

# **Center for Strategic and International Studies (CSIS)**

**Building on Convergence:  
Deepening the India – U.S. Strategic Partnership**

**Welcoming Remarks and Introduction:**

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President and CEO,  
CSIS**

**Moderator:**

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**Speaker:**

**Ranjan Mathai,  
Foreign Secretary of India**

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JOHN HAMRE: OK, ladies and gentlemen, thank you all very much for coming. My name is John Hamre. I'm the president at CSIS and I am only here in an ornamental role to say thank you to you and to get out of the way as quickly as possible so that you all have a chance to, of course, hear State Secretary Mathai.

We are – we're grateful that he has given us this opportunity, that he's using CSIS as a platform to address the policy community in Washington. The state secretary is one of the most senior and skilled members of the foreign service in India, and has an exceptionally distinguished career and track record. I'm going to let Rick Inderfurth be the one to formally introduce him.

We are fortunate at CSIS that – in the last year to have created an India program. And Ambassador Inderfurth is the first chairholder that would want a chairholder. And we're very grateful that we have this opportunity to bring such a very senior man to Washington and to have him share his policy insights and perspectives.

I'm hearing some noise over here. Whatever this is –

MS. : (Off mic.)

MR. HAMRE: Can we turn it off, whatever it is? (Laughter.) It's overhead. OK. We'll figure out what that is. That's the last thing – (chuckles) – that we need to have interrupting things here. You know, I'm the only infant in this place so I think we need to get on with things. (Laughter.)

So, Rick, let me ask you to come and formally get the program started. Thank you all. I would ask that you respect the foreign secretary – his formal remarks are going to be on the record, but his response to questions and answers are going to be off the record. And I'd ask you all to respect that, please.

OK, Rick, please. Why don't you get us started?

KARL "RICK" INDERFURTH: Well, I'm glad the background noise has been discovered. I was about to say it sounded like Congress, but I shouldn't have thought that – (laughter) – and I hope that former congressman Ambassador Tim Roemer will excuse that expression. Welcome. Good to see you here in Washington – distinguished career, most recently our ambassador to New Delhi. So it's great to have you here.

Foreign Secretary, it's delightful to have you here. If I'm not mistaken – and Ambassador Arun Singh made it clear to me that this was a great occasion, because I think this is your first visit to Washington as foreign secretary – is that correct? And we're delighted that CSIS is the first port of entry in the think-tank world for the foreign secretary to speak to an audience here about U.S.-Indian relations.

John, thank you very much for the welcoming. I'd like to say just a very few words about the foreign secretary and his background and then hear from him, and then we'll have the

Q-and-A session. We have one hour. And as John Hamre said, the first part will be on the record, his remarks, and then we'll have an off-the-record session. Many topics to discuss.

So first of all, on your first visit here as foreign secretary, he took this position in August, replacing the now-ambassador to the United States from India, Ambassador Rao. So we're delighted to have him here and delighted to have her here – two wonderful appointments of the Indian government.

Ambassador Mathai has spent his career in the foreign service, joining in 1974. Earlier in his career, you spent some time in Washington, if that's correct, so this is not his first time to the Washington world, and delighted to have you back in this capacity. He has had several ambassadorial appointments, including to Israel, Qatar, deputy high commissioner to the United Kingdom, and most recently ambassador to France. So India has sent, once again, one of their most distinguished and experienced foreign service personnel to Washington, and we're delighted to welcome you here.

So, Foreign Secretary, if you'd like to take the podium and we look forward to your remarks. (Applause.)

RANJAN MATHAI: Dr. John Hamre, Ambassador Inderfurth, Ambassador Roemer, other distinguished diplomats, members of the think-tank community, friends – thank you, Dr. Hamre and Ambassador Inderfurth, for your kind words of introduction and for setting the stage so eloquently for a discussion on India-U.S. relations.

I believe it's an honor and privilege for me to be hosted at the Statesman's Forum at the Center for Strategic and International Studies, a center of great eminence and scholarship and one that now has a special link to India through the Wadhvani Chair for India-U.S. policy studies.

I'm fairly sure that I'm here purely as a guest, as I am no statesman, particularly not in President Truman's definition of that, which was: A statesman is a politician who's been dead for about 10 or 15 years. (Laughter.) But I am returning to Washington more than 25 years after I did a three-year tour of duty at our embassy here.

And besides the iconic architectural models of the city, and the reassuringly familiar feeling of Embassy Row, much has indeed changed in this city. As someone said, K Street is certainly a lot more prosperous. And yet, much remains entirely the same. And that, I think, is particularly true of the vigor of your debates and the fact that they encompass the entire globe.

