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# Issue Brief for Congress



# 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 the September 2001 attacks on the United States 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 Congress-Executive branch cooperation from 1998 to 2000. The remaining nuclear sanctions on India and Pakistan were removed by President Bush on September 22, 2001.

Congress 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 past decade. Communalism has also been a matter of concern, with spring 2002 rioting in the Gujarat state resulting in more than 1,000, 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 by its security forces 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 groups in India and has suffered some recent electoral setbacks at the state level, most recently in Jammu and Kashmir where the BJP-allied National Conference was ousted. Recent state elections in Gujarat resulted in a decisive win for the BJP and are viewed as being a key gauge of the national coalition government's continued strength.

# MOST RECENT DEVELOPMENTS

Top Indian government officials have continued to issue hostile warnings and threats directed at neighboring Pakistan, a country they hold responsible for separatist violence in Kashmir and that Deputy Prime Minster Advani called the "epicenter of terrorism." In January, India announced the establishment of a Nuclear Command Authority and conducted three ballistic missile tests over an 11-day period. Defense Minister Fernandes promised to "erase Pakistan from the world map" if it attacked India with nuclear weapons. Most recently, a diplomatic row resulted in the expulsion of embassy staff from both capitals. The United States continues to urge a renewal of bilateral dialogue between India and Pakistan aimed at resolving their mutual differences.

Top U.S. government officials have praised India as "stalwart member" of the U.S.-led anti-terror coalition, and state that the Bush Administration is determined to "move the U.S.-India relationship to new heights." In December, the United States and India signed an accord calling for the non-surrender of nationals to any international criminal court without prior consent. In January, U.S. and Indian officials met in New Delhi to discuss missile defense issues. A recent press report indicates that the two countries will hold unprecedented advanced air combat exercises in 2003.

In January, India signed a "landmark" defense cooperation protocol with Russia setting up several joint ventures for developing sophisticated weapons platforms. More recently, India and Iran launched a "strategic partnership" with the signing of the New Delhi Declaration and 7 other substantive agreements. The two countries reportedly plan to hold joint military exercises in coming months.

# 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, D.C.

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. The United States and India also agreed to establish working groups on trade, clean energy and the environment, and science and technology. Agreements also were signed on environmental protection, clean energy production, and combating global warming. President Clinton lifted sanctions on some small U.S. assistance programs, and cooperation agreements were signed on efforts to combat polio, tuberculosis, malaria, and HIV/AIDS, as well as the trafficking of women and children in South Asia.

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. During the visit, U.S. officials announced $900 million in Export-Import Bank financing to help Indian businesses purchase U.S. goods and services. U.S. companies also signed agreements to construct three large power projects in India, valued at $6 billion, as part of increased energy cooperation between the two countries. On September 15, 2000, President Clinton and Vajpayee signed a joint statement agreeing to cooperate on arms control, terrorism, and AIDS. When Vajpayee again visited the United States in November 2001, he came at a time of heightened tensions in South Asia, but also a time of warming India-U.S. relations despite U.S.-Pakistan cooperation during the war in Afghanistan.

## Regional Rivalries with Pakistan and China

Three wars – in1947-48, 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 itself is 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 up to 60,000 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 were severed in December 2001 after a terrorist attack on the Indian Parliament was blamed on Pakistan-supported Islamic militants. Though the two countries apparently have since ended a tense, 10-month military standoff at their shared border, there has been no diplomatic dialogue between India and Pakistan since a summit meeting in the city of Agra in July 2001 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 long-time 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. 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 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. At the same time, there has been a shift in power from upper caste Indians to the far more numerous lower caste Indians, many of whom have switched their allegiance from Congress and smaller national parties to oftentimes influential regional and caste-based parties.

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 the torching of a train car filled with pro-Hindu activists killed 58 in Ghodra and led to widespread rioting that killed more than 1,000, mostly Muslims, along with the displacement of thousands more. 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. Many analysts predict that the success in Gujarat of a strongly Hindu-nationalist political platform will 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 are slated for 2003.

