

Asia's Major Powers and US Strategy - Perspectives from India

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The Strategic Context

The collapse of Soviet Union and the end of the Cold War saw the emergence of new strategic dynamics in the last decade of the twentieth century. The resulting unipolarity in the form of Pax Americana brought about structural changes in the international system that appeared to be well placed to endure into the twenty first century, which was expected to be the American century. Francis Fukuyama's thesis of the end of history was one of the high points of this period of optimism. However, subsequent events have not borne out this supposition. The unforeseen terrorist attacks of September 11 2001 were a shock to policymakers in the US who had imagined their country to be insulated from attacks on its own soil by virtue of its geography. The US launched the war against terror with an offensive against the Taliban in Afghanistan in 2001. As a response to these attacks, the Bush administration formulated a foreign policy doctrine deeply influenced by the neoconservative strain of thinking that stressed the concepts of preemption and unilateralism in its National Security Strategy of 2002.

The 9/11 attacks also brought a sharp focus on measures to stem the tide of nuclear proliferation. The possibility of a linkage between rogue states seeking weapons of mass destruction and terrorist groups were the stated grounds for the US invasion of Iraq in 2003. The lack of explicit support from the other major powers did not deter the US from going ahead with the invasion of Iraq. The failure to find WMD in Iraq resulted in the operation being redefined in terms of the promotion of democracy. The difficulties encountered in Iraq have alerted the US to the pitfalls of pursuing unilateralist policies and to the need for garnering support among the international community and especially among the major powers in the emerging multipolar structure. A multilateral approach has shaped US policy over Iran's nuclear weapons program but there are no clear solutions to this problem and the US does not rule out the possibility of another military operation. The crisis over North Korea's acquisition of nuclear weapons has also been characterized by a multilateral approach in the form of the six-party talks, which began in 2003, although no headway has been made yet in disarming North Korea. The US is making efforts to plug the loopholes in the global non-proliferation regime, especially the NPT, which allows nations to pursue a nuclear weapons programme under cover of a civilian nuclear energy programme.

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The war against terror, since renamed the Long War, continues to be centred in Afghanistan and Iraq. Both places are likely to remain hotspots for the foreseeable future and to stretch American resources in addressing them. The war in Iraq has entered its fourth year and the situation is far from encouraging, with signs of a civil war looming large that could further radicalize the entire Middle East. With Osama bin Laden and Mullah Omar yet to be captured and the Taliban mounting attacks from across the border in Pakistan, the stabilization of Afghanistan also remains a top priority. Searching for a role in the aftermath of the Cold War, NATO invoked the right of collective self-defence for the first time in its history, and is now playing a critical role in maintaining peace in Afghanistan.

The promotion of democracy, which the US considers an essential instrument for winning the Long War, has acquired fresh emphasis in President Bush's second term. As he said in his second inaugural address, "It is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world." Secretary of State Condoleezza Rice has argued that "the freedom deficit in the broader Middle East provides fertile ground for the growth of an ideology of hatred so vicious and virulent that it leads people to strap suicide bombs to their bodies and fly airplanes into buildings."² However there are others who question this policy on the basis that it could empower illiberal groups committed to violence as the case of Hamas in Palestine showed.

The latest National Security Strategy document of the US released in 2006 sets out several essential tasks for the country to achieve. It says that the US must "champion aspirations for human dignity; strengthen alliances to defeat global terrorism and work to prevent attacks against us and our friends; prevent our enemies from threatening us, our allies, and our friends with weapons of mass destruction (WMD)," all of which are directly related to the Long War. Among other essential tasks, it says that the US must "develop agendas for cooperative action with other main centers of global power."³ The main alternative power centers in the emerging multipolar structure are Russia, the EU, China, Japan and India. Russia, the successor state of the erstwhile Soviet Union, is yet to play an international role in line with its size and military power, but its huge resources of energy underline its claim as a major player. Russia's relationship with the West remains tense in the light of Western efforts to bring democracy to countries in Russia's sphere of influence. The EU is bogged down in internal divisions as was evident from the negative response to its draft constitution in several member countries in 2005. The relationship between the US and important EU members like France and Germany went through a difficult

² Condoleezza Rice, "The Promise of Democratic Peace" *Washington Post*, December 11 2005

³ The National Security Strategy of the United States of America, March 2006

period in the aftermath of the US invasion of Iraq. This has since improved in the second term of President Bush, most notably with respect to their coordinated approach towards Iran.

The rise of Asia is the most important element in this emerging balance of power. China's rapid economic growth over almost three decades accompanied by its military modernization has made it the primary challenger to the unipolar structure. Before 9/11, the rise of China was the primary geopolitical trend exercising the minds of US policymakers. While 9/11 has redefined US priorities, it has not lost sight of the consequences of the emergence of China in the medium term. Japan, caught in an economic recession throughout the 1990s, is showing signs of recovery and is also displaying a more assertive security posture through a strengthening of its bilateral alliance with the US, even as tensions with China have heightened as a result of the baggage of history. A number of potential flashpoints including Taiwan, the nuclearisation of the Korean peninsula and the competition for energy resources among the major powers, could endanger the peaceful security environment of Asia.

However there are also efforts to strengthen cooperation through economic engagement such as the building of an East Asian Community with ASEAN countries taking the lead. India was among the countries invited to be part of the East Asian Community, a product of its growing economic strength. China's success story has been mirrored to a large extent in India, which started its own economic reform programme more than a decade later than China. The simultaneous emergence of India and China, which together form more than one-third of humanity, has raised visions of an Asian century. As Premier Wen Jiabao said at the conclusion of the recent National People's Congress, "I have a belief when China and India are strong enough to fully bring out their best, that will usher in a true Asian century. I hope by then our fraternal and friendly relations will still be vibrant and strong and will remain dear to the hearts of two oriental nations."⁴ India's emergence as a great power has led to a growing convergence of interests with the US as the two once estranged democracies engage with each other across a wide spectrum of issues. How the US, China, Japan and India manage their relationships over the next few years will determine whether the foundations for a lasting peace in Asia can be laid. The strategic context outlined above offers the basis to examine the power potential and security perspectives of the three major Asian powers, China, Japan, India, and the US. This paper examines the responses of the four to each other and the possible direction in which the power dynamic between them could evolve.

