

Comparative Connections

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India-East Asia and U.S.-India Relations: Movin' On Up?

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Two years have passed since India's relations with East Asia have been considered in this journal (see "India-East Asia Relations 2004: A Year of Living Actively," January 2005). In the interim, a steady if un-dramatic consolidation of ties has occurred between India and its neighbors to the east. On a parallel track, India has also gained membership or observer status in regional organizations such as the East Asia Summit (EAS) and the Shanghai Cooperation Organization (SCO). India's immediate South Asian environment continues to demand considerable Indian attention and energies given the multiplicity of challenges there, and India's relations with Pakistan, Bangladesh, and Nepal remain complex, but this situation has not impeded India's relations with East Asia. India's economic growth during the past two years has also been healthy. And though not directly related, India's improved relations with the U.S., capped by the approval by the U.S. Congress of the U.S.-Indian nuclear cooperation agreement, also provided a positive basis to engage key Asian countries and organizations.

India-China relations: "10-pronged" but two foci

The past two years provided the basis for improved India-China relations with 2005 being the 55th anniversary of the establishment of India-China bilateral ties and 2006 designated as the "China-India Friendship Year." Important exchanges occurred during the two years including the visits of Chinese Premier Wen Jiabao to India in April 2005 and of Chinese President Hu Jintao to India in November 2006. India and China also interacted in the context of the Shanghai Cooperation Organization, in which India became an observer, the East Asia Summit, the Russia-China-India trilateral discussions and even the Group of Eight (G8) leaders' meetings (where India, China, South Africa, Brazil, and Mexico held talks). As a reflection of both bilateral and wider interactions, the two countries agreed, during President Hu's November 2006 visit, to a "10-pronged strategy" for substantiating and reinforcing their so-called "Strategic and Cooperative Partnership." Despite these aspirations and wide-ranging interactions, the basic contours of the relationship remain largely focused on two issues – one vexed and the other mostly positive: continuing border disputes and growing economic ties.

* The views expressed in this chapter are those of the author and do not necessarily reflect the views of any organizations with which the author is affiliated.

Border and territorial disputes: Sikkim settled

Despite four rounds of special representative-level talks on bilateral border and territorial disputes during 2005 and 2006 and continued acceptance of past framework agreements for managing the disputes (the September 1993 Agreement on the Maintenance of Peace and Tranquility along the Line of Actual Control in the India-China Border Areas and the November 1996 Agreement on Confidence Building Measures in the Military Field along the Line of Actual Control in the India-China Border Areas), India and China achieved no major resolutions of border and territorial disputes were achieved (the matter of Sikkim is discussed below).

During Chinese Premier Wen Jiabao's April 2005 official visit to India, the two countries agreed on 11 "political parameters and guiding principles for a boundary settlement." These do not differ substantively from those that have been articulated, albeit in a less formal and comprehensive manner, by officials from the two countries on previous occasions. The agreement states, for example, that "differences on the boundary question should not be allowed to affect the overall development of bilateral relations" and that "a fair, reasonable and mutually acceptable solution to the boundary question through consultations on an equal footing, proceeding from the political perspective of overall bilateral relations" should be sought.

The underlying differences on the pace of settlement (India wanting to move faster than China) and the approach to settlement (India focusing on "ground realities" vs. China's emphasis on "guiding principles") were not overcome in these two years. In addition to the agreement on the parameters and principles, India and China signed a "Protocol between the Government of the Republic of India and the Government of the People's Republic of China on Modalities for the Implementation of Confidence Building Measures in the Military Field Along the Line of Actual Control in the India-China Border Areas." This protocol, in the words of India's external affairs ministry, "lays down modalities for the implementation of several measures contained in the Agreement of 1996 on Military CBMs along the LAC [line of actual control] in the India-China Border Areas." The slow pace of overall progress on border and territorial issues is reflected in the fact that nearly 10 years have elapsed to reach agreement on how to implement an earlier agreement. It is also worth noting that in the Joint Statement by India and China at the conclusion of Premier Wen's visit, the border issue was taken up in Article 11 (of 21 total articles) – again suggesting the relatively low priority accorded the issue. But it should also be noted that the border issue was the sixth "prong" of the "10-pronged strategy" for the India-China "Strategic and Cooperative Partnership" announced during President Hu's November 2006 state visit to India. In other words, the symbolic salience of the border issue remained at approximately the mid-range of the relationship in both major India-China encounters of recent years.

The persistence of the unsettled status of the dispute was clear from the brief spat prior to President Hu's arrival in New Delhi, when China's Ambassador to India Sun Yuxi told an Indian television program that a large part of the northeast (which India considers to

be the state of Arunachal Pradesh) was “Chinese territory.” Indian officials predictably reacted by reiterating that Arunachal Pradesh was an “integral part” of India.

At least on one very concrete aspect of the complex border dispute there seems to have been a final settlement. It will be recalled that the status of Sikkim appeared to be closer to a final resolution with China hinting at the end of 2004 that it was moving toward implementing its decision regarding the status of the area. In the event, in the Joint Statement (Article XII) between President Hu and Prime Minister Manmohan Singh refers, for the first time, to the “Sikkim State of the Republic of India.”

The core component

Trade and other commercial ties are a fast-growing but not entirely trouble-free aspect of India-China relations. Trade has grown nearly 30 percent a year since the early 1990s and two-way trade now stands at about \$20 billion. Investments, though small, are rising. For India, China is its second largest trading partner and India is China’s largest trade partner in South Asia. The Joint Declaration issued by the two countries during President Hu’s November 2006 state visit to India identified “comprehensive economic and commercial engagement between India and China [a]s a core component of their Strategic and Cooperative Partnership.”

In this context, the two sides have embarked on a number of efforts to further boost their commercial interactions. One important development during the period under review was the issuance of the final report of the Joint Study Group on Comprehensive Trade and Economic Cooperation just prior to the April 2005 visit of Premier Wen to India. With the report in hand the two countries asked the ministerial-level India-China Joint Economic Group (JEG) to consider the JSG’s recommendations and move toward implementation of those that were mutually agreed. A particularly noteworthy recommendation of the JSG is the establishment of an India-China Regional Trading Arrangement that would encompass trade in both goods and services, investments, and other mechanisms to build commercial ties between the two countries. A Joint Task Force was agreed to by the premier and prime minister to explore the proposed Regional Trading Arrangement.