**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 view the BJP as the political arm of the extremist Hindu nationalist organization Rashtriya Swayamsevak Sangh (RSS or National Volunteer Force), allegedly 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 2002 riots in Gujarat hurt the party's national and international credentials as a secular and moderate organization.

Following the March 1998 elections, the BJP managed to cobble together a fragile, 13-member National Democratic Alliance (NDA) coalition, headed by Vajpayee, and survive a confidence vote. Factors that kept the BJP government in power for a year included Vajpayee's widespread personal popularity, early popular euphoria over India's May 1998 nuclear tests, and widespread disenchantment with previous Congress-led governments.

Vajpayee soon found himself caught in a continuing round of internal bickering and favor-seeking by coalition members. Such distractions delayed efforts at focusing on more urgent matters, including the economy. An April 1999 no-confidence vote was precipitated by the withdrawal of support for the BJP government by its largest coalition partner, a regional party based in the southern state of Tamil Nadu.

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 state 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 most 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 a major factor in the BJP coalition government 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 (daughter of India's first prime minister, Jawaharlal Nehru) 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. The 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.

# India-U.S. Relations and Bilateral Issues

## Security Issues

**Dispute Over Kashmir.** The Kashmir 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 60,000 lives. India blames Pakistan for fomenting the rebellion, as well as supplying arms, training, and fighters. Pakistan claims only to provide diplomatic and moral support to what it calls "freedom fighters" who resist Indian rule. 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, taking into account the wishes of the Kashmiri people.

A series of kidnapings 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. Following a number of incidents in which Indian troops fired on demonstrators, Kashmiris flocked to support a proliferating number of militant separatist groups. 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 about 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, proposes convening 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 further accusations that Islamabad was sponsoring Kashmiri terrorism and Indian leaders talked of making "pre-emptive" military incursions against separatists' training bases on Pakistani territory. Indian PM Vajpayee told Indian troops to prepare for a "decisive war" against Pakistan so as to stop "cross-border terrorism." The situation was further exacerbated when moderate Kashmiri separatist leader Abdul Ghani Lone – noted for seeking a nonviolent resolution to the dispute – was assassinated at a political rally. (For a review of the Kashmir dispute, see CRS Report RL31587, *Kashmiri Separatists: Origins, Competing Ideologies, and Prospects for Resolution of the Conflict*.)

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 Deputy Secretary of Defense Armitage 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 bilateral conflict between India and Pakistan as posing perhaps the most likely prospect for the future use of nuclear weapons. In May 1998, India conducted a total of five underground nuclear tests, breaking a self-imposed, 24-year moratorium on nuclear testing. Pakistan followed, claiming six tests of its own by month's end. The unannounced tests created a global storm of criticism and represented a serious setback for decades of U.S. nuclear nonproliferation efforts in South Asia. President Clinton immediately imposed economic and military sanctions on both countries as mandated under Section 102 of the Arms Export Control Act (AECA). Humanitarian assistance, food, or other agricultural commodities were excepted from sanctions under the law.

India had conducted its first, and only, previous nuclear test in 1974, after which it maintained ambiguity about the status of its nuclear program. Pakistan probably gained a

nuclear weapons capability sometime in the 1980s. India is believed to have enough plutonium for 25-100 nuclear warheads. Pakistan may have enough enriched uranium (and a small amount of plutonium) for 25-50 warheads (although some reports suggest that Pakistan may have an arsenal that is larger than India's). Both countries have aircraft and missiles capable of delivering the weapons, and both also continue to test ballistic missiles. India's short-range Prithvi missiles have been labeled "Pakistan-specific," while many analysts believe that its longer-range missile programs are oriented toward China (see CRS Report RS21237, *India and Pakistan Nuclear Weapons Status*).

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.)

