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**SUBJECT: INDIA UPDATE, INCLUDING PRESIDENT BUSH'S TRIP TO  
INDIA AND IMPLICATIONS OF THE U.S.-INDIA NUCLEAR AGREEMENT**

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MS. AYRES: Hello. Can everyone hear me? I think we're going to begin.

First of all, I wanted to thank everyone for coming to today's meeting on the India update. It was put together in a very short span of time, about a week or so, and so it's actually terrific to see so many people here in the room on a sort of hot March day.

Please take a moment before we begin to turn off your cell phones, BlackBerrys and other electronic devices. We don't want to have anything interrupting our session today. I also want to remind everyone that this meeting today is on the record.

What we are going to do is ask each of our panelists to give a sort of presentation for about five to seven minutes, and then we're going to go through a kind of informal interview, and then we'll be taking questions from the audience. So that's how we'll proceed today.

You all have the speaker bios in front of you, so I'm not going to read through them word for word, but I would like to say to my immediate left is Ambassador Salman Haidar, one of India's senior-most members of the foreign service. He has retired. He's this year a senior fellow at the U.S. Institute of Peace in Washington. It's absolutely fabulous that he could come up here today.

To his left, of course, is Michael Krepon, an intellectual entrepreneur, founder and president of the Stimson Center for more than a decade now, still directing their South

Asia programs and commuting from Virginia, I believe, where he's also teaching at the University of Virginia.

And then, of course, to his left is Ashley Tellis, who needs no introduction. Ashley has been, of course, deeply involved in crafting the proposed civil nuclear deal between India and the United States. Today, in fact, we're going to ask Ashley to begin with his remarks because I think it's important for everybody to get a sense of exactly what the particulars are that we're dealing with.

So this is an India update. We're going to cover lots of topics, but the civil nuclear deal is the one that I believe is the most contentious at the moment, so I believe we'll begin with that.

Ashley?

MR. TELLIS: Thank you, Alyssa. It's a pleasure to be here with you this afternoon and give you a sense of the factors that led up to the events during the president's visit to Delhi in the recent days.

I believe most of you have the broad details of what was agreed to when the president visited Delhi. We finally reached agreement with India on the separation plan, which was the implementation component of the agreement that was arrived at last year on July 18th.

On July 18th the president basically made this decision with Prime Minister Manmohan Singh that we were going to have a new relationship with India, especially in the area of civil nuclear energy. And an agreement was reached that India would come back to us with a plan to separate its civilian and its military programs; and once that separation plan was, in a sense, tabled and accepted by the United States, the administration would then proceed to fulfill its end of the bargain, which is to ask Congress to amend the Atomic Energy Act of 1954 as amended and proceed to ask the Nuclear Suppliers Group to treat India as an exception to the current guidelines. That is the basic deal that was reached on July 18th.

And what happened during the president's recent visit to New Delhi was that, after many months of negotiation with India, the Indians tabled the separation plan, which the administration accepted, and therefore we can now move on to our portion of the bargain.

I would say a few words more about the separation plan in a minute, but I want to just lay the stage by giving you a sense of why we embarked on this grand adventure. And I think there are three basic reasons that we must keep in mind when one tries to evaluate the worth of the separation plan.

I think there were three basic reasons why the administration went down this road. The first was the president was very conscious of the fact that for 30 years the biggest impediment to a close U.S.- India relationship was our continuing disagreement about

India's nuclear weapons and its status in the international nonproliferation order. And so even before Bush entered office, he was quite determined that his administration would put in place the building blocks for a new relationship with India.

And so from the get-go, what the president decided was that India is a country with which we want to have a new relationship with, first and foremost for our own reasons. It's a rising power; it's a fellow democracy. Within 20 or 25 years, it's going to be the third or the fourth largest economy in the world, and this is a country with which we want to have a strong relationship, virtually akin to an alliance if we can pull that off.

And so given the history of the last 30 years, the president decided that we were not going to get to where we wanted to be if we didn't fix the problems associated with India's anomalous status in the nuclear regime. And so, starting with July 18th, this is exactly the principal reason why he embarked on this course of action: solve the problems associated with India's anomalous status and open the door to a new relationship with the United States for a variety of reasons that all of you can very easily discern.

There's a second reason which I think was extremely important to the president. In March of last year, this administration decided that assisting the growth of Indian power would be a U.S. national security interest because we see an alignment with a large, prosperous, growing, democratic country like India to be something that advances our interests not only in Asia, but throughout the world.

