We who are free—and who prize our freedom above all other gifts of God and nature—must know each other better; trust each other more; support each other.

President Dwight D. Eisenhower in New Delhi, 1959

There have been times in the past when our relationship drifted without a steady course. As we now look towards the future, we are convinced that it is time to chart a new and purposeful direction in our relationship.

Joint Statement, 21 March 2000, by President William J. Clinton and Indian Prime Minister Atal Bihari Vajpayee

In his March 2006 trip to India, President George W. Bush declared that “the United States and India... are closer than ever before, and the partnership between our free nations has the power to transform the world.” President Bush, like President Eisenhower before him, stressed that the United States’ and India’s shared democratic values make the countries “natural allies.” But despite sharing these values for almost 60 years, U.S.-Indian relations have been strained over much of the period. The relationship’s rebirth started during the 1990s and reached a new height in the beginning of the 21st century, as the U.S. government seeks to use democracy to meet the challenges posed by nuclear proliferation and terrorism. The question is whether shared values equal shared national interest or, simply put: what is the future of U.S.-India relations?

The strategic importance of India and the South Asian subcontinent should not be underestimated: the region is on the frontlines of the war on terrorism, is a potential flashpoint for nuclear conflict and holds enormous economic opportunity for the United States. With China to the north, the Middle East and Pakistan to the west and the vital Indian Ocean sea lanes to the south, India is a strong, democratic country in a critical and often dangerous neighborhood. Given the nuclearization of the subcontinent and the changed global landscape following the end of the Cold War and the 11 September 2001 terrorist attacks on the American homeland, the U.S. government was smart to rethink policy toward India. Although the two countries share values, the future of U.S.-Indian relations is best determined by a close examination of the most pertinent issues: terrorism, Pakistan and Kashmir, nuclear proliferation, trade, energy security and the rise of China.

Background

As the largest democracy in the world, India serves as an excellent example of how democracy can flourish in an ethnically and religiously diverse developing country. India’s booming service industry is often cited by observers as a model for other developing nations. However, India faces serious challenges: ethnic and religious conflict, overpopulation, poverty, a growing HIV/AIDS epidemic and separatist movements.
India’s economy is strengthening, with a 7.6 percent growth rate in 2005. In fact, since economic liberalization began in 1991, the Indian middle class has grown and poverty rates have fallen. However, India’s per-capita gross domestic product (GDP) is just slightly higher than that of Sub-Saharan Africa, and 25 percent of the Indian population still lives in poverty. If the growth rates are sustained, it will take until the year 2106 for India to catch up with high-income countries in per-capita GDP. Since the Indian population is expected to surpass China’s by 2030, this translates into an increasing number of Indian citizens living in poverty. Also, India’s growing HIV/AIDS-infected population, currently the second highest in the world, threatens to destabilize the nation as it struggles to grow its economy and meet the needs of its billion-plus population.

Despite its overall stability, India has been plagued by Hindu-Muslim unrest, separatist violence in the northeast and terrorist attacks in Indian-controlled Kashmir, New Delhi and Mumbai. However, the vast majority of India’s population of 1.1 billion has turned to votes instead of violence to channel their economic and political frustrations, as illustrated by the 2004 election that unexpectedly tossed out the ruling party. The question of whether India’s democracy is able to address these problems and will continue to provide an adequate safety valve for the population’s frustrations will be answered in the future.

**Foreign Relations.** On the South Asian subcontinent, Indian foreign relations center on the Indian-Pakistani relationship. Since the 1947 partition of India, India and Pakistan have been uneasy neighbors. The history of their relations does not paint an optimistic picture for the future: they have fought three wars (1947–1948, 1965, 1971), competed in a nuclear arms race (begun with India’s 1998 nuclear tests) and continue to clash over the simmering Kashmiri conflict and cross-border terrorism. Kashmir and terrorism remain the triggers for violence between the countries, as seen in the 1999 Kargil conflict and the dramatic military buildup on the Pakistan-India border after the 2001 armed attack on India’s parliament, which was allegedly perpetrated by Pakistani-backed Kashmiri militants. The potential for a nuclear exchange between the countries is dangerously real.

