India-US Relations: A Paradigm Shift

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Abstract

An attempt has been made in this article to assess the arguments in favour of a fundamental shift in Indo-US relations by revisiting the history of their bilateral relations since its formative period and comparing it with the present period. The paper strongly argues that the Indian decision to go nuclear in May 1998 played a catalytic role in bringing the two democracies together. It was Shakti 1998, which changed the entire scenario and augmented for a changed US policy towards South Asia, especially towards India. Also, the May 1998 nuclear tests helped India stand firmly vis-à-vis its security concerns and threats as well as in its projection of a power to be reckoned with.

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Introduction

India's decision to go nuclear in May 1998 and the subsequent Indo-US rapprochement marks a turning point in the history of the two countries relations. Analysts have argued that the end of the Cold War began a new era in Indo-US equations. The collapse of the Soviet Union set the United States free from Cold War politics and its parameters. As a result, the US choice of exploring India as a country of vital interests loomed large in its estimate. Pakistan, which had been one of US' Cold War allies, appeared to be on the wane until 9/11 revived its importance for the US Administration. There also exists a sizeable opinion which suggests that India and the US were looking to build new equations after the then Prime Minister Narasimha Rao's visit to the US in May 1994. They believe that the enlargement of the template of Indo-US engagement owed its genesis to India's own economic reforms and liberalisation programme, coupled with the strength of its population and huge market potential. While contributions of these motivating factors to improved Indo-US ties were undisputable, the most important hallmark in this context was the overt acquisition of nuclear weapons capability in 1998.

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Although overall Indo-US bilateral ties by the end of the Cold War and in its immediate aftermath appeared encouraging, no substantive change had occurred vis-à-vis the core bilateral issue of nuclear non-proliferation. While the opening up of India's economy in the early 1990s was viewed favourably by the Americans, US pronouncements for "enhanced bilateral engagement" and "sustained interaction" clashed with its longstanding divergence vis-à-vis issues of disarmament and non-proliferation. While there was an inclination in the Clinton Administration to look for "a new opening" to India, its prospects got severely mired by the legacy the two countries carried forward on the issue of nuclear non-proliferation, which still continued to be the predominant bone of contention. As the former National Security Adviser of India, Brajesh Mishra put it, "one either changes the policy to suit the environment or changes the environment to suit the policy. The nuclear tests helped us change the environment".[1] The new environment created a place for India where it was referred to as 'a part of the solution' than 'a part of the problem'. A careful analysis of post-1998 Indo-US relations suggests that it was Shakti 98, which generated a nationwide churning process in the US on its flawed South Asian policy and its benign neglect of India. Many lawmakers, strategic thinkers and think tanks felt the need for a changed policy towards South Asia, particularly towards India.[2]

Hence, the US position, which had remained unchanged so far on many divergent issues, most importantly, nuclear non-proliferation, technology transfer, and Indo-Pak relations, appeared to be changing in the post-Pokhran II period. It took into account India's security concerns and an effort was made for the first time to acknowledge these concerns in public. The Jaswant Singh-Strobe Talbott talks during the Vajpayee-Clinton Administration and the Sibal-Juster talks during the Vajpayee-Bush Administration were part of a determined political effort to deal with the Indo-US divergence over non-proliferation and advanced technology transfers. Discussions on what was earlier called the 'Trinity' and expanded to the 'Quartet' of issues later, became the foundation on which was based the strength and longevity of transformed Indo-US relations.

The ongoing progress in this regard – announcement of the Next Steps in Strategic Partnership (NSSP) by President George W. Bush on January 12, 2004,[3] and the Bangalore Space Conference[4] in June 21-25 2004 – strengthen the argument that the decades-old 'estrangement' appears to have given way to a new partnership. The representation of the American space industry, such as Boeing, Panamsat, Intelsat, Raytheon, Honeywell, Loral and Space Imaging in this conference, indicate US industrial interests in bilateral space cooperation. Optimists view the completion of Phase I of the NSSP on September 18 and the beginning

of Phase II as important milestones in Indo-US ties, although they foresee obstacles in the smooth progress of the NSSP (discussed later in this paper).

One can strongly argue that had India not shed its nuclear ambiguity, the Indo-US engagement particularly in the field of technology would not have prospered. Correspondingly, India would not have, seemingly, embraced President Bush's Nuclear Missile Defense Plan in June 2001 when most US allies were critical about the initiative, had it not declared itself a nuclear weapons capable state.

It can be argued that the May 1998 nuclear explosions acted as a catalyst in transforming Indo-US relations, ushering in a new era of bilateral relations. The September 11 terrorist attacks on the World Trade Center and the Pentagon reinforced this positive shift in the relationship.

A recent survey of American public opinion conducted by the Chicago Council on Foreign Relations states: "India is seen in a new light in the 2002 survey. The percentage of respondents saying that the United States has a vital interest in India has increased by 29 percentage points to 65 per cent since 1998 – the largest increase for any country ... The percentage of respondents who see it playing a greater role in the next ten years has jumped from 26 per cent in 1998 to 40 per cent in 2002, the largest increase for any country…" The most recent suggestions of a high-powered Task Force, jointly formed by the Asia Society and the Council on Foreign Relations, "to consolidate relations with India" in order to create a "genuine partnership" is also noteworthy. The composition of the Task Force team[5] and the kind of attention the report has been given is convincing enough of its importance and the role it might play in influencing policy-makers in Washington.