During the Chinese premier’s visit in April 2005, the two countries also signed a Memorandum of Understanding to establish a financial dialogue mechanism and move toward concluding an investment promotion and protection agreement. The financial dialogue is intended to allow the two countries not only to understand and coordinate on financial issues that affect bilateral commerce, but also to facilitate cooperation in international financial institutions such as the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB). A related agreement reached during the April visit was a Memorandum of Understanding on Civil Aviation that would allow for more flights from more places to each other’s countries for both passengers and cargo. The enhancement of air links is also expected to facilitate economic ties, including tourism.

During President Hu's state visit to India in November 2006, the two countries announced additional measures that would enhance commercial relations. They established a target of \$40 billion for bilateral trade by 2010 and agreed to seek ways to diversify trade. This has been a special concern for India where some commentators have expressed concern that India is exporting raw materials and importing more value-added products. It was also announced that India agreed to the opening of a new consulate by China in Kolkata and China agreed to the establishment of a new Indian consulate in Guangzhou. The two countries also announced the completion of an Agreement for the Promotion and Protection of Investments. But the most important announcement was that the Joint Task Force established the previous year to study the feasibility and benefits of a regional trading arrangement between the two countries would report on its deliberations by October 2007.

These government-initiated efforts can facilitate mutual economic relations, but businessmen on both sides have expressed complaints about operating in each other's countries. The complaints range from accusations of dumping to difficulties getting long-term visas. Another issue that has the potential to weigh on economic relations is resistance within parts of the Indian government system to trade and investment with China in "sensitive" areas, including trade through the northeast part of the country. Still, the boom in trade, nongovernment interactions promoted by business, and the positive gains for both sides help blunt a range of other political and security differences between the two countries.

India-Japan relations: strategic orientation supplements a global partnership

India-Japan relations were quite active during 2005 and 2006, with then Prime Minister Koizumi Junichiro visiting India in late April 2005 and Prime Minister Singh making an official visit to Japan in mid-December 2006. There were also several ministerial-level visits from the finance, defense, energy, and, of course foreign ministries, among others.

As previous issues of this journal have reported, India-Japan relations took some time to emerge from the shadow of India's 1998 nuclear tests. The process of normalization began in 2000 with the visit of then Prime Minister Mori to India. Since then, there has been a steady effort by both countries to maintain momentum in bilateral ties.

Prime Minister Koizumi's visit in April 2005 was significant in that the two countries added a "strategic orientation" to what from 2000 had been termed a "Global Partnership." India in particular has been pressing for a more political and strategically oriented relationship with Japan. During Koizumi's visit, a Joint Statement entitled "India-Japan Partnership in a New Asian Era: Strategic Orientation of the India-Japan Global Partnership" was supplemented by an "Eight-fold Initiative for Strengthening India-Japan Global Partnership." The eight specific initiatives included: enhanced and upgraded dialogue architecture, including strengthening of the momentum of high-level exchanges, launching of a High Level Strategic Dialogue and full utilization of the existing dialogue mechanisms; comprehensive economic engagement, through expansion of trade in goods and services, investment flows and other areas of economic

cooperation, and exploration of a Japan-India economic partnership agreement; enhanced security dialogue and cooperation; Science and Technology Initiative; cultural and academic initiatives and strengthening of people-to-people contacts to raise the visibility and profile of one country in the other; cooperation in ushering a new Asian era; cooperation in the UN and other international organizations, including cooperation for the early realization of UN reforms, particularly Security Council reform; and cooperation in responding to global challenges and opportunities. This is heady stuff.

In 2006 both countries emphasized their commonalities, both pragmatic and ideological. For example, in a banquet speech during his December visit, Singh told guests that “Our two nations have converging long-term political, economic and strategic interests. We have a common commitment to democracy, human rights, the rule of law and a free market economy. India and Japan are thus natural partners with a mutual stake in each other’s progress and prosperity.” The previous month, Japanese Foreign Minister Aso Taro, speaking to an audience at the Japan Institute of International Affairs (JIJA), noted that “Japan is second to none in holding dear the values of freedom, democracy, and respect for human rights and the rule of law.” He then went on to name other countries that share the same beliefs which “would of course include the United States, as well as Australia, *and most likely India to an increasing extent* [emphasis added], as well as the member states of the EU, NATO, among others.” Aso, earlier in the same speech, included India, immediately after mentioning the U.S. and Australia, as “friendly nations that share the common views and interests.” As an outgrowth of such shared sentiments, during the 2006 India-Japan summit a Strategic and Global Partnership between India and Japan was announced.

The nuclear issue

An important agenda item for India during the 2006 visit to Japan was Tokyo’s support in the Nuclear Suppliers Group (NSG) to permit civilian nuclear cooperation with India. In a speech to the Diet Dec. 14, Prime Minister Singh said that “Like Japan, India sees nuclear power as a viable and clean energy source to meet its growing energy requirements. We seek Japan’s support in helping put in place innovative and forward-looking approaches of the international community to make this possible. At the same time, I would like to affirm that India’s commitment to universal nuclear disarmament remains unshaken.” However, while Japan may ultimately support, most likely passively rather than actively, such cooperation (possibly with U.S. encouragement), the Joint Statement at the conclusion of the 2006 summit was noncommittal. It stated only that “The two leaders share the view that nuclear energy can play an important role as a safe, sustainable and non-polluting source of energy in meeting the rising global demands for energy, and that international civil nuclear energy cooperation should be enhanced through constructive approaches under appropriate IAEA safeguards. *The two sides will continue to discuss the international civil nuclear cooperation framework with respect to India* [emphasis added].”

Despite the lack of open Japanese commitment to support the U.S.-India nuclear cooperation agreement, however, it seems unlikely, barring dramatic developments such as another round of Indian nuclear tests, that bilateral relations will focus on India's military nuclear program as has been the case.

