



The United States and India: A Transformed Relationship

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I am pleased to be here today in Hyderabad, a city world-renowned for its contributions to information technology. I am particularly happy to be speaking to the Confederation of Indian Industry (CII), an organization that has done so much to advance the interests of India around the world and so much to promote relations between India and the United States. Tarun Das and all those associated with CII deserve our collective thanks.

I have come a long way to be with you today, so it only seems appropriate that I spend some time discussing a few of the major issues that concern us all. I would like to give you a sense of how we in America view the world; I would also like to give you a sense of how the Bush Administration views the U.S.-Indian relationship and India's role in the region and beyond. And as you might expect, I will have a few things to say about economic matters given that so many of you earn your living doing business -- as opposed to those of us whose business it is to do diplomacy.

In all honesty I cannot report that any of the major challenges that have required so much time and resources of late can be placed in the "done" category. There is, however, no question that a great deal has been achieved.

Let me begin with terrorism. A broad and deep international coalition is waging war against terrorists and the states that support them. UN Security Council Resolution 1373 established clear norms, placing binding obligations on countries to combat terrorist financing, recruitment, transit, safe haven, and other forms of support to terrorists. Such collective efforts are paying off. Over 160 countries have joined in freezing assets; more than 2000 suspected terrorists have been arrested in some 90 countries.

Afghans and the international community can take great pride in the real progress made in Afghanistan. A year after its liberation, it is no longer a terrorist safe-haven. An Afghan transitional government, one committed to helping its people, is up and running. Some two million refugees have voted with their feet and returned home; economic reconstruction is under way, as is the building of a national police and army. None of this is to say that there is still not a great deal of work to be done before Afghanistan is a stable, prosperous country. But the achievements of the last year are nothing short of dramatic.

In the Middle East, President Bush has articulated the goal of establishing a viable, democratic Palestinian state living side by side with Israel in peace and security by mid-2005. Our focus today is on helping Israelis and Palestinians realize this vision. The United States, together with the EU, the UN, Russia, and several Arab governments, is working to prepare the Palestinians for the responsibilities of statehood and developing a specific roadmap to assist Israelis and Palestinians transition from where they are now to where they need to be.

In a very different realm of international relations, new WTO negotiations were launched in Doha in November 2001. This round has the potential to bolster the economies of the developing world as well as the developed one. The passage of Trade Promotion Authority by the U.S. Congress greatly strengthens the President's hand in rallying American support for more open trade.

Any stock-taking also must acknowledge the tremendous strides America has made in solidifying its relationships with other major powers and important regional actors. The United States has modernized its ties with Europe and Japan, two longstanding allies. Increasingly, these relationships will focus on promoting conditions of stability in other parts of the world, not just in areas close to home. We have also fundamentally altered our relationship with some former adversaries, Russia being the most obvious and consequential case in point. There are few better manifestations of our new relationship with Russia than the historic Treaty of Moscow, which dramatically reduces the nuclear inventories of both countries. Significant change also characterizes U.S. relations with China, a country that has become a partner in the war on terrorism and to whom we now turn for assistance in dealing with the threats posed by both Iraq and North Korea.

Efforts to fundamentally alter so many of our relationships are in large part rooted in necessity and reflect the changing world around us. Increasingly, we live in a world shaped by the forces of globalization. Globalization has changed our lives in so many ways for the better. It has dramatically diminished the distances between people and has made traditional boundaries less relevant as goods, people, services, and ideas flow more rapidly around the world. In so doing, globalization has bolstered trade and investment, which are sources of better jobs, greater choice for consumers, and lower prices.

But as we saw in the tragic events of September 11, globalization also has a dark side: terrorism, the spread of weapons of mass destruction, crime, trafficking in men, women and children, the flow of drugs, the ravages of HIV/AIDS and other infectious diseases.

