

Backgrounder

No. 1917
February 23, 2006



Published by The Heritage Foundation

President Bush's Challenge in South Asia

Dana R. Dillon

President George W. Bush will travel to India and Pakistan in the first part of March. Although the United States, India, and Pakistan agree on several issues—such as the war on terrorism and trade issues generally—the President probably will face some requests that are contrary to both American interests and international arms control measures. Additionally, Pakistan and India each tends to view cooperation between the other country and the U.S. as inimical to its own interests. President Bush will need to balance the interests of the two South Asian rivals deftly while also advancing American interests.

In Pakistan, the President must promote democracy and human rights, push for President Pervez Musharraf to continue economic reforms, and gain firm government commitments to quash terrorism inside its borders. In particular, continuing al-Qaeda and Taliban use of the Waziristan region as a safe haven is a principal reason for continuing turmoil in Afghanistan.

In India, the President must promote a trade agreement that integrates India with the global economy and reduces barriers to U.S.–India trade. He must demonstrate that he is encouraging Congress to ratify the Next Step in Strategic Partnership (NSSP), which would increase U.S.–Indian civil nuclear and space technology exchanges without surrendering ground on proliferation issues.

In both countries, the President must support the Kashmir peace process without appearing to support a specific solution. The President should coordinate policies with India and Pakistan on a number

Talking Points

- President Bush's upcoming trip to India and Pakistan is a historic opportunity to lay the groundwork for regional peace and economic development.
- Pakistan and India's *de facto* nuclear weapons status is not a U.S. preference, but U.S. security and nonproliferation policy needs to account for this fact while not abandoning its preference for universal adherence to the Nuclear Nonproliferation Treaty. A nuclear India is not comparable to a nuclear Iran or North Korea.
- Pushing trade agreements with both Pakistan and India will not only improve U.S. trade with those countries, but also most likely have a favorable effect on cross-border trade between India and Pakistan—a "win-win-win" situation.
- Peace between Pakistan and India is a key American interest, and letting them peacefully work out the Kashmir problem between themselves is the best course for American policy.

This paper, in its entirety, can be found at:
www.heritage.org/research/asiaandthepacific/bg1917.cfm

Produced by the Asian Studies Center

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

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

of regional security challenges, such as Afghanistan, Nepal, Burma, and Sri Lanka. He should also encourage both countries to improve civil–military relations.

The Nuclear Cooperation Dilemma

On July 18, 2005, President Bush and Indian Prime Minister Manmohan Singh released a joint statement expanding the sharing of technology in such areas as space systems and dual-use civilian and defense items, including nuclear technology. This commitment to nuclear cooperation with India, as well as expanded defense cooperation, signals a significant change in U.S. nuclear nonproliferation policy because India is not a signatory to the Nuclear Nonproliferation Treaty (NPT) and admits to possessing nuclear weapons.

In the past, the U.S. has withheld nuclear cooperation and has severely limited defense cooperation with countries openly seeking nuclear weapons. Signing the U.S.–India joint statement means that U.S. nuclear nonproliferation policy has become more nuanced and discriminating. The NPT recognizes only five nuclear weapons states (the United States, China, France, Great Britain, and Russia), but this no longer accords with the reality that at least four other countries possess nuclear weapons (Israel, India, Pakistan, and North Korea) and that Iran is actively seeking to acquire them.

Furthermore, both India and Pakistan are rapidly developing countries with growing energy needs. Meeting the future energy requirements of an industrializing region of well over a billion people with only fossil fuels could result in a global ecological disaster and drive the price of oil and gas through the roof. Providing Pakistan and India with clean and safe nuclear technology is a priority American policy interest.

Pakistan and India's *de facto* nuclear weapons status is not a U.S. preference, but U.S. security and nonproliferation policy needs to account for

this fact while not abandoning its preference for universal adherence to the NPT. U.S. policy must also recognize that the dangers from a nuclear Iran or North Korea differ from those posed by a nuclear India. Addressing these pressing security issues is really about managing relations in a new security environment.

While in India and Pakistan, President Bush must assure both countries that the United States will share country-appropriate nuclear technology without losing sight of American goals for global nonproliferation.

The Benefits of Trade

In the 2006 *Index of Economic Freedom*, published by The Heritage Foundation and *The Wall Street Journal*, both India and Pakistan's economies were ranked as "mostly unfree." Pakistan's score of 3.33 was slightly higher than India's 3.49 and lower than the world median of 3.04 and the Asia–Pacific median score of 3.28.¹ Both countries maintain crippling trade protection practices, but there is a growing desire among their policymakers, businesses, and citizens generally to increase participation in the global economy and improve cross-border trade.

