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U.S.-India Bilateral Agreements and “Global Partnership”

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K. Alan Kronstadt
Analyst in Asian Affairs
Foreign Affairs, Defense, and Trade Division

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Summary

India is enjoying rapidly growing diplomatic and economic clout on the world stage, and the course of its rise (along with that of China) is identified as one of the most important variables in 21st century international relations. In recognition of these developments, U.S. policy makers have sought to expand and deepen U.S. links with India. On July 18, 2005, President George W. Bush and Prime Minister Manmohan Singh issued a Joint Statement resolving to establish a “global partnership” between the United States and India through increased cooperation on numerous economic, security, and global issues, including “full civilian nuclear energy cooperation.” Such cooperation would require changes in both U.S. law and international guidelines; the Bush Administration may present to Congress related and required legislative proposals in 2006. On June 28, 2005, the United States and India signed a ten-year defense framework agreement that calls for expanding bilateral cooperation in a number of security-related areas. U.S.-India bilateral agreements in 2005 represent a new set of landmarks in rapidly warming ties between the world’s two most populous democracies. A policy of assisting India’s rise as a major power has significant implications for U.S. interests in Asia and beyond. The status of U.S. relations with China and Pakistan, especially, is likely to be affected by increased U.S.-India strategic cooperation. Many observers view U.S. moves as part of an effort to “counterbalance” the rise of China as a major power.

Following major U.S.-India agreements, Congress held four relevant hearings during autumn 2005. Two of these hearings focused specifically on the most controversial aspect of the July 2005 Joint Statement: proposed civilian nuclear cooperation. Congressional approval of increasingly warm U.S.-India relations appears to be widespread. However, some Members also have expressed concerns about the potential damage to international nonproliferation regimes that could result from changes in U.S. export laws and international guidelines. Senior Members also have voiced concerns about India’s relations with Iran and the possibility that New Delhi’s policies toward Tehran’s controversial nuclear program may not be congruent with those of Washington. More broadly, congressional oversight of U.S. foreign relations in Asia likely will include consideration of the potential implications of increased U.S. cooperation with India in functional areas such as arms sales and high-technology trade. With rapid increases in Indian and Chinese influence on the world stage, many in Congress will seek to determine how and to what extent a U.S.-India “global partnership” will best serve U.S. interests.

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

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Most Recent Developments

In early March 2006, President Bush made a three-day trip to India, the first such visit by a U.S. President in six years. In a speech preceding his trip, the President called India a “natural partner for the United States” and identified five broad areas of bilateral cooperation: counterterrorism, democracy promotion, trade promotion, health and environmental protections, and energy initiatives. On March 2, the President and Prime Minister Singh issued a statement expressing their mutual satisfaction with the “great progress” made in advancing the U.S.-India “strategic partnership.” The statement, which reviewed bilateral efforts to expand ties in a number of key areas and called for further such efforts, notably announced “successful completion of India’s [nuclear facility] separation plan,” a reference to ongoing and complex negotiations related to President Bush’s July 2005 vow to achieve “full civilian nuclear energy cooperation with India.” On March 9, the Administration informally submitted to key congressional committee chairman a proposal for adjusting U.S. laws relevant to nuclear commerce. As President Bush was in New Delhi, the Pentagon issued a statement lauding bilateral military relations with India and anticipating possibly major arms sales to that country.¹

In the wake of major U.S.-India bilateral agreements signed in the summer of 2005, Congress held four relevant hearings in the latter months of that year. On September 8, October 26, and November 16, the House International Relations Committee (HIRC) considered the perspectives of State Department officials and nongovernmental experts on the progress and meaning of increasingly warm U.S.-India relations and relevant agreements. Similar panels testified before the Senate Foreign Relations Committee on November 2. This Senate hearing, along with the October House hearing, was focused specifically on what has become the most controversial aspect of the July 2005 Joint Statement issued by President Bush and Prime Minister Manmohan Singh: an intention to achieve full bilateral civilian nuclear energy cooperation.

In mid-October 2005, the chairs and ranking members of the Senate Foreign Relations and House International Relations Committees sent a letter to Secretary of State Rice requesting that the Administration begin “substantive discussion” with their committees on possible legislative proposals related to envisaged civil nuclear

¹ “U.S.-India Joint Statement,” Mar. 2, 2006, at [<http://www.whitehouse.gov/news/releases/2006/03/20060302-5.html>]. “Defense Department Statement on India Partnership,” Mar. 2, 2006, at [<http://www.defenselink.mil/releases/2006/nr20060302-12590.html>].

cooperation with India. During the October 26 HIRC hearing, Committee Chairman Henry Hyde called “strange and unusual” the Administration’s minimal consultation with Congress on the details of such plans and said he was “troubled” by public statements from the Administration suggesting that congressional support for such cooperation was broad and virtually guaranteed.² In a November letter which echoed much of the analysis of nongovernmental hearing witnesses, a group of 18 experts, scholars, and former U.S. government officials urged Members of the Congress to “critically examine” the proposed nuclear cooperation agreement, saying it “poses far-reaching and potentially adverse implications for U.S. nuclear nonproliferation objectives” and is unlikely to bring India “into closer alignment with other U.S. strategic objectives.”³

In late January, U.S. Ambassador to India Mulford caused a diplomatic stir when he explicitly linked progress on the proposed nuclear deal with India’s upcoming International Atomic Energy Agency (IAEA) vote on Iran, saying if India chose not to vote with the United States, he believed the U.S.-India initiative “will die in the Congress.” A State Department spokesman called the Ambassador’s comments a “personal opinion” and denied that the issues were linked. India’s External Affairs Ministry responded that India “categorically rejects” any attempts to link the two issues, and opposition and leftist Indian political figures criticized the remarks as “a serious affront to India and its sovereignty.”⁴ On February 4, India voted with the majority (and the United States) on an IAEA resolution to refer Iran to the U.N. Security Council. New Delhi called the resolution “well-balanced” and insisted that its vote should not be interpreted as detracting from India’s traditionally close relations with Iran. The United States later expressed being pleased with India’s vote.⁵

Developments relevant to civil nuclear cooperation with India have progressed in countries other than the United States. In September 2005, India and France issued a joint statement promising that the two countries would work toward “conclusion of a bilateral nuclear cooperation agreement,” and France committed itself to working with other countries and the NSG to accomplish this. However,

² While in New Delhi days earlier, Under Secretary of State Burns had expressed being “convinced” that Congress would support making required changes in U.S. law.

³ See [http://www.armscontrol.org/pdf/20051118_India_Ltr_Congress.pdf]. This letter was followed by a February 2006 letter to the House from six nongovernmental experts reiterating their belief that India’s commitments under the current terms of the proposed U.S.-India civil nuclear cooperation deal “do not justify making far-reaching exceptions to U.S. law and international nonproliferation norms” (see [http://www.armscontrol.org/pdf/20060214_India_Clarifying_Responses.pdf]).

⁴ “US Warns India Over Iran Stance,” BBC News, Jan. 25, 2006; U.S. Department of State Daily Press Briefing, Jan. 25, 2006; “In Response to Questions Regarding Remarks Attributed to US Ambassador in India,” Indian Ministry of External Affairs, Jan. 25, 2006; “Vajpayee Terms Mulford Remarks Outrageous,” *Hindustan Times* (Delhi), Jan. 26, 2006; “Left Condemns Mulford Statement,” *Hindu* (Madras), Jan. 27, 2006.

⁵ “In Response to Questions on India’s Vote on the Iran Nuclear Issue at the IAEA Board Meeting in Vienna,” Indian Ministry of External Affairs, Feb. 4, 2006; U.S. Department of State Daily Press Briefing, Feb. 7, 2006.

after four months of uncertainty over the issue of separating India's civilian and military nuclear facilities, Paris indicated that New Delhi would have to make "some compromises" in this area, with the French Ambassador to India identifying a common French-U.S. interest in reaching a consensus among NSG members, which he said "is not easy." Also in September, Canada reversed its previous policy and announced that it would supply nuclear-related "dual-use items" to India's civil nuclear program. Following the March 2 U.S.-India Joint Statement, Australia, which is home to nearly half of the world's unmined uranium, indicated that it might alter its policy of not selling this resource to non-signatories of the Nuclear Nonproliferation Treaty, meaning India may become eligible.⁶

After more than seven months of intensive negotiations over a "credible, defensible, and transparent" Indian plan to separate its civilian and military nuclear facilities as per the July 18 Joint Statement, U.S. and Indian officials were able to reach agreement just hours before the issuance of the March 2 Joint Statement while President Bush was in New Delhi. The Indian plan, which requires India to move 14 of its 22 reactors into permanent international oversight by the year 2014 and place all future civilian reactors under permanent control, exempts India's fast breeder reactors and also would guarantee an uninterrupted supply of nuclear fuel for India's civilian facilities. Under Secretary of State Burns, the lead U.S. negotiator, insists that the plan is a boost for U.S. nonproliferation efforts, claiming that the percentage of Indian nuclear facilities under safeguards will grow as most future facilities are likely to be designated civilian. Numerous nonproliferation experts remain critical of the proposed deal. On March 8, the White House issued a press release responding to critics.⁷

On November 1, 2005, S. 1950, to promote global energy security through increased cooperation between the United States and India on non-nuclear energy-related issues, was introduced in the Senate. On December 15, H.Con.Res. 318, expressing concern regarding nuclear proliferation with respect to proposed full civilian nuclear cooperation with India, was introduced in the House.