An attempt has been made in this article to assess the arguments in favour of a fundamental shift in Indo-US relations by revisiting the history of their bilateral relations since its formative period and comparing it with the present period. Recent developments, in the world's largest and the oldest democracies, whether in the field of defence cooperation or any other, indicate that the earlier 'tit for tat' policy is no longer a viable option for either country. Moreover, they understand the nature of their interdependence underpinned by their "overlapping national interests".[6]

For the purpose of this paper, the history of Indo-US relationship has been divided into four phases:

- Period of Ideological Divide
- End of the Ideological Divide

- Post-Pokhran II Period
- Post-9/11 and the Campaign Against Terrorism

Period of Ideological Divide

Starting from the pre-independence period till the end of the Cold War, the two countries seemed to fall short of fulfilling one another's expectations and aspirations. India wanted strong US support to expedite its struggle for independence whereas the United States paid more attention to World War II priorities and to Prime Minister Churchill's sensitivities towards Indian Independence rather than supporting India's democratic struggle.[7] As Gary Hess said, "the Indian independence movement placed US officials in a dilemma that challenged American idealism, political activism and diplomatic skill."[8] However, pragmatism prevailed and US policy tilted towards its prized ally, Great Britain, rather than towards supporting Indian independence.

Another factor that would have influenced Indo-US relations then could be their basic national behavioural traits: India's inherently idealistic approach as a nascent nation-state clashed with American realpolitik and pragmatic approach as they pursued their respective foreign policy goals. Moreover, there were several basic differences in historic and cultural experiences as well as the internal and the external circumstances in which diplomatic and military questions were addressed by the Indian and American democracies. Such differences profoundly influenced the security and foreign policy strategies as well as the attitudes of the political elite in both nations.[9]

Jawaharlal Nehru's policy of non-alignment and the US stance on Kashmir gave birth to a bilateral relationship that scholars termed as a "missed partnership."[10] It went through many ups and downs.[11] The high points were discernible in the following time period:

- US support during the 1962 border war with China
- Washington's relief programme, which began in the early 1950s and extended into the next decade

The low points were far more numerous and they included:

- Differences that emerged during the Korean War
- India's failure to sign the Japanese Peace Treaty
- Pakistan's inclusion in the alliance system in 1954-55

- The attempt to prevent India's use of force in Goa in 1961
- The despatch of the carrier, *USS Enterprise*, into the Bay of Bengal in 1971
- Resentment over the accrual of rupee currencies by the US
- US reaction to India's Peaceful Nuclear Explosion (PNE) of 1974 and imposition of technology sanctions
- India's stance vis-a-vis Soviet occupation of Afghanistan[12]

End of the Ideological Divide

The fall of the Berlin Wall and the end of the Cold War freed both India and the US from the limiting confines of their past preferences. One witnessed positive change in the relationship between the two countries in the post-Cold War era. Both the countries were willing to start a strategic dialogue and work for a better relationship. However, nuclear non-proliferation and global disarmament still remained an issue of debate between the two countries.

Indefinite extension of the NPT in 1995 and the CTBT debate in 1996 in Geneva reiterated the two countries' past differences vis-à-vis their positions on the issue of nuclear non-proliferation and the test ban. The discriminatory factor in the indefinitely extended NPT coupled with the 'entry into force' provisions of the CTBT provided enough reasons for India to believe that these steps were taken by the nuclear weapon states to prevent India from joining their club. It was unacceptable to India that its national security should remain vulnerable to both military threats and political blackmail through its exclusion permanently from the nuclear club, while its existing members and their allies would continue to enjoy the unhindered protection of nuclear weapons.[13] The proffered reasons of the US for a more peaceful and secure future for mankind through a flawed non-proliferation regime neither appealed to India nor suited its national security framework. It chose to exercise its nuclear option to meet its security concerns and threats.

Post-Pokhran II Period

The nuclear tests conducted by India in May 1998 took the world by surprise, particularly the United States. The latter felt deceived at the decision taken by India to go nuclear at the time when non-proliferation was high on its foreign policy agenda. The anger was intense when the US realised that this might threaten its policy design to construct an international non-proliferation regime. US official statements either delivered unilaterally at home or in any multilateral forum were

full of annotations to convey clearly to the parties concerned (India and Pakistan) as well as to the world that this kind of action would never be tolerated.[14] Washington's intention of taking stringent action against India was clearly visible in President Clinton's statement issued on May 12, 1998. It read:

> I want to make it very, very clear that I am deeply disturbed by the nuclear tests which India has conducted, and I do not believe it contributes to building a safer 21st century. The United States strongly opposes any new nuclear testing. This action by India not only threatens the stability of the region, it directly challenges the firm international consensus to stop the proliferation of weapons of mass destruction. I call on India to announce that it will conduct no further tests, and that it will sign the Comprehensive Test Ban Treaty now and without conditions. I also urge India's neighbors not to follow suit - not to follow down the path of a dangerous arms race. As most of you know, our laws have very stringent provisions, signed into law by me in 1994, in response to nuclear tests by non-nuclear weapons states. And I intend to implement them fully.

The US reaction transformed into action and economic sanctions were imposed under the Nuclear Non-Proliferation Act, 1994 (Glenn Amendment) on both India and Pakistan.

Notwithstanding the fact that India defied US policy, the US administration, at the request of the Government of India, showed willingness to engage in a high-level dialogue and work out a mutually-agreed upon relationship. This intent paved the way for the Jaswant Singh-Strobe Talbot Dialogue, which started on June 12, 1998. Such quick action was unprecedented in the history of Indo-US relations. Also unprecedented was the urgency and need felt by policy-makers in Washington (due to the factors inherent with India's nuclear status) to rethink and reshape US policy towards India.

