

POLICY *Review*

FEBRUARY & MARCH 2006, NO. 135

Getting India Right

By PARAG KHANNA AND C. RAJA MOHAN

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Getting India Right

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FOR THOSE WHO missed the symbolism of Indian flags draped from the White House's Old Executive Office Building, President George Bush's words on the morning of July 18, 2005, while standing next to Indian Prime Minister Manmohan Singh, drove home an emerging reality with trademark pithiness: "The relationship between our two nations has never been stronger, and it will grow even closer in the days and years to come." Combined with the Bush administration's visible push to strengthen Japan's hand in managing Asian security, the Indian prime minister's visit to Washington cemented a growing de facto strategic partnership between the United States and India.

Numerous American officials already used the term "irreversible" to describe the course of Indo-U.S. relations. No U.S. president visited India

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between January 1978 and March 2000, when President Clinton made a historic trip to the Subcontinent. Cabinet-level exchanges have since become routine, and President Bush's planned visit in early spring 2006 will reflect an agenda that has come to encompass shared global interests and concerns ranging from Iran and China to nuclear cooperation and biotechnology. Some have begun to see Bush's visit to India as similar, in both intent and consequence, to that of Richard Nixon to China in 1972 — which transformed Sino-U.S. relations and the global balance of power for the next three decades.

Given the bilateral tensions over nuclear proliferation in the 1990s, such strong relations are in themselves remarkable. When viewed through the

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prism of geopolitical shifts, however, Indo-U.S. alignment is if anything long overdue. American military and diplomatic movements from the Middle East through Central Asia to the Pacific Rim are in a state of flux for reasons ranging from the Iraqi insurgency to the Iranian nuclear crisis to the rise of vocal new regional institutions such as the Shanghai Cooperation Organization and East Asian Community. Asia, where two-thirds of the world's population resides, is the new geopolitical stage. It is the principal source of the global power shift and will also face most of the political consequences. Yet the constantly shifting loyalties and alliance patterns in Asia confound both historians and experts in

geometry. There is the patron-client dyad from Beijing to Islamabad, routine Russian-Chinese-Indian summitry with declarations affirming the need for multipolarity, joint Russo-Japanese and Sino-Russian military maneuvers, talk of a three-cornered nuclear calculus in the U.S.-China-India triangle, and America's attempt to transcend its historical "tilting" between India and Pakistan. The only clear inference from these asymmetrical configurations is that most Asian states continue to subscribe to an adage common to their cultures: to be polite especially to one's enemies. While all Asian powers are wary of American preponderance, they have also sought good relations with Washington. None of them was at the forefront of the worldwide criticism (led by Europe) of the American occupation in Iraq.

Historically, the U.S. has viewed the Middle East and Pacific Rim theaters as separate policy realms, with India falling in between and viewed through the exclusive prism of South Asian politics. But India lies at the crossroads of Asia, a factor which was at the heart of British policy towards the East. Only after the Second World War and the partition of the Subcontinent was India's position weakened, a shift accentuated by India's socialist and inward-looking policies. Yet as India's weight grows in the international system, it can become a strong anchor in support of America's ambition to pursue a liberal order across Eurasia. Indeed, if the U.S. should welcome the

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emergence of any one Asian power, it should be India, which shares America's concern over the spread of Islamic fundamentalism, sub-state nuclear proliferation, and China's ambitions. Furthermore, each Indian election entrenches its status and credibility as the world's largest democracy, and its growing economic clout and diaspora presence in the U.S. are tying the two societies on opposite sides of the world together as never before. Indeed, there is not a single area in which India's rise threatens America's interests.

When President Bush visits India, he will surely reiterate his administration's support of India's emergence as a great power. But America cannot itself make India great, nor can it guarantee that India's emerging power will be used to the benefit of American interests. Indeed, plausible scenarios for U.S.-India relations still range from having India as stable democratic ally in the heart of Asia to India as a reluctant partner in the Sino-Russian anti-hegemonic coalition. As Manmohan Singh declared on the eve of his July visit to Washington, "We are an independent power; we are not a client state; we are not a supplicant. As two equal societies, we should explore together where there is convergence of interests and work together."

A broad, integrated American policy towards India should therefore begin by asking how America can promote — rather than interfere in or manipulate — the complementarity of Indian policies and American interests. For the hopes of an enduring alliance on the scale of America's relations with Japan to materialize, U.S.-India relations will have to be constantly nurtured and the competing sets of priorities jostling for influence in both Washington and New Delhi mastered. Building a strategic partnership with India will test America's ability to engage an independent democracy that has had no record of security or economic dependence on the United States.

Nonaligned no more

ACCORDING TO THE latest report of the CIA's National Intelligence Council, *Mapping the Global Future*, by 2020 "India's GNP will have overtaken or be on the threshold of overtaking European economies," potentially making it the world's third largest economy. As the report concludes, "Barring an abrupt reversal of the process of globalization or any major upheavals, the rise of these new powers [China and India] is a virtual certainty. Yet how China and India exercise their growing power and whether they relate cooperatively or competitively to other powers in the international system are key uncertainties."