China's Emergence as a Peer Competitor

⁴ *People's Daily*, March 15 2006

According to China's 2004 White Paper on National Defense, its three top-most national security goals are:

To stop separation and promote reunification, guard against and resist aggression, and defend national sovereignty, territorial integrity and maritime rights and interests;

To safeguard the interests of national development, promote economic and social development in an all-round, coordinated and sustainable way and steadily increase the overall national strength;

To modernize China's national defense in line with both the national conditions of China and the trend of military development in the world by adhering to the policy of coordinating military and economic development, and improve the operational capabilities of self-defense under the conditions of informationalization.⁵

Pentagon's 2005 report to Congress on China's military power acknowledges that its goal of modernizing national defense is proceeding well: "China does not now face a direct threat from another nation. Yet, it continues to invest heavily in its military, particularly in programs designed to improve power projection. The pace and scope of China's military build-up are, already, such as to put regional military balances at risk. Current trends in China's military modernization could provide China with a force capable of prosecuting a range of military operations in Asia – well beyond Taiwan – potentially posing a credible threat to modern militaries operating in the region."⁶

China's military modernization is a function of its phenomenal economic growth, which has averaged 9.5% for more than two decades. This has been achieved mainly through an export-driven strategy facilitated by massive capital investment, both domestic savings and FDI. The dependence of China on foreign trade and investment for its economic modernization means that any disruption of the regional security environment in Asia will have adverse consequences for its objective of development which is still a long way away. The Chinese government has noted that "China's aggregate economic volume accounted only for 16.6 percent of that of the US, and its per-capita GDP was merely 3.6 percent that of the US and 4.0 percent of Japan, ranking 129th among 208 countries and regions around the world."⁷ The key to whether China can sustain its economic performance will be its ability to meet its growing demand for energy. Although China's GDP quadrupled in the two decades from 1980-2000, its energy consumption only doubled in the same period. However with energy consumption outpacing GDP in the last few years, China now faces a much harder task.⁸ China's rising dependency on energy imports is leading it into an

⁵ White Paper titled China's National Defense in 2004, December 2004

⁶ The Military Power of the People's Republic of China 2005, Department of Defense, USA

⁷ White Paper titled China's Peaceful Development Road, December 2005

⁸ Evaluation of China's Energy Strategy Options, The China Sustainable Energy Program, May 2005

aggressive pursuit of overseas energy assets, which could lead to confrontation with the US over its links with regimes that are opposed to the US.

China has taken issue with the dire assessments of its military capabilities by the US government by denying that it is a threat. Pointing to the US military budget which is 18 times China's official military budget, China's Vice Foreign Minister asked "What authority does the United States have to gesticulate about and make improper comments on China's defensive national defense policy and measures?"⁹ China has gone to great lengths to assure its neighbours that its path to development will be peaceful. A White Paper published last year called China's Peaceful Development Road notes that, "China's road of peaceful development is a brand-new one for mankind in pursuit of civilization and progress, the inevitable way for China to achieve modernization, and a serious choice and solemn promise made by the Chinese government and the Chinese people," adding that "China's development will never pose a threat to anyone."¹⁰

China has its own concerns about the US as its White Paper on National Defence explains: "The United States is realigning and reinforcing its military presence in this region by buttressing military alliances and accelerating deployment of missile defense systems...The United States has on many occasions reaffirmed adherence to the one China policy, observance of the three joint communiqués and opposition to "Taiwan independence." However, it continues to increase, quantitatively and qualitatively, its arms sales to Taiwan, sending a wrong signal to the Taiwan authorities. The US action does not serve a stable situation across the Taiwan Straits."¹¹

China's primary national security goal is to stop separation and promote reunification of Taiwan, and its principal worry with respect to the US is that its actions serve to hinder the cherished goal of reunification. A flashpoint in the Taiwan Straits is perhaps the most likely scenario which could cause a confrontation between the US and China. China has been gradually altering the balance of power across the Taiwan Straits in its favour. In 2005, China passed the Anti-Secession Law, which was designed to provide a legal basis for an invasion of Taiwan. Article 8 of the Anti-Secession Law states that "In the event that the "Taiwan independence" secessionist forces should act under any name or by any means to cause the fact of Taiwan's secession from China, or that major incidents entailing Taiwan's secession from China should occur, or that possibilities for a peaceful reunification should be completely exhausted, the state shall employ non-peaceful means and other necessary measures to protect China's sovereignty and territorial integrity."¹² However, although the US is committed to defend Taiwan from Chinese aggression, in the light of

⁹ *China Daily*, July 20 2005

¹⁰ White Paper titled China's Peaceful Development Road, December 2005

¹¹ White Paper titled China's National Defense in 2004, December 2004

¹² *China Daily*, March 14 2005

the recent abolition of the National Unification Council by the Taiwanese President, Senator John Warner, chairman of the Senate Armed Forces Committee, “warned Taiwan that the United States would not necessarily defend it if it provoked a war with China through ‘inappropriate and wrongful politics generated by the Taiwanese elected officials.’”¹³

The Quadrennial Defense Review (QDR) released by the US Department of Defense in 2006 identifies China as having “the greatest potential to compete militarily with the United States” and states that “shaping the choices of major and emerging powers requires a balanced approach, one that seeks cooperation but also creates prudent hedges against the possibility that cooperative approaches by themselves may fail to preclude future conflict.”¹⁴ According to the US National Security Strategy of 2006, “as China becomes a global player, it must act as a responsible stakeholder that fulfills its obligations and works with the United States and others to advance the international system that has enabled its success: enforcing the international rules that have helped China lift itself out of a century of economic deprivation, embracing the economic and political standards that go along with that system of rules, and contributing to international stability and security by working with the United States and other major powers.” The NSS adds that “our strategy seeks to encourage China to make the right strategic choices for its people, while we hedge against other possibilities.”¹⁵