Assisting the growth of Indian power had a very specific consequence. It meant that we would do whatever is in our capability to help India maintain its growth rates, its desired growth rates of about 8 percent for the next two decades, if that's what the Indians sought. And that, in turn, had a further development implication: India cannot sustain those growth rates unless its tremendous energy deficits were satisfied. If you look at the pattern of the Indian energy sector, if India wants to maintain 8 percent growth rate for another three decades, it faces up a deficit in installed electric capacity of about 130 gigawatts. And the administration looked at these statistics and said India can meet this deficit by burning large quantities of dirty coal, or becoming more and more dependent on the global market for fossil fuels, which in turn would raise the prices of fossil fuels with great consequences for the United States, or it could begin to look to other alternative sources of energy, the most attractive of which, for various reasons, is nuclear energy.

And so the administration decided that it was going to explore avenues to provide India with access to civil nuclear energy. However, because of the nature of the global nonproliferation regime, which had been in place for 30 years, this kind of access was essentially impossible to provide unless India's status within the global nonproliferation order was rectified. And so the second reason why the administration moved in this direction was to try and resolve issues relating to energy production.

And the third reason, which, again, is important to appreciate, was the need to bring India into the global nonproliferation regime. India has, over 30 years of isolation, developed a great variety of nuclear capabilities in-house, all regulated by Indian law, but not regulated by any international obligations. Especially after the events of 9/11, the administration was convinced that we would all be better off with India inside the nonproliferation tent where its nuclear resources were, in a sense, tethered to a global regime through a variety of multilateral commitments. Now, it would be unreasonable to ask India to adopt these multilateral obligations if it did not get the benefits from a multinational regime. And so one of the important drivers behind the president's initiative in pushing this civil nuclear agreement with India was to, in a sense, construct a bargain whereby India takes on global nonproliferation obligations in exchange for which it is given the benefits that all other countries in the regime also receive, which is access to civil nuclear technology.

And it's really these three drivers in totality that explain why the administration moved in the direction that it did.

I'm just going to say -- spend one minute talking about the separation plan itself, and then I'll yield the floor back to Alyssa.

Under the separation plan, what India promised to do is essentially the following. It has separated -- conceptually, at the moment, and practically over time -- its civilian nuclear energy sector from its military energy sector, from its military program. And in effect, it has said that it does not seek any cooperation with the international community in the military program -- that's something that India will run by its own lights, but it does look forward to international cooperation in the civilian sector. By the end of 2014, 65 percent of India's installed nuclear power production, or 14 out of 22 reactors, will basically be brought in under IAEA safeguards. India has also committed to bringing all future civilian power reactors and all future breeder reactors under IAEA safeguards when these reactors are constructed or purchased. Of course all reactors imported from abroad would automatically come under international safeguards because that would be the condition for the sale of such technologies. In addition -- and you can look at the State Department's fact sheet that was issued about three or four days, I believe, it has a laundry list of all other commitments that the Indians have made as part of the separation plan.

Let me say one other thing that's important to keep in mind. When we went into these negotiations with India and the separation plan, our objectives were to bring India into the global nonproliferation regime in three important ways. We wanted India to accept world class export controls to ensure that the technologies that India has in-house were not diverted either to its military program or to third countries. Second, we wanted India to accept new obligations with respect to the sale and transfer of enrichment and reprocessing technologies, which they have done. And third, we wanted India to work with the U.S. in solving the hard cases of international proliferation worldwide.

We did not set out in these negotiations to either cap India's nuclear weapons program or to compel India to eliminate its nuclear weapons program. The Indians would never have signed up to such a bargain, and this was never part of our intention from the get-go. And so when one evaluates the separation plan, one must take into account the fact that it was neither India's intention nor a U.S. intention to curb the Indian nuclear weapons program, because any deal that required curbing or eliminating India's nuclear weapons program would have been a deal that the government of India would have never accepted.

Thank you.

MS. AYRES: I think maybe this is a good moment to ask Ambassador Haidar to describe for us in a little bit greater detail what are the challenges that Prime Minister Manmohan Singh faced in crafting the terms of this proposed deal? What kind of a deal is possible for India to accept? What are the constraints on the prime minister?

MR. HAIDAR: Thank you. Before I get into that, I think it's worth noting that by and large, this deal has been very well received in India. The kind of critical comments that are frequently heard and seen here in America do not have a counterpart in India.

At least I think so. I haven't been in India the last few days, but the information that does come to one suggests that.

Now, India has the sense that finally they've come in from the from the cold. We have been a kind of nuclear outcast for a long while. We have felt that the position we had taken on the NPT and on pursuing an independent nuclear course were -- that this position was dictated by our security requirements and by our divestment imperatives.