India on its own has begun the journey from its self-perception as an anti-imperialist power to a great power in its own right and is already defying the axiom that large states tend to be conservative about foreign policy. Though not a systemically revisionist power, it has pursued an increasingly activist foreign policy agenda, seeking to become not only South Asia's dominant

power, but an eminent Asian power.¹ Many in the U.S. might want India to become a Britain or Japan, mainly following where Washington leads. Others, like Jean-Luc Racine of the National Center for Scientific Research in Paris, believe “India has basically a Gaullist vision of the world” and want India to become a France to the United States. But there are good reasons to believe India will be none of the above. Indo-U.S. strategic engagement will have to be constructed on an entirely different basis.

The perceived distinction between India’s nonaligned past and alliance-oriented future is a complex one. At one level, India continues to cling to a cherished Nehruvian ideal of autonomous action based on democratic right and self-defined interest. At the same time, India has shown increasing flexibility in engaging the major powers and has expanded cooperation with the United States even in areas of prime security concern to itself. All of this makes India what political scientist Stephen Krasner calls a “modified structuralist” state, seeking to maximize its interests and power but also to opportunistically transcend individual calculations of national interest. In India’s case, this position is actually based as much on an ideology of nonalignment, interpreted as an independent foreign policy that seeks to maximize India’s weight in world affairs. As Manmohan Singh has stated, “We should develop friendly relations with as many major powers as possible. This will help in securing wider international support when we need it most.”

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While there is no guarantee that India will become more allied or aligned, there has been a continuous trajectory toward a diplomatic posture which is perhaps best described as “neo-Curzonian,” after the British imperial viceroy and player of the “Great Game” Lord George Curzon. Ironically, India’s neo-Curzonian worldview is the logical heir to one of the nation’s strategic ur-texts, Kautilya’s fourth-century B.C. *Arthashastras*, which locates India at the nucleus of concentric rings of potential friends and foes. A neo-Curzonian foreign policy is premised on the logic of Indian centrality, permitting multidirectional engagement — or “multi-alignment” — with all major powers and seeking access and leverage from East Africa to Pacific Asia. Such a forward foreign policy emphasizes the revival of commercial cooperation; building institutional, physical and political links with neighboring regions to circumvent buffer states; developing energy supplies and assets; and pursuing multistate defense agreements and contracts. Today, India has recovered this 360-degree vision, looking west to boost invest-

¹As a recent Asia Foundation report, *America’s Role in Asia*, notes, India is “unwilling to cede a dominant role to any outside power in its neighborhood, is eager to expand commercial ties with all countries, and determined to play a larger role in global trade negotiations.”

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ment from Europe and the Persian Gulf, north to secure stable energy supplies from Central Asia (including Iran), and east for partnerships and free trade agreements with South Korea and Australia. It engages actively in regional fora such as the South Asian Association for Regional Cooperation (SAARC) and the Association of South East Asian Nations (ASEAN) while not shying away from potential strategic competition with neighbors such as Pakistan and China. Furthermore, it has transitioned from demanding respect on the basis of its nuclear status to proving greatness on the basis of its political and economic accomplishments.

Since injecting nationalism into its foreign policy and simultaneously making it more pragmatic, India has experienced a marked improvement in its global visibility. Interestingly, the traditional sympathies for the Third World in New Delhi are slowly being morphed into a search for markets and influence in such regions as Africa and East Asia. India is steadily expanding the scale and scope of its foreign assistance programs, which now have reached an annual level of nearly U.S. \$3 50 million.² India's aid program also has the features of great power aid policies of the past, such as support to domestic industry and penetration of foreign markets. India no longer reactively asks what others would like it to do, but rather takes the lead in defining its own goals.

From estrangement to partnership

IT HAS BECOME the norm to speak of India as a “natural ally” of the United States, and in the first years of the Bush administration, India transacted more political business with the United States than in the previous 40. That public attitudes in India toward the United States have begun to shift in a fundamental manner was evident in a recent Pew Research Center Global Attitudes Survey. Of all the countries surveyed, pro-American sentiment was strongest in India, where 71 percent of respondents reported a favorable view.

Yet bilateral relations have continued to carry some of the baggage of historical antagonism. India lost its independence when America gained its own, and when India did become free, it placed itself essentially on the opposite side of the Cold War from the U.S., leading to decades of mutual suspicion and mistrust. Though in the 1950s the U.S. had pledged to pursue a “non-zero sum” relationship with India and Pakistan, American weapons found their way into Pakistan's arsenal during the two countries' second major war in 1965. Though Jawaharlal Nehru himself believed that the U.S. and India should be natural democratic allies, and though India's shared commitment to the ideals of the European enlightenment is evident in

²Gareth Price, “India's Aid Dynamics: From Recipient to Donor,” Chatham House Asia Program Working Paper (London: Royal Institute of International Affairs, September 2004).

its secular democracy, it was only with the passing of both colonialism and the Cold War that India and the U.S. could undertake a systematic and lasting rapprochement.

On the whole, the 1990s saw a number of missed opportunities for deepened strategic engagement with India. Though respectful of India's democratic character, the Clinton administration saw India primarily as a nuclear proliferation threat; India's troubled relations with Pakistan and the violent insurgency in Kashmir also topped America's diplomatic agenda with India. At the time, it was not even clear whether the U.S. considered the emergence of a strong, liberal and democratic India in its interest. Reflecting on this period, influential Congress Party minister Jairam Ramesh remarked, "We

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find the Americans over-bearing, preachy and sanctimonious . . . insensitive to our needs, aspirations, challenges and threats."