Overview and Congressional Interest

On July 18, 2005, during the first state visit to Washington, D.C., by an Indian leader since November 2001, President George W. Bush and Prime Minister Manmohan Singh issued a Joint Statement resolving to establish a "global partnership" between the United States and India through increased cooperation on economic issues, on energy and the environment, on democracy and development, on non-proliferation and security, and on high-technology and space. Of particular

⁶ "Joint Statement Issued by the President of the Republic of France and the Prime Minister of India," Indian Ministry of External Affairs, Sept. 12, 2005; "India Has to Make 'Compromises' for Nuke Cooperation," Press Trust of India, Feb. 10, 2006; Randall Palmer, "Canada, in Reversal, Agrees to Help India on Nukes," Reuters, Sept. 26, 2006; "Australia PM Says May Consider Uranium Sale to India," Reuters, Mar. 6, 2006.

⁷ "India Civil Nuclear Cooperation: Responding to Critics," Mar. 8, 2006, at [<http://www.whitehouse.gov/news/releases/2006/03/20060308-3.html>].

interest to many in Congress were the statement's assertion that, "as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states," and President Bush's assurance that he would work on achieving "full civilian nuclear energy cooperation with India."⁸ Such cooperation would require changes in both U.S. law and Nuclear Suppliers Group (NSG) guidelines. This clause is widely viewed as representing the most direct (if still implicit) recognition to date of India's *de facto* status as a nuclear weapons state and thus as a reversal of more than three decades of U.S. nonproliferation policy. Notably omitted from the July 18 statement was any mention of India's aspirations for a permanent seat on the U.N. Security Council. Just weeks earlier, the United States and India signed a ten-year defense framework agreement.⁹ Many observers view this and other U.S. moves to build strategic relations with India as part of an effort to "counterbalance" the rise of China as a major power, although both Washington and New Delhi insist that their strategic cooperation is not directed against any third party.

This report reviews the major provisions of U.S.-India bilateral agreements signed in 2005 and further explicated in March 2006, including the status of issues addressed in the now completed Next Step in Strategic Partnership initiative, security relations, economic relations, and global issues. The report reviews arguments made in favor of and in opposition to increased bilateral cooperation in each major issue-area and includes Indian perspectives. Regional issues involving China, Pakistan, and Iran also are discussed.¹⁰

U.S.-India agreements in June and July 2005 represent a new set of landmarks in rapidly warming ties between the world's two most populous democracies. After decades of estrangement during the Cold War, U.S.-India relations were freed from the constraints of global U.S.-Soviet bipolarity in 1991, the same year that New Delhi began efforts to transform its once quasi-socialist economy through fiscal reform and market opening. However, relations with India continued to be viewed primarily through the lens of U.S. nonproliferation interests. The marked improvement of relations that began in the latter months of the Clinton Administration — President Clinton spent six days in India in March 2000 — was accelerated after a November 2001 meeting between President Bush and then-Indian Prime Minister Atal Bihari Vajpayee, when the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues. India's swift post-9/11 offer of full support for U.S.-led counterterrorism operations was widely viewed as reflective of the positive new trajectory in bilateral relations. Pro-U.S. sentiment may be widespread in India¹¹ and

⁸ "Joint Statement Between President George W. Bush and Prime Minister Manmohan Singh," July 18, 2005, at [<http://www.state.gov/p/sa/rls/pr/2005/49763.htm>].

⁹ "New Framework for the U.S.-India Defense Relationship," June 28, 2005, at [http://www.indianembassy.org/press_release/2005/June/31.htm].

¹⁰ See also CRS Issue Brief IB93097, *India-U.S. Relations*, by Alan Kronstadt; and CRS Report RL33016, *U.S. Nuclear Cooperation With India*, by Sharon Squassoni.

¹¹ In a June 2005 opinion poll, 71% of Indians expressed a favorable view of America, the highest percentage among all 16 countries surveyed (Pew Global Attitudes Project, "U.S. Image Up Slightly, But Still Negative). However, a subsequent poll by a leading Indian

many in Washington and New Delhi see a crucial common interest in cooperating on efforts to defeat militant Islam.

President Bush's 2002 *National Security Strategy of the United States* stated that "U.S. interests require a strong relationship with India," and a recent National Intelligence Council projection said the likely rise of China and India "will transform the geopolitical landscape" in dramatic fashion.¹² In January 2004, President Bush and Prime Minister Vajpayee formally launched the "Next Steps in Strategic Partnership" (NSSP) initiative, which sought to address longstanding Indian interests by expanding bilateral cooperation in the areas of civilian nuclear activities, civilian space programs, and high-technology trade, and expanding dialogue on missile defense.¹³ In March 2005, the Bush Administration unveiled a "new strategy for South Asia" based in part on a judgment that the NSSP was insufficiently broad and that sets as a goal "to help India become a major world power in the 21st century."¹⁴

Nongovernmental proponents of closer U.S.-India security cooperation often refer to the rise of China and its potential disturbance of Asian stability as a key reason to "hedge" by bolstering U.S. links with India. While the Bush Administration has sought to downplay this probable motivator, Pentagon officials reportedly assert that India is likely to purchase up to \$5 billion worth of conventional weapons from the United States, including platforms that could be "useful for monitoring the Chinese military."¹⁵ Skeptics of a U.S. embrace of India note that the Indian Parliament passed resolutions condemning U.S. military operations against Iraq and later declined U.S. requests for troop contributions in the

news magazine found only 30% of India's holding a favorable view and 36% having negative images. Days before President Bush's March 2006 visit, an ACNielsen poll found 66% of Indians agreeing that President Bush is "a friend of India," while 72% believed America is "a bully" ("India's World View" *India Today* (Delhi), Oct. 3, 2005; Matthew Rosenberg, "India Prepares for Visit by President Bush," *Washington Post*, Feb. 27, 2006).

¹² *National Security Strategy of the United States* at [<http://www.whitehouse.gov/nsc/nssall.html>]; NIC Report "Mapping the Global Future" at [http://www.cia.gov/nic/NIC_globaltrend2020.html].

¹³ In June 2003, Indian Deputy Prime Minister Lal Advani said progress on the so-called "trinity" issues (which exclude missile defense) was necessary "in order to provide tangible evidence of the changed relationship" ("Press Statement by Deputy Prime Minister Mr. L.K. Advani," Embassy of India, June 10, 2003).

¹⁴ "Background Briefing by Administration Officials on U.S.-South Asia Relations," Mar. 25, 2005, at [<http://www.state.gov/r/pa/prs/ps/2005/43853.htm>]. A cogent argument for U.S. efforts to increase Indian power in general and cooperate in the civil nuclear field specifically is made by Ashley Tellis, former senior advisor to the U.S. Ambassador in New Delhi, in "India as a New Global Power," Carnegie Endowment for International Peace, July 2005. The former Ambassador, Robert Blackwill, is a strong proponent of closer U.S.-India relations and suggests that current top State Department officials are more India-friendly than ever before ("A New Deal for New Delhi," *Wall Street Journal*, Mar. 21, 2005).