Economic relations

Another dimension of India-Japan relations that has received a lot of attention but comparatively little concrete achievement is the economic realm. Prime Minister Singh made economic relations the centerpiece of his December 2006 visit, telling the Diet "Economic ties must be the bedrock of our relationship and a strong push is required in this area. Our trade and investment ties are well below potential."

In remarks to a business audience the prime minister admitted that India had work to do to attract the Japanese business community. Specifically, he said that "I am of course aware of the concerns Japanese investors have about doing business in India. Our government will address all legitimate concerns of investors. We are committed to improving our infrastructure, simplifying our taxation regime, reducing further our tariffs and eliminating bureaucratic delays. We have made substantial progress in each of these areas, but I am aware that there is more to be done. We will do our very best." Nevertheless, he also made a point in telling Japanese audiences that other countries facing the same challenges of doing business in India had outpaced Japan's economic engagement with the country. He said:

"I have been surprised to see Japan lose ground in India during the 1990s to other East Asian and Southeast Asian economies, both in terms of foreign investment flows and trade flows. It is a fact that South Korean consumer brands have moved aggressively into India and their brands have very high recognition value among our consumers. On the trade front, India's trade with both China and South Korea is booming and grew last year at around 40 percent with both countries. China's trade with India is nearly three times India's trade with Japan and Korea's trade with India is almost equal to Japan's trade with India. The time has come for Japanese companies to reverse this situation. Japan must regain its historic status as our most important business partner in Asia."

One important announcement at the conclusion of the summit was to launch negotiations towards a Comprehensive Economic Partnership Agreement between the two countries.

Strategic orientation

There has been a noticeable expansion of security-related dialogues and exchanges between India and Japan – not least because such contacts were essentially nonexistent for obvious reasons during the past 50 years. A security dialogue has been ongoing since 2001 and Foreign Minister Aso, during a January 2006 visit to India, agreed that future foreign minister-level talks would include a "strategic perspective." A regular policy dialogue between the country's national security advisors has also been announced. It

remains to be seen how this mechanism will be different from the security dialogue and how, or whether, such overlapping efforts will be consolidated or focused. India and Japan began military to military talks in 2004, and in the last two years since the number and level of mutual visits have increased. An important marker of the change was Indian Defense Minister Pranab Mukherjee's May 2006 visit to Japan leading to a joint statement (with Japan's Defense Agency chief) outlining fairly detailed plans for future exchanges and interactions. Subsequently, Japan's chief of staff, chief of Maritime SDF, chief of Ground SDF, and chief of Air SDF all made visits to India. India sent its Chief of Naval Staff to Japan in 2006 as well.

In the Singh-Abe Joint Statement of December 2006, the two countries "urge[d] their concerned agencies to develop an annual calendar of cooperation and exchanges relating to defense and security and to progressively enhance cooperative activities, including high-level exchanges and consultation between services. The two leaders appreciate[d] the recent developments in service-to-service cooperation, including cooperation in UNDOF. The two sides will also undertake a goodwill exercise between the Japan Maritime Self Defense Force and the Indian Navy in 2007." India and Japan also continue to conduct combined exercises with their coast guards and the two recently signed a memorandum of cooperation to further enhance cooperation.

The last two years have seen ambitious announcements for institutionalizing and expanding India-Japan political, economic, and security relations. Whether the promise and pronouncements will be realized remains to be seen. It is worth noting that Japan appears to be more interested in developing ties with India than may have been the case earlier. Indeed the very paucity of India-Japan ties may be motivating Tokyo to expend additional efforts. As Foreign Minister Aso told the JIIA audience, "...Japan's relations with India certainly pale in comparison to, for example, her relations with China. [He then went on to cite a number of comparative statistics to highlight the asymmetry]. In light of this, I believe that we must take steps to improve the situation dramatically over the next few years."

India-South Korea relations

As reported in previous coverage of India-East Asia relations (see "India-East Asia Relations 2004: A Year of Living Actively," January 2005), India and the Republic of Korea essentially "launched" a new era of relations in October 2004 when President Roh Moo-hyun made the first-ever visit to India by a South Korean leader. That momentum has been maintained with the February 2006 visit of India's President A.P.J. Abdul Kalam to Seoul. This was the first visit of an Indian president to South Korea and Kalam was invited to address the National Assembly. India's Prime Minister Singh also had a bilateral meeting with President Roh on the sidelines of the December 2005 East Asia Summit in Kuala Lumpur, Malaysia during which he "flagged to him the importance of Korean support for the removal of NSG restrictions that affect India." Singh did not indicate a response from his Korean counterpart and the issue was not addressed in public documents during Kalam's February visit to Seoul.

As an outgrowth of their joint study group on the feasibility of a comprehensive economic partnership agreement (CEPA) to promote economic and trade relations, President Kalam informed the ROK National Assembly that a Joint Task Force to start negotiations on a CEPA had been agreed to between the two countries. India and ROK also announced plans to increase bilateral trade from the current \$6 billion to \$15 billion before 2010. As noted in the section on India-Japan relations, Korea is a surprisingly strong (comparatively) economic player in India – especially when one considers the near-absence of other ties.

India-Southeast Asia relations: still fully kicking in

In 2005 and 2006, India and Southeast Asian countries continued to augment their relations both on the multilateral track (India Plus ASEAN and the East Asia Summit) and on a bilateral basis. A one-off event that allowed additional opportunities for India-Southeast Asian interactions was the golden jubilee celebrations of the Asian-African Conference held in Indonesia in April 2005 and attended by Prime Minister Singh.

In a pre-departure media brief en route to the fourth India-ASEAN Summit (the first was held in 2002) and the first East Asia Summit held in Kuala Lumpur, Malaysia in December 2005, Singh emphasized the economic dimensions of India's objectives in its overall "Look East" efforts and those specifically with Southeast Asia. For example, he noted that India's "trade with ASEAN countries is increasing at a handsome rate" and that India is "forging new linkages in trade and services..." But India's need and aim to attract greater foreign investment was something he believed would figure "very prominently" only "[i]n the years to come..." Specifically listing Indonesia, Myanmar, Malaysia, and Thailand the prime minister noted that "[t]hese are all countries with which we have no disputes of any kind. Therefore, on this benign background we can build a healthy economic relationship covering trade, investment flows....In our quest for more foreign investment in our country, this is the region [East Asia and South-East Asia] of greatest importance."

