

Center for Strategic and International Studies (CSIS)

U.S.-India Relations: A View from Capitol Hill

U.S.-India Relations: Additional Perspectives

Introduction/Moderator:

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KARL F. INDERFURTH: OK. If I may begin the final discussion for this afternoon, thank you all for being here now. I think we have had five excellent presentations, and I have no doubt we will have three more to add to that list, with our three speakers.

I'd like to – again, you have the bios in the rear for our speakers. I'd like to – rather than going over the bios, I'd like to do something of a book club kind of presentation to introduce our three speakers, because they are all writers, they are all thinkers and they've all been published, something that is a very important thing in our field, to get wider distribution of ideas.

I have already mentioned that our first speaker, Bruce Riedel, has done his most recent book, “Deadly Embrace: Pakistan, America and the Future of the Global Jihad.” So I want to call attention to that. I'm sure if you have brought your copy, Bruce would be willing to sign, as I'm actually going to ask him to – actually, you've already signed mine. So. We also have a piece in the back, a more recent piece that Bruce has done, on “Russian Roulette in South Asia.” For those of you who do want to talk about the implications of what's taking place in Pakistan-Afghanistan, and as it impacts on India and as India has an important role to play in this, we're going to hear some very important things here from Bruce on that subject.

And I should mention that Bruce and I worked together for my four years at State when he was the senior director at the National Security Council, so we were colleagues and co-conspirators in moving this relationship with India forward.

Secondly, Ray Vickery, an even more recently published author, “The Eagle and the Elephant: The Strategic Aspects of U.S.-India Economic Engagement. I had the opportunity to read some of the earlier chapters. I think this is going to be a very important contribution to our understanding of this economic relationship. And I'm delighted that Ray is here.

Ray and I have also conspired in government service, when he was the assistant secretary of commerce for trade, and in the Clinton administration. So I'm delighted that Ray is here. And I just saw him the other day at his book launch at the Woodrow Wilson Center.

Finally, Richard Fontaine from CNAS, Center for New American Security. Richard and I had the great opportunity to work together in a project that he directed at CNAS that issued its report – it was co-chaired by Nicholas Burns and Rich Armitage, a project which Richard directed entitled “Natural Allies: A Blueprint for the Future of U.S.-India Relations” that came out just prior to President Obama's trip. As I have mentioned to him, never in my experience in working in, you know, the kind of task forces, working groups have as many recommendations as we put forward found their way into a presidential trip as quickly.

Now, I don't think we can take full credit. I'm sure the administration was thinking along the same lines. But the fact is that this report did do – I think it encouraged and supported

directions and ideas that the two leaders very much pursued in their joint statement in the November – in the November 2009 summit.

Richard has already recently been published in the CSIS Quarterly, the Washington Quarterly, and that article on U.S.-India values-based cooperation is in the back. He also is a veteran of working both in the legislative branch with Senator McCain, also in the executive branch: the National Security Council, the State Department. So I think we are very fortunate to have these three individuals who will bring an overall understanding of the U.S.-Indian relationship and special perspectives to bear. So that's what we'll be doing in the next hour and 10 minutes or so.

So I'd like to ask each of them to do what our previous speakers did, which is to come to the podium for about 10 minutes of remarks. And then we will go to questions. So Bruce, if you could launch the discussion.

BRUCE RIEDEL: Thank you, Rick, for that very, very kind introduction. Despite its title, "Deadly Embrace" is not a romantic novel – (laughter) – although I ascribe all sales to the fact that it has been misplaced in a lot of bookstores. I also want to thank CSIS for inviting me. This is the second day in a row you've provided me with lunch and I'm eager to know what the menu is going to be for tomorrow.

I'm going to talk about the U.S.-Indian strategic partnership, the defense relationship, the counterterrorism relationship and the overall strategic relationship. You've heard already today the superlatives about the rise of India, the importance of the American-Indian strategic partnership. I don't need to repeat those. Everything you've heard is absolutely true. This is a core relationship for the United States. Nothing is more important than getting the U.S.-Indian strategic relationship right.

It has come an enormous way in a very short period of time. Just measuring it since the president's trip in 2009, you see significant progress. But if you step back just a little bit and measure it since 1999, it's transformative. Presidents Clinton, Bush and Obama, Rick and many others in this room deserve credit for that transformation. It is a rare example of bipartisan success in American foreign policy.

But my main message today is a simple one. This relationship today faces its most difficult problem ever and that is a ticking time bomb next door in Pakistan – a time bomb which could explode at any moment. Pakistan is usually not on the formal agenda of the U.S.-India strategic dialogue. In the New Delhi statement issued after the president's trip in 2009, it's barely mentioned. It appears in reference to the counterterrorism problem. This is, of course, understandable. We all know the reason why. Diplomats and leaders have to be careful what they say in public. Words have meaning.

But Pakistan is a ticking time bomb that could explode at any moment. There are a number of ways that Pakistan could explode into our consciousness again tomorrow: another Mumbai – mass-casualty terrorist attack in India; another 9/11 or a Times Square, like last May, postmarked Pakistan; another coup d'état in Pakistan, leading another general back into power;

another Abbottabad at any moment based on what the CIA has found in that mountain of information in that villa in Abbottabad.

Let me briefly survey the progress we've made in the strategic and defense areas. I don't want to be exhaustive and you've already heard an awful lot about it, but it is remarkable. Let's start with counterterrorism. Director of Central Intelligence and soon-to-be Secretary of Defense Leon Panetta made his first foreign visit to New Delhi in 2009. It was a highly symbolic act. Until then, you could say that American intelligence relationships in South Asia were balanced: ISI here, RAW here.

This administration tried to demonstrate that change was coming. And we have seen in the wake of Mumbai an enormous increase in counterterrorism and homeland security cooperation between the United States and India, highlighted by Secretary Napolitano's visit. We have seen a tremendous degree of information sharing on groups like Lashkar-e-Taiba. And we've seen cooperation in interrogation of David Headley, the mastermind – or one of the masterminds – of the Mumbai era. So, a significant improvement. A major change.

