

# Heritage Lectures

No. 998

Delivered February 26, 2007



Published by The Heritage Foundation

March 8, 2007

## The U.S. and India: Partnership for the 21st Century

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This is my first trip to the country Mark Twain called “the mother of history.” Your land, your people, and your culture have long captivated Americans, but they will be particularly fascinating for a historian such as myself, who can still recall our strained relations during the Cold War. Much has happened since then to make those memories fade. Indeed, much has happened in just the last year and half, with Prime Minister Singh’s 2005 visit to the United States, President Bush’s March 2006 visit to India, and the December 18 signing of U.S. legislation to allow for civil nuclear trade with India.

President Bush is determined to build a strong partnership with India based on what we already have in common—a common world vision; common core values of freedom, democracy, trade, and opportunity; and common threats from those who do not share these values.

In fact, India has faced the scourge of terrorism for many, many years. I would like to extend my sympathies to the government and people of India, and especially to the families of the victims, for the February 18 attack on “The Friendship Express” that runs between India and Pakistan. We fully support the Indian authorities in their efforts to track and bring to justice the perpetrators of this despicable attack.

The fact that three days after the attack the foreign ministers of India and Pakistan met in New Delhi and signed an agreement to avoid nuclear accidents demonstrates that the terrorists will never achieve their goals and that the people will never be swayed by their murderous acts.

### Talking Points

- The United States is determined to build a strong partnership with India based on a common world vision, common core values, and common threats from those who do not share these values.
- India needs faster privatization, better enforcement of property rights, and elimination of restrictive labor laws, high tariff rates, export subsidies, and import taxes to achieve its full economic potential.
- The U.S.–India civil nuclear deal marks a new era of trust and cooperation and will open the door for a major boost in defense trade to strengthen our strategic relationship.
- Some feared the deal would weaken our hand in negotiating with North Korea and Iran over their nuclear programs, but U.S. strategy needs to be flexible enough to let us cooperate with like-minded partners like India and isolate regimes that threaten our security.

This paper, in its entirety, can be found at:  
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Produced by the Douglas and Sarah Allison  
Center for Foreign Policy Studies  
of the  
Kathryn and Shelby Cullom Davis  
Institute for International Studies

Published by The Heritage Foundation  
214 Massachusetts Avenue, NE  
Washington, DC 20002–4999  
(202) 546-4400 • [heritage.org](http://heritage.org)

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It is our common goals and objectives that are driving our two countries to increase cooperation not only in the civil nuclear arena, but also in defense, civil space programs, high-technology trade, missile defense, agriculture, and a number of other areas. Our space program and missile defense talks took on new urgency after China launched an anti-satellite missile test last month. Over the past decade, U.S. trade to India has tripled. The U.S. government expects it to double again in a few years. And our diplomats are negotiating the “123 agreement” to implement the historic civilian nuclear deal between President Bush and Prime Minister Singh.

This relationship has been growing for a long time, even despite the period of nuclear escalations in this region and America’s engagement with Pakistan to fight the war on terrorism.

The fact that our strategic relationship has come so far in six years is remarkable. It bodes well for the future. I am confident it can survive any current strains for one reason: It is rooted in the deep friendships that our peoples, and our businesses, have nurtured. So where we may find we have differences, whether it is over the U.S. relationship with Pakistan or India’s pursuit of a trilateral dialogue with China and Russia, we should address these issues head-on.

I welcome this opportunity to take a critical look at our “Partnership for the 21st Century.” Specifically, I want to talk about the U.S.–India economic and defense relationship, the prospects for the civil nuclear deal taking effect, and India’s role in the region and the world.

### **Economic Relationship Growing**

There is no question that the U.S.–India economic relationship is strong. Last year, overall trade stood at some \$32 billion, with American exports to India rising by 26 percent. America imported \$21.8 billion worth of Indian apparel, textiles, gemstones, and jewelry. We exported aircraft, business and telecommunications equipment, chemicals, and other products to India to the tune of almost \$11 billion—making America India’s largest trading partner and India one of America’s top export destinations.

Much of this growth is due to the economic reforms that India has put in place since the 1990s. American companies such as Microsoft and Dell are

investing more in India as well. Total direct investment in 2006 is estimated at \$11 billion—one-third of that amount originating in the U.S., making America India’s largest investment partner as well. India hopes to target more foreign direct investment on infrastructure projects that will make its economy even more attractive to American firms.

