



The Middle East and the Rising Asian Powers: Imagining Alternative Futures

Section 1: Gulf-South Asia Relations

Scenarios Prepared by
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In light of high interest in the growing ties between the Gulf region (in particular Iran, Iraq and Saudi Arabia) and the energy-hungry Asian powers (China, Japan, India and Pakistan), the Henry L. Stimson Center is releasing a set of papers that can inform the debate about the future of Middle East-Asia relations and the role of the United States.

In the Spring and Summer 2004, the Stimson Center contributed to the National Intelligence Council's Global Trends 2020 project (see www.dni.gov/nic) by convening a series of workshops with in-house and outside experts to consider how the interactions between and among the large states of the Middle East and the rising Asian powers might play out. The Stimson Center is grateful to the NIC for its support, and is pleased to share the products that resulted from the workshops.

A NOTE ON METHODOLOGY: These scenarios are developed by thinking about what is possible and what is plausible. They are NOT predictions, or based on any objective criteria for probabilities. We do not know which outcomes are more likely than others. These scenarios constitute informed speculation by people with in-depth knowledge of the politics, culture, and socio-economic conditions of the regions under consideration. They are intended to stimulate thinking about potential, alternative futures, not to describe or predict the policies and problems of these diverse countries out to the year 2020. As such, they should not be construed as representing any formal or official positions of the organizations or individuals who participated in developing them.

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South Asia and the Middle East: Exploring the Geopolitical Frontiers

The linkages between the Arab world and the Asian subcontinent are often under-examined, but are increasingly important to the great geopolitical struggle of the early 21st century: the competition between modernization and a form of Islamic revival that eschews many aspects of modernization and globalization. This war over identity, religion and state-society relationships is played out acutely in five countries that straddle the traditional divide between the Middle East and South Asia: Saudi Arabia, Iraq, Iran, Pakistan and India.¹ Add to the mix some long standing historic grievances and the normal frictions of managing state to state relations in a region under considerable political stress, and one finds a zone of considerable geopolitical consequence for international peace and stability.

These five states interact in multiple and fundamental ways:

1. They share common cultural and religious heritage. Saudi Arabia was the birthplace of Islam, and its spread to the more settled lands to the north and east has shaped the modern history of these ancient civilizations. Before Islam, there was Babylon, Persia, and the many princely states of the subcontinent. Islam adapted to diverse conditions, and produced different practices and norms. This diversity within Islam has created tensions, now exacerbated by uneven or unsatisfying interaction with the west. Nearly every state faces current challenges in managing relations between Sunni and Shia Muslims, and between Muslims and non-Muslims among their citizens.
2. The human flow across the Indian Ocean creates great economic interdependence, with South Asian nationals providing essential manpower in both professional and service sector jobs across the Arab Gulf. In turn, India's economic growth has led to new forms of economic interdependence, with new joint ventures in the energy sector positioned to profit from India's rising energy import needs. The presence of millions of South Asian workers in the Arab Gulf also has the potential to affect the domestic politics of the Arab world, with its gradual and grudging opening to greater political participation. The possible demands by South Asian workers for more rights and legal status could be a new source of instability, but could also over time facilitate the transition to more pluralistic systems in the Arab Gulf monarchies.
3. At the level of national politics, there is great variety, from a traditional family dynasty (Saudi Arabia), secular dictatorship (Iraq until 2003), Shia Islamic revolutionary state (Iran), pre-consolidated democracy with strong military role (Pakistan), and relatively stable, highly pluralistic democracy (India). Nonetheless, prospects for forms

¹ India is an outlier, an emerging global power whose interests are greater than the agenda listed here. But its Muslim population is larger than the four other states, and its political relations with Pakistan give India a great stake in the outcome of this war of ideas. India may not be a core part of the problem, but it may well be part of the solution.

of state failure are high in nearly all cases. At present, stresses are most acute in Saudi Arabia and Iraq. Iran and India are least susceptible to severe disruption, although political violence is present and the gap between state and society appears to be quite strong in the case of Iran. It would be imprecise to suggest a convergence of political models or preferences in the region, but three of the states – Saudi Arabia, Iraq and Pakistan – are all openly discussing political change and leaders now acknowledge the demand for change in political processes and institutions. This does not necessarily bind the states closer together, but adds to the regional uncertainties.

4. On the strategic level, all five states are, or aspire to be, nuclear capable, and have invested significantly in other nonconventional weapons capabilities. Their threat environment worsens with each new acquisition, although motivations for nuclear and other advanced weapons may be for deterrent or prestige reasons. But because deciphering motivation is an imprecise art at best, the international community has to think of these capabilities as available for possible use, against both regional and global threats. This uncertainty is compounded by the region's political record; change in leadership can occur abruptly, so the confidence of regional actors and the international community that weapons programs will be managed in a responsible manner is lower. In addition, regional enmities are strong, but so too are tactical alliances. There is a chronic concern that weapons acquired by one could be transferred to another, under circumstances that would not be transparent or subject to reliable monitoring.

5. Each of the states has complicated histories and relationships with the United States, and each contributes significantly if unwittingly to the ranks of radical terrorist organizations. This zone, India excepted, has been the center of gravity for the emergence of extremist Islamic politics and violence. Compared to the Mediterranean Arab world, this is a region of harsher political experience, greater resistance to imported culture, and wider societal receptivity to the politics of anger and defiance that Osama bin Laden's al-Qaeda movement represents.

These five factors help define the parameters of a virtual region that includes the eastern reaches of the Arab world, Iran as the pivot point, and the two strategic players of the subcontinent. They are linked by enmity and competition as well as by shared values or common political grievances. The concept of the five major powers as constituting a region should not convey the idea of a region of common interests and shared purpose, although at both the state and non-state level there are countless examples of people working together across national boundaries, whether it is Saudi and Pakistani men working together in terrorist activities, or Indians and Iranians in joint business ventures in Afghanistan. The geographic boundaries of the five states help define a region of acute economic, political and strategic interaction. Beyond those borders, either the capabilities are not as robust or the politics are driven by other issues and concerns. These five see their own futures as affected by each other's, and perpetually position their own national policies to take into account the state of play in the others. They prey on each others' weaknesses, and each has acted in a predatory manner to at least one of its neighbors. But they also share common insecurities and vulnerabilities vis-à-vis the United States, Israel, and other perceived enemies.

The Drivers

This analysis pays particular attention to a set of factors that seem most salient to current dynamics and to prospects for the ties among these states out to the year 2020.

Civilizational struggle and responses to American power

These five states are active players in the identity wars over Islam, modernization and globalization. Iran was the first to develop a national doctrine at the time of the revolution of modernization without westernization, basing its foreign policy on a rejection of any foreign influence, particularly from the United States. From the “death to the Satan” rhetoric of the Iranian revolution to al-Qaeda’s toxic anti-Americanism, with the Pakistani supported Taliban in between, this zone has been ground zero for the clash of civilizations. It plays out differently in traditional Saudi Arabia than in urban Iran, but across the region, poorly educated young people with limited economic prospects are susceptible to joining the ranks of an array of organizations and shadowy groups that share a fierce resentment of the west, its values and its policies. Even if the regional states, along with coordinated western policies, succeed in containing the most violent elements of this struggle, it can well be expected to be a feature of this landscape for several decades. While not quantifiable, it is a driver that almost certainly has staying power to shape and constrain the behavior of government of this region for some time to come.

Economics - domestic demand as a driver

The rise of India as a global player is driven largely by its strong prospects for sustained economic growth. This creates positive dynamics for the region to the west of India, if states implement policies that take advantage of India as an economic engine. Pakistan itself is experiencing a clear improvement in its economic performance due to wise fiscal and trade policies, and this trend can be intensified if national politics focus on sustaining rapprochement between the two regional antagonists. India’s growth has a strong energy component, and each of the three Gulf states, Saudi Arabia, Iraq and Iran, is positioned to contribute to India’s rise and to profit from it. A number of energy-related activities – from building tankers to bring oil to India to Gulf-based support for Indian trading companies – are likely to create wider economic opportunities for the region, and for the migrant workers, both service sector and more highly skilled, who provide such critical support for the Arab Gulf and send remittances back to Pakistan and India.