The contours of our rapidly globalizing world have implications for all people and countries, not least of all the United States. It is a simple reality that U.S. power is unrivaled and will remain so for the foreseeable future. Yet, this power does not give the United States control over global affairs. The threats and challenges facing us and our allies are varied and numerous. To deal with them in the best possible manner, we will require the help of capable, like-minded countries. Our need for partners is particularly urgent in addressing transnational issues, the very issues that are most emblematic of this era.

U.S.-India Relations

The U.S.-India relationship should be, and can be, a cornerstone of this global network of partnerships. The transformation of our bilateral relationship over the past few years is a dramatic success story. It is a story that this administration takes seriously. And it is a story in which this administration has invested a great deal.

President Bush took office determined to move the U.S.-India relationship beyond the new patterns of cooperation that were initiated at the end of the Clinton Administration. When he welcomed Prime Minister Vajpayee to the White House in November 2001, President Bush said, "My administration is committed to developing a fundamentally different relationship with India, one based upon trust, one based upon mutual values." The President saw that our relations were still weighted down by Cold War baggage, still defined largely by disagreements, still limited by infrequent interaction. Neither side gave the relationship the high priority it deserved; efforts to improve it lacked the urgency that was needed to bring U.S.-India relations to new heights. President Bush saw India as a country that was poised to become one of the leading nations of the 21st century. A nation of over one billion people, the largest democracy on earth, multi-ethnic, multi-religious, a critical presence in Asia. In short, he saw a nation of enormous achievement and even greater promise.

The horrible events of September 11th further galvanized the efforts that were already underway to transform the U.S.-India relationship. India's reaction to September 11 was prompt and wholehearted. India was one of the first countries to offer assistance to the United States. Its people and government expressed genuine sympathy for our loss, even as they mourned the loss of their own in the towers of the World Trade Center. September 11 did not alter the trajectory of U.S.-Indian relations. But it quickened the pace of change by underscoring the commonalities between our democracies and cementing our mutual commitment to work more closely together.

Today, we can point to a U.S.-India relationship that is greatly changed. We have come a long way, to a point where cooperation - not carping - is the dominant characteristic of our relationship. This transformation is not limited to the interaction between President Bush and Prime Minister Vajpayee; nor is it marked simply by better relations between senior members of our two governments. What we have witnessed is nothing short of a basic restructuring of how our two great nations interact.

Prime Minister Vajpayee has spoken of India and the United States as "natural allies." He is right. The United States and India have begun to realize the benefits of a partnership rooted in freedom, prosperity and security. Today, we can point to progress on a range of issues:

Ø We see India and America collaborating on security and stability in Asia and beyond. India was an early supporter of President Bush's strategic framework and his call for an enhanced role for missile defense. India has been a stalwart member of the coalition waging the global war against terrorism. We have consulted with one another on terrorist financing and shared intelligence on terrorist groups. We institutionalized this cooperation with the opening of a FBI office in New Delhi. India's support for U.S. counterterrorism efforts involved the provision of naval escorts to ships moving through the Straits of Malacca. This act was significant, in part because it was the first time that the American and Indian navies undertook a joint mission outside of India's territorial waters. But it also serves as an example of Indian efforts to counter the effects of terrorism on our global trading system.

Ø The United States and India, in the words of Secretary of State Powell this past July, "have opened [a] new strategic dialogue to transform our relationship." These discussions, buttressed by multiple trips made by high level visitors in each direction, have addressed issues ranging from how best to help Nepal meet the challenges posed by its Maoist insurgency to preventing onward proliferation of chemical, biological, and nuclear materials and technologies.

Ø India and America have also stood side by side in Afghanistan. India and the United States worked together with other governments to ensure that the Bonn Conference was a success, laying the groundwork for a broad-based, democratic government. Since that time, India has supported the Karzai government, sharing with the United States the goal of a moderate, peaceful Afghanistan. This commitment is evident in India's actions, including its provision of various kinds of training, buses, commercial aircraft, and food to Afghans. India's Indira Gandhi Hospital has been a continuing source of healing in Kabul as well as a prominent symbol of the historic ties between Indians and Afghans. Ø Our two countries have engaged in extensive military-to-military cooperation, marked by multiple port visits, joint exercises, and high-level exchanges. Our Defense Policy Group has been revived and is more active than ever. And we take it as a mark of friendship and trust that India and the United States have recently concluded a joint agreement not to extradite one another's nationals if they are sought by international tribunals, such as the ICC, whose authority and role we both challenge.

