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INDIA AND THE UNITED STATES SPINNING A STRATEGIC ENGAGEMENT: CONVERGENCES AND DIVERGENCES

Abstract

In the 1990s, India-U.S. relations witnessed a sea change with the demise of the Soviet Union - India's main trading partner and most reliable source of economic and military assistance for most of the Cold War - and New Delhi's resulting imperative to diversify its international relations. The end of the Cold War unburdened India-U.S. relations from the constraints of infested global bipolarity, but interactions continued for a decade to be affected by the distrust of history, most notably the long standing India-Pakistan rivalry and nuclear weapons proliferation in South Asia. The September 2001 terrorist attacks on the United States marked a change in American approach to terrorism and in attitudes towards India. Engagement was accelerated after a November 2001 meeting between President Bush and Indian Prime Minister Vajpayee, when the two leaders agreed to greatly expand U.S.-India cooperation on a wide range of issues, including regional security, space and scientific collaboration, civilian nuclear safety, and broadened economic ties. Remarkable progress has since been made in the area of security cooperation, with an increasing focus on counter terrorism, joint military exercises, and arms sales. The Bush administration's major first term diplomatic achievements culminated in Next Steps in Strategic Partnership (NSSP). In pursuance of this, Prime Minister Manmohan

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Singh and President Bush signed an agreement on full civilian nuclear energy cooperation between the two countries, with Bush avowing to help India become a major world power in the 21st century. This paper studies the problems, challenges and constraints in Indo-US strategic partnership from different angles.

Introduction

The Indian policy makers tended to overrate India's weight in international relations as formidable, disproportionate to its military and economic prowess couched partly in civilizational power. Americans' understanding and definition of power is different from that of Indians in that they view it in material terms as one of greater military and economic capability in relation to others. In that sense, they always portrayed India as a feckless and minor global player. Civilizational value-laden outbursts and preaching in international arena, non-aligned and independent foreign policy by Indian elites under Nehru, and Indira Gandhi's tilt towards the Soviet Union in 1971 abandoning its much proclaimed neutrality, the Pokhran nuclear test in 1974 and India's proven ability to pursue economic self-sufficiency in its own strides, and taking up the cudgels on behalf of the Third World solidarity estranged the two "natural allies" and strengthened America's relations with Pakistan, a proximate adversary of India.

The strategic significance of South Asia generally was not in the policy calculation of the US except that Pakistan was to be cultivated as a frontline state against Soviet communism and as a conduit to establishing relations with China. South Asia, in general, and India, in particular, was downgraded in the strategic menu of America. American military weapons supplied to Pakistan to fight Soviet communism in contingencies were actually used by Pakistan against India in the 1965 and 1971 wars. Without addressing the concerns and interests of India, America continued ignoring the former to the greater advantage of Pakistan. Only when there was a crisis in South Asia, America had risen to the occasion. For example, when the Soviets invaded Afghanistan in December 1979, South Asia was catapulted to American attention, but at that point the US concern was focused primarily on Pakistan as a conduit for military aid to the Afghan Mujahideen. With Soviet withdrawal, South Asia again receded to the backburner and Indo-Pak conflict remained a peripheral concern to the

US to the point that it did not escalate to a situation inviting superpowers into the imbroglio, which would likely marginalize US interests with active intrusion of the Soviet Union and China in support of their allies. Nuclear tests by India and Pakistan in 1998, inviting American irked sanctions, and the Kargil war between the two in 1999 again made the US interested in South Asian affairs.

India's rise as an economic and strategic force since the mid-1990s, epitomized by the crowning success of its information technology at the global level, and Indian immigrants contributing immensely to brain gain of America in all walks of life suddenly occupied the centerpiece of American attention. Although India's going for the second nuclear test in 1998 provoked renewed American concern, it is unlikely that nuclear test alone could have led to the same level of engagement. Because, as early as in 1993, the U.S. government's most important foreign policy priorities were geared to enhancing relationship with ten of the fastest growing markets in the world. India was among the top on this list, along with China. The rise of Asia as a new geopolitical theatre with American diplomatic and military engagements from the Middle East through Central Asia to the Pacific Rim for reasons ranging from the Iraq and Afghanistan imbroglios to Iranian nuclear crisis to the emergence of vocal new regional institutions, such as the Shanghai Cooperation Organization and the East Asian Community, prompted America to view India not through the prism of Cold War orthodoxy but beyond its South Asian confinement. India "can become a strong anchor in support of America's ambition to pursue a liberal order across Eurasia. Indeed, if the U.S. should welcome the emergence of any one Asian power, it should be India, which shares America's concern over the spread of Islamic fundamentalism, sub-state nuclear proliferation, and China's ambitions."¹ What the tests in 1998 did unequivocally was to propel the two countries into the vortex of engagement through dialogues, for the first time providing sinews for jettisoning the biased past toward better understanding. As Talbott put it, for India, the nuclear tests were

¹. Parag Khanna and C. Raja Mohan, "Getting India Right", *Policy Review*, No.135, February-March 2006, visited website, [http:// www.policyreview.org/135/default.htm](http://www.policyreview.org/135/default.htm).

geared to “simultaneously stand up to the United States and sit down with the United States.”²

What again brought South Asia to limelight, exacting American attention, are the September 11 attacks. As a result, in the last two years of the Clinton administration, the Indo-US relationship enjoyed an unusually high-level focus, culminating in President Clinton’s May 2000 visit to India, the first Presidential visit in 22 years. The subsequent meetings between his successor George W. Bush and Prime Minister Atal Behari Vajpayee were crucial in charting out the future path, with Bush calling the bilateral relations a strategic partnership and Vajpayee suggesting that India and the US were natural allies. Then followed George W. Bush’s visit to India and India’s new Prime Minister Manmohan Singh’s visit to America in 2005 and 2006, culminating in the historic July 2005 and March 2006 Nuclear agreements. Significant progress in foreign policy and defense matters took place, binding the two countries in a web of new obligations and engagements. All said does not mean that there has been a complete convergence of interests of both countries. The nuclear deal pending Congressional approval has its problems and prospects. There are constraints and limits to their partnership. India’s decision in July 2003 declining American request for sending its troops, as part of U.S. coalition in Iraq, was not well received in America. Eight months later, even when there was a talk going on in New Delhi between the two countries, bestowing a Major Non-NATO Ally (MNNA) status on Pakistan without any prior notice raised hackles in India. India’s refusal was viewed by some American policy makers as such that India could not be counted upon. In the case of the MNNA, India’s resentment had to do with both substance and style.

². Strobe Talbott, “The Changing Nature of U.S.-India Relations: The Clinton, Bush Eras and Beyond”, remarks presented at “U.S.-India Bilateral Cooperation: Taking Stock and Moving Forward”, conference hosted by The Sigur Center for Asian Studies of the The Elliot School of International Affairs at The George Washington University, Washington, D.C., 1-2 April 2004.

Different Security Perceptions

While a convergence of interests at the broadest level regarding potential threats in the global realm is marked in their relations, differences do surface between the United States and India on how to deal with these. America's threat perceptions seem to stem from terrorism, weapons of mass destruction (WMD), and the emergence of China with all cascading implications for the Asian balance of power. India's top security concerns find a rendez-vous with those of America, but, on terrorism and WMD, India differs with the US. Many in policymaking in India are opposed to being too closely identified with American version of war on terrorism on both ideological and substantive grounds. While extremist Islamic violence remains a great security threat to India, there is difficulty agreeing with American method of fighting it. This view has become stronger in the light of American experience in Iraq. This stance of India reflects its avowed disapproval of American-scripted world order based on unchallenged preemptive exercise of military force.