So we pursued our course. It has at different times brought us into opposition, even in the form of conflict with the international community. But that seems now to have changed, and the agreement is a great emblem of India now, as you were just told once again -- being part of a global regime which -- whose essentials we have observed even when we were following our own path.

Now there are substantive benefits for India, not least I would say that -- you know, it -- this program for whatever reason -- India's atomic energy program has been very closely guarded. Indians know more than others -- have been only very vaguely aware of what's been going on. In fact, when these negotiations were in their final stage, there was a rather plaintive cry from one of our leading media -- leading newspapers that we also want to know. It's not only America that is asking for the structure of our nuclear program, what goes in which package with -- what is civilian, what is military. Indians also want to know.

So I think that sense of a kind of greater openness to a -- to some extent -- I'd say that -- I mean, not being an expert in this matter, not having a great deal of information, I can't say how far it takes us, but certainly it is a step in a direction that many Indians would

applaud in terms of our having a more normalized way of handling our own atomic energy processes.

Now regarding opposition to it, which -- I was asked to refer to and to try and assess. Basically, it is not my feeling that this is a very difficult task for the government. I don't think that there is a kind of -- that they would be going -- they would be pushing people -- pushing the public in a direction where -- that it does not wish to take.

There were certain views that no doubt gave the government pause before the deed went through, and these were by very senior and respected serving and former heads of the Atomic Energy Commission of India who, for various reasons that they gave -- one pervasive sense was precisely the opposite of what I just said, that they did not -- having worked behind the curtain for 50, 60 years, they would love to have -- to come out in the open or to be more in the open because they felt that this would compromise some of the tasks that lay before them. So that was one line of criticism.

And there was also a more technical assessment of what had happened. I leave it to Michael Krepon to -- if he's indeed at this part of his task -- to talk about things like the fast breeder program and so on and how that was felt to be affected by the deal as it came.

But in the event -- the prime minister was quite frank in a comprehensive statement to parliament. He brought many things into the open that had not formally been discussed in these terms, and I think that he had got an adequate response from all parts of the political spectrum to be able to go ahead in the confidence that what he was now embarking on would have general acceptability.

There's one further element. A deal of this nature cannot be seen in purely technical terms and cannot be assessed in technical terms alone. It does point to a new order of relationship, for whatever reasons, whether democracies or this or that or whatever. I think we can add them up, but generally a sense that a new partnership is now being shaped -- it is possible and is desired by both sides. I think that is really the decisive consideration which permits -- or which has permitted this deal to materialize and to mature.

And it is here that there have been some negative sounds which have been noted and perhaps are worth noting.

There are some elements in India who feel very uncomfortable with being too friendly with America. I think that is a position that is not concealed, but it is also not an opinion and not a -- or should I say a sufficient body of opinion to have any decisive effect in India today.

But there is also the sense that this partnership, which is welcome, which has much to offer India, is leading in a direction where we're not quite clear of where it is going to take us. What is a strategic partnership? What does it amount to? And I think that these

are questions for the future, that as the two countries engage more closely with each other, some of these -- the limits of where we can go together and where we must agree to go in separate directions will come in focus.

One part of this which has been discussed perhaps more in this country than in India is the part that China plays in this particular relationship. Is it a target? Is India now being encouraged in an indirect, in a subtle way to have the kind of nuclear capacity that counterbalances China? Is it being seen as a counterweight to China in Asia?

Well, that's not necessarily the way India sees its own role. So to work out the different perceptions to see how far, as I've said, how far we can actually grow together in this necessarily nebulous area of strategic partnership is something that has been now thrown up by this deal.

MS. AYRES: Michael, you've been working on nonproliferation for a couple decades, is that correct? I wonder if you can speak a little bit about -- we know that you see some downsides to this deal, and can you please speak about those? But also, are there any upsides that you can recognize in the deal, as proposed?

MR. KREPON: My hair is gray, so I've been working on this problem for --

MS. AYERS: (Laughs.)

MR. KREPON: -- couple of decades. The administration has placed a hugely significant bet on the table. It has taken a bold step, a game-changing step not playing at the margins, but getting in there and shifting a lot of pieces on the table. It has done so in a very familiar way to us, very little consultation with the Congress -- none before this agreement in principle was reached last July; little consultation with allies -- well, we did talk to one ally about what we were thinking. Second-guessers' expertise within the executive branch, perhaps even within the intelligence community, was not consulted. Naysayers were excluded from the room, and a *fait accompli* was produced.