The Kashmir conflict symbolizes an important identity issue for both India and Pakistan and thus is a difficult one to resolve. For India, keeping Kashmir as a part of India affirms its status as a secular democracy. For Pakistan, Kashmir affirms its role as an Islamic homeland. As such, Kashmir is a difficult, emotional issue for each country. The bilateral Composite Dialogue, which started in 2004, has not made tangible progress toward a solution, although small steps—such as the opening of a bus service between Indian- and Pakistani-controlled Kashmir—have been made.

India is making several moves to increase its power outside the subcontinent. Its “Look East” policy is aimed at increasing economic and political ties with Southeast Asian countries to counter China’s increasing interest in the subregion. India has increased cooperation with Iran and the Central Asian states to satisfy its growing energy needs, counter the danger of militant Islam and mitigate Chinese influence. Central Asia’s importance is demonstrated by the fact that India’s first international military base will open in Tajikistan by the end of 2006. These moves are part of New Delhi’s newly formulated approach of using “defense diplomacy” to pursue national strategic goals and to enhance military-to-military cooperation.

India is also pursuing friendly relations with Middle Eastern countries. Indian interest in the region is based on the large nonresident Indian population in the Persian Gulf, estimated at 4 million, and on energy security—a top Indian concern, as India is dependent on imports for 70 percent of its energy. India has friendly relations with Iran based on shared concerns over Pakistan and the rise of Sunni Islamic fundamentalism. India has a growing military relationship with Iran, and the two countries, along with Pakistan, are planning a gas pipeline.

Since the nadir of the 1962 Indo-Sino War, relations have warmed as India and China have expanded economic interaction and moved toward the settlement of their longstanding border disputes. However, the warming bilateral relations have their limits as—to India’s dismay—China still seeks an “all-weather friendship” (Beijing’s description) with Pakistan and increases its ties with Myanmar, Bangladesh, Sri Lanka and Nepal. Since India considers the Indian Ocean to be strategically essential to its security, New Delhi views with hostility Chinese efforts to establish a naval presence in the ocean through a port at Gwadar, Pakistan, and in Myanmar. Although the Indian military casts a wary eye toward China, contacts between the two militaries have increased significantly in the past few years.
India has sought an increased role in regional and international forums to increase its stature in the world. It has become active in regional organizations, such as the South Asian Association for Regional Cooperation, the Association of Southeast Asian Nations and the Shanghai Cooperation Organization. On a global level, India is a frequent participant in United Nations peacekeeping efforts, as it has contributed more than 55,000 military and police personnel to missions. India uses this participation, its population and the fact that it has never engaged in cross-border nuclear proliferation to argue for a permanent United Nations Security Council seat. U.S. recognition of India as a nuclear power was a large step toward the global prestige and legitimacy India seeks in its bid for a permanent seat. But the permanent seat and the friendly relations with China and Iran hint at more than an Indian desire for prestige; they also signal Indian desire for a multipolar world.

**Armed Forces and Nuclear Capabilities.** The Indian military comprises an army, navy, air force, coast guard and other security forces, such as the Border Security Force and the National Security Guards. The President of India is the top armed forces commander; defense policy is directed by a cabinet headed by the prime minister and the ministers of defense, home, finance and transport, and communications. Although the Indian military has traditionally had a defensive posture, the move is toward an “offensive-defense.”

India’s army, with 1.1 million members, is the world’s second largest. It is heavily involved in counterterrorism operations in Kashmir and the northeast and also has significant experience in UN peacekeeping missions (such as in Somalia, Cambodia, Mozambique, Kuwait, Bosnia, Angola and El Salvador) and humanitarian missions (such as during the December 2004 Indian Ocean tsunami, when the United States and India collaborated in bringing relief to the region). The army has conducted successful counterinsurgency operations in both rural and urban atmospheres and has rare high-altitude warfare experience from its operations on the Siachen Glacier against Pakistan. However, the army has had an officer shortage in recent years.

India’s navy and air force are the most capable forces indigenous to the Indian Ocean region. Open, secure sea lanes are a vital national interest for India, since 90 percent of oil and natural gas imports, on which India heavily depends, are delivered by seagoing tankers. The navy operates in a broad area, from the Strait of Malacca to the Strait of Hormuz and the coast of Africa.

