



## U.S. Policy in South Asia

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#### As Prepared for Delivery

Good evening, and thank you Dan for that nice introduction.

It is a pleasure to be here at the Asia Society. Thank you, Vishakha for your remarks and also for inviting me.

You've done a great job leading this institution for the past two years. The Asia Society is priceless; it is one of the main civil society institutions keeping the trans-Pacific dialogue thriving.

I wish to talk about topics that are central to the Society's mission, and an area of the world that is close to your heart, Vishakha: South Asia.

South Asia is now a central focus of U.S. Foreign Policy. For the first time in decades the United States views this region as increasingly vital to our core foreign policy interests. We have better strategic relations with the major powers of the region than we have ever had before.

The United States has taken important decisions in the past few years that recognize the strategic importance of this region, by:

1. Seeking as one of our most important global priorities a new, closer partnership with India;
2. Maintaining strong relations with Pakistan and broadening them beyond counter-terrorism;
3. Mounting a long-term effort to stabilize Afghanistan and deliver the benefits of stability and democracy to the people; and
4. Engaging positively and permanently with the region from Kazakhstan to Bangladesh and Sri Lanka.

And the region will be at the forefront of our foreign policy thinking for decades to come. The U.S. is turning increasingly to the Middle East, East Asia, and South Asia as regions where we face the greatest challenges and also where we can pursue the greatest opportunities.

It is in South Asia where our future success in the struggle against global terrorism will likely be decided – in Afghanistan and Pakistan.

It is in South Asia where our commercial, scientific, technological, and political-military interests argue for a great advance in relations with India.

It is in South Asia where, increasingly, the U.S. is called upon to be a key intermediary in stopping the brutal civil war in Sri Lanka; in encouraging the people and leaders of Bangladesh to resist violent extremists and Islamists; in helping to arrange in Nepal a true and sustained transition to democracy.

#### U.S.-India Bilateral Relationship

After decades of promise – punctuated by frequent misunderstandings and missed opportunities – the United States and India are finally drawing together in a natural global partnership. This is one of the most significant strategic initiatives for American foreign policy – a joint bipartisan initiative pursued by Presidents Bush and Clinton over the last decade.

The U.S. and India share a common view of how the world should be organized. Respect and support for democratic institutions; fighting the war on terrorism; the globalization of supply and demand; the communications revolution—these trends and many others have pushed us towards one another.

We also share a common interest and advantage in tackling together the more positive challenges that spring from the bright side of globalization – the rise in importance of science and technology, higher education, medicine, business, and space research and travel. In each of these areas, India and the U.S. share a global comparative advantage that encourages not just our governments but our educators, NGO's, businessmen, and scientists to seek out a greater number of partnerships with each other.

India and the US are also brought together by darker forces unleashed upon us by globalization: climate change, energy security, international crime and drugs, diseases that cross borders, such as AIDS, trafficking in persons, terrorism and weapons of mass destruction. We know that both of us need partners to combat these negative trends. On each one of these, India and the U.S. are natural allies.

In the second half of the 20th century, after India's independence, we had the ultimate unfulfilled relationship – for five decades, we existed in an uneasy and at times fractious friendship.

Now, we can safely say that India and the U.S. have found each other. We are now increasingly close partners in global politics. We are building a better military relationship. And, our economic ties have expanded dramatically in the last decade. Our exports to India doubled from 2002 to 2005, from \$4 billion to \$8 billion. Bilateral trade went in that time from \$16 billion to \$27 billion. This year we're on pace to surpass \$30 billion. And investment is also thriving. India has cumulatively invested around \$2.1 billion in this country.

U.S. companies are busy in India. What's more American than Wal-Mart, which has just tied up with Bharti Enterprises to launch a retail venture in India? And Motorola, Hewlett Packard, GE and Dell have all announced recently that they are expanding research and manufacturing in India.

Meanwhile, Indian-Americans, once a tiny minority here, today number 2.5 million people. This represents a growth of 67% in just five years. And these are just U.S. Census figures for foreign-born Indians, which doesn't count the many hundreds of thousands who were born here. The number of American students attending Indian universities leaped by 50% last year alone, according to the Institute of International Education, and stands today at around 1,800. And as for the number of Indian students attending American universities, India has sent more students here than any other country this year, 76,503 at last count.