We've seen significant improvements in the military-military relationship. In 1999, as Rick will remember well, there were zero military exercises. There was zero military exchange between our two countries. The concept of military arms sales in 1999 was a vision for the future. We've made enormous progress. The 10 C-17s that you've heard about today are a big deal. This is the biggest arms sale between the United States and India since the Kennedy administration in the immediate wake of the Indo-Chinese war of 1962. Those 10 C-17s will give India a strategic aerial lift capability larger than any NATO nation, aside from the United States of America. It will be transformative in terms of India's military capabilities.

I am, for one, not surprised that the fighter deal didn't go through. I can understand why Indian military planners would have many doubts about the reliability of Americans' support for combat aircraft in the future. The legacy of the past isn't going to go away overnight. C-17s don't need munitions. You don't have to worry about munitions being delivered in a crisis. Combat aircraft need munitions. Let's hope, though, that we're on the right trajectory.

Summitry: President Obama is the first American president to visit New Delhi in his first term since Jimmy Carter. That is a major, major development. Arms control and proliferation: If you listened carefully, the two previous speakers, they didn't spend the whole time talking about arms control, nuclear proliferation issues, combatting comprehensive test ban treaties – all that kind of stuff. Ten years ago, that would have been the only thing we talked about, all afternoon. President Bush's innovative U.S.-India civil nuclear deal deserves credit for that.

Afghanistan: common agreement on the importance of assisting the Karzai government; common agreement on a path forward to stabilizing Afghanistan. Differences remain – there's no question about that. Libya illustrated those differences; Syria may illustrate them again. Strategic partnership does not mean an identity of views – it means working together.

All of this progress is real. All of it is important. All of it is transformative. All of it is significant. But I would argue to you the real challenge lies ahead, and that challenge is immediately to the west of India: Pakistan.

We need more dialogue. We need more engagement. We need more cooperation working together to think about how we help Pakistan help itself. Don't get me wrong: I am not suggesting mediation. I'm not suggesting we appoint a special envoy for AfPakI. I opposed the idea of AfPak from the beginning. I am in favor of reintegrating Afghanistan and Pakistan into Mr. Blake's bureau. I think we should create a military command for South Asia. But I don't favor mediation, nor am I proposing a conspiracy that the United States and India somehow plot against Pakistan.

What I am suggesting is the need to conceptualize urgently where we are going with this most important country. Obviously, we already talk to each other about Pakistan. I've spent hours talking to Indian diplomats in government in four administrations – under four presidents – about Pakistan. But we need to take it to a higher level now.

Why? Because the alternative is playing Russian roulette. India has already had three 9/11s, not one 9/11. It had a 9/11 in 2001 in New Delhi; it had a 9/11 in 2006 in Mumbai and it had a repeat performance in 2008. Another one is coming – we know that. Yes, Pakistan is the provocateur. Pakistan provides the base from these terrorists to operate from. But that doesn't change the fact that we need to think about how to leverage the U.S.-Indian relationship to assist developing Pakistan in the right place.

Abbottabad is a wakeup warning, if we needed it. Here, in the heart of Pakistan, within a mile of Pakistan's West Point or Sandhurst, Osama bin Laden, high-value target number one, was living for the last five years at least. There is an urgent question we all want to know the answer to: What did Pakistan's military and its intelligence services know? What did it not know? Were they clueless and incompetent? Or were they complicit and guilty? That question now hangs over the U.S.-Pakistani relationship. But Abbottabad is only one of the things that could go wrong.

Disaster is looming. So how do we help? Well, first of all, we have to recognize the prime minister's very – Prime Minister Singh's very brave decision to move forward with India-Pakistan engagement. Inviting his counterpart to that cricket match was not only a brilliant political move, it was a brave political move. But sitting at a cricket match is not enough and resuming dialogue is not enough. We need creative problem-solving.

What role can America play in this? I've already said it should not be mediator. Certainly, it should be cheerleader. But, come on – we can do a little bit more than being a cheerleader. We can certainly help in creative problem-solving ideas. And this is a role not just for government, but here is a real role for think tanks like CSIS, like Brookings and others.

The bottom line is this, and I don't mean to belabor the point. The United States and India today face a common problem. That problem is a syndicate of terrorist organizations that

reside in Pakistan: al-Qaida, Lashkar-e-Taiba, the Afghan Taliban and the Pakistan Taliban. This syndicate of terror has at the top of their target list the United States of America and India.

We have seen in the last month a remarkable series of eulogies by every single one of these groups honoring Osama bin Laden. Lashkar-e-Taiba was the first out of the box. Hafiz Saeed, the Friday after Abbottabad, spent his Friday prayers talking about the hero martyr, the sheik Osama bin Laden. Of course, he should have – Osama bin Laden funded the creation of Lashkar-e-Taiba. The Pakistan Taliban has eulogized the leader with carnage from Karachi to Kashmir attacking the Pakistani state. It's the contradictions in the relationship between the jihadist Frankenstein and the government of Pakistan are the hardest part to get our heads around. The Afghan Taliban put out a statement eulogizing Osama bin Laden and associating itself directly with the global Islamic jihad.

Today, Osama bin Laden's heir apparent, Ayman Zawahiri, put out a statement reiterating his loyalty to Mullah Omar, "the emir of the believers," as he called him. It is a syndicate of terrorism that is not a monolith, doesn't have a single leader, but operationally works together and works against the United States and India. The government of Pakistan, to be fair, is at war with part of this syndicate. The attack in Karachi vividly demonstrated that. ISI officers are murdered by this syndicate. At the same time, it's still in bed with other parts of it.

At this point, we can only conclude that it is incapable of being trusted to deal with this problem. Whether it's incompetence or complicity, we cannot rely on the government of Pakistan to deal with it. The United States has now responded with unilateral measures, not just on the 2nd of May, but almost every day, from 30,000 feet in the air. India at some point may decide that it has little choice but to do the same.

