

Lalit Doshi Memorial Lecture *

Mumbai

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India & the United States: The Road Ahead

By

Ambassador Frank G. Wisner

Mrs. Doshi, it is a distinct honour to be on the same podium with you this evening. Mr. Bongirwar, Mr. Prabhakaran and of course my friend Bharat Doshi and so many other old friends, associates, people of my acquaintance, business colleagues from the past. I cannot recognise those of you present this evening who are dear to me, but I am particularly honoured and pleased that Mr. Keshub Mahindra could be with us this evening. "Keshub it is a genuine pleasure to see you again, to be in your presence".

Ladies and Gentlemen, it is an honor to be with all of you this evening and to have been asked by Bharat Doshi to deliver the annual Lalit Doshi Memorial Lecture.

Seven years ago, I left India and at the same time my thirty-seven year career in the United States' diplomatic service. I took leave of my profession believing that the public service is the highest calling. Despite my present interest in business and my recognition that private enterprise can make a huge contribution to human betterment, I remain, still today, convinced of the special merits of public service.

With this in mind, that I come today to join all of you and to pay tribute to the memory of Lalit Doshi and to his commitment to the principles of Indian government, democracy and humanism; to selfless service; to his discernment and his ability to make public choices.

Bharat Doshi, Mrs. Doshi and all of Lalit's family have done all of us a service in reminding us, through this memorial lecture series, of the enduring values of Lalit Doshi's commitment and life's work.

The U.S.-Indian Relationship – A Look at History

I first came to New Delhi in 1994, sent by the then President of the United States, William Jefferson Clinton, to represent him before the government of a wise and farsighted Indian statesman, P.V. Narashima Rao. President Clinton

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believed in the importance of a strong relationship between the United States and India. Prime Minister Rao was devoted to the Indian national interest and saw the importance of building anew ties with the United States.

Over the past decade, in and out of government, the vision of President Clinton and Prime Minister Rao retained their hold on my imagination. I have been fascinated by the Indian-American relationship – its history; its difficulties and its promise. I come to you today to reflect on the subject.

It has, I would suggest, ladies and gentlemen, become virtually commonplace to observe that the United States and India enjoyed a difficult, uneven relationship, virtually from the first day of India's independence. And this despite the fact that Americans, from President Franklin Roosevelt down, argued for and warmly welcomed India's appearance on the world stage. The divergence of news and interests, which we experienced came almost immediately upon your independence, was even more striking when one remembers that in the 1940's and the decades which followed, democracy and democratic freedoms – our common, Indian and American, commitment and heritage – were not universally accepted principles of government. In fact they were sharply opposed by collectivist societies. The skepticism and opposition of others did not forge an adequate common cause between us.

The reasons for our differences changed over the decades. At the outset, the styles and priorities of leadership differed; India's leaders were driven by a responsibility to address the nation's burden of poverty and saw in socialism and a state driven economy a short cut to economic growth. At heart they were concerned with political survival but they believed in justice. India, furthermore, saw in the United States a new imperial power. While it did not share the values of the Soviet bloc, India saw no direct threat from that quarter; rather India saw advantage and safety in keeping its distance from the entanglements of West and East. Overtime, New Delhi forged with Moscow ties of value to it – a friend in India's contest with China and, a source of military equipment and source of help in launching the state enterprises which India's leaders believed would power growth. India's perceptions of national interest clashed with America's belief that the Soviet Union and its allies and its ideological underpinnings of the Soviet system threat to our very survival.

Over the years, the issues that divided us multiplied. India and the U.S. clashed over Viet Nam and Afghanistan. U.S. and India's divergences, however, were the sharpest over Pakistan.

The United States had in Pakistan a Cold War ally; India was faced on the other hand with an adversary who waged war repeatedly or fueled violence and who sought to sever territory – Kashmir – which India believed was a part of her birthright and essential for her survival. Similarly, we parted company over nuclear weapons with the U.S. holding strongly to the view that nuclear arms should be limited to the existing nuclear weapon states.

Taken together there developed during these first decades, a view in India that the U.S. did not wish India well; and in the U.S. a perception that India was reflexively opposed to American interests.

It is not my intention to dwell at any further length on our history of disagreement, save to note that in recent years and despite the progress we have made, nerve ends remain raw and relatively minor events – for example the decision in Washington to name Pakistan a non-NATO treaty ally and the discourtesies recently suffered by former Defense Minister George Fernandes at the hands of Homeland Defense officers – have a habit of roiling the waters of the relationship. I fear this will be the case for sometime to come and until we are fully comfortable with the advantages of dealing with one another.