A U.S. bilateral trade agreement with both countries would significantly benefit all three countries. In developing countries, trade agreements with the United States have proven to be remarkable catalysts for economic development. For example, since the 2002 U.S.–Vietnam trade agreement, Vietnamese total exports have soared by 83 percent, from \$14.4 billion to \$26.5 billion. Vietnam has also expanded its export markets beyond the U.S. to countries with which it had not traded prior to the U.S.–Vietnam trade agreement, including several Middle Eastern, Latin American, and African countries.²

Vietnam is not the only country to experience remarkable economic growth after a trade agreement

1. Countries are ranked on a scale from 1 to 5, with 1 being the highest level of economic freedom. See Marc A. Miles, Kim R. Holmes, and Mary Anastasia O'Grady, *2006 Index of Economic Freedom* (Washington, D.C.: The Heritage Foundation and Dow Jones & Company, Inc., 2006), at www.heritage.org/index.
2. U.S. Census Bureau, Foreign Trade Division, "Trade in Goods (Imports, Exports and Trade Balance) with Vietnam," February 7, 2006, at www.census.gov/foreign-trade/balance/c5520.html (February 17, 2006).

with the United States. The same phenomenon is seen in other countries that have concluded trade agreements with the U.S. The advantage of an American trade deal is not just lower trade barriers on a list of products. Agreements negotiated by the U.S. Trade Representative include structural changes in the developing country's economies that create efficiencies and permit rapid economic growth even without large surges in foreign investment.

Additionally, the President needs to stress the importance of India taking a greater leadership role in the ongoing Doha Round negotiations of the World Trade Organization and working with the U.S. to complete the round successfully. Fundamentally, the United States cannot count on its relationship with Europe to push through the tougher trade reforms, but negotiations could make some headway if America and the countries of Asia can find enough common ground.

For President Bush, pushing trade agreements with both Pakistan and India will not only improve U.S. trade with those countries, but also most likely have a favorable effect on cross-border trade between India and Pakistan—a “win-win-win” situation.

Kashmir

The India–Pakistan cease-fire has held for more than two years (since November 2003), but the talks for a peace agreement seem little closer to resolution than when they began. The official position on Kashmir has not changed in either country, and neither side has the political will to compromise on Kashmir. India wants to establish the Line of Control (LOC)—the military line that divides Kashmir—as the permanent international border between Pakistan and India. On the other hand, Pakistan refuses to accept the LOC as the permanent border. Pakistan is desperately trying to gain American involvement in resolving the issue, while India steadfastly opposes any third-party interference.

Despite this seeming conundrum, diplomatic progress has been steady since November 2003. In January 2004, Prime Minister Shri Atal Bihari Vajpayee spent an hour in talks with Pakistani President Musharraf—their first meeting since 2001. India and Pakistan began formal talks in February 2004. In June, they established a hotline, and both

countries renewed their ban on nuclear testing. In September and October 2004, Musharraf and Prime Minister Manmohan Singh, Vajpayee's successor, met for talks and discussed options for resolving the dispute.

A year after the cease-fire, India felt safe enough to begin withdrawing troops from the border. In February 2005, Delhi and Islamabad launched a bus service across the cease-fire line, reuniting families divided by conflict. In April 2005, Musharraf and Singh signed a declaration that the peace process was irreversible. In October 2005, India and Pakistan signed two security cooperation accords. The agreements include advanced warning of ballistic missile tests and setting up a hotline between their border guards. Finally, in January 2006, the two countries renewed direct railroad access.

Over the past two years, cross-border terrorist attacks from Pakistan into India have declined by more than 60 percent, although a new anti-infiltration fence along the border may have had as much to do with the reductions as the change in politics has had. Both sides are also working toward greater economic integration.

Although final resolution of the question of Kashmir seems distant, there appears to be little desire for a return to military confrontation. Peace between Pakistan and India is a key American interest, and letting them work it out peacefully between themselves is the best course for American policy.

Human Rights

According to the State Department's Human Rights Report, Pakistan's human rights record remains poor. While President Bush is in Pakistan, he needs to convey a firm message that abuses of human rights by the government aggravate Pakistan's chronic political instability, contribute to the terrorists' grievances, and hinder U.S. efforts to improve military-to-military relations.