With India pitch-forked into a prominent place of American calculation, the policymakers in India expect that Indo-US relations be de-hyphenated in relation to Pakistan. However, this has not been so. India's views on terrorism or Pakistan's alleged involvement in terrorist attacks in various parts of India, despite evidences in American cupboard, are not publicly acquiesced in by the US. On the other hand, America goes public while putting pats on the back of President Musharraf of Pakistan for his commendable participation in American war on terrorism. To say that India has already acquired the political leverage after forging the new partnership with the US to cast a veto on the U.S. policy toward Pakistan is highly erroneous. Even if it is said that the hyphenated relations are already thrown into the trashcan of history, it will be replaced in the US policy toward India with caveats. It is too hard on the part of America to glutton the Indian version and perception of Pakistan. America still considers it important to persist in its Cold War logic in relation to Pakistan. Any weakening of its position in Pakistan, either through negligence or treading on an Indian path, would ultimately result in Islamabad being dragged into China's embrace, which America strongly disavows and tries to nullify by reinforcing its foothold in Pakistan and cultivating India as a foil to expansion of a non-democratic China. So, on the issue of relevance of

Pakistan to Washington's strategy and the possible de-hyphenation of its relations with New Delhi, India and America stand apart.

Differences on Terrorism

A view doing the rounds just after the September 11 events, that the two largest democracies would enliven themselves into a new bond on an issue of immediacy of security threats from Islamic extremists, was so prominent that the Taliban-sponsored al-Qaeda provided impetus for the spotlight on South Asia-based violent extremism and terrorism, which India for its own interests and logic tried to highlight internationally. With Islamabad having been baptized into American-declared war on terrorism, India's expectations that Pakistan indulgence in terrorism in Kashmir got a set back. This might be one of the reasons compelling India not to devour American bait of fighting its war in Iraq. India's aversion to join American war in Iraq is symptomatic of the underlying differences over what they define terrorism and the effective means to combat it. Nowhere this double-standards is more vividly seen than in America finding a difference between militants in Kashmir and extremists in the Middle East or Afghanistan, to the alarming discomfiture of India. Contrary to Indian version, America strongly holds that India's position on terrorists in Iraq is misguided. Lack of convergence of approaches to terrorism, more particularly in relation to Pakistan's involvement in terrorism in Kashmir, is likely to play a significant role in defining future Indo-US relations and exacerbating existing Indo-Pak conflict.

Given India's ever-burgeoning demand for energy, according to one former senior US defense official, both India and the US have strategic interests in the Middle East. As he averred, "Upon further examination, with regard to the Middle East, India should rethink its participation with regard to peacekeeping in Iraq." This was not suggested "as a favour to the U.S., but because it is in India's interest for the pursuit of stability in the region."³ A plethora of factors is alluded to in regard to Indian refusal to acquiesce in American proposal to send troops: lack of United Nations mandate; domestic political opposition; and, finally, the need for troops in Kashmir. With

³. Franklin Kramer, "Toward a Mature Defense Relationship: Limits, Possibilities and Lessons", remarks presented at *ibid*.

elections due in 2004, the Indian political parties did not like to risk their stakes in the Muslim votes if any Indian soldier died in Iraq. By stressing on the immediacy of troops in Kashmir, the Indian policymakers established a link between its ability to send troops to Iraq and American pro-Indian stance on Pakistan-sponsored terrorism. "This was most likely an attempt by India to push the United States to step up pressure on Pakistan to stop cross-border terrorism."⁴ Rather the case for India's participation in American-led forces in Iraq was espoused in other terms: "staking a claim in post-war Iraq reconstruction; presenting India as tough and trustworthy enough to go out on a limb for the isolated U.S.; not wanting to miss out an opportunity to play a role in the Persian Gulf/Middle East and thus expand India's influence in a critical region; and gaining recognition as a major player at the global level".⁵

Another ground reality, which America should recognize and actively support India in order to have an enduring strategic partnership with it, is India's specific geo-strategic context in relation to its role in the Middle East. Like such other US allies as Turkey and Israel, India is located in a turbulent neighbourhood but has a robust military capable of affecting the outcomes of potential conflicts in South West and Central Asia. Also, the prolonged warfare in these regions has deleterious effects in India in terms of the damaging effects on environment and domestic political set-up with a decisive Muslim vote-bank being in a position to define stability in the country. According to one authority, "It has also a strong sense of national identity based on secular ideology, despite its tremendous ethnic and religious diversity. As a state with a large Muslim minority and heavy dependence on Middle Eastern oil, there are structural limits to India's cooperation with any aggressive American activity in the Gulf region. Like Turkey, it will not respond favourably to heavy handed American pressure."⁶

That Muslims are an important factor in India's foreign policy hardly needs any mention. Historically, India has always been

⁴ Deepa Ollapally, "U.S.-India Relations: Ties That Bind?", The Sigur Center Asia Papers 19, The George Washington University, The Elliot School of International Affairs, Washington D.C.

⁵ *Ibid*

⁶ Parag Khanna and C. Raja Mohan, *op.cit*

sympathetic to the cause of Muslims in the Middle East. This can be seen from the overwhelming support India has been lending to the cause of Palestinians. Its known sympathy for the Arabs and Iranians is well acclaimed in entire Muslim community, thus providing constantly an impetus to its domestic Muslim population to show allegiance and legitimacy to the government's policy. In the secular fabric of Indian statehood, the Muslim factor runs like a prominent thread, providing stability to the political system and justifying India's claim for "unity in diversity". Apart from this domestic factor, India is economically 90 percent dependent on oil from the Middle East for its industry and transport. India has been careful to couch its relations with Israel in terms of technical and narrow defense equipment cooperation, rather than as a broad strategic relationship that Israel wants to weave with India. India's interests in the Middle East are tempered in part by the presence of nearly 3.5 million Indians working in the area who could become vulnerable to unpopular regional policies. On these counts, it will not be startling to hold that Indian opposition to American military venture in Iraq started flowing from all walks of life in India. Shia, Sunni and even Hindu religious leaders congregated on one platform in New Delhi to condemn the US-led coalition for "crimes against humanity"⁷. At the leadership and popular levels in India, Iraq tends to be viewed not as a Muslim issue, but rather as an example of America's aggressive unilateralism.⁸

Despite being the second largest Muslim populous state, India has never been a hub of al-Qaeda recruitment or sanctuary of Muslim extremism to the high appreciation of the West. While allusions have been made to other cities like Hamburg, Madrid, Casablanca and Kuala Lumpur for al-Qaeda cells in the Report of the 9/11 Commission, India remains unalloyed. In an expert's view, "It is a very privileged situation which India has." And he adds, "So when we want to cooperate with the United States, we have to do it in such a way that we preserve this."⁹ Another growing concern centers on the view that

⁷ *The Asian Age*, 21 June 2004.

⁸ *The Hindu*, 8 July 2004.