US policies towards Japan and India can be seen in the light of its stated desire to hedge against the possibility of the emergence of China as a revisionist power. However the US will have to be careful not to make the latter possibility self-fulfilling through its actions. For its part China would like to prevent a balancing coalition against it that could constrain its ability to prevent Taiwan breaking away to independence. China is aware that in its quest to achieve a moderately well-off society during the next two decades, it will remain vulnerable to external pressures. China has entered into a Strategic Partnership for Peace and Prosperity with ASEAN. In December 2005 the first East Asian Summit was held, with the US a notable absentee. China was not keen on the participation of Australia, New Zealand and India and succeeded in keeping them outside the core group, which would consist of the ASEAN Plus Three. ASEAN remains wary of China's intentions and would prefer to hedge its vulnerabilities by keeping the door open for the US. Former Singapore Prime Minister Lee Kuan Yew has said, “no combination of other East Asian economies--Japan, South Korea, Taiwan, ASEAN--will be able to balance China. Therefore, the role of America as balancer is crucial if we are to have elbow room.”¹⁶ However China is going ahead to improve ties with Australia as the recent agreement on the sale of Australian uranium to

¹³ Esther Pan, “Taiwan Raises its Voice Again,” Council on Foreign Relations, March 15 2006

¹⁴ Quadrennial Defense Review Report, Department of Defence USA, February 6 2006

¹⁵ op.cit., n.1

¹⁶ Lee Kuan Yew, “ASEAN Must Balance China in Asia,” *New Perspectives Quarterly* 18, no. 3 (2001)

China showed. Although Australia invoked the ANZUS treaty for the first time after 9/11, it has indicated that this does not extend to a US-China conflict over Taiwan, apparently influenced by the benefits it could derive from China's economic growth. The most important piece in China's strategy to checkmate US moves in Asia is Russia. While Russia is wary of becoming a junior partner to China, its current friction with the West has led it towards a tactical embrace of China. The two countries held unprecedented joint military exercises in 2005 and have also joined hands to keep the US out of Central Asia, which they view as their backyard.

In the midst of all this, one must not lose sight of the cooperative element in Sino-US relationship. In 2003 Secretary of State Colin Powell described US-China relations as the best since President Nixon's visit to China in 1972. This was a swift turnaround from just a couple of years earlier when the EP-3 incident and before it the bombing of the Chinese embassy in Belgrade had suggested that both countries were on a collision course. As Jonathan Pollack has pointed out, "Sino-American relations in the early twenty-first century therefore constitute a strategic surprise."¹⁷ The primary reason was 9/11 which has given the US and China a window of opportunity to deal with their own preoccupations, the war against terror and economic development respectively, and avoid confrontation. They are addressing issues of mutual interest within the region through the six party talks for the denuclearisation of the Korean peninsula. Outside the region multilateral efforts are on at the IAEA and the UNSC to address Iran's nuclear weapons programme. The US and China held their first-ever dialogue on strategic issues co-chaired by Chinese Vice Foreign Minister Dai Bingguo and US Deputy Secretary of State Robert Zoellick in 2005 and later that year, during a visit to Southeast Asia, Zoellick said that, "From the US perspective, the key message is that we believe that we should have our own activist engagement with Southeast Asia and that a policy to try to limit or restrict China would be both foolish and ineffective."¹⁸ The US-China economic relationship is characterized by a complex web of interdependence and although issues of concern have cropped up lately, both sides are moving forward to address them.

Japan's Transition to a Normal Power

Ever since the end of World War II, Japan's status as a close ally of the US under the US-Japan Mutual Security Treaty has remained unchanged. The constraints imposed on Japan by the post-war constitution transformed it into a pacifist nation dependent on the US security umbrella. This

¹⁷ Jonathan Pollack, ed. *Strategic Surprise?: US-China Relations in the Early Twenty-first Century* (Newport: Naval War College Press, 2003)

¹⁸ *China Daily*, May 11 2005

alliance enabled Japan to focus on rebuilding its economy and was instrumental in transforming it into an economic power within a few decades under what was known as the Yoshida Doctrine. While Article 9 of the Japanese constitution prohibited it from maintaining armed forces, this clause was progressively interpreted to allow for the creation of the Japanese Self-Defense Forces. However this capability was to be strictly defensive and aimed at protecting the country from armed aggression on its own territory, i.e. Japan became the defensive shield to the US offensive sword.

The end of the Cold War did not have an immediate fallout on the division of labour within the US-Japan alliance, with the US continuing to bear the bulk of the responsibility for Japan's security. However Japan's inability to provide any military support towards the first Gulf War in 1991 came in for criticism and it responded by passing legislation that enabled the SDF to take part in UN peacekeeping operations. As the 1990s progressed, developments in the East Asian strategic neighbourhood gradually caused Japan to reassess its defence posture. The Taiwan Straits incident of the mid-1990s was an eye-opener to Japan of China's military capabilities and intentions, while North Korea's withdrawal from the NPT and its missile tests had a direct bearing on Japan's security.

With frequent calls also coming from the US for Japan to take on an equal share of responsibility and to contribute towards collective security, Japan revised its defence doctrine and the guidelines of its defence cooperation with the US to provide logistical support for US military operations within the region. After 9/11, the nationalist government of Prime Minister Koizumi passed special legislation that allowed for Japanese forces to be sent to the Indian Ocean to provide logistical support for the US operation in Afghanistan. In 2003 Japan even approved a contingent of ground troops for the Iraq war although their mandate was to participate in humanitarian operations in a non-combat role, which restricted their effectiveness. These were the first signs that Japan was finally on the road to becoming a normal nation.