Proliferation in South Asia is conceived as being part of a chain of rivalries – India seeking to balance against Chinese capabilities, and Pakistan seeking to gain an "equalizer" against a larger and conventionally stronger India. New Delhi initiated its nuclear program soon after its 1962 defeat in a short border war with China and China's first nuclear test in 1964. Pakistan's nuclear program likely 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. (For details, see 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: Pakistan's possible transfers of uranium enrichment materials to North Korea are receiving renewed attention, and a 2002 report by the British government named an Indian trading company as being complicit in aiding Iraq's chemical weapons and missile propellant programs. 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.

With Pakistan and, especially, India making improvements in both their conventional and nonconventional military forces – and given the danger of conflict escalation in the region – the United States has focused on restraining the outbreak of a dyadic military conflict on the Asian subcontinent. In 2002, India and Pakistan have become important members of the U.S.-led counterterror coalition, and – although the White House stated in its December 2002 National Strategy to Combat Weapons of Mass Destruction that the United States must induce proliferant states to end their WMD and missile programs – it is unlikely that future U.S. diplomatic efforts will be as vigorous as they were following the 1998 nuclear weapons tests. In fact, some observers have called for a new approach that would provide technical assistance in enhancing the security of any WMD materials in South Asia. A provision in the defense authorization bill to expand Cooperative Threat Reduction programs to nations outside of the former Soviet Union did not appear in the final version, but the issue may arise again in the 108th Congress (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. In addition, the section states that it shall be the policy of the United States consistent with its NPT obligations, to encourage, and where appropriate, work with the governments of India and Pakistan to achieve not later than September 30, 2003, the establishment of "modern, effective systems to protect and secure nuclear devices and materiel from unauthorized use,

accidental employment, or theft." The conferees noted that "any such dialogue with India or Pakistan would not be represented or considered, nor would it be intended, as granting any recognition to India or Pakistan, as appropriate, as a nuclear weapon state." The section requires the President to submit a report to Congress no later than March 1, 2003, on U.S. efforts to achieve the objectives and likelihood of success by September 2003 (see CRS Report RL31589, *Nuclear Threat Reduction Measures for India and Pakistan*).

**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, the United States and India held numerous joint exercises involving all military branches. Press reports indicate that unprecedented advanced air combat exercises are planned for 2003.

Along with this increasingly frequent type of interaction, 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 reportedly is 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."

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 opposed 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 and arms sales negotiations have caused disquiet in Pakistan, where there reportedly 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 separating members of the same ethnic groups, creating flashpoints for regional dissidence and separatism. Kashmir and Punjab are two areas that have witnessed separatist struggles in the past decade. On a lesser scale, there are similar problems of incomplete national integration in other parts of India, particularly the northeast, where a number of smaller dissident groups are fighting either for separate statehood, autonomy, or independence. The remote and underdeveloped northeast 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.** 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, at least 1,000 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. Although the BJP survived a motion of censure, some key national coalition partners expressed their displeasure by abstaining from vote. The government's inability to successfully quell violence in Gujarat has led to rifts within India's BJP-led National Democratic Alliance. In December 2002, in what many analysts see as a vindication of the BJP government in Gujarat and its Hindu-nationalist tack, state elections 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.

**Human Rights.** According to the U.S. State Department *India Country Report on Human Rights Practices for 2001* (March 2002), there continued to be significant human rights abuses in India, despite extensive constitutional and statutory safeguards. Much of the blame for such problems is assigned to India's "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." These problems are acute in Jammu and Kashmir, where judicial tolerance of New Delhi's heavy-handed anti-insurgency tactics, the refusal of security forces to obey court orders, and terrorist threats have disrupted the judicial system.

In dealing with regional dissidence, the Indian government has employed a wide range of security legislation, including laws that permit authorities to search and arrest without warrant and detain persons for a year without charge or bail. Other security laws prescribe sentences of not less than 5 years for disruptive speech or actions. Special courts have been

established that meet in secret and are immune from the usual laws of evidence. In some cases, security forces are given permission to shoot to kill. 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. In 1995, however, the Indian government allowed the International Committee of the Red Cross permission to begin a program of prison visits in Jammu and Kashmir. Both Amnesty International and Human Rights Watch have expressed grave concern over serious human rights abuses by militant groups in Kashmir, Punjab, and Gujarat, including kidnaping, extortion, and killing of civilians.

