THE BROOKINGS INSTITUTION

THE U.S.-INDIA NUCLEAR AGREEMENT:

EXPECTATIONS AND CONSEQUENCES

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PARTICIPANTS:

Welcome:

STEPHEN P. COHEN
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The Brookings Institution

Opening Remarks:

JAMES STEINBERG
Deputy Secretary of State
Department of State

PANEL ONE: ENERGY, ECONOMIC AND TECHNOLOGICAL IMPLICATIONS

Moderator:

CHARLES EBINGER
Senior Fellow and Director, Energy Security Initiative
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Panelists:

SWAMINATHAN S. ANKLESARIA AIYAR
Research Fellow
The Cato Institute

JAMES CLAD
Professor, Near East and South Asian Studies
National Defense University

VENKATASUBBBIAH SIDDHARTHA
Expert, 1540 Committee
United Nations

Lunch Keynote:

STROBE TALBOTT
President
The Brookings Institution

SHYAM SARAN
Special Envoy of the Indian Prime Minister for
Nuclear Issues and for Climate Change

PANEL TWO: NON-PROLIFERATION AND STRATEGIC IMPLICATIONS

Moderator:

MICHAEL O'HANLON
Senior Fellow
The Brookings Institution

Panelists:

GEORGE PERKOVICH
Vice President for Studies
Carnegie Endowment for International Peace

AMANDEEP SINGH GILL

Visiting Scholar, Center for International
Security and Cooperation
Stanford University

PANEL THREE: U.S.-INDIA RELATIONS AFTER THE NUCLEAR AGREEMENT

Moderator:

KARL F. INDERFURTH
Director, Graduate Program in International Affairs
George Washington University

Panelists:

LISA CURTIS
Senior Research Fellow
The Heritage Foundation

JONAH BLANK
Chief Policy Advisor for South Asia
Senate Committee on Foreign Relations

T.P. SREENIVASAN
Former Indian Representative to the
International Atomic Energy Agency

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P R O C E E D I N G S

MR. COHEN: Good morning. Let's start now because we're waiting for Jim Steinberg, but I can provide introductory remarks before Jim comes, and hopefully he will just come up here and then start speaking. My name is Steve Cohen, I'm a Senior Fellow in the Foreign Policy Studies Program at Brookings, and I want to welcome you to this day long event that examines the expectations and consequences of the Civil Nuclear Agreement entered into by India and the United States.

The agreement is not quite complete, there's still a few more steps that have to be taken, other agreements that have to be negotiated, but its unique qualities are widely recognized, and this is a timely moment to examine it.

There's a new government in the United States, and of course, India is going to the polls, there will be a new Indian government there. The agreement was conceived as it's a major step in enhancing Indian energy supplies, thus facilitating more rapid economic growth. It also has important environmental consequences. Although a civilian energy agreement, it has many implications for the global non-proliferation regime, as well as for India's larger military – took place in Asia. Our hope is that the agreement will somehow facilitate or not retard further agreements on global non-proliferation related issues.

Finally, the agreement was an innovation as far as U.S.-Indian relations are concerned. Not only did it remove an issue that had blocked better ties between the two countries, it was remarkable unselfish in that it is an agreement that not only permitted American sales of nuclear related technologies to India, it allowed other countries to do so, as well.

The agreement disproves Harry Truman's aphorism that there is nothing new in the world, only the history that we have not read. There's no precedent for the agreement that I know of, and I can't find a precedent like it in the relations between any other two nations.

These three subjects, the economic and technical implications of the agreement, the proliferation and strategic implications, and the impact on India-U.S. relations constitute the heart of our three panels. We've tried to provide a balance assessment on each topic, drawing from Indian and American expert opinion and individuals who were both supportive and weary of the agreement. We're pleased that two distinguished diplomats, one American and one Indian, will provide their solo insights into the agreement. Jim Steinberg returns to Brookings in his new capacity as Deputy Secretary of State, and Ambassador Shyam Saran, one of the key figures in the original negotiations that led to the final agreement, is now Special Envoy of the Indian Prime Minister for Nuclear Issues and Climate Change.

I'm counting on the panel chairs to allow as much time as possible for questions and discussion, and to also provide their own insights. I also want to acknowledge the support and encouragement in the planning effect of Mr. Ranvir Trehan, who provided partial funding for this program.

With that, let me again welcome you to Brookings, and I would ordinarily say welcome, Jim Steinberg, but he's not here yet. So let's take a few minutes and Jim will – is supposed to arrive now, and just wait for him to arrive. And I don't think I'll need to turn the television set back on so we can watch the daily news. Any comments or questions while we're waiting for Jim – begin the discussion. The timing of this meeting was such that we wanted to do it at a moment when both governments were influx; of course, there is no such moment, but if there is such a time, it is now. And we believe that, and we hope Jim will tell us, that this administration is beginning to think about not only its relationship with India, which is not spoken about, that I know of, but also its approach to nuclear non-proliferation matters, and therefore, the agreement.

On the Indian side, of course, as all of you know, most of you know, there was bitter criticism of the agreement especially by the left parties and the communists, and it was remarkable in that, despite, you know, much political opposition, it went through there and here, as well, so

in that sense, it's a unique agreement. So let me adjourn for a second, just relax, maybe refresh your coffee cups until Jim Steinberg arrives. Thank you.

(Pause)

MR. COHEN: Steinberg's car has just pulled up, so we can resume. Let me urge all of you, please, to, in fact, I'll urge myself, turn off your cell phones, or at least put them on mute. We have people coming around with sticks, if they go off, you'll be beaten. And let me introduce Jim now, because – and then he can get right to his address. Jim Steinberg got his bachelor's degree from Harvard, a law degree from Yale, and then clerked in the Washington Court of Appeals for several years. From 1983 to '85, he was an aid to Senator Ted Kennedy on the Senate Armed Services Committee, and then spent two years in strange and exotic places, one in London, the IISS, and the other with the Rand Corporation in California. And then in 1996, was appointed Deputy National Security Advisor, working for Sandy Berger, of course, under President Clinton.

In 2001, Jim joined Brookings as Vice President for Foreign Policy Studies. In 2005, he became Dean of the LBJ School in Public Affairs at the University of Texas. And then was most recently appointed

as co – I guess it's co-Deputy Secretary, is that the title, of – co-Deputy Secretary of State responsible for policy matters.

Jim is also an author of several – many articles and at least one recent book on presidential transitions, where he wisely cautions that the transition team should take it easy, don't try to do 100 days, take it easy, otherwise, things will get worse. The book is actually a Brookings book on sale. So we've discussed the nature of the program. Jim, this will be I think the first address on India of any senior American official in this administration, so we look forward to your comments and also the opportunity to ask some questions; Jim.

MR. STEINBERG: Good morning, everybody. It's great to be back here at Brookings. I'm in the unaccustomed position of actually being the one giving the speech rather than doing the introducing, so it's a nice turn of tables, and I'm grateful to Steve for that kind introduction, and for Strobe for being here, and so many other friends from Brookings and around the campus to be part of this today.

This is, as Steve said, an important time, and I'm really delighted to have an opportunity to be part of this terrific conference that you've organized with so many good friends from both India and the United States to talk about the state of U.S.-India relations and the way forward.

We're living in a challenging moment, as you all well know, one that has great opportunities, but also great responsibilities for both the United States and India. And with our new administration taking office in Washington, and India embarking on its remarkable democratic exercise over the coming months, I'm going to use today to try to step away from the crisis of the moment and the day to day to discuss how the United States and India can built on our accomplishments of recent years to forge a stronger, more comprehensive relationship to meet the challenges of the 21st century.

For over a decade, our relationship with India has been on a rapidly advancing trajectory. President Bill Clinton seized on the end of the Cold War and India's rapid economic and emergence and liberalization to lay the foundations for this transformation.

As I sit in the Deputy Secretary's office on the seventh floor of the State Department, I'm acutely conscience of the hard work and determination that my friend, Strobe Talbott, put into addressing decades of suspicion and estrangement to set the stage for a new era in our bilateral relationship.

The Bush Administration built on this legacy with the U.S.-India Civil Nuclear deal, a landmark achievement for both of our countries. American leaders, republicans and democrats alike, including a certain

Senator from Illinois and a certain Senator from New York, who would soon get promoted to different jobs, believed that the world would be better served with India inside the non-proliferation tent than outside it. And Indian leaders from a range of parties and places, likewise, voted yes on this historic agreement. The agreement not only provides a concrete platform for economic and technological cooperation between our two countries, but also offers a basis for moving beyond one of our most serious barriers to political cooperation, the status of India's nuclear program.

These breakthroughs would not have been possible without the political foresight of Presidents Clinton, Bush, and the hard work and determination of Strobe and former Under Secretary Nick Burns, as well as their Indian counterparts.

But perhaps more important over the long term are the strong and growing ties between the people of the United States and India. As is the case in almost all of America's most enduring relationships, the U.S.-India bond is between two societies, not just two governments, and the connection between us is not limited to our officials or our capitals.

The India Diaspora community, the influx of Indian students in our universities, collaborations between our NGO's and civil society,

and growing economic and business ties have all been pulling India and the United States closer together for decades. I know from my time as Dean at the LBJ School, how meaningful these ties can be and the potentials they can bring in our new partnership with the Indian Institute of Management.

Our governments must harness and build on these close links in the business, academic, and scientific communities. We've seen throughout our history that where these human ties and bonds and values are strong, even the sharp policy differences that might arise between our governments from time to time will not derail the relationship.

Indeed, it can be argued that our governments relate in catching up to the transform relationship between our peoples. But now the stage is set to embark on what I might term the third stage of our rapprochement and – nations, the United States and India both know that the third stage is crucial to boosting us into orbit.

President Obama and Secretary Clinton remain committed to expanding these opportunities in our cooperation. As India approaches the national elections in the coming months, we look forward to developing a comprehensive agenda, doing more bilaterally, regionally, globally across the full spectrum of economic, political, and security challenges. Our economic ties have played a major role in bringing our two countries

together. The entrepreneurship and innovation of India's private sector, combined with economic reforms implemented by its government, have contributed to a doubling in bilateral trade, from 21 billion to 44 billion between our two countries between 2004 and 2008.

But we have much more we can do in the future, such as negotiating a bilateral investment treaty, removing tariff and non-tariff trade barriers between our countries, improving the enforcement of intellectual property rights, and opening avenues for the private sector to engage directly by loosening government restrictions and actively promoting trade in areas of mutual interest.

One of the most promising areas and opportunities for deepening economic engagement concerns India's own ongoing development challenges, the need to bridge the gap between its vibrant middle class and its still too persistent urban and rural poverty.

The United States and India should leverage existing business and scientific community ties by establishing public private partnerships to catalyze technological advancements in the fields of education, energy, health, and agriculture that will improve the lives of average Indians, stimulate small and medium enterprises in India, and grow markets for U.S. goods and services. Two excellent means of accomplishing these goals are by invigorating the CEO forum led by the

CEO's from leading American Indian businesses who make recommendations for the removal of barriers to growth, and the trade policy forum, which seeks to improve the business environment in the areas of trade, investment, services, and agriculture.

Energy is another fruitful avenue for bilateral cooperation. In a country where 500 million people still lack reliable access to electricity, the United States and India have enormous opportunities to collaborate on energy generation and infrastructure.

The U.S. is committed to working directly with India as a robust partner on civilian nuclear energy. Our governments have taken some of the steps needed to realize the one, two, three agreement, but we both need to do more. And we look forward to working with India to fulfill the promise of civil nuclear energy cooperation.

President Obama has just sent our first trade mission to India, and it's on solar energy. Energy can be a focal point of our relationship, and trade and renewable energy technologies has the possibility of taking our relationship to new heights. On the security side, we have taken important steps together and have a good foundation on which to build. Our Navy's now exercise regularly together, and the fruits of that cooperation were apparent in our mutual contributions to Tsunami relief in 2004.

We're also opening up avenues to increase defense trade through strong advocacy for U.S. firms. We also need to conclude an agreement on end use monitoring, a logistic support agreement, and a communications agreement, and to work more closely together on counter terrorism, as well as non-proliferation.

Together our populations are 1.3 billion strong, and we could do much to advance our common interest. We should find ways to increase the involvement of the private sector in our government to government dialogues and use our people to people ties to advance cooperation in education, science, and technology, and to facilitate rural development.

But the future of our relationship depends on more than strengthening bilateral ties and engagement. As India merges as one of the world's leading economic and political powers, the central question is how the United States and India can work together to address the regional and global challenges that no country alone can solve. To paraphrase Strobe's and my old boss, President Clinton, the central question facing India in the coming years is how India defines its greatness as it takes an increasingly prominent role in global affairs.

In the past, the emergence of new powers placed enormous stress on the international system, because power was seen as a zero

sum game, the rise of powers was viewed as an inherent threat to the status quo. But in the 21st century, the emergency of India as a strong, stable, democratic, and outwardly looking global player with global interest has the potential to advance and enhance the effectiveness of the international system and the security and well being of all in a positive sum game.

For this reason, the real test of our relationship will be how we work together on the great common challenges of our error, strengthening the global trade and investment system, addressing transnational threats like nuclear weapons proliferation, terrorism, and pandemic disease, and meeting the urgent danger posed by climate change. As great powers together we have an obligation to help produce what we at least former academics call global public goods, to pursue an enlightened version of self-interest that recognizes that individual nations will only thrive if we all thrive, and that to build the institutions of cooperation, we need to facilitate common efforts to meet challenges.

Whether at the UN, the World Trade Organization, or the Conference of Disarmament, we both have a responsibility to – rhetoric in favor of forward looking, practical solutions to the great issues of our time.

We'll begin this work next week in London, where the G20 leaders will meet to discuss how to address both the near term and

systemic challenges posed by the global financial crisis, and where President Obama and Prime Minister Sing will have a chance to meet face to face to share views. It is vital that together we take steps to foster growth, enhance transparent regulation, and keep our markets open to global trade.

Later this year, the world will come together in Copenhagen to consider next steps in addressing climate change. The United States and India are different stages of development, and India's overall share of greenhouse gas emissions is small compared to the United States and other leading emitters. I'm delighted that India's Special Envoy on Climate Change, Shyam Saran, is here in Washington this week and will be talking to you later this morning. We look forward to engaging with him on this important issue.

The United States is committed to putting in place a mandatory plan to cut our own emissions. But India, too, has a responsibility to play a leadership role in helping to bring about a consensus that brings both developed and developing countries into a global framework.

I understand that India has concerns about caps, but with its growing emissions, we must work with India to ensure it is part of any effective solution to climate change. We stand ready not only to look at

how American technologies can be linked to any solution, but how we can partner with India to develop new, greener energy sources and promote conservation.

India's high energy demand and insufficient energy resources makes it a prime partner for potential investment and technology sharing, both as part of the climate change agenda and also broader energy development. Next year we will also have another opportunity to develop our commitment to working together and build the structures of global cooperation as we approach the non-proliferation treaty review conference. Forty years after the adoption of the NPT, the world is now on the brink of the danger that President Kennedy so eloquently warned about, uncontrolled nuclear proliferation, but in an environment more dangerous than the one he envisioned, with the prospect of nuclear capabilities falling into the hands of terrorists.

Both the United States and India have a responsibility to help work, to craft a strengthened NPT regime that fosters safe, affordable nuclear power, to help the globe's energy and environment needs while assuring against the spread of nuclear weapons.

President Obama has pledged U.S. leadership in meeting our obligations as the world's most powerful nuclear state, but India has a special role and responsibility, as well.

In the nearer term, the United States and India must work together to help address what is one of the most urgent security challenges facing us, to work with the democratic governments of Pakistan and Afghanistan to root out the violent forces that threaten the stability of the region and pose a direct danger to the Indian and American homelands. We are joined in the searing memories of September 11th and Mumbai in understanding the importance and the urgency of this task. This week President Obama will set out our own approach to this urgent challenge, drawing upon the heroic labor of Brookings own Bruce Riedel, Ambassador Richard Holbrook, and many others. And we are grateful to the efforts that India has made in recent years to support economic development and reconstruction in Afghanistan.

Next week the world's foreign ministers will gather in the Hague under the chairmanship of the United Nations and the Dutch to develop a collaborative program involving all of Afghanistan's neighbors and key donors to build a civilian and economic approach married to our security efforts in the region.

Later in April, the friends of democratic Pakistan will meet to pledge support for Pakistan's efforts to strengthen its economy and institutions to meet the existential challenges they face.

As President Sudari and the Pakistani government take the courageous steps needed to confront and eliminate extremists, India and the United States must work together with all of our international partners to support them and to facilitate their efforts. Over the years, the United States and India have established many mechanisms for consultation and cooperation. Over two dozen formal diplomatic dialogues exist to address wide ranging, bilateral, and global issues. Some have been fruitful, others have stalled.

Moving forward, we should explore creating a broader strategic framework for these dialogues so that our relationship can achieve the kind of ambitious goals for coordinated global leadership I've set forth today.

As we embark on this crucial third stage of our liftoff, we should do so with the clear eyed recognition that we will not always agree on how best to address the vital challenges of our times. Our history, geography, and economic development are different, and they will inevitably lead to some divergences of perspectives.

But our common values and our intertwined fate require us to make the effort to seek common ground. That is the commitment of President Obama and Secretary Clinton, and one that we look forward to

working with the next government in – Thanks for being here today and I look forward to your questions.

SPEAKER: If I can ask the first question; you said that India was in the non-proliferation tent, it's not a member of the non-proliferation treaty, it can't be a member of the NPT treaty; do you foresee any way in which – any specific way in which the United States can work with India to deal with not NPT matters, as such, but a larger non-proliferation regime, or is it too early to make a statement on that?

MR. STEINBERG: Well, I think it's early to make specific statements, but I can at least make some general observations, which is, I think that we all recognize that the fundamental challenge that we face is to look at the core elements of the NPT bargain, which is that states should be able to pursue civil nuclear energy while avoiding the danger of – the proliferation of nuclear weapons, and I think that the issue that's before us now is, how do we deal with a technology which poses some inherent risks, the nuclear fuel cycle, and allow countries to get the benefits of nuclear energy while avoiding the danger that the fuel cycle become a source of instability and proliferation.

India obviously has an engagement here, it's in the position to look at the kinds of commitments it can make to be part of an international approach, to the way in which nuclear fuel is both generated

and then dealt with at the back end of the fuel cycle, and so I think there's the possibility of fruitful discussion about how India and every other state in the world can engage in those kinds of questions. We have to find a way to understand how the technology has pushed us to a place, and a more dangerous place then I think the framers of the NPT had recognized.

And I think that there have been some early steps that India has taken in terms of safeguarding its civilian programs that allow us a way forward, but we still have a lot of work to do to think about the specifics of this broader regime.

SPEAKER: -- from Indian – today. My question is that what is the hurdle now – should have been moving between India and U.S. as part of the civil nuclear agreement was concerned. There's still one paper supposed to be signed by President Obama now, should have been signed by President Bush in December, but it didn't happen. The question is that now we have a new appointment by President Obama – Congresswoman Eileen – how this – how her appointment will effect this agreement because she was against this deal and she voted against the deal, but President Obama, of course, then Senate voted for the deal; where do we stand?

MR. STEINBERG: Well, you may be announcing appointments to the Obama Administration, but I'm not, so we – at the

moment there is no nominee for the particular position that you're discussing, so I'm not going to discuss the individual views of people who may or may not be appointed to those positions.

I think the administration's position is clear, as you said. Both while he was in the Senate, Senator Obama voted for the agreement and has made clear that he intends to implement it. There are still some technical issues that need to be worked out. We are looking forward to having our full team in place, and we're looking forward to the Indian government being in a position to continue these negotiations, as well. I think it's something that both sides would like to see completed. We've had the important international framework decisions made, but there are some very practical decisions that have to be made to make it possible to implement the agreement.

MR. WATSON: Hi, I'm Eric Watson, Inside U.S. Trade. If you could talk a little bit more about those technical details. I understand that, on the Indian side, reprocessing rights is one of the key elements, and I believe that they're asking for the right to reprocess U.S. origin fuel in perhaps non-safeguarded facilities. What is the Obama Administration position on that, and do you see this as necessary or a part of a trade off for this nuclear liability regime that India would need to put in place in order for U.S. companies to do business there?

MR. STEINBERG: It won't surprise you that I'm not about to kind of conduct the negotiations here at Brookings. I think that there are a number of issues that we have to look at in terms of the implementation, the agreement, the liability issue is obviously one of them, and I think we need to have a clear sense of what the assurances and the commitments are on both sides, but how we're going to resolve those questions I will leave to the negotiations.

MR. COHEN: Please state your name and affiliation.

MR. GROSS: Wolf Gross Northrop Grumman. I would classify our relationship at the moment as a bit uneven at a time when the nuclear agreement seems to be moving along reasonably well. The Indians are perplexed about the unevenness of our military relationship, defense relationship in the wake of the unpleasantness in Mumbai last November. What is the administration going to do to smooth out the unevenness?

MR. STEINBERG: Well, I guess I probably don't share your diagnosis, so I'm not sure I can answer your question. I think that, quite the contrary, I think we've had some very productive conversations in a variety of channels since Mumbai, and rather than a source of unpleasantness, I think it's actually been a source of some very useful conversations at various different levels.

There are obvious a number of questions in terms of the military engagement, particularly in the arms sales and arms export related area, but I would not say that they were affected in a negative sense by Mumbai. I think that there was a – in some ways, as I said, both on the level of sort of bringing the countries together in terms of their concern about the dangers and the potential for cooperation in dealing with them. I see some very positive avenues. So while, as I mentioned, we have some work to do to create the right framework to facilitate a good environment for increased defense industrial cooperation between us, I don't see sort of inherent obstacles, other than, you know, the unique setting that we now face, which is, as India goes through its electoral process, there's inevitably sort of a period of a bit of a pause in terms of the direct engagement.

MR. VICKORY: Ray Vickory from Stonebridge. Mr. Secretary, on April 2nd, you mentioned the G20 meeting in London, what specifically will the United States and India do together to try to lead the G20 in a positive path for all of the countries involved in the economic crisis?

MR. STEINBERG: Well, we have a number of challenges. The first and more important probably, although they're all important, is to

sustain the engines of global growth, which is to make sure that we have adequate demand to support recovery.

India, although it has suffered in relative terms with declining growth, as essentially everyone as a result of the economic crisis, has faired moderately better than others, and it's very important for India to continue strengthening its own growth both because of its value to its own citizens, but also in terms of the overall global economy.

The second area where we can work together is increasing the capacity of the international institutions to work on these challenges, making sure that the multi lateral financial institutions have adequate resources, particularly to help many of the emerging market economies which have been hit very hard by this. And there are a number of proposals that are being discussed by the G20 countries about looking at the capacity and resources available to the IMF, as well as some of the issues around governance.

Finally, I think we've all agreed that we need to look at the question about making sure that we have a stable and reliable global financial architecture that can deal with these massive financial flows and have a regulatory and transparency environment that allows us to make sure that some of the problems that cause the current crisis don't emerge again. So these are at least three pillars of what I think will be discussed

and hopefully emerge from the discussions at the G20 in which both the United States and India have a very strong interest.

SPEAKER: You had mentioned about NPT, since 1970, since it was instituted, there were six nuclear nation states -- now there are nine. But though the genuine and – leadership of – can you somehow implement the NPT, because if it is not enforced globally, then there will be – for another ten years, there could be even more, so it is not helpful. The second thing, you mentioned that when we go into a – peaceful – nuclear treaties, in that case, then at the same time, you discourage the nuclear weapons production with a country; how this principal would apply in case of India?

MR. STEINBERG: Well, I think I certainly agree with – very strongly with the first part of your question, which is that we do face a critical period in making sure that the principals of the existing NPT are enforced. And we have two very important cases in front of us right now, Iran and North Korea, where there are serious concerns and which we are deeply engaged with our international partners.

As you know, the IAE has just completed its most recent assessment of the Iranian program, and there are serious problems of compliance there which have been reported to the Board of Governors

and which really require urgent attention because it is a direct threat to the regime as it currently exists.

Similarly, we are determined to try to continue to sustain some momentum through the six party talks and our dialogue with North Korea and to make sure that the commitments that they reached last year and the agreements between North Korea and the other parties in the six party are carried forward in phase two to develop a verifiable protocol for the elimination – for the inspection and elimination of North Korea's nuclear program.

