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U.S.-India and India-East Asia Relations: Old Narrative, New Chapters

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India's relations with the U.S. and East Asia during 2008 took place amidst remarkable flux domestically, within the South Asian region, and around the world – all of which directly and indirectly influenced developments in bilateral relations. The two issues that dominated U.S.-India relations during 2008 were the civilian nuclear cooperation deal and, at the end of the year, the U.S.-India-Pakistan triangle including the issues of terrorism and Kashmir. India's relations with East Asia were quiescent during 2008. A notable development was the completion of an India-ASEAN free trade agreement, although its economic implications remain uncertain. India accentuated the positive with Myanmar as bilateral relations became more cordial while relations with China seemed to be on hold for most of the year as the border dispute remained unresolved and India responded cautiously to the Chinese handling of unrest in Tibet.

Regional and local instability

As events later in the year demonstrated, turmoil in Pakistan created instability in South Asia. Benazir Bhutto's assassination while campaigning in late December 2007 exacerbated uncertainty in a country already reeling from terrorist attacks, militancy in its tribal areas, and deteriorating relations with its troubled neighbor Afghanistan and with the U.S., its main economic and security supporter. Notwithstanding this tumult, and as a sign of the extra efforts being taken by both parties to maintain constructive ties, India-Pakistan discussions regarding bilateral relations including Kashmir continued until nearly the end of the year, when a pause was declared by India after the Mumbai terrorist attacks. Elsewhere in South Asia during 2008, Nepal continued its transition from monarchy to republic with the election of a Maoist-led government and the Sri Lankan civil war revived after the formal ending of an already battered ceasefire agreement in January. A caretaker government in Bangladesh prepared for elections that were eventually and uneventfully held in December.

Meanwhile within India, the Congress Party-led coalition government of Prime Minister Manmohan Singh faced persistent political pressure as the opposition won notable election victories – including the Bhartiya Janta Party's (BJP) first electoral victory in the southern state of Karnataka in early summer – its own leftist coalition allies sought to bring the government down over the U.S.-India nuclear deal, and the economy was buffeted by inflation, a global food crisis, unprecedentedly high energy prices and eventually the aftershocks of the financial crisis that began in the U.S. and rapidly spread around the globe. Furthermore India suffered a number of major terrorist attacks throughout the year – in Jaipur, Bangalore, and Ahmedabad, at the

Indian Embassy in Kabul in July, and most spectacularly, in the financial capital of Mumbai in late November.

U.S.-India relations: the nuclear deal, Pakistan and terrorism

At the end of 2007 (see “India-Asia Pacific Relations: Consolidating Friendships and Nuclear Legitimacy,” *Comparative Connections*, Vol. 9, No. 4, January 2008), a major storyline of U.S.-India bilateral relations, the proposed deal for cooperation on civilian nuclear energy, had made considerable progress toward resolution including the completion of U.S.-India bilateral negotiations. The main unfinished business at the time included two major additional steps; India’s negotiation of a specific safeguards agreement with the International Atomic Energy Agency (IAEA) and approval by the 45-member Nuclear Suppliers Group (NSG). Once those two steps were completed and the U.S. Congress approved supporting legislation, President Bush would formally sign the deal and make specific certifications that would bring the deal into force. While the roadmap for the deal’s completion was clear, considerable drama hovered over nearly every milestone along its path, mostly, but not entirely, arising from domestic political developments within India. By mid-October 2007, Prime Minister Singh had informed President Bush that “certain difficulties” confronted the deal. Though the prime minister did not explicitly and publicly say so, these difficulties revolved around the opposition of leftist parties within his coalition government to the deal on grounds ranging from anti-Americanism, concerns about sovereignty, and political machinations and the unwillingness or inability of the Singh-led government to imperil the United Progressive Alliance (UPA) coalition government, which relied on the support of the leftist parties. Thus, 2007 ended with something like a cliff-hanger on what Under Secretary of State for Political Affairs Nicholas Burns has called the “symbolic center” of U.S.-India relations.