In 2004, the New Defence Policy Outline institutionalized these changes in the realm of policy by making it part of Japan's defence doctrine to undertake a role outside East Asia in association with the international community and its alliance partner, the US. Noting that "stability in the region spreading from the Middle East to East Asia is critical to Japan," the Outline laid out two objectives: "The first objective of Japan's security policy is to prevent any threat from reaching Japan and, in the event that it does, repel it and minimize any damage. The second objective is to improve the international security environment so as to reduce the chances that any threat will reach Japan in the first place. Japan will achieve these objectives by both its own efforts as well as cooperative efforts with the United States, Japan's alliance partner, and with the international

community.”¹⁹ For this Japan will naturally have to develop significant power projection capabilities. According to the International Institute of Strategic Studies, “the types of capabilities that Japan is acquiring are ones most suited to project defensive and fully interoperable power in support of US expeditionary warfare rather than for an autonomous or UN centred defence policy and international contribution.”²⁰

Japan also broke new ground by making a reference to China in the document: “China, which has a major impact on regional security, continues to modernize its nuclear forces and missile capabilities as well as its naval and air forces. China is also expanding its area of operation at sea. We will have to remain attentive to its future actions.”²¹ The strengthening of the US-Japan alliance raised concerns in China especially since it coincided with a stormy period in Sino-Japanese relations arising from the problem of history. The introduction of new history textbooks in Japan, which appeared to downplay Japan’s wartime role, resulted in angry protests among the Chinese public. Prime Minister Koizumi’s annual visits to the Yasukuni shrine to honour the memory of Japanese soldiers who perished in war were also seen as a provocation in China because the shrine houses the remains of 14 ‘Class A’ war criminals. According to a retired Japanese diplomat, “China’s attitude and overt actions give rise to suspicions that it is playing the history card in an effort to prevent Japan from gaining any greater influence in political security in the region. At the very least such behaviour seems aimed at preventing Japan from gaining a permanent seat on the United Nations Security Council.”²² In these circumstances, the inclusion of the ‘peaceful resolution of issues concerning the Taiwan Strait through dialogue’²³ in a list of common strategic objectives announced by the US and Japan in 2005 surprised China since it held open the possibility of Japan joining hands with the US in case of a flashpoint in the Taiwan Straits. Japan’s Foreign Minister Taro Aso has referred to China’s military buildup as a threat on more than one occasion drawing sharp criticism from China. The Japanese co-chair of the New Japan-China Friendship Committee for the 21st Century, Yotaro Kobayashi, notes that “The major work ahead is to find a way to recapture and revitalize the kind of trust that the leaders and people of Japan and China had in each other and that formed the basis for a strong and close relationship prevailing for decades after the normalization of relations in 1972.”²⁴

In March 2006, the US, Japan and Australia held a Trilateral Strategic Dialogue in Sydney at the Foreign Minister level. Australian Foreign Minister Alexander Downer downplayed suggestions

¹⁹ National Defence Program Guidelines, December 2004

²⁰ Japan’s New Defence Posture, *IJSS Strategic Comments*, October 2004

²¹ *op.cit.*, n.15

²² Tanaka Hitoshi, Strategic Challenges for Japanese Diplomacy in the 21st century, *Gaiko Forum*, Winter 2006

²³ Joint Statement of the U.S.-Japan Security Consultative Committee, February 19 2005

²⁴ Kobayashi Yotaro, A Time to Rebuild: A New Era for Japan-China Relations, *Gaiko Forum*, Winter 2006

that the meeting was directed against China: "We don't support a policy of containment of China. I don't think that's going to be a productive or constructive policy at all. I think a policy of containment of China would be a very big mistake."²⁵ The Joint Statement issued at the end of the meeting made references to both China and India: "We welcomed China's constructive engagement in the region and concurred on the value of enhanced cooperation with other parties such as ASEAN and the Republic of Korea. We recognised the importance of reinforcing our global partnership with India and noted that India's decision to place its civilian nuclear facilities and programs under international safeguards would be a positive step towards expansion of the reach of the international non-proliferation regime."²⁶

Japan and China are also currently competing for energy from Russia. As Lyle Goldstein and Vitaly Kozyrev note, "the final orientation of the associated energy transport infrastructure – toward China or toward Japan – may play a decisive role in the evolving balance of power in East Asia...The most profound consequence of Moscow's favouring of Tokyo over Beijing for the Siberian oil pipeline would be to substantially erode the bipolarity that had been consolidating in East Asia over the past decade. The full development of the Sino-Russian energy nexus, on the other hand, would increase this bipolarity, as the secondary powers, Japan and Russia, lined up squarely behind the primary powers, China and the United States."²⁷

The theme of Japan's re-Asianization is also being addressed in Japan. According to Kobayashi, "While Japan's relationship with the US is vitally important, at this time when geopolitical realities are shifting around us, Japan has to rebuild its ties with Asia and invest those relationships with a depth and reach comparable to our relationship with the United States."²⁸ Japan-India relations have begun to acquire a strategic character in the last few years, having recovered fully from the post-Pokhran setback. The two countries already hold an annual security dialogue and are scheduled to hold their first strategic dialogue at Foreign Minister level this year. Japan has even suggested a trilateral security dialogue between the US, Japan and India, though India has so far preferred to focus on strengthening the bilateral relationship. India and Japan also supported each other's candidacy for permanent membership of the UN Security Council as part of the G-4. US opposition to the G-4 proposal has led Japan to leave the group and make another attempt on its own but it has said that it will continue to cooperate with the G-4. Japan's reaction to the India-US nuclear agreement has been mixed. In the immediate aftermath of the deal, Chief Cabinet Secretary Shinzo Abe declared that "It should be meaningful that India and the United States held dialogue and agreed in various areas as India, the US and Japan share the values of freedom,