The big bet this time is that the geostrategic benefits of a deal with India will outweigh the downside risk to proliferation. That's the bet that's been placed. And I think we've learned enough now to know that when such a major bet is put on the table, we have to ask about basic assumptions. We have to really hone in on basic assumptions. We don't know how this will come out. All of this anticipatory, but if we look real hard at the basic assumptions, if they are faulty, then we ought to know that there could be serious trouble ahead and that the downside risks for proliferation could be very severe.

So what are these fundamental assumptions that the administration has belied upon to place this bet? I think Salman gave us one of them about a counterweight to China. How much India will help the United States as a counterweight to China is a very important question that needs to be asked. My own view is that India will help the United States when it is in India's interest to help, and it will stay equidistant between the United States

and China when India perceives its interest to remain on defense. But that's one fundamental bet or assumption behind the bet that we have to mull over.

The second fundamental assumption is that downside proliferation risks can be confined to India. That is to say, India will be a responsible nuclear state with advanced technology and that we can carve out an exception for India, and we can keep it there. There won't be follow-on episodes of nuclear commerce that we would oppose.

Now, a lot depends on how the group of nuclear suppliers behaves henceforth. The Nuclear Suppliers Group -- 45 countries -- has operated by informal consensus. Bad ideas get -- have delayed implementation or no implementation.

Now, the Nuclear Suppliers Group works by informal consensus. The United States and other key stakeholders, in trying to tighten the rules of nuclear commerce, have been pretty successful amongst this cartel. The Bush administration has gone pretty far to reach this deal. It has compromised the pledges and the assurances that it made to Congress when it was negotiating this deal. That's how important the deal is to the Bush administration. And I can give you particulars, if you like. My sense is that the Bush administration, having placed this bet, will be pretty active in the Nuclear Suppliers Group to twist arms, change the rules to get this thing through; make side deals, if necessary. It won't be hard to convince the profit-takers in the Nuclear Suppliers Group. But most of the Nuclear Suppliers Group do not sell power reactors and they are key stakeholders in this regime. If the informal rule of consensus building is badly weakened or broken in this cartel, the down-side risks will be open-ended and this rule will not be exceptional to India; others will follow.

So, how persuasive will the United States be not just on Capitol Hill, but amongst these suppliers? Will this be a one-time-only deal? We're only going to make an exception for India?

Now, the regime -- the nonproliferation regime, which is built around rules, regulations, treaties, informal agreements, is deeply imperfect, and it's also absolutely essential, and a norms-based system hates exceptions. The two don't go together.

The Bush administration went to Congress, after deciding to do this deal, with several promises in order to limit the damage done to proliferation. One of these promises was that the separation plan, that Ashley talked about would be defensible and credible from a nonproliferation standpoint. Therefore, the Bush administration promised Capitol Hill that these breeder reactors would be under safeguards. They are not, at least not the ones that are currently in being or under construction. The Bush administration promised Capitol Hill that safeguards would be in perpetuity for civilian facilities. They are not. The administration has consented to the Indian government's insistence that the safeguards last as long as fuel supply lasts, and if fuel supply is withheld, then all bets are off. Think about that if it becomes a precedent in countries that are less responsible than India. The administration pledged to Capitol Hill that this agreement would really be about electricity and the growth of India's electricity and not about the growth of India's

nuclear stockpile, and that this would be demonstrated by the separation plan. The separation plan puts 10 additional power reactors under this new- fangled, India-specific set of safeguards, and eight power reactors, six of which are knock-offs from the Canadian reactor that was diverted for India's first nuclear test, six of these reactors are real plutonium producers. They will not be safeguarded. This deal avoids the choice in India between electricity and bombs, which was why it will be an easy sell in New Delhi, because it pleases the bomb- making community.

So this is a very big bet, a very big bet. It could be as big a bet as Iraq. And we really have to test the assumptions behind this bet to see whether up-side potential is greater than down-side risk.

MS. AYRES: I'm going to take the privilege of the chair to ask a question here, and then we're going to open it up to the floor for Q&A.

Michael, am I hearing you say that you can envision a civil nuclear deal between the U.S. and India that would work, that would strengthen the nonproliferation regime, if the terms were different?

MR. KREPON: I could support a deal that met the Bush administration's criteria for this deal --

MS. AYRES: That they gave to Congress.

MR. KREPON: -- that they gave to Congress.

MS. AYRES: Okay.

Ashley, I saw you nodding your head or, rather, shaking it from side to side while Michael was talking! (Laughter.) So I wondered if you had anything to say perhaps by way of a rebuttal?

MR. TELLIS: I have plenty to say -- (laughs; laughter) -- but I'm going to just restrict myself to the facts. (Laughter.) There are four issues that Michael raised that pertain to matters of fact. The Bush administration promised Congress that the separation plan would be defensible and credible. There was no connection made between the defensibility and the credibility of the separation plan and bringing any category of Indian reactors under safeguards.