More importantly, our history should teach us realism. Paths, like ours, that diverged so significantly will not merge easily. We must proceed prudently without excessive expectations, picking our goals carefully and making sure that we can reach them. India and America can accomplish much but the U.S. will not be India's ally in a simple sense and India will not espouse automatically American views and causes.

Indeed, I would argue that, no page of history turns completely. Cycles of history flow seamlessly, like rivers, and change comes gradually. Nor is there ever one reason for a change in something as important as relations between nations. This said, it is clear to me that there is a qualitative change in the U.S.-Indian relationship, one borne of a significant reevaluation of national perspectives and interests on both sides. This change is now over ten years old and enough time has passed to be able to describe developments and discern their pattern and direction.

While there are reasons I could argue and I am sure all of you could, that the thaw in our relationship began during Ronald Reagan's and Rajiv Gandhi's time, I date the turn around to the late 1980's when the Cold War ended; the Soviet Union retreated from Afghanistan; Saddam invaded Kuwait and the

resulting increases in petroleum prices struck a severe blow to India's economy. I recall my first meeting with your present Prime Minister, Dr. Manmohan Singh. He described the problems India faced when its foreign exchange reserves approached exhaustion. He spoke movingly of the American decision to work with India - our Treasury's decision to provide bridging finance to India when that finance was most needed.

Over the course of the 1990's, the new U.S.-India relationship gained momentum, powered in New Delhi by the realization that the time had come for India to reassess its position in the world, and to shed the constraints of its statist past and look to the private sector to serve as the principle generator of growth and jobs. India, under this new paradigm, would open its economy to foreign competition and enter the globalization race. India would be open to Americans bringing their capital, technology and markets.

In the early and mid 1990's, expectations of a rapid expansion of investment and trade ran high in Washington and in New Delhi. In fact, our political leaders believed that business would serve as the principal bridge to a new relationship. And I myself argued that case vigorously when I was Ambassador. But the slow pace of reform and even in economic growth had a sobering effect. In the power and telecommunications sectors, foreign, including American investors, found that doing business in India was uncertain and tough. Ordinary investors learned that India's procedures and myriad rules would slow, impede and occasionally block business. Washington learned that India's path to high-speed growth would not come easily nor quickly and alone it would not power a strengthened Indian-American relationship.

By the end of the 1990' s, though the relationship took off and it took off decidedly in a political direction. Ironically, the new direction began on a negative note – in the spring of 1998 India tested her nuclear capability, putting an end to three decades of American entreaties to preclude that possibility. America had stoutly opposed the entry of new players onto the world's nuclear stage; it had particularly sought to ensure nuclear arms would not become a part of South Asia's drama.

As the story played out, and after a brief period of intense but brief anger, India's decision to go nuclear created a new reality; instead of rupturing the relationship, the tests freed the political restraints which had bound the U.S.-Indian relationship. By acquiring a nuclear capability, India had achieved a long standing ambition and was ready to look at the world with fresh

confidence. It could reach out to the U.S. The U.S., on the other hand, faced presented with a fait accompli, had no choice but to respond; Americans could not afford to live apart from a nation with such weight and promise. Nor could we absent ourselves from the Indo-Pakistani rivalry, especially once that contest had acquired a nuclear dimension. Fortunately, the two governments saw the opportunity and they seized it.

Great changes have their own logic but it takes men and women to shape them. We, all of us, owe a debt of gratitude to India's then Foreign Minister, Jaswant Singh and to Deputy Secretary of State, Strobe Talbott for seizing the moment and forging an opportunity to move beyond our nuclear disagreement, laying the foundations of cooperation. In their long series of talks, the two diplomats found dry ground for the relationship and the basis for the beginning of a new strategic conception.

Their work was tested almost immediately. In 1999 the Kargil crisis erupted. President Clinton saw the dangers inherent in the clash and intervened to persuade Pakistan to back off. U.S. intervention and the personal involvement of the President sent a powerful message. America had accepted the relevance of the conflict in South Asia to our national security. The United States explicitly recognized India was the victim of an attack and for the first time we brought the full force of our influence to bear on a matter of deep Indian interest. The incident drove home a core truth: the United States would, hereafter, pursue a relationship with India unchained to the vagaries of its ties to Pakistan. To Indian eyes, the notion that the United States was inextricably entangled in its relationship with Pakistan was finally in question.

