

**CARNEGIE ENDOWMENT  
FOR INTERNATIONAL PEACE**

**“TRANSFORMING U.S.-INDIA RELATIONS:  
FORGING A STRATEGIC PARTNERSHIP”**

**SPEAKER:**

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**INTRODUCTORY REMARKS:**

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JESSICA MATHEWS: Good morning, everyone. I'm Jessica Mathews, president of the Carnegie Endowment for International Peace, and it's my great pleasure to welcome all of you to the endowment, and to welcome you, Mr. Secretary, today.

We have among us today, as well as our distinguished speaker, the deputy to India's national security advisor, Ambassador Vijay Nambiar, right here in the front row, and the director for strategic planning of India's Department of Atomic Energy, Dr. Grover, and also deputy chief of mission of the Indian Embassy, and we extend a warm welcome to all of you.

It's a particular pleasure, Mr. Secretary, that having hosted your colleague, Defense Minister Mukherjee, last June, that we are ending the year with the foreign ministry, and we hope that we will be able to host distinguished Indian speakers at six-month intervals henceforth in 2006. But seriously, we are delighted to host this address, Mr. Saran, on transforming the U.S.-India relationship because the changes that have occurred in that relationship over the past dozen years, and particularly over the past few years, have been nothing short of breathtaking. The July visit of Prime Minister Singh to Washington provided spectacular evidence of the strides that are being made by both countries in establishing a strong foundation for mutual cooperation and a lasting relationship. As you know, Mr. Secretary, the centerpiece of the agreements that were reached during that visit, the commitment to full civilian cooperation on nuclear energy, have been as dramatic as they have been controversial, both within the United States and, as I understand, in India as well.

Carnegie has been a microcosm of that broader discussion. I'm very pleased, as president of this institution, that the two most trenchant pieces of analysis of that agreement – one championing it by Ashley Tellis and one constructively critiquing it by George Perkovich, who is also with us today – were both published by this institution. Anyone interested in that agreement and I think in the broader relationship would do well to have read both. But I mention it because I think there is no better indication of the endowment's own commitment to non-ideological research and to its recognition of the importance of the relationship between the United States and India, and of developments on the subcontinent, than the fact of those two papers.

Mr. Secretary, as I know that you know, in addition to our work on South Asia, we have an active interest and research program on a variety of global issues, many of them at the core of the U.S.-Indian relationship – trade and non-proliferation as well as democracy and political reform – and we have substantial programs on Russia, on Central Asia, on China. We now have Washington's largest collection of China experts, and we have established a research program based in China, which we look to expand over the coming years. In Moscow, the Carnegie office hosts a staff of 42 people, 41 of them Russian, and by many counts is the leading independent think tank in Russia. In 2006 we'll be opening a new office in Beirut, which will become our forward base for further expansion of our work on political and economic reform in the Middle East.

The reason I mention this, and the reason behind all this international endeavor, is our belief that one can formulate national interest unilaterally, but achieving them requires a deep understanding of others' interests, and in turn that requires deep cooperation – true cooperation based, in the first instance, on careful listening. It's for that reason that we are all here this morning, Mr. Secretary, to listen with great interest to your assessment of the state of U.S.-Indian relations at this critical juncture in the evolution of the bilateral relationship, and we are delighted that you are here with us at the endowment and we look forward to hearing from you.

SECRETARY SHYAM SARAN: Dr. Jessica Mathews, Dr. Tellis, forgive me if, in the course of my presentation, I sound a bit disconnected, because while my mind hopefully is on Washington time, my body is still at New Delhi time. And it's important that one should not be disconnected because I think after years of India and the U.S. being told that they are talking past each other or talking at each other, I think finally we have come to a point that we are talking with each other, and that's the spirit in which I hope this presentation will be made and taken. I have to make sure that I have only one copy of my speech because ever since I have been told that a very distinguished Soviet leader read all five copies of his speech before a captive audience, I have to make certain that I don't make the same mistake. (Laughter.)

I am very pleased to have this opportunity to speak before such a distinguished audience on a subject that I believe is both topical and of great significance. At the outset, let me thank the Carnegie Endowment for providing me the forum to share my thoughts with you; Dr. Jessica Mathews for introducing me; to Dr. Tellis for his role as moderator.

There are occasions when the title for a talk is designed to catch attention, sometimes by a degree of exaggeration. This is not one of them. India-U.S. relations are transforming; I would argue dramatically so. This transformation will result in a strategic partnership between the two countries, and evidence of this emergence is already apparent. Today I would like to discuss our perspectives of that process: what is driving it, how do we further it, and what does it portend for global politics?

A number of independent developments coming together have created the climate for the transformation of our ties. To begin with, the end of the Cold War and the consequent rearrangement of interstate ties allowed both India and the U.S. to revisit their relationship and redefine it to address contemporary opportunities and challenges. Second, this exercise in reassessment would not have had the same value and results if India had remained economically stagnant. Indeed, 15 years of reform and of growing integration with the global processes has made India a dynamic force with still greater potential for the future. Third, rather than be guided by immediate concerns, our leaderships took what could be called a 20/20 view and realized our long-term convergences. This is particularly so when we assess the strategic implications of a world dominated by knowledge-driven societies.