Michael has chosen to translate defensibility and credibility as implying that the breeders would be safeguarded. Now, there may be good reasons to safeguard the breeders.

MR. KREPON (?): You testified that that was a requirement.

MR. TELLIS: We testified that it was one of the elements that was under negotiation with India, but we could not testify as to what the Indians would bring under safeguards,

because the negotiations to that end were not completed at that point. We had no idea what India would choose to segregate. Remember the principle here. This is India's separation plan, it's not ours. All we needed to do was to make certain that this separation plan would advance the objectives which we set out for it, which is to enhance the production of electricity. And I'll come to that in a minute.

On the second issue, India has promised to safeguard its reactors in perpetuity. There are no ifs and there are no buts. The separation plan is extremely clear. It is not conditional on the provision of fuel. What the United States has done is that it has offered India assurances that fuel would not be disrupted because of India's concerns about the reproduction of the experience it has had with (Tarapur ?). But at no point did we concede the principle that India would bring safeguards in perpetuity conditioned on the supply of fuel.

On the issue of electricity versus increasing the Indian stockpile, the administration made the judgment that the separation plan, which brings 65 percent of India's current and projected reactors under safeguards, is a major contribution to India's electricity production compared to the current numbers, which are 19 percent, and which, once the door to imports is opened, could actually reach about 90 percent of India's entire nuclear state by about 2015.

Finally, on the question of India-specific safeguards, the reason why the administration consented to the concept of introducing India-specific safeguards is for a very simple legal reason. India is neither fish nor fowl. It's neither a nuclear weapon state under the terms of the nonproliferation treaty, nor is it a non-nuclear weapon state, because it happens to be a country with nuclear weapons. And therefore, the standard safeguards agreements that the IAEA has with these two categories of states -- which are INFCIRC 66 versus INFCIRC 153 -- are agreements that cannot apply to India in any transparent way. So, almost by definition, any safeguard agreement that India negotiates with the IAEA would have to be India-specific safeguards. This is not an attempt to circumvent any existing obligations that we have to the IAEA or that New Delhi has to the IAEA.

MS. AYRES: I'd like to open the floor to questions now. I'm sure there are a lot. We have microphones coming around, so if you could just wait for the microphone and speak directly into it, we can capture the session. It's being recorded.

Maya? Please stand, state your name and affiliation.

Q Maya Chadda. My question is to anyone, any of you. What would happen if the treaty didn't go through, if the Congress didn't approve it? What is the fallback position? What will happen to the Indo-U.S. relations in terms of projected strategic partnership? That's one question I have.

The second question is probably to Salman.

MS. AYRES: Can I ask you to keep it to one question so we can give everybody an opportunity?

Q It's a related question, very quick question.

MS. AYRES: Always a quick. (Chuckles.)

Q Very quickly, yes. If it does go to Salman, what are likely to be the strategic consequences of India's relationship with Pakistan, China and Iran? (Laughter.)

MS. AYRES: That was a very quick question. It's going to have a long answer.

MR. KREPON: I'll try Maya's first question. No friend of India, on Capitol Hill or elsewhere, should have to choose between that friendship and nuclear proliferation, but this is precisely the choice that we have been left with. The relationship and the geostrategic bet is based on the premise that the United States and India have a confluence of interests. And we will be shoulder to shoulder on many issues. I agree with that. And for that reason, the United States is moving forward in a dozen different areas with India -- defense cooperation, space cooperation, public health, agriculture, trade, investment, you name it -- into which we have placed the nuclear deal. So the hang-up was a voluntary hang-up inserted amidst a pattern of relations that is improving smartly and is now jeopardized.

If the geostrategic bet that the administration has placed on this partnership is correct, it will withstand the imposition of congressional conditions on the deal to lessen the downside risk associated with proliferation, including the risk that we have made it easier for India to resume testing by pledging, or assuring, as Ashley says, continued supply afterwards. So this is an unnecessary choice, for me it's a hateful choice, because I do want to improve bilateral relations significantly. And it's a -- the word is "choice." So, war of choice against Iraq; nuclear deal of choice in the midst of greatly improved bilateral relations.

MS. AYRES: Ambassador Haidar?

MR. HAIDAR: Iran, China, et cetera, Pakistan.

Let me say that -- first, just one sentence on this. I think that if relations have advanced to this point and there's a whole range of issues that have brought us much closer, and that important decisions have been taken by the top-level persons in both countries to advance further this deal and elsewhere, even if there should be roadblocks now in Congress I would assume that that relationship is moving and it'll go forward and (it'll become ?), so to say, that this is a make or break sort of effort.