A delicate stage had been reached in Indo-US relations and it required sagacious handling by both interlocutors. Jaswant Singh and Strobe Talbot skilfully managed to guide their respective governments towards a positive direction. Although the dialogue continued behind closed doors, after a few rounds of talks, one witnessed a change in US' tone as far as the non-proliferation issue was concerned. It also helped both countries to buy time to enable creation of a proper atmosphere to harmonise their positions.[15]

Washington's positive attitude towards India during the Kargil crisis in 1999 was the biggest gain for India as far as its diplomacy was concerned. The US managed to signal its stand on the Kargil issue to India and proved it through action (intelligence sharing) and this eventually paved the way for building a new level of political confidence between New Delhi and Washington.[16]

The positive signal was reinforced when the US announced President Clinton's visit to India (South Asia) between March 20-22, 2000. It reflected the common desire of both the countries to move towards a "forward looking" and "politically constructive" partnership.[17] Many of the agreements signed during his visit to India did prove that the relationship between the two countries was shaping up positively.[18] Although many analysts were sceptical about the real outcome of the President's visit, at the fag end of his tenure, it nonetheless, was perceived by many, particularly in India as a landmark event that symbolised goodwill and improved relations between the two states. It was again believed that the Clinton visit laid the foundation for transforming Indo-US relations, which got a boost during the first Bush Administration. The pragmatic nature of US foreign policy was also becoming apparent in Clinton's two-pronged strategy towards India, one emphasising the issues of markets and trade, and the other non-proliferation.[19]

President George W. Bush carried forward the Clinton policy of engagement in South Asia with a special emphasis on Indo-US relations, and more importantly, with a changed nuclear policy.[20] The Bush Administration's position opposing the CTBT (on the basis of 'the safety and reliability of US nuclear arms'), the FMCT (for lack of an effective, realistic verifiable system) and the steps it took to protect itself from WMD threats by withdrawing from the 1972 ABM Treaty for developing an effective NMD system, created a conducive atmosphere wherein India did not feel pressurised to fulfil the so- called US non-proliferation objectives enunciated by the previous administration (signing the CTBT, negotiating an FMCT and strategic restraint). Looking at the Indo-US partnership from a global perspective, both India and the United States decided to take necessary steps to transform the "natural alignment"[21] into a sustained, meaningful bilateral bond "which they believed was best suited to further their national interests as well as to strengthen their international positions."[22]

Post-9/11 and the Campaign Against Terrorism

As Indo-US bilateral relations were on the ascendancy, the terrorist attacks on the World Trade Center and the Pentagon transformed the overall situation in South Asia. It brought Pakistan back to centrestage and put parts of India-US relations on hold.[23] "Pessimism began to cloud public thinking in Delhi on the future of India-US relations based on the feelings that the post-9/11 developments had swept away more than a decade of political efforts to restructure the relationship.[24] On its part, the Bush Administration had to "balance its new emphasis on terrorism with standing priorities such as the global economy and democracy."[25]

Many analysts in the US believed that this combined goal created a critical situation for US policy-makers in terms of striking a balance between its new-found strategic partner India and the indispensable Pakistan in the global campaign against terrorism. However, prudently trying not to ruin the relationship with India, the US very pragmatically handled its South Asia policy by dealing with both India and Pakistan independently of each other, and balancing their relevance to its national interests. As a result, one witnessed removal of sanctions on both India and Pakistan, continuity of defence cooperation with India, acknowledging India as a future global power in the NSS 2002 document, and such like. Although India criticised the US' double standards in the war against terrorism, it did not let this issue act as a stumbling block in their overall relationship.

Indo-US relations have never been free from irritants at any point of time. There still exist divergent opinions vis-à-vis many issues, such as legitimacy of the US-led war on Iraq and WTO issues especially concerning farm subsidies. It is noticeable that the Pentagon is unhappy about India's refusal to send troops to Iraq; the USTR and Commerce Departments have already exhibited their unhappiness over India's role at Cancun. US' moves – designating Pakistan as a Major Non-NATO Ally (MNNA) and turning a blind eye to AQ Khan's nuclear black-marketing, its oversight of the 'body search' of the then Indian Defence Minister George Fernandes at the US airport, its move against outsourcing, the recent (September 29, 2004) sanctions on two former chairmen of the Nuclear Power Corporation, and the most recent US$ 1.2 billion arms deal with Pakistan– have led to certain resentment in India as well.

However, it appears that both countries are determined not to allow these temporary irritants block their long-term strategic vision and evolving bilateral ties. This attitudinal change in itself is a positive sign and an indicator of a mature portrayal of bilateral diplomacy, lacking in earlier years.

Summary of Present Indo-US Ties

- India and United States have come out of the box of "neither enemies nor friends" status and "freed themselves of the limiting confines of Cold War ideologies."[26]
- India through its official and unofficial diplomacy as well as through its policies has been able to convey to the US that a country of its size, population, democratic nature, economy and market potential, human resource, and its geo-political relevance could be of considerable

importance to the US in fulfilling its global agenda.