¹⁵ Dafna Linzer, "Bush Officials Defend India Deal," *Washington Post*, July 20, 2005.

effort to stabilize that country. India's U.N. Mission has voted with the United States roughly 20 percent of the time over the past five years.¹⁶

According to the current Indian Prime Minister, three major factors have driven a redefinition of U.S.-India ties: the end of the Cold War, the accelerating pace of globalization, and the increasing influence of nearly two million Indian-Americans. However, there is concern among elements of India's security establishment and influential leftist political parties that the United States is seeking to turn India into a regional "client state." In accord with India's traditional nonalignment sentiments, leftist figures have called the July 18 Joint Statement overly concessional to U.S. interests and a further violation of the ruling coalition's commitment to independence in foreign affairs. Such criticism may have elicited assurances by India's defense ministry that decisions about any future joint Indian-U.S. military operations would be strictly guided by India's national interest and the principles of its foreign and defense policies. In 2003, the Indian external affairs minister denied that India's relations with the United States could be used as a "counterforce" against China, saying, "We categorically reject such notions based on outmoded concepts like balance of power. We do not seek to develop relations with one country to 'counterbalance' another."¹⁷

The Administration's policy of assisting India's rise as a major power has significant implications for U.S. interests in Asia and beyond. The course of U.S. relations with China and Pakistan, especially — and the relationship between Beijing and Islamabad, itself — is likely to be affected by an increase in U.S.-India strategic ties. Of most immediate interest to the U.S. Congress may be the Bush Administration's intention to achieve "full civilian nuclear energy cooperation with India," and its promise to bring before Congress related and required legislative proposals.¹⁸ Many in Congress also express concerns about India's relations with Iran and the possibility that New Delhi's policies toward Tehran's controversial nuclear program may not be congruent with those of Washington. More broadly, congressional oversight of U.S. foreign relations in Asia likely will include consideration of the potential implications of increased U.S. cooperation with India in functional areas such as arms sales and high-technology trade. With rapid increases in Indian and Chinese influence on the world stage, many in Congress will

¹⁶ "Indian Parliament Resolution Deplores US Action in Iraq," Dow Jones International, Apr. 8, 2003; "India to Send Troops in Case of UN Mandate: Pranab," *Times of India* (Delhi), June 14, 2004; U.S. Department of State, "Voting Practices in the United Nations."

¹⁷ Prime Minister Manmohan Singh, "India and the U.S.: Towards a New Partnership" (speech to the Council on Foreign Relations, New York), Sept. 24, 2004; "Mixed Response to Indo-US Security Pact," *Hindustan Times* (Delhi), July 3, 2005; "Agreements With US Compromising Independent Policy CPI-M," Press Trust of India, Aug. 30, 2005; "Accord Will Hurt Security Interests: Left," *Hindu* (Madras), July 9, 2005; "New Framework for the US-India Defense Relationship," Indian Ministry of Defense Press Release, July 27, 2005; Yashwant Sinha, "The Updated Paradigm," *Outlook* (Delhi), Nov. 25, 2003.

¹⁸ Under Secretary of State Nicholas Burns, "India, U.S. Sign Civil Nuclear Energy Cooperation Agreement," July 20, 2005, at [<http://usinfo.state.gov/usinfo/Archive/2005/Jul/20-168736.html?chanlid=washfile>].

seek to determine how and to what extent a U.S.-India “global partnership” will best serve U.S. interests.

Next Steps in Strategic Partnership and Beyond

Since 2001, the Indian government has pressed the United States to ease restrictions on the export to India of dual-use high-technology goods, 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 stated that progress in these areas was necessary to provide tangible evidence of a changed U.S.-India relationship.¹⁹ There were later references to a “quartet” when the issue of missile defense was included. Prior to the formal launching of the NSSP initiative in January 2004, the United States had sought to balance Indian interests in cooperation on and trade in sensitive technologies with concerns about proliferation and security. According to Secretary of State Powell in October 2003,

We have been trying to be as forthcoming as we can because it’s in our interest to be forthcoming, but we also have to protect certain red lines that we have with respect to proliferation, because it’s sometimes hard to separate within space launch activities and industries and nuclear programs, that which could go to weapons, and that which could be used solely for peaceful purposes.²⁰

India’s export controls are generally considered sturdy, with some analysts calling New Delhi’s track record comparable to or better than that of most signatories to multilateral export regimes.²¹ However, others call attention to recent U.S. sanctions on four Indian individuals and entities said to have been involved in WMD-related transfers to Iran. The “strategic partnership” forwarded by the NSSP involved progress through a series of reciprocal steps in which both countries took action designed to expand engagement on nuclear regulatory and safety issues, enhanced cooperation in missile defense, peaceful uses of space technology, and creation of an appropriate environment for increased high-technology commerce.²² Despite the “nuts-and-bolts” nature of NSSP efforts, some analysts characterized the initiative’s overarching goal — increasing rather than denying New Delhi’s access to advanced technologies — as a revolutionary shift in the U.S. strategic orientation toward India.²³ On July 18, 2005, the State Department announced successful completion

¹⁹ “Press Statement by Deputy Prime Minister Mr. L.K. Advani,” Embassy of India, June 10, 2003.

²⁰ “Washington Post Reporters Interview Powell,” U.S. Department of State Washington File, Oct. 3, 2003.

²¹ Seema Gahlaut and Anupam Srivastava, “Nonproliferation Export Controls in India,” Center for International Trade and Security, University of Georgia, June 2005. In May 2005, the Indian Parliament enacted further laws to tighten control over WMD-related materials and technologies.

²² See the January 2004 “Statement by the President on India” at [<http://www.whitehouse.gov/news/releases/2004/01/20040112-1.html>].

²³ Ashley Tellis, “Last Tango in Washington,” *Indian Express* (Bombay), Nov. 11, 2004.

of the NSSP, calling it “an important milestone” in the transformation of U.S.-India relations and an enabler of further cooperative efforts.²⁴ The July 18 Joint Statement includes provisions for moving forward in three of the four NSSP issue-areas (the June 28 defense agreement calls for expanded collaboration on missile defense).

Since 1998, several Indian entities have been subjected to case-by-case licensing requirements and appear on the U.S. Commerce Department’s “Entity List” imposing licensing requirements for exports to foreign end users involved in weapons proliferation activities. In October 2001, President Bush waived nuclear-related sanctions on aid to India, and the number of Indian companies on the Entity List was reduced from 159 to 2 primary and 14 subordinate. In September 2004, as part of NSSP implementation, the United States modified some export licensing policies and removed the Indian Space Research Organization (ISRO) headquarters from the Entity List. Further adjustments came in August 2005 when six more subordinate entities were removed. Indian companies remaining on the Entity List are four subordinates of the ISRO, four subordinates of the Defense Research and Development Organization, one Department of Atomic Energy entity, and Bharat Dynamics Limited, a missile production agency.²⁵

It may be that numerous Indian observers will remain skeptical about the NSSP process even after the July 18 Joint Statement, viewing it in the past as a mostly symbolic exercise that will not alter a perceived U.S. intention of ensuring its own technological superiority.²⁶ Many such analysts believe that past U.S. moves have not been substantive, opining that changes in licensing requirements for high-technology trade have been of little consequence for prospective Indian buyers and progress on space and nuclear energy cooperation has been marginal. Months after its January 2004 launch, the NSSP appeared to some Indian analysts to have “crashed against bureaucratic obstacles in Washington” (often an oblique reference to the nonproliferation interests of the State Department).²⁷

Civilian Nuclear Cooperation²⁸

Among the more controversial and far-reaching provisions of the July 18 Joint Statement is an implicit recognition of India’s status as a nuclear weapons state. The Bush Administration notes India’s “exceptional” record on (horizontal) nonproliferation and its newly enacted laws to strengthen export controls on sensitive

²⁴ “United States and India Successfully Complete Next Steps in Strategic Partnership,” July 18, 2005, at [<http://www.state.gov/p/sa/rls/fs/2005/49721.htm>].

²⁵ *Federal Register*, Aug. 30, 2005, p. 51251. See the Commerce Department’s Entity List at [<http://www.bis.doc.gov/Entities>].

²⁶ Deepa Ollapaly, “U.S.-India Relations: Ties That Bind?,” Sigur Center for Asian Studies, George Washington University, 2005.

²⁷ R. Ramachandran, “The Hype on High-Tech,” *Frontline* (Madras), Oct. 20, 2004; Raja Mohan, “A Last Opportunity,” *Hindu* (Madras), June 21, 2004. See also V. Sudarshan, “N-Tangled,” *Outlook* (Delhi), Nov. 11, 2004.