This was to change rapidly. A succession of events — India's nuclear tests in 1998, the Kargil war of 1999, and the Musharraf coup in Pakistan — created the circumstances for putting relations on a new, more even keel. It may seem ironic that this rapprochement occurred only after India conducted its nuclear tests. Though India proved that it would not buckle under the pressure of American economic sanctions and sign the Comprehensive Test Ban Treaty (CTBT), the Clinton administration, in India's view, continued its policy of condoning Chinese missile and nuclear technology transfers to Pakistan.³ Through an intensive year-long dialogue between then Deputy Secretary of State Strobe Talbott and then Indian Foreign Minister Jaswant Singh, the U.S. came to a de facto acceptance of India's nuclear capability and posture. Simultaneously, Pakistan's Kargil misadventure in 1999, followed by the Musharraf coup — the first in a nuclear-armed nation — validated India's concerns over its volatile Western neighbor. By the time Clinton visited India in March 2000, he praised India as history's greatest melting pot in a speech before parliament and signed a "vision statement" for future cooperation. By contrast, he scarcely left Air Force One when it landed in Islamabad for six hours. He lamented the return of military rule in Pakistan and admonished those who "struggle in vain to redraw borders with blood." Clinton's personal intervention in the Kargil escalation and his subsequent visit convinced many Indians for the first time that the U.S. could indeed play a constructive role in the region. Yet the Clinton administration could not bring itself to transcend the nonproliferation dilemmas and consider the geopolitical impor-

³Not surprisingly, then, India was further peeved that Clinton enlisted China's Jiang Zemin in June 1998 to publicly bash India's "irresponsible" nuclear tests even though, as then Prime Minister Atal Bihari Vajpayee explained in a letter to President Clinton, China was the motivating concern for the Indian tests, with Pakistan's counter-tests being an unfortunate byproduct.

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tance of strengthening India's power capabilities; that had to wait until the advent of the Bush Administration.

The terrorist attacks of September 11, 2001, produced a rare opportunity and a difficult challenge. On the one hand it aligned India and the United States in the war against terrorism. Simultaneously, however, it also brought back into focus the centrality of Pakistan on the front line of the campaign. While India offered full support to the U.S. in the war against the Taliban, Washington turned again to Pakistan. India was deeply disconcerted by the fact that Pakistan had returned to the affections of the United States. Traditionalists in the Indian establishment were concerned about renewed American arms supplies to Pakistan. As Pakistan became America's most intimate ally in the "war on terror," India chose to keep a low profile even as Pakistan's President General Pervez Musharraf won his country the designation of a "major non-NATO ally" and began collecting hundreds of millions of dollars in military assistance. To its credit, the Bush administration prevented a return to the zero-sum game of the Cold War in its relations with the Subcontinental rivals and persisted with a solid engagement with New Delhi. Indeed, it is said that India and Pakistan are now "America's two new best friends."

Just as the renewed focus on Pakistan did not disturb new trends in Indo-U.S. engagement, neither did domestic political change in India undermine it. While many believed the return of the Congress Party to power in May 2004 would undercut the new bonhomie between Delhi and Washington, Prime Minister Manmohan Singh brought even stronger commitment than his BJP predecessor Atal Bihari Vajpayee to building a stronger relationship with the United States. Few expected that a Congress government supported by Communists would sign a path-breaking bilateral defense framework with the United States in June 2005 and a nuclear pact in July 2005, as well as vote with the United States against Iran at the International Atomic Energy Agency (IAEA) in September 2005. Clearly, the progress in Indo-U.S. relations has been due more to structural factors than the political preferences of the ruling parties.

The July 2005 "Joint Statement" on civilian nuclear cooperation represented the most decisive step on the part of the United States in demonstrating its readiness to treat India differently — from a nuclear pariah to a partner. In working bilaterally with a de facto nuclear power such as India, the Bush administration has won praise for outlining principles for responsible nuclear behavior beyond the moribund principles of the Non-Proliferation Treaty (NPT), which excluded India from the nuclear clubhouse because it failed to conduct a nuclear test before the treaty came into force. The Bush administration broke the mold by finding a nuclear modus vivendi with India. In return for full civilian nuclear cooperation from the United States,

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India agreed to separate its civilian and military nuclear facilities, declare such facilities to the IAEA and put them under IAEA safeguards, uphold the moratorium on nuclear testing, accede to the Fissile Material Cut-Off Treaty (FMCT), refrain from the transfer of nuclear enrichment and reprocessing technologies, and comply with the guidelines of the Missile Technology Control Regime (MTCR) and Nuclear Suppliers Group (NSG).

China has strongly criticized U.S.-India nuclear cooperation as a “nuclear exception,” potentially creating a domino effect of proliferation and competition. So have many in the U.S. Congress, who continue to chide India’s non-NPT status. Both positions are ironic. Given that India is already a model of nonproliferation behavior in its foreign relations — particularly

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when compared to China, Pakistan, and Russia — India’s limited ambitions set a positive example to ambiguous nuclear states like Iran and North Korea. Furthermore, dogmatic advocates of nonproliferation in the U.S. Congress have done little to reinforce the NPT regime and should see the pragmatic virtue in India’s emphasis on nuclear safety and compliance with its important safeguard clauses. Indeed, even IAEA head Mohamed El-Baradei has endorsed the deal; it at least brings India into an active monitoring framework rather than none at all.

