

**Remarks of Secretary of State Condoleezza Rice
At the Senate Foreign Relations Committee
On the U.S.-India Civil Nuclear Cooperation Initiative
Wednesday, April 5, 2006**

Mr. Chairman and Members of the Committee, thank you for the opportunity to testify today. I am pleased to discuss with you why President Bush and I think that the U.S.-India Civil Nuclear Cooperation Initiative deserves the support of the United States Senate.

On March 2 in New Delhi, the United States and India reached a historic understanding on civil nuclear cooperation. This strategic achievement will advance energy security, further environmental protection, foster economic and technological development in both of our countries, bolster international security, and strengthen the global nonproliferation regime. All of these benefits, however, must be viewed in a still larger, still greater context: What this initiative does to elevate the U.S.-India relationship to a new, strategic height.

Recall for a moment where we were before this initiative. For too long during the past half century, differences over domestic policies and international objectives kept India and the United States estranged. We had a bedeviled relationship, a structural ambivalence between the world's leading democracy and the world's largest democracy. For years, relations between our two countries were constrained, thereby limiting America's ability to shape a productive future for South and Central Asia, which will be one of the most dynamic regions in the 21st century.

Our past nonproliferation policies toward India had not achieved their purposes. They had no effect on India's development of nuclear weapons. Nor did they prevent India and Pakistan from testing nuclear weapons in 1998. They had contributed little to lessening regional tensions, which brought India and Pakistan repeatedly to the brink of war.

These policies also left us with a more dangerous energy future. They effectively forced India to rely on oil and gas from Iran and the

Persian Gulf, or on destabilizing competition over waterways to produce hydroelectric power.

All of this resulted in a more isolated India – isolated especially from the standards of the nuclear nonproliferation establishment, prevented from reaping the benefits of a long history of global cooperation. This left India fostering insular and resentful attitudes, protecting a sheltered nuclear industry.

When President Bush came into office, he judged that our relations with India would be central to the future success of U.S. foreign policy in South Asia and around the world. He resolved to transform our relationship with India, and in the past five years, that is exactly what we have done. The world's oldest democracy is now building a global partnership with the world's largest democracy. As the President said in New Delhi: "India in the 21st century is a natural partner of the United States because we are partners in the cause of human liberty."

This partnership is founded on common interests and shared ideals:

- **Democracy:** India's society is open and free, transparent and stable. It is a vibrant, multi-ethnic, multi-religious democracy characterized by individual freedom, the rule of law, and a constitutional government that owes its power to free and fair elections. It is a positive model in the international community.
- **Security:** India is a rising global power and a pillar of stability in a rapidly changing Asia. India will continue to possess sophisticated military forces that, just like our own, remain strongly committed to the principle of civilian control, and will in the future help to promote peace in Asia and across the world.
- **Prosperity:** India is committed to economic liberty and strong growth. It has an immense, skilled, and youthful workforce. It will soon be the world's most populous nation, with the world's largest and fastest growing middle class. By 2025, India will most likely rank among the world's five largest economies. American exports to India have doubled in only the last four years.

Developing civil nuclear cooperation with India represents the promise of this new partnership -- a partnership that will become one of the most important we have with any country in the 21st century. Recall again where we were with India before we launched this initiative: a conflicted relationship, the wrong energy incentives, and a failed nonproliferation policy. Today, I want to discuss what we can have instead: a strategic partnership, enhanced energy security, greater environmental protections, increased business opportunities, and of course, a more secure future.

Taken together, the before and after comparison is compelling: This initiative is good for America. It is good for India. And it is good for the international community. So let us move forward with it.

The U.S.-India Civil Nuclear Cooperation Initiative

Before I turn to the benefits of our Civil Nuclear Cooperation Initiative, let me first run through the specifics of the initiative itself. The basic agreement is this: India has pledged, for the first time in 30 years, to submit its entire civil nuclear program to international inspection and to take on significant new nonproliferation commitments in exchange for full civil nuclear cooperation with the international community. With this initiative, the world is expecting India to be a full partner in nonproliferation, and India is expecting the world to help it meet its growing energy needs.