Singh also stated that he would "reaffirm the commitment of our Government to work out a Free Trade Arrangement with the ASEAN countries [and] at the East Asia Summit I will spell out the vision of India to work with other like-minded countries to bring about an Asian Economic Community, which will constitute a new magnet, a new fold [sic], for growth and stability in the world economy." That the prime minister specifically mentioned the potential FTA with ASEAN has significance due to the slow pace and troubled nature thus far of the negotiations. Indeed, the April 1, 2005 deadline for the implementation of an Early Harvest program was not implemented due the lack of agreement on the rules of origin. However, the senior Indian official in charge of relations with the region, Rajiv Sikri, told the media prior to the India-ASEAN Summit that the "issue of rules of origin has been resolved. [And] We are now very hopeful that FTA negotiations would be completed shortly and that the FTA would come into effect within a year or so." But despite the optimism there is likely to be a tough road ahead in reaching agreement on the "negative list" of items to be excluded from India-ASEAN trade liberalization – primarily because, as the Indian prime minister conceded, of the

“size of the negative list proposed by India.” As Sikri noted, the India-ASEAN FTA would not be “fully kicked in” until 2011 for the original six ASEAN countries and 2016 for the CLMV countries.

Prime Minister Singh, at the India-ASEAN Summit itself, offered six proposals for consideration, including: Centres for English Language Training (CELT) as well as tele-medicine and tele-education networks in Cambodia, Laos, Myanmar, and Vietnam; Special Course for Diplomats from ASEAN countries; an India-ASEAN Technology Summit; Education Fairs and a Road Show in ASEAN countries; and an India-ASEAN IT Ministerial and Industry Forum. He concluded his visit by admitting that while both sides wished to move forward and a “healthy impatience” exists, “[i]t is a fact that the impatience is a little more pronounced on the ASEAN side...” The prime minister explained that the “pace at which we move has to take account of our democratic processes and the wide variety of views have to reflect in our economic policy-making.” For its part, “ASEAN Leaders,” through the “Chairman’s Statement” issued at the ASEAN-India Summit Dec. 13, “requested India to positively consider ASEAN’s position to move the negotiations on the AIFTA forward and take into account the broader strategic consideration of enhanced ASEAN-India relations.”

Though economic issues such as the FTA and a possible ASEAN-India Open Skies arrangement were the main elements of India-ASEAN discussions during 2005 and 2006, there was some mention of increased security cooperation. Prime Minister Singh, briefing reporters after the meetings, stated that a “significant suggestion made to me was increased interaction on regional security issues. Specific mention was made of increased co-operation in counterterrorism and maritime security. Both of these are of great interest to us; we are cooperating on these issues on a bilateral basis with some ASEAN members already and arrangements to broaden these should be devised.” The nature of bilateral security cooperation with some ASEAN countries is discussed below.

The fifth India-ASEAN summit scheduled for December 2006 in Cebu, Philippines, along with the entire 12th ASEAN Summit and the second East Asia Summit, was postponed until January 2007 and will be considered in future issues of this journal.

India-Singapore relations: “connected”

As discussed in previous articles, Singapore is the key country for India in ASEAN as a bilateral partner (e.g., the single largest trading partner in ASEAN and third largest investor in 2005) and in terms of facilitating relations with wider East Asia. In fact, during Senior Minister Goh Chok Tong’s January 2006 visit to India, in a speech to the Confederation of Indian Industry (CII), and indicating Singapore’s role as a facilitator of India’s wider regional links, he stated that “I call this cooperative relationship the ASEAN-India Connect.” He also noted that Singapore and “ASEAN can provide useful links for India’s economic dealings with other Asian countries like China, Japan and Korea.”

In 2005 and 2006, there was significant activity on the bilateral front. Singapore Prime Minister Lee visited India in June 2005 followed by Minister Mentor Lee's visit to India in November 2005 and Senior Minister Goh's visit to India in January 2006. India's President A.P. J. Abdul Kalam visited in Singapore in February 2006 (the first by an Indian president since November 2000). A host of minister-level and other visits were also exchanged. The Singapore foreign ministry noted that some of the activity between the two countries was conducted at a level below national governments given that "Indian State Governments are now playing a bigger role in attracting investments into their own states." Hence, a number of Singapore agencies and organizations "made study visits to India to pursue new opportunities in the various [Indian] states."

The June 2005 visit of Singapore Prime Minister Lee was significant in that the Comprehensive Economic Cooperation Agreement (CECA) and Mutual Legal Assistance Treaty were signed after over two years of negotiations. The India-Singapore Parliamentary Forum was also launched.

Defense relations between India and Singapore continued with Minister for Defense Teo Chee Hean's March 2005 visit to India which included bilateral consultations with India's Minister of Defense Pranab Mukherjee and the inaugural bilateral exercise between the Singapore Army and the Indian Army.

President Kalam's February 2006 visit was the first by an Indian president in over half a decade and was filled with ceremony. He reiterated the point made by Senior Minister Goh a month earlier by saying "We look upon our cooperation with Singapore as the gateway to larger cooperation with South East Asia, East Asia and the Asia-Pacific. I would like to thank the Government of Singapore for the consistent support they have given to us for our association as a full dialogue partner of ASEAN and a member of ARF and their efforts to include India in the recently concluded Kuala Lumpur East Asia Summit." Kalam also called for doubling trade to \$20 billion by 2010.