Recently, India has pushed for increased “jointness” among its military branches and has worked to modernize its military equipment. An August 2005 U.S. Congressional Research Service report said that among developing countries, India had overtaken China as the foremost importer of conventional weapons. India has increased its defense spending to 3 percent of gross domestic product, without further burdening the economy. (For pragmatic rather than strategic reasons, Russia is India’s principal arms supplier.) This trend is likely to continue as India’s economy continues to expand.

Estimates place the number of Indian nuclear weapons anywhere from 65 to 91, deliverable by aircraft and missiles but not readily usable because the weapons are stored in a different location from the delivery systems. Observers predict that India has nuclear ambitions of up to 400 weapons—the same number as France—although India asserts that it is only developing a “minimum credible deterrent.” Since India’s arsenal will be driven by those of Pakistan and China, it is difficult to predict its eventual size. Thus far, an Asian arms race among India, Pakistan and China has been averted, but the possibility still exists. The uncertain reliability and effectiveness of India’s nuclear arsenal and missile delivery systems may make India less likely to rely on nuclear weapons in a conflict. However, this uncertainty may make an opponent who has weaker conventional capabilities, like Pakistan, more likely to miscalculate India’s nuclear weapons ability and launch a nuclear strike against India.

**An Overview of the U.S.-Indian Relationship**

Although historically strained, India-U.S. relations are arguably the best they have been since the mid-20th century. During the post-Cold War period, the U.S.-India relationship matured from the triangular relationship among India, Pakistan and the United States, which was predominately based on limiting the damaging effects of U.S. support of Pakistan. But the path has been uneven.
One of the most important events of U.S.-Indian relations was the May 1998 Indian nuclear tests, which were both an obstacle and an impetus for U.S.-Indian rapprochement. Rapprochement had been hindered for a number of years because of U.S. concerns about Indian nuclear proliferation and Kashmir. The tests forced the United States to apply automatic sanctions against India, but they also forced sustained high-level political engagement between the United States and India because the game had changed for the United States since 1995. In 1995, with good intelligence and the threat of sanctions, the United States was able to deter India, but the 1998 tests came as a complete surprise. The explosions signaled that India was no longer undecided about its nuclear weapons and led the Clinton administration to decide that engagement was a necessity. Behind-the-scenes U.S. help in defusing both the 1999 Kargil War and the 1999 Indian Airlines Flight 814 hijacking reinforced the increasingly positive Indian view of the United States. President Clinton’s 2000 visit to India, the first by a U.S. president in 22 years, heralded a new era of U.S.-Indian relations.

In 2005, the U.S. government completed the relationship’s transformation by declaring India and the United States “natural allies,” lifting the sanctions imposed in 1998 and removing all barriers to civilian nuclear cooperation and trade. To India, U.S. recognition of India as a legitimate nuclear power was an acknowledgment of its rightful place at the table of world powers. To the United States, the move was perceived as strategically sound given India’s strategically important neighborhood and U.S. interests in nuclear nonproliferation, counterterrorism and trade.

Trade is one of the areas wherein improvements in the relationship are most evident. Trade expanded from $10 billion in 1997 to over $25 billion in 2005 and cumulative U.S. direct foreign investment in India was over $6 billion in 2004, making the United States India’s largest trade and investment partner. Total U.S. aid to India in 2005 was $138.8 million.12

The growing political and economic power of the 2 million members of the Indian-American community in the United States also changed the U.S.-India political dynamic. Indian-Americans’ rising wealth in the 1980s, their contributions to the technology boom that fueled the U.S. economy in the 1990s and their concentration within certain geographic areas within the United States enabled the Indian-American constituency to gain a more attentive ear in Congress. Also, the increasing number of Indians traveling to the United States for educational and employment opportunities worked as an inadvertent pro-American public relations campaign in India that changed long-held negative Indian elite perceptions of the United States.