Specifically, India has agreed to place all future civil reactors – both breeder and thermal – under permanent International Atomic Energy Agency (IAEA) safeguards and to continue its unilateral moratorium on nuclear testing. India will also place a majority (14 out of 22) of its existing and planned power reactors under safeguards by 2014. Under this initiative, 65 percent of India's thermal reactors will be brought under safeguards, a figure that the Indian government has said could rise as high as 90 percent as India procures more civil reactors in the next 15 years. To put this in perspective, imagine the alternative: Without this initiative, 81 percent of India's current power reactors – and its future power and breeder reactors – would continue to remain outside of IAEA safeguards. The Indian nuclear power program would remain opaque, a nuclear black box.

Once this initiative is implemented, potential American and international suppliers will be able to invest in India's safeguarded civil facilities solely for energy production and other peaceful purposes. The safeguards required by this initiative are designed to help detect, and thereby help prevent, the diversion to military use of any materials, technologies, or equipment provided to India's civil nuclear facilities. Once a reactor is under IAEA oversight, safeguards will be in place permanently and without any conditions.

But that is not all. The Indian government will negotiate and sign an Additional Protocol with the IAEA, and it will work with the United States to conclude a multilateral Fissile Material Cutoff Treaty. India has also agreed to create a robust national export control system that includes harmonization with and adherence to the Missile Technology Control Regime and Nuclear Suppliers Group guidelines. Finally, India will continue its unilateral moratorium on testing and refrain from transferring enrichment and reprocessing technologies to states that do not possess them. Just last June, as part of our ongoing discussions on civil nuclear cooperation, India's parliament passed a landmark WMD export control law that significantly upgraded and improved India's ability to counter the proliferation of materials related to weapons of mass destruction. This law makes such proliferation a crime in India, just as it is in the United States.

For this initiative to go forward now, both parties must meet their obligations. For our part, President Bush is committed to work with the U.S. Congress to amend relevant domestic laws – the Atomic Energy Act of 1954 – and to seek agreement within the Nuclear Suppliers Group to accommodate this cooperation. The United States will also negotiate an agreement on peaceful nuclear cooperation with India, which we will submit to the Congress, and seek to assure the reliable supply of nuclear fuel to India through multiple avenues and instruments.

India has commitments as well, and it is already acting on them. In fact, the Chairman of India's atomic energy commission is traveling to Vienna this week to begin negotiations with the IAEA on both a safeguards agreement and an Additional Protocol. India has delivered to us a list of specific reactors to be placed under

safeguards and a general timeline for doing so. Under this plan, all 14 reactors will be offered for safeguards by 2014. In addition, India will place associated upstream and downstream facilities under safeguards and has declared nine research facilities as civilian. India has also provided initial verbal comments on our draft agreement for peaceful nuclear cooperation.

In the coming months, we hope that India will also take a number of additional measures to further strengthen its commitment to global nonproliferation. In addition to adhering to the Missile Technology Control Regime and Nuclear Suppliers Group Guidelines, as India committed in the July 18 Joint Statement, these additional measures include, for example, announcing its intention to participate in the Proliferation Security Initiative and harmonizing its export control lists with the Wassenaar Arrangement and the Australia Group. We are in constant discussion with our Indian counterparts and will continue to press these and other nonproliferation measures through the course of our strategic partnership.

Mr. Chairman, as you know, implementing this initiative will require a carefully orchestrated series of events involving the coordination of not only the two governments, including the U.S. Congress, but also the IAEA and the Nuclear Suppliers Group. It is our vision and our hope that progress can be achieved on several fronts simultaneously.

Once implemented, this initiative with India will benefit the United States in five important and linked ways:

First, the Initiative will deepen our strategic partnership.

This initiative is a key element of our growing strategic partnership with India: we believe it will help make India one of our most valuable global partners and help make possible significant achievements in many other areas of cooperation.

More than two million Indians, many of them now U.S. citizens, live in the United States. More Indians study in our universities than students from any other foreign country. India is the largest source of skilled temporary workers coming to the United States and the

second largest source of legal migration. The United States and India have committed to doubling bilateral trade within three years.