Ø We also see India and America, the world's two largest democracies, working together to combat one of the greatest transnational threats of our times: HIV/AIDS. India has recognized the challenge that HIV and AIDS presents to its people and their pursuit of prosperous lives. The United States, which has grappled with its own HIV/AIDS problems, is assisting India in its efforts to combat this disease. The U.S. Agency for International Development, Harvard's Center for International Development, and our National Institutes of Health all have programs in India to stem the spread of HIV/AIDS through better communication, education, and provision of health services.

Despite this impressive list of areas of joint cooperation, there is more we can work on together. Security cooperation tops the list. A key component of our growing security collaboration must be geared toward stopping the spread of weapons of mass destruction. The United States and India share a common interest in bringing about a world where materials and technologies for the production of chemical, biological, and nuclear weapons are difficult to acquire. India has shown its willingness to identify proliferators; we do, however, look for even more aggressive Indian action on this front, and are prepared to work together and share experiences to help India achieve our common goal of stopping onward proliferation.

The extent to which India and the United States can be partners on important problems in other regions will also determine whether our security cooperation realizes its potential. On North Korea, we are off to a good start. We welcome India's role in the adoption of the International Atomic Energy Agency's November 29th resolution that insists that North Korea end its nuclear weapons program and open its facilities to IAEA inspections. We appreciate that India is part of the international consensus demanding that North Korea do away with its new uranium enrichment facility and meet its international obligations under the IAEA. But the challenge posed by North Korea's nuclear policies is far from over, and India's efforts will remain important alongside those of Russia, China, South Korea, and Japan.

The United States also anticipates significant cooperation with India on Iraq. We are pleased that India has called for Iraq's full compliance with UN resolutions, including UN Security Council Resolution 1441. We will seek to expand our cooperation with India and other members of the international community as the situation in Iraq warrants. If force proves necessary, we would hope that the United States could turn to the Indian government for assistance in meeting not only immediate needs, but also in addressing the humanitarian, political and economic challenges that will follow.

We can also deepen our cooperation on important scientific, technical, and global issues. I am confident that the new U.S.-India Biotech Alliance launched between the CII and the U.S.-India Business Council during Undersecretary of State Alan Larson's November visit will be a fruitful forum for sharing information, facilitating trade, and promoting joint research. Both India and the United States can benefit from the smart use of biotechnology. We also look forward to revitalizing our energy dialogue through talks about reducing greenhouse gases, curbing pollution, enhancing energy security, and achieving a more efficient distribution of power. And the United States and India have begun a promising dialogue on combating trafficking in men, women, and children. The United States is heartened by India's recent work with the SAARC aimed at reducing the numbers of those who are brought to India through trafficking, and its recognition of the need to prosecute those engaged in this activity.

yet, beyond making progress on particular issues in the political, military, and security realms, India and the United States should strive to regularize and deepen consultations across the board. I look forward to a time when India and the United States confer with one another on all matters of regional and global importance. Such coordination is not aimed at any third country, but instead is a natural reflection of the fact that India and the United States share an interest in bringing about a world in which terror is rare, proliferation is curbed, and energy supplies are secure. As two like-minded countries, we will both benefit from sharing our analyses of problems, our formulations of solutions, and, in many cases, the coordination of our actions.

Let me now turn to the economic realm. The United States and India can and should do much better. With all the positives in our relationship, the weakness of our economic links is glaring. Ten years ago, I would not have predicted that our military and political relations would be as vigorous as they are. I am happy to be proven wrong about that. Yet, at the same time, I would have never imagined that our economic relations would still be as limited as they are today. I am anything but happy to have been proven wrong about this.

