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## UNIT 7 USA & EUROPEAN UNION

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### 7.1 INTRODUCTION

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Among the several major powers of the world in the contemporary international system, the United States and the European Union stand apart. The United States is the only superpower of the world after the collapse of the USSR. It has the military capabilities to destroy the entire world and it is also the most affluent country in the world. The European Union (EU) is one of the largest economic blocs in the world. Its combined economy is comparable to that of the United States. It has also two nuclear weapon powers—Britain and France—as its members. So theoretically, the European Union has both military muscle and economic prosperity. What is significant is that many of the members of the European Union have been members of the North Atlantic Treaty.

India's relations with the United States have not been as cordial as was expected of two largest democracies in the world. However, since the end of the 20th Century the two countries have moved closer to each other; though the U.S. continues to be soft towards Pakistan with which India, despite its best efforts, has not been able to establish normal friendly relations. India has gradually developed close and friendly relations with the European Union. Both the sides have shown keen interest to increase their mutual trade, and the India-EU Summits that began in June, 2000 may soon bring the expanding EU and India closer both economically and politically.

This Unit analyses India's eventful relations with the United States, as also growing cooperation between India and the European Union and also between India and the several individual member countries of the EU.

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## 7.2 PART I: INDIA'S RELATIONS WITH THE UNITED STATES

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India and the United States are widely recognised as the world's largest and the most powerful democracies respectively. The relationship between these two countries is thus one of the most fascinating interactions witnessed in the relations among nations. The added significant features are marked by the fact that India is one of the oldest civilisations in the world, whereas the United States is relatively a younger civilisation. However, in terms of statehood experience, it is the US, which is considerably older than India. When India took birth as a newly independent country in 1947, the US was already more than a century and a half old. And by the time of Indian independence, it had emerged as a global superpower. Factors related to civilisation, statehood and governance thus made the relations between India and the US as one of the most complex bilateral relations in world history. Soon after independence, India chose not to join any of the two power blocs, and adopted the policy of non-alignment.

As and when the US promoted the formation of military blocs and security alliances, India vehemently opposed them. India was particularly critical about the formations of South East Asia Treaty Organisation (SEATO) and Central Treaty Organisation (CENTO). These two organisations brought Cold War to India's door-steps with Pakistan becoming an active member in them.

As the alliance politics conditioned the US thinking on a series of political events and armed conflicts around the world and non-alignment conditioned the Indian thinking, New Delhi and Washington differed on majority of such issues. The Cold War-related political divergences between India and the US were particularly visible and pronounced on issues related to decolonisation of colonial territories, the Korean War, Vietnam War, Suez crisis, Hungarian Crisis, Czechoslovakia Crisis, and the People's Republic of China's membership in the United Nations. However, India and the US also strongly differed on certain issues related to India's national security. These were the Kashmir problem, American arms transfer to Pakistan and the nuclear issues.

- *Kashmir Problem:* The Kashmir problem began with the Pakistan backed tribal invasion of Kashmir in 1947. As the Maharaja of Kashmir agreed to Kashmir's accession to India and requested the Indian military help, the first war between India and Pakistan began soon after India's independence. The US failed to recognise Pakistani aggression, imposed arms embargo against both India and Pakistan and supported the UN Security Council resolution that did not condemn aggression. India complained that the US equated the victim with the aggressor through its policy. The US took a similar stand during the second Pakistani aggression on Kashmir in 1965. The US tilt towards Pakistan in the third round of Indo-Pak war in 1971 was an act of hostility towards India. But after the Indian victory in the war, the US began to support the Simla Agreement, which called for the resolution of the issue through bilateral dialogue. Nonetheless, Washington continued to view Kashmir as a disputed territory and did not accept the Indian point of view that it was an internal affair of India.
- *US Arms Transfer:* Six years after the first Indo-Pakistan war, the US signed a Mutual Defence Agreement with Pakistan in 1954. It signed another agreement in 1959 on military

cooperation. And in between, Pakistan had joined the SEATO and CENTO. Consequently, Pakistan received millions of dollars of military assistance from the United States. A substantial amount of that assistance was spent by Pakistan in procuring advanced weapons from the US. India, time and again, brought to the notice of Washington that its arms transfers policy encouraged arms race in the subcontinent and generated regional instability. Washington assured India that the US-supplied weapons to Pakistan were meant to contain communism rather than to be used against India. However, Pakistan did use those weapons during its war against India.