We need a common approach to thinking about this problem and working on it – not an identical approach, not an alliance against Pakistan, but a common thought process. We need a coordinated engagement with the government of Pakistan. Both America and India have decided Pakistan is too important not to engage with, even if it's frustrating and even if it's irritating. We need to engage, but we ought to coordinate our engagement.

We need to coordinate our counterterrorism efforts. It's already been mentioned – Lashkar-e-Taiba – the importance of doing that. Lashkar-e-Taiba is today probably the most dangerous terrorist group in the world. We need to share technology and human intelligence. One practical step that should be done is to share that take from the Abbottabad villa mansion that is relevant to the government of India's interests. And we need to start coordinating contingency planning. The nightmares I described to you are real. They may not happen in the near term; they may happen tonight. We need to start thinking our way through them.

As Senator Warner rightly put it, we need a true strategic partnership, and there is no issue more important to deal with than the future of Pakistan. Thank you. (Applause.)

RAYMOND VICKERY: I think after Bruce's remarks, you can see why I'm so honored to appear on the same panel with him and with Richard Fontaine, both of whom are really giants

in this field. And Rick, I want to tell you, I really appreciate the plug for the book. It wasn't Oprah Winfrey, but it was close. (Laughter.)

I'm very grateful to CSIS for putting this together. I think Dr. Wadhvani has done a wonderful thing in endowing this chair, and we're all grateful.

I was very pleased to hear from Senator Warner and Senator Cornyn that the bipartisan support for the U.S.-India relationship is alive and well. It's been one of the great assets of this country. Would only that this bipartisanship prevailed in other areas facing this country.

Rick has been kind enough to mention the book that I've just put out, "The Eagle and the Elephant: Strategic Aspects of U.S.-India Economic Engagement." The thesis of this book is that it is economic engagement which is the engine of strategic cooperation. And it is this engagement that has driven the change in the U.S.-India relationship from estranged democracies to strategic partners.

There have been a lot of metaphors used for economic engagement. People have talked about it as the ballast of a ship that keeps it on course, or the foundation. The thesis that I put forward is that these do not capture the dynamic nature of what economic engagement means to the relationship. And I was so happy to hear Dr. Wadhvani put it first on his list of the three areas in which he wants to see his chair move forward.

Now, the corollary of the thesis that economic engagement is the engine of strategic cooperation is that this momentum of change can only be sustained by increasing positive economic engagement. And make no doubt about it: economic engagement can be negative as well as positive. We have only to look back at what happened with the Dabhol-Enron project and the whole fast track, which went down in flames, to see that negative engagement, engagement gone wrong, can set back the U.S.-India relationship for years to come.

In fact, it seems to me that what happens is that economic engagement and the political factors we have talked about operate in something called – that I'd call feedback loops. And that is, one influences the other. The question is where you'll have the inflection point, and I suggest to you that it is at the economic engagement side of the loop that we can have the most impetus in terms of sustaining and building the relationship.

I think the civil nuclear deal was a prime example of this principle. We pulled together a coalition for partnership with India that had the economic, the business side, it had Indian-Americans and it also had the policy community. And it is that kind of coalition which we need to reenergize in order to build and sustain this relationship.

Make no doubt about it: There are forces both on the Indian side and the U.S. side who do not believe in this relationship. They still have this skepticism. They still say, well, remember when those guys did "X" to us, or they were supposed to do this – and it happens on both sides. And unless those of us who believe in this relationship will continually adhere to the process of putting our best effort forward in building it, it will not go forward, it will not be – it will not achieve its full potential.

Now, Rick has assigned to me that portion of the joint statement from last November when President Obama was in New Delhi which deals with inclusive growth, mutual prosperity and economic cooperation. By the way, as a Democrat, I didn't think it was possible for the visit of President Clinton to be topped in terms of the relationship. George W. Bush did that in terms of the civil nuclear; then I didn't think it was possible for that to be topped. But I believe President Obama did. He hit every theme, all the way from the United Nations to the lessening of the controls on exports of high technology, and it was a huge triumph, and make no mistake about that.

But there are matters which we must face, and we must face them overtly, rather than leaving it to sort of the back rooms to be able to talk about it. And one of those areas has to do with inclusive growth. Inclusive growth is talked about in India as the way forward to majority prosperity. We do the same thing, only we call it defense of the middle class and what will happen there. It's a major political issue on both sides, and it affects the ability of the United States and India to cooperate on strategic issues.

Now, how we handle particularly services trade and protectionism is key to the ability of the United States and India to cooperate on inclusive growth, or, as you might say, protection of the middle class. And in this regard, neither side is blameless in terms of its record in terms of protectionism and the unwillingness to further open up the relationship in view of economic difficulties.

I'll give you an example. The G-20 met in November of 2008 and said, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions or implementing World Trade Organization-inconsistent measures to stimulate exports. A few days later, India raised its tariffs on iron, steel and soybeans and in January, not three months later, the U.S. enacted a "Buy America" provision for steel and a limitation on the use of temporary visas. Now, that is not the kind of progress that we need in order to be able to sustain the relationship.

And when you look at the relationship of economic engagement, the record over the past several years has not been a continued upward path. It is true that right now, we are at the highest level. In 2009, in terms of trade in goods and services – which, I think, is important, to include the services – we fell back from 66 billion (dollars) to 57 billion (dollars). Now we're up to 74 (billion dollars). But basically, the first three months of this year indicate that it's flat for this year. In terms of foreign direct investment, the total FDI stock of U.S. is about 18.6 billion (dollars), with an Indian investment stock in the U.S. at about 6.4 billion (dollars).

Well, just compare that with U.S. foreign direct investment in China, which, in the same year, was \$49.4 billion. And while U.S.-India trade has expanded, China replaced the United States as India's leading trading partner in goods in 2008. And on the direct investment front, the United States has also lost its premier position.

