

“More than just the 123 Agreement: The Future of U.S.-India Relations”

Testimony of Dr. Stephen P. Cohen before the House Committee on Foreign Affairs, Subcommittee on the Middle East and South Asia June 25, 2008.

Congressman Ackerman, and members of the Subcommittee, I am pleased to share my expertise on the important question of the future of American relations with India. Fifteen years ago, both Indians and Americans failed to anticipate or understand the events that were to transform the relationship along many dimensions. Mistakes were made on both sides, and the recent difficulties of consummating the nuclear agreement might have been avoided had we thought more clearly and realistically about the overall relationship and the developments *within* each country that affects our ties.

Therefore, I will only briefly summarize the past and devote most of my testimony to the future: those areas of greatest promise, those areas where little can (or should) be done, and those areas where clear thinking and concerted action may improve the relationship so that important Indian and American interests are advanced. “Good relations” is often a euphemism for feeling good about the other country. I’ve never regarded this as a useful criteria for developing policies that benefit both sides in specific and meaningful ways.

Changes in U.S.-India Relations

As I noted in *India: Emerging Power*, India is undergoing several revolutions, simultaneously. There is the federal revolution, a changed relationship between the state and the center, there are caste and class revolutions, as Indian society undergoes rapid change akin to our own civil-rights movement, and there is an economic revolution brought about by India’s reasonably successful accommodation of the forces of globalization, which was facilitated by a change of economic policy in the early 1990s—a change that was fostered by Prime Minister Manmohan Singh when he was Finance Minister. At about the same time, India’s foreign policy underwent revolutionary change, as it slowly and painfully adjusted to the fact that the Soviet Union, a close friend and

major military supplier, had disappeared. Coupled with other internal transformations, India is, in my judgment, one of the most revolutionary societies in the world, and with several important exceptions, these revolutions are proceeding peacefully.

In 1978, I published *India: Emergent Power?* It pointed to India's rise, but noted its failure to address the economy and its persistent conflict with Pakistan as factors that held India back. Twenty-three years later, my book on India did not have a question mark in its title. India's rise as a global power in the 21st century is all but certain. However significant questions remain concerning the speed, ease and uniformity of India's rise, and regarding the kind of power into which India will evolve. All of this will have a considerable impact on the U.S.-India bilateral relationship.

The most significant factor of the new U.S.-India relationship is that it is not based on relations between the two governments, but rather the relationship between their two societies and their economies. Indian-Americans are among the most successful of the recent immigrant groups to the United States. The U.S. remains immensely popular in India, particularly in the cities.¹ India is emerging as a cultural superpower, and just as Hollywood's influence is evident in Bollywood, the latter has established a position in the U.S. (as well as the rest of the world), and we now all consume Indian food in large quantities.

There remains an older generation in India that learned its anti-Americanism from the British, but they are less vehement, especially after they visit their children and relatives in the United States, returning with a somewhat more accurate picture of our virtues as well as our faults. There is also a somewhat younger generation of leftists who are ideologically anti-American. They look to China and Russia to help balance American

¹ A 24-Nation Pew Global Attitudes Survey released earlier this month showed that Indians have a 66% favorability rating of the United States, behind only South Korea and Poland. Indians are also the most positive about U.S. economic influence (41%), the personal benefits of trade (87%) and foreigners buying domestic companies (59%), underscoring the importance of the economic relationship.

hegemony. While small in numbers, they are effective enough to block the U.S.-India nuclear agreement. I always had lingering doubts about the political viability of the “deal,” hence the sub-title of a long paper I wrote several years ago: “A Deal Too Far?”

Indians clearly want closer economic ties with America, continue to see our country as a land of opportunity, and look to American practices for models and examples. We certainly could benefit from the Indian example in several spheres, notably in running free elections without controversy. Every time India goes to the polls, it is the world’s largest organized human activity. The trade relationship still leaves much to be desired, due in large part to the underdevelopment of large-scale manufacturing in India, but it is only a matter of time before the country makes greater headway in that sector. However, India is far behind China in that regard, and some of the recent books on “Chindia” that equate the two do a disservice to the truth.