India-Philippines relations: taking first steps

As the Philippines prepared to host the 12th ASEAN Summit, including the fourth ASEAN-India Summit and the second East Asia Summit, in December 2006, bilateral ties between India and the Philippines were given a boost. The hallmark of the period under review was the state visit of President Kalam to Manila in February 2006, the first visit by an Indian president in 15 years and nearly 10 years since President Fidel Ramos visited India in 1997. Ties during 2005 and 2006 also included a visit to the Philippines by the Indian Speaker of the Lok Sabha in April 2005. The Indian official in charge of Southeast Asian relations alluded to the paucity of relations saying these visits would "lead to many steps that would enable us to utilize the considerable unrealized potential in our ties." In addition to addressing the National Assembly of the Philippines, Kalam focused on agricultural cooperation, including a visit to the International Rice Research Institute and meetings with Asian Development Bank (ADB) officials headquartered in Manila.

India-Malaysia relations

India-Malaysia ties remained constructive. In October 2005, “the First Malaysia-India bilateral consultation led by the secretary generals of both foreign ministries was held from Oct. 20-21 in Putrajaya.” Previously, Malaysia held such dialogues in Asia only with China, Japan, ROK, and Pakistan. According to India’s Ministry of External Affairs (MEA), “[i]n his talks with Prime Minister Badawi, on the sidelines of the ASEAN-India Summit in December 2005, Prime Minister Manmohan Singh suggested an expanded defense cooperation...and that the bilateral Joint Commission...should meet more regularly.” In May 2006, Malaysia’s Finance Minister Il Yackop visited India to discuss a Special Purpose Vehicle (SPV) to fund infrastructure investments in India on a government-to-government basis. This issue had been broached during the meeting between the two prime ministers. Defense relations included a visit of India’s Chief of Naval Staff Adm. Arun Prakash in July 2005 along with five ships including the aircraft carrier *INS Virat* for a goodwill visit to Malaysia.

India-Myanmar relations

India and Myanmar have maintained active ties since relations were “normalized” in 2000. Much of the activity has focused on the potential for energy cooperation. In January, India’s minister for petroleum and natural gas signed a bilateral MOU on Cooperation in the Hydrocarbon sector while on a visit to the country. An agreement in principle among the relevant ministers of India, Myanmar, and Bangladesh on the construction of a gas pipeline from Myanmar to India via Bangladesh was also reached. Subsequently, Myanmar’s Energy Minister Brig. Gen. Lun Thi visited India twice, first in July 2005 for bilateral talks and again in October for the BIMSTEC Ministerial Meeting on Energy Matters.

Apart from energy, general foreign policy discussions were also held with India’s external affairs minister visiting Myanmar in March 2005 and Deputy Foreign Minister of Myanmar U. Kyaw Thu visiting Delhi in October.

Defense ties were also held at a high level with Chief of Army Staff J.J. Singh going to Myanmar in October-November 2005, a visit that India’s external affairs ministry described as “very well received.” Subsequently, Chief of Naval Staff Adm. Arun Prakash visited Myanmar in January 2006.

Perhaps most important was the December 2005 meeting, on the sidelines of the ASEAN-India summit, between Prime Minister Singh and Myanmar’s Prime Minister Gen. Soe Win. According to Singh’s account of the meeting, the two “reviewed the status of progress on various cross border projects” and India’s “interest in co-operation in the hydrocarbon sector was also reiterated.” In response to a press question, Singh also stated that he “discussed with [Gen. Soe Win] the use of Myanmar territories by the insurgent groups operating in the North-Eastern parts of our country” and was “was assured that Myanmar Government will fully cooperate with India and not allow its territory to be used by insurgents.”

Myanmar's and specifically Aung San Suu Kyi's status also was dealt with in the bilateral meeting. Again, according to Singh, there were talks on "political reforms." Though the Myanmar prime minister highlighted the difficulties facing his society, including tribal insurgencies, some of which are allegedly backed by outside countries, the Indian prime minister said India "favored a national reconciliation and also the movements toward democracy, respect for fundamental human rights and allowing all political activities to flourish." However Singh told the press that "I also said that it is for the people of Myanmar to resolve problems and I did not know the answer, the answer has to be found by the people of Myanmar themselves." In reply to question about Aung San Suu Kyi, the prime minister stated that "Aung San Suu Kyi should be set free."

India-Indonesia relations: a new strategic partnership

India-Indonesia relations have also seen some important exchanges in the period under review. India's External Affairs Minister K. Natwar Singh traveled to Jakarta in January 2005 for the Special ASEAN Summit on Tsunami Disaster and in March of the same year, Hassan Wirayuda, Indonesia's foreign minister, traveled to New Delhi for the second Joint Commission Meeting (JCM) between the two countries – after a two-year gap. The JCM is tasked with enhancing commercial relations between the two countries.

Another important visit was that by India's Prime Minister Singh to attend the Asian-African Summit in Jakarta and Bandung in April 2005. Singh met Indonesian President Susilo Bambang Yudhoyono on the sidelines of that summit.

Perhaps the highpoint of the India-Indonesia relationship was the November 2005 state visit of President Yudhoyono to India. In a Joint Declaration between the two countries, several agreements were reached. First, the "the two leaders decided to establish a New Strategic Partnership between their countries in keeping with contemporary realities." Specific elements of the New Strategic Partnership are to include "closer diplomatic coordination, stronger defense relations, enhanced economic relations especially in trade and investment, greater technological cooperation, as well as intensified cultural ties, educational linkages and people-to-people contacts."

On the defense and security front, the Joint Declaration noted their geographic proximity and shared maritime boundary, and hence "the two leaders welcomed the recent growth of bilateral defense and security ties between their countries. They cited the significance of the conclusion of the Bilateral Agreement on Cooperative Activities in the Field of Defense concluded in 2001 and emphasized the need to further institutionalize and expand this cooperation." Specific agreements in this realm included "President Yudhoyono welcome[ing] India's offer of cooperation with the Department of Defense of the Republic of Indonesia in the procurement of defense supplies, defense technologies, joint production and joint projects." It was also agreed that there should be "increase[d] contacts and exchanges of visits between their respective defense officials and intensify joint education and training of these officials." Finally, the two decided to "hold an annual India-Indonesia Strategic Dialogue at the senior officials level which would commence its first meeting at the first half of 2006."