²⁸ See also CRS Report RL33016, *U.S. Nuclear Cooperation With India*, by Sharon Squassoni.

technologies. The Administration insists that U.S. interests are best served with India “joining the mainstream of international thinking and international practices on the nonproliferation regime.”²⁹ The Director General of the International Atomic Energy Agency (IAEA) has welcomed the agreement as “out of the box thinking” that could contribute to the enhancement of nuclear safety and security.³⁰ Many favorable analysts view the decision in the context of a perceived need to “counterbalance” a rising China, calling nuclear cooperation with India a means of both demonstrating U.S. resolve to assist India in increasing its power and stature, and bringing New Delhi into the global nonproliferation regime rather than leaving it on the outside. For these observers, engaging a *de facto* nuclear India as such is a necessary and realistic policy.³¹

There is evidence that India’s increasingly voracious energy needs can partially be offset though increased nuclear power capacity, although at present nuclear power accounts for about 2.6% of India’s total electricity generation. Prime Minister Singh asserts that a major expansion of India’s capacity in this sector is “imperative,” and India sets as its goal generation of at least 20,000 megawatts of nuclear power by the year 2020 (present capacity is less than 3,000 MWe). General Electric, which built India’s Tarapur nuclear power plant in 1969, is an American company that might see financial gains from resumed sales of nuclear fuel to India.³²

In April 2005, Secretary of State Rice noted that current U.S. law precludes the sale of nuclear technology to India, and she conceded that U.S. nuclear cooperation with India would have “quite serious” implications for the Nuclear Nonproliferation Treaty (NPT).³³ Critics of such cooperation insist that a policy of “exceptionalism” toward India may permanently undermine the coercive power of the NPT. They say such a move would seriously risk turning the existing nonproliferation regime from “imperfect but useful mechanisms to increasingly ineffectual ones,” and they fault

²⁹ Under Secretary of State Nicholas Burns, *op. cit.* India appears to be continuing its vertical proliferation of nuclear weapons (David Albright and Kimberly Kramer, “Stockpiles Still Growing,” *Bulletin of the Atomic Scientists*, Nov./Dec. 2004).

³⁰ “IAEA Director General Reacts to U.S.-India Cooperation Agreement,” IAEA Press Release, July 20, 2005.

³¹ Howard LaFranchi, “Why US Is Shifting Nuclear Stand With India,” *Christian Science Monitor*, July 20, 2005; Teresita Schaffer, “India and the United States: Turning a Corner,” *CSIS South Asia Monitor* 85, Aug. 1, 2005; Selig Harrison, “End the Nuclear Double Standard for India,” *Los Angeles Times*, Dec. 9, 2002; Baker Spring, “India and a Two-Track Policy to Combat Nuclear Proliferation,” Heritage Foundation WebMemo 810, July 29, 2005; Sumit Ganguly, “Giving India a Pass,” *Foreignaffairs.org*, Aug. 17, 2005.

³² Indian Ministry of Power, “Generation Overview;” “Nuclear Power Crucial to Fuel India’s Booming Economy,” Agence France Presse, July 20, 2005; “Remarks of Prime Minister Singh at the Meeting of Bhabha Atomic Research Centre Scientists,” Indian Ministry of External Affairs, June 4, 2005; Adam Entous, “With Bush’s Help, GE Courts Indian PM, Nuke Sector,” Reuters, July 23, 2005. For an overview of India’s energy sector, see Debnath Shaw, “Securing India’s Energy Future,” Center for Strategic and International Studies, 2005, at [http://www.csis.org/sapro/0505_Shaw.pdf].

³³ Secretary Condoleezza Rice, “Interview With the Wall Street Journal,” U.S. Department of State, Apr. 13, 2005.

the Bush Administration for “lowering the bar too much” with a selective and self-serving policy.³⁴ Many opponents worry that the Joint Statement exacerbates a global perception that the United States cannot be counted upon to honor its own nonproliferation obligations, including those made in the 1995 and 2000 NPT Review Conferences. This may encourage other supplier countries, such as France, Russia, and China, to relax their own rules and provide increased aid to potential security risks, such as Iran, Pakistan, and Syria.³⁵ A further concern is that NPT member countries with advanced scientific establishments that have foresworn nuclear weapons may become tempted to develop their own such capabilities, especially if negotiations over the status of Iran and North Korea break down.³⁶ Some also see overt U.S. strengthening of India as disruptive to existing balances of power involving both Pakistan and China.³⁷ Moreover, some in Congress do not believe the United States should sell nuclear materials to any country that is not a member of the NPT and which has detonated a nuclear device.³⁸

During a September 8, 2005 hearing on U.S.-India relations, the first held after the July 18 Joint Statement, Members of the House International Relations Committee expressed widespread approval of increasingly warm U.S.-India relations. However, many also expressed concerns about the potential damage to international nonproliferation regimes that could result from changes in U.S. law that would allow for civil nuclear cooperation with India. Some voiced negative appraisals of the Bush Administration’s lack of prior consultation with Congress leading up to the July

³⁴ Lawrence Korb and Peter Ogden, “A Bad Deal With India,” *Washington Post*, Aug. 3, 2005; Strobe Talbott, “Good Day for India, Bad Day for Non-Proliferation,” *YaleGlobal*, July 21, 2005; comments by Robert Einhorn at the American Enterprise Institute event “The United States and India: A New Nuclear Partnership,” July 25, 2005, at [<http://www.aei.org/events/filter.all,eventID.1113/transcript.asp>]. See also Michael Krepon, “Is the U.S.-India Nuclear Cooperation Agreement Good or Bad for Proliferation?,” Henry L. Stimson Center, Aug. 31, 2005; Daryl Kimball, “U.S.-India Nuclear Cooperation: A Reality Check,” *Arms Control Today*, Sept. 2005.

³⁵ William Potter, “India and the New Look of U.S. Nonproliferation Policy,” *Nonproliferation Review*, Summer 2005; Henry Sokolski, “The India Syndrome,” *Weekly Standard*, Aug. 1, 2005.

³⁶ A cogent review of the potential problems arising from nuclear cooperation with India as proposed by the Bush Administration is George Perkovich, “Faulty Promises,” Carnegie Endowment for International Peace, Sept. 2005.

³⁷ Bryan Bender, “US to Aid India on Nuclear Power,” *Boston Globe*, July 19, 2005; Steven Weisman, “U.S. to Broaden India’s Access to Nuclear-Power Technology,” *New York Times*, July 19, 2005. See also Carla Ann Robbins, “Bush’s India Deal Bends Nuclear Rules,” *Wall Street Journal*, July 20, 2005; “Green Light for Bomb Builders” (editorial), *New York Times*, July 22, 2005; Pat Holt, “US Shift on India Nuclear Policy Tilts Regional Balance,” *Christian Science Monitor*, Aug. 4, 2005.

³⁸ See, for example, a press release from Rep. Edward Markey, “House Energy Conference Committee Questions Logic of New India Nuke Strategy,” July 19, 2005. Immediately following the July 18 Joint Statement, an amendment to Sec. 632 of the Energy Policy Act of 2005 (P.L. 109-190) sought to prohibit nuclear exports to countries which are not signatories to the NPT and which have detonated a nuclear device. The amendment was supported by the House side of the conference committee but rejected by the Senate side.

18 Joint Statement. Administration officials appearing before the panel insisted that the United States was not condoning India's nuclear weapons program and that bringing India into the mainstream of nonproliferation norms would represent a "net gain" for international nonproliferation efforts. These officials also assured the Committee that the Administration will do nothing to undercut NSG guidelines or the body's consensus process, even as they conceded that preliminary consultations with NSG members had brought "mixed results," with some expressing reservations and/or opposition to making an exception for India.³⁹

Many influential Indian figures have weighed in with criticism of the specifics of greater U.S.-India nuclear cooperation. For example, former Indian Prime Minister Vajpayee of the Bharatiya Janata Party (BJP) criticized the July 18 Joint Statement as causing "consternation" among Indian nuclear scientists and defense analysts. His primary objections were that separating India's civilian and military nuclear facilities could erode India's ability to determine the future size of its nuclear deterrent and that the costs of such separation would be "prohibitive." India's main opposition BJP asserts that India stands to lose from the July 18 deal while the United States risks little, a claim echoed by some nongovernmental analysts.⁴⁰ Prime Minister Singh has dismissed such criticisms as misguided, insisting that the stipulations will not lead to any limitations on or outside interference in India's nuclear weapons program, and that substantive Indian action is conditional upon reciprocal U.S. behavior.⁴¹

Under the heading of "Energy and the Environment," the July 18 Joint Statement contains an agreement to "strengthen energy security and promote the development of stable and efficient energy markets in India ..." This clause has obvious relevance to the above discussion and may also be considered in the context of U.S. efforts to discourage India from pursuing construction of a proposed pipeline that would deliver Iranian natural gas to India through Pakistan (see "Regional Issues" section below). Washington and New Delhi launched a new Energy Dialogue in May 2005. The forum's five Working Groups, one of which addresses nuclear power, seek to help secure clean, reliable, affordable sources of energy.⁴²

Civilian Space Cooperation

A U.S.-India Joint Working Group on Civil Space Cooperation was established in March 2005. The inaugural meeting was held in Bangalore, home of the Indian Space Research Organization (ISRO), in June of that year. This forum is meant to

³⁹ Hearing of the House International Relations Committee, "U.S.-India Relations: A New Entente?," Sept. 8, 2005.

