

The Rise of India: Problems and Opportunities

Ingolf Kiesow
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*Central Asia- Caucasus Institute
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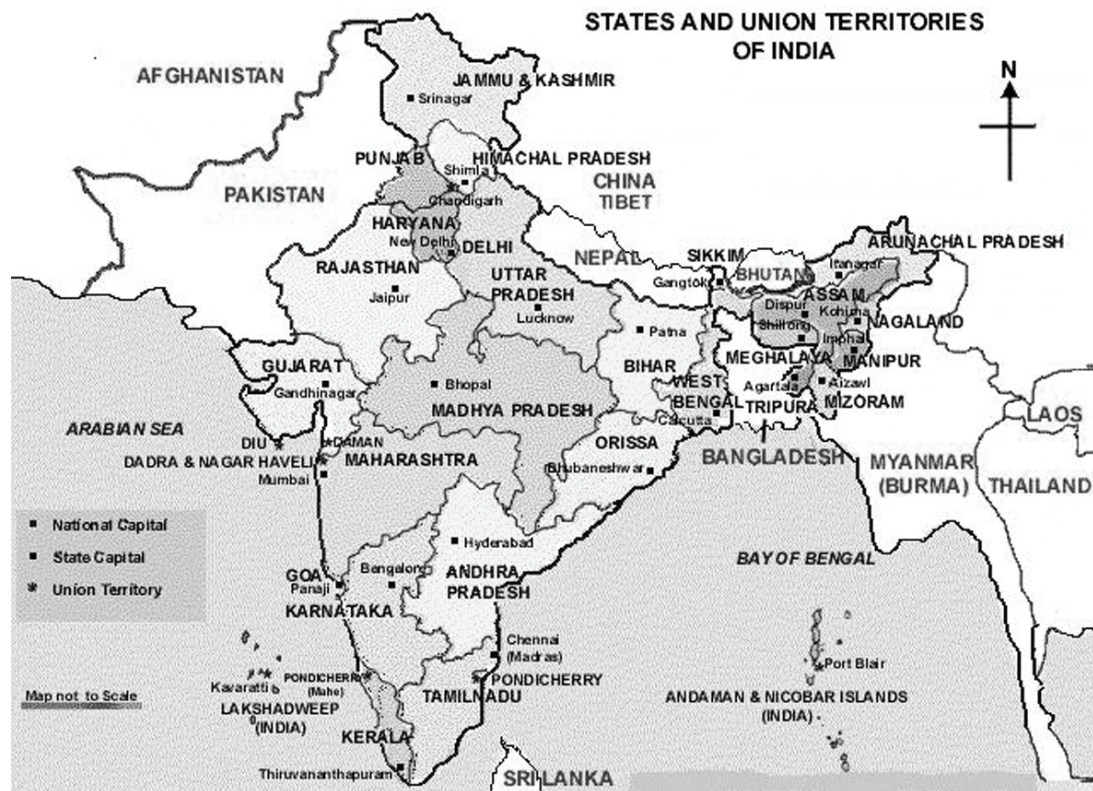
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Abbreviations

ABM	Anti Ballistic Missile
ADB	Asian Development Bank
AIFV	Advanced Infantry Fighting Vehicle
APC	Armored Personnel Carrier
APHC	All Parties Hurriyat Conference (also abbreviated as AH)
APM	Administered Pricing Mechanism
ASEAN	Association of South East Asian Nations
AWAC	Airborne Warning and Control System
BCF/D	Billion Cubic Feet/Day
BCM	Billion Cubic Meters
BJP	Bharatiya Janata Party
BSF	Border Security Forces
BPD	Barrels Per Day
BTU	British Thermal Units
CBM	Confidence Building Measure
CCOMPOSA	Co-ordination Committee of Maoist Parties and Organizations of South Asia
CIA	Central Intelligence Agency
CIL	Coal of India Ltd.
CPI (ML)	Communist Party of India (Marxist-Leninist)
DMK	Dravida Munnetrá Kazhagam
GDP	Gross Domestic Product
ICBM	Intercontinental Ballistic Missile
IEA	International Energy Agency
IISS	International Institute of Strategic Studies

IRBM	Intermediate Range Ballistic Missile
ISI	Inter-Services Intelligence agency
JKLF	Jammu and Kashmir Liberation Front
LOC	Line of Control
LNG	Liquefied Natural Gas
MAD	Mutually Assured Destruction
MT	Million Tons
MTCR	Missile Technology Control Regime
NHPC	National Hydroelectrical Power Corporation
NPT	Nuclear Non-Proliferation Treaty
NSG	Nuclear Suppliers Group
NSSP	Next Steps in Strategic Partnership
NTPC	National Thermal Power Corporation
PLL	Petronet LNG Limited
PSI	Proliferation Security Initiative
RASGAS	Ras Laffan Liquefied Natural Gas Company Ltd
SEB	State Electricity Board
SLBM	Submarine-launched Ballistic Missile
SRBM	Short Range Ballistic Missile
SSBN	Strategic Submarine Based Nuclear system
TERI	Indian Energy and Resources Institute
TAP	Turkmenistan-Afghanistan-Pakistan pipeline project
TCF	Trillion Cubic Feet
UAV	Unmanned Aerial Vehicle
ULFA	United Liberation Front of Assam
WTO	World Trade Organization

Reference Map of India



Map Courtesy of the Government of India

Executive Summary

In December 2006, the U.S. Congress passed a bill on sharing civilian nuclear technology with India. This marks the beginning of a cooperation that was initiated in 2004. It was manifested through a bilateral agreement on military cooperation signed in 2005 and through a joint statement by the U.S. President and the Indian Prime Minister on nuclear cooperation. The suggested collaboration is merely a symbol of a much wider cooperation that raises questions about India's ambitions towards becoming a great power, its relations with the U.S., China and Pakistan as well as its policy toward its own minority peoples and lower castes.

This paper tries to examine the factors in India's domestic, foreign and security policies, which are important for its ambitions as an emerging great power, but with a scope limited to its potential alliance options. The initiation of U.S.-Indian contacts in various fields of strategic importance forms the background to the current study and the focus is directed to five questions. What factors have led India to harbor great power ambitions? How powerful are these ambitions? What factors complicate India's ambitions? What are India's weak points? What are the options in forming alliances and what problems will an alliance partner have to face?

These questions are also important in order to understand the numerous challenges India is facing that threaten to impede the pace of its rise and internal unity, and which could affect India's choices in alliance formation. These challenges primarily include ethnic separatism and terrorism, clashes between Hindus and Muslims, the troublesome Indian-Pakistani relationship, and its rapidly growing energy needs. In addition, despite improvement in relations between India and Pakistan since 2004, a resolution to the Kashmir issue seems to be as distant as ever.

Many segments of India's population are today also discontent with their situation and violent expressions of this unhappiness are common. Ethnic, cultural and religious groups organize resistance against the existing order, and many groups claim that their democratic rights are not respected when

they cannot decide their own fate within the framework of the Indian Constitution. None of these movements so far represent a real danger to India's cohesion as a nation, but the response to them is often not in accordance with human rights norms and is described in terms of India merely "muddling through".

The case of Jammu and Kashmir has raised particular criticism in the United Kingdom and the United States, even though India is extremely sensitive to any "foreign involvement". Kashmir, human rights and the right to self-determination can become problems for the U.S. in its relations with the Muslim world if the U.S. aligns itself too closely with India, and it can also become an ideological barrier for too much engagement in Indian affairs. These issues also all factor into U.S. strategy vis-à-vis India and South Asia.

India's short modern history as a nation has made it an adversary to Pakistan, essentially because India has a secular constitution but a Hindu majority population with many religious minorities, while Pakistan has a constitution declaring it a Muslim nation with an overwhelmingly Muslim population. The Kashmir issue is the most problematic element between Pakistan and India, and military competition has led both nations to introduce nuclear weapons into their military forces. In 2002 a crisis in relations showed that South Asia is a region where nuclear war cannot be excluded and where the great powers of the world will have to follow events closely.

This danger of nuclear escalation, however, is only one factor influencing the renewed interest of South Asia in the U.S., alongside other driving factors such as Islamic radicalism, balance of power considerations, and the war on terrorism. On the basis of this, the U.S. is trying to maintain friendly ties with both countries, but resistance against U.S. influence is growing in Pakistan and concerns have been expressed about the potential consequences of growing U.S.-India ties. This is partly because the U.S. now wants to exempt India, but not Pakistan, from the conditions set by the Nuclear Suppliers' Group.

Besides the animosity with Pakistan, India has also had problematic relations with China as a result of the war in 1962, and since 1998 it has been in possession of a nuclear weapons arsenal that was built in order to meet a perceived threat from China (in addition to the threat from Pakistan).

However, bilateral trade between China and India is growing very fast and this complicates India's choices. There is opposition, both within business circles engaged in trade with China and within leftist political parties, against stronger U.S.-India ties as this possibly could antagonize China.

Energy security is also a great headache for India, and there is a need for a fast remedy to the rapidly growing energy needs in the short term, which can best be solved by importing natural gas via a pipeline from Iran or Turkmenistan. Due to India's geographic location, both would have to transit Pakistan which has been a factor that has hampered the implementation of this idea, but it has also been viewed as an opportunity in the form of a Confidence Building Measure.

Iran is also a country affecting emerging U.S.-India ties and potential alliance formations. Since Iran appears to have serious ambitions to continue its uranium enrichment and to develop a full nuclear cycle that could lead to nuclear weapons construction, the U.S. has tried to persuade "allied and friendly nations" to abstain from doing business with Iran. This was primarily manifested with the adoption of the Iran-Libya Sanctions Act in 1996. Both India and Pakistan have been reluctant to give in to U.S. pressure, but the U.S. promise to give India access to civilian nuclear technology has increased U.S. leverage on India. Nuclear power will take a long time to materialize, however, and it will be expensive to build. U.S. credits may have to be added in order to make it an attractive alternative to gas imports from Iran. Meanwhile, both India and Pakistan continue low-level negotiations with Iran on the planned pipeline, while Turkmenistan has appeared to have problems delivering enough gas to make its option a serious alternative.

China has not stood idle watching these developments, and has been courting India to enter into trilateral cooperation with Russia to counter perceived American dominance. For the U.S. this would be a threat to its position in the Western Pacific and possibly the beginning of a construction of political blocks with very negative consequences for the world economy. For China, U.S.-India strategic cooperation is viewed as an attempt to make India act as a balancer to China's expansion of interests in Asia. Intentions aside, this perception may easily provoke a Chinese counter-reaction that may create problems of its own.

Considering all these factors and the rapid pace of India's rise, the decisions that India will take will prove to have profound consequences. This relates not only to the future balance of power in the region, but also to its domestic problems and safeguards of energy supplies. As India's importance on the world stage grows, other countries will give more importance and consideration to its responses.

Introduction^{*}

India is emerging as a possible great power in Asia. The end of the Cold War combined with the dissolution of the Soviet Union have had remarkable implications for Asia, and India is showing ambitions towards becoming a great power and is already able to project its influence beyond its own neighborhood. It has also found greater room for maneuver now that it is no longer bound by the limits dictated by being a member of the socialist camp. Improved bilateral relations between India on the one hand and China, Pakistan, and the U.S. on the other promises to transform global geo-politics and the balance of power, where India may emerge as a “swing state”. Not only does this undeniably impact India’s responsibility in world affairs and raise the consequences of its foreign policies, but it also gives it a unique role to play as a balancer able to influence, and be influenced, by all these states.¹ India is currently enjoying a booming economy and a process of reconciliation with China, while the chemistry between Indian Prime Minister Manmohan Singh and Pakistan’s President Pervez Musharraf seems to be working.

Despite these major accomplishments India is still facing numerous challenges impeding the pace of its rise and internal unity. These challenges primarily include ethnic separatism and terrorism, clashes between Hindus and Muslims, the troublesome Indian-Pakistani relationship, and rapidly growing energy needs creating much anxiety among India’s strategists. The communist legacy and nostalgia still persists in some political quarters, while some Maoist movements like the Naxalites present a growing threat. Despite

^{*} This study has been made within the Central Asia Caucasus Institute & Silk Road Studies Program, but it relies much on a report by Ingolf Kiesow for the Swedish Defense Research Agency (FOI). Substantial parts of this publication are a direct translation of relevant passages in that report, which has the title India – a Rising Power with Problems (Indien – En Uppstigande Stormakt med Problem). The Central Asia Caucasus Institute & Silk Road Studies Program expresses its thanks to FOI for having been authorized to use the report in this way.

¹ C. Raja Mohan, “India and the Balance of Power,” *Foreign Affairs* (July/August 2006).

improvement in relations between India and Pakistan since 2004 a solution to the Kashmir issue seems to be as distant as ever.

This paper tries to examine the factors in India's domestic, foreign and security policies which are important for its ambitions as an emerging great power, but with a scope limited to its potential alliance options. The initiation of U.S.-Indian contacts in various fields of strategic importance forms the background to the current study and the focus is directed to five questions. What factors have led India to harbor great power ambitions? How powerful are these ambitions? What factors complicate India's ambitions? What are India's weak points? What are the options in forming alliances and what problems will an alliance partner have to face?

No effort is made to analyze what possible complications India's ambitions may have for its neighbors, with a small exception in the case of Pakistan.

The first chapter describes features in India's historic background that have directly influenced its contemporary great power ambitions. It shows that the South Asian peninsula is very diverse with regard to ethnicity, religions and languages. This multifaceted region was made to function as an entity under Moghul and British rule and the British legal code and system of administration is still a large part of Indian society, though not accepted wholeheartedly. The partition of former British India into India and Pakistan created an ideological rift between the two from the beginning of their existence as independent states, India being officially "secularist" and Pakistan an Islamic state. In foreign policy, India was strongly oriented toward the Soviet Union and shared most of its socialistic ideals. Minority problems, local unrest and separatist tendencies along India's borders have caused a nationalistic counter-reaction, reinforced by an attack from China in 1962. This counter-reaction is to a large extent Hindu-nationalistic, but it is also a reaction against globalization and the liberalization of India's economic system, events that followed the dissolution of the Soviet Union.

Chapter two takes a close look at India's most difficult separatist problem, namely Jammu and Kashmir. The problem started due to the fact that the state of Jammu and Kashmir had a Muslim population majority but a Hindu Maharaja, who chose to accede to the Indian Union. A war with Pakistan resulted in the division of Jammu and Kashmir between the two states, with both claiming the part that the other country held. Pakistani support to

Kashmiris in the Indian state called Jammu and Kashmir resulted in several wars, after which India opted for nuclear weapons with Pakistan followed suit. Economic problems were made worse by the division, with scarcity of water as one example. Toward the end of the 1980s conditions caused a Kashmiri uprising in the Indian part, and the response from the centre caused a problematic human rights situation. However, today there is a tendency toward new thinking about Jammu and Kashmir. This new thinking presumes that peace can only be achieved if the population of the two halves of the divided former state of Jammu and Kashmir is given some autonomy and a dialogue is initiated between India and Pakistan. In both countries, but most strongly in India, serious objections are made against this reasoning, mostly from religious and nationalistic circles.

The third chapter describes how the need for a stable energy supply has become one of India's most serious security concerns. Coal is available in very large quantities, but historic, political and social reasons have become obstacles for its efficient use. Electricity production is likewise bogged down by domestic political factors and organizational problems. Oil and gas are available only in insufficient quantities and India is heavily dependent on imports from the Middle East. To mitigate this situation the political debate has to a great extent focused on the potential to pipe natural gas from Iran and/or Turkmenistan via Pakistani territory. Serious objections have been raised by the Indian Ministry of External Affairs and nationalistic circles in all the major political parties against any pipeline that would transit through Pakistani territory, while others have argued that it could become an effective Confidence Building Measure (CBM) between the two countries. The question has become further complicated by U.S. objections against any Indian contracts on a pipeline from Iran.

In chapter four emerging U.S. interest in establishing a strategic cooperation with India is analyzed. This interest coincides with nuclear power appearing as a potential solution to much of America's growing energy needs and power supply problems. The Bush administration is talking of international cooperation to solve the problem on a global scale and India is seen as an interesting strategic partner. At the same time, India is viewed as a counter-balance to the expansion of Chinese influence in Asia. Since the beginning of this millennium, tentative talks have been progressing on closer cooperation

between India and the U.S. This was manifested by an agreement about military cooperation in 2005, and was followed up by a common statement on civilian nuclear energy cooperation. This process is being complicated by the need for Indian exemptions from the rules of the Nuclear Suppliers' Group (NSG), and the history of U.S. initiated sanctions against India after its nuclear weapons test in 1998. The U.S. strategy of using civilian nuclear technology as a carrot can be viewed from two perspectives: On the one hand, the U.S. is portrayed as using nuclear technology as bait to attract India as an alliance partner. But it can also be seen in a wider perspective where India has a pivotal role in the U.S. revamped Greater Central Asia strategy for South and Central Asia.

In chapter five an effort is made to follow up on all of the important and rapidly emerging factors mentioned above and see how they affect both parties' assessments of U.S.-India cooperation. India will have to portray its nuclear policy as being peaceful enough to get approval from the member-states of the NSG to allow for exemptions from the rules, since these exemptions are necessary for the U.S. to share civilian nuclear technology with India. It is also unclear if nuclear power can become a solution to India's energy problem in the short term, even though its merits in the longer term seem rather obvious. An emerging alternative that may draw India away from the U.S. seems to have offered itself in a potential gas-pipeline from Russia via China, a proposal that would coincide with China's invitation to India for strategic cooperation as a counterbalance to U.S. domination. Some circles in India also perceive China as a more suitable and relevant partner than the U.S. for India. The nationalistic stream in Indian society seems to have strengthened the tendency towards hegemonic thinking that has been obvious for some time. However, the effects of globalization have already constrained China's hegemonic visions and may very well have a similar impact on India in the long term. On the other hand, Hindu nationalism and human rights as well as grass-root influence do not go well together and American public opinion may object to India's domestic policy, if an alliance emerges between the two. The outcome of such calculations will depend on how much power India can gain from cooperating with the U.S. and how strong the U.S. quest for influence in the region will be.

Chapter five also deals with the potential gains and sacrifices the U.S. has to make in its engagement with India. To use cooperation with India in its capacity as “the World’s largest democracy” can have obvious advantages for the U.S. in its efforts to promote democracy in Asia, and can also act as a counter-balance to Chinese models of social development. Moreover, India can function as a deterrent against Islamist circles striving to topple president Musharraf in Pakistan and their potential access to Pakistan’s nuclear weapons. India’s advantages as a partner are also heightened considering its good relations with countries in the Middle East and even Iran, a factor that may become important if the present dead-lock in the negotiations about Iran’s nuclear ambitions is to be resolved. In addition, it is important for the U.S. to avoid a scenario where India strengthens its trilateral cooperation with Russia and China within the framework of the Shanghai Cooperation Organization and/or energy supply from Russia via China. A far more attractive situation for the U.S. must be the forging of a network of bilateral alliances stretching from South Korea and Japan via Taiwan and Australia in the East to India in the West. This could, however, seem like an effort to contain China in Chinese eyes. If handled in an improper way, it may carry a risk of provoking an arms-race or of splitting Asia into two power-blocks resembling a Cold-War-like situation. In any case, the U.S. can have a constructive influence on the Kashmir problem, working with India, Pakistan and the Kashmiris to promote peace-building and conflict prevention, although this may easily provoke unconstructive responses from these parties. On the whole, it seems that any kind of closer cooperation will have to be careful, gradual and moderate in order to avoid differences in ideology and culture from causing more problems than it helps to solve.

Historical Perspectives and the Rise of Great Power Ambitions

Despite usually being depicted in orientalist terms, the Indian civilization differs substantially from the East Asian, mainly Confucian and Buddhist-inspired civilizations, as well as from European or Islamic societies. When India became independent in 1947, it had been ruled by empires from the two latter civilizations for the last 500 years, while Buddhism had been suppressed as the dominant religion starting in the 9th Century. Confucianism has not played any role at all in India's history. This historical legacy, in turn, explains why Indian society has inherited several distinctive European and Islamic characteristics. For example, the Indian legal system resembles the legal system inherited from its British colonial legacy, especially with regard to ethical and moral issues. In spite of this persistent influence, sympathies for Europe are not overwhelmingly positive. The partition of the Indian subcontinent in 1947 following the departure of the British, probably still represents the most violent ethnic cleansing since the Second World War. There is still not enough evidence available to establish the exact number of lives that were lost, with varying figures from 200,000 to 1,000,000 people who died during the immediate post-colonial period. The importance of grasping this violent history for understanding the problems facing India (and Pakistan) today could scarcely be understated. Equal weight should also be given to the period under British domination.

The Birth of India and Its Partition

The Raj—the Period under British Rule

In the mid 18th Century, the British East Indian company and its armies penetrated the West Bengal in eastern India following the Battle of Plassey. With Calcutta as the center and with support of the British Crown, the sphere of power eventually expanded beyond the West Bengal and came to

comprise a large part of the Indian subcontinent. The East Indian Company's oppressive methods of administration often had devastating socio-economic effects for the local population, especially in agriculture and through unjustifiably high taxations. As industrialism gained momentum in the 19th century this caused a large share of the labor force to become redundant, further spurring deprivation.² The philosophy of the Sunni oriented Deobandi movement, now adopted by the Taliban, emerged as a reaction to these events and the perceived assimilation and marginalization of the Islamic way of life. In protest to the East India Company's coercive methods, widespread mutinies rattled the country in 1857. In reaction to these events India, then comprising present-day India, Pakistan, and Bangladesh was put under the rule of the British Crown with a colonial administration headed by a viceroy.³

Emerging political systems like Westminster parliamentarism and liberalism quickly won terrain on the subcontinent. Political parties were formed, political advisors to the viceroy were recruited, and local administrations with parliamentary features developed. During the early 1920s the Congress party, under the leadership of Mahatma Gandhi and Jawaharlal Nehru, transformed into a mass movement. The party initially had both Hindu and Muslim members, with leaders like Allam Iqbal and Mohammad Ali Jinnah, but strains between Muslims and Hindus in the party immediately surfaced. Muslims felt marginalized by the Hindu majority that constituted the party's membership base, and as a result Iqbal and Jinnah subsequently formed the All India Muslim League in 1930.⁴ Yet, the overarching aim of independence from the British was a shared objective for both parties to such an extent that they initially worked in tandem. But as time passed a profound split between the Hindu-dominated Congress party and the Muslim League surfaced. This was to be the origin of a deep division in Indian society.

The calls for independence became more frequent and stronger after the Second World War, following the victories of the Japanese and under initial impressions that British military capabilities were inferior. At the same time

² Hugh Tinker, *South Asia: A Short History*, (London: Pall Mall Press, 1966), p. 127.

³ *History of India*, Wikipedia, <http://en.wikipedia.org/wiki/History_of_India> (July 28 2006).

⁴ Hugh Tinker, *South Asia: A Short History*, (London: Pall Mall Press, 1966), p. 213.

it became more difficult for England to control all its colonies. Especially worth mentioning was Mahatma Gandhi's philosophy of Ahimsa and the use of civil disobedience against the colonial power. As World War II ended, it became evident that colonial rule had to be abandoned, and the British government faced the delicate task of creating functioning state units that could be taken over by and transformed into successor states. The problem was most urgent in "British India", though some states managed to secede ahead of the British departure. Ceylon, today known as Sri Lanka, had been transformed into a separate colony by the British Crown in 1798 and was not a major source of concern; the same applied to Burma (Myanmar), which became a separate colony in 1937. Nepal and Bhutan also made individual agreements with the British defining them as independent states ahead of Indian independence.⁵

The intention from the British was initially to transform the remaining constituent parts into an Indian Union with Princely states under Maharajah rule. All of the states had differing religious majorities, and religion became a main determinant of accession, which resulted in severe strains between Muslims who started to fear a Hindu take over and vice versa. The Muslim League formulated demands to create its own independent state consisting of present day Pakistan and Bangladesh. However, this suggestion for a partition of the Indian subcontinent was forcefully opposed by the Congress party, while religious extremists on both sides started to provoke each other. In 1946, violence erupted in Calcutta in the course of a demonstration by the Muslim League where at least 5,000 people were killed. This set off a wave of political turbulence affecting the entire north of India.

The Partition

The British were forced to make a difficult choice: should they wait and attempt to maintain order or should they opt for an exit strategy and leave the headache to the Indians? The viceroy Lord Mountbatten chose the latter option—presumably with the intention of avoiding a general uprising against the British causing a protracted conflict which would be devastating to both parties. A decision was taken to create two new state entities: Pakistan and

⁵ *Ibid.*, pp. 222-235.

India. On July 18, 1947 the British Parliament adopted the relevant legislation. Pakistan became independent on August 14 and India on the following day.

In accordance with the ideals of the Congress Party (and Mahatma Gandhi) India formed a union based on a secularized political system, while Pakistan became an Islamic state. In this way, two radically different systems faced each other from the outset, one constitutionally secular system and one ruled by the Koran. This dichotomy still pervades the often competitive and conflict-prone relationship between the two. Ali Jinnah was to become the first President of Pakistan and Mahatma Gandhi to be his Indian counterpart; yet Gandhi's term in office did not last long.

On January 30, 1948 Mahatma Gandhi was assassinated by a Hindu extremist, presumably provoked by Gandhi's many concessions to the Muslims, and Gandhi was succeeded by Jawaharlal Nehru. The assassination triggered another, even more violent wave of repression and retributions against the Hindus on both sides of the border. Records state that approximately 14.5 million people were forced to seek refuge and flee across the border, with hundreds of thousands of casualties.⁶ When one tries to understand the current animosity between India and Pakistan, it is important to remember that a great part of the population in both countries who are still alive today, have memories of this devastating chain of events.

Independence or Accession to the Indian Union?

At the time of independence, another problem came to have profound implications for today's relations on the Indian subcontinent. According to the British legislation, the Maharajahs had the option to stay out of the Indian Union if they so wished. For most states this choice was relatively straightforward as they were surrounded by evident Union territories, but for other princely states in the border areas the decision was less obvious, not least in states where religious affiliations were ambiguous and indistinct. Jammu & Kashmir was perhaps the most clear-cut example of such a case as it had a Hindu Maharajah and was considered a Hindu state, in spite of

⁶ *Ibid.*

having a majority Muslim population. The geographical location on the border with Pakistan did not make things easier.

Maharajah Hari Singh initially received wide support in favor of independence outside the Union. The working committee of the All Jammu and Kashmir Rajya Hindu Sabha (the earliest incarnation of the present local Bharatiya Janata Party) formally adopted a resolution in May 1947 extending its “support to whatever he was doing or might do on the issue of accession” and in the same month the acting president of the All Jammu and Kashmir Muslim Conference urged his Highness to “declare Kashmir independent immediately”. Even the to-be Pakistan President Ali Jinnah ensured that he would support whatever decision was taken by the Maharajah.⁷

However, the situation became unraveled as violence erupted in Jammu following India and Pakistan’s declarations of independence. Around 60,000 demobilized British soldiers mutinied, local troops disobeyed orders and armed peasants from Pakistan invaded the country. The issue started to be seen as a Muslim rebellion targeting the Maharajah.⁸ As these events unfolded and the pressure on the Maharajah increased, he decided for accession to India despite his constituency having a Muslim majority.⁹ This was not accepted by Pakistan and a full-scale war erupted between the two. A ceasefire was achieved as the UN intervened and exerted considerable pressure on both of the warring parties. The war was concluded, not by a formal peace agreement, but only with an armistice. The state of Jammu and Kashmir was divided into two, with a line-of-control (LOC) separating India and Pakistan. The LOC still remains and neither side wants to recognize it as an international border. Both have instead laid persistent claims on the entire state of Jammu and Kashmir.¹⁰

⁷ Balraj Puri, *Kashmir towards Insurgency* (Hyderabad: Orient Longman Limited, 1993), p.5.

⁸ *Ibid.*, p. 7.

⁹ Government of India, Ministry of Home Affairs, *Jammu & Kashmir, Accession & Consolidation*, <<http://mha.nic.in/acc.htm>>(October 25 2006); see also <<http://mha.nic.in/accdoc.htm>> (July 12 2006) and <http://en.wikipedia.org/wiki/hari_Singh> (October 15 2006):

¹⁰ Victoria Schofield, *Kashmir in the Crossfire* (London: I.B.Tauris Publishers, 1996), p.179. and UN map available at, <<http://un.org/Depts/cartographic/map/profile/Kashmir.pdf>> (October 25 2006).

Jammu and Kashmir: An Autonomous State within the Framework of the Union—Theoretically

When Jammu & Kashmir were succeeded to India by Maharajah Hari Singh, it was made on the condition that only sovereignty in matters of defense, foreign policy, and communication was passed on to the Union. It was also explicitly stated that not even a change in the Indian constitution could alter these provided guarantees. Article 370 of the Indian constitution adopted shortly afterwards warranted autonomy for Jammu and Kashmir and stipulated that a state parliament should retain legislative rights in all other fields than those specified above.¹¹ In practice, the issue was solved by letting Sheikh Abdullah—a wealthy and influential Muslim from Srinagar—to first take over the authority of the Maharajah when the latter abdicated, and later, to become head of the local state government after elections to the state assembly which gave his political party a majority of the seats. Sheikh Abdullah chose not to make full use of the state's autonomy, but instead let the central government in New Delhi make decisions, which were later ratified by the state parliament of Jammu and Kashmir.

External Factors Contributing to India's Security Policy

Following independence, it has been said that Pakistan faced a severe resource imbalance in comparison to India; water resources were diminishing, factories were nonexistent, and the country did not possess a functioning army—though military coups were frequent. There is some truth to that statement. It was not until 1960 that India and Pakistan reached an agreement on the water issue which made long-term planning for large-scale agriculture in Pakistan possible. Pakistan also found itself at a strategic disadvantage, since defense of territory became virtually impossible as the country was partitioned into two halves with thousands of kilometers separating them. By 1972 local discontent in East Bengal led to an Indian-supported uprising against the central government. After having suffered significant human losses from 1971-72, Pakistan finally accepted a division of territory, with Bangladesh assuming sovereign powers as an independent

¹¹ *Constitution of India*, (Lucknow: Eastern Book Company, 1979), p. 139.