Now, how we handle questions of services, outsourcing, what we do in H1B visas has consequences. The Doha Round was designated as the Doha Development Agenda for a reason

and that is because economic development, inclusive growth, majority prosperity, protection of the middle class – however you want to put it – was to be at the heart of that. And what's happened? That agenda is in shambles at this point and it is in shambles primarily because the U.S. and India have not been able to come to grips with the key factors, including trade in services, agriculture and across the board.

I'll give you another example. The Pacific Council and the Federation of Indian Chambers of Commerce and Industry – and Ranjana Khanna (ph) is here – proposed several years ago an innovation economic trade agreement that would be modeled after the very successful trade agreement in services and in goods which had been done at the WTO. And the concept was that there could be a free trade agreement in the area of innovation – of the innovation economy. Where has that gone? That has gone nowhere.

And it has gone nowhere because of the forces that I'm indicating in terms of protectionism and the inability to come to grips with some of these basic problems in terms of economic engagement. And it's not a question of right or wrong. It's a question of whether it's useful in building majority prosperity in both countries.

Now, in this same area of the joint statement of last November, there were several other areas and I'd like just to briefly comment on them. One was the second Green Revolution or, as it was renamed, the Evergreen Revolution. And this was to be modeled on what Norman Borlaug and others had done in the '60s and '70s in increasing production. And the reality is, that is not going to go forward just by looking to the past. What has to happen is to recognize that there must be systematic change from both parties in order to be able to meet the questions of food security. And unless you can meet the question of food security, then the other matters become very much more difficult.

In regard to health security, there was a global disease detection regional center announced. But in terms of where that goes, it really depends on our ability to come to grips with basic intellectual property concepts and an unfinished agenda in that entire area.

Just one further point: We've talked about higher education. And I have worked on that: I'm also of counsel at Hogan Lovells, and we have a very large higher education practice. And there is a lot you've heard said today about the great opportunity, and it's all true. If you're going to go from a GER of about 12 percent to 24 percent, you're going to have to have slots for 15 million more Indians. And who better to work with India on that than United States institutions of higher education, who are leaders in the world?

The reality is that this whole area is in a complete standstill because the foreign education act, which is pending in parliament, has difficulties in it which make it really impossible for this kind of cooperation to take place. Now, this means that we have to go back to the drawing board. And I'm very happy to hear Bob Blake announce, of course, that in October, we will have a summit and we'll be able to go forward.

My point is this: that economic engagement is the driver of the ability of the U.S. and India to cooperate on strategic issues. Economic engagement requires the constant work of the

Congress as well as the executive branch, the business community, the Indian-American community and the policy community to move the relation forward. This relationship should be and will be, in my view, the most important of the 21st century. But it will not reach its full potential unless we tend to it every day. This is not written in stone. This is not on autopilot. And it requires all of our attention to realize its full potential. Thank you. (Applause.)

RICHARD FONTAINE: Well, as the eighth of eight speakers, I'll try to be relatively short in my remarks. Let me just say thanks to Rick and to Mr. Wadhvani and to CSIS for the honor of letting me speak here and also to Don Camp, who is here in the audience and was one of my very first bosses at the State Department in what was then the South Asia-only Bureau. So anything I know about South Asia that's right, you can give him credit, and anything that's wrong is my fault or someone else's – we can find someone else to blame. I feel like I should promote a book, but I don't have one. So we do have those things to promote.

What I want to do just briefly is talk for a minute about the way I see the strategic rationale for the relationship, which includes almost everything that you've heard up to this point. But I don't know that it's quite been laid out in a – just a – in a minute or two, like I'll do, and then also talk about the rationale for values-based cooperation between what we always refer to as the world's oldest democracy and the world's biggest democracy.

So first, the strategic rationale. Everything that you've heard: We have Pakistan and trade and education and climate change and all of – and energy and all of these reasons to have a closer U.S.-India relationship. But if we're looking at really the long view and playing for the long game here, then it really bears looking at the region as a whole. And through the couple hours that we've been able to spend together here, I don't know that anybody has actually mentioned this big country that starts with "C" that's located east of India. But, from my sense, that's a big driver of the U.S.-India relationship and the desire of both to come together despite decades of mutual mistrust and disaffected relations.

So let me just read one sentence. And this comes from the National Intelligence Council's "Global Trends 2020" report that came out a few years back. And I give Rick Inderfurth full credit for, actually about a year ago, pointing this out to me. It says, "The likely emergence of China and India as new major global players will transform the geopolitical landscape with impacts potentially as dramatic as those of the previous two centuries. In the same way that commentators refer to the 1900s as the American century, the early 21st century may be seen as the time when some in the developing world, led by China and India, come into their own."

Now, there's some obvious poetry and drama in that statement. But I do think there's some truth to that analysis. And that is what forms a backdrop for the future of the U.S.-India relationship because we will always have irritants in the relationship. We're two big, unwieldy democracies and we will always have problems and we will always have communications issues and we will always have areas of mistrust.

But driving us forward, and particularly from the American side, is an overarching interest in having closer ties with an India that is becoming more powerful, with greater

ambitions around the world, at the same time that China is doing the same thing. We don't want a bad relationship with China, but we want China to ascend in a region that is surrounding – surrounded by democracies that can work well together so that we can make it easier for us to have good relations with China and not fear China or try to contain China or anything like this.

Now, that concept has obviously been the backdrop going back to the Clinton administration pushing forward with closer ties with India and from the Indian side forward. And the Obama administration, to its great credit, has taken some really bold steps to push the relationship forward in a very significant way. And I think what you see is something that's sometimes rare in the U.S. foreign policy activity, which is truly strategic thought: the United States kind of putting the money in the bank of a relationship without expecting immediate transactional payoffs. So, you know, the civilian nuclear agreement clearly hasn't paid off yet, but it was something that we were willing to do for strategic reasons; the same thing with the U.N. Security Council position, export controls and so forth.

