

In Search of Congruence

**Perspectives on India-US Relations
under the Obama Administration**

Editor: Thomas Mathew



Institute for Defence Studies and Analyses, New Delhi

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Foreword

The Presidency of George W. Bush has been described as the best years of India-US relations. During his incumbency, mutual suspicion of the Cold War years was finally laid to rest. Many of the barriers that were erected against India after it conducted a nuclear test in 1998 were dismantled and the two nations forged a strategic partnership based on shared values and common security concerns.

The unprecedented impetus to this partnership was provided partly by the personal commitment of Bush and that of the Indian Prime Minister, Dr Manmohan Singh. Both leaders gave an overriding priority to developing stronger ties between their two countries and invested enormous political capital and personal energy in achieving this goal.

The framework for this partnership covered a wide spectrum including defence, nuclear energy, space, high technology, trade, education and agriculture. The highlight of the strategic partnership was the India-US nuclear deal which ended over two decades of India's nuclear isolation.

The election of the new US President, Barack Obama, has, however, raised some doubts about the traction that the bilateral relations would gain under his leadership. The uncertainty has been fuelled by a perception held by many in India that Democratic presidents have traditionally not been favourable to India. Barack Obama's election promise to make a radical departure from the policies of his predecessor has added to this uncertainty. His assertion that there is a compelling need to regain American leadership in the world and chart a different course on terrorism, nuclear proliferation, climate change, etc., has swelled the ranks of sceptics who see a downward trend in India-US relations under the Obama administration.

How would these shifts in the priorities of the new US administration impact on India-US relations? This collection of essays attempts to assess the future direction and character of President Obama's approach to a range of security and foreign policy issues. Each article examines the pronouncements of Barack Obama on the issues dealt with from the days of his election campaign, and traces the current course of his policies, their possible implications for India and its relationship with the US.

The authors discuss both positive and negative trends that are likely to develop in the next phase of India-US relations. Their essays also examine the problem areas that can create irritants in this relationship and potentially reverse the momentum gained so far.

Thomas Mathew argues that the declared priorities of President Obama, evident from his statements as a Senator and those made during the run up to the US Presidential election, do not augur well for the bilateral relations. The policies the administration has so far adopted have only substantiated the view that India would not figure prominently in Washington's strategic calculus. The momentum in the bilateral relations achieved during the presidency of Bush would therefore be difficult to sustain. India and the US could likely find themselves on opposite sides on many issues such as nuclear non-proliferation, Washington's reluctance to hold Pakistan accountable for encouraging terror strikes on India, and extending to it arms supplies that have little application in the fight against terror. But a serious downturn in the relationship could be arrested by the need to engage a rising India, the lucrative Indian arms market, and the steadily strengthening economic and cultural ties. Mathew concludes that the Obama years would most likely be remembered at best for a placid progress in the relationship.

Not rejecting outright such negative trends and their potential as spoilers, Steve Hoffman paints a more hopeful picture by arguing that the Obama administration's pragmatism and embrace of complexity

should be a serious basis for sustaining the momentum achieved in Indo-US relations. Though he does not expect President Obama to follow the policy of exceptionalism favoured by his predecessor, he finds hope in Obama's realist thinking which could prompt the President to give India-US relations sufficient importance on the basis of convergent US-India interests. Though shared values like democracy may still retain some influence, Obama could be expected to focus more on shared interests as the fulcrum of the relationship. The fact that there are many shared interests gives room for optimism, he argues.

What are these interests and where would they converge or conflict? Most essays in this compendium analyse individual policy areas that could drive this relationship. These include larger policy issues like the nature of the economic relationship, climate change, non-proliferation, as well as the role of the Indian diaspora. Of equal interest to India would be US policy towards Pakistan and Afghanistan, which would have significant implications for New Delhi, and its own policies towards these two neighbours. Similarly, the nature of US engagement with China under President Obama could have profound implications for India-US relations.

Economic relations are a vital component of India-US relations. G. Balachandran and Cherian Samuel point out that the obstacles in this relationship, such as the slow pace of reforms in India, would need to be addressed for the partnership to gain further traction. For this to happen, they argue, both sides have to take a long-term view of the benefit of strengthening their economic relations. In the final analysis, the success or failure of the economic partnership will be measured in terms of the volume of trade rather than through statements of intent.

Some areas of the overall relationship are potentially problematic. One such area is the nuclear domain, where Obama is committed to drastic policy changes, especially on the approaches to non-proliferation and disarmament. While India and the US have a shared interest in achieving nuclear disarmament, both differ on the approach to be taken to meet

this goal. President Obama has promised to revive key non-proliferation instruments like the CTBT and NPT, which India has long resisted owing to their discriminatory character. As a result, a major concern in New Delhi would be whether Obama will bring about a radical shift in US nuclear policy having adverse implications for India and the strategic relationship shaped by President W. Bush. Rajiv Nayan argues that various structural and systemic forces would likely influence Obama to adopt a nuclear policy vis-à-vis India not radically different from that of the Bush Administration. He contends that, with the passage of time, a convergence is likely to emerge in the Republican and the Democrats' attitude towards nuclear issues and India.

Counterproliferation was the Bush administration's pivotal strategy to deal with emergent proliferation challenges, through a number of counterproliferation initiatives like the PSI and CSI, Ballistic Missile Defence, and the Global Initiative against Nuclear Terrorism (GI), among others. However, they had attained a unilateralist character, as President Bush increasingly relied on military tools to deal with proliferation threats, thus causing widespread resentment. President Obama, while recognising the utility of these initiatives, has promised to institutionalise them and expand their consultative nature for wider reach and participation. While India is also concerned about the character of these initiatives and their legality, A.Vinod Kumar points out that India could participate in some of these initiatives once President Obama restructures them in a more acceptable manner. Of considerable interest to India is the scope of cooperation in missile defence, where there is an opportunity for a substantive technological partnership.

Climate change is another area where Obama had brought hope. In tune with his campaign promises, Obama has initiated a series of policy and executive measures to deal with issues of climate change and energy independence. Samuel Rajiv, however, points out that challenges in realising the substance of his climate and energy agenda are huge. While

the success of his domestic agenda will depend on his ability to convince Americans to bear the short-term costs of a ‘green and sustainable’ future, the degree of sensitivity his administration shows towards the genuine concerns of developing countries will be thoroughly scrutinised. It remains to be seen as to what kind of mechanisms can be put in place to achieve the twin goals of sustainable growth and a safe environment. Samuel Rajiv cautions that the challenge would be to ensure that these are not mutually exclusive.

A significant element in Indo-US relations which has a positive influence throughout is the role of the estimated two million people of Indian origin in the US, who act as a bridge between the two countries. Tracking their influence, Cherian Samuel points out that each generation of Indian Americans plays a unique role in this relationship. While the first generation Indian Americans, with their access to the top echelons of US political and business elite, serve as valuable interlocutors for India, the second generation Indian Americans serve as ambassadors for India by the very fact that they are firmly entrenched in every aspect of US life, whether in business, entertainment, culture, innovation economy or politics. This strong demographic force, Cherian argues, could minimise the possibilities of negative sentiments in Washington, irrespective of the dispensation in power.

As mentioned earlier, Obama’s policy towards three of India’s key neighbours—China, Pakistan and Afghanistan—will greatly influence the future course of Indo-US relations. China, for example, is of critical importance to the US for many reasons, both bilateral and global. Jagannath Panda agrees that the high point of this relationship is trade and economy. However, issues such as Tibet, democracy and human rights remain irritants, though concerns over the global financial crisis and climate change make the US and China more interdependent, thus providing the basis for the notion of “Chimerica”. The manner in which this relationship would evolve is of great interest to India, especially because President Bush was considered—at least by some observers—

as intent on promoting India's rising power profile as a counterweight to China. While it may be premature to make a conclusive judgement about the Obama administration's China policy, a closer US-China relationship, overlooking India's interests would be of concern to India.

The other major factor which has remained so for decades in India-US relations is the US policy towards Pakistan. As its long-time ally, America's proximity to Pakistan, at the cost of India's interests has been disappointing for India. Under Bush, this traditional approach saw a radical shift and Pakistan was acknowledged as an epicentre of terrorism and nuclear proliferation, especially after the 9/11 attacks. Yet, Washington has not abandoned its long-term former ally, much to India's chagrin. Obama entered office with a wholly unacceptable suggestion to India that the Kashmir issue should be resolved so as to release Pakistan's military resources towards her north-western frontier. The 26/11 attacks in Mumbai might have forced Obama to realise his folly of linking up terrorism to Kashmir—a formula Pakistan has invariably employed. Suggesting that Washington must galvanise its forces to help restore stability and order in Pakistan and reverse its downward slide, Priyanka Singh argues that Obama will not derail India-US relations, which had blossomed during the Bush regime, by dragging the Kashmir issue into an already complex situation.

The other area of Obama's Af-Pak policy pertains to the growing mess in Afghanistan—a country struggling to tackle the Taliban resurgence. The Af-Pak policy is of great significance to New Delhi as India invests substantial resources in developing this impoverished country, in the face of relentless resistance from Pakistan. While trying to protect its own interests in Afghanistan without disturbing its equation with Pakistan, Washington needs to look for a greater Indian role to share the burden of restoration. In her analysis, Shanthie D' Souza points out that unabated violence and a 'downward spiral' in the security situation has drawn Obama's attention to the 'forgotten war' in Afghanistan. During his July 2008 visit to Afghanistan, Obama had described the

country as a central front in the battle against terrorism and called for the immediate redeployment of US forces from Iraq to Afghanistan. The US policy in Afghanistan under Obama, including its 'troop surge', 'negotiating with the Taliban' or 'regional approach' would be viewed with great interest in New Delhi.

This book is an early assessment of how the relationship is likely to evolve and the factors which can alter its future course. It should be of interest to policy makers, the business community as well as scholars of India-US relations.

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Fault Lines in the Nascent Partnership: India-US Relations under the Obama Presidency

Thomas Mathew

India-US bilateral relations traversed an unprecedented upward trajectory from 2000, the last year of the Clinton Presidency. The transformation was hastened by the succeeding Bush administration's belief in India's "potential to emerge" as a "great power."¹ This was matched by an equally discernible change in the attitude of Indian leaders that the two nations are "natural allies"² and that their mutual distrust of the Cold War years should not impede the strengthening of India-US relations. The 9/11 Al-Qaeda attacks on the US further enhanced India's importance as a potential partner in countering global security threats. These developments in conjunction with the personal predilection and commitment of Manmohan Singh and George W. Bush, catapulted the relationship to a new level resulting in the cooperation over a wide spectrum of areas with principal emphasis on forging a strategic partnership.

The burgeoning relationship led to the conclusion of a series of bilateral agreements and increased interaction at both governmental

1 Condoleezza Rice, 'Campaign 2000: Promoting the National Interest', Foreign Affairs, 79(1), January/February 2000, at <http://www.foreignaffairs.com/articles/55630/condoleezza-rice/campaign-2000-promoting-the-national-interest?page=show> (Accessed August 21, 2009).

2 The Indian PM, Atal Bihari Vajpayee used this term during a speech before the Asia Society on 7 September, 2000, during his visit to the US. Embassy of India, Washington DC, at http://www.indianembassy.org/special/cabinet/Primeminister/pm_september_07_2000.htm (Accessed August 21, 2009).

and business levels.³ The arrangements particularly deepened India-US military cooperation, economic relations, collaboration in the sphere of counter-terrorism and promoted hi-tech trade. The apogee in the cooperation was, however, the 123 India-US civil nuclear agreement that President Bush personally steered from the US side making it the touchstone of the new relationship.

The election of Barack Obama, a Democrat, as the President of the US, has, however, raised doubts about the traction that India-US relations can gain under his leadership. A perception that under the new President there could be a partial harking back to the days of distrust that had bedevilled India-US relations has gained ground. It has also simultaneously lent credibility to the protagonists of the widely-held—though not accurate—view in India that Democratic presidents have traditionally had an anti-Indian bias.

Obama will be completing one year in the White House in a few months. This may be too short a time to foretell the trajectory India-US relationship could take under his presidency. Nevertheless, his thinking on India, evident from his statements as a Senator, a presidential candidate, and the policies he has embraced since assuming office, reveal that the relationship may not benefit from the sense of urgency with which it was pursued under the Bush administration.

Early clues on Obama's thinking on India can be inferred from the position he took when the US Senate considered the India-US civil nuclear agreement. Though Senator Obama ultimately voted in favour of the agreement, he strongly disagreed with the provisions of the bill formulated by the Bush administration recognising India's special

3 The maximum number of visits undertaken by Indian Prime Ministers to the US during which they had also met the US Presidents were during the Presidency of George Bush. Further, the visits of Bill Clinton in 2000 and that of George Bush in 2006 were the first ever visits by two successive US Presidents to India.

status as a responsible nuclear power and the accompanying need to strengthen relations with an emerging India. (This aspect finds greater narration later in the paper).

Evidence of the same perception can also be gleaned from the article he wrote in *Foreign Affairs*⁴ a year or so later during the run-up to the US presidential elections. In the article, Obama referred to India thrice. These references did not allude to the need to engage India either because of its growing economic and military relevance or its shared values with the US. They were only reflective of India's derivative importance and the role it can play in Washington's security concerns primarily on account of its geographical location.

These views of Obama stood in stark contrast to the statements made by his predecessor who had even during his presidential campaign singled out India as "a force in the world."⁵ They were equally divergent in import to those made by his contender for the White House, John McCain, who had in his article in *Foreign Affairs* referred to India six times, advocating for it a greater role in world affairs. He went further to as much as envisage a greater role for India in global security and vowed to "cement" the growing "partnership" even supporting its membership in the elite G-8 club.⁶

4 Barack Obama, 'Renewing American Leadership', *Foreign Affairs*, 86(4), July/August 2007, at <http://www.foreignaffairs.org/20070701faessay86401-p60/barack-obama/renewing-american-leadership.html> (Accessed August 27, 2009).

5 From the address of Governor George Bush of Texas at the Ronald Reagan Library in November 1999, quoted by Robert D. Blackwill, US Ambassador to India, 'The Future of US-India Relations', Remarks to the Indo-American Chamber of Commerce and Indo-American Society, Mumbai, 6 September, 2001, U.S. Department of State, at <http://www.globalsecurity.org/wmd/library/news/india/2001/india-010906-usia1.htm> (Accessed August 18, 2009).

6 John McCain, 'An Enduring Peace Built on Freedom: Securing America's Future', *Foreign Affairs*, 86(6), November/December, 2007, at <http://www.foreignaffairs.com/articles/63007/john-mccain/an-enduring-peace-built-on-freedom> (Accessed August 22, 2009).

Even after becoming President, there is little evidence of any shift in Obama's perception of India. On the contrary, his statements and more importantly, those that he has not made, reveal that his view of India has remained largely unchanged. He continues to assign India less importance notwithstanding his rare utterances to the contrary that he reserves mainly for interviews with Indian media or when meeting its leaders. The reality is that Obama has "scarcely mentioned India in public since he became President."⁷

President Obama has also not worked towards inspiring confidence in the Indian leadership that India-US relations would continue on the upward trajectory charted by his predecessor. For instance, the Indian Prime Minister was not in the initial list of world leaders that the US President spoke to after his election victory. When ultimately Obama telephoned the Indian Premier on November 12, 2008, he had already spoken with 15 World leaders,⁸ including President Asif Ali Zardari of Pakistan. India's Ministry of External Affairs (MEA), however, tried to downplay the significance of these phone calls stating that it was not an "indication of the strength of Indo-US relationship" and that by November 8, 2008, the US President-elect had not called either the Chinese or Indian leader as "both did not share a military alliance with

7 Michael Barone, 'Why the U.S. should listen to India's Voters', Real Clear Politics, May 21, 2009, at http://www.realclearpolitics.com/articles/2009/05/21/why_the_us_should_listen_to_indias_voters_96601.html (Accessed August 17, 2009). Also see: Sumit Ganguly and S. Paul Kapur, 'The End of the Affair? Washington's Cooling Passion for New Delhi', Foreign Affairs, June 15, 2009, at <http://www.foreignaffairs.com/articles/65141/sumit-ganguly-and-s-paul-kapur/the-end-of-the-affair> (Accessed August 22, 2009).

8 'Obama finally calls Singh, discusses Indo-US ties', CNN-IBN, November 12, 2008, at http://ibnlive.in.com/printpage.php?id=77963§ion_id=3 (Accessed December 1, 2008). Some sources also reported that he spoke to 16 leaders as on November 9, 2008 (See also: "Snub' to India? Obama calls Hu Jintao", The Statesman, November 9, 2008, at <http://www.thestatesman.net/page.arcview.php?clid=2&cid=256749&useress=1> (Accessed December 3, 2008).

USA.”⁹ But India stood embarrassingly silenced when Obama spoke to the Chinese President, Hu Jintao, on November 9, 2008.

The foreign visits undertaken by both President Obama and his Secretary of State, Hillary Clinton, also reinforce the conclusion that India does not occupy an important position in his strategic calculus. Between the President and his Secretary of State, until the visit of the latter to India in July 2009, they covered 27 countries excluding re-fuelling stops and the Vatican City. And their list reads like the “who’s who” of nations for the Obama administration, spanning every continent. It even included Trinidad and Tobago, Haiti and Ghana. The notable exceptions were Pakistan, Afghanistan and Australia. But their leaders were early visitors to the Obama White House, making India conspicuous by not deserving of the visit of either the President or his Secretary of State or having the pleasure of being invited to the White House until six months of the swearing-in of the new US administration.

The conclusion that can therefore be drawn is that under the new US dispensation, it is likely that the momentum of the upward spiral in India-US relations could be sustained. The new administration’s “aggressive” revival of the US nuclear non-proliferation policies that Bush had consigned to the backburner and which India has consistently opposed as being inherently discriminatory, will not lend itself to the promotion of closer relations with India. The adoption of a somewhat misplaced and blinkered view of Pakistan’s resolve to fight extremism, downgrading the contributions India could make to the success of US policies in Afghanistan, assigning lesser weightage to India’s inherent strengths, its potential, and shared values with the US, can all become spoilers or arresters of the relationship. It is therefore argued that

9 ‘Snub’ to India? Obama calls Hu Jintao’, *The Statesman*, November 9, 2008, at <http://www.thestatesman.net/page.arcview.php?clid=2&id=256749&useress=1> (Accessed December 1, 2008).

India-US relations would slow down, if not decline under Obama due to a possible re-arrangement of US priorities.

Defence Cooperation

Defence cooperation has attained the *prima donna* position amongst the drivers of India-US strategic cooperation. It has progressed with a momentum and pace unmatched in other spheres strengthened by high-level bilateral visits, the revival of the Defence Policy Group (DPG), joint military exercises to achieve interoperability, and the establishment of institutional mechanisms like the 10-year India-US Defence Framework Agreement of 2005. Both countries have also recently signed the End Use Monitoring Agreement (EUMA). An early conclusion of the Communications Interoperability and Security Memorandum of Agreement (CISMOA) and the Logistic Supply Agreement (LSA), could further boost defence cooperation. Despite the conclusion of the several arrangements, and some under negotiations, defence cooperation has failed to gain true depth though it has been riding high on the symbolism of the US government approvals for the sale of sophisticated defence equipment to India.

Access to military equipment, though important in a strategic partnership, cannot in itself endure a defence relationship without transfer of technology and establishment of co-production facilities in the recipient nation. While India aims at procuring arms from the US to end its almost complete reliance on Russia for its defence needs and build its military industrial base through transfer of technology and co-production, little or no progress has been achieved in the pursuit of the latter goal. This is primarily attributable to the traditional US opposition to the transfer of sensitive technology though countries like China have benefitted from it.¹⁰

10 For details, see http://beijing.usembassy-china.org.cn/esth_executivereport.html (Accessed August 30, 2009).

On the other hand, India had through its close ties with the Soviet Union/Russia succeeded in not only sourcing critically needed arms but also in developing indigenous defence capability in some sensitive areas. India through such cooperation for instance established facilities for the indigenous production of MIG-21 aircraft in 1960s, and has lately, with Russian assistance, even succeeded in entering the exclusive club of five nations that can build nuclear submarines. India and Russia are today also collaborating for the joint production of important defence equipment such as the fifth generation fighter aircraft and the multi-role transport aircraft. India has also been allowed the license production of defence equipment such as the T-90 tanks.

In contrast to India's experience with USSR/Russia, New Delhi's shifting reliance on US weapons has not yielded any corresponding benefit for its defence industry though many of the established arrangements envisage technology transfer to India to encourage co-production of military equipment amongst others. Progress has been confined to lucrative defence sales for the US poising it to soon replace Russia as India's largest arms supplier. (The US share in terms of the value of contracts India has signed with its five largest arms suppliers—Russia, France, Israel, US and UK—doubled from an unimpressive 3.56 percent in 2001–04 to 8.01 percent in the next four years in comparison to Russia's share of 55–57 percent during the relevant period. For the year 2008 alone the US share was 26 percent for the US and that of Russia just over 31 percent¹¹).

11 Data computed from SIPRI. The values are inclusive of contracts for licensed production. In case where ranges were given, higher values have been taken for computation purpose. In some cases, values were given in different currencies. They were converted to US\$ from the exchange rates as on 31st December of the relevant year available at <http://www.x-rates.com/cgi-bin/hlookup.cgi>. (Accessed August 18, 2009). In some cases, contracts in a particular year were part of earlier enabling deals. In such cases, only the values and the years mentioned in the main contract have been taken. It may also be noted that the contract for the eight P-8i Poseidon maritime patrol aircraft worth 2.1 billion was indicated by SIPRI as 2 billion and was included in the list of contracts signed during the year 2008 though it was inked in January of the following year. Hence, for the purpose of the present calculations, an amount of US\$ 2 billion was deducted from the total value of contracts that were indicated by SIPRI as concluded with the US in 2008. Calculations were made from the data available at <http://armstrade.sipri.org/armstrade/reportTR.php> (Accessed August 18, 2009).

As the US is primarily eyeing the expanding¹² Indian market for military equipment, it is creating a chasm between India's aspirations and US objectives. This gap is widening with US companies exhibiting reluctance in even fulfilling their offset obligations required under the Indian defence procurement procedures. In one such instance, Bell Helicopter Textron Inc., withdrew its proposal for the supply of 147 light-utility helicopters stating that the offset requirements of India are "too onerous and expensive."¹³ Given the Obama administration's perception of India and the former's strong opposition to any policy that could result in the loss of jobs in the US, any meaningful agreement for the co-production of defence equipment is unlikely to be reached. This could have adverse implications for India's long-term defence capability.

The Obama administration has also not paid adequate attention to the need for US defence companies to fulfill their contractual obligations with India. The US State Department had reportedly ordered General Electric, to stop operationalising the gas turbines it has supplied to Mazagon Dock Ltd. (MDL) for India's indigenous frigates.¹⁴ Though the orders could have been issued as necessary license for such

12 US consulting firms have predicted a sharp rise in India's arms requirements riding on a defence spending that has been predicted to become the 6th largest in the world by 2016 (Frost and Sullivan Report, May 2008). With such predictions, 'US Weapons and defence technology makers are lining up to cash in on closer military ties between the US and India'. See: Dough Tsuruoka, "US Firms Find India Big Buyers in Defence", Globalsecurity.org, January 26, 2007 at <http://www.globalsecurity.org/org/news/2007/070126-india-defense.htm> (Accessed August 18, 2009).

13 For details, see <http://www.indusbusinessjournal.com/ME2/Audiences/dirmod.asp?sid=&nm=&type=Publishing&mod=Publications%3A%3AArticle&mid=8F3A7027421841978F18BE895F87F791&tier=4&id=257DBF08C2B14713B680B947345980BE&AudID=6EF55B05AA694954939FA7B6FB605DAB> (Accessed August 14, 2009).

14 Ajai Shukla, 'New Indian stealth warship halted by US bar on GE', Business Standard, March 6, 2009, at <http://www.business-standard.com/india/news/new-indian-stealth-warship-halted-by-us-barge/351062/> (Accessed August 5, 2009).

operationalisation may not have been obtained in advance by the contracting firm, such reports do not help erase the general perception of the US as a less reliable defence supplier.

Another component that has witnessed significant progress in the field of India-US defence cooperation is joint exercises and training pushed with the aim of achieving interoperability of the forces. All the three services have held important joint exercises, with those involving the navies being the most intensive. Some of the exercises were also aimed at testing the “peace-keeping operations skills of the three military units as a collective unit under a single authority.”¹⁵ One scholar has, however, opined that the new administration in the US will not pursue the policy of holding combined exercises as vigorously as it did during the Bush administration.¹⁶ This view is, however, not shared by either the Indian Ministry of Defence or the officers of the armed forces.¹⁷ Joint military exercises are expected to continue uninterrupted primarily as the US is keen to achieve the interoperability of Indian and US forces.

Counterterrorism Cooperation

Since the early 1990s, India has been the target of terrorists who are financed, trained and spirited across the border from Pakistan. Until

15 ‘U.S. and Indian Armies exercise peace keeping at Yudh Abhyas '08’, United States Army, November 19, 2008, at <http://www.army.mil/-news/2008/11/19/14360-us-and-indian-armies-exercise-peace-keeping-at-yudh-abhyas-08/index.html> (Accessed August 28, 2009).

16 Brahma Chellaney, ‘Obama should speak up for India in Beijing’, *Financial Times*, November 13, 2009, at http://www.ft.com/cms/s/0/8ad9b826-cff3-11de-a36d-00144feabdc0.html?nclick_check=1 (Accessed November 13, 2009).

17 The author conducted several interviews with senior officials of the Indian Ministry of Defence and Indian military officers dealing with India-US joint exercises. They said that they have no indication of any declining US interest in conducting joint military exercises and are expecting such events to be held with the regularity and intensity with which they have been held in the past eight years.

9/11, the US paid little heed to the havoc that these terrorists wreaked in India. It was only after the 2001 Vajpayee-Bush Summit that India and the US strengthened their counterterrorism cooperation in any meaningful manner. In June 2005, the New Framework for the US-India Defence Relationship also provided new impetus to the cooperation.

The terrorist attacks in Mumbai on 26/11 have further strengthened Indo-US cooperation to combat terror. US intelligence agencies have set up offices in India to facilitate better intelligence collection and sharing between the nations. The first overseas visit of CIA Director Leon Panetta was to India. This was seen as a major step in increasing India-US cooperation on counterterrorism. But Washington's ties with Islamabad have afflicted India-US cooperation in fighting terror. Though the President himself has opined that India and the US should build a "close strategic partnership", as both have experienced major terrorist attacks, the US policy of cooperating with India to combat terror reveals a different tale.

The reality is that India-US cooperation to combat terror has been held hostage by US policy towards Pakistan. It has been hampered sometimes by the "divergent geopolitical perceptions and by US reluctance to 'embarrass' its Pakistani allies by conveying alleged evidence of official Pakistani links to terrorists, especially those waging a separatist war in Kashmir."¹⁸ "Despite general convergence of American and Indian views on the need to contain terrorism, the two countries have failed in the past to work together as closely as they could have to minimize terrorist threats."¹⁹ The reluctance of the US—which bankrolls and

18 K. Alan Kronstadt, 'India-U.S. Relations', Congressional Research Service Report, RL 33529, January 30, 2009, at <http://www.fas.org/sgp/crs/row/RL33529.pdf> (Accessed August 26, 2009).

19 Lisa Curtis, 'Building a Strategic Partnership: U.S.-India Relations in the Wake of Mumbai', Testimony before Foreign Affairs Committee, February 26, 2009, at <http://foreignaffairs.house.gov/111/cur022609.pdf> (Accessed August 25, 2009).

spearheads multilateral efforts to economically prop up Pakistan—to persuade Islamabad to handover to India the terrorists involved in the November 26, 2008 attacks in Mumbai, is a testimony to the US double-speak on combating terrorism.

Further, the US has been reluctant to take effective measures to prevent Pakistan from promoting terror attacks against India. An attempt was, however, made in the “Pakistan Enduring Assistance and Cooperation Enhancement Act” known ironically by its acronym, the PEACE Act, introduced in April 2009 by the Chairman of the House Foreign Affairs Panel, Howard Berman, to make aid contingent on Pakistan taking steps to prevent terror attacks in India. The conditions would have required Islamabad to prevent Kashmiri militants from operating from Pakistani soil and giving an undertaking that it would not permit its territory from being used as a staging ground for any attack on India. When Pakistani President Asif Ali Zardari, visiting Washington in May, expressed apprehensions about these conditions, Berman compared the Pakistani assistance package to the bailout plan of the US Congress for the beleaguered corporation, the American International Group (AIG) and added that “the conditions on A.I.G. are a lot stronger than the conditionality” in the aid bill to Pakistan.²⁰ The bipartisan Kerry-Lugar bill, which superseded the PEACE Act, did not include any of these conditions and it tripled non-military aid to Islamabad to US\$ 7.5 billion over the next five years. The bill was signed into law by President Obama in October 2009.

Given the history of Pakistan’s use of terror groups against India, the withdrawal of the conditions and Obama’s repeated assertion that there was a link between Kashmir and Pakistan’s capability to wholly commit its forces in the fight against the Al Qaeda and Taliban forces

20 ‘Emphasis on Al Qaeda at Three-Way Talks’, The New York Times, May 6, 2009, at <http://www.nytimes.com/2009/05/07/world/asia/07prexy.html> (Accessed August 18, 2009).

can encourage rogue elements in Pakistan to precipitate another 26/11 style crisis with India. Pakistan could then divert its forces from the west to the east in the wake of tensions that will invariably follow another terror attack on India. This would allow Pakistan an opportunity to leaven its claim of the link echoed by Obama. Further, with Washington “questioning Indian control of the Kashmir Valley”, analysts have pointed out that the United States would “strengthen jihadi forces in both Islamabad and Srinagar”, besides undermining India-US relations.²¹

Economic Relations

During the Cold War, India’s license raj and its regulated economy could only generate the unimpressive “Hindu rate of growth.” However, with the end of the Cold War, and New Delhi dismantling the barriers erected by its socialist economy, India’s potential to emerge as an economic and military “superpower” of Asia had gained recognition in the US. It led to a substantial growth in India-US economic relations including the doubling of bilateral trade from 2004 to 2008 which grew more than 24 percentage points than US-China trade did.²² Further, for the first time, in 2009 (January to June), India found a place (14th) among the 15 largest trading partners of the US.

Economic cooperation with the world’s biggest economy is necessary for India to achieve rapid economic growth and address difficult issues like poverty alleviation. 42 per cent of India’s population (estimated to be around 456 million in 2005) live below the poverty line. Further,

21 Selig S. Harrison, ‘Kashmir issue leading Obama into first 'tar pit'’, *The Washington Times*, January 6, 2009, at <http://www.washingtontimes.com/news/2009/jan/06/kashmir-issue-leading-obama-into-first-tar-pit/> (Accessed August 21, 2009).

22 Data computed from U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C., at <http://www.census.gov/foreign-trade/www/> (Accessed August 17, 2009).

60 million children are chronically malnourished, constituting nearly 40 per cent of the world's total. Indian children also die at a rate that is more than five times than in China.²³

But Obama's attempt to curb outsourcing could limit the benefits that India could derive from its policy of globalisation and dampen the progress of the India-US economic relations. The President has vowed to "restore a sense of fairness and balance our [US] tax code by finally ending the tax breaks for corporations that ship our [US] jobs overseas."²⁴ Though these changes in the tax law are yet to be made, the policy has not been shelved. It has only been "put on hold" because of the "adamant opposition from high-tech companies."²⁵

The policy to deny tax benefits to US companies abroad can have an adverse impact on firms seeking to take benefit of cheap labour abroad. This can lead to Indian subsidiaries of US firms not being able to avail of the Indo-US double-tax avoidance agreement. If implemented, it can increase the overall tax liability of US corporate taxes by an average of 8 per cent.²⁶ US companies will have to pay almost 35 per cent corporate tax on income generated outside the country. Such a stance is wholly unjustifiable as the world is moving towards a globalised economy. It is not the US alone that is shipping jobs abroad. Since 2002, Indian investments in the US have grown at an average of about 75 per cent and in 2008 alone, up to August, the investments totalled around US \$ 8

23 'An elephant, not a tiger', *The Economist*, December 13, 2008.

24 'India Inc. Feels the heat, no tax breaks for outsourcing companies', *Indian Express*, February 25, 2009, at <http://www.indianexpress.com/news/india-inc-feels-heat-no-tax-breaks-for-outsourcing-cos/427941/0> (Accessed August 7, 2009).

25 'Assessing Barack Obama', *The New York Times*, November 4, 2009, at <http://www.nytimes.com/interactive/2009/11/04/us/politics/obama-first-year.html?em> (Accessed November 23, 2009).

26 'Obama tax move may hit DTAA', *Financial Express*, May 6, 2009, at <http://www.financialexpress.com/printer/news/454998/> (Accessed August 17, 2009).

billion.²⁷ If the present administration follows through with its proposal to curb outsourcing, it could dampen India-US economic relations.