⁴⁰ "Statement by Atal Bihari Vajpayee," Bharatiya Janata Party Press Release, July 20, 2005; "India a 'Loser' in Nuclear Deal With US, Says Opposition," BBC Monitoring South Asia, Aug. 2, 2005; Prem Shankar Jha, "Coming of Nuclear Age," *Outlook* (Delhi), Aug. 1, 2005.

⁴¹ "Statement of Prime Minister Dr. Manmohan Singh in Parliament on His Visit to the United States," Embassy of India, July 29, 2005.

⁴² "Secretary Bodman Announces U.S.-India Energy Dialogue," Department of Energy Press Release, May 31, 2005.

provide a mechanism for enhanced cooperation in areas including joint satellite activities and launch, space exploration, increased interoperability among existing and future civil space-based positioning and navigation systems, and collaboration on various Earth observation projects. The next meeting is slated to take place in Washington, D.C., by spring 2006.⁴³ The July 18 Joint Statement calls for closer ties in space exploration, satellite navigation and launch, and in the commercial space arena. U.S. proponents aver that increased civil space cooperation with India can lead to practical solutions to everyday problems related to communication, navigation, the environment, meteorology, and other areas of scientific inquiry. Immediate benefits could include launching U.S. instruments on a planned Indian moon mission and working to include an Indian astronaut in the U.S. astronaut training program. The two nations also express a readiness to expand cooperation on the Global Positioning System.⁴⁴ While current cooperative plans may be considered noncontroversial, there have in the past been U.S. efforts to prevent India from obtaining technology and know-how which could allow New Delhi to advance its military missile programs.⁴⁵

High-Technology Trade

The United States and India established a U.S.-India High-Technology Cooperation Group (HTCG) in November 2002. The July 2003 inaugural HTCG session saw trade representatives from both countries discuss a wide range of issues relevant to creating conditions for more robust bilateral high technology commerce, including market access, tariff and non-tariff barriers, and export controls. Several public-private events have been held under HTCG auspices, including a July 2003 meeting of some 150 representatives of private industries in both countries to share their interests and concerns with governmental leaders. Commerce Department officials have sought to dispel “trade-detering myths” about limits on dual-use trade by noting that only a very small percentage of total U.S. trade with India is subject to licensing requirements and that the great majority of dual-use licensing applications for India are approved.⁴⁶ In February 2005, the inaugural session of the U.S.-India High-Technology Defense Working Group met in Bangalore, where participants sought to identify new opportunities for cooperation in defense trade. The July 18 Joint Statement noted the signing of a Science and Technology

⁴³ “U.S.-India Joint Working Group on Civil Space Cooperation Joint Statement,” July 14, 2005, at [<http://www.state.gov/p/sa/rls/pr/2005/49656.htm>].

⁴⁴ Under Secretary of Commerce Kenneth Juster, “Unleashing the Potential of U.S.-India Civil Space Cooperation,” June 22, 2004, at [<http://www.state.gov/p/sa/rls/rm/33811.htm>]; “The United States and India, Strong Global Partners,” July 18, 2005, at [<http://www.state.gov/p/sa/rls/fs/2005/49762.htm>].

⁴⁵ For example, in 1993, the Clinton Administration imposed sanctions on a Russian entity and ISRO for transfers of cryogenic rocket engine technology to India (the United States did not object to the transfer of the engines, themselves).

⁴⁶ “U.S.-India Dual-Use Export Control Policies and Procedures,” at [<http://www.bis.doc.gov/InternationalPrograms/IndiaCoopPresentation.htm>]. See also “U.S.-India Technology Cooperation Renewed, Commerce Official Says,” U.S. Department of State Washington File, June 22, 2004.

Framework Agreement. A later resolution of a dispute over intellectual property may lead to increased scientific collaboration.⁴⁷

U.S. proponents of increased high-technology trade with India assert that expanded bilateral commerce in dual-use goods will benefit the economies of both countries while meeting New Delhi's specific desire for advanced technologies. The United States has taken the position that "the burden of action rests largely on Indian shoulders" in this arena given past frustrations with Indian trade barriers and inadequate intellectual property rights protections.⁴⁸ In addition to concerns about sensitive U.S. technologies being transferred to third parties, critics warn that sharing high-technology dual-use goods with India could allow that country to advance its strategic military programs. Some in Congress have expressed concern that providing India with dual-use nuclear technologies could allow that country to improve its nuclear weapons capabilities.⁴⁹

Security Relations

Since September 2001, and despite a concurrent U.S. rapprochement with Pakistan, U.S.-India security cooperation has flourished. Both countries acknowledge a desire for greater bilateral security cooperation and a series of measures have been taken to achieve this. The India-U.S. Defense Policy Group — moribund since India's 1998 nuclear tests and ensuing U.S. sanctions — was revived in late 2001 and meets annually. U.S. diplomats have called bilateral military cooperation among the most important aspects of transformed U.S.-India relations. On June 28, 2005, Indian Defense Minister Pranab Mukherjee was in Washington, DC, where the United States and India signed a ten-year defense framework agreement that refers to a "new era" for bilateral relations and calls for collaboration in multilateral operations, expanded two-way defense trade, increasing opportunities for technology transfers and co-production, expanded collaboration related to missile defense, and establishment of a bilateral Defense Procurement and Production Group. The United States views defense cooperation with India in the context of "common principles and shared national interests" such as defeating terrorism, preventing weapons proliferation, and maintaining regional stability.⁵⁰

Some analysts believe that India, as a major democracy with a well-trained and professional military, is a worthy candidate for greater security cooperation with the United States, even if significant asymmetries (on technology transfers, for example) could persist and limit the relationship. Greater interoperability and coordination with the Indian armed forces has the potential to benefit the United States in areas including counterterrorism, counternarcotics, counterproliferation, and peacekeeping

⁴⁷ "US, India Agree on Scientific Cooperation," *New York Times*, Sept. 2, 2005.

⁴⁸ "U.S.-India Relations and High-Technology Trade," Nov. 20, 2003, at [<http://www.state.gov/p/sa/rls/rm/26476.htm>].

⁴⁹ See, for example, a press release from Rep. Edward Markey, "Plans to Sell Dual-Use Nuclear Technologies to India by US Hasty, Reward Bad Behavior," Jan. 9, 2003.

⁵⁰ "New Framework for the U.S.-India Defense Relationship," *op. cit.*

operations. (India has extensive experience in this latter category.)⁵¹ Skeptics point to an Indian strategic culture rooted in concepts of nonalignment and multipolarity as reasons that a true strategic partnership will be difficult to develop in the security realm.⁵² Apparently divergent U.S. and Indian worldviews are demonstrated in significantly differing policies toward Iraq and the strategy for fighting religious extremism, relations with and investments in Iran and Burma, and, perhaps most importantly for New Delhi, relations with Pakistan. Also, the Indian military is quite new to doctrines entailing force projection, having long been focused on defending the country's sovereignty from internal or neighboring threats.

Several Indian officials have expressed concern that the United States is a “fickle” partner that may not always be relied upon to provide the reciprocity, sensitivity, and high-technology transfers sought by New Delhi. Indian military officers voice frustration at what they see as inconsistent U.S. policies and a lack of U.S. credibility.⁵³ The June defense pact and July Joint Statement apparently seek to mollify Indian concerns in these areas, but it remains to be seen whether or not leaders in both capitals can overcome potential political opposition and provide what their counterparts seek from the defense relationship.

Military-to-Military Relations

Since early 2002, the United States and India have held numerous and unprecedented joint exercises involving all military branches. February 2004 “Cope India” mock air combat saw Indian pilots in late-model Russian-built fighters hold off American pilots flying older F-15Cs, surprising U.S. participants with their innovation and flexibility in tactics. While military-to-military interactions are extensive and growing, some analysts believe that joint exercises are of limited utility without a greater focus on planning for potential combined operations that arguably would advance the interests of both countries. One suggests that there is no reason why the United States and India cannot formalize a memorandum of understanding on cooperative military operations in the Indian Ocean region.⁵⁴ Such a move could, however, antagonize security planners in both Islamabad and Beijing.

⁵¹ C. Christine Fair, “US-Indian Army-to-Army Relations,” *Asian Security*, Apr. 2005.

⁵² Amit Gupta, “The U.S.-India Relationship,” Strategic Studies Institute, Feb. 2005.

⁵³ Sandeep Unnithan, “First Jet Engine Laugh,” *India Today* (Delhi), Feb. 28, 2005; Maj. Gen. Mrinal Suman, “American Defense Equipment for India,” *Indian Defense Review* (Delhi), Jan. 2005. A former Indian army chief has suggested that improved relations with the United States have reaped no meaningful benefits for India, and he urges establishment of a defensive Indian alliance with China and Russia (“Former Army Chief Urges India-Russia-China Alliance Against US Hegemony,” BBC Monitoring South Asia, Sept. 1, 2005).