But there's something else that, in addition to the strategic rationale, is this idea that the United States and India share values and we're democracies and that somehow, in some vague and maybe opaque kind of way, that makes us like each other more than it would otherwise. And I think that at some point, we need to try to turn some of this from rhetoric into action because, in fact, if the U.S. and India do find meaning in the fact that we share values and that the shared values, in addition to the shared interests, are the bedrock on what our – which our relationship is built, then that suggests that there can be an agenda by which we can do the kinds of values-based activities that the United States has done for a long time and which India has done, to some extent, in its neighborhood but has been somewhat reluctant, because of its tradition of noninterference and so forth, to be too forward-leaning on.

So, for example, India was a founding member of the Community of Democracies and it was a co-founder and a contributor to the U.N. Democracy Fund. It, as most of you probably know, has given a very large amount of money for development projects in Afghanistan and has, in constructing the Afghan parliament, just announced another half billion dollars in commitments. India has moved from a recipient of foreign aid to a donor of foreign aid around the world.

These are all areas in which the United States and India can try to align our activities more closely. The Middle East may provide a great example of this. Secretary Clinton, earlier this year, actually suggested something along these lines, talking about, India, with its great, long history in successful elections among a very large population, could provide certain forms of technical assistance and so forth to a place like Egypt. And, in fact, the Muslim Brotherhood in Egypt has approached India to ask something similar.

So there's all kinds of activities which are nascent, they're small, and yet there's something that we can do with India that we can't do with a country like China, that we can't do with other countries around the world. And so not only does it suggest to, perhaps, those who are skeptical around the world that these values that the U.S. and India are convinced are universal and that we share are not a Western import or export or the imposition of some values,

but rather universal things. So the degree to which we can work on that, we can give true meaning to this concept of shared democratic values.

Now, I'll be the first to acknowledge that this flies in the face of much of Indian foreign policy tradition, as I said, for the nonintervention tradition and everything else. And when I was talking about some of these issues at one point, a former Indian ambassador said, it'll never happen. Democracy is like Hinduism – you're either born into it or you're not; end of story.

But I do think that, particularly among some of the younger generation of Indian foreign policy leaders, you see a growing appetite to look at these kinds of things. As India grows in stature, power and influence around the world, I think it's natural that it would want to take this as an element of its foreign policy.

So I'll stop almost there just to say that, as I think everyone else has said already, I think there's real reasons for great optimism over the long haul in this relationship. We're going to have all kinds of short-term interruptions and so forth. But on the one hand, we have the strategic rationale that I tried to briefly outline, and on the other hand, we have the bedrock of shared values. And if we have those two things, then that says a whole lot about where the relationship can go in the future. Thank you. (Applause.)

MR. INDERFURTH: Thank you all for those excellent presentations. I think that the various dimensions that have been covered – the security dimension with Bruce; the economic dimension, Ray; the values dimension that Richard was talking about – are all key elements of this relationship that we have today and I hope that we can explore all those further. I think we've got about 20 minutes.

I'd like to actually start, if I could, with a question to Bruce because his focus on the threats that we face in the world today – in addition to his book on "Deadly Embrace," his previous book was "The Search for al-Qaida." Little did we know that we might find him in Abbottabad – at least the leader. But the search continues.

The question that I have for him is, the United States has demonstrated the kinds of actions that we are prepared to take to defend ourselves at great distance from the threat posed by terrorist non-state actors. My question is, how does India read the actions of the United States, with respect to how it will respond if there is – and you suggested – maybe more than suggested – that the kinds of terrorist attacks that have taken place in India are not finished, that there will be others. How do we, sort of, relate to India in terms of its legitimate responses to actions taken against its security, in light of the kinds of actions the United States has demonstrated that it is prepared to take to protect our interests?

MR. RIEDEL: It's a very difficult question. Very good question, but very difficult question. I will be clear right from the beginning: I think that the United States drone operations over Pakistan are an essential counterterrorism move to defend the United States of America. I advised in favor of ratcheting up drone operations dramatically when the president asked me my views in February or March of 2009.

I applaud his decision to send the SEAL team into Abbottabad. That was an incredibly gutsy call. If you ask people in the administration, especially in the CIA, they will tell you it was a 50-50 chance that Osama bin Laden would be there. That's a pretty big risk factor for a president to take and it's a bold decision to make.

All that said, we have created a precedent. Let's not kid ourselves. We have said that when you find terrorists in Pakistan, it is okay to take unilateral operations to deal with them. Now, how many countries in the world does that apply to, aside from the United States of America? I think there's obviously one, and that's the Indians. The reason I say the United States and India need to start doing contingency planning is, I cannot see the government of Prime Minister Singh responding to the fourth 9/11 – a Pakistan-based terrorist attack on an Indian city – in the same way it has responded to the last three. That means we're going to go from threats, we're going to go from démarches, we're going to go from breaking communications ties to action.

When the United States does it, we do it as a country which is on the other side of the globe from Pakistan. When India does it, it does it as its next-door neighbor. I'm not telling the Indian government what to do, what not to do. But it's going to be an order of magnitude different. I have very good reason to believe that ever since Christmas 2001, and certainly since November 2008, an enormous amount of effort has been spent in the Indian ministry of defense trying to figure out, what are we going to do the next time? I'm not asking them to share their contingency planning with us. But I think the prudent thing for strategic thinkers on both sides, in and outside of government, is to start thinking about that – the ramifications – and trying to think through some of that scenario.

MR. INDERFURTH: Let me ask – I think that was a provocative question. Let me ask a provocative economic question of Ray and then of Richard. On the question of our economic relationship, just recently, Ambassador Tim Roemer submitted his resignation and will be returning here. And he gave an interesting interview in The Wall Street Journal.

He resigned the day of the decision on the jet fighter deal. Although he said it was not related, it would be hard not to have some relationship in terms of the timing. But leaving that aside, he said in his Wall Street Journal article – he expressed some frustrations on the question of direct foreign investment. He said that the relationship between the two countries had to be a two-way street. And then he said – he added, it was frustrating at times to be awaiting, he said, the next Finance Minister Singh move to open up the markets, as happened in 1991.

