

# Issue Brief for Congress

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## India-U.S. Relations

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## India-U.S. Relations

### SUMMARY

Although the end of the cold war freed India-U.S. relations from the constraints of global bipolarity, New Delhi-Washington relations continued for a decade to be affected by the burden of history, most notably the longstanding India-Pakistan rivalry. Recent years, however, have witnessed a sea change in bilateral relations, with more positive interactions becoming the norm. India's swift offer of full support for U.S.-led anti-terrorism operations after the September 2001 attacks on the United States are 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 Nuclear Nonproliferation Treaty (NPT) or the Comprehensive Test Ban Treaty (CTBT).

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 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 approximately 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. Upcoming state elections in Gujarat are viewed as being a key test of the national coalition government's continued strength.



## MOST RECENT DEVELOPMENTS

*On October 16, in a move apparently meant to ease tensions and de-escalate a ten-month military face-off along the border between India and Pakistan, New Delhi announced its intention to redeploy several hundred thousand troops to their peacetime barracks. Islamabad responded with its own redeployment plan. These developments were warmly welcomed by the United States government, which anticipates decreased risk even as it encourages continued bilateral threat reduction.*

*The United States also welcomed the successful conclusion of state elections in Jammu and Kashmir. These elections resulted in the ousting of the long-ruling, BJP-allied National Conference and the establishment of a People's Democratic Party-Congress Party coalition government. While separatist Islamic militants have vowed to continue their violent struggle in the region, the seating of a new and seemingly more moderate state government has raised hopes for peace in the region.*

*In late October, State Department Director of Policy Planning Haass met with senior Indian ministers and urged New Delhi to initiate negotiations with Pakistan despite ongoing infiltration by separatist militants into Indian-held Kashmir. On October 30, Under Secretary of State for Global Affairs Dobriansky met in New Delhi with Indian officials for the inaugural session of a new India-U.S. "global issues forum." Talks stressed the urgency of India's HIV/AIDS epidemic. The American Ambassador has since announced a commitment of \$125 million in U.S. aid to India to combat the disease over the next five years.*

*The third India-U.S. military exercises in two months were held in October, with joint airlift operations marking the first-ever air force-to-air force exercises. Joint naval exercises were concluded earlier in the month, with vessels of the U.S. Seventh Fleet making a port visit to Cochin on India's southwest coast.*

*In early November, Indian Prime Minister Vajpayee met with Southeast Asian leaders for the first-ever "ASEAN + One" summit in Cambodia. New Delhi is seen to be devoting increased diplomatic and economic attention to the 10-nation bloc and its environs.*

## BACKGROUND AND ANALYSIS

### **Context of the Relationship**

#### **U.S. and Congressional Interest**

In the immediate wake of the September 2001 terrorist attacks on New York and suburban Washington, D.C., India took the unprecedented step of offering to the United States all cooperation and the use of India's bases for the war on terrorism. 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 with New Delhi that began in the latter days of the Clinton Administration was accelerated by a major commitment of the Bush Administration to strengthen U.S.-India security cooperation, with a strong focus on counter-terrorism. In June 2001, the U.S.-India Counterterrorism Working Group held its third meeting, which focused, in part, on Taliban-fostered terrorism. At the fourth meeting of the Joint Working Group held in January 2002, joint counter-terrorism cooperation was expanded and a new Joint Initiative on Cyberterrorism was launched. On November 9, 2001, President Bush hosted Prime Minister Vajpayee at a White House working session, during which the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues, including counter-terrorism; regional security; space and scientific collaboration; civilian nuclear safety; and broadened economic ties. In early 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 that includes high level policy dialogue, joint exercises, and military sales.

U.S. and congressional interests in India cover a wide spectrum of issues, ranging from the face-off with Pakistan in Kashmir and nuclear and missile proliferation to concerns related to human rights and trade and investment opportunities. In the 1990s, U.S.-India relations were particularly affected by three developments: 1) the demise of the Soviet Union – India's key trading partner and most reliable source of economic assistance and military equipment – and New Delhi's resulting need to diversify its international relationships; 2) India's adoption of sweeping economic policy reforms, beginning in 1991; and 3) 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 of a more normalized relationship between the world's two largest democracies. A 6-day visit to the United States by Indian Prime Minister Narasimha Rao, in May 1994, marked the beginning of a significant improvement in 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 U.S.-India relations.

