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# INDIA, THE UNITED STATES' NEW ALLY IN ASIA

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The years 1998 to 2004 of Vajpayee's government saw a turning point in India-U.S. relations. Although the first major decision this government made – the 1998 nuclear testing – brought on immediate sanctions from the United States, the warming detectable afterward has not waned. In January 2004, the two countries launched a joint initiative baptized Next Step in the Strategic Partnership (NSSP), a development to which Ambassador Blackwill - a close advisor to George W. Bush whose team in Washington he later joined - made a significant contribution.

Fewer than six months later, the coalition backing the Vajpayee government conceded power to a new Congress-led alliance christened the United Progressive Alliance. Much speculation was made about a return to the doctrine of non-alignment, at least of a stauncher defense of multilateralism, and indeed, the government was composed of enough elected officials in their seventies to lend a certain credence to this theory, given their stint in power in the 1970s and 1980s.

But nothing of the sort occurred, and beyond mere continuity, one can even speak of a *deepening* of relations between the United States and India. This process has to do in part with factors reaching beyond strategic and diplomatic considerations that pertain to the economy and social ties currently linking the two countries.

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## **Pursuing the diplomatic and strategic rapprochement.**

If during the summer of 2004, chancelleries were trying to get their bearings as New Delhi sought to define the proper distance with Washington, by autumn Prime Minister Manmohan Singh allayed the fears of those who in both the U.S. and India were worried that the ideological legacy of the Congress would call into question the Indian-U.S. rapprochement. In fact he very quickly switched to a "realpolitik" they could accept.<sup>2</sup>

The signs of continuity in India-U.S. relations are many:

- joint military maneuvers involving the army, the navy and the air force had become perfectly routine under Vajpayee's government; they have continued apace. For instance, in October 2004 joint exercises with the Indian and U.S. navy took place in Goa. For the first time, the United States engaged P3C Orion aircraft specialized in maritime surveillance in these operations.

- The United States and India concluded an "open skies" agreement in January 2005, ratified in April 2005. This agreement, replacing the 1956 Air Service Agreement, allows any Indian or American airline to establish service between any city in their two countries. Air India immediately announced it would increase its scheduled flights from 28 to 37 a week, a telling sign of the intensity of exchanges.

- India hastened to join the coalition of donors initiated by the United States after the tsunami on December 26, 2004. This coalition, which grouped Japan and Australia as well, did not last, but it nevertheless demonstrated India's propensity to follow U.S. initiatives rather than adhere to a purely multilateral rationale.<sup>3</sup> The contrast with the Arab-Latin America summit held in Brasilia in May 2005 is striking: in this context some thirty countries in these two regions went so far as to denounce the unilateralism of the U.S. move.

- India refrained from declaring sanctions against the United States when the latter delayed repealing the Byrd Amendment<sup>4</sup> after the WTO ruled it to be illegal. Indian complacency was all the more significant since New Delhi had referred a complaint to the

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<sup>2</sup> In response to communists who objected to the warmth of tone with which he congratulated George Bush on his reelection he replied: "...we have to look at the realities of the world. International relations are, in the final analysis, power relations. And we are living in a world of unequal power. We cannot wish away the realities of this situation. We have to use the available international system to promote our interests. And, therefore, we have a necessity to engage the U.S. The U.S. plays a very important role in the world economy, the political world system and we cannot wish that away." *The Hindu*, 11/8/2004

<sup>3</sup> In an interview granted to *India Today* during her first visit to India – and even Asia – as Secretary of State, C. Rice expressed great satisfaction with the way in which India had joined the U.S. initiative three months earlier (*India Today*, 03/28/2005, p. 64).

<sup>4</sup> This amendment directs the US government to distribute the anti-dumping and anti-subsidies duties to the US companies that brought forward the cases.

WTO to denounce Washington's payment of anti-dumping duty proceeds to United States industry and that Canada, co-complainant, had imposed sanctions.<sup>5</sup>

- Although Indian Airlines purchased 43 aircraft from Airbus in 2004, the following year Air India announced an order for 50 Boeing 787 Dreamliners in circumstances that baffled its European competitor: While the A380 had just finished its first test flights, the Indian company chose an aircraft for which tests will not begin before 2007.<sup>6</sup>

- The Indian-Israeli rapprochement has also followed its course. This is not unconnected to India-U.S. relations. The Indian initiative of reestablishing diplomatic relations with Israel in 1991 was in part aimed at Washington: it was a way of "getting at" the United States. For the coalition parties in power today the Indian-Israeli rapprochement, which culminated in September 2003 with Ariel Sharon's visit to New Delhi, was much more open to criticism than the Indian-U.S. rapprochement. The communists were appalled by it. A year after Manmohan Singh came to power nothing, or nearly nothing, has changed: military cooperation between the two countries has not slackened<sup>7</sup> and the government has not really readjusted its relations with the Middle East in favor of its old Arab allies. It is significant that the only Indian official to have made the trip to attend the funeral of Yasser Arafat – a close friend of the Nehru/Gandhi family – was Natwar Singh, minister of foreign affairs.