It is interesting that we're meeting 2011, the 20th anniversary of those economic reforms that Finance Minister Singh initiated with Prime Minister Rao. I'd like to ask Ray to respond this issue: that frustration of waiting for the next Finance Minister Singh to move to open up the markets, as happened in 1991.

MR. VICKERY: Well, I think there's no question that the pace of reform in India has faltered, compared with what happened in the early '90s. I do think we need big ideas in this field. And one of those, of course, is in regard to foreign direct investment. It's ironic to me that India, having just experienced a decline in FDI and talking about so many areas in which they

want foreign direct investment, still have not opened up, for example, in retailing. In my view, it's impossible to solve the problem of food security unless you have maximum growth in the retail end of what happens with the food. You can't have a value chain which gets its full value without liberalization there.

And yet there's still restrictions on this. Now, I understand the political problems. And I also appreciate that Minister Mukhurjee and others have said that it's going to happen soon. But it is no wonder that Ambassador Roemer has expressed some frustration in that area, when you have a situation in which India is pleading for foreign direct investment and yet keeps caps in these areas which are most attractive. Financial services is another one. And unfortunately, these are areas in which the United States has some of its greatest strengths. And so it operates on two levels against building the relationship. So I think yes, that has to – it has to happen.

And just, if I might digress a little bit on the previous question that Bruce answered so well, about what happens in regard to the next terrorist attack, I would hope that India would do much the same in terms of consideration of its own interest that it did in regard to the last the three attacks, and that is to make a very reasoned and rational judgment about what is in its best interest and not say that because Osama bin Laden has been killed by us, that therefore any particular activity has to occur in order to do it. It seems to me that the history of India, in regard to how it has responded to these terrorist attacks, has been exactly in its own interest. And I could foresee devastating effects on the economic relationship, had it acted in manners other than that.

So it seems to me that these areas are connected. And it seems to me that Ambassador Roemer has done a great job, and what he's expressing in terms of how this works together is very appropriate.

MR.INDERFURTH: Wise counsel. Richard, Security Council reform: I think that the report that CNAS issued was almost certainly the clearest, fullest public expression, in the task forces that I have seen, for India's being a permanent member of the Security Council. India right now is a nonpermanent member and I want to ask you your thoughts on – they've been a nonpermanent member since the beginning of the year.

And I want to call your attention to two issues: one was on Libya in which India abstained. It was a 10-vote in favor of the Libya resolution and five abstentions, the five being Russia, China, India, Brazil and South Africa. Some concerns about why India did not vote with the United States in that regard.

Secondly, there is a resolution under consideration on Syria in the Security Council now to condemn the Syrian government's attacks against civilians: not to go further than that, to impose sanctions or threaten any further measures – simply a resolution of condemnation for Syria. According to The New York Times today, the Russians have strong reservations, as do the Chinese. But also, it mentioned that India has questions about whether or not to join in that resolution. So the question is, how do you see India's role on the Security Council in terms of these very important developments taking place in the Middle East and North Africa and what

they say about Indian foreign policy and the ability of the United States and India to work together in this very high council at the United Nations.

MR. FONTAINE: Well, in many ways, the two-year tenure, I think, is the big opportunity for the United States and India to demonstrate that they can work together on the Security Council because obviously there are lingering doubts about what it would actually mean for India to have a permanent membership.

The Indian and U.S. voting coincidence in the General Assembly is, I don't know, 30 percent or something, which is, you know, suboptimal, at least from our point of view. And we've been on the other side of issues that have come before the Security Council when India hasn't been on it, like Burma and certain sanctions and so forth. So this is the big opportunity to show what it would actually be like if we were both on the Security Council together.

I don't think that the Libya vote is particularly consequential because the mandate came through and an abstention is an abstention. It'll be interesting to see if India has a high rate of abstentions in its two years because I do think that there is still some working out on the Indian side of precisely the role it wants to play. India has said for a long time that it sees itself as a global power with global interests and global ambitions. U.S. has said the same thing about India.

But on a number of international issues, India has not taken a stand one way or the other or sort of said that it wants to kind of remain nonaligned. That does not seem to be commensurate with being on the Security Council and having to take a stand on many issues.

The one thing that I would flag: I don't know if Iran will come up between now and the end of India's tenure on the Security Council. But if it does, that's the issue that I think has the potential to truly be kind of a train wreck in terms of the relationship because India describes – some Indian officials describe themselves as having a strategic relationship with Iran. They don't want to put pressure on Iran for fear of stirring up Shia sentiment at home and they have, obviously, energy ties with Iran. This is at the very top of the American national security-foreign policy agenda. So if this does come before the Security Council and we're on one side and India is on the other, I think that's going to be a very difficult thing to bridge.

MR. INDERFURTH: Thank you very much. I do think that the question of our cooperation in the Security Council will be a demonstration of our values-based relationship and we'll see how that does play out.

So with those questions, I'd like to now open up. And I can see a little bit beyond the Klieg light in our face here. I see a hand.

Q: I'm Manohar Thyagaraj. This question – actually, two questions, if I may, to Mr. Riedel. But before I do, I just want to say, you'd be pleased to know I picked your book up in New Delhi, India, at the airport just last week and it was my inflight reading on the way back – one I thoroughly enjoyed, by the way.

The first question is, I wonder if you can comment on the potential for the U.S. and India to collaborate on a greater basis in Afghanistan on security. Ideas such as training the ANSF have been floating around but they haven't been deeply explored for various reasons, some of which have to do with Pakistan.

And the second question is a broader one about Pakistan. I believe its scores on the human development index are the lowest in South Asia and there are underlying structural political factors that would mitigate against that changing any time soon. So what, if anything, can the U.S., India and anybody else do to affect that, if that indeed affects outcomes?

MR. RIEDEL: First, thanks for buying the book. I hope you didn't expect a romance novel for the flight home. (Laughter.)

Two very, very good questions. We need all the help we can get in Afghanistan. This is a really tough mission and we should encourage India to do even more than it already is. It has done an enormous amount already. India's economic assistance, its road building, its construction activities, its educational activities in Afghanistan are very, very important. And there's no reason why it shouldn't be involved in helping with the ANSF, in my opinion.

