## India and the United States: A Different Kind of Relationship

Testimony before

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Distinguished members of the Subcommittee, thank you for asking me to testify today on the US-India relationship. I will focus my remarks mostly on the underlying momentum in this relationship and the challenges we face in sustaining the forward movement.

Indo-US relations have undergone a dramatic transformation over the past decade. The next administration will benefit from the strong underlying momentum behind recently improved bilateral relations. The US and India, for the first time since India's independence in 1947, can realistically expect to build a partnership that advances their respective foreign policy goals. This is based on the strong fundamentals of a convergence of interests on key issues, such as curbing religiously-inspired radicalism, managing the rise of China, defeating the Taliban in Afghanistan, and working towards stability in South Asia and beyond.

The end of the Cold War created conditions that enabled India and the United States to move beyond the suspicions that had soured their bilateral relationship for over four decades. India now views the US as an asset in its quest for great power status. This more positive view of the US shows up in recently released multi-nation public opinion polling data, which show that 66 percent of the Indian public has a favorable opinion of the US (up 7 percent from last year), and 63 percent say that US foreign policy pays attention to Indian interests. Among the 24 countries compared, India is near the top of the chart on both issues, and reflects a major change in Indian opinion of the US.<sup>2</sup> The US, for its part, recognizes India both as a rising power, for it has the world's second largest population and the second fastest growing economy, as well as a stable democracy in an often turbulent Asia.

This transformation occurred so rapidly that leaders on both sides are prone to overstate what the relationship can actually achieve. Leaders have referred to the two countries as "natural partners" (President Bush in 2006), "strategic allies" (Prime Minister Vajpayee in 2004), and in 2005 Prime Minster Manmohan Singh declared that it is a relationship with "no limits". We risk losing sight of the positive trend in the bilateral relationship if we overstate the possibilities. While there is an element of security in the bilateral relationship, India and the US are not allies in the conventional sense – and are not likely to be so any time soon. The military element in the relationship lacks mutual assistance agreements and basing rights – and none are likely to come about any time soon. India remains committed to the doctrine of strategic autonomy, and it will not become an ally in the mold of the UK or Japan, nor will it be a France, seeking tactical independence within the framework of a formal alliance. It will cooperate only when treated as an equal and only where its own interests are directly involved. On substantive issues, both countries agree that no single power (i.e., China) should

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<sup>&</sup>lt;sup>1</sup> For a comprehensive discussion of the momentum in the Indo-US relationship, see Pratap Bhanu Mehta,

<sup>&</sup>quot;Going in Two Directions in South Asia" Current History, May 2008.

<sup>&</sup>lt;sup>2</sup> Data released by the Pew Global Attitudes Project on June 12, 2008, available at: http://pewglobal.org/reports/display.php?ReportID=260. Last accessed June 22, 2008.

<sup>&</sup>lt;sup>3</sup> For a discussion of India's developing security policy, see S. Raja Mohan, "India and the Balance of Power" *Foreign Affairs*, Jul/Aug 2006, vol85, issue 4, pp. 17 -32.

dominate Asia, but India will not support an anti-Chinese alliance and rather will seek ways to integrate China more closely into a larger Asian context. While Indians – like Americans – are deeply committed to the democratic process, few Indians see democratic advocacy as a basis for cooperative action. Because of regional security considerations and the need for energy imports, India will conduct a relationship with Iran and Myanmar that is sometimes at odds with the U.S.

The challenge in creating a durable strategic relationship will be for the US to treat India as an equal partner and for India to make itself sufficiently useful to Washington, to justify the political costs needed to implement policies that strengthen Indian power (such as the exception to US non-proliferation policy) In the Indian case, the issue is complicated further by a residue of substantial anti-America opinion in the bureaucracy, in academia and in the press, which while on the decline, often forces the Indian government to be cautious on something new like a security relationship with the United States, a caution that can delay or even stymie initiatives. This caution has delayed Indian agreement regarding to US proposals for a Logistics Support Agreement (LSA), a Communication Interoperability and Security Memorandum of Agreement (CISMOA), and End-User Verification Agreements (EUVA) on military sales because of the physical inspections built into them.