Despite democratic government and firm civilian control of the military, India's armed forces have a terrible human rights record. The principal problem is that Indian law protects members of the armed forces and the civil service from prosecution.³

President Bush should recognize, along with Prime Minister Singh, that individual acts of illegal brutality are difficult to avoid in wartime, but the government should not condone the acts or protect the guilty when abuses do occur. An open and transparent examination of each case is the best way to prevent future occurrences. Adjusting legal structures to hold soldiers and government officials accountable for their actions can minimize future human rights abuses, and respect for the rights of all people is an important yardstick by which to measure great powers.

A Joint Strategy to Restore Democracy in Nepal

Since King Gyanendra seized absolute power in 2005, there has been intense diplomatic activity to resolve Nepal's decade-long crisis. India and the United States initially opposed the Maoist insurgency, and both countries urged unity between political parties and the monarchy. However, instead of an agreement with the king, the opposition political parties signed a Twelve-Point Letter of Understanding with the communist rebels in November 2005, agreeing to "fight" jointly for a constituent assembly to write a new "democratic" constitution.

After intense American and Indian pressure, Nepal's royalist government held the country's first elections in seven years on February 8, 2006. These municipal elections were supposed to lead to national elections in 2007. Instead, the Maoists and the alliance of democratic parties announced boycotts of the elections, fearing that the king was using the election process to legitimize his dictatorship.

Even before the polling started, 55 percent of the seats had no candidates running, and another 30 percent had only one candidate. On election day, voter turnout in Katmandu was estimated at only 15 percent to 25 percent, while polling stations outside the capital attracted half that number. In

comparison, the voter turnout in the last election in 1999 was an estimated 66 percent.⁴ The elections were an embarrassment to the monarchy and undermined Washington and Delhi's policy of reconciling the king with the parliament.

Finally, Beijing has stepped into the Nepal crisis and firmly supports the king against the Maoist insurgents and the democratic parties. Beijing views its relations with Nepal through the lens of the perceived need to preserve control of Tibet. In exchange for unquestioned Chinese support, Gyanendra shut down the Tibetan government in exile that had operated in Nepal for 53 years and began persecuting Tibetan refugees, including forced repatriations.

China is also giving direct military aid to the Royal Nepal Army (RNA). The amount of military aid is unknown, but the effect has already been felt in Katmandu. Before the elections, seven political parties announced that they would defy a ban on demonstrations. In response, the RNA announced a curfew, and soldiers were seen in the streets of Katmandu, patrolling in Chinese-supplied armored vehicles.⁵

India was one of the first governments to declare the Maoists "terrorists," yet it is widely known that insurgent leaders spend considerable time in India. In fact, the meeting between Nepali opposition parties and the Maoist leaders took place in New Delhi. India denies having prior knowledge of the meeting.

Indian and American policy toward Nepal is on the horns of a dilemma. Supporting the democratic opposition parties indirectly allies Washington and New Delhi with Nepal's communist insurgents, who have shown no regard for the rule of law or human rights. On the other hand, supporting the unpopular king and the brutal RNA undermines democracy and indirectly supports Beijing's policy of oppressing Tibetans.

While in India, President Bush should consult closely with Prime Minister Singh to craft a humane

3. Brad Adams, "India: White House Hosts Prime Minister Singh," Human Rights Watch, July 15, 2005.

4. Jo Johnson and Binod Bhattarai, "Mass Boycott of Nepal Elections Hits King's Hopes," *Financial Times*, February 9, 2006.

5. Desmond Boylan, news photo, *Yahoo News*, January 20, 2006, at news.yahoo.com/news?tmpl=story&u=/060120/ids_photos_wlr759524323.jpg (February 17, 2006).

policy toward Nepal that is open to all indigenous political forces and restores democracy. It is entirely proper to allow India to take the lead in formulating such a policy.

Terrorism in Afghanistan and Kashmir

The defeat and ouster of the Taliban in 2001 caused many al-Qaeda members to flee to neighboring Pakistan, where they have been hidden and assisted by Pakistani sympathizers who seek to build radical Islamic states in both Pakistan and Afghanistan.⁶

Before September 11, 2001, the motivation for some elements of the Pakistan military to support al-Qaeda and other terrorist groups was Pakistan's foreign policy. The army, particularly the intelligence services, wanted to control Afghanistan through the Taliban and wrest Kashmir from India by supporting a pan-Islamic insurgency that included al-Qaeda.

Under the Musharraf government, Pakistan has cracked down on al-Qaeda, but not on the Taliban or Pakistani Islamic extremist movements. Although the army has moved 80,000 troops into the Afghanistan border region, the area north of the Khyber Pass is still lightly defended. According to Indian intelligence reports, Waziristan is the suspected hideout of al-Qaeda leadership and Taliban remnants.