²⁵ Interview with Sky News, March 15 2006

²⁶ Trilateral Strategic Dialogue Joint Statement, March 18 2006

²⁷ Lyle Goldstein and Vitaly Kozyrev, "China, Japan and the Scramble for Siberia", *Survival*, vol.48, no.1, Spring 2006

²⁸ op.cit., n.21

democracy, basic human rights and the rule of law."²⁹ However, after the US-Japan-Australia dialogue, Foreign Minister Aso said that he had "told U.S. Secretary of State Rice during our talks that Japan, even if asked by the United States to support it, cannot easily oblige, as this would definitely be called a double standard" and that he was "most concerned about it (the NPT) losing substance."³⁰

India's Strategic Convergence with the US

The collapse of the Soviet Union and the collapse of the Indian economy in the beginning of the 1990s forced India to reposition itself strategically. The Soviet Union had provided India with a massive security net, the sudden withdrawal of which meant that India had to reassess its security policy and especially its relationship with the US, the sole remaining superpower. Simultaneously India also had to reassess its economic policy in the wake of the near bankruptcy of the economy resulting from the failed socialist policies of the past. As C Raja Mohan notes, "fundamental changes in foreign policy take place only when there is a revolutionary change either at home or in the world."³¹ According to Raja Mohan, there were five changes in India's foreign policy that followed. India made a transition from the collective national consensus on building a socialist society to a consensus on building a modern capitalist one. It also moved from the past emphasis on politics to a new stress on economics in the making of foreign policy. It shifted from Third Worldism to the promotion of its own self-interest. It rejected the anti-Western mode of thinking. Finally, India made a transition from idealism to pragmatism.³²

These changes would largely guide India's deepening relationship with the major powers in the twenty first century. Although economic reforms had begun on a smaller scale in the 1980s, the more systematic reforms initiated by the Narasimha Rao - Manmohan Singh duo in 1991 were crucial in taking India away from the old slow rate of growth and advancing its claims as a major power. The liberalization of the trade regime - the end of import licensing, lowering of tariff rates and the lifting of controls on the exchange rate - helped India integrate with the world economy. The liberalization of investment - both FDI and domestic investment - proceeded alongside. Private sector participation came into services, which had historically been dominated by the public sector. Foreign investment was allowed in insurance, banking, telecommunications and infrastructure. These reforms played a key role in increasing the ratio of total goods and services trade to GDP from 17.2 percent in 1990 to 30.6 percent in 2000. However there were other areas in which the government proceeded more gradually with reform such as the liberalization of

²⁹ "Japan upbeat on Indo-US nuclear deal" *Rediff.com*, March 3 2006

³⁰ "Japan worried over US-India nuclear deal" *United Press International*, March 23 2006

³¹ C. Raja Mohan, *Crossing the Rubicon* (New Delhi: Viking, 2003)

³² *ibid.*

capital inflows, which helped India escape the Asian financial crisis of 1997 that had severely affected the Asian tigers.

India's decision to test nuclear weapons in 1998 was a product of the changing strategic environment in its neighbourhood and the close strategic cooperation between its two nuclear neighbours Pakistan and China. This would briefly set back its relations with the other major powers. UN Security Resolution 1172, which was backed by all five permanent members, demanded that India and Pakistan roll back their nuclear programmes and address the Kashmir dispute. When President Clinton visited China soon after, a joint statement was issued condemning India and Pakistan, raising concerns of the US colluding with China against India. It was a significant challenge for Indian diplomacy to overcome the sanctions imposed on the country by the international community, especially the US, in the aftermath of the tests. The nuclearisation of the subcontinent also introduced the stability-instability paradox into the relationship between India and Pakistan. As Michael Krepon and Chris Gagne note, "The essence of this paradox was that nuclear weapons were supposed to stabilize relations between adversaries, and to foreclose a major war between them. At the same time, offsetting nuclear capabilities might well prompt provocations, instability, and even conflict at lower levels - precisely because nuclear weapons would presumably provide protection against escalation."³³ This was borne out by the limited nature of the Kargil conflict between India and Pakistan in 1999. The US role in bringing the Kargil conflict to an end was a significant step in the process of bridging the trust deficit. The insistence of the Clinton government on India meeting the so-called nuclear benchmarks including the signing of the CTBT and the adoption of strategic restraint however meant that the relationship could not progress to the next level.

It was left to the Bush administration to enable the Indo-US bilateral relationship achieve its full potential culminating in the nuclear agreement that is currently awaiting the approval of the US Congress. As Robert Blackwill has noted, George W. Bush was impressed with India's democratic credentials even before he took office as President: "A billion people in a functioning democracy. Isn't that something? Isn't that something?"³⁴ India's support to the new US government on key strategic objectives like missile defence, which had little support even among US allies, helped create a new climate in bilateral relations, which received a further boost after 9/11 when India reached out to the US with its offer of military bases. While the US decision to rebuild ties with Pakistan in the wake of 9/11 created a feeling of déjà vu in India, it did not significantly affect the progress of India-US relations, nor did India's refusal to send troops to Iraq.

³³ Michael Krepon and Chris Gagne, ed. *The Stability-Instability Paradox: Nuclear Weapons and Brinkmanship in South Asia* (Stimson Center, 2001)

³⁴ Robert D. Blackwill, "A New Deal for New Delhi", *Wall Street Journal*, March 21 2005

The National Security Strategy of 2002 had acknowledged India as a “growing world power with which we have common strategic interests.” It was not until the second Bush term in March 2005 that the US made a conscious decision to raise the stakes and decide to “help India become a major world power in the 21st century.”³⁵ The first step in this direction was the New Framework for the US-India Defence Relationship signed in June 2005, which included a clause stating that “our defence establishments shall collaborate in multinational operations when it is in their common interest.” While this raised eyebrows at the time, the Indian Navy had in fact earlier provided support for US shipping through the Malacca Straits in 2002-2003 as protection against terrorist attacks. The nuclear agreement, which followed three weeks later, calling for the separation of India’s nuclear facilities into civilian and military, and bringing India’s civilian facilities under international safeguards in exchange for nuclear energy cooperation, sealed the growing strategic convergence between the two countries.