President Clinton's March 2000 visit to South Asia represented a major U.S. initiative to improve cooperation across a broad spectrum, including: economic ties, regional stability, nuclear proliferation concerns, security and counterterrorism, environmental protection, clean energy production, and disease control. President Clinton and Indian Prime Minister Atal Behari Vajpayee agreed in a vision statement to institutionalize dialogue between the two countries through a range of high-level meetings and working groups on the various areas of cooperation, capped by regular bilateral summits between the leaders of the two countries. Economic ties were a major focus of the President's visit, during which U.S. companies signed agreements on \$4 billion in projects with Indian and Bangladeshi firms. President Clinton also announced \$2 billion in government financial support for U.S. exports to India through the U.S. Export-Import Bank. To further expand bilateral economic cooperation, the United States and India agreed to establish working groups on trade, clean energy and the environment, and science and technology. U.S.-India agreements also were signed on

environmental protection, clean energy production, and combating global warming. The President also lifted sanctions on some small U.S. assistance programs, including a U.S. Agency for International Development initiative to provide technical assistance to strengthen Indian financial markets and regulatory agencies. On the social welfare side, U.S.-India 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 10-day visit to the United States in September 2000, Indian PM Vajpayee addressed a joint session of the U.S. Congress and was received for a state dinner at the White House. During the course of the Prime Minister's visit to Washington, 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, President Clinton and Prime Minister 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 during a time of warming India-U.S. relations in spite of the close U.S.-Pakistani cooperation during the war in Afghanistan. Vajpayee used the occasion to express his concerns that if the U.S. military effort in Afghanistan were perceived as "slackening" then extremist forces in Pakistan could be bolstered.

## **Regional Rivalries with Pakistan and China**

Three wars – in 1947-48, 1965, and 1971 – and a constant state of military preparedness on both sides of the border have marked the half-century of bitter rivalry between India and Pakistan. The acrimonious nature of the partition of British India in 1947 and the continuing dispute over Kashmir have been major sources of tension. Both India and Pakistan have built large building defense establishments – including nuclear weapons capability and ballistic missile programs – at the cost of economic and social development. The Kashmir problem is rooted in half-century-old 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 a separatist rebellion in the Muslim-dominated Kashmir Valley that has claimed 30,000 lives since 1990. 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.

Adding to India's bitterness toward Pakistan is the latter's historically close ties with China. India and China fought a brief but violent border war in 1962, and China has since that time occupied a large swath of territory still claimed by India. Although Sino-Indian relations have improved markedly in recent years, the two countries have yet to reach a boundary agreement. Moreover, India remains suspicious of China's nuclear weapons capability as well as its long-time military and economic support for Pakistan. During a visit by then-Indian Prime Minister Rao to China in September 1993, however, an agreement was signed to reduce troops and maintain peace along the line of actual control (LOAC) that divides their forces, along with agreements on trade, environmental, and cultural cooperation. In December 1995, after eight rounds of talks by an India-China joint working group (JWG), both sides pulled back troops from four points along the eastern sector of the border. A visit by Chinese President Jiang Zemin to India in late-November 1996 concluded with an agreement by India and China not to attack each other across the disputed border and to

negotiate a partial withdrawal of troops from front-line positions. Although border trade has continued to expand, political relations suffered a setback as a result of statements by Indian government officials that its May 1998 nuclear tests were prompted in large part by the perceived China threat. In May 2000, however, then-Indian President Narayanan made a 7-day state visit to China and signed an agreement with the Chinese President to further bilateral ties, including trade, currently totaling \$2 billion. China's parliamentary leader, Li Peng, reciprocated with a 9-day visit to India in January 2001. In January 2002, Chinese Premier Zhu Rongji became the first Chinese premier to visit India in 11 years. Zhu advocated expanded relations with India as well as increased cooperation in combating international terrorism.

## Political Setting

### **September-October 1999 Elections and Prospects for Political Stability.**

In October 1999 parliamentary elections, India's voters elected a Bharatiya Janata Party (BJP) coalition government, led by Prime Minister Atal Bihari Vajpayee, with a majority of about 300 of 545 parliamentary seats (see CRS Report RS20320, *India's 1999 Parliamentary Elections*). This is Vajpayee's third time 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, languages, religious sects, and social castes. 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 53 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 the smaller national parties to regional and caste-based parties.

The Indian political system is viewed by some analysts as being in a transition period from its years of dominance by the Congress Party to a two-party system, perhaps centered on the BJP and the Congress. Many observers believe, however, that coalition politics will be the order of the day for some time to come. In the 1999 elections, there was little apparent progress toward a two-party system, with the Congress losing ground and the BJP gaining only about five seats over its previous total. The BJP alone won only about 183 seats to about 113 for the Congress – both far short of the 273 needed for a majority in the 545-seat Parliament.