Although the U.S.-India Civilian Nuclear Initiative is the governmental initiative that has garnered the most attention, it is only one part of a much broader partnership with

the Government of India – inspired by our people-to-people and business-to-business relationships.

#### US-India New Initiatives

I will travel to India next week to conduct a mid-term review with my Indian counterparts of the extraordinary number of initiatives President Bush And Prime Minister Singh agreed upon during their historic summit in Delhi last March.

During their visit, President Bush and Prime Minister Singh established joint cooperative projects in many areas, including

- civil nuclear cooperation;
- a U.S.-India Global Democracy Initiative;
- an expanded U.S.-India Economic Dialogue focusing on trade, finance, the environment, and commerce;
- continued cooperation in science and technology;
- space cooperation;
- an Energy Dialogue to strengthen energy security and promote stable energy markets;
- an Agricultural Knowledge Initiative, to create a second green revolution in Indian agriculture after Americans helped to launch the first fifty years ago;
- a U.S.-India Disaster Response Initiative;
- the U.S.-India HIV/AIDS Partnership; and
- a growing military partnership in South and East Asia.

All of these initiatives have been moving forward with vigor. Here are just a few examples:

In late October, the U.S.-India CEO Forum met in New York to review the progress our two governments have made in reducing barriers to trade and investment and creating opportunities for our private sectors. At the meeting, top CEOs from our two countries met with Ministers and senior officials to discuss opportunities for infrastructure investment, high-tech and defense trade and financial markets liberalization.

Last week, Agricultural Secretary Mike Johanns traveled to India to Co-Chair the Board Meeting of the Agricultural Knowledge Initiative and to work with Indian officials to generate momentum for the Doha Development Round talks in the World Trade Organization.

This week, Commerce Under Secretary Frank Lavin will be leading a business mission of 250 companies to India -- the largest trade mission we've ever sent to any country. U.S. companies will have hundreds of meetings with Indian officials and industry to promote bilateral trade. Simultaneously, we will hold another meeting of the Trade Policy Forum, designed to discuss impediments to growth in bilateral trade and investment.

We are also working with the Indians to create a Bi-National Science and Technology Commission which we will co-fund. This will generate partnerships in science and technology and promote industrial research and development.

Additionally, India has joined the U.S. and four other countries – Australia, China, Japan, and Korea -- to create the Asia-Pacific Partnership on Clean Development and Climate to work together to reduce air pollution, improve energy security, and address climate change.

In the defense arena, two weeks ago, Under Secretary of Defense Eric Edelman was in New Delhi for a meeting of the Defense Policy Group. That group is working to expand defense trade, improve cooperation between our armed forces, and co-produce military hardware.

We are also making it easier for Indian students, businesspersons, and visitors to travel to the U.S. Our Ambassador in India, David Mulford, has made the elimination of the visa interview backlog the Mission's number one priority. He's marshaled extraordinary human and financial resources to do this, and will likely eliminate the backlog entirely by the end of 2006. We understand how important this is for Indians.

It is safe to say that this extraordinary burst of energy across the board among our major Cabinet agencies represents the most energetic and significant leap forward the U.S. has undertaken with any country in recent years.

#### Civil Nuclear Initiative

As you know, the U.S.-India Civil Nuclear agreement has become the most visible symbol of our new ties with India. The U.S. Senate voted by an overwhelming margin – 85 to 12 – two weeks ago to support this historic initiative. The House of Representatives had already given its approval to its version of the bill. In each case, we enjoyed great bipartisan support, including by the leadership of the Senate Foreign Relations Committee and the House International Relations Committee. The enabling legislation will now move to a Conference Committee of the Senate and House next week. We are confident that Congressional action can be completed by next week.

Passage of the legislation could not have occurred without the strong support of the Indian-American community, many of whom are present today. I want to thank you for all of your efforts.