Muslim state. The acts of the Indian government during this process created feelings of great animosity in Pakistan, which are still not forgotten.¹²

Against this backdrop, Pakistani industry was directed toward rearmament and weapons-production at the same time as the military gained a disproportionate influence. In addition, from 1954 onwards Pakistan was supported in military matters by the U.S. as a member of the SEATO pact until it was dissolved in 1977. This militarization of Pakistan affected India's security policy significantly, and had profound consequences for deteriorating bilateral relations and the subsequent four wars.

The "Five" Indo-Pakistani Wars

The first of these wars took place in 1948 over the status of Kashmir. As mentioned earlier, it ended with a ceasefire but without a settled peace-agreement resolving the status of Kashmir permanently. The second war was also triggered by the Kashmir dispute and was essentially a skirmish about the border areas in Rann of Kutch in South-western Jammu. The third war was fought as a continuation of the conflict over Rann of Kutch in 1965, and the confrontation ended with a pull-out of troops from both sides. The fourth war in 1971-72 concerned the division of Pakistan and the creation of Bangladesh. It eventually ended with a Pakistani defeat where Pakistan was forced to abandon all claims on disputed territories as specified in the Simla agreement adopted as the war came to an end. India claimed that the Simla agreement had finally resolved all outstanding border disputes, even with regard to Kashmir, and did not recognize the authority of the UN in monitoring the border after 1974 (which Pakistan did). The fifth war with Pakistan could also seemingly be characterized as a skirmish. Pakistani forces and Kashmiri militants jointly invaded Indian-administered territory at Kargil in 1999, and it took India three months and thousands of casualties to push the Pakistani forces back.¹³ The logistical problems were both difficult

¹² The Separation of East Pakistan see,

<<http://www.storyofpakistan.com/articletext.asp?artid=Ao7o&Pg=5>> (October 25 2006).

¹³ *BBC Timeline India*,

<http://news.bbc.co.uk/1/hi/world/south_asia/country_profiles/1155813.stm> (October 25 2006).

and costly to solve as the conflict was fought at an altitude of 6,000 meters; the defense budget of India was raised accordingly in the course of this period.

Bilateral relations were also characterized by a nuclear armament race, initiated after a Chinese attack on northern India in 1962 and, later, the test explosion of a Chinese nuclear device. The attack caught Nehru's pacifist government off-guard. India did not expect China to resort to arms; especially not considering that it had supported China in the UN and exchanged regular good-will-visits between heads of state.

Disagreements between India and China regarding the Indian state of Arunachal Pradesh¹⁴ had existed since the date of India's independence. The state was created during British colonial rule as negotiations were held between Great Britain on the one hand and Tibet and China on the other. The territory today known as Arunachal Pradesh was considered to be part of Tibet, and Tibet in turn was regarded as part of China. Therefore the Chinese demanded participation in the negotiations about a border demarcation. But the Chinese demands were ignored by Great Britain's negotiator who signed an agreement with Tibet, giving the entire state of Arunachal Pradesh to Great Britain. This was never recognized by China, and when India became independent, China claimed jurisdiction over the entire territory. These claims were reinforced by China's annexation of Tibet and the following integration of the Tibetan territory into China. China seized the opportunity during border disputes in 1961-1962 to attack and occupy the entire state of Arunachal Pradesh, while simultaneously encircling a substantial part of the Indian army. For some reason, perhaps because of vehement international protests, China eventually withdrew, but it continues to lay claims on Arunachal Pradesh, which is called "South Tibet" in China.¹⁵

Following these shocking events, Nehru felt compelled to rearm his country in the event of a re-escalating conflict with China, and when China carried

¹⁴ Arunachal Pradesh is also called "south Tibet" by the Chinese.

¹⁵ Arunachal Pradesh, Answers.com, <<http://www.answers.com/topic/arunachal-pradesh>> (July 26 2006); "India and China to Double Trade," *BBC News*, <http://news.bbc.co.uk/2/hi/south_asia/6158824.stm> (November 20 2006).

out its first nuclear test explosion in 1964, a secret nuclear program was launched in India. Pakistan was not slow to find out about these plans and started a nuclear program of its own. In 1974 India carried out a “civil” nuclear test and detonated a nuclear device, but Pakistan refrained from responding with a counter-test, presumably because it lacked the capability to do so. However, Pakistan continued its quest for nuclear weapons.

The Sino-Indian war had other implications for India’s security policy. The country deviated from its proclaimed neutrality and in 1971 a friendship treaty was signed with the Soviet Union. From that date onwards the Soviet Union became the leading exporter of defense related material to India and India’s international profile became openly pro-Soviet.¹⁶

Conventional Defense

Negative domestic developments in large parts of India contributed to the military’s increasingly important role in the state apparatus. The employment of military forces had now become a regular feature of India’s national security thinking, not only in relation to other states but also in dealing with domestic threats. Today India has the world’s fourth largest military force,¹⁷ despite the fact that, according to UN figures, 34 percent of its population fall below the poverty line.¹⁸ In addition to the army, an almost equally large para-military force is used to retain control over volatile parts of the country where central authority is weak.

Contemporary Indian defense capabilities are of uneven quality. On the one hand, much of the defense material is aging; yet India still possesses some of the most sophisticated cutting-edge weapon-systems available on the world market. The discipline among the military is high and military education is solid, even in “civil” areas, and this facilitates recruitment and increases

¹⁶ Krishna Kapur, *India’s Foreign Policy 1947-92*, (London: Sage Publications, 1994), p.27.

¹⁷ Sidhu Singh, Pal Wahegeru and Jing-Dong Yuan, *China and India, Cooperation or Conflict?* (Boulder Colorado: Lynne Rienner Publishers, Inc., 2003) p.59.

¹⁸ *On setting India’s Poverty Line*,

<<http://www.epw.org.in/showArticles.php?root=2005&leaf=01&filename=8115&filetype=pdf>> (October 25 2006).

prestige. Salaries are relatively high and recruitment is a dream for many Indians, primarily in the poorer segments of society. Since defense is a sector that works fairly well in India, the military also deals in matters that few would consider military tasks in Western societies, such as extensive construction work after natural disasters.

Following the dissolution of the Soviet Union, the financial policies of India were directed toward an opening of the Indian economy and liberalization of foreign trade. During the 1990s military expenses were kept on a relatively constant yet slightly decreasing level until the conflict at Kargil occurred, which resulted in a minor raise of military expenses. In the course of the 1985 to 1990 five-year plan, official military expenses were calculated at 3.5 percent of the Gross Domestic Product and during the 1990s the level of military expenses has been relatively constant as illustrated in Table 1 below.

Table 1. India's Military Expenses as Percentage of GDP ¹⁹

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
2,8	2,6	2,4	2,5	2,4	2,3	2,3	2,4	2,2	2,7	2,7	2,7

In 2002 military expenses increased only slightly until they accelerated in 2004. In that year the military budget was raised by 27 percent. The Minister of Finance explained the steep rise as a modernization of the defense forces with acquisitions of new submarines, jet-fighters and an aircraft carrier supplied by Russia.²⁰ Military expenditures have continued to increase since then. For the budgetary year 2006/2007 expenditure was raised by 8.9 percent²¹ and since 2002/2003 expenses have increased by roughly 50 percent

¹⁹ Embassy of India, *Union Budget 2000*,

<http://www.indianembassy.org/policy/defense/india_defense_budget_2000.htm> (July 26 2006).

²⁰ "Why did Chidambaram hike defence outlay?," *Rediff.com*,

<<http://in.rediff.com/news/2004/jul/09spec1.htm>> (July 24 2006).

²¹ Niraj 2.0: "India's Defence Budget is Modest,"

<<http://weblog.nirajweb.net/archives/003116.html>> (July 26 2006).

in total, representing a proportional official increase from 2.7 to 3.1 percent of Gross Domestic Product (GDP).²²

This way of only looking at military expenditure as a share of GDP is misleading, however, when seen in an international context. Pakistan, with only a seventh of India's population, needs to invest proportionally more as it faces the possibility of a conflict and to maintain a credible deterrent. Conceived as such, it is not surprising that the share of military expenditure of Pakistan's GDP reaches as much as 5.5 percent, excluding pensions.²³

India's accounted military expenditure is flawed in international comparisons as India does not apply the same measurements as other countries. Most major powers, including the U.S., the EU, Russia, Japan, and China also include expenses related to pensions, paramilitary forces, the Ministry of Defense, frontier guards, nuclear research, and interest expenses on defense loans, but India does not. If these figures are included, Indian peace researchers have estimated total Indian military expenses to be around 4.1 percent of GDP, a notably high figure by international comparisons.²⁴

Pakistan, which lately has sought to keep military expenses low, has logically opposed Indian military expansionism and viewed it as particularly untimely.²⁵ In view of the fact that Indo-Pakistani relations have improved, and with the launching of the Composite Dialogue, this is a position that can be expected.

The figures in Table 2 below reveal that India in aggregate maintains a military capability of roughly half the size of China's and about double that of Pakistan's. Although these figures do not account for quality, practice, and maintenance of military material, they do tend to confirm that India strives to maintain a defense that could potentially deter China, and when India makes significant military acquisitions, Pakistan, in turn, attempts to balance it by improving its own military capability. This escalatory chain reaction

²² "India together: Defence budget leaves out Rs 26,000 crores – 18 May 2005," <<http://www.indiatogether.org/2005/may/gov-defcosts.htm>> (July 26 2006).

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ Embassy of Pakistan, "Pakistan Criticises Hike In Indian Defence Budget," <<http://www.embassyofpakistan.org/pb4.php>> (July 26 2006).

has been an on-going trend for decades and it seems to be a persistent feature for the foreseeable future as well.

Table 2. Key data on Defense in China, India and Pakistan²⁶

	China	India	Pakistan
Total Active Man- Power	2,255,000	1,340,000	619,000 (According to IISS)
Reserves	n.a	535,000	513,000 (According to IISS)
Para-military Forces	1,500,000	1,089,700	294,000 (According to IISS)
ICBM	30+	n.a	n.a
IRBM	110+	n.a.	n.a.
SLBM	1	none	none
SRBM	450	being deployed	n.a.
Army Manpower	1,600,000	1,100,000	620,000
Main Battle Tanks	5,000	3,928	2,422
Light Tanks	400	None	n.a.
AIFV & APC	4,500	1,917	1,281
Towed Artillery	14,000	4,175	1,830
Helicopters	380	162	62
Air Force Manpower	400,000	170,000	45,000
Combat Aircraft	1,900	680	415
Helicopters	?	40	none
Naval Aviation	26,000	5,000	n.a.
Manpower			

²⁶ *Indian Defence Yearbook 2006* and *The Military Balance 2002*, (London: The International Institute for Strategic Studies, 2002).

<i>Combat Aircraft</i>	700	35	6
<i>Helicopter</i>	45	97	9

The Nuclear Dimension

The Effects of the Nuclear Tests

Already in the same year (1998) as the Hindu-nationalistic Bharatiya Janata Party (BJP) assumed office after 40 years of straight rule by the Congress Party a series of nuclear tests were carried out. No advance notifications to surrounding countries were given, and Pakistan followed suit and made a series of nuclear tests of its own. As a result, BJP had essentially (and covertly) redirected India's security policy with far-reaching consequences. Although BJP had a passage in its party programme on its position regarding nuclear weapons, this had passed almost unnoticed and most observers had not taken the issue seriously. It can, however, be questioned whether the nuclear tests had any strategic value in terms of deterring Pakistan. India's relative strength and comparative advantage in conventional weapons had already increased in the last decade to the extent that it functioned as a credible deterrent in itself. It should also be noted that India's economic strength is many times greater than that of Pakistan, and that each percentage of increase in growth gives comparatively much more room for acquisitions of weapons.

Table 3. Military Manpower Compared to Number of Civilians in 2000²⁷

	Military Staff/ Civilians		GDP/Capita in USD	
India	1-770		1.900	
Pakistan	1-268		2.400	

	Active	Reserve	Population	GDP
	Mln	Mln	Mln	in Bln USD
India	1,3	0,5	1.002	471
Pakistan	0,6	0,5	161	63

The Development of a Nuclear Doctrine

During the period from the launching of India's nuclear program until the first nuclear tests of 1998, India applied a doctrine of ambiguity; Pakistan and China had to consider the possibility that India had nuclear weapons, but that it did not reveal this asset openly. According to arguments prevalent during the years leading up to 1998, the primary reason not to disclose the nuclear asset was that India's superiority in conventional weapons should not be counterbalanced by Pakistan going nuclear. Also, it was clear that Pakistan had a nuclear research program that was fairly advanced, but its scope remained unclear.²⁸

Interviews with senior Indian military commanders after 1998 have revealed that it was the perceived threat from China that spurred the BJP government to order the first series of nuclear weapons tests. The main factors accounting for this judgment seems to have been: First, that China had delivered ring-magnets that made it possible for Pakistan to attain nuclear capability. Second, that China had supplied a reactor to Pakistan as well as blueprints for building a bomb. Third, the modernization of China's own nuclear force with, for example, second-strike capability in the form of submarine-based

²⁷ *The Military Balance 2004-2005* (London: The International Institute for Strategic Studies, 2004).

²⁸ Ashley J. Tellis, *India's Emerging Nuclear Posture*, (Santa Monica: RAND, 2001), p. 11.

nuclear missiles and plans for building six additional submarines to carry them.²⁹

Since India now became openly equipped with nuclear weapons and had launched the first test series, there was a pressure from the outside world for India to develop a nuclear doctrine. However, it was one thing to develop a doctrine for India's own internal deliberations, but quite a different matter whether or not it would be published. The Indians found it unwise to make it public at the time. Even today, and in contrast to China, India has not announced an official nuclear doctrine. A preliminary doctrine was prepared in academic circles and military think-tanks in 2001, but it was shelved by the National Security Council.³⁰

India had approached Pakistan with a proposal as early as 1994 that an agreement should be reached on exercising first-use restraint. This proposal was dismissed by Pakistan for understandable reasons; Pakistan was the weaker party in conventional forces and had more to gain from keeping the option open to launch a first strike, or at least from threatening to do so. It was hoped that this would act as a credible deterrent to any plans India might have had to invade Pakistan.

It should be pointed out that the Indian proposal was made before the nuclear test explosions had been carried out but the Indian draft doctrine stated that the Indian side undertook to abstain from the first use. It has also appeared that nuclear weapons are exclusively intended as a deterrent and not for use in actual warfare. They are intended as possible retribution only, not for winning strategic advantages.

The then Prime Minister Vajpayee added in a briefing to parliament that India would not employ nuclear weapons against states without such a retaliatory capability. Details provided by persons who participated in the draw up of the 2001 draft doctrine have also revealed the following: First, that the doctrine is intended and formulated to keep all doors open for the nation. Second, that it proscribes "minimal deterrence" as a principle (a principle, which has caused a great deal of confusion over what is exactly meant by

²⁹ Sidhu Singh, Pal Wahegeru and Jing-Dong Yuan, *China and India, Cooperation or Conflict?*, (Boulder Colorado, Lynne Rienner Publishers, Inc., 2003), p. 29 -31.

³⁰ Ashley J. Tellis, *India's Emerging Nuclear Posture*, (Santa Monica: RAND, 2001), p. 251-259.

“minimal”).³¹ Third, it established the principle of “maintaining strategic independence”.

According to the same source, “minimal deterrence” shall be interpreted as maintaining parity³² with countries like France, Great Britain and China, especially the latter country, which will serve as a kind of yardstick for India. The implications are that India shall be in possession of a “triad” containing nuclear weapons carriers—e.g. aircraft and land-based, cruise or submarine missiles. The latter provides second-strike capability, and India is in the process of purchasing two Russian submarines of the Akula model with nuclear capability. India has also developed its own cruise-missile, dubbed “Brahmos” capable of carrying nuclear weapons both in a land-based and in a ship-based version.

Additional capacities exist in the short-distance, nuclear capable missile “Prithvi” which already has been deployed. The missile is available in a number of versions, the largest version with a reach of 350 kilometers. Besides, the medium range missile “Agni” which can be equipped with a nuclear war-head, is available in several types, where the most powerful one is presumed to have a range of 2,500 kilometers, but it has not yet been tested with favorable results. Should it be deployed it could reach some of the largest cities in southern China.³³

India has also developed a number of rockets in its space program, which theoretically could be equipped with nuclear war-heads and reach distances of up to 14,000 kilometers—making them Intercontinental Ballistic Missiles (ICBMs). There is, on the other hand, little evidence today that India should seriously contemplate using these rockets for military purposes and it seems as if India will refrain from acquiring ICBMs.

With regard to aircraft, India has several types in its air force capable of carrying nuclear weapons. India has also negotiated for an anti-ballistic missile defense system with Israel and several important components of this

³¹ Where “minimal” however have been interpreted as quite ambiguous.

³² Parity here means the preservation of a credible nuclear deterrent rather than equal capability.

³³ Singh Sidhu, Wahegeru Pal and Yuan, Jing-Dong, *China and India, Cooperation or Conflict?*, (Boulder Colorado: Lynne Rienner Publishers, Inc., 2003), p. 61-62.

system are already deployed in India's defense. India also possesses a Russian Airborne Warning and Control System (AWAC), but is negotiating with several other countries about a more modern type. The U.S., for example, has been offering the Anti Ballistic Missile (ABM) Patriot Pac 3 and it seems that India considers itself to be in a position to afford a complete ABM-system (which could mean an important and expensive escalation in the arms-race in South Asia).³⁴

The submarine-based option deserves mentioning. Apart from the two Akula submarines negotiated with Russia, it has debated developing a domestic Strategic Submarine Based Nuclear system (SSBN) in order to obtain a second strike capability version. Yet development of such a system would be so costly that it would compromise the production of two aircraft carriers, which the navy has insisted are of vital importance as a complement to the aircraft carrier Admiral Grechkov that has been purchased from Russia and is undergoing re-fitting, upgrading and re-equipping. Except for Admiral Grechkov, India has only one old aircraft carrier, which is outdated and mainly used for training purposes. The navy has argued that India must be capable of power-projection in the Indian Ocean, not least because it has to protect the Nicobar Islands, far away from ports on the Indian mainland. As a solution to this problem, India has considered purchasing two new aircraft carriers from abroad to complement Admiral Grechkov, but whether that is financially possible is still unclear.³⁵

Pakistan has not publicized any official nuclear doctrine apart from occasional statements that it will potentially resort to the first use option if India attacks Pakistan and gains a clear operational advantage. Perhaps even more worrying is the fact that the chain of command and control over nuclear weapons in Pakistan is unclear, which has caused some observers to warn about the risk of accidental escalation.

Overall, it seems that the nuclear pattern in South Asia is not yet stable. Indian commentators have a tendency to state with pride that India and Pakistan do not find themselves in a MAD-situation (i.e. one of Mutually

³⁴ *India Defence Yearbook 2006*, (New Delhi: India Defence Yearbook, 2006), p. 179.

³⁵ *Ibid.*, p. 351; see also "India, Pakistan: another aspect to the military race," *Stratfor Global Intelligence Brief* December 6 2005 <www.stratfor.com> (November 28 2006).

Assured Destruction). They argue that the total stock of nuclear weapons is currently held on a fairly low level, a level that is lower than that of a MAD-situation. However, this also means a lowering of the threshold for considering actual use.³⁶ This was made clear in 2002, when a potential conflict situation emerged between India and Pakistan. At that time, there seemed to be too little concern about the devastating effects of a nuclear war. Even in hindsight, Indian and Pakistani officials tend to see the issue as totally overblown by media and international opinion, and they seem certain that a conflict would never develop into a nuclear exchange.³⁷ After the crisis of 2002 there seems to be more concern about the possible consequences of a nuclear escalation, but the seriousness of this afterthought does not seem to be totally convincing to all quarters. Nor is it clear that it will be sufficient in case of a renewed escalation. A major factor behind the restraint exercised in 2002 was the pressure exerted by the U.S., EU, Russia, and China; this leverage may be needed again. Apart from defense and “hard security” affecting India’s foreign policy considerations, there are also growing domestic challenges threatening India’s unity. These relate primarily to unequal economic redistribution, the persistence of the caste system, ethnic relations, and separatism.

Domestic Considerations for India’s Security Policy

A large share of India’s working population belongs to the castes designated as “unprivileged” in Indian legislation, belonging to so-called Scheduled Castes and Tribes and Backward Classes. People being classified as such have precedence to certain employment opportunities in the public sector and are allocated quotas in education. Despite these instances of positive discrimination the caste system has in aggregate had detrimental effects for India’s internal stability, and the lowest classes face significantly more disadvantages than the rest of Indian society.³⁸

³⁶ At most 125-200 by 2010 according to Ashley J. Tellis, *India’s Emerging Nuclear Posture*, (Santa Monica: RAND, 2001), p. 493-505

³⁷ Interviews with Indian and Pakistani officials.

³⁸ Sadia Nasir, *Rise of Extremism in South Asia*, (Islamabad: Islamabad Policy Research Institute, 2004), p. 24-25; See also Article 330 in *Constitution of India*, (Lucknow: Eastern Book Company, 1979).

The history of the caste system is unclear. This is because it emerged before the use of the written word and there are no annals that may indicate reasons for its appearance. The castes are classified in a strict hierarchical system. Caste is determined at birth and it is impossible to climb the system, but this does not impede persons – theoretically – from acquiring senior positions and well-paid employment.³⁹ There is still awareness that one's caste significantly limits existing options and opportunities, both economically and socially, since the caste decides in practise one's life partner as well. It may be illegal and yet it is a bitter reality of Indian life.

On the top of the ladder are the Brahmins, who were historically part of the Hindu clergy practicing “scribed” professions. The Brahmins are followed by Kshatriya, consisting of warriors and administrators, who in turn are followed by Vasiyas including craftsmen and salesmen. On the bottom are the Sudras i.e. the peasants. Among these four main castes there are a significant number of sub-castes for different professions and different life-stages. There are also the most scorned, the persons often mistakenly referred to as “casteless”, performing the least qualified occupations like sweepers and leather-workers. As Hindu-nationalism has grown stronger in the last decades there has also been a tendency to revive the caste-system, at least mentally and despite the fact that the constitution prohibits caste discrimination.⁴⁰

Mahatma Gandhi sought to abolish the caste system and its role in Indian society calling the “caste-less” *Harijans*—children of god. Disputes about the application of the caste system have led to a number of uprisings, resulting in numerous casualties. Furthermore, in 1989 implementation of a program launched by the then Prime Minister V.P. Singh for “backward classes” recommended by a commissioned study triggered a cabinet crisis.⁴¹ In the industrialized parts of the country this segment of society, calling themselves Dalits or “oppressed”, have organized in protest movements. The state of Maharashtra (where Mumbai is located) is a region where Dalit movements

³⁹ Sir George Dunbar, *A History of India from the Earliest Times to the Present Day*, (New Delhi: Low Price Publications, 1990), p. 16-17.

⁴⁰ Article 15 in *Constitution of India*, (Lucknow: Eastern Book Company, 1979).

⁴¹ Sadia Nasir, *Rise of Extremism in South Asia*, (Islamabad: Islamabad Policy Research Institute, 2004), p.25.

have been most active.⁴² Spontaneous militant demonstrations occur now and then, sometimes sparked by mobile text messages, making them erupt simultaneously in several cities and towns.⁴³ The leftist extremist parties seek to attract the Dalits, among them the criminalized Naxalites movement, which will be described more in detail later on.

The importance of the caste-system for India's current domestic problems should not be underestimated. The caste system has had a negative impact on the ability of the lower classes to have any influence in the political debate and they have often been disregarded as a nuisance. This skewed political representation is also reflected in the party system. The Hindu-dominated BJP is rather obviously controlled by the upper castes, but even the Congress party is often said to be run by Brahmins having an un-proportionally strong influence.

Ethnic Relations and Separatist Movements

There is no "Indian" language since none of the local languages are spoken across all of India. English is the only official language recognized everywhere. All legal documents should be available in English in all parts of the Union. The Hindu nationalists have in vain strived to make Hindi the only official language, but it has not been accepted in the southern parts of the country, where it is not understood. As a consequence, India has eighteen different languages (except English), and there are 844 dialects and variants of the languages spoken.⁴⁴

This reflects the great ethnic and cultural diversity that exists in India. The Union was formed out of 565 different Maharajah kingdoms and Princely states, all with their own history and peculiarities. The Union was mainly established for the British to "create" a country as successor to their own power. Colonial dismantlement needed to be transferred to defined

⁴² US Congress, *Country studies India* <<http://countrystudies.us/india/89.htm>> (October 25 2006); "PM's remarks on minorities 'mischeivously misinterpreted'" and "PMO and PM's remarks on minorities irk BJP," *Kashmir Times* <<http://www.kashmirtimes.com/front.htm>> (December 11 2006).

⁴³ *From Khairlanji To Kanpur and Beyond: Behind the New Dalit Discontent* <<http://www.kashmirtimes.com/front.htm>> (December 12 2006).

⁴⁴ *Amazing India*, <<http://www.amazingindia.info/general/languages.htm>> (October 25 2006).

governments and countries. India was defined accordingly, but Pakistan and East Bengal seceded from the Union at an early stage in a violent chain of events, detailed in a previous chapter.

Far from all parts of the country that was consigned to India had any wish to be a member of the Union, and violent resistance erupted in various regions, although many of these uprisings were relatively small and soon suppressed. But in some cases the problem reappeared as discontent with the economic progress of a specific region, combined with other factors such as the caste system, religion, language and immigration. India has consequently continued to be affected by separatist movements on its borderlands, both north and south, which have been considered threats to national unity. No part of the country has been able to break away from the Union since Pakistan and East Bengal seceded and it has become a matter of principle for each Indian government since then to maintain this state of affairs.

The disputes have often concerned claims from ethnic groups on a homeland and territory separated from a certain state. In other cases, demands for autonomy or even secession from the Indian union have been made. The extent and force of these movements are best illustrated in a publication issued in 1995.⁴⁵ It aimed to compile all the peace-agreements that the Government of India had reached with separatist movements. The volume contains no less than 28 such agreements with separatist movements from 6 different states, where, it should be noted, only a fraction have led to permanent peace. Below is a brief description of the most important separatist movements to date.

The Tamils

During the 1950s a Dravidian movement emerged in the southern parts of India demanding rearrangements of the states in the south along the lines of languages—a goal they were finally able to accomplish. Various Dravidian languages are spoken in the southern part of the country. Tamil Nadu became the largest of the Dravidian states. The Dravidian movements struggled against Hindi becoming a mandatory language of instruction in schools but they did not succeed in their efforts. A caste perspective was

⁴⁵ P.S. Datta, *Ethnic Peace Accords in India* (New Delhi: Vikas Publishing, 1995).

added to the issue – the fact that the Congress Party leadership in New Delhi was said to be dominated by Brahmins spurred resentment. The movement still exists today.⁴⁶

Extremist organizations such as Dravida Munnetra Kazhagam (DMK) took advantage of these social injustices and cooperated with the Tamil Tigers in Sri Lanka for a period of time. However, the violence in Sri Lanka seems to have had a discouraging effect on local public opinion and support for extremist movements waned. With the exception of some units of the Naxalites, Tamil Nadu is today a state without an active resistance movement, but the basic sources of inequality between the south and the rest of India still remain, making this part of the country a potential hotbed for conflicts should the problems not be addressed. A certain cautious attitude by the central government and a reluctance to act upon widespread accusations of corruption among local officials in Tamil Nadu should be seen in this light.

The Sikh-uprising in Punjab

Sikhism is a syncretic religion that emerged in the 15th century⁴⁷ and gained rapid popularity in the north of India. Before the dismantling of the British colonial empire, a Sikh movement, Akali Dal, demanded a separate territory and a state, but this was not granted. After independence, a number of Sikh movements continued their demands for territory but of little avail. In the state of Punjab the Sikh's were especially numerous and several movements with demands for autonomy emerged. They became very active during the 1980s and many started using violence and terrorism to achieve their goals. Prime Minister Indira Gandhi tried to maneuver the different Sikh factions by trying to play them against each other and drive a wedge between them but the strategy had almost the opposite effect. As Indira Gandhi was assassinated by a Sikh in 1984 the mood became aggressive against the Sikhs all over the country. Pogroms took place in several states, which in turn provoked counter-actions among the Sikh population in Punjab. It eventually

⁴⁶ See *Tamil Heritage; Tamils are an Ancient People*

<<http://www.tamilnation.org/heritage/index.htm>> (October 25 2006).

⁴⁷ W. Owen Cole, *The Guru in Sikhism*, (London: Darton, Longman and Todd, 1982,) p.23

led to the Sikh uprising in Punjab, where the Akali Dal movement also played an important role in the 1980s.⁴⁸

It soon became clear that the Pakistani Inter-Services Intelligence agency (ISI) gave massive support to the Sikh militants in Punjab, which also borders on Pakistan. The reaction was fierce. The Indian Army was deployed to suppress the uprising, which so far has cost around 1000 casualties yearly and over 4000 casualties in 1990.⁴⁹ Pakistan's support for the uprising had serious implications for bilateral Indo-Pakistani relations. In India, Pakistani support was seen as a revenge for India's support to East Bengal's independence from Pakistan in 1971. It created the foundation for the hostilities that were to erupt in Jammu & Kashmir and for Pakistan's support to the Kashmiri militant movement.

The Unrest in the Northeastern States

The Northeastern states beyond West Bengal are only attached to India through a small corridor between Bhutan and Bangladesh. During the 1962 Sino-Indian war, parts of the Indian army were almost separated from the main forces at this location. The population in the Northeastern states of Assam, Arunachal Pradesh, Mizoram, Meghalaya, Nagaland, Manipur and Tripura are mainly of Mongolian-Tibetan origin. The topography of the region is mountainous, but the climate is tropical. Valleys and mountain slopes are difficult to pass and communications between the different parts of the region are poorly developed. This isolation has led to the tribes speaking over 200 different languages and tribal identity is an important part of personal identity. There are active resistance movements in all these states, where a number are fighting for autonomy or independence from India.