- *Nuclear Issues:* The nuclear issue came to dominate India's relations with the US ever since China went nuclear in 1964. Washington suspected that India would follow China and detonate its own bomb sparking off further proliferation of nuclear weapons. The US, along with several other countries soon started a process to deal with proliferation, which culminated in the signing of a Nuclear Non-Proliferation Treaty in 1968. India refused to be a party and opposed this treaty on the ground of its in-built discrimination against non-nuclear weapon states. It sought to prevent others from going nuclear, while allowing vertical nuclear proliferation by five nuclear weapon states—the US, USSR, Britain, France and China. Disregarding this discriminatory document, India conducted a Peaceful Nuclear Explosion (PNE) in 1974. It created yet another round of political hostility between India and the US, since India did so after about three years of defeating Pakistan in 1971 War and in the midst of American decline indicated by US withdrawal from Indochina.

Notwithstanding the military distance and political differences between India and the US during the Cold War, the two countries had good working relations in other areas. New Delhi and Washington never perceived each other as enemies. In fact, when Sino-US détente coincided with Indo-Soviet friendship and cooperation in early 1970s, the political distance between India and the US further widened. But even this development did not lead to a serious fracture in the bilateral relationship. India had been a recipient of American food assistance during drought and famine and token economic assistance through the Cold War years. The US did use food aid as political weapon occasionally creating resentment in India, but there is little doubt that India benefited from the US assistance as well.

## **7.2.1 Evolving Ties under a Cold War Climate**

India's entry into the international community of nations as an independent political entity almost coincided with the spread of the Cold War between the two erstwhile superpowers—the United States and the Soviet Union. As the two superpowers clashed and competed for spreading their influence around the world, India was faced with a Hobson's choice to take sides in the Cold War. Prime Minister Jawaharlal Nehru decided against making a choice and announced a policy of Non-Alignment. This policy challenged the ethical basis of the Cold War, aimed at preventing the Cold War and sought to adopt a policy that would facilitate India's friendly relations with both the US and the USSR. Nevertheless, at times the Indian position was disliked by the U.S. and it went out of the way to support Pakistan and adopted anti-India posture.

## **7.2.2 Relations after the End of Cold War**

Although there was a relaxation in the Cold War since the mid-1980s with the rise of Gorbachev

to power in the former Soviet Union, the Cold War practically came to an end with the disintegration of the Soviet Union in December 1991. India's relations with the US had considerably improved during the relaxation of Cold War, but the collapse of the Soviet Union brought in unprecedented uncertainties to international relations, including Indo-US relations.

With the US emerging as the only superpower in the world, there was little doubt that it would not be able to give attention to its relations with India at this time of great transition in world affairs. Some analysts argued that South Asia was an area of low priority during the Cold War and it was unlikely that it would get any high priority in the new context of the post-Cold War era. In fact, as Bill Clinton became the first post-Cold War US president, India found its relations with that country in doldrums. The new Assistant Secretary of State Robin Raphel, who was in charge of South Asia, created new irritants in the Indo-US relations by challenging the legal validity of Kashmir's accession to India. India was also put on the watch list of the US Commerce Department under the Super 301 Clause of the Omnibus Trade Act. The only strategic comfort for India was that both Pakistan and China had lost their strategic relevance to the US in the aftermath of the Cold War.

### **7.2.3 Beginning of a Change**

While the Clinton administration was dealing with the emerging challenges of the post-Soviet world, the American think tanks were aware of the importance of crafting a new approach to US-India relations. The Asia Society and the Carnegie Endowment for International Peace brought out reports indicating the need for an intense and cooperative relations between the US and India. Two developments influenced the American debate on India's policy. First, India had embarked on a policy of economic liberalisation months before the disintegration of the Soviet Union. The economic openness was bound to enhance the attractiveness of the Indian market with a huge middle class to foreign business community. The second development was president Clinton's emphasis on the economic issues in the US post-Cold War foreign policy initiatives.