Nuclear cooperation alone will not make or break the Indo-U.S. relationship. American policymakers must take into account the full range of India’s security and commercial interests. Yet by putting one of the most contentious bilateral issues aside, the Bush administration has opened the door for wide-ranging strategic cooperation with India. The implementation of the nuclear pact is likely to end the deepest suspicions in Delhi that America is not ready to accept India’s power potential. U.S. nuclear cooperation will allow India to consider hitherto unacceptable propositions on defense cooperation and strategic coordination in Asia with Washington.

As India sets its own course, the U.S. cannot afford to be ambivalent, which only begets ambiguity in return. Furthermore, given the history of mutual suspicion, the lingering U.S. fear that India seeks to subvert American interests will only lead to a self-fulfilling prophecy. The U.S. must therefore be proactive and willing to take risks to support India in its geostrategic context. Like such other U.S. allies as Turkey and Israel, India is located in a turbulent neighborhood but has a robust military capable of affecting the outcomes of potential conflicts in Southwest and Central Asia.⁴

⁴As Christine Fair writes, “India stands out in the landscape of potential partners. It has the largest army of any democratic country, a highly regarded, well-trained, and professional army that has operational flexibility and niche warfare capabilities. . . . Notably, India has a well-honed and exceptional high-altitude warfare capability, of which few countries can boast.” C. Christine Fair, “U.S.-Indian Army-to-Army Relations: Prospects for Future Coalition Operations,” *Asian Security* 1:2 (April 2005).

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It also has a strong sense of national identity based on secular ideology, despite its tremendous ethnic and religious diversity. As a state with a large Muslim minority and heavy dependence on Middle Eastern oil, there are structural limits to India's cooperation with any aggressive American activity in the Gulf region. Like Turkey, it will not respond favorably to heavy-handed American pressure.

At a time when the U.S. is making promotion of democracy a national strategic objective, India too has begun to echo the Bush doctrine from its own perspective. While other democracies are either scornful or dismissive of American emphasis on democracy, India has seen the value of freedom in transforming its neighborhood. As Katrin Bennhold put in the *International Herald Tribune* (December 7, 2004), "India has been a beacon of democracy and stability in a region where both are the exception." Prime Minister Singh has begun to define India's self-identity in terms of democracy, replacing the traditional primary self-perception of anti-imperialism. As he said in his *India Today* Conclave speech in New Delhi (February 25, 2004), "If there is an 'idea of India' that the world should remember us by and regard us for, it is the idea of an inclusive and open society, a multi-cultural, multi-ethnic, multi-lingual society. . . . Liberal democracy is the natural order of social and political organization in today's world. All alternate systems, authoritarian and majoritarian in varying degrees, are an aberration. Democratic methods yield the most enduring solutions to even most intractable problems." This is not very different from President Bush's focus in his second term on the "transforming nature of liberty," although Singh articulates it more cautiously. The convergence between Bush and Singh was reflected in their joint declaration on July 18, 2005, on a global democracy initiative and in their joint support for the United Nations Democracy Fund in September 2005. In a significant departure from its traditional focus on north-south issues, this was the first time India supported the notion of promoting democracy at the United Nations. On China and the Asian balance of power, not only do Indian and American interests converge, but both sides also recognize that an emphasis on democracy in Asia is a useful template to deal with long-term challenges in the region.

In their quest for greater energy security, both India and the U.S. share a keen interest in developing ties with the Caspian Sea region to diversify oil and natural gas supplies. India currently relies on the Persian Gulf for 90 percent of its oil supply. Indian Petroleum Minister Mani Shankar Aiyar has pursued the creation of an "Asian energy grid," recently persuading Bangladesh to participate in a natural gas pipeline from Burma to India and investing over \$5 billion in exploration from Russia to Vietnam. The Bush administration should recognize that even Pakistan sees the 25-year, \$20

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billion liquid natural gas purchasing deal between India and Iran as win-win, given its potential revenues as the transit state. The U.S. must therefore trust New Delhi's ties with Tehran, and could also leverage the greater knowledge and access Indians have in Iran.

The question of China

CHINA PRESENTS THE biggest geopolitical test for both the U.S. and India, and relations with China have always been more decisive for the making of Indian foreign policy than the U.S. has appreciated. Though China currently views Russia, Japan, and India as peer competitors, it seeks to be second to none. After the 1950s-era fraternal mantra of "Hindi-Chini bhai-bhai," India suffered a humiliating military defeat at China's hands during their 1962 border clashes, ceding the Aksai Chin region of the Himalayas (though it remains disputed still). A 20-year cold war ensued with the glacial process of normalization hampered by the upswing in New Delhi-Moscow relations after the Sino-Soviet split, as well as China's broadening relations with Pakistan.

Chinese defense ministry white papers do not refer to South Asia as a region of strategic interest, but China's accelerating effort to build a sphere of influence in Central Asia through the Shanghai Cooperation Organization (SCO) make it a de facto part of India's calculus as it seeks to capitalize on a stabilizing Afghanistan to improve trade ties with post-Soviet nations. Furthermore, India feels increasingly encircled by Chinese naval activity in the Bay of Bengal, both through its client Burma and through its massive investment in deepening the Gwadar port in Pakistan's Sindh province. Despite its current limited resources, India has been determined to engage in quiet competition with China in Southeast Asia even as the region is increasingly drawn towards Beijing. Whether it is growing political cooperation with Singapore, Vietnam, Indonesia and Japan or deeper involvement in Burma, India will not simply cede primacy to China in Asia. Chinese efforts to keep India out of the core group directing the creation of an East Asian Community and Beijing's attempts to undercut India's primacy in South Asia will remain important spurs to a complex Indian engagement with China.

