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India-U.S. Relations

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India-U.S. Relations

SUMMARY

Although the end of the cold war freed India-U.S. relations from the constraints of global bipolarity, New Delhi-Washington relations continued for a decade to be affected by the burden of history, most notably the longstanding India-Pakistan rivalry. Recent years, however, have witnessed a sea change in bilateral relations, with more positive interactions becoming the norm. India's swift offer of full support for U.S.-led anti-terrorism operations after September 2001 is widely viewed as reflective of such change.

Continuing U.S. concern in South Asia focuses especially on the historic and ongoing tensions between nuclear-armed India and Pakistan, tensions rooted in unfinished business from the 1947 Partition, and competing claims to the former princely state of Kashmir. The United States also seeks to prevent the regional proliferation of nuclear weapons and ballistic missiles. Both India and Pakistan have so far resisted U.S. and international pressure to sign the major international nonproliferation treaties.

In May 1998, India conducted a series of unannounced nuclear tests that evoked international condemnation. Pakistan reported conducting its own nuclear tests less than three weeks later. As a result of these tests, President Clinton imposed wide-ranging sanctions on both countries, as mandated under the Arms Export Control Act. Many of these sanctions gradually were lifted through congressional-executive cooperation from 1998 to 2000. The remaining nuclear sanctions on India (and Pakistan) were removed by President Bush in September 2001.

The United States also has been concerned with human rights issues related to regional dissidence and separatist movements

in Kashmir, Punjab, and India's Northeast region. Strife in these areas has resulted in the deaths of tens of thousands of civilians, militants, and security forces over the two past decades. Communalism has also been a matter of concern, with spring 2002 rioting in the Gujarat state resulting in more than 2,000, mostly Muslim, deaths. International human rights groups, as well as Congress and the U.S. State Department, have criticized India for perceived human rights abuses in these regions.

The United States has been supportive of India's efforts to transform its formerly quasi-socialist economy through fiscal reform and market opening. Beginning in 1991, India has been taking steps to reduce inflation and the budget deficit, privatize state-owned industries, reduce tariffs and industrial licensing controls, and institute incentives to attract foreign trade and investment. Successive coalition governments have kept India on a general path of economic reform and market opening, though there continues to be U.S. concern that such movement has been slow and inconsistent.

The current Bharatiya Janata Party (BJP)-led coalition government is headed by Prime Minister Atal Behari Vajpayee. The coalition has been in power since October 1999 national elections decisively ended the historic dominance of the Nehru-Gandhi-led Congress Party. The BJP has close ties to Hindu-nationalist parties and organizations in India and national elections in 2004 could pit these increasingly influential groups against those who wish to retain India's secular traditions. See also CRS Report RS21589, *India: Chronology of Events*, CRS Report RL31644, *U.S.-India Security Relations*, and CRS Report RS21502, *India-U.S. Economic Relations*.

MOST RECENT DEVELOPMENTS

Amicable U.S.-India relations continued in July and August, including a meeting of the U.S.-India High-Technology Cooperation Group, numerous other high-level exchanges, and joint military exercises. An August 6-7 session of the U.S.-India Defense Policy Group reviewed accomplishments since the previous such meeting in May 2002, and set plans for a missile defense workshop in India, and for a U.S. team to travel to New Delhi to discuss the possible sales of P-3 Orion maritime patrol aircraft, among other activities.

A U.S. request that India contribute up to 20,000 troops for peacekeeping duties in northern Iraq spurred considerable debate in India. On July 14, New Delhi announced that it would not contribute troops without an “explicit” United Nations mandate. During a late-July visit to New Delhi, U.S. Chairman of the Joint Chiefs of Staff Gen. Myers said that “India’s refusal to send troops [to Iraq] does not bother” the United States.

An India-Pakistan peace initiative launched in April appears to be making slow, but steady progress. Full diplomatic relations between New Delhi and Islamabad were restored after an 19-month hiatus when the new Indian ambassador arrived in Pakistan on July 15, and an August 10-11 peace conference met in Lahore, Pakistan, with 33 Indian legislators in attendance. In an unusual development, Indian PM Vajpayee met with leading Pakistani Islamist politician Maulana Fazlur Rehman in New Delhi. Rehman reportedly accepted the idea of converting the Kashmiri Line of Control into an international border, though this was later disputed.

Seemingly improved India-Pakistan relations came despite a surge of near-daily separatist violence in Indian Kashmir. Attacks on July 20 and July 21 killed at least 16 persons, including an Indian general. New Delhi blamed the attacks on the Pakistan-based Lashkar-e-Taiba terrorist group. Indian Foreign Minister Sinha said that “Pakistan’s links with terrorism have not ended” and that “there cannot be meaningful dialogue at any level” if “cross-border terrorism” continues, though Indian Defense Minister Fernandes vowed that recent separatist attacks in the Kashmir region would not be allowed to derail the India-Pakistan peace initiative underway.

For more information, see CRS Report RS21589, *India: Chronology of Events*.