The economic driver, over time, will have political consequences as well. Trade between India and Pakistan could be an important intensifier of the political impulse to resolve the Kashmir dispute, or at least to not permit Kashmir to block any improvement in bilateral relations. Economics creates new stakeholders in more moderate, investment friendly policies in places like Iran and Pakistan. Economics is probably the single

greatest determinant of Iraq's transition and whether and when Iraqis will feel a deep commitment to stable governance.

Geopolitical Shifts: regimes change

A third driver that appears to be dominant in this zone is the impulse for political change. With the exception of India, each of the states is publicly discussing structural and institutional change, some with great reluctance and some because it was imposed by outside powers or by internal demands that could not be squelched. The demand for change comes from reform minded people and from radical forces who seek regime change. The political possibilities are wide and include some dangerous outcomes, from a security and/or U.S. interests perspective. Between now and 2020, it would be reasonable to anticipate that at least one if not more of the five key states will undergo important political change, in addition to the Iraq transition already underway.

Likely Outcomes/ Trends in the region based on these drivers

With particular attention to these forces, and with emphasis on the interactions between the states more than on a purely internal narrative, a few "most likely" predictions are offered here:

Religious Forces Remain Strong in Saudi Arabia and in Pakistan, and draw the two states closer together. The struggle within Saudi Arabia between the royal family and the demands of radical groups using Islamic discourse is not easily resolved; Saudi Arabia could be in a precarious position throughout the timeframe of the study. Whether the Saud dynasty makes small or large concessions to this radical trend, it cannot hope to eliminate it entirely, similar to the way that Islamist parties in Pakistan wield a disproportionate influence over the military government and constrain its behavior against al-Qaeda and in Kashmir. While Pakistan under most combinations of military and civilian leadership would not want a formal alliance with Saudi Arabia, the two states are destined to be struggling against some of the same forces, and it could deepen cooperation in security and in counter-terrorism in the coming years. If current elites are overthrown in either state, such cooperation would be less likely, but were ultra-conservative Islamists to take power in Riyadh, it would likely have a powerful impact on their counterparts in Pakistan.

Iraq's transition creates added uncertainties for Saudi Arabia and Iran, but outcomes are most troublesome for Saudi Arabia. Whether Iraq's transition to more pluralistic government is rocky or smooth, each of its neighbors has a new national security headache. The neighbors had benefited from international containment of Iraq, and now face a range of uncertainties. On balance, plausible outcomes in Iraq hold more dangers for Saudi Arabia than for the other neighbors, including Iran. For Saudi Arabia, a successful Iraq moving in the democratic direction creates new expectations and frustrations for Saudi liberals and other elites, but the alternatives – Shia domination, fear of breakup – are equally frightening. Saudi Arabia will have trouble managing demands

from Sunni radicals and from Saudi Shia needing more protection at the same time. For Iran, the options are less ominous, and given Iran's size and its own political transition a generation ago, it can be more confident of weathering different outcomes in Iraq.

India's rise and economic expansion create new diplomatic opportunities for India in the Muslim world. Of the states under consideration, Iran is the most likely beneficiary of India's rising confidence on the world stage, and India provides Iran with an interesting and important alternative to the EU, as a friendly and sympathetic partner in international politics. Iraq is also a possible partner of India, with a new government in Baghdad probably wanting to mitigate against perceptions that it is a creation of the west. India provides a useful antidote, and historic ties suggest that diplomatic and security cooperation is quite likely. For Saudi Arabia and Pakistan, India's rise is problematic. India can rightly speak for more Muslim citizens who live in a democratic system and seem to have remained quite immune to the lure of radical Islamic groups and movements, than can those states which were founded on the basis of Islamic legitimacy.

Iran and Pakistan are the "twilight zone" states between the two regions, with aspects of both. For Iran, there is a powerful impulse to not be confined to the Middle East. The Persian Empire had an important presence in Asia, and cultural ties between Iran and India are strong. Iran plays an active role in Muslim fora that include Asian Muslim states such as Malaysia, Indonesia, and the Philippines. On a more socio-economic note, Iran's growing underclass has created an urban culture that resembles the subcontinent, and resource and demographic pressures in Iran have worsened considerably since the revolution. As for Pakistan, Arab migration to Baluchistan generations ago creates strong human and psychological bonds to the Arabian Peninsula.

In the quest for nuclear weapons, Iran's decision makers have certainly been affected by Pakistan's nuclear status. Iran's leaders are probably troubled that a society considered less advanced than theirs was able to cross this strategic threshold before Iran. For the Arab world, Pakistan's nuclear status provides some comfort, on the understanding that this "Islamic bomb" might be available to defend the Muslim world in extremis. The Saudi-Pakistani security relationship deserves close attention, since both those parties will be watching Iranian nuclear developments with acute interest, and if the international community fails to stop or delay Iran's program, it will strengthen Pakistan's relations in the Arab world, Saudi Arabia in particular.

Tensions within the world of Islam, between Sunni and Shia, are likely to become stronger, with Iraq as the catalyst. While Sunni-Shia clashes in Iraq or elsewhere are not inevitable, it is quite plausible to imagine a chain reaction to the rise of Shia power in Iraq. For the Saudis, virtually any political outcome in Iraq that accrues greater power to the Shia community sends ripples of anxiety through the Kingdom. Sunni extremists are already using an aggressive and violent discourse towards Shia, and those Saudi Shia may soon become more vocal in their demands for greater protection and rights. This will put greater stress on the Saudi state, and will increase the Saudi proclivity to see an Iranian hand in any Shia developments. Shia minorities in the smaller Gulf states could also become emboldened, given greater political space opening up there. This syndrome

of embattled Shia extends to Pakistan as well, where sectarian violence is entrenched, in Karachi in particular. Should a new Shia solidarity emerge that demands better treatment from governments, it may create a strong pull in Iran to assume leadership of such an effort, thus confirming the suspicions of the Sunni regimes. Sunni-Shia tensions will play out with varying degrees of violence, and there will be counterexamples of Sunni and Shia working well together, but change in Iraq has almost certainly unleashed some unintended repercussions in this long-festering phenomenon within the Muslim world.

Three Scenarios as Alternative Paths

The following three scenarios are offered to demonstrate plausible futures in which one particular driver dominates over the others; in the mainstream projection, there is less clarity. The three scenarios also created to look at different parts of the geography, with each one deriving from a different part of the region. One originates in Saudi Arabia, with Islam/civilizational struggle as the key driver. A second begins in Iraq and Iran, and political change is the most important variable. The third features economics as the driver, and emphasizes India and Pakistan.

Scenario 1: Khalifate of Arabia Aligns with Pakistan. India, the United States and Iran Close Ranks

Snapshot of 2020: By 2020, the former Saudi kingdom has been transformed and renamed by its ultra-conservative leader, Khalif al-Saud, as the Restored Khalifate of Arabia. The Khalifate rejects the territorial confines of Saudi Arabia and has already incorporated interior portions of Yemen into the Restored Khalifate, and is putting considerable pressure on Bahrain and Oman to join the Khalifate. Reacting to reports of meetings at NATO headquarters to plan regime change in the peninsula, Khalif al-Saud threatens the United States and Israel with great destruction if either chooses to take military action against the Khalifate or to seize its oil fields. As tensions mount, China is in active contact with all parties, trying to avoid escalation between NATO and the Gulf oil producers that have become key to China's economic success.

Pakistan and the Khalifate operate in a virtual alliance. Pakistan provides the Khalifate with solid-fueled, mobile ballistic missiles of sufficient range to reach Iran, Israel, and US bases in the region, and many experts believe that Islamabad has transferred nuclear weapons to the Khalifate, although there is disagreement as to whether full operational control is with Pakistan or the Khalifate. Missiles are deployed in and around the holy cities of Mecca and Medina. Al-Saud's invitation to the member states of the OIC to send "guardians of the Khalifate" to protect the holy cities from heathen attacks has been widely accepted. Saud now directs his inflammatory rhetoric against Qatar and the UAE, calling for the "captive" Muslims in both states to join the Khalifate and to expel the "heathen" presence. Leaders of both states are considering activating their mutual defense agreements with the United States. The United States continues to strengthen military ties with India, and engages in a relationship of mutual convenience with Iran against Sunni extremism. Washington chooses not to make an issue of Iran's still undeclared nuclear status, which continues to advance while technically remaining "frozen" under the purview of the IAEA. How did this state of affairs come about?