On the economic front a Joint Experts Working Group constituted by the Joint Commission was established “to submit recommendations for broadening and strengthening bilateral trade, economic and investment cooperation.” India and Indonesia also “agreed to constitute a Joint Study Group to examine the feasibility of a Comprehensive Economic Cooperation Agreement...” with a view to the “tripling of bilateral trade from current levels to at least \$10 billion by 2010 in a balanced and mutually advantageous way.” Subsequent to the Indonesian president’s visit, in September 2006, the Indian government approved a memorandum of understanding signed between India and Indonesia for cooperation in the field of marine and fisheries that had been signed during the visit.

India-Vietnam and India-Thailand relations

Prime Minister Singh met with the prime minister of Vietnam on the sidelines of the December 2005 ASEAN-India Summit. He later told the press that the two “reviewed the potential for carrying forward our co-operation in areas such as hydrocarbons and defense.” India also indicated it would “try to respond to Vietnam’s interests in bilateral co-operation in high technology areas such as biotechnology.”

India and Thailand also exchanged several visits in 2005 and 2006. Many of their meetings focused on bilateral civil aviation talks and developments, including the inauguration of a new Nagpur to Bangkok direct flight in April 2005. There were also several visits related to BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) activities in the fields of energy and tourism. HRH Princess Maha Chikri Sirindhorn made an official visit to India in February-March 2006 and Prime Minister Thaksin Shinawatra, along with his foreign and science and technology minister, held a working visit June 3, 2006.

U.S.-India relations follow-up: symbolic center

Efforts to implement agreements for civilian nuclear cooperation between the U.S. and India as outlined in the July 2005 and March 2006 Joint Statements between President George Bush and Prime Minister Singh, specifically including passage by Congress of domestic U.S. legislation to enable such cooperation, constituted the overwhelming story of bilateral relations during the year. President Bush’s visit to India in March was also an important element of the nuclear developments. Under Secretary Nicholas Burns referred to the deal as the “symbolic center” of the new relationship, while eminent former Indian defense official India K. Subrahmanyam called it a “litmus test.”

Throughout the year there were congressional hearings in the U.S., heated debates in India, and negotiations between Washington and New Delhi on how to move forward with agreements undertaken in July 2005. In December 2006, a reconciled version of House and Senate bills to enable implementation of the agreements passed Congress. President Bush signed the legislation Dec. 18, 2006.

Passage of the legislation in the U.S. Congress and signature by the president constitute only initial steps in the process leading to international civilian nuclear cooperation with India – albeit hugely important steps. Now Washington and Delhi negotiators must work out a bilateral cooperation agreement, referred to as a “123 Agreement.” The NSG must also modify their restrictions to enable nuclear cooperation with India. And, finally, India and the International Atomic Energy Agency (IAEA) must come to terms on an India-specific safeguards agreement and Additional Protocol. How long it will take to complete these steps and before international cooperation leading to actual nuclear energy developments in India is difficult to predict.

Both India and the U.S. emphasized their versions of success – largely for domestic audiences. President Bush, during the signing ceremony, focused on the nonproliferation benefits of the agreement, saying “The bill will help keep America safe by paving the way for India to join the global effort to stop the spread of nuclear weapons.” India’s External Affairs Minister Pranab Mukherjee told the Lok Sabha after hailing congressional approval of the legislation that “We have always maintained that the conduct of foreign policy determined solely by our national interests is our sovereign right” – thereby addressing fears in India that amendments to the legislation would require New Delhi to “toe the line” on issues such as Iran’s nuclear developments. He also went on to say that “We will not allow external scrutiny of or interference with the strategic program.” It will be recalled that Prime Minister Singh, in his August 2006 discussions before the Rajya Sabha (India’s Upper House of Parliament), had honed in on these two concerns (India’s foreign policy and strategic nuclear autonomy). Of course, neither critics in India or the U.S. were entirely mollified by the statements of their own (or the other country’s) officials.

While the nuclear saga was the main storyline in increasingly friendly and constructive U.S.-India ties, there were other minor themes. Defense cooperation proceeded apace with joint exercises between the armies and navies of the two countries. In 2006 India also bought a used naval vessel and six military helicopters worth \$90 million.

Dialogue and cooperation on matters ranging from space and nonnuclear energy to commercial relations were also pursued. On the whole, 2006 saw further strengthening of the U.S.-India relationship and possibly the end of a long and troubled narrative on nuclear issues.

Conclusion

2005 and 2006 were active years in India’s relations with both East Asia and the U.S. If there was a steady, un-dramatic accretion of cooperation with East Asian countries, in the case of U.S.-India relations the passage and presidential signature of legislation on U.S.-India civilian nuclear cooperation was a landmark event. How much consolidation and further progress occurs will be important to observe in the coming year. One important overlap between these two broad relationships is that what India does in relations with the other has a salience that it has not had before. For example, India’s ties with East Asia on matters ranging from Myanmar to China to multilateralism will affect the U.S. even if at

the margins. And developments in U.S.-India relations will bear in concrete ways on India-East Asia relations. A specific case in point is the nuclear issue. India has now approached the East Asian members of the NSG (China, Japan, ROK, and Australia) to support or at least not oppose NSG modification of its guidelines to permit civilian nuclear cooperation with India. Such overlaps are likely to grow as and if India's ties with East Asia and the United States continue to thicken.

Chronology of India-East Asia Relations January 2005-December 2006

Jan. 6, 2005: Japanese Foreign Minister Nobutaka Machimura meets Indian External Affairs Minister (EAM) Natwar Singh in Jakarta, Indonesia to discuss the tsunami disaster, Japan-India economic relations, and UN and Security Council reform.

Jan. 24-25: India and China holds first round of strategic dialogue.

Feb. 1, 2005: South Korea's deputy minister for trade visits India and suggests that the two countries may conclude a FTA as early as 2007.

March 1, 2005: Hassan Wirayuda, Indonesia's foreign minister, travels to New Delhi for second Joint Commission Meeting between the two countries – after a two-year gap.

March 12-15, 2005: Defense Minister Teo Chee Hean visits India for consultations with Defense Minister Pranab Mukherjee and to attend the inaugural bilateral exercise between the Singaporean and the Indian Army.