The explosive growth of private ties between our peoples is magnified by new initiatives between our governments. Last summer's historic summit between the President Bush and Prime Minister Singh embodied the strategic achievements of the first four years of our nations' new relationship. The President's recent visit to India has shown how much more can be accomplished. Both leaders committed themselves to fostering a second Green Revolution in agriculture, to advancing space exploration, and to establishing a new science and technology partnership. They pledged to increase democracy promotion efforts, to invest in energy security, and to double bilateral trade within three years. And they decided to expand defense cooperation through a new maritime security initiative.

In other words, the United States and India are laying the foundation for cooperation on major issues in the region and beyond, building on and building up a broad relationship between our peoples and our governments. We will not fully realize this vision, however, unless the impediments associated with civil nuclear cooperation, which have complicated all efforts to improve bilateral relations during the last thirty years, are resolved once and for all. The structural ambivalence must be resolved. This initiative is the key that will unlock the progress of our expanding relationship.

And imagine, Mr. Chairman, what would happen if this initiative were defeated, or changed in a way that fundamentally alters its substance. All the hostility and suspicion of the past would be redoubled. And think of Prime Minister Singh, who has braved the shouted dissent of his anti-American critics. We would hand the enemies of this new relationship a great victory. We would slide backward when we should be striding forward.

Second, the Initiative will enhance energy security.

The global search for new and stable sources of energy is now a defining issue in all aspects of international life. Civil nuclear cooperation with India will help it meet its rising energy needs without increasing its reliance on unstable foreign sources of oil and gas,

such as nearby Iran. Diversifying India's energy sector will help to alleviate the competition among India, the United States, and other rapidly expanding economies for scarce carbon-based energy resources, thereby lessening pressure on global energy prices.

India – a nation of over a billion people, with an economy growing at approximately 8 percent each year – has a massive and rapidly growing appetite for energy. Huge population growth, expanding industrial production, economic development, urbanization, and increased motor vehicle ownership are all driving this insatiable energy demand. Between 1980 and 2001, demand increased by 208 percent. By contrast, China, often thought of as the next big energy consumer, saw a 130 percent increase over the same period. In 2003, India was the sixth largest consumer of energy in the world behind only the United States, China, Russia, Japan, and Germany.

To meet its mounting power demands, the Indian government plans to double its capacity to produce electricity within the next eight years. With Congressional endorsement of the U.S.-India Civil Nuclear Cooperation Initiative, a large proportion of that growth would be in clean nuclear technology.

Currently, over 50 percent of India's total energy, and 70 percent of India's electric power generation, is derived from coal. Of the remaining 50 percent, nearly 35 percent is derived from oil; seven percent from natural gas; five percent from hydro-electric power; and about one percent from renewable sources like solar and wind. Only two percent of India's total power generation comes from nuclear energy. To put this in perspective, even the United States, which has historically limited nuclear energy use, derives over 20 percent of its power from nuclear energy. Japan derives 30 percent, and France roughly 78 percent.

India's operating civil nuclear power plants currently have approximately 3,310 megawatts of installed capacity. Given the opportunity, India plans to invest quickly in additional civil nuclear reactors so that, by 2020, its capacity to produce electricity from clean nuclear technology would reach 20,000 megawatts – a six-fold increase. Under this plan and further long-term objectives, approximately 20 percent of India's total energy production would

eventually be met by nuclear technology, thus significantly decreasing the growth in its reliance on fossil fuels.

Since the historic March 2 announcement, senior officials in India's atomic energy establishment have indicated their desire to exceed the 20,000 megawatts target through the accelerated import of high-unit capacity foreign reactors to further reduce their dependence on dirty coal and fossil fuels. This decrease will be welcome, as India's demand for oil and natural gas is immense and will only increase as its economy grows and industrializes. In 2005, India's net imports of oil totaled approximately 1.7 million barrels per day. Even with conservative estimates, these imports are predicted to grow to 2 million barrels per day within only the next four years. Much of that oil is imported from unstable sources. As part of the newly launched, U.S.-India Energy Dialogue, the United States has committed to help India secure other stable sources of energy. The Civil Nuclear Cooperation Initiative is one significant element of that commitment.

Third, the Initiative will benefit the environment.