The new year of 2008 ultimately reduced the intense tension in the nuclear narrative, but not before numerous, simultaneous sub-plots, dramas, and storylines unfolded and were worked out. Of these, three were critical. First, Prime Minister Singh and his government dealt with the left’s opposition to the nuclear deal by winning a parliamentary vote of confidence in July following the withdrawal by the left of support for the government. However, there were charges of corruption surrounding the vote and the victory, though sizeable in terms of numbers, was the subject of controversy. A second, overlapping story line was India’s on-going efforts to negotiate an India-specific safeguards agreement with the International Atomic Energy Agency (IAEA). That process was complicated not only by the specific substance of such an unprecedented arrangement, but also by domestic politics within India. India’s government ministers repeatedly sought the approval of leftist opponents to proceed with negotiations with the IAEA. In the event on Aug. 1, the IAEA Board of Governors unanimously adopted the negotiated India-specific safeguards agreement. The third major sub-plot was gaining NSG support. After two rounds of meetings in August and September, NSG support was finally achieved on Sep. 6, when it approved civil nuclear cooperation with India. However, given China’s non-participation on the last day and the reservations of several countries to the deal, it remains to be seen whether future complications will emerge as, if, and when, specific elements of cooperation begin to take place.

Following completion of these three major steps and the approval by the U.S. Senate and House of Representatives of the agreement, the next step was President Bush’s signature Oct. 8 of the

“United States-India Nuclear Cooperation Approval and Nonproliferation Enhancement Act.” On Oct. 20, Bush certified, as required by the legislation, that U.S. nuclear transfers to India would be “consistent with the obligation of the United States under the [Nuclear Nonproliferation Treaty (NPT)] not in any way to assist, encourage, or induce India to manufacture or otherwise acquire nuclear weapons or other explosive devices.” Two other presidential certifications required before the Nuclear Regulatory Commission (NRC) can issue licenses for nuclear transfers to India include the entry into force of the India-IAEA safeguards agreement, which has already been completed, and that India’s declaration to the IAEA of its safeguarded facilities is “not materially inconsistent” with its previously negotiated commitment to place certain Indian facilities under IAEA safeguards. These certifications are expected to be *pro forma* since the underlying agreements have already been completed and are pending implementation.

The diplomatic and political achievements of the completed U.S.-India agreement, including the approval of the U.S. Congress (298 members of the House and 86 members of the Senate approved the deal), unanimous support of the IAEA and all 45 members of the NSG, are profound. That this achievement came within 10 years of India’s last set of nuclear tests in 1998 is also symbolic. Hence, a major narrative in U.S.-India relations since India first tested a nuclear device in 1974 and then again in 1998 has been brought to a drama-filled near-resolution. But there are yet many unanswered questions, not only about the specifics of actual cooperation between the two countries in the nuclear energy sector, but more generally about the “spillovers” of the nuclear agreement for overall bilateral relations. Moreover, with a new administration set to take office in Washington in January and India’s national elections to be held later in 2009, it is as yet unclear how the nuclear deal will be sustained through actual cooperation on civilian nuclear energy, nonproliferation differences more broadly, and other areas of bilateral relations.

The exuberance that greeted completion of the landmark nuclear deal was quickly overshadowed by the need to address the multiple and complex challenges posed by the November terrorist attacks in Mumbai. The dramatic attacks that lasted almost three days when armed militants stormed major international hotels, train stations, and the Jewish outreach center of Chabad Lubavitch among other buildings in India’s financial capital Mumbai. The incident, somewhat analogous to the Dec. 11, 2001 attacks on India’s Parliament, raised several extraordinarily complex issues in the context of U.S.-India bilateral relations. Precise, confirmed, unambiguous, and complete information on the motives, origin, and support for the attacks is still not available in the public domain. But, the U.S. immediately dispatched high-level officials to both India and Pakistan and Pakistan took a number of kinetic as well as law enforcement actions against organizations and individuals that India has claimed were responsible for the attacks. However, Indian statements even after these actions suggest that there remains a considerable gap in expectations and a considerable shortage of trust.