US Af-Pak Policy

Obama sees the need to defeat terrorism as his topmost foreign policy priority. He acknowledges this as a means to “renew American leadership in the world.”²⁸ Towards this end, he has outlined a comprehensive strategy that includes the building of a “different relationship with Pakistani government, the Pakistani military, [and] the ISI”²⁹, removing “limitations placed by some NATO allies on their forces”³⁰ and “working with India and Pakistan and India to resolve, [sic] Kashmir, crisis in a serious way.”³¹ The Af-Pak policy announced in March 2009 encompasses all these components.

Early indications that the US, under an Obama administration, will try to mediate on Kashmir, came from the very same Foreign Affairs article written by Obama. He had then stated that India could assist the US in its fight against the Al Qaeda by making Pakistan “look towards the east with greater confidence” to make it “less likely to believe that its interests are best advanced through cooperation with the Taliban.”³² The attempt of the new administration to link Kashmir to the success of the US war against extremist was unequivocally opposed by India.

27 ‘India-U.S. Economic Relations’, Embassy of India, Washington DC, November 19, 2009, at <http://www.indianembassy.org/newsite/economyrelations.asp#2a> (Accessed December 4, 2009).

28 Barack Obama, n. 4.

29 Interview of Barack Obama ‘The Full Obama Interview’, Time, October 23, 2008, at http://swampland.blogs.time.com/2008/10/23/the_full_obama_interview/ (Accessed August 19, 2009).

30 Barack Obama, n.4.

31 Interview of Barack Obama, n. 29.

32 Barack Obama, n.4.

It has now led to the suspension of the proposal to appoint President Clinton as a special envoy on Kashmir.

Though India has been able to stall this move through its vocal and unambiguous opposition to third party mediation on the issue, the problem could come back to confront India as the US finds it difficult to extricate itself from the region. The Obama administration could, however, renew the effort in order to score points with Pakistan...³³ But any move to wrench concessions on Kashmir from India to placate an eager Pakistan will be completely resisted by New Delhi and the relationship will then hit a stone wall, adversely impacting bilateral ties.

US Aid to Pakistan

One of the pillars of the Af-Pak policy is the enlistment of the Pakistani military to fight Al Qaeda and the Taliban. Towards this goal, the US is shipping substantial quantities of arms to Pakistan. This policy of liberal arms aid is to incentivise Pakistan to perform roles to further US security goals in a manner reminiscent of its policies of the Cold War years.

But the nature and quantum of the present military aid that the US is extending Islamabad is despite the history of US arms supplies primarily fulfilling Pakistan's aspirations to augment its capabilities against India. Such arms transfers have in the past led to increased tension, instability and arms race in the subcontinent. As Michele A. Flournoy, US Under Secretary of Defense Policy testified before the House Armed

33 Sumit Ganguly and S. Paul Kapur, 'The End of the Affair? Washington's Cooling Passion for New Delhi', *Foreign Affairs*, June 15, 2009, at <http://www.foreignaffairs.com/articles/65141/sumit-ganguly-and-s-paul-kapur/the-end-of-the-affair> (Accessed August 1, 2009).

Services Committee Hearings on US-Pakistan Military Partnership, Pakistan has, “focused most of their equipment acquisitions on their deterrent capacity vis-à-vis other neighbours, particularly India. They have not focused their equipping efforts on counterinsurgency.”³⁴

Notwithstanding this history, since 9/11, US has given Pakistan substantial arms aid. From FY 2002 to FY 2009, overt US military assistance to Pakistan has totalled around US \$ 10.94 billion. And many of the big ticket items that have come from the US or are in the pipeline, have little or no relevance in bolstering Pakistan’s capabilities to deal with the extremists. Such weapons include P-3C Orion maritime aircraft, AN/TPS-77 surveillance radars, F-16 aircraft with laser-guided bomb kits and other armaments, Harpoon anti-ship missiles, sidewinder air-to-air missiles, Phalanx close-in naval guns and an anti-submarine frigate.

US scholars too have underlined the irrationality of the US arms transfers to Pakistan. Lawrence J. Korb, Senior Fellow at American Progress and a senior advisor to the Center for Defense Information, testified before the Senate Foreign Relations Committee’s Subcommittee on International Development and Foreign Assistance, that “the vast majority of our [US] foreign military financing (FMF) has gone toward the purchase of major weapons systems such as F-16 fighters and other aircraft, anti-ship and antimissile capabilities... These systems have no

34 Hearing of the House Armed Services Committee on US- Pakistan military partnership, CQ Congressional transcripts, Congressional Hearings, April 29, 2009, at http://www.defenselink.mil/policy/sections/public_statements/speeches/usdp/flournoy/2009/April_29_2009.pdf (Accessed August 5, 2009).

role in counterterrorism missions against Al Qaeda and the Taliban but are geared primarily to fight India.³⁵

The present US arms aid will therefore, once again serve to strengthen Pakistan's conventional balance of power against India as it had done in the past. It has also augmented Islamabad's nuclear capability as the F-16 aircraft that the US is supplying can be used as nuclear delivery vehicles with few alterations that Pakistan is suspected to have made.³⁶ If in the 1980s there were only doubts that such attempts were made, it is now widely believed that Pakistan has carried out necessary modifications to carry nuclear weapons.³⁷ Pakistan continues to make such attempts to modify US supplied weapons against India. In 2009, it once again came to light that Pakistan had modified US made Harpoon missiles for use against India.³⁸

But, as in the past, the US is downplaying the military components of its overall aid package to Pakistan. Obama himself has in a way led this effort. While he claimed that he "co-sponsored legislation with Senator Luger to triple non-military assistance to Pakistan and sustain it for the

35 Testimony of Lawrence Korb before the Senate Foreign Relations Committee, Subcommittee on International Development and Foreign Assistance, December 6, 2007, at <http://foreign.senate.gov/testimony/2007/KorbTestimony071206p.pdf> (Accessed August 5, 2009).

36 As early as in the mid-1980s, it was averred that Pakistan had made attempts to modify the F-16s that were supplied to it as a part of the US assistance in the wake of the Soviet intervention in Afghanistan. See, U.S. House of Representatives, 100th Congress, 1st Session, Subcommittee on Asian and Pacific Affairs of the Committee on Foreign Affairs, Hearings and Markup, Foreign Assistance Legislation for Fiscal Years 1988-89, Part 5, (Washington, D.C., 1988), p.293.

37 Paul Kerr and Mary Beth Nikitin, 'Pakistan's Nuclear Weapons: Proliferation and Security Issues', Congressional Research Service Report, October 15, 2009, at <http://fas.org/sgp/crs/nuke/RL34248.pdf> (Accessed October 25, 2009).

38 'U.S. Says Pakistan Made Changes to Missiles Sold for Defense', The New York Times, August 29, 2009, at <http://www.nytimes.com/2009/08/30/world/asia/30missile.html> (Accessed September 6, 2009).

next decade”,³⁹ he carefully avoided any reference to his administration’s FY 2010 request for military aid to Pakistan which is around US\$ 2.49 billion, and is nearly 26 per cent higher than that of the previous fiscal year. When a group of Indian MPs who visited the US in June 2009 raised the fear that Pakistan could use the arms supplied by the US against India, Robert O. Blake, Assistant Secretary, Bureau of South and Central Asian Affairs, skirted the issue replying that India should not be “concerned about that ... as Pakistan is increasingly focused on dealing with the extremist problems in its own country.”⁴⁰ But it begs the question as to why Pakistan that is purportedly strengthening itself to fighting extremists requires weapons that are not suited for the purpose. Worse still, while there may have been some justification in supplying sophisticated arms to Pakistan during the Cold War as it was a member of SEATO and CENTO and could have been called upon to render military assistance under the obligations of the treaties, the present supply of weapons ill-suited weapons to fight the terror elements is neither logical nor justifiable.

On the economic front too, the US has “dramatically” increased its aid to Pakistan with the avowed intention of helping “that country overcome its economic challenges” tripling it to US \$ 7.5 billion dollars, as has been pointed out.⁴¹ The aid has been hastily pushed through though Pakistan has a despicable record of diverting non-military aid for military purposes. This can have adverse consequences for the region as there is no assurance that the non-military aid to Pakistan will again not be used for military purposes. Around 80 per cent of

39 ‘Obama says India will be top priority’, *The Hindu*, October 24, 2008, at <http://www.hindu.com/2008/10/24/stories/2008102458770100.htm> (Accessed August 3, 2009).

40 Robert O. Blake, ‘New Strategic Partnerships’, Press Trust of India, June 29, 2009, at <http://www.state.gov/p/sca/rls/remarks/125503.htm> (Accessed August 3, 2009).

41 *Ibid*

the \$11.8 billion funnelled to Pakistan since 2001 has already been “gobbled up by the army.”⁴²

India cannot have any rational objection to US supplying arms aimed at augmenting Pakistan’s military capability to fight extremists. But the insensitivity to India’s concerns over the unsuitability of many of the big ticket items that the US is supplying to Pakistan can adversely affect India-US relations. In the wake of the insouciant attitude of the US to India’s opposition to such arms supplies and the poorly monitored economic aid that Islamabad has made a habit of diverting for military purposes, India will be compelled to spend more on defence in a manner reminiscent of the Cold War years to balance the arms acquisition by Pakistan from the US. Taken together, the military and economic aid to Pakistan cannot but cast a shadow on the growing strategic relations between India and the US.

Nuclear Issues

The May 1998 nuclear tests by India evoked strong punitive action by the US. The Clinton administration imposed wide-ranging sanctions on non-humanitarian aid to India under Section 102 of the US Arms Export Control Act. It also set out “benchmarks” for India and Pakistan to follow on the basis of the UN Security Council resolution 1172 that condemned the tests, besides exhorting India and Pakistan to sign the discriminatory Non-Proliferation Treaty (NPT), the Comprehensive Nuclear Test Ban Treaty (CTBT) and placing a ban on the production of nuclear fissile material as posited by the UN resolution.⁴³

42 ‘Obama’s South Asia challenges’, BBC, November 10, 2008, at http://news.bbc.co.uk/1/hi/world/south_asia/7719123.stm (Accessed August 8, 2009).

43 UN Security Council Resolution 1172, adopted by the Security Council at its 3890th meeting, June 6, 1998, at http://www.cfr.org/publication/19132/un_security_council_resolution_1172_india_pakistan.html (Accessed August 9, 2009).

The Bush administration, however, dismantled the benchmarks resulting in the 123 India-US nuclear agreement. But what are the problems India could face now that Senator Obama—who was to all intents and purposes, an opponent of the enabling Henry J. Hyde United States-India Peaceful Atomic Energy Cooperation Act of 2006—is the new President of the US? Senator Obama did finally vote for the Hyde Act and the India-US 123 nuclear agreement and this is what he does not fail to repeat at every opportunity. But Obama's statements, the amendments he introduced and his voting record in the Senate when it considered the Hyde bill, establish that his support for the nuclear agreement with India was at best nebulous and circumspect. They also throw some light on the possible direction that the US non-proliferation policies could take under his leadership.

Obama worked to incorporate wide-ranging restrictions in the Hyde Act. The Bush administration's proposal excluding provisions to punish India if it ever tested another nuclear device was the cause of Obama's disquiet. His opposition to the efforts by the Bush administration to help India build a fuel reserve to cushion it from cessation of nuclear fuel supplies was clear from his statements in the Senate. He had "spelled out in colloquies" with others, the legislative intent of the Hyde Act to place "clear constraints on fuel supplies."⁴⁴

Not satisfied with his appeal to fellow Senators to limit the scope of any India-US nuclear agreement, he supported and voted in favour of the two 'killer amendments' that were introduced in the US upper house. In reality, had the two amendments been passed, not only would the nuclear agreement have been rendered meaningless for India, no government in New Delhi would have dared to ignore the political, public and scientific community's outcry that would have followed such

44 Michael Krepon and Alex Stolar, 'The US-India 123 Agreement: From Bad to Worse', Stimson Center, August 23, 2007, at <http://stimson.org/print.cfm?SN=SA200708221446> (Accessed August 8, 2009).

conditional passage with consequences impinging on India's sovereign power to conduct its foreign policy.

His first support was for the Boxer Amendment (No. 5187) to "make the waiver authority of the President contingent upon a certification that India has agreed to suspend military-to-military cooperation with Iran, including training exercises, until such time as Iran is no longer designated as a state sponsor of terrorism."⁴⁵ Though the amendment was rejected by a margin of 38–15, Obama was unambiguous in his articulation of what he believed in his words were the "potential non-proliferation consequences of this agreement."⁴⁶

In an unbridled indictment of the Bush proposal he said that the "administration has done very little to address these [proliferation] concerns," and instead send a "draft legislation to the Congress that was essentially a blank check."⁴⁷ Though the joint statement of President Bush and Prime Minister Singh of July 18, 2005 declared that India's unilateral moratorium on nuclear testing will continue, Obama went to the extent of casting doubts on the credulity of this commitment of the Indian Prime Minister. He rather nonchalantly went on to state that: "I take Prime Minister at his word, but also believe in following Reagan's mantra of 'trust but verify.'"⁴⁸

The second amendment that he voted in favour of was the Feingold Amendment (No.5183). Though it was rejected by a margin of 71–25 it had sought "to require as a precondition to United States-India

45 For details, see <http://thomas.loc.gov/cgi-bin/bdquery/?d109:SN03709:@@L&summ2=m&> (Accessed August 8, 2009).

46 Senate Congressional Record S1102, November 16, 2006, at http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=2006_record&page=S11021&position=all (Accessed August 8, 2009).

47 Ibid.

48 Ibid.

peaceful atomic energy cooperation determinations by the President that United States nuclear cooperation with India does nothing to assist, encourage, or induce India to manufacture or acquire nuclear weapons or other nuclear explosive devices.”⁴⁹

Obama’s efforts did not end there. He successfully proposed and managed to garner support for the passage of two amendments that were incorporated in the Hyde Act. These two amendments have arguably raised questions on the independent implementability of the 123 agreement without reference to the Statements of Policy.

The first amendment was made in the Senate Foreign Relations Committee. It was passed to include in the Senate version of the bill a provision to prevent the US from either facilitating or encouraging nuclear exports by other nations if such items are terminated under US law.⁵⁰ This was added as a “Sense of Congress.” The second one (SA 5169) proposed and steered successfully during the floor debate, sought to make the supply of nuclear fuel to India’s “safeguarded civilian nuclear plants commensurate with reasonable operating requirements to avoid stockpiling of nuclear fuel.”⁵¹

49 Voting on the Amendment (Feingold Amdt. No. 5183), The United States Senate, November 16, 2006, at http://www.senate.gov/legislative/LIS/roll_call_lists/roll_call_vote_cfm.cfm?congress=109&session=2&vote=00268 (Accessed August, 2009) and Congressional voting record of Senator Barak Obama on issues related to India (Source: The Washington Post’s US Congress votes database at <http://projects.washingtonpost.com/congress/members/0000167/> (Accessed August 9, 2009).

50 Amendment SA 5169: Passed by voice vote, November 16, 2006, at <http://thomas.loc.gov/cgi-bin/bdquery/z?d109:SP05169>: (Accessed August 9, 2009).

51 ‘U.S.-India Nuclear Energy Deal: Status and Update’, The Center for Arms Control and Non-Proliferation, June 28, 2009, at http://www.armscontrolcenter.org/policy/nuclearweapons/articles/062408_us_india_deal_update/ (Accessed August 10, 2009).

Though Obama failed to stall the Bush administration's efforts to treat India differently, there is enough evidence that he would continue to push to achieve what he failed to in the Senate and net India in the multilateral non-proliferation treaties. That he would continue in this effort was evident from his reply in September 2008 to questions from the arms control organisation made on "how he would address key weapon-related issues as President of the United States." He stated that he would work with the Senate to secure the ratification of the treaty and then "launch a major diplomatic initiative to ensure its entry into force" and also promised to pursue negotiation to work towards a Fissile Material Cut-off Treaty (FMCT) to end the production of fissile material for nuclear weapons.⁵²

This commitment to pursue nuclear non-proliferation was not mere election rhetoric. After becoming the President, Obama has evidently pursued his goal with added vigour. He is now more forcefully pursuing his commitments and the appointment of two key arms control officials reveal the vigour with which he could pursue this goal. Both these appointees have a record of a deep anti-India bias. The first such appointment was that of Robert Einhorn, a known critic of India, with 29 years of government experience, as Secretary of State Hillary Clinton's special adviser for non-proliferation and arms control. Einhorn has been one of the harshest critics of the India-US nuclear deal and the Bush administration's policies that facilitated such cooperation.

The appointment of Ellen Tauscher, an influential former Democratic Congresswoman of 13 years and Chairperson of the powerful House Armed Services Subcommittee on Strategic Forces, as the new Under Secretary of State for Arms Control and International Security, is also a

52 'President-elect Barack Obama, Arms Control Today 2008 Presidential Q&A', Arms Control Today, December 10, 2008, at <http://www.armscontrol.org/2008election> (Accessed August 10, 2009).

cause for concern. A known critic of the India-US nuclear agreement, she had described it as a “very, very bad deal”,⁵³ and cannot be expected to pursue any policy that could see through the implementation of the agreement in the spirit it has been approved. Together, these two officials could be the President’s gendarme in his “major diplomatic initiative” to get the detractors of NPT to sign the treaty, ensure CTBT’s entry into force and give life to FMCT. It could become more intense if Obama wins a second term in office, as US presidents in the past have vigorously pushed their favoured agenda once re-elected, in their effort to carve for themselves a place in history.

The question to consider is: will the Obama administration pressurise India to sign the NPT, CTBT and the FMCT? Though at present, such a possibility is unlikely on account of the need to elicit India’s cooperation in the US Af-Pak policy, the Obama administration can turn the heat on India to sign the multilateral treaties, especially if the US Senate ratifies the CTBT that it refused to do so in 1999.

If as Senator Obama promised to take a “major diplomatic initiative” to ensure CTBT’s entry into force after securing the ratification of the treaty in the Senate and give life to FMCT, as President, he has vowed to take the leadership to achieve them. In his major speech at Prague in the Czech Republic in April 2009, he announced this commitment of his administration to place a “ban on nuclear testing” and “immediately and aggressively pursue U.S. ratification of the Comprehensive Test Ban Treaty” and “seek a new treaty that verifiably ends the production

53 ‘Nuclear Trade With India OK’d’, NITI, September 8, 2008, at http://www.globalsecuritynewswire.org/gsn/GSN_20080908_1CF80261.php (Accessed August 10, 2009).

of fissile materials intended for use in state nuclear weapons” as also to strengthen the Nuclear Non-Proliferation Treaty.⁵⁴

There is concomitant evidence that the US is bringing nuclear proliferation issues within the focus of India-US strategic cooperation. Though the components of India-US strategic partnership have not been clearly defined, the Next Step in Strategic Partnership (NSSP) announced in 2004 identified three main areas that have come to be known as the “trinity” as coming within its purview, and they later became the “quartet.”⁵⁵ But after the election of Obama, non-proliferation has also been brought within the scope of India-US strategic cooperation. Out of the five working groups assigned various issues after the visit of Hillary Clinton to India in July 2009, the one on strategic cooperation was tasked with addressing matters of non-proliferation, counterterrorism and military cooperation.⁵⁶ Soon thereafter, in September 2009, Obama chaired the UN Security Council (UNSC) session which passed the resolution calling all on non-signatories of NPT to join the treaty. The same demand was once again made during the US-EU 2009 Summit.⁵⁷ Though President Obama

54 Speech by President Barack Obama at Hradcany Square in Prague, Czech Republic, The White House, April 5, 2009, at http://www.whitehouse.gov/the_press_office/Remarks-By-President-Barack-Obama-In-Prague-As-Delivered/ (Accessed August 11, 2009).

55 The three components, access to dual-use-high technology items (with military applications), increased civilian nuclear cooperation constituted the trinity. Missile Defence was added to the list making it the quartet.

56 Energy and Climate Change, Education and Development, Economics, Trade and Agriculture and Science and Technology, Health and Innovation were the other working groups. ‘U.S. - India Agreements and Achievements’, Bureau of Public Affairs, Office of the Spokesman, Washington, DC, July 20, 2009, at <http://www.america.gov/st/texttrans-english/2009/July/20090720155526xjsnommis0.423515.html> (Accessed August 11, 2009).

57 ‘US, EU ask India to embrace NPT, CTBT’, Express Buzz, November 5, 2009, at <http://www.expressbuzz.com/edition/story.aspx?Title=US,+EU+ask+India+to+embrace+NPT,+CTBT&artid=jLeYtQiRjwM=&SectionID=oHSKVfNwYm0=&MainSectionID=oHSKVfNwYm0=&SectionName=VfE7I/Vl8os=&SEO=>(Accessed November 11, 2009).

is reported to have assured the Indian Prime Minister that the UNSC resolution is not aimed at India, its import cannot be lost on India.

Therefore, the determined resurrection and aggressive pursuit of US nuclear proliferation goals by Obama does not forebode well for India-US relations. A clear pattern impinging negatively on India is discernible in his policies. His assurance to India like the one he gave to the Indian Prime Minister after the UNSC resolution, may count for nothing. “Barack Obama is a great pretender. He constantly says he is doing things that he isn’t, and he relies on his powerful rhetoric to obscure the difference.”⁵⁸ Coming from a President who has been accused of “double talk” by even Western writers, India would have to, sooner than later, brace for increased pressure being exerted on it to the sign the NPT and CTBT and other non-proliferation arrangements.

Climate Change

To continue its impressive economic growth, India would have to rely heavily on energy resources. It would inevitably result in the increasing emission of greenhouse gases (GHG) that adversely affect climate change. Already India is the fourth largest emitter of these gases after the US, China and Russia. But India—which has over 17 per cent share of the world’s population—is responsible for only around 4.4 per cent of the earth’s total GHG emissions. Though it emits more than 500 million tonnes of carbon dioxide per year, in terms of per capita emissions, India ranks only 137th. Even in comparison with China, in per-capita terms, India’s carbon emissions are only one-fourth and one-fifth in aggregate terms.

58 Robert J. Samuelson, ‘Presidential Double-Talk’, Newsweek, March 16, 2009.

India's position with regard to the allocation of responsibility and corresponding burden on nations to save the earth from further destruction of its climate has been consistent. It has articulated the rational and equitable proposition that while every nation has a responsibility to reduce its GHG emissions, the burden should be more onerous on the advanced nations that have developed their economy and enjoyed inequitable consumption at the cost of earth's climate. In recognition of this reality, the UN Framework Convention of Climate Change (UNFCCC) and the Kyoto Protocol have categorised India as a developing nation, exempting it from binding emission obligations.

But the US is reluctant to commit to major reductions in GHG emissions unless India and China also do so. The US continues to insist that the post-Kyoto agreement in Copenhagen should impose legally binding commitments on India and China to reduce emissions despite it being a violation of the UNFCCC agreement. Washington itself is guilty of rescinding on its commitment under the original Kyoto Protocol. Though the US is yet to ratify the Protocol, it had consented to lower the emission levels to 7 per cent below the 1990 levels by 2012. But the US soon shifted its goalpost to 2020 by which time it has agreed to reduce its emission to 2005 levels by 12 per cent. It lets the US escape with reduced burden as it had considerably expanded its emissions between 1990 and 2005.

The US House of Representatives has already passed the Waxman-Markey bill that will impose sanctions on countries that do not accept binding emission reductions. The provisions of the bill ignore equity and are loaded against nations that have historically played virtually no or only a miniscule role in the precipitation of the present climate crisis. While the developed nations have contributed to "more than 70 per cent of the emissions between 1850 and 2000" India's share has been a "paltry 2 per cent." "Even in terms of current emissions, Canada, the U.S., Europe, Eurasia and Japan together release more

than 50 per cent of the carbon into the atmosphere.”⁵⁹ Yet India has been described as the most “recalcitrant country”, in a censorious tone that if the “world has to wait for countries like India to get rich before they begin cutting carbon, the planet is doomed.”⁶⁰ Some of the members of the Congress have poured vitriol on India and China calling “Al Gorites” who have taken a more equitable position on the responsibilities of nations in reducing emissions as “buffoons” who “think that China and India are on another planet.”⁶¹ Such perceptions of India would affect India-US relations.

Further, “the Obama administration and the Democratic Congress have moved climate change up on the US national agenda.”⁶² The Obama administration has also supported the Waxman-Markey bill contending that its passage in the US upper house will strengthen Washington’s bargaining position at the global climate meeting in Copenhagen and help “persuade key developing countries, particularly China and India, to cap their own emissions under any new treaty for emissions reduction that would replace the 1997 Kyoto Protocol.”⁶³ It is already feared that the passage of the bill could adversely affect India as it would lead to the US imposing tariffs on imports from nations that do not match US carbon dioxide emission standards and in the process “provoke a trade

59 Arvind Panagariya, ‘Climate Change And India’, Forbes, August 10, 2009, at <http://www.forbes.com/2009/08/09/hillary-clinton-jairam-ramesh-emissions-india-opinions-contributors-arvind-panagariya.html> (Accessed August 14, 2009).

60 Bryan Walsh, ‘Climate Conundrum: How to Get India to Play Ball’, Time, July 21, 2009, at <http://www.time.com/time/health/article/0,8599,1911843,00.html> (Accessed August 14, 2009).

61 Henry Arnold Waxman, US Congressman, quoted in Katherine Skiba and Amanda Ruggeri, ‘On Climate Change, Henry Waxman Wants Congress to Act Now’, U.S. News, March 11, 2009, at <http://www.usnews.com/articles/news/energy/2009/03/11/on-climate-change-henry-waxman-wants-congress-to-act-now.html> (Accessed August 12, 2009).

62 Arvind Panagariya, n.59.

63 Jim Lobe, ‘U.S. House Passes Controversial Climate Legislation’, IPS, June 26, 2009, at <http://ipsnews.net/news.asp?idnews=47390> (Accessed August 13, 2009).

war.”⁶⁴ The differing perception on the responsibilities and the roles of developed and emerging nations could become a “major stumbling block in US-India relations.”⁶⁵

The President himself has viewed the imposition of restrictions on India and China also as a means to enhance the saleability of US carbon emission reducing technology. He made the assertion in his Foreign Affairs article when he declared his intention to work towards imposing on major emitters “binding and enforceable commitments to reducing emissions.” By compelling the less developed nations to accept such onerous conditions he expects to increase the demand for “low-carbon energy” that could create an annual market worth \$500 billion and that “meeting [sic] [those standards] would open new frontiers for American entrepreneurs and workers.”⁶⁶ It is contended that a policy which aims at the economic exploitation of a crisis created primarily by developed nations led by the US creating existential problems for the poor of developing countries like India, whose millions depend on traditional energy resources, is both inequitable and unjust and something that cannot but affect India-US relations negatively.

Conclusion

The personal predilections of the President and the policies so far embraced by the Obama administration do not appear to augur well for India-US relations. The policies embraced by the US President

64 ‘House Passes Climate Bill’, *The Wall Street Journal*, June 28, 2009, at <http://online.wsj.com/article/SB124610499176664899.html> (Accessed August 15, 2009).

65 ‘Hillary Clinton talks climate change in India’, *Politico*, July 20, 2009, at <http://www.politico.com/news/stories/0709/25147.html> (Accessed August 15, 2009).

66 Barack Obama, n.4.

suggest that he would continue viewing India as a nation not deserving of the importance that his predecessor had accorded it—a view that has gained increasing credence from the time that he was a Senator and a US presidential candidate.

This argument gains further strength as President Obama has invested little in any effort to evolve a coherent policy towards India, much less outline steps to build on the India-US strategic partnership. Perhaps, he may have been constrained from assigning the relationship immediate attention due to his preoccupation with the pressing domestic compulsions, including the fallout of the contracting of the US economy in the wake of the global financial meltdown and the wars in Iraq and Afghanistan. The less charitable, but more accurate view may be that President Obama has not accorded India-US relations the importance that would have required early articulation of his administration's policies towards India. Consequently, no major US initiatives for taking the bilateral relations to the next level to reflect India's unique status as the world's largest democracy, a responsible nuclear power, and a nation without whose cooperation there can be no serious resolution of any major global issues, are likely under the Obama presidency.

As the White House has also not drawn any clear roadmap for India-US relations, the executive branches of the government are dealing with New Delhi variously. Consequently, the actions of some of the agencies of the administration present themselves in starker relief to those followed by the previous administration. They have led many strategists in India to take a rather dim view of the future of India-US relations. Nevertheless, the prospects of a serious downturn in the relationship could be partially neutralised if the momentum achieved in areas of less divergence such as bilateral trade, cultural ties and US Foreign Direct Investment (FDI) in India can be sustained on the kinetics that have already been generated.

What lends credibility to this optimism is that progress in these areas can be achieved without the new administration following the policy of exceptionalism that Bush had embraced in dealing with India. In other words, there is enough convergence of interests between the two largest democracies, and promise in India's rise as a major power that could sustain a strategic partnership between India and the US, though further progress may be sluggish. From now on, the angle of the growth trajectory of the relationship would evidently be governed by the realpolitik compulsions to engage with an inexorably rising India.

Reasonable Expectation or Carried Away by Hope? An American's View of the Upcoming India-US Relationship

Steven Hoffmann

Much discussion among Indian foreign policy strategists currently aims at discerning the future course of the US-India relationship, now that the Obama administration has assumed office in Washington. Some expectations about that relationship sound rather pessimistic. This chapter attempts to make a case for optimism, mainly for the sake of fostering more discussion and debate.

An available approach to catch the drift of US policy is to study the statements and actions already placed on public record by the new US foreign policy team. But analysts might do better to ask: can we find, from this public record, some conceptual core in the Obama camp's thinking about India and related topics? It may indeed exist: *realism* coupled together with a greater embrace of *complexity* than was found in the last administration.

What is the evidence of this conceptual core? So far it is reputation, rather than performance. Obama has a reputation in the American media for leaning towards foreign policy realism, partly defined as pragmatism. He has also been described, by people close to him, as

having his own way of embracing and handling the complexity in whatever situation he is dealing with.¹

Now, if all this is true, and for the sake of a lawyer's argument let us assume it is, no one should expect an American president's realism to conform to some academic model, like power-motivated realism or security motivated realism. What we can expect is that value will be placed on both power and security—that is part of the American foreign policy tradition.

But, considering the realities of the present economic situation within the United States, *security* will probably be emphasised more than *power*. Moreover, the scope of what constitutes American security needs will probably be conceived more narrowly, or in a smaller way, than in the recent past. To give a possible example (that is surely traceable to many causes, and not just economics):

The Administration seems to have already downsized the US definition of what US national interest is in Afghanistan. It is no longer the policy that the Taliban be defeated, but that only the supposedly hard core

1 See James Traub, 'Is (His) Biography (Our) Destiny?', *New York Times Magazine*, November 4, 2007; John Vinocur, 'Reconciling the Realist with the Rhetorician', *International Herald Tribune*, January 1, 2008; Roger Cohen, 'A Realist Called Obama', *New York Times*, February 18, 2008, Fareed Zakaria, 'Obama Foreign Policy Realist', in the PostGlobal section of the on-line *Washington Post* and *Newsweek* website, July 21, 2008, at http://newsweek.washingtonpost.com/postglobal/fareed_zakaria/2008/07/obama_foreign_policy_realist.html; Alexandra Starr, 'Students Saw in Professor Obama a Pragmatist, Not an Ideologue', *International Herald Tribune*, September 19, 2008. Michael Goldfarb, 'Barack the Realist Names a Tough Security Team', *The Weekly Standard* website, November 26, 2008; E. J. Dionne Jr., 'Barack Obama, foreign-policy realist', *The Seattle Times*, November 28, 2008, Steve Kornacki, 'Obama and the Bush Realists', *The New York Observer*, December 2, 2008; Rich Lowry, 'Barack the Realist', *New York Post*, December 2, 2008; Richard Cohen, 'Moralism on the Shelf', *The Washington Post*, March 10, 2009. See also a British newspaper report – Ian Traynor, 'Obama Team Outlines 'New Realism' for Afghanistan', *The Guardian*, February 8, 2009.

of the Taliban, and al-Qaeda, be neutralised, while reconciliation is sought with reconcilable insurgents, whether they are Islamists or not.

The Obama administration seems interested in another form of downsizing, too. Yes, the US will still exercise leadership in the world but that leadership will be restricted. During the US election campaign, Obama said that America's world standing had declined "because people think that the United States wants to dictate across the world instead of cooperate across the world." He has also said that emerging powers, including India, must be given "a stake in upholding the international order".²

But, that does not mean that the sense of India's exceptionalism held by President Bush will be matched by President Obama's administration.³ Bush had his own ideological and personal reasons for treating India as an exception. Obama shows no sign of doing anything similar. Yet if his thinking is realist, he will most likely value a good relationship with India on the basis of convergent US-India interests. Realism focuses on *interests* and Obama would probably prioritise them over the shared values and the shared commitment to democracy that were so important to Bush.