In the backdrop of all these events, the US Commerce Department identified ten big emerging markets in the developing world that would facilitate American trade and investment. India was considered to be one of such emerging markets. Prime Minister Narashimha Rao first took the initiative to reshape India's relations with the US and visited Washington in May 1994. The economic issues dominated his agenda and he called for enhanced ties in the field of trade and investment between India and the US. In November 1994, the US Undersecretary of Commerce Jeffery Garten visited India to prepare the ground for the visit of US Commerce Secretary to India. Visiting India in the third week of January 1995, Commerce Secretary late Ronald Brown signed a Memorandum of Understanding with the Commerce Minister Pranab Mukherjee to create a "commercial alliance" between the two countries. It was to be a super forum for consultation to facilitate closer business ties between the two countries. Chief Executives of 25 big corporations had accompanied Brown who concluded 11 business deals with India in four days of his stay. Since that time, economic factors have brought India and the US together. The US has become the largest source of foreign investment and the largest destination of the Indian exports.

### **7.2.4 Defence Cooperation**

The most significant change in the Indo-US relations in the post-Cold War era, however, is the increasing defence cooperation between the two countries. Cooperation in this field was almost a taboo in the Cold War days. The first milestone in this direction was laid by a visit to India by the US Defence Secretary William Perry in early 1995. He signed “Agreed Minutes on Defence Cooperation” with his Indian counterpart paving the way for bilateral security cooperation to deal with the post-Cold War uncertainties. Although it did not signify making of an alliance, it opened up a hitherto closed avenue for cooperation at least in principle.

This agreement in the backdrop of US-Pakistan strategic differences was a significant security scenario in the subcontinent. Pakistan had been reeling under the American sanctions under the Pressler Amendment since 1990. Although the Brown Amendment gave a one-time waiver to the Pressler Amendment, Islamabad had lost all its strategic relevance to the US since the withdrawal of the Soviet troops from Afghanistan.

## **7.2.5 Pokharan II & After**

Increased economic cooperation and beginning of defence cooperation between India and the US did not mean that the two countries had no differences in the post-Cold War era. The Kashmir issue, now complicated by Pakistan sponsored cross-border terrorism, continued to haunt the Indo-US relations. India expected the US to declare Pakistan as a terrorist state. Washington refused to do that despite adequate evidence provided by its own intelligence community and the Indian Government. Simultaneously, some US legislators continued to raise the issue of human rights violation in Kashmir generating unease in India.

The differences over the nuclear issues also continued, as the Clinton administration adopted a policy of “cap, freeze and roll back” of nuclear programmes of India and Pakistan. India had broadly four grievances against the US non-proliferation policy. First, Washington kept on providing military and economic assistance to Pakistan in the 1980s amidst intelligence reports about Islamabad’s quest for a nuclear weapon capability. As and when the Pressler Amendment was imposed, it was no punishment since Pakistan had already acquired nuclear weapon capability. The amendment required the US president to certify that Pakistan did not want to possess nuclear weapons (or nuclear weapons technology) before US aid could be released to that country. Moreover, the Clinton Administration was instrumental in the enactment of the Brown Amendment by the US Congress, which diluted the effect of the Pressler Amendment and amounted to rewarding a proliferator. India also accused Washington of inaction in the face of Indo—Pakistan cooperation in WMD programmes. Secondly, Washington, while showing laxity on Pakistani nuclear weapons programme, took a hard line on India’s indigenous nuclear and missile programmes. It scuttled the cryogenic rocket engine deal between India and Russia. Thirdly, the US occasionally made common cause with China to address the South Asian nuclear issue, while India felt that China’s nuclear weapons were part of the problem of proliferation in the region. Finally, the US failed to appreciate the Indian sincerity to back a truly non-discriminatory comprehensive nuclear test ban treaty and once again sought to craft a discriminatory document to target, among other things, Indian nuclear programme.