Nevertheless, there is a momentum already established in key areas of the Indo-US relationship that can be used by a new administration to advance US interests. (1) An increasingly open Indian economy with the US playing a significant role in it: (2) increased Indian commitment to the security of the vital sea lanes of the Indian Ocean and its choke points; (3) an Indian security policy of hedging which requires a US element to be effective and thus gives the US some leverage power with India.

**I.**) The first and perhaps most important element in the bilateral relationship is linked to India's recent economic prosperity and America's significant involvement in it. While India's rapid economic expansion is prompted mainly by private activity, a more economically robust India is an important factor accounting for increased US interest in India, and also creates jobs for American workers. The Indian Government in the early 1990s under then Finance Minister – and now Prime Minister – Manmohan Singh removed many of the stifling government controls over the economy and thus unleashed the entrepreneurial potential of the Indian people. The market reforms have produced positive results: the Indian economy grew on an average of 5-6 percent per year during the 1990s (about double the average from independence to 1990) and 7 - 8 percent per year since 2000. Merchandise trade expanded from about 42 billion dollars in 1990-91 to about 311 billion dollars in 2006-2007; foreign currency holdings have gone from only a few hundred million dollars in the 1990s to some 310 billion dollars in mid-2008, an expansion of over a hundred billion in just the past year; and foreign direct investment rose from almost nothing in 1990 to some 20 billion in 2007.

Market reforms were prompted by a balance of payments crisis in the early 1990s, but have survived because, as in China, they are responses to important domestic

demands for a better life – in India to substantially enhance the annual economic growth rates in order to address the rising demands for a better life by the vast numbers belonging to the country's historically disadvantaged groups. The challenge, of course, is to avoid quick-fix populist measures that undermine long term growth and the political leadership in New Delhi has a mixed record. The country is still a long way from satisfying the needs of the poor, and democratic politics compel India's leadership to focus on economic development at home. <sup>4</sup> To achieve the desired economic growth rates, the country requires a massive increase in trade and investment in high technology. This objective has been an important factor in the foreign policy of every Indian government since the early 1990s. It translates into pushing for closer ties with countries that can help it economically, such as the US and China. It also translates into a policy of peace with neighbors, most prominently Pakistan and China, so that the country can focus on improving its economy at home. Moreover, it has prompted India to negotiate several free (or preferential) trade agreements, some with individual countries and some multilateral, with countries around the Indian Ocean.

Since the adoption of market reforms, the US has remained India's largest trading partner. Two way merchandise trade with the US has almost tripled just in the past seven years, expanding from 14 billion dollars (out of total trade of 124 billion) in 2000 to 41.6 billion in 2007 (out of total of 311 billion).<sup>5</sup>

Chart 1: India's Trade Balance with U.S., 1998-2007

Year	Exports (Millions	Imports (Millions	Balance (Millions
	U.S. \$)	U.S.\$)	U.S.\$)
1998	3,564.5	8,237.2	-4,672.7
1999	3,687.8	9,070.8	-5,383.0
2000	3,667.3	10,686.6	-7,019.3
2001	3,757.0	9,737.3	-5,980.3
2002	4,101.0	11,818.4	-7,717.4
2003	4,979.7	13,055.3	-8,075.6
2004	6,109.4	15,572.0	-9,462.7
2005	7,898.4	18,804.2	-10,814.8
2006	10,056.2	21,830.8	-11,774.6
2007	17,588.5	24,073.3	-6,484.7

Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233

<sup>&</sup>lt;sup>4</sup> Leahy, Joe. "India's Report Card Fails to make the Grade," Financial Times June 19, 2008. Also see Jim O'Neill and Poddar Thushar's "Ten Things for India to Achieve its 2050 Potential," Global Economics Paper no. 169, June 16, 2008.

<sup>&</sup>lt;sup>5</sup> The percentage increase in Indo-US trade is significantly less than the 40 percent growth of two way trade with China recently. China, with some 25 billion in trade in 2007, could surpass the US as India's leading trading partner if current rates of increase hold.