If so, Indian diplomats should persistently remind the new US leaders that a limited US-India relationship needs to be preserved, one based on a list of convergent US-India interests that really can be quite impressive. How those interests are described can differ, depending on who is doing the describing. But this writer would say that the most important are: (1) "preventing Asia from being dominated by any single power that has the capacity" to intimidate and restrict the

2 Traub, 'Is (His) Biography (Our) Destiny?' see n. 1.

3 On this particular form of exceptionalism see C. Raja Mohan, 'India's Quest for Continuity in the Face of Change', *The Washington Quarterly*, 31 (4), Autumn 2008, pp. 143-145.

strategic autonomy of others, and thereby maintain some sort of multi-polar balance of power in Asia, one that includes the United States, (2) “eliminating the threats posed by...terrorism which may seek to use violence against innocents to attain various political objectives, and more generally neutralising the dangers posed by terrorism and religious extremism,” (3) protecting what one strategist, Ashley Tellis, has called “the global commons, especially the sea lanes of communications” and trade, (4) “preserving energy security” by “collaborating to develop new sources of energy through ...science and technology,” and dropping unnecessary restrictions on India’s access to nuclear energy, and (5) sustaining, and reducing obstacles to the further rise of the crucial US-India economic relationship.⁴

The very idea that the basis of a strong bilateral relationship with India rests on converging interests is already a part of the rhetoric associated with important Obama administration members, if not Obama himself. A recent report written for the Asia Society in New York remarks in its ‘Executive Summary’ that the new India-US relationship:

rests on a convergence of U.S. and Indian national interests, and never in our history have they been so closely aligned. With India, we can harness our principles and power together to focus on the urgent interconnected challenges of our shared future: economic stability, expanded trade, the environment and climate change, innovation, nonproliferation, public health, sustainability, and terrorism.⁵

4 The words in quotation marks are those of Ashley J. Tellis, Senior Associate, Carnegie Endowment for International Peace, “Testimony to the House Committee on International Relations Subcommittee on Asia and the Pacific, Subject: The United States and South Asia”, June 14, 2005. But each summary description of an ‘interest’, and responsibility for it, is mine. Inclusion of interest #5 was prompted by comments from Dr. Thomas Mathew, Deputy Director General, IDSA.

5 ‘Delivering on the Promise: Advancing U.S. Relations with India’, An Asia Society Task Force Report, January 2009.

A co-chair of the project that produced the report, Frank Wisner Jr., was former Ambassador to India under Bill Clinton, and is a friend of Richard Holbrooke, the new emissary to Pakistan and Afghanistan. Holbrooke himself co-signed a Forward to the report.

Richard Holbrooke's immediate superior in the US government apparatus, Hillary Clinton, already indicated acceptance of the value of convergent Indo-US interests (even though she did not use this terminology) in a 2007 essay published in the foreign policy establishment journal, *Foreign Affairs*. As co-chair of the Senate's 'India Caucus' she wrote:

I recognise the tremendous opportunity presented by India's rise and the need to give the country an augmented voice in regional and international institutions, such as the UN. We must find additional ways for Australia, India, Japan, and the United States to cooperate on issues of mutual concern, including combating terrorism, cooperating on global climate control, protecting global energy supplies, and deepening global economic development.⁶

More recently, a State Department spokesman, describing the March 2009 Washington meeting between Clinton and Indian foreign secretary Shiv Shankar Menon, gave some indication of Secretary Clinton's present thinking on this matter. Mrs. Clinton, he said, made the point to Menon:

that we really want to ramp up our cooperation in a number of areas, whether that be climate change, whether it be counter-terrorism... There are just a whole host of issues where the United States and India can work together, have been working

6 Hillary Rodham Clinton, 'Security and Opportunity for the 21st Century', *Foreign Affairs*, 86 (6), November/December 2007.

together, and that, you know, some of these issues are going to require not just U.S. and Indian cooperation, but cooperation of others.⁷

Clinton and Menon also discussed Afghanistan, another matter of convergent interest, and the new Secretary of State was reportedly “very interested” to hear Mr. Menon’s views “on this subject as well as a host of others”. But the US official spokesman added: “I don’t think it was a question of asking India to do more.”⁸

Of course, sharing an interest, like anti-terrorism, does not guarantee agreement between India and the US on how to further that interest. New Delhi and Washington would find themselves in a serious dispute, were the US to construe its realism, and its national interest in Afghanistan in such a way that India felt pressured or threatened. A recent *Newsweek* article argues for a quite limited definition. The proper US goal in Afghanistan is not a mainly non-Islamist country, its reasoning suggests, but learning to live with Islamists who are focused on its own domestic Islamic and other concerns. As has been done in Iraq, the US could live with Islamists who would not practice global *jihad*.⁹

Whether such supposedly reconcilable Islamists exist in Afghanistan and other places, is a complex matter taken up in the *Newsweek* opinion piece and elsewhere, but need not unduly detain us here. The President, certainly, is aware of Afghanistan’s complexities, as he indicated in an interview conducted not long ago. “The situation in Afghanistan is, if anything, more complex [than Iraq]” or so he said, “You have a less

7 ‘U.S. Wants to Ramp Up Cooperation with India: Hillary Clinton’, *The Hindu*, March 11, 2009.

8 ‘Ramp up Cooperation’, *The Hindu*, March 11, 2009, see also ‘U.S. Assures India it Will Proceed with Nuclear Deal’, *The Hindu*, March 12, 2009.

9 ‘Learning to Live with Radical Islam’, *Newsweek*, February 28, 2009.

governed region, a history of fierce independence among tribes. Those tribes are multiple and sometimes operate at cross purposes, and so figuring all that out is going to be much more of a challenge.” But the key point is that the Obama administration has been considering a policy of seeking out those moderate Taliban elements with whom negotiations might prove possible and useful, and will probably adopt that policy.¹⁰ A related and equally important point is that such negotiations, reflecting a realist American calculus of self-interest, could eventually prove detrimental to an Indian core interest—security.

Militants not focused mainly on Afghan society and politics would find themselves freed by some pause in the Afghanistan fighting, or by some negotiated Afghani settlement, to concentrate against other enemies. Substantial numbers of fighters, including non-Afghan militants located along the Afghanistan-Pakistan frontier, could then pursue holy causes such as Kashmir and anti-secularism in Pakistan. That outcome seems highly likely, if some sort of naively conceived or desperately concocted US-NATO arrangement with the insurgents is made in Afghanistan. That would be an arrangement with Islamists that the US administration mistakenly takes to be moderates, and ultimately permits the US to think it can end its own Afghanistan war and withdraw.

Would the Obama team be willing to move from realism into an illusory realm? That prospect seems very unlikely, since the Obama administration should be able to deal with Afghani, and larger South Asian, complexity.

10 Helene Cooper and Sheryl G. Stolberg, ‘Obama Ponders Outreach to Elements of Taliban’, *New York Times*, March 7, 2009, and Helene Cooper and Thom Shanker, ‘Obama Afghan Plan Focuses on Pakistan Aid and Appeal to Militants’, *New York Times*, March 13, 2009.

A more plausible scenario has recently been put forward in the Indian magazine *Outlook*.¹¹ Its author, Namrata Goswami, cannot be alone in thinking that, in the US interest, the Obama administration may very well want the Indian and Pakistani governments to move forward on resolving the Kashmir problem, given American hope to appease the regular Pakistan Army, somehow. If that army thinks it has gotten something from India and the Americans, it could take its large force from the Indian frontier and finally use it properly against Pakistan's and Afghanistan's Islamists.

Is this particular future likely? Here the best guess would probably be—no, not yet. But, if the Obama administration is pragmatic and able to handle complexity, then the answer would be 'no' in the long run too. Evidence for that argument is the information being released on the administration's likely strategy in Afghanistan. Rightly or wrongly the strategy reportedly assumes some complex things like "at least 70 per cent of the insurgents, and possibly more, can be encouraged to lay down their arms with the proper incentives," and, the US-led military has pushed "the most hard-core Taliban and other extremist militants out of Afghanistan and into western Pakistan".

The strategy apparently prescribes that pressure on Islamist sanctuaries in that area be kept up and even raised, at least partly "some technical advances like installing more mobile towers to intercept cellphone" calls, has allegedly provided the CIA with "much better intelligence on its drone targets" than it was getting "just a few months ago".

Pentagon officials think that the Afghan National Army ought to be expanded, claiming that this force has proven effective in supplying internal security, and has gained some "popular respect". And, a senior Obama aide has said that "military aid to Pakistan" would be used to

11 Namrata Goswami, 'Been There, Done That?' *Outlook*, March 6, 2009.

try to get Pakistan's army "to focus more on counterinsurgency and less on its long-running feud with India".¹²

There is much more to the Obama strategy, but whatever else this line of Administration thinking may signal, certainly it signals a US intent which does not call for US pressure on India to appease Pakistan. That would be crude realpolitik, and would not reflect the sophisticated realist and complex way in which this Administration can reasonably be expected to operate. In general, worry from India over renewed American arm-twisting on any matter of disagreement, like that experienced in the remembered past, is surely premature, and probably (or hopefully) unjustified.

However, "expect" may be too strong a word. The history of US-India missteps and ups-and-downs in the relationship cannot be overlooked. What has really found expression in these pages is "hope". But behind it lies a strong belief. The belief is that India and the US are not without the means to prevent a serious downturn in their relationship if they wish to prevent it. Neither side is helpless in face of change in Washington and New Delhi. Constructive management of future problems is surely possible if both sides deploy diplomacy that is skilled, and draws from more than a decade of bilateral experience. Such diplomacy should also be strenuous, egalitarian, and realistic.

12 Cooper and Shankar, 'Obama Afghan Plan...' (see above). Someone like myself who remembers the Vietnam War, and the follies then given out as military information, must treat these claims with some caution.

Re-focusing on India-US Economic Relations

G. Balachandran and Cherian Samuel

India-US economic relations are an important element in the overall relationship between the two countries. Almost all economic indices bring out the importance of this aspect of the relationship to the economic well-being of both countries.

While it is in the interest of all countries to work towards free trade, the fact that they are all in different stages of development and have to safeguard the interests of vulnerable sections of the population make open trade policies difficult to implement in the short run. Governments have been engaged in the process of resolving these issues through the WTO and other fora with mixed success. Even though only 30 countries make up 80% of world trade, increasing multi-polarity makes it that much more difficult to negotiate rules-based structures through the on-going WTO negotiations. This has led to an increase in bi-lateral Free Trade Agreements (FTA). An India-US FTA is currently not feasible because it would run up against the same obstacles that bedevil the WTA negotiations.

Nonetheless, as much attention should be paid to a strategic approach to economic relations as is currently given to “strategic trade”, a term that has come to be used by both sides to refer to trade in sensitive items that have dual-use capability.¹ With a majority government coming to power in Delhi, India is poised to continue the reforms process that

1 For instance see America.gov, U.S., *India Announce Progress in Strategic Trade Talks: Initiative targets trade in energy, space and high-tech industries*, at <http://www.america.gov/st/washfile-english/2004/September/20040917190916ndyblehs0.9136316.html>

could well prove to a key factor in overcoming ongoing global recession. The new trade in goods and services based on intellectual property necessitates that governments can and should take a more proactive role for a number of reasons. In the first instance, the symbiosis in the economic structure is still latent, and needs support in terms of infrastructure, government policies and availability of capital to enable a viable ecosystem to develop. The transition to knowledge based economies that both countries are undergoing and the resultant trade in goods and services based on intellectual property necessitates that governments can and should take a more proactive role since the rules of a global economy based on transactions in services are still being worked out.

A Historical Prelude

Even during the a period of estranged relations, a major motivator for engagement with India on the part of the US Government was to prise open closed Indian markets for the benefit of US companies. India was susceptible to such pressures, especially during the nineties, when its economy was in dire need of foreign exchange and had to borrow from the International Monetary Fund and the World Bank. These institutions, under the control of Western governments, invariably imposed conditionalities linked to opening up of the markets. US representatives in India kept up a steady drum beat of pronouncements, calling for the opening of Indian markets, a practice that, incidentally, continues to this day.² Successive Indian governments have been gradually opening up the economy since economic liberalisation took wing in the nineties and the Indian economy has today become an integral part of the interdependent globalised economy. Indeed, the

2 Remarks by Steven J. White, U.S. Deputy Chief of Mission to the American Chamber of Commerce Annual General Meeting, New Delhi, April 24, 2009, at <http://newdelhi.usembassy.gov/pr042409.html>.

ongoing global financial crisis has seen a reversal of roles, with the developing countries calling for open markets and increased freedom to trade in areas like services while the developed countries are going down the protectionist path.

India's Globalised Economy

A number of key indices show the extent to which the Indian economy has integrated with the rest of the world. Where the ratio of global trade to GDP increased from 20 per cent in the nineties to 30 per cent today, India's trade to GDP ratio increased from 22.5 per cent of GDP in 2000–01 to 34.8 per cent of GDP in 2006–07. (The implication of this is that one in every three Indians is, directly or indirectly, impacted by external trade.³) If services trade is included, the increase is higher at 48 per cent of GDP in 2006–07.

Table 1: Projected Exports of Services and Merchandise from India (\$ billion)

Year	Services	Merchandise
2009	149.2	185.3
2010	190.6	218.9
2011	243.4	258.6
2012	310.9	305.5

Source: Federation of Indian Chambers of Commerce and Industry

A recent report projects that India's export of services may surpass export of goods by 2012. India's exports of services will be close to \$311 billion by 2012, overtaking the expected level of merchandise exports of \$305 billion.

3 Manoj Pant, 'Indo-US Trade Relations: A Strategic Approach', in Sisodia *et al*, *India-US Relations: Addressing the Challenges of the 21st Century*, Magnum Books, 2008, p. 48.

Where merchandise trade is concerned, the big news in 2008 was of China surpassing the US to become India's largest trading partner, with bilateral trade between the two countries reaching \$50 billion (up from \$38 billion the year before).⁴ In the same period, trade with the US showed a subdued upward trajectory at \$44 billion (up from \$41 billion in 2007). However, the caveat with exports to China, for instance, as noted in the Economic Survey 2007–08, is that “current exports are tilted towards a single item, i.e., iron ore (44 per cent share in April–September 2007–08) which needs to be conserved for future development.”⁵

Where services trade is concerned, India's services exports reached \$76.2 billion in 2007. Software services made up 45 per cent of services trade, with the bulk of this going to two countries, the US and the United Kingdom.⁶ The surplus in trade balances on account of software services exports was an important element in maintaining India's balance of payments.

India-US Trade Relations

Trade in Goods

Trade with the US, both export and imports, have been on an upward trajectory since 2002. While exports to the US stood at \$12 billion in 2002, it had doubled to \$26 billion (12.7 per cent of India's total exports) by 2008. Against this, imports from the US went up by four times

4 Though the economic downturn has seen a 29 per cent drop in trade volume, both countries have set a goal of reaching \$60 billion by 2010. See *Hindu Business Line*, Indo-China trade volumes dip 29%, 8 May 2009, at <http://www.thehindubusinessline.com/2009/05/08/stories/2009050851881500.htm>.

5 Government of India, *Economic Survey* 2007-08, p. 145. The other major item is non-ferrous metals (6 per cent share).

6 *Ibid.*, p. 121.

from \$4 billion in 2002 to \$18 billion (8.4 per cent of total imports) in 2008 making India the 17th largest trading partner of the United States.⁷ The single largest component of goods imported from the US was transport equipment, of which between 2002 and 2008, India imported nearly \$30 billion worth. While US imports from India are mainly of gems and jewellery, and apparels, there has been a steady increase in other sectors such as medicinal, dental and pharmaceutical preparations. Future growth areas identified include defence equipment and technologies, and nuclear equipment and technologies.

However, trade in both these areas is contingent on the easing of restraints on high technology and dual-use items. These restraints were primarily created to prevent sensitive technologies from falling into Soviet hands during the Cold War era but have persisted since the US sees cutting edge technologies as a national resource, giving it certain advantages.

Nuclear Agreement

The agreement on civilian nuclear energy is widely expected to boost bilateral trade with benefits to both sides. As Secretary of State Condoleezza Rice said in her testimony to the US Senate, the Nuclear Agreement would “provide a new market for American nuclear firms.... The initiative may add as many as 3,000 to 5,000 new direct jobs in the US and about 10,000 to 15,000 indirect jobs in the US.”⁸ However, this is yet to materialise even though the Nuclear Agreement has gone through and other countries, including France and Russia, have signed deals for nuclear reactors. Talks over reprocessing rights, which were

7 ‘Ron Kirk wants improvement in trade’, *The Hindu*, 27 October 2009, at <http://www.hindu.com/2009/10/27/stories/2009102757791500.htm>.

8 United States Secretary of State Condoleezza Rice’s opening remarks before the Senate Foreign Relations Committee on the US-India Civil Nuclear Cooperation Agreement in Washington, DC, April 5, 2006, at <http://in.rediff.com/news/2006/apr/05ndea7.htm>.

to be subsequently negotiated, are yet to take place though the Indian government has formally requested for negotiations to begin as set down in the 123 Agreement.⁹ In the meantime, India has gone ahead and issued letters of intent to US companies for the construction of reactors that will generate 10,000 megawatts of nuclear energy.¹⁰ According to Indian officials, there has also been progress on the other major sticking point, that of India joining the international nuclear liability convention, with the interagency consultations within the Indian government having been concluded.¹¹

Defence Trade

One of the prime motivators for the Nuclear Agreement on the US side was the expectation that it would have a positive fall-out in areas such as defence trade, where there was both a trust deficit as well as procedural obstacles to the sale of sensitive technologies to India. Pentagon officials estimated in 2005 that as much as \$5 billion worth of arms manufacture would be purchased as soon as the nuclear deal was signed. This estimate has turned out to be accurate with two deals being concluded—that of six Lockheed Martin Corp C-130J Super Hercules military transport planes and eight Boeing P-8I maritime

9 As per Article 6(iii) of the Agreement, “Consultations on arrangements and procedures will begin within six months of a request by either party and will be concluded within one year.” India has already made the request and the talks will have to be concluded by August 2010. Some see the recent appointment of Ellen Tauscher, a known opponent of the Nuclear Agreement, as the Undersecretary for Arms Control and International Security in the State Department as a setback, since she would be tasked, in that capacity to negotiate on reprocessing rights. However, as a former politician, she might prove to be more flexible on the issue than other candidates such as Robert Einhorn who were considered for the post.

10 Address by Shri Shyam Saran, Special Envoy of Prime Minister at Brookings Institution, Washington, March 23, 2009, at <http://mea.gov.in/speech/2009/03/23ss02.htm>.

11 Ibid.

patrol aircraft, worth in excess of \$3 billion.¹² India estimates that its military modernisation plans will entail the purchase of over \$120 billion worth of defence equipment. According to former Foreign Secretary Shyam Saran, a large part of this can be “reoriented towards the US” but this will “require the US to overcome lingering Indian doubts about the reliability of US supplies as also to find a mutually acceptable solution to the thorny issue of end-use monitoring of transferred defence articles.”¹³ Two US companies, Lockheed Martin and Boeing, are also vying for the contract for multi-role fighter aircraft, estimated at \$11 billion.

High-technology Trade

As far as the future of India-US trade is concerned, it is evident that it will move increasingly into high technology goods and services space. Imports of high technology goods from the US rose from \$1.2 billion in 2002 to \$8 billion (45.8 per cent of total imports from the US) in 2007.¹⁴ Exports of high technology goods from India also rose from \$198 million to \$708 million in 2007 before crossing the billion dollar-mark in 2008. The major items in the imports basket were in the aerospace (\$6 billion) and information and communications (\$1 billion) categories while the major exports were in life sciences (\$508 million) and information and communications (\$364 million) categories. This was despite the existing restrictions on the export of dual use technologies and items to India. Defence trade, in particular,

12 ‘US OKs record \$2.1 bln arms sale to India’, March 17, 2009, at <http://in.biz.yahoo.com/090317/137/batbav.html>.

13 Saran, n.10.

14 The US Census Bureau includes 10 Groups under the Advanced Technology Products classification. These are 1) Biotechnology 2) Life Science 3) Opto-Electronics 4) Information and Communications 5) Electronics 6) Flexible Manufacturing 7) Advanced Materials 8) Aerospace 9) Weapons and 10) Nuclear Technology. For more information, see <http://www.census.gov/foreign-trade/reference/glossary/a/atp.html>.

is impacted by the fact that a number of Indian government entities such as various arms of the Defence Research and Development Organisation (DRDO), the Indian Space Research Organisation, and the Department of Atomic Energy are still on the US Department of Commerce' Entity List, which imposes licence requirements on exports to these organisations, usually on a case-by-case basis.

The major obstacle to increased trade is the restraints on technology transfer on the grounds of national security. The paradox was summed up at a seminar in September 2008 where one of the speakers noted that "it is greatly in the interest of innovative nations to restrict technological access, both to limit misuse and to preserve advantage, but at the same time, it is also fundamentally in their interest to share this technology, precisely because sharing generates more innovation, more wealth and more prosperity, which in turn strengthens existing relationships and promotes stability and security."¹⁵ Until the latter view gains ground, co-operation to the benefit of both countries will remain stalemated.

Trade in Services

Trade in services, including software services, has implications that go far beyond what obtains in merchandise trade since it involves the movement of invisibles and people. The ripple effects can be felt in areas as diverse as investment, technology partnerships, political and strategic dynamics, and immigration patterns.

Imports of services from the US totalled \$9.3 billion in 2007 while exports totalled \$9 billion. Of this, exports of software services from India were in the region of \$4 billion while imports of software services from the US stood at \$193 million. The US provided nearly 60 per

15 Statement by Mark Fuller of the Monitor Group at a seminar on *U.S. Technology Transfer and International Security for the Future*, September 24, 2008, American Enterprises Institute; podcast, at <http://www.aei.org/event/1798>.

cent of revenues in the software services export sector. The banking and financial services companies were the major customers of these services, accounting for over 41 per cent share.

The provision of software services to US companies by Indian companies has become a controversial issue in the US, with the argument being made that this is being done at the cost of US jobs and in order to maximise profits. This has been further aggravated by allegations that there is rampant misuse of the H1B specialty visas, leading to further loss of US jobs.

The H1B and Outsourcing Issues

The current global financial crisis has led to renewed calls for a relook at the system of allowing foreign professionals into the US through the H1B and related visa programmes. The H1B visa programme, started in 1990, was envisaged as a mechanism to enable US companies to source the best and the brightest to fill gaps in skill sets and overcome scarcity of trained manpower. The success of this mechanism is reflected in the growth of the US technology industry over that period, even in the face of competition from other parts of the world. Outsourcing was another child of the nineties, as US companies sought to reduce costs by shifting operations to cheaper destinations. While manufacturing shifted to China, companies like General Electric shifted services to India. Over time, Indian companies like Infosys came to specialise in this rapidly growing space.

The criticism of the H1B and the related L1 visa programmes revolves around accusations that they are being used by both foreign and US companies to bring non-American nationals into the country where they replace American workers. Even US blue-chips are accused of engaging in this practice; Microsoft, the fifth largest procurer of H1B visas, has recently been castigated for retrenching over 5,000 employees while at the same time asking for an increase in the H1B cap. It is also

alleged that workers brought in by outsourcing companies are made to work on a pittance in order to maximise profits. The outsourcing companies are also accused of using the H1B visa programme to get their employees to come over to the US in order to acquire the skill-sets of the American workers they are replacing after which they are sent back to India. In other words, the accusations are that there is a gross misuse of the H1B programme and most companies utilise it in a way that goes against both the letter and the spirit in which it was conceived.

Thus, the H1B issue and outsourcing controversy are inter-related but require different solutions. With regard to the issue of the misuse of H1B visas, such malpractices can be countered through closer supervision. Controversies over H1B notwithstanding, the fact remains that outsourcing is an integral part of globalisation and exists across companies, sectors and countries. It takes advantage of new technologies to maximise efficiencies and is a part of the business innovation cycle necessary for economic growth. Therefore, if the H1B programme did not exist, it would in all probability have to be invented for the good of the US economy. So also with outsourcing. Though outsourcing began as a way to cut costs, it has evolved into a business model centred around a global manufacturing chain, where businesses source brainpower wherever it is available.

There have been occasional attempts at reforming the H1B programme, with the latest attempt by Senators Grassley and Durbin, who tabled their proposed legislation in the Senate on April 23, 2009. This Bill, the H1B and L1 Visa Reform Act of 2009, if passed in its present form will prohibit companies that have over 50 per cent of the staff on H1B and L1 visas from hiring more people on these two visas. The major stipulations in the Bill flow from the clause that “the employer shall not place, outsource, lease, or otherwise contract for the services or placement of H1B non-immigrants with another employer, unless the employer of the alien has been granted a waiver.” Essentially, this means that companies cannot outsource functions to another company

with H1B visa-holders unless the outsourcing company gets a waiver from the Department of Labour. In order to qualify for a waiver, the outsourcing company has to establish that the client hasn't laid off US workers six months before and after the outsourcing company has been contracted, as well as give other evidence to prove that the visa holder is working under the supervision of the outsourcing company and not the client company.

Other provisions include the stipulation that the salary offered to the H1B holder must be the highest of the following three benchmarks:

(I) the locally determined prevailing wage level for the occupational classification in the area of employment; “(II) the median average wage for all workers in the occupational classification in the area of employment; and “(III) the median wage for skill level 2 in the occupational classification found in the most recent Occupational Employment Statistics survey...¹⁶ Further research needs to be undertaken to see whether these provisions effectively act as a protectionist measure and price Indian companies out of the market.

While this Bill has only been introduced, amongst the first acts of President Obama after being sworn into office was to sign into law the American Recovery and Reinvestment Act, which also incorporates the Employ American Workers Act. This Act has a number of provisions limiting companies that seek funding under the Troubled Asset Relief Programme (TARP) from employing H1B visa holders.¹⁷ These include:

1. that the employer has, prior to filing the H1B petition, taken good-faith steps to recruit US workers for the position for which the H1B worker is sought, offering a wage that is at least as high

16 Congressional Record- Senate, S4690, *H-1B and L-1 Visa Reform Act of 2009*, April 23, 2009.

17 A full list of companies that have applied for funds can be viewed at <http://projects.nytimes.com/creditcrisis/recipients/table>.

as that required under law to be offered to the H1B worker. The employer must also attest that, in connection with this recruitment, it has offered the job to any US worker who applies and is equally or better qualified for the position.

2. that the employer has not laid off, and will not lay off, any US worker in a job that is essentially equivalent to the H1B position in the area of intended employment of the H1B worker within the period beginning 90 days prior to the filing of the H1B petition and ending 90 days after its filing.

Taken together, these provisions effectively barred companies from recruiting workers through the H1B programme unless they fulfilled the stringent conditions. Subsequent clarifications by the US Citizenship and Immigration Services confirmed that the laws would not affect existing H1B holders within these companies and that the provisions had a validity of two years.¹⁸ Despite these clarifications, there has been a marked fall in the number of applications received in 2009, with only 44,000 applications against a quota of 65,000, with the result that the normal 5-day application period for the visas has been extended indefinitely.¹⁹ Indian companies such as Infosys and Wipro have applied for a fraction of their normal applications with Infosys, for instance applying for only 400–500 visas for the financial 2008–2009 as compared to 4,500 filed last year.²⁰

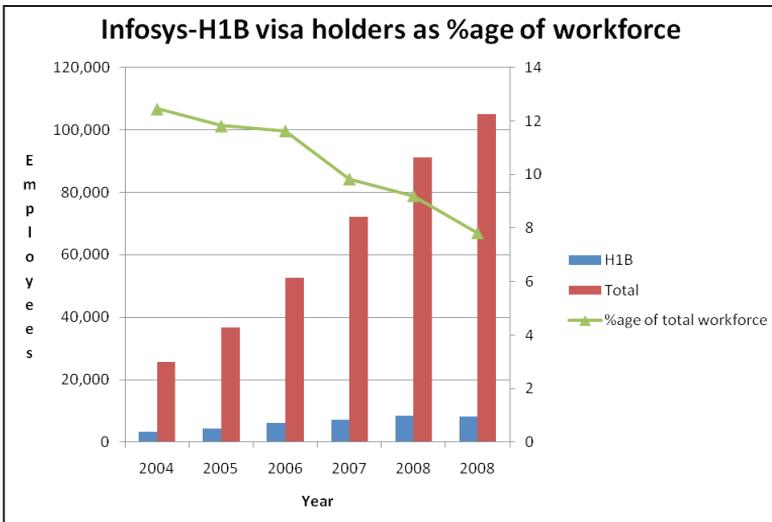
18 'USCIS, Questions and Answers: Employ American Workers Act and its Effect on H-1B Petitions', at <http://bit.ly/uv7u2>.

19 As on April 20, 2009. In the preceding year, more than 163,000 applications were received.

20 'IT cos' H1B visa application nos drop', CNBC, via Moneycontrol.com, April 27, 2009, at <http://www.moneycontrol.com/india/news/cnbc-tv18-comments/it-cos-h1b-visa-application-nos-drop/395312>.

The unspoken assumption in all these legislative actions are 1) that a large part of US jobs are being shipped overseas, and 2) that the H1B programme is the major culprit behind the outward flow of American jobs. Both these assumptions are not backed up by facts. Statistics show that jobs filled by H1B visa candidates each year represent less than one-twentieth of 1 per cent of total US employment. A perusal of the utilisation of H1B visas by Infosys shows that the proportion of visa holders to total workforce has fallen drastically from 12.45 per cent in 2004 to 7.81 per cent in 2008 even as the number of employees quadrupled from 25,000 in 2004 to 100,000+ by 2008.

Table 1



Source: SEC filings by Infosys

One of the pending issues that have been discussed off and on by the two sides has been that of having a totalisation agreement between the two countries. Temporary workers on H1B visas are subject to social

security and medicare taxation in the US but the US has agreements only with some 22 odd countries that allow for exemption from these taxes or refunds on exit. India's Ministry of Commerce estimated in 2003 that this amounted to \$500 million annually though this figure would have gone up substantially since.²¹ A possible reason why this has been pursued sporadically by the Indian government is the sensitivity of the issue involved.

US Investment in India

Though US share in the inward flow of investment into India was substantial at the beginning of the decade comprising 11.5 per cent of total investment, it has come down to 5.4 per cent in 2008 with Mauritius taking the place of the US as the source of the largest flow of funds for investment purposes. Foreign investors prefer to take the Mauritius route to invest because of its policies of low taxation on off-shore corporate combined with the existence of a Treaty with India that avoids double taxation on funds entering and leaving India through Mauritius. Investment from the US totalled \$1 billion in 2007–08 as compared to \$11 billion from Mauritius.²²

21 'US assures social security benefits for Indian techies', *India Times*, June 14, 2003, at <http://infotech.indiatimes.com/articleshow/22062.cms>.

22 'India gets 43% FDI through Mauritius route', *Mint*, April 19, 2009, at <http://www.livemint.com/2009/04/19143056/India-gets-43-FDI-through-Mau.html>. The Mauritius investment route has not been without its share of controversies. See [moneycontrol.com](http://www.moneycontrol.com), *End of the Mauritius advantage?* May 9, 2009, at <http://www.moneycontrol.com/india/news/management/end-mauritius-advantage-/12/35/396898>.

Table 2

SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOWS (Financial year-wise):

Ranks	Country	Amount Rupees in crores (US\$ in million)					
		2005-06 (April- March)	2006-07 (April- March)	2007-08 (April- March)	2008-09 (April- Jan.09)	Cumulative Inflows (April '00 to Jan. '09)	%age to total Inflows (in terms of rupees)
1.	MAURITIUS	11,441 (2,570)	28,759 (6,363)	44,483 (11,096)	42,394 (9,545)	152,768 (35,180)	43 %
2.	SINGAPORE	1,218 (275)	2,662 (578)	12,319 (3,073)	14,636 (3,237)	32,761 (7,694)	9 %
3.	U.S.A.	2,210 (502)	3,861 (856)	4,377 (1,089)	7,192 (1,639)	27,149 (6,172)	8 %
4.	U.K.	1,164 (266)	8,389 (1,878)	4,690 (1,176)	3,478 (791)	22,542 (5,154)	6 %
5.	NETHERLANDS	340 (76)	2,905 (644)	2,780 (695)	3,636 (826)	15,557 (3,531)	4 %
6.	JAPAN	925 (208)	382 (85)	3,336 (815)	1,171 (264)	10,507 (2,390)	3 %
7.	GERMANY	1,345 (303)	540 (120)	2,075 (514)	2,623 (604)	9,361 (2,148)	3 %
8.	CYPRUS	310 (70)	266 (58)	3,385 (834)	4,738 (1,040)	8,805 (2,025)	3 %
9.	FRANCE	82 (18)	528 (117)	583 (145)	1,885 (425)	5,269 (1,186)	2 %
10.	U.A.E.	219 (49)	1,174 (260)	1,039 (258)	947 (220)	3,820 (883)	1 %
TOTAL FDI INFLOWS *		24,613 (5,546)	70,630 (15,726)	98,664 (24,579)	105,673 (23,885)	375,773 (86,396)	-

Note: (i) *Includes inflows under NRI Schemes of RBI, stock swapped and advances pending for issue of shares.

(ii) Cumulative country-wise FDI inflows (from April 2000 to January 2009) – Annex-A'

(iii) %age worked out in rupees terms & FDI inflows received through FIPB/SIA+ RBI's Automatic Route+ acquisition of existing shares only.