Having said that, the more pressing issues also contributed to a clearer understanding of our shared interests. Global traits today emanate less from nation states bent on aggrandizement and more for transnational non-state actors. There is terrorism, WMD proliferation, pandemics, natural disasters, and illegal narcotics, which are some of the examples of problems that can only be addressed through greater global cooperation. No single state, however strong, can bear global burdens alone. Naturally, in forging new partnerships, countries that share common values and now perceive common interests as well would come together.

Finally, the image of India and the United States has undergone a radical change. Associated as it is with a successful and professionally prominent Indian community and Indian advances in information and communications technology. Similarly, the opening of the Indian economy has also encouraged Indian civil society to expand its interactions with the United States.

These long-term trends would probably have brought India and the United States much closer in any case over a period of time. However, through the exercise of policy choices on both sides, this gradual and somewhat measured transformation was significantly accelerated over the past year. Let me give you a few examples.

Our decision to pool resources and respond together in the tsunami aftermath gave what until then had been routine military exercises between our countries a new dimension. On the economic side, by resolving a long-standing controversy relating to the Enron power project in India, we enhanced our credentials as an investment destination. By concluding an open skies agreement – India's first ever – we addressed a very basic logistical barrier that is now yielding multiple benefits.

Speeding up the next steps in the strategic partnership initiative helped establish a regulatory framework for commerce in space, nuclear and dual-use technologies. The new framework for defense cooperation not only led out a broad vision of joint activity, but it showed U.S. companies a level playing field in defense sales. Similarly, India's participation in the U.S.-led clean development partnership demonstrated our shared determination to respond to the environmental challenge through wider development and deployment of relevant technologies. The change, when it came, was certainly unprecedented in nature, but it was one prepared through a series of steps in the year leading up to it.

The defining moment of this transformation, as you are all aware, was the visit of Prime Minister Dr. Manmohan Singh to Washington this summer and the agreements announced on 18<sup>th</sup> July 2005. The wide-ranging nature of the various cooperative initiatives that were envisaged and the relationship to issues of fundamental concern to both countries announced that the strategic partnership had moved beyond its declaratory phase.

We set for ourselves an ambitious agenda that necessarily challenged orthodox thinking. If we were to realize the vision that our leaderships had not only for Indo-U.S.

ties, but on larger global issues, clearly a new framework for our discourse had to emerge. That, for the moment, is represented by the July 18 statement that we hope to implement and then take forward in the coming weeks.

Given its significance, allow me to dwell a little on the July 18 joint statement. To begin with, it declares that India and the U.S. are moving beyond a bilateral partnership towards a global partnership. It also underlines that our ties are anchored, not only on common values but on common interests as well. These include promotion of democratic values and practices, combating terrorism and WMD proliferation, and working closely on global challenges ranging from HIV/AIDS to disaster relief.

I wish to stress that these commitments were not merely noble sentiments expressed by our leaders, but practical programs of joint action that have already yielded results on the ground. This may be seen in the leading role that we have both taken in the establishment of the U.N. Democracy Fund. It has also been demonstrated in our bilateral and multilateral cooperation in combating terrorism, in speeding U.S. FDA approval for Indian antiretroviral drugs, and our strengthened preparedness to respond to natural disasters. It is our expectation that this global partnership and U.S. recognition of India's central and growing role in international institutions and processes would lead to a more forthright U.S. welcome of India in global leadership positions.

Economic understandings that were agreed upon on July 18 have equally profound implications. After all, the closer integration of one-fifth of humanity with global markets cannot leave the world economy and that of the U.S. unaffected. It has consequences for markets, services and technology that are still unfolding and whose full implications are only now beginning to be appreciated.

Our initiatives focused on harnessing private-sector energies, accelerating growth through greater trade, investment and technology collaboration, rejuvenating Indian agriculture, promoting infrastructure modernization, and strengthening energy security. They address key challenges of our reform agenda and underlying the contribution that Indo-U.S. relations can make towards the realization of our aspirations.

When implemented they would, without exaggeration, make a significant difference to the quality of life of the Indian people. Guiding these commitments was the conviction that the world, and the U.S. in particular, had stakes in the success of a democratic India. Our growth is not only dramatically reducing global poverty levels but could lead us, in the not-very-distinct future, to emerge as one of the engines of global economic growth. As in the political arena, these economic initiatives have all been pursued vigorously in recent months, and we hope that the results would be visible in 2006.

U.S. economic and political stakes in the growth of the Indian economy and its rapid integration with the global market make it natural to focus on accelerating this process. The benefits to India are obvious, but there was an equally clear recognition that the U.S. too stood to gain in no small measure. At a time when the international situation

is in flux, a large and a stronger Indian economy, radiating the twin messages of open society and open economy, is in U.S. strategic interests.

