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India-U.S. Relations

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Peter R. Blood
Foreign Affairs, Defense, and Trade Division

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India - U.S. Relations

SUMMARY

Although the end of the Cold War freed U.S.-India relations from the constraints of a bipolar world, bilateral relations continued for a decade to be affected by the burden of history, most notably the longstanding India-Pakistan regional rivalry. Recent years, however, have brought a sea change in U.S.-India relations, which was reflected in India's swift offer of full support for the U.S.-led war on terrorism following the September 11, 2001, terrorist attack on New York and Washington.

The continuing U.S. concern in South Asia, however, is the prevention of nuclear and ballistic missile proliferation and the reduction of tensions between India and Pakistan, which center on their competing claims to the former princely state of Kashmir. India and Pakistan have so far ignored U.S. and international pressure to sign the Nuclear Nonproliferation Treaty or the Comprehensive Test Ban Treaty (CTBT).

On May 11 and 13, 1998, India conducted a total of five unannounced nuclear tests, setting off worldwide condemnation. Following India's lead, on May 28 and 30, Pakistan reported conducting six nuclear tests. As a result of the tests, President Clinton imposed wide-ranging sanctions on both countries, mandated by the Arms Export Control Act. Many of these sanctions gradually were lifted through Congress-Executive branch cooperation in 1998-2000. The remaining nuclear sanctions on India and Pakistan were removed 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 over the past decade has resulted in the deaths of thousands of civilians, militants, and security forces. International human rights groups, as well as Congress and the U.S. State Department, have criticized India for alleged human rights abuses by its security forces in efforts to suppress these movements.

The United States has been highly supportive of India's efforts to transform its formerly quasi-socialist economy through fiscal reform and market opening, beginning under the Narasimha Rao government in 1991, when India took 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 kept India generally on the path of economic reform and market opening. Rapidly expanding U.S.-India economic relations were a major focus of President Clinton's March 2000 five-day visit to India.

The Bharatiya Janata Party (BJP) coalition government led by Prime Minister Atal Behari Vajpayee, which came to power following the March 1998 parliamentary elections, supported a modest pace of economic reform. In April 1999, the BJP government resigned following the loss of a confidence vote, 270-269. In October 1999, the BJP government regained power following national elections. A BJP-led multiparty alliance won about 300 of 545 parliamentary seats, prompting analysts to forecast a period of more stable government. In November 2001, Vajpayee met with President Bush in Washington to discuss the outlines of expanding U.S.-India cooperation.

MOST RECENT DEVELOPMENTS

Although tensions between India and Pakistan remain high in early March 2002 and the threat of war has not altogether receded, the intensive diplomatic efforts of U.S. officials appear to have had some impact in defusing a dangerous situation. The United States communicated to Pakistan that it would have to rein in Muslim extremist groups within its borders, and by the end of 2001, Indian Foreign Minister Jaswant Singh acknowledged for the first time that Pakistan had taken “a step in the correct direction.” In early January 2002, Prime Minister Vajpayee and Pakistani President Musharraf shook hands at a South Asian regional summit in Nepal, although they did not have a one-on-one discussion as many had hoped. On January 12, Musharraf delivered a major televised address in which he announced a crackdown on Islamic groups and his withdrawal of Pakistani support for anti-Indian militants operating within Pakistan’s borders. India, however, has refused to withdraw its troops from the border, stating that Pakistan must do “more,” including turning over a number of alleged terrorists on a list compiled by India and renouncing “moral” as well as material support for all groups – even non-Pakistan based groups – fighting Indian control of Kashmir.

In late February, India’s ruling Bharatiya Janata Party (BJP) fared poorly in the state elections, especially in its traditional power base of Uttar Pradesh, raising the question of the party’s future dominance in Indian politics. Voters appeared to be less interested in the BJP’s “play tough with Pakistan” platform than with bread and butter issues. At the same time, religious and communal passions rose to a fever pitch after Muslims attacked a train in India’s western Gujarat state, which was carrying members of a Hindu activist group just returned from a vigil in Ayodhya, Uttar Pradesh, to support the construction of a Hindu temple on the site of a demolished 16th century mosque. The attack, which killed 58 Hindus, in turn incited massive retaliation against Muslims by Hindus in what has been described as the worst religious strife in India in 10 years. At least 600 people, mostly Muslims, have been killed in the aftermath. The situation has put the government of Prime Minister Vajpayee in an awkward position. Most of the parties in the BJP’s ruling coalition are secular and reject Hindu communalism as anathema to India’s secular credo. They have warned Vajpayee that they may withdraw their support if he allows Hindu activists to proceed with their plan to build the temple.

BACKGROUND AND ANALYSIS

Context of the Relationship

U.S. and Congressional Interest

In the immediate wake of the September 11, 2001 terrorist attacks on New York and Washington, 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 Counter-terrorism 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, 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.