Source: RBI Factsheet on Foreign Direct Investment

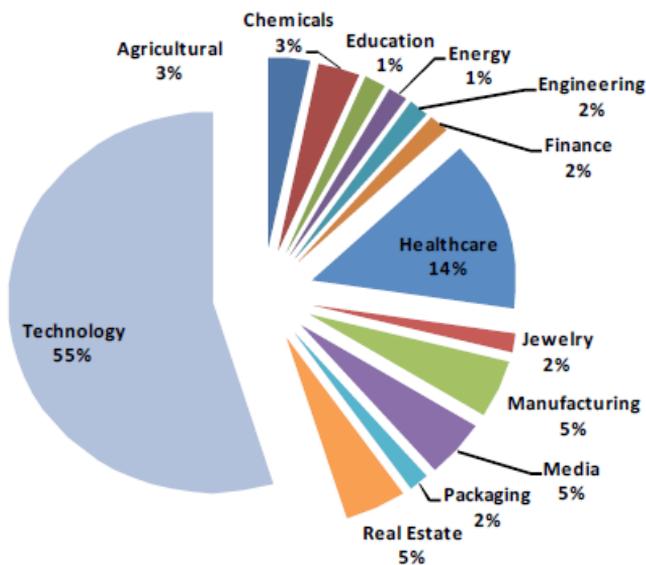
Cumulative US investment in various sectors in India stood in the region of \$13 billion at the end of 2007, according to statistics from the US Census Bureau. Of this, 30 per cent was in information technology services, followed by 21 per cent in manufacturing. Finance and depository institutions together made up 24 per cent of the investment.

An analysis of technology transfer approvals by the Reserve Bank of India between 1991–2008 also gives an indication of the extent of US investment in India. Approvals of transfer of technology by US companies made up 22 per cent of total approvals during this period. The sector with the largest approvals (15.67 per cent) was the electrical equipment sector, which also included computer software and electronics.

Indian Investment in the United States

Indian investment in the US has been more through the mechanism of mergers and acquisitions, with Indian companies acquiring over 83 companies in the US with a cumulative value of over \$10 billion in 2007. In 2008, the value of M&A deals was only \$3.4 billion through 62 transactions. According to RBI statistics, 13 per cent of total outward investment was directed towards the US in 2008–09.²³

Sector-wise, the largest portion of the pie belonged to information technology followed by healthcare.



Source: Virtus Global Partners²⁴

23 RBI Bulletin, January 2009, *Indian Investment Abroad in Joint Ventures and Wholly Owned Subsidiaries: 2008-09 (April-December)**, p. 647.

24 Virtus Global Partners, *US-BOUND ACQUISITIONS BY INDIAN COMPANIES Analysis of 2009 and 2008 Transactions*, March 9, 2009, p. 1.

While information technology and associated services have provided much of the ballast for India-US services trade, there is ample scope and a need to diversify in keeping with the changing trends in the world economy. Government-led initiatives are required for Indian companies to enter sunrise sectors such as energy efficiency, climate change and healthcare.

While venture capital funds are used to provide much of the early stage funding for these sunrise industries and technologies, that is unlikely to be the case going forward. In the first instance, unlike the information technology sector, these new sectors are capital intensive and have long gestation periods, making them unfeasible for venture capital investments, which look for early exits. In the second instance, the global financial crisis has dried up the amount of capital that VC firms have on hand for investment. According to research firm, Dow Jones VentureSource, US venture capital available for global investment in the March quarter of 2009 was half of what was available in the same quarter in 2008, “dipping to a five-year low of \$1.87 billion, while in India it was down by 29 per cent.”²⁵ Currently, the US, Europe, Canada and Israel receive 93 per cent of total VC funding while China and India share the rest.²⁶ While such figures might seem like a small drop in the ocean in a trillion dollar economy like India or the US, the role of venture capital funds in nurturing technology hotspots such as Silicon Valley and Bangalore cannot be overstated. One way for the two governments to synchronise the triumvirate of investment, technology and labour, that is essential for innovation in a knowledge-based

25 ‘US VC investment halves globally; down 29% in India’, *Mint*, May 7, 2009, at <http://www.livemint.com/2009/05/07165927/US-VC-investment-halves-global.html>.

26 n.24, p. 1. About 60 per cent of VC funding went to IT companies, 30 per cent to life sciences companies and the remaining to companies in the business/consumer/retail industries

economy, is to replicate the BIRD Foundation model of encouraging innovation between Israel and the US.²⁷

Conclusion

There is much scope for deepening and widening India-US trade in goods and services, not just as an end in themselves, but in pursuit of larger goals. Foremost among these goals is channelising technology and investment towards areas such as climate change and alternative fuels, where technological solutions can play a role in forestalling threats to national and international security. This is best done through the creation of an ecosystem that transcends boundaries. While the Indian government has initiatives like the establishment of hubs for growth areas such as pharma and nano technologies, such initiatives will only succeed if all the links from research and innovation to marketing are in place.

On the US side, while a recent poll showed that “a significant majority of Americans believe that “advanced technology” will play a critical role in solving many of the country’s problems,”²⁸ there is inadequate appreciation of the fact that the onward march of advanced technologies, whether it be nuclear, or nano, increasingly lies in global collaboration. The obstacles that come in the way, such as the slow pace of reforms in India and holdovers from the Cold War era have

27 BIRD is an acronym for Israel-US Binational Industrial Research and Development. According to its website, The BIRD Foundation was established by the U.S. and Israeli governments in 1977 to “generate mutually beneficial cooperation between the private sectors of the U.S. and Israeli high tech industries, including start-ups and established organisations.” BIRD provides both matchmaking services between US and Israeli companies, as well as funding covering up to 50 per cent of project development and product commercialisation costs. To date, BIRD has invested over \$245 million in 740 projects, which have produced sales of over \$8 billion.

28 ‘Consumers’ High Hopes for a High Tech Future’, The Harris Poll, 20 April 2009, at http://www.harrisinteractive.com/harris_poll/pubs/Harris_Poll_2009_04_20.pdf.

to be systematically dismantled and resolved for the partnership to accelerate. Both sides have to take a long-term view of economic relations and overcome the existing duality of rivalry/partnership that leads to continued suspicions. The existing mechanisms for cooperation such as the HTCG and the myriad Joint Working Groups can only function effectively if there is sufficient support and direction at the political level.

The Obama Administration and Nuclear Issues

Rajiv Nayan

During the erstwhile United States (US) administration headed by the Republican President, George H. W. Bush, a number of non-proliferation writers directly or indirectly associated with the Democratic Party were highly critical of US nuclear policy. A number of them were also critical of the July 2005 India-US civil nuclear energy initiative, which facilitated the India-specific exemptions in the Nuclear Suppliers Group, and which finally resulted in an agreement between the two countries. The 2008 Presidential election gave the US a Democrat president—Barack Obama. During his election campaign Obama, along with his Democrat vice-presidential running mate Joseph Biden, articulated the Democrats' position on various nuclear policy issues. Some of their pronouncements generated an impression that the Barack Obama Administration would shift US nuclear policy. Can Obama effect a radical change in US nuclear policy and posture which may have serious implications for India and the India-US relationship shaped during the Bush Administration? The paper argues that structural and systemic forces would force Obama to adopt a nuclear policy vis-a-vis India which could not be radically different from that of the Bush Administration. With the passage of time, we may witness convergence of the Republican and Democrats attitude towards nuclear issues and India.

Civil Nuclear Energy Cooperation

On civil nuclear energy cooperation, the Obama inspired amendment of the Hyde Act is quite famous. The purpose of moving the amendment in the bill, which is now the Hyde Act, was apparently to clarify US policy on the matter of deterring foreign governments to conduct nuclear tests. The amendment interestingly was moved by Senator Richard G. Lugar of Indiana on behalf of Obama, which was later passed by voice vote. The Obama amendment got a new section—United States Policy regarding the provision of nuclear power reactor fuel reserve to India—inserted in the Hyde Act. The text of the amendment reads, “It is the policy of the United States that any nuclear power reactor fuel reserve provided to the Government of India for use in safeguarded civilian nuclear facilities should be commensurate with reasonable reactor operating requirements.”¹ Obama had also supported some of the rejected amendments which would have adversely affected India’s quest for civil nuclear energy. When Barack Obama was to assume the US Presidency, in India and even in some quarters of the US, anxiety threatened to mar the prospect of the India-US civil nuclear cooperation. This disquiet continued even after Obama became President. The principal reason of the anxiety was the proximity of President Obama to the leading campaigners against the US-India nuclear deal and the President’s own wavering on the deal during its passage in the Congress. However, it needs to be remembered that despite all its wavering Obama voted in its favour during the crucial phases.

However, later, Obama clarified, “The existing agreement effectively balanced a range of important issues—from our strategic relationship

1 United States Congress, Senate, Congressional Record, November 16, 2006, pp. S10985 and S11083

with India to our non-proliferation concerns to India's energy needs."² Thus, in all possibility, India need not fear on that count. After he assumed Presidency, Obama made it clear that even his Administration would go along with the deal. Several US officials from time to time have reiterated that the US-India civil nuclear energy cooperation is a commitment of the US government. In October 2009, Secretary of State, Hillary Clinton, in response to a question, told, "the nuclear accord, which we support—I supported it as a senator, the Obama Administration supports it as a government—is embedded in a broader strategic dialogue that we are engaged in with the Indians. We view our relationship as one that is comprehensive and very deep in terms of the issues that we wish to explore with our Indian counterparts and the areas where we are either already or look to cooperate. The agreement is one that reflects the negotiations between India and the United States. We're not going to claim or use it as a template in its specifics. But in general, the kind of efforts to offer peaceful nuclear energy, while at the same time having safeguards and verification that will prevent others from going beyond the peaceful use of nuclear energy, is something that we are looking at very closely. The so-called 123 agreements that have been negotiated or are in the midst of being negotiated with other countries raise a lot of the same issues."³

On October 17, 2009, the Indian government announced two sites for the US nuclear power plants. These sites are located in Chhayamithi Viridi, in Gujarat, and Kovvada, in Andhra Pradesh. After the announcement the US Ambassador to India remarked, "This development not only promises to deliver greater access to clean and affordable energy and electricity for all Indians, particularly the most

2 "Obama will not change nuclear deal with India: report", July 12, 2008, <http://afp.google.com/article/ALeqM5hD8rqCuh4wxWg6iW2PESOvIdukTQ>

3 Hillary Rodham Clinton, "Remarks at the United States Institute of Peace", Washington DC, October 21, 2009, <http://www.state.gov/secretary/rm/2009a/10/130806.htm>

disadvantaged and the rural poor, but it will also produce jobs and economic opportunities for the people of both India and the United States.”⁴ During the July 2009 visit of Secretary of State, the Indian government announced allocation of two sites for generating civil nuclear energy, only the names of the exact locations were announced on October 17, 2009.

Obama looked sceptical of national nuclear capabilities during his election campaign as he feared that under the “auspices of developing peaceful nuclear power” countries may develop nuclear weapons. Obama, once a reluctant champion of ‘Atom for Peace’ now seems to have realised the potential of nuclear energy. Obama, in his remarks and speeches after becoming President, has been highlighting the need to “create safe nuclear power”. In the Obama Administration’s energy programme, the expansion of nuclear power plants is going to find a rightful place. The US government is engaging leading international companies in its nuclear expansion mission. The French companies like Areva are active in the US. The US is foreseeing a role for India in its nuclear vision.

During his election campaign, Barack Obama had promised to work with other willing countries to set up a new ‘international nuclear energy architecture’ which may have among other components an international nuclear fuel bank, international nuclear fuel cycle centres, and reliable fuel supply assurances. The new architecture was proposed to address ‘growing demands for nuclear power without contributing to the proliferation of nuclear materials and fuel production facilities.’⁵ However, the developing world, including India, opposed the Obama

4 Embassy of the United States, “India announces two nuclear power sites for the United States”, Press Release, October 17, 2009, <http://newdelhi.usembassy.gov/pr101709b.html>

5 Organizing for America, “Homeland Security”, http://www.barackobama.com/issues/homeland_security/index_campaign.php

model in the International Atomic Energy Agency (IAEA) on grounds of national sovereignty. It was argued that enrichment or nuclear fuel development is permissible under international law and this sovereign right of a nation should not be curbed. Yet, India is not opposed to the idea of unconditional fuel bank operating under the IAEA. The same position, it seems, is on multilateral nuclear fuel cycle.

A Nuclear Weapons-free World and India

The Democrats in the US have a large number of strong nuclear disarmament advocates. In one of the election pamphlets, it was stated, “This is the moment when we must renew the goal of a world without nuclear weapons. The two superpowers that faced each other across the wall of this city [Berlin] came too close too often to destroying all we have built and all that we love. With that wall gone, we need not stand idly by and watch the further spread of the deadly atom... . This is the moment to begin the work of seeking the peace of a world without nuclear weapons...”⁶ A campaign literature of the Democratic Party informs: “Obama and Biden will set a goal of a world without nuclear weapons, and pursue it. They will take several steps down the long road toward eliminating nuclear weapons.” Obama has expressed his willingness to work with Russia on arms control, non-proliferation and nuclear disarmament.

Indeed, Obama, during his election campaign, harped on the need for nuclear disarmament, but almost simultaneously he made the point that he would not advocate unilateral nuclear disarmament for the US. Even in his famous Prague speech he did talk about ‘America’s commitment

6 “Remarks of Senator Barack Obama: A World that Stands as One”, July 24, 2008, http://www.barackobama.com/2008/07/24/remarks_of_senator_barack_obam_97.php

to seek the peace and security of a world without nuclear weapons.⁷ He explained the reasons for a new weapon free world. Dubbing the existence of nuclear weapons as the most dangerous legacy of the Cold War, which continues despite the end of the Cold War, he declared that the elimination of nuclear weapons is a key to international security of the 21st century. He said that the elimination would ensure peace in the world, global safety and security and the right of people everywhere to live free from fear. Moreover, President Obama acknowledged that as the only country that used nuclear weapons it is the responsibility of the US to take the initiative and the leadership for nuclear disarmament. However, in the Prague speech itself Barack Obama admitted that the nuclear disarmament “goal will not be reached quickly — perhaps not in my lifetime. It will take patience and persistence.”

Barack Obama, quite importantly, stated several times during his election campaign that the US defence forces will be modernised to meet new security challenges, yet he did not specify how far the nuclear forces may be modernised. In fact, he had declared that he would disallow development of new nuclear weapons. The question that comes up is: can he do it? It will be difficult for the Democrats to ignore the modernisation of nuclear forces as long as the nuclear policy establishment advocates safe, credible, and reliable nuclear forces to sustain nuclear deterrence. A Pentagon report has already registered a concern: “...the average age of the stockpile has tripled since the cessation of testing in 1991, and no new warhead production has occurred since the early 1990s.” The same report notes, “Theater nuclear capabilities have been particularly neglected in strategic guidance, since they are only loosely affiliated with the nuclear triad composed of ICBMs [Intercontinental Ballistic Missiles], SLBMs [Submarine Launched Ballistic Missiles], and bombers (B-52, B-2).

7 The White House, the Office of Press Secretary, “Remarks by President Obama at Prague”, April 5, 2009, http://www.whitehouse.gov/the_press_office/Remarks-By-President-Barack-Obama-In-Prague-As-Delivered/

The guidance that does exist for these capabilities is inconsistent and ambiguous, and there is little Combatant Command (COCOM) advocacy for theater nuclear capabilities.” Finally, the report concludes, “The weapons systems that compose the nuclear triad were built and designed decades ago. If the United States is to maintain a strong nuclear deterrent for the foreseeable future, a strategic roadmap for nuclear weapons systems and delivery platforms should be developed.”

In practice, the universal disarmament scenario seems quite remote and in the near future, almost impossible. Here, too, we discover that the support for nuclear disarmament is merely ritualistic. There is very little difference in perception between the two administrations on the issue. So, Obama also appears disappointing nuclear disarmament enthusiasts and his thinking on this issue tends to converge with the hawkish Republicans. Nuclear disarmament enthusiasts may be further disappointed when Obama is forced to modernise the American nuclear weapon stockpile and refuses to even reduce the foreign deployment of nuclear weapons. India, for years, has been a champion of nuclear disarmament. It has continued to champion for the goal even after going nuclear. As discussed, the goal of nuclear disarmament does not appear becoming a reality. Suppose, it becomes a reality, India would be quite glad to join a genuine disarmament move and plan.

Non-proliferation

Expressing the fear that about twelve countries in and around West Asia may go nuclear, Obama once remarked that no new country should join the nuclear weapon club.⁸ He has launched a strong diplomatic campaign to promote non-proliferation. Whether India likes it or

8 “The American Moment: Remarks to the Chicago Council on Global Affairs”, April 23, 2007, http://www.barackobama.com/2007/04/23/the_american_moment_remarks_to.php

not, non-proliferation is going to dominate the security agenda in the near future. The world will have to gear up for new non-proliferation initiatives which may be more rigorous. On November 11, 2009, Undersecretary of State for Arms Control and International Security Ellen Tauscher was in India to promote non-proliferation. Before her, several US officials have been interacting with India for either making India a partner in the US non-proliferation mission or making India accept some of the favourite non-proliferation initiatives.⁹ India, which for years gave a priority to nuclear disarmament, gradually realised that it is a distant dream as the Nuclear Non-Proliferation Treaty (NPT) defined nuclear weapon countries are reluctant to implement Article 6 of the NPT for nuclear disarmament and thus India is now actively engaged to non-proliferation, a pragmatic approach. There are several issues on which India and the US may have to find common grounds, but the entire relationship on non-proliferation may hinge on the US policy on three key issues—NPT, Comprehensive Test Ban Treaty (CTBT), and Fissile Material Cut-off Treaty (FMCT).

NPT

The Obama Administration has adopted a somewhat different approach towards the NPT. The advent of the Obama Administration seems to have revived the issue of universalisation of the NPT. Rose Gottemoeller, Assistant Secretary, Bureau of Verification, Compliance

9 The New Foreignpolicy.com, “Tauscher promotes new missile defense plan before trip to Europe”, November 12, 2009, http://thecable.foreignpolicy.com/posts/2009/11/12/tauscher_promotes_new_missile_defense_plan_before_trip_to_europe

and Implementation, in her May 2009 speech¹⁰ to the Third Session of the Preparatory Committee (PrepCom) of the 2010 Review Conference (RevCon) made the remark: ‘Universal adherence to the NPT itself—including by India, Israel, Pakistan and North Korea—also remains a fundamental objective of the United States’. It puzzled the Indian strategic community which was content with and overconfident after the India-specific NSG exemptions. It also strongly believed that the NPT chapter is closed at least vis-à-vis India. The Indian strategic community was also puzzled over what the US administration meant by universalisation of the NPT in the changed environment.

Afterwards, the idea of universalisation of the treaty seemingly moved on with the passage of the United Nations Security Council Resolution (UNSCR) in September 2009. The UNSCR 1887 adopted on September 24, 2009 “calls upon all States that are not party to the NPT to accede to the Treaty as non-nuclear weapon States so as to achieve its universality at an early date, and pending their accession to the Treaty, to adhere to its norms.” Quite interestingly later, in November, 2009, US-EU summit, too, demanded all the three non-members of the NPT to join the treaty as a non-nuclear weapon country.¹¹ The Indian government, which also looked content with the NSG exemptions and was repeating the old line on the NPT, formulated a bold and futuristic policy on the NPT. For the first time, the Indian government officially indicated towards signing the NPT as a nuclear weapon country. The

10 United States of America, the Department of State, “Statement of Rose Gottemoeller”, Third Session of the Preparatory Committee 2010 Review Conference of the States Parties to the Treaty on the Non-Proliferation of Nuclear Weapons, May 5, 2009, www.un.org/disarmament/WMD/Nuclear/NPT2010Prepcom/PrepCom2009/statements/2009/05May2009/05May2009AMSspeaker-4-USA.pdf.

11 Council of the European Union, EU-US Summit, November 3, 2009, Washington, http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/er/110929.pdf.

Indian permanent representative letter to the UN addressed to the President of the Security Council quite categorically explained:

India's position on the Nuclear Non-Proliferation Treaty (NPT) is well-known. We cannot accept any obligations arising from treaties that India has not signed or ratified. This position is consistent with the fundamental principles of international law and the Law of Treaties. India cannot accept calls for universalization of the NPT. As India's Prime Minister stated in Parliament on 29 July, 2009, there is no question of India joining the NPT as a non-nuclear weapon state. Nuclear weapons are an integral part of India's national security and will remain so, pending non-discriminatory and global nuclear disarmament.¹²

In an extraordinary statement, on October 21, 2009, US Secretary of State, Hillary Clinton at the United States Institute for Peace stated, "So—India we see as a full partner in this effort, and we look forward to working with them as we try to come up with the 21st century version of the NPT." Before the G-8 Meeting at L' Aquila in July 2009 deliberated on adapting the NPT to the new security situation. In fact, these two positions solidify with the current Indian policy understanding. This reasonable solution would also lead to a practical solution of the problematic relationship between India and the NPT.

CTBT

A high level task force, which had influential members from both the American political formations, and which had the authorisation of

12 Government of India, Ministry of External Affairs, Letter from Permanent Representative of India to the UN addressed to the President of the Security Council outlining India's approach and perspectives regarding the Security Council's Summit meeting on Nuclear Non-Proliferation and Nuclear Disarmament, September 24, 2009, find at: <http://meaindia.nic.in/>

the Department of Defense seems to have put enormous pressure on the Obama Administration to adopt a pragmatic policy not only on nuclear disarmament but also on nuclear testing and the Comprehensive Test Ban Treaty (CTBT). In reality, it would be difficult for Obama to overlook the pro-test lobby in Pentagon. Obama and his administration killed the Reliable Replacement Warhead Programme but there is a strong section that does not favour even an untested Reliable Replacement Warhead programme notwithstanding data collected through numerous American nuclear tests.

It is widely believed that a Democrat administration in a Democrat-controlled Congress may push for ratification of the CTBT for promoting US global nuclear non-proliferation agenda. However, as discussed, the Pentagon and the general American security establishment have a different understanding about the need for the US to test. Once the idea of the nuclear establishment prevails, it will not be easy for the US non-proliferation lobby and pro-CTBT elements in the Democratic Party to push for ratification of the CTBT. Suppose the pro-CTBT elements have their way in the Congress, then the US will try to rope in all the other countries in the CTBT framework. In this situation, India may have to calculate its security interests vis-à-vis CTBT. If India's security interests do not allow it to go the CTBT way, it may have to stand up to American pressure. If for its security interests the US can refrain from ratifying the CTBT, it has no moral authority to undermine security interests of India.

FMCT

As for the FMCT, if the pronouncements of Team Obama during and after elections are believed, the Obama Administration had changed the US position and posture on a verifiable FMCT. Unlike the Bush Administration the Obama team has submitted to the Conference on Disarmament (CD) that it would like to have a provision for verification

included in the FMCT, several countries which are reluctant to accept an FMCT without the verification provision may not object or abstain from negotiations of the treaty. However, there are still two major caveats. First, Obama's election time non-proliferation posture is getting modified by the imperative of the security establishment. It will not be unrealistic to predict that the US future position on the verification provision in the FMCT may be modified under the pressure of the security establishment. The second is the linkage of several other issues to the negotiations and the successful conclusion of the FMCT. An FMCT may become a reality only when all the hindrances existing in the US and inside the CD are removed. If all the hindrances are removed and an FMCT becomes a reality, then India may come under pressure to ratify. India has already expressed its commitment to the negotiations for an FMCT. In the emerging scenario in which FMCT becomes a reality and India has to embrace it, India may have to expedite the process of fissile material production for its credible minimum deterrence. In the interim period, it may stay away from the treaty without blocking its negotiations.

De-alerting Nuclear Weapons

As thousands of nuclear weapons of the nuclear weapon countries, including the US remain on high alert, the international community and the international organisations have started highlighting these issues. The US and Russia are the principal targets of the international appeal. In fact, in January 2009, a resolution was sponsored in the UN to decrease the operational readiness of nuclear weapons. Obama, during his election speeches and after assuming administration seemed paying attention to the international concern on high alertness of nuclear weapons. A 'de-alert agreement' between the US and Russia may be signed. Afterwards such an agreement may be pushed to encompass new nuclear weapon countries. Already some influential think tanks

and research institutes have started working on this idea.¹³ The question arises: should India worry about such a move? For a bilateral agreement or multilateral agreement several factors, including feasibility of the concept, may be taken into account. However, unlike some nuclear weapon countries, India apparently has not kept its system on high alert. It may have to reach out to explain or inform about the status of readiness of its nuclear weapons.

Nuclear Terrorism

One of Obama's campaign literatures lists nuclear materials in the hands of terrorists as the gravest threat the US and the world are confronting today. In his election speeches, he said, "Now, we worry about 50 tonnes of highly enriched uranium—some of it poorly secured—at civilian nuclear facilities in over forty countries around the world... Now, we worry—most of all—about a rogue state or nuclear scientist transferring the world's deadliest weapons to the world's most dangerous people: terrorists who won't think twice about killing themselves and hundreds of thousands in Tel Aviv or Moscow, in London or New York."¹⁴ During his election campaigns, Obama had promised to secure all nuclear material in four years. Thus, during the campaign, the Democrats promised to remove all nuclear weapons and materials from the custody of terrorists such as the Al Qaeda as also 'rogue states'. It should be really interesting to see a new initiative address this. The Bush Administration has already initiated several measures.

13 Nuclear Threat Initiative, "Diplomats Debate Expectations for NPT Under Obama", November 12, 2008, http://gsn.nti.org/gsn/nw_20081112_5740.php

14 "Remarks of Senator Barack Obama: Summit on Confronting New Threats", July 16, 2008, http://www.barackobama.com/2008/07/16/remarks_of_senator_barack_obam_95.php

Now the Obama Administration has endorsement of the Security Council which means a global effort would be made to secure all vulnerable nuclear materials within four years. The US is hosting a summit on nuclear security in April 2010. It is expected that the institutions and initiatives that combat the smuggling, financing, and theft of proliferation-related materials may be consolidated. Freezing of proliferation-related financial assets and stronger safeguards could be important components of the future initiatives. India has already joined a number of treaties and initiatives such as Container Security Initiative and the Global Initiative to Combat Nuclear Terrorism. India has got very positive attitude towards any multilateral initiative. It is also going to participate in the April 2010 US summit on nuclear security.

Obama has promised that there will not be another incidence of nuclear proliferation such as was encouraged by the Pakistan-led proliferation network which may then spread technology to countries hostile to the United States.¹⁵ However, he has said that he believes that a strong democratic Pakistan will lead to “securing of all nuclear materials from terrorists and rogue states”.¹⁶ Certainly, it is a questionable proposition. No one can guarantee that the network does not exist and that all nuclear weapons and materials are secured in Pakistan. The release of A Q Khan is a big jolt to the efforts to the global determination to nab perpetrators of the proliferation network. India and the US need to focus on the proliferation network rooted in Pakistan, which needs to be uprooted.

15 Organizing for America, “Remarks of Senator Barack Obama: Summit on Confronting New Threats” July 16, 2008, www.barackobama.com/2008/07/16/remarks_of_senator_barack_obam_95.php

16 “Remarks of Senator Barack Obama: A New Strategy for a New World”, July 15, 2007, http://www.barackobama.com/2008/07/15/remarks_of_senator_barack_obam_96.php

Conclusion

The Obama Administration, like any other previous administration—whether Republican or Democrat—has to speak a more inclusive language in matters of nuclear policy. It cannot simply afford to speak the language of its non-proliferation constituency. True, during the election campaign, the non-proliferation lobby appears to have had more influence than other groupings on nuclear issues. In the course of time, we may expect further moderation in the stand of the Obama Administration. The competing interests of the security establishment and other establishments will determine the policy outcome in the future. In India, the ideal situation may demand balancing resources between non-proliferation and nuclear disarmament, but in reality, we witness that old guards are able to manage the nuclear disarmament dominate the policy making process. In fact, the country needs a sound strategy for non-proliferation which is unfortunately lacking now.

Counterproliferation under Obama: Will Bush's 'Forward Policy' be Reversed?

A. Vinod Kumar

Though the concept of counterproliferation existed from the time of the Manhattan Project, as a military means to tackle nuclear proliferation, it was President Clinton's Secretary of Defense, Les Aspin, who gave it a formal structure through the Defense Counterproliferation Initiative (DCI) in 1993. His successor, George W. Bush, upgraded counterproliferation as a "forward policy on proliferation",¹ however, with a marked shift towards preventive use of force in dealing with proliferation. Along with the revamping of the US Ballistic Missile Defense (BMD) programme, President Bush launched a handful of counterproliferation initiatives like the Proliferation Security Initiative (PSI) and the Container Security Initiative (CSI) among others, as a proactive policy to deal with a whole gamut of proliferation risks ranging from potential threshold states to non-state actors and clandestine nuclear trading networks. Facing flack over the unilateralist character of many of these initiatives, the Bush Administration promoted multilateral programmes like the Global Initiative against Nuclear Terrorism (GI) and the Global Nuclear Energy Partnership (GNEP), among others.

1 Referred by John Bolton, then Under Secretary for Arms Control and International Security, in a testimony to the House of Representatives, International Relations Committee, 4 June 2003, at www.house.gov/international_relations/108/bolt0604.htm.

Obama's Prospective Counterproliferation Policy

President Barack Obama came to the White House with promise of change, which connoted a radical transformation from the policies of his predecessor. The Bush doctrine had become a draconian phenomenon, especially after the invasion of Iraq which was justified as a counterproliferation action to eliminate Saddam Hussein's WMD programmes. However, Bush's reliance on military tools for anti-proliferation tasks was globally detested, especially with its undeclared political underpinnings like regime change. Though President Bush also favoured diplomacy (like the six-nation talks and willingness for dialogue with Iran during the end of his tenure), his counterproliferation policy was largely identified as a key element of his unilateralist foreign policies.

By projecting change in the way Washington dealt with such issues, President Obama is expected to initiate a transition from unilateralism to reconciliation and engagement. Reconciliation could primarily depend on how he corrects the methodologies of his predecessor, including a possible departure from terminologies like 'rogue states', 'axis of evil' and 'outposts of tyranny', which embodied President Bush's foreign policy dogmas. By terminating the Global War on Terror nomenclature, it is clear that the Obama juggernaut is on a roll. However, this does not signify a thematic departure from Bush's strategies. Rather, Obama endorsed the principles of many of Bush's initiatives, only resists their character. The initial months of his Presidency marked a subtle continuation of some key policies of his predecessor, though it is likely that gradual shifts suiting his dogmas could take place after consolidating in office. Based on his pre-election pronouncements, the primary structural change he could undertake on counterproliferation programmes is their cooperative enhancement so as to gain global support. For that to happen, he is expected to augment the consultative

nature of these initiatives and ensure that anti-proliferation partnerships transcend the traditional military alliance framework.

Ballistic Missile Defence

President Bush's initial plan was to go for a limited deployment of a layered BMD network for boost, midcourse and terminal phases by 2005. However, only a handful of systems like the Aegis BMD, the Theatre High Altitude Area Defense (THAAD) and the Patriot Advanced Capability-3 (PAC) had matured into deployment stage. Key systems for the mid-course and boost phases—the Ground-Based Midcourse Defense System (GBMDS) and Airborne Laser (ABL)—are still undergoing development and is under Congressional scrutiny. Amid such development travails, the Bush administration had planned to deploy the GBMDS in Eastern Europe, which was opposed by Russia.

From his campaign days, Obama shared the traditional Democrat's reticence towards missile defence. He was ready to deploy only the proven systems under tight budgets while terminating the money-guzzlers. In a July 2007 statement, Obama said: "As President, I will make sure any missile defense, including the one for Europe, has been proven to work and has our allies' support before we deploy it."² In another statement, he said "We must seek a nuclear missile defense and demand that those efforts use resources wisely to build systems that would actually be cost-effective and, most importantly, will work."³ His scepticism on the technology could be traced to his vote in US Congress against enhancing funding for projects without tangible progress towards maturity.

2 Barack Obama, 'Obama Statement on Visit of Polish President Lech Kaczynski', 16 July 2007, at http://obama.senate.gov/press/070716-obama_statement_73/.

3 Obama for America, 'A 21st Century Military for America: Barack Obama on Defence Issues', at www.barackobama.com/pdf/Defense_Fact_Sheet_FINAL.pdf.

However, despite his cynicism, Obama could consider BMD as a key catalyst for his disarmament vision. While striving to reduce the salience of nuclear weapons in US security strategy, Obama could project a nationwide missile defence shield as a credible defensive alternative. In the long term efforts towards elimination of nuclear weapons, BMDs could provide defensive deterrence during the phased reduction of the arsenal. Obama also initiated a shift from President Bush's unilateral declarations on foreign BMD deployments by exploiting their utility for diplomatic leverage. The emphasis on dialogue and diplomacy on active defences were prominent in the negotiations with the Russians on the East European BMD. After offering to withdraw the European BMD if Moscow convinces Tehran to correct its nuclear behaviour,⁴ Obama cancelled the East European BMD plan and converted it into a mobile deployment version in Europe, thus illustrating his concern over BMDs as a stimulant for strategic instabilities.