The communists may have secured the suspension of joint military maneuvers between the Indian and Israeli armies, but this is the only concession that has been made to them so far.

### **American ambivalence and Indian expectations**

At first glance, the pursuance of the Indian-United States rapprochement intrigues observers all the more since New Delhi does not seem able to obtain what it demands in exchange.

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<sup>5</sup> *The Hindu*, 04/09/2005

<sup>6</sup> EADS officials were openly offended at not being given the same treatment as their competitors, in particular for not being allowed to present their product under the same conditions. The Indian authorities argued that since the decision involved renewing their fleet, the airline companies were free to make their own choices. However, given that these are state-owned companies, it is highly likely that political power influenced - or accompanied - the final decision.

<sup>7</sup> The third meeting of the Joint Working Group on military cooperation was held in Jerusalem in December 2004. Joint development of a ballistic missile was allegedly on the agenda.

Up to now, the NSSP has not fulfilled its promises. This agreement pertains to four types of issues: closer collaboration in the civilian nuclear and space industries, more trade in high technologies, and an expanded dialogue on missile defense.

A year and a half after the NSSP was signed, only the first two items on this agenda have been broached in any significant manner – but without yielding any noteworthy results.

In the field of nuclear energy, India has not obtained the aid it hoped the United States would grant for the maintenance – and modernization – of its four nuclear energy plants, despite their coming under AIEA rules. First, the United States claims – not without reason - to be bound by the rules of the NPT, which India did not sign; second, it fears that Indian scientists will encourage proliferation. In October 2004, they imposed penalties on two retired Indian engineers suspected of having helped Iran develop its nuclear program.

There seems to have been some thaw in this regard in February 2005 when the US Nuclear Regulatory Commission invited Indian scientists to discuss the risks that natural disasters posed for the country's nuclear installations. Members of India's Atomic Energy Regulatory Board went to the United States for six months in this context – which did not escaped the Pakistani press!<sup>8</sup> All the same, India just announced that it planned to work with Russia in building a new nuclear power plant – when a similar type of installation is already under construction in Tamil Nadu.<sup>9</sup> This announcement could very well have been made to put pressure on the United States.

In space technology, the United States has only made two concessions to India to date: the headquarters of the Indian Space Research Organisation was struck from the list of entities banned from receiving any technology transfer, and the seven ISRO subsidiaries remaining on this list are now allowed to import materials that can be used for dual purposes figuring on the two lists of sensitive technologies with much flexibility.

However, these gestures seem like a fool's game because, first of all, ISRO headquarters does not import high technology and, second, the two lists of materials now accessible to its subsidiaries contain no sophisticated technology.

Moreover, India has not managed to loosen the ties created between the United States and Pakistan in the aftermath of September 11, 2001, as attest the granting of 3 billion dollars in civil and military aid secured by Islamabad and Washington's complacency in the case of A.Q. Khan, the father of the Pakistani bomb whose nuclear dissemination

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<sup>8</sup> *Dawn* 13/02/2005.

<sup>9</sup> The Russians are in fact building a 2,000-megawatt plant in Kudankulam, which should come into service in 2007.

(even proliferation) activities can scarcely be doubted.<sup>10</sup> The symbol of this “full-scale strategic relationship” - to use the terms of the American ambassador in Pakistan, Ryan C. Crocker, was, however, the announcement of the sale of F-16 fighter jets to Islamabad in March 2005. The Congress Party, which while in the opposition had already objected to Pakistan's being named as one of its “Non NATO allies” by the United States in 2004, immediately objected that such a decision amounted to ignoring the use Pakistan could make of these weapons against India.<sup>11</sup> Manmohan Singh voiced his disappointment to G. Bush in no uncertain terms.<sup>12</sup> Despite this setback, the authorities claim to be as convinced as ever of the excellent relations their country enjoys with the United States.