This then led us to address constraints on India's growth and how our cooperation could ameliorate this situation. Two bottlenecks that came up immediately were infrastructure and energy. We undertook to enhance our investment climate and expand opportunities for foreign participation in infrastructure projects. We have launched, as you know, an Indo-U.S. forum whose recommendations will be relevant in this regard.

On the energy challenge, we have embarked on a broad-based energy dialogue that encompasses clean coal, new technologies and renewable energy, civilian nuclear energy, oil and gas, and energy efficiency issues. Each of these areas has made some progress, and we hope to move towards formalizing specific projects in the coming months.

Our cooperation in science and technology also received the attention it deserves. Interestingly, the vast majority of initiatives currently underway have, in one way or the other, a strong technology underpinning. We have since signed a framework agreement in October 2005 that includes, for the first time, an IPR protocol. The High Technology Cooperation Group that met recently in New Delhi has also helped take forward cooperative processes in biotechnology, nanotechnology, information technology and defense. Space has emerged as a major area of cooperation where Indian skills and comparative costs make a strong case for an expanded Indo-U.S. partnership. We have ambitious plans in the commercial space arena, and the conclusion of a space launch agreement currently under discussion would be an important step.

In dual-use technology I am confident that the more liberal and predictable licensing regime that emerged from the NSSP would make itself felt fully in our strategic commerce. Demands will surely grow from an economy that is putting and increasing premium on efficiency.

Quite understandably, it is the nuclear agreement that made the headlines on July 18 and has dominated the discourse on Indo-U.S. relations since. The debate so far does not appear to have done full justice to the real issues involved. Much of the argumentation has revolved around the agreement being a radical departure from the NPT regime. Frankly, this is missing the woods for the trees. If we go by NPT concepts and objectives rather than this littler text, then it is difficult to make a case against the July 18 agreement. Bringing India into the fold is not only a gain for international nonproliferation efforts, but indispensable for the emergence of a new global consensus on nonproliferation in response to current challenges. Any objective assessment of efforts to counter WMD proliferation would surely put a high value on India's participation.

It has been said that India has made no new commitments on July 18<sup>th</sup> and simply restated its current policies. Even assuming that this is true, it then begs the question whether the nonproliferation record of India should be diminished, even devalued, merely

because it can be taken for granted. One may as well suggest that the U.S. should only reward those who stray from the nonproliferation norms, not those who observe them. I might add, particularly for the benefit of those who are partial to this line of thinking, that by strengthening this export control regime and committing to non-transfer of reprocessing and enrichment technologies, and to international efforts to limit their spread, India has actually undertaken additional commitments that put it in the NPT-plus category.

If India's past record and current policies are not recognized, and worse still, if it is to be graded with those whose record in this respect is more than suspect, then our nonproliferation objectives may enjoy the comfort of noble intentions but not the efficacy of tactical action. Certainly the nuclear agreement is a subject of legitimate debate. In fact, it has contributed to greater attention being given to the progress that India and the U.S. have made, not only on this issue but on other facets of their ties as well. Let me take this opportunity to make some comments on issues that have arisen in the course of this debate.

Some experts have suggested what they term to be improvements to the July 18 agreement. Let us be honest. These suggestions are deal-breakers and are intended as such. The proposal for a moratorium on fissile material production was not part of this agreement and will not become so. However, in the conference on disarmament in Geneva, India has reiterated its commitment to negotiations for a multilateral and verifiable FMCT.

Comments have also been made on the nature of the safeguards arrangement. Obviously this cannot be on the non-nuclear weapons state model. While concerns of our partners will be taken into account, it is best to avoid unilateral interpretations and positions. The objective of safeguards is not to address India's strategic program; it is to give our partners the assurance they legitimately expect, that, one, civil nuclear cooperation with India would not be diverted to assist India's strategic program, and, two, it would not result in diversion to third countries.

The mechanics of implementing the July 18 agreement has also been touched upon. This is frankly a non-issue. Having labored over the mountain we will not stumble on the molehill. Whatever we agree upon will be based on the reasonable premise that one side cannot carry all the risks. Therefore, there has to be a co-relation between the actions of the two sites.

Predictions have also been made that India would offer a minimal, even token, separation of her facilities. This displays a lack of comprehension of our objectives in entering into this understanding. India's energy security will be advanced by obtaining international cooperation on as wide a scale as feasible without accepting limitations on our strategic program.

It also appears that India's commitment to nonproliferation is not fully appreciated in some quarters. Let me be clear: India does not favor the emergence of

any more nuclear weapons states, least of all in our own neighborhood. We are unable to accept as legitimate the pursuit of clandestine activities in respect to WMD-related technologies. We believe that all states must adhere to commitments under international treaties and instruments, and furthermore, must be transparent in fulfilling these commitments. At the same time, we cannot expect that the demand side of proliferation can become transparent if the supply side is obscured by continued – (unintelligible).