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 observers have noted that India's religious tolerance is susceptible to attack by religious extremists. Government policy does not favor any group, but some fears have been raised by the coming to power of the Hindu-nationalist BJP since 1998.

The rights of Indian women and children are not always well protected. The aborting of female fetuses and female infanticide has occurred at such high rates that scores of millions of women are said to be "missing" from India. Child labor is another serious human rights problem for India. According to the State Department's Human Rights Report, enforcement of child labor laws in India is weak and the number of child laborers could be as high as 55 million. A major factor is India's lack of a compulsory education law requiring even primary education.

## 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 – also 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 2002, the estimated real change in GDP stands at 4.5%. Analysts believe the New Delhi government's target of 8-9% growth for 2003 is overly optimistic, and consider a rate of at least 5.5% to be more realistic. Inflation rates have been fairly low (est. 4.3% in 2002), but are expected to climb somewhat in coming 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 a flood of foreign investment to India in the mid-1990s. Annual direct foreign investment rose from about $100 million in 1990 to $2.4 billion by 1996. More than one-third of these investments were made by major U.S. companies. Reform efforts stagnated, however, under the weak coalition governments of the mid-1990s. The Asian financial crisis, and economic

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 kicked off a second-generation of economic reforms – including removing foreign exchange controls, opening the insurance industry to foreign investment, privatizing internet services, and cutting tariffs – with the goal of attracting $10 billion annually in foreign direct investment. Once seen as favoring domestic business and diffident about foreign involvement, the government appears to be gradually 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.

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 $3.7 billion, while imports from India in that year totaled just under $11 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. The import of consumer goods is restricted, and other items, such as agricultural commodities and petroleum products, may only be imported by government trading monopolies.

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. U.S. motion picture industry representatives estimated their annual losses due to audiovisual piracy at $66 million. In April 2002, the USTR again named India to the Special 301 Priority Watch List for its lack of protection and enforcement of intellectual property rights.

## U.S. Aid

In 1999, the population of India exceeded one billion and is projected to be larger than that of China by 2035. One-third of India's people live below the poverty line – India has more poor people than Africa and Latin America combined – and half its children are malnourished. India has more HIV-infected people (4 million) than any other country. The already low country-wide female literacy rate of 39% dips to 30% in some regions and rural areas. Nearly 40% of India's urban population live in slums with no access to clean water and sanitation services.

The U.S. foreign aid appropriation for India for FY2002 devoted $70.9 million in Development Assistance/Child Survival and Health Programs (DA/CSH); $7 million in Economic Support Funds (ESF); $86.4 million in P.L. 480 food assistance; $1 million in

IMET; and $900,000 in Nonproliferation, Anti-terrorism, De-mining, and Related Programs (NADR-ECA). The major USAID goals in India for FY2002 included encouraging broad-based economic growth, stabilizing population growth, enhancing food security and nutrition, protecting the environment, reducing transmission of AIDS/HIV and other infectious diseases, and expanding the role and participation of women in decision-making. P.L. 480 funds go to providing food assistance, largely through private voluntary agencies. For FY2003, USAID is requesting $75.2 million in Development Assistance, $25 million in ESF, and $91.3 million in P.L. 480 funds for India. The United States is the third largest bilateral aid donor to India, after Japan and Britain.

## Narcotics

India is the world's largest producer of legal opium for pharmaceutical purposes – some of which reportedly is diverted illegally to heroin production – and the country serves as a major transit route for drugs originating in Afghanistan, Pakistan, and Burma. It also is a major supplier to those countries of the chemical used in manufacturing heroin. Most of the heroin transiting India is bound for Europe. India itself has an estimated 1.2 million heroin addicts and 4.5 million who are addicted to opium. Needle-sharing by heroin users has contributed to the spread of the AIDS virus throughout the country.