U.S.-India Defense Relations. Military cooperation has been at the forefront of U.S.-India cooperation. The U.S. goal is to create a “durable” bilateral defense partnership that will focus on shared interests in counterterrorism, nonproliferation, ballistic missile defense, maritime security, joint disaster relief, border security, and defense trade and research. Analysts also see the increased U.S. engagement as part of a strategy to counterbalance the rise of China and a hedge against losing significant allies such as Japan and South Korea.13 The U.S. Department of Defense’s 2006 Quadrennial Defense Review identifies India as “emerging as a great power and a key strategic partner.”14 In fact, a March 2006 bilateral discussion of U.S. and Indian strategic defense plans revealed significant convergence for the next 10–20 years.15

The signs for expanded U.S.-India military relations are positive. The U.S.-India Defense Policy Group’s annual meeting—the main mechanism for discussing bilateral strategic defense policy—reconvened in 2001 after being suspended following India’s 1998 nuclear tests. The Defense Policy Group has four subgroups to discuss specific interest areas: the Defense Procurement and Production Group, the Joint Technical Group, the Military Cooperation Group and the Senior Technology Security Group. With regard to proliferation issues, the United States and India are working to control the spread of nuclear technologies and conclude the Fissile Material Cutoff Treaty.

Since 2002, the U.S. and Indian militaries have conducted joint exercises involving all military branches; these exercises have recently expanded in size, sophistication and frequency.16 Among the regular major joint military exercises are Cope India, an air-combat training exercise; the Malabar Exercise, a naval exercise off the Indian coast; Exercise Yudh Abhyas, an army exercise involving low-intensity conflict operations; and the Balance Iroquois Exercises, involving special forces operating jointly in various terrains.
The United States and India have trained together in each other’s countries. For example, U.S. special operations troops have trained near the Himalayan city of Leh and at India’s Counterinsurgency Jungle Warfare School in the northeast to capitalize on India’s extensive knowledge of counterterrorism and counterinsurgency operations and high-altitude warfare.\(^{17}\) Indian special forces have trained in close-quarters combat at Fort Lewis, Washington, and in a platoon exercise on Guam. The Indian army’s extensive peacekeeping experience led to the creation of the Center for United Nations Peacekeeping in New Delhi, which has trained U.S., European, Asian and African forces. The United States may also benefit from Indian army expertise in disaster management. Indian operational experience largely corresponds with the core competency assigned to the services in 2005 by the U.S. Secretary of Defense: stability operations.

Increasing contact with the Indian army fits with U.S. Army Chief of Staff General Peter J. Schoomaker’s vision of revolutionizing the U.S. Army by increasing soldiers’ foreign language and cultural knowledge to better equip them for urban combat, counterterrorism and peacekeeping operations. The U.S. Military Academy and the U.S. Army War College now place more emphasis on foreign language and culture. In fact, General Schoomaker advocates innovative ideas to update Soldier training in the new era:

> Instead of taking a [cadet] and sending him out to the 101st Airborne Division (Air Assault) during his junior summer, it would make more sense to send him to a foreign country for two months and put him inside a family where he will do nothing but speak a foreign language and learn another culture.\(^{18}\)

The United States has financial benefits to gain from the relationship because India seeks to significantly modernize its military. The Pentagon reports Indian military sales agreements worth $202 million in Fiscal Years 2002–2004. The U.S. government announced its willingness to discuss the sale of F-16 or F-18 fighter aircraft and “even more fundamental issues of defense transformation with India, including transformative systems in areas such as command and control, early warning and missile defense.”\(^{19}\) In 2005, the United States also suggested the possibility of joint weapons production. However, some top Indian officials are concerned that the United States might be a fickle partner that cannot be relied upon for the types of arms sales India seeks. In the past, arms sales have focused primarily on counterterrorism training and export control assistance. India is looking to increase technology transfers between the United States and India, as the Indian defense establishment values technology transfer over service-to-service contact.\(^{20}\)

Observers speculate that the U.S. and Indian armies are most likely to collaborate on peace, counterterrorism or counternarcotics missions.\(^{21}\) But cooperation is impeded because Indian military equipment and communications infrastructure is technologically about a generation to a generation and a half behind that of the United States.\(^{22}\) With proper safeguards in place, an increase in technology transfer and military sales would enable the two nations to better conduct operations and share intelligence by shortening the technological gap.

