

Statement of

William J. Burns
Under Secretary of State for Political Affairs

September 18, 2008

Senate Foreign Relations Committee

Hearing on
“The U.S.-India Civil Nuclear Cooperation Initiative”

Mr. Chairman, Senator Lugar, distinguished members of the committee, thank you for inviting my colleague, Acting Under Secretary for Arms Control and International Security John Rood, and me to discuss the U.S.-India Civil Nuclear Cooperation Initiative and recent submission of the “Agreement for Cooperation Between the Government of the United States of America and the Government of India Concerning Peaceful Uses of Nuclear Energy” (123 Agreement) to the Congress for ratification.

In 2005, President Bush and Indian Prime Minister Manmohan Singh sought to fundamentally transform the nature of the U.S.-India relationship. Our two countries have had uneven relations over the past fifty years. We have worked together in selected areas, such as sparking a new “Green Revolution” in India, but that cooperation never translated into a broad-based strategic partnership.

In hindsight, this estrangement seems curious. Our broad similarities as multi-religious, multi-ethnic democracies should have made us partners. But in the Cold War era, India was a leader of the non-aligned movement while the United States and its Western partners focused on building partnerships and international structures to address the overarching geopolitical competition.

President Clinton began the transformation in our relationship with India in the 1990s. He told the Indian Parliament in 2000 that we were “natural allies, two nations conceived in liberty, each finding strength in its diversity, each seeing in the other a reflection of its own aspiration for a more humane and just world.” President Bush and Prime Minister Singh have now taken our relationship to the next level. In March 2006, they announced joint ventures in 18 different fields, including education, science and technology, agriculture, and defense. Mr. Chairman, my colleague and I are here today to ask the Senate for its support in solidifying our cooperation with India in the civil nuclear field – the signature,

strategic effort that Congress and the Administration have undertaken with India since 2005. By addressing, and thus surmounting, the principal obstacle that has, for decades, stood in the way of better relations, the nuclear agreement is not only important on its own terms but has moved our relations farther and faster forward than any other step.

India's emergence on the global scene is both inevitable and positive. By 2025, India will most likely rank among the world's five largest economies. India will soon be the world's most populous nation, and it will soon have the largest and fastest growing middle class in the world.

India's armed forces, like ours, are committed to the principle of civilian control. India is a democracy—and a very successful one that has defied the expectations of so many who believed the country was too diverse to succeed. We believe India will support a peaceful balance of power in Asia. In short, India is an emerging major power whose society is open, transparent, democratic, and stable. Its government counts diversity as an abiding strength and values and protects the rule of law. India's political transitions, like ours, are marked by popular discourse and elections. India is a role model in the international community.

Establishing and strengthening our strategic partnership with India has been a key foreign policy priority for the Administration, as it was for our predecessor and as, I suspect, it will be for our successor. No wonder, then, that this relationship and the Civil Nuclear Cooperation Initiative have received such broad, bipartisan support from the Congress.

Meanwhile, the American people and the private sector have outpaced government interactions and already are pulling our two countries closer together. Today there are nearly 3 million Indian-Americans in the United States, over 80,000 Indian students enrolled in U.S. colleges and universities, while tens of thousands of American citizens are living and working in India. India has become one of our fastest-growing export markets and bilateral trade continues to expand, doubling over the past three years to top \$42 billion in 2007. Indeed, U.S. goods and service exports to India were up 75% last year alone, cutting our trade deficit with India by 42 percent. We also are continuing to work closely with India to help further open its markets and improve its investment climate. Two way investment already is rapidly rising and in 2007 Indian investment in the United States passed \$2 billion. India has been a valuable partner in the fight against terrorism and disease, drugs and proliferation. These global scourges present particular challenges for South Asia and India's leadership on these issues has made it a force for stability in a volatile region.

Mr. Chairman, relations between the United States and India are strong, but we are on the cusp of something greater. As both the United States and India approach elections, we believe this Congress now has the opportunity to lay a foundation that will allow successor governments in both countries to take US-India relations to the next level. Congress can do this by making civil nuclear cooperation between our two countries a reality. With the approval of India's safeguards agreement by the International Atomic Energy Agency Board of Governors, and an exception authorizing nuclear trade with India approved by the Nuclear Suppliers Group, Congressional ratification of the 123 Agreement is the final step in bringing this multi-year effort to fruition.

We fully appreciate the extraordinary nature of the timeframe within which we are asking the Congress to consider this initiative. The questions that this initiative raises are important to our national security, to the future of our relationship with an emerging major power, and to nonproliferation worldwide. We owe you our thanks as we ask for your forbearance. We would not be asking for such exceptional consideration if we did not believe it was absolutely necessary to complete an initiative on which both the Administration and Congress have worked so hard since 2005.