In Nagaland, Christianity is the dominant religion and parts of the population have resisted India since 1947. Nagas also are found in Manipur, Assam, and Arunachal Pradesh, and there is an yet unresolved problem involving the fact that many of the militant Naga movements demand a

⁴⁸ "The Sikh separatist movement and the Indian state: A retrospect,"

<http://www.sikhspectrum.com/052004/ahluwalia_ms_3.htm> (October 25 2006).

⁴⁹ Sadia Nasir, *Rise of Extremism in South Asia*, (Islamabad: Islamabad Policy Research Institute, 2004), p. 19.

separate state for all Nagas irrespective of their being a minority in several parts of the region; a strategy which has met with resolute resistance. The Naga movements are split into one Maoist and one Christian branch, which are in constant conflict with each other. Both branches have militant sub-branches which have been active for decades.⁵⁰ A peace-agreement has been signed between the central government and the resistance movements⁵¹ and the situation is at present relatively calm, but there is still a significant security threat in the mountainous parts of the region posed by various militant outfits.

In Assam the population is primarily Hindu but with cultural characteristics that make them differ from the rest of India. The Maoist independence movement United Liberation Front of Assam (ULFA) has gained support in the entire state by playing on resentment for economic mismanagement, Muslim immigration from Bangladesh and immigration of Hindu workers from poorer parts of India, especially Bihar. Recent atrocities show that this 30-year old conflict is far from over.⁵²

China has formerly supported both the Maoist and ULFA movement in Nagaland but there is no evidence of this occurring today. The Indian security service claims, however, that it has evidence of support from Pakistan to the movement. This may or may not be the case, but it is clear however, that the ULFA is cooperating with both the Nepali Maoist movement and the Naxalites in the rest of India. Maoist movements are also present in both Mizoram and Meghalaya.

The main issue and greatest cause for resistance in Manipur has to do with language, and disturbances and clashes are frequent. There are also fears that India plans to carve out parts of Manipur to create a “great-Nagaland” to accommodate the Naga movements. The state government is working on a

⁵⁰ Phanjoubam Tarapot, *Insurgency Movement in North-eastern India*, (New Delhi: Vikas Publishing House, 1993) p. 125; B.G. Verghese, *India's Northeast Resurgent*, (New Delhi: Konark Publishers, 1996), p. 280-311.

⁵¹ P.S. Datta, *Ethnic Peace Accords in India* (New Delhi: Vikas Publishing, 1995), p. 152.

⁵² “Dozens killed by Indian separatists,” *Aljazeera* <<http://english.aljazeera.net/>> (January 6 2007); “Forces hit back after India attacks” *Aljazeera* <<http://english.aljazeera.net/>> (January 7 2007); “Government to extend all support to fight ULFA: JAiswal” *Hindustan Times* <<http://www.hindustantimes.com/news>> (January 7 2007)

language program that may be very controversial and unacceptable to great parts of the population. Disturbances are frequent. The problem is exacerbated by the intense trafficking of narcotics and arms from Myanmar (Burma) and the ensuing criminality. A substantial part of the narcotics consumed in India enter the country through this route.

The Naxalites

The Naxalites are a movement that indirectly challenges the central government in India, presenting a continuous threat to its fundamental values. The Naxalites seem to have been resurrected in 2006 and have caught significant international attention this year. An attack on December 28 on a gathering of the Indian Institute of Science in Bangalore set the ball rolling. The Naxalites are originally a Maoist movement consisting mainly of poor peasants in the most feudally structured areas on India's countryside. The number of armed skirmishes with Naxalites was already over 1000 in 2001 but reached 1533 in 2004 claiming 566 casualties as an annual average. The targeting of research-centers has caused anxiety among foreign investors.⁵³

The name Naxalite springs from the village Naxalbari in West Bengal where the movement was started in the 1960s. Discontent among the poor and oppressed peasants had already created disturbances by 1946 and resulted in an uprising involving 3,000 villages and causing 4,000 fatalities before the revolt was suppressed. The uprising in Naxalbari spread and the movement became spearheaded by a Marxist-Leninist leadership with influences from Mao's China. The activities of the Naxalites were also covered in Chinese state-run newspapers such as the *China Daily*.⁵⁴ The uprising extended to neighboring states, with similar economic systems, and became a source of concern during the entire 1960s and early 1970s. By this time the uprising phased out, presumably because the communist parties that previously supported the Naxalites had changed strategy and begun to participate in local elections rather than support militancy.⁵⁵

⁵³ Prakash Singh, *The Naxalite Movement in India* (New Delhi: Rupa Co, 2006), p. 165.

⁵⁴ *Ibid.*, p. 259.

⁵⁵ *Ibid.*, p. 14-15.

A second phase commenced as the People's War Group was established in the state of Andhra Pradesh. This group created significant unrest in the Eastern parts of India, but it faced the same fate as the Naxalites and withered away as a result of internal ideological struggles. This was followed by a third phase whereby the Communist Party of India (Marxist-Leninist) decided at its congress to support the People's Guerrilla Army with supplies of weapons and financing. This party has also garnered notable support in relatively well-developed states such as Andhra Pradesh, Maharashtra, Madhya Pradesh and Tamil Nadu but mainly among the poorest segments of society. Support has been more notable lately in poorer states such as Bihar, Jharkhand, Chattisgarh, Orissa, and West Bengal.

CPI (ML) participated in the creation of the Co-ordination Committee of Maoist Parties and Organizations of South Asia (CCOMPOSA) in June 2001. By March 2003, a joint declaration with the Philippine and Turkish Marxist-Leninist parties was issued condemning the U.S. invasion of Iraq. In October 2004 the party declared that it supported the Communist Party of Nepal and the fight in Peru, Philippines, and Turkey full-heartedly. It has also declared solidarity with and support for the liberation struggles in Jammu and Kashmir, Mizoram, and Nagaland. Intelligence from police forces operating in the area also reveals close links between the Naxalites and the Tamil Tigers in weapons-trafficking. The international network of the Naxalites seems to be relatively well-developed but it should be underlined that for some years China has not given it any support whatsoever.⁵⁶

A police officer, who has been chief of police in several of the concerned states has assessed the Naxalites to have a support base of around 50,000 members and CPI (ML) to have around 30,000. His analysis results in the conclusion that the movement is caused by poverty, misdirected land-reforms, unemployment, corruption, clan-structures and poor state administration. That reflects a criticism by a group of other analysts, who stress the same aspects of India's domestic problems and the (mis)management of human resources.

Naxalite violence increased during the 2005 killing of more than 700 persons and is projected to increase rapidly in 2006. Prime Minister Manmohan

⁵⁶ *Ibid.*, p.193.

Singh declared in April 2006 that he considered Naxalite unrest a more serious threat than the uprising in Jammu & Kashmir.⁵⁷ The reaction of the central government has been formulated in the “Salwa Judum” strategy meaning removal of villagers sympathizing with the Naxalites while creating “safe” areas for those who do not. This was carried out by creating an armed militia consisting of “voluntary” peasants with a task to defend fortified villages against the Maoists. Indian human rights organizations have condemned the system on the grounds that it will create more problems than it will solve, and that it may even increase support for the Naxalites among the locals. A group of Naxalites, presumed to be around 800, attacked one of these so-called “safe” villages (with 4,000 inhabitants) in July 2006, killing 26 persons, wounding another 80. 250 persons are still missing after the battle.⁵⁸

India's Political Preconditions in a Global Perspective

When India became independent in 1947 the world was bipolar and divided between two competing blocs. For a country the size of India it was difficult to stay out of the conflicts of the Cold War but it tried because of its political predisposal. There were both ideological reasons and an instinct of self-preservation. To maintain neutrality and not enter into alliances became a main course of action. Two important attitudes were political forces created during British colonial rule, namely anti-colonialism and anti-racism. They steered India leftwards, toward socialism and anti-imperialism. India attracted considerable international attention by making strong public statements in support of Indonesia's struggle for independence from the Dutch, the abolishment of Apartheid in South Africa, and arguing vehemently against China's exclusion from the United Nations. The combination of neutrality, anti-imperialism, and anti-racism led India to be

⁵⁷ “India's rising Maoist rebellion,” *Christian Science Monitor*, June 14 2006, <<http://www.csmonitor.com/2006/0614/dailyUpdate.html>> (June 24 2006).

⁵⁸ “Naxals mow down 17 in Chattisgarh relief camp,” *Hindustan Times*, <<http://www.hindustantimes.com/inlineCDA/PFVersion.jsp?article=http://10.81.141.1>> (July 17 2006); “Naxalites massacre 26 tribals in Datwada,” *Times of India* <<http://timesofindia.indiatimes.com>> (July 24 2006); “Asia/Maoists pose real threat to security in rural India,” *The Asahi Shimbun* <<http://www.asahi.com/english/index.html>> (November 13 2006).

one of the first nations, together with Egypt and Yugoslavia, to formulate the principles during the meetings in Bandung and Brioni that were to become the foundation for the Non-Aligned Movement.⁵⁹

A moralizing and pacifist aspect was added to India's political discourse as well. India served as interlocutor in a number of international conflicts, for example in the exchange of prisoners between China and the U.S. after the Korean War. The efforts to get attention in that role in international affairs was an important aspect of Indian foreign policy, but a particular chain of events made it less relevant as time passed. One of these events was the war between China and India in 1962. India was forced to consider recourse to arms and started a nuclear program that was not easy to defend in terms of pacifist principles. This is not to say that neutrality and pacifism were abolished. A self-proclaimed pacifism combined with India's declared neutrality have remained a consistent feature of the foreign policy discourse of Indian governments ever since. India's place as the world's largest developing country also led it to assume a leadership role in the so-called Group of 77 in the United Nations. Yet even in this position, India's own national interests often came into conflict with the ideals that it was supposed to represent on behalf of the smaller developing nations.⁶⁰

1947-1989: Slow Economic Development and Social Unrest

Just like his colleagues in government, Jawaharlal Nehru, who became India's prime minister after the assassination of Mahatma Gandhi, was strongly influenced by the socialist ideals of a Labour-type which were then popular at British universities. A planned and regulated economic system became the ideal but India's status as a developing country made it impossible to implement that policy in practice. The development of heavy industry (which was prioritized) received substantial support from the Soviet Union whereas the support needed for other sectors came from

⁵⁹ Krishna Kapur, *India's Foreign Policy 1947-92* (London: Sage Publications, 1994), p. 127.

⁶⁰ *Ibid.*, p. 124-134.

Western countries. All in all, the Soviet Union became a model for India, economically and politically.⁶¹

Five-year plans were drafted and implemented but they were eventually to be employed as guidelines only, and did not decide production quotas. State ownership was implemented to limited sectors of the economy, while areas such as agriculture remained in the hands of the private sector. Its end result was an increasingly inefficient mixture of government regulations and bureaucracy incapable of implementing a decided policy. Nehru's daughter, Prime Minister Indira Gandhi, continued the fight against growing corruption, police brutality, inequalities in the caste-system, and religious clashes. Slow economic growth and unequal distribution of resources and income became additional problems.⁶²

The system was criticized by Indian analysts but for different reasons. The harshest critics called Nehru's socialist policies a "socialization of vacuum" as there was nothing to socialize. Import substitution without importing was equally ridiculed. Other analysts argued that India's problem was that it neither implemented autarchy fully and made the country independent from external markets nor opened the economy to export-led growth following the patterns of South-Korea or Taiwan. Other arguments focused on the combination of implementing a planned economy while failing to socialize the means of production, thus making the plans futile.

The dissolution of the Soviet Union came as a shock for the political establishment in India.⁶³ Rajiv Gandhi, who became prime minister after his mother's death, had already begun to pursue more liberalized economic policies before the Soviet Union fell apart, but some other immediate effects of the shock were clearly seen on the political stage.

⁶¹ Björn Hettne, *Utvecklingsstrategier i Kina och Indien*, [Development Strategies in China and India] (Lund, Studentlitteratur, 1979) p. 125.

⁶² Myrdal, Gunnar, *Asian Drama, an Inquiry into the Poverty of Nations*, (Harmondsworth, Middlesex: Penguin Books, 1971), p. 107-119; Krishna Kapur, *India's Foreign Policy 1947-92* (London: Sage Publications, 1994), p. 68.

⁶³ *Ibid.*, p. 48.

An Undecided Foreign- and Security Policy

India's foreign policy was initially directed toward closer diplomatic and economic engagement with the Soviet Union, yet it did not enter into any formal alliance since that would have undermined India's proclaimed neutrality. Notwithstanding, this neutrality slowly lost its meaning as the Cold War balance of power politics forced India to take positions. After China's invasion of India in 1962 India was forced to look for external support and saw an opportunity in the Soviet Union which by then had rather strained relations with China. Simultaneously the U.S. began a policy of rapprochement with China and supported Pakistan against India and this led India to sign a treaty of friendship and cooperation with the Soviet Union in 1971.⁶⁴ The Soviet Union offered both moral support on the international arena and sophisticated modern weapons that were needed. An article in the treaty stipulated that should any of the two countries be involved in military conflict, both countries would enter into immediate consultation and implement effective measures to preserve peace and security. Henceforth, India was in practice an ally of the Soviet Union. It could buy all the military equipment it needed from the Soviet Union and at a good price, often on beneficial terms. In the end, this also positioned India in opposition to the United States.

The tense relations with China continued to be perceived as a threat to India's security. China began to supply Nepal with weapons which contravened an agreement of friendship previously reached between Nepal and India. China negotiated directly with Bhutan which contravened a similar agreement, which India had interpreted as a transfer of sovereignty to India in matters concerning foreign and security policy. China also negotiated with Bangladesh on the regulation of the water-flow in the Brahmaputra River without consulting India, disregarding the fact that the river ran through Indian territory. Even worse for India was China's support of separatist movements in the Indian states of Assam, Jammu, Manipur, Mizoram, Nagaland, and Tripura while supplying Pakistan with weapons and missile technology. It should also be noted that China's nuclear

⁶⁴ *Ibid.*, p. 47.

capability has been a constant cause for India's sense of insecurity.⁶⁵ After the dissolution of the Soviet Union there was less need for India to bandwagon with Russia and view the US as an adversary. This entailed increased room of maneuver in the execution of foreign policy and potentials for engagement with other countries.

Economic Liberalization and a Flexible Foreign Policy

Rajiv Gandhi initiated a program for economic liberalization in all areas, which also contributed to improved relations with the U.S., or at least a relationship with fewer strains. The program continued even after Rajiv Gandhi was assassinated in 1991, just as his mother had been assassinated. The Congress Party remained in power as it had been since 1947, and during the leadership of Narashima Rao liberalizations of investment conditions, the capital market, and the exchange rate were implemented. Foreign investments began to increase by the end of the 1990s and during the entire decade annual growth remained at roughly 8 percent year-on-year without inflation rising beyond the 2.5 percent mark. Since then the annual growth rate has been somewhat lower but it still remained above 6 percent. The main problem has been a budgetary deficit somewhat too large even for a developing country, as well as the fact that liberalization could still not be implemented in agriculture and in the labor market. The intended privatization has not been carried through because of resistance primarily from one of the Communist parties, which is needed by the government as a support party in parliament. Despite these difficulties India continues to have an annual economic growth of roughly 6-8 percent.⁶⁶

Soon after the initiation of the liberalization package some negative and unintended side-effects also emerged. Employees in the public sector, representing a large share of the labor force, got relatively low salary increases in comparison to many of those who were employed in the private sector. The discrepancies created jealousy and strains on the labor market.

⁶⁵ Sidhu Singh, Pal Wahegeru and Jing-Dong Yuan, *China and India, Cooperation or Conflict?*, (Boulder Colorado: Lynne Rienner Publishers, 2003).

⁶⁶ *160 Asian Development Outlook*

<www.adb.org/Documents/Books/ADO/2006/documents/ind.pdf> (November 12 2006).

The gap also widened between the poorest segment of society and the growing middle class, which now comprises about 200 million people. It became more obvious and more shameful to be poor. The rural population engaged in agriculture benefited least from the changes. Most households in the agricultural sector are self-sufficient, they do not make major purchases, and their income is low. They do, however, need to purchase some inevitable necessities, and as these goods became more expensive when income-levels rose in the affluent parts of society, their living standard actually sunk. The numerous tradesmen and retailers in the countryside also found it harder to balance their budgets and make their living.⁶⁷ All of this created protest movements, and the Hindu-nationalistic parties took advantage of this development and preached “Swadeshi”, literally meaning independence and self-sufficiency, but also related to nationalism.

While the Swadeshi arguments were gaining force, increased support of the Sikh uprising in Punjab emerged, further spurring the already existing tensions and unrest in Kashmir, which was also receiving obvious support from Pakistan, and these factors combined further strengthened the nationalistic trend. The nationalists were able to catch a great number of votes from the Congress party, which also lost the elections of 1997. A coalition of smaller center-parties failed to agree on a common policy and in 1998 the Hindu-nationalistic BJP party formed a coalition government with a number of similar parties. A few months later the first series of nuclear tests were carried out, soon followed by similar tests in Pakistan.

Although BJP publicly committed itself to independence, public ownership, and Swadeshi, it did not fulfill its promises but continued to further the initiated waves of liberalization without nationalizing any companies or reintroducing abolished regulations. Furthermore, the BJP government also gradually improved relations with the U.S. This is perhaps best demonstrated by the expansion of the IT-industry and the great number of bilateral educational exchanges. Many of the Indians who went overseas settled in the U.S. and a strong lobby was created around Capitol Hill. The phenomenon was not limited solely to the IT sector but came to penetrate large parts of the entire high-technology sector in which India began to

⁶⁷ Krishna Kapur, *India's Foreign Policy 1947-92* (London: Sage Publications, 1994), p. 80-86.

engage with considerable success. Relations with the U.S., both in terms of market opportunities and as a source of technology, were simply too important to be jeopardized with old bilateral frictions. Following September 11 and the launching of the war on terrorism in Afghanistan, support from India was also needed in terms of overflight permissions and communications. India engaged actively and accommodated the requests from the U.S. side, albeit without contributing troops. This opened a new page in U.S.-Indian relations.⁶⁸

The New Room for Maneuver

The ties between India and the countries of the Middle East were changing rapidly even during the initial phases of the Indian economic liberalization. India had enjoyed close relations with Egypt during Nasser's rule, enthusiastically supported the PLO and Arafat, and opposed the creation of Israel and its accession to the UN. The first Gulf War became a turning point. India condemned Iraq's invasion of Kuwait (although it refrained from endorsing the countermeasures of the Alliance).⁶⁹

The subsequent chain of events made it all but impossible for New Delhi to continue courting Baghdad but it also opened further perspectives in engaging oil-rich Tehran. That eventually led to a series of top level bilateral diplomatic engagements between Iran and India. This policy continued after the elections had brought the BJP into power. Opportunities were now created for a greater economic engagement with the post-Soviet Central Asian states. This engagement also applied to India's access to the resources of oil and natural gas in these newly independent states.

Additionally, the Gulf War led to closer ties with Saudi Arabia and made it possible to increase its share in Indian oil imports, making Saudi Arabia India's largest supplier with a 25 percent share of its total energy imports.⁷⁰ A large number of Indians also went to Saudi Arabia as guest workers

⁶⁸ *Embassy of India: India-U.S. Relations*

<<http://www.indianembassy.org/Economy/economy.htm>> (November 12 2006).

⁶⁹ Krishna Kapur, *India's Foreign Policy 1947-92* (London: Sage Publications, 1994), p.74.

⁷⁰ The United Arab Emirates and Kuwait exports approximately 20 percent each, making the Gulf responsible for 70 percent of India's energy uses.

creating a colony of around 1.5 million Indians. Saudi Arabia has also been a great help in political matters. As Pakistan invaded the Siachen Glacier near Kargil in Jammu and Kashmir, it exerted pressure on Pakistan to pull back its troops. Furthermore, Saudi Arabia received the exiled Prime Minister Nawaz Sharif, which helped solve the crisis that had been created by the invasion.⁷¹

As India intensified its own war on terrorism it also became an ally of another country in the Middle East—Israel. India made a complete reversal of its formerly anti-Israeli policy in 1992 and initiated diplomatic relations.⁷² Ever since, Israel has assumed an important position as a supplier of high-technology weapons-systems such as aircraft technology, unmanned aerial vehicles (UAVs), patrol boats, and instruments. India also negotiated with Israel about buying the Israeli ABM system Arrow, but the deal was opposed by the U.S. who threatened to discontinue delivery of the American components of the system. However, the Americans did not halt supplies of Israeli radar components included in the system, and since April 2004 the “Green Pine” system for radar detection of missiles has been installed along the border with Pakistan and been employed in Indian nuclear weapons exercises.⁷³ India also launched a joint anti-terror group with the Israelis following September 11.

China’s more relaxed relations with the outside world and the promotion of multilateralism in its relations with other countries since the end of the Cold War has also had positive effects on its relations with India. China’s entry into the World Trade Organization (WTO) in 2000, which opened the country to foreign competition, together with rapid economic growth has made China dependent on finding overseas markets for its products. This has led China to promote healthy bilateral relations and a policy of good neighborliness with adjoining countries.⁷⁴ India, experiencing a similar development and with its location on China’s borders has a similar interest. This has led to a number of agreements about cooperation in the IT sector,

⁷¹ Bansidhar Pradhan, *Changing Dynamics of India’s West Asia Policy*, in *International Studies* 41, 1 (Jan-March 2004) (Jawaharlal Nehru University, New Delhi), p. 6.

⁷² *Ibid.*

⁷³ Ahraf, Tariq Mahmud “Indian Moves for a Missile Defence Shield”, *Defence Journal*, (June 2004) (Karachi).

⁷⁴ *China Daily*, <<http://www.chinadaily.com.cn/english>> (March 8 2004)

exchange of technology, and relaxation of trade barriers in disputed border areas.

This is not to say that Sino-Indian relations are flourishing—old antagonisms still persist and both view each other in terms of a potential threat. The nuclear arsenals on both sides remain and are being modernized. A great number of Indian analysts list China as one of the main potential future threats, and China's superiority in nuclear weapons capability is still a bitter reality for the Indians.⁷⁵ On the other hand, these arguments are countered by an apprehension of some who do not consider China to be a threat at all, a view of special prevalence among economists. The subject is controversial in Indian security policy circles. A nuanced analysis of the present situation points, however, to the fact that both countries have reversed their positions vis-à-vis each other and taken measures to forestall any misunderstandings, while refraining from supporting elements challenging the rule of the central government on the other side. This applies to Xinjiang and Tibet as well as to Kashmir and Assam.

China may feel threatened by India's announcements of its maritime ambitions and the creation of a maritime nuclear second-strike capability. Plans have been declared to construct a nuclear weapon carrying submarine and a navy capable of power-projection as far away as the Gulf of Arabia and beyond. Indian officers have stated that this policy is caused by China's Strategic Submarine Based Nuclear systems (SSBNs) and its closer relations with countries around the Indian Ocean such as Bangladesh, Iran, Myanmar, Pakistan, Saudi Arabia, Sri Lanka, and Thailand.⁷⁶ The level of trust between China and India is limited and old frictions have not been forgotten; competition remains although it is finding new expressions.

⁷⁵ Ashley J. Tellis, *India's emerging Nuclear Posture*, (Santa Monica: RAND, 2001), p. 67.

⁷⁶ *Defense News*, June 7 2004; Duk-ki Kim, *Naval Strategy in Northeast Asia* (London: Frank Cass Publisher, 2000), p 48.

The Kashmir Issue and Indo-Pakistani Relations 1987-2006

Uprising in Kashmir

Following the 1987 state elections in Jammu & Kashmir, the security situation deteriorated rapidly. The elections were overtly rigged. Even in election districts well-known for having no or very few voters sympathizing with his party, Sheikh Abdullah's National Conference received more mandates than the competitors. Indignation was fierce and widespread among all layers of the population in Jammu and Kashmir. The Hindus were furious because (according to them) corrupt Muslims in power in Srinagar would keep their grip on the state.⁷⁷ The Muslims in Kashmir Valley were equally upset over the thriving corruption. They considered the elections to have been manipulated by New Delhi, as an act of oppression of the only Muslim majority state in the Indian union, and Abdullah was seen as only a puppet of the central government.⁷⁸

Violence erupted but was initially limited and confused. Muslims assaulted Hindus in the Kashmir Valley, especially in Srinagar, where they were seen as instruments of the oppressors. The reaction from New Delhi was more or less uncommitted. The Police force often reacted with violent methods, which in its turn provoked angry counter-reactions, often with more violence, and armed resistance movements were formed.⁷⁹

It soon became evident that Pakistan supported these movements in a way similar to the methods used during the Sikh uprising. One of the resistance movements, the Jammu and Kashmir Liberation Front (JKLF), even opened a local branch in the Pakistani state called Azad Kashmir, with a branch office in Islamabad. They were sponsored with weapons, ammunition and

⁷⁷ Balraj Puri, *Kashmir towards Insurgence* (Hyderabad: Orient Longman Limited, 1993), p. 52

⁷⁸ *Ibid.*, p. 58.

⁷⁹ *Ibid.*, p. 60.

money collected in fund-raising drives all over Pakistan, and their struggle was described in the Pakistani media as a fight for freedom. Already by 1989 the conflict was thought of as a full-scale armed uprising but such descriptions were vehemently opposed by New Delhi.

Far from all Muslims were harboring malevolence against the resident Hindus in the Valley, but extremist elements stirred mob-like sentiments, and assaults on Hindus in their homes became commonplace.⁸⁰ The assaults became more frequent and cruel, often even deadly. More than 300,000 Hindus fled the Valley during the course of a few years, most to New Delhi and other cities, but roughly half of them took refuge in emergency camps in Jammu. By 1997 there were still around 115,000 Hindus in these camps living under very primitive hygienic conditions, and in 2006 about 45,000 persons were still lodged in very simple cement huts.⁸¹

The central Government sent army troops to Kashmir at the beginning of the 1990s. Measures against the insurgents were harsh and this brutality gave a young leader by name of Yasim Malik the opportunity to grasp the leadership of the largest resistance movement, the abovementioned JKLF, and entering it into a truce with the central government. In the course of these events Yasim Malik also redefined the aim of the struggle: He endorsed a liberated Kashmir, liberated from both Pakistan and India.⁸² With this redefinition the movement was split into two parts and the radical politician Amanullah Kahn assumed leadership over the Pakistani part of the organization.

Subsequently, the JKLF came to symbolize the split between the basically Sufi-oriented part of the Kashmiri Muslims (approximately 65 percent) and the rather orthodox Sunni minority (approximately 15 percent of the Kashmiri Muslims. The rest of the Kashmiri Muslims belong to the Shia branch of Islam, according to the 2001 Census. The Sunnis have ties to the madrasa schools in Pakistan where the Taliban movement has its roots. Pakistan's support of the JKLF in Indian administered Jammu and Kashmir

⁸⁰ *Ibid.*, p. 66.

⁸¹ According to representatives of the municipality office in Jammu, when interviewed in May 2006.

⁸² Interview with Yasim Malik in June, 2002.

was shifted to more explicitly militant and mainly Sunni oriented resistance movements such as Harkut-al Ansar and Hizbul Mujaheddin. That shift soon led to a change in the character of the uprising.⁸³

This development coincided with the termination of the Afghan war. Marginalized Afghans and Taliban Pakistanis joined the resistance movement in Kashmir. They joined a growing number of small bands of dedicated and ruthless local militants. (In India members of the armed resistance movements in Kashmir are called *militants* and therefore this term will be used here). Subsequently, they were joined by a mix of Syrians, Jordanians, Saudis and Chechens. Assaults on the Indian military and civil administration soon became more professional causing more serious destruction of property, infrastructure and human lives. Support from the rural population to the militants declined during this process. Most of the foreign militants speak no, or poor, Kashmiri and have shown bad discipline and cruelty toward non-combatants, which has contributed to the declining local support of the militant movements.

The groups of militants again split up along different ideological and religious lines. In 1997/98 there were (according to Indian intelligence) 42 different militant groups in Jammu and Kashmir. 30,000 people had lost their lives according to official figures, but a more accurate guess is probably twice as many. The regular troops of the Indian Army, the paramilitary Border Security Forces (BSF), and the Police force of Jammu and Kashmir together make up around 400,000 persons, but that number has occasionally reached as many as 850,000. This should be seen in relation to a total population of 10.1 million in Jammu and Kashmir.

As with the militants, there has been a problem with discipline among the Indian troops. It has been serious among the BSF, and excesses against the civil population have been numerous. Martial law has been a persistent feature of Kashmiri life and created an almost lawless environment for everyone suspected of belonging to the militants. All this has distanced the local population from the Government in New Delhi and increased the antagonism between Muslims and Hindus in Jammu and Kashmir.

⁸³ Victoria Schofield, *Kashmir in the Crossfire*, (London: I.B. Tauris Publishers, 1996), p. 268.

The Kashmiri Split

The majority of Muslim political organizations in Jammu and Kashmir subscribed to the idea of separation of the state from the Indian Union, but most accepted, at least officially, the idea of a pacifist struggle. To amplify their weight in the political debate the separatist movements joined forces in 1993 to form an umbrella organization that came to have a great deal of influence, namely the All Parties Hurriyat Conference (APHC) usually abbreviated to All Hurriyat or simply AH.⁸⁴

Its first chairman was the “Mirwaiz” in the Al Hazratbal mosque in Srinagar, which means that he is the most senior cleric and spiritual leader of the Suffi believers in the Kashmir Valley. Almost immediately after that he passed away, and his 26 year old son Omar Farooq was given both the 600-year old clerical position and the chairmanship of AH. He only accepted the AH chairmanship on the precondition that it should be a rotating position among all the leaders of the constituent organizations. However, because of his position as a spiritual leader and possibly also the fact that he has a solid education at American universities he has assumed a temporary *de facto* leadership role of the AH during some challenging periods of its activity.