As far as India is concerned, scope of cooperation in BMD has not progressed beyond official statements, despite its emphasis in the Next Step in Strategic Partnership (NSSP) of January 2004. This could partly be attributed to the indigenous BMD development programmes undertaken by the Defence Research and Development Organisation (DRDO), which has initiated development tests of its Prithvi Air Defence (PAD) and the Advanced Air Defence (AAD) systems. On the other hand, there has been lack of clarity on what amounts to actual technology partnership—whether it pertains to joint development or as technology assistance to the Indian programme. If it is the third category of off-the-shelf purchases, then, it should be appreciated that scope for such purchases might have limited with the DRDO campaign as well as due to the absence of concrete proposals from the US other than the Patriot Advanced Capability (PAC) system.

4 Peter Baker, 'Obama offered deal to Russia in secret letter', *New York Times*, 2 March 2009.

The initial scope of cooperation was stymied when the Bush administration refused to transfer the Arrow-II system to India and instead offered the PAC-III. Upon Washington's refusal, the DRDO might have convinced the government on its capability to develop BMD systems. Irrespective of the fate of the indigenous programme, which could be a long haul, opportunities for cooperation exist beyond the realm of system sales to technology assistance. The DRDO would gain by partnering with the MDA through development assistance in theatre defence, command and control, and surveillance technologies. On the other hand, if DRDO fails to meet declared targets, it would pave way for Indian forces to seek systems like the Aegis Naval BMD or the THAAD system for advanced theatre defence. Nonetheless, with ambiguity over Obama's preferences on external BMD partnerships, it would be prudent to wait for his administration to come clean on its policy and then explore the avenues further.

Counterproliferation Initiatives

The Bush administration had progressed considerably in promoting new counterproliferation initiatives like the Proliferation Security Initiative (PSI) and Container Security Initiative (CSI). Launched in May 2003 with 11 partner states, to encourage cooperation in interdiction of proliferation sources on land, at sea and in air, over 90 countries are now known to be supporting the PSI. Though partner states are exhorted to use their "national legal authorities and commitments to international legal frameworks" to legitimise military interdictions, the Initiative's legality has been repeatedly questioned.⁵ While proponents of the PSI cite covenants like the United Nations Convention on Law of Sea (UNCLOS) and Articles 51 and 52 of the United Nations Charter as its *raison d'être*, the PSI's operational space primarily centres

5 Mark J. Valencia, 'The Proliferation Security Initiative: Making Waves in Asia', *Adelphi Paper* 376, IISS, (October 2005).

on references in United Nations Security Council Resolution (UNSCR) 1540 and the 2005 Protocol to the SUA Convention (Convention for Suppression of Unlawful Activities against the Safety of Maritime Navigation), which calls for action against WMD proliferation while safeguarding the rights of flag states.

The CSI, on the other hand, has enjoyed a comparatively successful sojourn. The Initiative intends to create a network of ports across partnering countries, where surveillance and monitoring systems would undertake automated ‘non-intrusive’ screening of containers.⁶ Presently an initiative between the US and partner states, Washington intends to promote the CSI into a global benchmark for oceanic trade. However, operational stumbles persist on jurisdiction issues as well as staffing problems at hand for the US Customs and Border Protection (CBP), which manages the initiative.

Whilst Obama has not spelt out his perspectives on the character of Bush’s counterproliferation initiatives per se, his approaches on proliferation issues seemed supportive of the principles envisaged by these initiatives. His framework for counterproliferation, as explicated in election campaigns, encompass key objectives, namely—securing all nuclear weapon materials at vulnerable sites and taking efforts to stop smuggling of such materials in order to ensure non-state actors do not access them; phasing out highly enriched uranium from the civil sector; strengthen policing and interdiction efforts; build state capacities to prevent theft, diversion or spread of nuclear materials; and convening a summit on preventing nuclear terrorism.⁷

6 Gurpreet S. Khurana, ‘India and the Container Security Initiative’, 17 July 2007, at www.idsa.in/publications/stratcomments/GurpreetKhurana170707.htm.

7 ‘Presidential Q&A: President-elect Barack Obama’, *Arms Control Today*, December 2008, at www.armscontrol.org/system/files/Obama_Q-A_FINAL_Dec10_2008.pdf.

Topping the Obama administration's priority would be strategies to tackle the possibilities of WMD resources falling into the hands of terrorist groups. Obama believes that the biggest nuclear security risk of the 21st century is not from a rogue state lashing out with missiles, but a terrorist smuggling a crude nuclear device across borders. As president, he promises to lead a global effort to secure all nuclear weapons materials at vulnerable sites within four years. Obama had affirmed to work with Russia in this effort as well as with other countries to develop and implement a comprehensive set of standards to protect nuclear materials from theft.

Cooperation with Russia is clearly underlined owing to the fact that a major part of the current cooperative threat reduction measures revolves around the former Soviet Republics. In August 2005, as Senator, Obama had traveled with Richard G. Lugar to nuclear and biological weapons destruction facilities in the former Soviet Union, where they also urged the destruction of conventional weapons stockpiles.⁸ While committing to expand the Nunn-Lugar Cooperation Reduction Programme, Obama also talked of fully implementing the Lugar-Obama legislation⁹ to help countries detect and stop WMD smuggling. The formidable part of Obama's nuclear threat and risk reduction agenda, thus, could be to inhibit the formation and pervasion of proliferation channels and thwart terrorist groups from accessing such channels. Obama recognizes that this part would progress only with international partnerships in intelligence, law enforcement, border controls and transportation security, besides monitoring financial transactions.¹⁰ This entails initiation of the second step, an overlapping

8 Janny Scott, 'Obama's account of New York years often differs from what other say', *New York Times*, 30 October 2007.

9 With Lugar, Obama had introduced the Cooperation Proliferation Detection, Interdiction Assistance, and Conventional Reduction Act, which was passed as part of the Department of State Authorities Act of 2006.

10 For details, see http://origin.barackobama.com/issues/homeland_security/.

process, of strengthening policing and interdiction efforts. This aspect of nuclear threat management is assigned to key initiatives like the PSI and CSI.

While PSI intends to strengthen the law enforcement framework over global trading channels, it also invokes military interdiction as a central tool to deal with critical proliferation-related policing situations. Obama recognises the utility of this much debated programme of his predecessor, and would seek to enlarge its scope and opportunities by institutionalising its structures and operations so as to garner greater support. His campaign had emphasised the efforts his presidency would take to “expand the responsibilities of PSI partners not only in stopping illicit nuclear shipments, but also in eradicating nuclear black market networks”. A stronger PSI, the campaign said, “will produce greater international intelligence and police cooperation, maintain tougher export controls and criminal penalties for violations in countries, and apply the tools developed to combat terrorist financing and shutting down proliferators’ financial networks.”¹¹

Similar importance could also be placed on border controls and transportation security by providing augmented organisational basing and enhanced financial support for the CSI and Megaports Initiative. This approach was emphasised by Obama to the *Arms Control Today* when he said: “we spend more than \$10 billion a year on missile defense, but far too little on securing nuclear materials around the world and improving security (including detection) at our ports and borders. We must focus our defenses on the most likely threats.” Besides, all these efforts are entwined with the US assistance to states in meeting their UNSCR 1540 obligations alongside the steps to cover the threat from bio-terrorism. The other part of this agenda

11 ‘Barack Obama Campaign Promise No. 192: Strengthen the PSI aimed at stopping spread of WMD’, at www.politifact.com/truth-o-meter/promises/promise/192/strengthen-the-proliferation-security-initiative/.

is to strengthen consequence management which Obama feels could be done by building capacities to mitigate the consequences of a bio-terror attack. For the post-attack scenario, he seeks to continue the Bush administrations efforts to improve state emergency responses including accelerating the development of new medicines, vaccines and production capabilities.

The interesting aspect in Obama's elucidation, however, is on his de-emphasis of the preemptive nature of the counterproliferation initiative, and instead focuses on strengthening international cooperation in intelligence gathering and law enforcement, not merely military interdiction. In fact, he would give diplomacy a greater say, with an "expansion of the foreign service and capacity development of civilian aid workers to work alongside the military". He even talks of stopping closure of consulates and in turn opening new ones in "tough and hopeless corners of the world"—possibly Pyongyang and Tehran.

Amidst this overlay of diplomacy, one major promise by Obama in this direction is to "convene a Summit on Preventing Nuclear Terrorism in 2009 of leaders of Permanent Members of UN Security Council and other key countries to agree on implement many of these measures on a global basis". In his Prague Speech of 5 April 2009, Obama declared that this Summit will form part of effort for greater and durable institutionalization of existing initiatives like the Global Initiative to Combat Nuclear Terrorism (GI).¹² He later reiterated this message and called for greater global participation and commitment to implement the principles of the Initiative in a message sent to the

12 The GI intends to build partnerships to combat nuclear terrorism by standardising best practices and encouraging capacity building among nations. Starting with 40 countries in 2006, over 75 nations including India are GI partners today. For more on the Initiative see, 'The Global Initiative to Combat Nuclear Terrorism – Fact Sheet', US Department of State, at www.state.gov/t/isn/c18406.htm.

plenary meeting of the Initiative on 16 June 2009.¹³ Being among the handful of multilateral initiatives of his predecessor, the GI has gained considerable support, though progressing at a slow pace. With abundant importance placed on nuclear terrorism, the Obama administration might want more proactive programmes and concrete initiatives to work towards meeting this threat. A stimulant through the UNSC, Obama might have felt, could further rejuvenate this process. Besides, the institutionalisation at the White House would also happen when Obama appoints a deputy national security advisor to coordinate all US programmes aimed at reducing the risk of nuclear terrorism and weapons proliferation.

Thus, counterproliferation under Obama could experience a new thrust, by departing from the Bush's unilateralist approach. Obama discards Bush's Iraq model when he promises to eliminate the nuclear weapons programmes of Iran and North Korea through tough and direct diplomacy. Obama talks of giving real incentives and pressures to prevent Iran from acquiring nuclear weapons while eliminating fully and verifiably North Korea's nuclear programme. In place of military tools, Obama seeks to engage the International Atomic Energy Agency (IAEA) in these efforts by strengthening its hands.

Counterproliferation as an operational model and military interdiction as a primary tool are ideas not favourable to New Delhi, especially the reliance on pre-emption as well as the political underpinnings like regime change. However, New Delhi was keen to contribute to specific initiatives like PSI and CSI which could address the proliferation risks in the Indian Ocean Region (IOR) as well as South Asia. India was receptive to proposals of joining the CSI and had reportedly prepared

13 'Enhancing International Partnerships', Remarks by C.S. Eliot Kang, Acting Assistant Secretary, Bureau of International Security and Nonproliferation, at the 2009 Plenary Meeting of the Global Initiative to Combat Nuclear Terrorism, The Hague, Netherlands, 16 June 2009.

to upgrade the Jawaharlal Nehru Port Trust in Mumbai as a CSI-compliant port. A political announcement was expected in July 2007 though a governmental declaration is yet to happen. Some operational and jurisdictional issues involving the Indian Customs and the US officials operating in Indian ports could be a likely cause of delay. However, there seems to be general consensus that India can join a maritime security initiative like the CSI and thus save costs involved in transshipment of US-bound cargo to ports like Colombo, besides the benefits of installing advanced surveillance and monitoring equipments at Indian ports.

As for the PSI, India seems keen to invest in steps to enhance the security of sea lanes in the IOR. Though advocates of the Initiative would contend that the PSI has now progressed into a law enforcement activity, New Delhi still treats the Initiative as a military instrument with a unilateral character. However, the Indian establishment do not seem averse to the idea of using military tools to deal with twin threats of proliferation and terrorism in sea channels. Even while being keen to use such methods to deal with proliferation and terror threats emanating from Pakistan and aspiring to confront the purported proliferation nexus between its two nuclear-armed neighbours, India is still sensitive to the PSI's political manifestations when it comes to countries like Iran. This apprehension was wrought in August 2008 when New Delhi first allowed and then refused over-flight rights to a North Korean aircraft headed for Teheran, which was suspected of carrying sensitive cargo.¹⁴ By refusing over-flight, New Delhi could have thwarted a proliferation opportunity, but also a chance to intercept and confirm these suspicions.

Besides such political concerns, the reference on nuclear commerce rights solely being restricted to Nuclear Non-Proliferation Treaty (NPT)

14 A. Vinod Kumar, 'Did India thwart Iran's nuclear plans?' *Sify*, November 2008, at http://sify.com/news/fullstory.php?a=jegvxljehdi&title=Exclusive_Did_India_thwart_N_shipment_to_Iran.

state parties in the 2005 Protocol to the SUA Convention also adds to India's reluctance to sign the NPT as New Delhi felt this restricts India's right to nuclear commerce and that India too is likely to be subjected to PSI actions. However, with the Nuclear Suppliers Group (NSG) waiver of September 2008 allowing nuclear trade with India, this issue might have been sufficiently addressed. While the PSI was put in the backburner owing to the political din during the UPA government's first tenure, it will now have approach the proposal afresh while facing the prospect of increasing pressure from the Obama administration to join the initiative. This could be attributed to the fact that the Henry J. Hyde Act of December 2007 had specifically mandated the US government to attain India's participation in the PSI.

Proliferation-resistant Fuel Cycle

A significant policy initiative of the Bush administration was the efforts taken to secure the nuclear fuel cycle from proliferation risks. The Global Nuclear Energy Partnership (GNEP) was floated to address two key barriers in nuclear energy development: *usage of sensitive (reprocessing) technologies responsibly* and *disposal of the waste safely*. The main effort was to establish nuclear fuel banks for countries without reprocessing capabilities and invest in new reprocessing technologies that would retain other elements from the spent fuel along with plutonium, thus making it impure for weapon purposes.¹⁵ But critics had argued that this kind of spent fuel dissemination would be prone to more proliferation risks than keeping it free from reprocessing. Though 21 countries had partnered in the GNEP, it has been a slow starter thanks to other initiatives of same nature and lack of sufficient support in the US Congress.

15 Miles Pomper, 'GNEP Membership May Double, but Domestic Future in Doubt', *Nuclear Energy Futures*, The Centre for International Governance Innovation, Number 9, August 2008.

Barack Obama, as presidential candidate, though was less enthusiastic on nuclear energy, had expressed support for a new international nuclear energy architecture, which could comprise of an international fuel bank, fuel cycle centers and reliable fuel supply assurances. With nuclear energy issues holding salience in the presidential campaign and competing sides arguing on the merits and demerits of spent fuel storage and reprocessing, GNEP held centre-stage in the debate. Republicans promoted the GNEP as an avenue to invest in the development of new generation of fast-neutron reactors, which also entailed construction of additional spent fuel storage facilities. However, Obama placed his cards on dealing with the storage problem first before leaping into funding for research on new reactor or reprocessing technologies.

While supporting investments in nuclear energy, he felt the over-emphasis is unwarranted as concerns on nuclear waste and non-proliferation has not been sufficiently addressed. In a June 2008 speech, Obama said: "I don't think it's our optimal energy source because we haven't figured out how to store the waste safely or recycle it".¹⁶ The clear priority in Obama's energy plan is "to lead federal efforts to look for a safe, long-term disposal solution based on objective, scientific analysis".¹⁷ The plan also says that Obama will "develop requirements to ensure that the waste stored at current reactor sites is contained using the most advanced dry-cast storage technology available".

Thus, the future of the GNEP looked bleak under the Obama presidency with Democrats rejecting its fundamental tenets. This fear was validated when a Department of Energy spokeswoman confirmed that the GNEP's domestic component has been cancelled.¹⁸ While

16 'Obama criticizes McCain Nuclear Plan', Reuters, 24 June 2008.

17 See Barack Obama Energy Plan at www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf.

18 US GNEP programme dead, DOE confirms, 15 April 2009, at www.neimagazine.com/story.asp?sectioncode=132&storyCode=2052719.

clarifying this, she declared that the “long-term fuel-cycle research and development programme will continue, but not the near-term deployment of recycling facilities or fast reactors”. By abruptly cutting short deployment plans for reprocessing technologies, Obama sounded the death knell of an ambitious programme of the Bush administration. At the same time, he treads carefully by not sounding pessimistic on proliferation-resistant technologies and unwilling to reject work on fuel-cycle processes. By underlining the threat of proliferation in his energy plan, Obama’s clear emphasis is the security of nuclear fuel and waste and its storage, at the same time not discounting the need for proliferation resistant-technologies. At a Prague meeting in April 2009, Obama talked of a new framework of civil nuclear cooperation, including an international fuel bank, harping on his vision of international nuclear energy architecture. It could therefore be inferred that he would further be acquainted with the need for proliferation-resistant fuel-cycle technologies as he consolidates in office. On the other hand, Obama also promises to promote alternative energy technology as growth drivers and more importantly, as climate change stimulants.

Notwithstanding the Indian nuclear establishment’s disinterest in international fuel cycle partnerships, the NSG waiver throws up opportunities for India to participate in global fuel-cycle initiatives if found to benefit its nuclear industry. However, India was perturbed by the undeclared agenda of GNEP which could be to curtail the reprocessing and enrichment activities of non-weapon states. In a February 2006 speech, President Bush highlighted India as a prospective participant in the GNEP, which many in India felt was an invitation to join not as a ‘supplier’ partner but as a ‘recipient’ country.¹⁹ Consequently, this status was to become a problem, as a recipient state

19 Siddharth Varadarajan, ‘Was Bush’s speech a warning on separation?’, *The Hindu*, 1 March 2006.

under GNEP would have to forego development of enrichment and reprocessing technologies. However, India is not likely to compromise on its reprocessing rights, which has been secured in the 123 Agreement. Rather, India would be keen to partner in such fuel-cycle initiatives, though also eager to share its benefits as an end user, but without surrendering its reprocessing rights.

Conclusion

With his declared commitment to work towards nuclear disarmament, Obama invokes an optimistic approach on non-proliferation as a phased step towards this objective. However, recognising the limitations imposed by realpolitik, Obama prefers a step-by-step approach towards this goal by undertaking measures to strengthen traditional mechanisms like the NPT, the Comprehensive Test Ban Treaty (CTBT) and the Fissile Materials Cut-Off Treaty (FMCT). His predecessor had rejected the validity of many of these old order instruments and in turn promoted counterproliferation and military instruments to deal with threat of WMD proliferation. Departing from this policy, Obama intends to integrate counterproliferation projects with traditional non-proliferation programmes in complementary roles. By doing so, Obama could also discard the unilateral approaches pursued by his predecessor and instead value dialogue, reconciliation and international cooperation to address non-proliferation issues. By institutionalising counterproliferation initiatives, Obama would seek their broader expansion on a cooperative scale. India, though not supportive of Bush's unilateral policies, was keen to contribute to new mechanisms which would deal with proliferation threats in its neighbourhood. It had, however, adopted a wait-and-watch policy to study their evolution and ascertain the role it can play in these instruments. With Obama's policy of cooperative enhancement, India would find it more comfortable to participate in prominent counterproliferation initiatives, but only after ensuring that they do not impinge its own national interests.

US Policy towards Afghanistan under Obama Administration: Indian Responses

Shanthie Mariet D'Souza

Current Security Situation in Afghanistan

The Taliban continue to mount lethal attacks within Afghanistan from their sanctuary in Pakistan's tribal region along the border with Afghanistan, defying the initial expectations of total and swift annihilation in the aftermath of *Operation Enduring Freedom* (OEF). This ongoing military endeavour in its eighth year has made little impact on the capacity of the Taliban-led insurgency¹ to wreak havoc on the fragile security and reconstruction environment in Afghanistan. While southern and eastern Afghanistan have been easy hunting grounds for the Taliban, other areas, even in the relatively stable north, have witnessed increased insecurity and instability. This is primarily due to the symbiotic relationship of the Taliban led insurgency which includes—Taliban guerrillas, followers of Gulbuddin Hekmatyar's radical group Hizb-i-Islami, the Haqqani network, Al Qaeda and its affiliates, religious clerics, narcotic traffickers, armed anti-government groups, tribal fighters and self-interested “spoilers” in the Pakistan-Afghanistan border region. While most of these groups may not share

1 This inference was derived from interviews, briefings, and discussions with the locals, government officials, academia, mediapersons, aid workers in various Afghan provinces in May-June 2007. For further details on the insurgency, see Seth Jones, *Counterinsurgency in Afghanistan*, RAND counterinsurgency study, vol. 4, Arlington, 2008, Antonio Giustozzi, *Koran, Kalashnikov and Laptop: The Neo-Taliban Insurgency in Afghanistan*, Columbia University Press, New York, 2008, Ahmed Rashid, *Descent into Chaos: How the war against Islamic extremism is being lost in Pakistan, Afghanistan and Central Asia*, Penguin, London, 2008, pp.240-261.

the political goals of the Taliban, they do share a common agenda in preventing or limiting the writ of state authority.

The number and incidence of civilian casualties has soared in recent years as violence has surged to levels not witnessed since the Taliban were unseated from positions of authority in 2001. According to the United Nations, in the first eight months of 2008, 1445 civilians were killed in Afghanistan. It represents a rise of 39 per cent on the same period for 2007. In 2008, 2,118 civilians were killed in Afghanistan, compared with 1,523 in 2007, the highest since the Taliban government was ousted in November 2001.² Such reports of mounting civilian casualties have a disastrous effect on popular perceptions by eroding credibility of the Karzai government and causing resentment towards the coalition forces. While the Afghan and international sources maintain that they have been able to eliminate scores of militants, such depletion in the ranks of the Taliban is yet to reflect on the ground situation in Afghanistan, given the steady flow of recruit and support from Pakistan.

US Policy in Afghanistan under the Obama Administration

The election of Democrat Barack Obama brings a new foreign policy direction with greater emphasis on 'Diplomacy and Multilateralism'. The new President, as evident from several of statements and actions in the first 100 days of his presidency, is inclined to bring in several changes to the policies of the Bush administration, many of which are projected to have ramifications not only on Afghanistan but also for South Asia.

2 Dexter Filkins, 'Afghan civilian deaths rose 40 percent in 2008', *International Herald Tribune*, February 18, 2009.

‘Unilateralism’ and ‘misplaced optimism’ of the Bush administration appears to be a thing of the past. President Obama has said, “I’m absolutely convinced that you cannot solve the problem of Afghanistan, the Taliban and the spread of extremism in the region solely through military means. We’re going to have to use diplomacy, we’re going to have to use development.”³ There appears to be a realisation that “unilateral efforts at dominance are likely to fail in the face of countervailing intervention by other outside actors.”⁴ Obama has further said, “Our goal in the region is to keep the American people safe. And I think that the more we can accomplish that through diplomacy, and the more we can accomplish that by partnering with actors in the region, rather than simply applying U.S. military forces, the better off we’re going to be.”⁵

Replicating the Iraq Template

The Obama administration’s foreign policy emphasis moves beyond Iraq, by bringing the Iraq war to a responsible end, as Iraq is not and “never was” the main front of the war on terror. He has maintained, “Iraq was a diversion from the fight against the terrorists who struck us on 9/11, and incompetent prosecution of the war by America’s civilian leaders compounded the strategic blunder of choosing to wage it in the first place.” To that extent, in a July–August 2007 article in the journal, *Foreign Affairs*, Obama has termed the Bush administration’s response to 9/11 “conventional thinking of the past, largely viewing problems as state-based and principally amenable to military solutions”.

3 ‘Obama OKs 17,000 new troops for Afghanistan, Additional Marines, Army soldiers expected to deploy in coming months’, at <http://www.msnbc.msn.com/id/29242187> (Accessed February 28, 2009).

4 Henry Kissinger, ‘Afghanistan: The way forward’, *International Herald Tribune*, February 26, 2009.

5 Mark Silva, ‘Obama: ‘Exit strategy’ for Afghanistan too’, *The Swamp*, February 27, 2009, at http://www.swamppolitics.com/news/politics/blog/2009/02/obama_exit_strategy_for_aghani.html (Accessed March 1, 2009).

In September 2007, Obama released his plan to “responsibly end the war in Iraq” calling for a complete redeployment of US troops from Iraq by the end of 2009, starting immediately. During his July 2008 visit to Afghanistan, Obama described the country as a central front in the battle against terrorism and called for the immediate redeployment of some US combat forces from Iraq to Afghanistan. Obama, in fact, argued the troop surge in Iraq has caused the situation in Afghanistan to deteriorate. In various other forums, Obama has said that he would send at least two more combat brigades to Afghanistan and will “use this commitment to seek greater contributions—with fewer restrictions—from NATO allies”.

True to his campaign pledge of focussing on the Afghan war, President Obama approved the troop surge, signalling his first significant move to change the course of the conflict in that country. In the newly unveiled “AF-PAK” strategy, President Obama has committed 17000 new troops for combat, as well as another four thousand for training Afghan troops.⁶ President Obama’s written statement explained, “This increase is necessary to stabilize a deteriorating situation in Afghanistan, which has not received the strategic attention, direction and resources it urgently requires.”⁷ Most of these new forces are expected to be deployed in southern Afghanistan, where a shortage of US and NATO forces to hold ground has crippled the COIN and counter narcotics efforts. The new US forces will have a dual mission—help double the size of the Afghan Army to 134,000 by the end of 2011 and provide security in Afghan communities. The additional forces are expected to reduce the dependence on the use of air strikes, which have been

6 Stephen Biddle, ‘Obama’s Afghanistan-Pakistan Strategy: ‘A Reasonable First Step’’, Council on Foreign Relations, March 30, 2009, at <http://www.cfr.org/publication/18982/>.

7 Mark Thompson, ‘Obama’s Yes-We-Can War: More Troops to Afghanistan’, *Time*, February 18, 2009, at <http://www.time.com/time/nation/article/0,8599,1880253,00.html>.

responsible for mounting civilian casualties and have raised tension levels between the US and Afghan government.

The recent ‘downward spiral’ in the security situation in Afghanistan has led US military commanders to explore a decentralised approach of recruiting Afghan tribesmen (*arbakai* system) to fight the insurgency. General David Petraeus, the former top commander in Iraq who now heads US Central Command, has supported this bottom-up approach. Taking a cue from the so-called ‘Sunni Awakening’ in Iraq, the approach in Afghanistan would be to seek to extend power from Kabul to the country’s myriad tribal militias. General Petraeus has said that one element of the counterinsurgency strategy he oversaw in Iraq that might be applicable in Afghanistan is outreach to what he has described as “reconcilables” among the insurgents, who have gained ground rapidly in the past year. Defense Secretary Robert M. Gates, speaking on the sidelines of a NATO summit in Budapest in October 2008, said he favoured some form of reconciliation in Afghanistan, though he acknowledged not knowing “how it would evolve”. A week later, during a speech at the US Institute for Peace in Washington D.C., Gates was unequivocal in his support of bringing tribal elements into the fold. “At the end of the day the only solution in Afghanistan is to work with the tribes and provincial leaders in terms of trying to create a backlash... against the Taliban.”

Exploring options of talks with factions or elements of the Taliban has gathered momentum in recent months and the issue has been broached by US President Barack Obama, during an October 2008 interview with *Time* magazine, that opportunities to negotiate with the Taliban should be “explored”. In search for quick fixes and an early exit strategy, the US is seen to be promoting a leadership role for Saudi Arabia in hosting a series of non-official talks between Afghanistan’s oppositional leaderships.. These ideas of negotiations with reconcilable elements of the Taliban is however, being carried out by the Afghan government,

Saudi Arabia, the UN, UK and Western diplomats⁸ with little or no coordination.

Issue of Sanctuary—Pakistan

Contrary to the Bush administration's policy that sought to solve the problem of Afghanistan by making Pakistan an ally in the war on terror, Barack Obama unequivocally maintains that future US efforts "must refocus" on "Afghanistan and Pakistan—the central front in our war against al Qaeda". He believes that a quick reversal of fortunes is still achievable in Afghanistan "only if we act quickly, judiciously, and decisively. We should pursue an integrated strategy that reinforces our troops in Afghanistan and works to remove the limitations placed by some NATO allies on their forces. Our strategy must also include sustained diplomacy to isolate the Taliban and more effective development programs that target aid to areas where the Taliban are making inroads".

Obama during the presidential campaign in the summer of 2007 said he believed the US should hunt al Qaeda forces in Pakistan. "If we have actionable intelligence about high-value terrorist targets and President [Pervez] Musharraf will not act, we will," he said. Obama says the "growing sanctuary" for al Qaeda in Pakistan is a result of failed military strategy in Iraq. The US needs a policy that "compels Pakistani action against terrorists who threaten our common security and are using the FATA and the Northwest Territories of Pakistan as a

8 However, spokesmen for the Taliban leader Mullah Omar have denied any participation, and it is unclear if the Taliban interlocutors who were present in Riyadh have the power to speak for any of the major elements of the insurgency. See Caroline Wadhams, Colin Cookman, Jenny Shin, A 'Downward Spiral' in Afghanistan, Center for American Progress, Washington DC, October 9, 2008, at http://www.americanprogress.org/issues/2008/10/downward_spiral.html; Shanthie Mariet D'Souza, "Talking to the Taliban: Will it ensure 'peace' in Afghanistan?", *Strategic Analysis*, March-April 2009.

safe haven”, Obama said in a July 2008 speech. Obama also maintains that the policy of too much military aid to Pakistan has been counter-productive in the absence of “not enough of it has been in the form of building schools and building infrastructure in the country to help develop and give opportunity to the Pakistani people.”

The Pakistan Taliban have expanded its sweep over a vast of the country, tried to impose the Islamic Shariah law, beheaded opponents, kidnapped and terrorised government officials, bombed girls’ schools, outlawed entertainment and waged a war against the state. In February 2009, the Pakistan government signed a ceasefire deal with the Taliban in the Swat area in the north-western part of the country. The deal led to the imposition of Shariah law on the region. The whereabouts of Afghanistan’s exiled Taliban leaders are not fully known, though reports indicate their presence in Quetta.

As for the sanctuaries that exist in Pakistan due to the government’s political and military inability to control the territory along the Afghan border, Obama administration has to make a clear choice of continuing with the twin policies of assisting the Pakistani military and also to carry out Drone raids in insurgent strongholds in the Pakistani tribal areas. As per reports a massive economic aid package through the Kerry-Lugar bill promising \$1.5 billion to Pakistan for each of the next five years has already been promised by the new administration. To reduce dependence on Pakistan, the US could explore engaging Iran and Russia given that NATO supplies are being increasingly targeted through the Pakistani route particularly in the Khyber agency has become untenable.

Role of Regional Powers

Debates regarding the role of regional powers in stabilising/destabilising Afghanistan have caught international attention with Afghanistan essentially being seen as a regional problem that needs a regional solution. All major regional countries including Iran, Russia,

India, and Pakistan have provided support to either the Afghan government or sub-state actors to pursue their own national interests. Perhaps most contentious is the role of Pakistan's intelligence and paramilitary organizations in supporting the Taliban and other groups, such as the Haqqani network.⁹

The Obama administration has favoured a 'comprehensive strategy' that looks at the problem of Afghanistan regionally, and that goes even beyond Pakistan and India but in some way takes into consideration the interests of Russia, Iran, and even China."¹⁰ The 'smart power' approach as advocated by Hillary Clinton, secretary of state includes regional strategy in addressing the present conflict in Afghanistan. The Obama administration in its early days acknowledged this regional dimension by appointing Ambassador Richard Holbrooke as a special representative to Pakistan and Afghanistan.

In advising the new incoming US administration by espousing the 'grand bargain strategy', Barnett Rubin and Ahmed Rashid stated "The crisis in Afghanistan and Pakistan is beyond the point where more troops will help. US strategy must be to seek compromise with insurgents while addressing regional rivalries and insecurities." They propose launching of an effort, initially based on a contact group

9 C. Christine Fair and Seth G. Jones, 'Securing Afghanistan: Getting on Track', United States Institute of Peace Working Paper, January 23, 2009, at <http://library.usip.org/articles/1012068.1022/1.PDF>

10 Issues Facing NATO on Its 60th Birthday, Council on Foreign Relations, February 26, 2009, at www.cfr.org/publication/18637/what_next_for_nato.html?breadcrumb=%2Findex (Accessed February 27, 2009).

authorized by the UN Security Council, to put an end to the increasingly destructive dynamics of the Great Game in the region.¹¹

While the great game gets ‘newer’ in Afghanistan, the grand bargain strategy could essentially be a non starter. From the Indian perspective, the “grand bargain” involves high-level diplomatic initiative by the US to address the “legitimate sources of Pakistan’s insecurity,” which of course requires India to be brought in to provide the necessary assurances.¹² Beyond India and Pakistan, the US would have to involve countries such as Russia to set out a clear strategy in Afghanistan. As Henry Kissinger says, “With Russia, it requires a clear definition of priorities, especially a choice between partnership or adversarial conduct insofar as it depends on us.”¹³ More broadly, the Obama administration would have to take the lead in seeking to confront the interlocking security dilemmas that have poisoned the West Asian political environment and turned Afghanistan into a theatre of struggle for influence between diverse forces— Pakistani, Indian, Iranian, Russian, and Arab.¹⁴

11 This contact group, including the five permanent members and perhaps others (NATO, Saudi Arabia), could promote dialogue between India and Pakistan about their respective interests in Afghanistan and about finding a solution to the Kashmir dispute; seek a long-term political vision for the future of the FATA from the Pakistani government, perhaps one involving integrating the FATA into Pakistan's provinces, as proposed by several Pakistani political parties; move Afghanistan and Pakistan toward discussions on the Durand Line and other frontier issues; involve Moscow in the region's stabilization so that Afghanistan does not become a test of wills between the United States and Russia, as Georgia has become; provide guarantees to Tehran that the U.S.-NATO commitment to Afghanistan is not a threat to Iran; and ensure that China's interests and role are brought to bear in international discussions on Afghanistan.