Background. U.S. and congressional interests in India include a wide spectrum of issues, ranging from nuclear and missile proliferation concerns through human rights issues to 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 long-term strategic threat.

With the fading of Cold War constraints, the United States and India began exploring the possibilities of a more normal relationship between the world's two largest democracies. The 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 the 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 19-26, 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 counter-terrorism; environmental protection; clean energy production; and disease control. 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 Clinton's visit, during which U.S. companies signed agreements on \$4 billion in projects with Indian and Bangladeshi firms. 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 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 Prime Minister Vajpayee addressed a joint session of the U.S. Congress and was the guest of honor at 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 revisited the United States in early November 2001, he came at a time of heightened tensions in South Asia but also during a time of warming Indo-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 claims by both countries to the former princely state, divided by a military line of control (LOC), since 1948, 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. (See also pp. 8-9)

Adding to India's bitterness toward Pakistan is the latter's historically close ties with China. India and China fought a short border war in 1962, and China since then has occupied territory 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 support for Pakistan. During a visit by former 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 (LAC) 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 their disputed border

and to negotiate a partial withdrawal of troops from the border. 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 China threat. In May 2000, however, Indian President K.R. Narayanan made a 7-day state visit to China and signed an agreement with China's President Jiang Zemin 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 the September-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 lasting 13 days in 1996 and 13 months in 1998-99. Until recently, the 22-member National Democratic Alliance (NDA), which comprises the current BJP coalition government, was viewed as reasonably stable, with a majority of about 30 votes. In mid-March 2001, however, the government was rocked by a defense procurement scandal in which the BJP president was caught on video allegedly accepting money from journalists posing as arms dealers. The fall-out from the scandal saw the resignations of four government ministers and the withdrawal of a member party from the coalition, bringing the government's majority down to about 20. Although the opposition was unsuccessful in bringing a no-confidence motion, observers predict that the Vajpayee government will have less leeway on major contentious issues, including economic reforms and market opening.

As a nation, 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; allegations of widespread corruption involving a number of party leaders; and the lack of charisma provided by former Congress leaders, mostly members of the Nehru-Gandhi family. At the same time, there has been a shift in power from upper caste Indians to the far more numerous lower caste Indians, who 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 election, 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. Part of the BJP's success in being returned to power resulted from its building of the NDA coalition and reaching agreements on seat contesting with coalition partners before the election. The Congress, which maintains a longstanding commitment to single-party government, made only a few pre-election alliances with other parties.

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 (National Volunteer Force), allegedly responsible for the incidents. Since then, the BJP has worked – with some success – to change its image from right-wing Hindu fundamentalist to conservative, secular, and moderate. 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 shaky, 13-member National Democratic Alliance coalition, headed by Vajpayee, and pass 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 on with suspicion by lower caste Indians, India's 120 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 separate Muslim laws on marriage, divorce, and property rights; and abolishing the special status promised Jammu and Kashmir state under Article 370 of the Indian Constitution. None of the issues are mentioned in the NDA 1999 election manifesto and 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 a fever pitch after Muslims attacked a train carrying members of the Vishwa Hindu Parishad (VHP–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 more than 600, mostly Muslims, were killed by Hindus in retaliatory mob actions. In an atmosphere described as the worst religious strife in a decade, many of the parties in the BJP's ruling coalition threaten to withdraw their support if Vajpayee lets Hindu activists proceed with their plans to build a temple on the rubble of the Babri Mosque in Ayodhya. How Vajpayee – viewed as a statesmanlike figure and the moderate face of the BJP – reacts to the crisis may very well determine whether the coalition holds.

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 (about 135 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 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 Sonia 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). Seat totals for the other opposition parties (including leftists and regional parties) also declined from about 143 in the previous parliament to about 107.

Congress Party Background. Support for the Congress Party declined 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, Sonia plunged into a flurry of cross-country campaigning, accompanied by her daughter Priyanka and son Rahul (both in their twenties). Although the "Sonia factor" wasn't enough for a Congress win, 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. Sonia began belated efforts to revitalize the moribund party 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, inability of the Congress to form a new government after the fall of the BJP coalition in April, plus defections led by Sharad Pawar, weakened the party in the 1999 parliamentary elections.

India-U.S. Relations and Bilateral Issues

Security

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. Both countries have aircraft 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 reportedly has acquired technology for short-range missiles (Shaheen) from China and medium-range missiles (Ghauri) from North Korea, capable of carrying small nuclear warheads.

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. Following the 1998 tests, the United States set

forth five steps India and Pakistan need to take in order to avoid a destabilizing nuclear and missile competition. They include the following:

Halt further nuclear testing and sign and ratify the CTBT. U.S. and international pressure after the 1998 nuclear tests produced resolutions by the UN 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.