As of this writing, the situation is still unsettled with press reports claiming that Pakistani forces have been sent to the border with India and other reports citing Pakistani, Indian, and U.S. officials that they seek to avoid any military confrontation. Unlike in the aftermath of 2001, there has been no large-scale mobilization of either country’s armed forces. However, India has announced a “pause” in its bilateral dialogue with Pakistan and there is no indication of when it

might resume. While there is reason to hope that a military confrontation between the two nuclear-armed rivals can be avoided, the underlying issue of Pakistan and terrorism – westward in Afghanistan, domestically, and east into India – is not one that will go away any time soon. There has been much renewed discussion of the need for the U.S. to help broker a solution to Kashmir as a way of ending terrorism against India and helping Pakistan to focus on its western tribal areas and preventing militants from crossing into Afghanistan. However, with political change underway in Washington, Islamabad (a relatively new President Asif Zardari) and upcoming elections in India (and in Jammu and Kashmir following January's elections), it is not clear whether or when such a mediation process will begin. India remains opposed to the linkage of Kashmir alone with the terrorist attacks. India's Foreign Minister Pranab Mukherjee during a visit to the Jammu and Kashmir state during this month's elections there stated: "It's not a Kashmir issue; it is not merely an issue between India and Pakistan. It is part of the global action and global war against terrorism."

Apart from these two main areas of U.S.-India interaction during 2008 (the nuclear deal and the aftermath of the Mumbai attacks), there was continued dialogue and cooperation in the areas of defense as well as trade and investment ties. Secretary of Defense Robert Gates, who visited India in late February, stated that "We're not looking for quick results or big leaps forward, but rather a steady expansion of this relationship that leaves everybody comfortable." He did mention the U.S. is interested in bidding on India's planned purchase of new fighter aircraft and an agreement to facilitate logistics cooperation between the two countries. He also noted that U.S.-India cooperation on missile defense was at a "very early stage." Meanwhile, military-to-military cooperation through joint exercises continued apace, having been given a boost by the U.S.-India Defense Framework Agreement of 2005. The scale, frequency, and sophistication of service-to-service exercises have steadily increased. For example, army exercises focused on jungle-terrain low intensity conflict, counterterrorism and counterinsurgency. In 2008, there were four army-to-army, two navy-to-navy and one major multinational air force exercises held in which Indian and American servicepersons participated.

On the economic front, U.S.-India trade continued to expand as did U.S. foreign direct investment into India and Indian direct investment into the United States. However, there was a complete disconnect between India and the U.S. on the Doha round of world trade talks which are now stalled.

India-East Asia relations: more of the same

While India's relations with East Asia were quiescent during 2008, one notable development was the completion of an India-ASEAN free trade agreement in September. The deal took six years to conclude because of extensive differences among the parties. Even in the final agreement several hundred items were left on the negative list and therefore not subject to a reduction of duties and other barriers. The final agreement was expected to be signed on the sidelines of the historic ASEAN summit in December, but due to the postponement of the summit due to political uncertainty in the host country of Thailand, the deal will not be formally signed until later in 2009 at the next ASEAN-India summit. However, at least one Indian official greeted the delay as an opportunity. Minister of State for Commerce and Power Jairam Ramesh said the delay in signing "is an opportunity for India to take pro-active measures to strengthen its position

vis-à-vis trade of sensitive items, including commodities like tea, coffee and pepper where ASEAN nations, particularly Vietnam, have an edge over India.” With or without the deal, India’s trade with Southeast Asian countries continues to grow. In fiscal year 2007-2008 India-ASEAN trade was about \$38 billion and, according to Commerce Minister Nath, it will grow by \$10 billion to \$48 billion during the current fiscal year, which ends March 31.

It is not clear whether completion of the India-ASEAN free trade agreement will lead to completion of a bilateral free trade agreement with Thailand as originally envisioned or the completion of Comprehensive Economic Partnership agreements (CEPAs) with Japan and South Korea, which have also been under negotiation. Reports indicate that these arrangements are progressing very slowly and given the uncertainty in Thailand, it is difficult to imagine any quick resolution in that particular bilateral agreement.