The two way merchandise trade has been in India's advantage every year since 2000, though the gap may now be narrowing as an increasingly prosperous India imports more American machinery and technology. The merchandise trade gap of some 11 billion dollars in 2006 in India's favor was almost halved in 2007, as can be seen in Chart 1. This gap is likely to further diminish as India becomes for the first time a significant customer of US military equipment. The Indian military establishment's desire to buy US equipment through the foreign military sales (FMS) route and the US willingness to sell state-of-the-art equipment to India are a convenient convergence of interests, though there is a residue of suspicion in India regarding US reliability as a supplier and in the US about the Indian ability to safeguard its technology. India is now engaged in a comprehensive military modernization program and has been spending about 8 billion dollars a year recently on military imports. Some analysts estimate that India will spend about 60 billion dollars over the next five years on military modernization. Early this year, India signed its biggest defense deal so far with the US with the purchase of six Lockheed Martin C-130 Super Hercules medium transport planes for somewhat more than one billion dollars. Last month, the Indian Air Force opened responses to a global tender of 126 medium multi-role combat aircraft (MRCA) in a deal valued at 10 billion dollars and US firms are among the competitors.<sup>6</sup>

Still another promising area for sales is the Indian Navy. India is now embarked on one of the most ambitious naval building and procurement plans in the world, with 35 ships in the works (see Appendix 1). Among the projects is the seven ship Project 17A Shivalik-class frigate, for which three American companies (Lockheed Martin, Northrop Grumman, and General Dynamics) have been sent the initial requests for information. The Indian Navy is looking at ways to augment indigenous information technology with American assistance, a process that would make inter-operability easier between the navies of the two countries. The US (and others, such as Japan and Korea), are more competitive as the Indians have become increasingly skeptical about the reliability of traditional Russian naval suppliers, and it is looking for alternatives.

So far, however, India has not signed the Communication Interoperability and Security Memorandum of Agreement (CISMOA) – permitting the interoperability with US equipment – that is required for it to receive high-tech equipment. Indian interest in American multirole combat aircraft and the P-8i Poseidon long range maritime reconnaissance aircraft appears to be forcing the country to consider a CISMOA, which would in turn enhance the possibilities of even greater Indian purchase of US military equipment. The Indian press reports that the Indian Government has prepared a CISMOA counter draft to submit to the US this month (June 2008) reportedly so that it can buy these big ticket US items. For the Indian counterproposal to be accepted, the US will probably need focused high level bureaucratic attention similar to the involvement of Nicholas Burns, Undersecretary of State for Political Affairs, on the Civil Nuclear Agreement, where there was similar bureaucratic resistance.

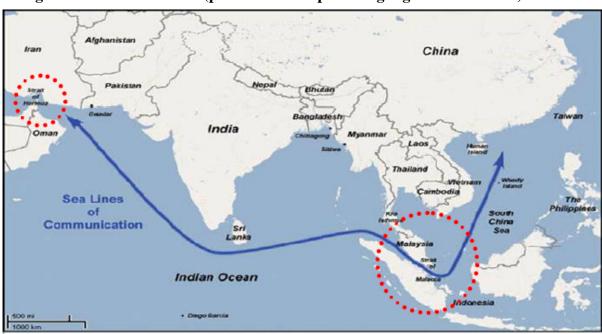
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<sup>&</sup>lt;sup>6</sup> See report of India's growing arms imports in "China, India largest importers of military hardware," *The Economic Times*, June 10, 2008.

The trade volume is in fact larger than the figures noted above because they only include merchandise trade and do not include India's rapidly expanding exports of software and Information Technology services. Much of India's 31 billion dollars of exports in 2007 (and growing recently at about 30 percent a year) have gone to the United States. Indian sources note that the US accounted for over half of India's export markets for information technology and services support. In addition, the US has exported a similar dollar amount of services to India. IT and such support services have created a strong symbiotic linkage between American and Indian companies -- and both gain economically from this ever tighter embrace. It also sets up people-to-people networking clusters that each side can use to expand business opportunities in both countries.

II.) The most promising area for India-US military cooperation is **protection of**Indian Ocean sea lanes and the vital choke points leading from that body of water
(especially Hormuz and Malacca), which is of strategic importance not only to India and
the US, but to the countries of Southeast and East Asia.

Map: Indian Ocean shipping routes connecting the Persian Gulf to East Asia through the Strait of Malacca (potential choke points highlighted in red dots).