AH comprised 36 different organizations at the height of its popularity. As a gesture from the central government to calm the situation in Kashmir, another very young political leader, Shabir Shah, was released from prison in 1994. His release was greeted with enthusiasm in Kashmir and he rapidly gained more popularity by trying to change the struggle for separation into a pacifist struggle along the ideals preached by Nelson Mandela. He convinced Yasim Malik with his JKLF to join the AH together with himself and his movement in 1995. All this became possible by agreeing on a simple formula—neither India nor Pakistan, non-violence, both Hindus and Muslims.⁸⁵

Neither India nor Pakistan is ready to accept the idea of an independent Kashmir. Consequently, with good intentions aside, AH’s formula actually presents an obstacle to a meaningful dialogue on Jammu and Kashmir. The

⁸⁴ Victoria Schofield, *Kashmir in the Crossfire* (London: I.B. Tauris Publishers, 1996), p.253.

⁸⁵ Interviews with AH leaders 1994-2006.

internal disagreements among the Sunnis, Shiites and Sufi Muslims constitute an added complication.

The Sufi way of Islam, embraced by a majority of Muslims in Kashmir, is generally viewed to be a part of the Sunni branch, but this is somewhat of a simplification. Sufi Muslims in Kashmir differ in their attitudes from traditional Sunnis by having a softer and more compromising attitude on the interpretation of the rules in the Koran, being more receptive to some of the teachings of Christ, who is considered to have been one of the predecessors of the Prophet, but who is given little importance by other Muslims. For the mainstream Sunni these deviations are blasphemous and incompatible with Islamic rule.

The often violent clashes in Pakistan between orthodox and moderate Sunnis as well as between Sunnis and Shiites have a deterrent effect on the Sufi majority of the Kashmiri Muslims. Most Sufi and Shia organizations in AH would probably not vote for the annexation of Kashmir by Pakistan today, but it would still mean taking a risk to say so openly.

Already at the outset, the more orthodox Sunni followers were causing a problem in AH. It was on their insistence that the principle that the status of Kashmir should be decided by a plebiscite in accordance with the 1947-48 UN Security Council Resolutions on Kashmir was included in the common political platform of the AH. This poses a problem, since according to the resolutions the plebiscite only presents the option of either acceding to India or to Pakistan—not independence for Kashmir. With the majority of the population being Muslims in both Pakistan administered and Indian administered Kashmir, a UN plebiscite would most likely lead to accession to Pakistan (although this is not as certain today as it was in 1989, for the reasons mentioned above). That outcome would be unacceptable to many layers of the population of Jammu and Kashmir.

Thus it is neither possible to pursue an efficient policy for independence, nor does the AH formula allow for democratic elections according to the Indian constitution about a limited autonomy. These rigid positions have effectively prevented pragmatic debates at AH meetings and this led a disillusioned Shabir Shah to stop participating in the activities of the AH by 1998; Yasim Malik stopped attending AH's meetings as well.

Further splintering and disagreement within the organization has led to a reduction in the number of member organizations to 17. Shabir Shah has developed his own organisation into a regular political party, which until now has refrained from participating in elections.

Counter-attack by the Central Government

Already when the local population began to show signs of negative reactions to the presence of the foreign fighters, the central government tried to use it to its own advantage to further discredit and undermine the support for the militant movements. One event came to have a profound impact on the situation. In May 1996 a number of militants under Afghan command seized the Chrar Al-Sharif mosque, which is one of the holiest shrines for the Sufi believers in Kashmir. It was eventually burned down during crossfire with Indian forces. The desecration of the shrine created an uproar in the entire state of Jammu and Kashmir. Even though “righteous Muslims” refused to accept the Indian version, which blamed the militants for the incident, it is now clear that the local population had that impression “in the heart of their hearts”.⁸⁶ The event was extremely successful in discrediting the militants, perhaps primarily because it highlighted the presence of the foreign elements and their lack of respect for local religious traditions. The foreign militants, mainly of Sunni orientation, find it blasphemous to adulate shrines, while the local Sufi Muslims both worship saints and saintly places.

To win over the indigenous militants, the central government soon started a campaign to grant amnesty to Kashmiri militants. They were offered a substantial sum of money, exemption from punishment, as well as personal protection for themselves and their families, provided they laid down their weapons. They were also offered well-paid employment opportunities in the Indian security forces, although recruitment was not compulsory. The campaign was successful in many aspects. It has been claimed that around 10,000 militants abandoned their units and surrendered their weapons—disillusioned by the rifts in their organizations, the reprisals from the central

⁸⁶ Interviews on the spot 1996-2006.

government, and the unproportionally strong influence of the foreign element.⁸⁷

It probably had even more effect upon the situation in Kashmir that an astonishing number of militants were recruited into new special units to fight their former comrades-in-arms. They were given high salaries, guns, and cars and soon became a scourge for the population with their poor discipline and irresponsible behavior. The turn-coat behavior of the “renegades”, as they now were called, contributed substantially to undermining the cause of the militants, who previously were viewed as heroes and “sons of Kashmir”.

Strengthened by this accomplishment the central government decided in 1996 to hold the first state assembly elections in Jammu and Kashmir since 1987. Success was limited. The only candidate who dared to participate as the leader of a regular political party was Farooq Abdullah representing the National Conference—the same party (and family) that had held the power in the state since the beginning of the conflict and was suspected of having done much to cause it by rigging the results of the elections in 1989. Militants as well as representatives from AH openly depicted the elections as frauds, and the Indian military presence had to be redoubled from approximately 400,000 to 800,000. The turnout was relatively low. Yet despite these significant shortcomings the elections had a propaganda effect for the Indian government. Despite the efforts of the militants to intimidate the voters and the appeals from AH and other separatist organizations to stay away, a certain number insisted on voting. In the end 36 percent of the electorate went to the polls.⁸⁸

The Restructuring of the Militant Movements

Internal disagreements, conflicts, and substantial human losses have caused a restructuring and reformation of the militant organizations. Still, it has been possible for militant organizations to survive as they have had a base in “sleeper cells” and “sleeping members”, who lead a normal life in villages and

⁸⁷ Victoria Schofield, *Kashmir in the Crossfire*, (London: I.B. Tauris Publishers, 1996), p. 270.

⁸⁸ Jammu and Kashmir Assembly Elections 2002: Ending National Conference’s Reign, <<http://www.jammu-kashmir.com/insights/insight20021030.html>> (December 7 2006).

cities, but eventually can be called up when needed. According to Indian sources, there are about ten larger militant organizations capable of performing large-scale insurgencies and carrying out military operations. All of them are considered to be supported by Pakistani organizations and the Pakistani intelligence ISI. The accuracy of this statement about the ISI is difficult to assess, but the accusation that organizations such as Hizbullah Mujahideen, Harkat-ul-jihadi Islami, Lashkar-e-Taiba, Harkat-ul-Mujahideen, and Jaish-e-Mohammad draw some degree of support from Muslim organizations in Pakistan is confirmed by Pakistani observations.⁸⁹

The first three of the abovementioned organizations have their ideological roots in the Indian Muslim Deobandi movement (as with the Taliban) and all share the vision of a global caliphate. There are also domestic Kashmiri sleeper organizations, although their existence is never mentioned by the Indian security services, either for propaganda purposes or because they are considered negligible.

A Change of the External Framework

India's demand that the President of Pakistan subdue extremist elements in his own country poses a significant challenge for him, because he may be toppled if he targets militants and extremist elements openly and too harshly.⁹⁰ The challenge became more serious when the leadership of the new Indian Government coalition in 2001 stated that it was going to assume a tougher stance on the Kashmir issue, and that militants would be pursued all the way across the border into Pakistani territory. This government, especially the most hard-line members (such as the Minister for Home Affairs Advani) almost lived up to these promises during a crisis that began in 2001. With the introduction of nuclear weapons in both India and Pakistan, the importance of India's superiority in conventional weapons has withered.

Pakistan's military seems to have held the overly optimistic belief that they could operate relatively unchallenged. They launched an invasion at 6000

⁸⁹ See for instance, Amir Mir, *The True Face of Jihadis* (Lahore: Mashal Books, 2004).

⁹⁰ *Dawn*, <<http://www.dawn.com/>> (November 3 2003).

meters altitude at the Siachen Glacier by Kargil, part of Indian administered Jammu and Kashmir. They also entered the Valley behind the glacier triggering a limited war between the two countries. It took the Indian defense three months and significant losses in human lives to regain control over the territory.

The price that the two countries had to pay in terms of deteriorating international opinion over the Kargil conflict soon became obvious to both of them. A governmental crisis erupted in Pakistan with Major General Musharraf staging a military coup against the Prime Minister Nawaz Sharif. Musharraf (re)introduced military rule in Pakistan. The functions of parliament were preserved, albeit with restricted authority. The “crisis”⁹¹ over Kargil led to increased Indian military spending, and patrolling of the borders around Jammu and Kashmir was intensified.

The Crisis in 2002 and the New Situation

By the end of 2001 and early 2002 tensions escalated again and military forces were amassed along the borders in a manner that could have erupted into a conflict.

Already in the initial phases of the U.S. intervention in Afghanistan, concerns had been raised that a defeat of al Qaeda and the Taliban would lead to an increased flow of militants into the Indian part of Jammu and Kashmir. These misgivings seemed to be confirmed in October 2001, as an attack on the local parliament in Kashmir and Srinagar claimed around 50 casualties. Furthermore, in December the same year a group of militants managed to penetrate the security barriers around the parliamentary building in New Delhi. A massacre would have taken place if they had not been stopped by the Prime Minister’s bodyguards who coincidentally happened to be on their way into the building. Indian police claimed that all the attackers were of Pakistani origin. The police also arrested a few of their aides, whose testimony seems to confirm the origins of the militants.⁹²

⁹¹ The event is called a “crisis” and not a war in both Pakistan and India.

⁹² “India: A Chronology of Key Events,” *BBC Timeline India*,

http://news.bbc.co.uk/1/hi/world/south_asia/country_profiles/1155813.stm (October 25 2006).

These attacks caused fierce indignation and demand for reprisals, further spurring anti-Muslim sentiments, while Indian defense forces were mobilized to the border. Additional instances of violence continued to raise existing tensions. For example, a group of Hindus on their way to festivities in the Hindu-temple at Ayodya were trapped by presumably Muslim assailants in a burning railway car, killing everybody inside. The local Hindu population reacted violently.⁹³ More than 800 Muslims were killed in the course of these events and a similar number of persons are still missing today, presumed to be dead. In May a militant group succeeded in entering a military camp in Kashmir and killed 40 persons, mostly family members, women and children. That triggered further public outcries for reprisals against the militants. The Prime Minister admitted that he had failed when he had not acted immediately and decided to take military action against the perpetrators in Pakistan for the previous attacks, which might have prevented the attacks on the parliaments.

With Indian troops mobilized along the borders, discussions were initiated about launching a limited punitive operation into Pakistan's territory. Additional forces were mobilized and the army was waiting at the LOC while the air-force prepared plans for launching air-strikes. Nuclear missiles were prepared for launching and the Indian Navy prepared a blockade outside Pakistan's coast should such a measure be necessary.⁹⁴

Even the possibility of a limited escalation raised deep concern among European and American observers. With the recent nuclear tests of India and Pakistan in mind, there were fears of a slippery slope to full-scale nuclear war. Actual use of nuclear weapons would entail a significant shift in nuclear balances in other parts of the world. If nuclear weapons had actually been used, other nuclear weapon states would have reconsidered their doctrines and non-nuclear weapon states would most likely have re-evaluated their needs.

Both the EU and the U.S. urged the parties to exercise restraint, but neither state seemed willing to loose prestige or give an affirmative answer to the

⁹³ *Ibid.*

⁹⁴ Personal notes from conversations with Indian government and military officials during a visit to New Delhi in June 2002.

request. The EU and U.S. urged their citizens to leave India and Pakistan, while maintaining a diplomatic offensive to prevent a war from breaking out.⁹⁵ Statements made from the Indian side during the last weeks of May and early June gave a somewhat arrogant impression—apparently as a result of pressures from domestic opinion and insensitivity to international reactions. Pakistan, in turn, was faced with persistent demands from the Americans to assist in hunting down al Qaeda and the Taliban reported to have escaped into Pakistani territory along its western border. Musharraf's situation became even more precarious as he had to maintain combat-ready troops along Pakistan's eastern border with India, satisfy his domestic constituency opposing the persecution of al Qaeda, and satisfy India's demands on tracking down the militants.

During a conference on June 4 in Almaty, Kazakhstan with heads of state, both Russian President Vladimir Putin and Chinese President Jiang Zemin made attempts to persuade Pakistani President Musharraf and the Indian Prime Minister Vajpayee to embark upon a dialogue, but to no avail. In the end, Musharraf signed the joint statement and consented to condemn terrorism, which temporarily eased tensions. Overall, the major difference between the situation before and after the crisis in 2002 is a better understanding among both parties of the potential dangers of an escalation and possible actual use of nuclear weapons.

The U.S. Edging Closer to Both India and Pakistan

Since the crisis of 2002 India has continued to view Musharraf and his motives with skepticism. India was not ready to negotiate about the core issues, such as Kashmir, until 2004, despite frequent requests from Pakistan. Instead, India began to talk with Israel about purchasing advanced weapon systems, among them the ABM system Arrow. Israel's Prime Minister Ariel Sharon made a heads of state visit to New Delhi in the fall, and rumors about

⁹⁵ "India: A Chronology of Key Events," *BBC Timeline India*,

<http://news.bbc.co.uk/1/hi/world/south_asia/country_profiles/1155813.stm> (October 25 2006).

an anti-Muslim alliance among the U.S., Israel, and India became ubiquitous in the Middle East.⁹⁶

As the Americans approached Islamabad requesting Pakistan's participation in an anti-terror coalition, Musharraf encountered another dilemma. The populations on both sides of the border between Afghanistan and Pakistan had similar orthodox and militant attitudes and belonged to the same tribes. According to figures from Pakistani authorities, over two million Afghan refugees still resided in Pakistan at that time. Against that background he had problems domestically justifying an alliance with the United States.⁹⁷ On the other hand, Pakistan's participation was of vital importance to the U.S. as the Taliban forces depended on supplies from Pakistan until September 11.

Musharraf was soon forced to make a decision and his ultimate choice seems in hindsight logical. Even before the events leading up to Afghanistan's pivotal role in the war on terrorism, Musharraf had major problems with orthodox islamists and he had also actively opposed the introduction of mandatory Sharia laws in Pakistan. His support among the population had weakened slightly but it was still strong among secular circles. In the end he sided with secular forces and chose to align his country with the U.S. and give it access to military bases.

An initial sum of \$500 million in assistance to Pakistan was granted by the U.S., but only a fraction was eventually dispensed. This created significant disappointment as to U.S. intentions, which in turn created waves of criticism about Musharraf's strategy of balancing domestic and external actors. Opposition parties took advantage of the situation to boost their appeal ahead of the 2002-2003 parliamentary and district elections.

Musharraf's position was further weakened after the U.S. was granted access to Pakistan's territory. He is accused of having lost much for his country by helping the Americans and having gained little in return. Sharia laws have

⁹⁶ Tariq Mahmud Ahraf, "Indian Moves for a Missile Defence Shield," *Defence Journal*, (Karachi) (June 2004).

⁹⁷ Ingolf Kiesow, *Non-Proliferation Issues and U.S. Military Presence in Asia; Observations by an Outsider*, 2003 Tamkang University International Forum (Taipei: The Graduate Institute of International Affairs & Strategic Studies, 2003).

been introduced in the northwestern province, conflicting with Pakistan's constitutional guarantees. The major Islamic parties in Pakistan in total received 35 percent of the votes in the latest parliamentary elections. They joined forces in September 2003 and formed a coalition of opposition in parliament.⁹⁸ Although this coalition only occasionally has managed to reach consensus, it constitutes a persistent threat to Musharraf's parliamentary support.

In early October 2003, in a statement broadcast by al Jazeera, al Qaeda's second-in-command, Ayman Al-Zawahiri, called on all righteous Muslims to join forces and to end the rule of Musharraf.⁹⁹ This was followed by streams of Pashtun warriors and Taliban sympathizers crossing the border to Afghanistan to assist the renewed resistance against American and allied troops. The international coalition found it even harder to assist Kabul in maintaining control over the country.

From the U.S. point of view, the true danger is perhaps not primarily found in Afghanistan, but in Pakistan. If al Qaeda were to coordinate a joint coup d'état with the Taliban and Pashtuns and gain control over Pakistan's state apparatus, Pakistan's nuclear arsenal would also be in reach. This does not give the U.S. any other option other than to continue supporting Musharraf. Since the majority of Pakistan's population are neither orthodox Muslims nor Pashtuns, this strategy may be a relatively safe policy in the short to middle term. The uncertain element is how much support Musharraf will get from the "silent" majority and how they ultimately will react to a long-term U.S. presence. Another factor of instability is the local unrest that continues to be a plague in large parts of the country, especially in Waziristan and Baluchistan, where Musharraf is perceived as a traitor by the orthodox majority. The fragility of Musharraf's regime will necessitate a continued U.S. troop presence in case Musharraf is toppled. The U.S. engagement in Iraq as well as Afghanistan may, however, compromise the U.S. ability to deploy a sufficient number of troops in any third theatre of war.

⁹⁸ *Dawn*, <<http://www.dawn.com/>> (November 5 2003).

⁹⁹ *Al Jazeera*, (the Internet Edition) <<http://english.aljazeera.net/>> (September 29 2003).

A Dialogue Between India and Pakistan

The crisis of 2002 deescalated slowly. Major troop reductions along the borders and along the LOC in Jammu and Kashmir were not carried out until late winter 2002. Musharraf attempted to interest India in closer contacts between the two countries, but it was not until he declared that the UN Security Council Resolutions on Kashmir were not necessarily binding that he managed to bring India into a comprehensive dialogue. The so-called Composite Dialogue that started in January 2004 initiated a mutual policy of détente.¹⁰⁰ Provided that this dialogue is allowed to continue, it actually seems to have a potential to bring about a peaceful settlement of the conflict. Fear on both sides is perhaps the primary explanation for the present state of engagement. Musharraf fears a growing radicalization of the already radical minority of Pakistan's population, which supports both al Qaeda, the Taliban, and the militancy in the part of Kashmir that is under administration by India – and he has a tangible reason for his fears. He has been subject to four attempts on his life already.

The radical elements in Kashmir have channels to fundamentalist elements in Afghanistan. An American contingent has been stationed in the western parts of Afghanistan to assist U.S. and Afghan troops in stemming the flow of militants across the border. At the same time, the presence of American soldiers is provocative to segments of the population, causing further problems. The fears of the Indian government, on the other hand, focus on the possibility that a large part of its about 150 million Muslim population may become radicalized and join forces with Muslims abroad.

The people of Jammu and Kashmir are war-weary today as a result of violations by Indian forces and the very great losses of life and property caused by the militancy during the last 15 years of uprisings. Most important, however, is that Pakistan has lost its appeal to the Kashmiris and that the Sunni Sharia-law has been introduced in parts of Pakistan. The primary wish of a great majority of Kashmiris nowadays is to be able to contact family and other Kashmiris on the other side of the LOC, not Islamic rule as such. They

¹⁰⁰ "Pakistan, India Joint Statement," *Dawn* <<http://www.dawn.com/>> (January 7 2004); Hindustan Times, <http://www.hindustantimes.com/news/181_838569,001300270001.htm> (June 20 2004).

have gradually come to accept local autonomy in the framework of the Indian constitution as a possible, albeit not very attractive option. In the long run, prospects for making the LOC a regular international border may exist, even though such a solution is vehemently opposed today by both India and Pakistan.

In the meantime, nuclear armament in South Asia continues. As illustrated in chapter 1, India is on its way towards acquiring an ABM system and has plans for a submarine-based second strike capability. Pakistan has started to acquire an early warnings system and medium range missiles with a capability to reach great parts of India.

A Cautious Overture to Peace

Autonomy

Following the first state assembly elections of Jammu and Kashmir in 1996, Sheikh Abdullah's son Omar Farooq took over the largest political establishment in the state, the National Conference. The pressure from separatist movements abstaining from the elections continued to be strong and pressure was also exerted on the parliamentarians of the state assembly. The electorate had evidently strong demands for either independence, as the primary choice, or for article 370 of the Indian constitution be implemented in practice. The state assembly was henceforth tasked with the formulation of a draft law to realize the latter option.¹⁰¹ It was intended to be passed to the Union Parliament in New Delhi as a final solution to the Kashmir issue. However, the draft faced major resistance from two other districts that formed parts of Jammu and Kashmir, namely Ladakh, which was mainly populated by Buddhists and Shia-Muslims, and Jammu with a predominantly Hindu population. Nevertheless, the state assembly had high expectations for the potential of the draft law and accepted it in June 2002. It was passed onto the state government, which subsequently passed it to the

¹⁰¹ General Administration Department, Jammu & Kashmir Government, *Report of the State Autonomy Committee*, (Srinagar: General Administration Department, 2000).

central government which in its turn was to pass it to the Parliament of the Union.¹⁰²

This did not happen. The state government did pass the proposal to New Delhi, but there it was renounced by the central government. The main reason given was the misuse of finances by the state of Jammu and Kashmir during the past 45 years, making it unsuitable to administer taxes. Criticism was also leveled against the tendency of the Abdullah family to neglect concerns of Ladakh and Jammu while favoring Srinagar in financial and other matters. Although the suggested project for autonomy was never formally passed to the Union Parliament, the basic idea of the proposal remains relevant. It is mainly viewed as a feasible solution to weaken the arguments of separatists while mitigating the antagonism between Muslims in Kashmir and the central government.

The Power-Base of the Abdullah Family is Weakened

The support of the National Conference decreased significantly during this process. The foremost reason is considered to be Farouq Abdullah's failure to take his responsibilities seriously enough. His excessive passion for golf was also turned against him. He used to be unavailable to his constituency, while spending most of his time in New Delhi. The failures encountered in implementing the autonomy proposals were an additional factor to the damages to his popularity. Farouq Abdullah was also suspected of playing a double-game with the central government in New Delhi to consolidate his grip on power. Hence the National Conference recorded very poor election results in the state assembly elections of 2002, despite the fact that Farouq Abdullah had delegated the responsibilities of party leadership to his more popular son Omar.¹⁰³ A coalition consisting of the local Congress-party¹⁰⁴ and

¹⁰² "Kashmir State assembly passes autonomy proposal,"

<http://www.findarticles.com/p/articles/mi_moWDQ/is_2000July_3/ai_63141538> (July 12 2006).

¹⁰³ "Jammu and Kashmir Assembly Elections 2002: Ending National Conference's Reign," <<http://www.jammu-kashmir.com/insights/insight20021030.html>> (July 12 2006).

¹⁰⁴ The Congress party is not integrated with the Indian Congress Party but has close resemblances in terms of policy with it.

the People's Democratic Party, with strong autonomy sympathies, now formed a majority in the Jammu and Kashmir state assembly.

The decline of the Abdullah family was regarded by many as a significant loss for the central government in New Delhi, now a coalition led by the Congress Party, with Manmohan Singh as its Prime Minister and Sonia Gandhi as party leader. On the other hand, the state assembly elections in 2002 had illustrated how quickly support for the separatists had decreased. All Hurriyat boycotted the elections, as did the JKLF and Shabir Shah's Democratic People's Party. All militant movements sought to keep the voters away from the ballot-boxes. Despite this opposition, about 45-46 percent of the population chose to cast their votes—a major achievement in comparison to the elections in 1996.¹⁰⁵ It was considered a sign of normalization, and it contributed greatly to the central government's resumption of the peace process.

Searching for Peace

As demonstrated in the previous chapters, the preconditions for a continued normalization are complicated indeed. Since January 2004 and with the initiation of the Composite Dialogue, India and Pakistan have embarked on a cautious peace process. The military has gained control over the cities in Jammu and Kashmir, and the daily death toll has been lowered from 10-12 a day during the late 1990s and early 2000s to roughly 3-7 a day since mid-2005.¹⁰⁶ This de-escalation has mainly occurred in the cities, however, whereas the situation in the countryside still remains war-like. On the one hand, militants seek food, shelter, and funds from the rural population while the Indian army and border security forces engage in acts of reprisal. Sometimes the death-toll has been as high or even higher than in Iraq before 2006 (despite its population being four times as large) and markedly higher than the average in Palestine. It has been a bitter feature of reality to the

¹⁰⁵ "Post-Election Jammu and Kashmir," *Strategic Insights*,
<<http://www.ccc.nps.navy.mil/si/mar03/southAsia.sp>> (July 12 2006).

¹⁰⁶ According to the estimates that are possible to make on the basis of media reports, for instance Jammu and Kashmir Assessment - Year 2006,
<<http://www.satp.org/satporgtp/countries/india/states/jandk/index.html>> (November 9 2006).

Kashmiri population since 1989. A majority of the population is war-weary and ready to accept whatever peaceful compromise to the conflict that exists, while some advocate continued struggle by militant means. Not many Kashmiris are ready to discuss total capitulation and a retreat back to the previous order, even though a substantial majority in Ladakh and Jammu would like to see it happen.

Based on (disputed) opinion polls¹⁰⁷ a majority of the population in Jammu and Kashmir today opt for independence and a reunification of the occupied Kashmir into a sovereign state, with borders reflecting the pre-1947 Maharajah kingdom. This is flatly rejected by both India and Pakistan who in principle lay competing claims to the entire territory.

Despite this stalemate it is not fair to say that no progress has been accomplished. A major breakthrough in bilateral negotiations between India and Pakistan is their present acceptance of a Kashmiri voice at the negotiating table. This has been the main accomplishment of two years of negotiations on different levels between civil servants, heads of states, and ministers. Starting as a dialogue and being perceived as a negotiation involving only two parties—India and Pakistan—it now seems that the Composite Dialogue is on its way towards becoming a triologue. The importance of this development toward a peaceful resolution of the Kashmir conflict should not be understated.

The chief idea behind the negotiations has been that an eventual autonomy granted to Indian administered Jammu and Kashmir should have its equivalent in the part administered by Pakistan. This would be followed with the opening of traffic, trade and other cross-border connections while taking advantage of the synergy effects of recreating the natural exchange of goods and people that existed between the different parts of the divided region. Today the LOC is a closed border which neither persons and mail nor goods may pass.

¹⁰⁷ "Jammu & Kashmir: Self-Determination, Demands for a Plebiscite and Secession," <http://india_resource.tripod.com/kashmir.html> (November 9 2006).

The Trialogue – Easier Said than Done

As India and Pakistan may soon begin to work out the details of a Kashmiri presence at the negotiation table, the most immediate question will be: who will represent Jammu and Kashmir?

Religious and Ethnic Factors

First and foremost there is a need to agree on a common issue position among the 10.1 million people residing in Indian administered Kashmir,¹⁰⁸ the 2.8 million living in Azad Kashmir administered by Pakistan, as well as the 1.5 million inhabitants of Pakistan's northern areas Gilgit and Baltistan.

The Indian state of Jammu and Kashmir has 6.8 million Muslims, 3 million Hindus, 0.2 million Sikhs and 0.1 million Buddhists.¹⁰⁹ The state is divided into three districts: Kashmir (often called the Valley) making up 16 percent of the total territory with 52 percent of the population; Jammu with 26 percent of the territory and around 45 percent of the population; and Ladakh constituting 58 percent of the land but with only 3 percent of the population.¹¹⁰ According to the census of 1981, 90 percent of the inhabitants of Kashmir were Muslims, 34 percent of the population in Jammu were Muslims and in Ladakh 48 percent.¹¹¹ The main language spoken in Kashmir is Kashmiri, in Jammu Dogri, and in Ladakh it is Ladakhi and Balti. Gujarati, Pahari, Punjabi, and Shina are also relatively common. 14 percent of the population in Kashmir are nomads and belong to the tribes of Gujar and Bakarwal. To generalize, the Nomads, Ladakhis, and Hindus in Jammu do not share the visions of the Kashmiris, nor of the Muslims in Jammu.

The population in the Pakistani part is also religiously and ethnically split. In the Northern Areas the population is almost completely of Mongolian descent and they are either Shia or Ismaili believers, while only a few of them are orthodox Sunnis. The living standard in these parts of the country is very low. The Shiites would most likely prefer an independent Kashmir or

¹⁰⁸ According to the census of 2001, see <<http://www.censusindia.net/>> (November 9 2006).

¹⁰⁹ *Ibid.*

¹¹⁰ "Jammu & Kashmir: Self-Determination, Demands for a Plebiscite and Secession: Examining the Contradictions," <http://india_resource.tripod.com/kashmir.html> (November 9 2006).

¹¹¹ Almost all Muslims in Ladakh are Shia while 52 percent of the population are Buddhists.

even accession to India, while the population of Azad Kashmir on the whole are Sunni. Parts of the Pakistani states of Sindh and Punjab also form part of the territory today that was once the Maharajah kingdom of Jammu and Kashmir.

Considering the complexity of ethnic and cultural factors in the region the possibility of finding a representative whom most would consider legitimate seems rather small.

The Democratic Deficit and Lack of Legitimacy

The state in Pakistan that is called Azad Kashmir has an elected parliament while the other Pakistani parts (*The Northern Areas* with Gilgit and Baltistan¹¹²) of Jammu and Kashmir lack an equivalent form of parliamentary representation. They are ruled directly from Islamabad by an appointed regional minister and they only have a so-called Legislative Assembly with strict limitations.¹¹³ Social unrest has been frequent in Gilgit and Baltistan due to the demands of Shia Muslims to practice their own religious traditions.¹¹⁴

In Indian administered Kashmir there is a theoretical possibility to create Kashmiri representation by using the elected members of the state assembly, but this solution will be seen as illegitimate among the majority of the Muslim population. State assembly elections have been boycotted by the political separatist movements, the permitted as well as the prohibited ones, comprising the APHC, the organizations of Shabir Shah and Yasim Malik, as well as Jamaat-i-Islami and the militants. The turnout at the 2002 elections also reflects this state of affairs: 57-60 percent in Jammu, only 28 percent in Kashmir, while the figure in Srinagar was as low as 11 percent.¹¹⁵ As the Indian constitution does not make provisions for required voter turnout, the politicians elected at the 2002 assembly elections with only the support of a

¹¹² Pakistan Occupied Kashmir at Wikipedia,
http://en.wikipedia.org/wiki/Pakistan_Occupied_Kashmir (November 9 2006).