March 19-21, 2005: Secretary General of LDP Abe calls on PM Manmohan Singh during an unpublicized three-day private visit to India.

March 24-27, 2005: India's external affairs minister visits Myanmar at the invitation of Myanmar foreign minister U Nyan Win.

March 30-31, 2005: The 15th Meeting of the India-China Working Group on the Boundary Question (JWG) is held in Beijing.

April 9-12, 2005: Chinese Premier of the State Council Wen Jiabao visits India.

April 15, 2005: India and China renew aviation agreement.

April 15, 2005: India and China launch financial dialogue mechanism

April 22-24, 2005: India's PM Singh attends the Asia-Africa Summit in Jakarta and Bandung, Indonesia. On the sidelines, Singh meets Indonesian President Susilo Bambang Yudhoyono, Singapore PM Lee Hsien Loong, Chinese President Hu Jintao, and Vietnamese President Tran Duc Luong.

April 28-30, 2005: Japan's PM Koizumi Junichiro visits India.

April 3-8, 2005: The 112th Inter Parliamentary Union Assembly is held in Manila. Lok Sabha Speaker Somnath Chatterjee is awarded a medal by the Philippine Congress for his distinguished service to the cause of representative democracy.

June 3, 2005: Indian and Thai PMs Singh and Thaksin Shinawatra hold talks on a wide range of bilateral issues in New Delhi.

June 7-10, 2005: Australian FM Alexander Downer attends fourth round of India-Australia Ministerial Framework Dialogues and also meets EAM Shri Natwar Singh.

June 28-30, 2005: Singapore PM Lee Hsien Loong visits India. The Singapore-India Comprehensive Economic Cooperation Agreement (CECA) and Mutual Legal Assistance Treaty are signed. The India-Singapore Parliamentary Forum is launched.

July 18-19, 2005: First meeting of the Japan-India Joint Study Group held in New Delhi.

July 19-Aug. 1, 2005: *INS Viraat* and four other ships are deployed to Singapore (July 19-22), Malaysia (July 23-27), and Indonesia (July 28-Aug. 1) to enhance bilateral ties and goodwill. The visits to Malaysia and Indonesia coincide with Chief of Naval Staff Adm. Arun Prakash travel.

July 6, 2005: Myanmar's Energy Minister Brig. Gen. Lun Thi visits India for talks.

Sept. 21, 2005: EAM Singh meets Chinese FM Li Zhaoxing and Russian FM Sergei Lavrov on the sidelines of the UN General Assembly.

Sept. 26-28, 2005: Sixth round of talks on the India-China Boundary Question is held in Beijing. The next round of talks is to take place in New Dehli.

Sept.18-22 2005: Japan Chief of Staff Gen. Massaki Hajime visits India to exchange views on the security environment, strengthen mutual understandings, and promotoe defense exchanges.

Oct. 3-4, 2005: Myanmar's Energy Minister Brig. Gen. Lun Thi visits India for the BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) Ministerial Meeting on Energy Matters.

Oct. 20-21, 2005: The First Malaysia-India bilateral consultation led by the secretary generals of both Foreign Ministries is held in Putrajaya.

Oct. 4-6, 2005: India Chief of Naval Staff Adm. Prakash visits Japan.

Oct. 18-22, 2005: Deputy FM of Myanmar U Kyaw Thu visits India to attend the Myanmar-India Foreign Office Consultations.

Oct. 25-28, 2005: EAM Natwar Singh attends the Shanghai Cooperation Organization meetings in Russia as an observer.

Oct. 29-Nov. 1, 2005: India's Chief of Army Staff J.J. Singh visits Myanmar.

Nov. 18-23, 2005: Minister Mentor Lee Kuan Yew visits India.

Nov. 21-23, 2005: Indonesian President Yudhoyono visits India.

Dec. 4-7, 2005: PM Singh visits Russia.

Dec. 11-14, 2005: PM Singh attends fourth India-ASEAN and first East Asia Summits in Kuala Lumpur, Malaysia. Singh has sideline meetings with ROK President Roh, Myanmar PM Gen Soe Win, and Vietnam's prime minister. Singh also has a meeting with Malaysian PM Abdullah Badawi to expand relations. Badawi indicates that Malaysian Second Finance Minister Nor Mohamed Yakcop would visit India (which occurs May 2006) to discuss a Special Purpose Vehicle (SPV) to fund infrastructure investments in India on a government-to-government basis.

Dec. 22, 2005: Two Indian warships make port call in Yangon Port and stay for five-days.

Jan. 1, 2006: Indian and Chinese leaders exchange New Year's greetings to mark the beginning of the "India-China Friendship Year."

Jan. 3-4, 2006: Japanese FM Aso Taro visits India and agrees to launch Foreign Minister-level Talks with a Strategic Perspective.

Jan. 8-10, 2006: Second round of India-China Strategic Dialogue is held in Beijing.

Jan. 9-10, 2006: Foreign Secretary Shyam Saran visits Beijing for the second round of India-China strategic dialogue.

Jan. 9-14, 2006: India holds naval exercise *Milan 2006* with Bangladesh, Myanmar, Indonesia, Malaysia, Singapore, Sri Lanka, and Thailand.

Jan. 12-13, 2006: India's Petroleum Minister Mani Shankar Aiyar visits China to discuss cooperation in oil exploration, production, storage, conservation and research and development.

Jan. 14-20, 2006: Singapore Senior Minister Goh Chok Tong visits India.

Jan. 19-22, 2006: India's Chief of Naval Staff Adm. Arun Prakash visits Myanmar.

Jan. 31-Feb. 9, 2006: India's President A.P.J. Abdul Kalam visits Seoul, Singapore, and the Philippines.

Feb. 17, 2006: Japan Chief of Maritime SDF Adm. Saito Takashi begins visit to India.

March 5, 2006: Japan Chief of Ground SDF Gen. Mori Tsutomu begins visit to India.

April 4-8, 2006: Japan Chief of Air SDF Gen. Yoshida Tadashi visits India.

April 15, 2006: New Nagpur to Bangkok biweekly direct flight is inaugurated.