⁹ B. Raman, "Managing the War on Terrorism in South Asia", remarks presented at "U.S.-India Bilateral Cooperation: Taking Stock and Moving Forward", a conference hosted by the Sigur Center for Asian Studies of The

American military venture in Iraq will not subside terrorism rather exacerbate it to the disadvantage of both the US and India. India does not like to pay so heavy a price for American mistakes in Iraq.¹⁰ Thus, to keep up the hallowed tradition of not hurting the Muslim interests in both domestic and international fronts, more particularly in the Middle East, the Government of India can come forward in extending support not in active military support but in playing a background role for political stability in the region like the one it plays in Iraq at present without any visible military support.

The United States and India converged on the issue of Iran's nuclear programme. The usual perceptions had been that both the US and India tend to differ widely about the dangers of WMD and terrorism from Tehran and that it would be extremely difficult for India to support punitive action against Iran in view of the special Indo-Iranian ties in the nuclear and energy sector, India's traditional opposition to intrusions into a developing country's sovereignty and differences with the US on how to approach nuclear proliferation, let alone fight it.¹¹ This was falsified when India voted at the International Atomic Energy Agency (IAEA) in favour of reporting Iran to the Security Council, purportedly done at the behest of America. This pro-American stand of India showing obligatory returns to the US for its nuclear deal at the expense of its long standing friendship with Iran came in for much broadside from all political parties at home.

There appeared to be explicitly a close link between its decision and Indo-US nuclear deal, although the Indian government insisted that India voted in its own national interest. From the excerpts from "India, Iran, and the Congressional hearings on the Indo-US nuclear deal" it could be confirmed that America seriously wanted India to vote against Iran as a matter of reciprocity. America sternly warned India that India had to choose you are "either with we or against we". Representative Dana Rohrabacher said in the Congressional hearing: "The Indians need to know this is another time of choosing. In the past, they chose to be in a closer relationship with the Soviet Union during the Cold

Elliot School of International Affairs at The George Washington University, Washington, D.C. April 1-2, 2004.

¹⁰ Swaminathan S. Anklesaria Aiyar, "Kush vs Berry", *Times of India*, 10 October 2004.

¹¹ Deepa Ollapally, *op.cit.*

War. And this is a time of realignment again, and a period of choosing for them. They can choose to be in a closer relationship with this outlaw mullah regime in Iran and radical Islam, or they can choose to be in closer ties with the people of the United States.”¹² In the same vein, Representative Tom Lantos intoned: “I expect India to recognize that there is reciprocity involved in this new relationship, and without reciprocity, India will get very little help from the Congress. If we are turning ourselves into a pretzel to accommodate India, I want to be damn sure that India is mindful of US policies in critical areas such as U.S. policy towards Iran. India cannot pursue a policy *vis-a-vis* Iran that takes no account of U.S. foreign policy objectives.”¹³

This was reiterated in a news agency interview in January 2006 that, as David Mulford pointed out, “If India were to vote against the referral, it would mean the end of the India-America nuclear deal. This was no more than a statement of fact. America’s Congress would surely not agree to rewrite the non-proliferation regime for one exceptional country, were that country, India, to line up on the opposing side in the most important nuclear- proliferation argument of the moment”.¹⁴ This statement was considered a threat raising nationalist hackles in India. In their usual anti-American rhetoric, the Left parties, a partner in the United Progressive Alliance government in New Delhi, castigated the Indian caving in to American pressure. Despite India’s later attempts to correct the American slant, the view stayed firmly in many circles that India did not hesitate to downgrade its relationship with Iran with a view to pandering to the wishes of America.

Limits to Cooperation on Terrorism

Even before the 9/11 incident both the countries tried to tackle the problem of terrorism through joint action. For the purpose, in November 1999, the U.S.–India Counter–Terrorism Joint Working Group (JWG) was established and it met several times alternating

¹² *The Hindu*, 1 October 2005.

¹³ *Ibid.*

¹⁴ *The Economist*, 23 February 2006, “The great Indian hope trick” visited at website, http://www.economist.com/world/displaystory.cfm?story_id=5545462

between New Delhi and Washington. The 9/11 terrorist attacks added urgency to the work of JWG. At the tactical level, there was much left to be done as opposed to the strategic level. Major areas of cooperation include: strengthened intelligence sharing; upgraded and expanded anti-terrorism training programmes for Indian law enforcement officials; the launching of a cyber security forum to focus on cyber-terrorism and information security; improving border monitoring, including equipment sales; enhancing measures against narcotics trafficking; and implementation of the Treaty on Mutual Legal Assistance. Cooperation between the two countries seems to be constrained within these mechanisms as well. For example, the U.S. Federal Bureau of Investigation (FBI) has not even provided to Indian authorities the transcripts of the interrogation of Afghan suspects in the December 2001 Indian Airlines IC-814 hijacking case. "Ironically, one factor that seems to limit opportunities for a more strategic Indo-U.S. cooperation in this area is that India is a target for extremist violence and terrorism, rather than a base for terrorism against the U.S."¹⁵ Cooperation then with India is less of a compulsion for the U.S.

From the side of India, there are limits as well, particularly activities that might impinge on the Indian sovereignty and other long-standing sensitive issues. US Ambassador David Mulford's offer of FBI expertise made directly to the Assam state government to probe the serial bomb blasts in Assam and Nagaland spurred the opposition parties in India to lambaste the US proposal as gross interference in India's sovereign affairs. Taking strong exception to this, one official of security establishment opined, "If in the name of crackdown on the al-Qaeda, the U.S. can do something in Pakistan, it should not think it can do the same in India."¹⁶ Some other Indian analysts viewed that this was an attempt by America to gain a foothold in India's sensitive Northeast region, abutting on Myanmar and China.

Expanding cybersecurity cooperation between the two countries assumes strategic significance in the context of increasing menace from terrorism. The Indo-U.S. Cyberterrorism Initiative, jointly announced by President Bush and the then Prime Minister Vajpayee in November 2001, heralded an impressive beginning. "The enthusiasm for

¹⁵ Deepa Ollapally, *op.cit.*

¹⁶ Quoted in *The Hindu*, 7 October 2004.

deeper engagement with India on cybersecurity matters was less than overwhelming on the U.S. side because of the perception that New Delhi's interests centered primarily on expanding its capacity for information warfare or interdiction of terrorism involving Pakistan. The U.S. fears about the first issue were exaggerated. Although India maintains an offensive information warfare capability, it is relatively small in programmatic terms and of uncertain quality, and has never been able to attract either the resources or the manpower that has flowed into the country's private sector dominated information technologies industry.¹⁷ It seems that America has not been sensitive to India's interest in computer forensics, network surveillance, and the protection of supervisory control and data acquisition systems as means to defeat terrorism. This should be addressed by U.S. as part of the U.S. global struggle against this menace.

Economic Relations

Given India's aspiration to ascend to the status of a developed country, the Indian policymakers decided unequivocally to improve its lopsided economic cooperation with America. In the same breath, the American policymakers have begun to seriously think about India in the same accent as China. In an allusion to both India and China, a report by the U.S. National Intelligence Council submitted to Congress in early 2005 states that: "The likely emergence of China and India as new major global powers - similar to the rise of Germany in the 19th century and the United States in the 20th century - will transform the geo-political landscape, with impacts potentially as dramatic as those of the previous two centuries."¹⁸ The prospects of India outpacing China in coming decades also riveted America toward India in economic front. In India, entrepreneurs in the private sector, not the government, are taking the lead in transforming Indian economy. It has succeeded in branding itself as the world's leading destination for business process outsourcing (BPO), and even high end operations such as GE medical labs and Hewlett-Packard research facilities are

¹⁷ Ashley J. Tellis, *India As A New Global Power*, Carnegie Endowment for International Peace, Washington, D.C., 2005, p.38.