BACKGROUND AND ANALYSIS

Context of the Relationship

U.S. and Congressional Interest

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. The offer reflected the sea change that has occurred in recent years in the U.S.-India relationship, which for decades was mired in

the politics of the Cold War. The marked improvement of relations that began in the latter months of the Clinton Administration was accelerated after a November 2001 meeting between President Bush and Indian Prime Minister Vajpayee at the White House, when the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues, including counterterrorism, regional security, space and scientific collaboration, civilian nuclear safety, and broadened economic ties. Notable progress has come in the area of security cooperation, with an increasingly strong focus on counterterrorism, joint military exercises, and arms sales. In December 2001, the U.S. 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. In July 2002, the fifth and most recent meeting of the U.S.-India Joint Working Group on Counterterrorism was held in Washington.

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 human rights 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 assistance and military equipment — and New Delhi's resulting need to diversify its international relationships; India's adoption of sweeping economic policy reforms, beginning in 1991; and a deepening bitterness between India and Pakistan over Kashmir, along with India's preoccupation with China as a potential long-term strategic threat.

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. A visit to the United States by Indian PM Narasimha Rao in 1994 marked the onset of significantly improved U.S.-India relations. Rao addressed a joint session of Congress and met with President Clinton. Although discussions were held on nuclear nonproliferation, human rights, and other issues, the main focus of the visit was rapidly expanding U.S.-India economic relations. 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 serious irritants in bilateral relations.

President Clinton's 2000 visit to South Asia seemed a major U.S. initiative to improve cooperation with India in the areas of economic ties, regional stability, nuclear proliferation concerns, security and counterterrorism, environmental protection, clean energy production, and disease control. President Clinton and Indian PM Vajpayee agreed to institutionalize dialogue between the two countries through a range of high-level exchanges, and the two countries established working groups and agreements on numerous issues of mutual concern, from increasing bilateral trade to combating global warming. President Clinton also lifted sanctions on some small U.S. assistance programs.

During his subsequent visit to the United States later in 2000, Vajpayee addressed a joint session of Congress and was received for a state dinner at the White House. In September 2000, President Clinton and Vajpayee signed a joint statement agreeing to cooperate on arms control, terrorism, and AIDS. During the Bush Administration, high-level visits have continued: Vajpayee again visited the United States in November 2001; Home Minister Advani and Defense Minister Fernandes in January 2002; and Foreign Minister

Sinha in September 2002. The U.S. Secretaries of State and Defense, along with other top U.S. officials, made visits to New Delhi in 2002.

Regional Rivalries with Pakistan and China

Three wars — in 1947-48, 1965, and 1971 — and a constant state of military preparedness on both sides of the border have marked the half-century of bitter rivalry between India and Pakistan. The acrimonious nature of the partition of British India in 1947 and the continuing dispute over Kashmir remain major sources of interstate tension and violence. 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 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. India blames Pakistan for supporting “cross-border terrorism” and a separatist rebellion in the Muslim-majority Kashmir Valley that has claimed at least 38,000 and perhaps as many as 80,000 lives since 1989. Pakistan admits only to lending moral and political support to what it calls “freedom fighters” operating mostly in and near the valley region around the city of Srinagar. 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 have been blamed on Pakistan-sponsored groups. In October 2002, the two countries ended a tense, 10-month military standoff at their shared border, but there was no high-level diplomatic dialogue between India and Pakistan until April 2003, a full 21 months after a July 2001 summit meeting in the city of Agra failed to produce any movement toward a settlement of the bilateral dispute.

India and China fought a brief but intense border war in 1962, and China has since occupied a large swath of territory still claimed by India. Although Sino-Indian relations have warmed in recent years, the two countries have yet to reach a final boundary agreement. During the last visit to China by an Indian leader in September 1993, then-Indian Prime Minister Rao signed an agreement to reduce troops and maintain peace along the line of actual control (LAC) that divides the two countries’ forces (along with pacts on trade, environmental, and cultural cooperation). Periodic working group meetings aimed at reaching a final settlement continue; the 14th of these was held in November 2002. In January 2002, Chinese Premier Zhu Rongji became the first Chinese premier to visit India in 11 years. The Indian Prime Minister is slated to visit Beijing in 2003.

Adding to New Delhi’s sense of insecurity are suspicions regarding China’s long-term nuclear weapons capabilities and strategic intentions in South Asia. In fact, a strategic orientation focused on China reportedly has affected the course and scope of New Delhi’s own nuclear weapons and ballistic missile programs. Beijing’s military and economic support for Pakistan — support that is widely believed to have included WMD-related transfers — is a major and ongoing source of friction; expressed Chinese support for Pakistan’s Kashmir position adds to the discomfort of Indian leaders. New Delhi also has taken note of Beijing’s security relations with neighboring Burma and the construction of military facilities on the Indian Ocean. Despite these issues, high-level exchanges between New Delhi and Beijing regularly include statements from officials on both sides that there

exists “no fundamental conflict of interest” between the two countries, and a June 2003 visit to Beijing by Vajpayee was widely viewed as marking a period of much improved bilateral relations between the world’s two most populous countries.

Political Setting

National Elections and Prospects for Political Stability. India’s most recent national elections in October 1999 brought to power a Bharatiya Janata Party (BJP)-led coalition government headed by Atal Bihari Vajpayee. This outcome decisively ended the historic dominance of the Nehru-Gandhi-led Congress Party, which now sits in opposition at the national level (though its members lead numerous state governments). This is Vajpayee’s third tenure as Prime Minister (his previous governments lasted 13 days in 1996 and 13 months in 1998-99).