¹¹³ Gilgit Agency, <http://www.saag.org/papers13/paper1241.html> (July 17 2006).

¹¹⁴ Pakistan Occupied Kashmir at Wikipedia,
http://en.wikipedia.org/wiki/Pakistan_Occupied_Kashmir (November 9 2006).

¹¹⁵ "Post-Election Jammu and Kashmir," Strategic Insights
<http://www.ccc.nps.navy.mil/si/mar03/southAsia.sp> (July 12 2006).

dozen percent of voters in their district can scarcely be considered legitimate. This objection can be raised against all the major parties in the state, i.e. the National Conference, the Congress Party, and the People's Democratic Party.¹¹⁶

The Role of the Separatists

The general attitude of separatists to democracy and legitimacy is somewhat similar to those formulated by the organizations in the APHC. With regard to the APHC this formula provides that participating parties should:¹¹⁷

- Not accept elections within the framework of the Indian constitution;
- Only participate in elections whose purpose is to elect representatives for the state of Jammu and Kashmir for deliberations with India and Pakistan on a future order of administration;
- Only participate if the elections are monitored by international observers and organized through an international administration;
- Allow the people of Jammu and Kashmir to exercise their right of self-determination and decide in a plebiscite whether it should accede to India and Pakistan as specified in the UN Security Council Resolution (although chosen representatives for Jammu and Kashmir may negotiate with India and Pakistan on future arrangements).

There may be slight deviations from these prescriptions but the separatist leaders are in general cautious to deviate from this formula in any significant way. All of these organizations operate without being formally registered and their lists of membership are secret, if they even exist. The main reason given is that their work would be too easily pressured by India should the organizations adopt a more formal structure, and there is also a perception that members could be persecuted. There is uncertainty as to how many

¹¹⁶ James Michael Lyngdoh, *Chronicle of an Impossible Election* (London: Penguin Books Ltd, 2004), p. 201.

¹¹⁷ According to interviews with APHC leaders.

would cast their votes for the separatist leaders should they contest elections. Existing estimates are highly controversial and often lack relevance.

The Lack of Legitimacy: Some Extreme Examples

The current leaders in Jammu and Kashmir will find it hard to achieve some degree of legitimacy if they do not contest elections. This is unfortunately the case with most Kashmiri leaders, and there are also those, mainly extremists, who object to all decisions made on a majority basis. A prominent example is Syed Ali Geelani and his former party Jamaat-i-Islami Jammu and Kashmir. Besides rejecting democratic fundamentals, he has been accused of taking bribes from Pakistan, and he is the only separatist leader representing a fundamentalist Sunni Islam.

In Kashmir, Geelani is often considered to be the leader (at least the spiritual leader) of the militant arm of Jamaat-i-Islami Jammu and Kashmir, the so-called Hizbollah Mujahideen, rather than the former of which he claims the leadership. Jamaat-i-Islami is one of the oldest political organizations in India with a legacy stretching back to the struggle against British' colonial rule, and is today included in AH. Geelani officially refuses to acknowledge any affiliation with the militant organization although he consistently embraces the means and ends of it.¹¹⁸

Until 1997 Jamaat-i-Islami Jammu and Kashmir was mainly a sub-branch to its namesake Jamaat-i-Islami in Pakistan. In 1997 a split occurred between the Pakistani and the Kashmiri organizations as the newly elected emir of Jamaat-i-Islami Jammu and Kashmir, Ghulam Mohammed Butt, declared that the Kashmir issue was a negotiable political issue rather than of a religious nature. This was something totally unacceptable for its counterpart in Pakistan. The two have remained divided, but without cutting off all ties. Geelani continued to advocate the Jihad and that the issue cannot be compromised on politically. This led to a marginalization in his movement but he continued to advance this cause even in the framework of All Hurriyat. As such, the ideological dividing line is drawn according to interpretations of the struggle's cause.¹¹⁹ Is it a religious issue subject to Jihad

¹¹⁸ According to interviews with Geelani himself.

¹¹⁹ In this, Geelani is very consistent.

that cannot be compromised or is it a negotiable political issue? Geelani is today relatively isolated in his interpretation of the situation, and a sub-branch has been created along this line called Tahreek-e-Hurriyat. He continues to claim the leadership of All Hurriyat in spite of having been excluded from it, and the media describes him as leader of *All Hurriyat (G)* and the original AH as *All Hurriyat (A)*.¹²⁰

Hizbollah Mujahideen, being the largest and most important militant movement in Jammu and Kashmir since JKLF disarmed, has also split up along the same theological divide. By August 2000 the leader of the Kashmiri branch Majid Dar advocated a ceasefire and negotiations, which immediately was repudiated by the Pakistani mother organization. This led to a split of Hizbollah Mujahideen in 2002. The leader of the Pakistani branch, Salahuddin, “dethroned” Dar. Dar subsequently ignored this and continued to represent the Kashmiris still loyal to him. In Kashmir, Hizbollah Mujahideen was split in two: one faction advocating a truce and another continuation of armed resistance.

Extremists among the Hindus

Extremists are certainly prevalent on the Hindu side as well. Among the banished Hindus living in camps in Jammu, or in New Delhi and Bombay, there is a strong current advocating the creation of a “homeland” for the Hindu Kashmiris. They are under supervision from the central government and the army. They receive support from Hindu nationalists in several of the established political parties but lack influence on a nation-wide level. On the other hand, these organizations may have a certain right to be represented if and when the dialogue is initiated, since they make up a relatively large share of the citizens of Jammu and Kashmir. There is also a need to realize that their far-reaching demands and reluctance for compromise may cause harm to the process. An example of such an organization is Jammu Mokka Morcha,¹²¹ but there are several such organizations and subdivisions in the Jammu refugee camps. Most of the 300,000-500,000 Hindu Diaspora have

¹²⁰ “Kashmir’s occupation by Indian army or businessmen can’t be legitimised: Geelani,” *Kashmir Times* <<http://www.kashmirtimes.com/>> (November 20 2006).

¹²¹ Memorandum submitted to Sh. Shiv Raj Patil Ji, Ho’ble Home Minister of India on 5th of March 2005, Jammu Mukti Morcha, Jammu.

been relatively well integrated into society and have more moderate demands. The moderate faction is mainly represented by a movement called All India Kashmir Samaj. Until today it has operated as an interest organization but it is now ready to run for the 2008 state assembly elections.

“It is not About Religion, it is About Democracy”

Few places on earth have heard the term democracy been misused to the extent as in Kashmir, India, and Pakistan. The misuse is as recurrent on both sides of the LOC. In Pakistan it is often argued that: “it is not about religion, it is about democracy,” and this is most frequently heard from the fundamentalist Islamic parties. They refer to the UN resolutions of 1947 and 1948 and the provision in these documents that the Kashmiris should exercise their right to self-determination in a plebiscite with the two choices being India and Pakistan. With a majority Muslim population throughout the entire state of Jammu and Kashmir, the orthodox Sunnis expect that a plebiscite would ultimately result in an accession to Pakistan. This is something that is unthinkable for many of the Hindus, the Shiites and the Buddhists, considering the substantial Sunni influence and increasingly intolerant attitudes in many parts of Pakistan.

With regard to the issue of democracy, the arguments on the Indian side usually emphasize the right of the Kashmiri people to vote in the state assembly elections, disregarding all the problems and complications that the uprising in Kashmir has created for staging such elections.¹²² If and when the Trialogue is started, one of the first tasks should be to make the parties aware of their diametrically different interpretations of the term.

Economic Factors: Competition over Water

In 1960, India and Pakistan agreed upon the Indus Water Treaty regulating the supply of water from the three main western rivers of Indus, Jhelum, and Chenab. India committed itself to use the water resources for irrigation and household purposes solely. India was also granted free use of the three eastern rivers of Ravi, Beas, and Sutlej, giving India around 31 percent and

¹²² “India slams Pak over J&K self-determination charges,” *Kashmir Times* <<http://www.kashmirtimes.com/>> (November 9 2006).

Pakistan 51 percent of the total water supply. Both countries have serious water problems. It has been calculated that Pakistan will receive less than 1000 cubic meters per person in 2007. This level is considered to mark the minimum level for safe water supply by international standards. Northern India, in turn, is expected to fall below this limit by the year of 2025.¹²³

The problems in Pakistan are more acute as agriculture is more dependent on artificial irrigation. Pakistan has made proposals in draft peace agreements during negotiations following the wars between India and Pakistan during the last 50 years, hoping to achieve better access to the water resources than in the peace-agreements of 1947 and 1971-72. In 1950 Pakistan proposed a partition of the state of Jammu and Kashmir whereby Pakistan would get Gilgit, Baltistan and the part of Kashmir which today is located on the Pakistani side of the LOC, while India would get Ladakh. Jammu would be divided with the Chenab River as a border, whereas the fate of the people in the valley was to be determined by a plebiscite.

The proposal was flatly rejected by India as it would give Pakistan control over the water-flow in all the major rivers. Since then this issue has been extremely sensitive for the Indian side in all bilateral contacts. When President Musharraf touched upon the water issue on a few occasions during discussions in 2004 the Indian side reacted with great suspicion. Any indication of intentions to include the water issue in the peace process tends to work as a stop signal for the Indian side.¹²⁴

Death-tolls and Economic Factors: Arguments for Further De-escalation

Although death-tolls have been lowered in recent years, the conflict over Jammu and Kashmir is still claiming substantial losses of human lives. A total of 35,000 is often mentioned as an official estimate, but this looks like an understatement. A common non-official estimate heard a couple of years back was 70,000, but the accuracy of that calculation is just as uncertain. The seriousness of the problem can be illustrated by the fact that the number of

¹²³ Sundeep Waslekar, *The Final Settlement; Restructuring India-Pakistan Relations*, (Mumbai International Centre for Peace Initiatives, 2005), p. 54.

¹²⁴ Sundeep Waslekar, *The Final Settlement; Restructuring India-Pakistan Relations*, (Mumbai: International Centre for Peace Initiatives, 2005), p. 52.

persons requiring psychiatric treatment at the hospitals of Jammu and Kashmir has increased from 775 to 43,650 between 1985 and 2002 according to reports in the media, (which have not been possible to confirm).

In the so-called northern territories of Gilgit and Baltistan the literacy rate is reported to be as low as 15 to 30 percent and economic development has faltered in comparison to the national average.¹²⁵ Disturbances based on religious motives are regularly reported, although these often are reported through unofficial channels. It is hard to confirm these reports however, as the territories are under the direct control and censorship of the central government.

In Jammu and Kashmir the literacy rate is said to have dropped from being one of the highest among the Indian regions to being one of the lowest today. This is impossible to verify and does not really fit with observations on the ground, but it is certainly true that the closure of schools in the countryside has had markedly negative effects on education. Fear was great among the teachers that they would be targeted and killed by militants, and this was a real danger. It happened frequently and scared away many of them, to the point that the lack of teaching staff made it necessary to close many of the schools in the country-side during the conflict. Although the state government has restored a great number of schools and announced 35,000 new teaching positions since the state assembly elections of 2002, there are to date no figures on how many of these positions that actually are being filled.

The rate of unemployment among youths remains at a very high level, with over 50 percent according to some estimates.¹²⁶ This idleness serves as an excellent recruitment base for the militants. In contrast to places like Palestine, which is facing a similar problem, recruits tend to keep their activities secret, making it harder for the authorities to track them.

The economic development of Jammu and Kashmir has faltered in comparison with the rest of India. This is partly a result of the severe blows to the tourist industry. Since the 19th century tourism has been one of the

¹²⁵ "Azad Kashmir" and "Northern Territories" or Pakistan Occupied Kashmir (POK)?" <<http://www.hvk.org/articles/0603/276.html>> (November 9 2006).

¹²⁶ For general statistics on job rates, see <http://www.censusindia.net/t_00_007.html> (November 9 2006).

most important sectors for the state economy, but the militancy has effectively kept tourists out of the state, or at least reduced the potential of attracting tourists. Since 2003 Indian tourists have to some extent returned, but international tourists who constitute the largest source of income for this industry have been reluctant to follow.

The export potential of Jammu and Kashmir has also been disrupted significantly.¹²⁷ Fruit-export is an important source of income for the state, but it needs safe and fast transport routes to the rest of India, and this has been interrupted. During negotiations in May 2006, discussions about opening transport routes and trucking services across the LOC, similar to the TIR system functioning in Europe, were initiated, but so far without results.

When Kashmir was struck by an earthquake in 2005, it was mainly the Pakistani parts that were affected. There were great hopes that India and Pakistan would join forces in the relief work, but this only happened on a small scale. Pakistan refused access for Indian army helicopters to patrol the valleys and evacuate the injured, despite being unable to carry out this work with its own resources. Instead, NATO helicopters had to be recruited which caused resentment among the Islamic fundamentalists. This criticism ultimately resulted in a cancellation of search and rescue operations before their completion.

Without air-lift capabilities, a long winter in despair awaited refugees from the mountainous areas unable to reach the cities and the installed refugee camps. As the winter was over in April 2006, refugees poured into the cities and tens of thousands of new refugees were housed in the refugee camps of Muzaffarabad.¹²⁸ Even more problematic is Pakistan's inability to finance its necessary reconstruction efforts alone. Compensation for lost cattle is issued by state funds to some extent but not restoration of houses. This has led to an emerging market where banks issue high-interest loans to the earthquake victims.¹²⁹ Moreover, significant potential exists in transporting cement,

¹²⁷ "Jammu and Kashmir: labour under conflict," <<http://www.amrc.org.hk/5103.htm>> (November 4 2006).

¹²⁸ "Harsh weather imperils food supplied to quake survivors," *Dawn*, <<http://www.dawn.com/2005/02/06/top8.htm>> (December 5 2006).

¹²⁹ "Travels to Kashmir to support earthquake victims," <<http://www.pakquake2005.com/article.php?story=20061008200717579>> (October 29 2006).

timber and other necessary supplies from Indian administered Jammu and Kashmir, but the military's rigidity about the LOC has effectively shattered any such hopes. Currently, the LOC is open only to a few bus-journeys each month.

The bus service operating across the LOC has received great publicity and been launched as one of the major CBMs between Pakistan and India. Even though this is a significant achievement it has so far failed to live up to the expectations of potential passengers. Wooden bureaucratic procedures and complicated formalities have deterred most people from visiting their relatives across the border. On some of the trips only one or two passengers have dared to venture the journey. On the other hand, despite all these shortcomings, some appreciation is deserved that both sides have begun consider these issues at all.

Militants: A Disruptive Element

Militancy has declined significantly during the first years of this millennium. Though the rural areas still experience militant violence, the situation has improved since the 1990s. The Indian Army has also improved attitudes within its ranks and invested efforts in reducing intimidation and threats while improving its relations with the population. The success is obvious and relations between soldiers and civilians in Kashmir are a great deal more relaxed than just five years ago. The Indian government has had less success in improving the attitudes of its paramilitary troops (such as the Border Security Forces), but they have been given less responsibility and are not as active as before. In total, this development has made it possible to introduce a new policy. Villagers are given arms and some basic training and are organized in military units in order to be able to resist the militants when they come and demand food and shelter. Informing the local authority about the movements of the militants has become more frequent and they have found it increasingly difficult to hide. The number of persons actively engaged in guerrilla activity is estimated to have declined from around 10.000 to around 1,500 to 2,000 today.¹³⁰

¹³⁰ "1400 militants operating in the valley: Army," *Kashmir Times*, July 16 2006, <<http://www.kasmirtimes.com/archive/0607/060716/index.htm>> (November 9 2006).

Foreign fighters today constitute a considerable share of the militants, primarily coming from Afghanistan and Pakistan, but also from Syria, Jordan, Saudi Arabia and Chechnya. They number around 500-1000 persons.¹³¹ A majority of the foreign fighters come from madrasas and various recruitment-camps in Pakistan, and they are used to living a life in the field and would probably end up as criminals should they return to Afghanistan or Pakistan. The Syrians, Jordanians, Saudis, and Chechens have equal problems if they decide to return home – their own countries try to keep them out.

This is a major problem for both Pakistan and India and there is a need for both countries to agree on a joint strategy. Since real peace between Pakistan and India presents a serious threat to them, the foreign militants do their best to disturb it. A recent new wave of attacks on tourists in Kashmir as well as on the families of Indian army personnel can be seen as a sign of this desperation, although they are sometimes carried out by indigenous militants as well. A bomb attack on a marketplace in New Delhi in October 2005 with many victims is another example of the efforts to destroy all impressions of an approaching peace.

Hiccups in the Composite Dialogue

2006 did not start off well for relations between India and Pakistan. President Musharraf was under heavy pressure from traditionalists and fundamentalists. On January 8 he accused the Indian security services of supporting uprisings in Baluchistan (in the same way that Pakistan had been accused of supporting the uprisings in Punjab and Kashmir). The Indian foreign ministry reacted angrily.

The following day he proposed autonomy for the entire territory that had belonged to the former state of Jammu and Kashmir. He proposed that a new autonomous state should be administered by a joint Indo-Pakistani management team. He stressed the fact that all his previous efforts to initiate a serious discussion about Kashmir had failed and that he had not received any serious response from India at all. India initially did not respond.

¹³¹ According to unofficial estimates by security officials in India.

Musharraf then went on to propose complete demilitarization of the LOC. This was rejected by India.

These statements occurred only days ahead of a scheduled composite dialogue meeting on the cabinet secretary level in New Delhi. Despite the tensions the meeting progressed relatively well. Military CBMs were discussed and the recently installed hotline between Islamabad and New Delhi was praised, especially the role it had played during the earthquake in October 2005.¹³² The Indian side also proposed that it would abstain from the establishment of new military outposts along the LOC, and liaison meetings between local military commanders along the LOC were scheduled. Discussions on clarifications in the nuclear doctrines of the two states were reported to have taken place, and Pakistan aired its concern about the consequences of the introduction of ABM systems in the region. An agreement was reached on regular expert meetings in an effort to lower the level of nuclear preparedness. There was, however, no information about any discussion on the status of Jammu and Kashmir.

On April 30, Pakistan test launched an updated version of its new medium-range missile, Shaheen II with a capacity to reach New Delhi.¹³³ In July, India responded with two rocket tests, one of a long-range military missile and one of a civilian research rocket, but both failed. In May, a series of terror-attacks scared away a large number of tourists that had started to return. The terror attacks were mainly targeted against Hindus and caused much alarm in the Indian media. Just a few days ahead of a planned round table discussion between Manmohan Singh and a number of separatist leaders, a bomb attack killed 35 resident Hindus in the Muslim-dominated Doda district. Three weeks later a number of tourists were killed in an attack targeted at a bus, while an attack on Hindu pilgrims in Anantnag claimed ten victims.

¹³² Joint Statement, India-Pakistan Foreign Secretary level talks in New Delhi <<http://meaindia.nic.in/jshome.htm>> (November 9 2006).

¹³³ "Pakistan Successfully Tests Nuclear-Capable Missile," Missilenews, <<http://www.missilenews.com/nuclear-missile-news/pakistan-successfully-tes.shtml>> (July 12 2006).

On July 11, seven bombs detonated on suburban trains in Mumbai killing over 200 people and wounding 700 others.¹³⁴ Suspicions were immediately directed at Islamist movements in Kashmir, primarily Lashkar-e-Taiba, but no evidence surfaced during July that could support such claims. Spokesmen for Lashkar-e-Taiba and other suspect organizations denied all involvement in the attacks, but their denials had little effect. A number of supporters of Lashkar-e-Taiba were detained and caught possessing weapons and explosives during the investigation, but they could not be tied to the attacks. A number of other persons with affiliations to the Naxalite movements were arrested and said by the police to have received support from Pakistan, but no supporting evidence appeared. The question of responsibility continues to remain unclear.

Two days later four Hindu tourists were killed in Kashmir, leading to a mass departure of visitors.¹³⁵ During the year of 2005, 300,000 tourists visited Kashmir and the regional economy had recovered slightly, but the series of attacks effectively put an end to confidence in peace and order there. Media started to speculate about a repetition of the violent incidents during previous years, when attacks by Muslim terrorists had provoked bloody reprisals and also about the near-war situation of June 2002. All in all, however, the situation calmed down remarkably soon and panic was avoided in spite of efforts by extremists to take advantage of the situation.

Rumors started to circulate in Kashmir that the attacks were a Hindu nationalist plot meant to disrupt improvement in Indo-Pak relations and the situation in Kashmir, but the state government refuted these arguments as nonsense. The statements from both sides were initially restrained. However, Pakistan's Foreign Minister Khursheed Kasuri in an unfortunate statement said that "the best way to tackle extremism in South Asia is to solve the problem of Kashmir" This statement was taken by the Indian leadership as a direct attack on their policy, trying to shift the blame to them. The Indian Foreign Minister reflected this feeling by pointing at Pakistan's poor record in handling the terrorist problem.

¹³⁴ 11 July 2006 Mumbai train bombings at Wikipedia,
<http://en.wikipedia.org/wiki/11_July_2006_Mumbai_train_bombings> (November 9 2006).

¹³⁵ "Tourist succumbs to injuries. Dead, injured flown to Kolkatta," *Kashmir Times*, July 13 2006,
<<http://www.kasmirtimes.com/archive/0607/060713/index.htm>> (December 1 2006).

After this it was difficult for the Indian government to stand up against domestic opinion that was blown up by a skewed media presentation and agitation from Hindu nationalist circles. It gave in by pulling out from the Composite Dialogue. On July 16, a spokesman for Pakistan's Ministry of Foreign Affairs announced that India had cancelled a scheduled meeting of the Composite Dialogue. Pakistan's Cabinet Secretary made a conciliatory statement, condemned the train-blasts, and said he understood the Indian decision but hoped for a resumption of the dialogue as soon as possible.¹³⁶ U.S. Assistant Secretary of State Richard Boucher made a statement in support of Pakistan in which he underlined that U.S. intelligence did not have anything tying Pakistan to the attacks.

Why then did India choose this strategy of disrupting the dialogue? One interpretation may be that the blasts provided an opportunity for Manmohan Singh to pull out of a dialogue which had become more and more troubling for the Indian leadership. Pakistan and Musharraf's tougher demands on inclusion of the Kashmir issue in the dialogue presented disquieting effects for India's overall Kashmir strategy. Musharraf will evidently not remove these demands, something which the Indian leadership knows very well. In addition, the U.S. may very well encroach on the issue both to make sure that Musharraf stays in power, but also to please a growing human rights perspective in the U.S. condemning Indian violations. Although India's lobbying power in Washington is growing in force, an increasing number of critical voices have also been heard, caused by the continued exclusion of a Kashmiri role in the peace process.

India has the ambition to be a permanent member of the UN Security Council, and since the discussions about a reform of the UN system has gained speed lately, India's chances of being the second Asian representative in the council have increased as well (albeit in competition with Japan). In this context, India is anxious to avoid attention to its continuing conflicts. Pakistan's repeated proposals regarding the Kashmir issue and the ensuing question about India's human rights record is perceived as a threat to India's ambitions in the race for a permanent seat in the Council. The continued

¹³⁶ "Talks called off for the moment: Saran," *Kashmir Times*, July 16 2006, <<http://www.kasmirtimes.com/archive/0607/060716/index.htm>> (July 16 2006).

disregard of all UN resolutions on Kashmir since 1974 is also something that India tries to downplay in the international debate.

“ It Takes Two to Tango”

In September 2006, President Musharraf met with Indian Prime Minister Manmohan Singh at a meeting with the Non-Aligned Movement in Havana. At this event they announced the resumption of the Composite Dialogue.¹³⁷ That may be likely to happen, but India continues to show reluctance to negotiate about the Kashmir issue, something which it eventually will have to accept if the process is to be kept alive.

¹³⁷ “India-Pak to set up joint anti-terror mechanism,” *Kashmir Times*,
<<http://www.kasmirtimes.com/archive/0609/060917/index.htm>> (November 9 2006).

The Role of Energy

India's Energy Situation from a Global Perspective

According to the International Energy Agency,¹³⁸ primary energy demand in the world will increase by 66 percent from the year 2002 to 2030, where Asia's share is projected to increase from 28 percent to 35 percent. The share increase will be especially significant as regards oil demand. The Asian developing countries will take the largest share, 38 percent in 2030 of which China will account for 16 percent and India 8 percent. India's demand will more than double during that period,¹³⁹ and India will also increase its share of total consumption of natural gas and coal.

Considering these growing energy needs, the Indian President, A.P. J. Abdul Kalam, has said that India's energy needs to be "key to its foreign policy".¹⁴⁰ In his words: "The convergence of our foreign policy and our domestic needs is striking in the context of our energy security. My government will give full importance to synchronizing our diplomatic activity with our need for energy to fuel our development needs". To this end, the Indian state-owned oil company ONGC had, by the end of the last millennium, invested in oil fields, exploitation rights, and refineries in Myanmar, Sudan, Iraq, Russia, Vietnam, Venezuela and Libya, and the private oil company Reliance had made investments in Vietnam and Myanmar.

Since then, the galloping energy demand has pushed the energy companies further in their efforts to find new sources for raw material. Reliance has acquired stakes in an offshore field in Yemen and negotiates in Nigeria, Chad, Angola, Cameroon, Congo and Gabon. New investments have been made by ONGC in Sudan, Nigeria, Syria, Australia, Iran, Myanmar, Sri

¹³⁸ IEA-India Workshop on Emergency Oil Stock Issues, Opening Remarks by Ambassador William Ramsey, Deputy Executive Director of the IEA, <<http://www.iea.org/>> (February 9 2005).

¹³⁹ *Ibid.*

¹⁴⁰ *Ibid.*

Lanka, Ivory Coast, Oman, Kuwait, the United Arab Emirates, Algeria and Indonesia.¹⁴¹ In Russia, the ONGC has negotiated an agreement to take 20 percent in the Sakhalin-3 (off-shore) project¹⁴² and the Venezuelan PDVSA has taken a stake in the ONGC's refining subsidiary Mangalore Refinery and Petrochemical Ltd.¹⁴³

The latter agreement is supposed to guarantee supply of a reasonable amount of crude oil from Venezuela to the plants of the daughter company. That project has not been well received in Washington. This is because Venezuela's President Hugo Chavez has been a die-hard opponent of America's influence in South America and strives to reduce the U.S.' share of Venezuelan oil. In this regard, Indian oil policy is contrary to U.S. ambitions to keep Venezuela as a secure source of oil-supplies to North America.

India's Energy Demand

This global hunt for oil is due to two factors: The first is that India's oil demand is set to increase from 2,8 million barrels per day (bpd) to 5,6 million bpd from 2002-2030. The second is that no other source of energy is as suitable as oil for transport and there is remarkable correlation between oil demand in transport and GDP growth.¹⁴⁴ India's GDP has been growing by 6 to 8 percent annually during the last years¹⁴⁵ and oil demand is calculated to grow between 4 and 5 percent annually during the coming decades to meet these growth rates. This should be compared with the average total increase

¹⁴¹ Aljazeera.NET "Indian firm clinches Oman oil deal," Aljazeera, (December 6 2006).

¹⁴² "Russia and India pledge closer cooperation," *Alexander's Gas and Oil Connections*, <<http://www.gasandoil.com/goc/news/nts>> (December 6 2006); "India: Seeking energy security from Russia," *Stratfor Global Intelligence Brief*, December 6 2005, <www.stratfor.com> (December 27 2006); "Russia offers oil," *Alexander's Gas and Oil Connections* <<http://www.gasandoil.com/goc/news/nts>> (December 6 2006).

¹⁴³ "India takes stake in Venezuela oilfield," Aljazeera, <<http://english.aljazeera.net/>> (December 6 2006).

¹⁴⁴ *Ibid.*, (Asian Oil).

¹⁴⁵ Stewart Sinclair, "Trying to quench India's growing thirst of all things for oil," *Globeandmail.com*, 2005 <<http://www.theglobeandmail.com>> (August 30 2005).

in world oil demand, which is believed to be around 1,6 percent annually.¹⁴⁶ Overall, imported oil will become a greater part of the consumption in Asia, increasing its share of the total consumption from 72 percent in 2002 to 83 percent in 2030.

South Asia's share of world energy consumption is still low but increasing. In 1991 it was 2,8 percent and in 2002 it had been raised to 4,1 percent of the world total. While the average consumption is low in South Asia, the consumption per unit of GDP is among the highest in the world, meaning that efficiency is extremely low, while emissions (and pollution) are high. For example, in 2002, South Asia accounted for 4,8 percent of global carbon emissions (compared to 4,1 percent of energy consumption). It seems certain that a significant increase in emissions in this region will take place.¹⁴⁷

During the first years of this millennium, the energy issue has become even more serious for India and power shortages have been calculated at 25 percent during 2006.¹⁴⁸ The price increase for imported crude oil has affected the Indian economy and the import bill has been calculated to increase by almost 50 percent in 2006. The figure for prognostic domestic oil and gas reserves has been reduced, while the expected (estimated) annual cost for imported oil in 2020 has increased to a level three times higher than the present one.¹⁴⁹ The Confederation of Indian Industry has asked for a reform of the coal sector as a remedy to the energy shortage.¹⁵⁰ The President of India, Abdul Kalam, on the other hand has asked industry to cut its energy consumption by 20 percent to bring down production costs and overcome the power shortage.¹⁵¹

¹⁴⁶ IEA-India Workshop on Emergency Oil Stock Issues, Opening Remarks by Ambassador William Ramsey, Deputy Executive Director of the IEA, <<http://www.iea.org/>> (February 9 2005).

