

SOUTH ASIA

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Background

At the time of the Foundation's 2000 Task Force Report, America's Role in Asia, South Asia seemed to have achieved a degree of equilibrium. There had been earlier rumblings, some of which affected American policy. These included the 1989 Kashmir uprising, the subsequent India-Pakistan crisis of 1990, and the nuclear tests of May 1998. The other states of the region were no more, but no less, stressed than they had been for the previous four years. In Afghanistan, the Taliban was in control of most of the country, and the insurgency in Sri Lanka continued, despite the best efforts of the Norwegian government to sustain a peace process between the Government and the Liberation Tigers of Tamil Eelam (LTTE). Bangladesh had achieved a degree of stability and appeared to be finally settling down with a successful election in 2001.

From an American perspective the region was thus a matter of concern, but not yet one of alarm, with the major public focus on the new "discovery" of India, the Indian and Pakistani nuclear programs, and the stability of the new military regime in Pakistan – issues examined at length by the 2000 Task Force. The problem of combating al Qaeda was not widely discussed publicly, but by the end of the Clinton administration radical Islamic terrorism had supplanted anti-proliferation as the top U.S. concern in South Asia. More positively, first the Clinton team and then the new Bush administration saw India's economic progress and strategic weight as new factors in shaping America's global and regional

policies, and both administrations cultivated affluent South Asian-American diaspora, especially the Indian-American community.

Then, the thunderbolt of September 11th hit, transforming American perceptions of the region and energizing American engagement in South Asia in ways totally unanticipated by the new Bush administration or anyone else. Within four years, there was a major American military intervention in Afghanistan, the revival of an alliance with Pakistan, this time directed against “terrorism,” not a communist power, and the declaration of a “natural” alliance between the United States and India – featuring numerous and highly publicized military exercises between the armed forces of the world’s oldest and the world’s largest democracies. These exercises were all the more astonishing since some of them were conducted simultaneously with the biggest military mobilization in South Asian history, as India engaged in an extended attempt to compel Pakistan to cease its support for terrorists operating in Kashmir and India. Indeed, some suspect that the presence of American troops on both sides of the India-Pakistan border (U.S. air and ground forces fighting in Afghanistan were operating from at least two military bases located in Pakistan) deterred India from attacking Pakistan – although Pakistan’s growing nuclear arsenal was probably deterrent enough.

Beyond these Kashmir and Afghan-related developments, the rest of South Asia also seemed to march at double-time in the last four years. The Indian economy has during several quarters been the fastest growing economy in Asia, and India-China trade now exceeds \$11 billion. India became a software superpower, and Indian high-tech firms are now competitive around the world – including in the United States where job loss due to overseas outsourcing, especially to India, has become a campaign issue in several states and cities. There is some speculation that if present

trends continue, the Indian economy might surpass that of China in 10 years.

India's stunning economic performance, its considerable "soft" or cultural power, its skilled leadership, and its ability to function as a democracy while undertaking a myriad of internal economic, cultural, social, and political reforms have made India Asia's third great power. India's democratic qualities were apparent when it once again carried out the largest organized activity in human history in the general election of April-May, 2004. This brought the Congress party back to power for the first time in eight years, albeit as part of an unsteady coalition government with a number of left-wing and regional parties.

India's rise has implications for the larger Asian canvas and American policy. Some have argued that India is potential rival to China, and could be part of a balance of power strategy that the United States might want to pursue vis-a-vis Beijing. However, the Congress-led government is unlikely to be interested in such a role. Still, the direction and weight of U.S.-Indian relations could affect American policy throughout Asia. While much of the following discussion deals with concerns and problems, including some grave threats to American interests that now flow from the region, the next administration must continue the general movement toward normalization and cooperation with India that began in the late 1990s.

Elsewhere in South Asia, Pakistan continues to be governed by the still-powerful army, in the person of President (General) Pervez Musharraf, the power behind the thin façade of a civilian government. While the events of September 11, 2001 indirectly saved Pakistan economically, bringing in several billions of dollars of debt relief and the repatriation of Pakistani funds invested in overseas

banks, the evidence is mixed as to whether President Musharraf's "Pakistan Project" will turn the country around at a rate that compares with its neighbor to the east, let alone with Iran, Indonesia, and, in some respects, even Bangladesh.

Pakistan's development, no less than that of India's, has implications for America's wider Asian interests. Pakistan is a nuclear weapons state, with plenty of home-grown Islamic terrorists, it has serious disputes with two of its four neighbors, and by 2025 it will have 269 million people, just short of Indonesia, making it the world's fifth largest country. A failed Pakistan could be the single most threatening development for American foreign policy within a decade; the Afghanistan case stands as a grim reminder of the price that America paid for neglecting a state that fell into the hands of radical Islamists.