In the midst of the perceived discriminatory US non-proliferation policy and nuclearisation of India’s security environment with rising cooperation between China and Pakistan on nuclear weapons programmes, New Delhi conducted a series of nuclear tests in May 1998. Known as



Pokharan II tests, it heralded the open nuclear age in South Asia, as Pakistan also followed Indian footsteps and conducted several nuclear tests of its own. The United States imposed comprehensive sanctions against the nuclear tests and Indo-US relations came to pass through a sky of dark clouds. Although India voluntarily declared that it was not going to conduct any more tests, the US continued pressurising India to sign the NPT and CTBT.

## **7.2.6 Relations in the New Millennium**

The dark clouds over the Indo-US relations however, did not have a prolonged existence. It was soon realised by the Clinton Administration that the nuclear developments in the subcontinent could not be reversed. The American sanctions, the Asian economic meltdown and a period of global recession could not prevent the commendable growth of Indian economy. Washington saw positive benefit in engaging an economically vibrant, democratically stable and militarily powerful India. President Bill Clinton visited India in March 2000 and laid the foundation of a new relationship between the two countries.

The American position on the Kargil War between India and Pakistan in mid-1999 had removed yet another irritant in Indo-US relations and president Bill Clinton was heartily welcomed in India. New Delhi had appreciated Clinton's pressure on Pakistan to stop its misadventure in the Kargil Sector of Kashmir in 1999 and Washington had praised India's restraint in not crossing the Line of Control (LoC) and responsible conduct of the Kargil war. By visiting India for five days and Pakistan for four hours, Clinton made it clear where American stakes lay in the new millennium. The Indian and the American officials signed several cooperative agreements during Clinton's visit and one of the most significant developments was a joint vision statement on the future course of the relationship.

As Bill Clinton came to India at the fag end of his presidential career, some analysts argued that Indo-US relations would once again enter the uncharted waters after the next presidential election. But as history is now witness, the victory of the Republican candidate George W Bush in the 2000 presidential election took the relationship to the new heights. President Bush considered China a strategic competitor and India a democratic strategic partner. India, in his view, is a major world power and the US-Indian relations would be important to maintain Asian and global stability in the 21<sup>st</sup> century. India's quick support to Bush's concept of national missile defence (NMD) surprised the whole world. But it symbolised the birth of a new and more intense strategic relationship between India and the US.

## **7.2.7 September 11 and After**

As Indo-US relations kept improving and the Bush administration was about to lift nuclear-related sanctions from India and at the same time the US-Pakistan strategic distance was widening, terrorist strike on the US on 11 September 2001 shook the entire world. India declared unconditional support to the US war against terrorism. But when Bush decided to make Pakistan a frontline state in his war against global terrorism, doubts were again expressed about the future cooperative ties between India and the US. The growth of the terrorist strikes in India, especially on Kashmir legislature in October 2001, and the futile attempt by Pakistan-backed terrorists to storm the Indian Parliament on 13 December 2001 created complications in the Indo-US relations.

Washington considered Pakistan's support crucial in its war against terrorism and failed to restrain Pakistan from continuing its cross-border terrorism against India. Mobilisation of troops along the border by India and Pakistan in the wake of 13 December event and Washington's call for Indo-Pak dialogue was interpreted in India as America's double standard in dealing with terrorism. Meanwhile, India had also snapped air, rail and bus links with Pakistan.

However, India decided to pull its troops back and normalise the situation along the border after successfully making the international community aware of cross-border terrorism in Kashmir. This policy also removed an American worry over a full-scale war in the subcontinent, which could escalate into a nuclear war. The developments in Iraq, which led to the American military action against Iraq was another issue that created a little political hiccup in the Indo-US relations. The US did not accept in good spirit the Indian Parliament's unanimous resolution calling for ending the war and the withdrawal of the US and coalition forces from Iraq. India later refused to send its troops to Iraq for its stabilisation, on the ground that there was no UN request for the deployment of the Indian troops, and that the Indian troops could not function under the command of anybody (meaning US). India would consider the issue as and when the UN called for it.