⁵⁴ David Fulghum, “Indian ‘Scare,’” *Aviation Week & Space Technology*, Oct. 4, 2004; Ashley Tellis, “India as a New Global Power,” op. cit.

Arms Sales

Along with increasing military-to-military ties, the issue of U.S. arms sales to India has taken a higher profile. In early 2004, a group of 15 private U.S. arms dealers traveled to New Delhi for talks with Indian officials on potential sales. The Indian government reportedly possesses an extensive list of desired U.S.-made weapons, including P-3C Orion maritime patrol aircraft, PAC-3 anti-missile systems, electronic warfare systems, and possibly even F-16 fighters. In March 2005, the Bush Administration welcomed Indian requests for information on the possible purchase of F-16 or F/A-18 multi-role fighters and indicated that Washington is “ready to discuss the sale of transformative systems in areas such as command and control, early warning, and missile defense.” The Director of the Pentagon’s Defense Security Cooperation Agency is slated to visit New Delhi in September 2005 for classified technical briefings on U.S. missile defense systems and combat aircraft, and India may seek to purchase the *USS Trenton*, a decommissioned U.S. Navy transport ship. India has emphasized a desire that security commerce with the United States not be a “buyer-seller” interaction, but instead should become more focused on technology transfers, co-development, and co-production.⁵⁵ At present, approximately 70% of India’s imported military equipment has come from Russia.

Missile Defense

India was among the first (and few) countries to welcome President Bush’s May 2001 call for development of missile defenses. Expanded dialogue on missile defense was among the four issue-areas of the NSSP and the June 28 defense pact calls for expanded collaboration in this area. The United States has been willing to discuss potential sales to India of missile defense systems and has provided technical briefings on such systems. While New Delhi has expressed interest in purchasing Arrow and/or Patriot anti-missile systems for limited area use, the Indian defense minister states that India has no intention of “accepting a missile shield from anyone.” Some Indian commentary on missile defense has counseled against Indian purchases of U.S.-made systems, saying they are unlikely to be effective, could be overwhelmed by augmented Chinese and Pakistani missile inventories, and would increase regional insecurities.⁵⁶ U.S. proponents of increased missile defense dialogue with India view it as meshing with President Bush’s policy of cooperating

⁵⁵ “US Arms Makers to Offer High-Tech Military Hardware to India,” Agence France Presse, Feb. 4, 2004; “Background Briefing by Administration Officials on U.S.-South Asia Relations,” op. cit.; “India, U.S. Prepare to Discuss Weapons Buys,” *Defense News*, Aug. 23, 2005; “Speech by Defense Minister Pranab Mukherjee at the Executive Defense Industry Roundtable Lunch Organized by US-India Business Council,” June 27, 2005, at [http://www.indianembassy.org/press_release/2005/June/10.htm].

⁵⁶ Mandavi Mehta and Teresita Schaffer, “India and the United States: Security Interests,” Center for Strategic and International Studies *South Asia Monitor*, June 1, 2001; “U.S. Pentagon Official Briefs Indian Counterparts on Patriot 3 Missile System,” Associated Press, Sept. 9, 2005; “India Rules Out Accepting US Missile Defense System,” Agence France Presse, July 5, 2005; Kartik Bommakanti, “A Theatre of Mistaken Missiles,” *Indian Express* (Bombay), Mar. 11, 2005; Seema Sirohi, “Patriot Games,” *Outlook* (Delhi), Dec. 27, 2004.

with friendly countries on missile defense. Skeptics warn that the introduction of anti-missile systems in South Asia could disrupt the existing regional balance and perhaps fuel an arms race there.

The Proliferation Security Initiative

The Proliferation Security Initiative (PSI) launched by President Bush in May 2003 seeks to create multilateral cooperation on interdiction of WMD-related shipments. According to the State Department, PSI is not an organization, but rather an activity in which more than 60 “participants” cooperate and coordinate efforts. New Delhi has been concerned that a “core group” comprising PSI’s founding states represented a two-tiered system, but has since been reassured that organization will be nondiscriminatory. However, India’s navy chief indicates that India has “reservations” about the mechanics of maritime interventions and that New Delhi seeks to be among the initiative’s decision-makers rather than a “peripheral participant.”⁵⁷ Neither the June 28 defense pact nor July 18 Joint Statement make direct mention of the PSI.

Economic Relations

As India’s largest trading and investment partner, the United States strongly supports New Delhi’s continuing economic reform policies. U.S. exports to India in 2004 were valued at \$6.1 billion (up 22% over 2003), while imports from India totaled \$15.6 billion (up 19% over 2003), making India the 22nd largest U.S. trading partner. The U.S.-India Economic Dialogue, which was inaugurated in New Delhi in March 2000, has four tracks: the Trade Policy Forum, the Financial and Economic Forum, the Environment Dialogue, and the Commercial Dialogue. Each of these tracks is led by the respective U.S. agency and Indian ministry. The July 18 Joint Statement includes calls for revitalizing the Economic Dialogue, most concretely through the launch of a new CEO Forum, and promoting modernization of India’s infrastructure “as a prerequisite for the continued growth of the Indian economy.” The CEO Forum, composed of ten chief executives from each country representing a cross-section of key industrial sectors, seeks to more effectively bring private sector input to government-to-government deliberations. In March 2006, the Forum issued a report identifying India’s poor infrastructure and dense bureaucracy as key impediments to increased bilateral trade and investment relations.⁵⁸

In September 2004, U.S. Under Secretary of State Larson told a Bombay audience that “the slow pace of economic reform in India” has meant “trade and investment flows between the U.S. and India are far below where they should and can

⁵⁷ State Department Fact Sheet at [<http://www.state.gov/t/np/rls/fs/46839.htm>]; C. Raja Mohan, “Dismantling Core Group, US Eases India’s Path to Proliferation Security,” *Indian Express* (Bombay), Aug. 18, 2005; “Proliferation Security Initiative: New Delhi Discussing Reservations With Washington,” *Hindu* (Madras), May 22, 2005.

⁵⁸ “Enhancing the U.S.- India Economic Dialogue,” July 18, 2005, at [<http://www.state.gov/p/sa/rls/fs/2005/49736.htm>]. See also CRS Report RS21502, *U.S.-India Economic Relations*, by Wayne M. Morrissey and K. Alan Kronstadt.

be,” adding that “the picture for U.S. investment is also lackluster.”⁵⁹ In August 2005, the New Delhi government announced that it was abandoning plans to sell more than a dozen state-owned companies in what many analysts called a major setback to India’s economic reform program, one that likely will affect the flow of foreign investment there. The move was seen as a gesture to India’s communist parties which support the ruling coalition in New Delhi.⁶⁰ Despite the generally closed nature of the Indian economy and U.S. concerns, India’s recent GDP growth rates are among the highest in the world, averaging more than 6.5% annually for 2002-2004.

In November 2005, U.S. Treasury Secretary Snow made a five-day visit to India focusing on that country’s efforts to further liberalize its financial sector and improve financing infrastructure. During his stay, Secretary Snow led the U.S. delegation at a meeting of the U.S.-India Financial and Economic Forum in New Delhi. During the same month, U.S. Trade Representative Portman visited New Delhi for meetings with top Indian officials, where he inaugurated the U.S.-India Trade Policy Forum and urged “ambitious” cuts in India’s trade-distorting agricultural subsidies. Ambassador Portman and Indian Commerce Minister Nath made agreements to establish several focus groups to promote bilateral trade.

U.S. proponents of increased economic cooperation with India make traditional free-market arguments that more bilateral trade and investment will benefit the economies and citizens of both countries. Some U.S. interest groups have expressed concern that closer U.S.-India economic ties could accelerate the practice by some U.S. firms of outsourcing IT and customer service jobs to India. Proposals have been made in Congress and various state governments to restrict outsourcing work overseas. Bush Administration officials have expressed opposition to government restrictions on outsourcing, but they have told Indian officials that the best way to counter such “protectionist” pressures in the United States is to further liberalize markets. Other U.S. interest groups have raised concern over the outsourcing of financial services (such as call centers) to other countries that entail transmitting private information of U.S. consumers. U.S. officials have urged India to enact new privacy and cybersecurity laws to address U.S. concerns over identify theft.⁶¹

⁵⁹ “The American Vision of U.S.-India Economic Cooperation,” Sept. 24, 2004, at [<http://www.state.gov/e/rls/rm/2004/36345.htm>].

⁶⁰ Saritha Rai, “In a Blow to Reform Plans, India Halts Privitizations,” *International Herald Tribune*, Aug. 17, 2005.