Developments in the rest of South Asia have fewer ramifications for America's larger Asian interests, but are important in their own right. In Sri Lanka, a truce between the LTTE and the Government seems to be holding, although an election has strengthened the position of President Kumaratunga, who is likely to take a tougher stand towards the Tigers in forthcoming negotiations. Nepal is undergoing a double trauma: rebuilding its leadership after much of the Royal family was assassinated by a disgruntled member, and coping with violent attacks on government institutions by Nepal's Maoist parties. Tiny Bhutan acquired a degree of attention as it evicted leftist guerillas from its territory in 2003, and even the Maldives's President Gayoom drew international and domestic criticism for his heavy-handed authoritarianism.

As with any other region of the world – and South Asia contains a quarter of humankind – there are myriad American interests at stake. This chapter will deal with a few of the most pressing con-

cerns, but the next administration must bear in mind that even though its attention will be riveted on a few critical issues, it must not neglect the region's deeper economic, social and cultural developments – it must, in effect, become a partner for those South Asian individuals, groups, and states that seek stability, order, social reform and expanded democracy.

Recent history shows that sometimes the U.S. Congress is more concerned than the executive branch about these long-term trends. The latter seems to be preoccupied with rushing to put out one fire or another. That will not do in South Asia, and the compelling argument for a long-term perspective is Afghanistan, the “poster child” of the consequences of American neglect. After forcing the Soviet Union out of Afghanistan in 1989, followed by a half-hearted effort to bring order among the competing mujahiddin forces that succeeded the communist government of Najibullah after 1992, Washington left Afghanistan and Pakistan to their own devices, and stayed on the sidelines during the Taliban's rise. By the time it became aware of the radical nature of the Taliban and its plans to let al Qaeda operate from Afghan territory it was too late for effective action.

The central argument of this chapter is that while the United States must necessarily deal with the “big ticket” items of terrorism, nuclear proliferation, nuclear war, civil war and Islamic radicalism, South Asia's history also suggests that the most effective way to deal with at least some of these problems is indirectly – through the expanded democratization of the region's politics and the liberalization of its economies, with both of these complemented by a quality program of public diplomacy and sustained high-level administration and Congressional interest.

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Key Concerns and Opportunities

India as an Asian Power

While it took nearly ten years after the end of the Cold War, there is now a general American recognition of India's new status as a major Asian power. Economically, India was long ignored by American companies and U.S. officials, but that began to change in the late 1990s with the emergence of India's high tech capabilities, and by 2004 there is ample evidence that India may become a major manufacturing power.

Paradoxically, India's high tech success flows from the increasing efficiency of both American and Indian firms. American companies have transferred work to India to become more competitive, and Indian entrepreneurs have used India's comparative advantages to develop significant new industries; they not only service American

firms, but those located throughout Asia and Europe. Ironically, a more efficient India produces the same kinds of strains domestically as are created in the United States, as inefficient state corporations are closed down. India's new competitiveness has created problems, but they must be seen in the context of an overall benefit to the American economy (as well as the Indian).

Further, India is no longer seen as a weak state in terms of military capabilities. Its armed forces are highly professional, although they lack modern equipment, they are under firm civilian control, and have successfully fought several wars. They now have nuclear weapons in their inventory, and extended joint operations with the United States have exposed more American officials to this hitherto secluded side of India. However, the United States should not expect India to place its armed forces at the service of American interests and the new Congress-led coalition will approach future military cooperation with Washington at least as cautiously as the BJP government.

There may also be a change in style when dealing with America: whereas the BJP government often said "yes" but meant "no," the Congress leaders are likely to say "no" but may at times mean "yes." The term "strategic partnership" has already fallen into disuse, but the Indian government will want to maintain good relations with the United States, and is likely to continue joint military exercises. However, Delhi will continue to press Washington on a few points of importance to the Indian security establishment, and the next administration in Washington must be prepared to come up with answers to several questions.

The first is the status of the transfer of dual-use technology to India's military and space programs. This is linked closely to the proliferation problem and will be discussed below.

The second demand of India is a seat as a permanent member of the UN Security Council. In terms of size, power, and other measures of influence, including contributions to UN peacekeeping operations, India certainly ranks among the world's major powers. However, its dispute with Pakistan over Kashmir remains a major question, and Kashmir was one of the first disputes brought to the United Nations.