However, once the legislation is finalized, there are still a number of steps remaining before civil nuclear cooperation can commence. We are working to complete the U.S.-India bilateral agreement (the so-called 123 agreement). India must conclude a safeguards agreement with International Atomic Energy Agency covering India's civil nuclear facilities; and the Nuclear Suppliers Group must decide by consensus to allow an India-specific exception to the full-scope safeguards requirement of its export guidelines.

Seeing all of these steps through to successful implementation of the Civil Nuclear Cooperation Initiative is key in our new partnership with India, because it will wipe away an issue that has been a major irritant in our bilateral relationship for more than thirty years. It is unquestionably in our national interest.

- For the first time in 30 years, we will bring India closer into the international mainstream and work with them to advance the cause of nonproliferation.
- It will help India meet its growing energy needs, and increase investment opportunities for both sides.
- The agreement will help India reduce harmful greenhouse gas emissions.

#### PAKISTAN

Pakistan is another nation with which we are building stronger and broader relations. We have had no greater partner in fighting the war on terror than Pakistan. President Musharraf's government has killed or captured more al Qaeda terrorists and has lost more people doing so than any other nation. Because of where Pakistan lies geographically and the number of terrorists who seek refuge there, it will remain the absolute core of the fight against global terrorist groups.

While counter-terrorism efforts have been a focus in our relationship, our engagement with and commitment to Pakistan is much broader: we are building a strong bilateral partnership in education, energy and the economy.

Our relations are underpinned by our support for the legitimate desires of the Pakistani people for a better life, free of poverty and extremism. We support President Musharraf's vision of a strong, moderate, democratic and prosperous Pakistan that contributes to peace in South Asia.

## India and Pakistan

Peace and stability in South Asia must mean good relations between India and Pakistan. We strongly encourage the ongoing Composite Dialogue Process between Indian Foreign Secretary Menon and Pakistani Foreign Secretary Khan. They met in New Delhi November 14-15 for the fourth round of the talks, and made progress in fleshing out the joint counter-terrorism mechanism that Prime Minister Singh and President Musharraf agreed to in September.

We will continue to encourage constructive engagement between India and Pakistan and are pleased that the two sides have agreed to meet again in Islamabad in February. Both countries are slowly building a peaceful foundation to their relationship, and both understand that progress on the Kashmir issue, including Siachen Glacier and Sir Creek, depends on frank, open, and continuing dialogue.

The U.S. wishes Pakistan and India well in their efforts to avoid a crisis that would endanger both and the security of all South Asia. Preventing such a nuclear crisis is among their and our greatest interests. We believe India and Pakistan can do better than that. We believe there is a real chance for the two neighbors to find a road to a sustained peace. The U.S. will support them in every way we can. We believe 2007 can be a year to build a true peace between our two friends – Pakistan and India, including the sensitive issue of Kashmir.

## U.S. –Pakistan Broad Bilateral Relationship

During President Musharraf's September visit to Washington, the US and Pakistan reaffirmed their commitment to a long-term partnership. I will travel to Pakistan early in the new year to lead, with Foreign Secretary Khan, the Strategic Partnership Talks between our countries.

We are steadily broadening our relations: This Wednesday in Washington, the U.S. and Pakistan will hold the inaugural meeting of the U.S.-Pakistan Education Dialogue. Our Education Ministers will meet for a full day to advance educational opportunity in Pakistan. Through the largest Fulbright scholarship program in the world, the United States is providing close to \$100 million over the next five years to help hundreds of Pakistanis pursue advanced degrees in the United States in disciplines critical to their country's long-term social and economic development. This is critical to providing young Pakistanis the chance to study at the best universities in the world – in America. It is also critical to break down the barriers between Islamic youth and their American counterparts and to build, instead, positive bridges between them.

We are also working to increase Pakistani science, technology and engineering capacity, establishing a Joint Committee on Science and Technology.

Like any country its size, Pakistan has energy needs that can only grow. As part of our Strategic Partnership, the U.S. and Pakistan are exploring ways to meet Pakistan's growing energy needs and strengthen its energy security. During Energy Secretary Bodman's visit to Pakistan in mid-March, he and Pakistani Foreign Minister Kasuri discussed the next steps for collaboration in the energy sector.