**Bharatiya Janata Party (BJP).** Riding a crest of rising Hindu nationalism, the BJP increased its strength in Parliament from two seats in 1984 to 119 seats in 1991. 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. In the 1996 elections, the BJP won 160 seats. With the support of allied parties it controlled 190 seats and was given the opportunity to form a government with party leader Vajpayee as prime minister. Because of its Hindu nationalist platform, the BJP was unable to attract sufficient coalition partners and resigned after 13 days.

Following the February-March 1998 elections, the BJP managed to cobble together a fragile, 13-member National Democratic Alliance 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 April 1998 nuclear tests, and the feeling that, after lackluster performances by Congress and United Front governments, the BJP should be given its chance to lead the country. 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. The 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. Much of its support comes from professionals and upper caste groups. It 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 16<sup>th</sup> century mosque in Ayodhya that was destroyed by Hindu mobs in 1992, establishing a uniform code of law that would abolish separate Muslim laws on marriage, divorce, and property rights, 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 would have liked to have put these goals on the back-burner for the time being but current tensions – the continuing military face-off between India and Pakistan as well as a flare up of Muslim-Hindu communal passions in the western state of Gujarat – have put the party in an awkward position.

On February 24, 2002, just days before a major flare up between Muslims and Hindus in the western state of Gujarat, the BJP was rejected by a majority of voters in the critical state elections of Uttar Pradesh. This defeat, as well as setbacks in Punjab and Uttaranchal, showed voters to be less interested in the BJP's "tough on Pakistan" platform and more interested in bread and butter issues. Two days after the state elections, religious fervor rose to high levels after Muslims attacked a train carrying members of the Vishwa Hindu Parishad (VHP or World Hindu Council), a Hindu activist group that had participated in a vigil supporting the construction of a Hindu temple over the ruins of a mosque in Ayodhya, Uttar Pradesh. Fifty-eight Hindus were killed in the train attack and approximately 1,000, mostly Muslims, were killed by Hindus in retaliatory mob actions.

**The Opposition.** 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 113 seats (or some 135 when counting allies), the Congress Party is at its lowest 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. In May 1999, when Sharad Pawar and two other Maharashtra Congress leaders raised the issue of Gandhi's foreign (Italian) origins making her unsuitable for the prime ministership, they were expelled from the party by Gandhi supporters. Pawar and his breakaway faction formed the Nationalist Congress Party (NCP). Representation for other opposition parties (including leftists and regional parties) also declined from about 143 in the previous parliament to about 107 at present.

**Congress Party Background.** Support for the Congress Party began to decline following the 1984 assassination of Prime Minister Indira Gandhi (daughter of India's first prime minister, Jawaharlal Nehru) and the 1991 assassination of her son, former Prime Minister Rajiv Gandhi. Sonia Gandhi, Rajiv's widow, refused to be drawn into active politics until the 1998 elections. With the party's fortunes sagging, Gandhi plunged into a flurry of cross-country campaigning. Although the "Sonia factor" was insufficient to spur a Congress victory, it was viewed as preventing a debacle for the party. As a result, Gandhi was elected both president of the Congress Party and chairperson of the Congress Parliamentary Party. She then began belated 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, along with defections led by Sharad Pawar, weakened the party in the 1999 parliamentary elections.

## India-U.S. Relations and Bilateral Issues

### Military Conflict in Kashmir and Security

**The India-Pakistan Military Standoff in Kashmir.** The Kashmir problem is rooted in claims by both India and Pakistan to the former princely state, divided by a military line of control since 1948, into 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 at least 30,000 lives. India blames Pakistan for fomenting 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 kidnappings and general strikes in the Kashmir Valley, beginning after the controversial elections of 1989, led India to impose President's rule (rule by the central government) on the state in 1990, and to send in troops to maintain 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. Hurriyat membership includes about 22 political and religious groups, including: JKLF (now a political group); Jamaat-e-Islami (political wing of the HM); Awami Action Committee; People's Conference; Muslim Conference; and People's League. 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-Prime Minister Narasimha Rao began efforts to restart the political process in Kashmir, where state elections had last been held in 1987. In May 1996, elections to fill the six seats for Jammu and Kashmir State were held as part of the general parliamentary elections called by the Rao government. 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 Jammu and Kashmir state assembly elections, which were held in September 1996. The National Conference (NC), the longstanding mainstream Kashmiri party led by Farooq Abdullah, won 57 of 87 seats, and Abdullah became chief minister of the state. In March-April 1998, Jammu and Kashmir State again took part in general 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 the 1999 parliamentary elections.

