special meeting of the bilateral Joint Anti-Terrorism Mechanism was held, also in New Delhi. Both sessions were said to have been held in a positive atmosphere.[25] In late November, a fifth round of Home/Interior Secretary-level talks on terrorism and drug trafficking was held in Islamabad and, mere hours before the November 26 Mumbai terrorist attacks began, Pakistan's foreign minister was in New Delhi to review progress in the latest composite dialogue round, which Indian leaders expected to be "productive and fruitful." Thus, on the brink of yet another serious derailing of the peace process caused by a major terrorist attack, many observers were sanguine about the outlook for improving relations.[26]

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[21] July's terrorist attacks may represent the "Indianization of the jihad," according to some analysts. The violence spurred many commentators to lament what they describe as an incompetent national security apparatus ("Sophisticated Attacks Catch Indian Agencies Napping," *Reuters*, July 29, 2008; "Hello, Anybody There?" (editorial), *Times of India* (Delhi), July 29, 2008).

[22] "Briefing by Foreign Secretary After India-Pakistan Foreign Secretary-Level Talks," Indian Ministry of External Affairs, July 21, 2008; "India Official Sees Sinking Relations With Pakistan," *New York Times*, August 1, 2008.

[23] "Bombings May Threaten India-Pakistan Relations," *Christian Science Monitor*, July 28, 2008; "Skirmishes Can Hurt India-Pakistan Peace Process," *Reuters*, July 30, 2008; Indian Ministry of External Affairs Press Briefing, August 7, 2008; "India Reacts 'Strongly' to Pakistan Comments on Kashmir Violence," *BBC Monitoring South Asia*, August 12, 2008; "Pakistan Warns of New Nuclear Arms Race With India," *Associated Press*, July 23, 2008.

[24] "India, Pakistan Leaders Agree to Kickstart Peace Talks," Agence France Presse, September 24, 2008.

[25] See http://www.mofa.gov.pk/Press_Releases/2008/Oct/PR_312_08.htm and http://www.mofa.gov.pk/Press_Releases/2008/Oct/PR_325_08.htm.

[26] Indian Ministry of External Affairs, "Opening Statement by Minster of External Affairs," November 26, 2008; "Signs of Thaw in Bitter South Asian Dispute," *Christian Science Monitor*, November 26, 2008.

Terrorism in Mumbai[27]

On the evening of November 26, a number of well-trained militants came ashore from the Arabian Sea on small boats and attacked numerous high-profile targets in Mumbai, India, with automatic weapons and explosives. By the time the episode ended some 62 hours later, about 165 people, along with nine terrorists, had been killed and hundreds more injured. Among the multiple sites attacked in the peninsular city known as India's business and entertainment capital were two luxury hotels—the Taj Mahal Palace and the Oberoi-Trident—along with the main railway terminal, a Jewish cultural center, a café frequented by foreigners, a cinema house, and two hospitals. Six American citizens were among the 26 foreigners reported dead. Indian officials concluded that the attackers numbered only ten, one of whom was captured and later confirmed to be a Pakistani national.

The audacious, days-long attack on India's most populous city deeply affected the Indian people and their government. Because the attackers appear to have come from, and received training and equipment in, neighboring Pakistan, the episode has led to renewed bilateral tensions. Senior U.S. officials, including then-President Bush and then-President-elect Obama, joined the State Department in issuing immediate statements of support for and condolences to the Indian government and people.[28] H.Res. 1532, agreed to by unanimous consent on December 10, condemned the attacks, offered condolences and support to the people and government of India, and expressed U.S. congressional desire to improve coordination between the United States and India to combat terrorism and advance international security. The resolution also called upon the Pakistani government to cooperate fully with India in bringing the culprits to justice and to prevent Pakistan's territory from "serving as a safe-haven and training ground for terrorists."[29]

The investigation into the attacks remains incomplete, but press reporting, statements from U.S. and Indian authorities, and a "dossier" of purported evidence compiled by New Delhi strongly suggest that all of the attackers came to India from neighboring Pakistan, and that the perpetrators likely were members and acting under the orchestration of the Pakistan-based Lashkar-e-Taiba (LeT) terrorist group. The LeT—originally a Kashmiri-separatist-oriented militant organization that later developed broader jihadi aspirations and that has links to Al Qaeda—is widely believed to have past ties with Pakistan's military and intelligence services. By some accounts, these links are ongoing, leading to suspicions, but no known evidence, of involvement in the attack by Pakistani state elements.

Fallout for Bilateral Relations

The Islamabad government strongly condemned the Mumbai terrorism and offered New Delhi its full cooperation with the ongoing investigation, but mutual acrimony clouds such an effort, and the attacks have brought into question the viability of a nearly five-year-old bilateral peace process between India and Pakistan, which New Delhi currently says is in a "pause." In the face of domestic pressure from their respective publics, the leadership of both India and Pakistan have visibly sought to keep the situation from escalating. Yet political posturing could yet polarize the situation and reverse years of increasingly positive bilateral interactions.[30] New Delhi welcomed

[27] See also CRS Report R40087, *Terrorist Attacks in Mumbai, India, and Implications for U.S. Interests*.

[28] See http://www.indianembassy.org/newsite/press_release/2008/Nov/11.asp.

[29] H.Res. 1532.

[30] "India, Pakistan Tread Lightly After Mumbai Attack," Associated Press, December 2, 2008; "Public Anger Strains (continued...)

Islamabad's December crackdown while also pressing Pakistan to "shut down" the LeT entirely, along with the Jamaat-ud-Dawa (JuD), a nominally charitable organization that is identified as a continuation of the LeT with a new name. In December, in response to a formal Indian request, the U.N. Security Council sanctioned the JuD for its alleged links to terrorism.

Tensions remained high throughout December, with reports of military activity on both sides of the shared border exacerbating the sometimes fraught rhetoric of national leaders.[31] Yet Indian leaders shied from explicit saber-rattling and many analysts have concluded that circumstances present New Delhi with few viable options other than pursuing a diplomatic offensive against Islamabad. In this effort, India has won considerable international support, but Islamabad has had some success in obfuscating the issue with troops movements away from the Afghan border and by protesting the threat of Indian military retaliation.[32] Still, even many Indian analysts conclude that direct confrontation with Pakistan is unlikely to be effective.[33]

The Indian government has maintained that the attackers not only collaborated and came from Pakistani territory, but that official Pakistani elements are almost certainly complicit. On January 5, New Delhi released a "dossier" of what it called evidence linking the Mumbai attackers to Pakistan; copies of this document were sent to the U.S., Pakistani, and other governments. Among the evidence was information gained through interrogation of the sole captured gunman, along with telephone transcripts, details on weapons and other captured equipment, and records from GPS instruments and satellite phones. In releasing the material, India's foreign secretary said it "beggared the imagination" to think that the perpetrators could act without the knowledge of Pakistani establishment elements, and he asserted that Pakistan was obligated to extradite the "criminals" on Pakistani soil. Prime Minister Singh himself said, "There is enough evidence to show that, given the sophistication and military precision of the attack, it must have had the support of some official agencies in Pakistan."[34]

Islamabad rejects such "unfortunate allegations" and criticizes New Delhi for "ratcheting up tensions" with "hostile propaganda." It termed the dossier's contents as "information" rather than "evidence."[35] Two days after the dossier's release Islamabad did, however, issue a first-ever public admission that the captured gunman was, in fact, a Pakistani national.

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India-Pakistan Cooperation," *Christian Science Monitor*, December 5, 2008. In one example of heightened public emotion, tens of thousands of demonstrators gathered in southern Mumbai a week after the attacks began to express their anger, at times chanting "death to Pakistan" ("As Rice Presses Pakistan, Tens of Thousands Take to Streets in Mumbai," *New York Times*, December 4, 2008).

[31] "Pakistani Jets Scramble as India Hardens Tone," *Wall Street Journal*, December 23, 2008: "Pakistan Cancels Army Leave, India Tensions Rise," Reuters, December 26, 2008.

[32] "India's Singh Plays Down Possibility of War With Pakistan," *Washington Post*, December 23, 2008; "No Easy Indian Response to Pakistan's Troop Shift," *New York Times*, December 29, 2008; "Pakistan May Outsmart India in Diplomatic Poker," Reuters, January 6, 2009.

[33] See, for example, C. Raja Mohan, "Beyond the Mumbai Dossier" (op-ed), *Friday Times* (Lahore), January 16, 2009.

[34] Indian Ministry of External Affairs, "Briefing by Foreign Secretary on Mumbai Terror Attacks," January 5, 2009; "India PM Says Pakistan 'Agencies' Linked to Attack," Reuters, January 6, 2009. The dossier's contents may be viewed at http://www.hinduonnet.com/nic/dossier.htm.

[35] See http://www.mofa.gov.pk/Press_Releases/2009/Jan/PR_12_09.htm; "Pakistan Dismisses Indian Data as 'Not Evidence,'" Associated Press, January 14, 2009.

Indian leaders have at times expressed displeasure with a perceived lack of sufficient diplomatic pressure on Pakistan from the U.S. and other Western governments.[36] In their efforts to maintain diplomatic pressure on Islamabad, top Indian officials continue to issue sometimes harsh rhetoric. For example, in January, India's defense minister voiced long-standing doubts that Islamabad's leaders were taking meaningful action against anti-India militants in Pakistan, saying he sees no noticeable change in their attitude.[37] The external affairs minister later said the Mumbai attack "put a very large question mark over the achievements of the composite dialogue process" and laments what he calls "the absence of a sincere and transparent position on terrorism" in Islamabad, saying this has "significantly eroded" popular support for the peace process among Indians.[38] The Indian Prime Minister himself has used strong and direct language:

> During the past year, we faced a severe challenge from terrorist groups operating from outside our country. Many of them act in association with hostile intelligence agencies in these countries. ... Terrorism ... is largely sponsored from outside our country, mainly Pakistan, which has utilized terrorism as an instrument of state policy.[39]

In mid-January, New Delhi took concrete action by canceling previously scheduled talks on the Sir Creek dispute with Pakistan.[40]

The Pakistani position is captured in a mid-January statement from its Foreign Ministry:

> India has placed a "pause" on the Composite Dialogue. Pakistan believes that sustained engagement and dialogue is necessary to allay each other's concerns. Breakdown of dialogue only works to the advantage of the terrorists. Conflict, confrontation and tensions is exactly what the terrorists want. We should not walk into their trap. It is important to show statesmanship.[41]

At the time of this writing, Islamabad is vowing to soon release the preliminary findings of its own investigation. Some press reports indicate that these findings include what would be a controversial assertion that the attack was planned outside of Pakistan.[42]

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[36] "US, UK Not Doing Enough to Rein in Pak: Pranab," *Times of India* (Delhi), December 23, 2008.

[37] "India Says Pakistan Attitude Unchanged on Militants," Reuters, January 2, 2009. Many independent Indian analysts concur and see in Islamabad's response to the Mumbai attacks evidence that the government there lacks both the will and the resources to reverse the perceived spread of a jihadist agenda (Praveen Swami, "Understanding Pakistan's Response to Mumbai" (op-ed), *Hindu* (Chennai), January 26, 2009).

[38] Quoted in "Pakistan is in a State of Denial: Pranab," *Times of India* (Delhi), January 17, 2009.

[39] Indian Ministry of External Affairs, "Address by Prime Minister at CM's Conference," January 6, 2009. In mid-January, ten former Indian ambassadors, including four former foreign secretaries, signed a letter urging the New Delhi government to downgrade its diplomatic ties with Islamabad due to Pakistan's allegedly inability to take meaningful action against suspected orchestrators of the Mumbai attack. At about the same time, India's newly seated home minister stated that business, transport, and tourism links with Pakistan will become weaker and "one day snap" if Islamabad does not cooperate in bringing the perpetrators to justice ("'Downgrade Diplomatic Ties With Pakistan,'" Hindu (Chennai), January 9, 2009; "Ties May Snap: Chidambaram," *Hindu* (Chennai), January 14, 2009).

[40] "Attacks Stir Another India-Pakistan Border Dispute," *Wall Street Journal*, January 13, 2009.

[41] See http://www.mofa.gov.pk/Spokesperson/2009/Jan/Spokes_15_01_09.htm.

[42] "'Mumbai Attacks Planned Outside Pakistan,'" *Daily Times* (Lahore), January 29, 2009.

Implications for U.S. Interests

U.S. regional policy focuses foremost on fostering stability and precluding open conflict between two nuclear-armed powers; neutralizing the threat posed by religious extremists; democratization; and economic development. The Bush Administration had responded to the Mumbai attacks by reaffirming its commitment to close and supportive relations with India. Given the perspective of senior Obama Administration officials and top U.S. military commanders that success in efforts to stabilize Afghanistan may require an easing of India-Pakistan tensions, fallout from the Mumbai terrorist attacks has further complicated U.S. policy in South Asia. In a stark example of the sensitive dynamics involved, in December an unnamed senior Pakistani security official reportedly said Pakistan would respond to any Indian military mobilization along their shared border by withdrawing "all troops" from its border with Afghanistan and redeploying them along the frontier with India, as was done during the 2002 India-Pakistan crisis. Such a move by Pakistan would almost certainly derail militarized efforts to combat Islamist militancy in the Pakistan-Afghanistan border region.

The Mumbai incident elicited more vocal calls for deepening U.S.-India counterterrorism cooperation that could benefit both countries. Such cooperation has been hampered by sometimes divergent geopolitical perceptions and by U.S. reluctance to "embarrass" its Pakistani allies by conveying alleged evidence of official Pakistani links to terrorists, especially those waging a separatist war in Kashmir. Mutual distrust between Washington and New Delhi also has been exacerbated by some recent clandestine U.S. efforts to penetrate Indian intelligence agencies. Despite lingering problems, the scale of the threat posed by Islamist militants spurs observers to encourage more robust bilateral intelligence sharing and other official exchanges, including on maritime and cyber security, among many more potential issue-areas.[43]

Renewed Conflict and Elections in Indian Kashmir

In late June, a state government decision to grant 99 acres of land to a trust for the popular Amarnath Hindu shrine in the Jammu and Kashmir state sparked violent protests by Muslims who said the move sought to change the demographic balance in their Muslim-majority state. Public expressions of anger included a withdrawal from the state's coalition government by the influential regional People's Democratic Party and the subsequent resignation of Chief Minister Ghulam Nabi Azad, which placed the state under federal rule. Azad had responded to resistance by revoking the land grant decision, but protests did not subside and later spread to the Hindu-majority Jammu region. Dozens of people were subsequently killed and hundreds wounded in clashes with police over the next month.

Many of the state's Hindus were upset by the government's reversal; their efforts to block the sole road connecting the Kashmir Valley from the rest of India left the capital of Srinagar short of food, fuel, and medical supplies. A high-level federal government meeting convened by Prime Minister Singh in early August concluded that a dialogue process was needed and would benefit from the active support of the opposition BJP, whose Hindu nationalist leanings may help to fuel the resentments the state's Hindu minority. Yet worsening strife, with at least 19 protesters killed

[43] See Lisa Curtis, *After Mumbai: Time to Strengthen U.S.-India Counterterrorism Cooperation*, Heritage Foundation Backgrounder, December 9, 2008, http://www.heritage.org/Research/AsiaandthePacific/upload/bg_2217.pdf.

and up to 300 security troops injured on August 11-12 alone, has led some to warn that the state could fall into "communal meltdown," squandering years of improvement.[44]

In mid-August, tens of thousands of Muslims took to the streets of Srinagar demanding "azadi' [freedom]. The sometimes lethal rioting spread to Indian cities beyond the Muslim-majority Valley, leading some analysts to foresee sustained, mass separatist protests that could seriously undermine New Delhi's writ and destabilize the region. By month's end, at least 35 Muslim protestors had been shot dead by police and more than 1,000 others injured in clashes.[45] Despite significant violence, the protests were largely peaceful. Facing a mass, but mostly nonviolent movement presented New Delhi with a conundrum, as its traditionally hardline response—including shooting unarmed protestors, blanket curfews, and the detention of separatist leaders—appeared increasingly overwrought and counterproductive to many observers.[46] International human rights groups urged the Indian government to refrain from using lethal force against protesters, with Amnesty International calling the "shoot on sight" orders issued to India security services "a clear violation of the right to life and of international standards of law enforcement."[47]

Sporadic demonstrations continued into October but, with India deploying added security forces and arresting multiple separatist leaders, the uprising appeared to soon diminish without having achieved anything substantial. Significant disagreements among separatist leadership, lack of consensus on what exactly was being sought by the protestors, the diluting effects of counter-protests by Kashmiri Hindus, and the relative silence of Islamabad all may have contributed to the protest's loss of momentum.[48] Pakistan's foreign ministry insisted that the unrest in Kashmir was "entirely indigenous" and it called on India to "bring the atrocities against Kashmiris to an end."[49] India accused Pakistan of repeated cease-fire violations along the LOC in 2008 and expressed concern that the Pakistani army is renewing efforts to provide cover fire to infiltrating militants. Security officials in Indian Kashmir have also reported capturing alleged Pakistani nationals and members of a terrorist group said to be aspiring suicide bombers.[50] However, toward the end of 2008 the Pakistani President referred to Kashmiri militants as "terrorists," eliciting praise from New Delhi, but unleashing a storm of negative reaction in Pakistan.[51]

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[44] "Kashmir Strike as Tensions Rise," *BBC News*, August 7, 2008; "Kashmir Short of Essentials After Highway Blockade," *Reuters*, August 5, 2008; "Indian Leaders Urge Kashmir Talks," *BBC News*, August 6, 2008"; "Violence Threatens Kashmir Peace," *BBC News*, August 11, 2008.

[45] "Kashmir Violence Reignites Sectarian Tensions," *Christian Science Monitor*, and "Protests, Killings Could Be Kashmir's Tipping Point," Reuters," both August 14, 2008; "Rage in Kashmir Meets India's Brute Force," Reuters, September 2, 2008.

[46] See, for example, "Peaceful Protests in Kashmir Alter Equation for India," *Washington Post*, August 28, 2008; "A New Tack in Kashmir," *Wall Street Journal*, December 15, 2008.

[47] See http://www.amnesty.org/en/for-media/press-releases/india-repeal-shoot-sight-orders-20080813.

[48] Happymon Jacob, "Kashmir's Failed Uprising" (op-ed), *Hindu* (Chennai), October 25, 2008.

[49] See http://www.mofa.gov.pk/Spokesperson/2008/oct/spokes_31_10_08.html. At the height of the summer discord, then-Pakistani President Musharraf criticized the Indian government's "act of human rights violations" in its handling of riots in Kashmir. New Delhi found the commentary "deeply objectionable" and the External Affairs Ministry rejected as "gratuitous" calls for international involvement in India's internal affairs ("Clash in Kashmir Inflames India-Pakistan Tension," *Wall Street Journal*, August 15, 2008; Indian Ministry of External Affairs, "Statement by Official Spokesperson," August 13, 2008).

[50] "Despite Warnings, Pak Violates Ceasefire Again," *Times of India* (Delhi), August 14, 2008; "Kashmiri Police Say 3 Bomb Suspects Are Pakistani," *New York Times*, December 24, 2008.

[51] "India Praises Zardari Over Kashmir Policy Shift," *Financial Times* (London), October 6, 2008.

By November, the central government felt ready to go ahead with Jammu and Kashmir state elections despite the risk of a large-scale voter boycott called for by separatist leaders. Such a boycott, if successful, would have embarrassed New Delhi and cast further doubt on the legitimacy of its governance in the state, but turnout was strong even in Muslim-majority precincts. When the month-long polling process ended in late December, largely free of the violence and coercion that had marred previous iterations, overall turnout was above 60% and the regional, pro-India National Conference (NC) party was able to join with the Congress Party to form a ruling coalition in the state assembly under NC Chief Minister Omer Farooq. Prime Minister Singh called the exercise a "vote for national integration," although most voters appeared focused on local governance issues. A prominent separatist leader called the election a "strategic exercise" that should not be considered credible due to the presence in Kashmir of some 700,000 Indian security forces, saying, "The state is under siege in the name of elections."[52]

The Emergent Indigenous Terrorism Threat

Terrorist attacks in India beyond Kashmir have been rampant in recent months and years, and in 2008 included bombings in Jaipur in May (63 dead); Bangalore and Ahmedabad in July (46 dead); and New Delhi in September (18 dead). Over the course of the year, many Indian officials came to realize that the capabilities of indigenous extremist elements had grown immensely. 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. Some Indian experts assert that the IM's top operators, drawn mostly from SIMI's ranks, receive training at LeT camps inside Pakistan.[53] Prime Minister Singh acknowledged in September 2008 that the involvement of "local elements" in mid-2008 attacks added a "new dimension" to the country's terrorism problem.[54]

India's Economic Woes

India's economy was for much of 2008 rocked by soaring inflation, and power shortages have sparked public outrage and protests. A sharp increase in food and fuel costs may counterbalance recent growth in the Indian economy.[55] In mid-June, inflation rates reached a 13-year high of more than 11% and prices for basic foodstuffs reportedly rose by as much as 50% in some smaller Indian cities in less than six months. The Reserve Bank of India responded by raising its benchmark lending rate to the highest level in six years. Inflationary pressures continued throughout the summer and, in August, breached 12%, due mainly to increased food prices. The central government's deteriorating public finances, due mainly to rising subsidies, have threatened India's investment grade credit ratings. Power shortages have forced some key state

[52] "Kashmiris Weary of Violence Fight Back By Voting," *New York Times*, December 20, 2008; "Kashmir Poll Turnout a Victory for Democracy: Indian PM," Agence France Presse, December 28, 2008; "'Pakistan's Policy Helps Our Cause" (interview with Mirwaiz Umer Farooq), *Friday Times* (Lahore), November 28, 2008.

[53] "India's Al Qaeda," *India Today* (Delhi), December 22, 2008; Praveen Swami, "Pakistan and the Lashkar's Jihad in India" (op-ed), *Hindu* (Chennai), December 9, 2008.

[54] "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.