When the President visits Pakistan, he should agree to boost aid to the Musharraf government if it clamps down on radical Pakistani Islamic organizations that continue to support insurgents in neighboring Kashmir and Afghanistan. Islamabad also needs help both in reforming the network of radical Islamic madrassas (religious schools) that support the Taliban, al-Qaeda, and other extremist organizations and in reducing drug smuggling and other illicit means that terrorist groups use to raise funds.

Additionally, Pakistan's democratic opposition parties by and large are not Islamic extremists and

need some gesture of support and recognition from the United States. While in Islamabad, President Bush should meet with the moderate opposition parties, address the full parliament, and take the opportunity to speak directly to the Pakistani people. A democratic Pakistan will be far less likely to host or support terrorists.

Burma: Bring India on Board

The President's trip to India is an opportunity to find common ground with India on restoring democracy to Burma.

India and Burma share a 1,000-mile border with a swarm of problems. Burma is the cross-border host to the National Socialist Council of Nagaland (NSCN), a major Indian insurgency that is financed by drug and weapons trafficking and leads an ethnic insurgency in northeast India. Another perceived problem is China's economic dominance in northern Burma and military presence on Burmese territory. In particular, the Chinese reportedly have been building roads, surveying possible naval bases, and supplying the Burmese with upgraded naval infrastructures and electronic surveillance facilities along the Burmese coasts.⁷ Many Indian defense analysts view China's actions, particularly its military presence, as a potential threat to India.

Since the launch in the early 1990s of India's Look East policy aimed at promoting closer relations with Southeast Asia, India has gradually abandoned its support for Burma's democratic transition and begun to engage the Burmese junta, which calls itself the State Peace and Development Council (SPDC).

Burma's entry into the Association of Southeast Asian Nations and the launch of the India-ASEAN summit contributed to increasing dialogue between the two countries. India and Burma signed a memorandum of understanding in October 2004 to cooperate on non-traditional security issues

6. Jim Phillips, Research Fellow, The Heritage Foundation, interview, February 7, 2006.

7. Renaud Egretau, "India and Burma/Myanmar Relations: From Idealism to Realism," paper presented at conference on India and Burma/Myanmar Relations, New Delhi, India, September 11, 2003, at www.csh-delhi.com/team/downloads/publipersol/from_idealism_to_realism.pdf (February 9, 2006).

such as terrorism, arms smuggling, drug trafficking, and organized crime.

Despite more than 10 years of realpolitik toward the SPDC, the policy has not advanced India's interests. India's border security is actually worse. After Thai Prime Minister Thaksin Shinawatra announced the war against drugs in February 2003, mobile heroin laboratories near the Thai–Burmese border were reportedly moved to the Indian side of the country.⁸ Furthermore, China's presence in Burma has not decreased, and despite claims to the contrary, Indian politicians cannot demonstrate any influence over the behavior of the SPDC.

While in New Delhi, President Bush should consult with Prime Minister Singh to craft a joint and mutually supportive policy that supports national reconciliation and an end to tyranny in Burma.

Brewing Crisis in Sri Lanka

Ever since Sri Lankan President Ranil Rajapakse took office in November 2005, he has advocated a hard line toward negotiations with the Liberation Tigers of Tamil Eelam (LTTE), the rebel group leading the Tamil side of Sri Lanka's civil war. Rajapakse ruled out the possibility of the rebel demand for Tamil autonomy, vowed to review the 2002 cease-fire, and indicated that Norway will no longer play a role as a peace broker. He also promised to tear up the deal that his predecessor Chandrika Kumaratunga made with the rebels on distributing international aid to the victims of the December 2004 tsunami.

Rajapakse's hard-line stance has led to an upsurge in violence between the rebels and the military, and more than 120 people have been killed. The government blames the rebels for the series of attacks in the Tamil-dominated northern and eastern areas. The rebels deny the charge but praise the "popular uprising" of the people.

The Sri Lankan government and the Tamil Tiger rebels will meet again for talks in Geneva—the first in three years—on February 22–23. The two days of talks are aimed at boosting a four-year truce and avoiding a return to civil war.

While in South Asia, President Bush should consult with Pakistan and India about the growing crisis in Sri Lanka. President Bush and his Indian and Pakistani counterparts should encourage both sides to honor the cease-fire agreement and seek a political solution to the civil war.

Pakistan's Priorities

During President Bush's visit, President Musharraf will likely want to discuss bilateral trade and try to secure a deal on nuclear technology like the one with India.