Civil nuclear cooperation, along with the deployment of cleaner fossil fuel technologies, will not only help India meet its energy needs, but it will do so in an environmentally-friendly way. India's heavy dependence on coal and oil for electricity generation has another negative side effect: high levels of carbon emissions, which have made India a major contributor to greenhouse gas emissions and global climate change. Between 1990 and 2001, India's carbon emissions increased by 61 percent, a rate of growth surpassed only by China. Extrapolating from these trends, scientists expect that this will only get worse. According to the Department of Energy, between 2001 and 2025, India's carbon emissions will grow by 3 percent annually, twice the predicted emissions growth in the United States. Air pollution and growth in greenhouse gases is a visible and significant fact of life in India's major cities.

India's dependence on its domestically-produced coal raises many other environmental concerns. Indian coal is extremely energy inefficient. It produces about twice as much ash and particulate matter as American coal. And it emits far more nitrogen oxide (an element in photochemical smog) and carbon monoxide (a poisonous

gas) than American coal does. Power plants are also the main source of Indian emissions of carbon dioxide, the most important greenhouse gas. In addition, mercury emissions from India's inefficient coal-fired plants can enter the food chain.

These high emissions, along with emissions from other sources, have made all four of India's largest cities – New Delhi, Mumbai, Chennai and Kolkata – among the most polluted in the world. Emissions from power plants are thought to be the prime contributor to the Atmospheric Brown Cloud now hovering over the Bay of Bengal and polluting many coastal areas. If this cloud grows and moves overland, as is currently expected, the resulting effects on public health would be disastrous. The health risks associated with India's pollution are thus negatively affecting not only the Indian population, but the population of the entire region.

While the United States is working with India to integrate cleaner, more efficient, coal-burning technologies into its power plants, a rapid expansion of India's coal-fired generating capacity, just to meet basic energy needs, would make that work much more challenging. Slowing this expansion will help us achieve our aggressive objectives for slowing the growth in Indian pollution.

To the extent that India expands its use of cleaner energy technology, the result will be reduced air pollution locally, regionally, and globally. Nuclear plants do not emit greenhouse gases. While some opponents of nuclear energy point to the problems associated with disposing of spent nuclear waste, the technology is readily available to store nuclear waste safely for thousands of years and prevent it from contaminating the surrounding environment. India's commitment to a closed cycle also permits it to manage its nuclear waste far more effectively while simultaneously utilizing the energy potential of its feedstock far more effectively.

Of course, the Civil Nuclear Cooperation Initiative alone will not fully address Indian emissions of air pollution and greenhouse gases. It does, however, take a sizeable step in the right direction. Civil nuclear cooperation will advance the goals of the Asia-Pacific Partnership on Clean Development and Climate and is also an important piece of our Energy Dialogue, which aims to address

India's energy needs from every perspective. As a critical step in reducing the growth of India's heavy dependence on coal and its greenhouse gas emissions, our civil nuclear initiative would be one of the greenest parts of India's new Green Revolution.

Fourth, the Initiative will create opportunities for U.S. business.

This is a time of renaissance in the Indian-American relationship, punctuated by our tremendous growth in trade. In the past year alone, Boeing announced a \$13 billion sale to India, and Cisco, Intel, and Microsoft all made major investments in India's high-tech sector. In July, when Prime Minister Singh visited Washington, he and President Bush announced the most ambitious strategic leap ever undertaken by our two governments, illustrated by joint ventures in 18 different fields, including the Civil Nuclear Cooperation Initiative.

At its core, our initiative with India is not simply a government-to-government effort. It was crafted with the private sector firmly in mind. Because it will fully open the door to civil nuclear trade and cooperation, this initiative is good for American business.

India currently has 15 operating thermal power reactors, with seven under construction, but it intends to increase this number significantly. Meeting this ramp-up in demand for civil nuclear technology, fuel, and support services holds the promise of opening new business opportunities for American firms, which translates into new jobs, new incomes, and new markets for the United States. Indian officials indicate they plan to import at least eight new 1,000 megawatt power reactors by 2012, as well as additional reactors in the years ahead. Preliminary private studies suggest that if American vendors win just two of these reactor contracts, American industry estimates it may add 3,000-5,000 new direct jobs and about 10,000-15,000 indirect jobs in the United States.

At the same time, participation in India's market will help make the American nuclear industry globally competitive, thereby benefiting our own domestic nuclear power sector. This legislation, and the associated bilateral peaceful nuclear cooperation agreement now being negotiated, will permit U.S. companies to enter the lucrative

and growing Indian market – something they are currently prohibited from doing.