Evolution of Scenario As a result of domestic unrest and steadily worsening ties with the United States, the Saudi royal family and the Saudi government system shifts gradually away from Washington and draws domestic legitimacy by stressing "true Islamic" ideals and policies. The internecine political battles between religious "modernizers" and "traditionalists" ended in a rout of the modernizers by 2010, when those who could be called "neo-Wahabis," (nonviolent ultra-conservatives) declare that the reformer/modernizers are a danger to Islam, and call for change. While working to crack down on al-Qaeda activities, some of the inner circle in the security services and in the royal family face personal threats and become increasingly worried that al-Qaeda, now further legitimized by the neo-Wahabis, will target them personally. This leads to some bitter confrontations among family members. The royal family splits between those who think the only way to restore stability is to continue to crack down on domestic extremists, and those who think that an approach that appears to be aligned with American preferences is dangerous and counter-productive. Those who believe that the

Kingdom's survival requires a reconciliation with the radicals, and propose working with al-Qaeda to reach an accommodation, win out.

Contributing to this shift is the sharp downturn in relations with Washington, driven by Washington's unpopular and unsuccessful occupation of Iraq, its alliance with Israel and the open postponement of any prospects for Palestinian statehood, the divisiveness caused by democracy initiatives in the Middle East, and annual debates within the Congress of resolutions declaring Saudi Arabia to be a state sponsor of terrorism. US actions reinforce domestic imperatives to base Saudi legitimacy on Sunni orthodoxy and revanchism. This shift, which effectively ends open and normal state-to-state relations with the United States, is represented by the assumption to power of Khalif al-Saud in 2010, who changes the country's name to the Restored Khalifate of Arabia. The accommodation he reaches with the al-Qaeda leadership includes important concessions on domestic and social issues in return for an agreement not to conduct terrorism inside the Kingdom. In addition, there is a sharp reduction on all foreign presence in the Kingdom, and a tacit understanding that terrorism directed against heathens and "fallen" Muslims overseas is not of direct concern to the Saudi government.

US-Saudi relations plummet After the call for all Americans to leave the Kingdom in 2004, relations between the two countries continue to contract. The US Embassy reduces its staff by two-thirds, and Saudi nationals take over some of the routine maintenance of bilateral relations. The Pentagon meets its promise to have all US forces out of the Kingdom by 2010, and large base facilities are transferred to Saudi control ahead of this deadline. While Americans remain in key positions in the oil industry, those gated facilities hold a sort of extraterritorial status, and residents of the oil towns are not permitted easy or open-ended access to the country's major cities. By 2010, these are the last remaining traces of the "special relationship." Washington views the change from the Kingdom to the Khalifate, and the convergence of religious orthodoxy with bin Ladenism with deep misgivings, and has to manage the consequences of oil price volatility. For the United States, the earlier age of US-Saudi interdependence over oil has been transformed into a more ominous sense of being at the mercy of an unpredictable and largely hostile seller's market.

As the Khalifate expands, the United States attaches a very high priority on maintaining a military presence in other parts of the Arabian Peninsula, shoring up support for beleaguered partners in Qatar and the UAE and trying to prevent collapse in Bahrain. The unwillingness of the Khalifate to participate in any military exercises with the United States also means that Gulf Cooperation Council activities including military coordination and interoperability, atrophies dramatically. The small Gulf states experience acute tensions over relations with Khalifate, and the various royal families engage in more intrigue and subterfuge in their dealings with each other and with the Khalifate. Throughout the Sunni-majority areas of the Middle East, states that maintain correct ties to Washington are clearly worried about their own populations becoming enchanted with the Khalifate idea. This crucible is most apparent in Dubai, an IT and entertainment hub that is easily caricatured as the Las Vegas of the Gulf

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Domestic change The Khalifate is the royal family's answer to a large, young, unemployed and angry underclass. While it cannot promise prosperity for all in this life, it emphasizes less corruption and more islamically appropriate sharing of resources with the poor. The Khalifate is also the royal family's response to attacks against middle-class residential neighborhoods, presumably because al-Qaeda wants to draw mainstream Saudis to their side, and to foster the view among Saudi workers that the government cannot protect them. The declaration of the Khalifate is a way for the royal family to retain the allegiance of the Saudi internal security apparatus, whose ranks are increasingly ultra-conservative, to refocus the enmity of the domestic underclass to external targets, and to use core beliefs about Islam and its virtues as a means to expand Saudi influence nearby and throughout the Islamic world. This approach makes a virtue out of the dramatic downturn in relations with Washington.

The death of Osama bin Laden of natural causes provides an opportunity for the Saud family members to make a new pact with the al-Qaeda movement from a position of relative strength. The most conservative elements of the Saud dynasty are thus able to retain power. While acknowledging the bin Ladenists as a powerful political force, they need not cede state control to them. The Saud family members with strongest ties to the traditional Islamic establishment and to the ultra-conservative bin Ladenists are able to provide assurances to more secular-oriented branches of the family that no legal measures will be taken against them. They can continue to manage their economic interests and to reside in heavily fortified compounds, but must give up responsibility for running the Khalifate's affairs. What had earlier been a tacit alliance of convenience between the state and the Islamists is now a political pact that has direct consequences for the state's domestic affairs, its foreign relations, and for regional and international security.

Bin Ladenists are consulted on changes in the educational curriculum, reversing a trend of the early years of the new century to better balance religious instruction with modern skills. Instead, more Islamic colleges are established, and highly technical jobs go only to foreigners who are carefully screened for their religious beliefs and credentials. Hard-core bin Ladenists are known to be planning for the eventual takeover of all government functions, which they believe will occur when the Saud family leadership passes to the third generation of princes. For now, there is a *modus vivendi*, and bin Ladenists do not object to the Saud family efforts to keep the economy stable, recruiting large cadres of doctors, engineers and other science professionals from Pakistan, Malaysia, and India's Muslim community. The bin Ladenists are not in a hurry to oust the royal family members; they are confident that time is on their side.

The more modernist members of the royal family reluctantly accept revisions in the country's name and the principle of expanding the territorial boundaries, although many realize this is the end of Saudi Arabia as they knew it. It is estimated that thousands of al-Saud family members are now resident in London. The bin Ladenists join forces with the royal family's orthodox wing to reestablish the Khalifate as a homeland for all true Muslims. The image of Saudi Arabia as a bastion of cautious conservatism run by the al-Saud tribe now morphs into a state whose ideology is decidedly anti-status quo. The bin Ladenists are outwardly defiant of international rules

of state sovereignty, while the new Khalif and his government are outwardly more circumspect. Official and bin Ladenist pressures fall immediately on Yemen, Oman and the UAE, with regions of Yemen with tribal ties to the bin Laden clan being the first to cast their lot with the Khalifate.

Designated members of the Saud family assigned to represent the country in western capitals and media outlets try to assure the international community that these changes are essentially symbolic, designed to mollify domestic sensitivities and to preclude far more dramatic shifts. In Washington, these explanations are not persuasive, and US-Saudi ties are profoundly strained, as are the Khalifate's foreign relations with its neighbors. The Khalifate joins a very short list of nations on Washington's watch list for states supporting terrorism. G-8, NATO, and US-EU summitry now routinely debates this geopolitical shift and worries about its consequences for global economic stability.

So far, domestic events in the Khalifate have not added appreciably to volatility in the oil industry, but oil company executives around the world are privately deeply worried. The Khalifate and US political leaders decide that it is in their mutual interest to keep the international energy market as stable as possible. Foreign oil companies are permitted to continue to operate in strictly isolated towns and facilities, where direct transportation in and out of the country is permitted under the strict purview of the Khalifate's customs and immigration police. These special arrangements obviate transit through national airports or through key cities of the country. US, European, and Chinese oil firms agree to this arrangement because Saudi oil continues to be of critical value to global production, despite reduced profits resulting from the extraordinary expense of recruiting and maintaining international staff, and providing security for their workers. By 2015, terrorism in the Khalifate diminishes dramatically, and the environment for oil workers is considered comfortable enough that profit margins begin to rise. The Khalifate's threat to the United States of dire consequences in the event of an attempt to seize the oil fields is taken very seriously by US, European, and Chinese companies.