Halt fissile material production; cooperate in FMCT negotiations. Both India and Pakistan have agreed to participate in negotiations on the fissile material control Treaty. Both countries, however, have expressed unwillingness to halt fissile material production at this stage in the development of their nuclear weapons programs.

Refrain from deploying or testing missiles or nuclear weapons. The United States has urged India and Pakistan – with little success – to adopt constraints on development, flight testing, and storage of missiles, and basing of nuclear-capable aircraft. On April 11, 1999, India tested its intermediate-range Agni II missile, firing it a reported distance of 1,250 miles. On April 14-15, Pakistan countered by firing its Ghauri II and Shaheen missiles with reported ranges of 1,250 and 375 miles, respectively. India tested a longer version of its short-range Prithvi missile in December 2001 and claims it successfully tested a new, short-range version of the Agni on January 25, 2002.

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.

Maintain and formalize restraints on sharing sensitive goods and technologies with other countries. Both India and Pakistan apparently have good records on nonproliferation of sensitive technologies and have issued regulatory orders on export controls. Since May 1998, both countries have continued to hold expert-level talks with U.S. officials on export controls. U.S. concern was raised in late 2001 by disclosures that two retired Pakistani nuclear scientists had briefed bin Laden and other al Qaeda officials on several occasions. The war in Afghanistan also heightened fears of instability in Pakistan that could lead to Islamabad's nuclear assets being compromised in the event of a radical Islamist military coup. This has resulted in renewed U.S. policy debate on transfers of nuclear weapons safeguards technologies to Pakistan and/or India. India also continues to press for ending of export controls on dual-use technologies that it needs for its civilian nuclear and space programs, which has raised further U.S. policy debates on export controls and technology transfer.

Reduce bilateral tensions, including Kashmir. Beginning in 1990 – with the increasing friction between India and Pakistan over Kashmir – the United States strongly encouraged both governments to institute confidence-building measures in order to reduce tensions. Measures agreed to so far include: agreement on advance notice of military movements; establishment of a military commander “hotline”; an exchange of lists of nuclear installations and facilities; agreement not to attack each other’s nuclear facilities; a joint ban on use and production of chemical weapons; and measures to prevent air space violations. In February 1999, Prime Minister Vajpayee took an historic bus ride to Lahore, Pakistan, to hold talks with then Prime Minister Nawaz Sharif. The two leaders signed the Lahore Declaration in which they agreed to intensify efforts to resolve all issues, including Jammu and Kashmir and to take a number of steps to reduce tensions between their countries. The promise of the Lahore Declaration was never realized, however, due to a series of subsequent setbacks: a major skirmish near Kargil in May-July 1999; an inconclusive summit at Agra in July 2001; and, most recently, the current military standoff sparked by a terrorist attack on the Indian parliament by Pakistan-based Islamic militants. (See CRS Report RS20277, *Recent Developments in Kashmir and U.S. Concerns*, by Peter R. Blood.)

Congressional Action. Through a series of legislative measures, Congress has lifted sanctions on India and Pakistan resulting from their 1998 nuclear tests. 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. (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.

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.

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. Since late 1989, a separatist war, costing more than 30,000 lives, has been waged in the Indian-controlled Kashmir Valley between Muslim separatists and their supporters and Indian security forces. India blames Pakistan for fomenting rebellion, as well as supplying arms, training, and fighters. Pakistan claims only to provide diplomatic and moral support. The longstanding U.S. position on Kashmir is that the whole of the former princely state is disputed territory, and 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 in 1989, led India to impose President's rule (rule by the central government) on the state in 1990, and to send in troops to keep 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 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 Narasimaha 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, along with other national and local parties, took part in the elections. The Hurriyat Conference, calling the polls a sham, refused to contest. The NC won 57 of 87 seats, and Farooq Abdullah became chief minister of the state in early October. The polling, according to unofficial observers, fell somewhere between the Indian government's description of "a free and fair election" and the Hurriyat characterization of "a military operation." 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.

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." Some 350,000-450,000 Indian security forces remained in Jammu and Kashmir in 2001. Insurgency-related deaths in the state – civilians, militants, and security forces – totaled more than 2,700 in 2000, and human rights abuses by both security forces and militants continued to be a serious problem.