It's an extremely important effort. But I don't think that it would -- even in the worst-case scenario, it would represent a fatal setback. We would return to the matter in a different

form in due course, as this is one element and an important element in the relationship. At least that's my view.

I think the fallout -- this step -- for the advance of the bilateral relationship to have reached this point, it stands to have been possible without much that has happened before at the strategic level, and one very important part of it is the deal linking of relations between America and India, with those -- between American and Pakistan, this so-called dehyphenation. I think it is significant, and we've seen it at work here, that there's no sort of balancing or counterpart agreement with Pakistan. This doesn't mean that Pakistan is to be actively diminished, and -- but that India has pulled into a different orbit. It has actually done a great deal at home. We have become a more significant country. We've got on top of many of our problems. We have achieved a high economic growth rate, and seen sect reform for more, and the ability to play a bigger part in our area, in our continent, in our region, is I think recognized, not least by Indians.

I think that the problems between India and Pakistan -- which are simultaneously being addressed -- can only be affected in a positive way. I really don't see that there's any incentive to anyone to go slow on Indio-Pak problem solving; quite the reverse.

On Iran, I really don't know what to say, that India has a position. We have gone along with positions in the IAEA, and we have a sense that if obligations are voluntarily undertaken by any country, they should be honored. And it's on that basis that we have agreed with the IAEA approach.

I don't see India as a -- at the same time, let's not forget that we are extremely interested in energy supplies from Iran. The proposed pipeline from Iran to Pakistan to India is -- has -- of course is important. It was given actually a favorable nod by the president in Pakistan, which was a change of position, a welcomed one. If -- this pipeline should also be seen, in my view as well, as the building blocks for peace in the region. It is important that India and Pakistan should have a common stake in important measures of this kind.

So it's a complex argument where Iran is concerned.

With China, as I tried to mention earlier, we have our own issues, questions, possibilities and a different history. In some matters, we have been -- we've actually made common cause against America in -- on climate matters -- the Kyoto Protocol -- and elsewhere on principle. I think as the two countries advance further, clearly the potential for them to collaborate in sensitive areas is going to grow, and it will be a payoff in my view.

So to protect India as a counterweight, as an element -- which is a kind of disposable element at someone else's disposal in regard to China would not be correct.

MS. AYRES: I saw a hand in the middle table here.

Q Yes. Bill Drozdiak, American Council on Germany.

Given the assurances of supply that Mr. Krepon described, why was it not possible to persuade India to accept the ban on fissile materials, which all the other nuclear powers have subscribed to?

And I'd also like to hear you elaborate a bit more on Iran, the impact on Iran. If the Iranians should withdraw from the NPT, explode an nuclear device in the thinking that a few years down the road, they will be welcomed back into the international community much in the same way that India has been. Isn't that a concern for the overriding priority of the administration's foreign policy right now?

MR. KREPON: Well, the timing's very awkward because of Iran and North Korea. And there are -- I see this as a detour -- another one, a major one in the war against terror and proliferation because the time -- the high-level effort that this administration will be spending on Capitol Hill and with the nuclear suppliers group, and then the International Atomic Energy Agency to carve out this exception will come at a time when we have serious problems with Iran and North Korea.

And in proliferation, everything's connected. As much as you want to separate, it's just not politically feasible to create these water-tight compartments with individual problems.

As to why the cessation of fissile material is not possible in India, it's because India has not set its requirements. It has a doctrine of minimal, credible deterrence. And the word "minimal" rubs up against the word "credible." And India lives in a tough neighborhood. China has apparently stopped producing fissile material for weapons, but it has a lot on hand. And Pakistan is still producing. So India is keeping all options open. It's one of 17 countries that has not signed the Test Ban Treaty, along with Pakistan, Saudi Arabia, Syria, Cuba, North Korea. It's one of only four countries that is still producing fissile material for weapons. And it's one of only three countries whose nuclear stockpile is now growing.

So that's the context within which the Bush administration will be seeking a significant carve-out for India. And the terms of this deal are so benevolent, my line is that this is the most benevolent negotiation since the lend-lease agreement. (Laughter.) You know, we had all the cards, we had every high card, and in return for putting 10 reactors under safeguards, additional to the four that are already pledged to be under safeguards, we've agreed to change the rules of the game for 180 other countries. That's the deal we agreed to for 10 reactors.