As the U.S. makes parallel overtures to both China and India, it needs to better understand the subtle dynamic governing their ties. The U.S. sees India as an ally in balancing China but must also appreciate that beyond this, growing Indian trade and interdependence with China are a principal vehicle for changing Chinese behavior and calculations in the long run. For New Delhi, therefore, there is no contradiction between stronger military ties with the U.S. and the pursuit of an Asian energy grid linking Iran to China via Pakistan, India, and Burma — an effort the Bush administration currently opposes.

Seeking to prevent India from cozying up too closely to the U.S., particu-

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larily in their talks on missile defense, China is playing to India's insecurities in broadening bilateral cooperation. India also has an interest in resolving its long-standing bilateral problems, such as the boundary dispute. New Delhi has thus accelerated the effort to break out of its two-front problem on its land borders. During Chinese Premier Wen Jiabao's visit to India in April, Manmohan Singh declared that "India and China can together reshape world order." Both have much to gain from developing stronger economic and political ties multilaterally around the region. Just as New Delhi hopes it can prevent China from being too one-sided in its relations with Pakistan, reconciliation with India is also part of China's broader strategy of "cooperative security," which aims to build ties based on mutual economic and security interests with states from Central to Southeast Asia. Counterterrorism is an area of emerging cooperation, particularly as both China's west and India's northeast are underdeveloped and restive. India increasingly sees its northeast as the "gateway to ASEAN," but to further expand trade and transport links eastward, India requires a stable and open Burma. It is China, however, which pulls the strings in Rangoon. China has also made a strong appeal to India's desire to become a leading destination for international capital and has begun negotiations on a bilateral free-trade agreement. Sino-Indian trade is galloping at a fast clip, touching nearly \$20 billion in 2005.

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Yet there remain areas of competition between the two sides, and India remains wary of continuing Chinese assistance to Pakistan's strategic programs. Even as New Delhi and Beijing launch a strategic dialogue, they will continue to compete for power and influence in Asia. Some in India have always hoped for an alliance with the United States against the growing challenge from China. Yet with no invitation to a containment party from the United States, it would be imprudent for India not to further develop its relations with China. While the Bush administration seems more concerned about the rise of China in its second term, it is likely to follow a cautious policy towards Beijing. In such circumstances India and the U.S. should be looking for ways to expand their defense and security cooperation to ensure a stable balance of power in Asia. Washington should also encourage the fledgling strategic engagement between India and Japan and remove the remaining restrictions on high-technology and military transfers to India.

Given that India is currently hemmed in militarily by a combination of the Himalayan mountains and failing states from Pakistan and Nepal to Bangladesh and Burma, it is in the area of naval modernization where the U.S. can best address India's geopolitical needs. As China pursues a "string of pearls" strategy to develop deep-water ports and stronger diplomatic and military relations with Pakistan, Burma, and Indonesia, boosting the capaci-

ty of the Indian navy (through Project Seabird) to police and even deny access to the Indian Ocean sea lanes becomes more important than the strengthening of its army. Furthermore, India occupies a critical position for patrolling major transport sea lanes from the Arabian Sea to the Straits of Malacca, where both countries fear the growing specter of naval or “containerized” terrorism by groups such as al Qaeda. While important regional players such as Malaysia, Singapore, and China have reservations about the U.S. pushing its geostrategic objectives in the name of maritime security, and thus object to joint U.S. patrol of the region’s strategic waterways, India can serve as an important surrogate.

Stabilizing South Asia

THOUGH INDIA HAS achieved its cherished goal of de-hyphenation, U.S. policy towards Pakistan still plays a decisive role in both countries’ interests. Like the U.S., India remains deeply concerned about the possibility of Pakistani nuclear weapons or related material falling into the hands of terrorists. According to Stephen Cohen, Pakistan has already become “perhaps the leading center of proliferation in history, having shared its nuclear technology with a variety of states, all of which are hostile to America.”

Yet despite not allowing either American or International Atomic Energy Agency inspectors to interrogate A.Q. Khan, Pakistan’s nuclear mastermind, General Musharraf has been less than shy about manipulating America’s largesse in the war on terror to gain ground technologically on India. In addition to the planned sale of F-16s to Pakistan early next year, the recent \$1.3 billion arms package (paid for out of the agreed \$1.5 billion in military aid from the U.S. over five years) includes eight P-3C Orion naval reconnaissance planes with anti-submarine missiles, 2,000 TOW-2A heavy anti-armor guided missiles, and Phalanx Close-In weapon systems for ships. In the context of the war on terror, it is hard to imagine terrorists with the kind of “Explosive Reactive Armor” the TOW is designed to penetrate. On the other hand, it is well suited to neutralize Indian T-90 tanks. Indeed, Larry Pressler, the former Senator whose eponymous amendment forbade the previous sale of warplanes to Pakistan a decade ago, remarked, “You don’t fight terrorism with F-16s. F-16s are capable of nuclear delivery. That’s about the only reason Pakistan wants them.” Including these freebies from the U.S., Pakistani defense spending is touching a staggering 8 percent of GDP.