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 July 1995, four Western tourists, including American Donald Hutchings, were kidnaped in Jammu and Kashmir state by Al-Faran, allegedly part of a Pakistan-based militant group, Harakat ul-Ansar (HUA). Since 1997, the HUA – which later renamed itself the Harakat ul-Mujahideen – has been on the U.S. State Department list of foreign terrorist organizations. In August 2001, a little-known militant group, Lashkar-e-Jabbar, issued an edict that all Kashmiri women must wear a *burqa* – a gown that covers them from head to foot, similar to what the Taliban government in Afghanistan forced women to wear – "or be dealt with sternly." Kashmiri women traditionally have not worn the *burqa*. The Lashkar-e-Jabbar reportedly have since claimed

credit for throwing acid in the faces of several women teachers and students not wearing *burqas* in Srinagar. In the backdrop of the current military standoff between India and Pakistan which began after Islamic militants attacked the Indian parliament in December 2001, American journalist Daniel Pearl was abducted in January 2002 and then killed one month later by extremists believed directly or indirectly connected with Pakistan-based Kashmir jihadi groups.

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. Although the closed nature of India's economy shielded it from the worst of the financial crisis, dwindling East Asian imports and foreign investment took their toll.

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 BJP appears to be gradually embracing globalization. Finance Minister Yashwant Sinha and Prime Minister Vajpayee have sought to reassure foreign investors with promises of transparent and nondiscriminatory policies governing foreign direct investment. Indian state governments also have begun to provide investment-friendly environments – particularly at the hi-tech centers of Bangalore (Karnataka) and Hyderabad (Andhra Pradesh) – attracting an array of U.S. investors, including Microsoft, General Electric, Oracle, IBM, and Intel.

In sectors other than infrastructure or technology, however, investors still can find the road blocked by endless red tape, including lengthy permit procedures and restrictive land and labor regulations. Political considerations also continue to hamper economic reform and market-opening policy for the BJP government, when populist-oriented coalition partners fight cuts in expensive subsidies, or the more nationalist wing of the BJP opposes tariff reduction and other investment-friendly strategies. Although New Delhi began economic reforms a decade ago, much remains to be done before the Indian economy can begin to fulfill its potential. India's road to sustainable development is lined with many pitfalls, including a rapidly expanding population, serious health and environmental problems, inadequate infrastructure, and a fiscal deficit in excess of 6% of GDP.

Trade Issues

Market Access Barriers. 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. The USTR also cited barriers that continue to exist in India's financial services sector. Almost all insurance companies are government owned, as are most banks. In December 1999, however, both houses of the Parliament passed the long-awaited Insurance Regulatory and Development Authority Bill, 1999, which will open India's insurance industry to domestic and foreign private insurers. Foreign firms will be able to participate through joint ventures with domestic firms, although their stakes will be capped at 26%. Largely dominated by the state, India's banking industry

has been widely criticized for its inefficiency and poor service and regarded as a stumbling block in India's efforts to open up the economy. Public sector banks, which include 90% of India's bank branches, handle 85% of the country's banking business. Beginning in 1999, however, foreign banks are allowed to open 12 new branches annually. Five U.S. banks now have a total of 16 branches in India.

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 May 1991, the USTR cited India as a "priority foreign country" under the Special 301 provision of the 1988 Trade Act for its lack of protection and enforcement of intellectual property rights. After a 9-month investigation, the USTR further determined that, although India had strengthened its trademark and copyright laws, patent protection remained weak. In 1992 the United States suspended duty-free privileges under the Generalized System of Preferences (GSP) for about \$80 million in Indian exports of pharmaceutical and related products. In April 2001, the USTR again named India to the Special 301 Priority Watch List.

In May 1994, the Indian Parliament passed amendments to the country's copyright law designed to strengthen intellectual property rights protection. In view of the new copyright laws and proposed legislation on trademarks, the USTR in June 1994 moved India from the priority foreign country list to the less stringent "priority watch list," while continuing to urge India's adoption of patent protection legislation. India remained on the priority watch list in 1999. In December 1999, the Indian Parliament passed the Copyright (Amendment) Bill 1999, which provides added protection to the rights of performing artists. In March 1999, the Indian Parliament passed the patent legislation to allow exclusive marketing rights (EMRs) for foreign pharmaceuticals and agro-chemical firms. In passing the legislation, India was responding, in part, to a commitment to the World Trade Organization that it would amend its patent law, following a trade dispute with the United States. The new legislation will lay the groundwork for introduction of product patents; Indian law currently recognizes patents only on manufacturing processes.

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 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. Major counter-narcotics efforts by the Indian government in 2000 included continued cooperation with Pakistan and Burma on counter-narcotics efforts and implementation of new policies aimed at reducing the diversion of legally produced opium to the illegal market. Although India is becoming more concerned about the drug problem, observers note a need for increased political support and resources for counter-narcotics efforts. U.S. counter-narcotics assistance to India funds training programs for enforcement personnel and the Indian Coast Guard. In March 2001, President Bush submitted to Congress his annual list of major illicit drug producing and transiting countries eligible to receive U.S. foreign aid and other economic and trade benefits. India was among the countries certified as fully cooperating and deserving U.S. assistance.