The U.S. private sector will be important to helping Pakistan achieve its energy objectives, and we encourage American business to be active there.

We are working towards a significant expansion of U.S.-Pakistan economic ties. One step toward giving Pakistanis a better life is the conclusion of a Bilateral Investment Treaty, which we hope to sign shortly.

During his March visit, President Bush announced another major economic initiative: Reconstruction Opportunity Zones. These zones, located in the border areas of Pakistan and Afghanistan, will allow for special tariff rates and duty-free entry into the United States for particular categories of goods. We have just recently concluded a feasibility study on the zones and hope to work with the Congress to introduce enabling legislation in 2007. This initiative, once implemented will provide employment for regions of Pakistan where opportunity has lacked and instability thrived.

President Musharraf still faces many challenges – perhaps most critically in the Federally Administered Tribal Areas, or FATA, bordering Afghanistan. The areas have been undeveloped, with virtually no formalized government structures for centuries. As a result, these areas have often been used as a safe haven by criminals and terrorists. President Musharraf has developed new military, political and economic strategies that seek to extend the authority of the Pakistani government, and the benefits of government, to these areas.

President Bush has made our commitment clear: We are very supportive of President Musharraf's efforts in these area, which are not only imperative for the people of Pakistan, but also for the people of Afghanistan.

## AFGHANISTAN

One of Pakistan's – and the United States' -- most important relationships is with the newly-formed democratic government of President Hamid Karzai in Afghanistan.

There is reason to be optimistic about the future of Afghanistan, particularly if we remember the situation of the country just five years ago.

In 2001, Afghanistan was the 5th poorest country in the world. Al Qaeda was a state within a state. Today, although it is not yet prosperous, Afghanistan is taking steps to enter the World Trade Organization; it has averaged annual growth rates around 9 percent since 2003; and it is actively engaged in trade. Economic development is on the rise – the World Bank estimates Afghanistan's Gross Domestic Product to be \$7.2 billion in 2006, up from \$4.7 billion in 2003.

Five years ago, the Afghan Government was just learning to function. Today, President Karzai leads a stable national government for the first time in that country's history. The government has overseen successful Presidential and Parliamentary elections. Having established a national government in Kabul, President Karzai and his colleagues are working on the most important task of extending the authority of government to the rest of the country.

We have made a long-term commitment to assisting Afghanistan to become a stable, prosperous, and democratic country. The United States remains the largest provider of foreign aid to Afghanistan, with \$12.5 billion in aid so far, and we have focused our efforts on three main areas - security, reconstruction and economic development, and governance.

Working with our international partners, there are approximately 31,000 NATO-International Security Assistance Forces (ISAF) troops in Afghanistan, including almost 20,000 from the United States. In conjunction with the British and Germans, we are also working to increase the ability of the Afghans to take responsibility for their own security. More than 30,000 Army and 40,000 Police units have been trained. These units are working alongside U.S. and Coalition forces in military and counter-narcotics operations.

When President Bush and the other NATO leaders meet in Riga Wednesday, Afghanistan will be first on the agenda. The U.S. and NATO are succeeding militarily against the Taliban and Al Qaeda. While they increased their attacks on the Afghan government and NATO forces in 2006, they are not winning. Their losses have been significant. We have hit them hard and we will stay until the job of stabilizing the government is complete.

Most of you hear about the war only, and that is an important and heroic effort. But it is important to also underline that the funds we give Afghanistan are improving that country's infrastructure, particularly its road and power systems. No country in the world suffered more from the lack of modernization than Afghanistan. So this job is essential. General Karl Eikenberry, the top U.S. General in Afghanistan says that where the road stops, the Taliban begins, and we think that is very true.

Since 2001, more than 2,000 miles of paved road have been built, giving farmers the ability to get their goods to market, and helping to link the national government in

Kabul to local provinces. The signature road project, the Ring Road, connecting Kabul in the east to Kandahar in the south and Herat in the West, is nearing completion.

In cooperation with neighbors such as Tajikistan, we are improving the power systems in Afghanistan. Afghanistan is an ideal source for different energy sources, such as hydro-power. We are working with international partners to complete the Kajaki Hydroelectric Dam, which will provide power to thousands of customers in southern Afghanistan.