An expanded Indian civil nuclear power industry will also help to take the pressure off the long-term global demand for energy. Increasing demand for natural resources causes our own energy prices to rise as well. To the extent that we can reduce the demand for fossil fuels, it will help the American consumer.

Furthermore, this initiative will also significantly help India's economic development. Human development and economic growth depend on the reliable, affordable, and environmentally-friendly supply of energy to allow for the full production of goods and services. India is struggling to keep up with its energy demands, with many urban areas currently subject to unscheduled black-outs and routine daily interruptions of power. In 2005, there was an average electricity shortage of 10 percent and a peak excessive power demand of 15 percent. These shortages are expected to become more severe, thus preventing India's growing business and industry from functioning effectively. Such unreliability is detrimental to India's economic growth and its prospects for greater foreign investment. The Civil Nuclear Cooperation Initiative would provide India access to a privatized and more efficient nuclear energy market, enabling its economy to grow to its full potential. Needless to say, as India grows, it provides an ever bigger market for American exports. So by helping India's economy, we are in turn helping our own.

Finally, the Initiative will enhance the international nuclear nonproliferation regime.

Mr. Chairman, let me address the issue that has received the most attention since this initiative was announced: nuclear nonproliferation. I will start by saying unequivocally that this initiative is a net gain for global nonproliferation efforts. We better secure our future by bringing India into the international nonproliferation system, not by allowing India to remain isolated for the next thirty years the way it has been for the last thirty. We are clearly better off having India most of the way in rather than all the way out.

There are some who doubt this, and I would now like to discuss some of the questions that have been raised about this initiative.

First, I must address the belief that somehow this initiative could have been used to force India to accept a unilateral freeze or cap on its nuclear arsenal. The U.S. has achieved an important strategic objective by obtaining India's commitment to work toward a multilateral Fissile Material Cut-off Treaty. But India's plans and politics must take into account regional realities. No one can credibly assert that India would accept an arms control agreement that did not include the other key countries, namely China and Pakistan. Therefore trying to use American leverage to get India to make this unilateral move is an idea that is certain to fail. It is a poison pill to kill any possibility for change.

Second, some have expressed concern that civil nuclear cooperation with India will weaken the NPT, or undermine global nonproliferation efforts. Dr. Mohamed ElBaradei, the Director General of the IAEA – the agency responsible for applying safeguards – does not share this concern. Just the opposite. Dr. ElBaradei publicly praised the initiative the day it was announced, stating that it will “bring India closer as an important partner in the nonproliferation regime. ... It would be a milestone, timely for ongoing efforts to consolidate the nonproliferation regime, combat nuclear terrorism and strengthen nuclear safety.” Four of the five NPT-defined nuclear weapon states have also endorsed the initiative. In fact, British Prime Minister Tony Blair and French President Jacques Chirac even released public statements in which both refer to the benefits that this initiative has for international nonproliferation efforts.

The global nonproliferation regime is a remarkable diplomatic achievement. Since its inception, the NPT and related international mechanisms have helped keep the number of nuclear-armed states to a minimum while spreading the benefits of civil nuclear technology to all who joined the treaty. We want India to participate more fully in sharing this global responsibility. This initiative aligns India more closely with international nuclear nonproliferation standards.

Our initiative with India does not seek to renegotiate or amend the NPT. India is not, and is not going to become, a member of the NPT

as a nuclear weapon state. Nothing we are proposing would violate our NPT obligations that we not “in any way assist” India’s nuclear weapons program. We are seeking to address an untenable situation: India has never been a party to the NPT. It did not cheat. It simply developed nuclear weapons outside this context, a long time ago, finishing a program that was well underway before the NPT had been signed. India then found itself frozen for a generation in this anomalous state. It now faces substantial energy needs ahead that can be partly met through nuclear energy.

Despite India’s strong nuclear nonproliferation export record, its continued existence outside the global nonproliferation regime undermines the regime’s interests and U.S. security goals over the long term. The real choice is this: do we want a state that intends to expand significantly its civil nuclear power production in the years ahead to remain outside the international nonproliferation regime? Or do we instead want it to adopt global nonproliferation practices while increasing our insight into its civil nuclear program? President Bush has made his choice, and it is the correct one.