¹⁴⁷ U.S. Energy Information Agency, *South Asia Regional Overview*, 2004, <<http://www.eia.doe.gov>> (August 31 2005).

¹⁴⁸ Anil K. Malhotra, "India Faces an Unprecedented Energy Crisis," *Alexander's Gas and Oil Connections*, July 6 2005, <<http://www.gasandoil.com/goc/news/nts52796.htm>> (December 6 2005).

¹⁴⁹ "India's crude oil import bill expected to jump by more than 47.5 %," *IRNA*, August 31 2005, <<http://www.gasandoil.com/goc/news/nts53504.htm>> (December 27 2006).

¹⁵⁰ *Alexander's Gas and Oil Connections*, <<http://www.gasandoil.com/goc/news/nts554949.htm>> (December 6 2006).

¹⁵¹ *Alexander's Gas and Oil Connections*,

The Indian government has also said it will develop decentralized hydrogen-based power generation stations of about 1,000 MW each and one million hydrogen fuelled vehicles by 2010, but the media has been skeptical about the chances for this program to have a decisive impact on the supply situation.¹⁵²

The government of India has also concluded a handful of so-called cooperation agreements with a number of countries among them, Norway, Turkey, South Korea and nine other countries, including those in Central Asia. Some of these cooperation agreements aim at somewhat unclear kinds of activity, and they do not seem to be very important. They reflect more an Indian ambition not to miss any chance to improve its own energy supply than any real possibility to do so.¹⁵³

The Indian ambition to increase the share of oil that is imported from Indian-owned fields abroad has led to many situations where Indian companies have found themselves in direct competition with Chinese companies. Former Oil Minister Mani Shankar Ayer has even accused China of using unfair methods of competition, when for instance Indian companies lost out on oil-fields in Kazakhstan.¹⁵⁴ Chinese companies also won over their Indian competitors in bidding for oil fields in Angola, Nigeria and Sudan.¹⁵⁵

<http://www.gasandoil.com/goc/news/nts560226.htm> (December 6 2005).

¹⁵² *Alexander's Gas and Oil Connections*,

<http://www.gasandoil.com/goc/news/nts554940.htm> (December 6 2006).

¹⁵³ "Kyrgyz republic keen to develop oil ties with India," *Alexander's Gas and Oil Connections*, January 12 2006, <http://www.gasandoil.com/goc/news/nts60211.htm> (December 6 2006); "Norway to help India meet its energy needs," *Alexander's Gas and Oil Connections*, December 22 2005, <http://www.gasandoil.com/goc/news/nts55170.htm> (December 6 2006); "India signs MoU with Turkey for oil sector," *Alexander's Gas and Oil Connections*, December 22 2005; <http://www.gasandoil.com/goc/news/nts55108.htm> (December 6 2006); "India and Korea sign six MoUs for cooperation in hydrocarbon sector," *Alexander's Gas and Oil Connections*, December 22 2005,

<http://www.gasandoil.com/goc/news/nts55106.htm> (December 6 2006); *Alexander's Gas and Oil Connections*, <http://www.gasandoil.com/goc/news/nts55954.htm> (December 6 2006).

¹⁵⁴ "India's energy security," *Alexander's Gas and Oil Connections*, January 12 2006, <http://www.gasandoil.com/goc/news/nts60225.htm> (December 6 2006).

¹⁵⁵ "China and India in oil investment race," *Alexander's Gas and Oil Connections*, <http://www.gasandoil.com/goc/news/nts> (December 6 2006); "Regeringen sänker indisk oljesatsning," [The Government Disrupts Indian Oil exploration] *Svenska Dagbladet*, December 19 2005.

The increasing competition on the small international market for oil fields forced the two governments to consider the advantages of cooperating on oil projects.¹⁵⁶ The ONGC and the Chinese CNPC (both are state-owned) placed a joint bid for a stake in Petro-Canada's Al Farat oil and gas venture in Syria in 2005. Since then, and during the time when Ayar was still Oil Minister, there has been much talk about further cooperation. One example of this is the proposed pipeline from India via Myanmar to Southwest China, but since Ayar left his post at the beginning of 2006, not much more has been heard about these plans.¹⁵⁷

Energy Sources and Projected Production

The population of India has lately been increasing at a lower rate than during most of the last century. While the average annual population-growth rate was about 2.14 percent during the years 1981-91 it stood at 1.93 percent during 1991-2001. The national economy, on the other hand, has increased its annual growth rate and GDP growth has been pending between 4.5 to 8.1 percent. The present Five-year Plan for the national economy foresees an annual growth rate of about 8 percent and a total energy demand increase of about 5 percent per year.¹⁵⁸ The combination of a decreasing population growth combined with a strong economic growth is indeed a positive development.

Yet the overall fast population growth, the high density of its population and the character of its economy has put strains on India's available natural

¹⁵⁶ "China/India:Energy cooperation will not come easily," *Oxford Analytica*, January 16 2006, <<http://www.oxan.com/Display.aspx?S=EES&SD=20060116&PC=OADB&SN=3&S>> (January 16 2006).

¹⁵⁷ "India and China begin to see more value in cooperation than competition," *Alexander's Gas and Oil Connections*, January 12 2006, <<http://www.gasandoil.com/goc/news/nts52796.htm>> (December 27 2006); "China's Energy Acquisitions," *PINR Dispatch*, September 2 2005, <http://www.pinr.com/report.php?ac=view_report&report_id=359&language_id=1> (December 27 2006); "India eyes alliance with China and Uzbekistan for oil assets," *Alexander's Gas and Oil Connections*, December 8 2005, <<http://www.gasandoil.com/GOC/news/ntr54914.htm>> (December 27 2006); "Indo-Iran pipeline can be pulled to Southern China via Burma," *Alexander's Gas and Oil Connections*, March 10 2005, <<http://www.gasandoil.com/goc/news/nts51008.htm>> (December 27 2006).

¹⁵⁸ *Indian Energy Sector*, The Energy and Resources Institute, 2005 <<http://www.teriin.org/energy/bakgnd.htm>> (September 6 2006).

resources, and limited domestic supply of energy raw material. Increasingly problematic air pollution and serious shortages of electricity necessitate a greater import of cleaner forms of energy raw materials, mainly natural gas. Hence, the planned pipelines from Iran and/or Turkmenistan have appeared as attractive options to mitigate continued environmental degradation.

A substantial part of energy consumption today is in the form of burning so-called non-commercial fuels like fuel-wood, dung and crop residue. More than 60 percent of the Indian households still depend on these traditional sources of energy, and it is especially pronounced in the countryside. Out of total rural energy consumption, about 65 percent is met through fuel-wood. But coal is by far the most important primary fuel, constituting some estimated 55 percent of the supply in 2006 and will remain important, with 53 percent in 2011, if other factors remain unchanged, according to the calculations of the Indian Energy and Resources Institute (TERI).¹⁵⁹ Crude oil is the second most important contributor to the energy supply mix, accounting for 32 percent of the total, but will be reduced slightly, according to TERI, to reach 30 percent in 2011.

Natural gas will also be in short supply and India cannot increase its share in spite of efforts by the government and energy companies to provide more. Despite the growing demand and attractiveness of natural gas it will only provide 15 percent of the total energy supply in 2006 and an estimated 14 percent in 2011. Hydroelectric power and nuclear power will continue to supply modest amounts of energy, 2 percent for hydropower and 1 percent for nuclear energy, and these figures will not change during the next few years. All these figures are based upon calculations by the Indian Planning Commission.¹⁶⁰ However, the Indian Planning Commission is foreseeing an improvement in the fuel mix over the longer-term: Coal-consumption is expected to be reduced from 53 percent in 2006 to 50 percent of total supply by 2025, while natural gas will increase its share from 14 to 20 percent. It is, however, not anticipated that oil can increase its share in the energy mix, since there is a great gap between domestic demand and domestic supply

¹⁵⁹ *Ibid.*, p. 4.

¹⁶⁰ *Indian Energy Sector*, The Energy and Resources Institute, 2005
<<http://www.teriin.org/energy/bakgnd.htm>> (September 6 2006).

already, and that gap is going to widen. Up until the beginning of this millennium, imported oil made-up about 70 percent of consumption, but is expected to account for around 83 percent of total oil supply in 2030.¹⁶¹

Energy in India is Public Utility

India is a union of states, and its constitution specifies a division of power in the energy sector between the central government and parliament on the one hand, and state governments and assemblies on the other.

The energy sector is basically seen as a public resource, and in each sub-sector of the energy sector a special ministry is in charge of policy formulation, support in decision-making and implementation by state governments, state-level nodal agencies, public sector undertakings and technical research institutions. The Seventh Schedule of the Constitution of India provides a list of subjects reserved for the Union including:

- Atomic energy and mineral resources necessary for its distribution;
- Regulation and development of oil fields and mineral oil-resources, and petroleum and petroleum products;
- Regulation of mines and mineral development as declared by the Parliament.

The central government controls the entire chain of activities in the oil and natural gas industries.¹⁶² According to the Constitution, the power to regulate Mines and Mineral development lies with both the central government and the state governments. However, a special act by the Parliament in 1957 formed a division of powers between the central and state governments, according to which coal is a mineral that is controlled by the center. With regards to electricity, it is a concurrent subject in the constitution of India,

¹⁶¹ IEA-India Workshop on Emergency Oil Stock Issues, Opening Remarks by Ambassador William Ramsey, Deputy Executive Director of the IEA, <<http://www.iea.org/>> (February 9 2005).

¹⁶² U.S. Energy Information Administration, India: Country Analysis Brief, p.3 <<http://www.eia.doe.gov/emeu/international/india.html>> (September 21 2005).

implying that both the Parliament and the State Legislature have the authority to legislate on the subject.¹⁶³

The Problem of Electricity

Erratic and insufficient electricity supply has long been a serious obstacle to higher economic growth in India. In 2002, power generation capacity stood at 120,000 MW which is far below peak demand,¹⁶⁴ notwithstanding that total electricity generated rose from 290 TWh to over 500 TWh between 1990 and 2000/2001. Of this generated electricity, thermal capacity accounts for 71 percent, hydropower for 25 percent, nuclear energy for 3 percent and wind energy for 1 percent.¹⁶⁵ (Fossil fuels are not used to generate electricity).

In the same year that the Constitution of India was written, the Electricity (Supply) Act laid the basis for the organisation of the power generation capacity of the country. The Industrial Policy Resolution of 1956 then set in place State Electricity Boards (SEBs), which since then have had much of the responsibility for power production and distribution. Today, the different SEBs manage over 60 percent of national power plant capacity and are in charge of power distribution in 25 states. They also distribute electricity supplied by the central government from power plants owned by the National Thermal Power Corporation (NTPC) and the National Hydroelectrical Power Corporation (NHPC).¹⁶⁶

According to critics, state government control of power tariffs has become a major tool of political patronage in India and explains much of the irrationality of its structure. Its viability has been deteriorating because of high operating costs and pricing policies that keep tariffs to most customers well below the cost of supply. They are furthermore losing 30 to 40 percent of their power, mostly to theft, while “best private power customers” lose only around 10 percent, mostly for technical reasons.¹⁶⁷

¹⁶³ *Ibid.*, p.4

¹⁶⁴ *Ibid.*, p. 6.

¹⁶⁵ *Coal in the Energy Supply of India*, (Paris: OECD/IEA, Publications Service, 2002), p.34.

¹⁶⁶ *Ibid.*

¹⁶⁷ Anthony Bubalo and Mark P Thirlwell, *Energy Insecurity: China, India and Middle East Oil* (Sydney: Lowy Institute for International Policy, 2004), p.13.

During the last decade electricity output has risen by between 5 percent and 9 percent annually, but it has failed to meet demand which is rising even faster. At present, 90 percent of the inhabitants of urban areas are connected to the power grid, but (legally) only 30 percent of rural households.¹⁶⁸ One important reason for the inefficiency of the SEBs is the sale of power at subsidized rates, which does not cover costs (particularly for agriculture). Solving their financial problems is therefore a *sine qua non* for increasing their output. In order to channel funds to the SEB sector the central government announced in 1998 an easing of rules related to foreign investment in the power sector. Still, the financial problems of the SEBs have prevented foreign investment from flowing into this sector.

A similar fate has fallen upon the “mega-projects” – i.e. the more than 1,000 MW thermal plants and more than 500 MW hydroelectric plants – that the government started to approve in the mid-1990s. Approvals often did not lead to construction and when it did construction was often interrupted because of the financial problems of the SEB partner.¹⁶⁹ Another difficulty caused by funding problems is that for financial reasons power plants have been kept in service beyond their expected life span to cope with rising electricity demand. In some cases 40+ year old plants are still in use and are very inefficient, raising production costs.¹⁷⁰

The situation has caused private investors to secure power for their own factories by building their own power plants, which in 2002 already accounted for 12,000 MW.¹⁷¹ The SEBs manage over 60 percent of national power plant capacity while the NTPC and the NHPC together have 31 percent while private operators account for the remaining 9 percent.¹⁷²

Power supply is not only an economic and social problem; it also has constitutional aspects for the union of Indian states. As a former Minister of Finance, Prime Minister Manmohan Singh was responsible for the initiation of the liberalization of the Indian economy during the mid- and late 1990s.

¹⁶⁸ *Coal in the Energy Supply of India*, (Paris: OECD/IEA, Publications Service, 2002), p. 34.

¹⁶⁹ U.S. Energy Information Administration, India: Country Analysis Brief, p.7 <<http://www.eia.doe.gov/emeu/international/india.html>> (September 21 2005).

¹⁷⁰ *Coal in the Energy Supply of India*, (Paris: OECD/IEA, Publications Service, 2002), p.36.

¹⁷¹ *Ibid.*

¹⁷² *Ibid.* p. 34.

He now has to lead a coalition government at a time when opposition against the effects of globalization and liberalization is strong in many circles in India. He was interviewed by the McKinsey Quarterly in September 2005 about India's economic agenda and had the following to say about the implementation of reforms:

“And furthermore, because we are a federal set-up, there are a lot of things that the central government does, but there are many things, like getting land, getting water, getting electricity – in all these matters the state government comes in, the local authority comes in (...) From a political-management point of view, we cannot do without being a federal system, but I do recognize that at times it gives our system the label that it is slow-moving. In a world in which technology is changing at such a fast pace, where demand conditions change very fast, we need to look at a more innovative mechanism to cut down on this rigmarole of many tiers of decision-making process.”¹⁷³

The Coal Sector

Most of the coal deposits are concentrated in three states in the eastern part of India, while consumer centers are concentrated in the western parts causing a transport problem, especially for the railway system where coal constitutes about half of total transported goods.¹⁷⁴ In effect, it is cheaper to import coal from abroad in some parts of India due to the high inland transport costs. However, even if coal creates a transport problem it still offers a long-term guarantee for future energy supply as reserves represent 275 years of supply at the current level of production.¹⁷⁵ Indeed, India is the third largest producer of coal in the world with an annual production of 403 million short tons in 2003.¹⁷⁶ However, since only a small proportion is of the

¹⁷³ “India's economic agenda: an interview with Manmohan Singh,” in *McKinsey Quarterly*, <http://www.mckinseyquarterly.com/article_page.aspx?ar=1674&L2=19&L3=67> (September 13 2006).

¹⁷⁴ *Coal in the Energy Supply of India*, (Paris: OECD/IEA, Publications Service, 2002), p.21.

¹⁷⁵ *Ibid.*, p. 25.

¹⁷⁶ U.S. Energy Information Administration, *India: Country Analysis Brief*, p.2 <<http://www.eia.doe.gov/emeu/international/india.html>> (September 21 2005).

coking quality required by the steel industry, India has to import about one quarter of its coking coal.¹⁷⁷

The Indian government controls almost all coal production and the state-owned Coal of India Ltd. (CIL) accounts for 90 percent of domestic production. Current policy allows private mines only if they are “captive” operations which feed a power plant or factory.¹⁷⁸ The growing imbalance between demand and supply has long been a problem, and CIL has been plagued by low productivity, distribution problems and loss of markets to higher quality and less expensive imports.¹⁷⁹

This has its basis in the economic policy followed by the Indian government almost since the founding of the Union. It was aimed at import substitution and state ownership of key industries in general, but it led to poor economic performance and slow growth. In the mid-1990s, however, the then (still) Congress Party-led government embarked upon a series of economic reforms. That policy of liberalization was by and large continued by the BJP-led government which came to power in 1998, in spite of the intense criticism of the consequences of the globalization of the economy that had resulted from the previous government’s change of economic policy.¹⁸⁰

In 2002 the Coal Industry Advisory Board of the International Energy Agency issued a report about the Coal industry of India with “suggestions and encouragement for accelerating the pace of change.”¹⁸¹ There was, however, strong opposition from the trade unions against the new policy. After elections in 2004, an alliance led by the Congress Party came to power

¹⁷⁷ Anthony Bubalo and Mark P Thirlwell, *Energy Insecurity: China, India and Middle East Oil* (Sydney: Lowy Institute for International Policy, 2004), p. 14.

¹⁷⁸ U.S. Energy Information Administration, India: Country Analysis Brief, p. 6 <<http://www.eia.doe.gov/emeu/international/india.html>> (September 21 2005).

¹⁷⁹ Akhilesh Chandra Prabhakar, “India’s Energy Security of Supply and the Gulf,” *India Quarterly* (Indian Council of World Affairs, New Delhi) LX, 3 (2004), p. 155.

¹⁸⁰ U.S. Energy Information Administration, India: Country Analysis Brief, p. 1 <<http://www.eia.doe.gov/emeu/international/india.html>> (September 21 2005).

¹⁸¹ *Coal in the Energy Supply of India*, (Paris: OECD/IEA, Publications Service, 2002), p.13.

and seems to have taken a more cautious attitude towards reforms, and plans for further coal-sector liberalization have been called off.¹⁸²

The Oil Sector

Proven oil reserves in India amounted to 732 million tons (MT) or 5.8 billion barrels in 2002, with total proven, probable and possible reserves of close to 11 billion barrels. Most of these reserves are located in the Arabian Sea and onshore in the state of Assam.¹⁸³ As with electricity and natural gas, consumption of petroleum products is growing faster than domestic production can meet. Consequently, oil imports increased by 6,3 times during the years 1970-2002, while domestic production only increased by 4,5 times, making import dependency as high as 73,3 percent in 2002. The problem has been accentuated by a slow-down in investments in refinery capacity and pipelines due to the Asian recession toward the end of the last millennium, which also affected the Indian economy. The IEA calculated that with unchanging conditions, India will depend on oil imports to make up as much as 94 percent of total demand by 2030.¹⁸⁵

India relies mainly on Gulf Arab States for its oil imports and is much more dependent on the Middle East than East Asia. This reflects the geographical proximity (and lower transport cost) between the Middle East and the fastest growing centers of the Indian economy, which are largely situated along India's Arabian Sea Coast rather than in the eastern states facing the Indian Ocean. It may also be a reflection of the fact that commercial relations with the Gulf countries have traditionally been intensive.¹⁸⁶

There have been some efforts to privatize the energy sector in order to make it more effective and more able to cope with a necessary exposure to the

¹⁸² U.S. Energy Information Administration, India: Country Analysis Brief, p. 6 <<http://www.eia.doe.gov/emeu/international/india.html>> (September 21 2005).

¹⁸³ U.S. Energy Information Administration, India: Energy Structure, 2002, p. 1, <<http://www.eia.doe.gov/emeu/cabs/archives/india/indiach3.htm>> (September 20 2005).

¹⁸⁵ IEA-India Workshop on Emergency Oil Stock Issues, Opening Remarks by Ambassador William Ramsey, Deputy Executive Director of the IEA, <<http://www.iea.org/>> (February 9 2005).

¹⁸⁶ Anthony Bubalo and Mark P Thirlwell, *Energy Insecurity: China, India and Middle East Oil* (Sydney: Lowy Institute for International Policy, 2004), p. 10.

international market. In 2002, control was relaxed over retail fuel distribution, ending the Administered Pricing Mechanism (APM) through which fuel prices had been set by the central government. Private companies were allowed to operate petrol stations as well.

Under pressure to increase oil imports, state-owned ONGC has acquired exploration blocks abroad in Myanmar, Sudan, Iraq, Russia, Vietnam, Venezuela and Libya. It has also begun a deep-water drilling program in the Bay of Bengal. The private sector company Reliance Industries Ltd is pursuing a plan for equity and acquisition of oil fields in Sudan, Iraq, Madagascar and Libya and has a stake in an exploration block in Yemen.¹⁸⁷ For strategic reasons and to pre-empt disruptions in crude oil arrivals the central government decided in 2004 to establish a system of strategic oil reserves equal to 15 days of the country's oil consumption.¹⁸⁸

The Natural Gas Sector

In 2002 the Indian reserves of natural gas were calculated to be 763 bcm (billion cubic meters) or 25 tcf (trillion cubic feet).¹⁸⁹ In the same year Reliance Industries Ltd. discovered 14.5 tcf of natural gas in one of its fields in the sea outside the coast of the eastern state of Andra Pradesh. Since most consumers are located in the western parts of India, most of the gas will have to be transported across the Indian subcontinent by pipeline. Reliance made another discovery of gas fields in 2004 on the eastern coast in the Bay of Bengal outside the coast of the state of Orissa. This field has calculated reserves of about 4-5 tcf.

Even with the new discoveries, Indian domestic production is unlikely to keep up with demand, which has been calculated by the government to

¹⁸⁷ Reliance Industries Limited,

<www.ril.com/business/petroleum/ep/business_petroleum_ephome.html> (September 20 2005).

¹⁸⁸ Anthony Bubalo and Mark P Thirlwell, *Energy Insecurity: China, India and Middle East Oil* (Sydney: Lowy Institute for International Policy, 2004), p.16; and U.S. Energy Information Administration, *India: Energy Structure, 2002*, p. 1,

<www.eia.doe.gov/emeu/cabs/archives/india/indiach3.htm> (September 20 2005).

¹⁸⁹ U.S. Energy Information Administration, *India: Energy Structure, 2002*, p. 1, <www.eia.doe.gov/emeu/cabs/archives/india/indiach3.htm> (September 20 2005).

increase by 4.8 percent annually until 2025. This would mean that the gas share of national energy consumption would rise from its current level of 7 percent to over 20 percent by 2025, which is the officially intended target in order to reach the planning goals of restricting air pollution (by increasing the use of gas in power generation). To improve capabilities in the natural gas sector, the first liquefied natural gas (LNG) regasification terminal was commissioned in 2004 at Dahej on the Arabian Sea coast.¹⁹¹

This plan aims at raising gas demand from the current levels of 1.8 bcf/d (billion cubic feet per day) to 11.5 bcf/d by 2010, and the Indian government has formed a joint venture between state-owned and international energy companies to facilitate LNG import via eight receiving terminals.¹⁹² However, problems with state financed LNG imports and financial problems in the power sector have dimmed the prospects for explosive growth in gas consumption, and revived interest in pipeline import options.¹⁹³

For the import of LNG the Petronet LNG Limited (PLL) has made a contract with Ras Laffan Liquefied Natural Gas Company Ltd (RASGAS) of Qatar for 5 million tons of LNG for 25 years.¹⁹⁴ The other state-owned company in the gas sector, the ONGC, has been active in securing partnerships in the exploration of gas fields abroad. Through its daughter company ONGC Videsh Limited it has made production sharing contracts with BP and Petro Vietnam and participates in the exploration of the Shwa gas field in Myanmar.¹⁹⁵

¹⁹¹ Anthony Bubalo and Mark P Thirlwell, *Energy Insecurity: China, India and Middle East Oil* (Sydney: Lowy Institute for International Policy, 2004), p.16; and U.S. Energy Information Administration, *India: Energy Structure*, 2002, p. 1,

<www.eia.doe.gov/emeu/cabs/archives/india/indiach3.htm> (September 20 2005), p. 16.

¹⁹² U.S. Energy Information Administration, *India: Energy Structure*, 2002, p. 4, <www.eia.doe.gov/emeu/cabs/archives/india/indiach3.htm> (September 20 2005).

¹⁹³ *Ibid.*

¹⁹⁴ Gail (India) Limited, <<http://www.gailonline.com/homepage/homenew.htm>> (September 20 2006).

¹⁹⁵ Oil and Natural Gas Corporation Limited, <<http://www ONGCIndia.com/>> (September 20 2005).

Natural Gas via Pipelines

During the last few years much attention has been given to the possibility of increasing energy supply by producing and importing natural gas. Two reasons have been given for this ambition: The first is that India's oil fields are being depleted faster than its gas fields, while at the same time new gas fields are found when there are very few new oil fields. In addition to that, nuclear and hydroelectric sources are quite limited. The second reason is the rapidly increasing pollution problem in India's mega-cities, and natural gas is the cleanest alternative available in large enough quantities.¹⁹⁶ In the field of foreign energy policy, the focus has largely been on imported natural gas and the question of whether to trust in supply via pipelines or in the import of LNG by ships.

The first serious effort to conclude a large and long-term import contract for gas via pipeline concerned a project from Qatar to India in the 1980s.¹⁹⁷ The pipeline would pass near the coastline of Pakistan, which made it controversial from the very beginning. The Ministry of External Relations opposed the project, while it was advocated for by Indian industry for a long period of time. Technical problems were also difficult to solve, especially regarding the danger of corrosion under the high pressure that the pipeline would have to endure, as the depth of the water was over 200 meters. It continued to be an alternative until 2006, when it appeared that Qatar had contracted away so much of its gas reserves that it would not be able to supply large enough amounts of gas to make the project profitable.¹⁹⁸

A second serious project for large-scale natural gas imports via pipeline was started at the beginning of the 1990s. This project was spearheaded by the Asian Development Bank (ADB) and specified the construction of a gas

¹⁹⁶ "India expects natural gas to emerge as most preferred fuel by 2025," *Alexander's Gas and Oil Connections*, February 24 2005,

<<http://www.gasandoil.com/goc/news/nts50866.htm>> (December 6 2006).

¹⁹⁷ "India faces an unprecedented energy crisis," *Alexander's Gas and Oil Connections*, July 6 2005 <<http://www.gasandoil.com/goc/news/nts52799.htm>> (December 6 2006); Chietigj Bajpae, "India recovers lost ground in the international energy game," *PINR Dispatch*, March 16 2006, <http://www.pinr.com/report.php?ac=view_report&report_id=279&language_id=1> (December 27 2006).

¹⁹⁸ "Qatar gas project in jeopardy," *The News* (Islamabad), May 3 2006.

pipeline from Turkmenistan via Afghanistan to a port on the coast of the Arabian Sea in Pakistan, stretching 1,700 kilometers in total.¹⁹⁹ At the very beginning, ADB and the three original partners (Turkmenistan, Afghanistan and Pakistan) invited India to join the so-called TAP consortium. However, the Ministry of External Affairs (MEA) in New Delhi succeeded in opposing the idea for four years, effectively by arguing that it would be contrary to vital security interests to make India dependent upon continued supplies of gas transiting Pakistan. Economic interests finally won over that argument, not least because potential savings available compared to LNG imports by ship. Here, the pipeline alternative would cost only about 60 percent of LNG alternative.²⁰⁰

Plans were also made to extend a pipeline from Pakistan to New Delhi. It would then branch out to both Bombay and Calcutta. It is easy to understand that objections were being raised in India against that project, because of the unstable situation in Afghanistan. In addition to that, the conditions in Kashmir, which would be the shortest route from Pakistan, were –and are– far from stable.

An alternative route, which would be preferred for security reasons, would include the construction of a pipeline from Turkmenistan to the Persian Gulf and then use transportation by sea to India. Turkmen planners saw a pipeline through Iran as another possibility to offer gas in LNG form to importers in Europe. This alternative suffered from two weaknesses, the first one being the high cost for the gas at the consumer's end, since it would have to undergo cooling and/or pressurizing into liquid form in order to make it transportable by sea.

The worst obstacle was, however, the American restriction for any kind of project in Iran and the legislated sanctions imposed on business transactions with Iran. The Iran-Libya Sanctions Act, applying to all projects in Iran, prohibits not only American participation but also calls for sanctions against companies of other nationalities who involve themselves in projects in Iran.

¹⁹⁹ Scott Baldauf, "Gas pipeline from Turkmenistan to Pakistani ports closer to reality," *Alexander's Gas and Oil Connections*, May 26 2005,

<<http://www.gasandoil.com/goc/news/ntc52138.htm>> (December 27 2006).

²⁰⁰ "India faces an unprecedented energy crisis," *Alexander's Gas and Oil Connections*, July 6 2005
<<http://www.gasandoil.com/goc/news/nts52799.htm>> (December 6 2006).

There were discussions within the American administration about a possible dismantling of this legislation, and European companies showed interest in stepping in as an alternative to American participation.²⁰¹ Since Iranian nuclear ambitions started to become a serious problem for the U.S., the U.S. administration ceased all efforts to reconsider the Iran-Libya Sanctions Act and this alternative is no longer discussed. With the events following the terrorist attacks on World Trade Centre in New York and the ensuing U.S. occupation of Afghanistan and the worsening of the security situation in Baluchistan in South Western Pakistan, interest in the TAP project has all but evaporated.

A third serious project was originally discussed as a “maritime” version of the TAP project from Iran along the coastal line of Pakistan to India. This idea also stemmed from the unwillingness of the Indian MEA and the Indian defense establishment to accept any part of the line going through Pakistani territory.²⁰² Since the technical difficulties with a deep sea pipeline had been demonstrated in a convincing manner in 1994, attention has slowly (and under much opposition from MEA) shifted to the possibility of an alternative route that runs from Iran via Pakistan to India. A feasibility study made in 2002 by Iran and Pakistan suggested that a 2,670 kilometer long pipeline could be built along this route at a cost of around \$3,2 billion, a figure later revised to \$4,5 billion.²⁰³

The plan was further stimulated by the fact that at the beginning of 2005 Pakistan and Iran seemed to be on their way on agreeing on a pipeline without the participation of India.²⁰⁴ Pakistan’s demand had grown enough to suffice as reason for the construction of a pipeline from the South Pars field in Iran to a nodal point in a network in Pakistan. India also had concluded a 25-year contract worth \$20-30 billion to export five million to 7,5 million tons

²⁰¹ Ingolf Kiesow, *Energy in Asia*, FOI-R—0739—SE (Stockholm: Swedish Defence Research Agency, 2003), MAP 10.