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

governments, including Maharashtra, Andhra Pradesh, and Karnataka, to strictly ration commercial electricity supplies.[56]

The late 2008 onset of the global credit crunch and ensuing recession fears triggered a major drop in the value of Indian markets, with the benchmark Sensex index of the Bombay Stock Market hitting a three-year low on October 24. A slowing of the global economy has had clear negative effects in India, with high-tech companies and outsourcing firms suffering the most. By early 2009, the country's central bank was predicting annual economic growth below 7%, which would be the lowest rate since 2003.[57] Moreover, in January, India was rocked by what some called the country's own "Enron scandal," when it was revealed that the chairman of Satyam Computer Services—India's fourth-largest outsourcing firm that served as the back office to many of the world's largest banks, manufacturers, health care, and media companies—had committed massive fraud in systematically inflating earnings over a period of years. The news led to a 7% drop in the Sensex's value.[58]

Despite serious difficulties, some more optimistic commentators have offered that, because the shocks are largely external, and investment rates shrank without plummeting, India's economy can be expected to continue to perform robustly.[59] By the close of 2008, inflation had hit a nine-month low, due mainly to plummeting oil prices (India imports some 80% of its oil supplies). Some analysts see an Indian economy well positioned to recover and grow further, given especially an insulated financial sector and a currency that is not fully convertible. New Delhi has responded quickly and, by many accounts, effectively, to stimulate the national economy with increased spending and the easing of some taxes.[60]

U.S.-India Civil Nuclear Cooperation[61]

Plans to initiate U.S.-India civil nuclear cooperation were long hampered by domestic political resistance in India, but were finalized in the latter half of 2008. In a major policy shift by the United States, a July 2005 U.S.-India Joint Statement notably asserted that "as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states," and President Bush vowed to work on achieving "full civilian nuclear energy cooperation with India." As a reversal of three decades of U.S. nonproliferation policy, such proposed cooperation stirred controversy and required changes in both U.S. law and in international guidelines. Enabling U.S. legislation became public law in December 2006 (P.L. 109-401 or "the Hyde Act"). Congressional approval of the required Agreement for Peaceful Nuclear Cooperation or "123 Agreement" came in October 2008 (P.L. 110-369).

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[56] "Scale of India's Inflation Revealed," *BBC News*, June23, 2008; "India's Ratings Under Cloud as Govt Finances Sour," *Reuters*, July 15, 2008; "Power Crisis Hits Indian states," *BBC News*, July 25, 2008.

[57] "Recession Trickles to India," *New York Times*, December 4, 2008; "India Predicts Growth Will Fall to Six-Year Low," *Financial Times* (London), January 27, 2009.

[58] "Satyam Chief Admits Huge Fraud," *New York Times*, January 8, 2009.

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

[60] Adam Segal, "For India, Crisis Brings Some Pain With Long-Term Opportunities," Council on Foreign Relations Expert Brief, November 13, 2008; Jonathan Robins, "India's Economy: Slowing, But Still Delivering," Center for Strategic and International Studies South Asia Monitor, September 2, 2008; "India Unveils Stimulus Moves After Central Bank Cuts Rates," *Wall Street Journal*, December 8, 2008.

[61] See also CRS Report RL33016, *U.S. Nuclear Cooperation with India: Issues for Congress*, and "Next Steps in Strategic Partnership" and Beyond" section below.

For nearly one year from mid-2007 to mid-2008, however, India's United Progressive Alliance (UPA) coalition government, led by the Congress Party of Prime Minister Manmohan Singh, had been unable to overcome persistent and unrelenting resistance to the pact from communist party leaders who provide the ruling coalition with crucial parliamentary support. By threatening to withdraw such support if the UPA went forward with the initiative, the Left Front obstructed its consummation. A July 2008 political realignment in New Delhi, however, freed the UPA to continue its pursuit of the deal and, in August, the International Atomic Energy Agency (IAEA) Board of Governors approved a safeguards accord with India. Later that month, the 45-member Nuclear Suppliers Group (NSG) met to discuss adjusting its guidelines to permit nuclear trade with India. This step was taken in early September. The final legal hurdle to commencing U.S.-India civil nuclear cooperation was crossed in October when the U.S. Congress passed a Joint Resolution of Approval of the 123 Agreement and the President signed the bill into law.

Arabian Sea Piracy and Indian Military Action

In October 2008, Indian warships began patrolling Gulf of Aden waters off the Somali coast to protect Indian merchant ships from pirates. On November 18, an Indian frigate engaged and sank what Indian officials called a suspected Somali pirate "mother ship" after taking fire off the coast of Oman. The incident won New Delhi international praise for taking on the pirates, but days later it became apparent that the sunken vessel was in fact a Thai-operated fishing boat that had itself been taken over by pirates, and that the Indian attack had killed up to 15 Thai crewmen who were being held hostage. The Indian Navy nevertheless defended its actions as legitimate under international law.[62] In mid-December, an Indian destroyer responded to a distress call off the Somali coast and captured 23 pirates. Such military action is taken as a sign of India's emergence as a state with significant power projection capabilities.

Context of the U.S.-India Relationship

Background

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

[62] "Mistake Cited in Sinking of Boat by India," *New York Times*, November 27, 2008.

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

President Bill Clinton's March 2000 visit to South Asia seemed a major U.S. initiative to improve relations with India. One outcome was a Joint Statement in which the two countries pledged to "deepen the India-American partnership in tangible ways."[63] A U.S.-India Joint Working Group on Counterterrorism was established that year and continues to meet regularly. During his subsequent visit to the United States later in 2000, Prime Minister Atal Bihari Vajpayee addressed a joint session of Congress and issued a second Joint Statement with President Clinton agreeing to cooperate on arms control, terrorism, and HIV/AIDS.[64]

In the wake of the September 2001 terrorist attacks on the United States, India took the immediate and unprecedented step of offering to the United States full cooperation and the use of India's bases for counterterrorism operations. Engagement was accelerated after a November 2001 meeting between President Bush and Prime Minister Vajpayee, when the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues, including regional security, space and scientific collaboration, civilian nuclear safety, and broadened economic ties.[65] Notable progress has come in the area of security cooperation, with an increasing focus on counterterrorism, joint military exercises, and arms sales. In late 2001, the U.S.-India Defense Policy Group met in New Delhi for the first time since India's 1998 nuclear tests and outlined a defense partnership based on regular and high-level policy dialogue.

Prime Minister Manmohan Singh paid a landmark July 2005 visit to Washington, where what may be the most significant joint U.S.-India statement to date was issued.[66] In March 2006, President Bush spent three days in India, discussed further strengthening a bilateral "global partnership," and issued another Joint Statement.[67] U.S.-India relations were in the latter years of the Bush Administration conducted under the rubric of three major "dialogue" areas: strategic (including global issues and defense), economic (including trade, finance, commerce, and environment), and energy. President Bush's 2002 *National Security Strategy of the United States* stated that "U.S. interests require a strong relationship with India." The 2006 version claimed that

[63] See http://www.usindiafriendship.net/archives/usindiavision/delhideclaration.htm.

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

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

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

[67] See http://www.whitehouse.gov/news/releases/2006/03/20060302-5.html. By the end of 2008, Indians in general were among outgoing President Bush's greatest foreign fans, with many lauding the opening of a U.S.-India strategic partnership as perhaps his most notable foreign policy success (see, for example, "India Has a Soft Spot for Bush," *New York Times*, January 11, 2009).

"India now is poised to shoulder global obligations in cooperation with the United States in a way befitting a major power."[68]

In late 2007, Under Secretary of State Burns, who traveled to New Delhi at least eight times over a two-year period, penned an article lauding stronger U.S.-India relations while also identifying "considerable hurdles" to achieving an effective "global partnership." Foremost among these were terrorism, narcotics trafficking, and nuclear proliferation, which he averred must be dealt with through stronger bilateral security ties that will include defense sales.[69] At a 2007 U.S.-India business conference in Washington, then-Secretary of State Rice laid out the perspective that,

> We in America look to the rise of India as an opportunity, a chance to work with a great fellow democracy to share not only the benefits of the international system, but indeed, the burdens and the responsibilities of maintaining it, of strengthening it, and defending it. We are eager to continue charting a global partnership with India, one that addresses the global challenges upon which the safety and success of every nation now depends: stemming nuclear proliferation, fighting terrorism, combating disease, protecting the environment, supporting education and upward mobility, expanding economic development, and promoting freedom under the rule of law.[70]

In September 2008, Defense Minister Antony paid a four-day visit to Washington, where he held extensive discussions with senior U.S. officials. Later in the month, Prime Minister Singh was hosted for a state dinner in the White House. In early October, External Affairs Minister Mukherjee hosted Secretary of State Rice for meetings in New Delhi, where the two officials agreed with satisfaction that U.S.-India relations were better than ever before.[71]

Some analysts, however, see great potential but little likelihood of India becoming a major global power in the foreseeable future. Despite possession of a large, youthful, entrepreneurial population, a booming national economy, and growing power projection capabilities in the military realm, there remains much doubt about the capacity of India's leaders to engage in effective long-term strategic thinking and policy making. One senior Washington-based India-watcher has opined that, "The Indian strategic community is hopelessly unstrategic," and that its political community is "too domestically focused," thus precluding India's emergence as a substantive major power. Some Indian analysts agree that their national leaders lack a "coherent national grand strategy."[72]

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

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

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

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

[71] See http://2001-2009.state.gov/secretary/rm/2008/10/110622.htm.

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

successful) lobbying effort to encourage congressional passage of legislation to enable U.S.-India civil nuclear cooperation.[73]

India's Regional Relations

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

Pakistan [74]

Decades of militarized tensions and territorial disputes between India and Pakistan arguably have hamstrung economic and social development in both countries while also precluding establishment of effective regional economic or security institutions. Seemingly incompatible national identities contributed to both wars and to the nuclearization of the Asian Subcontinent, with the nuclear weapons capabilities of both countries becoming overt in 1998. Since that time, a central aspect of U.S. policy in South Asia has been prevention of interstate conflict that could destabilize the region and lead to nuclear war. In 2004, New Delhi and Islamabad launched their most recent comprehensive effort to reduce tensions and resolve outstanding disputes; this "Composite Dialogue" effort has to date resulted in modest, but still meaningful successes. New Delhi acknowledges that a stable Pakistan is in India's interests. At the same time, however, many top Indian leaders are convinced that Pakistan has long been and remains the main source India's significant domestic terrorism problems. They continue to blame Islamabad for maintaining an "infrastructure of terror" and for actively supporting terrorist groups such as Jaish-e-Mohammed and Lashkar-e-Taiba that are held responsible for attacks inside India.[75]

Current Status

The halting India-Pakistan peace initiative was revived in mid-2008 after becoming moribund in the final months of 2007, when domestic political and security crises diverted the Pakistani government's attention away from its relations with India. Yet November's terrorist attack in

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

[74] See also CRS Report RL33498, *Pakistan-U.S. Relations*.

[75] While levels of separatist-related violence in Kashmir declined significantly in 2008 as compared to previous years, many Indian analysts continue to see signs that Islamist militants will seek to reverse this trend, perhaps with the urging and even support of Pakistani government elements. According to Indian National Security Advisor M.K. Narayanan, a former chief of the country's domestic intelligence agency, and "the overwhelming majority" of India's terrorism problems emanates from the Pakistan-Afghanistan border region. Internal Indian government documents reportedly conclude that Pakistan's main intelligence agency has not changed its central objectives, which, according to these sources, include supporting anti-Indian militancy in Kashmir, Punjab, Assam, and along the India-Nepal and India-Bangladesh borders ("Negotiating War," *Outlook* (Delhi), May 28, 2008; "MK Narayanan" (interview), *India Abroad*, September 21, 2007; "ISI Still Helping Terror Groups Against India: Narayanan," *Times of India* (Delhi), March 26, 2008; "No Let Up in ISI Operations: Report," *Times of India* (Delhi), June 9, 2008).

Mumbai spurred New Delhi to "pause" the entire process pending Pakistan's handling of the related investigation. New Delhi has watched the domestic turmoil of its neighbor and long-time rival with great interest, but little public comment. India takes pains to avoid even the perception of meddling in Pakistan's domestic political problems and so has been reticent and extremely cautious in its relevant public statements. A destabilized Pakistan represents a major security concern for New Delhi, but at the same time history shows that as Pakistan's internal difficulties grow, Pakistani interference in Indian affairs tends to decrease.[76]

After a disruption caused by the July 2006 Mumbai train bombings, the Composite Dialogue resumed with a third round of foreign secretary-level talks later that year. No progress came on outstanding territorial disputes, but the two sides did give shape to a new "joint anti-terrorism mechanism." Such a mechanism is controversial in India, where some analysts are skeptical about the efficacy of institutional engagement with Pakistan in this issue-area even as Islamabad is suspected of complicity in anti-India terrorism.

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

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

A fourth round of the Composite Dialogue also was launched in March 2007. No new agreements were reached, but both sides lauded improved bilateral relations and held "the most sustained and intensive dialogue" ever on the Kashmir problem.[77] A fourth round of talks on economic and commercial cooperation, held in August 2007, ended with agreements to facilitate importation of cement from Pakistan and tea from India, among others. October 2007 saw a second meeting of the Joint Anti-Terrorism Mechanism in New Delhi, where the two sides shared new information on terrorism and agreed to continue mutual investigatory cooperation.

[76] "As Pakistan Boils, India Watches," *Chicago Tribune*, December 30, 2007; "Pakistan Turmoil Draws Muted Concern in India," *Washington Post*, January 19, 2008.

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

Following the November 2007 imposition of emergency rule in Pakistan, political crisis in Islamabad is widely seen as having put what are at least temporary brakes on the bilateral peace process, and has also brought into question the efficacy of India's seeking to strike agreements with a Pakistani leader (Musharraf) whose political legitimacy and longevity in office were in doubt. New Delhi lauded Pakistan's February 2008 electoral processes and expressed preparedness to resume the Composite Dialogue once a new government is in place in Islamabad.

In May 2008, External Affairs Minister Mukherjee met with his Pakistani counterpart in Islamabad for a review of the fourth round of the Composite Dialogue. The two leaders reaffirmed their determination to not let terrorism impede the bilateral peace process. A month later, the new Pakistani Foreign Minister, Shah Mehmood Qureshi, made his first official trip to New Delhi, where it was agreed that the fifth round of the Composite Dialogue would take place in July. June 2008 also saw the bilateral anti-terrorism mechanism meet for only the third time in nearly two years. A September 2008 meeting of the India-Pakistan joint working group on cross-LOC confidence-building measures reached an agreement on opening a trade route in Kashmir and, in October, such trade commenced for the first time in more than 60 years as Indian and Pakistani trucks laden with apples, walnuts, rice, and raisins made the journey to nearby markets. As noted in "The Mumbai Terrorist Attack and Deteriorated Relations With Pakistan" section above, the dialogue process appeared to be moving slowly but with mutually positive intent before being derailed by the November terrorist attack in Mumbai.

Background

Three wars—in 1947-48, 1965, and 1971—and a constant state of military preparedness on both sides of the border have marked six decades of bitter rivalry between India and Pakistan. The bloody and acrimonious nature of the 1947 partition of British India and continuing violence in Kashmir remain major sources of interstate tensions. Despite the existence of widespread poverty across South Asia, both India and Pakistan have built large defense establishments—including nuclear weapons capability and ballistic missile programs—at the cost of economic and social development. The two countries reportedly continue to stockpile a combined 11 million landmines and up to 2,000 square kilometers of India's Jammu and Kashmir state may remain mined.[78] The nuclear weapons capabilities of India and Pakistan became overt in May 1998, magnifying greatly the potential dangers of a fourth war. Although a bilateral peace process has been underway for more than four years, little substantive progress has been made toward resolving the Kashmir issue, and New Delhi continues to be rankled by what it calls Islamabad's insufficient effort to end Islamic militancy that affects India.

The Kashmir problem is itself rooted in claims by both countries to the former princely state, now divided by a military Line of Control (LOC) into the Indian state of Jammu and Kashmir and Pakistan-controlled Azad [Free] Kashmir (see "The Kashmir Issue," below). Normal relations between New Delhi and Islamabad were severed in December 2001 after a terrorist attack on the Indian Parliament was blamed on Pakistan-supported Islamic militants. Other lethal attacks on Indian civilians spurred Indian leaders to call for a "decisive war," but intense international diplomatic engagement, including multiple trips to the region by high-level U.S. officials, apparently persuaded India to refrain from attacking.[79] In October 2002, the two countries ended

[78] See a 2007 International Campaign to Ban Landmines report at http://www.icbl.org/lm/2007/india.html.

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

a tense, ten-month military standoff at their shared border, but there remained no high-level diplomatic dialogue between India and Pakistan (a July 2001 summit meeting in the Indian city of Agra had failed to produce any movement toward a settlement of the bilateral dispute).

In April 2003, Prime Minister Vajpayee extended a symbolic "hand of friendship" to Pakistan. The initiative resulted in slow, but perceptible progress in confidence-building, and within months full diplomatic relations between the two countries were restored. Islamabad responded positively and, in November, took its own initiatives, most significantly the offer of a cease-fire along the Kashmir LOC. A major breakthrough in bilateral relations came at the close of a January 2004 summit session of the South Asian Association for Regional Cooperation in Islamabad. After a meeting between Vajpayee and Pakistani President Musharraf—their first since July 2001—the two leaders agreed to re-engage a "composite dialogue" to bring about "peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides." A May 2004 change of governments in New Delhi had no effect on the expressed commitment of both sides to carry on the process of mid- and high-level discussions. Some analysts believe that increased people-to-people contacts have significantly altered public perceptions in both countries and may have acquired permanent momentum. Others are less optimistic about the respective governments' long-term commitment to dispute resolution. Moreover, an apparent new U.S. embrace of India has fueled Pakistan's anxieties about the regional balance of power.

China

India and China together account for one-third of the world's population, and are seen to be rising 21st century powers and potential strategic rivals. The two countries fought a brief but intense border war in 1962 that left China in control of large swaths of territory still claimed by India. Today, India accuses China of illegitimately occupying nearly 15,000 square miles of Indian territory in Kashmir, while China lays claim to 35,000 square miles in the northeastern Indian state of Arunachal Pradesh. The 1962 clash ended a previously friendly relationship between the two leaders of the Cold War "nonaligned movement" and left many Indians feeling shocked and betrayed. While Sino-Indian relations have warmed considerably in recent years, the two countries have yet to reach a final boundary agreement. Adding to New Delhi's sense of insecurity have been suspicions regarding China's long-term nuclear weapons capabilities and strategic intentions in South and Southeast Asia. A strategic orientation focused on China appears to have affected the course and scope of New Delhi's own nuclear weapons, ballistic missile, and other power projection programs.[80]

Beijing's military and economic support for Pakistan—support that is widely understood to have included nuclear weapons- and missile-related transfers—is a major and ongoing source of friction; past Chinese support for Pakistan's Kashmir position has added to the discomfort of Indian leaders. New Delhi takes note of Beijing's security relations with neighboring Burma and the construction of military and port facilities on the Indian Ocean.[81] The two countries also have

[80] See, for example, "Wary of China, India to Boost Eastern Naval Fleet," *Reuters*, November 14, 2007; "Indian Army Wants Military Space Program," *Associated Press*, June17, 2008.

[81] 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).

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.[82]

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

Despite historic and strategic differences, high-level exchanges between India and China regularly include statements that there exists no fundamental conflict of interest between the two countries. During a landmark 1993 visit to Beijing, then-Prime Minister Narasimha Rao signed an agreement to reduce troops and maintain peace along the Line of Actual Control (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—a dozen of these since both countries appointed special representatives in 2003—with New Delhi and Beijing agreeing to move forward in other issue-areas even as territorial claims remain unresolved. Some skeptical Indian analysts believe China is using the so far unavailing border dialogue as "diplomatic cover to be intractable and revanchist."[83]

A 2003 visit to Beijing by then-Prime Minister Vajpayee was viewed as marking a period of much improved relations. In 2004, India's army chief visited Beijing to discuss deepening bilateral defense cooperation and a first-ever India-China strategic dialogue was later held in New Delhi. Military-to-military contacts have included modest but unprecedented combined naval and army exercises, and numerous high-level visits.[84] During Chinese Prime Minister Wen Jiabao's 2005 visit to New Delhi, India and China inked 11 new agreements and vowed to launch a "strategic partnership" to include broadened defense links and efforts to expand economic relations.[85] In a move that eased border tensions, China formally recognized Indian sovereignty over the former kingdom of Sikkim, and India reiterated its view that Tibet is a part of China.[86] Moreover, in 2006, dubbed the "Year of India-China Friendship," the two countries formally agreed to cooperate in securing overseas oil resources. In July of that year, India and China reopened the

[82] 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).

[83] Brahma Chellaney, "Don't Get Cowed Down" (op-ed), *Times of India* (Delhi), October 2, 2007.

[84] "India Strengthens Military Relations With China," *Hindu* (Chennai), November 5, 2008.

[85] See "India, China Hoping to 'Reshape the World Order' Together," *Washington Post*, April 12, 2005.

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

Nathu La border crossing for local trade (the Himalayan pass had been closed since the 1962 war). Sino-India trade relations are soaring—bilateral commerce was worth nearly $39 billion in 2007, a 15-fold increase over the 1999 value. In fact, China may soon supplant the United States as India's largest trading partner. Still, Indian leaders are concerned that trade with China is woefully unbalanced, with China enjoying a large surplus.

Indo-Chinese relations further warmed in late 2006, when Chinese President Hu Jintao made a trip to India, the first such visit by a Chinese president in a decade. There India and China issued a Joint Declaration outlining a "ten-pronged strategy" to boost bilateral socio-economic ties and defense cooperation, and to "reinforce their strategic partnership." The two countries, which declared themselves "partners for mutual benefit" rather than rivals or competitors, also signed 13 new pacts on a variety of bilateral initiatives. The Joint Declaration notably contained an agreement to "promote cooperation in the field of nuclear energy," although no details have been provided on what form such cooperation might take. India's army chief spent a week in China in mid-2007, providing fresh impetus to bilateral defense cooperation. A late 2007 visit to Beijing by Congress Party chief Sonia Gandhi may have been part of an effort to balance New Delhi's increasingly close relations with the United States, Japan, and other regional countries, relations that may be straining Indo-Chinese ties.

Prime Minister Singh's January 2008 visit to Beijing, his first as Prime Minister, saw India and China agreed to further strengthen trade and defense relations. Singh called on Beijing to expand market access for Indian goods so as to correct his country's growing trade imbalance with China. A number of significant unresolved bilateral issues, not least the conflicting territorial claims, had analysts foreseeing no major new initiatives growing from the summit. The resulting document, "A Shared Vision for the 21st Century," resolved to promote global peace and prosperity through an India-China relationship built on trust and based on equality. It included an unprecedented expression of Chinese support for a greater Indian in the U.N. Security Council, as well as calls for further regional economic integration and resolution of outstanding territorial disputes through peaceful negotiations.[87] External Affairs Minister Mukherjee met with his Chinese counterpart in Beijing in June 2008; the two leaders pledged to maintain peace on the India-China border but offered no new approaches to resolving outstanding territorial disputes.[88] In late 2008, India's top diplomat characterized bilateral ties with China as being "somewhat normalized" after 30 years of engagement. He asserted that China's rise is "a challenge" for India and that Chinese leaders seek to forward their interests "more aggressively than in the past."[89]

Militarized bilateral frictions persist. Ahead of Prime Minister Singh's China trip, External Affairs Minister Mukherjee conceded that Chinese troops had sometimes intruded on Indian territory and that infrastructure development on the Chinese side of the border was "much superior" to that on the Indian side. Just two weeks after returning from China, Singh was in India's remote Arunachal Pradesh state for the first such prime ministerial trip in nearly a decade. The visit ostensibly was meant to assure the region's citizens that New Delhi remained mindful of their development needs. Indian officials have been clear in conveying to Beijing that they consider the state to be "an integral part of India."[90] Some Indian analysts, wary of China's territorial claims and military presence in the region, lauded what they saw as Singh's symbolic demonstration of

[87] "Aiming Low at China-India Summit," *BBC News*, January 13, 2008; "Shared Vision" at http://meaindia.nic.in.