- Following from the previous point, the most important achievement for India over the last decade was to convince the United States that India has more to offer to the world if perceived as a power beyond South Asia and more particularly, independent of its relations with Pakistan.
- There has been a priority shift in the US foreign policy objectives towards India – from nuclear non-proliferation to trade and commerce, terrorism, energy security, promoting democracy, etc.
- The relationship is yet to take definitive shape and is still evolving.[27]

Potential Contributing Factors Towards Long-Term Indo-US Ties

Indo-US High-Tech Cooperation

Indo-US technology cooperation is the foundation on which the future of Indo-US relations stands. Both the governments have understood the criticality of dual-use technology in enhancing their relationship. In a joint statement issued in November 2001, both India and the US reaffirmed their ties with each other, and stressed their desire and commitment towards qualitative transformation of Indo-US relations. In particular, both the governments emphasised the importance of high-tech (including dual-use items) trade and commerce in strengthening current Indo-US ties.[28] The commitment was put into action with a "three-tiered engagement"[29] – President Bush and Prime Minister Vajpayee at the highest level; Brajesh Mishra and Condoleezza Rice at the second tier; and Kanwal Sibal and Kenneth Juster at the next level.[30] The improved cooperation culminated in the constitution of the High Technology Cooperation Group (HTCG) in November 2002 to provide a standing framework (Statement of Principles) for discussing high-technology issues of mutual concern.

The announcement of the Next Steps in Strategic Partnership (NSSP) by President Bush in January 2004 and the endorsement of the same by former Prime Minister Vajpayee, the signing of Phase One of the NSSP on September 17, 2004, further enhanced this technology cooperation. The NSSP[31] outlines "several phases of reciprocal steps" that can be taken by both India and the US to get to a situation where they could be able to cooperate in civilian space and nuclear endeavours. Since India is not a signatory to the NPT, it is restricted from receiving certain US exports of high technology products and services. These steps (for example, replacement of the Memorandum of Understanding by the Statement of Principles and Presumption of Approval) appear to enable the US to ease its

licensing requirements and other technology transfers to India without compromising its non-proliferation commitments and policies.[32] However, the critical linkage – deliberate or inadvertent – between the technology deal under the provisions of NSSP and India's commitment to WTO issues, has enough potential to create roadblocks as far as the issue of technology transfers is concerned.

While there has been significant progress vis-a-vis this contentious issue, New Delhi has not managed to get its entire wish list on technology acquisition cleared by Washington, especially the purchase of nuclear reactors to augment its civilian nuclear programme. However, the political and the bureaucratic leadership in both the countries has been heavily engaged in translating into reality the '14 Principles' that were identified during the Sibal-Juster meeting of HTCG in Washington in February 2003.

Two important principles (out of 14) need to be mentioned here. Principle 9 states that, "the United States appreciates the importance that Government of India attaches to the widest possible access to US 'dual-use' goods and to efficiency, continuity, stability, and transparency in the export license application process. The Government of the United States intends to do its utmost in this regard, consistent with its laws and national security and foreign policy objectives, including compliance with international commitments." This particular provision of Principle 9 requires the US to handle this issue skilfully and carefully without provoking reactions from its non-proliferation lobby as well as its allies who matter in its pursuit of the global campaign against terrorism. The phrase 'consistent with its laws and national security and foreign policy objectives, including compliance with international commitments' provides the US enough scope for manipulation of its affairs if need be.

On the other hand, Principle 12 obliges India "to consider a mutually satisfactory system of assurances regarding end-use, diversion, transfers within and outside India, re-export, and where necessary, physical protection and access to the controlled items by third parties." Although the language of this principle provides for flexibility, India might find itself in a critical situation to carry out the obligations, given its sensitivities towards the full scope IAEA safeguards.

Even though the signing of Phase One of the NSSP signals a new chapter in Indo-US technology relations, critics view the complexities of the agreement as stumbling blocks in its future progress. This complex agreement is a web of "mutual obligations" and its survival will depend on its successful implementation – providing India access to US technology for its civilian space and nuclear programmes in exchange for promises to protect the technology from proliferation and misuse.

Even though India has been able to establish an image of a non-exporter of critical nuclear technologies, the technology deal with the US would augment tighter and stricter control over its exports and it also would require new laws to ensure the needful. Given the domestic condition as it is, this would prove to be a difficult task for the present UPA government. As the US has indicated its tough stance on the nuclear non-proliferation issue,[33] the second phase of the NSSP might experience hardships vis-à-vis dual-use technology.

Another factor that Indian negotiators need to keep in mind is the relevance of these technologies by the time the technology transfer deal becomes operational. The Bush Administration is committed to technology enhancement under the Nuclear Missile Defense (NMD) Programme. The quest for new and superior technology, developing them as soon as possible, and getting rid of obsolete ones has been one of the policy objectives of the US so as to retain its superiority in terms of technology and power. The complexities involved in the process of implementation (of the technology deal) have enough potential to hinder and delay its operational aspect. Therefore, it makes one wonder whether India is getting caught in the technology dependency model of the US.[34]

Indo-US Cooperation on Global Campaign Against Terrorism

The terrorist attacks on the World Trade Center and the Pentagon and their aftermath made the US realise its vulnerabilities and sensitising it to the issue of terrorism; an issue that India has been suffering from for almost two decades. Since 1997, American concern with Islamic terrorism had led to a convergence of Indian and US interests, and a consequent improvement in relations between the two countries. It was India which felt the need for closer cooperation vis-à-vis terrorism in response to the bombings of US Embassies in Nairobi and Dar-es-Salam.[35] However, the US took a more cautious approach towards the issue of state-sponsored terrorism until it became a victim itself in September 2001 and travelled half the globe to fight terrorism in Afghanistan.

Although India wanted the war on terrorism in Afghanistan to be extended to eliminate terrorism in Kashmir, this did not happen. However, India's diplomatic effort combined with its strong lobby in Washington made the US publicly acknowledge "the kind of terrorism that affects India". The US soon recognised India as "a key partner in the global coalition against terrorism" which had to be "ended everywhere."