²⁰² “Caspian crude swap project suspended due to price differences,” *Payvand’s Iran News*, May 2 2005, <<http://www.payvand.com/news/05/feb/1045.html>> (February 7 2006).

²⁰³ “Iran and India in gas pipeline talks,” *Aljazeera.NET* <<http://english.aljazeera.net/>> (June 15 2006).

²⁰⁴ “Pakistan, Iran ready to go with India: Gas pipeline,” *Dawn*, February 6 2005, <<http://www.dawn.com/2005/02/06/top8.htm>> (December 27 2006).

of LNG per year from Iran beginning in 2009. India is also going to acquire a 20 percent stake in the Yadaravan oilfield in the southwestern province of Khuzistan as part of that deal.²⁰⁵

This had all happened during a period of about a year, beginning as soon as Shankar Ayar had become the Oil Minister of India, and was helped by statements during a visit he made to Pakistan in June 2005.²⁰⁶ This visit was hailed as “the first step to explore not only the feasibility of a tri-nation gas pipeline from Iran to India via Pakistan, but also about the possibility of cooperation in oil and gas, including investment and trade opportunities”, and as “a positive move in bilateral relations between India and Pakistan, an outcome of the visit by Pakistan President Pervez Musharraf to New Delhi in April”.²⁰⁷

Meanwhile, however, the advent of the hardliner Ahmedinejad to power in Teheran had completely changed the relations between Iran and the U.S., and the nuclear ambitions that Iran had become a burning issue. In March 2005, the U.S. ambassador to India warned that it would be unwise to “allow Iran to get resources for further development of their nuclear programme.”²⁰⁸ Pakistan’s Prime Minister Shaukat Aziz denied that the U.S. was putting pressure on Pakistan. The European Union also took a different position from that of the U.S.; while not accepting Iran’s hidden nuclear programme, the EU expressed no reservations on the trilateral gas project.²⁰⁹

²⁰⁵ “India to commence import of LNG from Iran from 2009,” *Alexander’s Gas and Oil Connections*, June 22 2005, <<http://www.gasandoil.com/goc/news/ntm52576.htm>> (December 27 2006).

²⁰⁶ “Gas rate, transit fee discussed with India: Iran to India pipeline,” *Dawn*, <http://www.dawn.com/2005/02/06/top8.htm> (February 6 2005).

²⁰⁷ “Aiyar embarks on mission to open energy corridor to Pakistan,” *Alexander’s Gas and Oil Connections*, June 22 2005, <<http://www.gasandoil.com/GOC/news/nts52569.htm>> (December 27 2006).

²⁰⁸ “Iran pipeline deal ‘unwise’, says US,” *Dawn*, March 14 2005, <<http://www.dawn.com/2005/03/14/index.htm>> (December 27 2006); “No US pressure on Iran gas pipeline, says Aziz,” *Dawn*, March 13 2005, <<http://www.dawn.com/2005/03/13/index.htm>> (December 27 2006).

²⁰⁹ “EU gives green signal for Iran-India gas pipeline,” *Alexander’s Gas and Oil Connections*, July 6 2005, <<http://www.gasandoil.com/goc/news/nts52784.htm>> (December 27 2006).

However, in June both India and Pakistan were again warned via diplomatic channels that the U.S. would not tolerate a project with Iran as long as that country was targeted by U.S. legislation.²¹⁰ Toward the end of the year Pakistan and India tried jointly to evade the consequences of the U.S. legislation by declaring that they and Iran would create separate consortiums for the respective stretches of the pipeline and in this way avoid reaching the size of investment that would release the application of sanctions.²¹¹ In December 2005 a spokesman for the Indian Petroleum Ministry declared that a tripartite meeting of the secretaries of state would finalize the details of the project in February 2006.²¹²

The meeting took place,²¹³ but meanwhile the Indian Oil Minister had been removed ahead of a visit to India by U.S. President George W. Bush and after warnings from U.S. Secretary of State Condoleezza Rice during a preparatory visit in New Delhi. It is not entirely clear why Prime Minister Manmohan Singh decided to make this move, but it seems evident that the problem of the pipeline was one of the reasons. The “first trilateral meeting on the Iran-Pakistan-India natural gas pipeline” was held in Teheran, but it failed to finalize a deal.²¹⁴ Pakistan then declared that it would go ahead with the project without India, though a number of trilateral meetings have been held after that, indicating that the parties have not given up their ambitions,

²¹⁰ “US repeats request for Pakistan to desert Iran gas pipeline project,” *Alexander’s Gas and Oil Connections* November 24 2005,

<<http://www.gasandoil.com/goc/news/nts54705.htm>> (December 27 2006).

²¹¹ “US intensifies pressure on India to scrap plans for pipeline from Iran,” *Alexander’s Gas and Oil Connections*, May 26 2005,

<<http://www.gasandoil.com/goc/news/ntn52108.htm>> (December 27 2006).

²¹² “India suggests to form separate joint ventures to build pipeline,” *Alexander’s Gas and Oil Connections* November 24 2005, <<http://www.gasandoil.com/goc/news/nts54719.htm>> (December 27 2006); Manish Chand, “India and Iran brighten their smile despite American frown,” *Alexander’s Gas and Oil Connections*, December 22 2005,

<<http://www.gasandoil.com/goc/news/nts55187.htm>> (December 27 2006).

²¹³ “Iran-Pakistan-India gas pipeline to start flowing in 2010,” *Alexander’s Gas and Oil Connections*, December 22 2005, <<http://www.gasandoil.com/goc/news/nts55181.htm>> (December 28 2006).

²¹⁴ “India/Pakistan/Iran: India backs away from pipeline,” *Oxford Analytica*, January 16 2006, <<http://www.oxan.com/Display.aspx?S=EES&SD=20060116&PC=OADB&SN=3&S>> (April 13 2006); “Pakistan to get 33 pc more gas,” *Dawn*, May 1 2006.

possibly waiting for a possible solution to the U.S. – Iranian conflict over Iran’s nuclear ambitions.

The face-saving device that India used to withdraw from the project, at least temporarily, was the issue of the price for the gas. Consultants used by India had established that importing gas via Pakistan would cost \$2,40 to \$2,49 per Btu (British thermal units, a way of measuring the energy value of gas, coal and oil), while importing gas as LNG would cost around \$4,10 per Btu.²¹⁵ That calculation was made without an agreement with Iran about the price that Iran would be charging, and it appeared at a meeting in December 2006 that Iran was still insisting on a price that was unacceptably high.

A U.S. initiative to revitalize the TAP project from Turkmenistan has caused vehement opposition from one of the communist parties in India – and this idea actually seems rather unrealistic.²¹⁶ A senior ADB specialist has declared that gas reserves are lower than expected and not sufficient for supplying South Asia with the foreseen amounts of gas for more than five years, after which production will decline.²¹⁷ China also seems to have concluded an agreement with Turkmenistan, which is much more likely to be carried through in the near future. In this agreement, a Chinese company will help Turkmenistan build a new extraction facility and export 30 billion cubic-meters of gas via a pipeline to Kazakhstan, adding to the Kazakh capacity to export gas to China via an already constructed pipeline from the Aral Sea to the Xinjiang province in western China.²¹⁸

Energy Interdependence as Conflict Prevention; The Ideal Picture

The Iran-Pakistan-India pipeline could open a new chapter in bilateral relations between India and Pakistan, and raise the costs of conflicts

²¹⁵ “Gas piped from India via Pakistan is cheaper for India,” *Alexander’s Gas and Oil Connections*, June 22 2005, <<http://www.gasandoil.com/goc/news/nts52543.htm>> (December 27 2006).

²¹⁶ “Pakistan, Iran ready to go without India: Gas pipeline,” *Dawn*, February 6 2005, <<http://www.dawn.com/2005/02/06/top8.htm>> (December 27 2005); “India criticized for joining US-sponsored TAP pipeline,” *Alexander’s Gas and Oil Connections*, June 22 2006, <<http://www.gasandoil.com/goc/news/nts62539.htm>> (December 27 2006),

²¹⁷ “ADB voices concern over gas delivery: Turkmen reserves found short,” *Dawn*, September 23 2005, <<http://www.dawn.com/2005/09/23/top5.htm>> (September 23 2005).

²¹⁸ “China, Turkmenistan,” *Stratfor Global Intelligence Brief*, December 6 2005, <www.stratfor.com> (December 6 2006).

significantly. Both countries are in urgent need of natural gas in their energy mix and both are favorably located for a pipeline from Iran, but also far from other sources of natural gas that are possible to reach with a pipeline.

Despite Iran's status as a Shiite theocracy, its oppressive methods of governance, and its support for Hezbollah and nuclear proliferation, the fact remains that Iran can be a lifeline for many of its neighboring states, primarily as a source of energy but also as a transport corridor and access point to the Arabian Sea for the landlocked states in Eurasia.

There are also massive transit gains from which Pakistan and/or Afghanistan can benefit, if either of the pipelines from Iran or Turkmenistan can be built. For example, it has been estimated that Pakistan would gain a total of \$14 billion in 30 years from building the Indo-Iran pipeline.²¹⁹ If the trans-Afghan pipeline from Turkmenistan is built, transit revenues of \$300 million yearly are estimated to benefit the Afghan economy in addition to the employment opportunities and support to local industries that would accrue.²²⁰

Although the role of economic and/or energy interdependence in terms of conflict resolution may be disputed, its role as a conflict preventive measure should not be understated. Greater economic interdependence in energy and trade raises the costs of conflicts and the stakes for both parties to resort to arms. This has been seen in Franco-German, Sino-U.S. as well as Sino-Japanese relations. While not being the *sine qua non* for a successful resolution of the conflict between India and Pakistan, greater energy interdependence could be one important component in building trust. If viable energy cooperation can be developed between Central and South Asia, India and Pakistan will get a further source of energy and greater diversification away from reliance on supply from the Middle East.

²¹⁹ S.G. Pandian, "Energy Trade as a Confidence Building Measure Between India and Pakistan: A Study of the Indo-Iran Pipeline Project," *Contemporary South Asia* 14, 3 (2005).

²²⁰ Teymur Huseyinov and Hasanali Karasar, "Saving Afghanistan: From Poppy to Pipeline," *Central Asia-Caucasus Analyst*, April 20 2005.

Reality

Such could have been the ideal picture, if peace-building and conflict prevention were first in the minds of all decision-makers involved – but so many other factors are involved in the process and so many other considerations have to be made, like ideological perspectives, power politics and economic calculations. The fate and dismissal of Indian Oil Minister Mani Shankar Aiar can be taken as an illustration.

The most common explanation in the media for the removal of Shankar Aiar is that he had flirted too obviously with Iran and made the pipeline project a matter of profile, not only in India's energy policy, but also in the foreign and security policy of the country. In that way he himself became a symbol that had to be taken down when the U.S. President was going to visit New Delhi. There seems to be much truth in this speculation, given what happened in India's energy policy afterwards. If this is accepted as truth, it illustrates how important energy matters have become in power politics.

As shall be seen in the following chapter, two other factors related to the removal of Aiar support that conclusion as well. His position seems to have been weakened by his strong focus on fast improvements in India's energy supply and his concentrating on the alternative solution to import natural gas, leaving aside the other alternative, such as the nuclear option. When the U.S. showed seriousness in offering the nuclear option, he was perceived as an obstacle.

Second, Aiar had championed openly a strategy of cooperation with China in matters of energy. He argued for a prolongation of the pipeline from Iran via India and Myanmar to China without having even strong support from China itself, and he promoted cooperation between state-owned as well as private Indian and Chinese oil and gas companies in buying fields abroad. This was in contradiction to American (and European) policy to try to dissuade all governments from instructing its state-owned companies to buy oil and gas fields for exclusive export to their own countries. Even more important is the fact that it obviously and spectacularly contravened U.S. ambitions to build up India's position as a counter-force against increasing Chinese influence in Asia.

None of this can be proven in a scientific way, but in the following chapter more material will be given for a closer evaluation of these speculations.

India and the United States

A Solution to U.S. Energy Security Problems

During the initial years of George W. Bush's tenure, international oil prices have increased from around \$11-14 U.S. per barrel to a level that temporarily was over \$70 per barrel (at the end of 2006 it was around \$55 per barrel).²²¹ This increase caused significant problems for the American economy and as Bush entered his second term in office he began to redirect the energy policy of the United States in a series of speeches. One of the main components of his new policy was to strengthen the nuclear power production sector, which had not received any new investment since the accident at Three Mile Island in the 1970s. Laws and regulations that were intended to facilitate the formal procedures for building nuclear power plants were passed. Moreover, a seven year research program on nuclear security was implemented, and cooperation with other countries was to be initiated in order to research and develop safer and cleaner forms of electricity by using nuclear power.

This cooperation took place both with industrialized and developing countries, and China and India were considered to be of vital importance. It led *inter alia* to closer U.S.-Indian contacts and a continuation of the efforts to engage India that started during Bill Clinton's final years, with his attempts to make India sign a nuclear test ban treaty. Bush's strategy toward India started with the appointment of his personal friend Robert D. Blackwill as Ambassador to New Delhi.²²²

Preparatory Work on U.S.-India ties

Blackwill's first task was to improve U.S.-India relations and in this respect he was successful, especially after September 11. As he left New Delhi two

²²¹ The contents of the following three paragraphs are essentially built on a book by C. Raja Mohan, *Impossible Allies; Nuclear India United States and the Global Order* (New Delhi: Research Press, 2006).

²²² Raja C. Mohan, *Impossible Allies; Nuclear India United States and the global order*, (New Delhi: Research Press, 2006), p. 13.

years later he claimed that U.S.-India relations were flourishing and that the U.S. sanctions against India following its nuclear tests had become obsolete. He also stated that military cooperation had been initiated and that hundreds of visits by senior-level officials had taken place the preceding years. Before Blackwill's appointment there had hardly been any such visits. Already by November 2001 the National Security Advisors of the two countries, Brajesh Mishra and Condoleezza Rice, initiated a series of discussions on specific aspects to improve U.S.-Indian relations.²²³ These included trade in high technology, civilian space research, and nuclear energy cooperation. As a follow-up, American vice National Security Advisor Stephen Hadley visited New Delhi and called on Mishra. They formulated a document with ten principles for cooperation in high technology and nuclear energy. The sectors of cooperation eventually were expanded with missile defense and a process dubbed "Next Steps in Strategic Partnership" (NSSP) was launched on several levels. During this time India worked actively to influence the U.S. to lift some of the restrictions imposed on it, while the U.S. sought to strengthen India's export-controls related to non-proliferation and to make India endorse the norms of the Nuclear Non-Proliferation Treaty (NPT).

In January 2004 New Delhi and Washington formally announced in a joint communiqués that they had initiated cooperation in these three specific areas.²²⁴ In April and May of the same year the BJP government was voted out of office and the Congress Party came to power. The new government under the leadership of Manmohan Singh declared instantly that they sought to continue the initiated cooperation with the U.S. and the NSSP. Then a temporary pause followed in the implementation of U.S.-India cooperation due to the U.S. presidential elections. Not until early 2005 did the process gain momentum again as Bush installed his team for a second term in the White House. In tandem with this process, Indian public opinion toward the U.S. changed considerably and for the better. According to a poll conducted by BBC in 2004, 62 percent of the Indians thought that the outcome of the

²²³ *Ibid.* p. 21.

²²⁴ *Ibid.* p. 34

U.S. elections promoted a “safer world,” a number that differs markedly from opinions expressed in neighboring states.²²⁵

The emerging engagement was not free of charge for India. Washington expressed discontent with Gas and Oil Minister Aiyar’s fraternizing with Iran (as well as with some statements he had made about the U.S.) and indicated to New Delhi its intention to continue having good relations with Pakistan, possibly restarting modern weapons sales to Pakistan.²²⁶ The latter did not go down well in India but it was eventually accepted that Pakistan could be called a “strategic partner” by the U.S. provided that Pakistan not be given the same preferential treatment in matters regarding civilian nuclear energy cooperation as India. The disclosure that the “father of Pakistan’s nuclear weapon” Dr Khan had sold nuclear weapon technology to North Korea and Libya gave Washington fewer incentives to treat India and Pakistan on the same level.²²⁷ Oil Minister Mani Shankar Aiyar was given a less important portfolio in Manmohan Singh’s Government in February 2005, and with that the stage was set for the next phase in U.S.-India relations.

The Grand Strategic Perspective

Factors Behind the U.S.’ Strategy

During the run-up to the presidential election Bush’s National Security Advisor, Condoleezza Rice, stressed India’s importance to U.S. interests. This was perhaps most clearly expressed in an article by her in *Foreign Affairs*.²²⁸ In that article, she pointed out the importance of India in the overall U.S.-China strategy and how India may work as a balance in East Asia while promoting U.S. interests. The new Secretary for Foreign Affairs in New Delhi, Shyam Saran, did not hesitate to take advantage of this

²²⁵ *Ibid.*, p. 53.

²²⁶ “India/Pakistan/Iran :India backs away from pipeline,” *Oxford Analytica*, April 11 2006.

²²⁷ Raja C. Mohan, *Impossible Allies; Nuclear India United States and the global order*, (New Delhi: Research Press, 2006), p. 222; “US wants no nuclear accord with Pakistan”, *Dawn*, February 6 2006, <<http://www.dawn.com/2005/02/06/top8.htm>> (November 21 2006).

²²⁸ Condoleezza Rice, “Campaign 2000: Promoting the National Interest,” *Foreign Affairs* (January/February , 2000).

opening. Just months ahead of Rice's appointment as Secretary of State, he launched a discussion about civil nuclear cooperation during a meeting with her.

A few weeks after her appointment, in March 2005, Rice is reported to have visited India and revealed the basics of the President's grand strategy toward India. On that occasion, she announced Bush's preparedness to initiate civil nuclear cooperation and resume the sale of conventional weapons to India. She also indicated an American willingness to support India's ambitions to become a world power. One of her closest collaborators, Philip Zelikov, confirmed it by telling the media that "the aim of the cooperation is to assist India in its attempts to become a World Power during the 21st Century. We fully realize the consequences, including military consequences that this statement will have."²²⁹ The U.S. was now prepared to sell both F-16 and F-18 to India to assist its military modernization. Besides jet-fighters, other defense systems, like command and control, early warning and missile defense were included in the agenda as well.

Indian analysts saw this statement against the backdrop of a then recently made study by the Central Intelligence Agency (CIA) about the future of international relations titled *Mapping the Global Future*. In that study, the CIA considered Europe, Russia and Japan to be on the decline, while India and China were on the rise. India's GDP was predicted to overtake Europe's by 2020, and while Europe was falling behind, Asia would be marching ahead.

Whether this report has had much of an influence on decision-makers in the Indian leadership remains to be confirmed, but it illustrates how important this element has been in persuading Indian public opinion to accept the U.S. as a strategic partner instead of as an adversary, which has been the traditional perception.

Military Cooperation

Some military cooperation between India and the U.S. had been initiated during the 1990s, albeit on a limited scale. It included joint exercises in counter-terrorism, maritime control, rescue operations and logistics.

²²⁹ Raja C. Mohan, *Impossible Allies; Nuclear India United States and the Global Order*, (New Delhi: Research Press, 2006), p. 64.

However, less activity was seen in arms-trade and industrial cooperation in the arms-industry. Russia continues to be the main supplier of military material to India, partially because of its low prices.²³⁰

Following September 11, India accepted a request for its navy to escort American warships through the Malacca straits, showing its support for U.S. efforts in Afghanistan. These escorting missions continued through 2002 and 2003. Nevertheless it came as a surprise to most people when U.S. Defense Secretary Donald Rumsfeld signed a framework agreement on military cooperation stretching over ten years with his Indian counterpart Pranab Mukherje during a visit to Washington.²³¹ In the agreement there is no mentioning of alliance obligations, only of joint exercises, multilateralism, cooperation in non-proliferation, exchange of technology and research results as well as joint production of weapons, missile defense, and exchange of intelligence. Strategic talks were also scheduled to be held regularly.

This describes a cooperation of some substance, and it stirred anxious reactions from China and Pakistan. Even in India the Indian communist parties criticized the agreement in harsh terms.

The Joint Declaration on Civilian Nuclear Cooperation

Prime Minister Manmohan Singh paid an official visit to Washington in July 2005. He was accompanied by his new Foreign Minister Natwar Singh, the National Security Advisor M.K. Narayanan and the head of the nuclear programme Anil Kadodkar. It soon became apparent that the composition of Singh's entourage could be seen in the light of the foregoing efforts by visitors from the U.S., especially Condoleezza Rice, to close the former gap between the two parties so that a formal agreement on civilian nuclear cooperation could be made. Unknown to the media and the public, they had succeeded to the extent that an agreement during the visit seemed to be within reach. However, the negotiations stranded and no agreement was

²³⁰ *India Defence Yearbook 2006* (New Delhi: India Defence Yearbook, 2006), p. 141.

²³¹ Raja C. Mohan, *Impossible Allies; Nuclear India, United States, and the Global Order*, (New Delhi: Research Press, 2006), p. 118; *Ibid.*, p. 153.

signed at this point, though President Bush and Prime Minister Singh made a joint statement on the issue.

In his speech, George W. Bush expressed his appreciation of Indian efforts in non-proliferation and indicated his support of Indian access to civilian nuclear technology. He pledged to work with Singh to “achieve a full civilian nuclear cooperation.” He promised to ask Congress to make relevant changes in American legislation to make cooperation possible, as well as to persuade friends and allies of America to work for changes in international agreements to allow for transferring civilian nuclear technology to India.

Manmohan Singh in turn pledged a continued Indian moratorium on nuclear weapons tests and promised to cooperate with the U.S. by drafting an agreement on limiting the development of fissile material, refrain from transferring enrichment processes to non-nuclear states, and to actively engage in non-proliferation. He also promised to implement the guidelines of the Missile Technology Control Regime (MTCR) and the Nuclear Suppliers Group (NSG) and expressed Indian willingness to consider engaging in the Proliferation Security Initiative (PSI).

These statements were intended to be dealt with in formal treaties about different sub-issues that would have to be elaborated by civil servants from the two countries. The subjects included, for example, India’s undertaking to separate civilian reactors from reactors for military use and to submit the civilian reactors to complete control by the International Atomic Energy Agency. American legislation would have to be elaborated for Congress to be able to adopt it in order to exempt India from the regulations of the NSG and express acceptance of India’s new status as a nuclear weapons state. Other signatory states also had to be persuaded to make relevant amendments to the treaty before India could purchase any technology from the other members.

Most of these processes had already been performed by March 2006. When President Bush visited India he was presented with a list of the relevant civilian reactors, consisting of 14 of India’s 22 reactors, and the parties signed a framework agreement about civilian nuclear cooperation. Bush declared during the following press-conference that he “welcomed the successful completion of discussions on India’s separation plan and looked forward to

the full implementation of the commitments in the July 18, 2005 Joint Statement on nuclear cooperation”.²³²

On July 18, 2006 Assistant Secretary of State Richard Boucher announced a full implementation of the agreement by the turn of the year 2006/2007. He also stated that Congressional procedures most likely would not cause delays or disruptions. Yet there was a fierce debate in U.S. policy-making circles at this point in time about whether the U.S. had embarked on the right course. The critics argued that it was the wrong time to offer India special treatment and exemptions from negotiated agreements at a stage when North Korea and Iran threatened to make the NPT irrelevant.²³³

A High Price to Pay for India

Already by April 2006 it became evident that India would find it difficult to continue negotiations about a planned pipeline from Iran. Condoleezza Rice was reported to have expressed concern about the matter to Indian government representatives on several occasions. Some members of Congress had also warned that they were prepared to insist that India shelve its plans for an Iran-Pakistan-India pipeline before they were willing to accept the necessary changes in American legislation to make the exemptions from the NSG ban on transfer of nuclear technology to India possible. Against this background India raised attention when at a meeting of the Trilateral Commission for the pipeline project, it presented a number of objections, not least of which regarded the price that Iran was asking for gas deliveries. This was interpreted as a sign that India was considering an eventual cancellation of the project.²³⁴ The U.S. also aired its concerns about the pipeline project to President Musharraf but that only had a negative effect. He stated that Pakistan was determined to continue the project despite all the external pressure, even if India withdrew from the project.²³⁵

²³² U.S.-India Joint Statement, <<http://usinfo.state.gov/sa/Archive/2006/Mar/02-863230.html>> (November 12 2006).

²³³ Raja C. Mohan, *Impossible Allies; Nuclear India, United States, and the Global Order*, (New Delhi: Research Press, 2006), p. 187.

²³⁴ “India/Pakistan/Iran: India backs away from pipeline,” *Oxford Analytica*, April 11 2006.

²³⁵ “US asks Pakistan to abandon gas project with Iran,” *Alexander’s Gas and Oil Connections*, June 8 2006, <<http://www.gasandoil.com/goc/news/ntn62366.htm>> (December 27 2006);

There was also an announcement in June 2006 that New Delhi was going to take a new interest in the U.S. backed Turkmenistan-Afghanistan-Pakistan-India pipeline. A spokesman for the Indian Ministry of Oil and Natural Gas indicated that the reasons for this shift was both the price that the Iranians wanted to charge and the fear that the American Iran-Libya Sanctions Act would be implemented because of India's engagement with Iran.²³⁶

It seems, however, that India has continued to negotiate on the Iran pipeline through back-channels and on civil servant levels. Every now and then there are notices about such meetings in the media,²³⁷ and it seems likely that India maintains a dialogue on the project to keep a door open should the U.S. and Iran reach a settlement about the issue of Iran's nuclear program. (In that situation the sanctions act would not be applicable anymore). A trilateral meeting on State Secretary levels about the pipeline project was held on May 24, 2006, which indicates a continuing Indian wish to see the project realized.²³⁸ A pipeline to Iran continues to be an attractive alternative for India.

Understanding U.S. Policy: Background Factors

The preceding discussion points to the conclusion that the U.S. effort to get India on board a strategic partnership is a component of a long term policy, jointly tailored by Bush and Rice. Bush evidently had an intention to improve relations with India when he appointed Blackwill as Ambassador to New Delhi. Even before her appointment to Secretary of State, Condoleezza Rice seems to have planned for India to play a greater role in international affairs. Both of them have seen India as a balancing force to China, making the move toward India part of a grand strategy.

"Pakistan and Iran not to yield to external pressure in IPI gas pipeline," *Alexander's Gas and Oil Connections*, June 8 2006, <<http://www.gasandoil.com/goc/news/nts62363.htm>> (July 18 2006).

²³⁶ "India to join TAP gas pipeline," *Alexander's Gas and Oil Connections*, June 8 2006, <<http://www.gasandoil.com/goc/news/nts62388.htm>> (July 18 2006).

²³⁷ See for instance, "Joint Working Group established to help realize gas pipeline," *Alexander's Gas and Oil Connections*, June 22 2005, <<http://www.gasandoil.com/goc/news/nts52553.htm>> (June 29 2005).

²³⁸ "Iran assures India of fast implementation of LNG supply pact," *Alexander's Gas and Oil Connections*, July 2006, <<http://www.gasandoil.com/goc/news/nts62768.htm>> (July 28 2006).

During his first term in office, Bush's security policy was to a great extent determined by the war on terrorism after September 11. It meant a focusing away from his original foreign policy agenda as articulated during the election campaign – "to contain China and control nuclear weapons proliferation". September 11 caused, however, two as yet uncompleted missions in Afghanistan and Iraq. Despite the difficulties encountered in these two theatres of war it seems as if Bush has focused more on his original agenda during his second term in office. The struggle against nuclear weapons proliferation has not led to any major achievements so far, but the new U.S. approach to India and the accord on civilian nuclear energy represent a restructuring of some vital factors within Asia's power politics.

Both the U.S. and India have a vested interest in securing Musharraf's hold on power. Musharraf now assumes the role of a bastion against fundamentalist influence in Pakistan, and he has so far been able to balance successfully the concerns of the U.S. against domestic opinion in Pakistan and relations with China. There should be no doubt, however, that the position of Musharraf is fragile. Toppling Musharraf could involve an extremely dangerous situation, since Pakistan's nuclear arsenal could then fall into the hands of al Qaeda or the Taliban. In this respect, Musharraf's interests are shared by both the U.S. and India and the presence of India's troops on the Pakistani border could be valuable for both in the case of a coup d'état in Pakistan.

Seen in a wider perspective, there is yet another component within the U.S. grand strategy which involves India. This concerns the development of a north-south corridor from the Indian Ocean to Central Asia via Afghanistan. This corridor pertains both to trade and transport, but also to influencing Central Asia's path to democratization, the long-term success of the U.S. campaign in Afghanistan, and confidence-building between India and Pakistan. Considering the size of India's booming economy, favorable port access, and its democratic credentials, India is of major importance for the U.S. strategy in Greater Central Asia and may be used as a lever and balance against the Russians, the Chinese and their models of social development. (This has primarily been manifested in the re-organization of the State Department from the Bureau of Europe and Eurasian Affairs into the new bureau of South and Central Asian affairs in 2005).

The U.S. push for the Turkmenistan-Afghanistan-Pakistan-India pipeline in favor of the one routed via Iran should be seen in this context. The basic tenet is to integrate two regions that have been artificially separated during the Cold War, and to restore the natural synergy in trade that has existed for millennia. The greatest market opportunities are perhaps primarily found in the textile industry where Central Asian cotton may find new and emerging markets in South Asia's textile industry.