Along with fast-changing global dynamics there has come a feeling that enhanced multilateralism can be in American interests, and the U.S. should move to shape UN reform in more substantive areas and dimensions than merely paying its dues on time and in full. With the increasing alignment of Indo-American interests, India in particular can contribute to this effort.

As India emerges as a major economic and military power with interests that by and large do not clash with America's, it should be supported for a permanent Security Council seat, especially if it can put the Kashmir conflict behind it. As for the General Assembly, America would benefit from stronger cooperation with India. The U.S. International Leadership Act proposes that the U.S. support the creation of a Democracy Caucus to coordinate policies within bodies such as the Human Rights Committee. Though not itself a voting structure, the joint Northern-Southern representation – including leadership by India – could mobilize and give direction to the otherwise gridlocked body.

Easier to accomplish than bringing India into a changed UN structure, would be support for India as a member of the G-8, the grouping of developed states; while India has many of the world's poor, it is also one of the most dynamic economies in the world, and its democratic credentials equal or exceed those of other G-8 members.

The India-Pakistan Competition

India-Pakistan relations have moved from crisis to détente and back again for the last fifteen years. The cycle began in 1987 with provocative Indian military exercises. Another crisis occurred in 1990, and a third in 1999 when a mini-war was fought in the Kargil region of Kashmir. Two years ago, India again threatened a larger war, this time in response to terrorist attacks in Kashmir and on the Indian Parliament. These crises have alternated with periods of normalization and even cordiality, marked by several summit meetings. After 1987 President Zia ul-Haq flew to India in a gesture of reconciliation; after 1990 Benazir Bhutto and Rajiv Gandhi crafted some confidence-building measures (a few of which were implemented); and both before and after the 1999 Kargil war, India's Prime Minister Atal Behari Vajpayee held summit meetings with Pakistani leaders (the civilian Prime Minister Nawaz Sharif in Lahore, and then in Agra with General Pervez Musharraf, who had just become president). Finally, Vajpayee and Musharraf met in Islamabad in January 2004 in connection with a South Asian Association for Regional Cooperation (SAARC) summit.

India and Pakistan can reach agreement on ancillary issues, including confidence-building measures, but not on Kashmir's final status; while a learning process has been under way regarding nuclear weapons, several of the crises were exacerbated by the nuclear factor. Negotiations take place at a moment when the two countries are in political and strategic balance; they find themselves momentarily agreeing that talks are worthwhile, but sooner or later one or the other side concludes that the risks of moving ahead are greater than the costs of breaking off discussions. In both countries there are powerful forces that oppose serious negotiations, and outside powers have only a marginal role in advancing the dialogue,

although encouragement on the margins might some day make a difference in the regional dialogue.

Delhi's Negotiating Dynamics: India has only two realistic choices in its relations with Pakistan. The first is a dialogue that might lead to a settlement over Kashmir and other issues (especially trade) without changing core Indian policies; the second is a long-term strategy of containment, which would attempt to promote change within Pakistan while resisting Pakistani military adventures. Two other strategies are now debated in India, but both seem unattractive: one is to completely ignore Pakistan, the other is to openly challenge Pakistan, forcing change and perhaps (as in 1971), its breakup, and there are voices heard in the military urging a "limited war" from a "cold start" should there be another provocation. The new Congress-led government has a number of former foreign office Pakistan specialists on its team, at least three of whom served in Pakistan itself. While they have many contacts among influential Pakistani civilians, they lack ties with the still-dominant and very suspicious army, and it will take some time for the two states to establish and pursue a dialogue on the many issues that divide them. In the meantime, the focus of India's new Prime Minister, the sagacious Dr. Manmohan Singh, is likely to be on domestic matters, notably keeping the coalition together until the next election and continuing to liberalize the Indian economy, while placing a somewhat greater priority on the distribution of India's new wealth.

Islamabad's Negotiating Dynamics: Since 1947 Pakistan has sought to change Kashmir's status quo or to bring India to the negotiating table by appealing to international opinion, through resolutions in the UN, and the use of force – usually through proxies. The Kashmir issue is embedded in the very idea of Pakistan, but it also has a strategic dimension as far as Pakistan's generals are

concerned: if India were not pressed in Kashmir, they could be overwhelmed by India's conventional military superiority.

After four years of military rule the army has still not developed a realistic policy towards Kashmir. President Musharraf attempts to conciliate several factions in his country, ranging from the liberals to the Islamists, from the army to the economists, while keeping in the good graces of the United States and other aid donors. Musharraf has had to immerse himself in domestic political issues, including water resource disputes, sectarian rivalries, and the sluggish pace of economic growth, without much success in any category. He has presided over the further decline of many Pakistani political and economic institutions. Even the strategy of using militants to force the Indians to the negotiating table has failed. Despite the fact that the militants are more interested in his death than victory in Kashmir, Musharraf still seems to tolerate their operations within Pakistan itself.