The advantages of maritime cooperation are that it is out of public view and managed by professionals, thus making it less susceptible to politically motivated nitpicking. Maritime cooperation enables India to play a more responsible role in world affairs without directly challenging its doctrine of strategic autonomy. Such cooperation also provides the practical lessons that will make it easier to manage future security cooperation between the US and India (and others) on a larger scale when mutual

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<sup>&</sup>lt;sup>7</sup> NASSCOM, Key Highlights of the IT-BPO sector performance in FY 2007-08, available at: http://www.nasscom.in/upload/5216/Strategic\_Review\_Feb2008.pdf. Last accessed June 21, 2008.

interests are at stake. Perhaps the US could build on this naval cooperation to work with India in creating multilateral organizations tasked with safeguarding the sea lanes and its increasingly vulnerable choke points. There is presently a hodgepodge of generally ineffective bilateral and multilateral forums to do so, stymied so far by concerns of littoral states with national sovereignty over adjourning waters and perhaps most importantly, by lack of strong leadership to take the initiative.

There is already a growing record of naval cooperation between the US and India, rooted in a 1995 framework agreement on defense and an expanded version of this in 2005 to reflect the objective on both sides for an increased level of military cooperation. In line with a new willingness to cooperate with the US, India took an unprecedented step in April 2002 by lending support to Operation Enduring Freedom in Afghanistan by using Indian Navy ships to protect US supply ships from threats of terrorism and piracy as they moved through the Straits of Malacca. This was followed by several joint Indo-US search and rescue naval missions as well as the "Malabar" naval exercises off India's west coast. The largest in this series took place in early September 2007 in the Bay of Bengal, off India's eastern coast, and involved ships from Japan, the US, Australia, India and Singapore. These exercises, whose goal was to develop joint strategies to combat terrorism and piracy, included two US aircraft carriers and India's sole aircraft carrier. The US and India have also held periodic air and ground exercises both in the US and in India, one of which involved India's largest strategic deployment of its combat aircraft outside the country during the summer of 2004 in Alaska.

The sea lanes are critically important to India, because about 70 percent of its oil is imported from the Persian Gulf- and this dependence is likely to grow as the Indian economy continues to expand and its own domestic energy resources continue to decline. In addition, almost 95 percent of its expanding trade moves by sea across the Indian Ocean. The other rapidly growing economies of Asia (Japan, Korea and China) are also energy deficient and increasingly dependent on energy imports from the Persian Gulf region. This dependence on the Persian Gulf -- and the sea lanes leading from it -- are likely to grow because this area contains about two-thirds of the world's know oil reserves and a third of the known natural gas reserves. Therefore it is in India's interest to work with the US which, possessing naval and air facilities in the region, has assumed primary responsibility in protecting the sea lanes and the critical Hormuz and Malacca choke points. India has important assets to bring to bear in this effort, besides a growing blue water naval capacity. <sup>9</sup> It has close-at-hand naval and air facilities on the Andaman Islands situated at the mouth of the western approaches to the Straits, and a National Security Guard force created in the mid-1980s for counter-terrorism purposes. India and Indonesia have a bilateral agreement calling for joint patrolling of the western approaches to the Malacca Straits. The Indian Navy conducts regular joint naval exercises with Singapore, Indonesia and Thailand as well as multilateral exercises with several Southeast Asian states.

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<sup>&</sup>lt;sup>8</sup> For a description of these military exercises, see Robert O. Blake, "US-India Relations: The Making of a Comprehensive Relationship", an August 23, 2004 speech released by the US Embassy in India. (Ambassador Blake) was at that time the US Charge in New Delhi.)

<sup>&</sup>lt;sup>9</sup> See Appendix 1 for a chart of the Indian fleet disaggrated by ship types.

From the US perspective, India (possessing the only indigenous blue water capacity in the Indian Ocean and strategically located – a huge peninsular that juts down 1500 miles into the middle of that body of water) is a logical candidate to play a role in protecting the Indian Ocean sea lanes. Around the broad swath of Indian Ocean littoral states from east Africa to Indonesia on the east, it is the most politically stable country in a very unstable and strategically important area. Such cooperation would be aimed at the most imminent threats: piracy and terrorism. Most vulnerable would be the choke points. Malacca, for example, handles some 70,000 merchant vessels transporting over 20 percent of the world's seaborne trade and over one third of the world's crude oil shipments. The area around the 500 mile long Malacca Staits is subject to escalating piracy and harbors several terrorist organizations. The ultimate terrorist act, taking a leaf from the 9/11 attack on the US, would be the sinking of hijacked ships in busy channels or at the entrances of major ports. Such an interruption and a prolonged standstill in the Malacca Straits would force shipping to be re-routed through the distant Sunda and Lambok Straits, adding 1.5 sailing days, slowing movement and adding to already high insurance rates for ships in these waters.