So making sure that we enforce the provisions of the NPT as they exist now are important. But clearly we need to think about how we go beyond that, because as I said, there are some inherent problems in the regime, the structure of the NPT itself, which pose I think a sufficiently high risk to the danger of proliferation that we need to think about different ways of handling this.

In terms of the United States on leadership on this, the President spoke at some length about some of the efforts that the United States needs to take on the non-proliferation agenda, and I anticipate in the not too distant future that we'll hear more from the President in terms of laying out a very concrete program as to how we propose to proceed, as well as what we hope to see from our international partners.

How we deal with, as I say, bringing Indian/Pakistan into the NPT world is a critical question, because in the long run, having confidence that this is a global regime is really quite critical to success over the long term. There are aspects of the civilian one, two, three agreement with India which help begin that process, but we have more to go, and we look forward to engaging both with Pakistan and India on the question about how to make this an effective solution that has a sustainable future and doesn't lead to the proliferation of more nuclear states going forward.

SPEAKER: One more question.

SPEAKER: Prekash from Beijing nations. Mr. Secretary, you said that India has a role to play in situation in Afghanistan and Pakistan; could you elaborate on that a little bit? What is India doing they should continue to do, what they are not doing that you would prefer to do? And secondly, in terms of the – branch, the President had extended towards Iran, do you see India playing any role in Beijing, Iran, and the United States?

MR. STEINBERG: Well, as I mentioned, I do think India has a very important role to play in South Asia, and India can be a very powerful force for contributing to a solution and greater stability in the region. There's a long tradition of engagement by India and Afghanistan,

and in recent years, India has been active in helping support economic development and reconstruction in Afghanistan in providing support to – government, and we will encourage India to continue that and to be part of the effort that we will outline in the President's strategic review, establishing a set of priorities we think is necessary to help create a situation where the extremists will not prevail once again in Afghanistan.

I think that India has a huge stake for obvious reasons in seeing that this happens. The focus of our efforts in the region will be to deal with the dangerous elements that threat regional stability and threaten us directly, and the President's strategy will have a comprehensive approach that looks at both what we need to do in Afghanistan and Pakistan to deal with that immediate threat.

As I also said in my remarks, I think that India has a big stake in the success of democratic governance in Pakistan, that this is, in the long term, the best solution to stability and progress, is to have a strong and capable democratic government in Pakistan which can take on these challenges which are as much a threat to Pakistan itself as to others. And the U.S. government is working very closely with Pakistan, and I think it will be important for India to make clear that as Pakistan takes steps to deal with the extremists on its own territory, that India will be supportive of that and look for ways to contribute to an overall

environment which can then lead to further efforts to root out the extremists.

There's obviously a complex history between the two countries, but we certainly encourage India to see that it has a big stake in the efforts that we will be undertaking to work both with Afghanistan and Pakistan to deal with this very grave threat to us all.

MR. COHEN: Thank you, Jim. Let me thank you for delivering this address on U.S.-India relations. You'll be interested in knowing that in a month or two, we're going to be publishing a masterful history of American intervention on Kashmir, and it is a history of failure, so it's a cautionary book, it's worth reading, written by Ambassador Howard Shaffer, and we'll make sure you get an early copy of it. It's a grim book, but it's very useful.

Let me thank you again for coming. You're welcome, obviously, to come back at Brookings now that you're living in Washington, D.C. We want to recruit you for the Junior/Senior Faculty – Junior/Senior softball game, where you were an outstanding pitcher. So, again, thank you for coming, we appreciate it. Let's take a five minute break and then the next panel will assemble. Thank you.

(Recess)

MR. COHEN: Let's move to the first panel. Let me ask Dr. Charles Ebinger to introduce his fellow panelists and chair the panel.

Charlie is an eminent -- Charlie, I've known for many years, in fact, is an eminent expert on energy and water, but is also a qualified South Asian expert. I think our paths crossed maybe 25, 30 years ago.

And so, Charles, would you please come up and begin?

MR. EBINGER: Thank you, Steve.

We're very fortunate today to have a very distinguished panel. And I think the format I will use is I'll introduce them one by one and let them make their remarks, and then we'll introduce the next panelists as their turn comes at the podium.

I do want to urge our panelists to try to stay in a 12 to 15 minute time horizon, if possible, so we have plenty of time for questions.

I'd just like to open up with a few remarks, and that is: I think to have a valid discussion of the U.S.-India Nuclear Agreement, one has to put it somewhat in a larger context. And I'm sure our distinguished panel will be able to do that.

First and foremost, while we all get excited about the prospects of maybe 10,000 megawatts of nuclear power giving renewed vitality to the international nuclear industry -- and, hopefully, our own -- we have to deal with the fact that with 160,000 megawatts currently being

demanded in India every day, and growing rapidly, that the nuclear dimension, while extremely important, is only a small component of the roader Indian and regional energy problem.

And in this regard, I'd also like to mention that before I think we can have a true U.S.-India nuclear cooperation, we need to first have better idea of what is the nuclear policy of the Obama Administration, which remains, at best, I think, unidentified, different statements coming our. But if we're truly going to use this as a model for not only our bilateral cooperation but, perhaps, broader international cooperation along the same lines, I think we need some clarity coming out of the White House and the administration.

We also need to keep in mind -- and I think it's impossible in that part of the world, with India and Pakistan being so dependent on coal as vital resources in their economies -- to keep in mind that the nuclear energy debate must also be put in the context of the global climate change debate. And hopefully, as we move towards the Copenhagen agreement in December, these issues of the role of nuclear in trying to offset the dangers of coal -- and particularly where used so vitally, as in the subcontinent -- needs to be looked at.

But I think India also needs to stand back and say, "What else can we do in our broader energy policy, that will not only help

ourselves but help our neighbors?" And in this regard, while each is fraught with political difficulties, I think one needs to look seriously at the prospects for hydroelectric trade with their neighbors to the north in Nepal -- negotiations I tried, personally, for 10 years to move forward, with little success. I think one has to also not -- although it is a coal resource -- not entirely discount the vast coal resources is southeastern Pakistan, and the Thar Desert, which could provide electricity supplies to Gujarat, were political relations to improve.

India deserves a great deal of credit, I think, for trying to help Afghanistan with its energy problems, particularly with its work on building trans-border links with neighbors of Afghanistan in Central Asia and, I think, in a number of areas lots of development assistance. But I think India also needs to be careful in that broader debate that it not be seen as an antagonistic situation towards its neighbor in Pakistan, because this is how it's often perceived, rather than as the very gratuitous aid that I think India has been very successful in promoting.

And, finally, I think as we discuss the role of the India-U.S. nuclear agreement, and how we may wrap that into the NPT and other international nuclear fora that are on the docket in the next coming months or years, we need to also say: What would be the possibility of India leading the charge, joining the proposal by the United Arab Emirates, for

example, to simply say they will forego, forever, their own enrichment and reprocessing, under suitable international regimes where they're guaranteed supplies of these fuels, and use that as leverage to help spark a de-nuclearization of the Middle East -- including Israel -- as we move to truly try to find a way we can all use the benefits of nuclear technology, while also ensuring that the dangers of that technology are adequately protected.

Now, without further ado, let me introduce some of my panelists.

I think we will begin with Dr. Aiyar. We are very proud to have Dr. Aiyar here today. He is truly one of the luminaries in the Indian arena, in a number of different areas. He is currently, of course, a research fellow at the Cato Institute's Center for Global Liberty and Prosperity. His research interests -- I should say is "catholic research interests" -- include economic change in developing countries, human rights and civil strife, political economy, energy, trade and industry.

He is a prolific, well-known columnist and TV commentator in India, well known for a popular weekly column titled, "Swaminomics," in *The Times of India*. He is the author of *Escape from the Benevolent Zookeepers* -- I love that title, *The Best of Swaminomics*, and he has been the editor of India's two biggest financial dailies, *The Economic Times* and

Financial Express. And he has also been the chief Indian correspondent to *The Economist* for over two decades.

He has frequently been a consultant to the World Bank and the Asian Development Bank. And his qualifications go on and on.

It's a great privilege that I introduce Dr. Aiyar.

DR. AIYAR: Okay, I'll be speaking on the economics of nuclear power, the strategic implications for India.

First basic question, of course: is nuclear power economic? And, broadly speaking, no. There was a seminal MIT study some years ago, more or less saying nuclear power is definitely costlier than power based on coal or gas. However, if there are going to be substantial carbon taxes levied on fossil fuels, then it is possible that nuclear power may become economic. As of now, non-conventional energy sources, like solar and wind power, they are costlier even than nuclear power.

This is not all, however, in terms of total costs. Apart from just the cost of generation, there is the issue of what happens if there is a nuclear accident? By and large, most governments have a law where the government limits the liability of a nuclear company and says that, beyond that, the liability will be taken over by a government. And if you do not have a law guaranteeing a limit to the liability of the company, a lot of

nuclear suppliers will say, “I refuse to supply equipment to such a company.” China, in fact, has enacted such a law. India has not yet.

But anyway, clearly, if the government is going to give a guarantee, this is an additional cost of nuclear power which is not explicit.

Then there is waste disposal which, again, governments will be doing. That’s clearly one additional cost of nuclear power which is not transparent.

And finally, there are some proliferation risks, which some people might also speak as being extra costs of nuclear power.

For all these reasons, there as some people who say that nuclear power is considerably more expensive than just the headline costs of generation.

What is the future of the costs? Well, again, the MIT study says that you can bring down the cost significantly if you can build a plant in four to five years, and then operate it at 80 percent plant-load factor, that becomes economic.

In practice, you’ve often had plants taking five to 10 years to construct. When they are built there are glitches and they only operate at 50, 60 percent capacity. In a capital-intensive thing like this you must get at least 80 percent capacity utilization for that to be economic.

And, finally, you need to standardize the supply chain. If you keep changing the technology of the kind of nuclear plant you're trying to put up, you run into these glitches. If you have a completely standardized thing -- each component, you know who's going to supply it -- with a standardized supply chain of the kind France created, you can bring down costs.

What is the future of different energy sources? Well, in 30 years' time, coal, oil and gas could be extremely costly. We saw in 2008 the prices of these things tripled before having fallen again. But that's because of a global recession. When the world economy picks up, I would not be surprised to see these things go extremely high. If you look farther out into the future, 15, 20 years, I wouldn't be surprised to see oil go to $300, $400 a barrel.

Goldman-Sachs had a celebrated paper on the BRIC economies, and made projections, you know, how are these guys going to grow? And some of those estimates suggest that China's GDP could rise 30 times between 2000 and 2050. India's could rise 50 times between 2000 and 1050, over the 50-year period.

And you could say energy will rise at half the rate of GDP growth. Energy consumption in China could go up 15 times, and in India it could go up 30 times.

If this actually happens -- I'm not saying this will happen because the prices of these fuels will go up so much -- but if this happened, India and China would be consuming more than the entire global production of oil and coal today. I mean, just to give you an idea, therefore, that if you really believe that India and China are going to keep galloping at these high rates of growth for 50 years, there is going to be a very serious problem on these other energy sources.

Mr. D.V. Kapur is the former Power Secretary of India, and he was on the Energy Committee that went into future projections for India's eleventh five-year plan. And he says that in his estimate, all nuclear sources -- all non-nuclear sources put together -- coal, oil, gas, non-conventional -- he says they can meet only 75 percent of India's energy needs by 2030, assuming GDP grows at 9 percent.

Now, GDP growing at 9 percent I think is hopelessly optimistic. Surely it will be slower. But nevertheless, the point he is making is that beyond 2030, nuclear power becomes -- forget the issue of whether it's desirable, he claims it will be inescapable. There will be no alternative because of the shortage of other sources of energy.

But, of course, there could be a change in technology. What I would certainly hope for is that we have a huge breakthrough in solar energy. Once you get that, then it's possible that the costs come down so

much that nuclear energy, instead of being inescapable, becomes irrelevant. I mean, I would hope that that will happen, but nobody can say. That's a technological issue. We'll have to wait and watch.

Nuclear energy -- as I said, as of now, uneconomic. But there are various reasons to hope that nuclear energy could get cheaper in India.

First, there is a global savings glut which seems likely to continue. With the global savings glut, global real interest rates -- interest rates adjusted for inflation -- are likely to be low. So when real interest rates are low, capital-intensive projects become cheaper. And nuclear energy is very capital intensive. For this reason, it will get cheaper.

Secondly, standardization and mass production cut costs. This is one reason why France has been able to make economic nuclear power, which is not the case in many other countries.

In India we have the NPCIL, that's the Nuclear Power Corporation of India. It makes these little 220-watt power equipment, which is regarded uneconomic the world over. Yet NPCIL claims that by having standardized these things after bitter -- I mean, it started off as a series of highly economic things. Now that it's got standardized, it claims that the cost has come down to 6-1/2 cents a unit, which is pretty good by

global standards. With a scaling up these sets to 700-megawatts, we should then bring down the costs still further.

Over and above that, now that the India-U.S. nuclear deal is signed, the nuclear suppliers group has given the okay, the green signal has come, and there are going to be large-scale transfers of technology and investment in India. There is going to be large-scale corporate investment, both by multinational corporations and by Indian corporations, in India in equipment manufacturer for nuclear power. This is likely to bring down costs quite significantly. I'll be speaking more about this later.

Beyond that, France currently is making these third-generation power stations. These have run into very serious glitches, one in Normandy, one in Finland, and that seems to be in deep trouble. The costs there clearly are going to be very high. However, fourth generation power stations are now on the drawing board. When they come up in due course in five, 10-year's time, presumably it will be a superior technology, presumably that could help bring down costs, too.

Finally, India and China have very cheap construction costs. And this is not appreciate as to how important this is. Because, you know, just the construction costs -- the civil works, just the digging, the cement -- this is up to 60 percent of the cost of a power station is, in fact, the civil works. The actual equipment is much smaller, it's a minority cost.

A number of Indian companies have started putting up giant factories at 60 to 75 percent of the cost of putting it up in the West. Reliance Industries, in their petroleum industry, it's putting up petroleum refineries -- which, you might say, is very different from nuclear power. But the point is, these are giant refineries, and they're able to put it up -- they've benchmarked themselves at 65 percent of the world cost. And because of that, Reliance today is the cheapest oil refiner in the world, and it's putting up the largest refining capacity in the whole world. It's able to do this fundamentally because the construction costs in India, once you standardize, come down very substantially. And if your capital costs are very, very low, then in any capital-intensive thing -- be it an oil refinery or be it a nuclear power plan -- it does become cheaper.

Okay, what are the deals being struck right now, and what are the future plans? The additional protocol with the IAEA has just been signed, so that's the final step in the go-ahead on nuclear equipment.

Today India has about 70 nuclear plants with 4,120 megawatts capacity. But because of the shortage of uranium fuel, the effective capacity actually being utilized is only 1,800 -- less than half. However, the hope is that fuel supplies are being contracted for, and there's hope that within a couple of months very substantial amounts of uranium are going to be important, and there are going to be three new

NPCIL plants coming up this year -- the first Russian plant at Kudamkulam should come up -- so there are hopes that by the end of the year, up to 6,000 megawatts may be in place, though perhaps there will be some time overrun on this.

But in the eleventh five-year plan, the next five years, in (inaudible) plants of the NPCIL, they hope to put up another eight units of 700 megawatts, three fast breeder reactors, one advanced reactor -- up to two-plus-four new Russian reactors at Kudamkulam. I mean, all this appears to already be on the drawing board. We've had many slippages in the past. I don't doubt we will see some more. But this is a substantial and very ambitious program.

Over and above this, there are going to be joint ventures that the Nuclear Power corporation will have. One will be the National Thermal Park Corporation, the NTPC. And they are starting talks on joint ventures with a number of foreign companies.

Having said this, nuclear power, as of now, is only producing about 3 percent of India's energy. By 2030, the estimates are it may go up to 25 percent. So it will still be a modest amount -- which, in a sense, the importance of nuclear energy for India becomes critical or vital only beyond 2030. So, you know, while it is seen to be an important source of nuclear security -- or the nuclear source of energy security, let me put it

that way -- it becomes really vital for India's profile only after 2030, a long time in the future.

What are the deals that are being negotiated right now with multinational corporations?

The Nuclear Power Corporation of India is planning four nuclear parks, with a total of 45,000 megawatts of capacity. The sites chosen, one is Pati Sonapur in Orissa, one is Haripur in West Bengal, one in Gujarat, and Kowada in Andhra Pradesh. And very probably the deals will be one with a French company, one American, one Russian, one Japanese. That looks like the likely outcome for these four nuclear parks. And, of course, there would be the separate joint venture with the (inaudible).

As of now, our legislation does not allow the Indian private sector to get into nuclear power. There is a proposal to have new legislation that will allow it, after which the NPCIL will have joint ventures with Indian private sector companies. LNT, (inaudible), is a leading contender, Reliance, Tata and Jindel.

In due course -- I think this may take five to 10 years -- there's also a possibility that private sector companies, whether Indian or multinational, will be able to put up 100 percent-owned nuclear power

plants. But as of now, all of them have to be joint ventures with the Nuclear Power Corporation of India.

Political hurdles. India does not yet have a law limiting the liability of suppliers in the case of an accident. If you don't have such a law, no U.S. or Japanese firm will dare supply any equipment. In fact, at one seminar, I saw the American company saying, he says, "Let alone equipment, we wouldn't dare supply a blueprint." I mean, if you supplied that, and something went wrong we could be sued for billions. So they say unless India enacts a law limiting liability, we cannot go ahead with supplies.

However, Russia is already supplying for Kudamkulam and can go ahead, because the Russian supplier is government owned. It already has a government guarantee.

In the case of France, too, the French suppliers, there is substantial government stake in those companies. They may be willing to go ahead with supplies without this kind of guarantee.

So, the political hurdle is as follows. There is an election coming up. We don't know who is going to win the election. But it is entirely possible that the Left Front, with the four Marxist parties, will be in a position to determine legislation. And if the Left Front is in that position

to determine legislation, it will definitely prevent India from passing any law limiting liability.

If that happens, the guys with the biggest advantage are going to be the Russians, because they can go ahead and keep supplying. Whereas definitely, the Americans and Japanese will not. And I suspect even the French may not.

Like China and Korea earlier, striking deals with foreign companies for nuclear power plants, the deal will provide for a transfer of technology to India, and for a localization of equipment manufacture. It happened in Korea, it's happened in China, it will also be part of the deals in India.

Now the interesting thing has happened. There is now an explosion in world demand, it seems, for nuclear equipment. And suddenly, the demand for nuclear equipment is much more than can be handled by the existing capacity of companies in the U.S. -- or, for that matter, companies around the world.

I went and talked to the Areva people last year, and they made the point that, you know, "India, you're saying you want nuclear equipment, but we are fully (inaudible). We are unable to even manage our supply chain for the current plants in Normandy and Finland, let alone create new capacity for new guys outside."

And so they said, “We will be extremely keen on setting up large-scale manufacturing facilities in India for making nuclear equipment. And the reason we want to do this is that we have already seen your capacities. India is potentially a very low-cost producer of this kind of equipment. So we would like to use the manufacturing capacity in India -- not only for India’s own nuclear program, but for exporting to our various plants all around the world.”

Okay. That was Areva.

Then there was a group of U.S. companies that came over and visited India. They said exactly the same thing. They too said, you know, there is a very, very serious problem in the supply chain right now, and a lot of new capacity has to be created. And we would like to make a lot of this in India, and we would like to see India used as a production hub for global supplies.

The biggest bottleneck, in fact, appears to be in what they call “giant forgings.” If you want really large new generation nuclear power plants, you require massive forgings. And for these massive forgings -- there are only two plants in the whole world which have the capacity to produce it, one in France, one in Japan. Because of that, that is the area where Indian private sector companies are now focusing. Joint venture agreement has been signed between Bharat Forge, Areva and BHEL to

manufacture giant forgings. A separate agreement has been signed with (inaudible), with Mitsubishi to produce those giant forgings, and the Jindals appear to be interested, too.

So you have a large number of Indian companies getting into the production of these giant forgings, which are likely to be critical for the supply chain across the world.

Bharat Heavy Electricals, a government company, have had a monopoly in the production of large turbines. That's ending. Now complete power plants are going to be made in the Indian private sector, (inaudible), Bharat Force just started up (inaudible). They're going to start by making these large gold-based power plants, and then they'll be upgraded into producing nuclear power plants.

Tata, Reliance and others are interested. So, by 2020 or 2025, India could be a key part of the global supply chain for nuclear equipment.

This has major strategic implications. If India becomes a global hub for nuclear equipment production, it becomes largely sanctions-proof. If, for instance, India at some point tests a nuclear thing, but already equipment supply is localized, you know it's self-sufficient. You can't be sanctioned. India would, of course, still require fuel imports perhaps. But by then, it will have stockpiled fuel, and it will have its own

nuclear uranium mines by then in Niger, or Kazakhstan or somewhere else. And, of course, it's going to finally develop its own mines in Andhra Pradesh and (inaudible).

If India is a global supplier, and there's some sanctions against India, those sanctions would disrupt the global supply chain. So India would have considerable countervailing power in those circumstances. For practical purposes, India will become a B-5 member. And, of course, this will not happen for Pakistan. To that extent, it will change the power equation in South Asia quite dramatically.

Thank you.

MR. EBINGER: Thank you very much for a very interesting presentation.

Our next speaker is James Clad, who is a Professor of Near East and South Asian Studies at the National Defense University, and a Senior Fellow at the Hudson Institute. It does not say so in his biography, if you go it, but Jim was, of course, Deputy Assistant Secretary of Defense for South and Southeast Asia in the last administration.

He served in the U.S. government for several years, including a detail at the White House, and in Baghdad from April to June 2003.

Previously, Dr. Clad was a Professor of South and Southeast Asian Studies at Georgetown University's School of Foreign Service, where I was lucky enough to be a colleague -- and Director of Cambridge Energy Research Associates, of course, one of the premier energy consulting firms.

He wrote for the Far Eastern Economic Review in the 1980s, and has held fellowships from St. Anthony's College, Oxford, the Carnegie Endowment for International Peace, the Woodrow Wilson International Center, and Harvard Center for International Affairs.

His books include Behind the Myth: Business, Money and Power, and After the Crusade.

Dr. Clad.

DR. CLAD: Yes. When I noticed the deletion of the most recent job, I thought this is proof positive that people are really in a hurry to forget the last administration.

I'd like to talk about three things and keep it brief.

What I did recently in defense trade -- I think my best way to help Steve today is to talk about defense trade, defense economics, and see what beneficial effect the Civ Nuke Accord might have had on my work over the last two years. Then I'd like to talk a little bit about what

might be in store for U.S.-India relationship. And these, of course, are my own personal views.

The defense trade with India has reached a point where the defense corporates are really beginning to pay attention. The sale, in particular, of C-130 aircraft, some other sales, possibly, by Boeing, put it in a place where 52 American defense corporations, ranging from the very large to the quite small, have registered in Delhi, it makes it a place of potential big interest. But, again, if you look at the actual scale of business, it's comparatively small.

If you look at the defense exercises that the United States has undertaken with India -- and I stress, it's a very slow trend of ascent beginning, really, in the late 1980s, the first Gulf War saw some important collaboration. But it's been primarily at the mil-to-mil, or military-to-military level. But overall, when I accompanied Secretary Gates to India about nine months ago -- no, nearly a year ago -- he was intrigued to learn that the range of exercises and involvement in a mil-to-mil sense between the United States and India places the United States at the top of India's list of foreign partners. It's an important point.

The Army, the Navy, the Air Force, there are significant elements of ongoing collaboration, and it means that, very broadly speaking, at the senior leadership levels of India and, to some extent, the

United States, the interaction is profoundly significant and attracts a lot of attention.

We've had visits, as I said, by Secretary Gates about a year ago. We've had Defense Minister Antony visit more recently, and full courtesies were extended. And we've had, I think, in addition -- walking through this very quickly, and to echo Jim Steinberg's comments at the beginning -- the terrible events in Bombay, in Mumbai, have actually led to an important degree of collaboration with specificities that I'm in no position to discuss. But I can tell you that they were significant. And I believe that most things in history happen as a result of a sudden push, rather than bureaucrats planning it in advance.

We have significant impediments. They are largely a result of internal politics in India -- internal bureaucratic politics that relate to logistics, supply arrangements, which is a very normal thing we do with many countries in the world. They relate to a set of communications agreements that are important so that we can essentially communicate with one another in all the esoteric ways that militaries do in exercises, whether bilateral or multilateral. So we're bumping up against some problems there.