As you in this room know better than most, U.S.-India economic links continue to be under-developed -- or, as Ambassador Blackwill has put it, as flat as a chapatti. This is so despite the enormous potential for commerce between our two large and dynamic economies. U.S. trade to India remains paltry. Although some fifteen percent of India's total trade is with the United States, less than one percent of U.S. trade involves India. Two-way trade between India and the United States is less than that between America and Ireland, a country with fewer than 4 million people! American investment, too, is at extremely low levels. Prime Minister Vajpayee has recognized the importance of U.S. investment in India. During his September 2000 visit to Washington, he called for \$10 billion of investment annually from the United States. Unfortunately, levels remain closer to one-tenth of that sum.

Given India's vast resources and the creativity of its people, India should be a magnet for investment. And, on occasion, it is. In Karnataka, Heinz grows and processes its own tomatoes and markets ketchup throughout India; Ford and GM manufacture cars in Indian plants; right here in Hyderabad, Microsoft is but one of many American firms in the realm of information technology that has established a significant foothold.

But too often India loses out to China, other parts of Asia, Europe, Latin America, and Africa for U.S. investment. India enjoys extraordinary advantages -- a common language, common values, common democratic ideals; it claims a huge educated workforce and possesses an even larger market with an outstanding IT sector; and India has the benefit of an administration in Washington that is fully committed to the transformation of the U.S.-India relationship. But despite these significant leads over other countries and regions, U.S.-Indian economic links are simply coming up short.

Why? Here I would point to an entrenched Indian bureaucracy, outdated regulations, sticky legal wickets, parochial political prejudices, and a worsening fiscal deficit that crowds out spending for a decaying infrastructure, for education, and for health. Together, they work to keep India as a whole on the sidelines of global competition that could vastly benefit the Indian consumer, release Indian entrepreneurial creativity, and let India play the international economic role its one billion people have a right to expect.

Both the United States and India share the responsibility of bringing the new bilateral, U.S.-India relationship to even greater heights. But in the economic realm, and to be as frank as only friends can be, the burden of action rests largely on Indian shoulders. India will need to take steps to remove the concerns that drive capital away to other less burdensome investment climates. Secretary of State Colin Powell frequently says that capital - it flows to where it gets the best return and steers clear of places where the environment is not hospitable to profit. Capital seeks out opportunity, stability and transparency.

The elimination or reduction of tariff barriers, streamlining taxation and licensing requirements, and the resolution of intellectual property disputes by India would go far in removing the obstacles to trade and investment. India stands to gain a great deal from the Doha round of WTO talks and should work to meet the tight deadlines needed to move the negotiations forward. Our five-track economic dialogue with India can help spur the needed reforms and prepare the ground for a much more robust commercial relationship. But India must take the lead and do its part to transform this critical part of our relationship.

Indo-Pakistani relations

Let me now talk about another area that continues to color the U.S. partnership with India: that of Indo-Pakistani relations. Neither the United States nor India want our bilateral relationship to be conducted through the prism of India's relationship with Pakistan. The United States -- as much as India -- wants to devote the time we spend talking about the threat of conflict in South Asia to other, more positive issues. America - as much as India - is eager to see a thriving, peaceful and democratic India take its place in the world. But it is simply a fact of life that India will not realize its immense potential on the global stage until its relationship with Pakistan is normalized. If India were to have a better relationship with Pakistan, it would be free to emerge as the major world actor that it ought to be. The festering conflict with Pakistan distracts India from its larger ambitions, helps create the environment that scares off capital, and absorbs valuable resources.