India is persuaded that the NSSP and other aspects of the cooperation between New Delhi and Washington are tantamount to recognition of India's status as a nuclear power. In the eyes of many Indians, this is a remarkable evolution.

New Delhi also entertains the conviction that the United States would give it access to highly sophisticated military equipment – as had already been the case with the Phalcon system. Now the Americans have offered to sell the Indians F-16s or F-18 “Hornets” when they announced the sale of F-16s to Pakistan. But the Indian army has always been very reluctant to purchase American equipment due to the fickleness of the U.S. Congress, quick to accuse its clients of misconduct and impose sanctions on them – and hence stop delivery of spare parts. As soon as the American offer was made public, former Air Force chief Anil Tipnis and former Army chief Shankar Roychowdhury each separately made known to the government in general and the defense minister in particular their hostility to such a revolution in Indian military procurement. But the civil power may well disregard these objections, all the more so since the Americans may agree to technology transfers that would allow parts of these aircraft to be manufactured in India.<sup>13</sup> In the long run, India can also hope to acquire the Patriot anti-missile missile. Preliminary discussions between Indian Air Force officials and Defense Security Cooperation Agency officials in the U.S. took place in April 2005. They continued during defense minister P. Mukherjee's visit to the United States last June 28. The outcome demonstrated spectacular headway: a ten-year cooperation agreement providing for Indian-U.S. collaboration in joint production of military equipment, ballistic defense and intervention for peacekeeping operations in potentially

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<sup>10</sup> Regarding U.S.-Pakistani relations, see S. Shafqat, “Pakistan and the United States: a future unlike the past ?,” Centre for the Study of Pakistan (Columbia University), Occasional Paper Series, March 2005.

<sup>11</sup> *The Hindu*, 29/03/2005

<sup>12</sup> *Ibid*, 26/03/2005

<sup>13</sup> Besides, in addition to the F-18s, the United States is considering selling India the E-2C Hawkeye Airborne Early Warning and Control (AEW&C) aircraft, with which India would equip its Gorshkov aircraft carrier, as well as the P-3 Orion maritime reconnaissance plane.

unstable areas abroad. This “New Framework for the Indo-U.S. Defense Relationship,” signed by Mukherjee and Rumsfeld, heralded a new era in relations between the two countries reflecting “common principles and shared national interest.”

Last, New Delhi is counting on United States support to take advantage, when the time comes, of the UN Security Council reform which will allow India to occupy a permanent seat. However, Washington does not seem prepared to back India’s candidacy (or Japan’s, Brazil’s and Germany’s for that matter) unless it forgoes the right to veto that the permanent member status allows today. After having been discussed at length internally, this possibility seems excluded by the Indian authorities. The U.S. attitude on this issue has clearly caused deep disappointment on the Indian side.

Beyond the diplomatic and strategic compensations that India expects from the United States, its good will toward the United States can be explained more structurally by the expansion of economic and social ties linking the two countries.

#### **Structural factors of the Indian-United States rapprochement.**

*An trade partnership with a strong high tech content.* The United States is India’s largest trading partner today. In both trade and investments, the expansion dates from the economic reform undertaken in 1991. In 10 years, from 1992 to 2002, U.S. exports to India multiplied threefold,<sup>14</sup> whereas American imports of Indian goods multiplied by 3.5.<sup>15</sup> In 2004-2005, the United States remain India’s more important trading partner with over 11.1 % of its foreign trade.

The change is even more spectacular in the field of investments. The United States is the second largest foreign investor – after Maurice, through which country many American NRI<sup>16</sup> investments are channeled for tax reasons – with 17.08% of the total in cumulated figures since 1991. The increase in American investments in India is linear and rapid, for the went from 319 million dollars in 2002-2003 to 522 million dollars in 2004.<sup>17</sup> The number of American corporations in India has multiplied by 14 since 1991, numbering now over a thousand.<sup>18</sup>

Along with the mass consumer products sold by Mc Donald’s, Dominos, Pizza Hut, Pepsi, Coca-Cola, Reebok, Nike and Avon, American investments are also made in

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<sup>14</sup> From 2.8 billion dollars in 1992 to 6.4 billion dollars in 2002.

<sup>15</sup> From 4 to 14 billion dollars.

<sup>16</sup> Non Resident Indians constitute the business elite of the Indian diaspora in the United States.

<sup>17</sup> These figures are all taken from the *Economic Survey 2004-2005*, New Delhi, Government of India, 2005.