And then, as Jim Steinberg also mentioned, the end-use monitoring question, which we have now, in varying ways, with 87

countries, all of which are pretty fastidious about their sovereignty. There is nothing unique about what we're asking from our friends in India, but it tends to be obstructed within the senior bureaucracy, and reinforced, may I say, by a political attitude by left-leaning parties. So we can expect more of this, should they be in an influential position after the elections.

Now, the second point is what enabled me to do my work that came from the Civ-Nuke process which, of course, attracted an enormous amount of attention from the White House, the former President particularly and personally interested in the relationship, and also from the senior levels of the State Department.

Well, I have to tell you frankly that I chose actually never to speak to the Civ-Nuke Accord when I visited India. When I'd be interviewed by their press, or I'd go to the Observer Research Foundation or other places, I made it a point to almost dismiss it in an amusing way, saying, "Would you please tell me what this is? I have heard of it. It seems to be important. Next question." -- not to be offhand, but to say, and to reinforce by what I was saying, the fact that we had reached a point in our relationship with India where the defense and security relationship could proceed more or less on its own.

This is a very significant point. It's no longer hostage in the way that it might have been certainly in Indira Gandhi's time, or the early

‘90s, when it became something that probably in a beneficial way, at the very sort of outside of the arena, the momentum would assist us, but it actually had no beneficial or immediate impact on what I was doing.

Secretary Gates, when he visited India a year ago, I think used a very telling phrase that had a very big impact with the senior leadership that he saw -- including he called on a leader of the opposition. I remember in that meeting he said, “Mr. Advani, our countries are fated to work together. We are fated because of the rise of your northern neighbor, because of the nature of security challenges, terrorism, sea lanes and communications -- generally, in both a procurement sense -- that is, within defense trade, which includes economies of scale and defense economics, but also, externally, in your choice of security partners. This is an overdue development.”

And I always felt that in speaking that way, we spoke to home truth, we spoke to mutual interest, and we didn’t get caught up in something I’ve seen ever since I first went to India as a journalist 20 years ago, which were recurrent cycles of elation and despair. You know, the business community would get cranked up, suddenly we’d be talked about an info-tech superpower, and a whole lot of things which essentially didn’t make a great deal of sense. And I’m not saying we were immune from that, as well. There were tendencies to sometimes speak through the

pages of Foreign Affairs, or editorials, as if it was the most extraordinarily significant development in the American strategic landscape that had ever happened. And I felt that this was rather overcooking the soup.

Also, it tended to focus our embassy, the Ambassador, other people, perhaps disproportionately on an agreement -- which, by the way, isn't done yet. And there are a lot of loose strands. Our Chinese friends appear to have taken different views of the utility of this development. So that I wouldn't actually applaud a done-deal quite yet.

So, let me just conclude with a couple of thoughts. And, as I say, they're based on this recent two years, but also on a longer period of working with India and writing about it.

Jim Steinberg mentioned over two dozen bilateral commissions. What happens is there is a wave of bureaucratic interest. The landscape is populated by a number of commissions. They start off bravely. They dissipate. Quite often, the bureaucrats involved forget about them entirely. And then there are lists prepared, and then, God help us, there's even the thought that we should meet and rationalize the list of commissions and all the rest of it. I mean, what's the point, really?

There are significant, profoundly important, changes in the relationship. And one only need look back to see them as significant. But, as my former Georgetown colleague here said wisely, the Himalayan

hydro resources have been out there for India to use for 50 years, and I believe that much of that has been the result of attitudes that might be short-sighted -- certainly in the Himalayan countries, but certainly also in South Bloc. Ditto for gas from Bangladesh and other directions. It's not only nuclear power.

And, beyond that, as a foreign correspondent, I met the former head of the Atomic Energy Commission in India, and spoke, 20 years ago, about appalling problems of potential safety, the use of many different types of reactor and systems going with them. So that let's be careful about the excitement with nuclear energy and the possibilities that it's going to be a great big jamboree or a free-for-all.

The final thought, too, with the relationship with India -- my own personal view is that we have been less than completely creative about the possibility of working with India vis-à-vis a settlement in Afghanistan that's going to cohere and will achieve buy-in by the regional powers.

There is a tendency -- and a recent review, which you'll be hearing about soon -- to regard Pakistan once again as the entry point, the way in which the solution can be crafted, the source, or rather the destination, of lots of new development assistance money. But it may be that the best way to proceed -- a hard way and a demanding way of our

Pakistani friends -- is to invite the Indians to have a bit more direct say in how we work with a vital part of their neighborhood. Because, after all, the Indians have been on the short side of our strategic conundrum with Pakistan ever since the late 1970s.

So those few thoughts. Thank you for your attention. Thank you, Steve, for the invitation.

Happy to take any questions later on.

MR. EBINGER: Thank you, Jim, for those very provocative and interesting remarks -- especially at the end, I thought.

Our next speaker is Dr. Siddhartha, who is currently a member of the Experts Committee on UNSC Resolution 1540. He has been an advisor to ministries of external affairs and defense on export controls and science and technology issues in international security, and previously served as the Secretary of the Science Advisory Council to the Prime Minister.

His other positions have Included Advisor and Outstanding Scientist in the Secretariat of the Scientific Advisor to the Defense Minister, and Chairman of the Research Council. He has been associated with the Center for Wind Energy Technologies, the Ministry of Non-conventional Energy Sources. He has served as a Scientist Engineer in the Department of Space in the Indian Space Research Organization.

And he has been a consultant to the United Nations Environment Program and, finally, Principal Scientific Advisor in the National committee on Science and Technology.

Dr. Siddhartha.

DR. SIDDHARTHA: Thank you very much. It's certainly an honor to be here. One's heard a great deal of Brookings, and I've never been in these hallowed grounds before, only passed by the front of the building, paid my respects and moved on.

(Laughter.)

The context in which I will be speaking -- briefly, I hope -- has been well stated by the distinguished speakers before me, and so I will not repeat or second-guess -- much less, preempt, even inadvertently -- the distinguished speakers to come after me.

However, I do bring to the table my recent and ongoing experience as expert serving with the 1540 Committee of the U.N. Security Council, and I'm doing so in my personal capacity, of course.

There are common threats to security -- terrorism, particularly nuclear terrorism, not so much with bombs themselves, possibly, but with what are known as "RDDs," radiological dispersal devices. I'm just stating this as part of the context in which we're talking

about, and one which was alluded to also by the present chair, and also the speakers this morning.

And I would like to refer here to two repots which may not be all that familiar to many of you here, but I think it's worth reading. There are two reports of the National Academies, the United States National Academies I'm talking about. One is the Hennessy-Scowcroft report on "Fortress America," and the problems that might arise if that were to come about, and what needs to be done to ameliorate the situation where sort of the ambience of fortress-izing America should be loosened. It's worth reading that report, because they have very important things to say there.

Secondly, there is the National Academies of Sciences report on the new model for what is known as the Cooperative Threat Reduction program -- CTR -- and this particular report asks, with addition to work, apart from what it started with, which is called -- this is now called "CTR 2.0," to borrow from the software world -- and they ask for additional global partners to help meet CTR goals, Cooperative Threat Reduction goals, and, in particular, to move away from the Russian focus as it was earlier, into a more global focus. And very clearly -- very, very clearly -- I do not see how an expanded role for CTR, even if I were speaking from the U.S. point of view, can possibly be done without India being an active partner.

As far as end-electricity goals are concerned, those have already been stated. We have about 20 gigawatts electric by 2020, in which about 8 gigawatts electric will be foreign reactors and, in particular, light-water reactors. And, of course, this may be increasable as a result of this particular deal.

I endorse the comment which was made about outsourcing, and I want to say something here because this also is possible not extremely well known: What is the current situation from a technological standpoint -- and exclusively from this technological standpoint -- of nuclear trade with China and India? And I want to mention this because for some reason which I haven't been able to find out and decipher, these particular statistics, which come from U.S. sources, by the way -- U.S. official sources -- have not been adequately studied, displayed and interpreted.

Okay, U.S. nuclear trade with India and China, and the advanced technology products data come from the United States Census Bureau, and that's how it's been going. And you can see that the trend for India has been more or less flat, but for China it's been rising.

But more importantly -- and I will come to the next slide -- that's it -- see where that is going, "U.S. nuclear imports from China and

India." The ones from China have decreased, and the ones from India have increased.

Part of the reason for this is what Mr. Aiyar mentioned, this whole business about outsourcing, to ensuring that things which can be made cheaper in India can be imported (inaudible), and also possibly -- not "possible," "definitely" -- because of the fact that the Indian export control system now is robust, it is comprehensive, and fully aligned with international norms. I wouldn't want to use the word "regimes," because that has a particular connotation -- in particular INSAT 254 Revision 2 and 1, and these are completely compatible with them in terms of the lists and the principles of licensing guidelines which are used by the Indian licensing authorities in order to allow these exports to go securely through the supply chain from their points of origin in India to the points of end-use here in the United States.

Given that this entire setup, and the entire -- yes setup -- of regulatory arrangements to ensure supply-chain security is now fully compatible with the international norms and, in particular, with the United States' own regulations -- with some problems associated with extraterritorial applicability of either's laws to the other -- and the shift of focus to weapons of mass destruction, and the Indian WMD Act which is now fully compatible not only so, but with U.N. Security Council Resolution

1540 -- it was actually designed to implement that -- and it has been quoted extensively as one of the best acts. There are still some steps that have to be taken to implement that particular act, and these are in process -- and I believe Amandeep Gill will be talking about that a little later.

What, then, to move over from what was said earlier, are the problems with regard to certain perceptions in the nuclear area between the United States and India? There are certain points which, again, are not very well known, and let me flag them, as well.

Okay -- these are what I call the “leftovers of Tarapur” -- in more ways than one.

There are approximately 200 tons of spent fuel under IAEA safeguards which are clogging the cooling-pools of Tarapur. Now, these are not owned by India, they’re owned by the United States. All these, the spent fuel, belongs to the United States. It is not disputed by India that it belongs to the United States. In fact, quite the contrary. India has been urging the United States to take back the spent fuel. And this has been going on for years. And every time there has been a move in India by the technocracy, if you like, to say “Come on, let’s go about re-processing this spent fuel, it belongs to us now. They’ve reneged on their contractual obligations,” the political leadership -- I think, very wisely -- have simply nixed that urge by the scientocracy in India, if you like, to go about re-

processing that spent fuel to be used so as to extract the plutonium to be used again, possibility in safeguarded fast breeder reactions. But that's another story.

And the key point here is that for the last 30 years that the United States has not done so clearly means that it considers -- the United States considers -- a safer location for the spent fuel than the United States itself. That is why we are, in India, the entire exercise -- this is one reason and there are others, as well -- which says that India is a completely safe location to go about putting up nuclear power plants for producing electricity, and to ensure that the supply chains are secure in both directions between the United States and India.

What about -- taking over from Swaminathan left off -- it's not only that India may well become a preferred location from -- you see, India's basic position is that it is not capability-limited. India is capacity-limited in terms of the amount of infrastructure that's available to make these very large plants and so on and so forth. They make them, so there enough engineers, there's enough know-how, but we don't have enough capacity -- similar as the case with the rest of the world.

And this business about technology transfer will have to be honed, quite clearly, in such a way that the benefit to both the United States and India is mutual, equal, reciprocal. And once again I would urge

a reading of the Hennessy-Scowcroft report to find out how this can be done. It gets into details about regulatory practices. I don't want to go into that at the moment. It's probably not the forum. But it's certainly doable.

One particular area, again, apart from this, is small-value -- sorry, high-value, small-volume production. You need 20, 30, 40, 50 numbers of something, and that's your end of the line, which is a kind of situation that you might have here in the United States. The best place to do that is India.

Similarly, if you want one-off, for research, development, test, evaluation kind of job that has to be done to produce what in India are known by Bharat Electronics as "saleable prototypes" -- if you want to produce saleable prototypes for test and evaluation purposes before you standardize the particular final product, the proper place to do it, and the most cost-effective place to do it -- both from the technological standpoint and from a financial standpoint -- is, in fact, India.

So, no euphoria for the immediate future but, without doubt -- and I am totally confident of this -- if you go about planning your future with the Indian nuclear establishment carefully, and with the long term in mind, the situation can be entirely win-win.

I want to mention only one final point with regard to closed and open cycles. It does not make sense to bury plutonium. You have to

burn it in fast breeder reactors, from a purely -- from the point of view of what is known as “energy flux density,” it is meaningless to waste this particular manmade product. Because as a source, as a fuel, it is so valuable it is as if -- it’s the equivalent of burning oil or natural gas without actually using it in any engine, just burning it off. I mean, it’s really, in some sense, a criminal waste to go about using these in open cycles, and then going about burying the plutonium. You should use them.

And a joint research and development activity between the United States and India over the next 20 years or so, which is planned in such a way that the Ratkowsky process for eventual use of plutonium and, finally, 50 to 70 years from now -- I’m really talking long term -- into fusion, which we are already into with collaborative work with (inaudible) Russia and France on ITER -- and the one-off productions of very, very high-technology (inaudible) light, for example, the detectors that India provided to the Large Hadron Collider in Geneva.

These are the ways in which confidence in the technological confidence can be built up between the United States and India and the scientific communities, which are already at a fairly high level. And as Mr. Shyam Saran will be mentioning -- because he’s distributed his speech earlier -- with regard to the next stage is in the area of space, and possibly in the area of ensuring that space does not become a playground for

pseudo-warfare, if you like, using the military satellites and other kinds of devices which have dual-use applications.

It's important that the area of space should be addressed, because I can see that the mistakes that we have made with respect to the NPT should not be repeated, on the one side. And on the other, we hope to recognize that the access to space has to be made universal -- and I wouldn't say "non-discriminatory," because I don't think it's possible to do that without a certain degree of discrimination as to who you allow in there and who you don't. But it's something that we should start the work now so that later on we are in a position of equal partnership, and not that of a buyer-seller, or of a superpower and an upcoming one.

Thank you very much indeed.

MR. EBINGER: We can now take some questions from the floor. I think there are plenty of controversial statements that have been made, to generate some interesting discussion.

Yes, sir. Please wait for the mike.

MR. GROSS: Woolf Gross, Northrop Grumman. I think this is more properly address to Dr. Siddhartha.

One of the arguments that was used -- behind the scenes, at least -- in the run-up to the 123 Agreement here was that supplying uranium from outside was a good rationale to offset, or head off, the

utilization or the exploitation of the large thorium reserves that India has in the monazite sands in Kerala. Now I read that maybe thorium is a better bet for power generation. It's cleaner, greener, than is uranium.

And I'm wondering how you balance off these two arguments.

DR. SIDDHARTHA: Well, actually, it isn't a balancing off. That argument is incorrect. I mean, the fact is that thorium-U233 cycle, which will eventually have to come -- because it doesn't make sense for India and Brazil not to use the resource that they already have. And the use of plutonium for this is really only as a neutron source. It's nothing to do -- when you put it into a fast neutron breeder, for example -- if you put it in there, you're really using the heat out of it. And you keep on talking about, I mean, of producing more fuel than you've burnt, and so on and so forth, that's only because of the way in which the physics work.

I think it's important to recognize that even in the United States there is a difference between the physics community and the non-proliferationists, so to speak, in this matter.

If you're going to be physics-driven and science-driven, then it doesn't make any sense from the entropic point of view, to waste this fuel, to waste plutonium. You should use it.

And there's no doubt at all that as a base fuel, for the next thorium -- the thorium-uranium cycle, you begin with the use of plutonium that you have so that you provide a source of neutrons for the thorium-232 to be converted to uranium-233.

I mean, this is inevitable. This should be done. And it's a process which will come about. I have no doubt of that.

MR. EBINGER: The gentleman on the aisle, back.

Please identify yourself.

MR. REEHEE : Thank you. My name is Christian Reehee, for Eurex Construction Company. My question is for the last speaker, I think.

What is the future of the nuclear energy program in India? As far as I know, most of your reactors are heavy-water reactors.

DR. SIDDHARTHA: What? Sorry?

MR. REEHEE: Heavy-water reactors, HWR.

Now, most of the suppliers that, according to one of the speakers, the joint ventures to take place with are light-water reactors.

As far as I know -- I read the statement of the next speaker -- they should be 10,000 megawatts in the next year. That's basically 10 reactors. That's not much.

In the future, will it be still heavy-water reactors in India, parallel with the light-water reactors? And how many are you planning to build in terms of light-water reactors. Because when you do technology transfer and localization, you do it for a large number of reactors -- like China, for example -- for (inaudible) fabrication of our reactor technology.

So I think my question, in the future, nuclear energy in India, it's a combination of heavy-water reactors and light-water reactors? Is there a number that will be larger than the other type of reactors?

Thank you.

MR. EBINGER: The question -- if you can't -- if you didn't hear it -- I think is asking what is the future mix of different types of reactors in the Indian nuclear program?

DR. SIDDHARTHA: I can only point you -- because the answer is likely to be fairly long -- it's going to be a mix of both. Heavy-water reactors are, in fact, what are known as the endo-reactors , you know, what used to be called the -- and those will continue because of the nature of our grid, you see. Our grid -- the people talk about these small sized of heavy-water reactors we have. We have sized those reactors to take the kinds of grids that we have. If you put in a huge plant and the grid is not able to take it, then it doesn't make sense. You have to match these two.

So a great deal of the matching which has been done with regard to the sizing of the endo reactors -- apart from other constraints, which include the engineering constraints then in existence but no longer now -- what to do with the grid.

As far as those reactors which are going to supply the urban areas, very large consumption areas, are concerned, these will certainly be of the kind, of the light-water kind. And I would -- I mean, there are details with regard to the investment profile, in the technological investment profile, the numbers and so on and so forth. And I would point you to an article by R.B. Grover, who is the head of strategic planning in the Department of Atomic Energy -- and this is in a volume which I will leave here -- it's called Energy Security Insights. And the whole issue is devoted to nuclear policy issues in India. And the particular article by R.B. Grover there, which is very, very important, will give you the kind of answers that you're looking for, for your question. Yes.

MR. EBINGER: One question -- if I might just intervene here -- there were a few assumptions made which I found a bit perplexing. And that assumed that -- I think it was after 2030, that the cost of nuclear power would come down and be dramatically and as we expanded the base -- if I heard the point well -- and that nuclear will then be vital for India as we move out to mid-century and beyond.

I would query why don't we make the same assumptions that solar technology or wind technology or advanced energy-efficiency technologies may well also come down and, indeed, may remain considerably more -- may become considerably more cost-effective than atomic power?

And the other question I had was, the assumption that India will always remain a low-cost producer of large industrial facilities because of the cheap labor costs -- clearly, as India moves up its GNP per capita income with economic development, that advantage -- as it has everywhere else in the world -- should at some point ease, and new competitors will come on the market.

MR. AIYAR: Well, as far as solar energy is concerned, I think I specifically said a solar breakthrough could come, which could make nuclear power irrelevant.

MR. EBINGER: Okay.

MR. AIYAR: So we have an entire universe, spectrum of possibilities, from nuclear power being indispensable to nuclear power being completely irrelevant.

As far as the costs, you are right, as the Indian per capita GDP rises, that labor advantage will go down.

But, look, we are still at the per capita income of just $970. Even if you double it, triple it, you are still an extremely low-cost country.

MR. EBINGER: Okay. Thank you.

Yes, sir -- in the back?

MR. JONES: Hi, my name is Ted Jones. I'm with the U.S.-India Business Council. We played a role in advocating Congressional approval of the nuclear deal here in Washington, and we've led four trade missions of commercial nuclear companies to India since 2006.

And I just wanted to ask Mr. Aiyar and Mr. Siddhartha your views on the prospects for U.S. commercial nuclear companies in India. We discussed some of the challenges that U.S. companies have there, including the nuclear liability issue -- which, by the way, I think would be a very, it would be a very perverse outcome if the left were to defeat that, given that it's also a compensation-guarantee regime that prevents a state-owned company, such as a French company or a Russian company, from claiming sovereign immunity and walking away from victims. It would be a really awful outcome if that were to happen.

But more to the point, I would like to know your thoughts on the prospects for U.S. commercial nuclear companies, given that U.S. commercial nuclear companies are obviously behind Russia, having

assigned it for the reactors at Kudamkulam, and France now with the site at Jaitapur. We know they've been there for a long time.

But we're, I think, coming on with the best technology. U.S. companies lead the -- U.S. industry leads the world in megawatts, capacity-factor, cost. And GE has the only commercial --

MR. EBINGER: Can we get the question.

MR. JONES: Sure. Okay, I'll cut short the plug for the U.S. companies. But maybe you could update your slides to include some of the successes of the U.S. companies worldwide.

With that, please let me hear your views on U.S. companies' prospects.

DR. SIDDHARTHA: (Laughs.) I don't know why I'm being put into this position -- but, look, I haven't really personally dealt with U.S. nuclear companies at all. What I have done, however, is -- just as -- there are two specific aspects of this. And I think it would be useful to keep this thing as a long term.

You also, in this country, will have to expand nuclear power to serve your rural grids. It's not as if this is going to be entirely (inaudible) -- a 250-megawatt plant somewhere out in the boondocks here in the United States might make good sense. I wouldn't say it does necessarily.

And therefore, going about sourcing plants from India for that particular purpose, for example, would be something that the U.S. nuclear industry might want to do in order to look, to ensure, that it continues to have the downstream business at this end but, for example, will import Calandrias, which are made in India.

So far as exports to India are concerned, as I said -- and I think one has to be a little realistic here -- we have the very fact -- and I'd like to take this opportunity, if I might, of quoting your own Mr. Siegfried Hecker, who is the Senate Appropriations Subcommittee on Energy and Water Development, and as late as the 30th of April of last year, he said this. "I have found that whereas sanctions slowed progress on nuclear energy and made India self-sufficient in nuclear technologies, and world leaders in fast reactor technologies, while much of the world's approach to India has been to limit its access to nuclear technology, it may well be that today we limit ourselves by not having full access to India's nuclear technology developments. Such technical views should help (inaudible) -- " -- this is the point.

An equal partnership to ensure that your worldwide costs are reduced, when the U.S. and Indian nuclear industries together expand to cater to world markets -- that ought to be, in my judgment, the global -- I mean, the outlook of the nuclear industry, to make the Indian nuclear

industry and its subcomponents and component suppliers, to be part of the exercise of the growth of the U.S. nuclear industry, not only in the United States but worldwide.

If you have that approach, then you then become a normal kind of a business, because the restrictions will only be to ensure that the supply chain in both directions are equal and secure.

I don't know if I've addressed your question.

MR. JONES: (Off mike.) Yes. You're preaching to the choir on that point, where our companies -- many of them are here (inaudible) -- fully engage in India and try to develop a supply chain, to develop a supply-chain in India.

So there's active engagement there on that point.

But I was really more interested in, beyond the nuclear liability issue, are there other challenges that U.S. companies will be having there? Because if this isn't implemented, then, really, you know, what was it all about? Was it all just about the symbolism?

I think that we really need to carry it through and make sure that it actually results in meaningful commercial cooperation.

MR. EBINGER: Maybe we could get Jim Clad coming in here. He was the one that made the comment, I think, that the deal isn't quite done yet.

If you feel comfortable saying what you think some of the remaining issues still are?

MR. CLAD: Well, I'm flattered by the question. It's not normally my co-panelists lineup here. I'm bemused by some of the conversation. Very interesting to me, just something in which I don't normally dabble or deal.

The question about where we are -- it's important to understand that there are loose ends. And it's not only on the Indian side. They relate to nuclear supplier group countries, and what they think they said, and what they're prepared to go back and say, what they meant at the particular time. It turns on the role of China, which was very interestingly surveyed by a number of very good investigative journalists at the time. I don't mean to presume for any of those -- speak for any of those countries. But I think it's fair enough to say that, quite apart from Indian hesitations -- which could, indeed, mean, at the very best, we have another period of paralysis, as far as forward movement is concerned -- there may be some second thoughts which are voiced,

Things are in flux. And I think to sort of tout this as a done-deal would be farfetched.

MR. EBINGER: Yes, sir?

MR. GILL: Thank you. Thank you very much. Amandeep Gill.

Just to take up this last point about the liability issue, and whether we have an optimistic or a pessimistic scenario for the U.S. industry, I think we have to remember that, in principle, the commitment for the liability regime is already there. It's been agreed to in the 123 Agreement that India will create a liability regime that would be world-class.