Since 1947, the United States has provided about $161 million in military assistance to India, more than 90 percent of it distributed from 1962 to 1966. In 2005, the United States provided $1.5 million for International Military Education and Training (IMET) and $4.2 million for the Nonproliferation, Anti-Terrorism, Demining, and Related (NADR) program, mainly for export control assistance. The 2006 estimates are $1.2 million for IMET and $2.4 million for NADR.\(^{23}\)

The Future of U.S.-India Relations: A Comparison of U.S. and Indian Interests and Policies

**Terrorism, Kashmir and Pakistan.** India and the United States share concerns about the rise of Islamic fundamentalist terrorism. During President Bush’s March 2006 visit to India, Prime Minister Manmohan Singh said, “We must fight terrorism wherever it exists, because terrorism anywhere threatens democracy everywhere.”\(^{24}\) For India, this is both a domestic and foreign policy issue because it is rooted in the Kashmir conflict with Pakistan and in insurrectionist movements in the northeast. India and the United States are concerned with Pakistani links to terrorism and the rise of Islamic fundamentalism in Pakistan and Central Asia.

Kashmir is a very important issue in U.S.-Indian relations. Kashmir could serve as a trigger to a nuclear exchange on the subcontinent, with destabilizing ramifications in the region and beyond. As discussed above, Kashmir is a hotbed for Islamic fundamentalist terrorism—the declared number one U.S. global foreign policy
concern. As long as the Kashmir conflict endures, the area will remain a training ground for foreign terrorists who acquire skills and forge relationships that aid terrorist movements from Palestine to the Southern Philippines. In fact, militants who have fought in Kashmir have shown up in Iraq. Kashmir is also significant as a human rights problem, given the conflict’s effect on the local Kashmiri population. Although the Indian-Pakistani Composite Dialogue begun in 2004 is a positive step, little tangible progress toward a solution has been made. Key issues such as military deployment, cross-border terrorism, human rights abuses and the fate of the Line of Control and the Kashmir Valley remain as hurdles.

Although both the United States and India are interested in a stable Pakistan and concerned about the rise of Pakistani fundamentalism, divisions remain between the United States and India over appropriate policy toward Pakistan. Terrorist attacks in India, which India attributes to Pakistani-backed Kashmiri groups, hinder Indian efforts to gain the Indian population’s support for negotiating with Pakistan on the final resolution for which the United States hopes. However, if these attacks increase U.S. and international pressure on Pakistan to crack down on terrorist groups operating from its soil, the situation may improve and U.S. and Indian interests converge.

But the United States and India are divided over the amount of pressure to put on Pakistan. Since current U.S. policy in the war on terrorism depends on Pakistani cooperation, the United States cannot exert the pressure on Pakistan to halt cross-border terrorism in Kashmir that India would like. If the U.S. need for Pakistani cooperation decreases or the United States begins to see Pakistan’s government as weak, the United States may conclude that the rise of Pakistani Islamic fundamentalism and the Kashmiri conflict are nuclear and terrorist liabilities. In such a case, U.S. policies might become more aligned with India’s. The United States would likely move to support India in the dispute, promoting democratization and the curbing of Islamic fundamentalism in Pakistan. Despite the current differences, long-term prospects for U.S. and Indian cooperation in counterterrorism remain positive.

Energy. The United States and India both rank energy security among their principle concerns. New Delhi’s foreign energy dependence is expected to rise to 85 percent by 2020 from its current level of almost 70 percent. One reason India is strengthening its relations with Iran and Central Asian countries is to satisfy its energy needs. Indian policy to secure energy resources from Iran could present a conflict with U.S. policies on nonproliferation and counterterrorism. For example, the U.S. objection to Indian cooperation with Iran on a proposed $4.5 billion gas pipeline is based on a U.S. desire to isolate Iran both politically and economically. Although India did vote twice against Iran at the International Atomic Energy Agency over the nature of the Iranian nuclear program and has asserted that a nuclear Iran is not in their interests, the United States is concerned about the reliability of Indian support for its policy given Indian-Iranian economic ties and reports of Indian-Iranian military cooperation and naval training. However, the Indian-Iranian relationship could also be in U.S. interests in the long run, as the relations could translate into greater New Delhi influence in Tehran. The pipeline could also increase regional peace and stability by boosting economic cooperation. Iran aside, India’s strong navy could make it an important partner to the United States in securing the sea lanes from the Persian Gulf to the Strait of Malacca.