In the Indo-US joint effort of the global campaign against terrorism, the Joint Working Group (JWG) to counter terrorism, which was established in early 2000, "proved to be a useful mechanism for exchange of information, intelligence sharing, anti-terrorism training programmes and for strengthening institutional links between crime prevention agencies in the two countries."[36] In the JWG, there has been an effort to explore ways of intensifying exchange of information, especially regarding review of threat perceptions, early warning, cooperation of administrative and judicial matters to prevent and suppress the commission of terrorist acts, and to facilitate action against perpetrators of such acts."[37] The events which were revealed recently in *People, Progress, Partnership: The Transformation of US India Relations,* a document published by the Embassy of the United States of America, New Delhi, provide enough evidence on the post-9/11 India-US cooperation in combating terrorism.[38]

Apart from the JWG and the Cyber Terrorism Forum, issues relating to the fight against terrorism figure in almost all bilateral discussions, official and non-official. As the former Indian Foreign Secretary, Kanwal Sibal mentioned in his address to the Carnegie Endowment for International Peace, "considerable progress has been made in combating terrorism in [the] past two years by creating new levels of international cooperation, by crafting new multinational standards for state behaviour and responsibility, by disrupting financial networks, by interdicting terrorist and by dismantling terrorist bases in Afghanistan. But much more still needs to be done."[39] The nexus between terrorism and weapons of mass destruction and countries believing in transferring these weapons to the states that resort to terrorism as a state policy pose a great danger to humankind. This needs to be addressed by the international community with strong and quick measures. But for the irony of the situation – the cause of the problem of terrorism for one and the solution to the problem of terrorism for the other – India and the US might have been much better placed in devising a strategy which would have enhanced the dynamics of Indo-US relations. In this complex and difficult scenario, it requires better understanding of each others' sensitivities (given the history of India-Pakistan relations) while considering policy options vis-à-vis the issue of terrorism and its impact on Indo-US bilateral ties.

The Role of the Indo-American Community

The Indo-American community in the US armed with their success and affluence has begun translating their wealth and talent into political power over the past few years. They comprise the second largest Asian-American population in

the US surpassed only by the Chinese.[40] The educational achievement and economic status of this community is also striking (58 per cent of the adult community has at least a bachelor's degree compared to 21.5 per cent of whites). Reflecting their concentration in the medical, scientific and information technology fields, the per capita income of Indian-Americans exceeds that of every other group in the country.[41]

The status and wealth of the Indian-American community has also moved into Capitol Hill. The Caucus for India and Indian-Americans, ever since its creation, has lobbied extensively for Indo-US friendship.[42] It is the largest caucus in the US Congress, having 186 members. The role that the India Caucus played during the time of freeze in Indo-US relations due to Pokhran II was noteworthy, particularly mobilising support for lifting economic sanctions on India. In fact, there was wide recognition that President Clinton's policy on India was to a degree reflecting the clout of the Indian-American community in Washington. US pressure on Nawaz Sharif during the Kargil conflict was instigated and motivated by the voices of the politically vocal immigrants from India.

The United States-India Political Action Committee (USINPAC) comprising Indian-Americans was formed in 2003 (in Washington D.C.), to impact policy issues that concern the Indian-American community and Indo-US relations. The most notable contribution of this committee has been the augmentation of the Anti-Terrorism Amendment that was passed by the House International Relations Committee on May 7, 2003. If approved by the Congress, it will make it mandatory for the US administration to report to the Congress and to the American people the extent to which Pakistan is fulfilling its promise to clamp down on cross-border terrorism, shutting down terrorist camps in Pakistan-held Kashmir, and halting the proliferation of nuclear weapons technology to rogue states and terrorists.[43] This landmark vote means that for the first time, the Congress has acknowledged the role of Pakistan in abetting terrorism and in the proliferation of nuclear weapons technology.[44]

The recent Manzullo-Velazquez Amendment[45] is another milestone, which was passed on the July 7, 2004, by a vote of 281-137 in the House of Representatives on the Loan Guarantee Programme. This has been a major priority of the USINPAC and the Indo-American business community for quite some time. The Committee is working closely with the Caucus to devise a strategy for the Indo-American small business community to gain from government support through loan guarantees and contracting.

Moreover, the USINPAC has a close association with the India Caucus and therefore, has the capability to lobby for Indian interests in the US Congress. This was proved when it helped defeat the candidacy of Dan Burton[46] to the Chairmanship of the House Sub-Committee on South Asia in January 2003. To benefit Indo-US relations, it is therefore required to engage USINPAC in a meaningful way.

Indo-US Economic Ties

Although the US was disappointed with the pace of Indo-US economic action and perceived US investment (FDI) in India is 'as flat as chapati', they were hopeful that sooner or later the relationship would take off. However, it still remained uneven due to the recent breakdown of global trade talks at Cancun and India's perceived role in it.

The US views India's economic policy not only in terms of impeding bilateral trade and investment, but also as a wider strategic concern. It also argues that India's economy is holding back the South Asian power from fulfilling its potential as a major player on the international stage.

However, there is a growing school of thought, which believes that the US concerns over India's economy are over-reactive. They think that India's recent positive economic developments need to be considered in the analysis of Indo-US economic relations. Bruce Gilley of Princeton University contends that India has already transformed itself into a modern economy that can match its foreign policy ambitions. He notes, "The country is forging a proudly democratic model of economic reforms. It is the kind of model that many developing countries, despairing that they do not have the dictatorship of China to force through difficult reforms, can hope to emulate."[47] India feels that it has been maintaining the right economic balance to move towards a stable economy and avoid economic breakdown of the kind the export-oriented East Asia tiger economies suffered in the late 1990s. The United States is also well aware of the economic predictions cast on India and is not willing to lose India's huge market potential.