Behind Musharraf is the large civil and military oligarchy, dubbed the "Establishment" by Pakistanis. This 800-1,000 strong group includes senior army commanders, bureaucrats, media leaders, politicians and even some Islamists. They know that an economic and military race with an expanding India is a losing proposition and that Pakistan's friends are unreliable. They believe that once Afghanistan is stabilized and al-Qaeda defeated, the Americans may again abandon Pakistan, just as China, alarmed at Pakistan's support for Islamic radicals, is moving towards an understanding with India over their border dispute and as India-China trade soars.

Prospects for Détente: In late 2003 Prime Minister Atal Behari Vajpayee undertook a "third and final" attempt to normalize relations with Pakistan, culminating in a dramatic summit in

Islamabad in January 2004, and a series of highly publicized cross-border visits and cricket matches. The Congress party, then preparing for the 2004 election, was critical of the BJP but supported the normalization process, and upon taking office in May reaffirmed their interest in good relations with Pakistan. Will India be able to provide Pakistan with the one thing its army desperately needs, a reason to accept a border drawn through Kashmir? The Pakistan army understands it cannot wrest Kashmir from India, but neither can it turn its back on a 57-year struggle. In the meantime, Pakistan is drifting dangerously, with greater levels of sectarian violence, a rise in terrorism, and increasing poverty. India cannot afford a radical Pakistan as a neighbor and President Musharraf, for all his shortcomings and bravado, represents the Pakistani establishment. If the ongoing talks between government officials do not show sign of progress then the next American administration may have to cope with a new India-Pakistan crisis this year or next.

America's Role: The United States has sometimes intervened during the serial South Asian crises, but it has not developed a strategy that might promote and sustain a real peace process. Washington virtually ignored the 1987 crisis, in 1990 it sent a mission to the region after the crisis was practically over, and in 1999 (Kargil) and 2002 it helped bring regional crises to a peaceful conclusion – but there is no evidence of a more pro-active role. Despite its preoccupation with events in Iraq and other world hotspots, the next administration should adapt a more forward leaning posture on the Kashmir conflict, which is likely to remain one of the world's most dangerous places.

In summary form, these are the five things that the United States can do to ensure that the core India-Pakistan dispute will not spill into violence, and might even be transformed into a long-term series of negotiations that would greatly reduce the risk of war:

Despite its preoccupation with events in Iraq and other world hotspots, the next administration should adopt a more forward leaning posture on the Kashmir conflict, which is likely to remain one of the world's most dangerous places.

First, the United States should not take a position on the shape of a final settlement of the Kashmir dispute, but let such a settlement emerge after dialogue among the parties, including Kashmiris on both sides of the Line of Control (LOC). However, it should support the view that Kashmir is a human rights issue, not merely one of territory or international law. This position maximizes the interests of all parties and would make a final settlement easier: Pakistanis can claim their struggle resulted in more humane treatment of the Kashmiri people, even if they do not join Pakistan or become independent; Indians will remove a blot on their democracy; and the Kashmiris, of course, will recover a semblance of normal life.

Second, Washington should support the India-Pakistan dialogue on Kashmir in a timely and appropriate way. Besides continuing to officially encourage dialogue, the most effective way of promoting meaningful talks between India and Pakistan may be by encouraging and supporting the efforts of private foundations, think tanks, academic groups, such research centers as the US Institute of Peace, and such regional institutions as the Regional Centre for Strategic Studies, Colombo, which has been especially effective in promoting a dialogue between younger Indian and Pakistani experts. One other group that could be pivotal in changing long-

term perceptions and interests in both states are the business communities in both countries, and their recent efforts at dialogue are to be strongly encouraged.

Third, the United States can enrich and influence the internal regional debate on Kashmir's future, but only if it has a greater presence on the ground. In the critical case of Pakistan, Washington has abandoned the field to the radical Islamists and anti-American elements. They purport to see American policy as directed against Pakistan and the Muslim world. The United States needs to dramatically increase its information activities in Pakistan and our exchange programs with key Pakistan institutions, especially the universities and colleges where anti-Americanism is deeply rooted. One such program, dramatically increased in size by the Bush administration, are the military training programs, which, given the importance of the army in Pakistan's political order, should be protected from future sanctions and cutoffs.