India’s bilateral relations with Southeast Asian countries also progressed during 2008. Of particular note during the year was the thaw in India-Myanmar relations, which was evident in April when the ruling junta’s second most senior military leader and army chief, Gen. Maung Aye, made a state visit including meetings with all of India’s leadership and a trip to Bangalore to examine India’s space program! This visit marked a notable change from New Delhi’s decision in late 2007 to suspend the transfers of some military equipment to the Myanmar military regime in the aftermath of its suppression of demonstrations in August-September. During Gen. Maung Aye’s visit, the two countries signed an agreement on a major transportation project that would link India’s northeastern states to Myanmar and provide sea access and a double taxation avoidance agreement. The Indian government reportedly characterized the May referendum on the Constitution and general elections planned for 2010 as “positive steps,” but a statement of India’s External Affairs Ministry also “underlined the need for Myanmar to expedite the process and make it broad-based to include all sections of society, including Daw Aung San Suu Kyi and the various ethnic groups in Myanmar.” The Indian government also reiterated its opposition to sanctions against Myanmar. Discussions reportedly also addressed assistance from Myanmar against anti-India insurgents along the shared border. In May, following Cyclone *Nargis*, which wreaked havoc in Myanmar, India immediately sent relief supplies using its naval forces and dispatched medical teams.

India also maintained its exchanges with other Southeast Asian countries as part of its continuing commitment to the “Look East” policy started a decade and a half earlier. While there were no dramatic developments, New Delhi is now something of an unexceptional (if still comparatively marginal) player in regional dynamics. India’s economic growth rates, relative stability, improving relations with the U.S. and the Asia-Pacific region have provided the basis for sustained engagement with Southeast Asia.

Beyond Southeast Asia, India-China relations remained routine during the year. Prime Minister Singh visited Beijing early in mid-January, but no real agreements were reached, though an amiable joint declaration was issued. The border and territorial dispute continued to be the major backdrop to the relationship with no progress made toward settlement. In fact, there was a series of tit-for-tats about border incursions and charges of renegeing on previous agreements. Following his visit to China, Prime Minister Singh travelled to Arunachal Pradesh to focus on infrastructure and linking the state with India. One leading Indian analyst criticized the visit

saying that it “conspicuously skipped Tawang [a town of contention between China and India] and came after, rather than before, his China visit.” In June, following External Affairs Minister Mukherjee’s visit to Beijing, there was further criticism within India that China’s incursions had increased over the first half of the year along all sectors of the border including the so-called “finger point” area of Sikkim. Nevertheless, after a year’s hiatus, border talks resumed in mid-September. There was no progress however. And in November, a Chinese foreign ministry spokesman expressed “deep regret” at External Affairs Minister Pranab Mukherjee’s remark on Nov. 9 that Arunachal Pradesh is “an integral part of India.”

During the Tibet riots of March, India walked a carefully calibrated line. A statement by the External Affairs Ministry spokesperson in response to questions said: “We are distressed by reports of the unsettled situation and violence in Lhasa, and by the deaths of innocent people. We hope that all those involved will work to improve the situation and remove the causes of such trouble in Tibet, which is an autonomous region of China, through dialogue and non-violent means.” This statement, while careful was interpreted by government critics in India as being far too soft on China and out of line with more direct calls from several other democratic governments for direct talks between China and the Dalai Lama. However, others interpreted the Indian statement as having departed from the past in specifically calling for talks (i.e., “We hope that all those involved will work to improve the situation and remove the causes of such trouble in Tibet ... through dialogue and non-violent means.”). Whatever the interpretations of the comments, on the ground Indian authorities were tough on anti-China, pro-Tibet protestors.

Meanwhile, economic relations between India and China continued to grow with a nearly 70 percent growth in trade during the first six months of 2008 compared with the same period in 2007. Bilateral Sino-Indian trade now stands at about \$30 billion – nearly the same amount as U.S.-India bilateral trade. And there was implicit cooperation between the two countries in opposing the Doha round of WTO negotiations due to opposition to U.S. and European Union agricultural subsidies.

Prime Minister Singh travelled to Tokyo in late October as part of annualized, mutual, and reciprocal visits. While there, India and Japan issued a Joint Declaration on Security Cooperation and a Joint Statement on the Advancement of the Strategic and Global Partnership. Neither declaration marked a fundamental change in the relationship, but rather codified a number of ongoing and aspirational aspects of the bilateral relationship.