The U.S. must be careful about assuming that it can succeed in satisfying both India and Pakistan simultaneously by way of what it views as incremental and mutually exclusive bilateral armament. Though the U.S. increasingly sees Pakistan as a necessary front in dealing with Iran, it is the U.S. that is losing out by allowing the Pakistani military’s gravy train to continue.

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Arms sales to Pakistan no doubt buttress Musharraf's position within his own army, but likely at the cost of an already long-overdue return to democracy and with no positive impact on the war on terror.

The U.S. clearly needs Pakistan to be more forthcoming and productive in its contributions to global counterterrorism and make clear that F-16s are not the way for it to achieve this. As prominent defense experts warn, the F-16 deal threatens to reintroduce militarism on the Subcontinent. Indeed, every time the military has been in power in Pakistan, there has been war with India. If Musharraf becomes overconfident due to his perceived American *carte blanche*, we might witness a return to the misplaced logic of ultimatums and escalation that led to the Kargil debacle. In the meantime, Pakistan's performance in capturing Taliban and al Qaeda agents has been dismal. Furthermore, General Musharraf recently called off the hunt for Osama bin Laden in South Waziristan, that operation having yielded the only intelligence reports indicating that he remains alive and at large. From inside Pakistan, Taliban fighters still train and conduct anti-U.S. attacks in Afghanistan. Pakistan is thus both part of the problem and part of the solution. The Bush administration should therefore change course and make F-16 sales to Pakistan conditional on access to A.Q. Khan for questioning.

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Indian criticism of the F-16 deal was largely muted, in part because of the larger stakes in the U.S. relationship. While India is open to defense cooperation with the U.S. and is willing to consider major defense purchases from Washington, success will depend on the American willingness to offer advanced defense technologies to Delhi and possible co-production of key components. Any attempt by Washington to limit high-technology defense cooperation with India citing Pakistani concerns would, however, limit Indo-U.S. defense cooperation. The Indian defense industry is well-positioned to become an industrial partner of the U.S., though some political heavy lifting in both capitals is necessary. The U.S. has also begun to expand its nascent dialogue on missile defense with India. With \$15 billion earmarked for defense spending over the coming decade, India is a potentially lucrative acquisitions market for American contractors providing the PAC-3 anti-missile system, C-130 transport aircraft, and P-3C Orion surveillance planes as well as the Multimission Maritime Aircraft the U.S. is currently developing. The U.S. failure to develop a bold initiative on defense industrial collaboration with India will only reinforce Delhi's traditional defense links with Russia, France, and Israel.

Developing a common approach to Pakistan remains the single most important obstacle in the prospects for Indo-U.S. strategic partnership. While many in Delhi and Washington have begun to see the importance of creating a shared template to think about the future of Pakistan and inte-

grating it into the cooperative dynamics of the region, there is considerable hesitation in both capitals even to discuss Pakistan's problems bilaterally, let alone work together. The importance of moving in this direction cannot be overstated, for there is little evidence that nuclear weapons have ameliorated South Asia's security dilemma. In the 1980s, Pakistan became increasingly assertive as its atomic program developed, and its surprise infiltration across the Line of Control in Kashmir's Kargil region happened only a year after the 1998 nuclear tests, the largest military engagement between the two sides since the 1971 war. Pakistan's calculation — that the nuclear shield would restrict India's response, but that the move would raise international concern and lead to rapid mediation — was tactically brilliant but the strategic failure led to a military coup in Pakistan.

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Furthermore, Indians are concerned that if Pakistan fails, the region stretching from Iraq through Iran, Afghanistan, and Pakistan could become a "belt of terror," unleashing waves of multipronged attacks in its direction. Pakistan remains home to at least four State Department-designated terrorist groups: Hizbul Mujahadeen, Haraku-ul-Mujahadeen, Jaish-e-Muhammed, and Lashkar-e-Taiba. The first three have been banned, but Lashkar remains active in Pakistan-occupied Kashmir and coordinates al Qaeda's International Islamic Front out of Karachi. India requires a stable Pakistan as its bridge to the energy supplies of Iran and Southwest Asia, but it is the U.S. which must recalibrate its policies to move Pakistan in that direction. Ultimately the stability of Pakistan cannot be ensured without cooperation between India and the United States.

After Iraq, India suffers from the greatest number of terrorist incidents per annum, according to the State Department's annual *Patterns of Global Terrorism* report. Most attacks against civilians and military facilities in India's Kashmir province are linked to Pakistan-backed terrorist groups infiltrating from across the Line of Control, as well as a brazen attack on the Indian parliament on December 13, 2001, and the spate of bombings across crowded New Delhi bazaars during the busiest and holiest weekend of Diwali in October 2002. To date, however, Kashmir has not appeared significantly on America's terrorism radar screen. Though Singh and Musharraf made a joint statement at the United Nations in September 2004 pledging to "explore possible options for a peaceful negotiated settlement of the Jammu and Kashmir issue," the U.S. needs to anticipate Pakistan's fear of losing internal Kashmiri dissatisfaction as a pressure point in altering the province's political dynamic. Only through stronger U.S. pressure on Pakistan can the seasonal cycle of infiltration, violence and political tension be reversed. The U.S. thus has an indirect role in pressing Pakistan to keep levels of violence low and, ultimately, in creating a set of incentives for

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Pakistan to accept a reasonable final settlement of the Kashmir problem.