Fourth, both states need to be strongly encouraged to continue the policies of normalization. This especially applies to New Delhi's policies vis-a-vis its own Kashmiri citizens and to India-Pakistan relations. India's greatest asset is its own rich and vibrant society, but Indian leaders have been afraid to open up their borders and allow its "soft" power to work vis-a-vis Pakistan. The United States should urge India to unilaterally expand access for Pakistan scholars, politicians, and media representatives if it cannot reach a bilateral agreement with Pakistan.

Finally, Washington should also consult closely with its most important allies about Kashmir and other critical South Asian issues. Besides providing technical expertise in border monitoring and other confidence-building mechanisms, America and its allies should use their aid programs to reward India, Pakistan, and

various Kashmiri groups for progress in negotiations. It should also be given in such a way as to strengthen weak civilian and political institutions (especially in Pakistan), and Western and Japanese firms should be encouraged to invest in plants and companies that do business in both countries, further strengthening regional economic ties.

The Nuclear Threat

The nuclear programs of India and Pakistan were very long in development, but by 2004 they are reliably reported to each have acquired, and perhaps deployed, more than forty nuclear weapons. These weapons are large enough to destroy or permanently cripple five or six major cities on each side, and it is likely that they are acquiring new weapons (and delivery systems) at a steady rate. In strategic terms, India and Pakistan are approaching a state of MAD – mutual assured destruction.

South Asia's nuclear programs present three different kinds of challenges to American policy. First, there is the ever-present possibility of a nuclear exchange between the two states. This could come about in several ways. It could be the end-point of an escalating conventional war, it could be the result of misunderstanding or bad intelligence, leading one side or the other to launch without cause, or nuclear war could come about as a result of a desperate last-minute attempt by one side or the other to punish the other. India and Pakistan are still developing nuclear doctrines and strategies suitable to their resources and the strategic threats that they envisage. All of this is reminiscent of the early years of the U.S.-Soviet nuclear arms race, in this regard each country is a “developing” nuclear weapons power.

Second, there is conclusive evidence that South Asia – notably Pakistan – is the source for proliferation of nuclear weapons and missile technology to other regions. There is strong evidence of Pakistani nuclear assistance to Libya, Iran, North Korea, and perhaps other countries over a period of many years.

Third, the region's nuclear programs are important to the United States because of the risk that some fissile material or even assembled nuclear devices might fall into the hands of non-state or terrorist groups. The chief problem here also is Pakistan, and the proximity of radical Islamist groups to a fledgling nuclear arsenal is cause for concern.

Together, these three linked nuclear problems present a grave potential threat to vital American interests, but Washington must cast aside any hope of coercing these states into abandoning their weapons, and adapt a two-part strategy:

The first part of the strategy is to encourage the two countries to join those international regimes that restrict the transfer of nuclear and missile technology, dual-use technology, and other technologies pertaining to weapons of mass destruction. These regimes (the Wassenaar agreement, the London Suppliers Group, the MTCR, and America's Proliferation Security Initiative) are separate from the Non-Proliferation Treaty, which they are prohibited from joining as nuclear weapons states. Collectively, these regimes, plus national legislation, and international verification of the peaceful uses of technology could comprise a half-way house for India, and perhaps Pakistan, and a way of demonstrating their support for the widely accepted non-*proliferation* norms.

The second half of the strategy is a proportionate quid pro quo. American policy has linked adherence to these regimes to assistance

in the areas of civilian nuclear power and space. This link should be broken, especially in the case of India, which has an excellent record on stopping onward proliferation. The next administration should end the pretense that India and Pakistan are not nuclear weapons states, and move actively to bring both into the tent of those states that disfavor proliferation. Pakistan has a special burden to unload, as it is still not clear exactly what technology was transferred by Dr. A.Q. Khan to Libya, Iran, and North Korea – and its apparent cooperation in the search for al Qaeda elements does not relieve it of this responsibility.

Islamic Radicalism

The next American administration must neither exaggerate nor underplay the threat to American interests from radical Islam. Unlike Communism or Fascism, radical Islam does not control a powerful state and, now that Afghanistan has been liberated, not even a weak state from which it can launch attacks on America and American interests and allies. Nor should it believe that military power is a substitute for other instruments of power combating Islamic radicalism, especially in Asia, where it is not directly linked to Arab nationalism.

In South Asia, where one-third of the world's Muslims reside, there are four critically important Muslim communities, but each one requires a different strategy.

In India, with the second largest Muslim community in the world, the best policy is to leave it to the Indian democracy to accommodate Muslim demands as expressed in the Indian political system.

