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**Power and Responsibility:
South Asia and World Order**

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Thank you Scott, it's an honor to be here at Stanford and a pleasure to see so many faces I recognize – and I have to admit, I'm always glad to have a reminder that there was life before the State Department. I'm also glad to be reminded that there is life beyond the Beltway, so I'm delighted to see that institutions such as CISAC and the U.S. Army War College continue to promote insightful debate and informed scholarship on some of the most important issues we face today.

And there is no question that the subject of this conference, “South Asia and the Nuclear Future,” is one of the important issues we face today. Certainly, this is a major concern for us in Washington. At the same time, the United States places our nuclear concerns in the broader context of other challenges in South Asia, which cover everything from economics to extremism, from local governance to international policy, and from innovation to illiteracy. The United States is engaged in South Asia like never before. But tonight I want to focus my comments on our relations with two of our key regional partners: India and Pakistan.

We have been working to build strong, independent partnerships with India and Pakistan. For decades, New Delhi and Islamabad protested our tendency to view the region solely through the lens of the hyphenated Indo-Pakistani conflict. The Bush administration has correctly placed a priority on “de-hyphenating” our regional strategy: working independently with each capital to tackle the different challenges we face.

Let me be clear right from the outset: the United States is committed to working on all of these challenges in partnership with the countries of South Asia. We believe that by building solid relationships with responsible partners, we can best address the tremendous opportunities in the region and beyond. Of necessity, that means we want to see both India and Pakistan continuing to strengthen themselves as prosperous, stable, and democratic states. Strong states are better able to meet the needs of their people – and with one-fifth of the world’s population living in these two countries, that is of no small concern. As strong states, they are more capable of maintaining peace, expanding prosperity, and defending freedom. And as strong states, India and Pakistan have, and will continue to have, important – and different - roles to play in promoting global stability and world order.

We are already seeing the benefits of Indian and Pakistani strength. India’s recent elections were a testimony to its strong democratic tradition and served as a powerful example to the world. And strong leadership in New Delhi and Islamabad brought about the recent rapprochement process. We welcome this process, we support it, and we are pleased to see that Pakistan and India’s new government plan to press ahead with dialogue. The peoples of India and Pakistan can only benefit from regional stability and peace.

Challenges To A Better Future

A future of partnership and strength is an alluring vision, and one I believe we share with both countries. Indeed, the common strategic interests we have with each country are manifestly obvious these days, to the point where the “zero sum” perception of the past isn’t even relevant anymore.

But we all know that a number of obstacles are currently preventing us from fully realizing our vision of strength and partnership. India and Pakistan continue to face enormous, yet quite different, domestic development challenges. At the same time, all communities and societies across the region face the challenge of terrorism. And, of course, proliferation continues to complicate our relations with both states.

In India, the essential development challenge for the new Congress Party government will be expanding economic growth and opportunity, particularly to reach the constituents who voted them into office. The new Prime Minister, Manmohan Singh, will find that the same protective tariffs that failed to produce globally competitive manufacturers when he was Finance Minister in the 1990s continue to punish Indian consumers. Foreign direct investment caps still deny entrepreneurs access to capital needed for innovation and expansion. Fortunately, Dr. Singh brings a great deal of experience to the task of economic reform. Implementing reforms “with a human face” is a challenge for which he is eminently qualified.

In Pakistan, economic development is a central challenge, and it will be difficult to achieve without stability and peace. We applaud Pakistan’s recent successes in

promoting macroeconomic growth rates of over five percent. But lasting progress will also require education reform and strengthened political institutions.

Pakistan's public school system has long suffered from mismanagement and a lack of resources. The madrassas have stepped into the breach. And while the rise of parochial schools did not have to be a disaster in itself, some elements of this particular system have been hijacked by extremists more interested in ideological indoctrination than open-minded education. Pakistan's youth have been poorly served by the antiquated and radicalized religious curriculum, and by the slow pace of educational reform. Without greater funding, support, and attention to public education, Pakistan's entire system will remain in crisis. It will continue to fail to provide Pakistan's citizens with the education they need to compete in the twenty-first century.