Partnership with Pakistan The stark deterioration in Saudi-US relations parallels a similar downturn in US ties with Pakistan and the concomitant emergence of an alliance between the Khalifate and Pakistan. Osama Bin Laden's death and the failure to bring stability to Afghanistan badly weaken the partnership of convenience between Washington and Islamabad. Some Pakistani elites are quite eager to maintain normalcy with Washington, but find it increasingly hard to do, given the atmosphere of mistrust between Washington and major Muslim allies. Senior military figures and former politicians work hard to maintain the right balance in relations with Washington, and with Saudi Arabia. They are disheartened at the notion that Pakistan would become reduced to a one-dimensional image of a radical Muslim state, not a more cosmopolitan, complex country of regional influence with strong western ties. Over time, this group loses credibility, and realizes that the dramatic changes in Saudi Arabia have had unintended consequences for Pakistan, narrowing Pakistan's options, and forcing the balance to tip to heavy reliance on ties to the Gulf.

Washington's worries about Pakistan remain fairly constant: Pakistani military and intelligence communities remain in collusion with jihadi groups that continue to bother and occasionally bleed Indian security forces in Kashmir. For years, GHQ has not even sought to maintain the fiction that it is seeking to secure its borders along the tribal belt, which remains a safe haven for extremists. Most importantly, reports of nuclear transfers to the Saudis continue to be a source of concern by the US intelligence community. It is increasingly hard for policy makers in Washington to defend Pakistan's poor performance at stemming the flow of both terrorist activity and proliferation. After years of trying to give Pakistan the benefit of the doubt, Washington decision makers concur that Pakistan is operating beyond the pale, and cannot be considered a reliable partner. Congress votes that Pakistan should be removed from the list of "non-NATO allies."

From Pakistan's perspective, Washington has always asked for too much while offering "peanuts" in return. Former President Pervez Musharraf's policy of accommodation with Washington is long discredited, and the two major secular political parties in Pakistan compete with the religious parties to garner the electoral benefits of the rampant anti-American sentiment. The downturn becomes a free-fall after Washington permits direct US and Israeli transfers to India of missile defenses and endorses the Line of Control dividing Kashmir as the prospective international border with India. Soon thereafter, the United States uncovers the transfer of ballistic missiles from Pakistan to Saudi Arabia with sufficient range to target Tel Aviv, Tehran, and US regional bases.

Some senior military officers in Pakistan feel quite discouraged at the failure to maintain a proper relationship with Washington, but within the senior ranks are several key players who strongly prefer a deep security relationship with a fellow Muslim state, so long as it is balanced with an important relationship with China. They privately approve of the turn of events, and believe that close ties with the Khalifate will have both financial and strategic advantages for Pakistan. Pakistan will be able to drive the relationship with its superior military expertise but will be properly compensated for its efforts, unlike the chronic difficulties with Washington over sanctions and economic issues. Ties are maintained with Beijing, albeit with some tensions, as they deteriorate with Washington. Pakistan believes that China serves as an appropriate substitute for the historic ties to Washington, providing a superpower connection that can be critical when Pakistan faces criticism at the UN or in other international bodies.

Pakistan thus becomes the first nation to recognize the declared Khalifate. Pakistan naturally becomes the Khalifate's key security partner, both against external threats as well as for domestic security assistance. Riyadh is comfortable with Pakistani support due to the long history of Pakistan providing elite special guards in royal palaces, and, on occasion, larger units of regular army troops to supplement Saudi forces in guarding holy sites or other sensitive facilities in the Kingdom. With the withdrawal of US forces from the Kingdom, the Pakistani military presence grows appreciably. Bilateral ties are reinforced by a longstanding, large civilian labor force of Pakistani origin, which grows from nearly a million workers in 2005 to twice this number in 2020.

The demand for Pakistani Sunni workers expands as the immigration of Shia workers is reduced as a matter of government policy.

US concerns over the transfer of Pakistani missiles -- and the placement of these missiles and their joint Pakistani and Saudi security details around Mecca and Medina – pales in comparison with possible nuclear transfers. Pakistani officials, well aware of the financial support the Kingdom had provided in the early days of their nuclear program, are believed to have responded favorably to Saudi requests for a nuclear deterrent against common potential adversaries. Intelligence reports strongly suggest that highly secret talks between Pakistan and the royal family have produced agreement that Pakistan will come to the aid of the Kingdom in certain contingencies. The necessity to respond with dispatch in such circumstances has led Saudi leaders to be persuaded that missile deployments within the country are a necessity, which suggests that nuclear warheads have also been deployed. If so, custodial arrangements are unclear. Western intelligence tries to monitor ship traffic and military transport movements between the two countries, but by 2010, interactions between the security establishments of the two countries are so substantial, western access is so constrained, and nuclear components are so miniaturized that determining the nature and extent of such nuclear transactions – if, indeed they have occurred – is quite problematic.

The role of India New Delhi's ties with Washington continue to improve steadily. A succession of Congress and BJP-led coalition governments do not differ on the need to upgrade trade, investment and security ties. The shift in US relations with both Saudi Arabia and Pakistan facilitates the US-Indian bond and desire to form a common front against Islamic extremism. The nature of this new relationship, which is strongly supported on Capitol Hill, is reflected in the transfer of advanced military technologies and weapon systems. Washington also reinterprets its role of “facilitator” with regard to Kashmir as supporting an outcome that is politically agreeable to India and, by definition, very problematic for Pakistan. Washington and New Delhi join in common cause to keep Islamic extremism at bay in Afghanistan and in Kashmir, although India tries to stay out of America's problems in the Arabian peninsula, preferring to keep normal and economically useful ties to the oil exporters. It believes that maintaining correct relations with the Khalifate, so long as the new entity is willing to sell oil, is a proper counterbalance to Pakistan's special relations, and India does not want to offend its own Muslim citizens.

The role of Iran As Pakistan's ties deepen with Saudi Arabia and as domestic Sunni vs. Shia violence in Pakistan increases, Tehran's bilateral relations with Islamabad grow increasingly sour. Tehran's conservative clerics decide that the best way to counter the Saudi-Pakistan axis – as well as to deal with domestic pressures – is to promote Iran's emergence as a more moderate regional power.

Iran's conservative clerics enjoy only a short-lived triumph over the reformist movement. By 2007, the government is frustrated by the chronic social unrest and frequent threats of student and labor violence. It determines that it needs to share political space with reformers, presuming that the reformers are subdued by their past

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failures. The Supreme Leader makes an alliance with the centrist President and begins to integrate individuals with reformist tendencies into key positions. This facilitates trade and normalization of diplomatic relations with the EU, and opens the economy, creating conditions for modest growth and improved employment prospects.

Iran is seen by 2012 as having weathered the internal struggle over reform, and a new national consensus is established that provides minimum satisfaction to reformers' demands. The country enjoys domestic peace, and begins to play a more active role in the region, in part to establish itself as a more experienced and powerful player than Iraq and its wobbly Shia-majority government. Iranian foreign policy enters an activist phase, developing deeper ties to Europe than other regions, and subtly asserting its leadership in Gulf politics and on behalf of minority Shia communities in the Arabian Peninsula, particularly in Saudi Arabia and to a lesser extent Bahrain. With the more democratic states of Kuwait and Qatar, Iran enjoys good economic relations. There are no outstanding disputes or problems. Iran's ambassadors are important channels of funding and influence for Shia communities, who fear the consolidation of Sunni ultra-conservative power in Saudi Arabia and the subsequent activism by the Khalifate.

Nuclear Competition Nuclear issues are on the forefront in this region: India and Pakistan continue to build their arsenals and stay outside of the NPT. Iran maintains its the nuclear option while nominally complying with the Additional Protocol and IAEA inspections. Before US ties with Pakistan and Saudi Arabia sour, Washington is a strong public skeptic of Iranian compliance, calling attention to secret nuclear facilities and excoriating the IAEA for the poor effectiveness of its inspections. During this period, Washington is far more alarmist than Europe about Iran's true nuclear status. Russia is widely viewed as complying with its international obligations vis-à-vis spent fuel and the facilities it helped construct in Iran, but Iran's indigenous capabilities is presumed to be sufficient to reach weapons status. By 2010, US intelligence estimates that it is likely that Iran has crossed the nuclear threshold, but by this time, Washington is looking for support against the Pakistani-Saudi axis, which may well have a nuclear dimension, and Iran's domestic politics are becoming far more moderate. Washington decides to accept Tehran's professions of nuclear abstinence, which accompany declaratory statements that are similar to Israel's formulation that it would not be the first to introduce nuclear weapons into the region. With this coy acknowledgement, Iranian government spokesmen and intellectuals begin to hint that Tehran is feeling more secure and is ready to work with Washington on matters of mutual concern.