As a nation-state, India presents a vast mosaic of hundreds of different ethnic groups, religious sects, and social castes (there are 18 *official* languages). Until the last decade or so, many of these groups found representation within the diversity of the Congress Party, which ruled India for 45 of its 55 years since independence in 1947. Factors in the decline of support for the Congress included neglect of its grassroots political organizations by the leadership, a perceived lack of responsiveness to such major constituent groups as Muslims and lower castes, the rise of regional parties and issue-based parties such as the BJP, and allegations of widespread corruption involving a number of party leaders.

December 2002 elections in the state of Gujarat were viewed by many as a key gauge of continued public support for the BJP. Gujarat was the site of horrific communal conflict earlier in 2002 when more than 2,000, mostly Muslims, were killed. Gujarat Chief Minister and BJP leader Narendra Modi called for early elections — in an effort to take advantage of the polarized political setting, some say — and ran a campaign that emphasized a perceived Islamic/Pakistani threat to the country’s and state’s Hindu majority. The BJP party was rewarded with an unexpectedly decisive victory over the rival Congress Party.

Some analysts predicted that the success in Gujarat of a strongly Hindu-nationalist political platform would be translated into similarly strident tacks elsewhere in India, along with a more hardline stance from the BJP-led coalition at the national level. The next national elections are scheduled to be held some time in 2004, but 9 state elections take place in 2003. State elections in February 2003 included a surprisingly strong win for the Congress Party in Himachal Pradesh, a populous and overwhelmingly Hindu northern state where a BJP chief minister was incumbent. This outcome has dampened expectations that Hindu nationalism will determine the future course of India’s national politics. Fifteen of India’s 28 states have Congress-led governments.

The Bharatiya Janata Party (BJP). Riding a crest of rising Hindu nationalism, the BJP increased its strength in Parliament from only two seats in 1984 to 119 seats in 1991 to 181 seats at present. In 1992-93, the party’s image was tarnished by its alleged complicity in serious outbreaks of communal violence in which a mosque was destroyed at Ayodha and 2,500 people were killed in anti-Muslim rioting in Bombay and elsewhere. Some observers hold elements of the BJP, as the political arm of the extremist Hindu nationalist organization Rashtriya Swayamsevak Sangh (RSS or National Volunteer Force), responsible for the incidents. Since then, the BJP has worked — with only limited success — to change its

image from right-wing Hindu fundamentalist to conservative, secular, and moderate, although February/March 2002 riots in Gujarat again damaged the party's national and international credentials as a secular and moderate organization.

Following the March 1998 elections, the BJP cobbled together a fragile, 13-member National Democratic Alliance (NDA) coalition, headed by Vajpayee. Vajpayee's widespread personal popularity, early popular euphoria over India's May 1998 nuclear tests, and widespread disenchantment with previous Congress-led governments has helped to keep the BJP in power. The BJP advocates "Hindutva," or an India based on Hindu culture. Although the BJP claims to accept all forms of belief and worship, it views Hindutva as key to nation-building. Popular among upper caste groups, the party continues to be looked upon with suspicion by lower caste Indians, India's 140 million Muslims, and non-Hindi-speaking Hindus in southern India, who together comprise a majority of India's voters. The more controversial long-term goals of the BJP reportedly include building a Hindu temple on the site of a 16th century mosque in Ayodhya that was destroyed by Hindu mobs in 1992, establishing a uniform code of law that would abolish special status for Muslims, and abolishing the special status granted to Jammu and Kashmir under Article 370 of the Indian Constitution. None of these stands are taken by the NDA 1999 election manifesto and likely would be opposed by many NDA coalition members. The BJP leadership has sought to put these goals on the back-burner, but current tensions — continuing conflict between India and Pakistan and a flare-up of Hindu-Muslim communal violence in the western state of Gujarat — have put the party in an awkward position.

The Congress Party. The post-election weakness of the opposition is seen as a major factor in the BJP coalition government's hopes for completing its 5-year term. With just 110 parliamentary seats, the Congress Party today is at its lowest national representation ever. Observers attribute the party's poor showing to a number of factors, including the perception that current party leader Sonia Gandhi lacked the experience to lead the country, the failure of Congress to make strong pre-election alliances (as had the BJP), and the splintering of Congress in Maharashtra state.

Support for the Congress Party began to decline following the 1984 assassination of then-Prime Minister Indira Gandhi and the 1991 assassination of her son, then-Prime Minister Rajiv Gandhi. Sonia Gandhi, Rajiv's widow, refused to be drawn into active politics until the 1998 elections. She has since made efforts to revitalize the organization by phasing out older leaders and attracting more women and lower castes. In November 1998, signs of a resurgent Congress Party were apparent in a series of state elections. By landslide margins, the Congress defeated BJP governments in Rajasthan and Delhi, and maintained its control of Madhya Pradesh. However, the inability of the Congress to form a new government after the fall of the BJP coalition in April 1999, along with defections led by Maharashtran politicians, weakened the party in the parliamentary elections. October 2002 elections in Jammu and Kashmir saw the Congress Party successfully oust the BJP-allied National Conference to form a coalition government with the regional People's Democratic Party. December 2002 elections in Gujarat were a major defeat for Congress and marked a failure of the "soft Hindutva" position taken by Gujarati party members in an effort to erode BJP support in the state, Congress was again buoyed by an upset win over BJP incumbents in Himachal Pradesh in February 2003.