President Clinton's visit to India in March, 2000 brought into the limelight our new direction. Prime Minister Vajpayee's return visit to Washington and his speech before a joint session of the United States Congress gave the Indian side an opportunity to put on the record its views of what the relationship could be about. The expression – "natural allies" – was an important phrase, pointing to community of interest we share and which will help us chart our way and direction in the future.

It is also important to underscore in the change which occurred, the vitally important contribution of the very dynamic Indian – American community. That community has played an invaluable role politically and economically in building new ties, notably between our government and legislatures but also between academic and civil society institutions and in driving business. That contribution will grow in the years ahead.

Lest there be any doubt that the new U.S.-India relationship enjoyed bipartisan support, George W. Bush's assumption of the presidency in 2001 and the record of his administration over the past four years should dispel it. The relationship has proceeded, it has developed on multiple fronts. The American President and India's Prime Minister communicate regularly -- as was never the case in the past -- and on issues effecting world peace as well as developments in the sub-continent.

The December, 2001 attack on Parliament brought an instant American response. In the months which followed, the U.S. insisted time and again in public and in private, that differences between India and Pakistan cannot be solved by force and that Pakistan must cease its support of those who carry violence into India, especially into Kashmir. Colin Powell, Secretary of State, and his deputy and senior Administration officials have been engaged regularly and deeply with New Delhi and Islamabad in promoting restraint and dialogue over the past two and a half years. That the great nations of South Asia have moved from crisis to negotiations is a source of relief as well as pride and satisfaction to the United States and the Bush administration.

Ties between Washington and New Delhi, during this period, have multiplied. In the field of defense and national security, our ministers, senior officials and top military officers meet and consult. Counter terror is only one field of joint action. Afghanistan was another. A missile defense dialogue is underway, based on the sharing of sensitive political and technological perceptions and data. Our forces operate together in wide ranging joint exercises. Our navies have worked together along the region's sea lanes. We have tackled with some success the "quad": the technological restraints, which have impeded high technology, trade in the past. Defense trade is now possible, even if I suspect it will be modest in size for sometime to come.

The Bush years, in short, have seen a significant deepening of political and economic exchanges between the governments, especially between economic policy, foreign policy and international trade policy officials. Perhaps most importantly we are learning to live with disagreement. We disagreed over Iraq and we have disagreed during the Doha round. And yet we are still talking and exploring areas of convergence.

Ladies and Gentlemen, I would argue that, no successful relationship can be built if the gains are seen to be "one sided"; a sensible relationship is one where the whole of the relationship is greater than any part or even the sum of

the parts. We must expect different views. The objective of a successful relationship is to manage differences and continue to work for agreement; to aim to build afresh and to advance our respective interests.

And there will be differences. Let me touch on several which will continue to trouble the U.S.-Indian relationship and remind us that we are different and we must therefore pursue our relationship with realism:

- **Terror**: By necessity the United States and India choose different priorities in their respective campaigns against terror. India gives priority to the threats it faces within its region; the United States aspires to forge a global coalition and faces a wider range of threats.
- **Pakistan**: The issue of managing different perspectives is more sharply drawn when it comes to Pakistan. The United States believes it needs a strong relationship with the government of Pakistan, if we are to conduct and conclude successfully our engagement in Afghanistan; and if we are to run to ground Al-Qaeda elements which have taken root in Pakistan. India and the United States share a common interest in a stable, prosperous and progressive Pakistan – one whose government rests on the legitimacy that flows from democratic institutions – a state that lives in peace with its region, and especially in peace with India. How best to achieve these objectives is a bedeviling issue. There are no easy answers.
- **Non-proliferation**: The United States and India, frankly, do not stand on common ground with regard to India's nuclear and missile capabilities. The U.S. lives with India's assertion of its right to develop and hold such arms - even while it remains deeply troubled by the threat of proliferation, the fragility of global nuclear restraints and the history of the Indo-Pakistan rivalry. Neither India nor the United States wish to see weapons of mass destruction in the hands of irresponsible states or non-state actors. Both accept the logic of limiting proliferation; but neither have found a way to work together and bring about a more disciplined, international environment. Both of us, I would argue, aspire to nuclear stability in South Asia, but yet to find the path forward.
- **Trade**: No question cuts closer to the heart of a government's political survival than the issue of trade. Trade and trade regimes are inherently sensitive – they affect real constituencies. While the U.S.

and India have much to gain from a successful Doha round, we have not been able to develop and sustain a common approach. We differed sharply in Seattle and subsequently in Cancun. While I believe that greater Indian-American cooperation is both possible and desirable, I recognize that coming to terms on trade will be difficult and will cloud the horizon of the U.S.-India relationship in the years ahead. It is a fact of life that our frictions will increase at the very time India expands economically and its trade increases.