The nuclear agreement has a larger energy rationale that should not be overlooked. You must bear in mind that India and the U.S. are engaging not on only one element of the energy mix; we are exploring partnerships on clean coal technologies, on exploitation of coal bed methane and gas hydrates, on carbon sequestration, and on the hydrogen economy.

To believe that civil nuclear energy is unimportant because it constitutes only 3 percent of India's current energy production betrays a lack of understanding of our energy requirements and their emission implications. Civil nuclear energy is currently limited precisely because of technology denial. If freed from current restrictions, there is little doubt that it will rapidly move into percentage of double digits.

India is today partnering the U.S. in almost every international initiative on various aspects of energy. The U.S. is contributing to our economic growth and we too are bringing our technology skills to the table. Our collaboration can help ease the growing pressures on the global energy market where oil consumption has gone up four-fold over the last century.

In most areas, market forces are driving transactions but regulatory restrictions are blocking normal commerce in civil nuclear energy and must be addressed if India is to be a long-term partner. Ironically, continued technology denial targets the very reform-minded and forward-thinking constituency in India that is in the forefront of advocating a closer Indo-U.S. partnership.

In the coming weeks, many of the initiatives that I have described will come to fruition and will form the backdrop to the forthcoming visit to India by President Bush. Together they make a composite whole that reflects the increasingly broad agenda of our cooperation, in particular as knowledge partners. Just look at how corporate America is now warming up to the benefits of an Indian partnership. When Bill Gates was in India recently, he declared that the world would be a heck of a country if we could roll our best practices together. Microsoft has recently announced plans for investing U.S. dollar 1.7 billion in research and development in India over the next four years. Intel has similarly committed U.S. dollar 1 billion over five years, and Cisco Systems, U.S. dollar 1.1 billion. JP Morgan Chase will be sourcing its staff for structured finance and derivative deeds from India as well. A recent study has predicted that the exports of India's burgeoning knowledge economy will touch U.S. dollar 60 billion by 2010.

Our future as the driving forces of global knowledge partnership cannot be served by maintaining technology denials. The aspirations of the Indian people for a better

economic future cannot be sustained by restricting that energy access. Above all, any vision of the future must make clear to the Indian people that they are a partner, not a target. We hope that this is the spirit in which the July 18 agreement will be approved through necessary legislation in the Congress.

Indo-U.S. relations are at a crossroads. We have two clear choices before us. One is the road that we have traveled before, one that will maintain the status quo and the distance between our two democracies. The other, not without its challenges, recognizes the enormous changes of the last decade, appreciates the resulting opportunities, and is prepared to depart from established positions to realize a genuine strategic partnership. Its realization could make Indo-U.S. ties one of the principal relationships of the international system. I'm confident that this positive view of our ties will prevail, and will be reflected in the outcome of the landmark visit of President Bush to India early next year.

Thank you very much for your attention.

(Applause.)

ASHLEY TELLIS: I just want to start with an administrative announcement. The foreign secretary will have to leave at 10:00 this morning to make a meeting with Dr. Rice. So I would just invite you to keep your questions short and precise so we can accommodate as many as we can before he has to leave. I'm going to be the traffic cop, so put your hands up to be recognized and I'll call on you.

Aziz?

Q: Mr. Foreign Secretary, that was quite a stellar presentation in terms of the civilian nuclear component where you took on the U.S. nonproliferation lobby. My question to you is there has been some nonproliferation groups here, monitoring groups, that have put out all sorts of wish lists about the separation of military and civilian nuclear facilities in India, and which has also been reported widely in the Indian media. Is there any credibility or coincidence to these types of wish lists, and have you come with a separation list to be submitted? And is the Cirus reactor, which has been dredged up by the nonproliferation lobby here, going to be also included, because Canada has also called for the disposition of this controversy.

SEC. SARAN: That's quite a mouthful. (Laughter.) Well, let me begin by saying that it is certainly not my intention to take on any lobby here in the United States or in India. I think what I tried to do, to the best of my ability, is to give you a sense of the very wide expanse that India-U.S. relations today covers, of which civilian nuclear energy cooperation is a part.

Now, you have the July 18 statement, which I think should be the template, based on which we should do further work with regard to the separation of India's civil and military facilities. And I think this is what we will be doing. I think there will be as

many wish lists and as many separation plans as there are experts. I don't think it is our intention to negotiate this either through the press or through think tanks. I think there is a joint working group which has been set up by the two governments to carry out this exercise, and this is exactly what we will be doing.

I think what is important to realize is that we will be addressing the separation plan on the basis that this has to be credible, this has to be transparent, and this has to be efficient, and it should not – at least as far as we are concerned – impact adversely on our strategic program.

Q: And on Cirus? On the Cirus reactor?

SEC. SARAN: Well, you know, our position is that we have not departed from any of our international commitments, and as far as any specific issue is concerned, this will be addressed at the appropriate time.

