

**TRANSFORMING INDIA-US RELATIONS:**  
**BUILDING A STRATEGIC PARTNERSHIP**

*Address*  
*by*  
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I am very pleased to speak before such a distinguished audience on a subject that I believe is both topical and of great significance. At the outset, let me thank the Carnegie Endowment for providing me the forum to share my thoughts, Dr. Jessica Mathews for introducing me and Dr. Ashley Tellis for his role as moderator. There are occasions when the title for a talk is designed to catch attention, sometimes by a degree of exaggeration. This is not one of them. Indo-US relations are transforming, I would argue, dramatically so. This transformation will result in a strategic partnership between the two countries and evidence of its emergence is already apparent. Today, I would like to discuss our perspectives of that process – what is driving it, how do we further it and what does it portend for global politics?

2. A number of independent developments coming together have created the climate for the transformation of our ties. To begin with, the end of the Cold War and the consequent rearrangement of interstate ties allowed both India and the US to revisit their relationship and redefine it to address contemporary opportunities and challenges. Second, this exercise in reassessment would not have had the same value and results if India had remained economically stagnant. Instead, fifteen years of reform and a growing integration with global processes has made India a dynamic force with still greater potential for the future. Third, rather than be guided by immediate concerns, our leaderships took what can be called a ‘2020 view’ and realised our long-term convergences. This is particularly so when we assess the strategic implications of a world dominated by knowledge-driven societies. Having said that, the more pressing issues also contributed to a clearer understanding of our shared interests. Global threats

today emanate less from nation states bent on aggrandisement and more from trans-national non-state actors. Terrorism, WMD proliferation, pandemics, natural disaster and illegal narcotics are some examples of problems that can only be addressed through greater global cooperation. No single state, however strong, can bear global burdens alone. Naturally, in forging new partnerships, countries that share common values and now perceive common interests as well, would come together. Finally, the image of India in the United States has undergone a radical change, associated as it is with a successful and professionally prominent Indian community and Indian advances in ICT. Similarly, the opening of the Indian economy also encouraged Indian civil society to expand its interactions with the United States.

3. These long-term trends would probably have brought India and the United States much closer in any case over a period of time. However, through the exercise of policy choices on both sides, this gradual and somewhat measured transformation was significantly accelerated over the last year. Let me give you a few examples. Our decision to pool resources and respond together in the tsunami aftermath gave what till then had been routine military exercises between our countries a new dimension. On the economic side, by resolving a long-standing controversy relating to the Enron power project in India, we enhanced our credentials as an investment destination. By concluding an Open Skies Agreement, India's first ever, we addressed a very basic logistical barrier that is now yielding multiplier benefits. Speeding up the Next Steps in Strategic Partnership initiative helped establish a regulatory framework for commerce in space, nuclear and dual use technologies. The new framework for defence cooperation not only laid out a broader vision of joint activity but assured US companies of a level playing field in defence sales. Similarly, India's participation in the US led Clean Development Partnership demonstrated our shared determination to respond to the environmental challenge through wider development and deployment of relevant technologies. The change, when it

came, was certainly unprecedented in nature but it was one prepared through a series of steps in the year leading up to it.

4. The defining moment of this transformation, as you are all aware, was the visit of Prime Minister Manmohan Singh to Washington this summer and the agreements announced on 18 July 2005. The wide-ranging nature of the various cooperative initiatives that were envisaged and their relationship to issues of fundamental concern to both countries announced that the strategic partnership had moved beyond its declaratory phase. We set for ourselves an ambitious agenda that necessarily challenged orthodox thinking. If we were to realise the vision that our leaderships had not only for Indo-US ties but on larger global issues, clearly a new framework for our discourse had to emerge. That, for the moment, is represented by the July 18 Joint Statement that we hope to implement and then take forward in the coming weeks.

5. Given its significance, allow me to dwell a little on the July 18 Joint Statement. To begin with, it declares that India and the US are moving beyond a bilateral towards a global partnership. It also underlines that our ties are anchored not only on common values but on common interests as well. These include promotion of democratic values and practices, combating terrorism and WMD proliferation, and working together closely on global challenges ranging from HIV/AIDS to disaster relief. I wish to stress that these commitments were not merely noble sentiments expressed by our leaders but practical programmes of joint action that have already yielded results on the ground. This may be seen in the leading role that we have both taken in the establishment of the UN Democracy Fund, in our bilateral and multilateral cooperation in combating terrorism, in speedier US FDA approval for Indian anti-retroviral drugs and in our strengthened preparedness to respond to natural disasters. It is our expectation that this global partnership and US recognition of India's central and growing role in international institutions and processes would lead to a more forthright US welcome of India in global leadership positions.

6. Economic understandings that were agreed upon on July 18 have equally profound implications. After all, the closer integration of one fifth of humanity with global markets cannot leave the world economy, and that of the US, unaffected. It has consequences for markets, services and technology that are still unfolding and whose full implications are only beginning to be appreciated. Our initiatives focussed on harnessing private sector energies, accelerating growth through greater trade, investment and technology collaboration, rejuvenating Indian agriculture, promoting infrastructure modernisation and strengthening energy security. They address key challenges of our reform agenda and underline the contribution that Indo-US relations can make towards the realisation of our aspirations. When implemented, they would without exaggeration make a significant difference to the quality of life of the Indian people. Guiding these commitments was the conviction that the world - and US in particular - had stakes in the success of a democratic India. Our growth is not only dramatically reducing global poverty levels but could lead us in the not very distant future to emerge as one of the engines of global economic growth. As in the political arena, these economic initiatives have all been pursued vigorously in recent months and we hope that their results would be visible into 2006.