The ability of both Pakistanis and Indians to reap the benefits of the 21st century will depend to a large degree on their willingness to build a more normal relationship with one another. The current situation is distinctly abnormal - even by the standards of adversaries. Today, the Indo-Pakistani relationship is less developed than that between the United States and the Soviet Union at the height of the Cold War. Even in the worst of times, trade flowed between the two countries, Washington and Moscow hosted ambassadors from the other country, and cultural exchanges went ahead. Throughout the Cold War, the United States and the Soviet Union -- who were not neighbors like India and Pakistan, but two countries on opposite sides of the globe -- recognized that maintaining considerable interaction was in their mutual interest.

In the absence of the most basic contacts and the most minimal lines of communication, tension between India and Pakistan constantly risks sparking a broader conflict with potentially cataclysmic consequences - for India, for Pakistan, for the region, and, if I might say, for the United States. But, even if such a conflict never materializes, the omni-present specter of it has huge tangible costs. It limits the ability of both India and Pakistan to seize opportunities to better the lives of their peoples. The time, energy, and resources New Delhi and Islamabad now devote to countering one another could instead be focused on tackling respective domestic challenges as well as the problems of Asian stability writ large.

Given the wide repercussions of Indo-Pakistani tensions, it is no wonder that the international community has repeatedly called on the Indian and Pakistani governments to normalize their relationship. It is a responsibility they have to their own peoples, to their neighbors, and all of humanity.

The world is not asking India and Pakistan to do anything that other states have not done. Numerous countries have moved beyond their own contentious histories in order to secure a better future. Look at Germany and France, Japan and Korea, Brazil and Argentina. And now the United States and Russia.

A more normal relationship between India and Pakistan is not impossible to envision. Normalcy does not mean an absence of disagreement. Rather, normalcy means a resilient relationship that would allow India and Pakistan to weather inevitable shocks and setbacks without the risk of violent conflict or a nuclear crisis.

Normalcy means that differences are resolved through diplomacy, not force. In this time of heightened tension, we are in an unusual situation where neither country has a High Commissioner in the capital of the other. But even in less tense times, diplomatic presence and exchange was minimal. An expansion of diplomatic links could facilitate people-to-people contacts and lay the groundwork for greater bilateral cooperation on a range of common interests.

Normalcy also means a relationship wherein Indians and Pakistanis from all walks of life can easily travel to the other country for family visits, tourism, sports or business. It should not take more time to fly from New Delhi to Islamabad than it does to fly from Delhi to London.

Normalcy means that the cricket matches between India and Pakistan that once captivated millions in South Asia and around the world would be only one of many kinds of people-to-people interaction.

Normalcy means market-driven commerce. Today, legal trade and investment between the two countries is virtually non-existent. Developing natural commercial links could bring greater prosperity to both countries and, in the process, build constituencies for normalization and increase the stake that each country has in the peaceful resolution of disputes. In this regard, it is time to take practical steps to bring about a South Asian Free Trade Area.

Most of all, normalcy means that Kashmir would be addressed peacefully. In fact, much has already changed in Kashmir, even since my last visit to South Asia this past autumn. The United States welcomes the new state government in Jammu and Kashmir and commends its bold initiatives to reduce tensions and bring about a climate of reconciliation in a region that has too long been mired in strife. And we are pleased by the commitment of the central government to hold a serious dialogue with the J&K state government and others in Kashmir. These discussions are essential if the quest to improve the lives and livelihoods of the Kashmiri people is to succeed.

Now is clearly a moment of opportunity in Kashmir - one that New Delhi, the Mufti government, and the people of the region can collectively translate into tangible political and economic benefits. Such efforts will not in themselves "solve" the complex issues of Indo-Pakistani differences, terrorist violence, human rights, and governance that converge in Kashmir. But they are important steps in the right direction. They will bring Kashmir closer to a solution that will be peaceful and honorable for all sides, one that will allow Kashmiris to live their daily lives in safety, with dignity and opportunity.

Sadly, this opportunity continues to be narrowed by terrible acts of violence in Kashmir. I am saddened by the recent assassination of Abdul Aziz Mir, one of the governing coalition's Assembly members. I am also deeply disturbed by the horrific murders of three young Kashmiri women on 19 December and by the deaths of others in subsequent weeks. Let me be clear: violence serves the interests of no one. As Mehbooba Mufti, vice-president of the People's Democratic Party, said in a recent party statement, "It is a historic fact that the gun yields nothing, but adds misery to the people and users."