12 M.K. Bhadrakumar, ‘America’s regional strategy takes off’, *The Hindu*, Jan 13, 2009.

13 Henry Kissinger, ‘Afghanistan: The way forward’, n. 4.

14 William Malcy, ‘Stabilizing Afghanistan: Threats and Challenges’, Policy Brief, 68, at http://www.carnegieendowment.org/files/stabilizing_afghanistan.pdf.

India being the fifth largest bilateral donor (more than US \$1.2 billion pledged), its projects are focused on long term development activities that involve capacity building among Afghans. Most of the international aid directed at short-term high-visibility projects gets dissipated by reliance on alternate delivery mechanisms and lack of coordination with the Afghan government. Indian aid projects, on the contrary, are essentially directed at long-term development (electricity transmission, road construction, infrastructure development, industry, agriculture and others) while maintaining low visibility and active Afghan participation. Capacity building projects are intended to rebuild the human capital and include substantial investment in education (schools and scholarships), “on the job training” (Salma Dam project) and training assistance programmes (Afghan parliamentarians, bureaucrats and professionals). Indian projects have generated tremendous good will among the Afghans. India’s non-participation in military operations alongside multinational forces has actually helped it to retain the image of a “genuine ally” among the Afghan people.

The US policy options under the Obama administration of ‘troop surge’ or ‘negotiating with the Taliban’ and ‘regional strategy’ would be viewed with greater interest by Indian policy makers in the post 26/11 Mumbai scenario. More troops would be viewed as a continuation of flawed military option resulting in mounting civilian casualties and greater resentment among Afghan population. Unless troop surge is accompanied by ‘civilian surge’ the Afghans would resent the foreign troop presence. Likewise, Negotiating with the Taliban would be seen as waning on international commitment in Afghanistan which would further contribute to the insecurity and instability. The talk of ‘exit strategy at this point only exacerbates regional tension and interference in Afghanistan.

US Policy towards Pakistan and Possible Indian Responses

Priyanka Singh

Introduction

The security environment in Pakistan has undergone a sea change post 9/11 and seems to be heading for worse. The Commission on the Prevention of Weapons of Mass Destruction Proliferation published its report in December 2008 quite clearly positing that, “were one to map terrorism and weapons of mass destruction today, all roads would intersect in Pakistan”.¹ Intelligence agencies in the United States claim that the tribal areas of Pakistan are the ‘single greatest source’ of international terrorism.² In April 2009, the administration sought wartime authority in form of ‘extraordinary military powers’ to deal with militants in Pakistan.³ Defense Secretary Robert Gates underscored this assertion before the Congress by arguing, “We are asking for this unique authority for the unique and urgent circumstances we face in Pakistan, for dealing a challenge that simultaneously requires wartime and peacetime capabilities.”⁴

1 ‘World at Risk-The Report of the Commission on the Prevention of WMD Proliferation and Terrorism’, p. xxiii, at <http://documents.scribd.com/docs/15bq1nrl9aerfu0yu9qd.pdf> (Accessed March 12, 2009).

2 Thomas Omestad, ‘How Nuclear-Armed Rival Pakistan and India will test Obama’, *US News*, January 20, 2009, at <http://www.usnews.com/articles/news/obama/2009/01/07/how-nuclear-armed-rivals-pakistan...> (Accessed January 20, 2009).

3 Bill Van Auken, ‘Obama Administration Seeks Extraordinary Military Powers in Pakistan’, *Global Research*, May 2, 2009, at <http://globalresearch.ca/PrintArticle.php?articleId=13465> (Accessed May 5, 2009).

4 ‘Gates Asks Congress for Fast Action on War Funding’, *The Wall Street Journal*, April 30, 2009.

The Pakistani establishment watched the 2008 US presidential elections closely for obvious reasons—America has been its closest ally for more than 60 years. Following a historic win, Barack Obama assumed the reins of US administration from his Republican predecessor, George Bush. The country-specific foreign policy agenda of the Democrats is yet taking a definite shape. Nonetheless, Pakistan is likely to be the pivotal strategic challenge to the new administration, as President Obama aspires to build “a new and comprehensive strategy to defeat Al Qaeda and combat extremism.”⁵

President Obama and Pakistan

In his election campaigns, Barack Obama sounded a strident note on issues related to militants in Pakistan. In August 2007, he admitted that the US has to target resurgent Al Qaeda outfits in Pakistan’s North-West Frontier Province (NWFP).⁶ He went to the extent of saying that if elected, he would not hesitate to conduct operations in Pakistan, even if Islamabad was opposed to it. This watershed statement by Obama sought to counterbalance accusations from rival camps, which initially pronounced his approach towards foreign policy issues as naïve. “If we have actionable intelligence about high value terrorist targets and President Musharraf won’t act, we will,” Obama asserted in this regard.⁷

Obama strongly disfavoured the mishandling of American military aid by Pakistan for supporting terrorism in Kashmir valley. The aid meant to fund the ongoing ‘war on terror,’ he stated, was being misappropriated

5 ‘Remarks of President Barack Obama- Address to Joint Session of Congress’, February 24, 2009, at http://www.whitehouse.gov/the_press_office/remarks-of-president-barack-obama-address-to-joint-session-of-congress/.

6 Steve Holland, ‘Tough Talk on Pakistan from Obama’, Reuters, August 1, 2007, at <http://www.reuters.com/articlePrint?articleId=USN0132206420070801> (Accessed October 20, 2008).

7 Ibid.

and used for encouraging terror activities against its neighbour, India. On a different occasion, Obama indicated, “We are providing them military aid without having enough strings attached.”⁸ He argued that military aid to Pakistan should be conditional, obligating Islamabad to rein in breeding militancy on its soil. Obama reacted in a similar fashion to the Senate bill, which considered an annual non-military aid worth US\$1.5 billion in September 2008 for social development in Pakistan. Interestingly, the bill was introduced by his then running mate and now Vice President, Joseph Biden.⁹

The Kerry Lugar bill was introduced amidst widespread criticism of US aid policy on Pakistan. The bill proposed to impose certain riders on US aid to Pakistan.¹⁰ The Pakistani establishment forestalled strong decisive action against the Taliban and Al Qaeda within its own territory even while it received billions for the purpose since the ‘war on terror’ started. Therefore, US Congress felt grant of additional aid to Pakistan without ‘verifiable benchmarks’ would be similar to issuing ‘Blank cheque.’¹¹ The US aid programme to an extent could govern Pakistan on taking ‘concrete, verifiable, steps’ against militant groups on its soil.¹² The Kerry Lugar bill is noted to test the equation between the army and the civilian government in Pakistan as the former is extremely unhappy with certain provisions.¹³

8 Chidanand Rajghatta, ‘Obama says Pakistan Misusing US Aid for War against India’, *The Times of India*, September 6, 2008.

9 Sachin Parasher, ‘Obama Win: Bad News for Pakistan’, *The Times of India*, November 6, 2008.

10 ‘Text of the Kerry Lugar Bill’, available at <http://pakistandesk.com/?p=2976> (Accessed on October 15, 2009).

11 Ashesh Prasann, ‘Aid to Pakistan Without Rider is a Blank Cheque’, *The Asian Age*, June 13, 2009.

12 Ibid.

13 Claude Rakisits, ‘Pakistan’s Military Riled by the Kerry-Lugar Bill’, *World Politics Review*, October 9, 2009.

President Obama admitted that issues such as Kashmir are “constant instigator” of conflict between India and Pakistan. In this context, he acknowledged, “historically, Pakistan has tolerated or in some cases funded the Mujahideen.”¹⁴ This statement was a very significant one for it partially endorsed India’s long-standing complaint against Pakistan. Besides, he called for the US to take action against Pakistan’s act of funding militant groups in India and Afghanistan, thus evincing his sensitivities on the issue. Obama feels that problems in South Asia are somewhat intertwined and need a comprehensive approach. In this case, if restoration of peace in the region requires the US to play a role in India-Pakistan talks, it may well engage in such an exercise. Obama has time and again reiterated the need to shut down terrorist camps in Pakistan. “It’s just not in the interest of Afghan security, or US security, it is in the interest of Pakistan’s security that we shut down those bases.” He views Pakistan’s association with the Mujahideen as ‘counterproductive’.¹⁵

The issue about the possibility of a US ‘role’ in resolving the Kashmir issue came up when Obama noted in an interview that “working with Pakistan and India to try to resolve the Kashmir crisis in a serious way” is a ‘critical task’ for the new administration.¹⁶ “We should probably try to facilitate a better understanding between Pakistan and India, and try to resolve the Kashmir crisis so that they can stay focused not on India, but on the situation with those militants,” he said.¹⁷ Besides, he

14 ‘Barack Obama blasts Pakistan for supporting terrorism in Afghanistan, India’, July 28, 2008, at www.india-defence.com/print/3924 (Accessed October 20, 2008).

15 ‘Pak helping Mujahideen in Kashmir is counterproductive’, *Indian Express*, July 28, 2008.

16 Joe Klein, ‘The Full Obama Interview’, October 23, 2008, at http://swampland.blogs.time.com/2008/10/23/the_full_obama_interview (Accessed November 26, 2008).

17 ‘US should help resolve Kashmir issue: Obama’, November 3, 2008, at www.paperarticles.com/2008/11/us-should-help-resolve-kashmir-issue.html (Accessed November 26, 2008).

also indicated Bill Clinton as the likely ‘envoy’ on Kashmir as a part of “serious diplomatic resources,” if some understanding was arrived at on the issue.¹⁸ There are reasons which perhaps influenced this particular choice.¹⁹ The Clinton administration indulged extensively in ‘preventive diplomacy’ over Kashmir in the 1990s. Also, Clinton in a positive move urged Pakistan to retreat to the Line of Control during the Indo-Pak Kargil conflict in 1999. Ironically, there is no likelihood of any third party mediation as India is firmly opposed to it and at the same time Pakistan also seems unsure of US intentions in this regard. This apprehension arises partly because even while Vice President Joe Biden advocates increased aid to Pakistan, Obama’s ‘intent’ to strike targets within Pakistan has led to a considerable degree of skepticism about the US in Pakistan.²⁰ It is interesting to note that aid worth billions of dollars has failed to influence perceptions in Pakistani society questioning the loyalty of the US towards Pakistan.

Also, the US attempt to draw a link between Kashmir and peace in Afghanistan evoked concern in India, especially in the media.²¹ The contention²² was rejected entirely in due course. It was argued in this case that Pakistan could manipulate the situation once again to re-emphasise the internationalisation of the Kashmir issue. Notably, Pakistan has always been wary of India’s non-military advances in Afghanistan.²³ India’s stance, however, has always been clear: there has never been any relation between stability in Afghanistan and the

18 ‘Obama mulls Clinton as envoy on Kashmir’, *The Economic Times*, November 7, 2008.

19 C. Raja Mohan, ‘He considers Bill Clinton as special envoy on Kashmir’, *The Indian Express*, November 5, 2008.

20 ‘Obama vows to smoke Osama out of Pakistan’, *The Economic Times*, October 9, 2008.

21 Mark Sappenfield and Shahan Mufti, ‘Is Kashmir the Key to Afghan Peace?’, *Christian Science Monitor*, November 21, 2008.

22 Aryn Baker, ‘The Key to Afghanistan: India-Pakistan Peace’, *Time*, November 11, 2008.

23 Raja Kartikeya and Teresita C. Schaffer, ‘India and Pakistan in Afghanistan: Hostile Sports’, *South Asia Monitor*, No. 117, April 3, 2008.

resolution of the Kashmir issue. The two subjects are completely diverse and share no congruent role in ensuring peace and order in South Asia. Obama, while drawing a parallel, perhaps failed to note that the Kashmir issue and Afghanistan crisis originated in totally different contexts and times.

Obama advocates a US policy that “compels Pakistani action against terrorists who threaten our common security and are using the FATA and the northwest territories of Pakistan as a safe haven.”²⁴ Obama ideates a road map to bring stability in the region: a road map where Pakistan has a significant role in the ongoing war against terror in Afghanistan.²⁵ He noted, “the most important thing we’re going to have is to do with respect to Pakistan. And we’ve got to work with the newly elected government there in a coherent way that says terrorism is now a threat to you. Extremism is a threat to you.”²⁶ He further assured “and we’ve got to say to the Pakistani people, we’re not just going to fund a dictator in order for us to feel comfortable.... We’re going to respect democracy. But we do have expectations in terms of being a partner in its fight against terrorism.”²⁷ These statements appeared in the backdrop of several air drone attacks by the US targeting militants in Pakistan’s tribal regions. Notably, such attacks involving remote-controlled Predator aircraft have increased during the past one year.²⁸

Obama welcomed the election of Asif Ali Zardari as the President of Pakistan in September 2008. He was hopeful that a democratically

24 ‘The candidates on U.S.-Pakistan Policy’, September 30, 2008, at www.cfr.org/publication/15148/candidates_on_ustpakistan_policy.html?breadcrum (Accessed October 20, 2008).

25 Humera Niazi, ‘Obama: A Pakistan perspective’, *The Nation*, November 20, 2008.

26 n. 6.

27 n. 6.

28 Mark Mazetti and Eric Schmitt, ‘United States Takes to Air to Hit Militants Inside Pakistan’, *The New York Times*, October 27, 2008.

elected Zardari, would fill the void created by the prolonged phase of military rule in the country.²⁹ He also expressed satisfaction at the reinstatement of the deposed judges and termed it as “an important step towards the restoration of a truly independent judiciary.” It is noteworthy that Obama was one of the initiators of a resolution condemning the imposition of emergency by former President Musharraf in November 2007. He also called for investigating the assassination attempts on former Prime Minister Benazir Bhutto much before she was actually assassinated on December 27, 2007, during an electoral campaign.

US Policy towards Pakistan after 26/11

The 26/11 carnage in Mumbai stirred the equations in the US-India-Pakistan tripartite. The US, then under a transitional administration, reacted strongly at Pakistan’s alleged involvement in the attack. Several US citizens were killed in the carnage and this perhaps led to Condoleezza Rice’s subsequent visit to the subcontinent and FBI’s role in the investigation. Notably, besides few resolutions or so called “aggressive diplomacy,” the United States did not initiate any worthwhile effort to admonish Pakistan when it was implicated in the Parliament and Jammu and Kashmir Legislative Assembly attack or the attack on Indian Embassy in Kabul.

The US is seeking to diffuse the confrontation between India and Pakistan to deal with its strategic concerns in the Pak-Afghan region.³⁰ Soon after the Mumbai bloodshed, Obama envisaged “a series of not just military but also diplomatic moves that fully enlisted Pakistan as an ally in that region, that lessened tensions between India and Pakistan,

29 n. 13.

30 Tony Karon, ‘After Mumbai, Can the US Cool India-Pakistan Tension?’, *Time*, December 4, 2008.

and then get everybody focused on rooting out militancy.³¹ Months ahead, after ostentatious display of military power to limited extent, Pakistan has not yielded to charges of its involvement in the attack. The US aid to Pakistan—military and non military continues however with some pre conditions attached—conditions which require Pakistan to fight and eliminate Taliban on its soil.

Immediately after taking oath as the 44th US President, Barack Obama appointed Richard Holbrooke as the special envoy to Afghanistan-Pakistan. Holbrooke, well versed with the gravity of situation, called for immediate and robust action against militant havens across Pakistan.³² On a visit to Peshawar during his tour of Afghanistan-Pakistan-India in the second week of February 2009, Holbrooke was greeted with a bomb explosion that killed a provincial politician. Notably, this was the area where several trucks carrying NATO supplies have been subjected to militant offensives.³³ Subsequently, the Af-Pak Strategy was unveiled on March 29, 2009 which delineated the future course of US engagement against the ‘perilous’ state of affairs in the region.³⁴

On his part, President Zardari is embroiled in quagmire: a situation which demands him to maintain the right balance with the Army internally and the US internationally so as to survive in power. He is also trying hard to alter his earlier negative image among the masses. Thus, while President Zardari praised President Obama for exhibiting serious concern for the region and appointing a seasoned diplomat

31 David Von Drehle, ‘Why History Can’t Wait’, *Time*, December 17, 2008.

32 Paul Richter, ‘Appointment of Richard Holbrooke unnerves South Asia’, *Los Angeles Times*, February 2, 2009, at <http://www.latimes.com/news/nationworld/world/la-fg-holbrooke2-2009feb02,0,2713607.story> (Accessed March 15, 2009).

33 ‘Holbrooke visits Pakistan’s hotbed’, BBC, February 11, 2009, at http://news.bbc.co.uk/2/hi/south_asia/7883807.stm (Accessed March 17, 2009).

34 ‘President Obama’s Remarks on New Strategy for Afghanistan and Pakistan’, *The New York Times*, March 27, 2009, at <http://www.nytimes.com/2009/03/27/us/politics/27obama-text.html> (Accessed April 2, 2009).

like Richard Holbrooke as the special envoy, he also sounded a note of caution. “We need no lectures on our commitment. This is our war,” He said, asserting that Pakistan’s role in fighting militancy is more substantial than what it is perceived to be. He hopes that the new administration would help resolve long-standing issues and US and Pakistan will further engage to ensure peace in the region.³⁵ At the same time, Zardari voiced his concerns on the US drone attacks, saying that the Pakistan government could never win the support of people in eradicating militancy if such attacks continued to target the civilian population.

The October 2009 visit of Secretary of State Hillary Clinton to Islamabad significantly voiced the US thwarting on Pakistan’s role in the fight against Al Qaeda. Clinton while talking to media persons in Lahore averred “I find it hard to believe that nobody in your government knows where they are, and couldn’t get to them if they really wanted to.”³⁶ She also acknowledged that US support to military dictators in Pakistan was a mistake which is not to be repeated in future.³⁷

Possible Indian Responses

There was always a degree of likeliness that India could play a role Obama’s plan of broad based regional response to the Al Qaeda and Taliban. Statements coming from American officials of late envisaged India’s significant role in the Af-Pak strategy. Richard Holbrooke even before the strategy was released admitted that US ‘closely consulted

35 Asif Ali Zardari, ‘Partnering with Peace’, *The Washington Post*, January 28, 2009.

36 Mark Landler, ‘Clinton Challenges Pakistanis on Al Qaeda’, *The New York Times*, October 29, 2009.

37 Asim Yasin, ‘US not to back dictators in future, says Clinton’, *The News*, October 31, 2009.

India every on step of the way.³⁸ The ‘two pronged regional approach’ comprising a group of ‘special envoys’ and ‘contact group’ will probably have Indian representation.³⁹ The semantics of this role from the American point of view remain unexplained and there is a sense of caution in the statement as to how India would reciprocate.

In his statement on completing 100 days in office, President Obama noted that Pakistan’s “obsession with India as the mortal threat to Pakistan has been misguided, and their biggest threat right now comes internally.”⁴⁰ This statement was in absolute consonance with what Hillary Clinton, US Secretary of State stated earlier that Pakistan was a ‘mortal threat’ to global security.⁴¹ The trilateral meet between President Obama, Zardari and Hamid Karzai in Washington in early May 2009 was held primarily to synergize commitments made in US Af-Pak strategy.⁴² India did not figure much during discussions adding to Pakistan’s disappointment of being bludgeoned with Afghanistan. The meet facilitated the signing of a transit trade agreement between Pakistan and Afghanistan which would also be beneficial to India. India however thinks Pakistan needs to be reprimanded even further and subjected to tangible measures to deter it from aiding and abetting cross-border terrorism.

India understands that that the war on terror was a response to 9/11 and did in way concern Pakistan brand of sponsored terrorism in

38 ‘India consulted on Af-Pak policy: Holbrooke’, *The Times of India*, March 22, 2009.

39 Indrani Bagchi, ‘US Fine-tuning Regional Approach to Af-Pak’, *The Times of India*, April 8, 2009.

40 ‘President Obama’s 100th-Day Press Briefing’ (Transcript), *The New York Times*, April 29, 2009, at [http://www.nytimes.com/2009/04/29/us/politics/29text-obama.html?_r=1&sq=pakistan obs...](http://www.nytimes.com/2009/04/29/us/politics/29text-obama.html?_r=1&sq=pakistan%20obsession) (Accessed May 1, 2009).

41 David Stout, ‘Clinton Delivers Rebuke to Pakistan’, *The New York Times*, April 23, 2009.

42 Helen Cooper, ‘Emphasis on Al Qaeda at Three way Talks’, *The New York Times*, May 7, 2009.

India which India has of long been trying to put forth before US. In fact India's tryst with militancy for two decades failed to convince US to denounce Pakistan as a terrorist state. It was only when US policy in South Asia went completely haywire that they have acknowledged the potential of India's regional role and it is evident from the recent diplomatic overtures. This explains India's limited role approach in the Af-Pak predicament which is entirely of US making.⁴³ Diplomatic maneuvers from Indian side and probably wisdom from US side helped to keep India (read Kashmir) out of the Af-Pak agenda. India therefore is not a part of the problem but can afford to proffer its views in facilitating probable solutions in a limited way.

Military engagement in the region is certainly not desirable for India, as it has daunting challenges in strengthening its own internal security. In Afghanistan, the best possible course of action would be to further bolster its reconstruction projects already in place, enhance the existing level of aid to the war torn country, and hence build upon its strategic interests in the troubled region. India could also build on the goodwill it has generated in the civil society by building comprehensive infrastructure—more schools, hospitals etc. India is unlikely to get into this debate of Good vs. Bad Taliban as is well understood that Taliban in any form is not favourable to India once we recall Taliban's role in IC-814 hijack incident. Robert Blackwill endorsed this view while speaking on the future of US-India relations in May 2009. He contravened American idea about reconciling the moderate Taliban and concluded that this would be of little avail as far as dealing with terrorism in India is concerned.⁴⁴

43 Chinmaya R. Gharekhan, 'Afghanistan: can India really help?', *The Hindu*, April 4, 2009.

44 Text of the speech 'The future of US-India Relations' given by former US Ambassador to India, Robert D. Blackwill at Confederation of Indian Industries (CII), New Delhi, May 5, 2009, at <http://www.stratpost.com/the-future-of-us-india-relations-blackwill> (Accessed May 13, 2009).

India has been grappling with Pakistan for over six decades and applied several alternatives that it had has over the years. At this juncture where Pakistan is heading towards Talibanization, India has little option in hand. As for Kashmir, India ought to shed its defensive posture and make it clear to the world and US administration in particular that it is absolutely preposterous to draw some sort of parallel between Af-Pak instability and Kashmir. Kashmir is a well administered integral part of Indian Union ruled by a democratically elected state government where recorded figures of voters' participation are better than elsewhere. India has to convince US against falling under Pakistan's influence which begins to harp on Kashmir as soon as the issue of its deteriorating internal security situation falls under scanner. Nonetheless, Indian policy makers need to derive set of cautionary diplomatic measures which India ought to adopt in order to avoid the internationalization of Kashmir issue against recent developments.

Prognosis

President Obama primarily criticised the absence of democracy in Pakistan and was strongly in favour of fair elections. Pakistan figured prominently in his campaign and even in his post-election speeches though the country was conspicuous by its absence in his tour to Middle East and Europe in July 2008.⁴⁵ He strongly believes that militants in Pakistan are a menace to security concerns in the entire region. However, at times he sounds vague about undertaking direct US military action in Pakistan. On the issue of misuse of US aid by Pakistan for funding terrorists against India, Obama seems to have a distinctly harsh stand against Pakistan. This is even as he has hinted at adopting some sort of policy approach on Kashmir. This could be a major break from the Bush Administration, which steered clear of

45 Robert Baer, 'Why Obama Didn't Visit Pakistan', *Time*, July 30, 2008.

this contentious issue for eight years. US military commanders, such as General David H. Petraeus, intend to widen the scope of the ongoing 'war on terror' by involving "an array of neighbours," possibly India.⁴⁶ In the prevailing scenario, it won't be easy for the new administration to convince Pakistan that the real threat exists in the growing militancy within its territory and not elsewhere. Obama's initial approach seems fairly balanced and in sync with the basic traits of US foreign policy towards Pakistan. Nevertheless, the new administration must try and make its position on Pakistan clear so that the US can help stabilise both the democratic political structure and economic system in Pakistan.⁴⁷

Today, Pakistan is in a state of flux and the democratic structure faces a latent threat from the persuasive military establishment. Hence, the US must galvanise efforts to advance its goal of eliminating militancy from the tribal areas of Pakistan, which is also responsible for aggravating violence in Afghanistan. This requires a policy of intensive engagement, going beyond inflow of economic and military aid. Decision-makers in the US increasingly realise that violence in Pakistan has crossed the rubicon, transgressing crucial urban centers like Lahore and Karachi. Lahore has particularly emerged as the epicenter of extremist activities. These developments necessitate reorientation of the US policy on Pakistan and also in the regional context of Afghanistan.

The overall emerging picture in the Indo-Pakistan-US tripartite cannot be clearly defined at the moment. In wake of US official statements wherein Kashmir figured prominently, policy-makers in India were a bit uncertain about the modalities of future US foreign policy. At the same time, in a changed strategic and politico-economic context, there

46 Jane Perlez, 'Ringed by Foes Pakistanis Fear the U.S., Too', *The New York Times*, November 23, 2008.

47 Robert M Hathway, 'Its time for the United States to get smart on Pakistan', *The Daily Star*, September 26, 2008.

is optimism regarding a fairly balanced US approach towards India with reference to Pakistan, i.e., de-hyphenation of both states.

There was hope after the Mumbai incident that US sensitivities on the issue would positively enhance the level of India's receptivity regarding US strategic game plans in the region and its overall impact on Indo US strategic partnership.⁴⁸ In terms of India US strategic understanding, nothing concrete came out of Mumbai incident notwithstanding some strong reprehensions to Pakistan from top brass US administrators including President Obama. Yet, it is hoped the administration in the US understands Pakistan's true game plan when it threatens to shift deployment from the Afghan border to its border with India, just as it played out during Operation Parakram in 2001–02 when the war on terror was at its peak. The move facilitated percolation of Taliban militants from Afghanistan into Pakistan. Post-Mumbai, the Indian government confined itself to coercive diplomacy as against military offensive, preventing Pakistan to portray New Delhi as a belligerent party.

Whether or not the Mumbai attack would impinge on furtherance of better strategic ties is still being debated. The Af-Pak Strategy and India's reckoned role will be an ever evolving process keeping in mind the geopolitics of the region. Meanwhile, both India and United States have to move ahead from the shadow of Nuclear Deal that substantially accounted for President Bush's success in strengthening bilateral ties between the two countries.⁴⁹

48 Lisa Curtis, 'Building a Strategic Partnership: U.S.-India Relations in the Wake of Mumbai', Testimony before Foreign Affairs Committee Subcommittee on the Middle East and South Asia United States House of Representatives, February 26, 2009, at <http://www.heritage.org/research/asiaandthepacific/tst022609a.cfm> (Accessed April 23, 2009).

49 Stephen Cohen and Dhruva Jaishankar, 'Indo-US Ties: The Ugly, the Bad and the Good', *Brookings*, April 21, 2009, at http://www.brookings.edu/articles/2009/02_india_cohen.aspx?p=1 (Accessed April 21, 2009).

President Obama believes his relationship with India is one of the most important in an uncertain world.⁵⁰ Therefore there is a need to articulate the complementarities of interests and goals on a broader agenda on a wide range of issues such as Non proliferation, WMD, energy and environmental concerns. The relationship needs to be viewed outside the prism of Pakistan which probably would remain a sticky issue between the two countries. Pakistan's insecurity on India's role in Afghan reconstruction or the so called 'threat of subversion' are unwarranted and do not require any serious thinking. President Obama has an ambitious plan of nuclear disarmament and it would be interesting to see how Pakistan fits in the picture keeping in view its dubious past record in nuclear proliferation.

In all likeliness, the Obama Administration will not unduly disturb the India-US relations, which substantially blossomed during the Bush regime, by referring to the Kashmir issue very often. The signing of the Indo-US nuclear deal has ushered in an era of favourable bilateral relations. The US is expected to play a positive role, especially in light of the Mumbai incident which posed a serious strategic challenge to India. Those opposed to Bush's policies in south-west Asia can hope for change as President Obama has conveyed willingness in this regard and has the necessary credentials to accomplish his goals. The visit of Prime Minister Manmohan Singh to US in November 2009 has opened new vistas which would strengthen the future matrix of Indo US Relations.

50 Xenia Dormandy, 'Priorities before the President', *India and Global Affairs*, January-February 2009.

The Obama Administration's Energy Agenda: Vision and Challenges

S. Samuel C. Rajiv

President Barack Obama has called climate change “an epochal, man-made threat to the planet” and America’s dependence on foreign oil one of the “most serious threats” to the nation. Since taking over the presidency, Mr. Obama has embarked on measures to deal with these two issues on a war footing and they have become in essence the ‘twin pillars’ which define his administration. While the wars in Iraq and Afghanistan were inherited from the previous administration, climate and energy are legacies which will be shaped by his vision and activism.

‘New Energy for America’

President Obama and Vice-President Joseph Biden’s comprehensive energy agenda seeks to move America away from its dependence on foreign oil and create a ‘clean’ energy future. Their comprehensive energy plan, ‘New Energy for America,’ envisages securing over a quarter of America’s energy from renewable sources by 2025. They target the need to introduce 1 million electric/hybrid cars by 2015. Increasing energy efficiency is stressed, so that American electricity demand can be reduced by over 15 per cent by 2020, as is the necessity of developing clean coal technologies. The Obama administration pledges to implement an economy-wide cap-and-trade program to reduce greenhouse gas emissions (GHG) 80 percent by 2050. They seek to create five million new jobs over the next decade by investing \$150 billion (money earned through the sale of carbon credits) to build a clean energy future.

In order to deal with the consequences of rising international oil prices, as was witnessed during the campaign period when international oil prices galloped beyond the \$100 per barrel mark, Obama and Biden advocated among other measures a crackdown on oil speculation. The President also envisages the establishment of a National Low Carbon Fuel Standard, promotion of responsible domestic production of oil and natural gas, development of clean coal technology, and prioritizing the construction of the Alaska natural gas pipeline.¹

Mr. Obama has been however cautious in endorsing the use of nuclear power to mitigate energy concerns, despite the fact that as a Senator he represented Illinois, which has the maximum number of nuclear power reactors in the country.² During his campaign speeches, Obama highlighted the problems of nuclear waste and other environmental and safety concerns related to nuclear energy, including the issue of proliferation. He also expressed reservations about the viability of storing the country's entire nuclear waste at the Department of Energy's under-construction underground storage facility at Yucca Mountain, Nevada.

Implementing the Vision

The 'Green Dream Team'³

Since taking over the reins of power, President Obama has begun to put in place mechanisms that will help implement his comprehensive

1 Barack Obama and Joseph Biden, "New Energy for America," at http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf; See also The White House, "Energy and the Environment," at http://www.whitehouse.gov/agenda/energy_and_environment/.

2 Out of the 104 operating nuclear power reactors, 11 reactors at 6 nuclear plants were in Illinois. Reports also noted that Mr. Obama received campaign contributions worth nearly \$200,000 from representatives of the nuclear power company, Exelon.

3 Dave Rochelson, "The Green Dream Team," December 16, 2008, at http://change.gov/newsroom/entry/the_green_dream_team/.

energy agenda of a 'green' and 'sustainable' American economy. A high-profile team to carry forward the energy agenda was constituted, which includes Energy Secretary Steven Chu, Physics Nobel Laureate and the former Director of the Lawrence Berkeley National Laboratory. Mr. Obama stated that the decision to appoint Chu was "a signal to all that my Administration will value science, we will make decisions based on the facts, and we understand that the facts demand bold action." Other members tasked to carry out his energy agenda with vast experience in energy and climate matters include Carol M. Browner, who is the new top White House official on climate and energy policy heading the newly-created Office of Energy and Climate Change (OECC). Browner headed the Environmental Protection Agency (EPA) under former President Bill Clinton. Lisa P. Jackson, formerly New Jersey's commissioner of environmental protection, was appointed as the head of the EPA. Nancy Sutley, formerly deputy mayor of Los Angeles for energy and environment, was appointed as head of the White House Council on Environmental Quality.⁴

Harvard physicist and influential voice on environmental matters John Holdren was appointed as the director of the White House Office of Science and Technology Policy, in effect the administration's chief scientist, and climatologist Jane Lubchenco was nominated to head the National Oceanic and Atmospheric Administration (NOAA).⁵ Todd Stern, a former top Clinton administration official who was involved with negotiations on the Kyoto Protocol, was appointed as the envoy on climate change by the State Department on January 26. To complete the list, President Obama appointed Jon Wellinghof, a renewable energy

4 John M. Broder, "Obama Team Set on Environment," *New York Times*, December 11, 2008, at http://www.nytimes.com/2008/12/11/us/politics/11appoint.html?_r=1&ref=todayspaper.