India's counter-narcotics efforts are hampered by lack of political and budgetary support, lack of infrastructure in drug-producing areas, and corruption among police, government officials, and local politicians. U.S. counter-narcotics assistance to India funds training programs for enforcement personnel and the Indian Coast Guard. In March 2002, India was again included on the annual list of major illicit drug producing and transiting countries eligible to receive U.S. foreign aid and other economic and trade benefits.

# CHRONOLOGY

**01/25/03 —** India and Iran launched a "strategic partnership" with the signing of the New Delhi Declaration and 7 other substantive agreements. On January 23, an Indian official announced that India and Iran are planning to conduct joint military exercises as part of increased defense cooperation. New Delhi also is seen to be working to improve bilateral economic ties with neighboring Burma as a means of countering the growing influence of China there.

**01/22/23 —** After reports of the harassment of an Indian diplomat in Islamabad, New Delhi announced the expulsion of four members of the Pakistani mission to India. Pakistan quickly announced an apparent "tit for tat" expulsion of four Indian diplomats from Islamabad. The diplomatic row further dampened hopes that the two countries might renew bilateral dialogue in the near-term.

**01/21/03 —** U.S. Ambassador to New Delhi Blackwill stated that the Bush Administration is "determined to move the U.S.-India relationship to new heights" given the two countries' shared vital national interests that include promoting peace and freedom in Asia, combating international terrorism, and slowing the spread of weapons of mass destruction.

**01/20/03** — India held its third missile test in an 11-day period. Pakistan responded by accusing New Delhi of trying to provoke a regional arms race, while the United States expressed disappointment, claiming that such tests "contribute to a charged atmosphere" and "make it harder to prevent a costly and destabilizing nuclear and missile arms race."

**01/17/03** — After a two-day meeting on military-technical cooperation, India and Russia signed a "landmark" defense cooperation protocol that sets up several joint ventures for developing sophisticated weapons platforms. Pakistan responded with complaints that India is on a "reckless path of militarization" that will "aggravate the existing imbalance in the region."

**01/16/03** — A U.S. opinion survey indicated that perceptions of poor infrastructure and excessive bureaucracy in India are limiting U.S. investor interest in the country (a notion echoed by U.S. government officials). Another recent poll from the tourist industry indicates that the rank of India as a preferred holiday destination for Americans has dropped sharply in recent years, due mostly to concerns about security and terrorism.

**01/15/03** — U.S. and Indian officials met in New Delhi to discuss missile defense issues.

**01/07/03** — U.S. Department of State Director of Policy Planning Haass stated while in India that the Bush Administration is determined to strengthen U.S.-India ties based on "trust" and "mutual values." He called New Delhi a "stalwart member" of the U.S.-led anti-terrorism coalition and urged India to improve its economic situation by modernizing its bureaucratic and regulatory structures, and by normalizing relations with Pakistan.

**01/05/03** — India announced that it has set up a nuclear weapons command system – the Nuclear Command Authority – headed by the prime minister.

**12/27/02** — India's Defense Minister claimed that "3,000 Pakistan-sponsored terrorists are on India soil." Two days later, India's Deputy Prime Minster called Pakistan the "epicenter of terrorism," and claimed that terrorist training camps in Pakistan-held Kashmir have been reactivated. Also in January, India's army chief claimed that "there is no drop in the level of infiltration" across the Kashmir Line of Control.

**12/26/03** — The United States and India signed an accord – known as an Article 98 agreement – calling for the non-surrender of nationals to any international criminal court without prior consent.

**12/24/02** — The president of India's coalition-leading, Hindu-nationalist BJP party declared that the BJP will "duplicate the Gujarat experience everywhere" as it represented a "mandate for the [Hindutva] ideology." The statement spurred criticism that the BJP approach is a dire threat to India's tradition of secularism and seeks to exploit religious divisions for political gain. Four Indian states are slated to hold elections in February 2003, and another five are to hold polls in November 2003.