The fundamental weakness of Pakistan's educational institutions is echoed in the weakness of many of Pakistan's political institutions. Pakistan's unfinished democratic transition has so far failed to offer a fully representative voice to its citizens or to build institutions to enable political, bureaucratic and military leaders to play their respective roles. This is true in all branches of Pakistan's governance -- as we saw recently in the lack of transparency in the trial of political opposition leader, Javed Hashmi.

It is clear that India and Pakistan face unique domestic challenges. But they share a common threat in terrorism and the extremist ideologies that threaten to turn free speech and expression into unattainable luxuries. No matter what guise in which extremism appears -- whether in the form of Islamist fundamentalism or Hindu chauvinism -- narrow worldviews spur violence, undermine trust, and tear the fabric of society.

Fighting extremism in a globalizing world is hard enough, and it is one of our most pressing challenges. But sadly it is not the full extent of our present dangers. The proliferation of weapons of mass destruction could grant violent extremists the opportunity to turn their ideological fantasies into nightmarish reality. Terrorist operations in South Asia have already inflicted pain and suffering throughout the region for too long. And the US is painfully aware that local threats like the Taliban can support global threats like al-Qaida. The world is simply too small to tolerate terrorist safe havens in the border region between Pakistan and Afghanistan or cross-border infiltration into Kashmir. No lasting political solutions will ever be achieved from inflicting violence on innocent civilians.

The Steps We Are Taking

Now, these are significant obstacles to future success in South Asia, but they are by no means insurmountable. The United States has taken an active role in working with our regional partners as they confront the full spectrum of regional challenges, and we will continue to do so.

In the brief time I have this evening, let me highlight two of our initiatives, one concerning India and one concerning Pakistan.

Over three years ago, the Bush Administration came into office wanting to develop a strategic partnership with India. Our new partnership is off to a good start. To date, positive military-to-military relations have set the standard for our bilateral cooperation. But looking ahead, there is much more we can do together.

Together, we have created the Next Steps in Strategic Partnership (NSSP). This new process offers the potential to bolster our cooperation. It paves the way for mutually beneficial economic opportunities in sectors including civilian nuclear activities, civilian space programs, and high technology trade, and an expanded dialogue on missile defense. Based on the contacts we've already had with the new government, we are hopeful this process will continue under India's new leadership.

We also need to build on the NSSP. We see this relationship leading to a true strategic partnership, which means we have to go beyond the confines of our present dialogue. A true strategic partnership embraces economic reform and increased trade and investment, because they offer the most significant opportunities for transforming the Indo-U.S. relationship.

Our ongoing Economic Dialogue with India focuses on five central issues: trade, finance, energy, the environment, and commerce. It represents a strong start, but neither side benefits from endless discussions that do not provide tangible benefits to our citizens. We may need to consider whether the time has come to translate our talks into more formal arrangements in these sectors. Both India and the United States stand to gain from accelerating, formalizing and implementing economic cooperation. And our cooperation should not end at the bilateral level. As Indian economic power grows, so too does its responsibility to promote the goals of a liberal trading environment, as embodied in the World Trade Organization.

With regard to Pakistan, President Bush has proposed a five-year, \$3 billion assistance package that serves two related purposes. First, it will help Pakistan confront the threats of terrorism and extremism represented by al-Qaida and Taliban remnants. Pakistan has made great efforts already, such as introducing troops into the Federally Administered Tribal Areas for the first time and taking out of commission over 550 al-Qaida and Taliban. Second, it will provide the Government of Pakistan with the resources it needs to combat the symptoms and underlying causes of terrorism. Promoting educational reform and civil society is a central part of this second element. This year, the assistance package for Pakistan contains \$300 million in Foreign Military Financing Funds and \$300 million in Economic Support Funds, as well as substantial funds for development assistance, counter-narcotics activities and strengthened law enforcement.

We know there are some who question our long-term commitment to Pakistan, fearing that we will lose interest or willpower. As we look ahead, we must think clearly about how to preserve and promote an enduring Pakistani-American alliance after Afghanistan achieves stability and al-Qaida terrorists have been brought to justice. We cannot commit the serious strategic error of breaking the trust we have so carefully built with Pakistan

over the past three years. The United States and Pakistan must together devise ways for our alliance to prosper over the long haul. After all, we are talking about a country with a national commitment to moderate and modern Islam and international diplomacy; this is clearly an ally we need to have, given some of the trends in the Islamic world, from Morocco to Iran to Indonesia. We simply cannot afford to lose Pakistan to extremist elements. In short, Washington's relations with Islamabad must be founded on a vision of Pakistan as the sum of our hopes, rather than the sum of our fears.