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## **7.3 INDIA'S RELATIONS WITH THE EUROPEAN UNION**

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The European Union is today one of the world's most successful regional organisations. It is the largest trade bloc in the world, accounting for about one-fifth of the global trade. It is a major market for the developing countries and a major source of development assistance for them too.

Two of its member states, France and UK, are nuclear powers and permanent members of the UN Security Council. Another country—Germany—is one of the strongest candidates for membership once the Council is expanded. Four EU countries are members of the G-8 and all are among the most advanced economies in the world today.

The Treaty of Rome, which established the European Community, in March 1957 finally culminated through a long process of evolution in the creation of, what is today known as the European Union. The European Union was the outcome of European nation's desire to minimise trade barriers and travel restrictions, and to have a common currency. This may eventually pave the way for a political union.

While the North Atlantic Treaty Organisation (NATO) was to take care of military and security problems, the EC (now EU) was to concentrate on economic and commercial cooperation among the member states. However, the two structures were ultimately meant to deal with the issues of the larger Cold War politics.

The members of the erstwhile EC were in the US-led Western camp during the Cold War. While the EC struggled for a common political and foreign policy platform, it was clear that neither the organisation nor some of the members individually would forge cooperation with India, which followed a non-aligned foreign policy. Secondly, as long as Britain was not a member of the EC, the then EC members always considered South Asian issues, including that of India as largely an area of British and American influence and took little interest in them. It was only when Britain joined the EC in 1973 that the foreign policy outlook of this organisation encompassed the South Asian and Indian affairs to some extent. It all began with the signing of a Commercial Cooperation

Agreement between India and the EC in 1973. Thirdly, India's mixed economic system and socialist rhetoric and massive economic problems left little for substantive economic interactions between India and the EC. However, India was one of the first Asian nations to accord recognition to the European Community in 1962 while initially, India's contacts with the Community were limited

to economic and commercial links on the basis of the Community's competence. As the Community took on a political dimension as well, India decided to establish a closer political relationship with it. All the members of the EC were democratic countries and the vibrant Indian democracy had no major problem in interacting with them. Accordingly, in 1983, it was agreed to formally institute the India-EC political dialogue. There are several institutional mechanisms that foster India-EU relations: India-EU Summit Meeting, India-EU Troika Ministerial Meeting, Senior Official Meetings, India-EC Joint Commission, India-EU Joint Working Group on Terrorism, India-EU Joint Working Group on Consular Affairs, India-EU Round Table etc.

But as in domestic politics in democracies, there always remain differences over political issues. India and the EU are no exception to it.

### **7.3.1 Political Differences**

There were broadly three areas of political differences between the EC and India till 1993, and between the EU and India since 1993 (it was since 1 November 1993 that the EC came to be known as the EU). They are the Kashmir issue, the Nuclear issue and the issue of Human Rights.

During the formative years of the EC, the member states considered the Kashmir issue as a dispute to be handled by the Americans and the British. But subsequently, especially after the conclusion of the Simla Agreement, the EC sought to take an even-handed approach towards India and Pakistan. After the emergence of militancy and terrorism in Kashmir, the EU expresses concern about terrorism, but simultaneously shows its disquiet about the handling of the situation by the Indian security forces. The language of the statement issued by the organisation is carefully crafted to "deplore the continuing violence and abuse of human rights in Kashmir" and to call for resisting the terrorist forces in ways that would not neglect "full respect for human rights and the rule of law".

In other words, it tries to avoid taking a stand that would raise irritants in its relations with either India or Pakistan. But India does not appreciate the lack of adequate EU response to the deadly menace of terrorism and tries to urge the EU to take a stronger position on the issue. The terrorist strike on the US in September 2001 could have awakened the EU to the dangers of Pakistan's role in abetting terrorism across the border, but Pakistan soon became a front-line state in the US-led war against terrorism. Consequently, India's appeal to the international Community, including the EU to take a harder look at terrorism in Kashmir appears to have fallen on deaf ears.

India and the EU also differ on the issue of the human rights question. The EU often raises the question of violation of human rights in Kashmir in its dialogue with India. India feels that the EU reaction does not take into account the gross violation of human rights by the terrorist outfits and does not take note of the compulsions and limitations of the security forces while dealing with the terrorist violence.