Recently, violent incidents in both India and Pakistan worsened the security climate in the region and pushed both countries to the brink of war. On May 14, 2002, in the town of Kaluchak in Jammu, there was an attack on an Indian army base that left 34 people dead, most of them civilians. The Indian government saw this as another instance of Pakistan-sponsored terrorism and stepped up the rhetoric in the current military standoff. Indian Prime Minister Atal Behari Vajpayee then told Indian troops to prepare for a decisive war against Pakistan. Indian Navy vessels were moved towards Karachi and heavy shelling broke out on the India-Pakistan border. The situation was further vitiated when moderate Kashmiri separatist leader Abdul Ghani Lone was assassinated while addressing a meeting. Lone's son first blamed Pakistan for the killing but then backtracked from the accusation. Lone had been one of the voices calling for a nonviolent solution to the Kashmir problem. The Kaluchak attack and the Lone assassination further fueled tensions in the region, and Indian Prime Minister Vajpayee declared that India might have to wage a "decisive war" against Pakistan to stop cross-border terrorism. There were reports that India was planning a limited strike against sixty to seventy terrorist bases in Azad (Pakistani) Kashmir.

As tensions grew, Pakistan decided to test a series of ballistic missiles. On May 25, the country tested the Ghauri medium-range missile (a North Korean No Dong missile with a range of 900 miles). On May 26, it tested a 170 kilometer range Ghaznavi missile (a short-range missile of Chinese origin). Both missiles are reported to be nuclear capable. The official Indian reaction was that the government was not impressed, and that President Musharraf was carrying out the tests to impress his domestic audience. There were also reports that Pakistani nuclear scientists were working three shifts to provide the country with more deliverable nuclear weapons.

Growing international pressure led General Musharraf to make a speech to the Pakistani nation on May 27 in which he said that no infiltration was taking place at the Line of Control. 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. It recalled naval vessels that were patrolling near Pakistan's coastal waters; it agreed in principle to allow Pakistan to use its air space, and it named an ambassador to Islamabad (although it has not yet sought to give his name to the Pakistan government). Indian officials were, however, unwilling to pull back large numbers of troops from the border until they received proof that cross border infiltration had, indeed, stopped (recent reports suggest that India may have pulled three divisions off the border). India's Defense Minister, George Fernandes, said that troops would remain on the border until about October to verify that infiltration had, in fact, stopped.

The United States and Britain proposed that a multinational force patrol the Line of Control (LOC) in Kashmir to monitor infiltration. India turned down the proposal and, instead, suggested that India and Pakistan jointly patrol the border. The Indian argument was that both countries were familiar with the lay of the land and, therefore, their efforts would be more effective than those of a foreign force. India has accepted the U.S. proposal to deploy sensors and monitors on its side of the LOC to monitor infiltration. According to reports, an Indian technical team is to visit the Sandia National Laboratories to be trained in using monitoring and surveillance technologies.

India continued to upgrade its military capability. In July 2002 it announced that one more test of the 700 kilometer missile Agni-1 would take place before it was inducted into service. India is also likely to purchase the Israeli Arrow missile defense system, a decision that has led some official U.S. groups to express concern about the adverse impact this purchase would have on the India-Pakistan military confrontation. Others reportedly argued that it was a good move that might strengthen India-U.S. defense cooperation.

In Indian Kashmir, the political situation remained volatile. Elections to the state assembly have been announced and will take place in four rounds of voting—September 16 and 24 and October 1 and 8. The United States has endorsed the election process as the first part of a meaningful dialogue between India and Pakistan to peacefully resolve their long standing dispute. During his July visit to India, the Secretary stated, “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.” He continued, “We welcome India's commitment to hold free and fair elections, and we believe an inclusive election, meeting these standards can serve as a first step towards peace and reconciliation. We look forward to concrete steps by India to foster Kashmiri confidence in the election process. Permitting independent observers and freeing political prisoners would be helpful.”

He concluded by saying that,

We also look to all parties to do their part to ensure that the upcoming elections can be held in safety and without interference from those who would like to spoil them, for those who do not wish to see peace and reconciliation. Kashmiri's want to run or vote in the elections. And if they do so, they should be allowed to do so, without endangering their

lives. Elections alone, however, cannot resolve the problems between India and Pakistan, nor can they erase the scars of so many years of strife. Elections can however, be a first step in a broader process that begins to address Kashmiri grievances, and leads India and Pakistan back to dialogue.”