<sup>18</sup> Most American companies established in India have grown at a very satisfactory rate. Mc Donald’s, which for instance didn’t open in Delhi until 1996, had 40 sales points in India seven years later, in 2003, and had sold 45 million burgers in the country!

strategic areas of high technology, including in research and development. The computer engineers that India steadily produces and at meager salaries compared to labor costs in the United States, are a specific asset.

Driven out of India by a wave of hostility toward U.S. multinationals in the 1970s, IBM is back again; with offices in 12 cities, the company employs 9,000 people and has developed a partnership with three of the best Indian Institutes of Technology, those in Delhi, Kanpur and Chennai, which supply it with internationally-qualified engineers.

Hewlett-Packard, since it bought out Compaq in India, is still ahead in terms of labor with 10,000 employees and a network staking its presence in 120 cities. And Microsoft, whose largest foreign investments – other than industrial – have been made in India, has established its software development offices in Hyderabad.

In general American computer companies all have set up major R & D offices in India. For instance, 80% of Oracle's 5,000 Indian employees work in its Indian Development Center – the first center of this type outside of the United States for the firm, which set up in Bangalore in 1994. By the same token, Adobe's development center was set up in Noida (near Delhi) in 1998. This is where Acrobat Reader was developed. As for Apple, its famous iPod was designed in the center that the company owns in Hyderabad – before being mass-produced in factories in Taiwan. The Texas Instruments R & D center in Bangalore – approximately 900 engineers – has already filed for 225 patents, mainly for computer chips. Another industry giant, Intel, is also based in Bangalore. The largest American company R & D center in India, however, is General Electrics, which employs 22,000 people, including 1,800 computer engineers in Bangalore, which has enabled 95 patents to be filed for in the United States.

In the Spring of 2005, the Indo-US Science and Technology Forum decided to set up R & D centers in India in various sectors, including design engineering, energy and ecoinformatics. A center devoted to this specialized field has already opened in Bangalore.

The magnitude of less sophisticated outsourcing will further increase the interlocking of Indian-U.S. business activities. Many banks, such as American Express, Citibank and Lehman Brothers and automobile manufacturers (Ford, General Motors) for instance have their accounting and much of their back office activity done in India.



And the number of call centers is constantly on the rise. The largest U.S. company in the field, Convergys Corps, employs over 5,000 people in India although it only set up its first offices there in 2001.

*The influence of the diaspora and the student community.* In addition to business activities, social ties play an extremely important role in the Indian-U.S. rapprochement. The primary factor in these is the Indian diaspora to the United States, a demographic mass that has doubled in 10 years to 2 million people. The flow of legal Indian immigrants is now greater than that of the Chinese. Many of them come to study computer engineering. If Oracle established offices in India so early on it is because among its management there are many Indians. Similarly, Adobe decided to set up in India on an initiative of its Indian managers of the company in the United States. In May 2005, the US Citizenship and Immigration Services (USCIS) announced it would grant an additional 20,000 H1B visas<sup>19</sup> to foreign graduates of American universities with a Master's or higher level and specialized in state-of-the-art technology. This measure, aimed primarily to meet the demands of U.S. corporations in terms of computer engineers, works to the great benefit of Indian students seeking a job in the United States.

Most Indian migrants, however, are students. Their numbers rose from 30,000 in 1996-1997 to 75,000 in 2003-2004.<sup>20</sup> Since 2002-2003, the contingent of Indian students is higher than any other group of foreign students.<sup>21</sup>

These students – like their elders – are successful in the United States (when they don't return home). The U.S. year 2000 census in fact shows that Indian-Americans have an average per capita income of \$60,093 compared to the national average of \$38,885 (only 6 % of them reportedly live below poverty level), which can be explained by the fact that three-quarters of this community have attended university.<sup>22</sup> The Indian diaspora is thus in a position to act as a lobby - particularly by financing the "Indian Caucus" in the House of Representatives and the Senate -, but also as a showcase for India, whose image has changed considerably in the United States: the age-old cliché of destitute poverty has been done away with.

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<sup>19</sup> A quota of 65,000 visas in this category had already been decided earlier in the year.

<sup>20</sup> It doubled between 1998-1999 and 2002-2003 - in five years.

<sup>21</sup> They already made up 13 % of total, 74,603 out of 586,323, in 2002-2003.