India-U.S. Relations and Bilateral Issues

Security Issues

Dispute Over Kashmir. Although India suffers from several militant regional separatist movements, the Kashmir dispute has proven the most lethal and intractable, and the interest of neighboring Pakistan is acute. The problem is rooted in claims by both India and Pakistan to the former princely state, divided since 1948 by a military Line of Control (LOC) separating the Indian state of Jammu and Kashmir and Pakistan-controlled Azad (Free) Kashmir. Spurred by what were perceived as being rigged state elections that unfairly favored pro-New Delhi candidates in 1989, an ongoing separatist war between Islamic militants and their supporters and Indian security forces in the Indian-held Kashmir Valley has claimed up to 80,000 lives. India blames Pakistan for fomenting the rebellion, as well as supplying arms, training, and fighters. It insists that the dispute should not be “internationalized” through the involvement of third-party mediators. Pakistan, for its part, claims only to provide diplomatic and moral support to what it calls “freedom fighters” who resist Indian rule. Islamabad has long 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 whole of the former princely state is disputed territory, and that the issue must be resolved through negotiations between India and Pakistan while taking into account the wishes of the Kashmiri people.

A series of kidnappings and general strikes in the Kashmir Valley, beginning after the controversial elections of 1989, led India to impose rule by the central government in 1990 and to send in troops to establish order. Many Kashmiris were moved to support newly established militant separatist groups after several incidents in which Indian troops fired on demonstrators. Some groups, such as the Jammu and Kashmir Liberation Front (JKLF), continue to seek an independent or autonomous Kashmir. Other local groups, including the Hizbul Mujahideen (HM), seek union with Pakistan. 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 some 23 political and religious groups includes the JKLF (now a political group) and Jamaat-e-Islami (the political wing of the HM). The Hurriyat Conference, which states that it is committed to seeking dialogue with the Indian government on a broad range of issues, seeks a tripartite conference on Kashmir, including India, Pakistan, and representatives of the Kashmiri people. Hurriyat leaders also have demanded Kashmiri representation at any talks between India and Pakistan on Kashmir.

In 1995, the government of then-PM Rao began efforts to restart the political process in Kashmir. May 1996 elections were held to fill Jammu and Kashmir’s six parliamentary seats. Voter turnout in the state was about 40%, with some reports of voters being herded to polling stations by security forces. The elections served as a rehearsal for state assembly elections, which were held in September 1996. The National Conference (NC), the longstanding establishment Kashmiri party led by Farooq Abdullah, won 57 of 87 seats, and Abdullah became chief minister of the state. In April 1998, Jammu and Kashmir again took part in national parliamentary elections. Pre-election violence and a boycott by the Hurriyat kept voter turnout in the state at an estimated 35%-40%. Voter turnout in the state declined even further in 1999 parliamentary elections.

In 2001 and 2002, a series of violent incidents worsened the region's security climate and brought India and Pakistan to the brink of full-scale war. In October 2001, Islamic militants attacked the state assembly building in Srinagar, killing 38. In December 2001, a brazen attack on the Indian Parliament complex in New Delhi left 14 dead, including the five attackers. Indian government officials blamed Pakistan-based militant groups for both attacks and initiated a massive military mobilization that brought hundreds of thousands of Indian troops to the border with Pakistan. In May 2002, in the midst of this armed showdown, militants attacked an Indian army base in the Jammu town of Kaluchak, leaving 34 dead, many of them women and children. New Delhi leveled accusations that Islamabad was sponsoring Kashmiri terrorism; Indian leaders talked of making "pre-emptive" military incursions against separatists' training bases on Pakistani territory. The situation was further exacerbated with the assassinations of two moderate Kashmiri separatist leaders in late-2002 and early-2003. (For a review, see CRS Report RL31587, *Kashmiri Separatists*.)

International pressure included numerous visits to the region by top U.S. diplomats and led Pakistani President Musharraf to publically state that no infiltration was taking place at the LOC. On receiving assurances from Secretary of State Powell and others that Pakistan would terminate support for infiltration and dismantle militant training camps, India began the slow process of reducing tensions with Pakistan. In October 2002, after completion of state elections in Jammu and Kashmir, New Delhi announced that a months-long process of redeploying troops to their peacetime barracks had begun. Islamabad responded with a stand-down order of its own, although the Indian and Pakistani armies continue to exchange sporadic small arms, mortar, and even artillery fire along the LOC.

Indian Kashmir remains volatile. October 2002 elections to the state assembly resulted in the ouster of the National Conference and the establishment of a coalition government of the Congress Party and the People's Democratic Party. While the seating of this new and seemingly more moderate state government renewed hopes for peace in the troubled region, continued and deadly separatist violence has dampened early optimism. The United States welcomed the election process as a necessary first step toward the initiation of a meaningful dialogue between India and Pakistan to peacefully resolve their dispute. Secretary of State Powell has asserted that, "We are looking to both India and Pakistan to take steps that begin to bring peace to the region and to ensure a better future for the Kashmiri people. The problems with Kashmir cannot be resolved through violence, but only through a healthy political process and a vibrant dialogue" (see CRS Report RS21300, *Elections in Kashmir*).