The third major area of political differences between the EU and India is on the question of



nuclear proliferation. All the members of the EU are signatories to the Nuclear Non-Proliferation Treaty (NPT). India considers the NPT a discriminatory document. India and the EU also differ on the question of signing the Comprehensive Test Ban Treaty (CTBT). The EU desires India to sign both the NPT and the CTBT. India instead went ahead and conducted a series of nuclear tests and declared its status as a nuclear weapon power in May 1998. The EU strongly condemned the Indian nuclear tests, but unlike the US and Japan, refrained from imposing any sanctions. However, it made common cause with the G-8 and the UN Security Council in urging nuclear restraint in South Asia. Later, however, some individual members of the EU clearly stated that it was India's sovereign right to decide how to ensure its security.

### **7.3.2 Economic Cooperation**

While the European Union has been striving hard to evolve a common foreign and security policy than its predecessor—the EC and seeking a political role too in international affairs, it is the economic clout of this organisation that is key to its existence and growth. In a globalising world, politics cannot be separated from economics and the EU has realised that it has to have a larger political role even in its economic strategy in the context of the post-Cold War era.

Consequently, it has opened up lines of political communications with a large number of countries including India in recent years. The idea is to enhance bilateral understanding and comprehend the complex politico-security issues with those countries the EU members are increasingly interacting with.

India's primary interaction today with the EU, however, is economic and not politico-security issues. India formalised its bilateral cooperation with the EC in 1973 and 1981 and third such agreement was signed in 1994. The 1994 agreement was important in the emerging context of the evolution of the EU and India's policy of economic liberalisation since 1991. With the new opportunities provided by India's economic liberalisation and the EU's search for a new relationship with the Asian countries, Indo-EU economic interactions became very dynamic and vibrant in the 1990s. The EU today is India's largest trading partner, biggest source of foreign direct investment, major contributor of developmental aid, important source of technology and home to a large and influential Indian diaspora.

The EU-India trade has experienced a steady growth in volume and diversity since 1993, with a third of Indian exports reaching the EU destinations. Bilateral trade was approximately Euro 25.02 billion in 2001. It accounts for 26 per cent of our exports and 25 per cent of our imports. However, India is the EU's 17th largest supplier and 20th largest destination of exports.

India's trade still lies in its traditional exports like textiles, agricultural and marine products, gems and jewellery, leather, and engineering and electronic products. Some sectors like chemicals, carpets, granites and electronics are, however, showing considerable growth since the last five years. Indian imports have been dominated by gems and jewellery, engineering goods, chemicals and minerals. The EU is one of the major sources of foreign direct investment for India, with countries like the UK, Germany, France, Belgium, Italy and the Netherlands accounting for a large proportion of the investment. FDI flows from the EU to India amounted to Euro 1.1 billion in 1999 while FDI from India to EU was Euro 69 million.

On the positive side of economic interactions, the pattern of EU investment in India has shifted towards the infrastructure, mainly power and telecommunications developments. The EU has also a substantial stake in the industrial machinery, transport, electrical and electronics, textiles, chemicals and consultancy sectors. Significantly, the European Commission has a large number of development-oriented programmes in India, with education, health and environment as priority sectors. The main objective is to enhance human development by providing assistance for projects, which benefit the economically weaker and deprived sections of the society.

### **7.3.3 Economic Limitations**

It is nonetheless clear that the European Union is more important for India than the other way around. There are several limitations faced by India in its economic interactions with the EU.

- First of all, there is an asymmetrical trade relationship between India and the EU. Although the EU happens to be India's largest trading partner, India is yet to become an important target of EU's trade, especially imports, and accounts for a little over 1 per cent of EU imports.
- Secondly, the EU is yet to make India an important investment destination. India accounts for less than 1 per cent of EU's global investments and its investment in India actually got reduced in the 1990s with the rise of the new economies in Western Europe and Central Asia.
- India has not been able to take advantage of the vast EU market, as more than 70 per cent of its exports are concentrated in only four member countries, such as UK, Germany, Italy and Belgium-Luxembourg.
- Indian exports, moreover, are concentrated in a few resource-based items such as textiles, leather and pearls.