India's security strategy of "leveraging", which depends on a good III) relationship with US, gives the US a "leveraging" power on India. The end of the Cold War gave India an opportunity to break out of the narrow "nonaligned" straitjacket that hampered its ability to protect Indian interests even in South Asia. It almost immediately began to pursue a much broader set of relations with the US, China, Japan, Korea, the European states, and a broad range of other states. Good relations with the great powers, especially the US- the remaining superpower and the strongest power in Asia- offered India the potential to achieve its two major strategic objectives: enhance its international influence and gain leverage with the great powers. <sup>10</sup> Perhaps the most important strategic advantage for India is that it now has the potential to move incrementally closer to the US, should the Chinese take steps that are viewed as threatening- and thus reduce the chances of China taking threatening moves. The importance of the US to Indian strategy also gives the US some leverage with India, and there are several areas where the US could make use of this to push its interests in Asia. Examples of this might be nudging India to support multilateral initiatives aimed at discouraging Iran from developing nuclear weapons, demonstrating greater sensitivity to Pakistani concerns regarding its fears of an Afghan-Indian alliance directed against it, taking a more proactive role in moves to create multilateral bodies that could safeguard shipping to Indian Ocean sea lanes and through its choke points.

While Indian relations with China presently are generally good as it is India's second largest trading partner (with trade presently at a 25 billion dollar level and growing at 40 percent a year), there is a lively debate in India regarding the consequences of a rising China acknowledged to be stronger militarily and economically. Fueling this Indian concern are several issues, most prominently the glacial pace of negotiations on 40

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<sup>&</sup>lt;sup>10</sup> Mohan, 2006.

<sup>&</sup>lt;sup>11</sup> For a much more comprehensive view of the India-China relationship, see my "Rise of India and China and its Impact on Asia", a paper given at the May 24<sup>th</sup> - 28<sup>th</sup> Shanghai Forum, and published in the proceedings of the Forum.

year old border disputes, Chinese efforts to limit Indian participation in Asian multilateral organizations, and what Indians view as deliberate border incursions along the sensitive northeastern areas of dispute- the most recent of which took place a few days ago. Moreover, the two compete for oil and gas as well as for trade along the Indian Ocean littoral. Indians are particularly concerned that China may begin to use the "string of pearls" (a set of naval facilities along the Bay of Bengal and the Arabian Sea with possible military use, and constructed with Chinese assistance) for military purposes. This concern is prompted by the possibility that the Chinese, to safeguard energy sources in the Persian Gulf region, might turn these facilities into forward bases that could threaten the Indian homeland and might use them to nudge local states into supporting Chinese policies that undercut Indian policy. Perhaps the best response to this possible development, within US interests, is to involve the Chinese in multilateral efforts to safeguard the Indian Ocean sea lanes and its choke points.

There is, however, an important caveat to India's policy of leverage: it works only as long as the Indo-US relationship is not perceived in China as a military alliance directed against it. It also works only if relations between the US and China remain cordial. The Indians recognize that China possesses leverage possibilities against India in South Asia. China could try to draw India's South Asian neighbors (who have a record of trying to play China against India), closer to itself. If the US-China relationship turns sour, India almost certainly would try to stay neutral and work to bring about a reconciliation.

US-India efforts to move closer on security issues was set in motion, ironically, by the May 1998 Indian nuclear tests. These tests prompted the US to begin a series of talks between US Deputy Secretary of State Strobe Talbott and Jaswant Singh, Indian External Affairs Minister and confidant to Prime Minister Atal Bihari Vajpayee, that moved beyond nuclear issues and set the groundwork for a significant improvement in the bilateral relations. 13 The greater cordiality and trust was to lead first (in the late 1990s) to American willingness to deal with India as a nuclear weapons power, and then (2007) to an American proposal (backed by strong bipartisan congressional support) that would make India an exception to US nuclear nonproliferation law that had denied India access to nuclear fuel and nuclear technology because it was not a signatory to the 1970 Nuclear Nonproliferation Treaty. This denial regime complicated US efforts to draw India closer to itself strategically, and had stood in the way of Indian involvement in international nonproliferation regimes. The US simultaneously moved incrementally away from a policy of equating India and Pakistan, a stance that had been a major stumbling block in the relationship with India. This approach had long outlived any usefulness it might have had, as it totally overlooked the disparity in national capabilities,