India is demonstrating a new global economic presence as well. This was most recently demonstrated by Tata Steel’s \$11 billion acquisition of the British steel giant, Corus.

But the benefits of all this growth have yet to spread across the country. India needs to pick up the pace of reform. Faster privatization; better enforcement of property rights; and elimination of restrictive labor laws, high tariff rates, export subsidies, and import taxes will allow the Indian economy to achieve its full potential.

These steps will help prevent India’s growth rate from stalling. They also would help boost India’s ranking in our flagship product, the *Index of Economic Freedom*.

This year, we revised the *Index* to grade countries on a scale from zero to 100 percent and to add a labor freedom factor. You will be pleased to know that India has improved its score by 3.3 percent. And, for the first time, it has surpassed China. Yet we believe India should come out much, much higher on the economic freedom scale.

With India at only 55.6 percent free, the Federation of Indian Chambers of Commerce and Industry clearly has its work cut out for it, and you can count on Heritage to continue encouraging reform.

We aren’t just looking outward at what other countries can do. At Heritage, we are pressing our government to open its markets by eliminating harmful subsidies and barriers to trade, including those in agriculture that affect the U.S.–India economic relationship. And we are pressing for an extension of trade promotion authority that will enable the President to sign even more free trade agreements.

### **Defense Cooperation**

We have seen tremendous strides in the area of security cooperation between our two countries in a relatively short period of time. Washington and New Delhi signed a landmark defense framework agreement in 2005 that calls for expanded joint military exercis-

es, increased defense-related trade, and establishment of a defense and procurement production group.

In January, the U.S. transferred to New Delhi an amphibious transport ship, the *USS Trenton*. I see that the transfer was welcomed here in India; some of your own naval officials called it a new era in naval cooperation. The United States has also offered F/A-18 and F-16 aircraft with the possibility of co-production arrangements, which could help India meet its advanced fighter jet needs.

To strengthen our strategic relationship and put it on solid footing, it is important that we establish healthy levels of defense trade. In the past, Indian defense industrialists and officials were dissuaded from buying American military hardware due to concerns over the reliability of U.S. supply. The passage of the civil nuclear cooperation legislation should assuage these misgivings and open the door for a major boost in defense trade.

We now have an opportunity to cooperate more deeply on missile defense. Few should question the need for such strategic cooperation, given North Korea's missile tests last July and China's anti-satellite missile test in January. Our cooperation would enhance security and enable India to assume a critical stabilizing role in this region.

Of course, even as our strategic interests, economies, and world views intersect more often, our leaders will not always agree.

One of those areas of disagreement has been over America's evolving relationship with Pakistan. The United States and India appear to share the same strategic goal of a stable, prosperous Pakistan. Yet we are likely to disagree from time to time on the tactics to achieve this goal. It is understandable that the willingness of the United States to transfer military hardware to Pakistan, including F-16 fighter jets, would heighten concern in New Delhi. Yet I would hope India understands why it is important that the U.S. help Pakistan succeed in reaching President Musharraf's goals of turning Pakistan into a moderate, modern state.

Indians, after all, had to deal with terrorism long before we Americans did. The horrible bombings on the Mumbai commuter trains that killed nearly 200 last July, as well as last week's bombings, highlight the threat we both share from terrorism. Yes, there is much more the government of Pakistan must do to flush out and extinguish those terrorist

groups; and if our cooperation succeeds in helping Musharraf do that, then it benefits India.

Cooperation on counterterrorism and nonproliferation are the defining security issues for our time in history. Nations that wish to live in peace cannot sit on the sidelines. Prime Minister Singh is to be commended. His commitment to peace talks with Pakistan has fostered progress. It demonstrates India's strong desire to bring stability to the Subcontinent and beyond.

### Civil Nuclear Cooperation

The civil nuclear deal marks a new era of trust and cooperation and removes a long-standing source of tension between our capitals. We at Heritage hosted Under Secretary Nick Burns when he unveiled the details of that deal last March. Just nine months later, on December 18, the President signed the Henry J. Hyde United States–India Peaceful Atomic Energy Cooperation Act of 2006 into law.