7. US economic and political stakes in the growth of the Indian economy and its rapid integration with the global market make it natural to focus on accelerating this process. The benefits to India are obvious but there was an equally clear recognition that the US too stood to gain in no small measure. At a time when the international situation is in flux, a larger and stronger Indian economy, radiating the twin messages of open society and open economy, is in US strategic interest. This then led us to address constraints on India's growth and how our cooperation could ameliorate the situation. Two bottlenecks that came up immediately were infrastructure and energy. We undertook to enhance our investment climate and expand opportunities for foreign participation in infrastructure projects. We have launched an Indo-US CEOs Forum whose recommendations will be relevant in this regard. On the energy challenge, we

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

8. Our cooperation in science and technology also received the attention it deserves. Interestingly, the vast majority of initiatives currently underway have, in one way or the other, a strong technology underpinning. We have since signed a framework agreement in October 2005 that includes, for the first time, an IPR protocol. The High-Technology Cooperation Group that met recently has also helped take forward cooperative processes in biotechnology, nano-technology, IT and defence. Space has emerged as a major area of cooperation where Indian skills and comparative costs make a strong case for an expanded Indo-US partnership. We have ambitious plans in the commercial space arena and the conclusion of a space launch arrangement, currently under discussion, would be an important step. In dual-use technology, I am confident that the more liberal and predictable licensing regime that emerged from the NSSP would make itself fully felt in our strategic commerce. Demands will surely grow from an economy that is putting an increasing premium on efficiency.

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

10. It has been said that India has made no new commitments on July 18<sup>th</sup> and simply restated its current policies. Even assuming that this is true, it then begs the question whether the non-proliferation record of India should be diminished, even devalued, merely because it can be taken for granted. One may as well suggest that the US should only reward those who stray from non-proliferation norms, not those who observe them! I might add, particularly for the benefit of those who are partial to this line of reasoning, that by strengthening its export control regime and committing to non-transfer of reprocessing and enrichment technologies and to international efforts to limit their spread, India has actually undertaken additional commitments that place it in an 'NPT plus' category. If India's past record and current policies are not recognised, and worse still, if it is to be equated with those whose record in this respect is more than suspect, then our non-proliferation objectives may enjoy the comfort of noble intentions but not the efficacy of practical action.

11. Certainly, the nuclear agreement is a subject of legitimate debate. In fact, it has contributed to greater attention being given to the progress that India and US have made not only on this issue but on other facets of their ties as well. Let me take this opportunity to make some comments on issues that have arisen in the course of this debate:

- ❖ Some experts have suggested what they term to be 'improvements' to the July 18 agreement. Let us be honest – these suggestions are deal breakers and are intended as such. The proposal for a moratorium on fissile material production was not part of this agreement and will not become so. However, in the Conference of Disarmament in Geneva, India has reiterated its commitment to negotiations for a multilateral and verifiable FMCT.
- ❖ Comments have also been made on the nature of the safeguards arrangement. Obviously, this cannot be on the Non-Nuclear Weapon State model. While concerns of our partners will be taken into account, it is best to avoid unilateral interpretations and positions. The objective of

safeguards is not to address India's strategic programmes. It is to give our partners the assurance they legitimately expect: that, one, civil nuclear cooperation with India would not be diverted to assist India's strategic programme; and two, it would not result in diversion to third countries.

- ❖ The mechanics of implementing the July 18<sup>th</sup> agreement has also been touched upon. This is frankly a non-issue; having laboured over the mountain, we will not stumble on the molehill. Whatever we agree upon will be based on the reasonable premise that one side cannot carry all the risks. Therefore, there has to be a correlation between the actions of the two sides.
- ❖ Predictions have also been made that India would offer a minimal, even token, separation of its civil facilities. This displays a lack of comprehension of our objectives in entering into this understanding. India's energy security will be advanced by obtaining international cooperation on as wide a scale as feasible without accepting limitations on our strategic programme.
- ❖ It also appears that India's commitment to non-proliferation is not fully appreciated in some quarters. Let me be clear: India does not favour the emergence of any more nuclear weapon states, least of all in our own neighbourhood. We are unable to accept as legitimate the pursuit of clandestine activities in respect to WMD related technologies. We believe that all states must adhere to commitments under international treaties and instruments, and furthermore, must be transparent in fulfilling their commitments. At the same time, we cannot expect that the demand side of proliferation can become transparent if the supply side remains obscured by continued opacity.

12. The nuclear agreement also has a larger energy rationale that should not be overlooked. You must bear in mind that India and the US are engaging not just on one element of the energy mix. We are exploring partnerships on clean

coal technologies, on exploitation of coal-bed methane and gas hydrates, on carbon sequestration and on the hydrogen economy. To believe that civil nuclear energy is unimportant because it constitutes only three per cent of India's current energy production betrays a lack of understanding of our energy requirements and their emission implications. Civil nuclear energy is currently limited precisely because of technology denial. If freed from current restrictions, there is little doubt that it will rapidly move into percentages of double digits. India is today partnering the US in almost every international initiative on various aspects of energy. The US is contributing to our economic growth and we too are bringing our technology skills to the table. Our collaboration can help ease the growing pressures on the global energy market, where oil consumption has gone up four-fold over the last century. In most areas, market forces are driving transactions, but regulatory restrictions are blocking normal commerce in civil nuclear energy and must be addressed if India is to be a long-term partner. Ironically, continued technology denial targets the very reform-minded and forward thinking constituency in India that is in forefront of advocating a closer Indo-US partnership.

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

driving forces of a global knowledge partnership cannot be served by maintaining technology denials. The aspirations of the Indian people for a better economic future cannot be sustained by restricting their energy access. Above all, any vision of a future must make clear to the Indian people that they are a partner, not a target. We hope that this is the spirit in which the July 18 Agreement will be approved through necessary legislation in the Congress.

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

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