### **7.3.4 Trade Disputes**

India faces considerable problems in enlarging its exports market in the EU because of a series of barriers imposed by the EU. First of all, Indian exports of items such as textiles, footwear and clothing face double disadvantage in the form of high tariff as well as some non-tariff barriers. Of late, high tariff barriers are being reduced periodically, but protectionism is being practiced through the imposition of several non-tariff barriers. Indian exports to the EU face a spate of non-tariff barriers in the form of health, sanitary and phyto-sanitary standards. Quantitative restrictions under the Multi-Fibre Arrangement (MFA) have been imposed on Indian textiles since 1972. Technical barriers have also been recently erected in the form of greater harmonisation of technical standards and regulations. There are also labour and environmental standards on goods and anti-dumping measures, which have led to effective protectionist measures in the EU adversely affecting India's trade.

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## **7.4 SUMMARY**

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The Indo-US relations during the Cold War were full of stress and strain due to the differing approaches to security issues. The US favoured an alliance strategy, while India followed a non-aligned strategy.

The bilateral relations have gone through a period of ups and downs due to Cold War factors, Pakistan's aggressive policy in the subcontinent and the proliferation of nuclear weapons in the region.

After the end of the Cold War, the relationship witnessed considerable improvement. The nuclear tests of May 1998 by India created a temporary hiccup in the relationship. But the incident of terrorist strike against the American targets on 11 September 2001 created new opportunities for the two countries to cooperate. India and the US have not allowed their political differences over Kashmir and Iraq issues to derail an improving bilateral relationship. Washington's support to Simla agreement is agreeable to India. The US also refuses to mediate in Kashmir issue, because India is opposed to the third party involvement. In addition, differences over details of counter-terrorism measures have not prevented India and the US from forging cooperative ties in dealing with the terrorist networks. The Joint Working Group on Terrorism frequently meets and the officials from the US and India discuss the modalities of tackling terrorism.

Improvement in the Indo-US defence cooperation is a new development of the post-Cold War era. It has been steadily improving. The two countries are holding joint military exercises involving all the services, sharing defence intelligence information and even working together in developing military doctrines to meet the challenges of the 21st Century. Pakistan's close relations with the US no longer agitate the Indian foreign policy makers, because the US has also considerably improved its ties with India.

Indo-US economic relations are also improving steadily. However, from the US side, India is yet to become an important trade partner or investment destination. It is an asymmetrical relationship, which needs to be addressed. The strength of the future bilateral relations will largely depend on the nature of economic cooperation. Economic ties are generally more durable than defence and security relations.

India's relations with the European Union during the Cold War days were largely economic in nature, since that organisation had little role to play in international political issues. The European Union not only constitutes the largest combined regional market for Indian goods but also is the biggest source for Indian imports. India too benefits a great deal from the economic developmental assistance and foreign investment from the member countries of the European Union.

There are some trade related disputes between the EU and India. But these have not been allowed to disrupt the overall friendly relations between India and the EU.

India has taken note of the EU's desire to play larger political role in world affairs since the end of the Cold War. Consequently, it has sought to engage the EU in a series of political dialogue. The bilateral political dialogues aim to address the problems of misperceptions on political issues and to enhance political understanding.

The growing importance of the EU as a major player in world affairs has coincided with the increasing importance of India as a major power. The first ever summit meeting between India and the EU started in the year 2000 and has indicated the determination of India and the EU members to elevate the level of political and economic understanding among one another. The summit, in fact, highlighted the opportunities in the emerging areas of energy, telecommunications and information technology where India and the EU can benefit from cooperative arrangements.

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## **7.5 EXERCISES**

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- 1) Examine the main political difference between India and the US during the Cold War years.
- 2) Describe the beginning of a new relationship between India and the US after the end of the Cold War.
- 3) What are the areas of differences between India and the US in the post-Cold War era?
- 4) What is the significance of the European Union for India's foreign relations?
- 5) Describe the main political differences between the EU and India.
- 6) What are the principal limitations of Indo-EU economic relations?