Nuclear Weapons and Missile Proliferation. U.S. 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. In May 1998, India conducted five underground nuclear tests, breaking a 24-year, self-imposed moratorium on such testing. Despite U.S. and world 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 economic and military aid to both India and Pakistan as mandated under Section 102 of the Arms Export Control Act (AECA). Almost immediately, Congress moved to ease restrictions in some areas, notably with wheat sales. In September 2001, President Bush waived the remaining sanctions on India pursuant to P.L. 106-79.

Proliferation in South Asia may be part of a chain of rivalries — India seeking to achieve deterrence against China, and Pakistan seeking to gain an “equalizer” against a conventionally stronger India. India began its nuclear program in the mid-1960s, after its 1962 defeat in a short border war with China and China’s first nuclear test in 1964. Pakistan’s nuclear program was prompted by India’s 1974 nuclear test and by Pakistan’s defeat by India in the 1971 war and consequent loss of East Pakistan, now independent Bangladesh. India currently is believed to have enough fissile material for 75-100 nuclear weapons; Pakistan is thought to have approximately half that number. Both countries have aircraft capable of delivering nuclear bombs. India’s military has inducted short- and intermediate-range ballistic missiles, while Pakistan itself possesses short- and medium-range missiles (allegedly acquired from China and North Korea). All are assumed to be capable of delivering small nuclear warheads over significant distances.

In August 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. The document has been neither accepted nor rejected by New Delhi. (Islamabad has made no comparable public declaration, but it also seeks to maintain an MCD while rejecting a no-first-use pledge.) In April 2002, the Indian Cabinet approved the establishment of a Strategic Nuclear Command (SNC) that would control the country’s nuclear arsenal, and four months later the Indian Defense Minister stated that “a nuclear doctrine is in place” and a command and control structure is being developed. In January 2003, New Delhi announced creation of a Nuclear Command Authority. In creating such an body, India appears to be taking the next step toward operationalizing its nuclear weapons capability. (Pakistan created its own Nuclear Command Authority in 2000.) (For details, see CRS Report RS21237, *India and Pakistan Nuclear Weapons Status* and CRS Report RL30623, *Nuclear Weapons and Ballistic Missile Proliferation in India and Pakistan*.)

U.S. Nonproliferation Efforts. During the 1990s, the United States security focus in South Asia sought to minimize damage to the nonproliferation regime, prevent escalation of an arms and/or missile race, and promote Indo-Pakistani bilateral dialogue. In light of these goals, the Clinton Administration set forward five key “benchmarks” for India and Pakistan based on the contents of U.N. Security Council Resolution 1172 (June 1998) which condemned the two countries’ nuclear tests. These were: 1) signing and ratifying the Comprehensive Nuclear Test Ban Treaty (CTBT); 2) halting all further production of fissile material and participating in Fissile Material Cutoff Treaty negotiations; 3) limiting development and deployment of weapons of mass destruction (WMD) delivery vehicles; 4) implementing strict export controls on sensitive WMD materials and technologies; and 5) establishing bilateral dialogue between India and Pakistan to resolve their mutual differences.

Progress in each of these areas has been limited, and the Bush Administration no longer refers to the benchmark framework. Neither India nor Pakistan has signed the CTBT, and both appear to be continuing their production of weapons-grade fissile materials. (India has consistently rejected this treaty, as well as the NPT, 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 more or less steady pace. Aside from security concerns, the governments of

both countries are faced with the prestige factor attached to their nuclear programs and the domestic unpopularity of relinquishing what are perceived to be potent symbols of national power. Early optimism in the area of export controls has waned somewhat as fears that these countries, especially Pakistan, might seek to export WMD materials and/or technologies have gained some credence. Finally, although there has been no repeat of the intense military clashes of May-June 1999, and a recent ten-month-long military standoff has eased, tensions in Kashmir remain high, and bilateral dialogue is not occurring. Some observers have lately called for a new U.S. approach that would provide technical assistance in enhancing the security of any WMD materials in South Asia (see CRS Report RL31589, *Nuclear Threat Reduction Measures for India and Pakistan*).

Congressional Action. Through a series of legislative measures, Congress has lifted nuclear-related sanctions both on India and Pakistan. In October 1999, Congress passed H.R.2561, the Department of Defense Appropriations Act, 2000, and it was signed by the President as P.L.106-79 on October 29. Title IX of the act gives the President authority to waive sanctions applied against India and Pakistan in response to the nuclear tests. In a presidential determination on India and Pakistan issued on October 27, 1999, the President waived economic sanctions on India. On September 22, 2001, President Bush issued a final determination removing remaining sanctions on Pakistan and India resulting from their 1998 nuclear tests. Currently, the last effects of the nuclear sanctions are four Indian entities (and their subsidiaries) that remain on the Department of Commerce list of entities for which export licenses are required. (For details, see CRS Report RS20995, *India and Pakistan: Current U.S. Economic Sanctions*.) Title XVI, Section 1601 of P.L.107-228 outlines nonproliferation objectives to be achieved in South Asia with respect to nuclear testing, nuclear weapons and ballistic missile deployments and developments, export controls and confidence-building measures. Among the numerous concerns voiced by Members of Congress in March 2003 was that there continue to be “contradictions” in U.S. nonproliferation policy toward South Asia.