[88] "India, China Pledge Stronger Ties on Foreign Minister's Visit Amid Tensions," *Associated Press*, June 6, 2008.

[89] Indian Ministry of External Affairs, "Address by Mr. Pranab Mukherjee," November 3, 2008.

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

Indian resolve in the face of Chinese provocations. In apparent response to China's rapid development of infrastructure on its side of the disputed border, the Indian army plans to deploy two new mountain divisions to the region within eight years. Indian sources continue to accuse Chinese patrols of "transgressing" across the LOAC, with an average of about ten such incursions per month reported in 2008.[91] In May 2008, reports that China was basing a nuclear submarine on Hainan Island in the South China Sea triggered alarm in New Delhi. Hainan is 1,200 miles from the strategically vital Malacca Straits. Indian concern was compounded by reports of apparent missile launch sites from which Chinese nuclear forces may target northern India. Moreover, India's pursuit of a military space program to defend its satellites may portend a regional arms race and exacerbate existing India-China tensions.[92]

Afghanistan

India takes an active role in assisting reconstruction efforts in Afghanistan, having committed some $1.2 billion to this cause, as well as contributing thousands of workers and opening numerous consulates there (much to the dismay of Pakistan, which fears strategic encirclement and takes note of India's past support for Afghan Tajik and Uzbek militias). 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.[93] 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 Chahbahar port, a $77 million dam project, and construction of Kabul's new $67 Parliament building, to be completed in 2010. Some 3,500 Indian personnel are working on various relief and reconstruction projects inside Afghanistan. These workers are guarded by about 500 Indian police.[94]

A July 2008 suicide bombing at India's Kabul Embassy was taken as a stark message to Indian leaders that Taliban militants and their allies want New Delhi to withdraw from Afghanistan. Prime Minster Singh instead responded by vowing $450 million in new Indian aid for Afghan reconstruction.[95] Afghan President Karzai paid a "symbolic" visit to New Delhi in mid-January 2009 to express solidarity with the government and people of India in the wake of the Mumbai terrorist attack.[96] Days later, External Affairs Minister Mukherjee was in Kabul for meetings with senior Afghan officials. The United States has welcomed India's role in Afghanistan.

[91] "Belated Awakening," *India Today* (Delhi), February 18, 2008; "India to Counter China With Strengthened Border Presence," *Jane's Defense Weekly*, February 20, 2008; "Fresh Chinese Incursions Across LAC," *Times of India* (Delhi), September 10, 2008.

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

[93] "'To Talk to Terrorists is Like Frying Snowballs'" (interview with India's Ambassador to Afghanistan), *Outlook* (Delhi), November 10, 2008.

[94] "India-Afghanistan Relations," Council on Foreign Relations Backgrounder, October 23, 2008.

[95] "Afghan Bombing Sends Stark Message to India," *New York Times*, July 9, 2008; "India Announces $450 Million Aid to Afghanistan," *Reuters*, August 4, 2008.

[96] Indian Ministry of External Affairs, "Joint Statement on the Visit of President Hamid Karzai," January 12, 2009.

Iran [97]

India-Iran relations may complicate progress in New Delhi's nascent "strategic partnership" with Washington. India's relations with Iran traditionally have been positive and, in 2003, the two countries launched a bilateral "strategic partnership" of their own.[98] The Indian government and firms have invested a reported total of nearly $10 billion in Iran since 2000, placing India 10th on the list of international investors worldwide. Some in the U.S. Congress voiced past concerns that New Delhi's policies toward Tehran's controversial nuclear program were not congruent with those of Washington, although these concerns were eased when India voted with the United States (and the majority) at the IAEA sessions of September 2005 and February 2006. India urges the United States to refrain from unilaterally taking on the task of preventing Iran's potential development of nuclear weapons and leave the job to the IAEA. New Delhi believes there is no military solution to the issue and warns that any military strike on Iran "would have disastrous consequences for the entire region."[99]

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.[100] New Delhi firmly opposes the emergence of any new nuclear weapons powers in the region.

Many in Congress have voiced concern about India's relations with Iran and their relevance to U.S. interests. Some worry especially about New Delhi's defense ties with Tehran and sought to link the issue with congressional approval of U.S.-India civil nuclear cooperation.[101] Expressions of these congressional concerns became more pointed in 2007.[102] New Delhi has offered

[97] See also CRS Report RS22486, *India-Iran Relations and U.S. Interests*, by K. Alan Kronstadt and Kenneth Katzman, and CRS Report RS20871, *The Iran Sanctions Act (ISA)*, by Kenneth Katzman.

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

[99] Indian Ministry of External Affairs Press Briefing, July 14, 2008.

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

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

[102] In April of that year, eight U.S. Senators sent a letter to Prime Minister Singh requesting that New Delhi "suspend its military cooperation" with Iran, asserting that "India's own interests are damaged by its support for the Iranian military" and that "India's principles are also poorly served by deepening its military relationship with Iran." In May, eight U.S. Representatives—including the Chair and Ranking Member of the House Foreign Affairs Committee—sent Singh a letter expressing "grave concern" at India's "increasing cooperation" with Iran. In July, a letter to President Bush by 23 House Members expressed concern with "India's deepening military-to-military relationship with Iran ... [which] places congressional approval of the Agreement for Nuclear Cooperation in jeopardy." In September, two Senators wrote to Secretary of State Rice to express their concern about India-Iran military-to-military relations, saying that, as supporters of the U.S.-India civil nuclear deal, they are "apprehensive that the [123] agreement could be sidetracked by what appears to be a growing relationship between Iran and India."

assurances that all of India's dealings with Iran are permitted under U.N. Security Council Resolutions; one official expressed being "quite amazed" at reports of closer India-Iran military ties. In September 2007, then-Assistant Secretary of State Boucher conceded that some concerns about India-Iran military relations are "exaggerated," but that the onus is on New Delhi to "explain" its relations with Tehran.[103]

In April 2008, President Ahmadinejad was in New Delhi for a five-hour visit and met with top Indian leaders. It was the first such visit by an Iranian president since 2003. India's foreign secretary took the opportunity to express satisfaction with the course of the bilateral relationship and stressed his government's view that building a physically secure, economically and commercially viable natural gas pipeline from Iran to India would be in both countries' interests. When asked if India's relations with Iran could jeopardize warm relations with the Untied States, the foreign secretary said he did not think so, offering that deeper engagement with Iran would facilitate regional stability and that, "Everything we do with Iran is open, above-board, and quite clear to everybody."[104] In the run-up to the Iranian leader's visit, a State Department spokesman had expressed hope that New Delhi would call on Ahmadinejad to meet U.N. Security Council requirements that Iran suspend its uranium enrichment activities. The comment sparked outrage and indignation in New Delhi, where the External Affairs Ministry responded by saying India and Iran were "perfectly capable" of managing their own bilateral relations and needed no external guidance in this regard.[105]

There are further U.S. concerns that India will seek energy resources from Iran, thus benefitting financially a country the United States is seeking to isolate. Indian firms have in recent years taken long-term contracts for purchase of Iranian gas and oil. Natural gas purchases could be worth many billions of dollars, but thus far differences over pricing and transport have precluded sales. Building upon growing energy ties is the proposed construction of a pipeline to deliver Iranian natural gas to India through Pakistan. The Bush Administration repeatedly expresses strong opposition to any gas pipeline projects involving Iran, but top Indian officials insist the project is in India's national interest and they remain "fully committed" to the multi-billion-dollar venture. The Iran-Libya Sanctions Act (P.L. 107-24) required the President to impose sanctions on foreign companies that make an "investment" of more than $20 million in one year in Iran's energy sector. The 109th Congress extended this provision in the Iran Freedom Support Act (P.L. 109-293). To date, no firms have been sanctioned under these Acts.

The "IPI" Pipeline Project [106]

New Delhi insists it is going ahead with a proposed joint pipeline project to deliver Iranian natural gas to Pakistan and on to India. Despite positive signaling, New Delhi had in the latter months of 2007 maintained only low-profile participation in relevant negotiations, perhaps in part

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

[104] "Briefing by Foreign Secretary Shri Shivshankar Menon on Visit of President Ahmadinejad of Iran to India," Indian Ministry of External Affairs, April 29, 2008.

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

[106] See also CRS Report RS22486, *India-Iran Relations and U.S. Interests*, by K. Alan Kronstadt and Kenneth Katzman, and CRS Report RS20871, *The Iran Sanctions Act (ISA)*, by Kenneth Katzman.

due to sensitivities surrounding the as-yet unconsummated U.S.-India civil nuclear cooperation agreement. Earlier in 2007, officials from the three countries resolved a long-running price-mechanism dispute, opening the way for a fourth meeting of the India-Pakistan Joint Working Group on the IPI (Iran-Pakistan-India) Pipeline in Islamabad, where the two countries agreed to split equally expected gas supplies. Indian leaders consistently describe the pipeline project as being in the nation's interest for greater energy security. Indian Oil Minister Murli Deora assured concerned Left Front parties that India "will not be cowed down by any threat" regarding its relations with Iran, saying that India's participation in the IPI pipeline project "is not the business of the United States."[107]

As Iran and Pakistan move to finalize the pipeline project, India in April 2008 confirmed that it would rejoin talks. Beijing has expressed interest in Pakistani proposals that China participate in the IPI project, possibly spurring more energetic Indian participation.[108] Ever-optimistic Iranian leaders anticipate a trilateral agreement to launch the project will be inked by mid-summer 2008. Such a development could be considered a significant failure of U.S. policy that could convey a sobering message about America's allegedly declining international and regional clout.[109] A drop in oil prices and the conclusion of a civil nuclear deal with the United States saw Indian officials expressing renewed interest in the IPI project. However, Iran apparently has backed out of previously negotiated price agreements, and security circumstances in the transit state of Pakistan have only deteriorated further, sparking new pessimism about the project's viability.[110]

Some independent analysts and Members of Congress assert that completion of an IPI pipeline would represent a major confidence-building measure in the region and could bolster regional energy security while facilitating friendlier Pakistan-India ties (see, for example H.Res. 353 in the 109th Congress). Some Indian strategic analysts contend that New Delhi would risk alienating the Pakistani leadership if it were to withdraw from the project.[111] As part of its efforts to isolate Iran economically, the Bush Administration actively seeks to dissuade New Delhi from participation in this project, and a Bush State Department official suggested that current U.S. law dictated American opposition. Some independent analysts concur with this view and urge Washington to assist the Indian and Pakistani governments in developing alternative energy sources, including liquefied natural gas and pursuit of a proposed pipeline that would deliver Turkmen natural gas to South Asia through Afghanistan. Yet a proposed Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project has run into its own troubles, with concerns about Afghanistan's security circumstances and doubts about Turkmenistan's reserve capacity.[112]

[107] "India Won't Be Cowed Down: Deora" *Hindu* (Chennai), May 9, 2007.

[108] "China Shows Interest in Iran-Pakistan-India Gas Pipeline Project," *BBC Monitoring South Asia*, April 26, 2008.

[109] "Iran Sees Pipeline Deal With India, Pakistan by Mid-Year: Report," *Agence France Presse*, May 28, 2008; "India's Iran Pipeline Deal," *Forbes*, July 1, 2008.

[110] "India to Propose Fresh Terms to Iran for Gas Pipeline," BBC Monitoring South Asia, November 1, 2008; "IPI Project: Iran Backs Out of Gas Deal," *News* (Karachi), November 13, 2008; Khaled Ahmed, "A Requiem for the IPI Project" (op-ed), *Friday Times* (Lahore), January 2, 2009.

[111] See, for example, K. Subrahmanyam, "Pipeline Dreams" (op-ed), *Indian Express* (Mumbai), July 3, 2008.

[112] Ariel Cohen, Lisa Curtis, and Owen Graham, "The Proposed Iran-Pakistan-India Gas Pipeline: An Unacceptable Risk to Regional Security," Heritage Foundation Backgrounder No. 2139, May 30, 2008; "TAPI Gas Pipeline Project Doubtful, Say Energy Experts," *Hindu* (Chennai), October 18, 2008.

Burma

India continues to pursue closer relations with the repressive regime in neighboring Burma, with an interest in energy cooperation and to counterbalance China's influence there. Such engagement seeks to achieve economic integration of India's northeast region and western Burma, as well as to bolster energy security. The Bush Administration urged India to be more active in pressing for democracy in Burma: in October 2007, then-Deputy Secretary of State John Negroponte said, "Now is the time for Beijing and New Delhi to forgo any energy deals that put money in the pockets of the junta and to suspend weapons sales to this regime." However, New Delhi calls democracy and human rights internal Burmese issues.[113]

During September 2007, major pro-democracy street protests in Burma grew in scale and the Rangoon military regime launched a violent crackdown to suppress the movement being led by Buddhist monks. In response, the United States announced new sanctions on Burma and urged other countries to follow suit. Following Rangoon's crackdown, New Delhi has continued to favor dialogue and is opposed to imposing sanctions on Rangoon. India is, in fact, moving ahead with plans to assist Rangoon in building a port in northwestern Burma as part of an effort to develop that country's natural gas industry. This approach, justified by Indian leaders as being a pragmatic pursuit of their national interest, has elicited accusations of Indian complicity in Burmese repression.[114]

On October 1, 2007, S.Res. 339, expressing the sense of the Senate on the situation in Burma, was passed by the full Senate. The resolution included a call for the United States and the United Nations to "strongly encourage China, India, and Russia to modify their position on Burma and use their influence to convince the Government of Burma to engage in dialogue with opposition leaders and ethnic minorities towards national reconciliation." On the same day, New Delhi reiterated its calls for political reform in Burma and urged Rangoon to launch a formal inquiry into recent use of force against pro-democracy protestors there, but New Delhi was not seen to be adjusting its Burma policy in any meaningful way.[115] In a justification of New Delhi's relatively uncritical approach to the Rangoon regime, some commentators called past and continued cooperation by the Burmese military vital in New Delhi's efforts to battle separatist militants in India's northeast.[116]

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."[117] International

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

[114] "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).

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

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

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

human rights groups and some in Congress have criticized New Delhi's military interactions with Rangoon.[118] Burma's foreign affairs minister visited New Delhi in the first week of 2008 for wide-ranging discussions with his Indian counterpart. Prime Minister Singh expressed satisfaction with positive India-Burma relations while also stressing "the need for greater urgency in bringing about political reforms and national reconciliation" through a "broad-based" process.[119] When Burma's second-highest ranking military ruler visited New Delhi in April 2008, the two countries reached agreement on a $120 million-project that will see India upgrade numerous waterways and highways in Burma. An early May cyclone devastated Burma's coastal areas and left at least 78,000 people dead. The New Delhi government sought to keep "India's close and good neighborly ties with the friendly people" of Burma by quickly rushing food, water, and medical supplies to its devastated neighbor.[120] In November 2008, Foreign Secretary Menon was in Rangoon to discuss with Burmese leaders progress in a broad range of bilateral issues.

Sri Lanka

In the island nation of Sri Lanka off India's southeastern coast, a Tamil Hindu minority has been fighting a separatist war against the Sinhalese Buddhist majority since 1983. A Norwegian-brokered cease-fire unraveled in 2006 and, after a series of military successes in 2007, the Colombo government abrogated the cease-fire in January 2008 and pursued a military victory that may be close in early 2009. As the Sri Lankan military has pressed its offensive operations against the Tamil Tiger rebels, New Delhi called the situation "a matter of grave concern" and expressed worry about civilians being caught in the fighting. India maintains that military action cannot bring normalcy to Sri Lanka and that a political settlement is required.[121]

More than 60 million Indian Tamils live in southern India and tens of thousands of Sri Lankan Tamil refugees have fled to India in recent months and years. India's armed 1987 intervention to assist in enforcing a peace accord resulted in the deaths of more than 1,200 Indian troops and led to the 1991 assassination of former Indian Prime Minister Rajiv Gandhi by Tamil militants. Since that time, New Delhi has maintained friendly relations with Colombo while refraining from any deep engagement in third-party peace efforts. New Delhi resists Colombo's push for more direct Indian involvement and insists there can be "no military solution" to the island's ethnic troubles. The Indian Navy played a key role in providing disaster relief to Sri Lanka following the catastrophic December 2004 Indian Ocean tsunami.

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

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

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

[121] Indian Ministry of External Affairs, "Statement by EAM on Situation in Sri Lanka," October 16, 2008.

Other Countries

Looking to the north, New Delhi supports consolidation of **Nepal**'s democratic and conflict resolution processes, in particular through continued political assimilation of the Maoists. India remains concerned by political instability in Kathmandu and by the cross-border infiltration of Maoist militants into India. In April 2008, Nepali Maoists won a surprise electoral victory in taking more than one-third of Kathmandu's Constituent Assembly seats to oversee a new coalition government. The new Kathmandu government has since threatened to abrogate the 1950 Indo-Nepal Peace and Friendship Treaty, which allows for unrestricted travel and residency across the shared border. While Indian officials are fairly sanguine about the development and vow openness to working with the new Nepali government, they are likely to have concerns about the potential for instability in Nepal to exacerbate India's own internal insecurities.[122] Indian and Nepali leaders agreed in September 2008 to take mutual steps to bolster bilateral trade and investment relations.

To the east, and despite India's key role in the 1971 creation of neighboring **Bangladesh**, New Delhi's relations with Dhaka have been fraught with tensions related mainly to the cross-border infiltration of Islamic and separatist militants, and tens of millions of illegal migrants into India. New Delhi is undertaking a $1.2 billion project to fence India's entire 2,000-mile shared border with Bangladesh. The two countries' border forces engage in periodic gun battles. Still, New Delhi and Dhaka have cooperated on counterterrorism efforts and talks on energy cooperation continue. The Bangladeshi faction of the Harakat ul-Jihad-I-Islami—an Islamist militant outfit that was designated as a Foreign Terrorist Organization under U.S. law in March 2008 and that has links to Pakistan-based terrorist groups—has been implicated in several terrorist attacks inside India, including May 2008 terrorist bombings that killed at least 63 people in Jaipur, Rajasthan. Bangladesh's military-backed interim government, which held power from 2007 to early 2009, may have benefited India by reducing anti-India rhetoric and by addressing the apparently growing influence of Islamist forces that are seen as a threat to Indian interests.

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

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

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

substandard up gradation of an Indian attack submarine, and other irritants.[124] In December 2008, the new Russian President was in New Delhi, where 26 new agreements were inked to forward the bilateral "strategic partnership," among them a civil nuclear cooperation pact.

India's relations with **Japan** only began to blossom in the current decade after being significantly undermined by India's 1998 nuclear weapons tests. Today, leaders from both countries acknowledge numerous common values and interests. They are engaging a "strategic dialogue" formally launched with a 2007 visit to Tokyo by Foreign Minister Mukherjee, who spoke of Japan as a "natural partner in the quest to create an arc of advantage and prosperity" in Asia. Mukherjee emphasized India's desire for economic integration in Asia and cooperative efforts to secure vital sea lanes, especially in the Indian Ocean. Japan's support for the latter initiative has included plans for unprecedented joint naval exercises. New Delhi and Tokyo also share an interest in seeing membership of the U.N. Security Council expanded; both governments aspire to permanent seats. A mid-2007 visit to New Delhi by Japanese Prime Minister Shinzo Abe, who was effusive in his praise of India as a "partner and friend," was seen by many as part of a long-term Japanese effort to hedge against China's growing regional influence. Abe and Prime Minister Singh issued a "Roadmap for New Dimensions to the Strategic and Global Partnership" outlining plans for security cooperation and comprehensive economic engagement.[125] Singh met with the Japanese Prime Minister in Singapore in November and reiterated a commitment to the India-Japan "strategic and global partnership."

New Delhi continues to pursue a free trade pact with Tokyo, but negotiations have been bogged down over Indian tariff rates and Japanese restrictions on the importation of generic Indian pharmaceuticals.[126] During an October 2008 visit to Japan, Prime Minister Singh and Japanese Prime Minster Taro Aso reaffirmed their commitment to a bilateral "strategic and global partnership" and agreed to enhance security cooperation. India also secured a $4.5 billion loan offer for construction of a 900-mile freight railway between Delhi and Mumbai, the largest-ever single-project overseas loan offered by Japan.[127]

The U.S. and Japanese governments have sought India's participation in a prospective **quadrilateral "axis of democracy"** that would include Australia and could conceivably have a security alliance dimension (Australian officials reportedly are skeptical of such a pact for fear of alienating China). In 2007, U.S., Indian, and Japanese naval vessels conducted unprecedented combined exercises off Japan's east coast. In September of that year, India hosted unprecedented five-country naval exercises in the Bay of Bengal (with Australian and Singaporean vessels also participating). Officials stressed that the exercises—which involved a total of 27 ships and submarines, among them two U.S. aircraft carriers—were not prompted by China's growing military strength. New Delhi favors greater trilateral India-U.S.-Japan cooperation, especially in the areas of trade and energy security, but shies from anything that could be construed as a multilateral security alliance.[128]

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

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

[126] "India PM Says Wants Trade Pact With Japan This Year," Agence France Presse, October 21, 2008.

[127] Indian Ministry of External Affairs press releases, October 22, 2008; "Boosting Ties, Japan Offers India Record Loan for Railway," Agence France Presse, October 22, 2008.

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

Political Setting

India is the world's most populous democracy and remains firmly committed to representative government and rule of law. As a nation-state, India presents a vast mosaic of hundreds of different ethnic groups, religious sects, and social castes. U.S. policymakers commonly identify in the Indian political system shared core values, and this has facilitated increasingly friendly relations between the U.S. and Indian governments. In 2009, the often-cited Freedom House again rated India as "free" in the areas of political rights and civil liberties.

National Elections and Competition [129]

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 five-year terms. The most recent parliamentary elections were held in the spring of 2004.

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

The current Congress-led United Progressive Alliance (UPA) ruling coalition has marked nearly five years in power, far exceeding the expectations of some observers. Opinion surveys suggest that both Prime Minister Singh 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.[130] Singh himself, though widely admired as an honest and intelligent figure, has been unable to succeed in pushing through most of the UPA agenda, and his party's multiple state-level electoral setbacks had many analysts predicting no bold policy initiatives before the next national election. This was especially so in the wake of the New Delhi government's difficultly in consummating a civil nuclear cooperation deal with the United States, an issue upon which the UPA leadership had staked considerable political capital.[131]

[129] See also CRS Report RL32465, *India's 2004 National Elections.*

[130] Jeremy Kahn, "How Singh Blew India's Moment" (op-ed), *Newsweek*, September 22, 2008.

[131] "Unfinished Progressive Agenda," *India Today* (Delhi), June 11, 2007; "Weak India PM Battered by Allies and (continued...)