So no matter what happens in the election, no matter who comes to power -- despite the vicissitudes of the legislative processes here or there -- that commitment is there, and it's likely to be followed through.

What would really be of importance in terms of the competitive edge of the U.S. industry would be getting the act together here. Because for a long time, the U.S. nuclear industry has not engaged in a large construction project.

So I think there is work to be done. It's on both sides. But I see it in a much more optimistic light.

Thank you.

MR. EBINGER: Thank you for the comment.

Anyone else?

Yes, sir.

SPEAKER: Just a quick question. (Inaudible), from India Global Nation Today.

Sir, India produces world-class IT, scientists, researchers and engineers, and exports around the globe. And they're doing good.

Why India has not set any model today that come up any alternative to oil, or solve the energy problem, even for Indians in India? Is this something politics or corruption in India?

MR. AIYAR: Mr. Chair, will you please rescue me?

MR. EBINGER: Excuse me?

MR. AIYAR: Please rescue me, I said. I'm not sure --

DR. SIDDHARTHA: I'm quite sure that even if we didn't have corruption, we would still have a problem in producing an easy alternative to oil and coal.

MR. AIYAR: Exactly.

DR. SIDDHARTHA: It takes more than honesty to do that.

(Laughter.)

MR. EBINGER: I'd like to throw out a question -- and this will be controversial.

But I'd like to ask, given that we signed this agreement with India which, at least some of the critics of the agreement suggested

through the 30-plus years of U.S. nonproliferation policy to make such an agreement with a non-NPT signatory -- are there any useful lessons we can learn from that experience on how to deal with Iran?

I mean, are we really saying that our major concern with Iran is the concern about a nuclear weapons program hiding under the cloak of a civilian nuclear power program? Or are we truly willing to come up and give Iran civilian nuclear power if other guarantees were made?

And could the Indian example be useful?

MR. AIYAR: It seems to me this is a question for the Americans to answer, rather than for me.

MR. EBINGER: It goes to the thrust of the nonproliferation regime. It goes to the thrust of Article 6, which if you read it literally, says in exchange for foregoing nuclear weapons, you get the fullest possible exchange of nuclear technology. It does not say “minus enrichment and reprocessing.”

Now, we all know that in this room. But that’s the point.

At what point would we be satisfied to let Iran have a nuclear program. It is an NPT signatory state. India was not. And are we playing a double game here?

You know, I’m trying to be perverse for the sake of getting a good discussion. I don’t necessarily believe this.

But I think it is a valid question that the Iranians -- if you'd like to --

MR. SASWOL : My name is VJ Saswol, with the USEC.

I believe, in principle, what you're saying is correct. But I think the thing that you are forgetting is that Iran has not satisfied all the IAEA inspection requirements. They have not answered all the questions. They have not shown the accountability and transparency that IAEA needs. They have, in fact, material which is unaccounted for.

So as long as these questions are not answered, I don't think you can rightfully say they do not have a weapons program -- notwithstanding whatever the National Intelligence Consortium said or not. So they have to answer those questions.

To my knowledge, India has never had an issue with transparency. Whatever IAEA inspections they hold right now -- and many of them are required under the CFC 66, and others are not, they are followed very rigorously. So we are actually not comparing apples and apples. We are comparing apples and oranges.

Thank you.

MR. EBINGER: Thank you for that very useful intervention.

Any further questions?

MR. SMITH: Jeff Smith, American Foreign Policy Council. Question is for Professor Clad.

You mentioned earlier, sort of glancingly, about India having a greater role in the region, in Afghanistan, potentially. I know in the strategic review of Afghanistan policy that has been an issue that has come up -- and, as far as I know, often been dismissed. The decision has sort of been taken to continue with more of the same: aid Pakistan to a greater degree, strengthen cooperation and so on.

Although you said it sort of under the table, I was wondering if you were coming out in support of a greater role for India and Pakistan in taking a real change in our strategic posture in the region in inviting a greater role for India in Afghanistan?

MR. CLAD: You have asked a question that really could -- and I'm not trying to dodge it. I'd be very happy to talk to you afterwards. I'm conscious that this is the last question between all of you and a rest stop or lunch.

But, very briefly, I do believe that 40 years of comparatively superficial contact, conducted in the context of the Cold War, and then a belated effort to yield to what I call that "fated convergence," which is driven by interests and the external environment, has been -- the creativity of that potential has not been fully explored in either capital. I believe that

Afghanistan could be a benchmark of that. And I also feel that within the Department of Defense, the habit of having the combatant commands which, under central command -- of course, Pakistan and Afghanistan an Pacific commend -- means that there's a bifurcation in some of our thinking.

I believe, finally, that India has watched in frustration, periodically, as a hedging approach to its security drives Pakistani considerations, and that has always, I've felt, come out second best in that particular calculation.

I believe that our conundrum is such that we may need to be far more creative in looking at ways to work with India to, in a sense, get past the Pakistani issue. But we can talk about that later.

MR. EBINGER: I want to thank all our panelists very much, and the audience for their questions.

Thank you.

MR. COHEN: Thank you, Charlie.

We now adjourn for lunch.

Unfortunately, we have to bring the lunches back in here. So please help yourself. The tables are just out there. And then bring your lunch back and get settled in as soon as you can so Ambassador Saran can make his presentation.

Thank you.

(Recess)

MR. TALBOTT: I want to particularly thank the Trahan Foundation and Ron Verandarsh who are here and who were so instrumental in making today's proceedings possible. I also want to use the occasion to express, yet again, my debt of gratitude to my colleague and friend and guru, Steve Cohen, for being the mastermind behind so much of the work that we do on South Asia and India here at the Brookings Institution.

And I want to say what a pleasure it is for me, for a variety of reasons, to be able to say a few words of welcome to Shyam Saran, who is going to be speaking to us and then entering into a discussion on the subject of the day.

Now, the subject of the day, of course, is the nuclear deal and that aspect of the relationship between the United States and India. But there is a lot of context to this agreement that we have spent so much time thinking and talking about and working on over recent years, and there are a number of people here in this room who have played a very important part either from official positions or as part of the NGO community and contributing to the high class intellectual dialogue between the United States and India that has gone on around this issue. And I

remember back in the 1990's, when I was in the government and had an opportunity to work on these issues myself, including a dialogue with India, the Brookings Institution, the Council on Foreign Relations and a number of other think tanks were very helpful to us, and when I say us, I think that includes us on both sides of the dialogue.

And I might add in that connection that over the weekend I had a chance to talk to Nick Burns, who was Shyam's partner in the dialogue during the Bush Administration, and he sends his greetings to you, wishes that he could be here today, and I wish he could be here today, and I hope we see more of him in Washington in the years ahead.

Mr. Saran's career I think all of you are familiar with. The role and position of Foreign Secretary is uniquely important and uniquely distinguished in the Indian system. Moreover, as a diplomat, he has been based in most of the important and relevant parts of the world, including, of course, his own neighborhood in Southeast Asia, China, in Japan, and Europe, and he has also been involved in many capacities in strengthening the U.S.-Indian relationship. In his current capacity as a Special Envoy working directly with and for Prime Minister Manmohan Singh, he actually wears two hats. He is not only working on the issue of nuclear arms control and disarmament, but also on the issue of climate change. And he's making the most of his fairly brief visit here to

Washington. He met with Todd Stern, the administration's point person on climate change, he'll be having other discussions in both – well, in the NGO field, in the Congress, and in the administration during the next couple of days.

I underscore that fact because, knowing him to be somebody of considerable breadth and who is naturally good at one of our favorite indoor sports here in Washington, that is connecting the dots, and in this case, connecting the dots between the issue of having a strong global non-proliferation regime and having a strong and effective climate control regime, I suspect that subject will come up in his opening remarks. And he is prepared to entertain questions that might take us a little further into that organic relationship between these two important enterprises.

And, Shyam, as I hardly need to tell you, there is a third big issue that looms over both of those, and that is the global recession, which has hit your country very hard, hit our country very hard, and has direct and complicating implications for our ability to address the climate change issue, and that's another dot that you might want, at some point in the discussion, to help us see more clearly how it's connected to the others.

So it's an honor to turn the microphone over to him, and then when he's finished giving some opening remarks, and I'm sorry that the program doesn't allow him to have even a bite of lunch, we will simply

throw the proceedings open to all of you, and we'll have a good discussion up until about 1:15. So thanks for being with us, Shyam.

MR. SARAN: Strobe, thank you very much, indeed, for those very warm words of welcome. I would like to, first of all, thank the Brookings Institution for giving me this opportunity of interacting with such a distinguished group of people this afternoon.

I thank you for inviting me here today because it gives me a very welcome opportunity to revisit an initiative that really consumed such a significant chunk of our two nations diplomatic energies over the past four years, and whose progress from start to finish is best characterized as an extended rollercoaster ride. The story of this extraordinary journey will, I have no doubt, be written some day, conveying the sense of drama that attended it every inch of the way. I will resist the temptation to do some story telling today, but I will instead try to focus on the new pathways which I believe have been opened up by the agreement for us to – India and the U.S. to really explore together as we confront a probably more uncertain chaotic and even dangerous world.

Strobe mentioned about lining up the dots or connecting the dots. The problem is that the dots keep moving all the time, as well, so it's not a very easy exercise to, in fact, try and connect these dots. And that applies to – particularly to the climate change part of my assignment.

Well, to get back to the nuclear agreement, first and foremost, of course, I would like to talk about the direct fallout from the agreement, and this is in terms of the very significant business opportunities it has opened up between the two countries.

As you probably are aware, India has already conveyed to the United States a letter of intent for sourcing something like 10,000 megawatts of nuclear power, and these will be at sites which are currently being selected in India. Of course, as you know, in India, for this we have to consult the state governments concern. The good news is that in India, being chosen as a site for nuclear power is a privilege most states aspire to, like the controversy, such decisions are dogged by in many other countries.

Another procedural measure important for particularly U.S. suppliers is India joining the International Nuclear Liability Convention. And here I understand that the interagency process within our own government has been concluded, and this should become a reality fairly soon.

In their plans to increase substantially its nuclear power production capacity, and international cooperation in civil nuclear energy will be a very important means to achieve this goal. Therefore, we see

joining the Liability Convention as being in our interest, and as I said, we hope to have this concluded very soon.

In any event, this does not prevent U.S. companies from engaging their Indian counterparts already to prepare the ground for substantial nuclear commerce. On the U.S. side, of course, we await the early commencement of our dialogue on arrangements to give effect to our right to deprocess U.S. origin spent – and I understand that the new administration is already ready to engage with us at an early date on this particular subject.

Another trade generating fallout of the nuclear agreement is sometimes neglected in our discourse over its merits. Over the years, as you are probably aware, the prohibition of – the prohibition on the transfer to India of many nuclear related items soon expanded to cover a very significant and a very broad range of – use items and technology.

With the opening up of nuclear commerce with India, there is a need now to review and remove these unnecessary restrictions on international trade with India on dual use items and technology. As India's economy matures and its industry moves into higher end manufacturing, the demand for high technology goods and services is destined for a very major boost. And the U.S., of course, remains the preferred source of such goods and services.

It is also our hope that the so called entity list which still prohibits the sale of U.S. technology and goods to a number of Indian high tech companies will be scrapped sooner rather than later. The positive impact of a more liberal technology trade regime is already beginning to make an impact on India's sourcing of defense hardware, for example, from the United States. Now, it is true that India has been hit by the global financial and economic crisis, and our growth rate is likely to go down maybe two or three percentage points during the next couple of years, but I can assure you that energy and defense will remain at the top of our national agenda. And this should encourage the United States to look at India as a welcome source of demand for its good sense services even as the global economy contracts.

Ten thousand megawatts of nuclear energy, for example, may translate into something like U.S. dollar, 150 billion worth of projects, with very significant business opportunities and potential collaboration for both Indian and U.S. companies.

This would also result in significant and high quality job creation in both our countries. If India maintains its current level of defense spending to achieve its medium and long term goals of – then a growing part of the expected tenure acquisition plan of something like U.S. dollar, 120 billion, could be the – towards the United States. This will

require the U.S. to overcome lingering doubts about the reliability of U.S. supplies. Simultaneously, both of us need to work together to find a mutually acceptable solution which will take care of U.S. legal requirements about end use monitoring of transferred defense articles, and also meet our sensitivities.

I am certain we will be able to do so quickly given our past experience and also given the interest both our countries have in strengthening this relationship.

Let me now turn to the larger nuclear domain and explore what could be a possible U.S. agenda for nuclear non-proliferation and nuclear disarmament. It is my sense that, thanks to the civil nuclear agreement, we are now potentially at a different level of engagement on these hither to sensitive and even contentious issues compared to the past.

For India, the U.S. acknowledgement endorsed by consensus at the Nuclear Supplies Group that India's non-proliferation record and its current credentials are impeccable, has given the country a welcome sense of vindication. From being an outlier, India is now accepted as a partner in the global nuclear domain. The – of the civilian nuclear initiative has engendered a sense of assurance and confidence which enables us here in India to look proactively and not defensively at a

new global agenda for nuclear non-proliferation and nuclear disarmament. Now, there are a number of initiatives proposed by President Obama himself during the presidential campaign and since his inauguration that have caught the attention of Indian policy-makers and which could become the agenda for a substantive India-U.S. engagement on nuclear security issues, and I will now mention a few of them.

Firstly, nuclear disarmament; now, President Obama has signaled that he intends to bring nuclear disarmament back on the U.S. arms control and disarmament agenda. He has stated that he intends to, and I quote, “make the goal of eliminating nuclear weapons world-wide essential element of U.S. nuclear policies.”

Now, this corresponds very neatly with our own long standing advocacy of nuclear disarmament as one of highest priority for the international community. During the election campaign, President Obama has also declared that, “he will initiate a high level dialogue among all the declared nuclear weapon states on how to make their nuclear capabilities more transparent, create greater confidence, and move towards meaningful reductions and eventual elimination of all nuclear weapons.” I’m not aware of what the current status of this proposal is, but India will certainly support it. The best way to follow up could be for India

and the United States to support the setting up of another working group in the conference of disarmament in Geneva on nuclear disarmament.

India has proposed appointing a special coordinator of the conference on disarmament to carry out consultations on measures which could lead to consensus and for a basis for a mandate for a working group on nuclear disarmament. We are, of course, ready to consult with the U.S. on this subject.

Second issue that I would like to take up is the Fissile Material Cut-off Treaty, the FMCT. And here India has, of course, held a very consistent position which we believe that FMCT can be a very important contribution towards the eventual goal of nuclear disarmament.

So we have encouraged the negotiation and early conclusion of a multilateral universally applicable and effectively very pliable treaty on Fissile Material Cut-off at the conference on disarmament. Now, the Bush Administration had signaled a change in policy to insist that the FMCT should have no verification procedures and that national means could be relied upon for ensuring compliance. Therefore, even though the July 18, 2005 India-U.S. joint statement says that the two countries would cooperate to bring about an early conclusion of the FMCT in Geneva, the nature of the treaty was left deliberately

somewhat ambiguous, precisely because India continued to favor multilateral verification procedures.

This is also, by the way, the consensus view among other conference members. So obviously we welcome the Obama Administration's reversion to this consensus and are prepared to work together for the early conclusion of an FMCT. And we need bilateral consultations, of course, on the issue of the likely mandate and the scope of these negotiations.

The – perhaps for us, a very important subject, is the link between nuclear weapons and terrorism. Now, India is one of the countries taking the lead in raising international awareness of the dangers inherent in the possible link between weapons of mass destruction and international terrorism.

The possible acquisition through – means of nuclear weapons or other weapons of mass destruction by terrorist and jihad groups adds an entirely new dimension to the nuclear threat, a threat which cannot be deterred by the doctrines of retaliatory use. In fact, the dangers of nuclear terrorism are another reason to seek the early elimination of nuclear weapons themselves. For as long as there is a wall divided between the nuclear weapons haves and have-nots, there will always be the danger of proliferation to additional countries.

This is what gives rise to a clandestine network of the kind which was run from Pakistan and which creates potential sources of supplies for terrorist or jihad groups. The greatest likelihood of such a threat emits from our own neighborhood. But what is encouraging from an Indian perspective is President Obama's clear recognition of this danger and his willingness to confront it with a sense of urgency.

He has committed himself to working together with other concerned countries in developing and implementing a comprehensive set of standards to protect nuclear materials from terrorist threats. During his election campaign, the President also spoke about his intention to convene a summit on preventing nuclear terrorism. We are willing to work together with the U.S. on this shared concern, which, to us, living in a rather dangerous neighborhood, is of great importance. Now, President Obama has also spoken about his plans to expand the Proliferation Security Initiative, and to quote from him, "from its current focus on stopping elicit nuclear shipments to eradicating nuclear market networks like the remnants of the Abdul – organization."

As you know, India is not yet a member of the Proliferation Security Initiative, and there have been doubts in our country about its consonants with international maritime law. However, it is my own

personal belief that India should have an open mind on joining the PSI and in supporting its expanded mandate as emphasized by President Obama.

This fits in very well with India's own concern over clandestine proliferation, especially in our own neighborhood, and the likelihood of such clandestine activities, facilitating the acquisition of nuclear weapons or fissile material by a terrorist or a jihad group. So, hereto, we look forward to exploring these ideas further in a spirit of shared concern and convergent interest with the United States.

Let me now speak about non-proliferation. Now, President Obama has declared his intention to strengthen international non-proliferation efforts, we welcome this and are willing to work together with the U.S. and the rest of the international community in building a new, effective, and credible non-proliferation architecture. The new administration has already acknowledged a key element of the Indian approach, that is, at first ensuring global non-proliferation horizontally to additional states are unlikely to succeed unless they are linked integrally with visible and concrete progress towards nuclear disarmament.

Some of the initiatives I have touched upon before fall into the broad category of non-proliferation, such as FMCT. However, there is a specific reference to restricting the expansion of sensitive nuclear fuel

cycle facilities that are capable of producing bomb grade plutonium and uranium.

This could take the form of creating regional or international nuclear fuel banks to meet the nuclear fuel needs of countries that do not possess the processing or enrichment facilities.

India has – indigenously a robust nuclear program covering the complete nuclear fuel cycle. Nevertheless, in practical terms, we are already committed in the U.S. joint statement of July 18, 2005 to not transferring reprocessing enrichment technologies and equipment to states that do not possess them. Furthermore, we have expressed our willingness to our – host, a regional or multilateral fuel bank, to supply nuclear fuel to other states under appropriate – safeguards.

We would be prepared as a supplied nation to participate in an international fuel bank, which may be located in a third country. It may, however, be difficult for India to endorse a view that there ought to be a discriminatory legal regime put in place which would allow only some states to possess reprocessing or enrichment facilities, but not others.

Therefore, while reserving our position on a question of principal, we would be prepared to work together with the U.S. and other friendly countries on practical steps to discourage proliferation.

Now, let me say something about the comprehensive – treaty. Now, this is an issue which has been seen as potentially a – one in our relations with the new administration. President Obama has made it clear that he will seek Senate gratification of the CDBD, which the U.S. has signed and India has not. He has also promised to launch "a diplomatic effort to bring on board other states whose – are required for the treaty to enter into force." Now, India has been a consistent – CDBD, but did not sign the treaty as it eventually emerged because it was not explicitly linked to the goal of nuclear disarmament. For India, this was crucial since it was not acceptable to – demise in any way, a prominent division between nuclear weapon states and non-nuclear weapon states.

The other reason was the manner in which the CDBD was pushed through by passing the conference on disarmament, which, of course, as you know, works by consensus, and bringing these before the UN General Assembly.

This was done to override Indian objections and was justifiably seen as a not to subtle attempt to foreclose India's options. Additionally, India was included in a category of states whose signature and ratification was deemed necessary in order for the treaty to come into force, again, an unusual provision directed at putting international pressure on India to join a treaty whose provisions it did not agree with. It

was against this background that India did not sign the CDBD. However, since this nuclear test in 1998, India has observed a unilateral and voluntary moratorium and is committed to its continuance. This is spelled out in the India-U.S. joint statement of 2005. It is also our conviction that if the world really moves categorically towards nuclear disarmament in a credible timeframe, then India-U.S. differences over the CDBD will probably recede into the background.

And another measure which is not directly related to the nuclear field, but has a link to it, this relates to anti-satellite weapons. India is one of the handful of countries with a significant space capability, and we have a large number of communications – satellites currently in orbit.

Although this does not, as I said, fall strictly within the nuclear domain, the need to ensure the peaceful users of outer space is important for nuclear stability and international security.

We welcome President Obama's intention to join multilateral efforts, to prevent military conflict in space, and to negotiate an agreement that will prohibit the testing of anti-satellite weapons. This is, again, an area of convergence on which we would be happy to work together with the U.S. and contribute to a multilateral agreement. Now, just some concluding remarks. As I said, the careful examination of the initiatives,

President Obama has signaled his intention to pursue during his tenure – a number of points of convergence in the pursuit of a stable, peaceful, and eventually nuclear weapon-free world.

Some of these initiatives have been followed up and announced after the President's Inauguration, such as nuclear disarmament, CDBD ratification. We await the elaboration of others, including the – summit on nuclear terrorism, the high level dialogue among declared nuclear weapon states to start the process of nuclear disarmament, the pursuit of an anti-satellite weapon agreement, and the elimination of clandestine nuclear proliferation networks.

This security related agenda is substantive and no less important than the follow-up on the civil nuclear cooperation agreement in terms of expanded nuclear and high tech – These are, of course, early days yet in the new administration, and in India, too, we are headed towards general elections.

The ongoing financial and economic crisis is obviously an overriding preoccupation, not only for the U.S., but for India, as well. Nevertheless, I believe that the civil nuclear agreement has opened up several areas of mutual interest that are worth pursuing, and we should, therefore, remain within our sights in the days ahead. I would like to thank you for your attention, and my apologies for interrupting what looked like a

very sumptuous lunch. Thank you. I was told I should take a few questions, okay. Yes, please.

SPEAKER: Thank you – for U.S. – Company. In your written remarks, you mentioned the fuel banks, the regional fuel banks that India could host. There's a very specific proposal that it was made in 2006 by the nuclear initiative, with $100 million just – fuel bank – made and I understand the – has already 150 million that could – establishment of a fuel bank.

I understand that – being work out, but at some point this year or next year, concrete proposal will count for the establishment of – fuel bank. I just would like to know what is India's position and principal to establishment of a fuel bank, a fuel bank that, as far as I understand, will not constrain any rights of any countries to forego enrichment repossessing. So just I would like to know your views on establishment of – fuel banks. Thank you.

MR. SARAN: As I mentioned, in principal, India has no problem with the setting up of either regional or international fuel banks. What I mentioned in my remarks was that, of course, much will depend upon whether the international community – in the eyes of supply mission, because we already have enrichment and reprocessing facilities. So there should not be any implication that those have to be given up.

So in principal, therefore, we accept that, and we are willing to contribute to it, we are willing to be partners in that initiative, whether it is multilateral or it is regional.

But I also mentioned that it is difficult for us to accept a proposition that, you know, countries should not have the right to set up their own enrichment and reprocessing facility, because that is discriminatory in character. But in practical terms, yes, a facility which would supply nuclear fuel to those countries who want them, certainly, we have no problem with participating in that. Yes, please.

MR. WATSON: Sir, Eric Watson, Inside U.S. Trade. Sir, it's been reported that in meetings with U.S. nuclear industry executives, Indian officials have said that the finalization of U.S. contracts will be contingent on India achieving certain goals in the reprocessing negotiations. Is that, in fact, the case, and what are India's goals that must be achieved? Thank you.

MR. SARAN: We have a fairly tight timeframe within which the reprocessing arrangements have to be worked out. And as I mentioned in my remarks, we have already approached the new administration for the commencement of these negotiations, which are supposed to, you know, the arrangements have to come into force within a certain time frame, which has been spelled out.

So that is part and parcel of the entire exercise, just as the liability insurance aspect is. We believe that, you know, we can tie this up fairly quickly. But in the meantime, the interaction between U.S. nuclear industry and Indian both private and public sector undertaking is already taking place.

SPEAKER: -- with India Abroad. It's a delight to see you in town after quite some time. Your major address at the habitat center in Delhi recently created a little bit of a flutter among the pro U.S. policy people, et cetera, because I believe you spoke about sort of the dissipation of U.S. dominance with economic downturn, et cetera, and the convergence of U.S.-China relations, and perhaps that while the – in the Bush Administration were talking about sort of the India-U.S. buffer against China, you spoke about the fact that there would be this convergence and that China may be given some regional role in terms of even sort of proactive regional roles. Can you elaborate a little bit on this? Can you clarify on this? Because it created sort of a flutter in a lot of policy circles both here, inside the beltway, and I guess in Delhi, too.