The nascent Iranian-Saudi nuclear competition is a chronic worry. The arc of instability could well include five nuclear-capable states, with untested strategic relationships and commitments. Western defense planners continue to worry about the Pakistani-Indian nuclear arms buildup, even though they cannot dispute India's claim of the potential threat from an unstable or radical Pakistan. India has deployed a triad of nuclear forces that can be delivered by missiles, surface ships, submarines, and aircraft. India's acquisition of theater and strategic missile defenses raises questions in Pakistan about the effectiveness of its deterrent, based at a relatively small number of aim points,

to retaliate effectively in the event of a surprise Indian attack. Pakistani production lines for missiles and nuclear weapons continue to compete with India.

Seizing the oil fields? There is growing sentiment among government and non-governmental experts in the United States regarding the advisability of seizing the Khalifate's oil fields to stop the Khalifate's activities, possibly bring about regime change in the peninsula, and permit the establishment of a more stable security environment in the region. The US also explores working with disaffected Shia in the eastern province to break away from the Khalifate and become an independent state. Secret talks with Shia leaders lead to some rumors that Iraqi Shia or Iran are working to the same objective: is it US disinformation? Is it a cover for a US plan? Are the other Gulf Arabs attracted to the idea to stem the tide of the Khalifate's power and appeal?

The intelligence community concludes that it is likely that Pakistan has positioned nuclear assets within the Khalifate, but there is no hard evidence to this effect. Custodial arrangements remain unclear, and there are differing judgments as to whether a US-led seizure of the oil fields would trigger a nuclear riposte. If the nuclear threshold is crossed in response to a US-led seizure of the oil fields, the intelligence community projects rapid vertical and horizontal escalation in both South Asia and the Middle East. There is little support within NATO for military action against the Khalifate, although NATO military planners continue to work on contingencies. The EU Foreign Minister declares a preference for a containment policy backed up by an increased show of force at sea and on existing military bases in the region, while individual EU states pass different messages in diplomatic and military channels. The most interesting EU proposal is to request from Iran temporary basing rights to counter the Saudi-Pakistan axis. So far, Tehran is mulling the request.

China appears to be positioned to play a critical role in this crisis: it has avoided being overly associated with the new Khalifate-Pakistan axis, maintaining good ties to India and Iran despite its heavy reliance on Gulf Arab oil. Chinese-Pakistani ties remain solid. China is alarmed by the tension building between NATO and the Gulf, and finds itself the only power that can talk to all the players.

Scenario 2: Peaceful Political Change in Iran and Iraq Creates New Regional Dynamics

Snapshot of 2020: Iran is considered a newly consolidated democracy, with formal political parties representing a wide spectrum of views, and power is consolidated in the office of the presidency. The clerics gradually retrench, and the office of the supreme leader (velayat-e-faqih) becomes symbolic, with most of its powers eliminated by successive Majles action. Next door in Iraq, political pluralism is established. Seasonal violence occurs around elections, and at critical moments in the Shia calendar, perpetrated by radical Shia groups who have not accommodated themselves to constitutional rule, and by forces still loyal to the Iraqi strongmen who seized power in a series of short-lived governments after the American occupation ended in 2007.

The relative stability in Iran and Iraq and the subtle changes that lead to Iraqi Shia clerics' rise as leaders of the Shia world while Iran retains its seniority as an independent and democratizing Shia state, permit both states to bury the hatchet, and to work together in a condominium of regional leadership, against the failed states in the Arab world where instability continues, and where the United States maintains a fortress presence in the small gulf principalities. Iran and Iraq now see themselves as natural leaders of the Gulf and as representing an important alternative to American power. Relations with India are excellent. India's economic rise is accompanied by a delicate balancing act in which connectivity to US investment and trade coexists with a stubborn and principled distance from US national security policies. The three states' navies now conduct an annual exercise in the Indian Ocean and talk of joint patrolling of the Straits of Hormuz, creating considerable tension for the US Fifth Fleet and for some Gulf Arab states. This activity has put considerable pressure on Kuwait in particular, and Kuwaitis have begun to revert to a pre-1990 stance of neutrality vis-à-vis the west, with consequences for US military forces in the region.

Western diplomats and pundits speak of the collaboration among Iran, Iraq and India as the "Triple I Entente" (TIE) which challenges US diplomacy and national security policy, adding to US regional headaches relating to Saudi Arabia, Kuwait and Pakistan. The TIE has aspirations that go well beyond their common interest in keeping US power projection capabilities at arms length, and could have long-term strategic clout, given that probably two of its members are nuclear capable. TIE diplomatic initiatives are a common occurrence in the United Nations. The three countries collaborate at regional forums and even send joint missions to Asia and the Middle East. The emergence of the TIE is also threatening to weak Arab states that have resisted reforms, and they have begun to coordinate security policies to prepare for any direct moves by this group. Arab resentment against Shia-majority Iraq's tacit alliance with Iran and India has created a new inter-Arab rift comparable to the shunning of Egypt after its peace treaty with Israel in 1981, but this time with a sectarian dimension. The United States is in an awkward position: the TIE is not overtly hostile to US interests, but it is quite clear that TIE's policies are designed to limit the impact of US dominance in the region. The United States finds its closest relations in the region are with the countries

that have failed to reform and are close to the US out of weakness, and its human rights credentials are challenged for not doing more for embattled Shia in the Arab world.

Evolution of Scenario: In the first decade of the 21st century, several of the key states in the “arc of crisis” that links the Mediterranean to the Indian Ocean move bumpily along the path of economic and political reform, driven by the desire of newly emerging elites to take advantage of globalization and the resources of the region. Late 20th century leaders have been discredited and rejected by a more demanding civil society, so that the fall of Saddam leads eventually to more democratically inclined leaders, although stable democracies are not really consolidated for another generation. The rift between democratizing Muslim states and those who have failed to modernize is seen as a failure of US foreign policy because US relations are not close with the more progressive states and US presence in the region remains only in the traditional monarchies who seek US security protection from either the strong states in the northern Gulf or from an unstable Saudi Arabia, whose fate remains precariously tilting between radical Islamic leadership and the royal family.

Iran finds a leadership role Iran in particular finds its voice as a middle power with modern political institutions, and as an alternative to neocolonial relationships that have developed between weak states in the Arab world and the United States, still the world’s foremost military and economic power. It is also respected for the way in which the conservative clerics gradually, and largely peacefully, ceded power to reformists after years of suppressing the reformist impulse in the country. Despite the effective end of mullahcracy, Iranians across the political spectrum still value the revolution’s achievement of establishing Iranian independence from outside control or influence, and this principle has resonated with Iraqi society and other regional states, giving Iran a moral leadership position vis-à-vis states that still have an American or foreign military presence.

Iran believes that the rising Asian powers provide an important counterweight to the United States, and that oil producing countries like Iran and Iraq can stake out an independent position due to the western demand for energy. Iran sees advantages in leading and organizing the Middle East-Asian energy transmission belt as an alternative market to the west, which still imposes sanctions and limits trade with Iran because of its nuclear program. Iran persuades the structurally weak Iraqi government of President Hussein al-Khoi, a moderate Shia with ties to traditional clerics, to join in this Asian economic community which deepens ties between and among Iran, Iraq and India. Iran’s posture resonates very strongly in New Delhi, which despite strong economic ties with the United States actively promotes multi-polarity in global affairs. A succession of Indian governments has been put off by continuing US military ties with Pakistan, and India and Iran relations become increasingly strong. The Triple I Entente (TIE) is a phrase coined when the three states formally announce their collaboration on pipelines that move their oil as well as some Caspian Basin oil across the Gulf to India.

Iran also enjoys relative domestic peace, although the economy has not rebounded as quickly as hoped when the mullahs went back to Qom. The more secular leadership

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had promised that the emergence of a political system more akin to European states would work wonders for employment and for economic growth, but the continued sanctions due to Iran's inability to comply fully with IAEA requirements have taken their toll. Some Iranians question whether Iran's attachment to its nuclear energy program has been too costly, but the government in Tehran insists that nuclear energy will over time bring added prosperity to Iran by permitting more exports of fossil fuels.