As a taste of what lies ahead, we are faced with the most serious issue in the history of our trade ties – that is the American debate over offshore outsourcing. This evening is really not the time nor is this the forum to get into the details of the off shoring debate. Suffice it to say that it is one over which Washington and New Delhi have little direct control. At heart, it is about the globalization of production and services and the profound, ongoing transformation of the American economy – a deeply traumatic experience for many of its participants. I am persuaded of the resilience of the American economy – our ability to generate capital, growth and employment. U.S. business recognizes outsourcing is essential, if costs are to be contained and profits maintained. The debate promises to be hot. It is very political and it will outlast our national elections. In the end, however, I argue and believe deeply that Americans will move on and the logic of free markets will prevail.

At the same time, I would argue with you that, Indians, who have a stake in the outsourcing industry, must consider carefully how to associate themselves with the United States. For outsourcing companies, as well as India's top corporations, there are real and attractive investment opportunities in the American market. To profit in the United States, it carries with it the obligation to invest there and be part of America's growth.

What Lies Ahead:

As we Americans and as you Indians continue our advance into the 21st century, we are witnessing a profound transformation in the world's political and economic geography. The center of gravity is moving eastwards to Asia, away from Europe and North America. China and India are taking their places among the world's great powers. These developments are important to the United States and they require Americans to adapt their thinking. Europe is

forging a new constitutional, political and economic order. Europeans are less and less inclined to act as they did when they were purely nation states -- aggressively defending national interest. Paradoxically, as Henry Kissinger has recently argued, the United States is finding it has more in common with nations pursuing traditional national ambitions -- Russia, China, Japan and India. While I believe it is essential for the United States to rebuild its ties to Europe, national self-interest forces Americans to reassess the priorities they assign to our political and economic partnerships abroad. Asia will drive world growth. Asia, including India, will be the major force in globalization. United States will not be able to ignore these facts.

India is emerging as a great power. It faces threats in its region; the present tide of Islamic radicalism is dangerous to India; while China and India have chosen the path of cooperation over the path of confrontation, they are a long ways from being certain to construct a stable equilibrium. Moreover, India needs capital, markets and access to technology. It needs fresh ideas while it adapts itself to the dynamics of our time. No other nation offers India the same degree of understanding and access that the United States does.

In a word, India and the U.S. are fated to have a close and important relationship. Faced as we are with truly vital imperatives to cooperate, I believe we will manage our differences and manage them successfully. Indeed as a recent example, India's new government, has made it clear that the United States relationship is above politics. This government, like its predecessor, will pursue strong ties with the United States.

India is also emerging as a major economic player on the world stage today. It has a robust financial and industrial base and its information technology and knowledge-based industries are regarded today as among world class. U.S.-India business ties are strengthening on most fronts and this platform will present a large opportunity for building a stronger commercial and trade relationship. The need for more investments in physical and social infrastructure and in building a world class financial services industry can not be overstated by anyone. India's young population aspires to participate in India's future. Among the Fortune 500 companies having their presence in India and Indian companies investing in the United States the need to deepen the partnership, attracting further Foreign Direct Investments and developing Small and Medium sized Enterprises, are ties that all of us should pursue.

Frankly, ladies and gentlemen, I really am less concerned about our ability to pursue such ties and manage our differences than I am about our ability to use

the relationship to take bold steps of benefit to our two peoples and benefit to the world at large. India and the United States are continental sized powers with complicated and absorbing domestic agendas. The United States is deeply preoccupied with the crisis in the Middle East. Will we in India and in America be able to rise above the immediate constraints we face and act “out of class”? Frankly, I do not know. Little in our history tells me that there is a sure road ahead. But I am here to argue that we must try and, in my closing arguments, let me spell out what I have in mind:

- South Asia: Let me begin with your region, for it poses a significant challenge. The United States recognizes that to progress and have influence in the world, India needs peace in its region. Essentially, this means a stable relationship with Pakistan. It is in America’s interests that this relationship occurs and it can only, in our judgement, be achieved step-by-step and over time. American influence, used wisely, can assist. It can build confidence, especially in Pakistan. For the U.S. to play a useful role, Washington and New Delhi must learn to talk with candor and trust and develop a common conception about how peace can be pursued and achieved. I believe this is possible; it has been proved elsewhere in the world.