(Secretary of State Colin L. Powell’s press conference in New Delhi, July 28, 2002, available at [<http://www.state.gov/secretary/rm/2002/12228.htm>].)

India has expressed concern over the call for “fostering Kashmiri confidence in the election process” since it believes that if terrorist violence is checked it can hold an election where both candidates and voters are free of intimidation. The Indian government has also ruled out the need for international observers stating that both journalists and interested observers are free to go to Kashmir in an unofficial capacity and have been doing so for some time now. (Arati R. Jerath, “Powell’s Poll Remark Tests India-Positive,” *The Indian Express*, July 31, 2002.)

The first two rounds of the Indian elections were marked by some violence but as unofficial observers, diplomats invited to view the elections, and foreign journalists pointed out, the first two rounds of the elections were by and large fair and there were few reports of coercion. The turnout varied as in some places it was fairly high while in others, like the city of Srinagar, it was low. The low turnout was attributed to voter apathy, a call for boycotting the polls by the militants, and militant attacks on the day of the elections. Despite the low turnout in some areas, observers were surprised by the high turnout in other places as Kashmiris came out to participate in the democratic process. The next two rounds of elections will determine the success of the polls and whether a credible government can emerge in the state.

**Nuclear Weapons and Missile Proliferation.** On May 11 and 13, 1998, India conducted a total of five underground nuclear tests, breaking a 24-year self-imposed moratorium on nuclear testing. Pakistan followed, claiming 5 tests on May 28, 1998, and an additional test on May 30. The unannounced tests created a global storm of criticism, as well as a serious setback for decades of U.S. nuclear nonproliferation efforts in South Asia. On May 13, 1998, President Clinton imposed economic and military sanctions on India, mandated by Section 102 of the Arms Export Control Act (AECA), and applied the same sanctions to Pakistan on May 30. Some effects of the sanctions on India included: termination of \$21 million in FY1998 economic development assistance; postponement of \$1.7 billion in lending by the International Financial Institutions (IFI), as supported by the Group of Eight (G-8) leading industrial nations; prohibition on loans or credit from U.S. banks to the government of India; and termination of Foreign Military Sales under the Arms Export Control Act. Humanitarian assistance, food, or other agricultural commodities are excepted from sanctions under the law. (See CRS Report 98-570, *India-Pakistan Nuclear Tests and U.S. Response* and CRS Report RL30623, *Nuclear Weapons and Ballistic Missile Proliferation in India and Pakistan: Issues for Congress*.)

U.S. policy analysts consider the continuing arms race between India and Pakistan as posing perhaps the most likely prospect for the future use of nuclear weapons. India conducted its first, and only, previous nuclear test in May 1974, following 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 75 or more nuclear weapons. Pakistan may have enough enriched uranium for 25 nuclear weapons (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 weapons. India has short-range missiles (Prithvi) and is developing an intermediate-range ballistic missile (Agni) with enough payload to carry a nuclear warhead. Pakistan has the Shaheen, Ghauri, and Ghaznavi missiles.

In early 2002, India tested an 700 kilometer range version of the Agni missile to give it a credible second strike capability against Pakistan. Later, in April, the Indian Cabinet approved the establishment of a Strategic Nuclear Command (SNC) that would control the country's nuclear arsenal. The SNC is to function under the Integrated Defense Staff. The final authority on decisions regarding nuclear weapons is to rest, however, with the Cabinet Committee on Security headed by the Prime Minister. In creating such an authority, India appears to have taken the next logical step in operationalizing its nuclear weapons capability. In 2000, Pakistan created a Nuclear Command Authority to oversee its nuclear arsenal.

The Indian government has given the go-ahead for the establishment of an Agni-1 missile group in the Indian army. The missile group will be in addition to the existing short range Prithvi missile groups. The government is also expected to announce the creation of an Agni-2 Intermediate Range Missile group.

Proliferation in South Asia is part of a chain of rivalries – India seeking to achieve deterrence against China, and Pakistan seeking to gain an “equalizer” against a larger and conventionally stronger India. India began its nuclear program in the mid-1960s, after its 1962 defeat in a short border war with China and China's first nuclear test in 1964. Despite a 1993 Sino-Indian troop reduction agreement and some easing of tensions, both nations continue to deploy forces along their border. Pakistan's nuclear program was prompted by India's 1974 nuclear test and by Pakistan's defeat by India in the 1971 war and consequent loss of East Pakistan, now independent Bangladesh.