MR. TELLIS: If you could just identify yourself before you ask the question.

Teresita please.

Q: Teresita Schaffer from CSIS. It's nice to see you again here, Mr. Secretary. You spoke of transforming a bilateral partnership into a global one. I wonder if you could say something about where you see other kinds of global issues in this partnership, and specifically, to what extent do you think the United States and India have begun to achieve a common view of how they look at issues like Asian security?

SEC. SARAN: Well, I mentioned in my presentation itself that there are a number of transnational issues, or cross-cutting issues, on which India and U.S. not only should cooperate but have begun to cooperate. I mentioned, for example, the issue of global energy supplies. I mentioned the issue of HIV/AIDS. I also mentioned the cooperation between the two sides as far as the promotion of democratic values and institutions are concerned – the UN Democracy Fund for example.

With regard to security issues, I think what both countries agree upon is that we need to have an Asia which is secure, which is stable. I have mentioned earlier that there is a transformation taking place in Asia. There is the emergence of China, there is the emergence of India, and I think you need an evolving security architecture which is able to accommodate these changes which are taking place. I believe that there are ways in which the U.S. could contribute to this. We ourselves are looking at other kinds of ways of doing this. For example, the recently held East Asia summit is certainly one of the mechanisms through which this could be addressed.

So there are many areas of discourse. There may be perhaps areas of convergence, perhaps areas of divergence, but I think what is very important is that today, for the first time, on a whole range of issues, in fact U.S. and India are very intensively engaged.

MR. TELLIS: Albert?

Q: Albert Keidel with the Carnegie Endowment. Thank you for your words. I wonder what initiatives are underway or contemplated with China, who might see a strategic partnership from a different perspective after the U.S. established bases in Central Asia, Bush visiting Mongolia, two-plus-two agreement with Japan on Taiwan, and a strategic partnership between the U.S. and India. What initiatives are thought of or planned to perhaps balance some of this out from Beijing's point of view?

SEC. SARAN: Well, let me begin by stating what is obvious, that just as the United States of America itself is very intensively engaged with China, also has a strategic dialogue with China, so does India. I mean, our engagement with China is also developing quite rapidly. We too have a strategic dialogue with China, and I think one should not look at the India-U.S. relationship as somehow detracting from U.S. relationship with China or India's relationship with China. I think this has been very clearly stated by the U.S. leadership itself to us, that they do not regard the improvement of relations between, say, India and China as something which would not be welcome to the United States of America.

So we do not see this as somehow or the other detracting from this or that relationship. We believe that we are engaged in a dialogue with both partners, both very important countries, and that such a dialogue in fact will help contribute to peace and stability in the Asian region.

MR. TELLIS: Carol?

Q: Carol Giacomo from Reuters. I'm sorry I'm going to have to take you back to the pesky nuclear problem, but I was left a little unclear with your answer to Aziz's question. Has the Indian government actually formulated a formal separation plan? Have you presented it to the United States, or will you present it to Mr. Burns or Secretary Rice when you see them? And will Cirus be designated a civilian facility?

SEC. SARAN: As I said, we have a joint working group, which is precisely mandated to go into the sort of questions that you are talking about. Yes, I have come with certain ideas about the separation of India's civilian and military facilities, but the best forum in which to discuss this is the joint working group.

Q: Good morning. Thank you, Mr. Secretary. I'm Daryl Kimball with the Arms Control Association. You have mentioned that the issue of a fissile material cutoff was off the table. I wondered if you could explain why. India has been for a long time a proponent of nuclear disarmament. This is an issue that is important for the global nonproliferation system. India has enough material for what most consider to be a minimal credible deterrent. If the other five original nuclear weapons states can stop such production, why can't India? Or does India wish to expand its arsenal?

SEC. SARAN: Well, you know, the important thing to remember here is that the July 18<sup>th</sup> joint statement is not about India's strategic program. It is an agreement about civil and nuclear energy cooperation between India and the U.S. And in pursuing that civilian nuclear energy cooperation with the United States, what India is willing to do is to give the assurance to its partners that whatever is coming as technology or as cooperation from its partners would not be diverted to India's strategic program and would not be diverted to third countries.

As far as the fissile material issue is concerned, I stated in my presentation that we are committed, as we have been for some time, to the negotiation of a multilateral, verifiable fissile material cutoff treaty in the conference or the summit.

MR. TELLIS: Yes?

Q: Good morning, Mr. Secretary. I'm Kumar from Amnesty International. First, as you are aware, the UN is creating a new human rights mechanism called UN Human Rights Council. I want to know whether India is going to support it to be a strong body for the next couple of years to be more effective.

My second question is whether there is any misunderstanding by the U.S. administration over the Iraq – how do you call it? – UN oil for food scandal, because senior officials of the Indian government have been implicated – whether that's creating any friction between India and the U.S. Thanks.