MR. SARAN: Well, I'm delighted that it created a flutter. I don't think it was by intention to create a flutter anywhere. You know, although this does not relate to the subject that we are discussing today, let me say that, you know, this was a – from the perspective of India. It is

not a matter of being pro U.S. or anti U.S. What I was pointing out was that thanks to the economic and financial crisis, the international, you know, landscape is going to change. This is nothing to do with being pro U.S. or anti U.S., there is going to be a change in the international landscape, and it is going to be very uncertain how this is going to evolve. And, therefore, countries like India need to be mindful of the fact that we are going into a phase where many of the assumptions, many of the certainties that have become – we have become used to are no longer – So from the point of view of strategic thinking, it is extremely important that India keeps that in mind and starts to fashion policies which will be more appropriate to that kind of an evolving world.

And, yes, I mentioned in the speech itself that the United States of America will continue to be the predominant part for the foreseeable future, that is not in doubt. But I think, you know, there is going to be a bit of a shake-up in terms of, you know, the inter relationship amongst the major – and my perspective is, and I may be wrong, that we will probably find a much more diffused, a much more, you know, loser kind of international system which will appear.

And in that context, there are certain opportunities for India, there are certain downside for India which we should factor in, that's all. Yes, please.

MR. MITCHELL: Thank you, Gary Mitchell from the Mitchell Report. I was struck by your opening comment about the challenge of connecting the dots becomes more difficult because the dots keep moving around, and as I was thinking about that metaphor, I wonder, after having heard a very positive agenda that you've outlined for the U.S. and India, what are the pressure points, where are the possible pitfalls that could change the nature of the relationship from what I gather you view, and I think we do, as a relatively good and positive and strong relationship today? What are the pressure points from India's point of view that are important for U.S. policy-makers and U.S. citizens to understand about what India looks for from the United States and how we keep this relationship on track?

MR. SARAN: When I was referring to the moving dots, I was referring precisely to what I just said about the, you know, very uncertain kind of world in which we are emerging, thanks to the economic and financial crisis, and not being able to say where this is all going to end, and how it is going to end. That is why we are facing a rather uncertain future.

But as far as India-U.S. relations is concerned, one of the good things is that over the last several years, we have built up an extraordinarily broad range relationship, and it's not only government to

government relationship, but there is a very strong relationship which has developed between the business communities, there is a very strong, you know, people to people relationship, of course, that has been always there, but it has really acquired a very strong dimension. So I do not see a major downside in terms of how the India-U.S. relationship is taken forward.

I think much will depend upon whether or not there is political, you know, especially the leadership of the two countries, really focuses attention to leveraging many of those opportunities which have opened up.

If there are, you know, in terms of the economic and financial crisis, can one see an India-U.S. nuclear relationship or a defense relationship or a, you know, investment relationship as one of the answers to the economic and financial crisis, or is this going to be a casualty of that crisis?

I think in many of these things there is an element of choice. That is why I think it is extremely important that the level of engagement that we have had with the United States for the last several years, that level of engagement continues, and, in fact, even intensifies as we face new challenges. So I'm not looking at, you know, pressure points in that sense that, you know, there are negatives which may derail this

relationship. I don't think that the relationship can be derailed now precisely because this very broad ranging and very strong relationship that has already been – But whether or not the promise of something more will, in fact, crystallize in the days to come, that requires an effort, that requires a deliberate effort on the part of India, that requires a deliberate effort on the part of the United States.

MR. TALBOTT: Shyam, I'm going to – no, actually I'm not excusing you with thanks quite yet. I know that your schedule is very tight and I wondered, if I could, to pose the last question that actually takes us into another sphere, but one very close to where you live, and that has to do with the strategic review of what is called AFPACK in this town.

And one reason I think it would be useful for all of us to hear your thoughts on this is that as recently as last night in his 60 Minutes interview, President Obama gave something of a preview of the strategic review that will be unveiled in coming days.

And this raises, obviously, or underscores some points of acute sensitivity, which you can be sure this audience is fully aware of and others have had to learn in the course of the last several months, about how exactly to think and talk about India's role and involvement in this U.S. diplomatic initiative. And I might put the question in the following terms; Ambassador Holbrook, at the time of his visit to New Delhi, used

the formulation several times, both when he was in the area and when he came back here, that for the first time since partition, India, Pakistan, and the United States are all on the same side with respect to a very specific global threat, and that is the kind of extremism and terrorism that India has experienced in multiple ways, at multiple times, dramatically, of course, in Mumbai, and that the United States experienced on 911 that seems to have as its return address what I will call Greater Waziristan, but in any event, the border areas between Pakistan and Afghanistan.

My question for you, Shyam, would be, what, from an Indian perspective, are the principal hoax, the principal concerns, and the principal cautions as you await what will be a new policy initiative from President Obama and his administration?

MR. SARAN: Thank you. I'm not certain I'm fully sort of aware of all the different, you know, interactions that have taken place between India and the U.S. on this subject, but perhaps I can just give you from my own personal perspective how we see the situation in the region. The principal concern that we have is that Afghanistan should not once again relapse into a cockpit of terrorism, you know, because we have already suffered from that, and anything which seems to lead to, once again, Afghanistan becoming a kind of a base for jihad terrorism is something that would be very worrisome to India.

Therefore, we have given our full support to the consolidation of a multi party democracy in Afghanistan. We believe that it can and should be a multi ethnic society, approval society like the United States and India, and I don't think we should give up so easily on Afghanistan, which sometimes seems as if there is a level of frustration and a – kind of a dejection about the way things are going in Afghanistan.

I think there are many good things that have happened in Afghanistan. Our own focus in Afghanistan has been on economic and social recovery and reconstruction. We have invested more than, you know, a billion dollars despite being not such a rich country, but essentially focusing on things like education, on things like infrastructure, development, on health, and this has, from our perspective, has had a very, very positive impact in Afghanistan. And we, as you know, we recently completed this road which would give Afghanistan an alternative access through Iran. And, believe me, we would not have been able to complete this project if we did not have support from the Afghan population.

There were attacks against the Indian construction team, we lost a few people, but we were able to hang in there and actually complete the project precisely because there was a tremendous amount of good

will, a tremendous amount of support that we had from the people in Afghanistan.

So we – forgive us for looking at many positive things that have been happening in this country. And therefore, I would say that the United States, we hope, will not give up so easily in terms of, you know, the long term goal of political stability and economic recovery in Afghanistan.

It has always been our case that if you focus attention too much on just the security side and not on the development side, there can be an imbalance, and I think we are seeing the results of that imbalance. So if President Obama is able to bring back that balance again by putting in much more effort on the social and economic side, I think that would be something very welcome as far as India is concerned. And on terrorism, you know, we have all along said that the war against international terrorism cannot be segmented, which means you cannot give a priority to fighting Al Qaida and lesser priority to Taliban and even lower priority to say –

I'm afraid over the last several years these have all fused together into one network, and to once again make the mistake of segmenting this war against terror, we will end up with the same kind of mistakes that we have made before.

And you have to recognize that in terms of the challenges that we are going to face, there is a great challenge within Pakistan itself. Unless we recognize that, you know, the origin of much of the problems that we are facing is within Pakistan itself, and that needs to be confronted, and the civilian democratic set up there needs to be consolidated, needs to be supported.

If you, once again, go in the direction of, you know, looking at certain individuals, or, you know, the Army or the ISI as the instruments of delivering a victory in the war in Afghanistan, I think we will need to perhaps have a much more nuanced approach in this regard. To the extent that, you know, India engagement with the United States, we have the opportunity to share our perspective on Afghanistan and the region with the United States, we would be very happy to do so, and we believe that we have very convergent interest in the region. Thank you.

MR. TALBOTT: Shyam, thank you very much for adding that dot to the list of those that we're connecting. And if it's a moving dot, which I think it is, let's hope it's moving in the right direction. Please all join me in thanking Mr. Saran for being with us.

SPEAKER: Do you want to do any housekeeping, Steve? Steve will give you your instructions on what next.

MR. COHEN: Take a short break, we'll start the next panel in about eight minutes or so. Thank you.

(Recess)

MR. O'HANLON: Well, hello, everyone and thank you for your continued participation in this lengthy day, but a very stimulating day I'm sure you'll agree. I'm Mike O'Hanlon from Brookings. I'm honored to be moderating this panel. And this panel will discuss some of the strategic and non-proliferation implications of the U.S.-India commercial nuclear deal. Of course, that's been already a subject of commentary throughout the course of the morning and lunch, but today we will hone right in on it directly in the next hour and we will finish about 2:25 so that Rick Inderfurth can lead the last panel of the day. We could not have two better people to speak to this question and I'm thrilled to have Amandeep Gill and George Perkovich on this panel and I'm sure you'll enjoy as well their presentations. They're each going to speak for about 15 minutes from the podium and then we'll have a Q&A. Amandeep is now at Stanford. He's a member of the Indian Foreign Service. He's worked on a number of issues including small arms weapons, but also on nuclear weapons issues and he's currently a participant in the CNAS project on the so-called nuclear base camp, which addresses the question of how do we get to an interim stage in a possible world towards global nuclear

disarmament -- a topic that George Perkovich has also written on of late and actually throughout much of his career. And he's, of course, very well known for a definitive work on the Indian nuclear program and Indian Nuclear Strategic Environment, as well as a recent Adelphi paper on abolishing nuclear weapons. So, Amandeep will speak first. And again we will hear from each of them for about 15 minutes and then go straight to a discussion with you. So please join me in welcoming Amandeep Gill. Thank you.

MR. GILL: Thank you, Michael. And thank you Steve Cohen, guru of gurus, for the invitation. I'm delighted to be here and it's a real pleasure to be speaking to such a distinguished audience. I'm going to start by what will be considered heresy for somebody from Stanford according to professors from Cal. In an influential paper published in 1973, Horst Rittel and Melvin Webber distinguished wicked problems from tame problems. They showed that policy problems are essentially wicked. They have defining characteristics. They counted ten of them. For example, they have no definitive formulation. In fact, the formulation of a wicked problem is a problem. The information needed to understand the problem depends on one's idea for solving it. They have no stopping rule. You stop solving this problem when you run out of time or you run of money -- not for any other reason. And then every attempt counts. Every

attempt is consequential. It leaves traces. And finally -- this is one of my favorite characteristics -- while in science, you don't get criticized for postulating hypotheses that later get refuted. In case of wicked social problems, there is no such immunity. The planner has no right to be wrong. In a pluralistic society, argued Rittel and Webber, there's no such thing as an undisputable public good. And certainly the critics of the agreement -- both in India and in the U.S. -- have disputed the public goods implications vigorously. So, my first point in this slide is that the India-U.S. agreement was essentially an attempted solution to a set of wicked problems -- chiefly energy security and non-proliferation -- each of which mattered to the major actors -- India, the U.S., the other players -- although to differing degrees. For example, in India, the energy security aspect of the agreement was highlighted much more than in the U.S. and in the U.S., often the non-proliferation side of the equation was highlighted prominently. The second point that I want to highlight with this slide is that although unique, this attempted solution had a precedent. And this is important to note because some of the criticism -- both in India and in the U.S. -- has been influenced by perceptions of personalities and policies pursued by those personalities (inaudible) Iraq. The conceptual roots of the agreement going to the previous administrations in India and the U.S.. While the (inaudible) and Strobe Talbott dialog was successful in

managing the fallout of the 1998 tests on the broader relationship, it could not result in a deal on the nuclear issue. Not that the attempt was not made. In end 1999, the two sides seriously tested the waters for an agreement and there is possible signature of the CTBT without ratification and a commitment to a less than expansive nuclear weapons program in exchange for U.S. acknowledgement of -- not agreement with, necessarily, as Strobe Talbott has clearly spelled out in his writings -- with India's need for a minimum nuclear deterrent as well as the promise of a qualitatively different relationship with the U.S. beginning with the removal of the sanctions. However, this proved to be a narrow base on which to draft a (inaudible). The sanctions India had in mind went back to 1974. The ones that the U.S. was willing to trade were post-May 1998 -- taken more or less in its stride by India. The two sides also discovered that it would be harder for India to accept formal binding restraints without a radical change in its relationship to the broader nuclear regime -- a problem captured by the mantra partner versus a target. India wished to be treated as a partner, not a target of the nuclear regime. Now if you go back to our brief survey of wicked problems, the '99 attempt was consequential. It left traces. It left lessons. And the lessons were well absorbed by the planners of the 2005 attempt, including Mr. Shyam Saran who spoke earlier. The 2000 agreement was constructed on a broader

basis and consciously underplayed the link with India's strategic program. You may call it a concession to domestic politics in India, an attempt to leverage concerns on energy security and climate change or simply, as I believe it to be, a pragmatic concession to the reality that the process of confidence building or bridge building between the international nuclear non-proliferation regime and nuclear India is needed before India begins to see the regime differently. This has important implications for our topic today. Now, what is the legacy of the agreement? What is it that we have with us today? In the morning, some of the discussion may have conveyed this idea that we have somehow not closed the loop on some issues. But we've closed the loop on many issues. No matter how China, for example, felt about the NSC exemption, the NSC exemption is a done thing. It is part of the legacy of the agreement. The commitment to a liability regime -- that's also a done thing, although there are some implementation issues to be worked through. Now, you have the domestic political legacy in India and in the U.S. You have the domestic legal legacy -- the changes in law in India, the passing of the WMD Act, which Dr. Siddhartha alluded to in the morning, here in the U.S., changes to U.S. law and then something which is very important for me -- the legacy of the process itself -- the process and the debate that you saw in India. This broke a few molds especially in India. Indians don't do U.S. style deals on

strategic issues, on nuclear issues. Patience and principles are the name of the game. So, this was a new, unique process -- under time pressure, very public as you expect it to be in a democracy, and the process itself -- although the debate frustrated a lot of people in India who wanted to move faster -- was something of a growing up experience. I think it's very important to hang on to this notion if you are looking at the broader strategic implications for the nuclear non-proliferation regime and for political relationships such as the India-U.S. relationship. Internationally also there are important legacies. There is the political legacy -- the role played by different major powers in seeing the agreement through, their concerns. For example, I believe that the European Union, after a promising start, practically marginalized itself from the process. So, you had countries such as France, Germany -- who played an important rule -- but the EU, as a strategic player, was missing from the game. That has important implications for how we look at relations between major powers. However, I'm not going to go very much into the international political aspects. I'll try and concentrate on the nuclear side of the equation. Legally speaking, you have a safeguard agreement with the IAEA. You have an initial protocol that was finalized -- approved by the board earlier this month. There is the NSG decision and no matter what people felt about it, it's a done deal. And then there are the bilateral agreements that

have been negotiated -- not just for the U.S., but also with Russia, with France and now with Kazakhstan. There's another one which is under negotiation with Canada. I think in psychological terms that's quite a turn around. And finally, for me there is the conceptual legacy of the agreement. Two things stand out. First is the separation plan as a model for separating civil and military nuclear facilities and for the application of IAEA safeguards and civilian nuclear facilities. The second concept is that of a state with advanced nuclear technology -- found not just in the India-U.S. statements, but now also in international legal documents such as the IAEA Safeguards Agreement and the additional protocol. Okay. Now, moving to the last phase of my presentation -- what are the implications? What are the non-proliferation and strategic implications of this legacy -- of this agreement? I think to me it's more than an issue of balancing the ledger and demonstrating a net gain for non-proliferation. Of course, it's significant that more Indian reactors have come into safeguards and all future international civil nuclear cooperation will be subject to IAEA safeguards. Of course, it's significant that India has harmonized with it -- adhered to the NSG and the MTCR after criticizing these groups for decades as discriminating against developing countries. Of course it's not true that the deal or the agreement sends a bad signal to DPRK or to Iran because their programs, developed by (inaudible), non-nuclear weapons

states party to the NPT, predate this understanding by decades. Of course, India has not signed and ratified the CTBT for reasons that Mr. Shyam Saran explained this -- this afternoon. But the growing international investment in India's nuclear program would definitely impact the cost benefit analysis of India and as it moves toward the regime and as the regime moves towards India, this cost benefit analysis would become very complex. Of course, it invests India in a future FMCT. But for me the non-proliferation impact goes beyond the specifics of the CTBT FMCT, NSG, MTCR, etc. The agreement brings India into the tent and encourages responsible behavior by shifting the focus from regime participation to regime relevant behavior. It increases the confidence of the Indian engagement in nuclear regimes. For decades, India has engaged in solitary play on the nuclear issue. It has moved to its own timetable, regardless of -- but not totally unmindful of -- international regimes. Now the solitary play is no longer tenable. The regimes, too, will have to adjust to the weight of India. India's readiness to move on nuclear disarmament will increase the mass of those who are willing to proceed faster on this issue. And for me, one of the conceptual legacies of the agreement -- the separation plan -- offers a very important model for disentangling the enmeshed military and civil nuclear cycles in Asia and beyond. This would improve transparency and control over fissile

material, ease concerns over non-state actor access and strengthen the model standing of nuclear weapon states on the multinational fuel cycle issue. The other conceptual legacy of a state with advanced nuclear technology -- a euphemism for a nuclear weapons state outside the NPT -- is a transcendental concept beyond the dyadic world of the NPT. And it opens up the possibility of a broader dialog between NPT and non-NPT states on current nuclear dangers and on the regimes of tomorrow. However -- and I must caution here -- mechanical and -- I dare say -- cynical application of this construct to other states would not work because each of these states is a unique set of wicked problems. And an attempt was made in Beijing in October, 2008 without the safeguards that were put in place -- vis-à-vis India -- and in the backdrop of what we've seen about clandestine proliferation in the region. That's probably not the way to go. Okay, I want to conclude by offering some thoughts on the strategic implications as, you know, that is one of the ideas for this panel. Some of these go beyond the nuclear arena and I hinted at them by talking about the EU's role, or about China's perceptions, but I will not go into them today. With regard to things nuclear, the India-U.S. nuclear agreement reflects a broader trend from the earlier singular construct toward a plural landscape of regimes. It's not the event which has started this trend, but it embeds itself in this broader trend. The reality of

disarmament and arms control diplomacy is that further progress is possible only in a plural and pragmatic framework. Even in the Obama Administration, with its greater commitment to international arms control, would have to work within this broad trend toward a complex non-proliferation landscape. And ironically, future arms control measures such as the Fissile Material Cut-Off Treaty, which makes no sense without the non-NPT three, would only reinforce this trend. A lot has been written about the agreements impact on the NPT and I believe that both extreme views -- that this is a final nail in the NPT's coffin or great, let's replace it with another regime are wrong. I think we are in a phase of transition and the NPT has reached the limits of what it set out to achieve. So it has been a success in a certain way, but to deal with the dangers -- nuclear dangers -- of today, you need a more plural, more pragmatic landscape of regimes and the established and the emerging paradigms can also not be kept in pristine isolation as some of the critics would like us to do. The reality of international security, the reality of what needs to happen on the FMCT or the CTBT is such that the gears are already engaged across the road. They are enmeshed together. How the NPT community challenges -- tackles the challenges of a mature but aging regime, how it interacts with other regimes such as the India-U.S. nuclear deal in a plural landscape and with other non-NPT countries will determine the NPT's

future role. I'll conclude with some thoughts about the role that India can play. Mr. Shyam Saran addressed some of the specifics of the role that India can play together with others. For me, the issue really is how do you dialogue with India as a partner, as a community, as a block, at arms length -- and that, too, in the presence of very vocal minorities such as the New Agenda Coalition or, you know, Egypt and Iran. They have their own views on some of these issues. Or do you create a new and specific platform such as the one advocated by Ambassador Thomas Graham -- a new protocol to the NPT -- where you also address the desire of Pakistan and Israel to be treated on the basis of criteria. Or do you dialog in smaller coalitions around new and emerging regimes -- nuclear suppliers group, export controls, FMCT, etc. My preference is, of course, the dialogue around smaller emerging regimes. Given the start (inaudible) effects of the first approach, which is clearly a failed paradigm, and the possible destabilizing impact of the second approach as we move -- as we transition from an NPT regime to a post-NPT regime. Again in a time dimension -- do you let the wicked problem of crafting a more (inaudible), be transcended over a period of time with nuclear disarmament, or do you actively work for a new generation of regimes emerging around the dual core of fissile material fuel cycle control and restraints on doctorings and postures say through this high level dialogue that President Obama has

advocated. My preference is again the latter. What is certainly not useful is an arms length dialogue where you are asked to be responsible without being allowed a say in crafting forward-looking solutions. The key really is realism plus responsibility. And this paradigm is not just relevant for the nuclear domain, but as a new book that's come from Brookings -- Power and Responsibility with Carlos Pascual, as one of the authors argues, this applies to a host of other problems from climate change to economic instability. Thank you.

MR. PERKOVICH: Great. Thanks, Mike and Steve and Brookings in general for hosting this conference. I'm just going to pick up pretty much where Amandeep left off. I thought a lot of what he said set out what's happened very well. I'm going to be more let's say pessimistic though in terms of what I think the effects and the implications are of the deal. But I want to be sure at the beginning to make clear that I don't blame India for anything I'm about to say. India got what it wanted. It went into this like a normal 20th century state. It had some things it wanted and it got them. And it let other people worry about the public good. And it turned out that it was U.S. administration that also wasn't very interested in the concept of public good and had something else that it wanted to do and so this was two mutually consenting states basically giving each other what they wanted and I certainly don't criticize India,

number one. Number two, it can't be undone. So the question is to try to understand what the implications are and to identify that, in fact, there are public goods that were involved and that are still out there needing to be either created or reinforced and we now have a more difficult time to get them and that's the job of people who care about public goods. The third point I would make by way of introduction is I think it's a real mistake to call this the U.S.-India nuclear deal. Call it the NSG nuclear -- NSG-India nuclear deal. And I do that for two reasons. One is I think the responsibility for it should be shared in particular because the NSG operates by consensus. So any state within the NSG could have blocked the deal. That none of them did, means that this truly is the product of the NSG, number one. Number two, the benefits of the deal outside of India are mostly going to go to states other than the U.S. Especially in the nuclear domain, the benefits will go to France and Russia, who only could get those benefits by having the NSG approve it. So from that standpoint, the key actor wasn't the U.S. It was the NSG. Now, obviously, the NSG wouldn't have done it without U.S. leadership. But I think it's very important to understand that the NSG role here is vital. By the way, when I say that internationally, I get yelled at politely in the sense that this deal is extremely unpopular every place except France, Russia, India and in parts of the U.S. And so you hear this anywhere that you travel --

including in other NSG states and then one says yes, but your government could have blocked it and then there's a long list of the reasons why they didn't. Sweden wants to sell conventional arms to India. Germany doesn't want to anger, you know, President Bush after Schroeder. And they all have reasons, but they were all -- they were all implicated in it. A couple of points in terms of implications that I think are important. From the perspective of the global non-proliferation regime, which whether in Amandeep's formulation of other new institutions or ways of approaching it or whether through the NPT -- from that perspective, what's very important are facilities and materials that aren't under safeguards. And what's interesting about the nuclear deal with India is that the administration and the people selling it talked about, well, we're going to put these facilities under safeguards. But didn't talk about the eight reactors that aren't going to be under safeguards, the entire fuel cycle process that won't be under safeguard, the plutonium breeder program that won't be under safeguards, which from a non-proliferation point of view is the point when you talk about any other state. I think in terms of the short term there are two implications for the overall disarmament and non-proliferation regime that I would highlight. I would say that the NSG-India deal makes Fissile Material Cut-Off Treaty less likely and also the Comprehensive Test Ban Treaty less likely. These happen to be two treaties that -- within the non-

proliferation context globally -- are the top two demands -- desiderata -- of the non-nuclear weapon states -- the demands that they make of the nuclear weapon states. These are the top two and it's acknowledged as such because Ambassador Saran, for example. When he gave his (inaudible), he talked about these two treaties and tried to suggest in some way that India was kind of sharing a perspective as a responsible advanced nuclear technology state because the other -- with the exception of the Bush Administration, but now the Obama Administration -- the other nuclear weapon states do support the CTBT and a Fissile Material Cut-Off Treaty. I think the question about India and the Fissile Material Cut-Off Treaty is that if India is going to invest in a new facility to produce fissile materials for weapons purposes, in part because of the separation plan, the question would be would you spend the billions of dollars that it takes to make those facilities and then shut them down through a Fissile Material Cut-Off Treaty that you're negotiating -- supposedly we're going to be negotiating -- imminently. If there were an interest by India in shutting down production of fissile material for weapons, there is an obvious way to express it which would be to explore a moratorium, which the U.S., France, Russia and the United Kingdom have had for years on producing fissile material for weapons purposes. China, it is believed, is not producing fissile material for weapons purposes, but hasn't committed

to it publicly or declared it publicly. The obvious move for a U.S. that was interested in this objective or for an India that was interested in this objective would be to pursue a moratorium with China and try to leverage that. That was not tried between 2005 and 2008 because the Bush Administration actually isn't interested in stopping production of fissile material and actually wanted India to make more bomb material as part of a strategy of balancing power with China. India is not interested I would argue in that objective. And so there's a lot of happy talk about support of a Fissile Material Cut-Off Treaty, but I see no indication that that's serious. Regarding nuclear testing -- it's a little more complicated and it was interesting -- Foreign Secretary Saran talked about, you know, India has had a moratorium, which is true. And -- but he, in his remarks earlier, kind of pegged India's interests in a CTBT to nuclear disarmament, which was interesting because most other states when they talk about this say if the U.S. ratifies the CTBT and China ratifies the CTBT, then they will. And they assume that India would. But that's decidedly not what Indian representatives are saying. And, in fact, if you look at the deal, it makes India in a much stronger position to resume nuclear testing because the biggest constraint it faced was it was running -- it was out of fuel for its power reactors. And, in fact, the capacity of Indian power reactors has plummeted in the last year because they were running out of fuel.