Let me now focus on four areas: (1) bilateral defense cooperation, (2) the nuclear relationship, (3) key areas for greater cooperation and (4) areas of disagreement. I will conclude with some policy recommendations for the next U.S. administration and Congress.

Defense Cooperation, Exercises and Sales

The U.S.-India defense relationship has been unsettled since the end of the Cold War. Many American policymakers of the Clinton and Bush administrations harbored high hopes of India’s evolution as a key U.S. strategic partner in South Asia, often a euphemism for a strategy of containing China, but which I would view as reinsurance for both the U.S. and India against the rise of a malevolent or hostile China.

Developments have not proceeded at the pace many had envisioned. Military-to-military ties have been among the more successful areas, with regular joint naval and air exercises between the U.S. and Indian militaries, but both India and the U.S. conduct exercises with many, many other countries, so this is not something extraordinary except in the context of a total absence of such exercises after 1963 (when American fighter aircraft

trained alongside the Indian Air Force after the 1962 India-China war). Cooperation on counterinsurgency, an important aspect of security for both countries, has not been satisfactory, and more can certainly be done by both governments to exchange relevant ideas and training practices. That said, India and the Soviet Union never had military-to-military ties during the Cold War of the kind that India and the United States enjoy today. U.S.-India cooperation during the 2004-05 tsunami relief efforts was instructive and groundbreaking, but that remains the standout example of military cooperation.

Military sales have not yet risen to the level that U.S. defense corporations expected. India will be one of the largest markets for defense equipment in the coming two decades, but the United States has barely established a toehold there. There are a few promising signs. India recently agreed to purchase six C-130J aircraft, the biggest ever Indian purchase of American equipment in dollar terms. It also bought an amphibious transport ship, the *U.S.S. Trenton*, renamed the *I.N.S. Jalashwa*, which is now the second largest ship in the Indian fleet. These two purchases greatly expand India's power projection capacity, but I don't see a guiding strategic hand behind these decisions.

American corporations are today favored in a number of major defense tenders, but the Indian acquisition process is extraordinarily slow, and results will almost undoubtedly take some time. U.S. defense corporations would be wise to take some lessons from Israel's entry into the Indian market, as Israel is today India's second largest defense supplier. Joint defense production and R&D remain many years off, although there may be greater room for cooperation with private Indian defense companies, who are only now coming into their own. India's stringent offsets mean that this route will be complex and difficult to negotiate.

There are two factors usually overlooked by American policymakers with regard to India's strategic evolution. The first is the domestic security threat facing India today. India's greatest national security challenge is no longer Pakistan or China or even terrorism, which has been responsible for more deaths in India than in any country other than Iraq in recent years. Its biggest threat is a leftist revolutionary movement termed the

Naxalites (named after a Bengali village where a Maoist uprising took place in the 1970s). They have been in existence to a greater or lesser degree for decades. The movement – active today in a large swath of resource-rich central, eastern and north-eastern India, especially among tribals, low-caste Hindus, and ethnic minorities – is treated as a law and order problem. But it has the potential of becoming much more virulent and destabilizing should there be greater cooperation among Naxal groups in different Indian states, or should the Nepal communists turn out to be interested in supporting their Indian counterparts.

The second important factor is India's default preference for strategic caution, which is a major theme in my forthcoming book. India has traditionally refrained from employing its military muscle. It fought Pakistan to two stalemates in 1947-1948 and 1965, and its military involvement in the Sri Lankan civil war in the late 1980s proved a disaster. Today its engagement with its neighbors – including Pakistan, Sri Lanka, Nepal, Burma and Bangladesh – is essentially non-military in nature. Two apparent exceptions to its strategic restraint were the 1971 war with Pakistan, which resulted in a decisive Indian victory, and the nuclear tests of 1998.