Looking ahead

India’s relations with the U.S. and much of East Asia during 2008 were to some extent dominated by the completion of the U.S.-India nuclear accord. It is worth noting that of the five Asia-Pacific members of the Nuclear Suppliers Group, none was especially enthusiastic about the civilian nuclear cooperation agreement. This was especially true of China, Japan, and Australia. Therefore, perhaps the real test of their support for the agreement will be in its initial implementation over the coming months. Although the deal dominated India’s relations with the world during much of the year, it was immediately overtaken by the need to address the complex and difficult aftermath of the terrorist attacks in Mumbai. The task of addressing post-Mumbai continues, but there is reason to believe that perhaps the most dangerous period of the crisis has

passed and now months will be required to find a way back to the India-Pakistan bilateral talks that have been “paused.”

Chronology of India Relations with U.S. and East Asia January - December 2008

Jan. 13-15, 2008: Manmohan Singh makes his first visit to China as Indian prime minister and meets President Hu Jintao and Premier Wen Jiabao among other leaders.

Feb. 26-27, 2008: U.S. Secretary of Defense Robert Gates travels to India for discussions about military cooperation.

April 4-9, 2008: Gen. Maung Aye, Myanmar’s second most senior military leader and army chief, makes a state visit to India and meets all of the country’s top leadership.

April 24, 2008: The sixth U.S.-India Global Issues Forum is held in New Delhi. The Forum develops new and expanded areas for cooperation between the two countries on multilateral issues such as the promotion of democracy, health, environmental protection, and human rights.

May 13, 2008: Eight bomb explosions kill nearly 70 and injure over a 100 persons in the center of Jaipur City, a popular tourist destination.

May 15-16, 2008: Indian External Affairs Minister Pranab Mukherjee attends the fourth stand-alone trilateral meeting of foreign ministers from India, Russia, and China (RIC) in the Russian city of Yekaterinburg. This is to be followed by a meeting of the foreign ministers from Brazil, Russia, India, and China (BRIC) on May 16.

June 4-7, 2008: Prime Minister Mukherjee visits Beijing for talks with Chinese officials – the first visit by an Indian external affairs minister to China since 2002.

July 22, 2008: The Congress Party-led coalition government survives a vote of confidence brought after left-wing parties withdraw their support over a controversial nuclear cooperation deal with U.S.

July 26, 2008: Sixteen bombs explode in the western Indian city of Ahmedabad, killing at least 56 people and injuring 150.

Aug. 1, 2008: The IAEA approves an India-specific Safeguards Agreement.

Sept. 6, 2008: The Nuclear Suppliers Group agrees to provide an exemption that permits its member states to engage in civil nuclear cooperation with India.

Sep. 7-10, 2008: India’s Defense Minister A. K. Antony meets Secretary of Defense Gates and other officials in Washington.

Sep. 18, 2008: The 12th round of India-China border dispute talks are held in Beijing.

Sep. 27, 2008: The U.S. House of Representatives approves the U.S.-India Agreement for Cooperation Concerning Peaceful Uses of Nuclear Energy (123 Agreement).

Oct. 1, 2008: The Senate approves the U.S.-India Agreement for Cooperation Concerning Peaceful Uses of Nuclear Energy (123 Agreement).

Oct. 3-5, 2008: Secretary of State Condoleezza Rice travels to India for consultations with Indian officials. This is her first visit to India since March 2006.

Oct. 8, 2008: President Bush signs into law the nuclear deal with India.

Oct. 15-24, 2008: *Malabar 2008*, a bilateral U.S.-Indian naval exercise is conducted off India's west coast.

Oct. 21-23, 2008: Prime Minister Singh makes an official visit to Japan.

Oct. 30, 2008: More than 80 people are killed in Assam in northeastern India. Indian officials suspect separatists in the region and Muslim extremist groups.

Nov. 26-28, 2008: About 200 people are killed and hundreds injured in a series of coordinated attacks by gunmen on the main tourist and business area of India's financial capital Mumbai.

Dec. 15, 2008: India announces a "pause" in the peace process with Pakistan.

Dec. 30, 2008: External Affairs Minister Mukherjee announces that India and China will have more rounds of border dispute talks without specifying any timeframe.