Because of the NSG deal, within days India signed contracts with France and Russia to import fuel, which is what it desperately needed. The fear would be if you conduct nuclear tests and the U.S. or others try to sanction you, you would get the fuel cut off, which you need for your current power reactors. But they're already stockpiling that fuel. They've also signed contracts with France and Russia to build nuclear power plants in India. Not with the U.S., but that was expected. But the contracts are with France and Russia, both of whom have veto-wielding power in the U.N. Security Counsel. So if India were to resume testing, and the U.S. or others were to say well let's sanction them for testing, you've now got France and Russia with multibillion dollar contracts in India that they would not presumably want to cut off and India already has the fuel. So it's again it's very clever for India and I applaud the statesmanship of the Indian government to realize the benefits that they could get if they did want to resume nuclear testing. But from the standpoint of non-proliferation and disarmament, I would argue this isn't great news. There's a particular flaw in the deal. Before I get to a kind of longer term implication, there's another short, shorter term flaw in the deal. And that is that it -- and it alludes to something that Amandeep said. The way it was done was not actually to try to change the rules or to adopt a criteria-based approach. There are three states -- of which India is one -- that aren't party to the

NPT. Everybody else in the world is in that regime. Three states that aren't. Now if you are thinking in terms of order, international public goods, non-proliferation regime, you would try to come up with criteria that would be applicable potentially to all three of those states. So you wouldn't do what we did, which was just exempt India from the rule without trying to establish criteria for Pakistan or Israel as a general rulemaking approach. And one of the consequences of that by not establishing criteria -- and these would have been criteria that India could have met, but that arguably, for example, Pakistan couldn't have met given its past behavior with the AQ Khan network and the lack of providing kind of evidence on exactly what happened there. There would be other criteria that presumably Pakistan wouldn't yet meet, but India would. If you had had that criteria, you'd be in a much stronger position when China now wants to go and will go with Pakistan and build new facilities in Pakistan that, as Amandeep mentioned, you know, don't make sense because Pakistan doesn't conform to the standards that India did. We missed the opportunity to establish that -- those criteria in an internationally recognized way. So instead we went to the world and said we're going to exempt our friend India and -- but we don't want anybody else exempting anybody else. And so the Chinese look at it and say, hey, look, you got your friends. We got our friends. And if that's the way you're going to do

this stuff, that's what we're going to do. And so I think that was a shortsighted implication. Longer term -- I think the -- there are two big effects. One is that the deal really undermined the credibility of U.S. leadership in the non-proliferation regime and this is at a time when there's no other state that can lead on this issue. So you've got especially U.S. leaders, but others, say that proliferation of nuclear weapons is the most dangerous threat to international society. That was before our bankers got loose, but -- but prior to that, that was the greatest threat that we faced. And yet no other state can put together the necessary coalitions, mobilize the necessary power to truly order the nuclear domain. The U.S. can do it and the U.S. did lead that effort since 1968. And it formed the various rules including the Nuclear Suppliers Group Guideline, which the Bush Administration woke up one day and decided they want to change after -- after for 14 years. From 1978 to 1982, U.S. diplomats twisting arms all over the world to establish this rule, and then decided we want to change it. The rest of the world looks at that -- and I tell you I've been to 24 countries to talk about this issue and you get it everywhere except, like I say, France and Russia. They look at it and they say well, yeah, we thought we were building a rule-base regime that's based on, you know, kind of universal enforcement. It's based on objective criteria, public goods. Then you guys decide that you've got this one state and you want

to do an exemption because -- and they misperceive it. They said because GE wants to sell some reactors to India and because you guys, you sons of Kissinger -- Bob Blackwell, Phil Zoellick will actually tell you -- you want to balance China's power and so now you want to change the rules on behalf of your great power game and your commercial interest. And now you're just going to do it by fiat. You're basically telling us you're going to -- you're just going to do it. Now those weren't the motivations. GE isn't going to sell reactors in India. They're going to sell turbines for planes and Boeing and our defense contractors are going to get the money -- not our nuclear industry. The French nuclear industry will get the money and the Russian nuclear industry, but the way it's perceived was that this was fundamentally corrupt -- not illegal -- but it corrupted the purpose and the spirit of the idea of international regimes -- whether they're in trade, whether they're in public health, whether they're in non-proliferation. And so there's tremendous resentment to the way that the U.S. did this. And again it doesn't have to do with India. It was the way that the U.S. set about doing it. This then leads into a broader sense of corruption which I think is the most pernicious long term flaw and then I'll close. And that is that the Nuclear Suppliers Group -- what was interesting about it was it was a collective effort. It was a cartel by states with commercial interest that agreed to put the profit motive under non-

proliferation. They created this cartel to regulate themselves and put a public good over their profit motive. That was pretty remarkable in the grand scheme of things and it reflected the sense of danger of proliferation that was widely felt. This deal undid that in a sense that the way it's perceived is the profit motive then trumped the non-proliferation interest. And it was perceived that way -- is perceived that way -- not just because, as I mentioned, the idea of people profiting on nuclear technology. That isn't it. It's that everyone knows that the Swedes went along because they have other commercial interests. And there are other actors that went along because of particular commercial sector interests in their country. And so that everybody involved -- especially when you talk to the government people -- they opposed this, but their governments went along. And so they all knew that what happened is at the top level -- the prime ministerial level, at the trade ministerial level -- the deal was done. Even though from a non-proliferation point of view, the deal had great flaws. And so the feeling when you talk to people is well, we'd do it again. We say non-proliferation is important, but when push comes to shove, money talks and we sold our vote once. We'll sell it again. And it's that kind of corruption that's important. Now two stories that tell you, I hope, why I think this is problematic. I was in -- I forget -- last summer, in England with two North Korean officials. And so they were saying that

they're not going to finish their disarmament commitments that they've made in this deal until the nuclear power plant that we're building gets turned on. Only then would they dismantle their nuclear weapons. You know, so I went up to them and I said has anybody in the U.S. Government told you that's what we're going to do because I don't -- I don't think that would be the order of things, first of all, and violate a lot of law and treaties and everything. I mean, so, you know, we can't -- we can't do it that way. So I can understand you want it that way, but has anybody told you that's what's going to happen? He says you did it for India. I said, well, India's different. I said, you know, and I'm not a diplomat or very polite so I started listing ways in which India was different. You know, like -- lots of ways. And he said -- and he looked at me, totally understood what I was saying. He says, no. It's not about India and it's not about us. It doesn't matter if we're different. It's about you. Your government decided that you had a friendly relationship with India. Your government changed all the rules for India. You decide you have a friendly relationship with us, those rules don't matter. You change them. It's about you. I hadn't seen it that way and I thought, okay, that's interesting. Last week, I was having lunch with a diplomat of a friendly western NATO country and we were talking about Iran. And he says, it's over. I said, what do you mean? I said, have you read the latest IAEA

report? It's not over. I mean they're not answering questions. Even ElBaradei is upset about it. You know, it's not over. He says, no. This is going to be like what you did with India. I said, what do you mean? He said, well, yours is a -- you know -- big country. They'll keep pushing and basically you'll make a deal with them and we all know it's going to happen. And so why push? Why push for more sanctions? Why squeeze them? They're like India just in the Persian Gulf and you'll do the deal. Okay. That may be actually. But that's a strategic implication and if, as everyone says including the last administration in selling this deal, it was to have value from a non-proliferation point of view, then I would suggest that these comments, for example, that I've gotten -- that I'm reporting to you in my conclusion -- those tell us the kind of the danger that we're in as a consequence of this deal and how hard it will be for the U.S. and others to restore the sense of integrity and credibility in this regime, which as I say has very little to do with India and for which I don't blame India. But the problem is there. Let me stop there.

MR. O'HANLON: Thank you, George. So, gents, we have these little microphones on the side of your chairs. We've got about 15 minutes for questions. Please identify yourself. I think I'll take two at a time since we don't have a whole lot of time left to speak. But please let's

get right to it. Yes, sir, here in the fifth row -- and the mics coming. It'll probably take these guys a second to get miced up anyway.

MR. SAZWAL: My name is V.J. Sazwal. George, I was trying to figure out where -- which areas I would agree with you. At least I decided there was at least one and that was those bankers. I really could take all across the town what you said has a different perspective, but let me focus just on two issues because we're talking about mathematics, numbers. You talked about the uranium deals. Let's look at those numbers. One, the Russian deal is for 2,000 metric tons and the French deal is for 300 metric tons. That's not a heck a lot of material for the existing, you know, 17, 18 pressurized water reactors and another six or seven that are coming into the next year. That will -- and by the way, the Russian supply is in such small quantities spread over so many years. And the French one exclusively is for the (inaudible) reactors. So, I think this impression that you're giving they're going to be hording the things or that they will be blacklisted, I think that's really stretching the imagination too far. I don't think -- I think they are looking for a short fuel supply. They have made it very clear they are looking for a short fuel supply in their contracts. So it's not something they're looking at behind the scenes. But, it's not going to happen simply because, you know, there is some kind of backroom deal made. So, India is not doing that -- at least to my

knowledge. India is not doing that -- now, right now. Whatever they will do, they will do in open systems. The other question that I have -- the other comment that I have was -- dealt with the U.S. venders. You really are pushing it really if you think we are not going to get some contracts. We are going to get some contracts. Now, why aren't we there on the scene today? We are not there on the scene today because NNPA disallowed us even to have a contact. I mean the people from India were never given a Visa to enter here. I've been at the Embassy when, you know, Jeff (inaudible) was there. I said, Jeff, why are those guys not coming here? He said, we didn't give them the Visa. They couldn't travel here. We couldn't ask you to meet with those people. So what I'm saying is that you have a legacy of three to four years of interactions. Last time we were in Delhi, the project manager in (inaudible) told us when they made the first Russian contacts and you look at that timescale. It's about three years. It'll take us roughly about three years to get to where the Russians are, but the French have not yet signed a contract for the reactors. Only the Russians have. It'll take us about three years. So if you be patient, we'll get something. There may be other deals that will come off, too, but I don't think nuclear vendors in the U.S. will be left behind. Thank you.

MR. O'HANLON: Let me take one question for Amandeep, if I could, and then we'll go to responses. Does anybody have a question for Amandeep or that they can make specifically for him? Well, then mine will be for him to respond to George, not only in terms of what George is about to say, but in terms of what George said from the lectern. So, we'll have one for each of you, please.

MR. PERKOVICH: Okay. Well, I should be clear when I was talking about fuel and potential hording. I don't think there's anything backroom or nefarious about it. It think it would be reasonable given it's past situation and how low it ran on fuel and the difficulty of bringing Indian production up, it would make sense that they would get as many contracts as they can. Kazakhstan -- I think you mentioned Russia. I think Kazakhstan -- that's the only thing it has is uranium to sell and so that's one of the deals that's being talked about in Canada as well. They're not going to build a reactor there and I think that's reasonable behavior. I was trying to suggest that -- I was tying it to a concern I have about the CTBT -- which Indian officials could easily put to rest -- which is they could say, you know, if the U.S. and China ratify the CTBT, are -- is India going to sign and ratify it? Then the argument or concern I was making disappears. What I'm suggesting is that because they now can acquire this fuel -- which there's indication that they're doing, which is reasonable

for their point of view. In light of their not making statements about signing or ratifying the CTBT, I'm suggesting that there may be something -- something else coming down the pike. And about U.S. vendors -- yeah, I mean, I, you know. There are other issues. India has to pass a liability law, which Amandeep referred to. The Indian Parliament -- I wouldn't predict when that's going to happen. I wouldn't claim to be an expert on that, but the U.S. vendors can't sell in India without liability protection, whereas the French and the Russians are state indemnified and so they can go ahead and do that. I mean there's also a question of how much money people actually have to spend on nuclear plants. I mean if you look around, there's a lot of hype about the nuclear renaissance, but there's a lot less construction actually going on and the price keeps going up of units. But I have no doubt that the American companies are optimistic about doing business in India at some point.

MR. O'HANLON: Amandeep, please.

MR. GILL: Thank you, Michael. I think I'll start by saying that I participated in both the processes -- the ones that I mentioned, the one led by Strobe Talbott on the U.S. side, (inaudible) on the Indian side, and then this second iteration. So to tie all of this to the personality of one particular president, one particular administration, is not a fair or objective reading of history -- even recent history. Many administrations on both

sides have struggled with this conundrum of how do you craft a modus vivendi between India and the rest of the regime? It's too big to be left out and it is not going to happen by presenting lists of things that India should do to whatever means. So there is continuity in these various attempts. I remember the meeting between Madeline Albright and Jeff Swanson in July, '98. Just a couple of months after the test, Madeline Albright said we can make lemonade with these lemons. So it was not just George Bush or Condi Rice or a few people. New pawns would talk this up. I think the second point there is that it was also not a Bernie Madoff kind of a con game where you bought up all these (inaudible). Forty-five countries in the NSG. Thirteen in the Board of Governors -- thirty five in the Board of Governors in the IAEA -- (inaudible) himself, countries who've had very strong commitment to non-proliferation. They had also been struggling with this conundrum -- what to do with India, what to do with the nuclear dangers of today. And they -- when you look at that question really as a policy maker -- as somebody who is dealing with them, then you realize that you have to transcend the old construct. You can't keep living in the past all the time. The point about India making more material for bombs -- you know, my answer to that is that if it were so, India won't commit to an FMCT. The problem with the FMCT was the U.S. insistence that it not be verifiable and given India's experience with clandestine transfers in the

region, it was a fair demand and many others have made the same demand, for the FMCT to be verifiable and moratorium does not work in this area because you need these things to be verifiable. I have heard in many places that China has a moratorium on fissile material production. And I've asked this question time and again -- in official meetings, outside of official meetings. Nobody's been able to give me a satisfactory answer on how that moratorium works. I think we need these things to be verifiable. And if India really wanted to crank up bomb making, it could do in many other ways. It won't commit to the FMCT. CTBT is a political issue in India. It is seen as a stepchild of the NPT. It is seen as a part of the old construct. And, as I mentioned in my presentation, as you build this bridge between the regime and between India, people would start to see it differently. It will be a political process. I think personally that India doesn't have the technical need for testing. Why would India want to test today? For what reason? It is a political issue and people should take the time to understand the background in which people view the CTBT. The last point about Iran where I served for nearly four years, so all this coming up including the facility (inaudible), I think the crucial point is that both Iran and DPRK signed the NPT voluntarily as nonnuclear weapon states. They gave up the option to build the bomb. And now to claim that somehow because the U.S. treats its friends otherwise or for, you know,

another country China to say that because you are treating your friend this way, we have to do this with Pakistan. I think it'll be losing on moral perspective. These are complex times. There is a lot of fuzziness around some of these issues. I think we have to be very clean -- clear in our mind who is coming from where. These are all very specific countries, very specific sets of problems. They have their own histories, their own problems. And to just take on the guilt and the blame for all of that as the U.S. would not be policy friendly.

MR. PERKOVICH: Can I -- just one real quick point?

MR. O'HANLON: Go ahead.

MR. PERKOVICH: But I just want to highlight, it's true that the Clinton Administration was pursuing a dialogue with you and just want and other colleagues on all this. But the interesting thing is they didn't get any agreement in part because they were pushing on CTBT and fissile material cutoff. So, if you take out those two issues -- right. You have the same policy. But that's kind of the whole point -- that those two issues were the issues that if you were going to say you were going to get a non-proliferation gain out of it, those were the key issues. And that was the difference because the Bush Administration said well, we don't really care about those two issues. They oppose the CTBT and the opposed an FMCT. So I agree. There was, you know, a similar thrust to do business

with India and to heal the rift with India. That is across the board. But it was a big difference.

MR. O'HANLON: We have time for one last question and then we'll wrap up. Yes, sir. Steve Cohen, also, did you want to ask a question? Okay. So we'll have two questions and then wrap up. Two together and then wrap up. Please.

SPEAKER: No. It's really not a question. I was just -- there was a point that I wish to make on the last occasion because it is connected to what you said and I believe you mentioned the low power factors at which (inaudible) -- must remember that (inaudible) reactors have to be operated a very low burn ups if the separated fuel from that (inaudible) reactor has to have bomb grade uranium. So in the event that those reactors have been operating at very low power factors for some time, you can understand the reason. It's nothing to do with the technology. I just wanted to make that point.

MR. O'HANLON: And Steve.

MR. PERKOVICH: Those were civilian reactors. So if you're saying they're going to build bombs from the reactors --

SPEAKER: No, no, no, no.

MR. PERKOVICH: -- they just declared were civilian.

SPEAKER: This was before all this deal business came up.

MR. PERKOVICH: Okay. I was talking about this year.

MR. COHEN: Mike, you can run a little bit late since I'm running this conference. I give you permission to run over a couple of minutes. I would have, perhaps -- reflecting on the discussion which has been great -- maybe split this panel into two because I'd like both panelists to actually -- Mike, you also -- talk out the latter part of this panel title -- non-proliferation and strategic implications. George mentioned that one of the motives behind the Bush Administration may have been to build up India as a nuclear weapon state to counterbalance China and I think there's indirect evidence to indicate that's true -- a statement that we will build India to be a major military power and so forth. If that's the case or if that is in fact the case -- whether or not it's in fact the case, what has happened is that India is a military nuclear weapon state of some consequence. So is Pakistan. I think the double I, double S figures are something in the range of 80 weapons assuming they are enriching and so forth fast. In a decade it might be double or triple that number. China has apparently 150, 200 weapons -- something of this order. Have you -- could all of you approach this issue from that end? That is, is it possible to reach an agreement between these major Asian nuclear weapon states or minor Asian nuclear weapon states -- major states with minor nuclear programs -- maybe the Russians, maybe other countries. In a sense, they

can agree that we'll only bomb and we'll only kill 50 million people in the other side. We'll keep it to that. In other words, once they hit a point where deterrence is massive -- even in a second strike that they can kill huge numbers of another country -- in India's case, both Pakistani's and Chinese. Can they say well we'll level off and we'll verify that we've leveled off? In a sense reach a stable plateau between the three countries where each feels secure in terms of deterrent capability, but they're not simply racing against each other?

MR. O'HANLON: And shall we start with Amandeep and then just work down?

MR. GILL: I think that's an excellent question. It is really the nub of the problem today. We have to give up the old mindset of x number of weapons getting reduced to y over time, say in the U.S.-Russia context and then bringing the others in, going down to zero. The problem today is not x or y. The problem is preventing the use of a single nuclear weapon anywhere -- by a state, by an on-state actor. And if you start to look at the nuclear problem from that perspective, all this changes. You need to focus then on controllable fissile material, on verifiable cut-off. You need to focus on issues like de-alerting and what President Obama called during the campaign, de-emphasizing nuclear weapons. And you need to build a new platform where you can dialogue on these issues --

not in the sense of a club where, you know, the established players turn up their noses at the gosh behavior of the newcomers. But where they set examples of good behavior, responsible behavior, for some -- some others who may now have access to nuclear weapons or who may have future access to nuclear weapons. And Asia is the place to start. Asia is where you have a budding (inaudible) norm where there is a more political view of nuclear weapons and Asia can be the crucible in which a global shift can be fashioned.

SPEAKER: But, Amandeep, (inaudible) said not only do we want (inaudible) --

MR. GILL: I'm more of a realist on nuclear disarmament. So (inaudible) action plan was a laudable vision and the four horsemen -- Kissinger, Sam Nunn, Perry and Schultz -- have also talked of a vision, but you have to anchor that vision in kind of a dialogue framework. Where you start talking nuclear weapons, there's not much dialogue happening. U.S. and China are not talking nuclear weapons. At least there is -- I mean not in a serious way. India and China are not talking nuclear weapons. The NPT non-three and the NPT are not talking nuclear weapons. So there is a dialogue deficit at a time of rapid transition from an old construct to a yet to emerge construct. So all these platforms have to be considered and fast.

MR. PERKOVICH: I think that's right. I mean I would say a couple things, Steve. First is it has to be global because China won't engage in any discussion because what they're worried about is the U.S. So China can't limit its capacity if it thinks that the U.S. is going to build a missile defense that could undermine China's deterrent or with prompt global strike even conventional capabilities to take out China's deterrent. And I've been in dialogue -- private dialogue -- which Chinese who say that. So the U.S. has to be in the process to allay China's concerns about what it might need on the upside in order for China to then be able to turn around to India and say, this is all we need and we're prepared to start coming down. Because China can't come down if the U.S. isn't reassuring it about U.S. capabilities, which won't happen then also without Russia. I think the Chinese are interested in exploring this at some point. Then the question becomes -- well there are many questions. One is by what principle would you organize multilateral discussions because there's disparities now. China has more than India. India and Pakistan are about even. That's fine as a matter of fact that states have chosen that. But if you get into a formal negotiation where you would then want to make something explicit and others would insist on disparity. The U.S. would say well no one can have as much as we and Russia have. And the Chinese will say, well, why? Then the Chinese would say, okay, well,

maybe we agree to that. But India can't have as much as we. Now if it's formal, you imagine the Indian leadership saying right, we'll have less than you. And then -- but wait. We have to deal with Pakistan and China. So how you start to get the principles by which you would organize -- I think there's a way and I think this is where Amandeep's point about there's a way to do it, but you have to start informally with getting these states together to start talking about and thinking about it. And here the deal has hurt. And I'm not trying to bash the thing. I know it's done. You know the reality is now -- I deal with Japanese officials a lot. They say don't you dare talk with the Indians. They really don't like this deal. And so the idea of giving any kind of status as a nuclear weapon state to India is very problematic. Now, I think there's a way to do it and the last thing I would say is to have a conversation among states that have unsafeguarded fissile materials. So you don't call them nuclear weapon states. You don't refer to nuclear weapons. You say these are states that have unsafeguarded fissile materials and we have a responsibility to the world to move to put these under safeguards and to have more transparency, which is part of an FMCT process. That conversation actually brings in Israel, Pakistan and India because they are states that don't have safeguarded materials -- but without labeling kind of nuclear weapon discussions. And there are other ways you can do it, but you can't do it

within -- as Amandeep says -- you can't do it within the NTP context and you'd get a lot of blowback from certain states if you tried to. But I think there are workarounds and that's something that we really should be addressing is how to have that conversation.

MR. O'HANLON: I think I'll stop it there. We'll break now until 2:40, Steve, which is eight minutes and we'll see you back for the last panel. Thank you very much.

(Recess)

SPEAKER: (IN PROGRESS) ....looking at U.S.-Indian relations after the deal but also looking ahead. And I do want the panelists -- I know one has agreed to do this -- to look also backward to the previous panel where we look at some of the strategic implications of this, because I think that's one topic we may have neglected with, I think we're thrashed the arms control issue, (inaudible) issue, pretty carefully, and it deserves it. But I think we should maybe look at some of the military and strategic implications. And I know at least one panelist has agreed to do that.