The deal was welcomed in India because it opened the doors for India to participate in civilian nuclear commerce with members of the NSG while allowing it to retain its nuclear weapons programme despite being outside the NPT. The inability of Pakistan to gain a similar agreement symbolized the de-hyphenation of the two countries, which President Bush confirmed with his remark in Islamabad that “Pakistan and India are different countries with different needs and different histories. So, as we proceed forward, our strategy will take in effect those well-known differences.”³⁶ In her testimony before the Senate Foreign Relations Committee on the US-India nuclear agreement, Secretary of State Condoleezza Rice noted that “This strategic achievement will advance energy security, further environmental protection, foster economic and technological development in both of our countries, bolster international security, and strengthen the global non-proliferation regime. All of these benefits, however, must be viewed in a still larger, still greater context: What this initiative does to elevate this relationship to a new, strategic height.” The shared value of democracy is one factor behind the strategic convergence between these two - the world’s most powerful and the world’s most populous democracies. The India-US Global Democracy Initiative and the United Nations Democracy Fund, both launched in 2005, provided forums for both countries to cooperate on this issue. India is playing a key role in strengthening the nascent democratic institutions in Afghanistan, which is a crucial front in the Long War.

A frequent theme in the coverage of the India-US strategic convergence is the suggestion that this is intended as a potential counterweight to China. In a Foreign Affairs article in 2000, Condoleezza Rice wrote that: “There is a strong tendency conceptually to connect India with

³⁵ Background briefing by Administration officials on US-South Asia relations, Washington DC, March 25 2005

³⁶ President Bush and President Musharraf of Pakistan Discuss Strengthened Relationship, *Whitehouse.gov*, March 4 2006

Pakistan and to think only of Kashmir or the nuclear competition between the two states. But India is an element in China's calculation, and it should be in America's, too. India is not a great power yet, but it has the potential to emerge as one."³⁷ Rice elaborated on the role of the US-India relationship vis-à-vis China in a speech in Japan in 2005: "I really do believe that the US-Japan relationship, the US-South Korean relationship, the US-Indian relationship, all are important in creating an environment in which China is more likely to play a positive role than a negative role. These alliances are not against China; they are alliances that are devoted to a stable security and political and economic and, indeed, values-based relationships that put China in the context of those relationships, and a different path to development than if China were simply untethered, simply operating without that strategic context."³⁸

China's concerns over the emerging India-US relationship are apparent from its opposition to the nuclear agreement. While this has been expressed in a relatively guarded manner, China has also held that US-India nuclear cooperation must conform to the rules of the global nonproliferation regime, which should not be weakened by exceptions. If the deal goes through, China is holding out the possibility of striking a deal of its own with Pakistan. As an article in the official *People's Daily* in 2005 stated: "Now that the United States buys another country in with nuclear technologies in defiance of an international treaty, other nuclear suppliers also have their own partners of interest as well as good reasons to copy what the United States did...A domino effect of nuclear proliferation, once turned into reality, will definitely lead to global nuclear proliferation and competition."³⁹ India's own concerns over China relate primarily to its relationship with Pakistan as well as other countries in the subcontinent. China's application to join the South Asian Association for Regional Cooperation (SAARC) as an observer suggests that it is open to playing a greater role in South Asia. With Japan, South Korea and the US also set to join SAARC as observers, it remains to be seen what effect the entry of these outside powers has on regional dynamics. China is further developing its ties with Nepal, Bangladesh and Myanmar, although it is unlikely that any of these will approach the China-Pakistan relationship. The transfer of nuclear and missile technology from China to Pakistan gave the latter the cover to carry out a proxy war against India in Kashmir over the last two decades. The strategic partnership with the US now provides India with a leverage to check China's incursions into South Asia although India will be cautious in exercising it. India does not view its relations vis-à-vis the US and China as a zero-sum game. The challenge before it lies in being able to build favorable relationships with both the US and China.

³⁷ Condoleezza Rice, "Promoting the National Interest," *Foreign Affairs*, vol.79, no.1, January-February 2000

³⁸ Remarks at Sophia University, Tokyo, March 19 2005

³⁹ *People's Daily* as quoted in PTI, "China Flays Indo-US Deal", November 7 2005

Although relations between India and China had a setback following the nuclear tests of 1998 and the subsequent suggestion by Prime Minister Vajpayee in a letter to President Clinton and other heads of state mentioning China's role in India's deteriorating security environment, both countries have put that behind them. Prime Minister Vajpayee himself made a trip to China in 2003, which went a long way towards the rebuilding of trust. As Jing-dong Yuan has pointed out, the visit was significant for marking the "growing consensus and converging interests between Beijing and New Delhi covering a wide range of bilateral, regional and global issues," especially "in developing a fair, equitable, international political and economic order."⁴⁰ Vajpayee's recognition of Tibet as part of China was looked upon favourably by the Chinese government as a symbol of India's desire to reach out to its neighbour. Both countries also decided to upgrade their negotiations to resolve the boundary dispute to the level of Special Representatives and seven rounds of meetings have been held so far. The two countries went ahead and signed a Strategic and Cooperative Partnership for Peace and Prosperity during the visit of China's Premier Wen Jiabao to India in 2005. China reciprocated India's gesture on Tibet by finally recognizing Sikkim as a part of India. China also indicated that it was open to the possibility of India becoming a permanent member of the UN Security Council although it did not give any firm assurance in this regard.