¹⁸ 18. Mapping the Global Future: Report of the National Intelligence Council's 2020 Project, National Intelligence Council, December 2004, http://www.cia.gov/nic/NIC_2020_project.html.

contributing to India's advance in technology innovation. India's biotechnology sector is set for even greater growth and has rapidly outpaced both China and South Korea in the filling of biotech patents. The potential in food processing and storage, telecommunications, financial services, and insurances is similarly vast. Micro credit enterprises have become stable in business propositions, even in the area of agriculture, enkindling hopes for a second, private sector-led Green Revolution. These developments stand as a testimony to the vast potential to be harnessed for higher economic growth. No other developed country has such a post-industrial economic structure with 50 per cent of GDP derived from the services sector and manufacturing and agriculture comprising a quarter each.

As a result of the outsourcing revolution, India has emerged as a major hub for international technology products and services, already accounting for 20 per cent of world software exports. India is also staking its economic future on the quantity and quality of its human resources. What oil is to Saudi Arabia, human talent is to India. Its mobile and ambitious youth will be the world's largest working age population segment by 2015 at which point it may even provide surplus labour to an aging China. India is aging gracefully while China is heading towards an unprecedented challenge of getting old before it gets rich.¹⁹ India's growing prospects for higher economic growth in a liberal and free market society has been a preponderant factor working in the mind of America to enhance its economic relations with India.

It is pointed out that shortly after India's liberalization in 1991, there was a tremendous spurt in American interest in Indian economy. In comparison with China in terms of actual investment, India is still playing a second fiddle. But during these years India has made significant progress in improving its investment climate, and is rated among the top ten reformers of the world.²⁰ The Indian economy has become considerably more open, with the ratio of total trade to GDP reaching thirty percent in 2004 starting from 14 per cent in 1990, though falling behind China's at 50 per cent. There are some economists who believe that with wide and deeper reforms, India could

¹⁹ Parag Khanna and C.Raja Mohan, *op.cit.*

²⁰ The Report is entitled "Doing Business in 2005: Removing Obstacles to Growth", *The Times of India*, 9 September 2004.

easily attain an eight or nine per cent long-term growth rate; if it is the latter, the country will be able to double its per capita income in just a decade.²¹ Even those who are disenchanted with the current pace of reforms in India concede that “the buzz on India is fantastic.”²²

American businesses are not as excited by India as they are by China for the obvious reasons that China’s economy is two-and-a-half times bigger, that it is growing faster and is more integrated with the rest of the world. In each of the past four years, the annual increase in China’s foreign trade has exceeded India’s total merchandise trade. India’s trade with America amounts to one-tenth of the latter’s trade with China. In 2005, China received about ten times as much foreign direct investment as India did. In spite of India comparatively lagging behind China, it has still become the cynosure of American concern.²³ It is solely due to India’s expertise in software development and other sorts of outsourced services. Nearly 400 of the Fortune 500 companies outsource some of their information-technology work to India.²⁴ The tremendous cost savings accruing to American businesses as a result of business process outsourcing to India almost certainly ensure the continued vitality of the U.S.-Indian information technologies market, a sector that today generates almost three per cent of India’s GDP and which is expected to swell five-fold by 2008, becoming a US\$57 billion a year export industry employing four million people and accounting for seven percent of GDP²⁵. Former U.S. Under Secretary of Commerce, Kenneth I. Juster, told the India-U.S. Information Security Summit in 2004, “Information security - also known as cybersecurity - is one of the keys to unlocking the full potential of the trade and technology relationship between the United States and India. All levels of society today - from individuals to companies, to

²¹ Arvind Panagariya, “Emerging India: A Threat or Opportunity?” paper presented at “U.S.-India Bilateral Cooperation: Taking Stock and Moving Forward”, a conference hosted by the Sigur Center for Asian Studies of the Elliot School Of International Affairs at the George Washington University, Washington, D.C., 1-2 April 2004.

²² Adil Zainulbhai, “Taking Stock of U.S.-India Economic Cooperation”, remarks made at *ibid.*

²³ *The Economist*, *op.cit.*

²⁴ Parag Khanna and C. Raja Mohan, *op.cit.*

²⁵ Ashley J. Tellis, *op.cit.* p.40.

governments - rely on information technology and information networks in their daily lives to communicate, to manage activities, to transact business, and to provide essential services to the public. As commerce between the United States and India continues to expand, consumers and corporations will seek to ensure that their personal information and business propriety data are secure, and that information services are reliable and protected. Without an adequate level of security, we run the risk of backlash among consumers and loss of confidence among business people, which could severely limit progress in our trade and technology relationship.”²⁶

According to Promod Haque of Norwest Venture, a venture-capital firm, it is also suffering a “reverse brain-drain” as Indian and Chinese engineers go home. This, he argues, coalesced with the retirement of the baby-boomers, creating a “shortage of intellectual capital” in America, which will eventually threaten its superpower status. Thus, America finds it pertinent to build a “strategic competitive advantage” through an alliance with an offshore base of intellectual capital as a solution to impending crisis. India is the obvious choice. Its pool of highly qualified graduates will be twice as large as China’s by 2008, according to the McKinsey Global Institute.²⁷ U.S. commitment to developing deep economic and commercial ties with India has never been stronger. U.S. exports to India are up by 50%, and India’s exports to the U.S. are up by 15% for the first quarter of 2005. To boost trade and investment, the two countries are working cooperatively leaving behind many troublesome commercial disputes. The recent Open Skies Agreement with India is already increasing air traffic and creating new jobs, and India is finalizing a large order for Boeing aircraft. The revitalized Economic Dialogue focuses on trade, finance, commerce, energy and environment. A new business grouping called the CEO Forum has been constituted with 20 members, 10 prominent CEO members from each country to build business confidence and remove barriers to trade and investment and to propel growth, job creation, and delivery of social benefits to the people of both the countries.

²⁶ Kenneth I. Juster, “Cybersecurity: A Key to U.S.- India Trade”, a keynote address to the India-U.S. Information Security Summit 2004, New Delhi, India, 12 October 2004, available at <http://www.state.gov/p/sa/rls/rm/37039.htm>.

²⁷ *The Economist*, *op. cit.*

As David Mulford opined, opening up sectors of the economy where private investment is now restricted, such as retailing, real estate, food processing, small-scale industry, and telecommunications will improve rural connectivity and help generate the growth and revenue streams necessary to provide positive returns to infrastructure investment. With proper roads, water delivery systems, and cold storage chains, the recently liberalized food processing industry, as well as other forms of agribusiness, could become important sources of consumer benefit and rural employment. This is one area America wishes to pursue under the newly inaugurated U.S. and Indian Agribusiness Initiative aimed at building partnerships among U.S. and Indian agricultural institutions.²⁸ American businesses have their own gripes about India. They would like to simplify its spaghetti-splish of bureaucracy, open up its markets faster and fix its rotten infrastructure.