U.S.-India Security Cooperation. Unlike U.S.-Pakistan military ties, which date back to the 1950s, security cooperation between the United States and India is in the early stages of development. Since September 2001, and despite a concurrent U.S. rapprochement with Pakistan, India-U.S. security cooperation has flourished. Both countries have acknowledged a desire for greater bilateral security cooperation and a series of measures have been taken to achieve this. The India-U.S. Defense Policy Group — moribund since India’s 1998 nuclear tests and ensuing U.S. sanctions — was revived in late 2001. Joint Executive Steering Groups between the U.S. and Indian armed services hold regular meetings. During 2002 and into 2003, the United States and India held numerous joint exercises involving all military branches. Unprecedented advanced air combat exercises reportedly are planned for 2003. Despite these developments, there remain indications that the perceptions and expectations of top U.S. and Indian military leaders are divergent on several key issues, including India’s role in the Persian Gulf and Central Asia, approaches to countering terrorism, and a potential U.S. role in resolving the India-Pakistan dispute. Moreover, the existence of a nonproliferation constituency in the United States is seen as a further hindrance to more fully developed military-to-military relations.

Along with increasingly visible military ties, the issue of U.S. arms sales to India has taken a higher profile. In February 2002, Congress was notified of the negotiated sale to India of 8 counter-battery radar sets (or “Firefinder” weapon locating radars) valued at more

than \$100 million (the following September, arrangements were made for the sale of four additional sets). The Indian government reportedly possesses an extensive “wish-list” of desired U.S.-made weapons, including P-3 Orion maritime patrol aircraft, Patriot anti-missile systems, and electronic warfare systems. The United States appears prepared to provide Indian security forces with sophisticated electronic ground sensors that may help stem the tide of militant infiltration in the Kashmir region. U.S. Ambassador Blackwill stated in November 2002 that “the Pentagon is expeditiously processing the Indian army’s request for significant Special Forces equipment and border sensors.” Still, some in India consider the United States to be a “fickle” partner that may not always be relied upon to provide the kinds of reciprocity, sensitivity, and high-technology transfers sought by New Delhi.

In a controversial turn, the Indian government reportedly is seeking to purchase a sophisticated missile-defense system — the Arrow Weapon System — from Israel. However, because the United States took the lead in the system’s development, the U.S. government has veto power over any Israeli exports of the Arrow. Although numerous U.S. Defense Department officials are seen to support the sale as meshing with President Bush’s policy of cooperating with friendly countries on missile defense, State Department officials are reported to oppose the transfer, believing that it would send the wrong signal to other weapons-exporting states at a time when the U.S. is seeking to discourage weapons proliferation in the international system.

Joint India-U.S. military exercises, arms sales negotiations, and an FY2003 budget allocation of \$5 million in U.S. Foreign Military Financing for India have caused disquiet in Pakistan, where there is concern that these developments will strengthen India’s position through an appearance that the United States is siding with India. Islamabad is concerned that its already disadvantageous conventional military status vis-a-vis New Delhi will be further eroded by India’s acquisition of additional modern weapons platforms. In fact, numerous observers have noted what appears to be a pro-India drift in the U.S. government’s strategic orientation in South Asia, along with signs that the United States has been frustrated by the continued flow of separatist militants across the Kashmiri Line of Control and into Indian Kashmir (despite numerous promises by the Pakistani government that such movements would cease). At the same time, the United States regularly lauds Pakistan’s participation as a key ally in the U.S.-led counterterrorism coalition. (For a detailed discussion, see CRS Report RL31644, *U.S.-India Security Relations*.)

Regional Dissidence and Human Rights

A vastly diverse country in terms of ethnicity, language, culture, and religion, India can be difficult to govern. Internal instability resulting from diversity is further complicated by colonial legacies — for example, international borders separate members of the same ethnic groups, creating flashpoints for regional dissidence and separatism. Kashmir and Assam are two regions that continue to suffer from violent separatist campaigns; Punjab saw significant struggle in the 1980s. The remote and underdeveloped northeast of India is populated by a complex mosaic of ethnic and religious groups, both tribal and non-tribal. Migration of non-tribal peoples into less populated tribal areas is at the root of many problems in that region. India-Bangladesh relations have been disrupted in recent months by New Delhi’s accusations that Dhaka is taking insufficient action against Pakistan-supported separatist militants who find sanctuary on Bangladeshi territory.

Gujarat. Gujarat is a relatively prosperous state in western India on the Arabian Sea. In February 2002, a group of Hindu activists returning by train from the city of Ayodha — the site of the razed 16th century Babri Mosque and the proposed Ram Janmabhoomi Temple — were attacked by a Muslim mob in the town of Godhra, Gujarat, and 58 people were killed. In the communal rioting that followed, more than 2,000 people were killed, most of them Muslim. Many observers criticized the BJP-led state and national governments for inaction; some even saw evidence of state government complicity in anti-Muslim attacks. Leading human rights groups have been harshly critical of the central government's alleged inaction in bringing those responsible to justice. The government's inability to successfully quell violence in Gujarat led to rifts within India's BJP-led National Democratic Alliance, with some secular coalition members condemning the BJP role. However, in December 2002, in what many analysts see as a vindication of the BJP government in Gujarat and its Hindu-nationalist tack, state elections there resulted in a decisive BJP victory, and Hindu-nationalist groups are vowing to employ in other states what are seen by many to be divisive communal tactics (although the BJP's upset loss in Himachal Pradesh's February 2003 elections has caused enthusiasm to wane).