If we act together now, we can be certain that the government in New Delhi will support the full realization of the 123 Agreement and civil nuclear cooperation with the United States. Just as we will soon undergo a political transition, so too, will India next spring. I believe it is very important that we seize upon the momentum we have now, with partners that are devoted to fulfilling the terms of a complex negotiation.

Mr. Chairman, we believe that moving forward on the U.S.-India Civil Nuclear Cooperation Initiative also will help advance other areas in the U.S.-India relationship. It will facilitate and expand on-going cooperation in agriculture, science and technology, defense, and joint democracy endeavors. The Initiative also offers far-reaching economic, environmental, and security benefits.

India's rapidly expanding economy, coupled with its population growth, has created an enormous demand for energy. After averaging just 3.2 percent growth between 1950-1980 under a heavily state-controlled economy, reforms in the 1980's and 1990's boosted India's annual growth rate to around 6 percent a year over the past twenty years. In the past four years, India has averaged growth of 8.9 percent. Indian companies are world leaders in information technology, pharmaceuticals, steel, and many other industries. To continue its rapid economic expansion, India urgently requires new sources of power generation. India already suffers from a significant electricity shortage which shows no sign of easing. Between 1980 and 2001, demand in India increased by 208 percent making it one

of the largest energy consumers in the world. By contrast, China, often thought of as the next big energy consumer, saw a 130 percent increase over the same period. 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. These shortages are expected to become more severe – thus preventing India's growing industries from functioning effectively. Such unreliability is detrimental to India's economic growth and a deterrent to foreign investment.

Various studies project that India's demand for electricity will continue to increase dramatically over the next 15 years. Expanding India's access to nuclear power – a clean, viable alternative to fossil fuels – is a partial answer to this important problem. The Indian Government has announced plans to expand its nuclear sector in the coming years to satisfy up to 20 percent of its demand for energy. Nuclear energy currently accounts for only 3 percent of India's power generation. 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, Switzerland nearly 40 percent, and France roughly 85 percent.

For the people of rural India, where only 55 percent of households even have access to electricity, the reality of a reliable, uninterrupted source of electricity will improve quality of life for millions, promote economic development, and help to stabilize spiraling food prices.

Civil nuclear cooperation with India also could have significant environmental benefits since nuclear energy does not emit greenhouse gases. 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. Between 2001 and 2025, scientists predict that India's carbon emissions will grow by 3 percent annually, twice the United States' predicted emissions growth. Power plants are the main source of Indian carbon dioxide emissions. These high emissions, coupled 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. Nuclear energy in India would be an important alternative to the carbon-based fossil fuels that are currently used to produce the vast majority of India's electricity today. This would create cleaner air and a healthier environment while making an important contribution to halting global warming. Indian officials have projected that civil nuclear cooperation could lead to the import of up to 40 Gigawatts of new power generation capacity by 2020. A program even half that ambitious would reduce India's carbon output by 150 million tons annually. This is equivalent to half the total carbon dioxide output of California.

For the United States, the Civil Nuclear Cooperation Initiative will open up trade and investment opportunities for U.S. firms in the multi-billion dollar Indian nuclear energy sector for the first time in over three decades. Meeting India's demand for civilian nuclear technology, fuel, and support services holds the promise of substantial new business for the American nuclear industry, which will translate into new jobs and export income for the United States. A number of private studies of the Initiative's economic impact estimate that the award of new contracts to American nuclear firms will result in the creation of thousands of new jobs.

Civil nuclear cooperation also will have an impact far beyond the nuclear energy sector. By unlocking trade in civil nuclear technology, we will help unlock a broader and deeper relationship, which would result in increased trade in many other areas of cutting edge technology, such as space, biotechnology, and dual-use high technology – all of which are critical to India's economic growth and development. This initiative is a key element of our growing partnership with India: it helps make possible significant achievements in many other areas of cooperation. By including civil nuclear cooperation in our broad spectrum of collaborative activities, the rewards of a U.S.-India partnership can truly reach every Indian and American, from farmer to physicist.

We expect that the success of the U.S. nuclear industry in the Indian market will flow from the high quality of the products and services they provide. Without approval and implementation of the 123 Agreement, however, U.S. nuclear firms will be precluded from competing in this important new global market. Reflective of our new relationship with India, the Indian government has publicly stated its intention to work with U.S. nuclear firms. But international competition will, inevitably, be intense and we want to avoid exposing U.S. firms to any unnecessary delays.

The Administration has taken a number of steps to ensure the U.S. nuclear industry will not suffer any competitive disadvantages during the 123 Agreement review process. The Indian government has provided the United States with a strong Letter of Intent, stating its intention to purchase reactors with at least 10,000 Mega Watts (MWe) worth of new power generation capacity from U.S. firms. India has committed to devote at least two sites to U.S. firms. India also has committed to adhere to the Convention on Supplementary Compensation for Nuclear Damage. Adherence to this international liability regime by the Indian government is an important step in ensuring U.S. nuclear firms are competing on a level playing field with other international competitors. The expansion of U.S. nuclear firms into India's growing market will provide a boost for our revitalized domestic nuclear industry. Cooperation also will provide the United States with an

important new partner in conducting advanced research and development of nuclear technology as we strive to develop new sustainable sources of energy.