While change is constant companion of time, it is also true that since the mid-'80s, the world has seen more profound political, economic, technological and strategic changes than we would normally expect in a period of two or three decades. Yet, through these changes, the significance of the United States to the whole world has not altered.

But India's ongoing transformation and the new India-U.S. relationship are both part of what has changed, and both can have a considerable impact on the shape of the world in the 21<sup>st</sup>

century. When I returned to Delhi last July to prepare for my current assignment, I had the good fortune to begin with the second India-U.S. strategic dialogue, which Ambassador Nirupama Rao, as you pointed out, who was then our foreign secretary, was coordinating so ably.

I was struck by the depth and the diversity of our partnership, the comfort and candor in our dialogue, and the extensive support it enjoyed across a broad spectrum of public opinion – particularly among those looking to the future. Some of us are absorbed with the present, which is of course a bridge to the future. But it became evident to me that what was perhaps unprecedented and novel in our relationship even just 10 years ago is even right now part of the normal and the routine.

There are many here who have experienced or participated in that change, and few would understand it as well as Ambassador Inderfurth, who was handling this account at critical times. We spent the first decade of this century in building this relationship, addressing the constraints of the past and laying the foundation for the future. It was an ambitious enterprise that required great political investment in both countries. And even as our relationship has matured, it continues to be infused with dynamism and momentum.

In the years since President Obama's visit to India in November 2010, we have sustained an unprecedented level of bilateral engagement; launched new strategic consultations that cover key regions of the world; begun our first trilateral consultation, which includes Japan; advanced our cooperation on nonproliferation and nuclear security; deepened counterterrorism and intelligence cooperation; launched a new homeland security dialogue; made steady progress in our partnership on export controls and nuclear security; concluded the largest defense deal yet in our bilateral relations; sustained military exercises and broadened defense strategic dialogue; taken forward the incipient cooperation for development in third countries, especially Africa; held a very successful higher-education summit in Washington, D.C.; and made innovation-driven progress in areas such as clean energy, food security and health care.

We resumed negotiations on a bilateral investment treaty and expanded opportunities for economic cooperation through measures like the infrastructure debt fund and tariff reductions on products with potential for bilateral trade. Indeed, I do not think that we have had as much convergence, or spoken more transparently and extensively with each other, as we do now on some of the most important issues in our engagement: terrorism, and key regional issues including Afghanistan, Myanmar and the future of the Asia-Pacific.

These developments would constitute a remarkable year in any bilateral relationship. Yet there are, in both countries, questions about the state and direction of our relationship. Some of this, as we all realize, comes from the fact that the relationship no longer derives its intensity and excitement from the pursuit of one transformational idea. And it has matured into a solid, broad-based relationship.

There are, of course, tangible issues. In the U.S., there are worries about the commercial implementation of the civil nuclear agreement and lingering disappointment with one major defense contract. In India, there is wariness that the relationship may be turning transactional, with an emphasis on immediate returns than on the upward trends. There is anxiety about

protectionist trends in the U.S., especially in our IT industry, that has been the bridge between our two economies so far. And in both countries, developments in West Asia have raised questions whether our approaches, if not our interests, are consistent, at least in the immediate future.

It is important to address these issues. As our prime minister, Dr. Manmohan Singh, has said: The India-U.S. civil nuclear initiative is a symbol, instrument and a platform of a transformed India-U.S. relationship. We are committed to translating the success of our diplomatic partnership and changing the global nuclear order into an equally productive commercial cooperation in civil nuclear energy.

We have the reality of our law passed by our parliament. And as we have said before, we will provide a level playing field to U.S. companies and are prepared to address specific concerns of U.S. companies within the framework of that law. We have remained engaged, and must now take practical steps to advance our cooperation, as we have done over the past year. We have just had a round of discussions between the legal experts on the implications of our law. The commencement of discussions between the Indian operator – which is the Nuclear Power Corporation of India – and the U.S. companies, in regard to what they call an early works agreement, is an encouraging development.

Our defense procurement in India has to be based on the best techno-economic choice, in accordance with procurement guidelines. And it must also meet the test of parliamentary scrutiny on procurement process, an obligation I believe is not unfamiliar to you in Washington, D.C. It also bears repeating that our defense trade has gone from negligible levels a few years ago to a cumulative value of about \$9 billion in the last four, five years – and is set to expand further. On both sides, we are making continuous progress in understanding each other's procurement and approval process; extending our engagement from simple trade to technology transfer; and joint research, development and production.