⁶¹ The 108th Congress passed H.R. 2673 (P.L. 108-199), which limits certain federal government contractors from outsourcing work overseas. See CRS Report RS21883, *Outsourcing and Insourcing Jobs in the U.S. Economy*, by James K. Jackson.

Global Issues

Terrorism

In the July 18 Joint Statement, President Bush and Prime Minister Singh resolved to “combat terrorism relentlessly” through “vigorous counterterrorism cooperation.” The June 28 defense pact calls for strengthening the capabilities of the U.S. and India militaries to “promote security and defeat terrorism.”⁶² A U.S.-India Joint Working Group on Counterterrorism was established in January 2000 and meets regularly; the two countries also share relevant intelligence. New Delhi has long been concerned with the threat posed to India’s security by militant Islamic extremism, especially as related to separatism in its Jammu and Kashmir state. Following major terrorist attacks on the United States in September 2001, Washington’s own attention to this threat became greatly focused, and India’s offers of full cooperation with U.S. counterterrorism efforts included base usage and territorial transit. However, ensuing U.S. operations in Afghanistan were better facilitated through accommodation with Pakistan, leaving many in New Delhi uncomfortable with a (renewed) U.S. embrace of a country that Indian leaders believed to be “the epicenter of terrorism.” Thus, while Washington and New Delhi agree on the need to combat terrorism, there remains a disconnect in the two countries’ definitions of the term and in their preferred policies for combating it globally (for example, the 2003 U.S.-led invasion of Iraq and its aftermath gave pause to Indian leaders who may have been predisposed to greater U.S.-Indian counterterrorism cooperation).⁶³

United Nations Reform

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

⁶² “Joint Statement Between President George W. Bush and Prime Minister Manmohan Singh,” *op. cit.*; “New Framework for the U.S.-India Defense Relationship,” *op. cit.*

⁶³ “India Accuses Pakistan of Being Terror Hub,” Associated Press, Dec. 28, 2002; Deepa Ollapaly, “U.S.-India Relations: Ties That Bind?,” *op. cit.* See also, CRS Report RL32259, *Terrorism in South Asia*, by K. Alan Kronstadt and Bruce Vaughn.

Other Global Issues

The inaugural session of the U.S.-India Global Issues Forum was held in October 2002; the most recent meeting came in May 2005. Within this forum, the United States and India discuss issues related to protection of the environment, sustainable development, protection of the vulnerable, combating transnational organized crime, and promotion of democratic values and human rights.⁶⁴ Other relevant provisions in the July 18 Joint Statement include establishment of a new U.S.-India Global Democracy Initiative and a new U.S.-India Disaster Relief Initiative. The United States and India also cooperate on efforts to combat HIV/AIDS; the Joint Statement calls for strengthening cooperation in this area. Bilateral initiatives pursued in the “global issues” realm may be considered politically noncontroversial.

Regional Issues

Closer U.S.-India relations growing from an overt U.S. desire to increase India’s power have implications for U.S. relations with other regional countries, as well as for the dynamics among those countries. Policy makers in Beijing, Islamabad, and Tehran are among those who follow closely the course of a U.S.-India “global partnership” with an eye toward how their own geopolitical standing is affected.

China

A rising concern for U.S. policymakers is China’s growing global “reach” and the consequences that China’s increasing international economic, military, and political influence has for U.S. interests. After decades of relatively little U.S. attention to India, recent U.S. moves to embrace New Delhi are widely seen in the context of Washington’s search for friendly Asian powers that may offset Beijing’s power, prevent future Chinese hegemony, and give Washington more nuanced opportunities for leverage in Asia. However, for many observers, it appears unlikely that India will be willing to play a role of “balancer” against China except on New Delhi’s own terms and not those imposed from abroad; in this view, New Delhi tends to see Beijing more as an opportunity than as a problem. For some American analysts, the emergence of an overt counterweight alliance is viewed as both misguided as policy and unlikely as an outcome.⁶⁵

A brief but intense India-China border war in 1962 had ended the previously friendly relationship between the two leaders of the Cold War “nonaligned

⁶⁴ “Meeting of the U.S.-India Global Issues Forum,” May 17, 2005, at [<http://www.state.gov/g/rls/rm/2005/46423.htm>].

⁶⁵ Stephen Cohen, “South Asia,” in *America’s Role in Asia* (Asia Foundation, 2004); Harry Harding, “The Evolution of the Strategic Triangle,” in *The India-China Relationship* (Woodrow Wilson Center Press, 2004). See also CRS Report RL32804, *China-U.S. Relations: Current Issues and Implications for U.S. Policy*, by Kerry Dumbaugh.

movement.”⁶⁶ Just days before New Delhi’s May 1998 nuclear tests, India’s defense minister called China “potential threat number one,” and a 2002 projection by India’s Planning Commission warned, “The increasing economic and military strength of China may pose a serious challenge to India’s security unless adequate measures are taken to fortify our own strengths.” The Indian Defense Ministry asserts that China’s close defense and arms sales relations with Pakistan — which include key nuclear and missile transfers — its military modernization, its strategic weapons, and “its continental and maritime aspirations require observation.” Significant elements of India’s defense establishment consider China a potent future threat, express worry about New Delhi’s perceived military vulnerability vis-a-vis Beijing, and view with alarm a Chinese “string of pearls” strategy that may seek to restrain India through a series of alliances with its neighbors. More recently, some Indian analysts have concluded that China provided Pakistan with cruise missile technology. In addition, there are signs that the global oil market’s center of gravity is shifting toward the vast markets of India and China, and the two countries’ energy companies often find themselves competing for oil and gas supplies abroad.⁶⁷

Despite still unresolved issues, particularly on conflicting territorial claims, high-level exchanges between New Delhi and Beijing regularly include statements from both sides that there exists no fundamental conflict of interest between the two countries. Upon the Indian Prime Minister’s June 2003 visit to Beijing — the first such visit in more than a decade — the two countries issued a joint statement asserting, “The common interests of the two sides outweigh their differences. The two countries are not a threat to each other.” Recent years have seen bilateral security engagement including modest, but unprecedented, joint military exercises and plans to expand bilateral defense cooperation. In April 2005, Chinese Prime Minister Wen Jiabao visited New Delhi where India and China agreed to launch a “strategic partnership” to include broadened defense links and efforts to expand economic relations. Trade between India and China is growing rapidly and many in both countries see huge potential benefits in further trade expansion. New Delhi and Beijing also have agreed to cooperate on energy security.⁶⁸

⁶⁶ In Sept. 2005, lingering acrimony from the 1962 conflict emerged in a diplomatic spat over the current Indian defense minister’s comment that it was a “Chinese invasion.”

⁶⁷ “R. Prasanna, “Enter the Dragon,” *The Week* (Cochin), Aug. 17, 2003; Jasjit Singh, “The Arc in the Sky,” *Indian Express* (Bombay), Nov. 10, 2003; Rahul Bedi, “India and China Vie for Regional Supremacy,” *Jane’s Intelligence Review*, June 10, 2005; Indian Ministry of Defense, *Annual Report 2003-2004*, released May 2, 2005; Sandeep Unnithan, “Cruise Contest,” *India Today* (Delhi), Aug. 29, 2005; Bhushan Barea, et al., “Saudis Woo India on Oil Projects,” *Wall Street Journal*, Jan. 6, 2005.

⁶⁸ “Declaration on Principles for Relations and Comprehensive Cooperation Between the Republic of India and People’s Republic of China,” Indian Ministry of External Affairs, June 23, 2003; “China, India Pledge to Deepen Defense Cooperation,” Reuters, Dec. 28, 2004; “Joint Statement of the Republic of India and the People’s Republic of China,” Indian Ministry of External Affairs, Apr. 11, 2005; “India, China Trade Could Touch US\$100BLN,” *Asia Pulse* (Sydney), July 21, 2005; Himangshu Watts, “India, China Agree to Cooperate on Energy Security,” Reuters News, Apr. 11, 2005.

Pakistan

For many observers, the July 18 Joint Statement struck a serious blow to the “hyphenization” of U.S. relations with India and Pakistan. A persistent and oftentimes perplexing aspect of U.S. engagement in South Asia has been the difficulty of maintaining a more-or-less balanced approach toward two antagonistic countries while simultaneously promoting perceived U.S. interests in the region. Despite India’s clearly greater status in material terms, the United States has for the past half-century found itself much more closely engaged with Pakistan, even if U.S. policy toward one South Asian power often required justification in the context of another’s perceived interests. In recent years, however, the United States has shown increasing signs of delinking its India policy from its Pakistan policy, and this process has been starkly illuminated with an explicit recognition of India as “a responsible state with advanced nuclear technology.” Islamabad expressed “serious concern” over recent U.S.-India agreements and their potential meaning for Pakistan. Islamabad has requested and been refused an opportunity to be given the same consideration as is being shown to New Delhi (Pakistan’s nonproliferation case was seriously undercut by the exposure of A.Q. Khan’s global proliferation network).⁶⁹ Increased U.S.-India cooperation may lead Pakistan to further deepen its ties with China.