India's strategic restraint demonstrates itself in other manners as well. Today, India's military expenditure makes up a little over 2% of its GDP. While it is growing in real terms, it is still small given the enormity and the range of security threats facing the country. Additionally, India's most significant military operations outside its own borders in recent years have been humanitarian in nature.

Overcoming the Nuclear Hurdle

The U.S.-India nuclear agreement, which benefits India considerably, has barely progressed since the negotiation of the bilateral 123 Agreement last July. Eleven months later, the nuclear deal is being held hostage in New Delhi by the four Left parties upon whom the ruling UPA coalition is dependent for support. There remains a slim chance of the restraints being lifted this year, if elections are set or, even less likely, if the government chooses to pursue the deal against the wishes of the Communist parties. A

more likely scenario is that the deal will return in 2009 or 2010 after India's general elections, which must take place before May of next year. In that case, it will be up to the next president and the 111th Congress to see the deal through to its completion by ensuring its approval by the Nuclear Suppliers Group and ratifying the 123 Agreement.

The non-proliferation implications of the deal have been explored in detail by many others. Disputes over India's nuclear program have unfortunately overshadowed other aspects of the bilateral relationship for much of the past 35 years. Actualizing the nuclear deal will enable the two countries to address a host of other urgent matters that are far more deserving of attention. A half-way house for India seems natural, given India's non-proliferation record and the chance for it to be incorporated into the global non-proliferation regime with the international community's acquiescence. I believe the Bush administration was bold and imaginative in developing the deal, but should have specified a number of criteria for such an agreement, thus potentially bringing other countries into such arrangements, and strengthening the overall arms control agenda.

Disputes over India's nuclear program have unfortunately overshadowed other aspects of the bilateral relationship for much of the past 35 years. Completing the nuclear deal will facilitate addressing other matters that are potentially more deserving of attention, although actually implementing the agreement will itself be a difficult process.

Key Areas for Greater Cooperation

There are three areas that in my opinion are ripe for action. All affect India's long term security and prosperity, and thus, indirectly, the United States' long-term prosperity and security. None of these have been priorities for the Indian or American governments in the past few decades, but all are vital to India's sustained growth as a major power. They are: (1) education, particularly higher education; (2) agriculture and (3) the looming environmental crisis in South Asia.

Today India sends more students to American universities than any other country; Indian students account for about a sixth of all foreign university students in the United States.

While this has proven mutually beneficial for both countries, it is in part indicative of the poor state of India's primarily state-run university system. (Interestingly, the ratio of Indian students in America to American students in India is about 80-1).

India lags in primary and secondary education too. Literacy is still untenably low, especially among women. But its problems will be mitigated partially by a growth in private schooling catering to almost every income level. The Indian government can certainly do more to ameliorate the situation, but there are few avenues for the United States to assist India in this regard. By contrast, American universities are eager to establish schools in India, which will benefit both countries considerably by enabling academic exchange and providing many more Indian students with better university educations. Unfortunately, bureaucratic and ideological barriers remain to the expansion of the private educational system, especially at higher levels, and continue to hamper the much needed reform and upgrading of the public college and university system.

A second area which badly needs addressing is Indian agriculture. Due in part to land reforms following independence, which succeeded in breaking old feudal structures, India finds itself suffering from an inability to develop large-scale commercial farming. Over two-thirds of the population is dependent on agriculture, but most have only small farms, often less than half an acre. Continued small-scale farming has limited the potential for agri-businesses, distribution systems and market access for produce. Some estimates indicate that up to half of India's agricultural produce is wasted due to unsatisfactory storage and lack of adequate transport. The United States assisted India in its first agricultural revolution, which enabled it to become self-sustaining. It can now do more to assist India's second agricultural revolution, especially in better managing the delivery chain from farmer to consumer. As in the case of education, this is largely an opportunity for the private sector: there need be no heavy government hand. But enabling legislation, primarily at the state level in India, will be necessary.