The contention that India is far behind China economically is also being increasingly challenged, with growing predictions that India, not China, is actually the rising economic power to watch. Business professors Yasheng Huang and Tarun Khanna published their findings in 2003 on why India has better long-term economic policy prospects than China. They wrote: "India's homegrown entrepreneurs may give it a long-term advantage over a China hamstrung by

inefficient banks and capital markets. China and India have pursued radically different development strategies. India is not outperforming China overall, but it is doing better in certain key areas. That success may enable it to catch up with and perhaps even overtake China. Should that prove to be the case, it will not only demonstrate the importance of homegrown entrepreneurs to long-term economic development, it will also show the limits of the FDI-dependent approach China is pursuing."[48]

The growing competitiveness of Indian companies and the success of corporate India and its entry into the global arena provide an encouraging picture, which can not be overlooked by the Americans. Moreover, India's strength lies in its knowledge and service-based industries such as information technology, health care, call centres, etc. Also, it has been predicted, "the low-cost, high-IQ, English-speaking brainpower of India may soon have a more far-reaching impact on the US than China. Manufacturing – China's strength – accounts for just 14 per cent of US output and 11 per cent of jobs. India's forte is services – which make up 60 per cent of the US economy and employ two-thirds of its workers. Indian knowledge workers are making their way up the New Economy food chain, mastering tasks requiring analysis, marketing acumen, and creativity."[49] Even in terms of human resource management, "If India manages its growth well, its huge population could prove an asset. By 2020, 47 per cent of Indians will be between 15 and 59 years of age, compared with 35 per cent now. The working-age populations of the US and China are projected to shrink. So India is destined to have the world's largest population of workers and consumers."[50] This, in particular, the US would not like to ignore.

Geo-Strategic Factors in Indo-US Relations

Geographically, India lies in an extremely important position in the Indian Ocean region that stretches from the Persian Gulf in the west to the Malacca Strait in the east, which defines its relevance and complexities in relation with its neighbours as well as distant players like the US that have politico-economic stakes in the region. This geo-physical cum geo-political profile of India appears to be of significant interest to the US in its changed strategic calculus. In this context, bilateral strategic cooperation seems viable. In fact, the idea of working together in this region was proposed by former US Secretary of State Colin Powell in his Senate confirmation hearings in March 2001, and more recently by Condoleezza Rice in early 2005.

Analysts have started outlining the broad elements of Indo-US cooperation in this region. Energy security, so far, looms large as an important issue since India's

dependence on Gulf oil is increasing and the demand will continue to increase as the economy grows. Since the US commands considerable influence as an external power in "shaping [the] world's petroleum market, India and the US have a common interest in ensuring a steady flow of oil from the Gulf at reasonable prices."[51]

This does not, however, prevent India from exploring the possibility of opting for oil imports from other regions, especially Central Asia. The US also realises the role India could play in monitoring the sea routes from the Gulf to East Asia running through the Indian Ocean, particularly after India escorted its ships travelling through the sea-lines of the Indian Ocean till the Strait of Malacca. The two nations have been engaged in joint naval exercises in this area to enhance cooperation. Although India's policy towards Iraq has not been appreciated by the US, it has not affected Indo-US rapprochement. India, on its part is trying prudently to make its position felt in the region by reaching out to its former diplomatic friends like Saudi Arabia, Oman, Iran and even Syria. India's West Asia policy appears to be a deliberate attempt to strike a balance by maintaining friendly ties with countries that are friendly to the US (Saudi Arabia) and countries which are not (Syria).

From the US perspective, the geo-physical location of India coupled with its strength of 'unity in diversity' "presents itself as a potential mediator between the United States and the radical forces in the Persian Gulf."[52] India's strategic relevance in the context of the Asia-Pacific region appears to increase in the estimate of the US as "China grows in strength and Japan in assertiveness."[53] Hence, India's potential as an Asian player is recognised in the (so-called) emerging triangular equation with China and Japan.[54] The more the world witnesses the transition of power from the Atlantic to the Asia-Pacific, the better India is placed as an Asian player in the geo-strategic calculus of the US.

If India and the US attempt a convergence of their individual choices of foreign policy formulations vis-à-vis Asia and the Asia-Pacific and concentrate more on commonality of interests involving this region, the outcome may benefit both the nations in fulfilling their national as well as international goals.[55]

Conclusion

The texture and content of the present Indo-US exchanges are indicative of a constructive and robust bilateral engagement, potentially directed towards partnership-building based on "increasingly overlapping national interests." The priority shift from non-proliferation (the rhetoric that had hitherto shaped US policy towards South Asia, especially India) to trade and commerce, terrorism, energy

security, regional security and stability, and promoting democracy, has helped bridge the gap between the world's largest and oldest democracies.

India's confident diplomatic endeavours in the recent past aided by a *de facto* nuclear status coupled with its economic and political potential (e.g., possibility of a permanent seat on the UNSC) signals India's emergence as a power to be reckoned with. Strategists and analysts in the US have started recognising India as a rising power.[56] Henry Kissinger has prudently assessed India's worth and capability by saying that, "India can make a major contribution to Asia and the world if it is co-opted into the non-proliferation regime instead of being treated with hostility as an outsider."[57]

Moreover, the September 21, 2004 meeting between Prime Minister Manmohan Singh and President George W. Bush in New York alleviated US fears to a certain extent, regarding the recent regime change in India. Advocates of stronger Indo-US ties say that it is the "beginning of a new era of cooperation and trust." As the Prime Minister himself said, "the best is yet to come". Since President Bush will continue in office for four more years, it is unlikely that the present momentum will be tampered with.