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<sup>&</sup>lt;sup>12</sup> For a good study of Indian concerns, see Ashley Tellis, "China and India in Asia" in Francine R. Frankel and Harry Harding (eds.) *The India-China Relationship: What the United States Needs to Know*, (Washington D.C: The Woodrow Wilson Center Press, 2004).

Strobe Talbott has provided an excellent analysis of these talks in *Engaging India: Diplomacy*, *Democracy, and the Bomb*, (Washington D.C., Brookings Institution Press, 2004), a book he wrote several years later. A key result of those talks was India's acknowledgement that the US was not seeking to prevent India from playing a more important role on the international stage.

the greater contributions India could make to US objectives in Asia, and the potential threat of China to India.

The nuclear deal, offered to India and not Pakistan, underscores the US policy of separating its policy toward the two South Asian Powers. There is, however, a caveat: US policy toward India does affect Pakistan's perception of its security. The US, as noted elsewhere, needs to use its newfound standing with India to encourage it to take a conciliatory policy towards its western neighbor, which would make Pakistan more likely to shift more of its security forces to the turbulent western borderlands that harbor the Taliban and al-Qaeda.

India, recognizing the importance of the US to its security, has taken concrete steps to build a security relationship with the US: naval support for US transport ships supplying Operation Enduring Freedom in 2002, periodic joint military excercises outside the UN framework, Indian participation with the US Navy (and those of Australia and Japan) in the 2004 tsunami relief efforts, a defense framework agreement in 2005 that envisaged substantial Indian purchases of US military equipment and joint military exercises, and Indian votes with the US (twice) against Iran in the International Atomic Energy Agency.

While the government of Prime Minister Manmohan Singh bargained hard for the nuclear deal, it may be a casualty of domestic Indian politics. The Communist Party Marxist, whose support is needed to help keep his coalition government in power, have threatened to force new elections if the government signs an India-specific agreement with the International Atomic Energy Agency (IAEA), one of the several steps required before the negotiated agreement with India comes back to the US Congress for action. The nuclear deal would be useful for the overall relationship, but not critical. The relationship with India has advanced to the point that a collapse of the deal would not jeopardize the relationship and not stall moves to advance it in other areas. India is too large, too prosperous, and too strategically located for this to happen. Nonetheless, the lack of Indian action would likely make a future American administration cautious about expending political capital for something comparably innovative and far reaching as the proposed nuclear deal.

## Recommendations:

(1) Recognize that a security relationship with India – which New Delhi wants – will be different in that India will not permit itself to be militarily dependent on the US and will cooperate on security issues with the US only when there is a significant threat to Indian security interests. This Indian caution is reflected in its reluctance so far to sign a logistics support agreement (LSA), allowing the refueling of aircraft and ships in each other's ports, because of concerns in India that this would undermine Indian policy of not allowing foreign troops on its soil.

- (2) Push for a memorandum of understanding on cooperative naval operations to safeguard the sea lanes of the Indian Ocean and critical choke points like the Straits of Malacca and the Hormuz Straits (either bilateral or on a broader multilateral level) to address mutual interest in anti-piracy, counter-terrorism, search and rescue, and humanitarian assistance. This would respond to a virtual absence of such comprehensive institutional mechanisms that would benefit India, the US and other users of these critical sea lanes. It might also prompt India to sign a Proliferation Security Initiative (PSI) which calls for boarding and searching merchant vessels with suspicious cargo in international waters or to be affiliated with Task Force 150, a multinational task force which pursues vessels as part of the US-led war on terror. India's reluctance to join so far has been because the initiatives are not UN-authorized.
- (3) Enhance the scope and depth of military-to-military interaction by increasing the budget for Indian officers to participate in international military education and training (IMET), to increase the level and complexity of joint army exercises to the brigade level (from the present company level) for greater interoperability that would be useful for joint activities in a crisis, and to encourage co-development projects that allow the US and Indian defense industry to collaborate in the development stages of specific Indian weapons programs (i.e., missile defense and over-the-horizon radar) that would also enhance interoperability and possibly sales of US equipment.
- (4) Support India as a permanent member of the UN Security Council. This proposal, which has virtually universal support across the Indian political spectrum, would generate enormous good will for the US and go a long way to reduce the suspicion that is a residue from the Cold War period. This step recognizes the present imbalance on the Council for Asia, acknowledges India's growing importance as an economic and military power on the world stage, and would encourage India to assume more global responsibilities befitting the size of its population and economy.
- (5) Encourage India to remove restrictions on investment from the US. A prime example is the restriction on investment in the multi-brand retail trade (where American firms are competitive) to bolster infrastructure development of supply and distribution chains. This would help reduce inefficiencies within India's own distribution system, which is a significant drag on the country's economy. There are also similar restrictions on insurance and financial services that stand in the way of investment from the US. Indian regulations make it similarly difficult for collaborative relationships between US and Indian educational institutions.