Third, others have asserted that this initiative permits India to expand its nuclear arsenal significantly. This is just not the case. The initiative does not cap Indian nuclear weapons production, but nothing under this initiative will directly enhance its military capability or add to its military stockpile. India could already build additional weapons within the limits of its capabilities if it so desired, with or without this deal. But the Indian government has repeatedly confirmed in public that it intends to expand its civil nuclear energy capability.

Fourth, we believe that civil nuclear cooperation with India will not lead to an arms race in South Asia. In our view, the prospects for such an arms race will be determined by bilateral relations between India and Pakistan, not the Civil Nuclear Cooperation Initiative. It should be noted that these relations have been consistently improving for the past three years. The ongoing Composite Dialogue between India and Pakistan has significantly reduced tensions and built confidence on both sides. Just last week, Prime Minister Singh spoke of the desirability of a treaty of peace, security, and friendship between India and Pakistan, which Pakistan immediately welcomed.

To further improve relations and ensure strategic restraint on both sides, the United States is prepared to intensify significantly our diplomatic effort with both India and Pakistan. Continuing to improve our relations with both India and Pakistan will allow us to promote peace and counsel restraint in their military procurement plans.

Fifth, some have argued that the initiative with India will undermine our efforts to curb Iran and North Korea's nuclear ambitions, because it creates an alleged "double standard." This is simply not credible, because comparing India to the North Korean or the Iranian regime is not credible. India is a democracy, transparent and accountable to its people, which works within the international system to promote peace and stability and has a responsible nuclear nonproliferation record. The regime in Iran is a state sponsor of terrorism, with a long record of cheating on its nuclear obligations to the international community, and it is violating its own nuclear obligations at present. North Korea is the least transparent government in the world, which threatens its neighbors and proliferates dangerous weapons. While Iran and North Korea are violating their IAEA obligations, India is making new ones and seeking peaceful international cooperation. So we do indeed treat India differently from the way we, and the international community, treat Iran and North Korea.

France, the United Kingdom, and Russia support our initiative with India, and we are all working closely together to curb the dangerous nuclear ambitions of the Iranian regime. India is increasingly doing its part to support the international community's efforts. Recall that India not once, but twice, stood with the United States and other nations against illegal proliferation by voting in the IAEA to find Iran not in compliance with its obligations and, later, to report Iran's nuclear violations to the UN Security Council. Prime Minister Singh faced down his anti-American critics at home to take these actions.

It's important to keep in mind that this initiative was not easy for Prime Minister Singh, though he has won support for it across India's major parties. But it is worth thinking about why this was tough for him. It was not because of the concerns mentioned here. The opposition in India wants to keep more distance from America. It wants to keep India's industry sheltered and protected. Surely those

are not our goals. Surely Congress will not want to inadvertently miss this opportunity to make this strategic leap forward.

Seizing Our Opportunity with India

I want to thank you, Mr. Chairman, for introducing S.2429, which represents President Bush's proposed legislation to facilitate authorization of civil nuclear cooperation with India. This legislation asks Congress to amend the 1954 Atomic Energy Act. This will let American firms provide nuclear goods and services to India's civil nuclear program, something that is prohibited by current law. In addition, we will ask the Nuclear Suppliers Group to make a special exception for India to allow for full civil nuclear cooperation.

Congressional action on this legislation is critical in our efforts to secure broader international support for this new relationship with India. Foreign governments are looking to Congress to determine whether the United States stands solidly behind a new relationship with India. Prompt Congressional action will ensure that there is a solid basis for reliable, long-term cooperation with India. It will also assure U.S. industry of a solid framework for civil nuclear trade with India, at no competitive disadvantage with other nations.

Mr. Chairman: During his speech in New Delhi last month, President Bush spoke of his desire to "strengthen the bonds of trust between our two great nations." As we forge this bond, President Bush and I look to the Congress as a full partner in this initiative. Your support is crucial for this legislation. And we ask that you offer it. Together, we can seize this tremendous opportunity to solidify a key partnership that will advance American interests, and the ideals of peace, prosperity, and liberty for which we stand.

Thank you, Mr. Chairman, Distinguished Members of the Committee. I would now be eager to respond to your questions.