Iraq seeks equilibrium The Iraqis are still divided on how to assess the American occupation period. Most Iraqis publicly express great relief that all foreign forces have left the country but Iraqis are still struggling to establish a well-functioning representative government. Grand Ayatollah Sistani persuades other Shia politicians to stick with federalism, which gradually eases tensions between the Shia majority government and the Kurdish and Sunni autonomous regions. Sunni out-migration creates some weak spots in the technocratic elites, as well as problems for Jordan, since skilled Iraqi professionals are sometimes taking jobs from Jordanians. The Kurds remain a chronic source of worry. Their economic interdependence with Iran and Turkey is strong, and probably prevents them from acting precipitously to break away from the Iraqi republic. Nonetheless, polls in Kurdistan demonstrate that a clear majority of Kurds believe they should be an independent state, and it is only a matter of time before pro-independence parties begin to dominate the political landscape. Traditional leaders Massoud Barzani and Jalal Talabani are losing their followings to younger, more assertive leaders who question whether the federal arrangement is protecting their long-term interests. Some express the view that federalism satisfies neither Kurdish nor Shia aspirations, and should be abandoned.

Shia leaders are careful to prove their reliability to the international community, to defend the federal system as the best way to keep the country unified, and are sensitive about being seen as Iran's junior partner with respect to political development. Nonetheless, the political and economic messages from Tehran are appealing, addressing the two states' core interests in keeping the United States at arm's length, while carving out a new role for Baghdad in the Islamic world – without appealing explicitly to Shia identity or sectarian preferences. This approach isn't selling well in Kurdistan, but it does make inroads in the Sunni heartland, where anti-US sentiment is greatest and which also benefits from preferential trade relations with the rising Asian powers. For now, Iraq is paying less attention to the dysfunctional Arab world and sees its future linked to its Iranian neighbor, progressive Islamic states, and the Middle East-Asian transmission belt.

TIE doesn't solve all problems... Emerging ties among Iran, Iraq and India are largely in the foreign policy realm; each manages its own internal political evolution and struggles to bring greater economic stability. Demographic forces in Iran and India in particular mean that this new more assertive global posture does not translate into significantly higher prosperity. In fact, Iran, once in the ranks of the middle powers in terms of per capita income, looks more like India and Pakistan, with grinding poverty at the bottom of the socio-economic pyramid. Iraq, with a smaller population and a huge infusion of international aid during the occupation years, fares a bit better in terms of physical quality of life.

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Saudi Arabia worries about this new alignment, and the effect is to draw Saudi Arabia and Pakistan closer together. In Riyadh, the royal family continues to play a balancing act between aggressively conservative social forces that have been profoundly influenced by the al-Qaeda movement, and the more secular, technocratic elite, who have persuaded the family to keep all options open, not tilt to majority sentiment, in the interest of protecting the family's and the elite's economic interests. Oil continues to flow, (although OPEC is a weaker organization due to TIE's activism in the global market). The Saudi oil ministry maintains close working relations with western powers to keep world production at acceptable levels, but is constantly criticized at home, and worries about reports of new oil finds in Iraq. Violence in the Kingdom has diminished a bit since the death of Osama bin Laden and the improvement in the effectiveness of Saudi counter-terrorism forces.

Shia activists in Saudi Arabia begin to demand more civic and economic rights and the Saudi leadership fears unrest in the oil-rich eastern provinces and subversive activity from Iraq and Iran. Sunni clerics are adamant to prevent any move toward greater recognition of Shia rights; liberal elements of the royal family advocate a two-pronged strategy based on accommodating some of the Shia requests while improving relations with Iraq to delegitimize the most extreme demands.

Saudi Arabia and Pakistan grow closer The new threat for Saudi Arabia is from the tacit alliance between Iran and Iraq. As a consequence, Saudi military officials begin quiet consultations with their Pakistani counterparts about ways to counter this new regional alignment. The two countries plan ways to build up their arsenals and joint training as a deterrent to any action from the northern Gulf powers. They both increase arms purchases from China, even though an increasingly open China cannot promise secrecy, and must disclose its arms sales to public scrutiny. Pakistan is confident that its armed forces can help Saudi Arabia upgrade its defense readiness and that such ties will be beneficial financially to Pakistan, without Pakistan compromising on the independence of its own foreign and national security policy.

For its part, Islamabad is also uncomfortable with Indian inroads in neighboring Iran, and closer security ties with Saudi Arabia provide a partial counter-balance. Many Pakistani military officers worry about instability in the Kingdom, and do not think an alliance with Saudi Arabia is sensible or necessary. Pakistan's security concerns continue to require defense cooperation ties to both Washington and Beijing. Pakistan's growing support for Saudi Arabia proceeds only after receiving assurances from Washington that there is quiet support for this deepening relationship. Pakistan is also worried about Iran's Chabahar port, constructed with Indian assistance, edging ahead of its own Gwadar port in providing Central Asian trade routes and pipelines access to the warm waters of the Arabian Sea. This economic rivalry impacts stability in Afghanistan, as the two routes traverse the country to land-locked Central Asia. Iran and Pakistan cultivate relations with different Afghan factions to bolster their position, and are therefore seen as meddling in national politics.

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India's growing international confidence allows it to monitor these developments on its western flank without too much concern. It is pleased by the favorable trends in Iran and Iraq, and both countries receive very senior diplomats as resident ambassadors, and many high level visits. India offers to help the Iraqi army and domestic security forces in training, and exchanges take place between police and military academies. Iraq is quite eager to have a security partner that is neither western nor Arab, and Iraqi elites speak favorably about the shared experience and ties between the two countries from the early 20th century.

New Delhi feels confident that it can effectively counter Pakistan's chronic support for jihadi elements in Kashmir, and the conventional military balance increasingly favors Delhi. The level of violence and disruption caused is a small fraction of the time of troubles in the 1990s, thanks to improvements in anti-infiltration barriers, counter-insurgency techniques, and the exhaustion of indigenous militancy in the Valley. Center-State relations could be better, but are sufficiently improved to reduce the probability of another round of insurgency. Indian-Pakistani relations are characterized by a "no peace and no war" posture. A succession of Pakistani governments is unable to acknowledge ground realities and settle on a divided Kashmir. New Delhi can live with this situation in the absence of Pakistani brinkmanship, which declines as the conventional military imbalance grows. Inhabitants on both sides of this divide are now accustomed to intra-Kashmir trade and travel.

New Delhi is somewhat concerned about the growing ties between Saudi Arabia and Pakistan, but believes that potential problems are manageable. India, with its revolving coalition governments, has not been able to introduce any new initiatives in its Pakistan policy, and the body politic is reluctant to give any new rewards to Pakistan while the military continue to call the shots behind the scenes. Coalition governments in India continue to seek normalization on their terms.

India as a result, wants to balance its newly close ties to Iran/Iraq without alienating entirely Saudi Arabia and Pakistan. It offers its advice and counsel to all parties, clearly favors the more modernist approaches of Iran and Iraq, but does not want to provoke any new tensions with Pakistan. It does not want to be drawn into regional disputes and worries that any further polarization along Sunni-Shia lines will be very dangerous for all, and tries to play a role in promoting religious tolerance in international and regional forums. It is also recognized as an Asian power, with more influence in ASEAN, adeptly managing to stay in the good graces of both Japan and China. It also quietly maintains a special relationship with Israel, and provides Israel useful insight into the growing strength of the Iran-Iraq axis. India believes it can help mitigate regional tensions by keeping access to all players.

TIE as an international actor It is awkward at times for the triple entente to project initiatives, and jockeying for leadership is apparent among the three. But common interests are overriding, including the interest in enjoying economic benefits, and constraining United States dominance by maintaining an independent foreign policy

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stance and carving out a new center of multi-polarity. Given the impasse over enlargement of the Security Council, this new democratic club creates a monitoring group that closely follows Security Council actions and becomes an informal directorate for the non-permanent members who rotate onto the council for two-year terms. The TIE also takes an active role in pressing for more attention to human security issues, from pricing of drugs on infectious diseases to more development aid and local control of humanitarian assistance. The emergence of TIE has also diminished the political clout of anti-globalization forces, whose issues have been at least partly embraced by TIE.

Western Powers Adapt Overtime, the western powers begin to adapt their own foreign policies to these new circumstances, more readily in the EU than in Washington. They seek normal relations with Iran and Iraq, but often check with India on the mood in the region, and India begins to serve as an intermediary between the Gulf states and the west. This also accrues more power to India as a global actor. On occasion, India thinks Iran and Iraq are going too far in stoking anti-western sentiment, and counsels them to take more pragmatic approaches to international politics. The Gulf leaders, however, remind them that their legitimacy at home depends on this independent stance vis-à-vis the United States. India also tries to caution Washington that its neocolonial relationships with nondemocratic Arab states has created great tension in the region, and some Indian diplomats openly express the view that it is time for US forces to leave the Gulf region entirely.