May 25-28, 2006: Indian Defense Minister Pranab Mukherjee visits Japan, yielding joint statement (with Japan's Defense Agency chief) outlining detailed plans for future exchanges and interactions.

May 28-June 2, 2006: China and India pledge to deepen military exchanges during a visit by Indian Defense Minister Pranab Mukherjee.

June 1, 2006: First meeting of Japanese Executive Committee for the Japan-India Friendship and Exchange Year is held.

June 2, 2006: Thai PM Thaksin, along with his foreign and science and technology minister, visits India to focus on trade and education issues.

June 6-7, 2006: The fourth meeting of the Japan-India Joint Study Group takes place.

July 6, 2006: The Nathu La Pass, linking the northeastern India state of Sikkim with Tibet in China, is reopened for trade after being closed for 44 years.

July 17, 2006: Japan and India agree to start FTA talks.

Sept. 21, 2006: The Indian government approves memorandum of understanding on cooperation in the field of marine and fisheries that had been signed during SBY's visit in November 2005.

Oct. 3, 2006: Indian president addresses the Union of Myanmar Federation of Chambers of Commerce and Industry.

Nov. 20-23, 2006: President Hu visits India and attends China-India Economic, Trade and Investment Cooperation Summit.

Dec. 13-16, 2006: PM Singh and Mrs. Kaur pay an official visit to Japan and a Japan-India Joint Statement on strategic and global partnership is announced. Singh speaks in front of the Diet on civilian nuclear cooperation and nuclear disarmament.

Chronology of U.S.-India Relations January-December 2006

Jan. 9-12, 2006: U.S. and India meet for the inaugural Civil Nuclear Working Group as part of the U.S.-India Energy Dialogue. India and China also agree to cooperate on overseas acquisition of energy.

Jan. 18-20, 2006: Under Secretary of State Nicholas Burns comments while in India that the U.S.-India relationship stands on its own and is not directed at a third nation.

Jan. 30, 2006: U.S.-based Dell, Inc. announces plans for 5,000 new jobs to be added to India operations.

Feb. 1, 2006: Under Secretary of State for Global Affairs Paula Dobriansky leading the U.S. delegation for a fourth meeting of the U.S.-India Global Issues Forum held in New Delhi.

Feb. 8, 2006: Second meeting of the India-U.S. Energy Dialogue Steering Committee.

Feb. 10, 2006: U.S. State Department's Bureau of South Asian Affairs is reorganized to include Afghanistan and five Central Asian states and is renamed the Bureau of South and Central Asian Affairs.

Feb. 22, 2006: Under secretary Burns arrives in India to negotiate civilian nuclear energy deal.

March 1, 2006: U.S.-India Economic Dialogue is held in New Delhi. The group will report out to President Bush and PM Singh March 2.

March 1-3, 2006: President George Bush travels to India and meets Prime Minister Singh to discuss growing partnership. March 4 President Bush travels to Pakistan.

March 20, 2006: U.S. Chamber of Commerce sends a letter to Congress to support the U.S.-India civil nuclear deal. The letter states that the cooperation would "foster deeper strategic ties that will yield significant commercial opportunities for U.S. companies."

March 23, 2006: U.S. officials in Vienna fail to obtain Nuclear Suppliers Group agreement to consider proposals for nuclear cooperation with India for May 2006 session.

April 5, 2006: House and Senate committees hold hearings on U.S.-India civil nuclear cooperation.

April 12, 2006: The South Asian Association for Regional Cooperation grants U.S. and South Korea observer status.

May 9, 2006: NASA and Indian Space Research Organization agree to include two U.S. scientific instruments on India's Chandrayaan lunar mission planned for 2007.

May 17, 2006: House International Relations Committee holds hearing on U.S.-India "global partnership."

May 23, 2006: Senate bill 1950 is passed that promotes global energy security through increased cooperation between the U.S. and India on nonnuclear-related energy issues.

July 17, 2006: President Bush meets PM Singh on the sidelines of the G-8 Summit in St. Petersburg to discuss the Mumbai bombings and the nuclear cooperation deal.

July 18, 2006: U.S. Senate Energy Committee holds hearings on U.S.-India Energy Cooperation agreement.

July 19, 2006: U.S. H.R. 911 condemns the July 11 bombing in Mumbai.

Aug. 23, 2006: U.S.-India Financial and Economic Forum is held in Washington, D.C. to discuss Indian efforts to liberalize the financial sector and other issues.

Aug. 24, 2006: New Dehli approves a \$44 million plan to purchase the *USS Trenton*, a decommissioned U.S. amphibious transport dock.

Aug. 31, 2006: Shyam Saran is named Indian special envoy for negotiations on U.S.-India civil nuclear cooperation agreement.

Sept. 12, 2006: Sixteen U.S. nonproliferation experts and former government officials send an open letter to the U.S. Congress to redress "serious flaws that still plague the U.S.-India nuclear trade legislation."

Sept. 18, 2006: Joint U.S.-India army exercise is held in Hawaii.

Oct. 16, 2006: President Bush and PM Singh in a phone call exchange views on Doha trade negotiations, the civilian nuclear agreement, and regional developments in Pakistan and North Korea.

Oct. 24, 2006: Pranab Mukherjee is named India's foreign minister. A.K. Antony is named defense minister.

Oct. 25, 2006: Sixth annual joint U.S.-India naval exercise, *Malabar* held in the Arabian Sea. U.S. and Indian infantry also hold joint counterterrorism drills in Karnataka State.

Nov. 15, 2006: India and the U.S. signed a \$39 million military sales agreement on Indian navy's purchase of six former U.S. Navy H-3 Sea King helicopters.

Nov. 16, 2006: President Bush and PM Singh in a phone call exchange views on current matters and express satisfaction at the current state of U.S.-India relations.

Dec. 9, 2006: U.S. Congress approves U.S.-India nuclear agreement.

Dec. 18, 2006: U.S.-India Peaceful Atomic Energy Cooperation Act signed by President Bush.

Dec. 27, 2006: U.S. imposes sanctions on two Indian chemical firms for selling WMD-related materials to Iran.