SEC. SARAN: No, as far as your second question is concerned, there is no friction at all between India and the U.S. on this issue. You mean the Volcker Commission report. No, there isn't. In fact, the investigations are taking place and we have received very good cooperation from the Volcker Commission and the United Nations.

You've asked about the Human Rights Council. Yes, we are in favor of the reform on the entire structure of the United Nations, of which the UN Human Rights Council is a part. We are – you know, this is a work in progress. I mean, there is a considerable amount of discussion taking place on exactly what the nature of the reform would be. But I would say that we are, for example, comfortable with the idea that this body should perhaps have a higher bar in terms of election. For example, if there is a consensus on there being a two-thirds majority for election of members, that is something that India would have no problem with.

But it is also important I think for any UN-related body to accept the principle of universality. That is, if we start excluding or including countries on the basis of some kind of a report card approach, that would go against the spirit of universality, which is, I think, the bedrock of the United Nations.

MR. TELLIS: Henry?

Q: Henry Sokolski with the Nonproliferation Policy Education Center. Visitors to China are coming back and telling us that the Chinese are quite upset with this deal, and they do think of it in terms of nuclear weapons, not civil. Two questions. First, there was a really stunning editorial by man named Subrahmanyam, and he explained the deal in these terms: We need yellow cake to keep the reactors we've overbuilt running because we're running out of inexpensive yellow cake. Let's declare them all to be under safeguards, and then make more weapons using Indian natural ore. I'm curious what you make of that comment and how sound or unsound it is and why it's sound or unsound.

Second, are you opposed to working with China and Pakistan to come up with some formula to cap either fissile production or the deployment of nuclear weapons? Thank you.

SEC. SARAN: Well, I can't really comment about what China's reaction to this deal has been because so far they have not said anything to us. If they raise the issue with us, we are willing to debate this issue with them, but it has not been raised with India.

Secondly, what may have been comments made in an editorial – I am afraid over the past few weeks there have been any number of articles, editorials, op-ed pages which I think have looked at virtually every nook and cranny of this issue. I think it is not really very opportune for us to respond to each and every one of these comments.

As I said, the two governments, based on the July 18 agreement, have set up a joint working group whose job it is to negotiate how to implement what their leaders have decided. I think I would rather keep myself focused on that exercise rather than be drawn into commenting about each and every comment that is made in either an Indian newspaper or a U.S. newspaper.

Your third comment about whether we would be willing to negotiate something with Pakistan or with China, frankly, again, that has nothing to do with the July 18 agreement. We are not talking here about a capping of India's strategic program. We are not talking here about a fissile cutoff. What we are talking about here is how to address India's energy requirements through civilian nuclear energy cooperation. In the course of it we are willing to give an assurance, as is legitimate, that whatever cooperation is extended to India will not be diverted to India's strategic program and will not be diverted to third countries. That is the basis on which we are working.

MR. TELLIS: Dan?

Q: Dan Horner from McGraw-Hill Nuclear Publications. Two questions, please. One, there have been somewhat conflicting reports about what the outcome of the talks between Prime Minister Singh and President Putin was with regard to nuclear cooperation, particularly with supply of fuel to Tarapur. If you could clarify that please.

And secondly, more broadly, I think it's fair to say there is feeling in some quarters on Capitol Hill and elsewhere that if the U.S. is initiating this action to modify

the Nuclear Suppliers Group guidelines and to change its legislation, that U.S. vendors should get first shot at supplying reactors and fuel to India. Is that the Indian position or is it essentially – are all the potential suppliers on an equal footing with regard to reactors and fuel? Thank you.

SEC. SARAN: Well, the discussions in Moscow between Prime Minister Dr. Manmohan Singh and President Putin covered a very wide agenda, as they would, given the, again, very wide-ranging relationship that we have with the Russians, and that includes civil nuclear energy cooperation, particularly since Russia is building two 1,000 megawatt reactors currently in Koodankulam. We are talking to the Russians, as we are to our other partners, including the French as also the Americans, with regard to a very major expansion in our nuclear energy program. There will be – as far as we are concerned, there would be a level playing field. Once the market is open, there would be a level playing field for all potential suppliers.

SEC. SARAN: Michael.

Q: Mr. Secretary, Michael Krepon of the Stimson Center. The issue of diversion, which you have identified, is key. It's a very sensitive subject, given the history of India's nuclear program. If I heard you correctly, you said that the mechanisms that the IAEA has for dealing with this issue – safeguards in perpetuity for selected facilities, which is applied to non-nuclear weapons states is not a model that you would approve of for India. Did I hear you correctly, and do you have some other model, some other kind of safeguard agreement in mind to deal with this question of diversion.

SEC. SARAN: Well, you know, this issue of perpetuity has been raised every now and then. Let me put it this way: As long as there is a guarantee or assurance of lifetime supply of fuel, I don't think India would have a problem with lifetime safeguards on such fuel.