**U.S. Nonproliferation Efforts.** Neither India nor Pakistan are signatories of the Nuclear Nonproliferation Treaty (NPT) or the Comprehensive Test Ban Treaty (CTBT). India has consistently rejected both treaties as discriminatory, calling instead for a global nuclear disarmament regime. Pakistan traditionally has maintained that it will sign the NPT and CTBT only when India does so. 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 giving them up.

***Halt further nuclear testing and sign and ratify the CTBT.*** U.S. and international pressure after the 1998 nuclear tests produced resolutions by the U.N. Security Council and the Group of Eight (G-8) urging India and Pakistan to sign the CTBT. Japan – the largest bilateral aid donor for both countries – made resumption of its aid programs contingent on signing the CTBT and assurances not to transfer nuclear technology or material to any other country. In October 2001, however, Japan suspended sanctions against both countries in recognition of their support for the U.S.-led war on terrorism. 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. failure to ratify the treaty in 1999.

In August 1999, India's Bharatiya Janata Party (BJP) government released a draft report by the National Security Advisory Board (NSAB) on India's nuclear doctrine. The report, although retaining India's no-first-use policy, called for creation of a "credible nuclear deterrence and adequate retaliatory capability should deterrence fail." It proposed nuclear weapons "based on a triad of aircraft, mobile land-based missiles and sea-based assets...." The United States and other countries criticized the document as destabilizing, noting that, if adopted, the proposed policy would ratchet up nuclear arms racing in the region.

With both Pakistan and India making significant improvements in their forces—through the building or deployment of a series of new missiles—and given the danger of conflict escalation in the region, the United States has focused on restraining the outbreak of a military conflict in the region. Nonproliferation has been a secondary objective as the more important objectives of preventing a conflict or the unauthorized use of nuclear weapons (more a question with Pakistan than with India) and the war on terror have taken precedence.

**Congressional Action.** Through a series of legislative measures, Congress has lifted nuclear related sanctions 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*, by Dianne E. Rennack.)

**U.S.-India Security Cooperation.** Unlike U.S.-Pakistan military ties, which date back to the 1950s, military cooperation between the United States and India is in the early stages of development. Joint Indo-U.S. steering committees – established in 1995 to coordinate relations between the two countries' armed services, including exchange visits, technical assistance, and military exercises – were put on hold following India's 1998 nuclear tests. In 1997, the United States and India signed a bilateral treaty for the extradition of fugitive offenders, an important step in joint efforts to combat the problems of international terrorism and narcotics trafficking. In January 2000, a U.S.-India Joint Working Group on Counter-Terrorism was established. India has been a leading country in supporting U.N. peacekeeping efforts with troops and observers. In late January 2002, India had more than 2,800 U.N. peacekeeping forces, mainly serving in Sierra Leone, Lebanon, Kosovo, and Bosnia.

In the aftermath of September 11 and despite the United States's rapprochement with Pakistan, India-U.S. security cooperation has flourished. Both countries have recognized the need for greater security cooperation and a series of measures have been taken to implement this goal. Observers in both countries see the changed situation in Asia as well as long-range concerns about China as driving the new relationship.

Joint Executive Steering Groups between the three services of the two countries also have been created and have been meeting. The two countries are planning to hold joint

military training exercises in Alaska in 2003. The navies of the United States and India are to cooperate in securing the maritime trade routes in the Straits of Malacca. Between 2001 and 2002, funding for cooperation in military training projects more than doubled (to \$1 million) under the International Military Education and Training Program. For FY2003, the Administration has requested \$1 million for IMET and \$50 million for Foreign Military Financing (for fighting terrorism). Additionally, the two countries have launched high-level discussions about the global threat of cyberattacks and possible protective measures.

In May 2002, American and Indian Special Forces conducted a joint exercise, Balance Iroquois, in the Indian city of Agra. Balance Iroquois was aimed at exchanging mutual expertise in the areas of special operations and airborne assault. The exercise included training for low-level operations during daytime as well as nighttime.

The exercise was considered to be important because it marked the growing cooperation between the U.S. armed forces and India. It also caused disquiet in Pakistan where there was reportedly concern that the exercise would strengthen India's position in the current military standoff because it would seem that the United States was siding with India. In late September the two navies began the Malabar IV series of exercises off the Indian west coast. The two navies worked on the cross-decking of helicopters, formation steaming, coordinated gun shoots and anti-submarine warfare training.