1. **Open negotiations for a bilateral trade agreement.** Over the past year, President Musharraf has implemented substantial economic reform. The World Bank reported that Pakistan lowered its average tariff from 15.2 percent to 13 percent. Privatization of some of Pakistan's largest public-sector companies has provided another boost to the economy. Pakistan's score in the *Index of Economic Freedom* jumped from 3.73 in 2005 to 3.33 in 2006, moving it up the *Index* from 133 to 110 out of the 157 rated countries. President Musharraf will be receptive and appreciative of opportunities to increase trade.
2. **A nuclear deal like India's.** Pakistan will use its relationship with Iran and the war on terrorism to increase leeway on nuclear power arrangements and gain more American military hardware. Pakistan hints it is willing to cancel its pipeline project linking Iran with India if Washington agrees to a nuclear deal. Pakistan voted with the United States against Iran in February when the International Atomic Energy Agency met to refer Iran's nuclear violations to the U.N. Security Council.⁹

8. Ranjit Devraj, "India's Burma Policy Tempered by Pragmatism," October 27, 2004, at www.ipsnews.net/africa/interna.asp?idnews=26033 (February 9, 2006).

9. Chidanand Rajghatta, "Pakistan Fishing for Nuke Deal: Times of India," January 24, 2006, at timesofindia.indiatimes.com/articleshow/1383755.cms (February 17, 2006).

India's Priorities

Prime Minister Singh will likely want to discuss bilateral trade, nuclear technology transfer, and India's bid for a permanent seat on the Security Council.

1. **A bilateral trade deal.** The Congress Party initiated economic reforms in 1991, resulting in economic growth rates exceeding any since the achievement of India's independence. However, the first round of reforms has plateaued, and a second generation is needed if India is to catch up with the rest of the developing world. A bilateral trade agreement with the U.S. would breathe new life into India's economic reforms and provide an excuse for painful restructuring.
2. **The NSSP ratified by Congress.** Prime Minister Singh views passage of the Next Step in Strategic Partnership as the cornerstone of India's rise as a great power and a test of an India-U.S. alliance. The accord lifted U.S. bans on nuclear technology transfers to India that were imposed after India conducted nuclear tests in 1998. Under the agreement, U.S. companies will be allowed to build nuclear power plants in India and supply fuel for nuclear reactors. In return, India would gain access to U.S. civilian nuclear technology. The agreement needs to be approved by Congress and the 44-member Nuclear Suppliers Group.
3. **Permanent seat on the U.N. Security Council.** From India's point of view, a permanent seat on the Security Council would confirm India's vision of being a nuclear power and major actor on the world stage. Indians argue that participation in international peacekeeping and links with troubled countries like Iran, Syria, and Libya make New Delhi a valuable partner and ally to Washington on the Security Council.¹⁰ American critics would argue that India's links with pariah states like Burma, Iran, and Syria, plus its appalling record of voting against the

United States in the United Nations, would add to American troubles in the Security Council if India became a permanent member.

What the Administration Should Do

During his trip to India and Pakistan, President Bush should:

- **Broaden** trade relations with both countries by committing both countries to trade negotiations that will reduce trade barriers and protect property rights;
- **Meet** the legitimate energy and technology requirements of Pakistan and India without compromising on nuclear weapon controls or committing to equal deals for both countries;
- **Wring** more commitments from Pakistan in the fight against terrorism, particularly on controlling the Afghanistan border area north of the Khyber Pass;
- **Deepen** military engagement with India to include exercises, education exchanges, and sales of conventional military technology and weapons;
- **Encourage** India and Pakistan to reduce abuses of human rights;
- **Applaud** the current Kashmir cease-fire and encourage formal and regular talks between India and Pakistan on the border issues;
- **Promote** a democratic Pakistan by meeting with moderate opposition political parties, addressing Pakistan's parliament, and speaking directly to the Pakistan people in a national television address; and
- **Consult** with Pakistani and Indian counterparts on Afghanistan, Burma, Nepal, and Sri Lanka to establish processes that will lead to mutually supporting policies.

Conclusion

The President's trip to India and Pakistan is a historic opportunity to lay the groundwork for

10. Amit Gupta, "The U.S.-India Relationship: Strategic Partnership or Complementary Interests?" U.S. Army War College, Strategic Studies Institute, February 2005, p. 43, at www.strategicstudiesinstitute.army.mil/pdffiles/PUB596.pdf (February 17, 2006).

regional peace and economic development. Both India and Pakistan are in positions in which good relations with the United States would benefit their own policies. Although sticky issues remain to be resolved, with a carefully choreographed visit, the President can expect great results.

—*Dana R. Dillon is Senior Policy Analyst for Southeast Asia in the Asian Studies Center at The Heritage Foundation.*