With regard to the kind of safeguards that would be applicable, I think those safeguards will have to take into account what the joint statement itself has recognized, that India has a civilian program but India also has a military program. And therefore if you say that safeguards which are applicable to non-nuclear weapons states, parties to the nonproliferation treaty, is what would be applicable here, I think that does not really – it's not really correct.

So while we are not recognized as a nuclear weapons state under the NPT, there is a recognition that India has a military program and a civilian program, and whatever safeguards are finally agreed upon with the IAEA will have to take this factor into account, and there will be, therefore, appropriate safeguards.

MR. TELLIS: Sandy.

Q: Thank you. I'm Sandy Spector with the Monterey Institute, and I guess I have been one of the individuals trying to highlight the Cirus reactor, which has been

discussed here earlier. I think this goes fundamentally to the question that you have – not the question, the point that you have made about providing assurance to the world that India will not divert civilian technology to a military program. Everyone else, except India I would say, around the world looks back at the Cirus episode as a case in which Mrs. Gandhi diverted a civilian reactor to a non-peaceful purpose which India had pledged to retain as a peaceful-use reactor. And whatever may be said about the 1974 test, since that time, most everyone else in the world believes that this reactor migrated into the nuclear weapons program.

So this is an example that exists today of an apparent diversion. Now, perhaps we can – I don't want to argue or debate the point with you; I'm just saying this is how it's perceived. So if India wishes to make a credible case to the world that it is going to be a reliable nuclear partner in the future, I think this history needs to be cleared up.

I would also just comment that I fundamentally agree with you when you state that this nuclear agreement is only a small part of the overarching agreement and understandings between our two countries, and therefore I am confident that were it to be modified or to be delayed or perhaps fade a bit, the core understandings between our two countries would continue.

Thank you.

SEC. SARAN: Well, I really would not like to get into an argument about the Cirus reactor or this or that aspect of our separation plan because this is something which is really a – something which is in progress, something which is under discussion. But I think what I would like to reiterate here again is that if the international community extends nuclear cooperation to India, we do believe that we have the responsibility to assure our partners that what is coming to India as civilian nuclear energy cooperation will not be diverted to unauthorized uses.

MR. TELLIS: Yes.

Q: Jason Ma with Inside the Navy. Mr. Secretary, I was hoping you could comment on the nuclear agreements – the implications it might have for any weapons sales with the U.S. and India, and in particular, if the agreement provides India with some assurance that if India were to buy U.S. weapons, any spare parts, it wouldn't get cut off under some sanctions the U.S. would impose because of the nuclear program.

SEC. SARAN: I frankly do not see any direct connection between civil nuclear energy cooperation and defense cooperation between India and the U.S. As you are aware, we have concluded a framework for defense cooperation between the two countries, which sets out the parameters within which such cooperation can be pursued by the two countries. And for India, one of the most important elements in terms of taking this defense cooperation forward, would be the aspect of reliability. This is something which is critical as far as India is concerned, but when we are talking about civilian nuclear energy cooperation, I think you need to put that in the larger context of

whether or not it is really desirable for the United States of America to continue to operate technology denial regimes against an India which it also says is a partner. We believe that this is inconsistent.

MR. TELLIS: Yes.

Q: (Off mike) – with the Voice of America. I want to know – obviously this nuclear agreement – July 18<sup>th</sup> agreement has to get past the Nuclear Suppliers Group and the U.S. Congress. What is the status of negotiations? What exactly specifically are you doing? What kind of problems are you running into with those two groups? Many people say that those agreements aren't going to happen, especially with the Nuclear Suppliers Group. Is that right?

SEC. SARAN: Well, as far as the July 18<sup>th</sup> statement is concerned, it is the United States of America which has committed itself to bringing about the kind of legislative changes which are required through the U.S. Congress, as well as work together with its partners in the Nuclear Suppliers Group in order to make full civilian nuclear energy cooperation with India possible. So this is a U.S. responsibility.

We cannot negotiate with the U.S. Congress. However, I think in terms of building up the case for such cooperation, whatever India needs to do in convincing public opinion in the United States amongst the Nuclear Suppliers Group, naturally we will do.

MR. TELLIS: Khalid.

Q: Khalid Hasan, Daily Times, Lahore. Sir, this agreement has been viewed with some trepidation in Pakistan. I was wondering if this has come up for discussion between the two governments at any level. Thank you.

SEC. SARAN: Never to my knowledge.

MR. TELLIS: The gentleman there.

Q: Takashi Sadahiro with Yomiuri Shimbun. On UN Security Council reform, so-called G4 initiative by India, Japan and so on, was not very successful earlier this year because of opposition including the United States. Now, what will you discuss during your visit in United States on these topics? And from your perspective, is this G4 initiative still alive and what is the prospect of success? Thank you.