Despite the second round of “cricket diplomacy” between the nuclear-armed neighbors in 2005, infiltration was in fact rising across the Line of Control until the devastating October earthquake centered in Pakistan-occupied Kashmir. Since that time, measures aimed at General Musharraf’s plea to “make the Line of Control irrelevant” have been halting but promising, much like the steps taken by distressed Kashmiris crossing the rickety bridge separating the two Kashmirs to search for lost relatives. Indian families and relief workers have delivered significant amounts of humanitarian assistance, and during the current winter phase, India provides an important land bridge to reach the thousands of victims the Pakistani military was unable to reach before being cut off by the region’s heavy snowfall.

Additionally, the U.S. must encourage India to devise a plan for stabilizing Nepal. Over 12,000 casualties have been suffered in the past decade as Maoist rebels have advanced around the country, threatening to take over the capital and depose the king. The situation is most sensitive to India, as the Maoist advance has emboldened India’s own Naxalites, who have stepped up their bombing campaigns and attacks against both civilian and military targets in India’s northeastern provinces. Bearing in mind that an Indian military intervention — beyond its present support for the king and army — would disturb China, India needs to apply far great pressure on King Gyanendra to restore constitutionalism and more actively consider a multinational peacekeeping effort. That India and the U.S. are already working together on Nepal presages a whole new dynamic for the future of the Subcontinent.

Global India

INDIA’S BILLION-PLUS hands are working hard at catapulting India from its present \$500 billion economy to a multitrillion-dollar marketplace — to make it, according to a widely cited Goldman Sachs study, the world’s third largest economy by 2050. Typically, India is employing a melting pot of homegrown and foreign strategies to get there.

No country has watched China’s utterly spectacular economic rise as closely and jealously as India. China began its economic reform process 15 years before India. Since 1978, China has averaged 9.4 percent growth and in the last six years has invested over \$30 billion in infrastructure. Only now, with the architect of India’s early 1990s reforms elevated to the prime minister’s office, is India taking its infrastructure deficit and crippling underdevelopment seriously. Manmohan Singh has promised a hassle-free environment to investors in the hope of attracting \$150 billion over the next 10 years to develop the country’s roads and power supply and modernize its manufacturing and agricultural base. At the same time, he hopes to retain the option of a China-like “state nationalist” response to globalization run

rampant. Under the leadership of former IMF official Montek Singh Ahluwalia, India's Planning Commission has pledged to spend far more of its record \$120 billion in foreign exchange reserves on national development. With more arable land than China, planned investments in rural credit could double agricultural productivity.

Since the 1998 nuclear tests, however, intermittent prospects of war and terrorism have hurt India's investment profile. Amidst Indo-Pak mobilization in 2002, the U.S. put out a diplomatic warning on travel to India, hurting India's bottom line. Such incidents have forced it to take a more assertive approach to regional economic integration despite continuing political divisions. Learning from the ASEAN model, India has realized that it must turn

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the moribund South Asian Association for Regional Cooperation (SAARC) into a South Asian Free Trade Area (SAFTA). A "good neighbor" trade policy, combined with a second generation of economic reforms, could be sufficient to increase foreign direct investment, boost exports, and encourage dynamic private industries. If 8 percent growth continues, the National Intelligence Council predicts that India's per capita income will double by 2020.

In India, entrepreneurs in the private sector, not the government, are taking the lead in transforming the economy. India has succeeded in branding itself as the world's leading destination for business process outsourcing (BPO), and even high-end operations such as GE medical labs and Hewlett-Packard research facilities are contributing to make India a leader in technology innovation. Four hundred of the *Fortune* 500 already have operations in India. Already one of the world's largest producers of vaccines, India's biotech sector is set for even greater growth and has rapidly outpaced both China and South Korea in the filing of biotech patents. The potential in food processing and storage, telecommunications, financial services, and insurance is similarly vast. Microcredit enterprises have become stable business propositions, even in the area of agriculture, sparking hopes for a second, private-sector-led Green Revolution.

These developments hint at some of the unique aspects of India's economy which must be understood to grasp its potential. No other developing country has such a postindustrial economic structure, with 50 percent of GDP derived from the services sector and manufacturing and agriculture comprising a quarter each. As a result of the outsourcing revolution, India has emerged as a major hub for international technology products and services, already accounting for 20 percent of world software exports. The information technology sector has boomed because the government got out of the way; it literally had no plan. If the new government can get serious about structural reform, horizontal growth could start to affect a greater

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share of India's enormous population. As the distinguished economist Lord Meghnad Desai of the London School of Economics argues, India's businessmen must take charge of the country: "The argument that the government will look after the poor should be abandoned. Governments don't look after the poor; the poor look after themselves if obstacles are removed from their path in terms of services and credit."⁵

India is staking its economic future on the quantity and quality of its human resources. As one industrialist has put it, "What oil is to Saudi Arabia, human talent is to India." Demographically, its mobile and ambitious youth will be the world's largest working-age population segment by 2015, at which point it may even provide surplus labor to an aging China. Indeed, India is aging gracefully while China is heading towards an unprecedented challenge of getting old before it gets rich. But India can maximize this demographic dividend only by improving education, establishing innovative vocational training, and retraining its workforce to fill gaps in the global economy. This is difficult for a government running deficits close to 10 percent of GDP — among the highest in the world. At present, India ranks only 50th out of 117 economies surveyed in the World Economic Forum's Growth Competitiveness Index based on an evaluation of its macroeconomic environment, public institutions and technological penetration.

