

**Ron Somers, President, US-India Business Council**  
**The Case for a Deeper Strategic Partnership with India.**  
**U.S. - India Civilian Nuclear Cooperation**

## **THE BEGINNING - A TRANSFORMED STRATEGIC PARTNERSHIP**

On the morning after the Prime Minister of India's visit to Washington, on July 19, 2005, it was clear to even the most dispassionate observer that the White House, and specifically the President, wanted to make every possible effort to genuinely welcome the Prime Minister to the United States of America and pay tribute to the people of India.

Every detail of the formal welcoming ceremony demonstrated America's high esteem and respect for India and her people.

Much earlier, the White House had sought to convey the U.S. view of India as a rising power, but never in such grand fashion as the formal State welcome that was about to unfold.

A condensed review of recent history explains America's gratitude.

Three external events helped accelerate awareness amongst the American public as to why a strategic partnership with India is essential.

In 2001, it was the Government of India that was the first to call the White House to pledge its support for an international war against terror. India had been victim of terror for the better part of four decades, and called on the President in the aftermath of the 9/11 attacks on New York and Washington to express sympathy and to pledge solidarity in the war on terror.

On December 13, 2001, only three months after the 9/11 attacks, the Indian Parliament was assaulted by Islamic extremists. Never before had the symbol of India's democracy been so aggressively penetrated. For those of us in New Delhi at the time, this proved more than an all-day siege. The Indian polity was outraged by the assault. Brave policeman backed by paramilitary troops were able to subdue the terrorists and regain control of the Parliament, but lines were drawn that day against a common enemy called terror.

Far away in Washington, as the images on television of Delhi under siege recalled memories of 9/11, it was as if a light bulb came on in the minds of policy-makers.

It was understood with absolute clarity - perhaps for the first time - that the U.S., India, and other democracies around the world faced a common enemy in the form of global terror. This recognition catalyzed the transformation of U.S.-India relations.

Such a convergence was already underway in the private sector as a result of India's blossoming economic reforms. Both the 9/11 and 12/13 attacks provided policy establishments in Washington and New Delhi the impetus to catch-up and match the strides being made by the U.S. and Indian private sectors.

Cooperation between the U.S. and Indian armed services was the first beneficiary of this more committed bilateral engagement. As American forces began to mobilize for attacks against the Taliban in Afghanistan, the U.S. Navy was spread precariously thin as it shipped material into the region through the infamous Straits of Malacca. The Indian Navy was called upon to escort a vulnerable U.S. Naval Fleet through the Straits, cementing an evolution towards greater military-to-military cooperation.

U.S. respect for India was broadcast to the Indian public through media coverage of high profile visits of Indian leaders, demonstrating that the Bush Administration truly valued India as an equal partner.

In 2001, not long after 9/11, India's Prime Minister, the Honorable Atal Bihari Vajpayee, had come to Washington for consultations with the then National Security Advisor, Condoleezza Rice. During these meetings at the White House, the President "dropped in" to greet the Prime Minister and to thank India for her support during the darkest days following the 9/11 debacle.

A second incident demonstrating America's respect for India occurred shortly thereafter, when India's Deputy Prime Minister paid a visit to Washington. Mr. Advani was staying at Washington's famous Willard Hotel and, out of courtesy, the then Secretary of Defense, Donald Rumsfeld, paid a visit to the Deputy Prime Minister at his hotel suite - on a Sunday! These gestures of hospitality and respect were not missed by the Indian people, and were appreciated as official recognition of India's emergence as a major power. It was clear that the United States sought to amend foreign policy detours of the Cold War past and deepen the strategic partnership between the U.S. and India.

The tragedy surrounding the Indian Ocean Tsunami of December 2004 propelled both sides together ever further. More than 15,000 Indian civilians were lost to sea on December 26, 2004, but that did not stop a well-trained Indian Navy from mounting immediate relief efforts for her own people, as well as for the people of The Maldives, Sri Lanka and Sumatra - in lock-step coordination with U.S. Naval forces. This coordinated relief effort proved to be a real-time rationale for greater inter-operability of our

respective militaries - especially in matters of common cause, including relief and rescue operations.

In these examples, which tracked an equally impressive commercial and trade relationship, there was a compelling argument in favor of a deeper strategic partnership between the world's largest free-market democracies.