Early 2007 state elections in Punjab and Uttaranchal saw Congress candidates decisively defeated by the BJP and its allies, causing some pundits to suggest that national economic policies and rising inflation may have damaged the ruling coalition's standing. Such arguments were forwarded when the regional Bahujan Samaj Party (BSP) won an outright majority in May 2007 state assembly elections in Uttar Pradesh, India's most populous state. During its nearly five years overseeing a national ruling coalition, the Congress Party has lost more than a dozen state assembly elections and was dislodged by the BJP in four of these, including Karnataka and Punjab. Meanwhile, under the party presidency of Rajnath Singh, the BJP enjoyed seven consecutive state election victories, a run ended only with setbacks in late 2008.[132] Congress's surprise May 2008 loss in Karnataka appeared to set the party on its heels in the run-up to national polls expected in spring 2009, with many analysts concluding that national political momentum has shifted away from the party. Some observers saw in the Karnataka election dynamics signs that urban voters are exercising new-found muscle in ways that could weaken the country's traditionally pro-rural politicians.[133]

In November 2008, a month-long period of state-level elections began in six states. There was much speculation that the Mumbai terrorist attack would seriously damage the ruling party's fortunes at the polls, but December's results showed Congress defying such predictions by winning in three of the five states it contested, including in Rajasthan, where it ousted the incumbent BJP, which was able to hold power in two smaller states. The outcome was a major boost for Congress and a considerable setback for the BJP, which has high hopes of returning to power at the national level in 2009 elections. The key issues in these expected spring elections are likely to be the economy and terrorism.

The Congress Party [134]

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

Sonia Gandhi, Rajiv's Italian-born, Catholic widow, refrained from active politics until the 1998 elections. She later made efforts to revitalize the party by phasing out older leaders and attracting more women and lower castes—efforts that appear to have paid off in 2004. Today, Congress again occupies more parliamentary seats (145) than any other party and, through unprecedented alliances with powerful regional parties, it again leads India's government under the UPA coalition. As party chief and UPA chair, Gandhi is seen to wield considerable influence over the coalition's policy making process. Her foreign origins have presented an obstacle and likely were

(...continued)

Enemies," *Reuters*, October 23, 2007; "The Nuclear Shadow," *India Today* (Delhi), January 14, 2008.

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

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

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

a major factor in her May 2004 decision to decline the prime ministership. As key Congress party figures express support for the future leadership of her son and new parliamentarian, Rahul Gandhi, Manmohan Singh's political authority is correspondingly undermined. The 2009 polls may represent a coming out party of sorts for the younger, who many expect to be put forward as the Congress party prime ministerial candidate.[135]

The Bharatiya Janata Party (BJP) [136]

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).[137] While leading a national coalition from 1998-2004, the BJP worked—with only limited success—to change its image from right-wing Hindu fundamentalist to conservative and secular, although 2002 communal rioting in Gujarat again damaged the party's credentials as a moderate organization. The BJP-led National Democratic Alliance (NDA) was overseen by party notable Prime Minister Atal Vajpayee, whose widespread personal popularity helped to keep the BJP in power. After 2004, the BJP was weakened by leadership disputes, criticism from Hindu nationalists, and controversy involving party president Lal Advani (in 2005, Advani temporarily ceded his leadership post and Vajpayee announced his retirement from politics). The party did, however, take control of the Karnataka state government in November 2007, the first time the BJP has held power in southern India.

In preparing for a new round of national elections, the party may adhere to its core Hindutva philosophy; it has nominated hardliner Advani to be its next prime ministerial candidate and may continue efforts to demonize India's Muslim minority as part of a long-standing electoral strategy.[138] Some observers, however, believe the party is looking beyond its traditional vote bank to appeal to urban, middle-class concerns such as governance and commerce, especially in the wake of party notable Narendra Modi's reelection as Chief Minister of the western Gujarat state in December 2007.[139] At present, the BJP seems to be suffering from ongoing internal dissension, tensions with its dwindling coalition partners, and unexpected challenges to the leadership of Advani, its presumptive prime ministerial candidate.[140]

[135] "Ruling Party Wonders if India Needs Another Gandhi," *Reuters*, April 15, 2008; "Downsizing Manmohan," *India Today* (Delhi), April 28, 2008; "India's Gandhi Prepares for April Poll," *Financial Times* (London), January 13, 2009.

[136] See the Bharatiya Janata Party at http://www.bjp.org.

[137] Hindutva can at times take an anti-Western cast: One radical, Mumbai-based Hindu nationalist party threatened to attack merchants who display English-language signs more prominently than those in Marathi, the local language ("Indian Political Party Campaigns Against English," Associated Press, August 28, 2008).

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

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

[140] "BJP's Continuing Troubles" (editorial), *Hindu* (Chennai), January 24, 2009.

Regional Parties

The influence of regional and caste-based parties has become an increasingly important variable in Indian politics; the 2004 national elections saw such parties receiving nearly half of all votes cast. Never before 2004 had the Congress Party entered into pre-poll alliances at the national level, and numerous analysts attributed Congress's success to precisely this new tack, especially thorough arrangements with the Bihar-based Rashtriya Janata Dal and Tamil Nadu's Dravida Munnetra Kazhagam.[141] The newfound power of both large and smaller regional parties, alike, is seen to be reflected in the UPA's ministerial appointments, and in the Congress-led coalition's professed attention to rural issues and to relations between state governments and New Delhi.

Two significant regional parties currently independent of both the ruling coalition and the BJP-led opposition are the Samajwadi Party, a largely Muslim- and lower caste-based organization highly influential in Uttar Pradesh, and the Bahujan Samaj Party (BSP) of Bihar, which also represents mainly lower-caste constituents. State assembly elections in Uttar Pradesh—home to more than 170 million Indians and one of only four states where the Congress Party is not in power—concluded in May 2007 and saw a major victory for the BSP and its lower-caste, female leader Mayawati, who reached out to upper-caste and other groups to secure an outright majority, the first time in 14 years that a single party secured such status. Mayawati is believed to have national political aspirations and her party's success with caste-based politics may erode support for the Congress party in expected 2009 national elections.[142] The outcome may have been an important indicator of national political trends, especially in gauging satisfaction with the current center coalition. In June 2007, eight regional parties formally launched a new "Third Front" that might emerge as a national alternative to the UPA and NDA. Well-known Tamil Nadu politician Jayalalithaa is a notable leader, but her efforts have not been able to gain momentum to date.[143]

The Left Front [144]

Although the Communist Party of India (Marxist) seated the third largest number of parliamentarians in 2004, its vote bank is almost wholly limited to West Bengal and Kerala (the Left Front coalition holds about 11% of all Lok Sabha seats). Communist parties have in the past been bitter rivals of the Congress in these states, but a mutual commitment to secularism appears to have motivated their cooperation against the BJP in 2004.[145] Early alarm was sounded that the new influence of communists in New Delhi might derail India's economic reform efforts; Indian industrial leaders sought to assure foreign investors that Left Front members are not "Cuba-style communists," but could be expected to support the UPA reform agenda. The communist Chief

[141] 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.

[142] See, for example, "India's 'Untouchables Queen' Gains Power, Enemies," *Reuters*, January 21, 2008; "India's 'Dalit Queen' Attacks Sonia Gandhi," *Financial Times* (London), October 15, 2008.

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

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

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

Minister of West Bengal, Buddhadeb Bhattacharya, has himself actively sought corporate investment in his state. However, since coming to power, the Congress-led coalition has slowed most aspects of its economic reform program, including suspending major government disinvestment and special economic zone initiatives. These moves are widely viewed as gestures to the strongly opposed communists.[146] The Left Front also has been vocal in criticisms of closer India-U.S. relations, taking particular aim at proposed civil nuclear cooperation and any signs that the United States seeks to make India a "junior partner" in efforts to counter China.

Bilateral Issues

"Next Steps in Strategic Partnership" and Beyond

The now-concluded Next Steps in Strategic Partnership (NSSP) initiative of the Bush Administration encompassed several major issues in U.S.-India relations. New Delhi has long pressed Washington to ease restrictions on the export to India of dual-use high-technology goods (those with military applications), as well as to increase civilian nuclear and civilian space cooperation. These three key issues came to be known as the "trinity," and top Indian officials insisted that progress in these areas was necessary to provide tangible evidence of a changed U.S.-India relationship. There were later references to a "quartet" when the issue of missile defense was included. In January 2004, President Bush and Prime Minister Vajpayee issued a joint statement declaring that the U.S.-India "strategic partnership" included expanding cooperation in the "trinity" areas, as well as expanding dialogue on missile defense.[147] This initiative was dubbed as the NSSP and involved a series of reciprocal steps.

In July 2005, the State Department announced successful completion of the NSSP, allowing for expanded bilateral commercial satellite cooperation, and removal/revision of some U.S. export license requirements for certain dual-use and civil nuclear items. Taken together, the July 2005 U.S.-India Joint Statement and a June 2005 U.S.-India Defense Framework Agreement include provisions for moving forward in all four NSSP issue-areas.[148] Many observers saw in the NSSP evidence of a major and positive shift in the U.S. strategic orientation toward India, a shift later illuminated more starkly with the Bush Administration's intention to initiate full civil nuclear cooperation with India.

Civil Nuclear Cooperation [149]

India's status as a non-signatory to the 1968 Nuclear Nonproliferation Treaty (NPT) has kept it from accessing most nuclear-related materials and fuels on the international market for more than three decades. New Delhi's 1974 "peaceful nuclear explosion" spurred the U.S.-led creation of the Nuclear Suppliers Group (NSG)—an international export control regime for nuclear-related trade—and Washington further tightened its own export laws with the Nuclear Nonproliferation Act of 1978 (P.L. 95-242). New Delhi has long railed at a "nuclear apartheid" created by an

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

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

[148] See http://www.whitehouse.gov/news/releases/2005/07/20050718-6.html and http://www.indianembassy.org/press_release/2005/June/31.htm.

[149] See also CRS Report RL33016, *U.S. Nuclear Cooperation with India: Issues for Congress*.

apparent double standard inherent in the NPT, which, they maintain, allows certain states to legitimately employ nuclear deterrents while other states cannot. Senior Indian officials 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.[150]

Nuclear power accounts for less than 3% of India's total electricity generation, and an Indian government official has estimated that, even under optimistic scenarios, this percentage would likely no more than double over the next 25 years.[151]

The Bush Administration Policy Shift

Differences over nuclear policy bedeviled U.S.-India ties for decades and—given New Delhi's lingering resentments—have presented a serious psychological obstacle to more expansive bilateral relations. In a major policy shift, the July 2005 U.S.-India Joint Statement notably asserted that "as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states," and President Bush vowed to work on achieving "full civilian nuclear energy cooperation with India." As a reversal of three decades of U.S. nonproliferation policy, such proposed cooperation stirred controversy and required changes in both U.S. law and in NSG guidelines. India reciprocally agreed to take its own steps, including identifying and separating its civilian and military nuclear facilities in a phased manner and placing the former under international safeguards. While the Bush Administration previously had insisted that such cooperation would take place only within the limits set by multilateral nonproliferation regimes, it later actively sought adjustments to U.S. laws and policies, and approached the NSG in an effort to adjust that regime's guidelines, which are set by member consensus. Some in Congress express concern that civil nuclear cooperation with India might allow that country to advance its military nuclear projects and be harmful to broader U.S. nonproliferation efforts.

In March 2006, President Bush and Prime Minister Singh issued a Joint Statement that included an announcement of "successful completion of India's [nuclear facility] separation plan."[152] After months of complex and difficult negotiations, the Indian government had presented a plan to separate its civilian and military nuclear facilities as per the 2005 Joint Statement. The separation plan required India move 14 of its 22 reactors into permanent international oversight by the year 2014 and place all future civilian reactors under permanent safeguards. Shortly thereafter, legislation to waive the application of certain requirements under the Atomic Energy Act of 1954 with respect to India was, at the President's request, introduced in the U.S. Congress.

[150] 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.

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

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

Potential Benefits and Costs

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

- benefit U.S. security by bringing India "into the nonproliferation mainstream;"
- benefit U.S. consumers by reducing pressures on global energy markets, especially carbon-based fuels;
- benefit the environment by reducing carbon emissions/greenhouse gases;
- benefit U.S. business interests through sales to India of nuclear reactors, fuel, and support services; and
- benefit progress of the broader U.S.-India "global partnership."[153]

Many leading American experts on South Asian affairs joined the Administration in urging Congress to support the new policy, placing particular emphasis on the "necessary" role it would play in promoting a U.S.-India global partnership.[154]

The U.S. Chamber of Commerce—which, along with the U.S.-India Business Council, lobbied vigorously in favor of President Bush's initiative—speculated that civil nuclear cooperation with India could generate contracts for American businesses worth up to $100 billion, as well as generate up to 27,000 new American jobs each year for a decade. A more modest estimate foresees the deal generating as much as $40 billion in new foreign investment into India.[155] However, foreign companies such as Russia's Atomstroyexport and France's Areva may be better poised to take advantage of the Indian market. Moreover, U.S. nuclear suppliers will likely balk at entering the Indian market in the absence of nuclear liability protection, which New Delhi does not offer at present.

Further hearings in the Senate and House during 2006 saw a total of fifteen independent analysts weigh in on the potential benefits and/or problems that might accrue from such cooperation. Numerous nonproliferation experts, scientists, and former U.S. government officials warned that the Bush Administration's initiative was ill-considered, arguing that it would facilitate an increase in the size of India's nuclear arsenal, potentially leading to a nuclear arms race in Asia, and would undermine the global nonproliferation regime and cause significant damage to key U.S. security interests. Some experts opined that the Administration's optimism, perhaps especially as related to the potential effects on global energy markets and carbon emissions, could not be supported through realistic projections.[156]

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

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

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

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

Geopolitical Motives

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 are being over-sold. Indeed, centuries of Indian anti-colonial sentiments and oftentimes prickly, independent foreign policy choices are unlikely to be set aside in the short run, meaning that the anticipated geopolitical benefits of civil nuclear cooperation with India remain speculative and at least somewhat dependent upon unknowable global political developments.

Congressional Action

After months of consideration, key House and Senate committees took action on relevant legislation in June 2006, passing modified versions of the Administration's proposals by wide margins. The new bills (H.R. 5682 and S. 3709) made significant procedural changes to the Administration's original proposal, changes that sought to retain congressional oversight of the negotiation process, in part by requiring the Administration to gain future congressional approval of a completed peaceful nuclear cooperation agreement with India (this is often referred to as a "123 Agreement," as it is negotiated under the conditions set forth in Section 123 of the Atomic Energy Act). During the final months of its tenure, the 109th Congress passed enabling legislation with broad bipartisan support.[157] So-called "killer amendments" were rejected by both chambers (Indian government and Bush Administration officials had warned that certain proposed new provisions, such as those requiring that India halt its fissile material production or end its military relations with Iran, would trigger New Delhi's withdrawal from the entire negotiation).

In a December 2006 "lame duck" session, congressional conferees reconciled the House and Senate versions of the legislation and provided an explanatory statement (H.Rept. 109-721). President Bush then signed the Henry J. Hyde United States-India Peaceful Atomic Energy Cooperation Act of 2006 (P.L. 109-401 or the "Hyde Act") into law, calling it a "historic agreement" that would help the United States and India meet the energy and security challenges of the 21st century. The President also issued a signing statement asserting that his approval of the act "does not constitute [his] adoption of the statements of policy as U.S. foreign policy" and that he will construe such policy statements as "advisory." Some in Congress expressed concern that President Bush would seek to disregard Congress's will.[158]

In mid-2007, as negotiations on a 123 Agreement were underway,16 experts, scholars, and former U.S. government officials signed a letter urging Senators to hold the Bush Administration to the "set of core conditions and limitations" of the Hyde Act, including termination of assistance upon an Indian nuclear test, permanent and unconditional safeguards on civilian Indian facilities, and

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

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

prohibitions on reprocessing and enrichment technologies.[159] A July letter to President Bush signed by 23 Members of the House stressed the need for any civil nuclear cooperation agreement with India to conform to "the legal boundaries set by Congress." The letter noted that the U.S. Constitution provides Congress with the sole authority to regulate foreign commerce.[160]

Indian Concerns

Almost immediately upon the release of the July 2005 Joint Statement, key Indian political figures and members of the country's insular nuclear scientific community issued strong criticisms of the bilateral civil nuclear initiative; some such criticisms continue to this day. Former Prime Minister Vajpayee, along with many leading figures in his opposition BJP party, insisted that the deal as envisioned would place unreasonable and unduly expensive demands on India, particularly with regard to the separation of nuclear facilities. In reaction to the U.S. Congress's passage of enabling legislation in late 2006, the BJP listed numerous continuing objections, and went so far as to call the deal "unacceptable" and aimed at "capping, rolling back, and eventually eliminating India's nuclear weapons capability."[161] Many analysts viewed the BJP's opposition as political rather than substantive, especially in light of the fact that the 2004 NSSP initiative was launched during the BJP's tenure.[162]

Some Indian analysts, wary of U.S. intentions in pursuing bilateral civil nuclear cooperation, believe the initiative may be cover for a broader effort to cement India's cooperation in a number of non-energy-related areas, such as defense trade and New Delhi's relations with Iran. From this perspective, the U.S. government repeatedly "shifted the goalposts" to forward its own (veiled) nonproliferation goals.[163] India's influential communist parties, whose Left Front then provided crucial support to the Congress-led ruling coalition in New Delhi, focused their ire on geopolitical aspects of the civil nuclear initiative, claiming it would "seriously undermine India's independent foreign policy." Previously, the Left Front had called India's two IAEA votes on Iran a "capitulation" to U.S. pressure.[164]

Equally stinging and perhaps more substantive criticism came from several key Indian scientists, whose perspectives on the technical details of the civil nuclear initiative were considered highly credible. India's nuclear scientific community, mostly barred from collaboration with international civil nuclear enterprises as well as direct access to key technologies, has worked for decades in relative isolation, making its members both proud of their singular accomplishments

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

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

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

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

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

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

and sensitive to any signs of foreign "interference." Many viewed the enabling legislation passed by the U.S. Congress as being more about nonproliferation and less about energy cooperation. They considered it both intrusive on and preclusive of their activities.

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

- India's unilateral moratorium on nuclear tests was being codified into a bilateral obligation through a clause that would allow the United States to reclaim any supplied nuclear equipment if India were to test a nuclear device;
- India was being denied nuclear reprocessing technologies warranted under "full cooperation;"
- India was not being given prior authorization to reprocess spent fuel;
- India was not being given assurances that it will receive uninterrupted fuel supplies in perpetuity; and
- language on securing India's assistance with U.S. efforts to prevent Iran from obtaining weapons of mass destruction would limit New Delhi's foreign policy independence.[165]

Prime Minister Singh stood firm against such wide-ranging and high-profile criticisms, repeatedly assuring his Parliament that relevant negotiations with the United States have not altered basic Indian policies or affected New Delhi's independence on matters of national interest. Within this context, however, Singh expressed concern about some of the points listed above.[166] Regardless of the legally binding or non-binding nature of certain controversial sections of the U.S. legislation, New Delhi found many of them to be either "prescriptive" in ways incompatible with the provisions of the July 2005 and March 2006 Joint Statements, or "extraneous" and "inappropriate to engagements among friends."[167]

Bilateral Negotiations Completed

In July 2007, the United States and India announced having concluded negotiations on a peaceful nuclear cooperation ("123") agreement. Under Secretary of State Burns, the lead U.S. negotiator, called the deal "perhaps the single most important initiative that India and the United States have agreed to in the 60 years of our relationship" and "the symbolic centerpiece of a growing global partnership between our two countries."[168] U.S. officials urged New Delhi to move rapidly toward completing remaining steps to consummation of the pact.

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

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

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

[167] Author interview with Indian government official, New Delhi, September 2006.

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

- India was granted authorization to reprocess spent fuel at a national reprocessing facility that New Delhi plans to establish under International Atomic Energy Agency safeguards.
- In the event of a future nuclear test by India, the two countries would launch immediate bilateral consultations to "consider carefully the circumstances" and take into account whether the circumstances resulted from "serious concern about a changed security environment or as a response to similar actions by other states which could impact national security." While the U.S. President would have a right to demand the return of all U.S.-supplied nuclear equipment and material in such a circumstance, the text recognizes that "exercising the right of return would have profound implications" for bilateral relations and calls for both parties to "take into account the potential negative consequences" of any termination of ongoing cooperation.
- India was given assurances that supplies of fuel for its civilian reactors will not be interrupted—even if the United States terminates the 123 Agreement—through U.S. commitments to "work with friends and allies ... to create the necessary conditions for India to obtain full access to the international fuel market," and to "support an Indian effort to develop a strategic reserve of nuclear fuel."[169]

In early 2008, External Affairs Minister Mukherjee reassured the Indian Parliament of his government's view that the Hyde Act was relevant only to interaction between the legislative and executive branches of the U.S. government, and that only the provisions of the 123 Agreement will be binding upon New Delhi. This distinction was echoed by Assistant Secretary of State Boucher during his contemporaneous visit to New Delhi.[170]

The Nuclear Deal's End Game

In July 2007, the United States and India announced having concluded negotiations on a peaceful nuclear cooperation (or "123") agreement. Then-Under Secretary of State for Political Affairs Nicholas Burns, the lead U.S. negotiator, called the deal "perhaps the single most important initiative that India and the United States have agreed to in the 60 years of our relationship" and "the symbolic centerpiece of a growing global partnership between our two countries."[171] U.S. officials urged New Delhi to move rapidly toward completing remaining steps to consummation of the pact. These included finalizing arrangements for IAEA inspections of India's civilian nuclear facilities and winning the endorsement of the NSG for nuclear trade.

Many independent Indian commentators approve of the pact, seeing in it an end to "nuclear apartheid" that likely will "go down as one of the finest achievements of Indian diplomacy."[172]

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

[170] See http://www.indianembassy.org/newsite/press_release/2008/Mar/1.asp; "We Can Move Forward With Hyde Act and 123 Agreement: Boucher," *Hindu* (Chennai), March 4, 2008. In a move that angered many nonproliferation advocates who oppose the deal, the State Department requested that congressional staff adhere to unusually strict confidentiality restrictions and not share the answers to congressional inquiries with the general public. Some observers called this "virtual gag order" a strong indication that the answers contained information harmful to the deal's prospects ("State Department Asks Congress to Keep Quiet About Details of Deal," *Washington Post*, May 9, 2008).

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

[172] "End of Nuke Apartheid Against India," *Times of India* (Delhi), August 4, 2007; C. Raja Mohan, "India Gains, US (continued...)