Even with improved security and infrastructure, Afghanistan also needs an honest, uncorrupt civil service and court systems that operate under the rule of law. To that end, we have strongly supported recent initiatives such as Attorney General Sabit's actions against corrupt officials in Afghanistan. We are helping Afghanistan's justice system develop, by building courthouses, training lawyers and judges, and supporting the civil service to reduce incidents of corruption.

We must never again allow Afghanistan to become a haven for terrorism and violent extremism. With our international partners, we remain committed to a democratic, peaceful, and developed Afghanistan, as a source of stability in the region and a place where trade and transit can open up possibilities for the people in the wider region.

#### **NEPAL, SRI LANKA, BANGLADESH**

Finally, I want to say a word about Nepal, Sri Lanka and Bangladesh, in that order. The United States is now engaged to help each overcome serious internal crises in ways we had never been before. This engagement speaks to our newly energetic role in South Asia.

In Nepal, the United States welcomes the announcement last week of a comprehensive peace agreement between the Government of Nepal and the Maoists. We hope this step will place Nepal on the path of lasting peace and democracy. We truly want the peace process to work and we pledge our full support.

We support an agreement that safeguards the aspirations of the Nepali people. This means violence, intimidation, and criminal acts by the Maoists must end. We will be watching closely. The Nepali people deserve a chance to live without fear and choose their form of government in fair elections and we are committed to help them build a peaceful, prosperous, and democratic future for its people.

It is incumbent on the political parties to show a united front. The United States does not oppose the Maoists participating in Nepalese politics as a legitimate, peaceful political party, but it is crucial for the long-term well-being of Nepal that the Maoists give up their arms and end their extortion. That has not yet happened. We intend to hold the Maoists to that standard.

In Sri Lanka, long-standing ethnic conflict and a fragile peace process continue to cause enormous concern for the United States and the international community. Escalating violence has put the four-year ceasefire agreement between the government and the Tamil Tigers at risk. Just last week I hosted the Co-Chairs of the Sri Lanka Donor Group -- which includes the U.S., the European Union, Norway and Japan -- to encourage both parties to engage in ceasefire agreement implementation talks.

Norway's vital role as facilitator of the peace process merits special mention. We and other members of the international community greatly appreciate and fully support the ongoing Norwegian efforts to move Sri Lanka's peace process forward.

The bloody civil war in Sri Lanka has cost too many lives and gone on far too long. The U.S. will remain involved to help stop it before more innocent people perish needlessly.

Finally, I want to say something about Bangladesh. Bangladesh has recently earned an important distinction: Its citizen Mohammed Yunus and the Grameen Bank won the Nobel Peace Prize for their ground-breaking efforts in micro-credit and other initiatives. I met with Prof. Yunus last week to discuss how the United States can more effectively implement its own foreign assistance for maximum impact. He is a remarkably selfless person and he inspired me with his ambitious and even audacious vision that all of the families in his country should have access to capital to improve their lives.

While Dr. Yunus has a positive vision for Bangladesh, there are reasons to be concerned about the current state of political violence we have seen as that country moves toward elections in January. The people of Bangladesh deserve free, fair, non-violent and credible elections. Toward that end, we urge the country's political parties to resolve their differences through dialogue.

I would also like to repeat that corruption undermines confidence in government and in the Bangladeshi economy. America would like Bangladesh's economy to continue to grow, but to do so Bangladesh must effectively tackle corruption. We will continue to work with civil society and the Bangladeshi people to help combat the corruption that plagues the country.

Bangladesh is a pivotal country in South Asia. Its future is important to the entire region. It has the advantage of size, a growing economy, and a talented population. Can its leadership put aside their differences to lead the country forward in peace? That is the central question to ask as we approach 2007.

#### **Conclusion:**

It is the policy of my government to play a positive role in this region, and we are incredibly fortunate to benefit from such privileged relationships as we enjoy at the moment with governments in the region. The Asia Society is a strong partner in bridging the gaps that lie between our culture and I thank you for the work you do.

Thank you so much for allowing me to speak, and I'm happy to take any questions you have.

Thank you.

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