SEC. SARAN: Well, you know, there are two aspects to this. One is the issue of whether the United States of America would support India's candidature for permanent membership of the UN Security Council. That need not necessarily be connected with the G4 initiative. The G4 initiative really is a mechanism in order to bring about what the four countries wish to see happen, which is the reform of the Security Council expansion

in both the permanent category as well as the non-permanent category. So these two issues are not really, in our mind, necessarily mutually exclusive.

As far as the G4 initiative is concerned, I don't think you should be too much in a hurry to believe that because I think it is still something which has some life left in it. The main problem has been whether or not we are able to get the majority of the applicant countries on board. And after the last summit, the African countries have taken the decision to present their own resolution. Let us see what happens to that particular – (unintelligible).

We believe that it is still possible for the African Union and the G4, plus their supporters and sponsors, to work out a text which would in a sense bring the two resolutions – current resolutions much closer together. If we have the African countries on board, then I think the G4 initiative has a very good chance of succeeding.

MR. TELLIS: Go ahead.

Q: Mr. Secretary, this is Gopal Ratnam, reporter for Defense News. You set the July 18 agreement and the defense framework agreement in the larger context of relation between the United States and India, and you pointed to improvements in the role that India can play on several fronts, including in producing antiretroviral drugs and so forth. I'm wondering, what kind of a role do you see for India in the larger security arena, either in the global area or in the regional security area? What sort of a role do you see for India merging as a result of the relationship with the United States improving?

SEC. SARAN: Well, I don't think it is only with respect to the United States. I think there is a broader role that India has in fact been playing and can play. One is that with the kind of capabilities India has developed over the past several years, it has demonstrated that it is uniquely placed to contribute to, for example, disaster management efforts. That was one of the reasons why after the tsunami there was an interest in the United States to work closely together with India in dealing with the aftermath of the tsunami. So that is one aspect.

The security of sea lanes is another aspect where India can play an important role. There is the issue of terrorism, which is very, very high on the agenda of the United States of America, and also happens to be very high on the agenda of India. And that is an overriding security concern, whether two countries can and in fact are working together.

So there are a number of areas where the two can work together.

MR. TELLIS: Grant.

Q: Grant Smith of SAIS. Mr. Secretary, Iran is another area of potential disagreement between the United States and India, in particular the question of the Iranian nuclear program and the question of a pipeline from Iran across Pakistan to India.

Could you discuss India's position on those, or likely position on those two issues in the future, and whether they're connected.

SEC. SARAN: I'm sorry, what was the first issue?

Q: The Iranian nuclear program.

SEC. SARAN: Well, you know, on the Iran nuclear program, again, India has taken a very consistent position, which is very well known to the United States. And let me repeat: We have said that we expect countries to honor the commitments that they have made under international treaties and observed whatever obligations they have undertaken. And we have also said that we do not wish to see another nuclear weapons state emerge in our neighborhood.

With regard to differences that may have arisen between Iran and, for example, the European Three, we have always supported a dialogue, and we are very happy that that dialogue seems to be in the process of being resumed right now in Vienna.

We believe that as far as these issues are concerned, they should be dealt with within the purview of the IAEA itself because there could be unintended consequences if the matter is taken to the Security Council. So as far as India's position is concerned, I think it has been fairly clearly spelled out.

And you mentioned a second –

Q: (Off mike.)

SEC. SARAN: Well, no, I think we have been talking about energy security and now energy security is a very major concern for India, and I'm sure it is for Pakistan as well. Let me say that as far as this proposed pipeline is concerned, we will look at it from the aspect of its economic viability: Does it meet the requirements of India in an economical way? That would be the touchstone.

MR. TELLIS: I'm going to admit one last question because we have to get the secretary out of here soon.

Sharon.

Q: Thank you. Sharon Squassoni from the Congressional Research Service. Mr. Secretary, in 1985 the U.S. concluded a peaceful nuclear cooperation agreement with China, and I think hopes were high that the U.S. would be able to export quite a bit to China, but that hasn't been realized. Given India's plan to move towards a thorium-based fuel cycle, what areas do you think – or are you interested particularly in cooperating with the U.S.? I know the July 18<sup>th</sup> statement mentioned low-enriched uranium to Tarapur, but are there really areas where the U.S. and India can cooperate and the U.S. can realize some benefits? Thank you.

SEC. SARAN: Well, the way we look at is the manner in which our energy needs are really exploding, in a sense, there will be room for all our partners, including the United States of America. That's why I said if such cooperation became possible, there will be a level playing field for all our partners. But beyond that, let me mention that India is also participating as a full partner now in the International Thermonuclear Energy Research Project. We have expressed an interest in the generation for a reactor program – research program that the United States is leading. So we are not only looking at current cooperation in terms of reactor sales, but we are looking at a much wider canvas for the future as well.

MR. TELLIS: On that note, let me take the opportunity to thank Mr. Saran for having come to the Carnegie Endowment and made this presentation this morning, and to all of you. We roused you out of bed at an unreasonable hour in the holiday season to come here at 8:30. Thank you very much for your attendance.

(Applause.)

(END)