Nuclear Weapon and Missile Program. The Indian nuclear weapon and missile program is a top U.S. concern. The July 2005 civilian nuclear agreement brings international safeguards to India’s nuclear program in exchange for lifting the U.S. ban on nuclear trade with India, providing U.S. civilian nuclear energy assistance and expanding U.S. cooperation on energy and satellite technology. The deal also significantly strengthens the U.S.-Indian strategic relationship overall. Critics argue that the deal erodes the nonproliferation regime, risks destabilizing the Asian nuclear balance and does not adequately ensure India would be a responsible nuclear power. However, supporters note that India is a special case among states outside the Non-Proliferation Treaty regime because India has not engaged in cross-border nuclear proliferation. The debate in India and the United States over the deal demonstrates that, even with a convergence of interests regarding proliferation issues, differences remain. The United States is concerned that the Indian missile arsenal size has no real limits despite Indian pledges to maintain only a “minimum credible deterrent,” and that India may reverse its pledge not to conduct nuclear tests. Both the size of the arsenal and the nuclear testing could destabilize the nuclear balance on the subcontinent and cause a dangerous Asian arms race.
The Rise of China. The India-China rapprochement is tempered by Indian fears of an overly dominant China. Although the rise of China in the region may be more about energy security and trade than a threatening Chinese quest for strategic dominance, the United States and India share concerns about Chinese intentions. The Indian military is more concerned with China’s rapidly improving military capabilities than with China’s intentions. In response to China’s rise (and in line with India’s view of itself as a major regional and global player), India has sought an increased international role. Thus, an increasingly assertive India might benefit U.S. interests to balance China in the region. But given India’s track record of conflict with its neighbors—China, Pakistan, the former East Pakistan (now Bangladesh) and Sri Lanka—a U.S. bet on Indian regional power to secure the peace may be ill-considered. Whether India’s goal is to counter China or simply to have sufficient power to remain independent and temper Chinese influence in a Chinese-dominated Asia, observers speculate that India is an important part of U.S. strategy to counterbalance China.

Trade. A good economic relationship serves as the basis for a strategic relationship. The United States is concerned with the growing trade imbalance, which favors India. Although India is making progress to open its markets, Indian protectionism still hinders economic growth. Also, the United States and India often find themselves on opposing sides at World Trade Organization negotiations. But the prospects for increasing bilateral trade are bright. U.S. exports to India have nearly doubled in the last three years, from $4.1 billion in 2002 to nearly $8 billion in 2005. The United States believes there is tremendous room for growth in trade and investment with continued Indian efforts to lower barriers to trade and investment and the growing Indian population.

Natural Allies?

President Bush describes India and the United States as “natural allies” because of shared democratic and multicultural values. These common values make a strong argument for enduring U.S. and Indian cooperation. India could be an important partner in U.S. efforts to win the war of ideas in the war on terrorism.

But the United States and India may have differing strategic views in the long run. Historical Indian leadership in the Non-Aligned Movement and current Indian efforts to secure a permanent UN Security Council seat attest to India’s desire for a multipolar world in which it has an independent voice. Observers suggest that India seeks to join Japan, China, Europe and the United States as a fifth world power.26 Although the United States promotes a strong India, Indian aspirations may include strategic independence and a new global power distribution that limits U.S. influence on India and decreases the United States’ unilateral power. While the United States believes in preemptive unilateral action when necessary, India adheres to a belief in multilateralism and would likely be resistant to joining a U.S. coalition without UN Security Council approval. These differing strategic views, however, do not necessarily preclude cooperation in areas of mutual interest.

The increasingly warm U.S. relationship with India reflects U.S. recognition of emerging powers in the 21st century. Because of the overlap in U.S. and Indian interests, strong bilateral relations provide the United States the possibility of a partner in addressing two large foreign policy issues on the horizon: China and the growing power of non-state actors. The United States faces global challenges which require global partners. India, as a large and emerging democratic power in a strategically important neighborhood, will be a strong player in the years to come. The United States is wise to pay attention.

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