We're waiting for the fourth panelist, Jonah Blank, but let's start now, and let me introduce Rick Inderfurth, former Assistant Secretary of State and professor over at G.W. University. Rick, do you want to take on

MODERATOR INDERFURTH: Okay. Thank you, Steve. Well, we have come to the final panel of the afternoon. You were the survivors. You have made your way from the morning through the afternoon. I am delighted to see all of you here. We're going to widen the lens, if you will, on the discussion about U.S.-India relations.

We've had a lot of very specific discussion about the nonproliferation and strategic implications. My friend, Ambassador Sreenivasan, is going to take a few minutes to look back to the last panel. I've asked him, I said, "Sreeni, do you have anything that you'd like to say about the last panel discussion?"

He said, "How long do I have?"

So he will take a few moments when he begins to discuss what we have just heard. But I am very pleased to be moderating this panel here and to be looking at our relations after the Nuclear Agreement. I also recently attended with Lisa Curtis, the two witnesses before the House Armed Services Committee, the subcommittee on the Middle East and South Asia, Congressman Ackerman's committee. We were asked to speak to the issue of

U.S.-India relations after Mumbai, so there are a lot of "afters" that we can look at in terms of where our relationship is going, and these are two very important events, obviously, the Nuclear Agreement.

I refer to this as the visit by President Clinton to India in March of 2000 was the turning point in the relationship, which many people have said. I think that the U.S.-India Nuclear Agreement was the tipping point in this relationship.

By the way I'm speaking, just trying to talk with you until our final panelist, Jonah Blank, gets here. In the news business, which I was once in, this is called "vamping," which is you're just sort of talking while you're waiting for everything to be arranged.

Now our third panelist is here. Jonah, welcome to this discussion.

So with that said, let me just very quickly introduce. You have the material on each of our panelists. Everyone here is well known to you, but Ambassador T.P. Sreenivasan, formerly the Indian representative to the IAEA in Vienna, therefore very appropriate to look back on the last panel with a few comments -- and from my perspective, the former Deputy Chief of Mission here in Washington when we worked closely together when I was serving as Assistant Secretary.

And we continue to maintain this relationship. He has numerous activities that he takes part in back in India, including a interview program where he had called me at rather ungodly hours to take part in his broadcasts, and I've enjoyed doing that.

I've just mentioned Lisa Curtis. Not only have we testified together but we've served on virtually every study group that Washington has had. You now, I am so glad that a new administration is in office, and all of these study group reports will come to an end at least until the next administration cycle, but the number of ones we have attended and worked on, on India and Pakistan, and Afghanistan, Lisa, I'm getting tired of this. I'm not sure about you. Maybe these final strategic reviews will put an end to this for awhile.

She also served for the -- in the South Asia Bureau as a senior advisor at the State Department and served on the Senate Foreign Relations Committee working with Senator Lugar. So she brings great South Asia experience to a discussion.

And our final arrive, Jonah Blank, I don't think that Jonah needs an introduction here. He is probably as networked into everybody here as one can be. He has been a longstanding senior advisor on the Senate Foreign Relations Committee on South Asia, to Senator Biden -- now what is he -- he moved on to a new position, right?

MR. BLANK: He's in public housing.

MODERATOR INDERFURTH: He is in public housing now, right around the corner from here, now otherwise occupied. He continues to advise Senator Kerry, the new chairman of that committee. And I must

say that I think a great thing to mention about Jonah which he cannot do but I can, they talk about the Kerry -- oh, I'm sorry -- the Biden-Lugar Plan for Pakistan which has gotten so much attention and a very comprehensive look at how to deal with U.S.-Pakistan relations, and now it's the Kerry-Lugar. But I always call it the Biden-Lugar-Blank plain, and I will continue to do that because along with the senators, Jonah Blank I think did more to make sure that everyone was plugged into that very important piece of legislation.

So we'll be discussing U.S.-India relations after the Nuclear Agreement. My colleague when I worked in government, Bruce Riedel, is also otherwise occupied right now on a rather major strategic review. But the two of us wrote an article for *The National Interest* in the end of 2007. We wanted to look at the future of U.S.-India relations, and we came up with a very catchy title on the next phase in U.S.-Indian relations. And *The National Interest* like the article but said that we needed a slightly better title, and they came up with the idea of "More Naan With Delhi" -- I'm sorry not "More Naan With Delhi."

MR. BLANK: "Breaking of Naan With Delhi."

MODERATOR INDERFURTH: "Breaking of Naan With Delhi" and I -- he can help me on this -- and I said, Well, but we've been breaking Naan with Delhi for the last two administrations, and so I put in

there "Breaking More Naan With Delhi" so we could make it clear that we had a lot more business to do.

We also talked about -- and this is a serious point of this -- we also talked about the fact that we have seen something remarkable in U.S.-Indian relations over the last number of years, and that is policy continuity. From the Clinton administration to the Bush administration, we saw two administrations of different parties recognize the importance of this relationship, the rise of India, the global player in the world across the board, and that it was necessary for the United States to get on the right track with India after years of being, as they used to say, estranged democracies.

So what I think we would like to hear in this panel is a discussion of where that relationship is going with the new administration. I trust that policy continuity will be an underlying factor for the new administration. I have every reason to believe it will be, and I also believe that we all agree with something that Ambassador Ronen Sen has been saying in all of his well-deserved dinners and receptions honoring his five years of service here. He has said, "We've come a very long way, but we cannot let this relationship be put on autopilot."

It's not at that point of being on autopilot, and we continue to have a lot of important work to be done to build on the foundation that I

think began under President Clinton and was accelerated under President Bush.

So with those few remarks I'd like to ask Ambassador Sreenivasan to start us off. If each of them could speak for -- since we're running a little bit behind

-- about 10, 15 minutes, but Sreeni does have a few minutes to respond to the last panel with any observations he has there.

So, Sreeni, if you could take the Chair.

AMBASSADOR SREENIVASAN: Thank you very much, Rick. I was hoping that I would have the last word of t he last panel as so it was listed, but let me say how grateful I am that I have been asked to come to Brookings, and I must thank Professor Steve Cohen for it and also, indirectly, my friend (indistinguishable).

I think Shyam Saran started by saying that he would not engage in storytelling. Then I thought, my god, my speech is going to be just storytelling because I belong to the past, not the present or the future, and therefore my presentation would be a little bit about the past, just to show the light for the future, as it were.

So you will forgive me if I do a bit of storytelling, particularly in the presence of Rick Inderfurth, who was part of that story at that particular time, very important time.

And also I might speak more like an evangelist, unlike Mr. Gill, who spoke more like a strategist. But the theme would be more or less the same. I think we seem to be coming from the same kind of background on this.

Of course, I will abide by Rick's advice to say a little bit about the previous panel, but I'll do that in the context in which it comes up when I speak about the IAEA and the international reaction, which might be a slightly different perspective than that of my friend George Perkovich.

Well, when the Nuclear Agreement was signed in 2008, hundreds of articles appeared all around the globe. But the only article which carried the title "A Dream Come True" was mine. Not even Manmohan Singh or Shyam Saran called the agreement a dream come true. So what I was trying to do was not to romanticize it, or to try and sell it to a rather reluctant audience in India, but I was expressing my own disbelief that such a thing could have happened on the basis of two very contrasting situations.

On the one hand, India had asserted that it would not subscribe to the NPT and the CTBT, and the United States was leading the charge to isolate India in the submission despite the many ideals and perspectives of the two countries shared. And for me this journey began long ago in 1974 in Moscow. For the first time I realized that even a

country which was considered an ally, a natural ally of India at that time, the Soviet Union, was itself very uncomfortable with Indian nuclear policy, and then the journey continued through the conference rooms of the United Nations in Geneva and New York where again I was witness to the considerable amount of concern that India was pursuing a policy which was creating uncomfortable feelings in the international community.

Of course, the chill in Moscow was nothing compared to what I called in my book "the nuclear winter in Washington," in the summer of 1998 when a U.S. president who had begun to build a special relationship with India, Mr. Clinton, came down on India "like a ton of bricks," as Mr. Talbott says in his book, "when the news of the Indian test meets Washington." On this point I must recall the meeting that Ambassador Nurashan Ram and I had in Rick Inderfurth's room on 12th May, 1998. Even a funeral would have been less cheerless than that particular -- that particular meeting.

And after the (inaudible) then several things happened since then, but after the historic meetings between Talbott and Jaswant Singh, and where I felt that out of the five benchmarks, or four and a half benchmarks as it was called at that particular time, we almost reached or reached near agreement on almost the four of them. So the second

slightly different from the perspective that was present at the earlier, so I think that out of the five almost four were attainable.

Then we had the visit of President Clinton to India and Mr. Veisbei to the United States. And then I left Washington in 2000. I went with the belief that Indo-U.S. relations had reached the point beyond which it cannot go, whether we set aside our nuclear problem, the imbroglio, and then proceed further doing other things, things which did not have. And so the nuclear issues were set a time for a more propitious time.

And then I witnessed another -- I had another experience in the IAEA from 2000 to 2004 when it was a lesson in management of India's position in a world which had understood it but not appreciated the Indian position. And although India was a founder member and a champion of the IAEA as a promotional agency, India was reminded at every step of the way that it was outside the grand bargain of the NPT even though many parties even sought , or partners off that bargain itself, themselves were out of step with some of the spirit of the NPT.

And so when it came to technical cooperation, or the body NPT IAEA accepted that India had a big role to play, but when it came to leadership roles in the IAEA, when India's turn came to be the chairman of the IAEA board, for example, United States was the first to say that such leading roles in the IAEA could not be given to an NPT country.

And India was denied E-1B, position of an auditor for the agency, saying that India could not audit or counsel the agency because India had not signed the NPT. So this was the kind of situation that prevailed there at that time, and I hold it unconscionable that membership of the IAEA should be categorized on the basis of a treaty which came into existence much after the IAEA was established. So to me, therefore, the joint statement of July 2005 was not only a surprise, because I had no idea what was going on, but I saw it as a harbinger of liberation from the shackles around Indo-U.S. relation as well as India's own role in the international community. And that is why I thought it was a dream come true.

The long and tortuous negotiations and the global debate that followed were not entirely unexpected. Since the change sought was fundamental, it demanded a change in the mindset of many people, not only administrators, diplomats and scientists, but also the ordinary people in both countries.

In India it brought the Manmohan Singh government to the verge of collapse; in the United States it was touch and go for the Bush administration. I shall not go into the substance of the debate, like here, but it gives us a fair idea of the hurdles that lay ahead in the way of cooperationalizing the agreement. It is now only a challenge to the new

administration of the United States and the new government in India which will be formed in India this year.

President Barack Obama has supported the deal, but two of the three coalitions waiting for power in India are committed to amend the agreement though not to abandon it. The leftists want the defense agreement scrapped in their latest manifesto which came out a few days ago. They said that the defense agreement must be scrapped, but they are also willing to renegotiated the nuclear deal. And one side liked of the leftist manifesto, which will surprise U.S. that they have said that they are in favor of denuclearization of South Asia, which must be a glad news for China, Pakistan, and partly to the United States, because India had very consistently opposed any idea of a regional disarmament idea. And that's why I was surprised when I heard about regional and the (indistinguishable) and the Action Plan. It is not regional at all. We have never favored a regional disarmament initiative. It was always to be global.

So the leftists have come out with this nuclearized non -- denuclearization of South Asia I think is something very interesting, and we are to watch out if at all they come to some kind of leverage in power in India. Indo-U.S. relations may well be election issue, but whoever comes to power in India, the agreement will be honored though the degree

of enthusiasm for it will depend on the nature of the Indian coalition. Its relevance to the energy needs of the country is fully recognized as evident from the fact that the agreements with France and Russia, nobody seems to question. Even those agreements would not have been possible without the U.S.-India Agreement.

At the international and bilateral levels, the test lies in the manner in which the change that the nuclear deal has brought about in the existing architecture in both areas. Is the Indian exception seen as merely meeting and exigency, or as a fundamental change with major implications for the nuclear order? That is the question.

Of the three occasions when the international community was called upon to take follow-up action on the 123 Agreement, here is what I want to refer to in regards to George Perkovich's presentation where he thought that the United States seemed to have given up its principal position and moved in a direction which would call into question even the honesty of the U.S. policy.

This is not true. I think, from what I have seen in Vienna even two days ago when I was in Vienna, I did speak to a large number of people, and on all these three occasions the international community responded fairly positively to the Indo-U.S. Nuclear Agreement is something which we should remember.

Of course, the serious persistence was visible in the nuclear suppliers group, but that was to be expected. It is like asking Winston Churchill to give India her freedom. He said, "I shall not preside over the liquidation of my own empire." So for the nuclear suppliers group to give an exception to India was like presiding over their own empire, and therefore that was understandable.

But the two other occasions when the safeguards agreement as well as the additional protocol were discussed in the IAEA board -- which is not a very -- not a lame organization, it's very active and very, very adamant about certain positions -- but the way in which both these were handled in the IAEA board I would say is an evidence that in the world community has looked upon this with a sense of flexibility and accommodation.

So in Vienna the sense is, as far as I can see, is that India's participation in the safeguard regime has strengthened it, though I must acknowledge what George said earlier about there were some whispers of double standards in certain circles. But then the other answer is there is no doubt that there is no other case identical to the Indian situation. They spoke about Iran and DPIC . I don't need to go into details, but certainly there is no other situation which is identical to India. The IAEA has come to terms with the Indian exception as recognition of ground reality.

Whether IAEA is ready to accord India formal recognition as a partner rather than a target is yet to be seen.

In Indo-U.S. relations, which is, of course, the subject of all of us here, I am going to a little forward-looking way. Transversion took place as soon as the resolution of the only contentious issue came into view with the joint statement of 2005. The engagement that began during the Clinton administration made sure that Indo-U.S. relationship, characterized by mutual trust and confidence, which enabled them to work together in many areas where the denial of a technology regime had created impediments. And the entity list is still in existence (inaudible). It appeared as though the veil of suspicion lifted suddenly, and the contours of a new relationship came into view.

And here, of course, the defense relationship is perhaps the most prominent. In fact, the June 2005 newer framework for Indo-U.S. defense scope relationship preceded the Nuclear Agreement and may have speeded up the latter. Problems of protocol and procedure which, Rick, Matamu Mba, which appeared to be double defense cooperation became a thing of the past, the defense policy group which could not even meet during my time here, and the subgroups have built up momentum and added substance to defense cooperation.

Conduct of regular exercises, exchange of defense experts on the various technical program, and exchange of sports teams have all led to better understanding even as the remaining differences in the nuclear deal appeared insurmountable, and allegees were being returned to unfulfilled promises, Indians and Americans were finding avenues of dealing with the urgent issues of terrorism, energy, environment, and (indistinguishable).

The India-U.S. dialogue, the high technology cooperation group, and the science and technology agreement deal with some of the most problems that the two countries face, urgent -- most urgent problems. The Chandrian Mission, for example, which captured the imagination of the entire Indian population, had carried their equipment from NASA, two payloads of them. And today cooperation between the two countries ranges from antiterrorism to, I was surprised to see, to conservation of snow leopards there was an agreement.

The logical steady progression from confrontation and estrangement to engagement and cooperation was all too evident when the nuclear issue was out of the way. Spring is in the air in Indo-U.S. relations.

One particularly interesting point about the nuclear negotiations was the emergence of the Indian-American community as a

force to reckon with in the United States. Their enhanced prestige has helped Indo-U.S. relations and improvement in the Indo-U.S. relations that will, of course, help them.

And so the benefit that flow from the agreement will naturally be of value to the community, the Indian community. The Indian community, too, has come of age in lobbying efforts after the experience of the Nuclear Agreement and another group which, of course, has played a very significant role in this and become a factor is the U.S. business community. So these were in existence even before, but I think the Nuclear Agreement and the role they played in it was a turning point.

Elections in the United States last year and in India this year have inevitable consequences for the agreement. One of the architects of the new relationship, President Bush, is no more at the helm. And the other, Prime Minister Manmohan Singh, is seeking a new mandate. Concrete progress in bilateral relations must await the consolidation of the Obama administration and the new government of India. But this is the time for the sherpas to prepare for the ascent to the summit by the leadership. We must lighten our burdens of the past and prepare the part ahead.

The problems are not difficult to foresee and to deal with. The first and foremost is the removal of the vestiges of an old mindset on

both sides. I say both sides because I still speak to a large, different varieties of people in India, and I can still see a certain amount of resistance. In India there is still a large section of people who believe that the Nuclear Agreement is a trap. They are still looking for concrete evidence to show that the United States is ready to embrace India as an equal partner. They lament that due recognition of India in terms of membership of global policymaking bodies, such as the U.N. Security Council, has not been forthcoming. That was one of the points that Rick and Bruce Riedel (indistinguishable) have made, that this should be a part of the new architectural relationship.

On the U.S. side, the nonproliferation lobby has not come to terms with India as a partner. "Their watchful eye is still gloweth and do not stoop." Their acceptance of the new dispensation is still tentative.

The hopes raised by the advent of President Barack Obama are universal and extraordinarily high. India expects him to be a close ally and reliable friend. All that he has said about Indo-U.S. relations during the campaign and beyond has set the right tone. He took no time to understand the Indian sensitivity on Kashmir and to apply the necessary corrective to remove a misunderstanding.

He and his administration dealt with the Mumbai terrorist attack with determination in partnership with India. India understands his

priorities, like the global economic crisis which has dictated a partnership with China, and the war in Afghanistan with focus on Pakistan. We view his position on outsourcing and S-1B visas in the context of a relentless struggle to create jobs in his own country, but we believe that by the time the new government emerges in India, the United States will be ready to build on the solid basis laid on the last three years to establish a mutually beneficial relationship.

Some 20-year difference processes are in place to prepare the ground. It is the time for the other tracks, like the Brookings Institution and its initiative, to take the relationship forward. In the matter of civilian nuclear cooperation itself, there are gray areas yet to be defined like reprocessing and perpetuity of supply, about which we have heard the whole day. Concerns raised by the Hyde Act are yet to be removed. In the related area of disarmament and nonproliferation, new possibilities have emerged. Again we have heard about those.

The vision of a world free of nuclear weapons that India had put forward is now shared by strategic thinkers in the United States. New possibilities have emerged for India and the United States to work together on a nondiscriminatory offensive, too, . In space, environment, and energy, there are more areas of agreement than disagreement. What appeared to be a distant dream in 2000 of two embracing democracies

may well be a reality in 2010. The single factor which made the plan submission possible was the U.S.-India Nuclear Agreement. Whatever twists and turns it may take in the hands of our future leaders, it shall remain an historic milestone in Indo-U.S. relations.

The Agreement is no more a matter of hiding in a few megawatts of electricity to the Indian grid but an instrument of change. Yes, we can.

Thank you.

(Applause)

MODERATOR INDERFURTH: Thank you, Sreeni. I'd like to ask Lisa Curtis now to take the podium. I think in my introduction I talked about her past and all that she has done. I think I failed to mention that she is with The Heritage Foundation now, so she's part of the larger think tank community.

So, Lisa?

MS. CURTIS: Thank you, Rick, and thanks to The Brookings Institution for inviting me here today to talk about U.S.-India relations after the civil nuclear deal. So I will try to not talk about the civil nuclear deal and focus my remarks on other aspects of the relationship.

First of all, this issue is an incredibly timely discussion. The Obama administration is getting ready to unveil its Afghanistan-Pakistan

strategy, which undoubtedly has implications for U.S.-India relations. India goes to the polls in three weeks, as has been mentioned, and the Obama team has not really enunciated any major policy statements regarding India. So I think, you know, this is a great time to hold this kind of discussion and talk about the different factors that are influencing the relationship and is a good time to evaluate where we have been, as Mr. Sreenivasan did, and to talk about where we want to be in the future.

Now, I would think democrats and republicans alike agree that one of former President Bush's greatest foreign policy successes was enhancing ties to India. Even Vice President Biden, when he was not in public housing, had mentioned that the U.S. relationship with India could be one of the most important in the 21st century. But, even so, it seems the new Obama team is questioning some of the fundamental assumptions made by the Bush administration on India that many of us had begun to take for granted.

I would argue that the Obama administration's view of India will be shaped around at least three major issues: one, it's overall framework through which it views the challenges in South Asia, over all South Asia; and the importance the new administration attaches to working closely with fellow democracies; and, thirdly, the overall view and approach the administration adopts toward China.

So let me elaborate. During the Bush administration, U.S. officials broke the habit of viewing India solely through the India-Pakistan loans. I think Washington developed greater appreciation for the Indian democratic miracle which we are all about to see in a few weeks and viewed our shared democratic principles as really the bedrock for a broader strategic relationship.

Washington also began to view India's growth and power as a positive development for the balance of power in Asia, and I think there is some uncertainty over whether the Obama administration will continue on this or a similar path

and actually maintain the momentum that we've seen over the last seven years in improving U.S.-India ties.

The first question is whether the new administration will adopt a different geostrategic orientation toward Asia, more broadly, and toward South Asia specifically that would inevitably impact U.S.-India relations. President Obama's statement during last year's presidential campaign linking the resolution of the Kashmir conflict to stabilization of Afghanistan certainly raised concerns that the new administration might revert back to policies that view India narrowly through the South Asia prisms.

I think Indian concerns have been somewhat assuaged, as Mr. Sreenivasan indicated, especially by the fact that Richard Holbrook's designation includes Afghanistan and Pakistan and not India. But still this idea that the U.S. should try to help resolve Kashmir so that Pakistan can focus on reigning in militancy on its Afghan border persists. And in my opinion, it's a misguided conception of the problem.

How the challenges in South Asia are conceptualized is enormously important, and it will determine whether the new administration can actually make any headway in resolving these issues. It's one thing to acknowledge that greater regional cooperation and integration are necessary to diffuse tensions and to seek to transform the strategic perceptions of the region, but it's quite another to hint that the U.S. will seek to insert itself into a highly contentious dispute, especially when it could raise false expectations that could actually end up fueling the conflict.

Kashmir must be handled with care. This is a multifaceted dispute with a long history, 62 years in fact, the same amount of time that we've seen the Palestinians-Israeli dispute. It involves questions about strategic positioning and national identity. Over the last 15 years the dispute itself has been overshadowed by the tool that Pakistan has adopted to press its agenda, that of supporting radical religious militants.

These are militants who have since adopted pan-Islamic agendas that connect them to international terrorist groups. Therefore a different way to conceptualize the challenges in South Asia would be to determine how to convince Pakistan to give up support for extremists to achieve its foreign policy objectives.

This is not to say that we should ignore the importance of encouraging better ties between Pakistan and India, and, in fact, the U.S. can play a productive role by continuing a quiet diplomatic role that encourages the two sides to resume bilateral negotiations that reportedly made substantial progress even on Kashmir through back-channel negotiators from 2005 to 2007.

The terrorist attacks in Mumbai have actually highlighted the need for India and the U.S. to work together more closely to counter regional and global terrorist threats. I would say despite a general convergence of American and Indian views on the need to contain terrorism, the two countries have failed to work together as closely as they could to actually minimize the threats.

I think New Delhi and Washington would both stand to gain considerably from improving their counterterrorism cooperation and should seek ways to overcome the trusts deficit. I think in many ways this is the next issue that deserves the amount of, the kind of attention that the civil

nuclear deal received over the last three years. I think there is much to be gained from New Delhi in finding ways to cooperate on this threat that both sides face.

I think the U.S. did make a mistake in not forcing Pakistan to close down groups like the Lashkar-e-Taiba, the terrorist group that was responsible for the Mumbai attacks directly after 9/11. The Bush administration operated on the assumption that Pakistan was an indispensable partner against al-Qaeda, and it failed to press Pakistan to crack down on other related groups like the LET.

So that the most effective way to prevent future Mumbai-like terrorist attacks anywhere in the world is for Pakistan to punish the culprits and shut down the LET once and for all. That said, the Mumbai attacks have also highlighted in India some of the gaps in its own security establishment. Much like the effects of 9/11 on the U.S., the Mumbai attacks have catalyzed Indian efforts to adopt a more integrated and structured approach to its own homeland security.

In late December, for example, the Indian government passed legislation that would strengthen its ability to investigate, prosecute and, most importantly, prevent future acts of terrorism. The U.S. and India alike should recognize the value of their shared

experiences in fighting terrorism and deepen intelligence-sharing and other forms of cooperation to improve the security of both nations.