Strong Partners Confronting Proliferation Challenges

Just as it is true that our bilateral relationships with India and with Pakistan are richer than any single concern, it is also true that any discussion of South Asia has to include nuclear weapons and the special risks they pose.

As states with nuclear capabilities, India and Pakistan share special obligations to each other and to the world.

To each other, India and Pakistan owe the obligation to seek non-violent solutions to their political differences. As Secretary Powell has said, "we do not impose ourselves as a mediator," but we "try to use the trust we have established with both sides to urge them towards conciliation." We have urged both parties to maintain their nuclear testing moratoria; to refrain from assembling or deploying nuclear weapons; and to bring an early end to the production of fissile material so as to avoid a costly and destabilizing arms race. We have also quietly encouraged them to work to reduce regional tensions that could lead to misunderstanding, miscommunication and miscalculation. Finally, we have urged them to ensure that nuclear confidence-building measures are not just agreed upon, but are actually implemented. And, of course, we believe that both parties should take all appropriate measures to prevent the use of nuclear weapons.

Nuclear capabilities also impose special obligations to the world. Over 185 states, including the United States, are committed to the goals of the Nuclear Nonproliferation Treaty. We recognize that, as a practical matter, neither India nor Pakistan is likely to abandon their weapons programs in the near- to medium-term future and join the NPT. But America's interest in nonproliferation also focuses on preventing other activities that would undermine the global nonproliferation regime. We believe that India and Pakistan should share our commitment to global nonproliferation efforts. In particular, we believe there are five specific areas where Delhi and Islamabad can cooperate with Washington – and, in fact, in some of these areas we are already cooperating.

First, export controls. In 2002, we started an active program of cooperative exchanges with India about such controls. In 2003, we began similar discussions with Pakistan. Harmonizing export controls with the international standards established by such entities as the Nuclear Suppliers Group and the Australia Group is an essential step for any responsible nuclear state.

We look to India and Pakistan to take concrete actions to investigate and prosecute vigorously those who violate such controls. We are pleased that Pakistan has cooperated in rooting out the A.Q. Khan network, shutting it down, and actively sharing information with the International Atomic Energy Agency (IAEA), the United States, and other interested parties. The world's experience with this network must not be repeated.

As a member of the UN Security Council, Pakistan also recently voted in favor of Resolution 1540, which calls upon all UN members to criminalize proliferation activities. We applaud that gesture, and urge India and Pakistan to make rapid progress in implementing the measures called for by the resolution.

Second, the Bush Administration has recognized that export controls, while useful, do not always work perfectly. Despite our best efforts, dangerous items associated with WMD and ballistic missiles may slip through the cracks. That is why we have created the Proliferation Security Initiative (PSI). PSI is designed to interdict illicit shipments and prevent them from reaching their destinations. As President Bush proposed earlier this year, countries participating in the PSI are looking at ways we can take direct action against proliferation networks through greater cooperation in law enforcement efforts.

Significant opportunities exist for widening PSI participation with all states that share a commitment to its principles. In the future, we hope that India and Pakistan will each be valuable partners in PSI activities. Through PSI, India's increasingly capable navy, Pakistan's strategic location, and both countries' intelligence and law enforcement capabilities may counter the threat of proliferation. We hope India and Pakistan can make this commitment.

Third, civilian nuclear programs represent an important focus for nonproliferation activities. The dual-use nature of these facilities makes them potential targets for individuals or states seeking to develop capabilities, acquire technologies, or steal highly radioactive materials. Both countries, especially India, are facing growing energy needs, and nuclear energy will remain an important option. So there are a number of steps we would like to see India and Pakistan take.