I know there's an equity here with Pakistan. I know we have to be careful about that equity. But I think we don't – we should not let that become a veto. There is competition between India and Pakistan over the future of Afghanistan – that's inevitable. But I don't think we should let that become a veto over the situation. And we need all the help we can get in stabilizing Afghanistan. And let's be frank: We're not getting much help from Pakistan right now.

The irony – one of the many ironies of this war in Afghanistan – is that the United States supply line, the NATO supply line for more than three-quarters of everything we use in Afghanistan arrives through the port of Karachi. The supply line for the Afghan Taliban is entirely from Pakistan – 100 percent – aside from whatever they can pick up on the battlefield in Afghanistan itself. We're not getting the cooperation we need there. Let's not give them a veto over what we need.

Pakistan's human development index is Pakistan's problems. I don't think there is a made-in-America or a made-in-India solution to this problem. There has got to be a made-in-Pakistan problem (sic). There are Pakistanis – very brave Pakistanis – who are outspoken on what their country needs to do. Unfortunately, they're being murdered systematically by the syndicate of terrorism which now operates in that country.

What can we do to help them? We've tried. I think the Obama administration tried very hard to reset U.S.-Pakistani relations two years ago. I encourage us to continue on that: to engage despite our frustrations, despite understandable irritation. But let's be realistic. When the next economic assistance budget is sent to this Congress, anyone who thinks that this Congress will approve \$1.5 million in economic assistance for Pakistan is living in a la-la land.

This Congress, next Congress is cutting the budget. Foreign aid is the easiest thing to cut in the budget. Assistance to Pakistan will be the easiest to cut in the foreign assistance budget. I would not want to be Bob Blake coming up here and making the case to the Congress of the United States how that \$1.5 million is buying us influence in Pakistan right now. As a good civil servant, I'm sure he will do it. But it's going to be an awfully difficult case.

And so what can we do? Trade. We should get out of the business of emphasizing economic assistance with Pakistan and get into the business of reducing tariff rates for Pakistan. Every Pakistani leader since Zia-ul-Huq has asked us to do it. We've had 10 years on it. Tariffs on Pakistani products in the United States are considerably higher than they are in India or Bangladesh or other comparable countries. It doesn't make a whole lot of sense. Every economist who's looked at this said trade, not aid is the most effective way to help build an entrepreneurial class in Pakistan, which can help in the transformation of Pakistan in the direction we want it to go.

I frequently say to audiences when I talk about Pakistan, the single most important thing you could do to help Pakistan this year would be to go and buy a sweater for everyone in your family next Christmas, made in Pakistan. If you want to burn it, that's fine. Just buy the damn sweater. That will do more to help in developing the right kind of entrepreneurial class in Pakistan than any other thing. It's time for this Congress and this administration to have the courage to do it.

MR. INDERFURTH: Another question?

Q: Yes.

MR. INDERFURTH: Mac, I think somebody is coming right behind you.

Q: Thank you. Mac Destler, University of Maryland. One bold, ambitious initiative, which has been recommended by my friend Ernie Preeg, would be the negotiation of a U.S.-India free trade agreement. Hasn't been talked about too much where I've been. I know the ambassador mentioned it as – I think, if I'm correct, she said that India is looking at possibly doing a study of it. But the idea hadn't crystallized, really, yet.

Any thought among the panel, particularly Raymond Vickery, about whether it makes sense, even as a goal, or whether it's a bridge much too far under current circumstances?

MR. VICKERY: Well, India is about to conclude a free trade agreement with the EU, as you know, and it has concluded free trade agreements with a half-dozen other countries. We have a hang-up in this country about trade and we have to get over it, not only in regard to Pakistan, as Bruce has suggested, but in regard to India.

Now, trade has to be beneficial to protecting the middle class in the United States for it to be politically salient and so therefore there has to be a lot of give and take. But just to say, if you hear the words "free trade agreement," that you're going to run for the exits – which most U.S. politicians do – is not an adequate response. I am a believer in big ideas. I do think, as I

indicated earlier, that what the Pacific Council and FICCI had proposed, in terms of starting with a free trade agreement in the area of services for the innovation economy, is a good place to start. It may be a bridge too far to say that you can negotiate across the board, given all the problems there are. But we certainly, it seems to me, ought to take that seriously and we ought to move forward on it.

And unless we are willing to do that, the economic engagement necessary to be the engine and to drive this forward is going to – it's not that the whole relationship will fall apart. It's not that China won't still be there, we won't have issues in terrorism. It's that the ability to cooperate, the community of interest necessary to push the relation forward, will not grow. And if it doesn't grow, what you have is a flattening of the relationship. And then, when the political matters come along, they're more than bumps in the roads. They become real watershed issues.

So I think that, yeah, Ernie Preeg has made a very valuable suggestion. He's sitting here and I hope taking all this in, that – yeah. And what he has suggested is that we start with some sort of assessment of whether or not it's beneficial and what the benefits are. At this point, we haven't even been willing to do that. People are so afraid, really on both sides – India and the U.S. – of the concept and what it will do to their domestic constituencies that we won't even make an assessment of it. And that's not an adequate response.

MR. INDERFURTH: Question here. Yeah. Want to take the mic, please?

Q: Oh, thank you very much. Kay Cannon. I'm recently with Northrup Grumman, major defense industry, after nearly four decades, I have to admit, with the Department of Defense. I would like to ask a question about – that goes to the ability to cooperate, and the ability to cooperate in ways that we know what the benefits would be, particularly in providing a strategic partner with the kind of high technology surveillance tools that would allow them to work with us in a symbiotic relationship so that the U.S., whose defense budget is declining, can provide tools to its critical partners so it can do the kind of surveillance to preclude a tax, and to know what's going on both in its – on its borders and in its maritime environment.