In spite of all these developments ensuring prospects of India being in the center stage of American concern, trade between the United States and India has been very meager. However, over the past few years, trade between the two has increased. In 2004, US merchandise exports to and imports from India are estimated to have totalled US\$6.1 billion and US\$15.5 billion respectively, making India the twenty-fourth largest U.S export market and the eighteenth largest supplier of U.S. imports. In 2004, U.S. merchandise exports to India increased by 22.6 percent, over 2003, and imports by 18.4 percent. Levels of U.S.-India, while relatively low, are blossoming; the total value of bilateral trade has doubled since 2001 and the two governments intend to see it doubled again by 2009. The U.S. exports to India in 2005 had a value of \$8 billion up 30% over 2004 with business and telecommunications equipment, civilian aircraft, gemstones, fertilizer, and chemicals as leading categories. Imports from India in 2005 totalled \$18.8 billion up 21% over 2004. Annual foreign direct investment to India from all countries rose from about \$100 million in 1990 to an estimated \$7.4 billion in 2005; about one-third of these investments was made by U.S. investors in late 2005 and 2006. The major U.S.-based companies Microsoft, Dell, Oracle, and

²⁸ David C. Mulford, U.S. Ambassador to India, Advancing U.S.-India Economic Relations, speech to the Indian Chamber of Commerce/Indo-American Chamber of Commerce, Luncheon, Calcutta, 18 August 2005, available at <http://www.state.gov/p/sca/rls/rm/2005/51317.htm>.

IBM announced plans for multi-billion dollar investment in India. Strong portfolio investment added another \$10 billion in 2005.

According to the 2006 Report of the United States Trade Representative (USTR), India has moved to raise limits on foreign investment in several key sectors. However, despite significant tariff reductions and other measures taken by India to improve market access, a number of foreign trade barriers remain, including high tariffs, especially in the agricultural sector. The USTR asserts that “substantial expansion of U.S.-India trade will depend on continued and significant additional Indian liberalization.”²⁹ The United States also remains India’s second largest source of FDI. U.S. cumulative FDI was US\$4.1 billion in 2004, a 10.6 percent share of all such investment in India. Although these data are indicative of a dramatic gallop in U.S.-Indian economic ties, they nonetheless buttress only very modest degrees of interdependence. American trade turnover with India remains at less than one percent of the United States’ global trade, while India’s percentage share of U.S. imports is less than one percent. U.S. government officials and business leaders have sniped at India’s extensive trade and investment barriers, excessive regulatory and bureaucratic structures as being impediments to its own economic development, as well as to stronger U.S.-India ties.³⁰ For example, in 2004, the U.S. Ambassador to India spoke to an Indian audience that “the U.S. is one of the world’s most open economies and India is one of the most closed.” Later that year, U.S. Under Secretary of State Larson opined that “trade and investment flows between the U.S. and India are far below where they should and can be”, adding that “the picture for U.S. investment is also lackluster.”³¹

Inadequate protection of intellectual property rights is a long-standing issue between the United States and India. The USTR places India on its special 301 Priority Watch List for “inadequate laws and ineffective enforcement” in this area. The International Intellectual Property Alliance, a coalition of U.S. copyright-based industries, estimated U.S. losses of \$443 million due to trade piracy in India in

²⁹ K.Alan Kronstadt, India-U.S. Relations, CRS Report for Congress, updated 31 July 2006, RL33529, Congressional Research Service, The Library of Congress, p.16

³⁰ *Ibid.*

³¹ *Ibid*, p.17

2005, three quarters of this being in the categories of business and entertainment software. Estimated loss for 2005 does not include motion picture piracy, which in 2004 was estimated to have cost some \$80 million.³² India's not yet becoming a fully free market society and its accent on socialistic policy in a coalition government surviving on the support of the Left parties have been a major U.S. concern.

A bilateral free trade agreement between the two countries is likely to play a significant role in enhancing the growth of Indian power permanently. "The fear of being overwhelmed by high quality U.S. products - with all the associated consequences for domestic employment, resource allocation, and, ultimately, political survival - is why Indian leaders have shied away from comprehensive free-trade agreements involving the United States."³³ As Suman Bery, Director General of India's National Council of Applied Economic Research, has concluded, "If we are serious about liberalizing and becoming a global force to equal China, the idea of a comprehensive U.S.-India [free-trade agreement] has much to commend it."³⁴

According to Ashley J. Tellis, there are three reasons for which India should sign a free trade agreement with the United States: "First, there is good economic analysis demonstrating that Indian gains deriving from preferential access to the United States, coupled with continuing domestic liberalization, are greater than those accruing from many alternative economic strategies, including current approaches, even when the disadvantages of trade diversion are taken into account. Second, because domestic reform is often difficult to implement, in the face of objections by various rent-seeking constituencies to which it is vital to the continued growth of Indian power, a comprehensive free trade agreement that forced further reform by means of binding external commitments would be a useful means of pushing change in the face of popular resistance. Third, a comprehensive free trade agreement with the United States would require India to implement many painful internal reforms as the price

³² CRS Report RS21502, India-U.S. Economic Relations

³³ Ashley J. Tellis, *op.cit.*, p.48.

³⁴ Suman Bery, "Needed: A U.S-India FTA", Rediff.com Business, 9 November 2004, available at <http://us.rediff.com/money/2004/nov/09guest1.htm>.

for constructing a more efficient and capable economy.”³⁵ Due to sluggish economic growth in America with burgeoning unemployment, the American policymakers will not be enthusiastic about allowing many benefits to India in the service sector. And in India the brunt of vitriolic opposition, from both the people and the Left parties, to the internal restructuring of the Indian economy may not enthrall its leaders to go ahead with inking a comprehensive free trade agreement between the two countries.

India in a Seesaw between Socialistic Undertone and Liberal Market Economic Thrust

The imperatives of liberal market economy replaced Nehruvian civilizational values as the edifying thrust of Indian foreign policy in 1990s. The impact of the footsteps of globalization is already resonated in all aspects of Indian society. Foreign direct investment (FDI) in India has gone up by stair-steps in the past two decades. The removal of many import restrictions has brought foreign goods within the reach of urban India. India is heading top news lines of *The Economic Times* under the rubric “The Global Indian Takeover”: “For India, it is a harbinger of things to come - economic superstardom”. India has emerged as the world leader in information technology and business outsourcing, with an average growth rate of about 6 percent a year. The highly touted information technology and business processing industries only employ about one third of one percent of India’s work force. While optimists tout an Indian middle class of some 300 million people, even a greater number of Indians subsist on less than \$1 per day. Growing foreign investment and easy credit have fuelled a consumer revolution in urban areas. Behind the proliferation of Starbucks-style coffee bars, increasing size of blackberry-wielding young professionals, spiraling shopping malls selling luxury brand names and large parts of Indian metropolis striving to resemble Manhattan are seen winking the stark realities of grinding poverty, swelling unemployment, spread of diseases like HIV/AIDS, diminution of forest cover, displacement of poor and tribal people, pollution of air and water resources and the problems of human security. The business-centric view of India, spurred by the exuberant

³⁵ Ashley J.Tellis, *op.cit*, p.48.

self-confidence of the tiny Indian elite cornering a sizeable chunk of economic benefits, hides more facts than it reveals.