Our dialogues on regional issues have been expanding. Let me start with the developments in West Asia in 2011, which may have taken us all by surprise. In our discussions, we are all trying to comprehend the underlying causes and the forces involved, and striving to grasp the consequences and the sense – and sense the outcomes of changes that have generated both hope and concerns in a region of global significance. Six million Indians live in that region. They constitute the largest expatriate group there, and obviously, their welfare is a matter of high priority for us.

The region is critical for our economy, contributing over a hundred billion dollars by way of export markets, over \$40 billion annually in remittances, and more than two-thirds of our petroleum imports – this in a country which is dependent on imports for 75 percent of its total oil consumption.

Peace and stability and a climate of moderation in the region are absolutely vital for us. We not only have strong political and economic ties with the countries in the region, but also enjoy a warm relationship with their people. Since before the time when India became one of the

earliest destinations for the three great religions from West Asia, India and the West Asian countries have shared close and natural ties as neighbors.

Ties of religion continue to bind us. India has always had and will remain sensitive to the interests, aspirations and the rights of people in West Asia. And we do expect that their governments, too, will respect their rights and respond to their aspirations. However, we look at the developments there, we are all united by the desire for peace and stability in the region, and we must seek to forge the broadest possible consensus on our collective response.

It also follows from our stakes in the region that we do not wish to see the spread of nuclear weapons in West Asia. India's position on the question of Iran's nuclear program is well known, and our votes in the IAEA speak for themselves. We believe that while Iran has the rights to peaceful uses of nuclear energy, it must also fulfill its international obligations as a non-nuclear weapon state under the NPT.

We would like to see the issue resolved peacefully through negotiations. We also hope that negotiations between the P-5 plus one – as it is called – and Iran, would resume soon and contribute to a positive outcome. Iran is our near neighbor. It is our only surface access to Central Asia and Afghanistan and constitutes a declining but still significant share of our oil imports – currently just below 10 percent.

For us, there are also broader and long-term geostrategic concerns that are no different from what we face elsewhere in the Asia-Pacific region. Our relationship with Iran is neither inconsistent with our nonproliferation objectives, nor is it in contradiction with the relationships that we have with our friends in West Asia or with the United States and Europe.

These are important, even if difficult issues, and one of the heartening aspects of the India-U.S. relationship has been that we are able to discuss them respectfully and candidly, with a sense of appreciation of each other's perspectives – and a recognition, I believe, that while the choices that each makes may have a bearing on the other, they are certainly not directed against the other.

Beyond that, we continue to be guided by a larger vision for our strategic partnership and the value of all that our two sides have built together. In India, we are confident that the long-term framework of our partnership will continue to become stronger and more broad-based. Let me highlight the priorities. India and the United States can and must strengthen their economic partnership.

The flow of trade in goods and services and investments in both directions has grown several times in the past two decades. Today we have around 40 billion (dollars) of U.S. imports, both goods and services. Indian businesses have invested perhaps \$26 billion in the U.S. in five years. All this has created new job openings in the U.S. It is also natural that as the Indian economy continues to grow and modernize, as the U.S. economy recovers its momentum, and as the global economic situation improves, our trade and investment relations will surge to higher levels.

India's planned infrastructure spending of about \$1 trillion in the next five years, the modernization of our agricultural sector, our shift to clean energy, the implementation of the Civil Nuclear Agreement, the burgeoning defense trade, cooperation in higher education and the growing ability of the Indian companies to compete in the U.S. market could take our economic ties to an entirely new level.

We remain committed to pursuing economic reforms in India in their broadest sense. The debate in India today is not a question about economic growth, efficiency, and openness – much as we value all these – but it is about equity, empowerment and opportunities for a large section of the population which feels they were left behind during the country's two decades of rapid economic growth.

We are, of course, affected by the international debate on globalization and its discontents. We do hope the current economic challenges in the U.S. would not lead to protectionism and that the concerns of Indian IT industry will be addressed quickly. NASSCOM, the body which represents our IT industry, estimates that the Indian industry employs over 100,000 in the U.S., up from 20,000 six years ago. It supports 200,000 other jobs, including indirect ones, apart from enhancing the competitiveness of some U.S. industries. Most Indian companies are setting up development centers here. The Indian IT industry has contributed \$15 billion in taxes over the last five years.

This success story could not – should not be set back by stringent visa regulations which act as a nontariff barrier. According to a back-of-the-envelope calculation, which was done in my office by a representative of NASSCOM, Indians have paid over \$200 million in visa fees. Somewhere between 30 (million dollars) to \$50 million has been taken from young aspiring Indians working in business whose U.S. visas were rejected. Relatively, the pink slip has become a greenback. It needs reiteration that the targets of these discriminatory actions are precisely those who have contributed to an – contributed intellectually to the climate of reform in India and who have been rotaries of strong India-U.S. relationships.