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As it works to create the conditions for a long investment-employment cycle, India must find a balance between educating its workforce and keeping costs competitive. Some see a division of labor emerging, with China and India dominating global manufacturing and information technology services, respectively. In other words, China will be the world's workshop, India the world's laboratory.

What India has also learned from China is that trade is a critical lever in American foreign policy decision-making. For all the heated rhetoric and debate during the 2004 presidential election about the outsourcing of jobs to India, India has yet to enter the same league as Mexico, Canada or South Korea in terms of volume of trade with the U.S. Currently, around \$20 billion of merchandise trade flows annually. The recently negotiated U.S.-India Free Trade Agreement in services would allow Indian health and information technology professionals unrestricted access to the U.S., and in exchange American firms would have the freedom to open financial service, banking, telecom and retail operations in India, increasing India's visibility as a global market. A bigger trade deal should be in the works over the next four years but will require the U.S. Congress to overcome entrenched inter-

⁵Meghnad Desai, "India business surrendered 20th century," *India Abroad* (December 3, 2004).

ests preventing liberalization of benefit to both countries. Trade disputes could also elevate India's attention level in Washington. Together with the European Union, Brazil, Japan, and Canada, India won a World Trade Organization (WTO) ruling permitting retaliatory duties on American products to counter continued American anti-dumping practices under the Byrd Amendment. American exports to India, now well below potential, could increase markedly in coming years. The key to this rests in raising the volume of high-technology goods, especially aerospace and military. The Bush administration's recognition of India as a responsible nuclear power is a positive sign in this regard.

Though India has some distance to go in achieving economic or military parity with China, it has stepped up the effort to match it in terms of diplomatic status. Though its efforts to gain a permanent seat on the UN Security Council have stalled in the broader deadlock over UN reform, the U.S. has welcomed a greater role for India in the nascent but effective G-20 and has encouraged India to take a leadership role in cultivating a Community of Democracies within the UN General Assembly. Both the U.S. and India seek to modify the Yalta security system, which India believes is antiquated as much as the Bush administration argues it is ineffective, particularly concerning core mutual interests such as nonproliferation and counterterrorism. Though historically India has butted against the U.S. in important United Nations votes, today there is hardly a better ally to advocate democracy promotion, secular governance, pluralism, and the rule of law. While the UN Security Council seat is important for India, New Delhi is under no illusion that it will change everything. Like the Bush administration and unlike the Europeans, India is wary of giving too much say to the UN in the management of global security, seeking instead to transform the global security order.

India's quest to go global has not only reached the United States; in many ways it originates here. Numbering almost two million, Indian-Americans are now the wealthiest ethnic minority in the country, boasting a median income of \$60,000 and 200,000 millionaires. Fifteen percent of Silicon Valley start-ups have been launched by Indians, many of them first-generation immigrants who have chosen to make the U.S. their home. Indian-Americans are also leaders in the medical and financial professions and — following in the footsteps of the Jewish diaspora — are increasingly seeking to match their rising economic and social status with political clout. Though India has yet to learn the ropes of lobbying hard for its interests in the areas of steel, agriculture, pharmaceuticals, and weapons, it has pushed membership in the bipartisan India Caucus of the House of Representatives to over 130 congressmen. Furthermore, a half-century after Dilip Singh Saund, the

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first Asian to serve in the U.S. Congress, the savvy young Bobby Jindal was elected a Republican member of the House from Louisiana in November 2004. Jindal's fast-track academic career is also but one example of Indians' amazingly disproportionate representation on Ivy League campuses. Given the Indian diaspora's contributions to American economic and cultural life, the more than 50 percent decrease in H1-B visas for Indian professionals has been extremely disturbing to Indians in both countries, and the 25 percent drop in MBA applicants from India is similarly worrying. If the U.S. does not allow Indian nationals to become Indian-Americans — in a demonstration of American pride, many prefer this term to be de-hyphenated as well — it ignores the Asia Foundation's advice that the Bush administration should "continue to take advantage of Indian-Americans as a bridge" between Washington and New Delhi.

Towards the end of the Cold War in 1989, the Pentagon commissioned the Rand Corporation's George Tanham to report on India's strategic thinking; he famously concluded that there was none. This is no longer the case. India is beginning to rediscover the enduring elements of its own traditional geopolitical thinking and actively considering partnership with America, if only to advance its own interests. Within a constellation of shifting regional alliances among major states and powers such as the U.S., EU, Russia, Iran, Pakistan, China, South Korea, and Japan, India's relevance to the future of international power balances is assured. India's strategic canvas is broadening, as is its thinking in the military, economic, diplomatic, and cultural realms. America's trade with China will eclipse that which it has with India for years to come, but democratic India is sure to be a more reliable partner.

Better relations, however, create rising expectations. As American and Indian interests naturally come into closer alignment, both countries must recognize that their noisy democracies will examine every minute detail in the agreements that the two governments negotiate. Preventing these noises from overwhelming the long-awaited strategic signals of greater engagement will be the most difficult challenge that Washington and Delhi have to overcome.