The seamy side of Indian society is suppressed under the flaunted glamour of urban life. Recent accounts of the alleged meteoric rise of India suppress the fact that the country's \$728 per capita gross domestic product is just slightly higher than that of sub-Saharan Africa and that, as the 2005 United Nations Human Development Report puts it, even if it sustains its current high growth rates, India will not catch up with high-economic countries until 2106. India ranks 127 on the Report's Human Development Index, just two rungs above Myanmar and more than 70 below Cuba and Mexico. Despite a slight plummeting in the incidence of poverty levels, nearly 380 million Indians subsist on less than a dollar a day, as indicated earlier. Half of all children in India are seriously afflicted by malnutrition. There is no shred of evidence to buttress the arguments of protagonists of globalization that they are being helped by the market forces, which have redounded to the aggrandizement of wealth in the few rich denying the poor access to health care and education³⁶. Spawning of private medical colleges and engineering institutions has only helped the rich and not the poor and down-trodden. Despite rise in economic growth, 2.5 million children die annually in India, accounting for one out of every five child deaths worldwide. In the countryside where 70 percent of India's population inhabit, the government has reported that about 100,000 farmers committed suicide between 1993 and 2003³⁷.

Disenchanted with the urban and rich oriented economic growth under the aegis of liberal market economy, many insurgent outfits such as Naxalites, Maoists, People's War Group are growing in sophistication and lethality in Bihar, Andhra Pradesh, Orissa, and West Bengal killing thousands and threatening India's democracy and way of life. The upsurge of similar movements such as the Bodoland and ULFA movements in Assam and the other insurgencies in Nagaland and Manipur supported by outside countries have been a threat to the stability and security of India. In a country where there is yet to arise the labour intensive manufacturing boom and where imports reign

³⁶ Pankaj Mishra, "The Myth of the New India", *The New York Times*, 6 July 2006, p.3.

³⁷ *Ibid.*

supreme over exports, the spectre of growing unemployment is likely to seriously haunt the Indian government's alignment with the American-scripted liberal market economy. This also means that, as 70 million more people enter to bulge the work force in the next five years, most of them without the skills required for the new economy, unemployment and inequality could provoke even more social instability than they already have³⁸. This shows that the potential for violent conflict looms large in India in terms of caste and class, as the present economy has been successful in yawning the hiatus between the rich and the poor. If all euphoria about the new economy is related to the employment of only 1.3 million in the information technology and business processing industries out of a working population of 400 million, it is then a heightened myth to find a panacea in liberal economy for all social ills in India. The bureaucratic-politico-industrialist nexus in corruption in India has aggravated the situation. The Berlin-based Transparency International in 2005 placed India 88th out of 158 countries in its annual ranking of world corruption levels³⁹.

If Indian government fails to contain the surge of insurgency in parts of India and its liberal market economy pervades the entire society without caring for the poor and the nature, the threats to its stability and integrity will loom large seriously over India's political scene. A country's ability to contain these fissiparous forces will be seriously doubted and will be a matter of grave concern to America which is intent on building and presenting it as a show model to the other countries in Asia. Advocacy of western-monitored liberal market economy in India has no doubt resulted in an upswing of unemployment, impoverishment and widening chasm between the poor and the rich as also in the upsurge of communist-led insurgencies in various parts of the country. The fundamental question that arises is whether putting permanently socialistic path to backburner by policymakers in India is in the greater interest of its people. If India ever resorts to the socialistic path in response to the increasing social and humanistic imperatives of the majority of people, afflicted and infected seriously by the Indians jumping onto western bandwagon, to rectify its slant toward the western economy, this is bound to create a

³⁸ *Ibid.*

³⁹ K. Alan Kronstadt, *Indo-U.S. Relations*, CRS Report for Congress, RL 33529, Updated 31 July 2006, p. 17.

discordant note in their newly-built strategic partnership. It is not nuclear weapons alone but also the sustained ability to provide human security to all the people in India as well that form the crucible on which all justifications for India's claim to major power status with American help can be tested.

America Playing the India Card

The September 11 attacks on the United States brought South Asia into the limelight of American policy. From a long-term perspective, America considers that it is in their best interest to give importance to India, as it is a major Asian democratic power with the potential economic and military strength to counter the adverse effects of China's rise as a regional and world power. "It is indeed time to play the India card"⁴⁰. China's neighbours - Japan, Korea, Taiwan, the Philippines, the countries of Southeast Asia, Australia, and India, are concerned about China's military buildup, even if these countries shy away from explicitly bringing it to the public.⁴¹ In addition to this, these countries consider China as an economic threat to their interest to the extent that China, using its political leverage with the West, tries to corner a major chunk of allocation of foreign investment and get access to western markets and technology at the expense of other developing countries in Asia. Since many of these countries are democracies, America considers it important to support these countries against growing China.

America's trade policy solely chiseled to have a political leverage in China prodding it towards liberalization has proved to be ineffective. On the Chinese side, trade has ingrained the current political elite in authority, turning them into classic rent-seekers, increasing prices and creating substantial distortions in the domestic allocation of resources redounding to their own benefit⁴². Similarly one

⁴⁰ Lloyd Richardson, "Now, Play the India Card", *Policy Review*, No.115, October, 2002, [http:// www.policyreview.org/Octo2/Richardson_print.html](http://www.policyreview.org/Octo2/Richardson_print.html),p.2

⁴¹ See, for example, A.D. McLennan, "Balance, Not Containment: A Geopolitical Take from Canberra", *National Interest*, Fall 1997; and Gerald Segal, "Asianism and Asian Security", *National Interest*, Winter, 1995-96.

⁴² David Zweig, "Undemocratic Capitalism", *National Interest*, Summer, 1999.

prominent development economist in his analysis of China's current economic liberalization opined that it is neither liberal nor sustainable.⁴³ The influence of business tycoons and industrial caucus over the decision making in America is overwhelming. They are demanding that trade is not used as a political instrument. Caved in to their pressure, the policy makers in America are no longer in a position to leverage its trade policy to promote Chinese liberalization. That does not mean that America would not use security policy to that end. One strategy, which America applies, is to exact a price for China's aggressive military and diplomatic behaviour by increasing its military expenditure to confront as many external threats as possible. This was exactly the strategy President Reagan so successfully used in case of the former Soviet Union.

According to Richardson, "the best security for the United States will come from surrounding China with successful, economically sound democracies. These nations will have the resources to sustain military spending and economies strong enough to retain political independence. They will also challenge China ideologically - reminding China every day of what it has been unable to accomplish politically."⁴⁴ As part of its strategy, it has no problem to anchor its efforts to the south of China, because of its good relations with Australia and New Zealand. To the east of China, the democratic tradition is very strong. To the west and north of China, Russia will play a significant role. Russia's Shanghai connectivity may embarrass America, but it can be nullified as Russia's dependence on the West is heavy. That is the reason why America does not like to shed its leverage with Pakistan, which can play the Cold War role to the disadvantage of Russia and which does not fall into China's embrace. So far as India is concerned, it was the most overlooked of America's potential allies in a strategy containing China in this broader sense. During the Cold War, the strategic importance of India in continental Asia was obscured. With the end of the Cold War, and proliferation of missile technology, the threat to India has increased exponentially. In a new strategic environment, India, the most populous democracy, confronts China, the world's most populous autocratic state. In other

⁴³ Deepak Lal, *Unfinished Business: India in the World Economy*, Oxford University Press, New Delhi, 2000).

⁴⁴ Lloyd Richardson, *op.cit.*, p.4

words, India finds itself in the same situation China was in with respect to Russia in the 1970s.