5 Edward Helmore, "Obama's revolution on climate change: Leading green scientist joins team, Appointment signals new US policy," *The Observer*, December 21, 2008, at <http://www.guardian.co.uk/world/2008/dec/21/obama-climate-change-john-holdren>.

expert from Nevada and a proponent of electric cars as the chief of the Federal Energy Regulatory Commission (FERC) in March. Analysts pointed out the appointments of these high-profile individuals who have been advocating urgent action on climate change signified the administration's unvarnished intent to fulfill its campaign promises regarding climate change and energy independence.

Executive Measures

To translate his agenda into reality, Obama took a series of concurrent steps. He asked the Department of Energy to set mandatory efficiency standards for a variety of household appliances so that over the next 3 decades, the US could save energy equivalent to that produced "over a two-year period by all the coal-fired power plants in America."⁶ Obama directed federal regulators in late January 2009 to set strict automobile emission and fuel efficiency standards, the Corporate Average Fuel Economy (CAFE) standards, starting from the model year 2011. The move to set these standards was taken on the basis of an application by the state of California along with 13 other states requesting the federal government to do so. Reports noted that the previous Bush administration had rejected this application, which was also opposed by the auto companies, on the grounds that it would result in different sets of rules and the resultant problem of enforceability.⁷

In a major speech that he gave at the White House on January 27, 2009, Mr. Obama affirmed that the over 40 per cent increase in fuel efficiency

6 Bernie Becker, "Why Obama's Energy Savings Estimate May Be Skewed?" *New York Times*, February 7, 2009, at <http://www.nytimes.com/2009/02/07/washington/07energy.html?ref=todayspaper>.

7 John M. Broder and Peter Baker, "Obama's Order Is Likely to Tighten Auto Standards," *New York Times*, January 26, 2009, at <http://www.nytimes.com/2009/01/26/us/politics/26calif.html?ref=todayspaper>; See also Suzanne Goldenberg, "Obama reverses Bush policies on emissions control," *The Guardian*, January 26, 2009, at <http://www.guardian.co.uk/world/2009/jan/26/obama-white-house-emissions-states>.

as a result of the new automobile standards would save America over 2 million barrels of oil every day. He went on to state that America's dependence on oil "bankrolls dictators, pays for nuclear proliferation, and funds both sides of our struggle against terrorism." He vowed to commit his government to a "steady, focused, pragmatic pursuit of an America that is free from our energy dependence and empowered by a new energy economy that puts millions of our citizens to work."⁸

Economic Stimulus Plan

The President's economic stimulus plan, The American Recovery and Reinvestment Act (ARRA), worth \$825 billion, signed into law on February 17, 2009 had \$544 billion worth of federal spending and \$275 billion in tax cuts to not only save jobs but give a fillip to the economy by creating more than 3 million new jobs. It contained significant provisions amounting to nearly \$40 billion relating to measures designed to further energy efficiency and research. For instance, \$20 billion was earmarked for energy efficiency programs in government buildings and in houses of poor people, \$5 billion was provided to weatherize (protecting a building and its interiors from the elements) low-income homes, \$2.5 billion for research into energy efficiency and renewable energy, and over \$6 billion for state and local governments to spend on energy-related activities.⁹

8 The White House, "Remarks by the President on Jobs, Energy Independence, and Climate Change," January 26, 2009, at http://www.whitehouse.gov/blog_post/Fromperiltoprogress/.

9 Kate Galbraith, "Preparing for a Flood of Energy Efficiency Spending," *New York Times*, February 26, 2009, <http://www.nytimes.com/2009/02/26/business/energy-environment/26efficiency.html?ref=energy-environment>; See also "Urbanomics," January 30 2009, at <http://gulzar05.blogspot.com/2009/01/obamas-fiscal-stimulus.html>; David Espo, "Obama Stimulus plan passes vote," January 29, 2009, at <http://www.thestar.com/article/578868>.

The Budget: 'A New Era of Responsibility'

The Obama administration's first budget 'A New Era of Responsibility: Renewing America's Promise' worth \$3.5 trillion seeks to build on the philosophy of the stimulus package and vows to "lay a new foundation of growth upon which we can renew the promise of America."¹⁰ Mr. Obama pledged to create a "clean energy economy" by making investments over the next three years to double the country's renewable energy capacity. Towards this end, he calls for "modernizing Federal buildings, improving the energy efficiency of millions of American homes, ... put Americans to work in new jobs that pay well—jobs installing solar panels and wind turbines; constructing energy efficient buildings; manufacturing fuel efficient vehicles; and developing the new energy technologies that will lead to even more jobs and more savings, putting us on the path toward energy independence for our Nation and a cleaner, safer planet in the process."

To achieve these goals, apart from the \$39 billion provided in the ARRA, the budget provides \$33.9 billion to the Department of the Energy. The money will be spent to advance research into low-carbon technologies, invest in reliable, energy efficient electricity delivery systems, invest in energy technologies to reduce dependence on foreign oil, and focus on the elimination of radioactive waste and nuclear materials. To achieve the final objective, the budget calls for scaling back the funding for the Yucca Mountain nuclear waste depository pending the devising of "a new strategy toward nuclear waste disposal."¹¹ Reports noted that the current years funding for the repository was less than \$300 million,

10 'A New Era of Responsibility: Renewing America's Promise,' available at http://www.whitehouse.gov/omb/assets/fy2010_new_era/a_new_era_of_responsibility2.pdf.

11 *Ibid.*, p. 65.

which was the lowest amount allotted to it in recent years.¹² The policy review regarding the waste depository was in tune with Mr. Obama's campaign pledge to rethink the economic, social, and health costs of the project estimated to cost over \$90 billion and on which over \$10 billion has already been spent.

The Energy Agenda and the Challenges

Economic Downturn: Crisis or Opportunity?

In the face of the 'greatest financial crisis' to have hit the western world and United States in particular since the Great Depression of 1930, skepticism has been expressed on the economic viability of sustaining the Obama administration's climate change and energy independence measures.¹³ Public opinion polls have also suggested that environmental issues were no more the 'top concerns' they once were before the recession. For instance, in a poll released by the Pew Centre in late January 2009, global warming came in last among 20 other voter concerns.¹⁴

Concerns have especially been raised over the President's cap-and-trade proposal to reduce greenhouse gas emissions 80 per cent over the 1990 levels by 2050. The auctioning of excess carbon credits to companies and utilities is intended to generate over \$600 billion in revenue over the next decade, money which critics contend will have to borne by

12 "Obama Cuts Funds for Nevada Nuclear Dump," The Associated Press, February 26, 2009, at <http://www.nytimes.com/aponline/2009/02/26/washington/AP-Obama-Yucca-Mountain.html?ref=energy-environment>.

13 See Jay Newton-Small, "Is Obama's Environmental Agenda Losing Out?" March 18, 2009, at http://www.time.com/time/politics/article/0,8599,1885545,00.html?loomia_si=t0:a16:g2:r3:c0.0303578:b23115414&xid=Loomia.

14 See Andrew C. Revkin, "Environmental Issues Slide in Poll of Public's Concerns," January 23, 2009, at <http://www.nytimes.com/2009/01/23/science/earth/23warm.html?ref=todayspaper>.

the tax payers eventually. The cap-and-trade programme, scheduled to start functioning from 2012, is being viewed as an additional burden on the tax payers in the short-term, despite Mr. Obama proposing sops like tax reliefs for lower income families.¹⁵ Advocates of the plan point out that the President's plan includes using \$150 billion of revenues earned from the cap-and-trade programme over the next decade to develop new sources of clean energy which would cut emissions and eventually reduce the cost of energy.

Cap-and-Trade vs. Carbon Tax

Other uncertainties regarding the cap-and-trade system, as expressed in an *Washington Post* editorial for instance, cite the European experience where the emissions target were set too high and the value of the carbon credits decreased. The Editorial notes that the system is 'complex,' 'vulnerable to lobbying' and does not guarantee success and instead calls for a carbon tax, which is 'simple and sure in its effects.'¹⁶ Analysts have however pointed out that imposing a tax on polluting fuels was not taken by the administration because the step is politically risky and will be unpalatable with the economy suffering from recession. Other concerns include the difficulty in investing in technologies that will help meet new emission requirements at a time of recession. Reports noted that California's cement plants for instance will require investments of over \$200 million to make them conform to the state's new emissions standards, money which was not readily available.¹⁷

15 John M. Broder, "Obama's Greenhouse Gas Gamble," February 28, 2009, at <http://www.nytimes.com/2009/02/28/science/earth/28capntrade.html?ref=todayspaper>.

16 Editorial, "Climate Change Solutions," *The Washington Post*, February 16, 2009, at www.washingtonpost.com/wp-dyn/content/article/2009/02/15/AR2009021501425.html?wpisrc=newsletter.

17 Felicity Barringer, "Economic Crisis Complicates California's Goals on Climate," *New York Times*, February 25, 2009, at <http://www.nytimes.com/2009/02/25/science/earth/25carbon.html?ref=todayspaper>.

Despite these apprehensions about the cap-and-trade system, the American Clean Energy and Security Act (ACES) 2009—the Waxman-Markey Comprehensive Energy Bill, was passed in the US House of Representatives on June 26, 2009. The ACES 2009 seeks to reduce American GHG emissions 17 percent from 2005 levels by 2020 (and over 80 per cent by 2050).¹⁸ After the US Senate approves the bill, either in its present form or with changes, President Obama will then sign it into law.

Bureaucratic Challenges

Analysts have also pointed out that the system may not be geared towards effectively absorbing the huge increase in money allotted to energy-related causes and there was also the likelihood of encountering difficulties in identifying which homes to weatherize, for instance. The Department of Energy has also been criticized by members of the Congress for delays in disbursing the money.¹⁹

Analysts have also pointed out that the President's estimates of saving 2 years worth of energy produced by coal-fired plants by enforcing energy efficiency measures on household appliances may not hold true given the fact that such measurements are inherently difficult to make and not reliable enough.²⁰

The Non-promise of Alternate Fuels

Mr. Obama, who till recently was the senator representing the corn-growing state of Illinois, is a strong proponent of the use of bio-fuels like ethanol and has vowed to double US renewable fuel capacity over

18 For information, see “The American Clean Energy and Security Act (Waxman-Markey Bill),” at <http://www.pewclimate.org/acesa>.

19 See Galbraith, “Preparing for a Flood of Energy Efficiency Spending”, n. 9.

20 Becker, “Why Obama's Energy Savings Estimate May Be Skewed”. n. 6.

the next few years to “begin to end the tyranny of oil in our time.”²¹ In his campaign speeches, he has advocated a rapid rise in the use of bio-fuels, amounting to 36 billion gallons by 2022 and 60 billion gallons by 2030.²²

The challenges in realizing the alternate fuel dreams are however turning out to be enormous. The fall in oil prices over the past year and the continuing high price of corn, from which most of the ethanol is currently produced, has ensured that plans to build new factories have become non-economical and suffered a setback. Industry sources indicated that nearly 25 ethanol factories have closed since the beginning of 2009, thus making it difficult for the industry to meet production figures set by the Congress to spur the increased usage of renewable energy.²³

To Drill or Not to Drill

President Obama during the campaign cycle asserted that the US “cannot drill our way to energy security.”²⁴ The oil industry on its part has been urging the Obama administration to allow access to offshore oil and gas resources by pointing out the significant economic benefits of such a move, with one estimate stating that over 70,000 new jobs

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- 21 Peter Slevin and Steven Mufson, “Alternative Energy Still Facing Headwinds: Despite Obama’s Support, Projects Tripped Up by Financing, Logistics,” *Washington Post*, February 18, 2009, at www.washingtonpost.com/wp-dyn/content/article/2009/02/16/AR2009021601199.html?wpisrc=newsletter.
- 22 “Obama on the Issues,” at http://www.grist.org/feature/2007/07/30/obama_factsheet/index.html.
- 23 See Clifford Krauss, “Ethanol, Just Recently a Savior, Is Struggling,” *New York Times*, February 12, 2009, at www.nytimes.com/2009/02/12/business/12ethanol.html?ref=todayspaper.
- 24 Michelle Austein, “With Gas Prices Rising, Candidates Consider Energy Alternatives,” August 6, 2008, at www.america.gov/st/elections08-english/2008/August/20080806154540hmnietua0.3147699.html; Christopher Joyce, “Candidates Clash On Impact Of Offshore Drilling,” July 16, 2008, at <http://www.npr.org/templates/story/story.php?storyId=92570077>.

could be created at a time of recession.²⁵ Reports however noted that the administration had scrapped an offshore drilling plan pending a review and was also not actively issuing new leases for exploration.

Despite the concerns expressed about the short-term burdens of his energy agenda, Mr. Obama has reiterated that his administration is committed to wean America away from its past energy-guzzling and environment-destroying behaviour, set an example by investing in clean energy technologies and get back its leadership role on issues of climate change. It is worth noting that the President-elect had asserted during a meeting with governors in November 2008 that on the issue of climate change, “delay is no longer an option. Denial is no longer an acceptable response.”²⁶

Obama and the Post-Kyoto Framework

Promise of ‘Robust’ Engagement

Mr. Obama’s climate change negotiator Todd Stern asserted that the United States will be engaged in a ‘robust’ way in negotiating the contours of a new climate treaty to be finalized in Copenhagen in December 2009.²⁷ The treaty will replace the Kyoto Protocol of 1997, which is set to expire in 2012. The US did not accept the provisions of the 1997 Kyoto treaty, which was ratified by 37 other developed countries, on the grounds that countries like China and India were not

25 “Oil Chiefs Urge Offshore Drilling,” The Associated Press, February 25, 2009, at www.nytimes.com/aponline/2009/02/25/washington/AP-Offshore-Oil.html?ref=energy-environment.

26 John M. Broder, “Obama Affirms Climate Change Goals,” *New York Times*, November 19, 2008, at <http://www.nytimes.com/2008/11/19/us/politics/19climate.html>.

27 Elisabeth Rosenthal, “Obama’s Backing Raises Hopes for Climate Pact,” *New York Times*, March 1, 2009, at <http://www.nytimes.com/2009/03/01/science/earth/01treaty.html?ref=todayspaper>.

bound by the mandatory caps on emissions. Developing countries like India of course objected to those requirements on the grounds that they were being asked to pay a far higher price, in terms of their future development and costs, to mitigate the negative climate effects caused by the activities of the developed world. India on its part continues to point out that its emissions per capita is far less than those of the developed countries, who therefore have to bear most of the cost of mitigation and adaptation.

President Obama has publicly acknowledged, at the London G20 Summit in April 2009 for instance, the validity of these arguments and has pledged to work with the developing world to actively address their concerns. In his speech of January 26, 2009, Obama stated that America will lead “a truly global coalition” to “protect our climate and our collective security” and that America will do its part to “ensure that nations like China and India are doing their part.” This would also mean that developing countries would come under increasing pressure to agree to some sort of emissions caps and will have to carefully balance the likely trade off with their development priorities.

India and China: Strong Opposition to Reductions Targets

However, the difficulties that will likely be encountered by the US to convince countries like India were evident when Secretary of State Hillary Clinton visited New Delhi in July 2009. Indian Environment Minister Jairam Ramesh publicly complained against US pressure and told Clinton that New Delhi was “simply not in the position to take legally binding emissions targets.”²⁸

28 Glenn Kessler, “Clinton, Indian Minister clash over emissions reductions pact,” *Washington Post*, July 20, 2009, at <http://www.washingtonpost.com/wp-dyn/content/article/2009/07/19/AR2009071900705.html>

Prime Minister Manmohan Singh, while releasing the country's National Action Plan on Climate Change (NAPCC) in June 2008, had asserted that "our people have a right to economic and social development and to discard the ignominy of widespread poverty."²⁹ India's NAPCC has 8 'missions' to achieve the goal of sustainable development, including developing solar energy, water conservation, energy efficiency, sustainable agriculture, among others. It does not however pledge to cap any harmful emissions.

Prime Minister Wen Jiabao has also noted that it will be "difficult for China to take quantified emission reduction quotas" because it is still at "an early stage of development."³⁰ The Chinese also maintain that because about 25 per cent of their green house gases are emitted while manufacturing goods for exports, countries importing these goods should bear the burden.³¹ China and the US at the Strategic and Economic Dialogue (SED) in August 2009 agreed to cooperate bilaterally on the issues of energy, climate change and environment. An MoU signed to this effect did not however contain any provisions regarding legally binding reductions target or any other contentious issue.

Also, given the fact that half of the countries which signed and ratified the Kyoto treaty failed to meet their emissions targets, it remains to

29 "India unveils climate change plan," *BBC*, June 30, 2008, at http://news.bbc.co.uk/2/hi/south_asia/7481259.stm; See also Heather Timmons, "India announces a climate change plan," *New York Times*, June 30, 2008, at www.ih.com/articles/2008/06/30/business/rupee.php.

30 Edward Wong and Andrew C. Revkin, "Experts in U.S. and China See a Chance for Cooperation Against Climate Change," *New York Times*, February 5, 2009, at <http://www.nytimes.com/2009/02/05/world/asia/05china.html?ref=todayspaper>.

31 "China Hopes Climate Deal Omits Exports," Associated Press, March 17, 2009, at <http://www.washingtonpost.com/wp-dyn/content/article/2009/03/16/AR2009031602948.html>.

be seen how the new treaty will be negotiated and if new criteria are benchmarked.

Conclusion

The challenges in realizing the substance of President's Obama's climate and energy agenda are huge, especially at a time of the economic downturn. Mr. Obama has vowed to persist in convincing his domestic and international audience of the merits of his measures. The success of his domestic agenda will depend on his ability to convince Americans to bear the short-term costs for a 'green and sustainable' future. But if these costs become too heavy and politically unpalatable, he will have to scale back his vision. On the international front, the degree of sensitivity his administration will show towards the genuine concerns of the developing countries will be thoroughly scrutinized. While indications are these concerns are appreciated, it remains to be seen what kind of mechanisms can be put in place to achieve the twin goals of sustainable growth and a safe environment. To ensure that these are not mutually exclusive but self-sustaining is the challenge.

Obama's China Policy and Emerging Trends in Sino-US Relations

Jagannath P. Panda

How will the US administration under Barack Obama approach China? While the world foresees that US foreign policy under a Democrat administration will become more multilateral and less unilateral, suspense remains over the nature of Sino-US relationship. The course of China-US ties becomes more interesting given the current global financial crisis. This paper intends to examine Obama's possible China policy and how this may impact Sino-US relations. In short, it highlights the emerging trends in Sino-US relation after the Democrats' victory in the US.

Obama's China Policy: Continuity or Change?

Two schools of thought dominate US policy circles on China: those who seek to contain it and those who seek to engage with it. Initially, Obama and other Democrats talked tough on China for political gains. But slowly, Obama started sounding protectionist on issues related to China. Though President Obama is yet to clearly outline a China policy, the presence of experts like Jeffrey Bader, Richard Bush, David Lampton and Susan Shirk in his core "China team" rules out dramatic change in the US' China policy. Gary Locke, a former two-term Democrat governor of Washington with a long-standing interest in expanding trade relationship with China, leads Obama's Commerce Department.¹ These experts are well known for both their policy and

1 William Yardley, 'Obama's New Commerce Pick has Strong Connections to China', *International Herald Tribune*, February 26, 2009, p. 4.

administrative experiences in issues related to China. They have often reiterated the need for a “pragmatic policy” approach towards China. However, Obama’s China policy could centre on four key pointers: (a) *stability in East Asia*, (b) *global security issues*, (c) *climate change* and (d) *trade*.

Obama has consistently highlighted the importance of stability in East Asia in terms of issues related to the elimination of nuclear programmes, economic relations, diplomatic normalisation, etc. There have also been repeated references to an “effective regional framework” in Asia. In this endeavour, President Obama has involved China, South Korea, North Korea, Russia and Japan. If one focuses on Asia, China is definitely the most crucial player the new Democrat administration must deal with. Overall, the US has a good position in Asia on many issues like the six-party talks on North Korea’s nuclear programme and on Myanmar’s human rights abuses. If the US wants to see some positive outcomes on these issues, the new administration has to pursue a cooperative strategy with China. Earlier, the Democrats had won over Chinese support for the Western-led international sanctions against Iran’s nuclear proliferation.

To bend China towards US interests in Asia, the Obama Administration would “pursue a new strategy that skilfully uses, balances and integrates all elements of American power...”² Such an approach was reflected in Hillary Clinton’s statement during her recent tour to China, where she was quoted as saying that “... we need strong partners across the Pacific, just as we need strong partners across the Atlantic.”³ Therefore, to succeed with its China policy, the US administration has to take several factors into account.

2 Yu Tsung-Chi, ‘Obama’s Pragmatic View of China’, *Taipei Times*, December 23, 2008, at <http://www.taipetimes.com/News/editorials/archives/2008/12/24/2003431905>.

3 ‘Clinton Visit Sets Stage for Boosting China Ties’, *Daily Yomiuri*, February 22, 2009, p. 4.

Contentious Issues: Options for Cooperation

Time and again, the US administration has articulated a range of global vis-à-vis bilateral issues as regards cooperation with China. Climate change remains an important issue for a “cooperative framework”. Obama has pointed out that “for too long ... each [China and the US] has pointed a finger at the other’s attitude as an excuse for not itself doing more. That has to stop.”⁴ Even during the campaign trail, Democrats repeatedly emphasised the importance of energy and environment.⁵ It was reported also that cooperating on climate change was the focus of a telephone conversation between Hu Jintao and Barack Obama on October 21st this year.⁶ In fact, in the process Obama has started reversing the unilateral climate policies of the Bush Administration. But the democrat in power has expressed the interests that nations like China and India too must do their part.

In his conversation with President Hu Jintao of China, Obama had raised the issues of energy and environment.⁷ This was also raised during Hillary Clinton’s recent tour to China, where it was decided to expand the strategic dialogue between the two countries on economic issues, global warming and various security concerns. Regarding climate change, outlines were drawn to expand bilateral cooperation to develop and deploy clean energy technology, particularly in renewable energy,

4 Barack Obama, ‘US-China Relations under an Obama Administration’, The American Chamber of Commerce, at <http://www.amcham-china.org.cn/amcham/show/whatisnew.php?Id=89> (Accessed February 10, 2009).

5 Ibid.

6 Wang Yu and Qian Yinan, ‘Slow Sino-US Synergy on Climate Change’, *Caijing Magazine*, November 5, 2009, at <http://english.caijing.com.cn/2009-11-05/110304707.html> (Accessed November 14, 2009).

7 Zhang Haiban, ‘New Hope for Climate Cooperation’, *China Dialogue*, January 5, 2009, at <http://www.chinadialogue.net/article/show/single/en/2660-New-hope-for-climate-cooperation> (Accessed January 14, 2009).

carbon capture and storage and energy efficiency in buildings.⁸ It was also decided that President Obama and President Hu Jintao would hold their first summit meeting on the sidelines of the financial summit of the G-20 meeting in April to address some of these issues. However, what is important to note here that China has become the world's largest carbon dioxide emitter and the US comes second. The Obama Administration hopes to make climate change the centrepiece of a broader, more vigorous engagement with China.⁹ So far, both the countries have collaborated mainly on research projects and ventures like power plants. The testing time, it is argued, will come if the US presses China to accept mandatory caps on its emissions—something China has so far rejected.¹⁰ Therefore, it remains to be seen how the new China-US dialogue will move forward from here. Under this backdrop, Obama's current (November 13–17, 2009) China tour holds adequate importance for Sino-US relations which India should follow closely.

On other issues, the Democrats have expressed US concern on economy, trade, democracy and human rights, etc. But overall, the potential flash points between the two countries remain the three 'Ts': *Tibet*, *Taiwan* and *Trade*. Unlike his predecessors, Obama has not demonised China as 'evil' and communism as a tool to feed xenophobia. Obama vowed to push China harder to loosen the reins on its currency, improve its human rights record and end its support for repressive regimes in Iran, Myanmar, Sudan and Zimbabwe. This reflects the Democrats' maturity on US-China relations and shows that Obama's

8 Fergus Green, 'Clinton in China: Climate Change Goes Mainstream', *The Interpreter*, at <http://www.lowyinterpreter.org/post/2009/02/Clinton-in-China-Climate-change-goes-mainstream.aspx> (Accessed March 9, 2009).

9 Mark Lander, 'Clinton Paints China Policy with a Green Hue', *The New York Times*, February 21, 2009, at <http://www.nytimes.com/2009/02/22/world/asia/22diplo.html>.

10 Ibid.

'China team' sees China as a complex issue that involves trade, security, energy, democracy, human rights, Tibet and military matters.

Obama has carefully articulated his stance on sensitive issues when it comes to China. He said "China cannot stand indefinitely apart from the global trend toward democratic government, rule of law and full exercise of human rights. Protection of the unique cultural and religious traditions of the Tibetan people is an integral part of such an agenda".¹¹ But with the US caught up in an economic crisis, Beijing's value to the US will likely overshadow issues such as democracy, human rights and Tibet, etc. On Taiwan, Obama has said that "we should maintain our 'one China' policy, our adherence to the three US-PRC Joint Communiqués concerning Taiwan [signed in 1962, 1978 and 1982], and observance of the Taiwan Relations Act, which lays out the legal basis for our relationship".¹² To his favour, relations between Beijing and Taipei are currently warmer than ever. Pressing China on the issue of Taiwan can have major repercussions. Obama's approach to sensitive issues like Taiwan, Tibet and human rights will be a clear test of his touted pragmatism. There are bound to be some differences over the issue on human rights, as the year 2009 marks the twentieth anniversary of the Tiananmen Square incident and the fiftieth anniversary of the Dalai Lama taking asylum in India. But these differences are minimal in nature.

On economy and trade, the Democrats' stance is that China should expand its domestic consumption, improve social safety and upgrade the financial services sector. China, it has been pointed out, "pegs its

11 'Obama and McCain on China', *Time* and CNN, September 15, 2008, at http://china.blogs.time.com/2008/09/15/obama_and_mccain_on_china/ (Accessed February 1, 2009).

12 'Obama Statement Congratulating Taiwanese President-Elect Ma Ying-jeou', Obama News and Speeches, March 22, 2008, at www.barackobama.com/2008/03/22/statement_congratulating_taiwa.php (Accessed December 12, 2008).

currency at an artificially low rate; neither it serves the purpose of the US firms and workers nor the interests of the world”.¹³ The new US administration seems likely to use all available diplomatic avenues to seek a change in China’s currency practices.¹⁴ Specifically on trade, the Democrats have appealed to China to play a constructive role, beneficial to both the US and the world. China, on its part, is apprehensive of the dominant protectionist thinking in the current US administration. Influential industrial groups in the US are accusing China of dumping cheap products.¹⁵ The textile lobby has accused China of increasing its share of the US apparel market to more than 50 per cent by using export subsidies. The US trade deficit with China rose to \$266.3 billion in 2008, its worst trade imbalance ever.¹⁶

Given the Democrats’ consistent position on safeguarding the US middle and lower-class voters’ interest, it looks likely that the new US administration will wield more pressure upon China’s economic and trade issues. Trade friction is also bound to rise if Chinese products are excluded from projects funded by the latest US economic stimulus package, which carries a “buy American” tag—that products purchased as part of the package should have been produced domestically.¹⁷ China has been making a number of small but significant changes in its trade policy since the global financial crisis started. However, what is currently more important for US is that China should keep buying its debt.

13 Ambrose Evans-Pritchard, ‘Protectionist Dominoes are Beginning to Tumble across the World’, *The Telegraph*, December 22, 2008, at http://www.telegraph.co.uk/finance/comment/ambroseevans_pritchard/3870089/Protectionist-dominoes-are-beginning-to-tumble-across-the-world.html (Accessed January 16, 2009).

14 ‘Will Obama Change China-US trade ties?’, *China Daily*, November 10, 2008, at <http://english.sina.com/world/p/2008/1109/197355.html> (Accessed January 12, 2009).

15 Ariana Eunjung Cha, “US-China Trade Ties Erode Amid Accusations”, *Washington Post*, February 22, 2009, p.16.

16 Ibid

17 “Clinton Visit Sets Stage for Boosting China Ties”, n. 3.

Today, the potential factor that draws maximum attention for both Beijing and Washington is the current global financial crisis. It is debatable whether the current financial turmoil will remain a challenge or become an opportunity for China-US ties. Given the current economic realities, a cooperative approach in dealing with the crisis seems to be the most suitable option. What is more positive to state here is that economies are looking for new growth engines; and both Beijing and Washington are in the process of re-evaluating their contacts in the overseas markets and playing safe towards each other. This should draw India's interest. India should start taking this 'cooperative' approach seriously, and build a solid understanding both with US and China to recover from its domestic financial crisis and debt.

Global Financial Crisis and the Bilateral Calculation

The current economic conditions will bring issues such as the trade deficit and currency manipulation back into the spotlight. Therefore, it will be interesting to see how the Obama administration holds inbound Chinese businesses and how the Chinese government approaches the disputes surrounding intellectual property, joint venture agreements and the country's new anti-monopoly law.¹⁸ It is important to state here that when Obama proposed a two-year plan to fight this economic crisis of "historic proportions", President Hu Jintao was quick to express China's support for the proposal.¹⁹

18 Scott Kronick and Jamie Moeller, "The Obama Administration & China: What Does the Future Hold?", *Ogilvy Public Relations Worldwide*, January 16, 2009, at <http://www.ogilvypr.com/en/expert-view/obama-administration-china-what-does-future-hold>

19 "Hu, Obama discuss Sino-US Ties", *Shenzhen Daily*, November 10, 2008, at <http://paper.sznews.com/szdaily/20081110/ca2904809.htm> (accessed December 29, 2008)

For the Americans, China's special attraction is that it currently holds \$1.9 trillion worth of foreign reserves²⁰ and owns over half-a-trillion dollars in US government bonds, more than any other country. Washington needs Beijing to continue buying them to help finance the national debt and the \$700 billion financial industry bailout. Hence, one can expect Obama to pursue a more protectionist economic agenda towards China. At the same time, the Chinese economy is heavily dependent on exports to the US. In the first six months of 2008, China's exports to the US totalled \$116.79 billion, up 8.9 per cent from the first half of 2007.²¹ Furthermore, China's export volume to the US stood at \$232.7 billion in 2007, representing an increase of 14.4 per cent over 2006.²² Bilateral trade rose from \$900 million in 1978 to \$302 billion in 2007.²³ American investment in China amount to almost \$60 billion. Nearly 17,000 US-funded enterprises are operating in China, with annual sales revenues of more than \$100 billion.²⁴ In the light of the global financial crisis, however, there is the possibility of the US-China economic relationship imbibing an element of confrontation.²⁵

20 Wang Yanhua, 'Obama: A Change in Sino-US relations?' *China Business Feature*, December 19, 2008, at http://www.cbfeature.com/site/news/obama_a_change_in_sino-us_relations/ (Accessed January 6, 2009).

21 Dingli Shen, 'Beijing's Perceptive: Sino-US Relations and the 2008 Presidential Election', *China Brief*, 8(18), September 22, 2008, at http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=5176&tx_ttnews%5BbackPid%5D=168&no_cache=1 (Accessed January 16, 2009).

22 'US-China Trade Statistics and China's World Trade Statistics', The US-China Business Council, at <http://www.uschina.org/statistics/tradetable.html> (Accessed January 26, 2009).

23 'China, US Mark 30 years of Diplomatic Relations', *International Business Times*, January 1, 2009, at http://www.ibtimes.com/articles/20090101/china-us-mark-30-years-of-diplomatic-relations_all.htm (Accessed January 14, 2009).

24 'Greater Progress for China-US Relations', *China Economic Net*, January 1, 2009, at http://en.ce.cn/National/Politics/200901/01/t20090101_17850626.shtml (Accessed February 18, 2009).

25 Ariana Eunjung Cha, 'US-China Trade Ties Erode Amid Accusations', *Washington Post*, February 22, 2009, p. 16.

In recent years, new issues have added new life to Sino-US bilateral ties. Celebrating recently the thirtieth anniversary of establishing diplomatic relations, the two countries expressed a desire to work cooperatively to fight the financial turmoil, promised \$20 billion to finance imports from developing countries, and promised cooperation on regulating financial risks. The Chinese side is willing to let local subsidiaries of foreign banks to trade stocks in its market. The US, in reciprocation, will speed up the licensing of Chinese banks.²⁶ But, much still depends upon how the Chinese will approach Sino-US relations. In fact, it will be interesting to see if China will pursue a softer approach when it comes to the American-centric global objectives.

China was one of the few economies that registered a good rate of growth in 2008. But its story in the first quarter of 2009 is not impressive. The 9 per cent growth rate seen in 2008 was not representative of the annualised quarter-to-quarter growth rate of 2.6 per cent seen in the last quarter of 2008.²⁷ Whatever may be the domestic calculus, the Chinese economy is also heavily influenced by the global economic slowdown. The current situation demands that large countries like the US and China focuses not just on stabilising their domestic economic conditions, but also helps steady global economic conditions. Expectations are that China should maximise the use of its huge foreign exchange reserves. Many scholars in Chinese think-tanks foresee that as the range of issues expands, China and the US will meet on both bilateral as well as multilateral platforms.