With multiple admonitions from senior U.S. government officials in 2008 that the time needed to consummate the deal was growing short, many Indian commentators joined in pressing their government to avoid an uncertain future by moving quickly to finalize the pact. Some see India's nuclear power industry in dire need of uranium supplies that can only come from the international market. Uranium shortages appear to be hampering India nuclear power sector, which is running at or below half capacity.[173]

Nonproliferation experts have been consistent in their opposition to the nuclear deal, believing it will significantly damage the global nonproliferation regime and facilitate an Asian nuclear arms race. Some have asserted that the text of the 123 Agreement disregarded the legislative intent of the Hyde Act, especially in the area of continued supplies of nuclear fuel to India even if that country tests a nuclear weapons and the agreement is terminated. Others warned that NSG endorsement of an exception for India will "virtually ensure the demise of global nuclear export restraints."[174] A January 2008 letter to NSG officials endorsed by more than 130 nonproliferation experts and nongovernmental organizations argued that India's commitments thus far did not justify making "far-reaching" exceptions to international nonproliferation rules and norms.[175]

At least one nonproliferation advocate in Congress concluded that the 123 Agreement was "not consistent with [congressional] requirements and restrictions" and would "deeply damage" the global nonproliferation regime. He identified the issues of nuclear testing, assurances of fuel supply, and the reprocessing of U.S.-origin nuclear material three core concerns.[176] During a February 2008 hearing, then-Secretary of State Condoleezza Rice assured the House Foreign Affairs Committee (HFAC) that the U.S. government will support India in the NSG only if any resulting exemptions are fully consistent with the provisions of the Hyde Act. Representative Howard Berman, the HFAC Chairman and a supporter of the initiative, found it "incomprehensible" that the Administration would seek or accept an NSG exemption that omitted many of the conditions contained in the Hyde Act. He said such an exemption would be inconsistent with U.S. law, be harmful to U.S. business interests, and undermine U.S. nonproliferation objectives. He expected U.S. negotiators to reject any NSG exemption that did not "faithfully reflect all of the Hyde Act conditions."[177]

In New Delhi, where the executive can enter international agreements without parliamentary approval, Prime Minister Singh's Congress Party-dominated cabinet endorsed the agreement text immediately upon its finalization. His UPA coalition government then set about assuring domestic skeptics that the autonomy of the country's nuclear weapons program would be maintained and

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Doesn't Lose" (op-ed), *Indian Express* (Delhi), August 4, 2007.

[173] G. Parthasarathy, "We Won't Get a Better Deal" (op-ed), *Times of India* (Delhi); "Don't Wait for Obama"(editorial), *Indian Express* (Mumbai), both February 22, 2008; M.R. Srinavasan, "Nuclear Ground Realities" (op-ed), *Indian Express* (Mumbai), March 29, 2008; K. Subramanyam, "Why the Nuke Deal is Crucial" (op-ed), *Times of India* (Delhi), April 7, 2008; "Govt Admits Lack of Fuel Delayed Start-Up of Two N-Power Plants," *Indian Express* (Mumbai), May 8, 2008.

[174] See, for example, William Potter and Jayantha Dhanapala, "The Perils of Non-Proliferation Amnesia," *Hindu* (Chennai), September 1, 2007.

[175] See "Fix the Proposal for Renewed Cooperation With India," January 7, 2008, at http://www.armscontrol.org/pressroom/2008/NSGappeal.asp.

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

[177] See http://www.armscontrol.org/node/3240.

that all key commitments previously made to parliament were being adhered to, including those related to plutonium reprocessing and nuclear weapons testing rights, as well as assured and uninterrupted supplies of nuclear fuel even if the agreement is terminated.[178] Despite such assurances, ensuing debate over the deal divided the New Delhi establishment as much as any issue in the country's history. Prime Minister Singh may have underestimated the degree of anti-Americanism and anti-imperialism held by his coalition's communist Left Front allies, who provided his ruling coalition with crucial parliamentary support. Political squabbling in New Delhi put the nuclear deal on lengthy hold and was resolved on when the Singh government barely survived a July confidence vote in Parliament.

On August 1, 2008, the IAEA Board of Governors approved a safeguards accord with India. The IAEA Secretary-General insisted that the accord met all of the body's legal requirements and was of "indefinite duration."[179] The next major step toward consummation was obtaining an adjustment of NSG guidelines so as to allow India to purchase nuclear fuel and technologies on the international market. Representatives from all 45 NSG member states gathered in Vienna on August 21. The text of a draft U.S. proposal for the NSG came under fire from nonproliferation advocates for its alleged weakening of NSG credibility and its failure to include clear statements that would end all cooperation in the event of a future Indian nuclear weapons test; prohibit the transfer to India of sensitive processing, enrichment, or heavy water technologies; and call upon India to stop producing fissile materials. According to one analysis, the U.S. draft contained language contrary to the 2006 Hyde Act.[180]

New Delhi was firm in demanding a "clean and unconditional exemption" from the NSG, one that would waive all guidelines normally applied to non-nuclear weapons states under the NPT.[181] Yet unconditional NSG approval was not a given, as some member states were hesitant to endorse nuclear trade with a country that is not signatory to the NPT and that has tested nuclear weapons. Japan, for example, expressed such concerns.[182] Some smaller NSG states, including Switzerland, Austria, Ireland, Norway, and New Zealand, were reported to have sought amendments to the NSG draft. Such amendments could have included requiring India to join the CTBT, place its civilian facilities under permanent safeguards regardless of fuel supply, and/or introduce new provisions regarding enrichment and reprocessing.

August's rounds of NSG meetings were inconclusive when up to one-third of member states reportedly backed one or more of these amendments. Late in the month, the official newspaper of the Chinese Communist Party called the deal a "major blow" to nonproliferation, suggesting that Beijing, too, was among the skeptical member states. New Delhi flatly refused to accept any new conditionality and put the onus on Washington to "deliver" NSG approval while reiterating its commitment to a voluntary testing moratorium.[183] By some accounts, the widespread resistance

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

[179] "India Inspections Deal Meets IAEA Standards: ElBaradei," *Agence France Presse*, August 1, 2008.

[180] See http://armscontrol.org/node/3274.

[181] "Kakodkar: India is Firm on Unconditional Waiver," *Hindu* (Chennai), August 3, 2008; "India Firm on 'Unconditional' Exemption," *Hindu* (Chennai), August 12, 2008.

[182] "Japan Has 'Concerns' on US-India Nuclear Deal," *Associated Press*, August 5, 2008; "Smaller NSG Nations for Changes in N-Deal?," *Times of India* (Delhi), August 13, 2008. See also "Nuclear Trade Exemption for India Won't Come Easy," *Reuters*, August 8, 2008.

[183] "Smaller NSG Nations for Changes in N-Deal?," *Times of India* (Delhi), August 13, 2008; "India, US Lobby Hard as Red Flags Are Waved in NSG," *Indian Express* (Delhi), August 20, 2008; "Nuclear Suppliers Propose Terms For U.S.-India Deal," Reuters, August 21, 2008; "China Paper Lashes India-US Deal," Reuters, August 31, 2008; "India (continued...)

among NSG members came as a shocking surprise to Washington and created a sense of betrayal in New Delhi.[184]

In early September, days before a new round of NSG talks, House Foreign Affairs Committee Chairman Rep. Berman released a "secret" letter that the Bush Administration had sent to the committee nine months earlier. The letter explicitly stated that the United States would not transfer sensitive nuclear technologies to India and would immediately terminate nuclear trade if New Delhi conducted any further nuclear tests. Indian critics of the deal said the letter showed that Prime Minister Singh had "willfully misled" the Indian nation and illuminated the deal's alleged threat to India's security policy autonomy.[185]

On September 6, after three days of contentious sessions, the NSG members agreed by consensus to approve an India-specific exemption to its guidelines. Ireland and Austria were reported to be among the last holdouts, while China expressed misgivings.[186] New Delhi welcomed the decision as "forward-looking and momentous" in "marking the end of India's long isolation from the nuclear mainstream and of the technology denial regime." Independent proponents called it "a significant victory for those who welcome India's rising global economic and political influence." Advocates even declared that the shift marked India's emergence as the world's sixth recognized nuclear weapons power in its legitimized ability to purchase nuclear fuel and technologies in the global marketplace while still maintaining a nuclear arsenal.[187] The agreement text, along with President Bush's required determinations, was sent to Congress on September 10. The President's transmittal letter noted that commitments regarding reliable fuel supplies were political and not legally binding.[188] Secretary of State Rice launched an all-out effort to persuade the U.S. Congress to approve the deal before year's end.

Critics of the deal called the decision "a nonproliferation disaster of historic proportions" that severely erodes the credibility of the global nonproliferation regime. Some lamented the allegedly "brutal and unconscionable pressure" exerted upon member states that had opposed the U.S. draft. One senior Indian commentator predicted that the NSG waiver would "breed monumental

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Says NSG Clearance is U.S. Responsibility," *Hindu* (Chennai), August 23, 2008; Indian Ministry of External Affairs, "Statement of External Affairs Minister," September 5, 2008.

[184] "U.S. Seeks Way Out of India Nuclear Deal Impasse," Reuters, August 29, 2008.

[185] "In India, Outcry Over U.S. Letter," *Washington Post*, September 4, 2008; R. Ramachandran, "Hidden Side (op-ed), *Frontline* (Chennai), September 26, 2008.

[186] "International Group Backs Nuclear Accord for U.S., India," *Washington Post*, September 7, 2008. Skeptical states may have been persuaded by a reported private agreement among all 45 members that none intends to sell sensitive technologies to India. India's national security advisor said New Delhi was disappointed and "a little surprised" by China's stand in the NSG, having "expected more from them." Beijing rejected the criticism, saying its role in the negotiations were "responsible and constructive ("World Nuclear Trade Group Agrees to Restrict Sales to India," *Washington Post*, September 12, 2008; "Thank You, P5 Minus China," *Telegraph* (Kolkata), September 7, 2008; "China Deflects Indian Criticism Over Nuke Deal," Associated Press, September 9, 2008).

[187] Indian Ministry of External Affairs, "Statement by the Prime Minister," September 6, 2008; Lisa Curtis, "U.S.-India Civil Nuclear Deal: A Sprint to the Finish," Heritage Foundation WebMemo, September 9, 2008; "Raised to the Power of N," *Outlook* (Delhi), September 22, 2008.

[188] H.Doc. No. 110-146. Some analysts found the U.S. President's statement on this point to be a "dilution" of previous assurances; the Indian Foreign Office responded by insisting that future cooperation would be guided by the 123 Agreement alone, which it considers to have become a legally binding document, and sought "clarification" from Washington (Siddharth Varadarajan, "U.S. Delivers 123 Blow to India" (op-ed), *Hindu* (Chennai), September 12, 2008; "Bush N-Punch Worries Delhi," *Telegraph* (Kolkata), September 13, 2008.

arrogance, great-power delusions, and contempt for peace among [India's] social-Darwinist elite."[189]

Finalizing U.S. Congressional Action

Some in Congress urged House Foreign Affairs Committee Chairman Rep. Berman to resist what they saw as the Bush Administration's "unwise and inappropriate" rush to finalize the deal in 2008, saying serious questions remained about whether the 123 Agreement met the requirements of and was consistent with existing U.S. law. Like many independent nonproliferation advocates, some Members predicted that the NPT regime would be "shredded" by proposed changes in NSG guidelines and that India's nuclear arsenal would likely increase significantly as a result.[190] The revised U.S. draft of early September came under similar criticisms.

The Senate Foreign Relations Committee held a September 18, 2008, hearing to consider the final legislative steps of the deal. In his opening statement, Acting Chairman Senator Chris Dodd conceded that the agreement was not perfect, but opined that it must still be approved quickly as a positive milestone in U.S.-India relations. The Administration witness, Under Secretary of State William Burns, assured committee members that fuel supply assurances were political (rather than legal) commitments, but that only in "extreme circumstance" would the U.S. government cease ensuring such supply. When asked if the deal would free Indian uranium resources for use in the military sector, Burns could only offer that New Delhi publically states it has no "intention of significantly increasing their nuclear arsenal." Burns explained that much of the purported urgency in moving the deal through Congress arose from the risk of third-party countries moving quickly to take advantage of the NSG exception by making commercial deals with India at a possible cost to U.S. firms.[191]

On September 27, the bill to approve of the 123 Agreement (H.R. 7081), introduced by Chairman Berman two days earlier, passed the full House on a vote of 298-117. Reflecting the complaints of many critics, a subsequent *New York Times* editorial article criticized the House Foreign Affairs Committee for "abdicating in its oversight responsibilities" by holding no public hearings and by sending the bill to the House floor without a committee vote.[192]

The legislation faced delay in the Senate, where at least one Senator placed an anonymous hold on the bill. An amendment cosponsored by nine Senators (S.Amdt. 5683) called for cutting off nuclear trade if India detonated a nuclear device and requiring Presidential certification that New Delhi was not able to use any U.S.-supplied materials in such a detonation. The Administration strongly opposed such legislation as injecting "rigid and burdensome mandates," the amendment

[189] Arms Control Association, "Text, Analysis, and Response to NSG," September 6, 2008; Citizens' Nuclear Information Center press release, September 7, 2008; Praful Bidwai, "Nuclear Hubris" (op-ed), *Frontline* (Chennai), October 10, 2008. See also Michael Krepon, "Likely Consequences of Nuclear Suppliers Group Decision," Stimson Center, September 8, 2008; William Potter, "Goodbye to Nuclear Export Controls" (op-ed), *Hindu* (Chennai), September 9, 2008.

[190] See http://markey.house.gov/index.php?option=com_content&task=view&id=3436&Itemid=141; Edward Markey and Ellen Tauscher, "Don't Loosen Nuclear Rules for India" (op-ed), *New York Times*, August 20, 2008.

[191] Transcript: "Senate Foreign Relations Committee Holds Hearing on U.S.-India Nuclear Cooperation," September 18, 2008.

[192] "A Bad India Deal" (editorial), *New York Times*, September 30, 2008.

was defeated on a voice vote and, on October 1, the bill was passed by the full Senate on a vote of 86-13.[193] One week later, President Bush's signature made the bill P.L. 110-369.

Looking Ahead on India's Legitimized Nuclear Trade

In September, the Indian and French governments signed a landmark nuclear cooperation pact that paves the way for the sale of French nuclear reactors to India. In December, India and Russia signed agreements that would enable Russian firms to build four new nuclear power plants in India. A deal with uranium-rich Kazakhstan was signed in January 2009. The Canadian government is also reportedly intent on striking a nuclear trade pact with India.

Some assessments see a potential for $80 billion in new nuclear business with India, assuming New Delhi's purchase of 40 new nuclear reactors in coming years. In November, the chairman of the U.S. Nuclear Regulatory Commission was in New Delhi to deliver a sales pitch on behalf of U.S. firms.[194] However, such firms are unlikely to see immediate benefits of nuclear trade with India due to fierce business competition from Russia and France, and because of ongoing concerns about India's lack of favorable liability laws (U.S. firms, lacking home government liability guarantees in case of accidents, are at a disadvantage). In any case, all foreign firms are likely to encounter difficulties doing business in India, as New Delhi has yet to resolve questions about how much foreign involvement it will allow in its nuclear sector.[195]

Civil Space Cooperation

India has long sought access to American space technology; such access has since the 1980s been limited by U.S. and international "red lines" meant to prevent assistance that could benefit India's military missile programs. India's space-launch vehicle technology was obtained largely from foreign sources, including the United States, and forms the basis of its intermediate-range Agni ballistic missile booster, as well as its suspected Surya intercontinental ballistic missile program. India is today seen to maintain one of the world's most advanced space programs.[196]

The NSSP called for enhanced U.S.-India cooperation on the peaceful uses of space technology, and the July 2005 Joint Statement anticipated closer ties in space exploration, satellite navigation and launch, and in the commercial space arena. Major conferences on India-U.S. space science and commerce were held in Bangalore (headquarters of the Indian Space Research Organization) in both 2004 and 2005. During President Bush's 2006 visit to India, the two countries committed to move forward with agreements that will permit the launch of U.S. satellites and satellites

[193] "US-India Nuclear Deal Faces Setback in US Congress," Associated Press, September 26, 2008; Office of Management and Budget, "Statement of Administration Policy," October 1, 2008.

[194] "India Open for $80 billion in Nuclear Business," Associated Press, September 26, 2008; NRC speech at http://newdelhi.usembassy.gov/sr111408a.html.

[195] "A Secondary Role for U.S. in India's Nuclear Future," *Washington Post*, September 2, 2008; "U.S. Nuclear Firms Try to Break Liability Logjam With India," Reuters, January 16, 2009; "Foreign Groups Circle Power-Hungry India," *Financial Times* (London), January 15, 2009. when asked about the liability issue, then-Secretary of State Rice expressed satisfaction about "a very firm set of commitments" New Delhi was ready to make on this issue (see http://2001-2009.state.gov/secretary/rm/2008/10/110618.htm).

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

containing U.S. components by Indian space launch vehicles and they later agreed to include two U.S. scientific instruments on India's first unmanned spacecraft launch planned for 2008. In 2007, a meeting of the U.S.-India Joint Working Group on Civil Space Cooperation was held in Washington, where officials expressed satisfaction with growing bilateral ties in the aerospace field. On October 22, 2008, India launched the Chandrayaan-1, to orbit the moon and closely examine its surface. Along with marking India's emergence as a major player in space exploration, the successful moon mission also positions the country as a more muscular competitor in the lucrative satellite launch business.[197]

High-Technology Trade [198]

U.S. Commerce Department officials have sought to dispel "trade-deterring myths" about limits on dual-use trade by noting that less than 0.5% of total U.S. trade value with India is now subject to licensing requirements and that the great majority of dual-use licensing applications for India are approved (about 95% in 2007). July 2003 saw the inaugural session of the U.S.-India High-Technology Cooperation Group (HTCG), where officials discussed a wide range of issues relevant to creating the conditions for more robust bilateral high technology commerce; the sixth HTCG meeting was held in New Delhi in February 2008 (at the 2007 session, U.S. Commerce Secretary Carlos Gutierrez had unveiled a new "Trusted Customer" program designed to facilitate greater high-tech trade with India). In 2005, the inaugural session of the U.S.-India High-Technology Defense Working Group was held under HTCG auspices.[199] Commerce's Bureau of Industry and Security formally designated India as an eligible country under its "Validated End-User" program in October 2007. This designation will allow certain trusted Indian buyers to purchase high-technology goods without an individual license.[200]

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.[201]

[197] "India Eyes Larger Slice of Satellite Launch Sector," Agence France Presse, October 22, 2008.

[198] See also CRS Report RL34161, *India-U.S. Economic and Trade Relations*, by Michael F. Martin and K. Alan Kronstadt.

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

[200] "US Streamlines High-Tech Export Controls on India," *Reuters*, October 2, 2007.

[201] See Commerce's Entity List at http://www.bis.doc.gov/Entities.

Security Issues

The Indian Military [202]

India is in the midst of transforming its military into one with global reach.[203] With more than 1.2 million active personnel, India's is the world's third-largest military (after China and the United States).[204] The country's 2008 defense budget increased by nearly 13% over 2007. At more than $25 billion, annual spending is up more than 20% 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 2008, the air force procurement budget of $3.9 billion was more than two-fifths of the service-specific total, with the navy receiving another $2.4 billion. The November 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.[205]

The Indian army possesses more than 4,000 main battle tanks, the majority of them Russian-built T-72s and T-55s, and as many as 4,500 towed artillery tubes. The navy has grown rapidly in recent years, currently operating 47 principal surface combatants (including one aircraft carrier) and 16 submarines. There also is a significant amphibious capacity: 17 landing ships (including one recently acquired from the United States) can carry 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 submarine in 2009 as part of its "sea-based strategic deterrence." The air force flies more than 600 combat-capable aircraft, the majority of them Russian-built MiGs, along with some 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 2010.

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

[202] Most military data in this section come from *The Military Balance 2009* (Institute for International and Strategic Studies, London, 2009).

[203] See "Land of Gandhi Asserts Itself as a Global Military Power," *New York Times*, September 22, 2008.

[204] 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.

[205] "Mumbai Attack Prompts Indian Security Spending," *Jane's Defense Weekly*, January 23, 2009.

new MiG-29K naval jets for deployment on the *INS Vitramaditya* (formerly the Russian *Gorshkov*); 40 upgraded Su-30 MKI ground attack aircraft, major upgrades on existing MiG and Jaguar combat aircraft; and 66 jet trainers from Britain.

Russia continues to provide the bulk of India's imported defense wares. In recent years, however, Israel has roughly equaled Russia in the value of defense exports to India, with each country providing about $1.5 billion worth of defense supplies in 2006. Moreover, India and Israel are engaging in new joint development projects involving missile technology.[206] India was the leading developing world arms purchaser from 1999-2006, making arms transfer *agreements* totaling $22.4 billion during that period.[207] As India seeks to expand its power projection capabilities, it has come under fire from some for continuing to prepare for a conventional interstate war that may be unlikely to occur. According to one report, of the country's nearly two million persons in uniform, only about 5,000 have meaningful counterterrorism training.[208]

U.S.-India Security Cooperation

Defense cooperation between the United States and India is in the early stages of development (unlike U.S.-Pakistan military ties, which date back to the 1950s). Since 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 since India's 1998 nuclear tests and ensuing U.S. sanctions—was revived in late 2001 and meets annually.

In June 2005, the United States and India signed a ten-year defense pact outlining planned collaboration in multilateral operations, expanded two-way defense trade, increasing opportunities for technology transfers and co-production, expanded collaboration related to missile defense, and establishment of a bilateral Defense Procurement and Production Group. The agreement may be the most ambitious such security pact ever engaged by New Delhi. A Maritime Security Cooperation Agreement, inked in 2006, commits both countries to "comprehensive cooperation" in protecting the free flow of commerce and addressing a wide array of threats to maritime security, including piracy and the illicit trafficking of weapons of mass destruction and related materials. In 2007, the Commander of the U.S. Pacific Command, Adm. Tim Keating, told a Senate panel that the Pentagon intends to "aggressively" pursue expanding military-to-military relations with India. During his August 2007 visit to New Delhi, Adm. Keating lauded U.S.-India defense relations as "solid, good, and improving steadily."[209] The sentiment was echoed by Secretary of Defense Gates during his February 2008 visit to the Indian capital.

The United States views defense cooperation with India in the context of "common principles and shared national interests" such as defeating terrorism, preventing weapons proliferation, and

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

[207] See CRS Report RL34187, *Conventional Arms Transfers to Developing Nations, 1999-2006*, by Richard F. Grimmett, *1999-2006*.