The United States adopts a policy of strategic ambiguity toward TIE, stressing the importance of bilateral relations with TIE members. By doing so, the United States hopes to preserve good relations with India and use them as leverage on the other members of TIE. For Washington, the dark side of TIE is the nuclear question. There are deep concerns that India could be counseling both Iran and Iraq on developing the politics of their stance towards the IAEA. The TIE is careful but a bit defiant of the IAEA, arguing that these international rules have been developed for the benefit of the P-5, and have not adapted to changing international realities. The US offers to begin diplomatic exchanges to hear TIE proposals for amendments or revisions to the Nuclear Nonproliferation Treaty, but so far TIE has not formally responded, and India seems to want some assurances before committing to the talks.

By 2020, there is growing evidence that Indian assistance to the Iranian nuclear program has been substantive. Iran has relied on Indian technology to modernize its nuclear installations. India has also offered technical assistance to Iran's missile program, which has allowed Tehran to adapt nuclear warheads to long-range missiles. When pressed, Indian diplomats complain about the continued unfairness of international protocols that fail to take into account changed realities. The United States and EU approach China to discuss the strategic implications of a nuclear capable TIE that may have more of a shared nuclear doctrine than previously realized. This would turn TIE from an informal alliance of southern medium powers to a new strategic actor with potential to do considerable harm to the permanent Security Council members.

Scenario 3: A South Asian Entente: Most Regional Players Benefit

Snapshot of 2020: Economics triumphs as the driver of relations between a confident, successful India and a relatively stable, economically growing Pakistan. The expansion of direct trade between India and Pakistan creates interaction between business elites, who have found a comfortable behind-the-scenes place in both political systems. The military has reached an accommodation with the major political parties of Pakistan, where a complete return to civilian rule is underway. Former generals are entrenched throughout the economy and now have a stake in stability. A key factor in Pakistan's upturn is the construction of oil and natural gas pipelines from Central Asia and Iran that traverse Pakistan into Western India. The dictates of economics and energy allow Pakistan to improve ties to natural trading zones in Central Asia and the Subcontinent. The port of Gwadar is both a financial success story and a key stabilizing factor in Baluchistan. The implementation of the South Asia Free Trade Agreement (SAFTA) by the SAARC members is producing significant economic dividends throughout the region.

Kashmir is largely subdued, due to state-of-the-art anti-infiltration barriers, successful Indian counter-insurgency techniques, and the relentless eradication of a generation of jihadi leaders. The evident satisfaction of Kashmiris with the state of affairs makes rapprochement sustainable, even with a succession of coalition governments in India and Pakistan.

For the most part, Gulf Arabs and Iran are favorably disposed to the rapprochement between Pakistan and India, while expressing concern over the Government of Pakistan's difficulties with disaffected elements of its society. Certain domestic constituencies in India and Pakistan remain unhappy with rapprochement. Some Hindu nationalists remain unreconciled to Pakistan's hold in 'Azad Kashmir,' while in Pakistan, segments of the public lament the "betrayal" of the Kashmiri people. Islamabad succeeds in absorbing the initial jihadi backlash to rapprochement with India and controlling the jihadi threat. Pakistani leadership circles realize the growing disparity of power and wealth between the two states, and the specter of Indian domination has not gone away. Some political elements in Saudi Arabia and Pakistan in particular see India as an extension of and surrogate for western power, and religiously oriented military officers quietly meet to discuss alternative futures for the region. China and the western powers believe that the success of rapprochement should permit strategic restraint and perhaps even the beginning of a formal arms control process in the region. Sino-Indian relations are calm and border disputes have been resolved.

Evolution of the Scenario The rapprochement between India and Pakistan begun in 2003 is the real thing: leaders in both countries sustain the effort, despite bumps in the road. Win-win economics, symbolized by pipelines, create a political environment where there is momentum for positive change. Even with the cyclical turnover of coalition governments in both India and Pakistan, rapprochement is sustained because there are ever widening circles of stakeholders in its success. Universities develop

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programs where students can receive credit for studying for a semester in the other country; joint ventures prove profitable in the energy, tourism and transport sectors; and even in Kashmir, the two capitals do nothing to impede a gradual easing of tensions and normalization of relations. India relaxes its opposition to Pakistan's membership in the Asia Pacific and Southeast Asian regional arrangements with Islamabad's guarantee that it will not use the forums to raise any bilateral disputes. So too does Pakistan accept India's membership into the Organization of Islamic Conference (OIC). This further facilitates India's forging of links with the Arab Gulf countries and Saudi Arabia as part of its "Look West" policy.

In Pakistan, in the early years of rapprochement, military elites think of the improvement in relations with India as providing "breathing space" during which time Pakistan would improve its economic prospects, clarify its status as a moderate Islamic state opposed to Islamic extremism, and remake itself as an attractive model for disaffected Kashmiris with the prospect of an eventual resolution of the Kashmir dispute on Pakistan's terms. But over time, the logic of stability takes hold. The key change lies in the senior ranks of the Army who, in partnership with the growing entrepreneurial class, are obvious beneficiaries of national economic growth. Pakistan's political and intellectual elites openly support the rapprochement with the expectation that it will facilitate return to civilian rule.

The most consequential internal struggle within Pakistan is between officers who support a "Kashmir first" policy and those who advocate a "Pakistan first" policy. "Kashmir firsters" are spearheaded by officers returning from service in Saudi Arabia, advocating an activist, pro-jihadi stance in South Asia and the Gulf. This faction eventually loses out, but makes the consolidation of rapprochement difficult until after 2010. They engage in rear-guard actions against fellow officers who are convinced that, without economic growth, the country will continue its downward slide. Promotion policies penalize pro-jihadi officers. Some officers do not wait to be singled out, retiring to join the ranks of disaffected jihadis within the country or in Afghanistan. Others stay in place, organizing cells with the hope of creating a fifth column within the ranks. Personnel reliability policies are given a very high priority, but the uncovering of cells supporting jihad remains a common occurrence.

A key factor in determining the outcome of the Army leadership's decision to choose modernization over jihad is the support provided by the United States, Japan, the European Union, China, and the Saudi government to Pakistan's economic modernizers. By 2010, Saudi and Gulf oil flows are increasingly dependent on markets in both India and China. A succession of state visits to Islamabad clarifies that countries that matter to Pakistan believe that a "Pakistan first" policy is essential to national well being. Riyadh's fortunes are tied more strongly to stable, expanding markets in South Asia and China than to religious crusades, and key members of the Saudi dynasty help finance the pipelines and tankers that ply this new Silk Road.

Mood Shifts in Kashmir. Enthusiasm for separatism in the Muslim majority districts of the Indian State of Jammu and Kashmir wanes with every passing year since

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the Line of Control becomes open for trade and tourism. Politicians throughout India are willing to hold dialogues with former militants, and gradually woo most of them into participating in mainstream, nonviolent politics. The central government sticks to its word and conducts regular prisoner releases, often granting prisoners early release from their sentences. The government of India, with some technical advice from Israel and other nations, quickly constructs an elaborate fence along the line of control (except for the highest elevations), and by 2007, improved Indian counter-insurgency techniques, combined with decapitation attacks, fencing, and a steady shift in local attitudes, reduces the militancy to ineffectual, uncoordinated, and low-level attacks. Pakistan continues to reject the fence, but takes no action against it. Instead, it forces “controllable” jihadi groups in Azad Kashmir to lay low and live off their pensions. Trade and family contacts across the line are conducted with little disruption or interference, and the transportation links prove to be a lucrative business that stimulates economic activity in both parts of Kashmir.

In India, the Congress party builds on the rapprochement begun by Prime Minister Vajpayee, and pledges to continue to work for peace and prosperity with all India’s neighbors. The rapprochement is but one sign of India’s success, and leaders admonish their supporters to not gloat or appear too triumphant vis-à-vis Pakistan, for fear of provoking a reversion to subversive activities and revenge tactics. In fact, Indian politics are largely focused on what becomes a revolving door between Congress and BJP, and the BJP becomes more mainstream in its rhetoric regarding Muslims. Both parties continue to champion economic reform. The implementation of SAFTA from 2015 onwards gradually allows for industrial and rural India alike to export products and crops to neighboring markets, helping to raise widely the standard of living.