The final overlooked area, and one with enormous political and strategic implications, is the potential for cooperation on mitigating environmental degradation. Certainly climate

change has been a high-profile issue and is likely to be at the top of the next administration's agenda. But other effects of environmental damage, at a regional or local level, do not receive the attention they deserve. These include problems related to water. Overcrowding and industrialization in India have led to problems concerning India's river systems, including potable water shortages and contamination. This issue affects a colossal number of people. For example, the Ganges-Brahmaputra river basin, which covers most of Bangladesh and Nepal in addition to much of northern India, is home to over 600 million people. If you add Pakistan (160 million people), which is dependent upon water flowing from India into the Indus river system, and if you keep in mind that many of India's rivers (and therefore those of Bangladesh and Pakistan) originate in China, which may have its own plans for rerouting them towards Central Asia, then you have the making of a protracted crisis in years to come even if only the most cautious predictions of climate change come true. In my view, an imaginative American administration will work with India, and other regional states, to attempt a comprehensive treatment of the problem now, and not wait until the cycle of flood and drought drives millions of people off their land, exacerbates disputes between Indian, Nepal, China, Bangladesh, and Pakistan, and – as we have seen already – intensifies disputes *within* Pakistan and India over access to water. The Kashmir dispute, while important in its own terms, is increasingly an environmental problem, and may paradoxically be easier to deal with in those terms rather than a zero-sum contest between Pakistan and India.

Areas of Disagreement

As with any bilateral relationship, there are areas that will continue to be points of disagreement between the United States and India. These will likely include global issues such as trade and climate change, but also conflicting strategic objectives vis-à-vis states such as Pakistan, Burma and Iran.

Pakistan and India have passed through the period where their conflict was the “most dangerous in the world,” as they have adjusted to the existence of nuclear weapons on both sides. It is evident that the four major crises since 1987 constituted a learning

experience, just as the U.S. and the Soviet Union learned something from the Cuban Missile Crisis. However, while nuclear weapons make large-scale war unlikely, they do not ensure peace, and there remains a real possibility that another crisis may erupt. In such an event, the United States should be prepared to once again serve as a moderating factor, as we did in 1990, 1999 and 2001-02 (but not in 1987). Our relations with India and Pakistan stem from somewhat different interests, but we cannot ignore the fact that they are each a strategic threat to the other, and we must, at all costs, avoid giving the appearance that we would favor a military solution to their disputes.

Burma has long since ceased to be a coherent state. It is presided over by a military junta that cannot protect its people from known and predictable threats such as the recent cyclone. India has turned to supporting the Burmese generals, in an attempt to reduce Chinese influence there, but both countries are playing by 19th century rules. Yet our policy of isolation and name-calling does not show much promise. It would be wise to consult closely with India, and China, and ASEAN, to see if some middle ground can be worked out that promotes peaceful regime change in Burma.

Among the most high-profile causes of disagreement are India's ties with **Iran**. Much has been made of India's apparent strategic, energy and "civilizational" relationship with Iran. Many Indians – particularly those of an anti-American bent – emphasize this connection, while many Americans have serious misgivings about India-Iran ties. India does have some low-level military ties to Iran, Iran remains a major supplier of oil and gas to India, and India is believed to be home to the largest number of Shia outside of Iran. However, other elements of the relationship are frequently overlooked or overstated: India's military relationship with Iran involves little other than some naval training and the renovation of some tanks. In terms of energy, Iran is only the fourth largest oil supplier to India, accounting for only 10% of its imports. Moreover, there are two other reasons why Iran should not be a stumbling block to closer U.S.-India ties.

The first is the India-Israel relationship. Israel is now the second-largest exporter of defense equipment to India in dollar terms, and may surpass Russia as the largest. Indians

may be liberal in labeling their ties with countries as strategic partnerships, but in the case of Israel, this happens to be apt. In fact, in January this year, India launched an Israeli spy satellite to reconnoiter Iran. The Israel-India commercial relationship is deepening, and Israeli tourists are flocking to India in greater numbers. But despite the threats it faces from Iran's burgeoning nuclear program, Israel does not publicly object to New Delhi's continued dealings with Tehran.