India has never been completely comfortable with the post-9/11 U.S. embrace of Pakistan as a key ally, and New Delhi reacted with disappointment to March 2004 news that Pakistan would be designated a major non-NATO ally (MNNA) of the United States. When the Bush Administration suggested that India could be considered for similar status, New Delhi flatly rejected any military alliance with Washington. Many in India regarded U.S. handling of the MNNA announcement as a betrayal. One year later, New Delhi was again expressing disappointment with the United States, this time after the Bush Administration’s decision to resume sales of F-16 fighters to Pakistan.⁷⁰ New Delhi likely will continue to view warily Islamabad’s relations with both Washington and Beijing.

Iran

As noted above, a potentially major area of friction in U.S.-India relations could be future dealings with Iran. India-Iran relations have traditionally been positive and, in January 2003, the two countries launched a “strategic partnership” with the signing of the New Delhi Declaration and seven other substantive agreements. Later that same year, India’s external affairs minister said that India would continue to assist

⁶⁹ Ihtasham ul Haque, “Concern Voiced Over Indo-US Defense Accord,” *Dawn* (Karachi), July 24, 2005; “Pakistan Wants to Expand Nuclear Cooperation With US,” BBC Monitoring South Asia, July 25, 2005; James Murphy, “Pakistan Wants Defense Pact With US,” *Jane’s Defense Industry*, Sept. 1, 2005. See also CRS Issue Brief IB94041, *Pakistan-U.S. Relations*, by K. Alan Kronstadt.

⁷⁰ “India Shows Ambitions for World Role by Rebuffing US Sops,” Agence France Presse, Mar. 24, 2004; V. Sudarshan, “Uncle Sam’s Sly Sally,” *Outlook* (Delhi), Apr. 5, 2004; John Cherian, “A Shock From the West,” *Frontline* (Madras), Apr. 23, 2004; “Turbulence Arises in US-India Relations,” *Jane’s Foreign Report*, Mar. 30, 2005.

Iran's nuclear energy program. In September 2004, the State Department sanctioned two Indian scientists for violating the Iran Nonproliferation Act of 2000 by transferring to Iran WMD-related equipment and/or technology (India denied any transfers took place).⁷¹ In 2005, New Delhi gave conditional diplomatic support for Iran's controversial nuclear program — so long as it abided by international obligations — and indicated it would decline any U.S./Western requests that it act as intermediary with Tehran on this issue. Many Indian and international analysts assert that Indian relations with Iran will be an important litmus test of the New Delhi government's pledge to pursue an independent foreign policy.⁷²

In recent years, Indian firms have taken long-term contracts for purchase of Iranian gas and oil. Building upon growing India-Iran energy ties is the proposed construction of a pipeline to deliver Iranian natural gas to India through Pakistan. The project has become a point of contention in U.S.-India relations. In June 2004, Indian External Affairs Minister Natwar Singh said India would be willing to consider building the \$4-\$7 billion pipeline if Pakistan provided security guarantees. The Bush Administration repeatedly has insisted that it is “absolutely opposed” to any gas pipeline projects involving Iran; a U.S. arms control official has said “it would be a mistake to proceed with this pipeline” as it would generate revenue that Iran would use “for funding its weapons of mass destruction program and for supporting terrorist activities.”⁷³ In January 2006, Secretary of State Rice explained:

We have to recognize that India is a big and important and growing economy. It will have to access civil nuclear energy if it's not to be totally dependent on carbon and if it is not to be dependent on carbon relationships with countries that we've had concerns about.⁷⁴

U.S. law requires the President to impose sanctions on foreign companies that make an “investment” of more than \$20 million in one year in Iran's energy sector. However — despite U.S. concerns and with the strong support of Indian leftist and opposition parties — New Delhi has maintained that its relations with Tehran are

⁷¹ In December 2005, the United States imposed sanctions on two Indian chemical concerns for selling WMD-related materials to Iran. New Delhi later called the move “unjustified.”

⁷² “The Republic of India and the Islamic Republic of Iran: ‘The New Delhi Declaration,’” Indian Ministry of External Affairs, Jan. 25, 2003; “India Helping Iran With Nuclear Energy Program - Foreign Minister,” Agence France Presse, Dec. 13, 2003; “Delhi Issues Plea on US Sanctions,” BBC News, Oct. 1, 2004; “Iran's Clearance for LNG Project,” *Hindu* (Madras), Sept. 4, 2005; Amit Baruah, “A Test for India's Foreign Policy,” *Hindu* (Madras), Sept. 1, 2005. See also analyses in “The ‘Strategic Partnership’ Between India and Iran,” Asia Program Special Report #120, Woodrow Wilson International Center for Scholars, Apr. 2004. See also CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

⁷³ “India Likely to Consider Building Gas Pipeline From Iran Through Pakistan,” Associated Press, June 5, 2004; “U.S. Underlines Strong Opposition to Iran-Pakistan-India Gas Pipeline Project,” Agence France Presse, Jan. 4, 2006; “‘Mistake’ for India to Proceed With Iran Pipeline: US Official,” *Hindustan Times* (Delhi), June 16, 2005.

⁷⁴ Secretary Condoleezza Rice, “Remarks at the State Department Correspondents Association's Inaugural Newsmaker Breakfast,” U.S. Department of State, Jan. 5, 2006.

affable and that the pipeline project is in India's own national interest. In July 2005, Indian and Pakistani officials made a "serious commitment" to begin work on the pipeline, and a key Indian official reportedly said the United States had not pressured India to change its course on this issue.⁷⁵

During a September 2005 hearing on U.S.-India relations, numerous members of the House International Relations Committee expressed serious concerns about India's relations with Iran, especially with New Delhi's apparent opposition to the referral of Iran's nuclear case to the U.N. Security Council. Some senior members of the panel suggested that full Indian cooperation with the United States on this matter should be a prerequisite for U.S.-India cooperation in the civil nuclear field. President Bush later expressed to the Indian prime minister growing U.S. concerns about developments in Iran, and 12 Members of the House signed a letter to Singh strongly encouraging Indian cooperation in holding Iran accountable for potential violations of international agreements.⁷⁶ As the IAEA prepared for a late-September meeting to consider referral of Iran to the UN Security Council, India declined to take a strong stand and urged a consensus on further negotiation. Bush Administration officials reportedly pressured New Delhi by linking its policy on Iran's nuclear program with movement on the civil nuclear cooperation deal.⁷⁷

When the September 24 IAEA roll was taken, New Delhi surprised most observers by voting with the majority (and the United States) on a resolution finding Iran in noncompliance (consideration of referral to the Security Council was deferred). The vote brought waves of criticism from Indian opposition parties and others who accused the New Delhi government of betraying a friendly country by "capitulating" to U.S. pressure. New Delhi later defended the vote in the interests of "allowing time for further negotiations" and being in India's national interest. A senior State Department official later called India's vote a "dramatic example" of New Delhi's stance to prevent Iran from acquiring a nuclear weapons capability.⁷⁸

⁷⁵ "India, Pakistan Pledge 'Serious Commitment' to Iran Gas Pipeline," Agence France Presse, July 13, 2005; "No Pressure From US on Iran-Pakistan Pipeline Project: Aiyar," *Hindustan Times* (Delhi), July 28, 2005. See also CRS Report RS20871, *The Iran-Libya Sanctions Act (ILSA)*, by Kenneth Katzman.

⁷⁶ Hearing of the House International Relations Committee, "U.S.-India Relations: A New Entente?," Sept. 8, 2005; "US Raises Concerns With India Over Iranian Nuclear Issue," Agence France Presse, Sept. 8, 2005; "Bush Expresses Concern to India Over Iran's Nuclear Program," Agence France Presse, Sept. 14, 2005; "Letter to The Honorable Dr. Manmohan Singh," Sept. 16, 2005.

⁷⁷ Steven Weisman, "India Balks at Confronting Iran, Staining its Friendship With U.S.," *New York Times*, Sept. 15, 2005.

⁷⁸ "Government Succumbing to U.S. Pressure: Raja," *Hindu* (Madras), Oct. 9, 2005; Prem Shankar Jha, "Why Did We Say Nay?," *Outlook* (Delhi), Oct. 10, 2005; Under Secretary Nicholas Burns, "The U.S. and India: The New Strategic Partnership," U.S. Department of State Washington File, Oct. 18, 2005.

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