MS. AYRES: I believe Ambassador Haidar has something to --

MR. HAIDAR: I just wanted to say that, you know, whether you had all the cards, America had all the cards, yes, it's in a dominate position, so maybe it had all the cards. But the decision, as Ashley told us earlier, was whether you wanted India inside the rule or outside. What makes you feel more comfortable? What is in America's interest, to (team ?) India, as it were, to bring it within the fold, or to leave it out as an uncertain

element, as an unpredictable element? And that is the decision. And if -- to my mind, a very correct decision was taken.

MR. KREPON: I want India in the tent, I just don't want the tent to fall down.

MR. HAIDAR: We'll help keep it up. (Chuckles.)

MR. KREPON: (Chuckles.)

MS. AYRES: Ashley, did you have something to say on this issue?

MR. TELLIS: Well, there is an assumption in Michael's position which is again an assumption that ought to be tested, and that is India's good behavior outside the regime will remain so in perpetuity. And part of the reason why the administration has gone to such lengths to bring India into the regime is because it wants to assure itself that whatever India has done so far through unilateral policy choices, it will now continue to do as part of binding multilateral obligations. And one cannot expect the Indians to accept binding multilateral obligations unless they are given the benefits that come from being part of a binding multilateral regime. It's that simple. No country makes obligations that puts itself in a position of burden without getting some benefits. And to ask India to play by the rules that we have spent a lot of effort in the last 40 years to put in place, would almost certainly require us to give India some of the benefits of that regime.

MR. KREPON: A one-sentence rejoinder. If we cannot trust India to be a responsible party with respect to nuclear technology, we have no business making this deal. None whatsoever.

MS. AYRES: There's a question down here.

Ralph.

Q Ralph Buultjens, New York University. Last year, India and the United States signed a military cooperation agreement, which I believe has a 10-year lifespan, that doesn't require congressional approval, signed by Secretary Rumsfeld and Minister Mukherjee. Does this in any way relate to that?

If this fails, how will it affect that military cooperation agreement? And are there any implicit conditions in that military agreement which relate to this particular development?

MR. TELLIS: No, there is no relationship between the two agreements. What the framework -- it was a framework for defense cooperation did was that it provided a road map for the way U.S.-India defense relations can evolve over the next decade, and it identified certain priority areas where the U.S. and India will cooperate in a whole range of issues ranging from military-to-military exercises all the way to defense -- to technology cooperation, but there is no linkage between --

Q (Off mike)?

MR. TELLIS: No.

MS. AYRES: Other questions. How about this side? No questions on the left side of the room?

Sir? Second table.

Q (Name and affiliation inaudible.) My question is regarding -- going back to Iran, but adding North Korea. Looking at it from their perspective, how do you expect them to read an approval of this agreement by the Congress, let's say?

MR. HAIDAR: Well, both these countries started their nuclear program in a manner that had nothing to do with India. They had their own logic. They had their own -- I mean, now we find that Iran program -- something was happening at the time of the shah -- (off mike) -- and now what is happening -- (inaudible) -- encouragement. Why?

Similarly, in North Korea, there is a sense -- I mean, they don't -- not much is articulated from there -- but there is a sense that their security requires them to take this particular part of -- piece that is -- what is projected.

Now, certainly for purposes of argument, you can say that it's a good debating point that India's -- bring India into the fold will encourage other countries, specifically these two, to try and follow the same path. But frankly, I don't see that happening. I don't think that India has given them the lead. We have become a nuclear weapons-holding state, and we have done this not in order to encourage Korea and Iran. We've done this for reasons that seem sufficient to us and seem necessary for us, and we see that Iran is pursuing a course which is fairly -- firmly rooted in its policy for quite some time, for reasons that, really, have nothing to do with acceptability of India or the unacceptability of India.

And one can -- and to -- one can speculate that if this deal is thrown out by Congress, is it going to affect Iran? Is it going to then short-circuit the Iranian nuclear program? I doubt it; similarly for North Korea.

MS. AYERS: There's a hand back here. Second table.

Q William Schneider, Defense Science Board. My question is for Ashley, and it relates to export controls. I've had experience dealing with the export control issue for many years, including my service in the Department of State in the early '80s, and it would be rash to describe India's export control system as world-class, and -- as it currently sits. And I wonder if you might comment on specifically what your aspirations are with respect to India's export control system?

MR. TELLIS: Will, you're absolutely right that historically the Indian export control system has been extremely permeable, and it was so by intent because the Indians got

into the business later than the rest of the great powers. They saw their principal objectives as expanding their export markets, as opposed to restraining strategic technologies. What has been put in place since 2004 through bilateral negotiations between the United States and India is slowly an export regime whereby the Indians incorporate all the lists that have been agreed to within the NSG and the NPCR (sp). Over a longer period of time, we hope that the Indian export control list will also include those technologies that are controlled by the Australi Group and the Wassenaar Group.