As our economic ties deepen, we will obviously have a growing range of policy and regulatory concerns with each other. But we have in place an elaborate system of bilateral mechanisms to address them. While we should expeditiously conclude a bilateral investment treaty, we must look beyond it too. The United States, strangely, is the only advanced economy in the world with which India has not concluded or is not pursuing a comprehensive economic partnership agreement. So we should not only focus on expanding trade and investment, but also use the power of innovation to make our economies global leaders in the 21<sup>st</sup> century and, at the same time, address the needs of the poorest sections of the population in the world and find solutions to the challenges of clean energy, food security, health, and education.

It is gratifying that we have powerful examples of innovative Indo-U.S. partnerships, often forged by the youth of our two countries. Initiatives like the S&T forum, the S&T endowment fund, the Joint Clean Energy Research Center, and the Singh-Obama Knowledge Initiative, the Nehru-Fulbright program are all collaborative ventures of great importance. The enthusiastic response in both countries to these mechanisms demonstrates the enormous potential for collaboration between our two countries.

Energy security is of such vital and economic and strategic significance for us that we must treat it as a priority in itself. We have a number of financial, technological and exploratory initiatives with the U.S. in clean and renewable energy, as well as energy conservation and efficiency. And as part of our wide-ranging official energy dialogue, we also plan to expand the dialogue to share experiences and perspectives on low carbon growth. I believe that we also need to build on the potential for increasing natural gas production in India. This energy source could be a significant bridge to a future based on clean energy. And in the transition period, we have to balance our requirements for massive industrial, infrastructural, and transport growth without expanding our carbon footprint excessively.

We must also extend the benefit of our cooperation to other countries, building on our incipient cooperation on food security in Africa or the open government platform that we are developing jointly for application in other interested countries. We must do this not merely as a moral imperative of making economic development more broad-based and inclusive globally, but also for the strategic reason of promoting stability and security in vulnerable parts of the world and to underline the strength of (that ?) shared democratic and liberal values.

Our partnership is important for building a stable, prosperous and secure Asia-Pacific region, or as some here have begun to call it, the Indo-Pacific region. This is a region of unprecedented transitions and unsettled questions. But what is clear to most of us is that many of the greatest opportunities as well as challenges of the 21<sup>st</sup> century lie in this region. Our engagements with Southeast Asia and East Asia and increasingly the Pacific has expanded over the past two decades. It is an engagement characterized by strong bilateral ties, extending from Myanmar to Australia; deepening linkages with regional organizations, especially ASEAN; a web of comprehensive economic partnership agreements; and ambitious plans of surface and air connectivity.

While our “Look East” policy began with a strong economic emphasis on content, we now have a growing strategic and security engagement in the region. China is our largest neighbor, a major country in the Asia-Pacific region and a country with great global influence. We have considerable challenges in our relationship, but also enormous opportunities for mutually beneficial partnership at the bilateral and global levels. We will continue to invest in building a stable and cooperative relationship with China that is mutually beneficial and also a source of regional stability and prosperity. There are a number of global and regional challenges on which India, China and the United States must work together. We welcome the proposal Secretary Clinton made last in July – made last July in Delhi for a trilateral dialogue between India, China, and the United States.

The Indian Ocean is central to India’s economy and its security. And it is also a region of glowing – of growing global strategic attention. India does not want to see this ocean emerge as a contested common or remain vulnerable to natural disasters, piracy, or instability in coastal or little states. For this reason, we not only have robust bilateral economic and security relationships in the region, but through regional initiatives we have taken, like the Indian Ocean Naval Symposium and the Indian – IOR-ARC, we are seeking to promote comprehensive economic cooperation among the countries of the little.

Maritime security, more broadly, has emerged as a key national security priority. We believe that this much-hackneyed phrase requires, first and foremost, a collective affirmation of the principles of freedom of navigation, unimpeded commerce and peaceful settlement of maritime disputes in accordance with international law. This must be an important priority for regional diplomatic and political efforts. And it is an area of growing importance in the India-U.S. relationship.

The future of Afghanistan and of Pakistan will continue to engage our two countries. Their future is inseparable from the destiny of India and our region. And therefore, India has a vital stake in their stability and progress. With Pakistan, we will continue our endeavor to seek a peaceful cooperative and normal relationship. Over the past year, India and the U.S. have had close consultation and coordination on our shared vision of a stable, democratic and prosperous Afghanistan. It is a vision that can ultimately only be realized by the people of Afghanistan. But they need the support, assistance, facilitation and sustained commitment of the international community. The quest for a settlement in Afghanistan must ensure that the enormous sacrifices and the efforts of the past decade are not in vain. It must build on progress and change that Afghanistan has experienced in the last 10 years, and it must embrace all sections of Afghan society, including its women and minorities.