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

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

maintaining regional stability. Many analysts view increased U.S.-India security ties as providing an alleged "hedge" against or "counterbalance" to growing Chinese influence in Asia, though both Washington and New Delhi repeatedly downplay such probable motives. Still, while a congruence of U.S. and Indian national security objectives is unlikely in the foreseeable future, convergences are identified in areas such as shared values, the emergence of a new balance-of-power arrangement in the region, and on distinct challenges such as WMD proliferation, Islamist extremism, and energy security. There also remain indications that the perceptions and expectations of top U.S. and Indian strategic planners are divergent on several key issues, including the role of Pakistan, approaches to conflict resolution in Iraq and Palestine, and Indian's relations with Iran, as well as with repressive governments in places such as Burma and Sudan.[210]

Combined Military Exercises

Since early 2002, the United States and India have held a series of unprecedented and increasingly substantive combined exercises involving all military services. "Cope India" air exercises have provided the U.S. military with its first look at advanced Russian-built Su-30MKIs; in 2004, mock air combat saw Indian pilots in late-model Russian-built fighters hold off American pilots flying older F-15Cs, and Indian successes were repeated versus U.S. F-16s in 2005. Indian pilots joined military aviators from South Korea and France to participate in August 2008 U.S. Air Force training exercises over Nevada. U.S. and Indian special forces soldiers have held at least five "Vajra Prahar" joint exercises, and at least 133 U.S. Special Forces soldiers have attended India's Counter-Insurgency Jungle Warfare School. Moreover, major annual "Malabar" joint naval exercises are held off the Indian coast. The eighth and most recent of these came in October 2008, when 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. U.S. and Indian officials tout ongoing joint maneuvers as improving interoperability and as evidence of an overall deepening of the bilateral defense relationship.[211]

Arms Sales[212]

Along with increasing military-to-military ties, the issue of U.S. arms sales to India has taken a higher profile, with some analysts anticipating that New Delhi will spend as much as $35 billion on weapons procurement during the period 2009-2013, although the slowdown of the Indian and global economies could delay these programs.[213] 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 2004, a deal was struck involving up to $40 million worth of aircraft self-protection systems for mounting on the Boeing 737s that carry India's head of government. Moreover, the State Department has authorized Israel to sell to India

[210] See also Vibhuti Hate and Teresita Schaffer, "U.S.-India Defense Relations: Strategic Perspectives," CSIS *South Asia Monitor*, April 4, 2007.

[211] "US-India Joint Exercises Growing in Sophistication, Scope," *Inside the Pentagon*, January 31, 2008.

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

[213] *The Military Balance 2009* (Institute for International and Strategic Studies, London, 2009).

the jointly developed U.S.-Israeli Phalcon airborne early warning system, an expensive asset that some analysts believe may tilt the regional strategic balance even further in India's favor.

In 2006, Congress authorized and New Delhi approved the $44 million purchase of the *USS Trenton*, a decommissioned American amphibious transport dock. The ship, which became the second largest in the Indian navy when it was commissioned as the *INS Jalashwa* in 2007, set sail for India carrying six surplus Sikorsky UH-3H Sea King helicopters purchased for another $39 million.[214] In January 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. New Delhi expects to soon acquire 24 Harpoon Block II naval surface missiles (with associated equipment and services) at a price of up to $170 million, and is arranging to receive more than 500 gravity bombs at a cost of up to $375 million. Moreover, in January 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 would set a new record as the largest-ever U.S. arms transfer to India.[215]

The Indian government reportedly possesses an extensive list of further desired U.S.-made weapons, including PAC-3 anti-missile systems, electronic warfare systems, and possibly even combat aircraft. Since 2007, U.S. and Indian officials reportedly have held mostly technical-level talks on the sale to India of ballistic missile defense systems. New Delhi has made no final decision on whether to purchase any such foreign systems.[216] The 2005 unveiling of the Bush Administration's "new strategy for South Asia" included assertions that the United States welcomed Indian requests for information on the possible purchase of F-16 or F/A-18 fighters, and indicated that Washington is "ready to discuss the sale of transformative systems in areas such as command and control, early warning, and missile defense."[217] India in mid-2007 invited foreign tenders for the sale of 126 new multi-role combat aircraft in a deal that could be worth more than $10 billion. Lockheed Martin's F-16 and Boeing's F/A-18 are competing with aircraft built in Russia, France, Sweden, and by a European consortium. Lockheed's pitch reportedly includes offering a "super-cruise" version of the F-16 that saves large amounts of fuel by achieving supersonic speeds without the use of afterburners. 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.[218]

Some top Indian officials express concern that the United States is a "fickle" partner that may not always be relied upon to provide the reciprocity, sensitivity, and high-technology transfers sought

[214] India's comptroller later issued a report critical of the government for purchasing an "ageing ship" in a "hasty manner" without proper assessment of the ship's sea-worthiness, prompting communists in Parliament to demand an investigation. Indian navy officials rejected the criticism and said the inexpensive ship will provide significant sea-lift capabilities ("US-Made *Jalashwa* a Lemon: CAG," *Times of India* (Delhi), Marc h 15, 2008).

[215] Congressional notifications at http://www.dsca.osd.mil/PressReleases/36-b/2007/India_07-33.pdf; http://www.dsca.osd.mil/PressReleases/36-b/2008/India_08-71.pdf; http://www.dsca.osd.mil/PressReleases/36-b/2008/India_08-105.pdf.

[216] "New Delhi Weighs Up US Missile Shield," *Financial Times* (London), January 8, 2009.

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

[218] "US Contenders Enhance Their MRCA Offerings to India," *Jane's Defense Weekly*, January 30, 2008; "Boeing Seeks Leverage on Indian Fighter Order," *Aviation International News*, February 19, 2008; "Boeing Keen to Develop India's Aerospace Industry," *Reuters*, July 16, 2008.

by New Delhi.[219] In 2006, the Indian Navy declined an offer to lease two U.S. P-3C maritime reconnaissance aircraft, calling the arrangements too costly. Moreover, India's offset policy states that any defense purchases worth more that Rs3 billion (about $70 million) must include offset clauses amounting to at least 30% of the deal's total value. This policy, already described as "narrow" and "fairly restrictive" by the U.S. Ambassador to India, was altered to require that fully half of the value of any multi-role combat aircraft import be attached to offsets. U.S. laws requiring on-site verifications of exported defense equipment may represent a further irritant, as Indian officials reportedly have expressed discomfort with such physical inspections.[220]

In October 2008, Bell Helicopter, a Texas-based subsidiary of Textron, chose to end its pursuit of a deal for 22 combat helicopters after New Delhi insisted that the sale be a commercial one rather than through the government-to-government Foreign Military Sales program preferred by Bell. Boeing also declined to submit a bid after being refused an extension request. Bell subsequently withdrew its bid to provide 197 light utility helicopters to India, saying offset requirements made the deal unfeasible.[221]

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

U.S.-India Counterterrorism Cooperation

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

> The Indian government's counterterrorism efforts remained hampered by outdated and overburdened law enforcement and legal systems. The Indian court system was slow, laborious, and prone to corruption; terrorism trials can take years to complete. Many of India's local police forces were poorly staffed, lacked training, and were ill-equipped to combat terrorism effectively.[222]

Some Indian analysts complain that the intelligence gathering capabilities of India's security forces remain woefully inadequate and preclude effective law enforcement.[223]

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[219] "Defense Firms Seek Sales in India," *Chicago Tribune*, December 21, 2006.

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

[221] "US Firm to Drop Helicopter Sale Deal With India," BBC Monitoring South Asia, October 15, 2008; "US Company Quits Indian Air force's Light Utility Helicopters Bid," BBC Monitoring South Asia, November 13, 2008.

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

[223] See, for example, Ajai Sahni, "Get to the Basics," *Outlook* (Delhi), May 21, 2008.

In November 2001, President Bush and then-Indian Prime Minster Vajpayee agreed that "terrorism threatens not only the security of the United States and India, but also our efforts to build freedom, democracy and international security and stability around the world."[224] In 2002, India and the United States launched the Indo-U.S. Cyber Security Forum to safeguard critical infrastructures from cyber attack. The June 2005 "New Framework for the U.S.-India Defense Relationship" lists "defeating terrorism and violent religious extremism" as one of four key shared security interests, and it calls for a bolstering of mutual defense capabilities required for such a goal.[225] A 2006 session of the U.S.-India Joint Working Group on Counterterrorism ended with a statement of determination from both countries to further advance bilateral cooperation and information sharing on such areas of common concern as bioterrorism, aviation security, advances in biometrics, cyber-security and terrorism, WMD terrorism, and terrorist financing.[226] The Working Group has met a total of nine times since its 2000 creation, most recently in August 2008. Joint Chiefs Chairman Adm. Mullen was in New Delhi in December 2008 to meet with senior Indian leaders, where he reiterated the U.S. military's commitment to work closely with Indian armed forces on counterterrorism.[227] Expanding military-to-military links have included company-level joint counterinsurgency training of army units.[228]

In October 2005, the United States and India concluded a treaty on criminal matters that would institutionalize law enforcement cooperation and create a regularized channel for mutual assistance. Among the hoped-for benefits has been more effective counterterrorism efforts.[229] It was reported in May 2006 that the United States had offered demining assistance, counterinsurgency training for police forces, and humanitarian relief for persons internally displaced by conflict related to the Maoist rebellion.[230] Moreover, months after the July 2006 Mumbai terrorist bombings, senior CIA officials reportedly traveled to New Delhi to discuss improving counterterrorism cooperation with Indian leaders, and an FBI official later called for closer law enforcement and intelligence coordination with India in light of terrorist attacks in that country's interior.[231] There have been signs that U.S. government agencies have taken greater notice of links apparent between Pakistan-based terrorist groups and wanted Indian criminal boss Dawood Ibrahim, who is suspected of residing in Karachi, Pakistan. In 2003, the U.S. Department of the Treasury formally designated Ibrahim as a terrorist supporter and accused him of collaborating with Al Qaeda in South Asia.[232]

[224] "Joint Statement of U.S., India on Terrorism, Bilateral Ties," U.S. Department of State Washington File, November 9, 2001.

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

[226] See http://usinfo.state.gov/is/Archive/2006/Apr/24-821244.html.

[227] See http://newdelhi.usembassy.gov/pr120408a.htm.

[228] "U.S. Troops on Front Line of Expanding India Ties," *Washington Post*, January 25, 2006.

[229] "U.S.-India Treaty on Mutual Legal Assistance in Criminal Matters Ratified," U.S. Embassy New Delhi Press Release, October 3, 2005.

[230] "US Offers India Help to Fight Maoists: Official," *Reuters*, May 26, 2006.

[231] "CIA Big Guns in Huddle," *Telegraph* (Calcutta), October 24, 2006; "FBI Looks to Boost Intelligence Ties With India," *Reuters*, November 27, 2006.

[232] "Hunting for India's 'Most Wanted,'" *Jane's Intelligence Digest*, December 9, 2005; Treasury notification at http://www.ustreas.gov/press/releases/js909.htm.

Nuclear Weapons and Missile Proliferation [233]

Many policy analysts consider the apparent arms race between India and Pakistan as posing perhaps the most likely prospect for the future use of nuclear weapons by states. In May 1998, India conducted five underground nuclear tests, breaking a self-imposed, 24-year moratorium on such testing. Despite international efforts to dissuade it, Pakistan quickly followed. The tests created a global storm of criticism and represented a serious setback for two decades of U.S. nuclear nonproliferation efforts in South Asia. Following the tests, President Clinton imposed full restrictions on non-humanitarian aid to both India and Pakistan as mandated under Section 102 of the Arms Export Control Act. India currently is believed to have enough fissile material, mainly plutonium, for 55-115 nuclear weapons; Pakistan, with a program focused on enriched uranium, may be capable of building a similar number. Both countries have aircraft capable of delivering nuclear bombs. India's military has inducted short- and intermediate-range ballistic missiles, while Pakistan itself possesses short- and medium-range missiles (allegedly acquired from China and North Korea). All are assumed capable of delivering nuclear warheads over long distances.

Proliferation in South Asia is part of a chain of rivalries—India seeking to achieve deterrence against China, and Pakistan seeking to gain an "equalizer" against a conventionally stronger India. In 1999, a quasi-governmental Indian body released a Draft Nuclear Doctrine for India calling for a "minimum credible deterrent" (MCD) based upon a triad of delivery systems and pledging that India will not be the first to use nuclear weapons in a conflict. In 2003, New Delhi announced creation of a Nuclear Command Authority. After the body's first session in September of that year, participants vowed to "consolidate India's nuclear deterrent." India thus appears to be taking the next steps toward operationalizing its nuclear weapons capability. According to the director of the U.S. Defense Intelligence Agency in a 2007 statement to a Senate panel, India is building its stockpile of fission weapons and is likely to continue work on advanced warhead and delivery systems.[234]

U.S. Nonproliferation Efforts and Congressional Action

Soon after the May 1998 nuclear tests in South Asia, Congress acted to ease aid sanctions through a series of legislative measures.[235] In September 2001, President Bush waived remaining sanctions on India pursuant to P.L. 106-79. During the 1990s, the U.S. security focus in South Asia sought to minimize damage to the nonproliferation regime, prevent escalation of an arms race, and promote Indo-Pakistani bilateral dialogue. In light of these goals, the Clinton Administration set out "benchmarks" for India and Pakistan based on the contents of U.N. Security Council Resolution 1172, which condemned the two countries' nuclear tests. These included signing and ratifying the Comprehensive Nuclear Test Ban Treaty (CTBT); halting all further production of fissile material and participating in Fissile Material Cutoff Treaty

[233] See also CRS Report RL32115, *Missile Proliferation and the Strategic Balance in South Asia*, by Andrew Feickert and K. Alan Kronstadt, and CRS Report RS21237, *Indian and Pakistani Nuclear Weapons*, by Sharon Squassoni.

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

[235] The India-Pakistan Relief Act of 1998 (in P.L. 105-277) authorized a one-year sanctions waiver exercised by President Clinton in November 1998. The Department of Defense Appropriations Act, 2000 (P.L. 106-79) gave the President permanent authority after October 1999 to waive nuclear test-related sanctions applied against India and Pakistan. On October 27, 1999, President Clinton waived economic sanctions on India (Pakistan remained under sanctions as a result of an October 1999 military coup). (See CRS Report RS20995, *India and Pakistan: U.S. Economic Sanctions*, by Dianne E. Rennack.)

negotiations; limiting development and deployment of WMD delivery vehicles; and implementing strict export controls on sensitive WMD materials and technologies.

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

India's Economy and U.S. Interests[236]

Overview

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-tech centers as Bangalore and Hyderabad. However, many analysts and business leaders, along with U.S. government officials, point to excessive regulatory and bureaucratic structures as a hindrance to the realization of India's full economic potential. The high cost of capital (rooted in large government budget deficits) and an "abysmal" infrastructure also draw negative appraisals as obstacles to growth. Constant comparisons with the progress of the Chinese economy show India lagging in rates of growth and foreign investment, and in the removal of trade barriers. Just prior to his March 2006 visit to New Delhi, President Bush noted India's "dramatic progress" in economic reform while insisting "there's more work to be done," especially in lifting caps on foreign investment, making regulations more transparent, and continuing to lower tariffs.[237]

According to the Economist Intelligence Unit, India's per capita GDP was only about $977 in 2008. The highly-touted information technology and business processing industries employ only about one-third of one percent of India's work force and, while optimists vaunt an Indian "middle

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

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

class" of some 300 million people, a larger number of Indians subsists on less than $1 per day.[238] Hunger remains and rampant and serious problem across India.[239] A growing income gap has led to concerns about "economic apartheid."[240] Yet, even with the existence of ongoing problems, the current growth rate of India's increasingly service-driven economy is among the highest in the world and has brought the benefits of development to many millions of citizens. The U.N. Development Program ranked India 128th out of 177 countries on its 2007/2008 human development index (between Morocco and Laos), down from 126th in 2006.[241]

After enjoying an average growth rate above 6% for the 1990s, India's economy cooled with the global economic downturn after 2000. Yet sluggish, Cold War-era "Hindu rates of growth" had become a thing of the past. For the fiscal year ending March 2006, real change in GDP was 8.5%, the second-fastest rate of growth among the world's 20 largest economies. During FY2006/2007, India's economy expanded by a blistering 9.2% and nearly matched this rate again in FY2007/2008 with a 9% expansion. Robust growth in the services, manufacturing, and industry sectors has continued, but is moderated by a weak agricultural sector (low productivity levels in this sector, which accounts for nearly one-fifth of the country's GDP, are a drag on overall growth).[242] Short-term estimates remain relatively encouraging (given another global downturn in late 2008), predicting expansion above 5% for the next two years. An upswing in services is expected to lead; this sector now accounts for more than half of India's GDP.

India's central bank warned in early 2007 that rising inflation and surging stock and property markets were "signs of overheating" in the country's economy. Some analysts criticized the bank for being too timid in reining in domestic demand.[243] Consumer price inflation rose somewhat in mid-2007, then appeared to level off at a lower rate toward year's end (with a year-on-year rate of 5.5% in January). The soaring Bombay Stock Exchange tripled in value from 2001-2006, then apparently overheated with the worst-ever daily decline of its benchmark Sensex index on May 22, 2006, when almost 11% of its total value was lost (related also to political developments). The market subsequently stabilized and then recovered mightily, reaching new highs in the closing months of 2006. More new record highs became even more frequent in the latter half of 2007 and the Sensex was up nearly 40% for the year. India now boasts more billionaires than any other Asian country and has the fourth most in the world, trailing only the United States, Germany, and

[238] India's official poverty line for 2004-2005 was an income of 356 rupees (about $9) per person per month. By this measure, the national poverty rate was about 28%. Yet estimates indicate that some 400 million Indians subsist on less than 40 rupees per day. ("Economic Boom Fails to Generate Optimism in India," *New York Times*, August 16, 2007).

[239] One British medical study found that more than half of all Indian children under the age of five are "stunted" by lack of proper nutrition. More than two million Indian children died in 2006—more than in any other country—and studies indicate that better delivery of healthcare for India's poorest children is necessary for meeting international millennium development goals. A 2008 report on global hunger found that India was home to more people suffering hunger—at least 200 million—than any other world country. it found that nearly half of the country's 28 states have "alarming" levels of hunger. Even the best-performing state, Punjab, was found to have "serious" hunger problems ("51% of Indian Children Stunted by Undernutrition," *Hindu* (Chennai), May 15, 2008; "UN Warning on India Child Health," *BBC News*, August 5, 2008; "Hunger in Indian States 'Alarming,'" BBC News, October 14, 2008).

[240] In just one stark example, a New Delhi luxury mall charges the equivalent of $5 for admission, an amount equal to one week's pay for some 80% of the country's population ("Luxury Mall Showcases Wealth Gap in India," Reuters, October 13, 2008).

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

[242] Despite a series of expensive programs meant to bring relief to India's beleaguered farmers, the government has failed to stem the incidence of farmer suicides, which are estimated to number some 10,000 each year ("No Let Up in India Farm Suicides," *BBC News*, May 5, 2008).

[243] "India Overheats," *Economist* (London), February 3, 2007.

Russia. The bounty of India's newly-super-wealthy is traced largely to phenomenal gains in the country's stock market, but, in a further indicator of serious income disparity, only about 2% of the country's working-age population hold any stock at all.[244]

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

Once seen as favoring domestic business and diffident about foreign involvement, New Delhi appears to gradually be embracing globalization and has sought to reassure foreign investors with promises of transparent and nondiscriminatory policies. A 2007 report from global investment banking and securities firm Goldman Sachs called India's recent high growth rates a result of structural rather than cyclical increases. It identified political developments—including a rise in protectionism; supply-side restraints, including business climate, education, and labor market reforms; and environmental degradation—as representing major risks to future growth.[245] A 2007 country survey from the Paris-based Organization for Economic Cooperation and Development (OECD) traced India's economic successes to reforms that reduced the role of the state in economic affairs.[246] Other analyses identify water shortages, urban woes, and pollution as further potential threats to Indian prosperity.[247]

Trade and Investment

As India's largest trade and investment partner, the United States strongly supports New Delhi's continuing economic reform policies. A U.S.-India Trade Policy Forum was created in November 2005 to expand bilateral economic engagement and provide a venue for discussing multilateral trade issues. The United States currently accounts for about one-sixth of all Indian exports. India was the 16th largest export market for U.S. goods in 2007 (up from 21st the previous year). Levels of U.S.-India trade, while relatively low, are blossoming; the total value of bilateral trade has doubled since 2001 and the two governments intend to see it doubled again by 2009. U.S. imports from India in 2008 were valued at an estimated $26.1 billion (up nearly 9% over 2007). Leading imports in the recent past have included cotton apparel; textiles; and pearls, gemstones, and jewelry. Exports to India in 2007 totaled an estimated $19.2 billion (up 9% over 2007), with civilian aircraft; telecommunications equipment; finished pearls, gemstones, and jewelry; and

[244] "India's Superrich Get Even Richer," *Christian Science Monitor*, December 18, 2007.

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

[246] See http://www.oecd.org/eco/surveys/India.

[247] Pramit Mitra, "Running on Empty," CSIS South Asia Monitor 103, February 3, 2007, at http://www.csis.org/media/csis/pubs/sam103.pdf; World Bank, "Urban Challenges in India," February 5, 2007. One study found that 70% of Kolkata's population suffers from respiratory disorders caused by air pollution ("Air Pollution Suffocates Calcutta," *BBC News*, May 3, 2007).

chemical fertilizers as leading recent categories. Bilateral trade in private commercial services was worth more than $13 billion more, split roughly evenly between imports and exports.[248]

Annual foreign direct investment to India from all countries rose from about $100 million in 1990 to nearly $6 billion for 2005 and $20 billion in 2007. According to Indian officials, about one-seventh of foreign direct investment in India since 1991 has come from U.S. firms; in recent years, the major U.S.-based companies Microsoft, Dell, Oracle, and IBM have made multi-billion-dollar investments in India (U.S. firms invested about $2 billion in India in 2006; Indian companies invested roughly the same amount in the United States). The stock of U.S. foreign direct investment in India was just below $9 billion for 2006. As of November 2008, India's foreign exchange reserves were at a record $274 billion. India has moved to raise limits on foreign investment in several key sectors, although U.S. officials prod New Delhi to make more rapid and more substantial changes to foreign investment ceilings, especially in the retail, financial services, and banking sectors. In March 2006, the U.S.-India CEO Forum—composed of ten chief executives from each country representing a cross-section of key industrial sectors—issued a report identifying India's poor infrastructure and dense bureaucracy as key impediments to increased bilateral trade and investment relations.[249]

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

> new regulations or old red tape don't impeded growth, and that foreign companies have a clear path to settling commercial disputes when they arise. The Indian government should also continue economic reforms and liberalizations that have been the basis of India's economic boom so far. ... In order to achieve higher growth rates as well as broad rural development, India requires world-class airports, irrigation, and communications networks. It needs modern power grids, ports, and highways, and many other infrastructural improvements that could be vastly accelerated by greater investment, both public and private. ... Our focus is on facilitating and promoting foreign direct investment, enhancing bilateral consultations on reducing tariff and non-tariff barriers to trade in industrial goods, services, and agriculture, preventing the illicit use of the financial system, and strengthening India's regime for intellectual property rights.[250]

Later, the U.S. Ambassador opined that, "Continued reform and liberalization will help further boost ... and spread the benefits of rapid economic growth to more recipients across India."[251]

Barriers to Trade and Investment

Despite significant tariff reductions and other measures taken by India to improve market access, according to the 2008 report of the United States Trade Representative (USTR), a number of foreign trade barriers remain, including high tariffs, especially in the agricultural sector. The

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

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

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

[251] See http://newdelhi.usembassy.gov/pr91907.html.