In September Assistant Secretary for Nonproliferation John Wolf visited India to discuss nuclear and related issues with Indian government officials. Both sides agreed to continue discussions on outstanding nuclear nonproliferation differences and to engage in civilian space cooperation.

## Regional Dissidence and Human Rights

A vastly diverse country in terms of ethnicity, language, culture, and religion, India can be a problematic country to govern. Internal instability resulting from such diversity is further complicated by colonial legacies – international borders divide 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 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.

**Punjab.** Between 1984 and 1994, a reported 20,000 people – civilians, militants, and security forces – were killed in Punjab state as Sikh separatists sought to establish an independent Khalistan (land of the pure community of Sikh believers). By the mid-1990s, however, a security forces' crackdown in the state had virtually halted terrorist and separatist activity. Applying a carrot-and-stick approach, the Indian government deployed some 150,000 army troops to pacify the countryside before state assembly elections were held in November 1991. Probably more effective was the beefing up – in size and weaponry – of the Punjabi Sikh-dominated state police. Supporters of the crackdown say that peace and freedom of movement have returned to the state. Detractors, however, call the crackdown

a reign of police terror and human rights violations and say that the Indian government has yet to address Sikh economic, political, and social grievances.

**Gujarat.** In February 2002, a group of Hindu Karsevaks (religious volunteers) returning by train from the city of Ayodha — the site of the razed Babri Masjid Mosque and the proposed Ram Janmabhoomi Temple — were attacked by a Muslim mob in the town of Godhra, Gujarat, and 58 people were incinerated. In the sectarian rioting that followed, over 900 people were killed, most of them Muslim. The inability of the state government to restore law and order led to the insertion of the Indian military into the state. Despite military help, sporadic violence continues. Indian and foreign human rights groups have been critical of the handling of the situation by the Gujarat and Indian governments. The seemingly poor response by the government led to a motion to censure it in the Indian parliament. While the Bharatiya Janata Party (BJP) survived the censure, some of its coalition partners, such as the Telugu Desam Party (TDP), expressed their displeasure against the government's policies by abstaining from voting. The government's inability to successfully quell violence in Gujarat has led to rifts within India's National Democratic Alliance — a coalition led by the BJP. In July the troubled Narendra Modi led government in Gujarat was finally dissolved.

**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, despite extensive constitutional and statutory safeguards. "Many of these abuses are generated by a traditionally hierarchical social structure, deeply rooted tensions among the country's many ethnic and religious communities, violent secessionist movements and the authorities' attempts to repress them, and deficient police methods and training. These problems are acute in Jammu and Kashmir, where judicial tolerance of the Government's heavy handed anti-militant 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, including Amnesty International and Human Rights Watch, official access to Kashmir, Punjab, and other sensitive areas. In 1995, however, the Indian government allowed the International Committee of the Red Cross (ICRC) permission to begin a program of prison visits in Jammu and Kashmir. ICRC representatives also continued training police and border security personnel in international humanitarian law. Both Amnesty International and Human Rights Watch have expressed grave concern over serious human rights abuses by militant groups in Kashmir and Punjab, including kidnaping, extortion, and killing of civilians.

In order to combat terrorism, the Indian parliament passed the Prevention of Terrorism Act (POTA, March 26, 2002) in a rare joint session. POTA allows suspected terrorists to be held for up to 180 days without charges being filed against them. The law gives the police broad powers to detain terror suspects, intercept their telephone and internet

communications, and cut their funding sources. It also permits withholding the identity of witnesses, making confessions made to police officers admissible evidence, and giving the public prosecutor the power to deny bail. Little discretion is given to judges regarding the severity of sentences.

Both Indian and international human rights groups have come out against the law. They argue that POTA is a throwback to India's Terrorist and Disruptive Activities (Prevention) Act of 1987 (TADA) – a draconian law that was used to detain those suspected of carrying out “anti-national” activities. TADA's implementation led to widespread human rights violations – particularly the lengthy detention without charges of innocent people. In 1995, following a sustained campaign by domestic human rights organizations, the National Human Rights Commission (NHRC), politicians, and international organizations, TADA was allowed to lapse (i.e., Parliament did not review the Act). By order of the Supreme Court, the majority of those detained under TADA were released on bail, and Review Committees examined their cases. Cases against almost 24,000 people were dropped as a result of such reviews. In July 2002, Vaiko, the leader of a breakaway party in the state of Tamil Nadu, the MDMK, was the first non-Muslim to be arrested under POTA for his support for the Liberation Tigers of Tamil Eelam.