**12/02** — The United States reiterated its position that India should resume a bilateral dialogue with Pakistan *despite* the ongoing infiltration of separatist militants into Indian Kashmir (the U.S. envoy to India later asserted that "the problem obviously in Kashmir is cross border terrorism" that is "almost completely externally driven"). Also, elections in the state of Gujarat, the site of massive communal violence earlier in 2002, resulted in an unexpectedly decisive victory for the incumbent Hindu-nationalist BJP party and a major defeat for

the more secular Congress Party. The poll has been cast as an important index of the future course of Indian politics at the national level.

**11/02** — During a meeting in New Delhi of the U.S.-India Security Cooperation Group, top U.S. defense officials discussed the sale of U.S. arms to India. Representatives of leading American weapons makers also met Indian officials in an effort to gain entry to an Indian market currently dominated by Russia.

**10/02** — New Delhi announced a major redeployment of troops away from the India-Pakistan border, apparently signaling an end to a tense 10-month-long military face-off with Pakistan. The mobilization is reported to have cost India more than $1.7 billion.

**09-10/02** — State elections in India's Jammu and Kashmir result in the ousting of the long-ruling National Conference party of Farooq Abdullah and the seating of a new government ruled by a coalition that vows to "soften" the policy toward separatist militants. In boycotting the election, the Kashmiri separatist All Parties Hurriyat Conference – which has political ties to Islamabad – found itself marginalized. The state's new coalition government initiated a "common minimum program" that contains controversial policies, including the release of jailed political prisoners. These policies were criticized by top New Delhi officials. Separatist guerillas – whose actions reportedly are responsible for up to 800 deaths in the lead-up to elections – deny the legitimacy of the Srinagar government and vow to continue their violent campaign in the region.

**09/02** — Gunmen storm a Hindu temple in Gujarat resulting in the deaths of 23 worshipers. The attackers are suspected to be Islamic militants seeking revenge for February 2002 anti-Muslim rioting in the state.

**06/02** — Intense international diplomatic pressure – including multiple visits to the region by senior U.S. government officials – apparently was sufficient to persuade New Delhi to refrain from taking military action against Pakistan. Key to the effort are explicit promises by Pakistani President Musharraf to U.S. Deputy Secretary of State Armitage that all infiltration of militants across the Line of Control and into Indian-held Kashmir will be halted.

**05/02** — A terrorist attack on an Indian army base in Jammu and Kashmir killed dozens of people, mostly women and children. New Delhi blamed the attack on the "cross-border terrorism" of Pakistan-sponsored Islamic militants and vowed to fight a "decisive war" against Pakistan.

**02/02** — After Muslims reportedly set fire to a train carrying Hindu activists, killing 58, India's worst communal rioting in more than a decade spreads across the Gujarat state over a period of two weeks and results in the deaths of at least 1,000, mostly Muslims at the hands of vengeful Hindu mobs. Gujarat Chief Minister and BJP leader Narendra Modi is accused by some of abetting the violence.

**01/02** — Pakistani President Musharraf delivered a landmark address in which he vowed to end all Islamic extremism and terrorist activity originating from Pakistani soil.

**12/01** — A terrorist attack on the Indian Parliament complex in New Delhi leaves 14 people dead. India blames the attack on Pakistan-backed Kashmiri militants and begins a massive military mobilization along the Pakistan-India frontier. By the spring of 2002 some one million heavily-armed troops faced-off at the

shared border. Also in December, the United States designates two Pakistan-based militant groups – Lashkar-e-Taiba and Jaish-e-Mohammed – as Foreign Terrorist Organizations under U.S. law.

**10/01** — A terrorist attack on the assembly building in India's Jammu and Kashmir state kills 34 people. New Delhi blames the attack on Pakistan-backed separatist militants and the Jammu and Kashmir Chief Minister calls for an Indian military assault on training camps in Pakistan-held Kashmir.

**09/01** — Immediately after the terrorist attacks on the United States, India offered its full support for U.S. counterterrorism efforts in the region. Within two months, all remaining proliferation-related restrictions on U.S. aid to India were lifted.