During the Cold War, due to strategic negligence of India, Indo-US relationship was one of estrangement, indifference and short of friendship, though not exactly one of hostility or enmity. Nehru's monolithic ideology in favour of socialism, non-alignment, Indira Gandhi's tilt towards the Soviet Union and taking up the cudgels for the Third World, her anti-West and anti-imperialistic pronouncements in international forums, and, above all, the Pakistan factor played a significant role in embittering Indo-U.S. bilateral relations. The other reasons were India's unwillingness to play American surrogate against Soviet communism and American difficulty adjusting a big democratic country having strong penchant for independence and sovereignty into its strategic orbit, and failure to wean away India from the Soviet Union even at the earliest opportunity when Nehru and Gandhi were maligned as imperialistic dogs by Moscow. India had been on the U.S strategic fringe for most of the Cold War period. However, following the end of the Cold War, India adopted American-scripted liberal market economy and, in the changed international scenario, America came to realize that to permanently relegate a large democracy and militarily and economically strong India to strategic fringe will be a strategic blunder and politically suicidal for the US as it needs a strong bulwark against undemocratic militancy of China.

So far as the China factor is concerned, both America and India share the same strategic bed. India feels increasingly encircled by Chinese naval activity in the Bay of Bengal, both through Myanmar and through its massive investment in deepening the Gwadar port in Pakistan's Sindh province. Despite its current limited resources, India has been determined to engage in quiet competition with China in Southeast Asia even as the region is closely drawn into Beijing. Although China has already established its clout in Singapore, Vietnam, Indonesia or deeper involvement in Myanmar, India is not going to accord primacy to China⁴⁵. Chinese efforts to keep India out of the core group directing the creation of an East Asian Community and to diminish India's primacy in South Asia will remain a preponderant factor to acquiesce in American strategy to buildup India

⁴⁵ Parag Khanna and C Raja Mohan, *op. cit.*

against China. Further, given India being hemmed in by the combination of the Himalayan Mountains and undemocratic states from Pakistan and Nepal to Myanmar, it is in the area of naval modernization where the U.S. strategy can best address India's geopolitical needs. "As China pursues a 'string of pearls' strategy to develop deepwater ports and stronger diplomatic and military relations with Pakistan, Myanmar and Indonesia", American strategy should be more focused on increasing the "the capacity of the Indian navy (through the project Seabird) to police and even deny access to the Indian ocean sea lanes" than the Indian army being strengthened.⁴⁶ Since both India and the United States face the danger of naval threats from terrorist groups like al-Qaeda spanning the entire sea lanes from the Arabian Sea to the Straits of Malacca, India being central to America's new strategic agenda can very rightly take on to itself the onus of patrolling the entire sea lane⁴⁷.

From both Indian and American perspectives, the China paradigm not only marks the convergence of strategic interests of both the countries but also provides the impetus to sustain long-term U.S. engagement with India. Richardson states: "A strong India raises the price of China's military buildup and expansionist policies in Asia. A strong India would also send the message that democracy in a developing country is not incompatible with rapid growth and wealth. This is a message worth sending not just to China and other authoritarian states, but also to all the states of Asia troubled by Islamic fundamentalism. India has the unenviable distinction of lying at the heart of the Islamic world, spanning the globe as Islam does from North Africa through the Middle East to Southeast Asia and the Philippines. Not only can India deliver a positive economic message, but its success as a state composed of varying ethnic and religious groups is an important example for others."⁴⁸

Different from the American Cold War strategy of containment of Soviet communism, the current U.S. policy pertains to wearing out China through an erection of democratic states abutting China with strengthened military and economic buildup as a barricade against the

⁴⁶ *Ibid.*

⁴⁷ *Ibid.*

⁴⁸ Lloyd Richardson, *op.cit.*, p.13.

expansion of an aggressive and undemocratic China. President Bush's pledges to facilitate Indian ascension to major power status through the strategic partnership with recent nuclear deal are consonant with America's policy of playing the India card. India is the ideal model to be imitated by all in Asia. Katrin Bennhold observes: "India has been a beacon of democracy and stability in a region where both are the exception."⁴⁹ In a similar vein, Prime Minister Manmohan Singh in a meeting opines jettisoning India's traditional anti-imperialistic rhetoric: "If there is an idea of India that the world should remember us by and regard us for, it is the idea of an inclusive and open society, a multi-cultural, multi-ethnic, multi-lingual society... Liberal democracy is the natural order of social and political organization in today's world. All alternate systems of authoritarianism and majoritarianism in varying degrees are an aberration. Democratic methods yield the most enduring solutions to even most intractable problems."⁵⁰ President Bush and Prime Minister Manmohan Singh's joint statement on 18 July 2005 on global democracy initiative and joint support for the United Nations Democracy Fund in September 2005 articulates their convergence of interests in showing adherence to universal democratization as a policy.

Pursuant to the declared objective of America to help India climb up to a major power status, the July 18 nuclear agreement is hailed as a milestone in their strategic relations. But the Congressional draft bills with extraneous conditionalities not found in the original agreement run counter to American objectives. To close the options of India by these American bills to conduct nuclear tests in the future in case Pakistan and China conduct nuclear tests is nothing but reinforcement of America's Cold War strategy of containing India. If America remains true to its stated objective of creating a democratic barricade around China with a militarily and economically strengthened India as its steward, it is the moral onus with the American President to see that the Congress pass the draft bills as exactly as enshrined in the July 18 agreement. Any attempt by America to sneak India into the NPT noose through the back door by curtailing its nuclear option would not likely

⁴⁹ *International Herald Tribune*, 7 December 2004.

⁵⁰ Prime Minister Manmohan Singh's India Today Conclave Speech in New Delhi, *India Today*, 25 February 2004.

to end the ingrained suspicion in New Delhi that America is not ready to see India rise in power potential.

If an enduring U.S. interest in India is a successful democracy in Asia, building it with strength to offset China's rising power in the continent, one option for the U.S. was to induct India into the NPT orthodoxy by making it a member of their ranks, entitled to receive all privileges and responsibilities as the five nuclear powers enjoy. This was very bleak to expect that China would cast an affirmative vote. Another option for the United States would be to withdraw from the NPT on the ground that it was a failure as nuclear proliferation continued despite stringent rules. This would enable America to help India in its nuclear programme. The third option suggested for America is to pursue a policy of calculated ambiguity as it was used in China and France's nuclear programmes. At the very least, India must not engage in proliferation of its own, nor develop missiles capable of targeting the United States.⁵¹ However, contrary to all these options, the U.S. went for a deal with India inked on 18 July 2005 bestowing upon India a second class nuclear status with many restrictions and conditionalities as evidenced from the Congressional bills.

Divergences in Strategic Partnership

These restrictions have already created hiccups in Indian politics, culminating in an upsurge of protestations against the deal. From Indian perspective, there is no gainsaying the fact that America has shown its commitment to promotion of civilian nuclear energy and space technology in India. The reality is that it depends on American will to provide or withhold supply to India according to its own interests. If American technology and equipment sales to China and handling of the A.Q. Khan affair in Pakistan are any indication, the US steps give an inkling of the certitude with which it moves towards a fundamentally different relationship. Modifications to U.S. export licensing policies are castigated by many as cosmetic, pointing out they are to be reciprocal for India's "implementation of measures to address proliferation concerns and to ensure compliance with U.S.

