



## Agreement for Peaceful Nuclear Cooperation With India

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Mr. Chairman, Senator Lugar, Senator Hagel, Senator Corker, and Members of the Committee, thank you for the opportunity to testify today. And let me express the Administration's appreciation to you, the Committee, and the Congress for your willingness to consider on such short notice the U.S.-India Agreement for Peaceful Nuclear Cooperation, also known as the "123 Agreement."

Mr. Chairman, from the very outset, as you emphasized, this Initiative has depended upon strong bipartisan support. It is anchored by an historic transformation of our relations with India that began more than a decade ago when both countries were governed by different political parties.

The U.S.-India relationship transcends both party and partisanship. And so, too, has the U.S.-India Civil Nuclear Cooperation Initiative, as reflected in the large bipartisan majorities in both houses which passed the Hyde Act in 2006.

Mr. Chairman, I have submitted a written statement for the record and my colleagues and I look forward to answering your questions. What I'll try to do now very briefly is focus on three issues:

- Why is this Initiative so important to the United States?
- Why is it so important to move forward with such urgency; and
- What's in the package the President has asked Congress to consider?

Mr. Chairman, there are powerful strategic, environmental, nonproliferation, and economic reasons to support this Initiative.

Strategically, it reflects the transformation of our relations and a broad recognition of India's emergence on the global stage.

By 2025, India will likely rank among the world's five-largest economies. It's already among our fastest-growing export markets. It will soon be the world's most populous nation. We share democratic principles, unity in diversity, traditions of family and community, intertwined economies, and a commitment to fighting terrorism. Indeed, Mr. Chairman, nearly three million Indian-Americans have made India's cultures and traditions a vital part of the American "melting pot."

We are cooperating with India in many ways: on HIV/AIDS, defense and security, trade and investment, and also in Afghanistan, where India is the fifth-largest donor to civilian reconstruction efforts.

So it is an abiding American interest to develop a strong and forward-looking partnership with the world's largest democracy.

This civil-nuclear initiative is about advancing that common strategic vision.

Environmentally, this Initiative will help India's population of more than a billion to meet their rapidly rising energy needs.

India is growing at rates of 8 to 9 percent per year, and to sustain those rates of growth, it must expand its supply of energy exponentially. Between 1980 and 2001, India's demand increased by a staggering 208 percent. By contrast, China, so often described as the world's next big energy consumer, saw just a 130 percent increase -- about half of India's -- over the same period.

India will soon outstrip Japan and Europe as an oil importer.

It seeks to double its capacity to generate electricity in the next seven years and relies primarily on domestically-produced coal whose ash content is double that of American coal and emits far more nitrogen oxide, an element in smog, and carbon monoxide, a poisonous gas.

This means, Mr. Chairman, that India will be one of the world's largest-producers of greenhouse gas emissions. And so its decision to rely, in part, on clean and efficient nuclear energy positively affects our own environmental future, not just India's.

This Initiative has important nonproliferation benefits -- and my colleague, John Rood, will address those in greater detail.

I would note, however, India's strong nonproliferation record and enhanced nonproliferation commitments under this Initiative, outlined in the 2005 Joint Statement and reiterated by Foreign Minister Mukherjee in his statement of September 5th.

These include continuation of India's moratorium on nuclear testing; separation of its civilian and military nuclear facilities and programs; and harmonization and adherence to MTCR and NSG guidelines.

India has made other nonproliferation commitments and actions summarized in the President's package of determinations under the Hyde Act.

Finally, Mr. Chairman, this Initiative has economic benefits that will accrue to both India and the United States.

The Civil-Nuclear Initiative enjoys strong support from U.S. industry, and India's ambitious nuclear energy plans demonstrate why: Indian officials indicate they plan to import at least 8 new 1,000 megawatt power reactors by 2012, and additional reactors in the years ahead. Preliminary private studies suggest that even just two of these reactor contracts for U.S. firms would add 3-5 thousand new direct jobs and about 10-15 thousand indirect jobs in the United States.