To continue his commitments towards India, President Bush in his second term, might have to find a way to move further on the NSSP without jeopardising US' nuclear non-proliferation interests. At the same time, India might have to tighten its export control laws to satisfy American expectations. The impact of the US Congressional elections due in 2006 should be taken into account for predicting President Bush's future policy measures as far as US nuclear non-proliferation goals are concerned. A Congress dominated by Democrats might not allow the Republicans to implement their policies as planned, given the long history of Democrats' emphasis on nuclear non-proliferation. It is believed, however, that the bipartisan nature of the relationship might prevent any US Administration from taking drastically different measures which might jeopardise the newly-developed mutual trust and commitment between the two countries.

The basic contours of US policy in South Asia would appear to remain in place as long as the war against terrorism remains the top priority in the US foreign policy agenda. However, analysts have suggested after assessing the latest report of the National Intelligence Council (NIC) titled *Mapping the Global Future: 2020 Project*[58] that the Bush Administration's second term could witness a more robust relationship with India, perhaps as a counterweight to China, in order to protect its long-term strategic interests in Asia and the Asia-Pacific.[59] However,

India would prefer to improve its relations with the US and China and not be perceived as aligning itself against one or the other.

The equation between key officials in the present UPA government and its counterparts in the Bush Administration will be crucial in maintaining the direction and momentum of India-US ties and forging ahead with a more robust relationship. Although the replacement of Colin Powell by Condoleezza Rice as the US Secretary of State indicates the possibility of better bilateral ties given her stance on India,[60] it is worth being cautious before reading too much into it, given the intensity of US involvement in the global war against terror and Pakistan's role in the same. The United States would thus need a continuation of its South Asia policy while simultaneously strengthening economic, political and military ties with India. The more the interests of India and the US converge, the deeper, stronger and healthier bilateral ties would become.

"The Middle East peace process, the issue of democracy in the Persian Gulf region, a viable strategy to bring peace in Iraq and effectively checking the Iranian nuclear proliferation without military intervention are some of the key issues that would remain at the forefront of US foreign policy concerns."[61] These are areas where India's foreign policy interests converge with those of the US' and provide opportunity for both democracies to work together. Other areas where joint cooperation can also be forged are intelligence sharing, counter-terrorism, energy security, promotion of democracy especially in the Middle-East, and the US-sponsored Proliferation Security Initiative. These can be leveraged to India's advantage.[62]

Considering the new stakes involved in the recently transformed relations and the prevailing atmosphere of prudence, neither country would be willing to jeopardise their new-found relationship. However, commitment and sensitivity towards each other's national security interests will go a long way in concretising and giving a definitive shape to this relationship.

References/End Notes

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2 For a detailed study, see Bhabani Mishra, "Post 1998 Track Two Diplomacy Between India and the USA", *Strategic Analysis,* 28 (1), Jan-Mar 2004, pp. 117-23.

3 President Bush's Statement, White House Press Briefings, January 12, 2004.

[4] Kenneth Juster said in his statement while addressing the conference that the NSSP and the Bangalore Space Conference are major steps that will give life to the vision of a transforming relationship between US and India.

[5] The Task Force is headed by three distinguished scholars, two of them former ambassadors, namely Frank G. Wisner, Nicholas Platt, and Dr. Marshall Bourton from the private sector. The Executive Director of the Task Force is Dennis Kux, a diplomat with vast experience on India.

[6] For a detailed study, see Dennis Kux, *Estranged Democracies: India and the United States 1941-1991,* New Delhi: Sage Publications, 1993.

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[9] Y. K. Malik and Ashok Kapur, "India and America: Engaging Each Other in a Changing World", in Ashok Kapur, Y. K. Malik, Harold Gould, Arthur G. Rubinoff (*Eds*.), *India and The United States In A Changing World,* New Delhi: Sage Publications, 2002, pp. 1-39.

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[11] Norman Palmer, "Indo-American Relations: The Politics of Encounter", *South Asia and US Policy,* 23, Summer, 1979, pp. 403-19.

[12] Ibid. See also, Dennis Kux, no. 6.

[13] T.V. Paul, "The Systemic Bases of India's Challenge to the Global Nuclear Order", *The Non-proliferation Review,* Fall 1998, pp. 1-11.

[14] Statement of President Clinton on May 12, 1998; Joint Communiqué On Indian and Pakistani Nuclear Tests by the Five Permanent members of Security Council issued on June 4, 1998 in Geneva. Statement of G-8 members in Germany on May 19, 1998.

[15] For a detailed study, see Strobe Talbott, *Engaging India: Diplomacy, Democracy and the Bomb,* Penguin Group, Brookings Institution Press, 2004.

[16] Ibid., pp.154-69.

[17] http://www.indianembassy.org/indusrel/clinton_india/home.html

[18] Ibid.

[19] Strobe Talbott, no. 15.

[20] The Bush Administration's nuclear policy first received concrete expression in an initially secret document called the Nuclear Posture Review (not released until January 2002). It is believed that the NPR was developed in the first year of Bush term – not just in the weeks after September 11th. The Administration's NPR relied heavily on a report originally published in January of 2001 by the National Institute for Public Policy (NIPP). For details, see Nuclear Posture Review-Excerpts from the Classified Report to the US Congress on December 31, 2001, posted by www.globalsecurity.org on March 14, 2002; also see the Report Rationale and

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21 Former Prime Minister Atal Bihari Vajpayee's speech to the Asia Society on September 28, 1998.