And so if one looks at this in a dynamic sense over time, we hope that the Indian export control regime two-three years from now will essentially mirror the export controls that are instituted by all the major powers in the international system. And this is a work in progress, you're absolutely right, and part of our effort in the last few years has been to precisely raise the level of the integrity of that Indian export control system.

But let me go back to the point that I started making out. We cannot expect that the Indians will maintain our standards with respect to export control if they do not gain benefits from upholding those controls.

MS. AYRES: So we're running out of time here.

Why don't we take one or two more questions. Vishakha?

Q Vishakha Desai, Asia Society. And this is sort of a question both to Michael and to Ashley, and it's an answer that I'd like both of you to give.

Ashley, you've talked about the fact that this is a particular situation with India, and I would like you to address the long-term implication of making this exception for India for the NPT and where we go from here, what if other friendly nations also come through and where we would be.

For Michael, I was very struck by your statement that this is as risky as going into Iraq. When you say that, of course, it gives many of us pause because the Iraq situation when the administration decided to go, the situation was quite different, even its history and where it came from. Given the history of India, especially with the nuclear question, I wonder if you would address the question that Alyssa asked you earlier, which is that, how do you think this particular decision for India is something one can live by, given India's history, which is quite different from what one might say about some other nations?

MR. KREPON: I talked -- I used the analogy to Iraq precisely to get your attention. (Laughter, laughs.) But think about the lack of downstream planning. Think about the assumptions of cost, monitoring -- cost in terms of -- you know, next month we'll be in Iraq longer than we were in Korea, and that imposes a certain strain on our own forces.

And I don't think this has been gamed out because the decision-making process is so exclusionary. Only true believers really had a seat at this table. We have to find an

exception for India because it is a special case. And I have more confidence than Ashley does that it is a responsible state with respect to nuclear technology, although I would grant that there have been instances in other areas where maybe the export control system could have been stronger. But I -- you know, India is beholden under a U.N. Security Council resolution and its own domestic law to take export controls seriously. So -- and I think they will do better.

We have to find a carve-out that does not kick out additional struts from this tent that we call the nonproliferation system. The administration was so eager to make this deal, a deal that was in effect defined by India's bomb-makers -- they went public. They put the prime minister in a bind. And lo and behold, the Bush administration assented to every one of their conditions.

We have to find an exception for India. We need to get India in the tent. But to do that, the deal needs to be about electricity. It's true that we can't cap India's nuclear arsenal; they won't allow it. It's their business. It's not ours. But we shouldn't be an enabler for them to make bad choices, from my perspective. I don't want to be an enabler. I'm willing to help with India's growth. And I don't think the administration met that test.

MS. AYRES: I think we're going to have to keep Vishakha's two questions our final questions. I know Ashley was going to respond to that, and I'm going to also give Ambassador Haidar an opportunity to make a final comment. But before we do that, can we thank our speakers for today? (Applause.) We're running out of time. That's what I'm worried about, is the time element here.

So, Ashley, did you want to respond to Vishakha's question?

MR. TELLIS: Well, I will. I'll do so directly. The argument -- the way we see this deal is that it brings India, which was an outlier to the regime, inside the tent. We don't see this as opening the door to renegotiate the NPT. We don't sense any pressure from existing NPT signatories, whether they be nuclear-weapons states or non-nuclear- weapons states, asking for a revision of the treaty because of the initiative to bring India in. The point that I often make when discussing this issue is this: that an India that is brought within the regime, that agrees to abide by regime rules, is not simply a benefit to the United States, for all the geopolitical reasons that people often discuss, but it's equally a benefit to non-nuclear- weapons states. An India that ends up having a proliferation record that is problematic threatens the security of other nuclear-weapons states and other non-nuclear-weapons states. And so bringing India into the regime is actually a public benefit that all regime signatories can profit from.

And so I see this as, in a sense, strengthening the regime because here you have a center of great capability that now agrees to play by the regime's rules. And because of the peculiar circumstances under which India had to be brought into the regime, the terms of agreement will necessarily be different from those that were encoded in 1957. I mean, this is not a situation that we welcome, but it is a situation that we have to deal with.

And so in the circumstances, this is really the best and, I would argue, the only way we could bring India into the regime for the benefit of all concerned.

MS. AYRES: Okay, Ambassador Haidar, any final thoughts?

MR. HAIDAR: Well, my -- only one sentence. It has been suggested that as the debate about the next step within America goes back and forth, the wisest course for India would be to hold its peace. So perhaps I should hold my peace. (Laughter.)

MS. AYRES: (Laughs.) Thank you! (Applause.)