So I would call your attention to the strong commercial Letter of Intent we negotiated with India, which has been strongly endorsed by key U.S. firms.

These, Mr. Chairman, are the key benefits of the Initiative. And we believe they are compelling.

Let me briefly address the question of "why now?" -- because we believe the time is now for Congress to move forward on the 123 Agreement.

First, as you mentioned in your statement Mr. Chairman, we need to capitalize on the positive momentum in our relations.

For 60 years, U.S.-India relations have gone through recurring cycles of euphoria and disappointment, ups and downs, highs and lows. Now, we are on an upward swing. And so we need to capture that momentum, locking in the very significant gains we have achieved in recent years.

Second, we need to establish a platform on which the next Administrations in both countries can build.

The United States goes to the polls in 7 weeks. India must hold an election within six months of that. So as both countries prepare for elections, it's important to remember, as I said at the outset, that the transformation of U.S.-India relations began when both countries were governed by different political parties.

The Clinton and Vajpayee administrations established the platform on which the Bush and Singh administrations have built.

Just as our predecessors built the positive legacy on which this Civil-Nuclear Initiative builds, it's important that we leave the next American President and Indian Prime Minister a platform on which they, in turn, can build.

Finally, Mr. Chairman, let me say something about the package you have before you.

We believe it is a strong package, based on solid Presidential determinations, and consistent with the requirements Congress laid out for us in the Hyde Act.

Indeed, I want to assure you, Mr. Chairman -- and also the Congress -- that the United States sought a Nuclear Suppliers Group exception for India consistent with the Hyde Act and, at the same time, capable of commanding a consensus within the Group.

The Hyde Act does not require incorporation of its specific terms and restrictions in the NSG exception. But we pursued the NSG exception with a careful eye to Hyde. And the result is an NSG exception that contains no provision inconsistent with the Hyde Act and that takes account of its terms and restrictions.

I know there are many technical questions, both about the exception and the President's determinations. And Under Secretary Rood is prepared to address these in greater detail. But I did want to speak to some of those we have heard most often. In our consultations with members and staff, these questions have arisen repeatedly:

First, we have been asked what would happen if India conducts a nuclear weapons test. And the short answer is that, while India maintains a sovereign right to test, we most certainly maintain a sovereign right to respond.

We believe the Indian government intends to uphold the continuation of the test moratorium it committed to in 2005 and reiterated in its September 5th statement.

We also believe India will uphold its safeguards agreement with the IAEA.

But Secretary Rice has noted clearly that we "reserve the right" to take appropriate action should India nonetheless resume nuclear testing. And as she told Congress on April 5, 2006, "We've been very clear with the Indians ...should India test, as it has agreed not to do, or should India in any way violate the IAEA safeguard[s] agreements to which it would be adhering, the deal, from our point of view, would at that point be off."

Second, we've been asked why we did not support an automatic termination provision in the NSG.

We could not support proposals to automatically terminate the exception if India tests because the Atomic Energy Act gives the President the statutory authority to waive restrictions if terminating cooperation would be "seriously prejudicial to the achievement of U.S. nonproliferation objectives or otherwise jeopardize the common defense and security." To do so would have tied the hands of this -- and every -- President to exercise their authority under the Act.

Third, we have been asked about enrichment and reprocessing technology.

The Hyde Act does not allow for U.S. transfer to India of such technology, except in narrowly limited circumstances. The Administration continues to pursue within the NSG limitations on such transfers, based on appropriate nonproliferation criteria.

I know John Rood will also speak to these issues. And so, Mr. Chairman, let me just conclude with this:

We look to the rise of India as an opportunity not just to share the benefits of the international system but also the burdens and responsibilities of maintaining, strengthening, and defending it. Two Administrations in both countries have sought to embrace that opportunity. We believe this Initiative helps to do so, and thus that it will shape the 21st century for the better.

Thank you very much.

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