USTR asserts that "continued reduction of the bilateral trade deficit will depend on significant additional Indian liberalization of the trade and investment regime."[252] The Commerce Department likewise encourages New Delhi to continue lowering tariffs as a means of fostering trade and development. Former Indian Finance Minister (and current Home Minister) Chidambaram agreed that high rates of investment must be maintained to sustain the country's economic growth. In 2007, India regained full investment-grade status after a 15-year hiatus when Standard & Poor's upgraded India's sovereign rating, but the country's public finances remain much weaker than comparable states: India has a public debt-to-GDP ratio more than three times higher than China's, and interest consumes nearly one-third of total revenue.[253]

India's extensive trade and investment barriers have been criticized by U.S. government officials and business leaders as an impediment to its own economic development, as well as to stronger U.S.-India ties. For example, in 2004, then-U.S. Under Secretary of State Alan Larson opined that "trade and investment flows between the U.S. and India are far below where they should and can be," adding that "the picture for U.S. investment is also lackluster." He identified the primary reason for the suboptimal situation as "the slow pace of economic reform in India." In 2007, then-Under Secretary of the Treasury Tim Adams urged India to further reduce trade and investment barriers, liberalize its financial sector, and improve its business climate as key means to "compete effectively in the global economy."[254]

Inadequate intellectual property rights protection is another long-standing issue between the United States and India. The USTR places India on its Special 301 Priority Watch List for "inadequate laws and ineffective enforcement" in this area. The International Intellectual Property Alliance (IIPA), a coalition of U.S. copyright-based industries, estimated U.S. losses of $913 million due to copyright piracy in India in 2007, with some 95% of this in the categories of business and entertainment software (estimated loss amounts do not include motion picture piracy, which in 2004 was estimated to have cost some $80 million). The IIPA expresses frustration that "little significant progress" is being made in more effectively enforcing copyright protection in India.[255] In December 2006, Under Secretary of Commerce and Director of the U.S. Patent and Trademark Office Jon Dudas told a New Delhi audience that "further modifications are necessary" in India's intellectual property rights protection regime and that India's copyright laws are "insufficient in many aspects." He also warned that "piracy and counterfeiting rates will continue to rise without effective enforcement."[256]

While the past two decades have seen a major transformation of the Indian economy, it remains relatively closed in many aspects. The Heritage Foundation's *2008 Index of Economic Freedom*—which some say may overemphasize the value of absolute growth and downplay broader quality-of-life measurements—rated India's economy as being "54% free" and ranked it 115th out of 162 countries. The index highlights restrictive trade policies, heavy government involvement in the banking and finance sectors, rigorous investment caps, demanding regulatory structures, and a high incidence of corruption.[257] Corruption in India may be worsening: Berlin-based

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

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

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

[255] See http://www.iipa.com/rbc/2008/2008SPEC301INDIA.pdf.

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

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

Transparency International placed India 85th out of 180 countries in its 2008 "corruption perceptions index," a significant drop from the previous year. India also appears in the lowest cluster of the group's 2008 "bribe payer's index."[258] The Vancouver-based Fraser Institute provides a more positive assessment of economic freedom in India, while also faulting excessive restrictions on capital markets.[259]

Special Economic Zones (SEZs)

In 2005, New Delhi announced plans to allow Indian states to establish Chinese-style special economic zones that would encourage foreign investment and boost employment by bypassing the country's strict labor and tax laws. Parliament soon approved implementation and, in early 2006, the SEZ Act went into effect. With well over 200 such zones approved and hundreds more planned, SEZs became a matter of significant controversy. Proponents view them as sensible means of growing the economy through greatly increased investment, as well as improving infrastructure. Yet the policy has elicited energetic opposition from interest groups representing the political left and right, alike. Some critics say building SEZs on fertile agricultural land will impoverish farmers without adequate compensation. Even Congress Party chief Sonia Gandhi openly opposed exposing farmers to "unscrupulous developers." Other detractors, including India's finance minister, warn that the government will be denied billions of dollars in tax revenues lost due to special concessions offered to participating firms.

In 2007, after Left Front parties demanded extensive curbs on the initiative, New Delhi suspended approval of 304 more SEZs pending decisions on issues including compensation for displaced farmers.[260] In March of that year, police in Nandigram, West Bengal, opened fire on a group of protesters who were demonstrating against state land appropriations for a planned SEZ. At least 14 people were killed and the incident led to days of violent protests against the state government's action. Soon after, the West Bengal government dropped its plans and the federal government vowed to "refine" its SEZ policy to make it more equitable.[261] Diverting scarce farmland into industrial zones has proven difficult in a country where some two-thirds of the population is engaged in agriculture. Both farmers and landowners are wary of forced land sales at below-market prices. Many peasants, aware that their qualifications allow them few options other than living off the land, have turned to sometimes violent resistance.[262]

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

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

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

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

[262] "India's Divisive Economic Zones," BBC News, September 24, 2008; "India Grapples With How to Convert Its Farmland Into Factories," *New York Times*, September 17, 2008.

Multilateral Trade Negotiations [263]

In 2006, the World Trade Organization's "Doha Round" of multilateral trade negotiations were suspended due to disagreement among the WTO's six core group members—which include the United States and India—over methods to reduce trade-distorting domestic subsidies, eliminate export subsidies, and increase market access for agricultural products. The United States and other developed countries seek substantial tariff reductions in the developing world. India, like other members of the "G-20" group of developing states, has sought more market access for its goods and services in the developed countries, while claiming that developing countries should be given additional time to liberalize their own markets. In particular, India is resistant to opening its markets to subsidized agricultural products from developed countries, claiming this would be detrimental to tens of millions of Indian farmers and result in further depopulation of the countryside. According to Indian officials, the WTO's narrow focus on economic issues excludes political and social variables which are equally sensitive for New Delhi and which constrain the options available to the Indian government. They seek greater U.S. understanding of this dynamic. 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.[264]

Indian Commerce Minister Nath has blamed U.S. intransigence for the Doha Round's collapse. In mid-2007, Indian officials rejoined the negotiations, then claimed the talks had again "collapsed" due to lack of convergence among the major actors. U.S. Trade Representative Schwab later expressed surprise at how "rigid and inflexible" India (and Brazil) were during the negotiations, and she suggested that "some countries ... really don't want a Doha round outcome." In September, however, Nath again expressed optimism in identifying a new and "greater comprehension of India's sensitivities" on the effects of U.S. farm subsidies.[265]

Indian leaders were reported to be especially dissatisfied with draft documents they believe are too restrictive of their domestic policies meant to protect Indian farmers from a flood of foreign imports. The U.S. government, for its part, continues to insist that it can only cut its own domestic farm subsidies if advanced developing states such as India (and China and Brazil) do more to open their own markets to foreign goods. In June 2008, a Commerce Department official called India a "roadblock to success" in the negotiations by treating them as a "donor's conference" and resisting all reasonable liberalization proposals, even those being offered by other developing countries.[266] When dialogue was rejoined in July, Commerce Minister Nath assumed the mantle of unofficial spokesman for the world's developing economies, frustrating many Western

[263] 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.

[264] "India Sees Gains in WTO Deal, But Has Reservations," *Reuters*, July 16, 2008.

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

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

negotiators by creating what seemed an intractable obstacle to progress. The potentially final collapse of talks came when U.S. negotiators could not agree with their Indian and Chinese counterparts on levels for a "safeguard clause" meant to protect developing states from unrestricted imports, which the Americans believed were being set too low. Some commentators said the Doha Round's failure marked a conclusive end to an era in which free trade was organized around rules set in the West.[267]

The Energy Sector and Climate Change

India's continued economic growth and security are intimately linked to the supply of energy resources. Indeed, Indian leaders insist that energy security is an essential component of the country's development agenda, calling for an integrated national energy policy, diversification of energy supplies, greater energy efficiency, and rationalization of pricing mechanisms. The country's relatively poor natural energy resource endowment and poorly functioning energy market are widely viewed as major constraints on continued economic growth. Estimates indicate that maintaining recent rates of growth will require that India increase its commercial energy supplies by 4%-6% annually in coming years.[268] The U.S. government has committed to assist India in promoting the development of stable and efficient energy markets there; a U.S.-India Energy Dialogue was launched in July 2005 to provide a forum for bolstering bilateral energy cooperation, meeting most recently in New Delhi in April 2008.[269]

Increasing Energy Consumption

India is the world's fifth largest energy consumer and may become third by the middle of this century. Overall power generation in the country more than doubled from 1991 to 2005.[270] Coal is the country's leading commercial energy source, accounting for more than half of national demand. India is the world's third most productive coal producer, and domestic supplies satisfy most demand (however, most of India's coal is an inefficient low-grade, high-ash variety). Oil consumption accounts for some one-third of India's total energy consumption; about 80% of this oil is imported (at a rate of 1.7 million barrels per day in 2006), mostly from the West Asia/Middle East region. India's domestic natural gas supply is not likely to keep pace with demand, and the country will have to import much of its natural gas, either via pipeline or as liquefied natural gas. Hydropower, especially abundant in the country's northeast and near the border with Nepal, supplies about 5% of energy needs. Nuclear power, which Indian government officials and some experts say is a sector in dire need of expansion, currently accounts for only 1% of the country's energy supplies and less than 3% of total electricity generation.[271] Even optimistic projections suggest that nuclear power will provide less than 10% of India's generation

[267] "Indian Minister Frustrates West at Trade Talks," *Wall Street Journal*, July 25, 2008; "Dismay at Collapse of Trade Talks," *BBC News*, July 30, 2008; "Beyond the Trade Pact Collapse," *New York Times*, August 3, 2008.

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

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

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

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

capacity in 25 years and there are doubts about New Delhi's projected goal of generating 20 gigawatts of nuclear power by 2020.[272]

Roughly one-fifth of the India's power is consumed by farmers' irrigation systems, making the farm lobby a powerful obstacle to curtailing subsidies provided by State Electricity Boards, which collectively lose billions of dollars annually. Moreover, from one-quarter to one-half of India's electricity is said to disappear though "transmission losses," i.e., theft. In the summer of 2007, worsening shortfalls were causing electrical outages of up to nine hours per day in the industrial and agricultural belts of Punjab, Gujarat, and Maharashtra; the capital of Delhi often has power for only 14 hours each day. A burgeoning electricity crisis may be severely hampering India's continued economic security and growth.[273]

During a 2007 visit to New Delhi, then-U.S. Energy Secretary Sam Bodman held wide-ranging talks with numerous Indian officials and business leaders to discuss India's energy needs and strategies for relevant bilateral cooperation. Secretary Bodman stressed "the absolute necessity of substantial and sustained investment in innovation on a global scale" and listed five major global goals for all countries, including the United States and India: (1) diversifying the available supply of conventional fuels and expanding their production; (2) diversifying energy portfolios through expanded use of alternative and renewable sources, including nuclear energy; (3) promoting increased energy efficiency and conservation; (4) reducing pollution and energy intensity in the global economy; and (5) protecting critical energy infrastructure.[274]

Climate Change Policies

With emissions of more than 500 million tons of carbon dioxide per year, India is the world's fourth-largest producer of greenhouse gases (GHGs) (after the United States, China, and Russia). Per capita emissions are, however, only about one-sixteenth those of the United States. The negative impact of climate change likely will be seen across India's broad range of ecosystems, with agriculture, infrastructure, and water resources most affected. Indian officials, who note that India accounts for 17% of the earth's population but only 4% of its GHG emissions, dismiss any policies or international agreements that would set limits on their own national emissions while calling it "imperative" that developed countries commit themselves to reducing their own emissions. New Delhi criticizes Washington for failing to take "historical responsibility for cumulative emissions" and for bringing "extraneous considerations of industrial competitiveness and employment" to bear on the debate. India asserts that its own continued economic development and poverty reduction efforts preclude capping its GHG emissions and claim there has been a "persistent attempt" by some developed countries to "avoid their legal obligations" under international treaties.[275] New Delhi's demands for "equity" lead officials there to call for an eventual "per capita convergence" on GHG as a guiding principle in their negotiations.[276]

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

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

[274] See http://newdelhi.usembassy.gov/pr032007a.html.

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

[276] Indian Ministry of External Affairs, "Address by Shri Pranab Mukherjee," September 30, 2008.

In June 2008, the New Delhi government unveiled India's first-ever "national action plan" to address climate change, with Prime Minister Singh acknowledging that the country faced a "dangerous problem" and vowing to devote greater attention to renewable energy, water conservation, and preserving natural resources. The plan sets forth eight "national missions" for sustainable development: (1) solar energy; (2) enhanced energy efficiency; (3) sustainable habitat; (4) conserving water; (5) sustaining the Himalayan ecosystem; (6) a "Green India;" (7) sustainable agriculture; and (8) a Strategic Knowledge Platform for Climate Change."[277]

Collaborative Efforts

India is a party to both the U.N. Framework Convention on Climate Change and the Kyoto protocol. According to the principles in both these treaties of "common but differentiated responsibility," India is a developing country not required to set legally binding emissions limits under these agreements. In July 2005, the United States joined with India, China, Japan, Australia, and South Korea in the Asia-Pacific Partnership (APP) on Clean Development and Climate, a U.S.-led effort to accelerate the development and deployment of clean energy technologies through a voluntary public-private partnership among six major Asia-Pacific nations. Sydney, Australia, hosted the inaugural meeting in January 2006 and the body's second ministerial meeting was held in October 2007 in New Delhi, where the United States announced providing grant funds for 23 clean technology projects in India under the Partnership's aegis.[278] However, funding shortfalls have hampered the APP initiative since its inception. India also participates in the Major Economies Meeting (MEM) on Energy Security and Climate Change, initiated by President Bush in 2007. The process involves 16 nations (plus the EU) that are major greenhouse gas emitters. Its third session was held in Paris in April 2008.[279]

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

The Kashmir Issue

Although India suffers from several militant regional separatist movements, the Kashmir issue has proven the most lethal and intractable. Gun battles and bomb blasts in India's Jammu and

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

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

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

Kashmir state reportedly killed an average of 5 or 6 people every day over the period 1989-2006.[280] Conflict over Kashmiri sovereignty also has brought global attention to a potential "flashpoint" for interstate war between nuclear-armed powers. Yet, despite an uprising beginning in August and a resurgence of international attention to the issue following the November terrorist attack in Mumbai, the year 2008 was the most peaceful for Kashmir since the separatist insurgency there began, with the number of militant incidents falling by some 40% from the previous year.[281]

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. 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.[282] A 2008 public opinion 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."[283]

India blames Pakistan for supporting "cross-border terrorism" and for fueling a separatist rebellion in the Muslim-majority Kashmir Valley with arms, training, and militants. Islamabad, for its part, claims to provide only diplomatic and moral support to what it calls "freedom fighters" who resist Indian rule and suffer alleged human rights abuses in the region. Of the approximately 1,000 separatist militants New Delhi says are fighting in Kashmir, about one-quarter are believed to be foreigners. [284] New Delhi insists that the dispute should not be "internationalized" through involvement by third-party mediators and India is widely believed to be content with the territorial status quo. In 1999, a bloody, six-week-long battle in the mountains near the LOC at Kargil cost more than one thousand lives and included Pakistani army troops crossing into Indian-controlled territory. Islamabad has sought to bring external major power persuasion to bear on India, especially from the United States. The longstanding U.S. position on Kashmir is that the issue must be resolved through negotiations between India and Pakistan while taking into account the wishes of the Kashmiri people.

During the early years of the Kashmir insurgency, hundreds of thousands of indigenous Hindu "Pandits" were driven from the region in what amounted to a form of "ethnic cleansing." Up to half a million Kashmiri Pandits, accounting for the vast majority of Hindus then living in the area around Srinagar, fled their homes after coming under threat from Muslim militants. For many

[280] "India Says Kashmir Toll Over 41,000, Others Differ," *Reuters*, December 7, 2006.

[281] "Violence in Kashmir Lowest in 20 Years – Police," Reuters, December 26, 2008.

[282] Most estimates list from 41,000 to 77,000 related deaths. The Pakistan-based Kashmir Media Service claims that more than 92,000 Kashmiris have been "martyred" in the fighting.

[283] See http://www.worldpublicopinion.org/pipa/pdf/jul08/Kashmir_Jul08_rpt.pdf.

[284] "Violence in Kashmir Lowest in 20 Years – Police," Reuters, December 26, 2008.

Indians, the Kashmir dispute cannot be resolved without arrangements for the return of these refugees, more than 100,000 of whom continue to live in camps with government support. Resolutions in the 110th Congress (H.Con.Res. 55 and S.Con.Res. 38) call for the safeguarding of the physical, political, and economic security of the Kashmiri pandits.

Some separatist groups, such as the Jammu and Kashmir Liberation Front (JKLF), continue to seek an independent or autonomous Kashmir. Others, including the militant Hizbul Mujahideen (HuM), seek union with Pakistan.[285] 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 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.[286]

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

At least 8,000 Kashmiris have "disappeared" during the conflict; some of these may occupy the nearly 1,000 unmarked graves discovered near the LOC in early 2008.[287] When measured in terms of human deaths, levels of violence in Kashmir were high and steady through the mid- and late 1990s, peaked in 2001, and have been in decline since. Despite waning rates of infiltration and separatist-related violence, the issue continues to rankle leaders in New Delhi and remains a

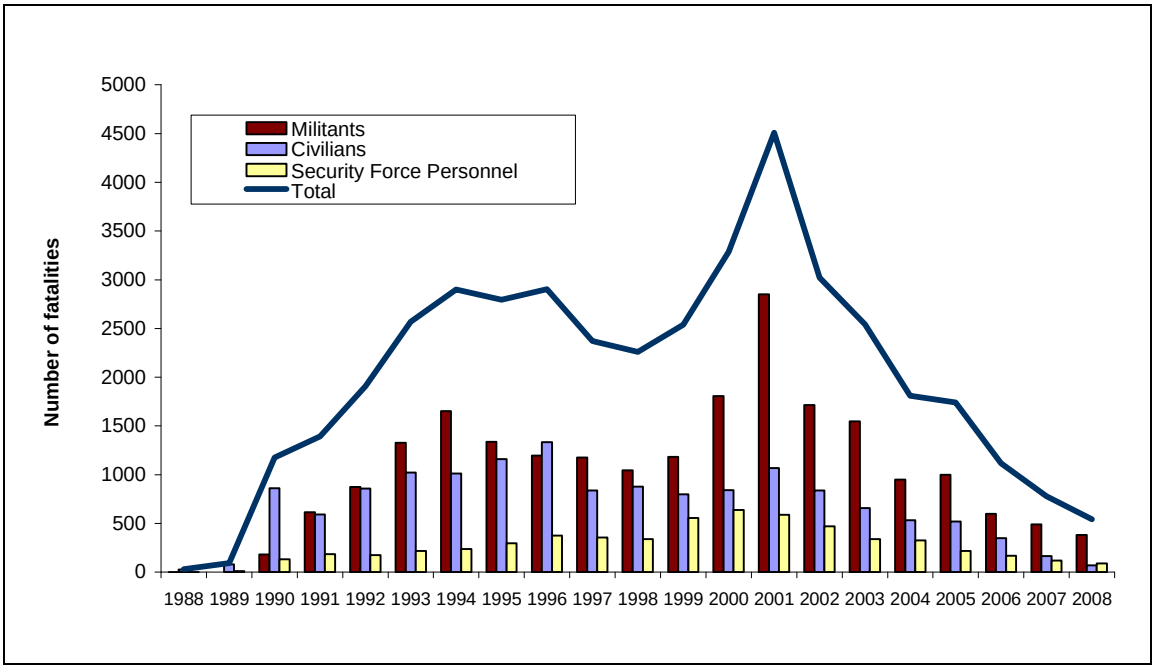
[285] An August 2007 opinion survey found nearly 90% of the residents of Srinagar, Kashmir's most populous and Muslim-majority city, desiring Kashmiri independence from both India and Pakistan. In the largely Hindu city of Jammu, however, 95% of respondents said Kashmir should be part of India (see http://www.indianexpress.com/story/210147.html).

[286] "Kashmiri Separatist Says India Talks Break Down," *Reuters*, August 30, 2007.

[287] "Clinging to Hope in Kashmir," *Chicago Tribune*, June 1, 2008.

serious impediment to progress in the current India-Pakistan peace initiative. Even as the normalization of India-Pakistan relations moves forward—and to some extent in reaction to their apparent marginalization in the face of this development—separatist militants continue their attacks on both civilians and Indian security forces, and many observers in both India and the United States believe that active support for Kashmiri militants remains Pakistani policy. The militants, seeing their relevance and goals threatened by movement toward peaceful resolution, regularly lash out with bloody attacks meant to derail the process.

Figure 1. Deaths Related to Kashmiri Separatism, 1988-2008



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

Figure 1 indicates that levels of violence in Kashmir were high and steady through the mid- and late 1990s, peaked in 2001, and have been in decline since. The long-term reduction in violence has allowed for a rebirth of the region's major tourist industry.[288] 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.

Despite some ongoing violence, many indicators point to positive long-term trends. The steadily reduced rates of infiltration may be attributed to the endurance of India-Pakistan dialogue and, with a flurry of diplomatic exchanges in late 2006, many analysts saw prospects for a meeting of minds between New Delhi and Islamabad as being better than ever before (determining and

[288] "Tourists Flock Back to Kashmir," *BBC News*, June 24, 2008.

incorporating the desires of the Kashmiri people remain highly problematic).[289] In 2006, India's army chief credited much of a 20% drop in levels of violence in the region to the surrender of more and more "disillusioned" militants.

At the same time, the state's political leadership has lauded a major decline in reported human rights abuses by security forces, attributing the improvement to policies of restraint launched by the Peoples Democratic Party-Congress Party coalition which took power in 2002.[290] New Delhi has more recently vowed to pull troops out of Kashmir if militant infiltrations and violence there cease, but to date only nominal troop withdrawals have come in response to a somewhat improved security situation in the region. In late 2007, India's Home Ministry stated that the "overall stable security situation in the [Jammu and Kashmir] State is indicative of transition to normalcy."[291] There appears to be much public support among citizens of the Valley for demilitarization of the region and a major reduction in the number of India troops.[292]

While those responsible for Kashmir's security remain vigilant and convinced that the Islamabad government still "controls the tap" of cross-LOC infiltration, the people of the Muslim-majority Valley widely approve of the "flexibility" exhibited by Pakistan's leaders and are hopeful that such flexibility will be mirrored in New Delhi to create a resolution that works for all stakeholders.[293] A 2008 report from the U.S. Institute of Peace suggested focusing on efforts to "soften" Kashmir's borders to allow increased movement of people, goods, and services there. This tack could satisfy Indian demands that there be no territorial shift or alteration of existing borders. Recognizing that the Pakistani military establishment, especially, has been unwilling to accept any solution that converts the LOC into an international border, incremental steps toward softening the LOC could over time empower Islamabad's civilian political leaders and lead to an easing of the bilateral conflict. In this approach, the Kashmiris themselves could expect to benefit from great freedom of movement and commerce.[294]

Other Regional Dissidence

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

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

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

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

[292] "Kashmir's Demilitarization Debate," *Jane's Intelligence Digest*, June 23, 2008.