⁵¹ Richardson, *op.cit.*, pp.14-15.

export controls.”⁵² On the issue of technology denial, the critics believe that “technology denial can work up to a point in the new knowledge economy, hence innovative sanctions against intangibles are likely to be developed, adding yet another layer of distrust between India and U.S.” Further, they are of the view that, “the fundamental American goal of ensuring asymmetry in technology, including full spectrum dominance, will continue to dictate U.S. policies. This goal will lead the U.S. to try and put a ceiling on scientific development elsewhere. The defense technologists and scientists at least believe that, as in the earlier period, the U.S. will only be able to slow down India, but not stop it in new arenas.”⁵³

While shaping the “new strategy for South Asia”, the Bush administration responded positively to Indian requests for information on the possible purchase of F-16 or F/A-18 multi-role fighters, and indicated that Washington was ready to discuss the sale of transformative systems in areas such as command and control, early warning, and missile defense. “The top Indian officials express concern that the United States is a fickle partner that may not always be relied upon to provide the reciprocity, sensitivity, and high technology transfers sought by New Delhi”⁵⁴.

From an American point of view, the NSSP is “truly revolutionary” and suggests that what is really important is “a change in the U.S. strategic orientation towards India that in time will be more consequential than any of the minutiae encoded in the current agreement.”⁵⁵ The Pentagon supporters see bilateral agreements such as the General Security of Military Information Agreement and the Master Information Exchange Agreement with India as the foundation for defense cooperation. However, the defense transfer relationship is still described as embryonic. All major defense technology transfer deals continue to be stymied by existing restrictions that affect this area as well: the dual use technology controls in the Department of Commerce and the Department of State’s licensing of Munitions List

⁵² R. Ramchandran, “India, U.S. and Trade in Technology”, *The Hindu*, 27 September 2004.

⁵³ Deepa Ollapally, *op.cit.*, p.9.

⁵⁴ 54. K. Alan Kronstadt, *op.cit.*, p.14.

⁵⁵ Ashley Tellis, “Lost Tango in Washington”, *The Indian Express*, 15 November 2004.

items directed at defense commodity trade.⁵⁶ Even defense officials favourably inclined to increasing high tech defense trade with India concede that “high tech defense trade with countries that do not have an established track record with the U.S. of protecting technology is extremely difficult and often a lengthy process. India is such a country.”⁵⁷ High technology trade, especially dual use technology transactions, though very small in proportion to overall trade, is considered very vital to India’s national development. The issue of dual use technology trade has occupied such an elevated importance in the national debate over the extent of relations between the two countries that success or failure in this field defines the extent of their relations.

The U.S. Commerce Department officials have sought to dispel the “trade-detering myths” about limits on dual use trade by noting that only about 1% of the total U.S. trade value with India is subject to licensing requirements. It has as much to do with misperceptions as export controls or government restrictions. “The irony is that, while the U.S. actually has more restrictive trade regulations *vis-à-vis* China, the U.S. has a more robust high technology trade and investment relationship with China than with India.”⁵⁸ Further, the Commerce Department clarified that the great majority of dual use licensing applications (more than 90%) were approved in 2005 financial year. The U.S.-India High Technology Cooperation Group (HTCG) in its inaugural session in July 2003 discussed a wide range of issues relevant to creating conditions for more robust bilateral high technology commerce. Since 1998, a number of Indian entities have been subjected to case by case licensing requirements and they appear on the U.S. export control “Entity List” of foreign end users involved in weapons proliferation activities. In September 2004, as part of NSSP implementation, the United States modified some export licensing policies and removed the Indian Space Research

⁵⁶ Ashley Tellis, “Seeking the Breakthrough”, *Force*, October 2004.

⁵⁷ 57. Peter Dougherty, “High Technology, Dual Use Technology and Critical Economic Issues”, Roundtable at “U.S.-India Bilateral Cooperation: Taking Stock and Moving Forward”, a conference hosted by The Sigur Center for Asian Studies of The Elliot School of International Affairs at The George Washington University, Washington, D.C., 1-2 April 2004.

⁵⁸ Deepa Ollapally, *op.cit.*, p.10.

Organization (ISRO) headquarters from the Entity List. Further adjustments came in August 2005 when six more subordinate entities were removed.⁵⁹

Strategic Autonomy

Differing stands on the role of export controls remain a main impediment in the commitment to the strategic partnership between India and the United States. American analysts are always inclined to view export controls as the foundation for technology transfers and as necessary for safeguarding national security. On the contrary, the Indians tend to view that export controls acceptable to America would infringe upon India's sovereignty if adopted. An analyst opines, "protecting India's perceived strategic autonomy has been a central driving motivation of Indian foreign policy, and high technology achievements are still seen as a critical tool in this regard."⁶⁰ The American invitation to join its unveiled Proliferation Security Initiative (PSI) as a core member, which aims at interdicting WMD material including searches of suspected air, sea, and land cargoes, has received a lukewarm response from India. India's reluctance is based on the ground that there is no guarantee that the members of the core group will not be targets of PSI. The members are to leave themselves open to spot checks of their own ships and aircraft. There is also the question of being consistent with the imperatives of international law. "Hypothetically speaking, if India were to try to interdict Chinese ships or aircraft heading for Pakistan, the risk of conflict with China would be high, without a clear idea of what the U.S. stand would be to avert or settle any such crisis."⁶¹

As analyzed above, there has not yet been a complete convergence of national interests of India and the United States, although both the countries have taken steps to break away from their past moorings and to move ahead by forming a strategic and defense partnership. In some critical areas of their foreign policy concerns, a discordant note is heard about their not getting a smooth sailing. The incompatibility between India's non-aligned political culture defined in Nehruvian

⁵⁹ K. Alan Kronstadt, *op.cit.*, p.10

⁶⁰ Deepa Ollapally, *op.cit.*, p.11.

⁶¹ Reshmi Kazi, "Proliferation Security Initiative and India", *Peace and Conflict*, Vol. 7, No. 7, October 2004.

idioms and America's penchant for a world order based on its own pontification demands of it a new vision and orientation to work out towards the resolution of this inherent antithesis. The foundational differences in their foreign policies are not going to be so easily obviated until and unless America shows the necessary stewardship in redefining its national interests not purely in its selfish and domestic imperatives at the expense of the interests of the poor, but in terms of global interests.

Indian Prime Minister Manmohan Singh stated in his speech at the University of Cambridge on 11 October 2006 on the occasion of his being awarded the honorary degree of Doctor of Law, "My appeal is that developed countries should not allow short-term national interests to prevail at the cost of promoting freer trade and combating poverty. The prosperity of so many cannot be sacrificed for protecting the interests of so few. The price of myopia is heavy on the exchequers of the developed world. The issue also has profound moral dimensions".⁶² India's stress on democracy, establishment of a new international order based on justice and equity, multilateralism and democratization of international institutions as opposed to American preachy unilateralism, would be the benchmark template on which New Delhi wants to chisel partnership with Washington". He also said, "As democracies we must also stand together in making governance across the world more democratic. As democracy we aspire to a world in which global institutions are more democratic and more representative of all the peoples of the world.... A more inclusive global process that carries the population of the world with it calls for a reform of these institutions, in which the developing world will have a greater voice."⁶³ This shows that, while forging partnership with the U.S. or establishing multidirectional relations with other powers, India will remain bound by its long and permanent commitment to promotion of democracy, democratic values, and taking up the cudgels for the developing world. If and when America demonstrates the necessary political wisdom to mark a paradigm shift in its foreign policy away from its sole reliance on the narrow, consumerist and all-acquisitive political culture, the newly carved out partnership will be enduring.

⁶² 62. Excerpted from Prime Minister Manmohan Singh's speech at the University of Cambridge on 11 October 2006, *The Hindu*, 13 October 2006.

⁶³ *Ibid.*