This is also largely the case in Bangladesh, whose democracy is functioning and whose economy has actually out-performed Pakistan's in recent years. Nonetheless, a far more active public diplomacy would be appropriate. Bangladesh actively cultivates its Islamic identity, and the second largest gathering of Muslims in the world – after Mecca – takes place during the annual conference of Tablighi Jama'at, the world-wide Muslim missionary movement. Bangladesh's active Islamic community should not be seen as a problem, but an opportunity to engage its clerics and intellectuals in a reasoned discussion of a wide range of issues, from economic development, to globalization, to the Arab-Israeli conflict.

Afghanistan, of course, is in the process of slow, painful transformation from a state controlled by a group of fanatics to a more open, if not quite democratic order. The chief problem in Afghanistan is establishing a balance between the authority of Kabul and the provinces, and holding the latter (often controlled by a regional warlord) to a minimal standard. Afghanistan runs a real risk of becoming a narco-state, a country dominated by warlords and the drug business. Here is where the Iraq intervention did great damage to the effort of the Karzai government, as well as other supporters of his regime, including Japan and many European governments. It is imperative that the level of American forces be kept high in Afghanistan, and that the process of training a new Afghan army be accelerated. It is also critical that the United States work closely with NATO, which is carrying an increasingly large share of the security burden.

This is not enough, however, as the continuing threat to Afghanistan cannot be met without cooperation from Pakistan, which still harbors ambitions on Afghanistan and still supports, albeit unofficially, radical Pushtun Islamists. It is Pakistan that demands the most American attention of any South Asian country,

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for a failed or transformed Pakistan could far surpass the Taliban's Afghanistan as a threat to American vital interests. Here, Washington's aid and public diplomacy policies have been weak and possibly counter-productive. While the Pakistan government has accommodated American concerns, it still has one eye on Afghanistan and the other on Kashmir – the United States needs to work towards a larger regional settlement not only involving Pakistan, India and Kashmir, but one in which Pakistan's role in Afghanistan is normalized. The latter might be declared a non-aligned or neutral state, or an international conference could be held to hammer out such a status. This will be very difficult, but without first steps, and some creative thinking, it is very likely that the situation will regress in years to come – and the present India-Pakistan rivalry be transported intact to Afghanistan.

Finally, American policymakers must not claim ownership of the problem of terrorism – Islamic or otherwise. India has been plagued by terrorism for decades, much of it from non-Muslim communities, Sri Lanka faces a severe threat from both Sinhala and Tamil terrorists, Nepal from Maoists, and even Pakistan from home-grown and imported radical Islamist groups. These states see terrorism in very different ways, and are reluctant to join America's "war on terrorism" unless Washington sympathizes with their own particular struggle.

Energy Opportunities

Until recently the terms “energy” and “South Asia” rarely appeared in the same sentence, but the prospect of rapid economic growth in the region, and the prospect of significant cooperation between and among regional states has changed the picture.

India is one of the two major new energy consumers, China being the other, and the two countries face the same problems. Neither country has large oil or gas reserves, and their unlimited exploitation of their huge coal reserves has grave implications for the environment and global warming. Both have turned to nuclear power, but both have been handicapped by export controls imposed in the name of non-proliferation. Finally, both states have their eyes on the huge gas and oil reserves of Central Asia, and have begun to shape their diplomacies around energy as much as security.

India's energy problems could be eased by cooperation with its neighbors, but here the politics of distrust reigns supreme. Long-discussed, and much to be hoped for, would be a pipeline that linked northern India with the gas fields of Iran and Central Asia. Such a pipeline might have to pass through Afghanistan and Pakistan, and American officials have promoted it, although they have disfavored the inclusion of Iran. Given the instability of present-day Afghanistan, a pipeline is unlikely in the short run, but the regional states should be encouraged to treat it as an economic matter, not one of honor, prestige, or status. This approach has one important precedent, the agreement between India and Pakistan on the allocation of Indus waters, embodied in a 1960 treaty. This agreement provides for technical consultations, experts meetings, and a system of appeal and grievance adjudication. The Indus Waters treaty is a model for future regional cooperation, especially on energy, environmental

concerns, and even the management of the region's impressive water resources.

On India's other flank Bangladesh has discovered considerable quantities of natural gas, but is reluctant to sell it to its energy-starved neighbor, each Bangladeshi government afraid to act for fear of being accused of selling-out to the Indians. This gas may be a wasting asset, since Indian firms have made huge new finds in the Bay of Bengal. Washington needs to rethink its role in such matters, and perhaps in collaboration with key allies, notably Japan, develop a regional arrangement whereby national sensitivities are accommodated in a regime that has its own built-in mechanism for adjudication and dispute management, one that is perhaps backed up (as was the Indus Waters Treaty) by the World Bank or some other international entity. Washington should also reexamine its current policy on cooperation with peaceful civilian programs in India, discussed above in the context of non-proliferation policies.