I cannot predict what a solution to the Kashmir problem might look like or when it will come. But there are a few things about which I am certain. First, the status of the Line of Control will not be changed unilaterally. Second, the LOC will also not be changed by violence. To the contrary, in the absence of a jointly agreed Indo-Pakistani alternative, everyone should act to ensure the continued sanctity of the Line of Control.

For its part, the United States will continue to urge President Musharraf to do everything in his power to permanently end infiltration into Kashmir. Pakistanis must realize that this infiltration is killing their hopes for a settlement to Kashmir.

I have been to Pakistan many times, most recently this past October. I believe I have an appreciation for the depth of feeling Pakistanis have for Kashmir. Nevertheless, I would discourage Pakistanis from allowing their focus on resolving the Kashmir dispute to block progress on other issues that involve India and that hold out the promise of an improved bilateral relationship. I have worked on regional conflicts for almost three decades - be it Cyprus, Northern Ireland, or the Middle East. And if there is one lesson I have learned, it is that the inability to resolve big issues should not stop progress on the little ones. The path to large breakthroughs is often paved with agreements on small issues.

The United States stands shoulder to shoulder with India in its battle against terrorists, be they those who struck at New York and Washington in September 2001 or those who targeted the Indian Parliament a few months later. Indeed, given all that India has suffered at the hands of terrorists, I can understand Indian government statements that India will not have a dialogue with Pakistan until terrorism emanating from Pakistani territory ends. However, I am concerned that such a position does not provide the basis for a sound, long-term policy for India to deal with its neighbor. Indeed, I would argue that India, like Pakistan, has an interest in removing conditions to dialogue. India is too great a country, too important a regional and potentially global player, to allow a relationship with a neighbor to keep it from realizing its potential on the world stage. Resuming a range of contacts with Pakistan at this time would not mean rewarding terrorism. Indians should not view efforts to improve relations with Pakistan as a favor to its neighbor. Rather, New Delhi should seek to diminish tensions with Islamabad as a way of securing a better future for itself.

India should also recognize that there are important developments unfolding in Pakistan that can contribute to a more stable, secure region. I would hope that New Delhi would respond to these changes by taking small steps -- beyond the welcome reduction in military deployments on the international border. India could acknowledge encouraging events where they exist, including Pakistan's assistance in the war against Al Qaeda and the Taliban, President Musharraf's vision of a reformed Pakistan, and the emergence of civilian leaders. India should look for opportunities to reach out to and reinforce the new civilian government in Islamabad. Supporting positive developments in Pakistan does not mean condoning or overlooking the many serious matters that Pakistan still must address. But it does mean saying and doing things

that help encourage favorable trends within Pakistan and make possible more normal ties with it.

The Strategic Future

I have always been an optimist when it comes to the U.S.-Indian relationship and am more so now than at any other time. The United States and India are countries cut from similar cloth, cast from comparable molds. Nearly two million Americans can trace their roots to India. We are natural partners. After decades of mutual alienation, we are embracing what we have in common and transforming how we interact. The results so far have been satisfying, underscoring the tremendous potential of our bilateral relationship.

Yet we must be careful not to confuse potential with inevitability. Realizing the benefits of a transformed relationship will take hard work. As far as we have come, as much progress as we have made over the past few years, we have even further to go. In order for the United States and India to attain the strategic partnership that is in our grasp, we will need to deepen our economic relationship; we will need to develop new habits of consultation and collaboration in our diplomatic relationship; and we will need to make our military relationship more robust. As the President's National Security Strategy stated, "The Administration sees India's potential to become one of the great democratic powers of the twenty first century and has worked hard to transform our relationship." We will continue these efforts. And we invite India to match them, in the process remaking our relationship for the benefit of this region and the world.

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