<sup>22</sup> To temper the enthusiasm these figures incite, it is worth reading S. Khagram, M. Desai and J. Varughese, "Seen, rich but unheard? The politics of Asian Indians in the United States" in Gordon H. Chang (ed.) *Asian Americans and Politics*, Washington, Woodrow Wilson Center / Stanford University Press, 2001, pp. 258-284

### **Obstacles and contradictions**

Is the weight of structural factors – as much in economic terms as in social terms - enough to consolidate the Indian-U.S. rapprochement observable today in the diplomatic and strategic spheres?

India is probably justified in expecting more constructive gestures from the United States, given New Delhi's growing importance for Washington.

Although Pakistan remains a tactical ally in the “war on terror” and especially in the manhunt for Ben Laden and al-Qaida lieutenants, India is *the strategic partner* the Americans value today. This country – which Washington constantly touts as “the biggest democracy in the world” - is in fact more stable and, incidentally, better reflects the idea the neo-conservatives have of freedom. India weighs more and more heavily on the globe: the United States is probably counting on New Delhi to help it police the Indian Ocean, even counteract China's growing influence (whether this goes through Myanmar or Gwadar in Pakistan). And Washington can probably count on New Delhi's support on several sensitive issues such as the NMD (National Missile Defense).

Two shadows may, however, cloud the picture in the very near future. At a time precisely when China is manifesting its hostility toward the idea of India having a permanent seat on the UN Security Council – on the pretext that any expansion of this council would jeopardize the necessary reform of the current institution -, the United States may disappoint India's hopes. Indeed India may be deluding itself about American support.

A still more delicate issue has to do with Iran and the energy crunch India is faced with. With an economic growth of 7-8 % annually, at the end of the current decade India will replace South Korea as fourth largest consumer of energy behind the United States, China and Japan. This growth exacerbates the shortage in energy/raw materials the country already suffers from. Repeated power cuts attest to this and are detrimental to the economy. To alleviate this obstacle, India does not hesitate to do business with countries more or less ostracized from the international community, not only Sudan,<sup>23</sup> Myanmar, country with which India will soon be linked via a gas pipeline, but Iran as well. In January 2005, the state-owned Indian Oil Corp. contracted with the Iranian company Petropars to exploit natural gas resources from Pars, an area which has the largest natural gas reserves in the world known to date. India is determined to purchase natural gas from Iran, even if it means putting the required pipeline through Pakistan. Such an energy supply contract would strengthen the

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<sup>23</sup> New Delhi invested 750 million dollars there in the Greater Nile Oil Project.

ties between India and Iran, the two countries already having entered into a strategic partnership two years ago. Not only is India helping Iran to build a deepwater port in Chabahar to compete with Gwadar in Pakistan, but military cooperation between India and Iran is allegedly about to take on a rather sophisticated technological dimension, with the development of submarine batteries that could allow Teheran to forego the Russian technology which is ill-suited to warm waters.

Such a rapprochement bothers Washington, which is doing its best to isolate Teheran so as to dissuade Iran from pursuing its nuclear program. On her visit to India last March, Condoleezza Rice again issued warnings that the American ambassador in New Delhi already proffered in attempt to divert India from this path. She claimed to be aware of the scope of the energy problem facing India, proposing, for one, to seek sources of supply in Turkmenistan – which would route the pipeline through Afghanistan – and also, to study together the possibility of cooperation in the area of civil nuclear power.<sup>24</sup>

The Indian authorities reacted vehemently to what appeared to them as an outside pressure bordering on interference. Natwar Singh retorted that they had no problem whatsoever with Iran. The Communist Party of India (Marxist), a key element in the parliamentary coalition that backs Manmohan Singh's government, protested that the United States should not interfere with a decision made by three sovereign countries.<sup>25</sup> The United States may well nevertheless try to sabotage the pipeline project between Iran and India by intensifying its pressure on Pakistan, an obligatory point of passage for the structure and its weak link: Islamabad cannot disregard the United States' wishes with as much pluck as India does.

The outstanding questions in India-U.S. relations are all of major importance, be it Iran, civil nuclear power, arms contracts or a seat for India at the UN. But for the moment, continuity in policy between the government borne out of the 2004 elections in India and the preceding administration is particularly striking with regard to its relations with the United States, such that it is not an exaggeration to speak of a deepening.

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<sup>24</sup> The latter approach meets with strong support among several think tanks, including the Carnegie Endowment for International Peace, as can be seen in the recent report by Ashley J. Tellis that it published, entitled "South Asian Seesaw: A New US Policy on the Subcontinent."

<sup>25</sup> It should be noted that the communists are also very hostile to India's purchasing weapons from the United States, not only for ideological reasons but also out of fear of making the country's defense excessively dependent on the United States.