The second reason is the commercial ties with Iran enjoyed by other states, including many of the United States' allies. Japan, Turkey, Italy, Germany and South Korea are among Iran's largest trade partners in 2007. France, Germany, Hungary, Italy, Japan, and Turkey – again U.S. allies – were among the largest investors in Iran in 2006. India lags considerably behind all of these countries in terms of its economic relationship with Iran.

Policy Recommendations

1. The United States should recognize that two-way trade and economic ties constitute the ballast of the new U.S.-India relationship. This has provided a new floor, so we need not worry overmuch about a return to the dark days of the 1970s, when India saw the U.S. as a hostile, encircling power, and Washington simply forgot about India. Yet, government policy can facilitate or hamper these new economic ties. In this case, the reforms have to be largely on the Indian side, but American business should be sensitive to Indian concerns and Indian practices, and should endeavor to strengthen Indian capacities, especially in areas such as education. American operations in India should not be seen as exploitive, just as Indian operations in the U.S. will be judged as to whether they take away American jobs.
2. On strategic ties, the motto should be “look before you hop.” It would be wrong to expect a close strategic relationship between the two countries on the basis of a hypothetical threat from China. Our relationship should be seen and presented as reinsurance against a malevolent China, a future that may never happen. In the meantime, both sides will be wary of being drawn into the other's conflicts with

- third parties: India with American concerns about Iran, the U.S. with India's continuing conflict with Pakistan. In both cases the root cause is political instability (in Iran and Pakistan), which makes their policies unpredictable, and potentially harmful. We should not demand Indian support for all of our Iranian policies any more than we should allow India to dictate our policy towards Pakistan.
3. There will be many opportunities for second-tier cooperation, notably in disaster relief, anti-piracy efforts, and in helping stabilize countries that are unable to maintain their own integrity. Naval cooperation is likely to be the most fruitful area, as the Indian navy performs at a very high level of professionalism, and now has a doctrine that encourages such cooperation. India should be invited to join the Task Force 150 in the Gulf, and India's navy and its capacity for power projection should be strengthened.
 4. See through the U.S.-India nuclear agreement. The Bush administration and Congress have exerted considerable time and effort in bringing the controversial nuclear deal to fruition. When the political situation in India finally proves favorable to the deal's consummation – be it this year, next year or the year after that – the next U.S. president and Congress should expedite consummation. The bulk of work to enable the deal has already been accomplished, although implementation will be difficult. While it will be imprudent to renegotiate the entire agreement, I do see the possibility of concessions on both sides that make the agreement more attractive. On our part, we can reduce some of the limits on India's use of reactor products (I do not believe that they intend to build a vast arsenal) and accept India formally as a nuclear weapons state. On India's part, the commitment to no more testing could be formalized (preferably by signing the CTBT), they could stabilize their arsenal designs (so no new testing is necessary), and renew earlier commitments to arms control, starting with the revival of the Rajiv Gandhi Action plan, signing on to the Proliferation Security Initiative, and joining a other arms control regimes. The criteria should be: does the agreement

- not only provide India with enhanced energy resources, but does it, on balance, enhance global arms control and restraints on the development and deployment of nuclear weapons? The U.S. should also translate the India agreement into a criteria-based format, potentially allowing Pakistan and even Israel to enter into a similar arrangement.
5. Give much greater priority to bilateral cooperation on education, agriculture, and regional water and environmental issues. These are all areas where there has been little cooperation between the United States and India thus far, but which are all vital for India's future. We need to recognize now that these will be the big issues of the next decade, and work towards collaborative mechanisms that include India in their resolution, or amelioration.
 6. For a long time India was seen as an irritant, it did not count economically or strategically. Now that it does, we need to better understand such changes as the caste and class revolutions, the shift of power from the center to the states (India has entered an era of coalition government, which can directly affect foreign policy calculations). Dealing with democracies always requires an extra effort, we must invest in the long-neglected research and scholarly base, a necessary but not sufficient foundation-stone of sound policy.

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