We would like to see India place all of its civilian facilities under IAEA safeguards. An important aspect of civilian nuclear safety is addressed by the *Code of Conduct on the Safety and Security of Radioactive Sources*, which was recently approved by the IAEA. This *Code of Conduct* provides guidelines to ensure the safe handling and storage of radiological sources for peaceful civilian applications, and to prevent diversion. Earlier this year both India and Pakistan joined the United States and some forty other countries in declaring their commitment to this *Code of Conduct*. We urge India and Pakistan to now work with the IAEA Secretariat to develop practical measures on how to comply with the *Code*, including specific guidelines on the import and export of radioactive sources.

A fourth important step is devising effective measures that prevent the combination of terrorism and proliferation. This is obviously a special concern for the United States, and

we are committed to building upon the positive counter-terror cooperation we now enjoy with both India and Pakistan. Export controls, PSI, and nuclear safety programs address elements of this threat, but strong Indian and Pakistani law enforcement, border control, and military counter-terror capabilities will continue to be essential. We appreciate ongoing efforts to aggressively track, disrupt and attack terrorist activities. We must continue to keep our enemies on the defensive.

Finally, it is not enough simply to sign agreements or join organizations. States must stand up and be counted, demonstrating through their actions a firm commitment to nonproliferation principles. We look to India and Pakistan to actively promote nonproliferation.

Today, the international nonproliferation regime is confronted by tough challenges. Within the last eighteen months, North Korea has removed IAEA seals, disabled IAEA cameras, kicked out international inspectors, abrogated its safeguards agreement, withdrawn from the NPT, and at various times declared its intention to export nuclear materials. It also has acquired a covert uranium enrichment capability and declared that it has separated additional plutonium.

Iran has also defied the international community for far too long, violating its safeguards commitments, covertly acquiring uranium enrichment technology and concealing other aspects of its illicit nuclear weapons program. As recently documented by the IAEA, these efforts have continued for nearly two decades. And when confronted with evidence of its cheating, how did Iran respond? With denial, delay, and not so subtle threats to follow in North Korea's footsteps by withdrawing from both the IAEA and NPT.

This behavior is a threat to neighboring countries and to the international community. And it is not in the interests of either India or Pakistan to see either North Korea or Iran acquire such capabilities. As responsible members of the international community, as countries with an increasing stake in global stability and prosperity, we are confident that India and Pakistan will join with the international community in holding these two states accountable for their years of nonproliferation violations. With great power comes great responsibility. We expect India and Pakistan to do all in their power to encourage both North Korea and Iran to adhere strictly to all of their international obligations.

Conclusion: A Compelling Vision of Peace, Prosperity and Freedom

This past New Year's Day, Secretary Powell contributed an editorial to the New York Times, in which he reiterated the foundations of American foreign policy. We are, he affirmed, committed to advancing the cause of peace, prosperity and freedom around the globe. That's very laudable, of course, but what does this mean in the context of South Asia?

We envision a South Asia where *peace* means more than the absence of war. Where there is an end to terrorism and politicized violence in places like Kashmir that have suffered for far too long. Where there is the free movement of ideas and people that can

unleash the imagination and creativity of South Asia's one-and-a-half billion citizens. Where India and Pakistan have normal, peaceful relations... and where a cricket match is simply a cricket match.

We envision a *prosperous* South Asia, where economic opportunities will create vocal constituencies for peace and tangible reasons to avoid conflict. Where India's massive labor pool, combined with increasing sources of capital, will expand India's capacity in both industry and services, and advance growth in the high technology, communications, and other sectors.

We also see a Pakistan that can serve as an artery and origin for the flow of goods, services, and energy between India, central Asia, and the Persian Gulf. Where barriers to Indo-Pakistani trade are eliminated and a mature South Asia Free Trade Area benefits the entire region.

Finally, we envision a future South Asia as the most populous democratic region on earth. We applaud India's recent election and peaceful transfer of power. We see a Pakistan where *freedom* will be guaranteed by a firmly rooted democracy accountable to the people and defended by mature, transparent institutions. We see a Pakistan where one government is peacefully and democratically replaced by the next without Army intervention, crisis, or constitutional manipulation. Where Pakistan's judiciary will protect individual freedoms and rights. And where civil-military relations will reflect the Army's preference for staying in its barracks.

All this, we see. But this vision will not be realized unless we all work together to create a future for South Asia that is characterized more by opportunities than by dangers. It is essential for the peoples of South Asia, for the United States, and for global stability and world order, that we succeed.

Thank you very much.