Now, the deal has a few hurdles to clear before it can take effect. The first is completion of the bilateral "123 agreement" governing civil nuclear trade. It is true that negotiations on the agreement have not progressed very far, but I am still optimistic, from the attitudes and support I see in Washington, that our governments will finalize the agreement soon.

Let me tell you why. Last year, amidst all the partisan bickering in Washington, our legislative and executive branches worked together rapidly to get this legislation passed. As a long-time observer of Congress and a former diplomat in the State Department, I cannot emphasize enough how remarkable this was. Everyone in the United States recognizes the historic significance of this deal. I think the same holds true in India.

In addition to the "123 agreement," we will need to get the 45-member Nuclear Suppliers Group to approve the civil nuclear transfers. And, finally, India needs to complete a nuclear safeguards agreement with the International Atomic Energy Agency. After all of these steps are completed, the package will again go before the U.S. Congress for an up-or-down vote.

Those sound like major hurdles, but I see a great deal of optimism that these steps can happen by early next year at the latest. The most important factor is for Washington and New Delhi to keep up the pace of cooperation and the good-faith negotiations. Neither America nor India got everything

they wanted in this deal. That is typical, of course, for any diplomatic effort that will usher in historical change. But let me make a few observations about complaints that I have heard.

Some here in India were unhappy that Congress amended the Hyde bill to urge India to cooperate in countering Iran's nuclear ambitions. This language is in a non-binding Statement of Policy, and it is meant to show how concerned Members of the U.S. Congress are about Iran's nuclear activities.

Another complaint, this time from American nuclear experts, was that the bill didn't require India to reduce its fissile material production. Congress recognized that such a provision would have killed the deal. It also understood the complex regional dynamics India faces with nuclear-armed China and Pakistan as its neighbors.

Finally, some in the U.S. feared the deal would weaken America's hand in negotiating with North Korea and Iran over their nuclear programs. But they seem to forget that when it comes to nonproliferation, there can be no cookie-cutter solution, no self-limiting one-size-fits-all policy. Our strategy needs to be flexible enough to let us cooperate with like-minded partners like India and, at the same time, isolate regimes that threaten our security.

### India's Regional and International Role

Now let us look at India's role in the region and the world. Everyone who studies India understands the thrust of its foreign policy. India is looking outward in all directions, cultivating partnerships that serve its interests.

That is understandable. It is what government is supposed to do. And in this case, it mirrors the strategy President Bush adopted when he first came to Washington. The old way of basing partnerships solely on military or economic needs clearly failed to bring about real peace, stability, or development.

On one level, this explains why New Delhi is hosting trilateral meetings with Russia and China. Certainly, India and Russia have had long relations, and India and China are in the midst of a rapprochement that has led to the quadrupling of their trade in just the last five years.

India also likely hopes to secure China and Russia's support for its campaign to gain a seat on the U.N. Security Council. India is, after all, the world's

largest democracy. It contributes significantly to U.N. peace operations. And it was the first country to stand with us to help fund the new U.N. Democracy Fund, a U.S. initiative and a personal priority for me when I was at the State Department.

Yet I would like to sound a note of caution here. For one thing, Washington would take exception to a China-India-Russia axis if it was perceived that such a grouping was an effort to counter U.S. influence in the region.

But there is another reason to be cautious. Strategic partnerships must be girded by trust and common values; those that are *not* are bound to fail. Beijing shares neither India's vision of a peaceful world nor its values of freedom, human rights, and nonproliferation. China continues to drag its feet in resolving long-time border disputes with India. China is actively engaging India's South Asian neighbors in military and economic ways that may be destabilizing, such as setting up shop in ports in countries that surround India.

Finally, both China and Russia are pursuing counterweights to U.S. leadership and influence around the world. That is something that is already a concern in America. Yet if, through the trilateral meetings, India is somehow able to moderate that agenda and not get caught up in the fog of anti-American rhetoric, then I think Americans will be even more appreciative of our friendship.

### Conclusion

America and India both have much to gain from our growing strategic relationship, but the benefits will not be ours alone. Together, we can more easily show to the world the consummate value of freedom and democracy. Together, we can better deal with global terrorism and the proliferation of nuclear weapons. Together, we can foster greater stability, development, and freedom in Asia and beyond.

To paraphrase something philosopher Will Durant said about India long ago, those things are not "mere trifles"; they will be our shared legacy.

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