In the early years, Hindu right-wing elements within the BJP and the World Hindu Council vocally agitate against building bridges with Pakistan and call on the BJP to revert to an ideology-based platform. In the wake of burgeoning and lucrative direct trade and people-to-people contact including cricket tours by both sides, these elements are unable to capture the public’s attention and are gradually marginalized.

The Indian business community is unequivocal in its support for rapprochement, and believes that Pakistani discipline and entrepreneurial skill have in fact contributed to the sustained economic growth in India. Business associations in both countries communicate across the boundary easily, so when disputes or problems arise, each business community can call on its counterpart for quick political support and effective engagement with troublesome ministers or state monopolies.

The economics of energy is one of the principal sources of strength for sustaining rapprochement. The growing energy consumption patterns in India and China create a great buzz of pipeline construction from Central Asia and Iran. The decision by New Delhi to accept international guarantees – and that of Islamabad to accept penalties – for the deliberate disruption of pipeline operations forges a joint partnership in economic development. The main problem for India (and Pakistan) is not deliberate disruption of

supply, but hit-and-run attacks by “bandits” opposed to rapprochement. Fending off and repairing attacks on pipelines are full-time jobs. Even so, the country’s fortunes as an energy transmission belt grow appreciably, as alternative trade routes and pipeline transmission belts through Afghanistan remain blocked by significant internal unrest.

Another significant development is Washington’s decision not to block financing of pipeline extensions into Iran, across Pakistan, and into Western India. “Pipeline geopolitics” and economics help to diminish friction between Tehran and Islamabad, while further improving ties between Iran and India. The Arab Gulf countries also benefit from the relative stability, and Gulf workers of South Asian origin who speak Arabic often move up to middle management positions in developing new energy routes and all the secondary businesses that support Asian economic growth. This activity permits the normalization of labor relations between the Gulf and South Asia so that higher paid South Asians are able to obtain more normal residence status in the Gulf, and over time, contribute to civil society and to an opening of social and political space in the Gulf states.

Domestically, Pakistan initially pays a significant price for choosing economics and rapprochement over a jihad in Kashmir. Azad Kashmiri jihadis are quieted, but many groups remain disaffected. Former wards of the ISI who fought the jihad in Kashmir return to Afghanistan, where they are joined by angry military officers who have been denied promotions and soldiers that have lost faith in a Pakistan that places more faith in money than in Islam. The tribal belt and the Pashtoon-majority region of Afghanistan, where the writ of the central governments of Pakistan and Afghanistan does not carry much weight, are fertile ground for jihad against Pakistan and the United States. Frequent attacks are launched on pipelines, foreign workers, government, and military targets, retarding Pakistan’s economic growth rate and foreign investment.

Islamabad realizes it has to crush these attacks, which are now directly threatening its economic strategy. The Pakistan Army and security forces shift deployments from Azad Kashmir to the western front in order to counter these stinging attacks. Pakistani military operations along the tribal belt are common, often in conjunction with US military operations in Afghanistan. Jihadis remain for sometime a thorn in the side of the Pakistani and US national security establishments, but over time, the operations and the economic pressure the government is able to impose on them cuts into the size and fervor of the jihadi effort. By 2010, the jihadis no longer pose a real threat to the government of Pakistan, and India is persuaded that this is a manageable problem, unlikely to undermine rapprochement.

Strategically, Pakistan maintains excellent ties to the United States and China, which strongly support Islamabad’s “Pakistan First” approach. Pakistan continues to welcome a small, but symbolically significant US military presence, as long as it is confined to bases and is not engaged in military operations on Pakistan’s soil. The US military presence helps counter-balance India’s significant conventional military advantages, while facilitating arms transfers. Opposition to such transfers is muted in India, a reflection of its clear conventional military advantages, as well as its appreciation

of Pakistan's efforts in fighting terrorism and the quieting of Kashmir. For its part, Washington continues to welcome intelligence and counter-terrorism support to a progressive Islamic state. The continued American presence in Pakistan is not a subject of heated national debate, unlike the case for the continued US military presence (and casualties) in Afghanistan.

The apparent durability of rapprochement between India and Pakistan is a huge relief to the great powers, and facilitates US, Chinese and Russian trade with both countries. India succeeds in achieving a rotating, but non-permanent seat in the UN Security Council. Great power intelligence services continue to monitor the nuclear facilities in India and Pakistan, which indicate a non-threatening arms "crawl" on the subcontinent. Indian and Pakistani representatives continue to flatly oppose a rollback of nuclear capabilities, but seem ready to move beyond nuclear stabilization measures to consider modest arms control measures. This evolution is facilitated by the improved situation in Kashmir and the refocusing of the bilateral relationship toward cooperation in commerce and energy.

Also helping political rapprochement and nuclear détente on the subcontinent is the decision by Washington and New Delhi to mutually forego the transfer of missile defenses. New Delhi no longer needs to use missile defense as a "door opener" for advanced US military transfers, while Washington remains deeply divided over the wisdom of such transfers. The absence of missile defense deployments in southern Asia fosters the acknowledgement of a mutual deterrence between New Delhi and Islamabad as well as between New Delhi and Beijing. India and Pakistan focus on improved command and control arrangements and on fielding secure second-strike capabilities. Substantive exchanges on nuclear terrorism and collaborative exchanges between military, political, and intelligence officials clarify how much the nuclear relationship has evolved since the first, troubled post-nuclear decade.

Other Diplomatic Dynamics Even during the consolidation of improved relations, both India and Pakistan hedge their bets by keeping other tactical alliances on track. For India, ties with East Asian powers deepen, and India is active as an ASEAN observer. Its ties to Japan grow, as a strategic counterweight to China. It also develops an important defense cooperation relationship with Israel, and some coproduction of avionics for the NATO market takes place.

Pakistan for its part tries to maintain its special ties in the Muslim world, although it is constantly reminded that the Arabs, Turkey and Iran also want good ties to India. India's Muslims become goodwill ambassadors for India's improved relations across the Muslim world. Pakistan maintains special bilateral relations with a troubled Saudi Arabia, and tries to clear away any historic misunderstandings or tensions with Iran. Iran's conservative clerics, however, do not fully reciprocate, and keep Pakistan on notice about its treatment of its Shia population. After the emergence of a Shia-dominated government in Iraq, conditions for Shia in the Arab Gulf and in Pakistan worsen, and Iran positions itself to be the champion of the Shia cause – another source of friction with Pakistan. These tensions do not, however, interfere with the flow of oil from Iran,

through Pakistan, and into Western India. Sino-Pakistan relations remain strong. China hedges its bets vis-à-vis its own rapprochement with India by continuing to provide “big ticket” items and other military assistance to Pakistan and consolidating the relationship through large-scale development projects.

The strategic losers scatter US-Pakistan joint operations along the western border eventually take their toll on the jihadis whose infrastructure is laid to waste and numbers are significantly reduced. Meanwhile, the local tribal leaders grow weary of the collateral damage from the operations. The jihadis wear out their welcome and are asked to leave. As the jihadis begin to scatter, military cantonments are prominently set up in the region and Islamabad pursues a carrot and stick strategy of pursuing development projects while maintaining tight political and military control. Resentment simmers in the region but the locals focus on their share of the growing Pakistani economic pie. Acts of terrorism in country subside as the dwindling numbers of jihadis in Pakistan gradually enter retirement.

Most disaffected jihadis who leave the tribal areas gravitate to Chinese Xinjiang and Central Asia where increasingly autocratic state policies have radicalized large segments of the population. Their presence is a major source of concern to Chinese and Central Asian leaders. Pakistan extends its full cooperation in regional counter-terrorism efforts and is eventually welcomed in the increasingly powerful Shanghai Cooperation Organization (SCO). Other Islamists try to make their way to the Gulf states, where al-Qaeda cells operate clandestinely. Some Pakistanis go to the Gulf in overt labor exchanges, or military-to-military programs, and many of the returnees are more observant and more inclined to radical politics when they return. Some go as trainers to camps in Indonesia and the Philippines. Both India and Pakistan pledge to work with their counterterrorism counterparts in Central and southeast Asia to apprehend this next generation of jihadis, but Delhi and Islamabad are on balance relieved that the issue has become more one of managing external problems than a serious threat to internal stability.