The democrat's victory in the US and winning the noble prize has significant symbolic value in China. Political experts in China had

26 Ibid.

27 Wing Thyee Woo, 'China in the Current Global Economic Crisis', Testimony- US-China Economic and Security Commission, February 17, 2009, at <http://www.econ.ucdavis.edu/faculty/woo/2009-2-17.Woo%20Testimony%20to%20USCC.c-spanweb.pdf>.

predicted that Obama's victory would lead to greater appreciation of US culture and values, and eventually increase the "soft power" image of America in China. Experts, policy planners and the Chinese media expect that the bilateral relations will expand under the Obama administration. Many in China even predict that Obama will, at least in the near term; focus on a 'cooperative strategy' with China to recover from the current global financial mess. Shi Yinhong of the Institute of International Relations, Renmin University, says that "at a time of economic crisis, the US is in growing need for China.... It is an opportunity for the countries to forge full cooperation and develop closer ties".²⁸ Shen Dingli, director of the Centre for American Studies at Fudan University, notes that the Democrats' approach of greater importance on "international cooperation" coincides with Chinese foreign policy interests.²⁹

Similarly, the *China Daily* states that "... the strategic dialogues and high-calibre talks of commercial and economic issues between the two countries established in the past few years will continue to serve as good platforms for the two to discuss, and reach consensus on important issues".³⁰ The *China Daily* also suggests that the Chinese "hope President Obama will continue to play a constructive role in facilitating the increasingly friendly engagement between the Chinese mainland and Taiwan".³¹

28 'Sino-US Ties to Grow after Obama Takes Office – Experts', *China Daily*, January 21, 2009, at <http://english.sina.com/china/p/2009/0121/213306.html> (Accessed February 21, 2009).

29 'China Focus, US Election sparks concern, interest in China', *Sina English*, November 5, 2008, at <http://english.sina.com/china/2008/1105/196554.html> (Accessed January 16, 2009).

30 Li Hong and Du Wenjuan, 'Commentary: We Wish US President-elect Obama Well', *China Daily*, November 5, 2008, at http://www.chinadaily.com.cn/opinion/2008-11/05/content_7176689.htm (Accessed January 14, 2009).

31 Ibid.

What is important here to note is that from the beginning, Beijing consistently favoured Obama in the run-up to the US Presidential elections, perhaps seeing him as someone with relatively less anti-Communist baggage. As a racial minority figure, Obama's victory has also sent a message to the Chinese leadership that the best way to resolve racial divisions, both in domestic and global politics, is through mutual tolerance and understanding. Obama has been lauded in the Chinese media and official circles for his instincts towards international engagements, cooperation and for following a moderate path based on "pragmatic politics".

On the whole, a positive trend is visible in Sino-US relations. From the US perspective, the Obama Administration will need to find common ground with China to meet many of its policy objectives. Considering the real politics of Asia and the protectionist side of Obama, the new US administration will increase its dealings with China more than with any other power in the region. For India, the impact of the growing Sino-US relationship may not be direct in nature; but it will have its influence. Though the legacy of improved relations between India and US left by the Bush Administration may not change, it may not have the same strategic advantage as a possible Sino-US engagement. Given these circumstances, India has to keep itself alert in the developments of Sino-US relations.

Though previously India is rarely referred directly in any Sino-US bilateral dialogue except the issue of non-proliferation, but issues like climate change, terrorism and the rise of Taliban could bring India closer to the Sino-US dialogue agenda. This becomes important for India given the country's raising international posture and repeated stakes both with US and China on diverse issues at different level. Going one step ahead, India should accept the reality that today, more than anything; the US administration is in search of a 'cooperative' China to deal with issues like climate change and financial crisis. As it

is clearly visible in Barack Obama's speech during his address to the Chinese youth at the Shanghai Science and Technology Museum on November 16, 2009 speech; where he was quoted saying that "today we have a positive, constructive and comprehensive relationship that opens the door to partnership on the key global issues...economic recovery, development of clean energy, stopping the spread of nuclear weapons and the surge of climate change...". Hence, the strategic actuality of India should be based a rational analyses of the rising situation and start building a long-tern cooperative partnership with both US and China at separate level.

The Indian-American Diaspora: A Bridge Between Two Democracies

Cherian Samuel

The Indian diaspora in the United States is widely considered to be one of the most significant motivators of improved India-US relations. The passage of the US-India Peaceful Atomic Energy Cooperation Act by the US Congress in 2006 and the promotion of a vibrant India-US business relationship were all attributed to their activism. It helped that, Indian community activists in the US had in George W. Bush, a President who was committed to forge a special relationship with India. Looking ahead, what role is the Indian American community likely to play in India-US relations?

Differentiating the Diaspora

There is often a tendency to club Indian Americans as one big homogenous group. However, the fact of the matter is that Indians have been in the United States long enough to be as differentiated and complex a community as their mainstream counterparts. This has been brought out in successive surveys that show the very different characteristics of the community, not just in terms of pre-existing ethnic sub-national identities, but also in indices such as demography and wealth.¹ While the influence and impact of first generation Indian settlers in the US is well known and has been documented extensively, it is the second generation Indian Americans that are making an

1 A list of Indian American organizations in the US on ethnic, demographic, and educational lines is available at http://www.usindiainfo.com/community_worldwide.htm.

unheralded entry into the political arena, and will have a deeper impact in the long term. For the record, first-generation Indian Americans are mostly professionals such as doctors and engineers, as well as entrepreneurs who migrated to the United States in the sixties and have acquired much material wealth and standing in society over the years. Second generation Indian Americans are their offspring, born or brought up in the United States, and are coming into their prime now. Cognisance must also be taken of a third category, that of Indians who have studied in the United States, and therefore have spent a significant amount of their formative years there. Many of them are the scions of leading Indian industrial houses and children of leading Indian politicians. In an era of globalisation, members cutting across these three groups feel equally at home in India as in the United States, and have penetrated elite networks in both countries.

Indian Americans in the Political Arena

Indian Americans have also been participating in political activities in increasing numbers. Whilst some have taken recourse to the time-honoured American way of proving their mettle through local fora such as School Boards, and used their performance to power their way into state level positions, there are others who have arrived at important political positions by virtue of achieving prominence or exceptional achievement professionally.

There are many examples of the first with as many as nine Indian Americans serving as legislators in various states across the country. As far as the second route is concerned, the most well-known case is that of Bobby Jindal who proved his technocratic mettle first at the state level when he was appointed Secretary of the Louisiana Department of Health and Hospitals and was consequently nominated by President George W. Bush to serve in his Administration as Assistant Secretary of Health and Human Services for Planning and Evaluation. This prominence paved the way for him to contest and win a seat in the US

Congress, and subsequently to contest for Governorship for the state of Louisiana, all in the space of ten years. He is currently considered a front runner as the Republican candidate for the 2012 and 2016 Presidential elections. Other examples include Raj Bhakta who came into prominence as a contestant on a reality show, and was nominated on a Republican Party Ticket in Pennsylvania. Similarly, Ashwin Madia, who stood for election from Minnesota, had served in the US Marine Corps and was a veteran of the Iraq War.

Indian Americans and the New Administration

If earlier Administrations engaged in tokenism and provided nominal representation to community representatives, the appointments in the current Administration so far point to the fact that the Indian American community has been mainstreamed to the extent that appointees are being chosen on the basis of their capability, and not for purposes of minority representations as is usually the case. Dr Sanjay Gupta, who was nominated for the post of Surgeon General of the United States is a well known TV personality. Others such as Vivek Kundra (Federal Chief Information Officer), Aneesh Chopra (Federal Chief Technological Officer), Sonal Shah (Director, Office of Social Innovation, White House) and Raj Shah (Undersecretary of Agriculture) are all technocrats in the mould of Bobby Jindal. While they need not necessarily follow the same route and enter politics, the above individuals, all in their mid-thirties, have received recognition early in their careers which can stand them in good stead in the years to come.

In addition, there are others such as Puneet Talwar (National Security Council) and Richard Verma (Assistant Secretary of State for Legislative Affairs, State Department) who have already been through the revolving door between government, and the private sector and legislative staff. This pool of talent from among Indian Americans will only increase as more and more second generation community members come of age.

The Bridging Role of Indian Americans

As things stand, the first generation Indian Americans, with their direct access to the top echelons of the US political and business elite, serve as valuable interlocutors for India. Their efforts bore fruit, most recently, in the successful consummation of the nuclear deal with large non-partisan majorities in Congress. Second generation Indian Americans serve as ambassadors for India by the very fact that they are firmly entrenched in every aspect of US life, be it business, entertainment, culture, the innovation economy, and now politics. In that sense, Indian Americans can be seen as an example of two-way soft power; as far as India-US relations are concerned, they are seen as an indispensable element of the people-to-people relations that have been an important factor in bringing the two countries closer together. Their achievements are recounted in the Indian press and reinforce the image of the United States as a meritocracy where all have equal opportunity and can aspire for the highest office. In the United States, Indian Americans are a living embodiment of the conviction that it is in the “manifest destiny” of the two countries to be drawn closer together by a common purpose, even if that purpose is not yet clear.

Mention must also be made of the fact that increased interaction between the elites of the two countries, be it business, politics or other sectors have also largely been facilitated by Indian Americans. It is, for instance, inconceivable that politicians in India would have scope for interaction with leading politicians in the United States unless brought together by Indian American interlocutors.² Sonal Shah, mentioned earlier, is one of the co-founders of Indicorps, a social service organisation that send Indian American volunteers to work for short periods in India.

2 Rediff.com, Amar Singh meets Hillary Clinton September 13, 2008, at <http://www.rediff.com/news/2008/sep/13look.htm>.

In recent times there have been increasing instances of Indian Americans coming back to live and work in India, drawn by increased opportunities for career advancement. Starting with the IT industry, this phenomenon has also spread to other sectors such as the media and education. For instance, the business newspaper *Mint* had several Indian American employees from newspapers such as the *Washington Post* on its rolls till recently. The premier Indian School of Business (ISB) has, on its faculty, Indian Americans who have studied and worked in the United States. The ISB itself was founded by prominent Indian Americans. The contribution of Indian Americans is recognized in the recurring presence of the Indian Americans in the list of Pravasi Bharatiya Samman awardees. The 2009 list had Prof. C.K. Prahalad and Prof. Sumit Ganguly.

Conclusion

In his message on the occasion of India's Republic day, President Barack Obama noted that "It is our shared values that form the bedrock of a robust relationship across peoples and governments." He further went on to say "Our rapidly growing and deepening friendship with India offers benefits to all the world's citizens as our scientists solve environmental challenges together, our doctors discover new medicines, our engineers advance our societies, our entrepreneurs generate prosperity, our educators lay the foundation for our future generations, and our governments work together to advance peace, prosperity, and stability around the globe." While Obama words could either be dismissed as rhetoric or taken as that of a journey together that extends into the future, the Indian American diaspora in the United States is already walking that talk and proving that this can indeed be a symbiotic relationship.

Appendix I

India-U.S. Joint Statement, July 20, 2009

Issued by U.S. Secretary of State Hillary Rodham Clinton and India's Minister of External Affairs S.M. Krishna in New Delhi

External Affairs Minister S.M. Krishna and Secretary of State Hillary Clinton today committed to building an enhanced India-U.S. strategic partnership that seeks to advance solutions to the defining challenges of our time.

They agreed to strengthen the existing bilateral relationships and mechanisms for cooperation between the Government of Republic of India and the Government of the United States of America, while leveraging the strong foundation of economic and social linkages between our respective people, private sectors, and institutions. Recognizing the new heights achieved in the India-U.S. relationship over the last two Indian and U.S. Administrations, they committed to pursuing a third and transformative phase of the relationship that will enhance global prosperity and stability in the 21st century.

Minister Krishna and Secretary Clinton will chair an “India-U.S. Strategic Dialogue” that meets once annually in alternate capitals. This dialogue will focus on a wide range of bilateral, global, and regional issues of shared interest and common concern, continuing programmes currently under implementation and taking mutually beneficial initiatives that complement Indian and U.S. development, security and economic interests.

Secretary Clinton looks forward to welcoming Minister Krishna for the first round of the Strategic Dialogue in Washington, D.C. in the coming year.

Advancing Common Security Interests

Recognizing the shared common desire to increase mutual security against the common threats posed by international terrorism, Minister Krishna and Secretary Clinton reaffirmed the commitment of both Governments to build on recent increased coordination in counter-terrorism. Secretary Clinton invited Home Minister Chidambaram to visit Washington in the near future. External Affairs Minister Krishna and Secretary Clinton also reaffirmed their commitment to early adoption of a UN Comprehensive Convention against International Terrorism which would strengthen the framework for global cooperation.

Defence Cooperation

Noting the enhanced co-operation in defence under the Defence Co-operation Framework Agreement of 2005, External Affairs Minister and Secretary Clinton reiterated the commitment of both Governments to pursue mutually beneficial cooperation in the field of defence. External Affairs Minister Krishna announced that both sides had reached agreement on End Use Monitoring for U.S. defense articles.

Seeking a World without Nuclear Weapons

India and the United States share a vision of a world free of nuclear weapons. With this goal in sight, Minister Krishna and Secretary Clinton agreed to move ahead in the Conference on Disarmament towards a non-discriminatory, internationally and effectively verifiable Fissile Material Cut-off Treaty. India and the United States will also cooperate to prevent nuclear terrorism and address the challenges of global nuclear proliferation. A high-level bilateral dialogue will be established to enhance cooperation on these issues.

Civil Nuclear Cooperation

Building on the success of the India-U.S. Civil Nuclear Initiative, on July 21, India and the United States will begin consultations on reprocessing arrangements and procedures, as provided in Article 6 (iii) of the 123 Agreement for Peaceful Nuclear Cooperation between India and the United States.

Global Institutions

Secretary Clinton affirmed that multilateral organizations and groupings should reflect the world of the 21st century in order to maintain long-term credibility, relevance and effectiveness, and both Minister Krishna and Secretary Clinton expressed their interest in exchanging views on new configurations of the UN Security Council, the G-8, and the G-20.

Pursuing Sustainable Economic Growth and Development

As members of the G-20, India and the United States have pledged to work together with other major economies to foster a sustainable recovery from the global economic crisis through a commitment to open trade and investment policies. Minister Krishna and Secretary Clinton reaffirmed the commitment of both Governments to facilitating a pathway forward on the WTO Doha Round.

They pledged to co-operate to not only preserve the economic synergies between the two countries that have grown over the years, but also to increase and diversify bilateral economic relations and expand trade and investment flows. The two sides noted that negotiations for a Bilateral Investment Treaty would be scheduled in New Delhi in August 2009. They resolved to harness the ingenuity and entrepreneurship of the private sectors of both countries with a newly-configured CEO Forum that will meet later this year.

Education

External Affairs Minister Krishna and Secretary of State Clinton affirmed the importance of expanding educational cooperation through exchanges and institutional collaboration, and agreed on the need to expand the role of the private sector in strengthening this collaboration.

Space, Science and Technology and Innovation

Recognizing the great potential in India-U.S. science and technology collaboration, the two sides have concluded a Science and Technology Endowment Agreement, and signed a Technology Safeguards Agreement that will permit the launch of civil or non-commercial satellites containing U.S. components on Indian space launch vehicles. Both sides welcomed India's participation in the FutureGen Project for the construction of the first commercial scale fully integrated carbon capture and sequestration project and India's participation in the Integrated Ocean Development Project, an international endeavour for enhancing the understanding of Earth and Ocean dynamics and addressing the challenges of climate change.

High Technology Cooperation

Noting the high potential that exists due to the complementarities in the knowledge and innovation-based economies of the two countries, it was agreed that the agenda and the initiatives in the bilateral High Technology Cooperation Dialogue should continue, with the objective of facilitating smoother trade in high technology between the two economies reflecting the present strategic nature of the India-U.S. relationship.

It was also agreed that working groups would be formed to focus on new areas of common interest in nano-technology, civil nuclear

technology, civil aviation and licensing issues in defence, strategic and civil nuclear trade.

Energy Security, Environment and Climate Change

Minister Krishna and Secretary Clinton pledged to intensify collaboration on energy security and climate change. Efforts will focus on increasing energy efficiency, renewable energy, and clean energy technologies through the India-U.S. Energy Dialogue and a Global Climate Change Dialogue.

Both sides also agreed to launch a process of bilateral scientific and technological collaboration to support the development, deployment and transfer of transformative and innovative technologies in areas of mutual interest including solar and other renewable energy, clean coal and energy efficiency, and other relevant areas.

India and the U.S. affirmed their commitment to work together with other countries, including through the Major Economies Forum, for positive results in the UNFCCC Conference on Climate Change in Copenhagen in December 2009.

Global Issues

The two sides noted the valuable engagement between both Governments on global issues of common concern such as strengthening democracy and capacity building in democratic institutions as co-founders of the UN Democracy Fund.

The two sides agreed to develop a Women's Empowerment Forum (WEF) to exchange lessons and best practices on women's empowerment and development and consider ways to empower women in the region and beyond.

Conclusion

Minister Krishna and Secretary Clinton reaffirmed that the excellent relations between India and the United States rests on the bedrock of kinship, commerce and educational ties between the Indian and American people.

Secretary Clinton thanked External Affairs Minister and the people of India for their warm reception and hospitality.

Appendix II

Joint Statement between President George W. Bush and Prime Minister Manmohan Singh, July 18, 2005

Prime Minister Manmohan Singh and President Bush today declare their resolve to transform the relationship between their countries and establish a global partnership. As leaders of nations committed to the values of human freedom, democracy and rule of law, the new relationship between India and the United States will promote stability, democracy, prosperity and peace throughout the world. It will enhance our ability to work together to provide global leadership in areas of mutual concern and interest.

Building on their common values and interests, the two leaders resolve:

- To create an international environment conducive to promotion of democratic values, and to strengthen democratic practices in societies which wish to become more open and pluralistic.
- To combat terrorism relentlessly. They applaud the active and vigorous counterterrorism cooperation between the two countries and support more international efforts in this direction. Terrorism is a global scourge and the one we will fight everywhere. The two leaders strongly affirm their commitment to the conclusion by September of a UN comprehensive convention against international terrorism.

The Prime Minister's visit coincides with the completion of the Next Steps in Strategic Partnership (NSSP) initiative, launched in January 2004. The two leaders agree that this provides the basis for expanding bilateral activities and commerce in space, civil nuclear energy and dual-use technology.

Drawing on their mutual vision for the U.S.-India relationship, and our joint objectives as strong long-standing democracies, the two leaders agree on the following:

For the Economy

Revitalize the U.S.-India Economic Dialogue and launch a CEO Forum to harness private sector energy and ideas to deepen the bilateral economic relationship.

- Support and accelerate economic growth in both countries through greater trade, investment, and technology collaboration.
- Promote modernization of India's infrastructure as a prerequisite for the continued growth of the Indian economy. As India enhances its investment climate, opportunities for investment will increase.
- Launch a U.S.-India Knowledge Initiative on Agriculture focused on promoting teaching, research, service and commercial linkages.

For Energy and the Environment

- Strengthen energy security and promote the development of stable and efficient energy markets in India with a view to ensuring adequate, affordable energy supplies and conscious of the need for sustainable development. These issues will be addressed through the U.S.-India Energy Dialogue.
- Agree on the need to promote the imperatives of development and safeguarding the environment, commit to developing and deploying cleaner, more efficient, affordable, and diversified energy technologies.

For Democracy and Development

- Develop and support, through the new U.S.-India Global Democracy Initiative in countries that seek such assistance, institutions and resources that strengthen the foundations that make democracies credible and effective. India and the U.S. will work together to strengthen democratic practices and capacities and contribute to the new U.N. Democracy Fund.
- Commit to strengthen cooperation and combat HIV/AIDs at a global level through an initiative that mobilizes private sector and government resources, knowledge, and expertise.

For Non-Proliferation and Security

- Express satisfaction at the New Framework for the U.S.-India Defense Relationship as a basis for future cooperation, including in the field of defense technology.
- Commit to play a leading role in international efforts to prevent the proliferation of Weapons of Mass Destruction. The U.S. welcomed the adoption by India of legislation on WMD (Prevention of Unlawful Activities Bill).
- Launch a new U.S.-India Disaster Relief Initiative that builds on the experience of the Tsunami Core Group, to strengthen cooperation to prepare for and conduct disaster relief operations.

For High Technology and Space

- Sign a Science and Technology Framework Agreement, building on the U.S.-India High-Technology Cooperation Group (HTCG), to provide for joint research and training, and the establishment of public-private partnerships.

- Build closer ties in space exploration, satellite navigation and launch, and in the commercial space arena through mechanisms such as the U.S.-India Working Group on Civil Space Cooperation.
- Building on the strengthened nonproliferation commitments undertaken in the NSSP, to remove certain Indian organizations from the Department of Commerce's Entity List.

Recognizing the significance of civilian nuclear energy for meeting growing global energy demands in a cleaner and more efficient manner, the two leaders discussed India's plans to develop its civilian nuclear energy program.

President Bush conveyed his appreciation to the Prime Minister over India's strong commitment to preventing WMD proliferation and stated that as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states. The President told the Prime Minister that he will work to achieve full civil nuclear energy cooperation with India as it realizes its goals of promoting nuclear power and achieving energy security. The President would also seek agreement from Congress to adjust U.S. laws and policies, and the United States will work with friends and allies to adjust international regimes to enable full civil nuclear energy cooperation and trade with India, including but not limited to expeditious consideration of fuel supplies for safeguarded nuclear reactors at Tarapur. In the meantime, the United States will encourage its partners to also consider this request expeditiously. India has expressed its interest in ITER and a willingness to contribute. The United States will consult with its partners considering India's participation. The United States will consult with the other participants in the Generation IV International Forum with a view toward India's inclusion.

The Prime Minister conveyed that for his part, India would reciprocally agree that it would be ready to assume the same responsibilities and

practices and acquire the same benefits and advantages as other leading countries with advanced nuclear technology, such as the United States. These responsibilities and practices consist of identifying and separating civilian and military nuclear facilities and programs in a phased manner and filing a declaration regarding its civilians facilities with the International Atomic Energy Agency (IAEA); taking a decision to place voluntarily its civilian nuclear facilities under IAEA safeguards; signing and adhering to an Additional Protocol with respect to civilian nuclear facilities; continuing India's unilateral moratorium on nuclear testing; working with the United States for the conclusion of a multilateral Fissile Material Cut Off Treaty; refraining from transfer of enrichment and reprocessing technologies to states that do not have them and supporting international efforts to limit their spread; and ensuring that the necessary steps have been taken to secure nuclear materials and technology through comprehensive export control legislation and through harmonization and adherence to Missile Technology Control Regime (MTCR) and Nuclear Suppliers Group (NSG) guidelines.

The President welcomed the Prime Minister's assurance. The two leaders agreed to establish a working group to undertake on a phased basis in the months ahead the necessary actions mentioned above to fulfill these commitments. The President and Prime Minister also agreed that they would review this progress when the President visits India in 2006.

The two leaders also reiterated their commitment that their countries would play a leading role in international efforts to prevent the proliferation of weapons of mass destruction, including nuclear, chemical, biological and radiological weapons.

In light of this closer relationship, and the recognition of India's growing role in enhancing regional and global security, the Prime Minister and the President agree that international institutions must

fully reflect changes in the global scenario that have taken place since 1945. The President reiterated his view that international institutions are going to have to adapt to reflect India's central and growing role. The two leaders state their expectations that India and the United States will strengthen their cooperation in global forums.

Prime Minister Manmohan Singh thanks President Bush for the warmth of his reception and the generosity of his hospitality. He extends an invitation to President Bush to visit India at his convenience and the President accepts that invitation.

Appendix III

New Framework for U.S.-India Defence Relationship

Washington, DC, June 28, 2005

1. The United States and India have entered a new era. We are transforming our relationship to reflect our common principles and shared national interests. As the world's two largest democracies, the United States and India agree on the vital importance of political and economic freedom, democratic institutions, the rule of law, security, and opportunity around the world. The leaders of our two countries are building a U.S.-India strategic partnership in pursuit of these principles and interests.

2. Ten years ago, in January 1995, the Agreed Minute on Defence Relations between the United States and India was signed. Since then, changes in the international security environment have challenged our countries in ways unforeseen ten years ago. The U.S.-India defence relationship has advanced in a short time to unprecedented levels of cooperation unimaginable in 1995. Today, we agree on a new Framework that builds on past successes, seizes new opportunities, and charts a course for the U.S.-India defence relationship for the next ten years. This defence relationship will support, and will be an element of, the broader U.S.-India strategic partnership.

3. The U.S.-India defence relationship derives from a common belief in freedom, democracy, and the rule of law, and seeks to advance shared security interests. These interests include;

- maintaining security and stability;
- defeating terrorism and violent religious extremism;

- preventing the spread of weapons of mass destruction and associated materials, data, and technologies; and
- protecting the free flow of commerce via land, air and sea lanes.

4, In pursuit of this shared vision of an expanded and deeper U.S.-India strategic relationship, our defence establishments shall:

A, conduct joint and combined exercises and exchanges;

B. collaborate in multinational operations when it is in their common interest;

C. strengthen the capabilities of our militaries to promote security and defeat terrorism;

D. expand interaction with other nations in ways that promote regional and global peace and stability;

E. enhance capabilities to combat the proliferation of weapons of mass destruction;

F. in the context of our strategic relationship, expand two-way defence trade between our countries. The United States and India will work to conclude defence transactions, not solely as ends in and of themselves, but as a means to strengthen our countries' security, reinforce our strategic partnership, achieve greater interaction between our armed forces, and build greater understanding between our defence establishments;

G. in the context of defence trade and a framework of technology security safeguards, increase opportunities for technology transfer, collaboration, co-production, and research and development;

H. expand collaboration relating to missile defence;

I. strengthen the abilities of our militaries to respond quickly to disaster situations, including in combined operations;

J. assist in building worldwide capacity to conduct successful peacekeeping operations, with a focus on enabling other countries to field trained, capable forces for these operations;

K. conduct exchanges on defence strategy and defence transformation;

L. increase exchanges of intelligence; and

M. continue strategic-level discussions by senior leadership from the U.S. Department of Defense and India's Ministry of Defence, in which the two sides exchange perspectives on international security issues of common interest, with the aim of increasing mutual understanding, promoting shared objectives, and developing common approaches.

5. The Defence Policy Group shall continue to serve as the primary mechanism to guide the U.S.-India strategic defence relationship. The Defence Policy Group will make appropriate adjustments to the structure and frequency of its meetings and of its subgroups, when agreed to by the Defence Policy Group co-chairs, to ensure that it remains an effective mechanism to advance U.S.-India defence cooperation.

6. In recognition of the growing breadth and depth of the U.S.-India strategic defence relationship, we hereby establish the Defence Procurement and Production Group and institute a Joint Working Group for mid-year review of work overseen by the Defence Policy Group,

-- The Defence Procurement and Production Group will oversee defence trade, as well as prospects for co-production and technology collaboration, broadening the scope of its predecessor subgroup the Security Cooperation Group.

-- The Defence Joint Working Group will be subordinate to the Defence Policy Group and will meet at least once per year to perform a midyear review of work overseen by the Defence Policy Group and its subgroups (the Defence Procurement and Production Group, the

Joint Technical Group, the Military Cooperation Group, and the Senior Technology Security Group), and to prepare issues for the annual meeting of the Defence Policy Group.

7. The Defence Policy Group and its subgroups will rely upon this Framework for guidance on the principles and objectives of the U.S.-India strategic relationship, and will strive to achieve those objectives.

Signed in Arlington, Virginia, U.S.A, on June 28, 2005, by U.S. Secretary of Defense, Donald Rumsfeld, for and on behalf of the Government of the United States of America, and India's Minister of Defence, Pranab Mukherjee, for and on behalf of the Government of the Republic of India.

Appendix IV

U.S.-India Relations: a Vision for the 21st Century

Joint India-U.S. Statement by President Clinton and Prime Minister Vajpayee, New Delhi, March 21, 2000

At the dawn of a new century, President Clinton and Prime Minister Vajpayee resolve to create a closer and qualitatively new relationship between the United States and India.

We are two of the world's largest democracies. We are nations forged from many traditions and faiths, proving year after year that diversity is our strength. From vastly different origins and experiences, we have come to the same conclusions: that freedom and democracy are the strongest bases for both peace and prosperity, and that they are universal aspirations, constrained neither by culture nor levels of economic development.

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

Globalization is erasing boundaries and building networks between nations and peoples, economies and cultures. The world is increasingly coming together around the democratic ideals India and the United States have long championed and lived by.

Together, we represent a fifth of the world's people, more than a quarter of the world's economy. We have built creative, entrepreneurial societies. We are leaders in the information age. The currents of commerce and culture that link our societies run strong and deep. In many ways, the character of the 21st century world will depend on the success of our cooperation for peace, prosperity, democracy and freedom.

That presents us with an opportunity, but also a profound responsibility to work together. Our partnership of shared ideals leads us to seek a natural partnership of shared endeavors.

In the new century, India and the United States will be partners in peace, with a common interest in and complementary responsibility for ensuring regional and international security. We will engage in regular consultations on, and work together for, strategic stability in Asia and beyond. We will bolster joint efforts to counter terrorism and meet other challenges to regional peace. We will strengthen the international security system, including in the United Nations, and support the United Nations in its peacekeeping efforts. We acknowledge that tensions in South Asia can only be resolved by the nations of South Asia. India is committed to enhancing cooperation, peace and stability in the region.

India and the United States share a commitment to reducing and ultimately eliminating nuclear weapons, but we have not always agreed on how to reach this common goal. The United States believes India should forgo nuclear weapons. India believes that it needs to maintain a credible minimum nuclear deterrent in keeping with its own assessment of its security needs. Nonetheless, India and the U.S. are prepared to work together to prevent the proliferation of nuclear weapons and their means of delivery. To this end, we will persist with and build upon the productive bilateral dialogue already underway.

We reaffirm our respective voluntary commitments to forgo further nuclear explosive tests. We will work together and with others for an early commencement of negotiations on a treaty to end the production of fissile materials for nuclear weapons. We have both shown strong commitments to export controls, and will continue to strengthen them. We will work together to prevent the spread of dangerous technologies. We are committed to build confidence and reduce the chances of miscalculation. We will pursue our security needs in a restrained and responsible manner, and will not engage in nuclear and missile arms

ances. We will seek to narrow our differences and increase mutual understanding on nonproliferation and security issues. This will help us to realize the full potential of Indo-U.S. relations and contribute significantly to regional and global security.

The true measure of our strength lies in the ability of our people to shape their destiny and to realize their aspirations for a better life. That is why the United States and India are and will be allies in the cause of democracy. We will share our experience in nurturing and strengthening democratic institutions the world over and fighting the challenge to democratic order from forces such as terrorism. We will cooperate with others to launch an international Community of Democracies this year.

The United States applauds India's success in opening its economy, its achievements in science and technology, its commitment to a new wave of economic expansion and reform, and its determination to bring the benefits of economic growth to all its people. Our nations pledge to reduce impediments to bilateral trade and investment and to expand commerce between us, especially in the emerging knowledge-based industries and high-technology areas.

We will work together to preserve stability and growth in the global economy as well. And we will join in an unrelenting battle against poverty in the world, so that the promise of a new economy is felt everywhere and no nation is left behind. That is among the fundamental challenges of our time. Opening trade and resisting protectionism are the best means for meeting it. We support an open, equitable and transparent rule-based multilateral trading system, and we will work together to strengthen it. We agree that developed countries should embrace policies that offer developing countries the opportunity to grow, because growth is the key to rising incomes and rising standards. At the same time, we share the conviction that human development also requires empowerment of people and availability of basic freedoms.

As leaders in the forefront of the new high-technology economy, we recognize that countries can achieve robust economic growth while protecting the environment and taking action to combat climate change. We will do our part to meet the global environmental challenges, including climate change and the impacts of air and water pollution on human health.

We also pledge a common effort to battle the infectious diseases that kill people and retard progress in so many countries. India is at the forefront of the global effort that has brought us to the threshold of the eradication of polio. With leadership, joint research, and application of modern science, we can and will do the same for the leading killers of our time, including AIDS, malaria and tuberculosis.

We are proud of the cooperation between Indians and Americans in advancing frontiers of knowledge. But even as we unravel the mysteries of time and space, we must continue to apply our knowledge to older challenges: eradicating human suffering, disease and poverty. In the past, our cooperation helped ease mass hunger in the world. In the future, it will focus as well on the development of clean energy, health, and education.

Our partnership is not an end in itself, but a means to all these ends. And it is reinforced by the ties of scholarship, commerce, and increasingly of kinship among our people. The industry, enterprise and cultural contributions of Americans of Indian heritage have enriched and enlivened both our societies.

Today, we pledge to deepen the Indian-American partnership in tangible ways, always seeking to reconcile our differences through dialogue and engagement, always seizing opportunities to advance the countless interests we have in common. As a first step, President Clinton has invited Prime Minister Vajpayee to visit Washington at a mutually convenient opportunity, and the Prime Minister has accepted

that invitation. Henceforth, the President of the United States and the Prime Minister of India should meet regularly to institutionalize our dialogue. We have also agreed on and separately outlined an architecture of additional high-level consultations, and of joint working groups, across the broad spectrum of areas in which we are determined to institutionalize our enhanced cooperation. And we will encourage even stronger people-to-people ties.

For India and the United States, this is a day of new beginnings. We have before us for the first time in 50 years the possibility to realize the full potential of our relationship. We will work to seize that chance, for our benefit and all those with whom we share this increasingly interdependent world.

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