China as a South Asian Power

Finally, Washington must come to a more subtle and refined understanding of China's role in South Asia – it is in fact a major regional player and has borders with several South Asian countries, and good relations with the rest. The 19th Century European distinction between “South” and “Southwest” Asia, or Central Asia, is as expedient as the distinction between Asia and Europe – an ancient Greek invention. China is not only Pakistan's major military ally, it has become one of India's leading trading partners, and plays an important political role in Nepal, Bangladesh, and Sri Lanka, where a Chinese economic and cultural presence is welcomed as a way of balancing the dominant India. And, of course, for years, scholars, diplomats and journalists have speculated about

the eventual rivalry, or even war, between Asia's two giant states. There is strong evidence that the Bush administration saw India as a "balancer" of China, even after it made Islamic terrorism its number one foreign policy priority after September 11th.

Assuming an inevitable clash of titans would be as foolish as ignoring the likely rivalries between India and China; believing that the United States could play a major role in this balance, tilting it one way or another, is no less mistaken. As in dealing with any power with a self-image of a great state, India cannot be lined up against China unless it felt a genuine threat from Beijing.

The overwhelming evidence of recent years is that India sees China as an economic and political opportunity more than a strategic, civilizational, or economic problem. India does seek American military technology as insurance against potentially threatening China, but more immediately, against an unpredictable Pakistan. The Congress party, which bore the deepest grudge against China after the 1962 war, was the first to undertake a major initiative towards China when Rajiv Gandhi visited Beijing in December 1988.

On China, Washington's policy should be one of wait and see, avoiding both naiveté and a narrow optic of realpolitik. Two big tests of India-China relations could come during this new administration's term in office. One would be the death of the India-based Dalai Lama, which might lead to political turmoil in Tibet – and tempt India to intervene – the second would be movement on a Kashmir settlement, which necessarily must involve China since it controls part of the state and is Pakistan's major and most trusted supporter.

Looking at opportunities rather than crises, there is also an opportunity for the United States to encourage India and China to col-

laboratively develop the lands of Southwest China and India's Northeast in a regional development initiative that would also include Burma and Bangladesh. Such an initiative would necessitate a re-thinking of American policy towards Burma, presently under sanctions because of human rights violations, but it would be a political "paradigm shift," and may be the only way in which the economies of one of the world's poorest, most resource-rich, and densely populated areas can be opened up.

Resources and Implementation

One characteristic of American policy towards South Asia, noted by the 2000 *America's Role in Asia* Task Force and highlighted in several places in this one, is the difficulty that America has in consulting its closest friends and allies on critical South Asian issues, let alone consulting with regional governments about matters of vital interest to them. America has mustered the manpower to address several of the India-Pakistan crises, but even these might have been averted by earlier consultation with these two states, and by sharing the responsibility with powerful and friendly states, such as Japan and various NATO members.

The next administration should address this chronic weakness by, first, obviously institutionalizing consultations with critical allies, but also by drawing in the private sector more efficiently. The next administration should actively encourage academic and business leaders to take the lead in areas such as public information, Track II diplomacy, academic exchanges, and strategic and "civilizational" dialogues, especially with Islamic leaders. This, in turn, may require an enhancement of American expertise on contemporary South Asia. Existing programs in the universities and colleges are grossly underfunded compared with the wide range of challenges

(radical Islam, nuclear war, state disintegration) and opportunities (Indian economic growth, expanding the world's largest concentration of people living under democratic rule) that South Asia presents.

The growing American "ethnic" communities drawn from South Asia, especially India and Pakistan, are also an untapped resource and their contribution to a broader and more sophisticated understanding of South Asia has so far been marginal. They are moving quickly into the mainstream of American public life, and are showing up in politics the media, and even the military, as well as such professions as medicine and engineering. These communities, like many other "ethnics," are divided sharply along various political and ethnic lines, but in a few areas (such as discrimination against foreign-trained medical personnel) they have shown that they can cooperate effectively. As a group, they are on the brink of making a major contribution to American public life, including relations between the United States and the countries of South Asia, but will have to rise above the parochial and the particular in their still-tepid support for those institutions that shape America's policies towards the region.

Many of the recommendations of this report are best carried out by the private sector – by universities, foundations, think tanks, and individuals. This applies particularly to the people-to-people exchanges, development of critical skills, and the enhancement of American expertise on South Asia. Until recently, the American academic community had literally written and talked itself into irrelevancy, but this is changing with a new interest in the region's economic development and strategic importance.