Another indicator of the upward trend in bilateral ties is the emerging Sino-Indian energy cooperation. In December 2005, China National Petroleum Corporation (CNPC) and India's Oil and Natural Gas Corporation (ONGC), announced that they had jointly won a bid to acquire 37% of Petro-Canada's stake in Syria's al-Surat oilfields. This was followed by the signing of an energy agreement in January 2006 calling for joint bidding in third countries to reduce the burden to their exchequers. The then Petroleum Minister, Mani Shankar Aiyar, said that India looks upon China "not as a strategic competitor but as a strategic partner" in the quest for energy security. "Our cooperation in energy is based on equal cooperation, mutual benefit, mutual respect and enhanced understanding. If those principles sound familiar, it is because they are. They were embodied in the Five Principles of Peaceful Co-existence - the Panchsheel - adumbrated by Premier Jawaharlal Nehru and Premier Zhou Enlai half a century ago."⁴¹ Economic engagement has also played a significant role in bringing both countries together. The complementarity of Chinese hardware and Indian software is a symbol of the vast possibilities that this process of economic engagement holds out. According to Premier Zhu Rongji in 2002, "India is No. 1 in software and we are No. 1 in hardware. If we put the software and hardware together, we together can be No. 1 in the future."⁴² It has been said that "in view of the role that China-India

⁴⁰ Jing-dong Yuan, "Sino-Indian Relations: Perspectives, Prospects and Challenges Ahead", *Power and Interest News Report*, March 30 2005

⁴¹ Mani Shankar Aiyar, "Asia's Quest For Energy Security", Speech in Beijing, January 13 2006

⁴² *Business Line*, January 18 2002

bilateral trade and commerce have played in reviving and strengthening their rapprochement following India's nuclear tests of May 1998, their bilateral economic engagement has finally established its credentials as the most agreeable as also the single most reliable pillar amongst China-India confidence building measures (CBMs)."⁴³

Since 1998, successive Indian governments have worked hard to obtain a measure of nuclear legitimacy for the country's possession of nuclear weapons. Against heavy odds and opposition from many states, India is on the threshold of attaining a substantial measure of de facto legitimacy, even if a formal recognition of its status as a nuclear weapons state is unlikely to come about in the foreseeable future. India's refusal to join the NPT arose wholly out of its belief that the treaty was discriminatory in perpetuating the 'right' of a few states to possess nuclear weapons. Yet, India has followed all the essential responsibilities of a NPT member. Indian authorities claim, not without considerable justification, that India's record in nuclear export control discipline has been better than that of nuclear weapons states. Indian nuclear doctrine defines the limits placed on the use of nuclear weapons. The nuclear doctrine is based on the principle of No First Use. This is explained as a policy of not using nuclear weapons, unless India is first attacked with weapons of mass destruction. India has chosen not to make tactical nuclear weapons, because it does not intend to use nuclear weapons for war fighting. Nuclear weapons are thus only to be used as instruments of deterrence. India seeks recognition for its nuclear legitimacy through its record on non-proliferation of nuclear technology, its democratic political system and firm civilian control over its strategic assets, and is willing to bind itself into all nuclear regimes and their stipulations, as proof of its determination to play a greater global role. India by its emerging major power potential and commitment to nuclear disarmament, should be a solution to the challenges of proliferation, since it has never been a part of the proliferation problem.⁴⁴

The nuclear isolation of India that had held its relations with US hostage for decades had to be ended. This realization in Washington and New Delhi was a major strategic turning point in the history of India-US relations. It was in fact the culmination of the process of re-positioning India, that had started after the collapse of Soviet Union and India's own near economic collapse. This repositioning with its strategic and economic shifts had been started by Narasimha Rao and Manmohan Singh. Atal Bihari Vajpayee and Jaswant Singh stayed on that course. It is in a way apt that Manmohan Singh brought that process of repositioning India in the new international order to its present advantageous juncture. Today, India is in the enviable position of having stable relations with all major military and economic powers. It is a condition that had been five decades in coming and one that is to be valued and sustained. If, as Manmohan Singh reminds

⁴³ Swaran Singh, "China-India Economic Engagement" *CSH Occasional Paper*, March 2005

⁴⁴ For an elaboration of these points, see VR Raghavan, "India's Quest for Nuclear Legitimacy", *Asian Policy Review*, forthcoming

Indians frequently, the future lies in sustained economic and technological growth, India can ill afford to be without a solid relationship with the US. The US leads the world, and despite occasional spells of delusion about its military ability to set the world right, would continue to lead the world. Its real power, of its capacity to do good, is an asset to Indian strategic needs. India on the other hand believes, to use Raja Mohan's phrase, 'in marching to its own drummer'.⁴⁵ The two great nations will need to work on each other's strengths. That is the strategic need of the future. The nuclear deal is one part of that larger strategic mosaic. India's nuclear capability is in fact a reality, as shown by the underpinnings of the nuclear deal. It is evidence of India coming of age. There is confidence within India that it can play a role commensurate with its potential as an emerging power and that its nuclear capability will remain a source of stability in both the regional and the global contexts.

US Strategy Towards the Asian Powers

China, Japan and India are the important fulcrums around which US strategy in Asia will be based. However, these rising powers have their own dynamic and the US cannot direct them wholly along a path that is in line with its interests. US concerns that China is moving in an undesirable direction were summed up by Defence Secretary Donald Rumsfeld in a speech last year in which he asked: "Since no nation threatens China, one must wonder: Why this growing investment? Why these continuing large and expanding arms purchases? Why these continuing robust deployments?"⁴⁶ The US is not satisfied with China's stand on contentious issues like Iran and North Korea on which it expects a more cooperative response. There is also the issue of the US trade deficit with China, which crossed \$200 billion last year, and its associated job losses in the US. The Bush administration has resisted taking action against Chinese products although there is pressure from Congress to do so if China does not further adjust its currency and protect intellectual property rights. During his visit to the US in April, President Hu Jintao was non-committal on US proposals for China to exert its economic leverage on North Korea or to join in imposing penalties against Iran under Chapter Seven of the UN Security Council. The low expectations that accompanied Hu's visit were a reflection of the current lack of momentum in the bilateral relationship.