**APPENDIX 1: Indian Navy Surface Fleet (December, 2007)** 

TYPE OF VESSEL	CLASS OF VESSEL	FLEET STRENGTH
Aircraft Carriers	Indigenous Aircraft Carrier	1 being built + 1 more projected
	Kiev Class	1 [in refit]
	Centaur Class	1 in service
Guided-Missile Destroyers	Project 15A {Kolkata} Class	1 launched + 3 more planned
	Type 15 Delhi Class	3 in service
	Rajput Class	5 in service
<b>Guided-Missile Frigates</b>	Project 17A Class	7 projected
	P17 (Shivalik) Class	3 launched
	Modified Krivak III Class 2 being built + 1 on order	
	Talwar {Krivak III} Class	3 in service
	Type 16A Brahmaputra Class	3 in service
	Type 16 Godavari Class	3 in service
Guided-Missile Corvettes	Project 28 Class	1 being built + 3 more ordered + 8 more planned
	Type 25A Kora Class	4 in service
	Type 25 Khukri Class	4 in service
	Veer {Tarantul I} Class	12 in service
Frigates	Nilgiri {Leander} Class	4 in service
Corvettes	Abhay {Pauk II} Class	4 in service
Large Patrol Craft	Naval Offshore Patrol Vessel	2 being built + 1 on order
	Sukanya Class	6 in service + 1 sold to Sri Lanka
	<b>Seaward Defence Boats</b>	6 in service

Fast Patrol Vessels	Car Nicobar Class	2 being built + 8 on order
	Super Dvora Mk.II Class	5 in service + 2 being built
	Bangaram Class	4 in service
	Trinkat Class	2 in service
Amphibious Warfare Vessels	Austin Class	1 in service
	Shardul Class	1 in service + 2 launched
	Mk.3 Landing Craft	8 in service
	Polnochny C/D Class	5 in service
	Magar Class	2 in service
Replenishment Tankers	Jyoti Class	1 in service
	Aditya Class	1 in service
	Deepak Class	1 in service
Mine Countermeasures Vessels	Class Unknown	8 ordered
Minesweepers - Ocean	Pondicherry (Natya 1) Class	12 in service
Survey Vessels	Makar Class	2 in service
	Sandhayak Class	8 in service
Transport Ship	Nicobar Class	2 in service
Research Vessels	Sagardhwani Class	1 in service
Diving Cumpert Vessel	Nireekshak Class	1 in service
Diving Support Vessel	Mireeksnak Class	i ili sei vice
Training Vessels	Tir Class	1 in service
	Leander Class	1 in service
Sail Training Vessels	Varuna Class	2 in service
Oilers	Ambika - Diesel Oiler	1 in service
Ocean Tug	Gaj - Ocean Tug	1 in service

	Matanga Class	1 in service
Harbour Tug	Bhim Class	5 in service
	Class Unknown	13 in service
Support Tankers	Poshak Class	6 in service
Water Carrier	Class Unknown	2 in service
Hospital Ship	Class Unknown	1 in service
Torpedo Recovery Vessel	Class Unknown	2 in service
Diving Tender	Class Unknown	3 in service

Source: Bharat Rashak, http://www.bharat-rakshak.com/NAVY/Surface.html. Last accessed June 21, 2008.