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 120 million (12%). 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 Bharatiya Janata Party (BJP) since 1998. In 1999-2000, the BJP government came under increasing criticism, both domestically and internationally, as a result of a number of incidents in which Indian Christians were attacked or killed and their places of worship destroyed, particularly in Gujarat, Orissa, and Tamil Nadu states. According to Indian press reports, most of the attacks allegedly were carried out by Hindu nationalist organizations associated with the BJP. Other incidents of violence and intolerance toward religious groups – Muslim, Sikh, Christian, and Hindu – continue to occur in many parts of the country, including Jammu and Kashmir, Punjab, Bihar, and the Northeast.

Child labor is a serious human rights problem for India, as well as other South Asian countries. According to the State Department's Human Rights Report, enforcement of child labor laws in India is weak, and estimates of child laborers range as high as 55 million. A major factor is India's lack of a compulsory education law requiring even primary education. As a result, an estimated 87 million out of 203 million Indian children between the ages of 5 and 14 do not attend school. Many of those not in school are sent to toil as agricultural workers, domestic workers, or restaurant helpers. Many others work long hours under cruel conditions in cottage industries making carpets, firecrackers, brassware, and handicrafts to help supplement family income, with no opportunity for education.

A National Human Rights Commission (established in 1993) has investigated abuses in Punjab, Kashmir, and the Northeast; supported training programs for security forces; and made recommendations to the central and state governments. Seriously understaffed, the NHRC received an estimated 40,700 complaints in 1998-99. The Supreme Court also has

become more active in combating the custodial excesses of the police by placing stringent requirements on arrest procedures and granting compensation for police abuse victims. In 1997, the Supreme Court ordered prison reforms addressing overcrowding, torture, and neglect of health and hygiene of prisoners. In 1997, India signed the U.N. Convention Against Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment.

## **India's Economic Reforms and Market Opening**

Economic reforms begun in 1991, under the Congress-led government of then Prime Minister Narasimha Rao and his finance minister Manmohan Singh, brought a growth spurt and 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 by U.S. companies, including IBM, Motorola, Enron, Coca Cola, Pepsico, Merrill Lynch, AT&T, Raytheon, Kellogg, Procter & Gamble, and Ford. 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.

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 for 2000 were \$3.7 billion, while U.S. imports from India for 2000 totaled \$10.7 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 2000, a number of foreign trade barriers remain. 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. In December 1999, Parliament passed the long-awaited Insurance Regulatory and Development Authority Bill, which will open India's insurance industry to domestic and foreign private insurers (participation restricted to ownership of 26% in joint ventures). State-owned banks account for 85% of the banking business and have been widely criticized for their inefficiency and poor service. Since 1999, foreign banks have been allowed to open 12 new branches annually.

**Intellectual Property Rights Protection.** Inadequate intellectual property rights protection, by means of patents, trademarks and copyrights, has been a long-standing issue between the United States and India. 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 to be \$66 million. In April 2001, 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**

Sometime in 1999, the population of India crossed the 1 billion mark and is projected to exceed 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 will devote \$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, Demining, and Related Programs (NADR-ECA). The major USAID goals in India for FY2002 include: 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. In 2001, the Office of U.S. Foreign Disaster Assistance (USAID/OFDA) gave \$3.6 million in disaster assistance for flood relief in West Bengal, \$1 million for floods in Orissa, \$12.8 million for earthquakes, and \$1.2 million for drought relief. The United States is the third largest bilateral aid donor to India, after Japan and the United Kingdom. The Administration's FY2003 aid request includes \$75.2 million for DA/CSH; \$25 million for ESF; \$1 million for IMET; and \$50 million for Foreign Military Financing (FMF).

## **Narcotics**

India is the world's largest producer of legal opium for pharmaceutical purposes, some of which reportedly is diverted illegally to heroin production. Opium is produced legally in the states of Madhya Pradesh, Rajasthan, and Uttar Pradesh. India serves as a major transit route for drugs originating in Afghanistan, Pakistan, and Burma, and also is a major supplier to those countries of the chemical used in manufacturing heroin. Thousands of gallons of acetic anhydride reportedly are smuggled by camel through Rajasthan state to Pakistan, where some of it is passed on to drug manufacturers in Afghanistan. Smaller amounts of the chemical, which is produced mainly for the tanning industry, are also smuggled through India's Northeast to heroin producers in Burma. 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. In the Northeastern state of Manipur, needle-sharing by heroin users has contributed to the spread of the AIDS virus, with 70% of drug users in that state reportedly infected with AIDS.

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 2001, 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.