The starting point is an ability to talk frankly about each others analyses and actions and a willingness to share assessments about conditions in the region, without fear that such information would be misused. It also means developing channels of communications and taking the time necessary to meet talk and think through issues.

I am prepared to argue in this region, the crisis in Nepal offers a chance for special consideration by Washington and New Delhi. Nepal is remote to American interests, we have very few at stake there -- save the stability of the sub-continent. The last several years have seen a terrible deterioration in Nepal’s domestic circumstances; the consequences of a collapse, however, of the Nepalese state are grim for all of us to contemplate. I assume that India’s objective is to encourage legitimate Nepalese political forces to come together, contain the insurgency and restore order. This will be very difficult to achieve, even with full Indian support. All hands are needed and an American contribution should not be ruled out. Compared to India’s role in

the crisis, ours can only pale in significance. But it can help, provided, there is proper coordination.

- China and Asia: The United States and India face similar but different challenges in shaping and pursuing relations with China. A strong and stable relationship with China is in U.S. and Indian interests. The reasons I suggest are clear. China's role in the world and in Asia is enormous and it is growing and it will continue to grow. At the same time, China is changing. Where China will be in the years ahead is absolutely impossible to predict, but that future is of vital importance to both of us. I believe the subject of China and our respective approaches to relations with Beijing is fit for joint consultation. We need to understand how each other sees China, even if we will pursue independent policies and have different priorities. We should be careful to avoid actions which seem to undercut the interests of each other. In a word, I argue for focus and priority and a habit of consultations.

And I advance the same argument for close and regular communications over Asia's crises, even ones like North Korea which may seem distant to you but where India bears a responsibility, given her interest in the continent's peace, security and progress.

- Non-Proliferation: I noted earlier the world's nuclear regime is in disarray just at a time the proliferation threats are rising. I disagree sharply with what has been my Administration's view -- that global proliferation regimes are a failure and a constraint on America's capacity to defend itself. I think that argument is wrong and it is changing. Circumstances are forcing the United States back to multi-lateral approaches to proliferation. Indeed, my President's call this year for renewed attention to proliferation requires multilateral action.

The United States and India need to find stronger, common ground with respect to proliferation and with regard to India's nuclear capability; India and the U.S. have an interest in global regimes which control nuclear testing, the production of fissile materials and the trade in components. I can think of few areas where action is more important and where Indian and American

cooperation could do more good. Once our elections are over, the subject is an apt one for consideration.

- Trade: You know the importance I assign to collaboration between Washington and New Delhi in trade. If the Doha Round is to be completed successfully and in time, and the world – especially the economic growth of developing nations – is to benefit from a new trade infusion, India and the United States will have to work together.

But I fear if Indo-American cooperation stops simply at the multi-lateral level, we will neither shield our bilateral trade from protectionist pressures, nor will we achieve the real potential Indo-American trade has to offer. I have argued in the past and do so again today for an Indo-U.S. free trade agreement in services. I believe a full free trade agreement is too complex to negotiate for the moment, given our national preoccupations with textiles and agriculture.

A free trade agreement in services is a bold, new idea, not hitherto fore attempted. It could play to national strengths – Indian capacities in information and biotechnologies and American complimentary strengths in these fields, as well as in financial services, retailing, distribution, and professional services – law, accounting to name just two. I recognize the validity of an argument Ann Kruger made to me that an agreement in services would remove incentives for a broader agreement; at the same time I would regret the best becoming the enemy of the good. I believe the time is right to put U.S.-India trade on a firmer footing of mutual advantage, where it is seen and accepted by publics at large in both countries as beneficial and important to our futures.

Ladies and gentlemen, my contention this evening has been simple, even if the conclusions are more complex. Over the past fifty years, the United States and India have traveled a road marked by disagreement, and occasional animosity. But today we enjoy a relationship of deepened cooperation, friendship and respect. We have not put the past behind us completely, nor should we, for our differences rested on strong perceptions of interest and national ambition. These differences, I have argued can be contained, shaped and coped with. The greater challenge is where our relationship can take our two countries, especially at a time when global political and economic realities are changing

and when our two nations are acting and reacting positively and negatively at a pace we have never before experienced.

I close with an appeal to our imagination – I would like to call our leaders in government, private life and our intellectuals to consider what India and the United States, can do together in the interests of our two peoples and the world at large. For my part, the Indo-American relationship has been my passion for the past decade; I have no intention of setting it aside.