In this context, if China is unable to make concessions on issues of interest to the US, the trend of the US hedging its bets by strengthening ties with other Asian powers is likely to continue. Dan Blumenthal makes a case that China's military buildup is not a 'peculiarly American obsession' and that "Asia-Pacific countries are responding to strategic uncertainty characterized in large part

⁴⁵ C. Raja Mohan, *Impossible Allies* (New Delhi: India Research Press, 2006)

⁴⁶ Remarks to the International Institute for Strategic Studies, Singapore, June 4 2005

by China's rise through the traditional way of modernizing their militaries and embracing America as the off-shore balancer."⁴⁷ The India-US strategic partnership is at one level a reflection of the desire of both countries to maintain a stable balance of power in Asia. As Fareed Zakaria has written, criticizing demands that India be made to cap its nuclear arsenal as part of the deal, "It has been American policy for decades to oppose the rise of a single hegemonic power in either Europe or Asia. If India were forced to halt its plutonium production, the result would be that China would become the dominant nuclear power in Asia. Why is this in American interests? Should we not prefer a circumstance where there is some balance between the major powers on that vast continent?"⁴⁸ But there are others who note that the view that the rise of China threatens US primacy in Asia is misplaced because it selectively focuses on China's strengths and US weaknesses. According to Robert Sutter, "for the most part, China's rise in Asia does not come at the expense of US interests" and "US government leaders should seek to advance US interests in Asia without overt competition with China that would try to force Asian governments to choose between Washington and Beijing."⁴⁹

In any case, US interest in Japan and India goes beyond their role in maintaining a stable balance of power in Asia. The US is keen to use the services of both powers for its other national security objectives like non-proliferation and in the Long War. Japan's rising military profile has enabled it to deploy forces in support of the US outside its own neighbourhood to supplement the economic assistance it already provides. India's democratic credentials have been enlisted in the rebuilding of Afghanistan. India too sees its emerging strategic partnership with the US primarily as a means of fulfilling its great power ambitions and not as an instrument against China. The rapidly evolving US-Japan alliance appears in part to be directed against China because of the cold political ties between Beijing and Tokyo. A new government in Japan could rebuild bridges with China and reduce the confrontational element in the ongoing realignment of forces in Asia. Even as the strategic convergences grow, there are limits to the ability of Japan and India to align with the US. Although this is less evident in the case of Japan, its transition into a normal power is a sign that it will not remain a passive ally for long. There is also local opposition building up against the proposed realignment of US troops in several parts of Japan, which will have to be factored in by the Japanese government. Both Japan and India feel that the indiscriminate use of US power can be counterproductive, and while they seek to work with US power, they also hope to be able to moderate it.

The nuclear agreement has had its share of critics in India, with the criticism coming from both sides of the political spectrum. Former Prime Minister Vajpayee questioned the clause in the

⁴⁷ Dan Blumenthal, "Fear and Loathing in Asia", *Journal of International Security Affairs*, March 29 2006

⁴⁸ Fareed Zakaria, "A Nuclear Reality Check", *Newsweek*, April 17 2006

⁴⁹ Robert Sutter, "China's Rise: Implications for US leadership in Asia", East-West Center, 2006

Waiver Authority Bill introduced in the US Congress terminating the waiver if India tests another nuclear device and suggested that it amounts to the US getting India to sign the CTBT through the back door. He also noted that "When the Atomic Energy Act of the US was amended for China, China was granted waiver in perpetuity. In the case of India, it would be periodic. The President will have to determine from time to time whether India is in compliance with the conditionality built into the Act. This position is also unacceptable."⁵⁰ The left parties on the other hand have argued that this would affect the country's independent decision-making capacity with US Ambassador to India David Mulford's remarks openly linking the passage of the nuclear agreement through Congress with India's support at the IAEA against Iran's nuclear programme being a case in point. India has gone the extra mile to accommodate US concerns in this regard by voting against Iran twice at the IAEA, and also putting the Iran-Pakistan-India pipeline in cold storage. Prime Minister Manmohan Singh has stated clearly that "another nuclear state in our neighbourhood was not desirable."⁵¹ However public pressure by the US on India is likely to be counterproductive. India's own interests in Iran, which is India's gateway to Afghanistan and Central Asia, would also mean that it cannot support a military solution to the problem.

What are the limits to the emerging India-US strategic convergence? As Raja Mohan notes, "the proposition that 'non-aligned' India would not align with any other power is challenged by India's own diplomatic history of politically associating itself with the USSR."⁵² Although former Prime Minister Vajpayee said in 2001 that India and the US are natural allies, it is possible for both countries to cooperate on their common interests within the framework of a strategic partnership for the foreseeable future without necessarily turning it into a formal alliance. However, India-US relationship could still be limited by old mindsets prevailing in either country and reinforcing those in the other. It must be remembered that the current deal still awaits approval by the US Congress. While India has won bipartisan support, any additional conditions imposed by Congress are likely to be dealbreakers. Both India and the US would prefer that it be passed before the Congressional elections of 2006 due to the uncertainties that this would inject into the process. The failure of the deal to go through would have repercussions on the nascent India-US strategic partnership and would become another in the long list of missed opportunities that characterised the 'five wasted decades' of the past in the then External Affairs Minister Jaswant Singh's words in 2000. As Stephen Blank says: "Continuation of that history of failed relationships when genuine partnership is within our grasp...would...be worse than a crime. Indeed, it would be a profound mistake at the highest level of grand strategy."⁵³

⁵⁰ *The Times of India*, April 6 2006

⁵¹ *The Hindu*, September 17 2005

⁵² *op.cit.*, n.45

⁵³ Stephen J. Blank, *Natural Allies: Regional Security in Asia and Prospects for Indo-American Strategic Cooperation* (Carlisle: US Army War College, 2005)