[293] Author interviews, Srinagar, Kashmir, September 2006.

[294] See P.R. Chari and Hasan Askari Rizvi, "Making Borders Irrelevant in Kashmir," U.S. Institute of Peace Special Report 210, September 2008.

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. At the same time, Maoist rebels continue to operate in numerous states and represent a serious and growing threat to internal sovereignty. India also has suffered outbreaks of serious communal violence between Hindus and Muslims, especially in the western Gujarat state.

The Northeast

Since the time of India's foundation, numerous militant groups have fought for greater ethnic autonomy, tribal rights, or independence in the country's northeast region. Some of the tribal struggles in the small states known as the Seven Sisters are centuries old. It is estimated that more than 50,000 people have been killed in such fighting since 1948, including about 20,000 killed in a 28-year-old Naga insurgency and another 10,000 deaths in 15 years of fighting in the Assam state. In the small state of Manipur alone there are said to be more than 20 separatists 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.[295] 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.[296]

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.[297]

In June 2008, six ULFA field commanders abjured violence and vowed to seek peaceful resolution through negotiation. A week of ethnic rioting in Assam in early October left at least 53 people dead and up to 85,000 homeless. London-based amnesty International warned state police forces against using excessive force and urged the Assam government to repeal shoot on sight orders.[298] Later that month, up to eleven serial blasts struck Assam's main city, killing at least 84 people and wounding several hundred more. Some observers suspected ULFA, the key suspect, of

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

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

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

[298] "Death Toll Rises as India Ethnic Riots Simmer," Reuters, October 8, 2008; Amnesty International Public Statement, October 8, 2008.

collaborating with Bangladesh-based Islamist militants to perpetrate the terrorism; ULFA denied involvement, but was later determined to be complicit.[299]

Meanwhile, in mid-October, a suspected separatist-related bombing in the Manipur capital killed at least 17 people. Following the blast, the state's chief minister called for fencing along the entire international border between India and Burma.[300] A September 2008 report from HRW documented myriad human rights violations by both security forces and armed rebels operating in Manipur. It argued that the brutal conduct of security forces serves to fuel the insurgency there. Among its recommendations was a call on the central and state governments to investigate and prosecute any and all government officials found responsible for violations.[301]

Maoist Insurgency

Also operating in India are "Naxalites"—Maoist insurgents ostensibly engaged in violent struggle on behalf of landless laborers and tribals. These groups, most active in inland areas of east-central India, claim to be battling oppression and exploitation in order to create a classless society. Their opponents call them terrorists and extortionists. The 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."[302] Some of these groups may be growing poppy and extorting farmers and opium traders to fund their activities. Further reports indicate the rebels are placing new emphasis on recruiting child soldiers. Some analysts warn that, by blocking access to raw materials vital to India's manufacturing sector, the Naxalite movement could deter investors and so thwart India's long-term economic success.[303] Naxalites now operate in about half of India's 28 states; related violence has killed more than 6,000 people over the past two decades, including some 638 deaths in 2008. Indian government officials seek to downplay the threat by pointing out that only 2% of the country's 650,000 villages are affected and only 2% of the country's 14,000 police stations report Naxalite activity.[304]

The most notable of India's Maoist militant outfits are the People's War Group (PWG), mainly active in the southern Andhra Pradesh state, and the Maoist Communist Center of West Bengal and Bihar. In 2004, the two groups merged to form the Communist Party of India (Maoist). Both appear on the U.S. State Department Counterterrorism Office's list of "groups of concern" and both are designated as terrorist groups by New Delhi, which claims there are nearly 10,000 Maoist militants active in the country. Other estimates see some 20,000 such fighters in India, including up to 5,000 in the central Chhattisgarh state alone. Such militants possess sophisticated weapons and communications equipment. PWG cadres were behind a 2003 landmine attack that

[299] "Did HuJI, Ulfa Team Up for Assam Blasts?," *Times of India*, (Delhi), October 31, 2008; "Protestors Close India's Assam After Deadly Blasts," Reuters, November 3, 2008.

[300] "India Wants to Seal Border With Myanmar After Blast," Reuters, October 22, 2008.

[301] "'These Fellows Must Be Eliminated': Relentless Violence and Impunity in Manipur," Human Rights Watch, September 15, 2008.

[302] "Indian PM Says Maoist Rebellion Gravest Threat," *Reuters*, April 13, 2006.

[303] "Indian Maoists Step Up Recruitment of Child Soldiers," *Reuters*, May 22, 2008; "In India, Death to Global Business," *Business Week*, May 7, 2008.

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

nearly killed the chief minster of Andhra Pradesh. In 2004, that state's government lifted an 11-year-old ban on the PWG, but the Maoists soon withdrew from ensuing peace talks, accusing the state government of breaking a cease-fire agreement. Violent attacks on government forces then escalated in 2005 and have continued with even greater frequency since.

The Chhattisgarh state government has since 2005 sponsored a grassroots anti-Maoist effort. This "Salwa Judum" ("Campaign for Peace" or, literally, "collective hunt") militia—comprised of about 5,000 lightly-armed tribal people who are paid about $1 per day—is viewed by some as an effective countervailing people's movement. Others label it a vigilante group that has engaged in its own coercive and violent tactics against innocent tribals, one that only serves to accentuate the conflict as "a cure that is worse than the disease."[305] Following a March 2007 raid on a Chhattisgarh police camp by up to 600 armed rebels in which 55 people, including 19 policemen, were killed, Maoist leaders threatened further attacks if the Salwa Jundum was not dismantled. A May 2008 report for India's Planning Commission recommended that the Salwa Jundum campaign represented "an abdication of the state itself" and should immediately be ended.[306] 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.[307] Despite criticism of the effort, the state's chief minister maintains that citizen militias are an invaluable weapon against the rebels and he has used the issue to score political points against his political opposition.[308]

The New Delhi government has sought to undermine the Maoist rebellion by boosting development spending in affected areas.[309] 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.[310] In late 2007, Prime Minister Singh asked India's states to establish specialized, dedicated forces to address Maoist militancy. In mid-2008, the federal government announced plans to create a new 10,000-strong force trained specifically to fight the rebels. However, these efforts do not address the "intellectual appeal" of the Maoists, which India's national security advisor says remains a key problem.[311]

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

[306] "Scrap Sulwa Jundum: Planning Commission Panel," *Hindu* (Chennai), May 21, 2008.

[307] See http://hrw.org/reports/2008/india0708.

[308] "Salwa Jundum is Answer to Naxal Menace: Raman Singh," *Times of India* (Delhi), January 10, 2009.

[309] "Rs500 Crore for Naxalite-Hit Zones," *Times of India* (Delhi), September 12, 2008.

[310] "Police Unable to Fight Maoist 'Formations,'" *Hindu* (Chennai), October, 22, 2008.

[311] Ajai Sahni, "Fighting the Maoists With Mantras," *Outlook* (Delhi), July 25, 2008; "In Heart of India, a Little-Known Civil War," *Christian Science Monitor*, May 1, 2007; "Orissa Losing War Against Naxalite Violence," *Hindu* (Chennai), February 18, 2008; "Manmohan Wants Naxal Forces Crippled," *Hindu* (Chennai), December 20, 2007; "Center to Raise Anti-Naxalite Force," *Hindu* (Chenai), July 1, 2008; "Q&A With Indian National Security Advisor MK Narayanan," *Straits Times* (Singapore), August 12, 2008.

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 Muslim minority. In 1992, a huge mob of Hindu activists in the western city of Ayodhya demolished a 16th century mosque said to have been built at the birth site of the Hindu god Rama. Ensuing communal riots in cities across India left many hundreds dead. 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 Minster Narendra Modi under a U.S. law barring entry for foreign government officials found to be complicit in severe violations of religious freedom.[312] The decision was strongly criticized in India. More than five years after the Gujarat riots, international human rights groups express serious concerns about obstacles faced by victims seeking justice, the continuing internal displacement of thousands of families who lack basic necessities, and large numbers of uninvestigated related criminal cases (despite the Indian Supreme Court's 2004 order to reopen nearly 1,600 such cases). A 2006 central government report found deep communal divisions continuing to haunt Gujarat, concretely expressed through ghettoization and religious segregation. In 2008, a U.N. envoy said such divisions combine with a culture of impunity to raise the risk of future violence.[313] In September of that year, a Gujarat state government commission exonerated Chief Minister Modi, claiming to have found "absolutely no evidence" that he or his ministers had acted improperly.[314] Sporadic communal violence continues to affect several Indian states.

On September 29, 2008, seven people were killed by two bomb blasts in the Maharashtran city of Malegaon, a hotbed of Hindu-Muslim communal strife. Police soon arrested three Hindu suspects. Then, in early November, police arrested an active army lieutenant colonel in connection with the bombing. News of the arrest came as a major embarrassment to the Indian military, with the defense minister expressing concern that terrorism charges were being leveled

[312] 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).

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

[314] "Modi 'Cleared' Over Gujarat Riots," BBC News, September 25, 2008.

against a serving army officer. By year's end, police were holding 11 members of a "Hindu terrorist cell," including one Hindu nun with links to the main opposition BJP.[315]

In the latter half of 2008, "Hindu terrorism" thus became 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.[316] Many Indian observers warn of the danger of a "militant majoritarianism" among Hindu nationalists that threatens to rend the secular fabric of the nation. Some even argue that the BJP itself should be held complicit in recently exposed incidents of Hindu nationalist terrorism, and that an "Indian Taliban" will only sink the fortunes of the BJP.[317] Despite an apparently increasing public rejection of their hardline stance, many outspoken Hindu leaders feel themselves under assault by secular forces and they criticize the BJP for drifting away from its alleged core agenda of protecting the religious interests of the majority community.[318]

Hindu-Christian

In mid-August 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. In early September, the Indian Supreme Court ordered deployment of four additional police battalions to protect Orissa Christians. U.S. officials took note of the communal unrest and urged Indian government officials to protect religious freedom throughout the country.[319] 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.[320] 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."[321]

Human Rights Issues

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 U.S. State Department's *Country Report on Human Rights Practices, 2007* (released March 2008), the

[315] "India Police Say They Hold 9 From Hindu Terrorist Cell," *New York Times*, November 12, 2008.

[316] "In India, Controversy Over Hindus' Arrests," *Washington Post*, November 24, 2008; "India Army Officer on Bomb Charge," BBC News, January 20, 2009.

[317] "'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.

[318] "Seers Unhappy With BJP," *Telegraph* (Kolkata), January 13, 2009.

[319] "US Asks Indian Govt to Protect Religious Freedom," Press Trust of India, September 20, 2008.

[320] Prafulla Das, "Project Orissa," *Frontline* (Chennai), September 26, 2008.

[321] "India Court Orders Protection of Christians in Orissa," Reuters, January 5, 2009; "Christians Face Attacks in Eastern India," Associated Press, October 25, 2008.

Indian government "generally respected the human rights of its citizens; however, numerous serious problems remained." These included extensive societal violence against women; extrajudicial killings, including faked encounter killings; excessive use of force by security forces, arbitrary arrests, and incommunicado detentions in Kashmir and several northeastern states; torture and rape by agents of the government; "harsh, life-threatening" prison conditions and lengthy pretrial detentions without charge; "pervasive" police corruption; forced prostitution; child prostitution and female infanticide; forced child labor; human trafficking; and "ubiquitous" caste-based discrimination and violence, among others. Terrorist attacks and kidnappings also remained grievous problems, especially in Kashmir and the northeastern states. Indian law provides for extensive human rights protections, but enforcement is "lax" and convictions rare.[322]

The 2009 annual report from New York-based Human Rights Watch noted that India has a vibrant press and civil society, but also suffers from a number of chronic human rights problems:

> Despite an overarching commitment to respecting citizens' freedom to express their views, peacefully protest, and form their own organizations, the Indian government lacks the will and capacity to implement many laws and policies designed to ensure the protection of rights. There is a pattern of denial of justice and impunity, whether it is in cases of human rights violations by security forces, or the failure to protect women, children, and marginalized groups such Dalits, tribal groups, and religious minorities. The failure to properly investigate and prosecute those responsible leads to continuing abuses.[323]

London-based Amnesty International's annual reports also claim that perpetrators of human rights violations in India, in particular those related to 2002 communal rioting in Gujarat, have continued to enjoy impunity, and it asserts that concerns over protection of economic, social, and cultural rights of already marginalized communities have grown in recent years.[324] The State Department itself recognizes impunity as a major human rights problem in India, asserting in its most recent (April 2007) report on *Supporting Human Rights and Democracy* that "A widespread culture of impunity among police and security forces and pervasive corruption continued to be the principal obstacles to improving human rights" there.[325]

The State Department's Bureau of Democracy, Human Rights, and Labor has claimed that India's human right abuses "are generated by a traditionally hierarchical social structure, deeply rooted tensions among the country's many ethnic and religious communities, violent secessionist movements and the authorities' attempts to repress them, and deficient police methods and training."[326] India's 1958 Armed Forces Special Powers Act, which gives security forces wide leeway to act with impunity in conflict zones, has been called a facilitator of "grave human rights abuses" in several Indian states (in December 2006, Prime Minister Singh said he would seek to amend the controversial Act). In 2007, the problem of "staged encounters" in which police officers kill suspects in faked shootouts came to the fore.[327] India generally denies international human rights groups official access to Kashmir and other sensitive areas.

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

[323] See http://www.hrw.org/world-report-2009.

[324] See http://thereport.amnesty.org/eng/regions/asia-pacific/india.

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

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

[327] "Faked Deaths Show Ills of India's Police," *Associated Press*, June 7, 2007.

Human Trafficking

The State Department's latest annual report on trafficking in persons (issued June 2008) said, "India is a source, destination, and transit country for men, women, and children trafficked for the purposes of forced labor and commercial sexual exploitation." It placed India on the "Tier 2 Watch List" for the fifth consecutive year for "failure to provide evidence of increasing efforts to combat trafficking in persons" and for "making no progress" in efforts to address the problem of bonded labor, which affects an estimated 20-65 million Indians. Moreover, State criticized the India's federal and state governments for largely ignoring "the pervasive problem of government complicity in trafficking." Upon the report's release, the head of State's trafficking office, Ambassador Mark Lagan, said "India still doesn't recognize the degree to which bonded labor is a substantial human trafficking problem in its country. It has weak anti-corruption efforts and prosecutions are too few."[328]

Religious Freedom

An officially secular nation, India has a long tradition of religious tolerance (with periodic lapses), which is protected under its constitution. The population includes a Hindu majority of 82% as well as a large Muslim minority of some 150 million (14%). Christians, Sikhs, Buddhists, Jains, and others total less than 4%. Although freedom of religion is protected by the Indian government, human rights groups have noted that India's religious tolerance is susceptible to attack by religious extremists. In its annual report on international religious freedom released in September 2008, the State Department found "no change in the status of respect for religious freedom" by India's national government during the reporting period. Existing or proposed anti-conversion laws in several states were highlighted: "The vast majority of persons of every religious group lived in peaceful coexistence; however, there were organized communal attacks against minority religious groups, particularly in states governed by the Bharatiya Janata Party (BJP). The report added that a "Hindutva"—or Hindu nationalist—ideology continued to influence some government policies and actions at the state and local levels.[329]

A May 2008 report of the U.S. Commission on International Religious Freedom noted continued improvements since the 2004 election of the Congress-led coalition, but warned that concerns about religious freedom in India remain. These include ongoing attacks against religious minorities, perpetrated mainly by Hindu activists and most often in states with BJP-led governments. The Commission also continued to criticize allegedly insufficient state efforts to pursue justice in cases related to 2002 communal rioting in Gujarat. More than five years after those riots, the victims are said to still face serious challenges and obstacles in securing justice, and a large number of related criminal cases remain uninvestigated and unresolved.[330]

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

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

[329] See http://2001-2009.state.gov/g/drl/rls/irf/2008/108500.htm.

[330] See http://www.uscirf.gov.

"untouchables"—a term now officially banned but still widely used—or Dalits.[331] 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."[332] In July 2007, H.Con.Res. 139, expressing the sense of Congress that the United States should address the ongoing problem of untouchability in India, was passed by the full House.

Female Infanticide and Feticide

Given traditional societal discrimination against females, uneven female-to-male ratios are a matter of concern for India. The incidence of female infanticide and gender-selective abortions is identified as a 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).[333] 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.[334] According to a June 2008 nongovernmental report, the incidence of female feticide is only increasing.[335] The most recent U.S. State Department *Country Report on Human Rights* for India (released March 2008), claims that, in many Indian states,

> Baby girls were either aborted or, after birth, left in the cold to contract pneumonia and perish. NGOs alleged that medical practitioners and government workers often were complicit in pushing or persuading women to abort their girl children. Sex determination tests are illegal under the 1994 Pre-Natal Diagnostic Techniques Act. However, NGOs reported that some family planning centers continued to reveal the sex of fetuses. According to the NGO IFES, feticide is a $116 million industry.[336]

In 2007, the New Delhi announced the establishment of a series of orphanages to raise unwanted baby girls in an effort to reduce the incidence of female infanticide.[337]

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

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

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

[334] 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).

[335] "India Baby Girl Deaths 'Increase,'" *BBC News*, June 21, 2008.

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

[337] "Indian Govt to Raise Abandoned Girls," *Associated Press*, February 18, 2007.

HIV/AIDS

The United Nations has estimated that 5.7 million Indians are infected with HIV/AIDS, giving India the largest such population worldwide (India overtook South Africa in this category in 2006). However, a July 2007 U.N.-backed study found that India's infected population was about 2.5 million and the U.S. government estimate rises only to 3.1 million.[338] Due to the country's large population, prevalence rates among adults remain below 1%. India's AIDS epidemic has become generalized in four states in the country's south (Andhra Pradesh, Tamil Nadu, Karnataka, and Maharashtra) and two in the northeast (Manipur and Nagaland). According to USAID, these six states account for 80% of the country's reported AIDS cases.[339] India first launched its AIDS control program in 1992; New Delhi boosted related funding to about $120 million in the most recent fiscal year and in July 2007 launched a new $2.8-billion National AIDS Control Program that will expand free treatment for HIV-positive persons, as well as boost the number of awareness and prevention campaigns. Stigma, gender inequalities, and discrimination present major obstacles to controlling India's HIV/AIDS epidemic. In the country's traditional society, open discussion of sexuality and risk of infection is rare, making education difficult: one Indian government survey found that nearly half of Indian women had not even heard of the disease. Analysts opine that substantially greater resources are needed to address HIV/AIDS in India than are currently available.[340]

As part of its foreign assistance program in India, the U.S. government supports integrated HIV/AIDS prevention, treatment, and support services in high prevalence states. India received nearly $30 million in direct U.S. assistance for such programs in FY2007 under the President's Plan for AIDS Relief (PEPFAR), for a projected total of some $136 million for FY2004-FY2008.[341] In January 2007, H.R. 175, to provide assistance to combat HIV/AIDS in India, and for other purposes, was introduced in the House, but has not moved out of committee to date.

U.S. Assistance

A total of more than $15.6 billion in direct U.S. aid went to India from 1947 through 2008, nearly all of it in the form of economic grants and loans, more than half as food aid. In early 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.[342]

[338] "India's HIV Cases Highly Overestimated, Survey Shows," *Reuters*, July 6, 2007; U.S. Embassy Fact Sheet on Indo-US Cooperation in Public Health, April 2, 2008.

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

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

[341] See http://www.pepfar.gov/pepfar/press/81851.htm.

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

Economic

According to the U.S. Agency for International Development (USAID), India has more people living in abject poverty (some 385 million) than do Latin America and Africa combined. USAID programs in India, budgeted at about $69 million in FY2008, concentrate on six areas: (1) *health* (improved overall health with a greater integration of food assistance, reproductive services, and the prevention of HIV/AIDS and other infectious diseases); (2) *environment* (improved access to clean energy and water); (3) *education* (improved literacy and teacher capacity); (4) *economic opportunity* (agricultural reform and improved financial markets); (5) *disaster response*; and (6) *tsunami recovery*.[343]

Security

The United States has provided about $169 million in military assistance to India since 1947, more than 90% of this distributed from 1962-1966. In recent years, modest security-related assistance has emphasized export control enhancements, counterterrorism and counternarcotics programs, and military training. Early Bush Administration requests for Foreign Military Financing were later withdrawn, with the two countries agreeing to pursue commercial sales programs. The Pentagon reports military sales agreements with India worth $429 million in FY2002-FY2007.

Selected Relevant Legislation in the 110th Congress

- The Clean Energy Act of 2007 became **P.L. 110-140** in December 2007. The bill contains provisions for promoting U.S. exports in clean and efficient energy technologies to India (and China).
- **H.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 in July 2007, but did not emerge from the Senate Foreign Relations Committee.
- The Tom Lantos Block Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2008 (**H.Res. 1341**) was passed by the full House in July 2008.
- **S.Res. 339**, expressing the sense of the Senate on the situation in Burma, was passed by the full Senate in October 2007.
- **S.Con.Res. 38**, calling for the safeguarding of the physical, political, and economic security of the Kashmiri pandits, did not emerge from the Senate Foreign Relations Committee (a House version, **H.Con.Res. 55**, did not emerge from the House Foreign Affairs Subcommittee on International Organizations, Human Rights, and Oversight).
- The Clean Energy Partnership With India Act of 2008 (**H.R. 5705**) did not emerge from the House Foreign Affairs Committee.
- **H.R. 3730**, to establish a U.S.-India interparliamentary exchange group, did not emerge from the House Foreign Affairs Committee.

[343] See http://www.usaid.gov/locations/asia/countries/india/india.html.

- **H.R. 1186**, to promote global energy security through increased U.S.-India cooperation, did not emerge from the House Foreign Affairs Committee.
- **H.R. 175**, to provide assistance to combat HIV/AIDS in India and for other purposes, did not emerge from the House Foreign Affairs Committee.
- **H.Res. 928**, expressing the sense of the House that the United States should initiate negotiations to enter into a free trade agreement with India, did not emerge from the House Ways and Means Committee.
- **H.Res. 638**, expressing the sense of the House that the U.N. Charter should be amended to establish India as a permanent member of the U.N. Security Council, did not emerge from the House Foreign Affairs Committee.

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

(in millions of dollars)

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

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

Abbreviations:

CSH: Child Survival and Health

DA: Development Assistance

ESF: Economic Support Fund

IMET: International Military Education and Training

INCLE: International Narcotics Control and Law Enforcement

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

PEPFAR: President's Emergency Plan for AIDS Relief

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

b. 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.

Figure 2. Map of India

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

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