Finally, the Civil Nuclear Cooperation Initiative advances U.S. nonproliferation goals by bringing India, a state with expertise in the full nuclear fuel cycle, closer to the global nonproliferation mainstream. My colleague, Acting Under Secretary John Rood, will discuss in detail India's specific nonproliferation commitments and the actions it has taken consistent with the 2005 Joint Statement and the Hyde Act. However, I would like to provide an overview for the committee of the real nonproliferation benefits the Initiative provides in advancing the fight against the spread of weapons of mass destruction and their delivery systems.

The Initiative has been predicated on the notion that the global nonproliferation regime is strengthened by drawing India closer, rather than leaving it on the outside. The reality for decades has been that India possesses nuclear weapons and has no plans to sign the Nuclear Non-Proliferation Treaty in the foreseeable future. The Initiative takes a pragmatic approach to dealing with this situation. International Atomic Energy Agency (IAEA) Director General Mohamed El-Baradei has endorsed this view and welcomed the Initiative noting, "Out of the box thinking and active participation by all members of the international community are important if we are to advance nuclear arms control, non-proliferation, safety and security, and tackle new threats such as illicit trafficking in sensitive nuclear technology and the risks of nuclear terrorism."

Through the Initiative with the United States, India has committed itself to follow the same practices as responsible nations with advanced nuclear technology. It has agreed to participate in cooperative efforts to deal with the challenges posed by the proliferation of weapons of mass destruction and their delivery systems. In particular, in the July 2005 Joint Statement, India made a number of important nonproliferation commitments, including to:

- **Identify and separate its civil and military nuclear facilities and programs.**
- **Place all current and future civil nuclear facilities under IAEA safeguards – in perpetuity.** Under India's separation plan, 65% of India's current nuclear power generation would be placed under safeguards and opened to IAEA inspection by 2014. This proportion could rise to as high as 80% in future years as new reactors are built and imported by India. Without the Initiative, India's nuclear infrastructure would remain opaque and operate substantially outside safeguards.

- **Negotiate and sign an Additional Protocol with the IAEA.** While India already has a solid nuclear nonproliferation record, conclusion of an Additional Protocol would give the IAEA expanded rights to access information about the full range of India's civil nuclear fuel cycle, providing even more transparency.
- **Implement a robust national export control system.** India's harmonization with and adherence to the Missile Technology Control Regime (MTCR) and the Nuclear Suppliers Group (NSG) Annexes and Guidelines will help ensure unlawful transfers of sensitive nuclear- and missile-related technologies do not take place.
- **Work with the United States to conclude a multilateral Fissile Material Cutoff Treaty (FMCT).** India has expressed support for moving forward on FMCT negotiations in the Conference on Disarmament.
- **Refrain from transfers of enrichment and reprocessing technologies to states that do not already possess them and support efforts to limit their spread.** India's commitment will support President Bush's initiative to avoid the spread of the technologies of greatest concern from the standpoint of nuclear weapons development. India also has expressed support for efforts to develop international fuel banks as an incentive for states to not pursue such technologies.
- **Committed to continuing its moratorium on nuclear testing.** This policy was publicly reaffirmed by Indian Foreign Minister Mukherjee on September 5 and contributes significantly to enhancing stability in a volatile region.

In addition to these commitments, India has played a constructive role in dealing with some of today's most pressing nonproliferation challenges, including voting twice with the United States to refer Iran to the UN Security Council. We believe successful implementation of the Initiative will presage further and closer cooperation between India, the United States, and its allies on current and future nonproliferation challenges.

India has proven itself a responsible actor with respect to the export of sensitive nuclear technologies. Based on its sound record on nonproliferation, its enhanced nonproliferation commitments, and its clear and expansive energy needs, India presents a unique case for civil nuclear cooperation. This reality has been recognized by the international nonproliferation community as reflected in the unanimous approval of India's safeguards agreement by the IAEA Board of Governors in July 2008 and the consensus approval earlier this month by the Nuclear Suppliers Group of an exception to authorize members to engage in civil nuclear trade with India.

Conclusion

President Bush and Prime Minister Singh have demonstrated a commitment to transforming the strategic relationship between our two nations. Approval of the 123 Agreement with India would surmount a long-standing obstacle in our relations and pave the way for the United States and India to address as partners the global security, economic, and environmental challenges of the 21st century. With your support, we hope this Congress will take this critical action to make the historic vision of closer U.S.-India cooperation a reality.

Thank you.