Now, let me talk about this democracy issue which I mentioned earlier. I mentioned that the Bush administration had placed a lot of importance on the fact that India is the world's largest multireligous-multiethnic democracy. But I think because of some mistakes by the Bush administration talking about democracy in other countries is not in vogue, and in fact it's almost become taboo. But it has been a consistent American foreign policy objective to embrace democratic principles.

The fact that India shares our commitment to democratic principles matters. Our country's commitment to democratic values forms the characters of that nation and shapes the way it approaches other nations. We will have more in common with fellow democracies, especially in this age of terrorism, and we will see less conflict and instability where democracy is thriving.

For this reason, I believe that Washington should look for ways to build stronger partnerships with like-minded democracies and seek to include India in these partnerships. I see benefits for U.S. national security interests in getting India involved with the U.S., Japan, Australia trilateral dialogue, for example. Washington may need to convince Canberra of the benefits of establishing a quadrilateral form focused on

promoting democracy, counterterrorism, economic freedom, and development.

In the meantime, the U.S. can also pursue U.S., Japan, and India trilateral initiatives especially in the areas of energy and maritime cooperation, and through the institution of a regular dialogue on Asian security issues. Indian-Japanese relations have been strengthening in recent years, as was demonstrated by Indian Prime Minister Singh's October 2008 visit to Japan where he signed a joint declaration on security. It should be noted this was the third such pact Japan has ever signed, including one with the U.S. and one with Australia.

Since we are a-moving east, let me touch on India-China relations and the China factor in U.S. India relations. The U.S. and India share concerns about China's military modernization and view with some wariness signs of Chinese military presence in and around the Indian Ocean and are carefully considering what this means for energy and free lane security. We both seek greater transparency from China on its strategic plans and intentions.

The U.S. relationship with India should not be viewed as aimed at containing China, but rather U.S. policymakers should recognize that a strong India can help stabilize the region. China's attempt to scuttle the civil nuclear agreement at the September 2008 nuclear supplier

groups meeting was evidence for many Indians that China does not willingly accept India's rise on the world stage, nor the prospect of closer U.S.-India relations.

China has moved slowly on border talks with India and is gaining influence with other South Asian states. Aside from its traditionally strong ties with Pakistan, China uses military and other assistance to court these nations, especially when India and other western states attempt to use their assistance programs to encourage respect for human rights and democracy.

So, in conclusion, I believe there is a strong basis on which the Obama administration can continue building relations with India. I think as we see the policy debates progress and solidify on key issues like Afghanistan and Pakistan, China and how the U.S. can embrace and champion democratic principles, I think the benefits of strong relations with India will become self-evident.

That concludes my remarks. Thank you.

(Applause)

MODERATOR INDERFURTH: I think one thing that Lisa pointed out about the importance after Mumbai of enhancing our counterterrorism cooperation with India, one thing that I saw recently is that the first trip for the new CIA director, Leon Panetta, was to New Delhi.

And I think that's a signal that the administration hopefully understands that that is a key relationship that has to be furthered.

But now we'll find out what the new administration is really doing. We'll ask Jonah Blank, who can bring his congressional point of view to talk about not only his views of where it should go but actually where he thinks it can go, because so much of what we're talking about in terms of this relationship will go through Capitol Hill, and anybody working in the Executive Branch should pay attention to that.

So, Jonah?

MR. BLANK: Well, thanks, Rick. Thanks, Steve, Sreeni, and Lisa, and than you to you all.

I should start out with a disclaimer: Nothing that I say should be taken as representative of what either the administration or Capital Hill has to say. Similarly, nothing that is said by the administration or Capital Hill is necessarily indicative of what I might personally believe, which is why I did not have a prepared text, instead just impromptu remarks jotted down at my seat. The reason for that is that that way I can say what I actually think rather than having to have prepared remarks vetted and poured over by others.

So with that disclaimer in mind, I'd like to say a few things and then perhaps we'll be able to get into more detail during questions. I

think that Rick made the excellent point about this week, really, being the time when the administration will come out with its what it likes to call Af-Pak review of strategy. It already is being discussed in certain quarters, and I'll refrain from getting too deeply into areas about which I probably don't know very much.

But in any case, I think it's important to remember that when we talk about a regional approach, that's not code for saying Kashmir has got to be part of any discussion. I know there is that feeling in Delhi because I've been to Delhi four times in the past year, and each time that's been the first question that people have asked: When you people say "regional", is that just another way of saying we want to be strong-armed into -- we want to strong-arm India into a Kashmir settlement? And I honestly don't think that that is really what a regional approach means. I think it simply means that to be realistic about any possible good outcome in Afghanistan or in Pakistan, we have to get all of the neighbors involved.

India is one of those neighbors, and it would be unrealistic to expect that India's views would not be taken into account as we try to look for a successful way forward in either Pakistan or in India. For the piece of legislation that Rick was kind enough to refer to, the now Kerry and Lugar bill previously the Biden-Lugar bill whose cosponsors included two obscure senators named Clinton and Obama, the rationale behind this

was not simply what's in the best interests of Pakistan or of the United States, although obviously those are key questions, but also, I think, what is going to put forward a plan for the national security interests of India as well, because I think you cannot have a safe and secure India without a safe and secure Pakistan. And I can speak more about that in the question period if people are interested.

One point I would put forward, though, is as we look at what the post nuclear deal in relationship between India and the U.S. will look like, we should cast our gaze a little bit away from Washington and Delhi. The most important elements of the relationship between our two countries have not come from D.C. or from Delhi. I'll take three recent examples:

First the IT sector, biotechnology , back office work, all of the things that have been either a wonderful success or a great threat, depending on where you're sitting and who you're talking to. Personally, I think that these developments have been far more good for both of our countries than any other developments that have come about. I think that the explosion of energy, of creative energy in India's IT sector has not only been a wonderful thing for India but a wonderful thing for the world. I think that the advances in the information technology sector and in the biotechnology sector have made life easier and have saved lives not only

in India, not only in Asia, but throughout Africa, through pharmaceuticals that would otherwise not be available to other people at a reason cost; and we are only beginning to see the potential for this kind of development.

I think that all too often the U.S. response has been one of defensiveness, and that goes for both political parties. I think that there have been protectionist sentiments that have been -- have cropped up that are understandable and have to be dealt with because jobs in America are threatened by advances in India.

But the proper response in my view is to see how we can become partners rather than rivals, and that when we look less at this as a zero sum game and more as a true partnership, then I think that this is something that both of our countries can benefit from and our governments are really not the ones who are leading this great initiative. It's coming from the business community, it's coming from the intellectual community, and it's coming outside of -- outside of Delhi. The IT sector really is in the south and west of India and is only going up to Delhi afterwards.

The second area is cultural. Those of you who saw "Slumdog Millionaire" were probably, as I was, cheering when it won all the awards, and deservedly so. My response is a long time in coming. Those of you who have been watching Bollywood films recently have been

probably amazed at how much better they've gotten just in terms of production values and story lines, everything. It's astounding to someone like me who remembers the days when seeing Bollywood films in color was actually an innovation.

I remember when the very first western movie was presented dubbed into Hindi. It was "Jurassic Park," and I was living in Mumbai at the time. That was seen as a big innovation. Now the innovation is coming from Bollywood, and I think we're only just beginning to see the beginning of it.

Those of you who saw at the Grammies the singer M-I-A cast such a great spell. Those of you who have not yet been turned on to M-I-A, just wait, here's a little tip that'll take you ahead of time. It's the future of music, not merely that artist but this blending of -- this blending of sort of cultural influences, M-I-A, of course, from Sri Lanka by way of England, but part of the whole India Diaspora .

We already are familiar with this in literature. We're familiar with the British side of it. Salman Rushdie of course, has long shown that Indians speak and write English better than Americans or English people do. We're used to that coming from Britain. Only in the past -- I'd say decades -- have we seen it coming from the basic community in America

with American writers Jampon Aheri, Vikram Chandra, Manil Suri -- you know, the list goes on and on.

What do we do here? I say the American response should be first to stop getting quite as perturbed about copyright issues and instead to be exceptionally glad that our culture is being enriched and made better by these additions. And I say that as someone who regularly receives royalties, albeit tiny ones, from my publications when they're published in India and has yet to receive a fair and honest accounting of my royalty from my American publishers.

So when we Americans start getting on a high horse about copyright infringement, we ought to look to our own house first.

Third point, and as each of the speakers today has alluded to, is the power of the Indian-American community, and we see this on the Hill in lobbying; we see this in politics in the other political party in the phenomenon of Bobby Jindal, which I'm very glad to see we have an Indian-American politician who is genuinely being judged on his own merits rather than as a symbol of his community.

I think we see this in business where we have Vikram Pandit coming up and being raked over the coals for his deeds in the business world, but raked over the coals as the head of City Corp rather than as the Indian head of City Corp; where we have Vinay Khosla being given I think

well-deserved praise for his work as an entrepreneur. And perhaps in a most crystallizing fashion the denomination and, sadly, withdrawal of Dr. Sanjay Gupta as the Surgeon General.

What was remarkable about this, I think, is that the public reaction was not: Isn't that wonderful? They've appointed a daCi. Or isn't that, you know, and act of tokenism or something like that? It was how wonderful after years and years of us not even knowing who the Senate Surgeon General was, we've got a guy who knows his stuff cold who's completely well versed in all the technicalities so we can trust what he has to say, who is a great communicator, who communicates every day on CNN, and who happens to have been voted one of the "People's Sexiest Men Alive."

Why was there such a positive response to Sanjay? I think it's not just because he is voted one of the sexiest men alive; I think it comes from the fact that most of us have now moved without even realizing it to a world where our most trusted medical practitioners are most likely to be daCi, our most trusted authorities in many fields whether it is law, accounting, engineering, whatever it may be, are likely to be Indian-Americans to the extent that it's no longer remarkable.

And that, I think, is something that again Washington was not responsible for. Washington could have made it more difficult. We

made it easier with H-1B visas as we should have, but where we have to find better ways of levering us. We have to find better ways of making sure that the Indian-American community is really the kind of bridge that we all talk about rather than having it be merely a rhetorical device.

So I'll say, though, that it's just become a cliché that the U.S. and India are natural partners, a clichéd because it's true. Can we turn that truism into actual concrete action? Well, as the father of a son who has relatives, aunties and a grandmother, ranging in a location from Mumbai to Delhi, to Kapmando, to tiny villages in the Thurai and in parts of India bordering on Nepal that I've never even been to, as the father of a son who had his baptism and his posni on the same day, and I don't know what to draw from the lesson that he cried all through his baptism and was angelic through his posname, I can simply say we can, we must, and we will.

(Applause)

MODERATOR INDERFURTH: Well, when I mentioned that we wanted to widen the lens about the future of U.S.-India relations, I think that Jonah has just taken it to that extent, new heights. So thank you, Jonah, very much.

We've got about 15 minutes for Q&A, and I'm just going to stand here and field the questions from the audience. If, when you ask

your question, if you could identify yourself and let us know who you would like on the panel to respond, or we will just see who would like to do that.

So, please, sir?

MR. EIER : I'm Swandi Eier from the Cato Institute and *The Islamic Times*. I'd like to take up an issue with, in fact, Shyam Saran with. There is this issue now that in Southeast Asia in Afghanistan the United States apparently says, "We cannot win this militarily. The first part of the nonmilitary solution, we have to collaborate with the good Taliban as distinct from the bad Taliban, something which Shyam Saran said is fraught with danger. What is the meaning of "good Taliban"?

In the question of what is the good Taliban, are you going to be consulting India regarding to the extent that there is a regional damage and insulting, who is to decide who is the good Taliban, and is there going to be safe way (indistinguishable)?

MODERATOR INDERFURTH: Lisa, do you want to start?

MS. CURTIS: Okay. Yeah, I'm sorry I missed the speech by Shyam Saran, so I didn't hear his exact remark. But I think I would share some of that concern. Having served at the embassy in Pakistan in the mid-'90s -- in fact, the month after I arrived, the Taliban rolled into Kandahar. This is September 1994, and seeing how that was used became increasingly dangerous to international interests, U.S. interests

specifically, and seeing now, you know, seven years after the U.S. invasion, the relationship between the senior Taliban leadership and international terrorists, namely al-Qaeda even stronger than it was before. I think I am concerned that people don't really understand the dynamics at play, and particularly when the Taliban happens to be gaining on the ground.

It's no secret that the Taliban had made gains in the south and the east. This is why we're sending more troops. But I do think there is a recognition within the administration, and Jonah can correct me if I'm wrong, but from what I understand there was an effort coming into address all issues no the table, not coming with any preconditions. So one of the questions asked was, well, is there some kind of grand bargainings that can be made with Taliban. But after a little review, talking with the regional experts, looking closely at the situation, it's been recognized that, no, there isn't any kind of grand bargaining to be struck.

Yes, it's possible to try to peel off the low levels of the Taliban, people who may be fighting for various reasons whether it's money, fear, maybe even nationalism. These are some of the people that could probably be peeled off with the right kind of strategy and with demonstrated commitment to the region both in terms of resources -- I'm afraid there will have to be more military resources in order to stabilize the

situation, but, of course, ultimately it's a political solution. But I think that, you know, there is recognition that this is not going to be easy. There's no quick fix here. It's going to take a long-term U.S. commitment to the region, and whereas we can talk about political reconciliation, at some point I think there is also recognition that it's not very helpful to talk in terms of reconciliation when the enemy is actually gaining on the ground, that you can actually dishearten the Afghan people by doing that.

MODERATOR INDERFURTH: Sreeni?

AMBASSADOR SREENIVASAN: Well, as far as the American side, I think it's been clarified, but we do not believe that there are good and bad Taliban. If you say food an bad Afghans, it may be a good idea to talk about because you have more bad and extremists. But to say that within the Taliban itself there could be elements which you could deal with but not seem to be right from our perspective, because all of us have red Faritzra careers a very labored explanation as to what these two factors would be.

Of course we have to deal with everyone, but to presume that there are good elements within the Taliban or something, which is not an open-minded approach in our view.

MR. BLANK: Well, I won't pretend to speak for the administration, so I will be interested to see what the policy review does recommend.

In terms of the best outreach, I think that saying good and bad Taliban is probably not the most helpful way of looking at it. I think a better way of looking at it is along the lines of what Lisa has said, that there are people who have fought on behalf of the Taliban who may or may not support their goals, who may or may not take directions from their top leadership. I think it would be unrealistic to look for a deal with Quetta Shura, with Mullah Omar, with Sunfi, people closest to him. Whether or not that would be good policy, I think it's unrealistic policy.

And that said, I think most of the people who supported the Taliban were not necessarily doing it out of ideological motives. Many of them were doing it out of clan or tribal motives; others were doing it simply of better financial motives; some for a combination of all of these. Can we peel away those who are able to be peeled away? I think that's as very legitimate approach to explore, and, quite honestly, I don't know where that exploration will go, but I think it's important to investigate it.

(Telephone)

MODERATOR INDERFURTH: This is good Taliban calling for Sreeni -- (Laughter) -- who may have something to say to it.

AMBASSADOR SREENIVASAN: I'm sorry about that, please.

MODERATOR INDERFURTH: Okay, that's fine. It was good for a joke.

MR. (Indistinguishable): I am (indistinguishable). My question is that since this militancy extremism, fundamentalism, and all these characterisms are Taliban that started from Afghanistan, it's this phenomenon spilled over to Pakistan, then now it has spilled over into even India, and Pakistan is also victim of the same terrorist acts that Afghanis had been. And I think the best approach, I think -- don't you think there should be a (inaudible) approach where India, Pakistan and Afghanistan are, because India has a great stake in democracy in Afghanistan and Pakistan, all these three countries? And America should have (inaudible) leadership role, and they should work together to homogenize and eliminate this terrorism. Ultimately , there are militancy in that region.

And, secondly, is just a half question. I was just thinking through all these presentations that Pakistan -- I know Pakistan, why they always say, "We have nuclear weapons because India has." But I had been really thinking, if you can answer this half question, then why Australia and India has to have nuclear weapons?

MR. BLANK: Well, maybe Sreeni should take that instead as to why India is --

MODERATOR INDERFURTH: Let's do these briefly, if we could, so we can get to other questions and some that go behalf Af-Pak and to the U.S.-India relations.

AMBASSADOR SREENIVASAN: No, no, I agree, certainly, that we all have a common interest here. I think it was Shyam who made the point but if one of those countries or some of them at some parcel of those countries are targeting the other country in the same region, then this is not a very practical approach. They keep saying that India and Pakistan face the same kind of threat from terrorists, but if there is indication that Pakistan is instigating terrorism, or it jut elevating in (indistinguishable), then this corroboration would become rather demented because why India needs nuclear weapons, it is obvious that we need security.

MODERATOR INDERFURTH: If it is not obvious outside of the bookstore, there is Strobe Talbott's book, *Engaging India*, on nuclear diplomacy which took us many months to accomplish. We learned, I think, the answer to that question, if you want to get the book on your way out.

Jonah, at least do you want to talk about the other? Okay. Go ahead.

MS, CURTIS: Just to briefly -- just to briefly, an enormously complicated region. I'm glad Jonah said it's talking about the region doesn't equate to Kashmir. I think that's very important because we should think in terms of the relationship, particularly Afghanistan and Pakistan and what's happening there. And then, of course, India does have a role, it's part of the region.

But when you talk about India-Pakistan, I would point to the talks that have occurred. You have a peace process from 2004 through 2007. There was even progress on the issue of Kashmir. More information has come out about this in a very important article by Steve Cole in *The New Yorker*, details of some of the back-channel negotiations that went on. So that shows us that it is possible to make progress between India and Pakistan with talks. And the U.S. -- I think the best U.S. role can be one of quiet encouragement.

You can't force mediation; it's just not possible. So I think that's how we need to think about the relationships in the region.

MODERATOR INDERFURTH: In the back here?

MR. COLLETTE : Good afternoon, I'm Uphar Collette. I agree with Jonas' point that so far the drivers at a U.S.-India relationship have come outside of government, whether they be cultural or business. But surely we've reached a point where the government does play a roles.

For example, I believe Senators Grassley and Bernie Sanders just wrote a letter to Jamie Diamond, CEO of J.P. Morgan, upon hearing that he's' going to outsource certain jobs to India. If you were to speak for the administration, or if you were involved in U.S.-India policy, what would be in 2009 and 2010 your top two policy priorities when it comes to the India relationship? Thank you.

MODERATOR INDERFURTH: Good question.

MR. BLANK: Good question, and such a good question that I'm going to try to dodge it. I will not try to speak for the administration, and my top two policies are irrelevant because I serve at the pleasure of the Chairman of the Foreign Relations Committee.

It is a good enough question, though, that I have very strong opinions on it, but part of my job is not necessarily answering every good and excellent question that is presented.

MODERATOR INDERFURTH: Well, that, after that artful dodge --

MR. BLANK: I'm not sure how artful.

MODERATOR INDERFURTH: -- I'll ask Lisa to answer that question what would be her two top priorities. for U.S.-India relations. And then I'd ask Ambassador Sreenivasan for him to answer the question, what would be the two top priorities for India-U.S.relations.

MS. CURTIS: Yeah, I think I stated in my remarks I really think we need to focus on improving our counterterrorism cooperation. I think if you look at the goals of India and the U.S. and what they have, both in terms of the region and internationally, both sides really gain to benefit in terms of security of their citizens by increasing this kind of cooperation. We have to get beyond some of the trust deficit I think that we see. And I think the immediacy of the issue demands that we overcome some of these past discourse and thinking and just move on and get on with the business of protecting our citizens.

That would be my first recommendation.

Second, you know -- well, I think of so many different things that, you know, the economic relationship is enormously important, I think even more so now with the global downturn that we see and trying to find elements of cooperation, particularly in the trade issue. We need to be able to move forward on that, definitely. So I would hold those two out. There are others, but those would be the top two.

AMBASSADOR SREENIVASAN: Yes, very clearly, first is operationalization of the Nuclear Agreement in good faith, because that is what will lead to the removal of the technologies in our regime. That is the one impediment to Indo-U.S. relations. That's number one.

Second, the recognition of India's importance in the world in some way or the other. This is something that the people of India find it very resentful. They say, Oh, you say India is very important, but when you say you want to be elected to the Security Council, then they say no, no, no. Or you have a candidate for the Secretary General, you say no, no, no.

So G-8, Security Council, so these are the kind of things that people in India are looking for as U.S. good faith in recognizing India as an important country in the world.

So removal of the technology denial regime and recognition of India in international forum. These I would say are the two most important, okay.

MODERATOR INDERFURTH: Thank you.

MR. MONHOTRA : Prumot Monhotra from Global Finance. I have a question. It's an invisible 800-pound gorilla in this region, Saudi Arabia.

MODERATOR INDERFURTH: Oh, I thought you meant Holbrook.

(Laughter)

Sorry, I couldn't resist.

MR. MONHOTRA: I think you need to talk to his doctor.

MODERATOR INDERFURTH: Why don't you start over again, so --

MR. MONHOTRA: It's Saudi Arabia, whose name is never mentioned, but which plays an enormously important role for good or bad and with huge amounts of money being funneled into this region. And it hasn't come up in the discussion at all today. What do you think?

MODERATOR INDERFURTH: Jonas, since you didn't answer the last question, how about this one.

SPEAKER: Well, the gods suffer

MR. BLANK: Actually, this is about the way of my making a dodge slightly more artful than about the previous one. I can't say what my two priorities are, but I can say what one of the priorities would be, and that would be to make the U.S. and India genuine partners in a climate change revolution. If we were able to help bring about new technologies, green technologies for both of our countries, we would be able to break -- we'd be able to turn an 800-pound gorilla into maybe a 100-pound --

MONHOTRA: Bulldog.

MR. BLANK: -- I don't know what to say, yeah. I'm avoiding using any other sort of zoological metaphor. But in any case, I think that it is vitally important that we change the debate about climate change from one of scolding and lecturing to one of partnership. Too long the U.S. has

approached India, in my view, on the issue of climate change wilt a shaking finger, saying: You must cut your emissions; you must do this or that, which is all true. We must cut our emissions and do this or that as well.

The important thing is that the model for battling climate change throughout the whole world is not going to come from the United States, is not going to come from China; it's going to come from India because most of the rest of the world looks like India. The solutions that we craft in the United States are not going to work in Nigeria, they're not going to work in Indonesia, they're not going to work in the countries that are just now starting to develop the heavy industry that is so polluting.

So we in the United States must partner with India to develop these clean technologies. I think that's one of the highest priority items, and I think it would also have the benefit of reducing the power of some of the not only the Saudis but some other unhelpful actors elsewhere in the oil technology business.

MODERATOR INDERFURTH: And just an add-on to the Saudi issue, I have a -- since I mentioned Richard Holbrook, I have a hunch that you will see at some point on his itinerary a trip to Riyadh.

SPEAKER: Or Tehran, if he could get there.

MR. BLANK: Oh, Tehran is already -- the invitation has been already extended.

MR. TALBOTT: Let me thank Rick and the rest of the panelists for an excellent panel.

(Applause)

Let me also thank the other two panel chairs and the panelists for their presentations and keeping us on time, and I think on target.

Let me also thank you for participating. India is not the flavor of the month, and we had to urge Jim Steinberg to come here and give, apparently, the first official American Obama statement about India, so we're grateful to him for that, and also Shyam Saran Striban.

Let me also particularly thank Ambassador Sreenivasan for, I guess, traveling the longest distance to get here.

I want to thank the Trahan Foundation for its support for this event, and my research assistant, too, Dhruva Jaishankar, who really organized this whole thing.

Dhruva, do you want to wave in?

(Applause)

MR. TALBOTT: Well, let's hope that this dialogue continues. We tried to present a range of attitudes, and I don't think any two panelists

agreed on any two subjects, but I think that there's a lot to deal with here, and hopefully we'll get over the nuclear deal.

And one of the last questions: I wouldn't have the top two. I think what it is now is four or five issues, maybe even six issues which are of equal importance whereas 10, 15 year ago there were no issues of importance at all. So I think what we've done is the relationship has been transformed to a point we can't say this is more, this is the number one, this is the number two. It's really, four, or five, six different issues at the same time, including getting the U.S.-India nuclear deal over the hump. Even if it doesn't get over the hump, there's still going to be a lot to work with in terms of our economic relations, our strategic ties, and, as Jonas pointed out, the cultural relations between the United States and India.

So let me thank all of you again for participating and so the meeting is adjourned. Thank you.

(Applause)

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