Any landlocked country's fortunes are linked with its neighbors. In the case of Afghanistan, it is even more so. So we believe that Afghanistan's regional economic integration, whether we call it the New Silk Road Initiative, as Secretary Clinton described it, or as our Ambassador Rao once called it, the Grand Trunk Road Initiative, or by any other name, it is important for Afghanistan's and the wider region's stability and prosperity.

India's commitment to Afghanistan is reflected in our strategic partnership agreement of October 2011; our \$2 billion of assistance; our support for building Afghan capacity for governance, security and development; Afghanistan's preferential access to the Indian market; and our efforts to improve its connectivity to the world; our commitment to invest in Afghanistan's mining sector; and our willingness to use regional cooperation frameworks with the other neighbors of Afghanistan, including Pakistan and Iran. We should also explore avenues for collaboration between India and the U.S. with others such as Japan for Afghanistan's development, including through the development of its natural resources.

Terrorism remains a major security challenge for the – for India and the U.S. Our convergence on the source and the nature of the threat emanating from India's neighborhood has never been greater. And our cooperation on combating and protecting our people from terrorism has never been stronger than today. This is a very important aspect of our relationship with a strong public resonance, and one that we must continue to strengthen in all its dimensions. We should continue to further strengthen our growing partnership in leading international efforts on nonproliferation, disarmament and pursuing the goals of the Nuclear Security Summit. India was pleased to host the sherpas meeting of the Nuclear Security Summit in January.

We must also continue to work together to reform and adapt the global architecture of governance, security and nonproliferation to reflect contemporary realities and enable our two

countries to work together more effectively for shared interests. Taken together, this is a rich and broad canvas of priorities that also addresses some of the core interests of India and the United States. The question that is often asked is whether our two sides can translate our shared goals into a sustained and effective strategy of engagement and cooperation.

It is easy to talk of strategy. One is often reminded of the story of the wise old owl sitting in the jungle, and the little mouse who was utterly lost and couldn't find his way out of the jungle. And he comes to the owl and says, oh, wise owl, please tell me – how do I get out of this jungle in which I am lost? And the owl looks down at him and says, what you should do is grow wings like I have and then rise and fly out of the jungle. (Laughter.) To which the mouse replies, that's all very well, but how do I grow those wings? And the owl replies, don't bother me with details. I deal only with strategy. (Laughter.)

So let me then try and look at what are the ways we can try to grow our wings together. India's enduring commitment to strategic autonomy is a reflection of its democratic tradition and a conscious policy, given our external environment and our national development goals. But it does not mean that India will not assume its international responsibility, nor is it mutually exclusive to building a strong strategic partnership. Indeed, it is natural that our shared values and the wide range of our convergent interests will lead to a deepening partnership of shared endeavors.

Given our different circumstances, history, location and the levels of development, we will occasionally have differing perspectives and policies. But this can be a source of great value and strength in our dialogue. And it is – it also enables us to work together for a broad global consensus on issues of common interest. But for that, we should attach real value to each other's perspectives and appreciate each other's interests and sensitivities. And when we differ, we should be able to speak candidly and respectfully to each other and insulate the vast common ground between us from the differences in our relationship.

We must remember that while we may have occasionally different perspectives, we are also united by a fundamental stake in each other's success – because in succeeding individually, we can advance our common interests and inspire a world mirrored in our ideals. And even if our two governments did nothing, it would still be an extraordinary relationship because of the growing ties of kinship between our people and the vitality of private partnerships of enterprise, innovation, research and education across every field of human endeavor.

But I believe that we do have the political momentum; the public goodwill; a comprehensive architecture of engagement, comfort and confidence in the relationship; the experience of bold and ambitious undertakings; a proven capacity to work through challenges; and, as we have seen in recent years, a growing habit of taking tangible steps on a regular basis to advance our cooperation.

So as I look ahead, we will continue to consolidate and affirm our strategic partnership by completing existing projects and focusing on the wealth of new opportunities that we have. We should continue to stay in close touch on the current challenges in the world, in our neighborhood and beyond. And we should above all continue to strengthen and expand the long-

term strategic framework of our relationship, so that we can fully harness the boundless opportunities that this relationship has for our people and the substantial benefit that it can bring to this world. Thank you. (Applause.)

(END)