Pakistan's immediate reaction to the warming-up of U.S.-India relations is understandably wary. Pakistan fears that India will increase the military capability gap by acquisition of new and more modern conventional weapons from the U.S. This may result in a closer engagement with China. Pakistan has already agreed to build the next generation of jet-fighters in a joint venture with China. Other areas of engagement include a transport corridor stretching from the port of Gwadar on the Arabian Sea to Xinjiang and investments in a nuclear reactor-project which may entail a Pakistani capability to increase its plutonium production.²³⁹

The growing partnership between India and the U.S. has not neutralized the Kashmir issue as a potential flashpoint between India and Pakistan. That was clearly demonstrated after the train-blasts in Mumbai, when both governments were apparently eager not to let the situation escalate into a crisis but both found it difficult not to give in to domestic public opinion. Against that background and as compensation, closer U.S.-India relations will easily lead to closer Sino-Pakistani relations. That in turn may weaken U.S. possibilities to have any influence in support of Musharraf in Pakistan.

The contemporary state of Sino-U.S. relations is an important factor as to why the U.S. has chosen India as a strategic partner in Asia. Suspicions about the real intentions behind China's military modernization are widespread in the U.S. – and it is difficult to avoid the suspicion that the modernization is indeed intended to balance U.S. military capability, for example when China develops missiles capable of destroying aircraft carriers. At the moment, China's grand strategy is unclear, and it could even be argued that it is somewhat unclear to the Chinese themselves. There are indications that China strives to keep the door open for alternative scenarios

²³⁹ This was contracted before China became a member of the Nuclear Suppliers Group.

and is careful not to become locked into anyone single strategy. The ability to challenge the U.S. in the Asia Pacific region seems to be one option. The Chinese have also made frequent statements about a quest to have the capability to resist nuclear blackmail as a reason for modernizing their nuclear arsenal. Regular proclamations that China seeks to balance U.S. unipolarity and that it rejects some aspects of the current world order can be seen as another sign of danger. That China would join forces with India and Russia to form a united challenge to the U.S. is a scenario which today looks unlikely, considering the limited real commonality of interests that they share and their limited bilateral relations. However, there have been calls for such a triangle on China's part in connection with meetings in the Shanghai Cooperation Organisation. This could theoretically present a real threat to the power of "U.S. unipolarity". The U.S. diplomatic offensive towards India can be seen as an effort to prevent any chances for that kind of pact from becoming a reality.²⁴⁰

Yet, the foremost military ambition of China remains to be able to incorporate Taiwan into its territory by use of military means should economic integration with the mainland fail. U.S. support for Taiwan in the cross-strait dispute is another factor making the Chinese wary of U.S. regional presence. Japan fears China's ambitions in the Western Pacific and since the early 21st century it has been engaged in military cooperation with the U.S. in missile defense, which in practice is targeted against China. As such, Japan has become a military ally of the U.S. and it sometimes seems as if it has the long term intention to develop a military capability sufficient to resist Chinese military blackmail. With the introduction of missile defense, the U.S. has managed to develop a more obvious series of informal and formal alliances east of China, including with South Korea, Japan, Taiwan and Australia. It is easy to see how a suspicious Chinese may discern a pattern of containment policy in America's approach to India – and an American strategist may see India as another potential military ally west of China.

²⁴⁰ George Friedman, "India and the Great Eurasian Game," *Stratfor*, June 4 2004.

Pros and Cons: The Cons

There are, in fact, many factors of strategic importance to the U.S. that constitute arguments against the new partnership with India. China may for instance be provoked to pursue a more active policy to block U.S. efforts in South Asia, making the subcontinent a new battle-ground for political competition. President Hu Jintao's journey to India and Pakistan in November 2006 may be seen from this perspective. Pakistan may react against the U.S. favoring of India as reason for closer military and economic relations with China. Pakistan has entered into a joint venture with China for the production of the next generation of jet-fighters, has asked China to honor an old agreement to build a nuclear reactor in Pakistan, invited China to invest in a new harbor at Gwadar in Baluchistan (which may serve as a military base for China in case of conflict), and to build a pipeline for natural gas from Gwadar to Xinjiang. These initiatives are all signs that Pakistan may already be trying to develop closer strategic contacts with China once again.

The American project to transfer modern nuclear technology to India may become very costly for the U.S. if India appears to be unable to finance the investments by itself (and the U.S. has to step in to solve the problem). The U.S. will also have to pay more attention to Indian interests in international politics. For example, efforts to make India to adhere to U.S. foreign policy priorities may mean that India loses the chance to build a gas pipeline from Iran and this may create anti-American feelings in India.

The new policy vis-à-vis India may also hurt chances for success in pressuring Iran to abandon its nuclear weapons ambitions. It means a compromise with the principles of non-proliferation agreed upon so far and can hurt the image of that policy, giving the impression that a sufficiently strong country can always bend the rules.

To openly favor the Indian side of the conflict over Kashmir may have repercussions on America's reputation in the Muslim world. A close relationship with India may become a burden if instability increases in India and its troops are used more often to suppress rebellions, contrary to human rights and democracy standards. This would tarnish America's reputation in the Muslim world as well as more generally.

Pros and Cons: The Pros

There are, however, many important factors in favor of the new partnership as well. The U.S. may, for instance, get a new strategic partner out of India, who may become an important ally in Asia, west of China. Such a partner (or ally) could possibly play a lead role in Asia and as an alternative to China.

The new policy may also mean a better chance to play a role in Kashmir and contribute to peace between India and Pakistan. Not only does the U.S. have considerable influence over Pakistan and India's leadership but it also enjoys more support from the Kashmiri people than any other great power, an invaluable asset of promoting peace. U.S. efforts in Kashmir have received due credit from both the civilian population as well as separatist leaders. As opposed to Europe, whose colonial legacy prevents a deeper engagement, the U.S. has a solid foundation from which it can promote dialogue. What is even more important, its strategy is now long-term rather than ad hoc. Creative options today require less of a territorial focus and more of a gradual improvement of the status quo.

Less territorial focus does not necessarily entail a joint Indo-Pak management of Kashmir but could allow CBMs to expand in an incremental fashion. This could primarily be settled within the framework of the Composite Dialogue which started in 2004. India's reluctance to discuss Kashmir as a territorial issue in the Dialogue may be reduced by discussing the issue as economic, i.e. what are the potential gains in opening the borders of Jammu and Kashmir and how could these be accomplished. Moreover, considering the many opportunities America has to influence the separatist leaders, it may also work on them and encourage them in their efforts to unify their position, accept challenges to their legitimacy and be prepared to prove that they have popular support through democratic means. Working in this way to neutralize the inherent dangers in the Kashmir issue is actually equivalent to promoting U.S. strategic interests, both in the traditional sense of that term and in the "soft-power-way" of looking at strategy. It is enough of a danger for the U.S. to have a potential conflict looming over Afghanistan and Pakistan. To have it spreading into India as well would be really harmful, both to the world economy and to U.S. interests.

Should a worst case scenario come about, India has a great number of troops positioned near the borders of Pakistan, which may become useful in the event of a coup d'état in Pakistan led by elements friendly to the Taliban and/or al Qaeda, who wish to take over Pakistan's nuclear weapons.

Furthermore, cooperation from India on its nuclear program can give new impetus to the Nuclear Suppliers' Group and for the non-proliferation work of the international agenda on the whole. That can be more important than insisting on complete compliance with established rules in all situations.

Cooperation with "the World's largest Democracy" can help U.S. policy in Asia and give it a more positive image in the whole region. In addition to that, the U.S. may also use India's relationship with Iran as a bridge in their troubled relationship, and take advantage of the great potential that India has in the coming decades for shaping events in the Middle East. India's strong cultural ties with the Middle East and its four million diaspora workers are a strong leverage speaking in favor of India's potential mitigating role in the region.²⁴¹

Implications for India

Factors in favor of closer co-operation with the U.S. include giving India a role as a counterbalance to Chinese expansion in Asia, which will enhance India's importance on the global level and its chances of getting support for a permanent seat on the United Nations Security Council. It will also give India access to more modern weapons and increased energy security in the form of access to more modern – and cheaper – nuclear energy.

Alternatively, closer relations with the U.S. could also increase latent competition with China in Asia, neutralizing the positive effects of more bilateral trade with China, mutual investments and possible co-operation between companies in the IT-sector.

Closer cooperation with the U.S. may also make it more difficult to maintain the policy of criticizing U.S. and European agricultural subsidies in the

²⁴¹ Juli A. MacDonald and Bethany Danyluk, "Pursuit of energy security can enhance its relationship with the US," *Force (India)* (August 2006).

WTO as well as protesting patent registrations in other countries and then using the technology in its own production.

Moreover, deeper ties to the U.S. are likely to question India's ambition and credibility to lead the Non-Aligned Movement (albeit that ambition seems to have weakened considerably during the last years anyway). It will most likely give India more problems with human rights organizations in its handling of separatist and other militant movements.

On the other hand, from a general peace-building and conflict prevention point of view, India could consider using the U.S. in order to cautiously support president Musharraf and prevent efforts to topple him from elements supporting a regime that might put nuclear weapons in the hands of al Qaeda or the Taliban. The U.S. can be helpful in making India become a great power with a soft power profile. India could also use U.S. ambitions to play a role in solving the Kashmir problem in order to enhance its own ongoing efforts to improve long-term relations with Pakistan.

Implications for the U.S. (and the World)

Whether or not the U.S. and India can form a real strategic partnership appears to be one of the most important questions in international politics today.

If India Opts Out

India may instead opt for membership in the Shanghai Cooperation Organisation should this be granted by Russia and China, the two major powers of the organization. Such a strategic partnership would clearly be a consequence of perceived U.S. dominance.

This would strengthen nationalist tendencies in India and lessen the influence of such concepts as human rights and democracy, since both Russia and China have problems with international efforts to promote these concepts in their societies that do not attempt to promote these concepts in their societies. This development could easily lead to a division of the world into blocks, with "the West", including the U.S., Japan and the European Union on one side and China, India and Russia on the other.

If India and the U.S. Form a Partnership

If India opts for a strategic partnership with the U.S., it can develop in two ways: One would be in the direction of a real alliance between the countries that rests on shared strategic interests, both militarily and ideologically. The other direction would be a loose partnership, focusing on energy issues, but with India cautious not to let the U.S. interfere in its own domestic affairs or in its relations with its smaller neighbors.

Development towards a real Indian-U.S. military partnership could have a dramatic consequence, and take the form of an arms-race and a tendency toward a new Cold War. Given China's efforts to appear as a friend of Muslim nations, the consequences could be drastic, in particular if the U.S. war on terrorism is intensified.

For the time being, ideological differences speak for the least dramatic of these alternatives, namely a loose partnership between India and the U.S., with both partners trying not to provoke Chinese fears of a military encirclement and an ensuing counter-reaction from China.

Short and Long-term Perspectives and Their Implications

Some New Short-Term Perspectives

Toward the end of 2006 four perspectives were opened, which may have an impact on India's security and great power ambitions.

Nuclear Energy: Civilian and/or Military?

Civilian nuclear energy, one of the fundamentals of the U.S.-Indian partnership, may not be important enough to balance the costs for India's U.S. engagement. Building nuclear plants does not seem to be the only solution and moreover it is not the cheapest one. It should be mentioned that China has had extreme difficulties in raising funds for its 35 projects for nuclear power plants and yet they will only raise the share of nuclear power to 15 percent of China's total energy production. Considering that India's GDP per capita is only half that of China, it is hard to see how nuclear power can represent the quickest solution to India's problems.

Since Iran's natural gas represents the most favorable option, India is likely to continue its low-profile engagement with Iran in order to secure sufficient energy supply, which it urgently needs. The U.S. may try to increase pressure on both India and Pakistan to abandon the pipeline project, but only if the pressure becomes really high is India likely to choose the second best alternative—the Turkmenistan-Afghanistan-Pakistan-India pipeline. At the moment, and considering the current deterioration of the security situation in Afghanistan, this option looks rather unpromising, especially since there is little certainty that Turkmenistan has enough natural gas reserves to even provide what it has already promised to deliver to other countries. Large-scale nuclear power production as promised by the U.S. does not seem to be more than the third best option in a short-term perspective. The U.S. may try to increase incentives by promising to finance it, but that would be very expensive. However, there are other elements that make a deal with the U.S. much more attractive for India.

It should be emphasized that nuclear energy in India is usually believed to be about twice as expensive as other forms of energy.²⁴² The U.S. already has more modern and cheaper technology. With the nuclear energy programme that President Bush has launched in cooperation with other countries that is aimed at developing cheaper and safer nuclear technology, it is evident that India can save considerable sums by accepting to have its civilian nuclear reactors put under international supervision. In exchange for this it would receive new reactor technology and fuel from the U.S. and other countries.

There is already an ambitious nuclear reactor building programme in India, introduced by the Planning Commission for the 10th Five Year plan (2002-2007) and aimed at increasing power production capacity in the country by 20,000 MW until the year 2020. This goal cannot be reached with domestic resources, so that foreign capital has to be invited and technology has to be imported from abroad.²⁴³

Not only must the reactor technology be imported, but the fuel, which has to be uranium, must be imported as well. This is impossible without changing American legislation and the rules of the Nuclear Suppliers' Group as well.

If uranium is not at hand, plutonium produced at Indian nuclear plants will have to be used, which will mean a more expensive process, reducing the possible improvement in nuclear power production to a mere 14,000 MW until 2020, according to estimates made by Indian experts.²⁴⁴

Moreover, India has very small reserves of natural uranium and cannot import any uranium at all under the present rules of the NSG, which were established after India's nuclear weapons test in 1998. Uranium is a great deal more efficient as fission material in a nuclear bomb and the amounts available from domestic production would not suffice for both civilian power production and military use.

This is why India has a great interest in getting access to U.S. civilian nuclear technology, in addition to fuel for nuclear reactors from other

²⁴² See for instance: "India's nuclear triumph," *Kashmir Times* <<http://www.kashmirtimes.com/edit.htm>> (December 10 2006).

²⁴³ "Uranium is why India needs N-deal," *Hindustan Times*, December 11 2006.

²⁴⁴ Raja C. Mohan, *Impossible Allies; Nuclear India, United States, and the Global Order*, (New Delhi: Research Press, 2006), p. 240.

countries. It is also the reason why opposition has been fierce in the U.S. Congress and why several countries have been reluctant to make changes in the implementation rules of the Nuclear Suppliers' Group exempting India from the rules applying to non-nuclear weapon states according to the NPT, of which India is not a signatory power. (The basic rules of the NPT make it formally impossible for a state that was not a nuclear weapons state, when the NPT was introduced, to be treated as a nuclear weapons state.)

In November 2006 the U.S. Senate adopted a bill about sharing civilian nuclear technology with India. It was a version that had already been passed by the House of Representatives and it was adopted after a series of proposed amendments – which India had opposed – were defeated. The final version of the bill was passed by the U.S. Congress on December 8 2006.²⁴⁵ As the Senate debate began, Senator Richard Lugar maintained that the deal was a lasting incentive for India not to test nuclear weapons and “to cooperate closely with the United States in stopping proliferation”.²⁴⁶ India now needs to get approval from the Nuclear Suppliers' Group. Following that there has to be a new round of negotiations to draft a binding bilateral treaty, which then will have to be ratified by the U.S. Congress and the Indian Parliament.²⁴⁷

According to the U.S. bill and the proposed changes to the NSG rules, India would only need to have the fourteen nuclear power plants that have been listed as civilian production plants under international supervision in exchange for getting access to civilian nuclear technology and nuclear fuel from abroad. Eight indigenous nuclear power plants remain outside international safeguards, since they are used for military production.²⁴⁸ That part of the deal is controversial, because it could constitute a case of precedence. Other member states could propose exemptions for less reliable

²⁴⁵ Anwar Iqbal, “Bush to receive India N-fuel supply tomorrow,” *Dawn*, December 10 2006, <<http://www.dawn.com/2006/12/10/top11.htm>> (December 10 2006).

²⁴⁶ “Senate backs India nuclear deal,” *BBC News*, November 17 2006, <http://news.bbc.co.uk/2/hi/south_asia/6155842.stm> (December 29 2006).

²⁴⁷ “Geopolitical Diary: India’s Nuclear Negotiations Enter a New Phase,” *Strategic Forecasting*, December 11 2006, <http://www.stratfor.com/products/premium/read_article.php?id=281755> (December 29 2006).

²⁴⁸ U.S.-India Peaceful Atomic Energy Cooperation Act of 2006, <<http://fpc.state.gov/documents/organisation/77720.pdf>> (December 12 2006).

states. Fears have been expressed that China could propose similar exemptions for Pakistan.

There are, however, also elements in the bill that are controversial for opposite reasons in India. The Hindu nationalist opposition party BJP as well as the Communist Party CPI (M) have strongly opposed the idea that India is obliged to work for a solution to the problem regarding Iran's nuclear ambitions. A more serious criticism is directed by the BJP against the prohibition against nuclear weapons tests, making India's present "voluntary test moratorium" a binding undertaking, if included in a bilateral treaty with the U.S.²⁴⁹

Another Pipeline

In December 2006 it was revealed that secret negotiations had been conducted between Russia, India and China about a pipeline for natural gas from Sibiria via China to India.²⁵⁰ As this paper is being finalized, available information about the new project is still not very detailed. Both Chinese and Russian negotiators are being quoted as saying that it is India that has been most interested, and the Russian participant has declared that, in his opinion, it would be cheaper to export gas as LNG from Russia by ship to India.²⁵¹ This seems likely, not only because of the length of the pipeline but also because of the high mountains and deep valleys that it would have to cross, creating enormous strain on the quality of the steel needed for the pipes, since the gas would have to be pushed upwards under great pressure.

From a political point of view, the new project confirms the suspicion that India's quest for new energy in the form of natural gas in the near future is indeed very strong, so strong that it is prepared to go very far to reach this objective. If Iran is not available and if there is not enough gas in Turkmenistan, another solution to the problem has to be found.

²⁴⁹ "BJP asks govt to reject US-nuke deal," *Kashmir Times*, <<http://www.kashmirtimes.com/front.htm>> (December 12 2006).

²⁵⁰ "Russia-China-India pipeline being discussed," *China Daily*, December 7 2006, <http://chinadaily.com.cn/china/2006-12/07/content_752343> (December 9 2006).

²⁵¹ *Ibid.*

Another aspect seems to have emerged, however, and one that is even more important. Cooperation with Russia and China in a strategic project like importation of badly needed natural gas is completely against the basic U.S. idea of offering India a nuclear technology transfer to solve parts of its energy problem and at the same time promote a future role of India as a counter-balance against the expansion of China's interests in Asia. Even if the nuclear technology transfer will have a more long-term impact on India's energy supply situation, the gas project is unquestionably a highly strategic issue, which would bind India to China and Russia in exactly the way that the U.S. wants to forestall.

A Kashmiri Unified Position?

In the Indian state of Jammu and Kashmir the leaders of the different separatist movements have started a series of talks about how to unite around a common platform.²⁵² They intend to prepare for a possible "trialogue", when both India and Pakistan are willing to meet them in talks about the future of Jammu and Kashmir. This is not welcome by all of their supporters, which is shown by a small but noisy and violent number of opposing activists, who try to stop them from propagating their view at political meetings and demonstrations in Kashmir.²⁵³ It is also not welcome at all levels of the Indian administration, even if there have not been any official statements condemning the initiative.

One of the reasons for the silence could possibly be that several prominent representatives of the traditional political parties represented in the state assembly in the Indian state of Jammu and Kashmir have warmly welcomed the efforts to start a new process toward peace.²⁵⁴ The bureaucracy, on the other hand, is trying to stop the separatists from contacts abroad, especially

²⁵² "We are ready for a dialogue: Mirwaiz," *Kashmir Times*, <<http://www.kashmirtimes.com/edit.htm>> (November 22 2006); "APHC(A) to begin exercise on demilitarization, self-rule proposals," <<http://www.kashmirtimes.com/edit.htm>> (November 30 2006).

²⁵³ "J&K separatists come to blows," *Hindustan Times*, November 26 2006, <http://www.hindustantimes.com/news/181_1853570,0008.htm> (December 29 2006).

²⁵⁴ "PDP will push peaceful, dignified Kashmir solution:Mehbbooba," *Kashmir Times* <<http://www.kashmirtimes.com/edit.htm>> (November 30 2006).

those representing the population on the other side of the Line-of-Control. The unenthusiastic reaction from some parts of the bureaucracy is based upon the view that the separatist leaders represent nothing other than themselves. That supposition seems to contradict the realities on the ground. For instance, it contradicts the fact that in the elections to the state assembly in Jammu and Kashmir, which the Indian authorities had claimed were perfectly free and fair, an overwhelming majority of the voters in certain districts chose to stay away and these districts are the same ones where the separatist leaders are known to have their strongest support.²⁵⁵ It seems that the political leadership in New Delhi has taken an attitude of wait and see. They wish to first see that the outcome will really be a common platform in preparation for negotiations, something which cannot be taken for granted.

If the separatist leaders do not succeed in forming a common political platform with the moderate political parties in Jammu and Kashmir and the political bodies on the other side of the LOC, then there is a danger that the radical elements and the militant movements will gain new strength again.

Danger Signals from the Middle East

In the Middle East the traditionally strained relations between Shia and Sunni Muslims worsened considerably during the last months of 2006. In Iraq the situation developed into a full-scale civil war between Shia and Sunni Muslims. An unexpected outcome in the elections in Bahrain called attention to the resentment that the majority Shia population is harboring against the fact that power has always been in the hands of the minority Sunni part of the population.²⁵⁶ Signs of unrest were heard also from Shia minorities in Kuwait, Lebanon and the Dahrn province in Saudi Arabia. Warnings were heard from security policy think-tanks that Saudi forces may interfere in Iraq to protect the Sunnis against the Shia if the U.S. withdraws its forces on the ground. If serious unrest breaks out in the Middle East and Iran, it is likely to reach both of Iran's neighbors, Afghanistan and Pakistan,

²⁵⁵ James Michael Lyngdoh, *Chronicle of an Impossible Election* (London: Penguin Books Ltd, 2004), p. 201.

²⁵⁶ "Discord accompanies Bahrain elections," *Washington Post*, November 24 2006, <<http://www.washingtonpost.com/wpdyn/content/article/2006/11/24/AR2006112401292.html?nav=hcmodule>> (December 12 2006).

as well, where relations are constantly strained between the Sunni majority and the Shia minority.

That is not a threat to Indian security per se, since relations between the Shia and Sunni elements within the Indian Muslim community have never been a problem to the same degree as what they are in the Middle East. Muslims in India on the whole do not generally constitute a problem to civil order, since they are not radical or orthodox believers and also because they are spread out and not concentrated in any specific areas where they are in the majority (with the exception of Kashmir). Even the events in Kashmir have not been enough ground for agitation among the Muslims to cause any major demonstrations or other forms of unrest among the Muslims in other parts of India. However, if the Muslims in neighboring Pakistan and Afghanistan are afflicted by outbreaks of serious violence, it cannot be taken for granted that it will not also ignite unrest among India's Muslims. Kashmir would then become an igniting spark. From this perspective there seems to be more reason than before 2006 for the Indian government to listen to the concerns of the Kashmiris.

Some Long-term Perspectives

Sensitivity, Greatness and Power

India has declared that it will not reduce the scale of expenditure on military acquisitions in the near future.²⁵⁷ The main reason that is given by a former Minister of Defense for the continuation of India's rather high levels of military spending is "the unfolding security scenario and the related threat perception including terrorism in many forms and shapes." If separatist movements are included in the term "terrorism of many forms and shapes", it may be regarded as sufficient reason to maintain armed forces of close to two million persons and military forces of 1,2 million, the fourth largest military force in the world – but hardly so without including that factor.

As a nation in the modern sense of that word, India is very young, in spite the fact that some of its components are some of the oldest civilizations in

²⁵⁷ "India won't cut military spending," *Dawn*, November 14 2006, <www.dawn.com/2006/11/14/top7.htm> (November 14 2006).

the world. Its coherence must still be guaranteed by military means. Other internal enemies, like the Naxalite movements, are added to the challenges that India is facing as a nation.

These are all factors that form the background of India's well-known sensitivity about its own prestige and the nervousness about its own security that it is exposing through its performance in the international arena. It is also the most probable background to the strong quest for "greatness" and "power" that characterize India's ambitions, according to articles in the media.

"Great powers have no friends, only interests" is a common phrase to describe a "realist" attitude to state craft. That large countries easily tend to get adversaries is another common truth. China was mentioned as the most likely potential adversary with nuclear capability by India's Minister of Defense in 1998, George Gonsales, when India performed its first series of nuclear weapons tests.²⁵⁸ On the other hand, India and China today negotiate about a common free trade area, as well as about an investment promotion pact and carry on successful boundary talks. High level visits are exchanged and trade between China and India is expanding fast.

India also shares some of China's feelings about past humiliations during the colonial era. For China foreign hegemony has mostly been symbolized by the U.S. during the last century, while for India it is still England and the other European powers that symbolize oppression.

While for China, Russia represents the only possible natural partner in the power game in Asia, it is the U.S. that is emerging as a possible new partner for India. Just as China has many contradictory interests with Russia, so too can many similar such problems be identified in India's relations with the U.S. The partnership almost seems to have grown more by default than by conscious consideration.

Another basic problem that India will have to face (if it opts for closer cooperation with the U.S.) has to do with the internationalization of the Kashmir issue. Since India began to argue that all problems related to Jammu and Kashmir had been solved by the Simla agreement in 1972, it has

²⁵⁸ Ashley J. Tellis, *India's emerging nuclear posture* (Santa Monica: RAND, 2001), p.2.

vehemently opposed any attempt by Pakistan to raise the issue of Kashmir in any international context – and Pakistan has been equally energetic in its efforts to have it raised.

These conflicting attitudes to the problem actually go back much further, to the time after the first war in 1947 between India and Pakistan, when UN resolutions in 1947 and 1948 declared that the problem should be solved by a franchise in the territory covered by the borders of the former state of Jammu and Kashmir. Realizing that a franchise at that time most likely would make the entire territory part of Pakistan, India opposed any implementation of the UN resolution as well as any role for the international community in the conflict, defining the issue of Jammu and Kashmir as an internal issue. Indian politicians and Indian diplomacy have since created a habit of opposing any “foreign interference” in the issue of Jammu and Kashmir. It has become a doctrine for Indian foreign and security policy.

The implementation of this doctrine has been administered mainly by the Ministry of External Affairs (MEA) which monitors events that are in any way related to Jammu and Kashmir. Through its embassies abroad, the MEA makes requests to other governments to interfere and stop any activity that India regards as an infringement upon its sovereignty over Jammu and Kashmir or that could help Pakistan to increase its influence or military capability. On the domestic scene the MEA opposes any move that might be perceived as lowering the guard against Pakistan. During the 1990s the MEA opposed the idea of a pipeline for natural gas from Qatar at the bottom of the Arabian Sea which would run near the coast of Pakistan or through Pakistani territory and it has continued to be reluctant to accept a pipeline via Pakistan as a Confidence Building Measure.

This attitude is certainly not only found in the MEA. It is common also within the Hindu nationalist party, the BJP, as well as among many traditional power-holding circles in the Congress Party. It has been reinforced by the increased nationalism which came as a reaction to globalization and brought the BJP to power in 1998. It has not been weakened much by the return to power of the Congress Party.

India may find it more difficult to maintain the old doctrine. Accepting closer cooperation with the U.S. may mean that India will have to accept that Americans might take a closer interest in Indian politics in Kashmir.

Friendships and Acquaintances

India has no friends by tradition, due to the fact that its nationhood in the modern sense of that word is too young to have been able to create any “tradition” of this kind. On the contrary, concerns have been raised from India’s neighbors over its pursued policies. For example, relations with Sri Lanka are somewhat ambivalent since India tried to create peace between the warring factions of that country. Many in Sri Lanka still watch India with suspicion. Bangladesh, in turn, was liberated from Pakistan with the help of India, but competition over water resources, as well as the militant Sunni Islam that is prevalent in many sectors of the population in Bangladesh are obstacles to closer cooperation. Myanmar has one of the most brutal military dictatorships in the world, which also creates an obstacle for India. The desire to continue being called “the world’s largest democracy” is an obstacle for it to become too friendly with the regime in Myanmar.

Moreover, India has not had very close contacts with South East Asia since Hinduism was replaced by Islam in many parts of Indonesia, where it had been the dominant religion. India had to wait until Japan, South Korea and China became dialogue partners with the Association of South East Asian Nations (ASEAN), before it could initiate its own negotiations. With regards to Pakistan, it is a natural adversary, both for historical, religious and principal reasons (India being a secularized society while Pakistan is a Muslim nation according to its own constitution).

The only ally with any resemblance of a “friend” that India has had since the formulation of a constitution in 1949 is the now dissolved Soviet Union, with whom India shared both anti-imperialism and a belief in socialist ideals. Today socialism has evaporated from the former Soviet states and India’s ties to Russia mainly consist of purchasing military hardware.²⁵⁹

In this environment, and since the Non-Aligned Movement lost its appeal as an arena for Foreign Policy performances, India has chosen to provide itself with a means of “power projection” such as aircraft carriers, missiles and

²⁵⁹ “India seeks long term energy security relationship with Russia,” *Alexander’s Gas & Oil Connections*, December 22 2005, <<http://www.gasandoil.com/goc/news/nts55188.htm>> (January 16 2006).

nuclear capability, but these have not given it much influence in its own region. Its neighbors are cautious and have reservations. Only co-operation with a super power seems to offer real influence on both the regional and the global level.

Despite the common concerns that India and the U.S. share, it should not be forgotten that there are factors which divide the two as well. India has not been active in promoting democracy in its vicinity and the Communist legacy of India is still strong. Moreover, India's Communist parties are strongly opposed to any closer relations with the U.S. There is also opposition against India's policy toward China. There is a perception, especially among the business community, that the strategic partnership with the U.S. may have unfavorable consequences for its relations with China.

Differences in ideological perspectives may cause strains on the developing strategic partnership. Overall, a healthy assumption would be that India will take advantage of the strategic partnership, but it is unlikely that it will turn it into a more substantial alliance, at least in the short-term perspective.