The Northeast. The Kashmir region is home to India's most widely known separatist movement, but other significant and lethal internal conflicts are ongoing. Since the time of India's foundation, numerous separatist groups have fought for ethnic autonomy or independence in the country's northeast region; some of the tribal struggles are centuries old. It is estimated that more than 25,000 people have been killed in such fighting since 1948. The United Liberation Front of Asom, the National Liberation Front of Tripura, the National Democratic Front of Bodoland, and the National Socialist Council of Nagaland are among the groups at war with the New Delhi government (though the decades-old Naga campaign may be ending). In addition, the Maoist People's War Group is continuing to wreak havoc in the southern state of Andhra Pradesh. Indian government officials have at times blamed Bangladesh, Burma, Nepal, and Bhutan for "sheltering" one or more of these groups beyond the reach of Indian security forces, and accuse Pakistan's intelligence agency of training and providing them with material support.

Human Rights. According to the U.S. State Department's *India Country Report on Human Rights Practices for 2002* (issued March 2003), the Indian government "generally respected the human rights of its citizens; however, numerous serious problems remained." These included extensive societal violence against women; extrajudicial killings, including faked encounter killings; excessive use of force by security forces, arbitrary arrests, and incommunicado detentions in Kashmir and several northeastern states; torture and rape by agents of the government; poor prison conditions and lengthy pretrial detentions without charge; forced prostitution; child prostitution and female infanticide; human trafficking; and caste-based discrimination and violence, among others. Terrorist attacks and kidnappings also remained grievous problems, especially in Kashmir and the northeastern states.

The U.S. State Department notes that, "Many of these 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." Amnesty International, Human Rights Watch, and other human rights groups have been harshly critical of India's human rights record on these issues, especially with regard to sectarian violence in Gujarat in the spring of 2002. Also, the March 2002 enactment of a new Prevention of Terrorism Act

(POTA) has come under fire as providing the government a powerful tool with which to arbitrarily target minorities and political opponents. In one example, in February 2003, the Gujarat government charged 131 Muslims under POTA for allegedly attacking Hindus in Godhra one year earlier. Although ensuing rioting caused up to 2,000 Muslim deaths, the Hindu-nationalist BJP that heads the state government has not charged any Hindus under POTA for violence against Muslims. Elsewhere, a reported 5,000 Kashmiris currently are in jail under anti-terrorist laws. In general, India has denied international human rights groups official access to Kashmir, Punjab, and other sensitive areas.

A secular nation, India has a long tradition of religious tolerance (with occasional lapses), which is protected under its constitution. India's population includes a Hindu majority of 82% as well as a large Muslim minority of more than 130 million (14%). Christians, Sikhs, Buddhists, Jains, and others each total less than 3%. 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 March 2003, the U.S. Commission on International Religious Freedom expressed its "deep disappointment" at Secretary of State Powell's decision to leave India off the "countries of particular concern" list, saying that there is "ample evidence that [India] meets the legislative criteria" for such designation.

India's Economy and U.S. Concerns

Many observers believe that India's long-term economic potential is tremendous, and recent strides in the technology sector have brought international attention to such high-tech centers as Bangalore and Hyderabad. Yet analysts — along with some U.S. government officials — point to excessive regulatory and bureaucratic structures as a hindrance to the realization of India's full economic potential. 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.

After enjoying an average growth rate above 6% for the 1990s, the Indian economy has cooled somewhat with the recent global economic downturn. For FY2002 (ending in March 2003), real change in GDP was 4.3%. Robust growth in services and industry was countered by a drought-induced contraction of the agricultural sector. Analysts believe New Delhi's target of 8% growth for FY2003 was overly optimistic; the Indian government apparently agreed, lowering its projection to 6%. Most independent observers consider a rate of 5.6-5.9% to be more realistic. Some longer-term estimates are optimistic, putting FY2004 growth at 6-7%. Inflation rates have been fairly low (4.4% for 2002), but have been pushed above 5% in 2003 due to higher fuel prices and increased industrial output. As of July 2003, the benchmark Bombay Stock Exchange had gained 12% since the beginning of the year in the wake of turbulence in U.S. markets over the past three years.

A major U.S. concern with regard to India is the scope and pace of reforms in what has been that country's quasi-socialist economy. Economic reforms begun in 1991, under the Congress-led government of then-Prime Minister Rao, boosted economic growth and led to huge foreign investment to India in the mid-1990s. Annual foreign direct investment (FDI) rose from about \$100 million in 1990 to \$2.4 billion by 1996. Net FDI in 2002 was nearly \$3.5 billion, with projections for 2003 at \$6.5 billion. More than one-third of these investments were made by U.S. companies. Reform efforts stagnated, however, under the

weak coalition governments of the mid-1990s. The Asian financial crisis and sanctions on India (as a result of its May 1998 nuclear tests) further dampened the economic outlook.

Following the 1999 parliamentary election, the Vajpayee 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, the government appears to gradually be embracing globalization and has sought to reassure foreign investors with promises of transparent and nondiscriminatory policies. Most recently, the debate over privatization focuses on the proposed sale of India's two large state-owned oil companies, a sale supported by the BJP but opposed by other politically powerful groups. However, the budget unveiled by Indian Finance Minister Singh in February 2003 has been criticized by analysts as doing too little to curb India's growing fiscal deficit or to raise the country's low tax revenues. In July 2003, the head of research for the International Monetary Fund warned that India's high and growing public debt ratio could reduce the country's annual economic growth rate to below 5%, and a report of the World Bank lauded India's "impressive progress" in increasing incomes and living standards, but warned that the trend cannot be sustained unless there is "an acceleration of reforms."