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26 Speech by the former National Security Adviser Brajesh Mishra at the Council of Foreign Relations, May 7, 2003, available at http://www.indianembassy.org/

27 Ibid.

28 US President George W. Bush and former Indian Prime Minister Atal Bihari Vajpayee, Joint Press Conference, Washington D. C., November 9, 2001.

29 C. Raja Mohan, *The Hindu*, December 16, 2003.

30 Ibid.

31 Statement of President George W. Bush, White House Press Briefing, January 12, 2004.

32 US Under Secretary for Trade and Commerce Kenneth Juster stated these points while explaining the NSSP during a talk in George Washington University, April 1, 2004.

33 On September 29, it imposed sanctions on two former chairmen of the Nuclear Power Corporation (which builds India's atomic power plants) on the mere suspicion that they might have helped Iran's nuclear programmes. One of them has never been to Iran, and the other visited it once, reportedly only to "observe" the installation of a Russian nuclear power reactor of a type India is itself planning to import.

34 The analysis is based on the interview with Professor R. P. Kaushik, expert in American Studies, December 6, 2003.

35 "Diplomacy: Indo-US Ties", *India Today*, December 7, 1998, p.57.

36 For a detailed study, see *People, Progress and Partnership: The Transformation of US-India Relations*, Embassy of the United States of America, New Delhi.

37 Address by former Deputy Prime Minister of India L.K. Advani in the Chicago Council on Foreign Relations, June 12, 2003.

38 no. 36.

39 Address by former Indian Foreign Secretary Kanwal Sibal to the Carnegie Endowment for International Peace, February 4, 2003.

40 Robert M. Hathaway, "Coming of Age: Indian-Americans and the US Congress", no. 9,

p. 391.

41 Ibid.

42 The Caucus was founded in 1993 by Frank Pallone (D-NJ) and William McCollum (R-FL). The recent formation of the "Friends of India" in March 2004, the Senate Caucus similar to the India Caucus in the House of Representatives is another feather added to the success story of the Indo-American community.

43 http://www.usinpac.com/accomplishments.asp

44 Ibid.

45 The amendment was sponsored by the House Small Business Committee chairman Donald Manzullo (R-IL) and the ranking member Nydia Velazquez (D-NY) to the Commerce, Justice and State (CJS)Appropriation Bill to provide $79,132,000 for the Small Business Administrations (SBAs) 7(a) Loan Guarantee Programme in the financial year 2005. Thousands of Indian-American owned businesses depend on the SBA loans to help insure the success of their businesses. For details, see www.crowley.house.gov

46 Seniority dictated that Dan Burton an Indiana Republican should be the Chairman of the House Subcommittee on South Asia. He is well known as an India critic and his taking over as Chairman would have affected legislations on/regarding India.

47 Quoted by John Carbaugh, Jr. in his "Report on Indo-US Economic Progress", at http://www.usindiafriends.net

48 Yasheng Huang, an associate professor at the Sloan School of Management at the Massachusetts Institute of Technology, and Tarun Khanna, a professor at Harvard Business School, acknowledge that statistically, China's figures look much more impressive than India's. "However, the statistics tell only part of the story – the macroeconomic story," they note. "At the micro level, things look quite different. There, India displays every bit as much dynamism as China. Indeed, by relying primarily on organic growth, India is making fuller use of its resources and has chosen a path that may well deliver more sustainable progress than China's FDI-driven approach." For details see Yasheng Huang and Tarun Khanna, "Can India Overtake China?", *Foreign Policy*, July-August 2003, pp. 74-81.

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51 C. Raja Mohan, "India, US, and Gulf Security", *The Hindu*, March 29, 2001.

52 Henry Kissinger, *Does America Need a Foreign Policy*, New York, Simon and Schuster, 2003, p. 157.

53 Ibid.

54 Ibid.

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[56] See Stephen Philip Cohen, India: Emerging Power, Brookings Institution Press, October 2002; Henry Kissinger, no. 52.

[57] no. 52.

[58] The Report of the National Intelligence Council, Mapping the Global Future, takes a long-term view of the future. It offers a fresh view of how key global trends might develop over the next decade and a half to influence world events. The report suggests that the likely emergence of China and India as new major global players – similar to the rise of Germany in the 19th century and the United States in the early 20th century – will transform the geo-political landscape, with impacts potentially as dramatic as those of the previous two centuries. In the same way that commentators refer to the 1900s as the "American Century," the 21st century may be seen as the time when some in the developing world, led by China and India, come into their own.

[59] Ram Narayanan, "Is a Solid and a Comprehensive US-India Strategic Partnership Inevitable?",www.usindiafriendship.net

[60] As the main foreign policy advisor to George W. Bush Jr. in the 2000 Presidential Campaign, Condoleezza Rice argued in an article published in Foreign Affairs that the "US should pay closer attention to India's role in the regional balance. There is a strong tendency conceptually in the US to connect India with Pakistan and to think only of Kashmir or the nuclear competition between the two states. But India is an element in China's calculation, and it should be in America's too. India is not a great power yet, but it has the potential to emerge as one." Quoted in C. Raja Mohan, "For New Delhi, It is as Good as it Gets: Rice as Secy of State", *The Indian Express*, November 17, 2004; Chidananda Rajghatta, "Rice Good on India's Plate", *TheTimes of India*, November 16, 2004

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[62] Ibid.

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