However, where a vital or important national interest is at stake, the Federal government cannot shirk its responsibility. Given the

chronic under-funding of academic South Asia programs and the decline of area expertise, the government should expand the Federal Area Center program and encourage the new centers to move beyond traditional culture studies, literature, and humanities. We are paying the price for a long-term denigration of area studies, one that is especially dangerous now in an era where much of Asia overlaps with the Islamic world.

Recommendations

- 1| **The next administration must continue the general movement towards normalization and cooperation with India that began in the late 1990s, reflecting India's emerging influence in Asia and the world.** In the near term, the United States should support India for various international fora, especially the G-8. At the same time, the U.S should resume high-level dialogue on a range of issues with the GOI regarding nuclear policy, global order issues, relations with Pakistan and China. The next administration must manage relations with India at least as well as was done over the last six years and encourage greater U.S. investment and faster economic reform. In addition the U.S. should continue to take advantage of Indian-Americans as a bridge between the two countries.

- 2| **In combating radical Islam in South Asia, the next U.S. administration must expand military and economic support for the Afghanistan government.** In the longer term, the United States should press Pakistan and its military for a serious reform timetable, while overhauling aid and public diplomacy programs in Pakistan. At the same time, the U.S. should support the rebuilding of Pakistani educational systems, institutions, and bureaucratic competence. In this regard, the U.S. should develop more effective programs to help build civil-society in Bangladesh

- 3| **Regarding India-Pakistan tensions, the U.S. should anticipate a new crisis and be prepared to respond immediately.** At the same time, the U.S. should develop a long-term strategy to strengthen the ongoing peace process and support expanded bilateral exchange programs

- 4| **On the issue of the proliferation and spread of nuclear weapons, the U.S. needs to closely monitor the Pakistani nuclear and WMD export threat.** At the same time, the U.S. should develop a package of inducements to bring India and Pakistan into existing regimes to limit proliferation.
- 5| **The U.S. should work with allies and other interested countries to help minimize and resolve the conflicts in Sri Lanka and Nepal.** In the case of the Sri Lanka peace process, this means supporting the intermediary role of Norway, and perhaps Japan. In terms of stabilization in Nepal, it will require work in collaboration with India, and other interested Asian and European countries.
- 6| **The United States should consult with China on important issues in South Asia, but avoid the appearance of a joint strategy that might be perceived to come at the expense of South Asian countries themselves.** In particular, the U.S. should encourage a prospective long-term development strategy for northeast India and southwest China.
- 7| **The U.S. should encourage de-politicization of trade, environment, and energy sector questions in South Asia to enhance practical regional cooperation.** In addition, the U.S. should support SAARC, and other regional associations and vehicles for regional cooperation

Appendix A

Summary: A Matrix of South Asian Issues and Opportunities

Time Frame ⇒	Requires immediate action, an impending threat or opportunity	Important: will require concerted action soon	Important, but long term problem or opportunity	Relegated to ordinary policy and decision-system
<i>American Interest</i> ↓				
<i>India as an influential Asian state</i>	Support for India in various international fora, especially G-9	Resume high-level dialogue on a range of issues with GOI: nuclear policy, global order issues, relations with Pakistan and China	The next administration must manage relations with India at least as well as was done over the last six years; encourage greater US investment and faster economic reform	Continue to take advantage of Indian-Americans as bridge
<i>Radical Islamic terrorist threat</i>	Expanded military and economic support for Afghan government	Press Pakistan military for serious reform timetable and overhaul aid and public diplomacy programs	Support rebuild of Pakistani educational systems, institutions, bureaucratic competence	Develop more effective programs to help build civil-society in Bangladesh
<i>India-Pakistan rivalry and potential crisis</i>		Anticipate a new crisis, be prepared to respond immediately	Develop a long-term strategy to strengthen ongoing peace process	Support expanded bilateral exchange programs
<i>Proliferation, spread of nuclear weapons</i>	Close monitoring of Pakistani nuclear and WMD export threat	Develop package of inducements to bring India and Pakistan into tailored regimes		
<i>Peace process in Sri Lanka</i>			Support Norwegian and possible Japanese intermediary role	
<i>Nepal stabilization</i>				Work in concert with India, interested Asian/European states, e.g. Japan
<i>China as a South Asian state</i>			Prospective long-term development strategy for NE India/SW China,	Consult with China on S. Asia, but avoid appearance of a joint strategy
<i>Region-wide and Energy</i>		Encourage depoliticization of trade, environment, and energy sectors to enhance practical regional cooperation		Support SAARC, other regional associations and regional cooperation