As India's largest trading and investment partner, the United States strongly supports New Delhi's continuing economic reform policies. U.S. exports to India in 2002 were valued at \$4.1 billion, while imports from India in that year totaled about \$11.8 billion. Despite significant tariff reductions and other measures taken by India to improve market access, according to the report of the United States Trade Representative (USTR) for 2002, a number of foreign trade barriers remain and, in November 2002, then-U.S. Treasury Secretary O'Neill noted that India's average tariff rates are among the highest in Asia. U.S. exports that reportedly would benefit from lower Indian tariffs include fertilizers, wood products, computers, medical equipment, scrap metals, and agricultural products.

India's extensive array of trade and investment barriers has 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.-Indian ties. For example, the Deputy U.S. Trade Representative asserted in February 2003 that progress in transforming the U.S.-Indian economic relationship has been "slow." Among the reasons for a lack of progress, he identified India's "grudging attitude" toward imports that produces "multiple, onion-like barriers" to potential exporters. He also noted that "India's tariff and tax structure undermines its commitments in the WTO," and that India's high agricultural support prices have encouraged overproduction in that sector.

Inadequate intellectual property rights protection, by means of patents, trademarks and copyrights, has been a long-standing issue between the United States and India. In a November 2002 speech in Mumbai, U.S. Under Secretary of State Larson made an explicit link between the improvement of India's intellectual property rights protections and India's further economic growth. Major areas of irritation have included pirating of U.S. pharmaceuticals, books, tapes, and videos. The International Intellectual Property Alliance estimates U.S. losses of more than \$468 million due to trade piracy in 2002. U.S. motion picture industry representatives estimated their annual losses due to audiovisual piracy at \$66 million. In May 2003, the USTR again named India to the Special 301 Priority Watch List for its "weak" protection and enforcement of intellectual property rights. (Further discussion may be found in CRS Report RS21502, *India-U.S. Economic Relations*.)

U.S. Assistance

The United States is the third largest bilateral aid donor to India, after Japan and Britain. Between 1946 and 2000, the United States provided more than \$13.8 billion in economic loans and grants to India (plus \$151.6 million in military assistance, 95% of which was distributed from 1962-1966). Actual U.S. assistance to India in FY2002 totaled nearly \$80 million (and an additional \$105.7 million in food grants). The Bush Administration's request for FY2003 would have increased this amount to \$107 million (plus \$91.3 million in food aid), with the most notable boosts coming through Economic Support Funds (ESF) (from \$7 million to \$25 million) and Foreign Military Financing (FMF) (from zero to \$5 million). However, in P.L. 108-7, Congress allocated only \$10.5 million in ESF, bringing the actual FY2003 assistance total to \$92.7 million. The Administration's FY2004 request currently stands at about \$95 million, plus another \$45 million in food assistance (see **Table 1**, below).

The main focus of USAID programs in India are improving the quality of and access to reproductive health services; providing supplementary food and health services to the poor; fostering energy efficiency; improving environmental conditions in urban areas; reducing transmission of infectious diseases; expanding service delivery networks for women; improving capacity of financial markets and government to accelerate economic growth; and reducing suffering associated with natural disasters and establishing conditions for rehabilitation.

Security-related assistance for India in FY2003 includes a new \$5 million FMF program to "further promote cooperation and interoperability by encouraging Indian use of U.S. equipment." Another \$5 million in FY2004 FMF would include high-tech surveillance and training equipment, ground sensors for use along the Kashmiri Line of Control, nuclear/biological/chemical decontamination equipment, and naval radars. The United States also provides funds for counter-narcotics, export controls, and military training.

Table 1. U.S. Assistance to India, FY2001-FY2004
(in millions of U.S. dollars)

Program or Account	FY2001 Actual	FY2002 Actual	FY2003 Allocation	FY2004 Request
CSH	24.6	41.7	40.8	40.8
DA	28.8	29.2	34.4	27.1
ESF	5.0	7.0	10.5	20.0
FMF	-.-	-.-	5.0	5.0
IMET	0.5	1.0	1.0	1.3
NADR-EXBS	0.9	0.9	1.0	1.0
Subtotal	\$59.8	\$79.8	\$92.7	\$95.2
P.L.480 Title II*	78.3	93.7	91.3	45.0
Section 416(b)*	-.-	12.0	-.-	-.-
Total	\$138.1	\$185.5	\$184.0	\$140.2

Sources: U.S. Departments of State and Agriculture; U.S. Agency for International Development.

Abbreviations:

CSH: Child Survival and Health

DA: Development Assistance

ESF: Economic Support Fund

FMF: Foreign Military Financing

IMET: International Military Education and Training

NADR-EXBS: Nonproliferation, Anti-Terrorism, Demining, and Related - Export Control and Related Border Security Assistance

P.L.480 Title II: Emergency and Private Assistance food aid (grants)

Section 416(b): The Agricultural Act of 1949, as amended (surplus agricultural commodity donations)

*Food aid amounts do not include what can be significant transportation costs.