However, the Department of Defense does have these tools, but there are U.S. regulatory, perhaps some would say aging regimes, like the missile technology control regime, that would seem to be there, so we stub our toe as we want to cooperate. Can you comment or share views on how we can move ahead to actually – to actualize activities for critical thinking and cooperation and planning with real tools to our partner? Thank you.

MR. FONTAINE: I can't really speak to it in a huge amount of specificity, but when it comes to the issue of export controls in general, I mean, I think the pattern has been you need top-down, very senior political direction for them to change, and only in the consistent pressure that's coming from the top-down are you going to see that kind of change. I mean, that's the kind of thing that ended up with the D-listing of Indian entities at the summit last year, and previous changes in U.S. export control regime with respect to India. But if you let this just be – just stay as a technical issue of what should go and what should stay and what applies and what doesn't, then it's going to stay in the – in the bureaucracy that generates export controls that has an interest that is not to let things go. And so it's that top-down political direction that says we

want to cooperate with India in the following ways, and that's going to require these sorts of changes and then to continue to maintain that. I think that's the only thing you can do.

MR. INDERFURTH: I notice that we are at the witching hour of 4:00. I see two hands here. I'd like to ask both questioners to pose their questions and then we will try to answer them. The gentleman here and then my colleague Amer Latif.

Q: Thank you. Ranjan Gupta (ph). I have a question for Richard Fontaine. You raised an interesting scenario with Iran. And I was just thinking in my mind whether – you know, there are different ways of looking at diplomacy. So while – if India and U.S. were at odds on an issue on Iran, that is one scenario.

But what about the situation where maybe India could be sort of a mitigator where it could use its soft diplomacy to help in situations where maybe U.S. is having difficulties in making inroads? Because we've heard in many presidential speeches that whatever differences U.S. has with U.S. – Iranian government, it's still always with the people. So I'm just trying to understand this situation. Thank you.

MR. FONTAINE: Yeah, I mean, in – and I guess, while there's certainly an avenue for the United States to learn things about what Iran is doing and the way it makes decisions in a way we couldn't do in the absence of consultations with India, simply because of India's relationship with Iran and Iranian leaders, and so there are those kinds of opportunities to use India in a way that is different than we would normally expect, which is just one more country that's trying to put on the pressure.

But I also understand – and I think we all should – the political reality of the importance of this issue in the United States. So take the place we're sitting now where I worked for a number of years. I mean, if you're sitting in Congress and your constituents say, OK, well, the United States changes export controls – because that was a big request of the Indians – and it recognized India's aspirations for the U.N. Security Council and the president – you know, you add up all of these and the civilian nuclear agreement, but on one of the biggest issues of importance to the U.S. Congress, which is sanctions on Iran and trying to prevent an Iranian nuclear program, India is on the other side of that issue, that is a very difficult thing to bridge. And so, yes, what you're saying is true, but it doesn't stop there.

Q: Amer Latif, CSIS. Richard, this question's for you. Just wanted to ask you about Indian engagement in Southeast Asia and East Asia. You know, there's been recently in – the establishment of an Asia dialogue with India; there was also the recent announcement of a U.S.-India-Japan trilateral.

As we kind of move towards the East Asia Summit later this year, what are your thoughts about getting the Indians more engaged on security and economic architectures in Asia?

MR. FONTAINE: I think that the kind of intra-Asian building of relationships is one of the great changes that we've seen over the last few years. And the United States has to be

careful. We want to encourage that on the one hand and be involved; on the other hand, we don't want to mess it up to the extent it accrues to our interests in the absence of our presence.

So, I mean, you see India's bolstering its relations with Japan, with Australia, with the countries of Southeast Asia, with Indonesia, for example, with Vietnam. I think that's all to the good, because, again, we want not to contain China, but we want a robust web of relations among the countries that we can potentially be partners with in East Asia. So I think that the U.S. should encourage this and should encourage India to play an ever greater role in those sorts of arrangements, the East Asian Summit and everything else. But I think we do have to think hard when it comes to something that looks explicitly like the United States-India plus. And that doesn't mean we don't do it, but we have to think hard about the quad and some of these other things and the kind of residual feeling that's going to leave in the region about what's actually transpiring, because some of this should be indigenous to the region, I think.

MR. INDERFURTH: OK. Before a couple of concluding comments, could we express our appreciation to our panelists? (Applause.) We want to thank you all very much. It's been a fascinating day. And I hope that you've all gotten something out of it.

I'd like to end with just two things. One is that Bruce's institution, Brookings, the former foreign secretary, Shyam Saran, was recently there, and he was asked about the current state and future direction of the U.S.-India relationship. And he said a number of points, but four of which I think that we should take with us.

The first one was the pillars for the U.S.-Indian relationship are already in place. And I think that all you've heard today demonstrates that.

Secondly, he said, this is a partnership, but both sides will not always agree. We need to keep that in mind.

Thirdly, he said, the U.S.-India relationship is more likely to zigzag rather than develop linearly. Good point.

And finally, he said, the U.S. and India need to nurture the relationship – don't put it on autopilot; continue to nurture it. I think these are all excellent points, and I think that that's a good way to bring this discussion to a close.

I want to thank our speakers again and those who preceded them. I want to thank my colleagues John Henry and all at CSIS for all they did. I want to thank the offices of Senators Warner and Cornyn for all of their assistance. Their offices were great to help us here. We looked at the staff list. There was one job called "hallway wrangler." I always thought that would be a great job, to be a hallway wrangler. For all of the work, at all levels, I want to thank those who took place; also for Deputy Chief of Mission Arun Singh at the Indian embassy, who was very helpful, and his colleagues; Dr. Romesh Wadhvani; and to all of you for being here for this half-day conference. I'm delighted that you could take your – the time to be here.

And I think we'll just leave with one thought. Bruce and I did a piece in the National Interest a few years ago now. It was entitled "Breaking More Naan with Delhi." And I think that what we talked about here is ways to break more bread, more naan, with Delhi. And I hope that we can all, in our respective capacities, go out and find ways to do that.

So thank you all very much, and look forward to seeing you again at other events.
(Applause.)

(END)