## THE HONORABLE PRIME MINISTER COMES TO WASHINGTON

The early summer morning of July 18, 2005 was hot and sultry. Invited guests to the outdoors welcoming ceremony were asked to arrive at the East Gate of the White House no later than 8:00 am. By then, the long lines of Indian Americans and friends of India had lined up six abreast, and perspiration could be seen soaking through blazers and suits of the well-wishers.

Inside the White House grounds, with the lawns still wet from morning dew, excitement was brimming. Troops in their finest regalia - the Army Band, a Fife Band - all stood at Parade Rest anticipating the arrival of the Indian Prime Minister. Red, white and blue flags adorned the White House. The Indian Tricolors were draped at all appropriate locations. As the sun rose and intensified, the excited crowd of thousands - every one a friend of India - huddled under the shade trees on the South Lawn - all eyes on the Portico of the White House anticipating the Prime Minister's arrival. Then, as cannons sounded in the distance, the fifes and drums began to play as a limousine could be seen entering the grounds. The President and Mrs. Bush descended from the Portico to greet the arriving guests. As the car door opened the crowd stood respectfully silent as the President of the United States honored the arrival of the Indian Prime Minister, Dr. Manmohan Singh, and his wife, Mrs. Kaur.

At that instant one could feel the sense of excitement climax to one of national pride - for both sides, both nations. Every American could be proud of the dignity of the moment, and every American of Indian origin could appreciate that we were witnessing history in the making.

The ceremony was extraordinary. Images of a bright sun, electric-green lawns, a shimmering White House, the stars and stripes, the tri-colors, National Anthems of both countries being played, marching bands, the report of cannon fire, a 13 gun military salute, a fly-over of jets in precise formation: the formal welcoming ceremony could not have been more stunning.

As we watched the leaders of the world's oldest democracy welcome the leader of the world's largest democracy, there was not a dry eye amongst us, so moved were we all.

## ON THE CUSP OF HISTORY

For two hundred of the lucky few who were invited to a luncheon that same day at the State Department, as we were introduced by Secretary Rice to the Honorable Prime Minister and Mrs. Kaur, we could not have predicted what was underway between the security establishments of both our countries at that very moment.

At my table was a trusted acquaintance from the Indian Ministry of External Affairs, who provided a hint of what was in the offing: "Either I will be in total depression by this evening or walking on cloud nine!" The official was referring, of course, to the telephone calls that were going back and forth across the Atlantic between negotiators in Washington and the Indian nuclear establishment about the feasibility of separating India's nuclear energy program from its strategic installations. Within hours, there would be an announcement about U.S.-India civilian nuclear cooperation. By evening, the wires had picked up the breaking news from the White House - while the Indian news services flashed similar headlines, heralding a new era of U.S.-India relations. For India-watchers, the news meant the end of a nuclear technology denial regime that had been imposed on India since 1974. In Washington, policy-makers and Capitol Hill were caught totally by surprise.

The U.S. President and his inner circle had secretly negotiated the end of India's nuclear isolation. Elected officials in both Houses of Congress, recognizing that such a change in policy would also require legislative amendment of the Atomic Energy Act, were outraged. Politicians from both sides of the aisle initially renounced the deal for lack of legislative consultation.

The August recess of the 109th U.S. Congress allowed tempers to cool, and for State Department briefings to begin in earnest.

## SEEDS OF DEBATE

India's responsible management of its domestic nuclear program, where there has never been an instance of outward - horizontal - proliferation, warranted an exception to be made in the Atomic Energy Act, so argued the Administration.

Moreover, the U.S. was not acting impulsively or unilaterally. Russia was already cooperating with India's civilian nuclear program, and France was waiting in the wings. Beyond this, final approval of civilian nuclear cooperation with India required clearance by the IAEA as well as the Nuclear Suppliers Group.

With 3500 MW of nuclear power plants operating, as well as proven strategic nuclear capability, it was akin to putting

one's head in the sand to pretend that the world was better off by not inviting India into the international nuclear non-proliferation mainstream.

For its part, India was prepared to separate its civilian nuclear facilities from its strategic facilities and open the civilian facilities to perpetual international inspection. Furthermore, India agreed to join other nations' efforts to secure a Fissile Cut-off Treaty. Finally, India agreed unilaterally to desist from additional nuclear testing.

For U.S. Industry - surprised as we were by this announcement as was the U.S. Congress, our role in this debate was not yet clear - but it was emerging.

## THE U.S. - INDIA BUSINESS COUNCIL

One month prior to the visit of the Indian Prime Minister to Washington, the U.S.-India Business Council (USIBC) celebrated its 30th year of promoting U.S.-India relations, feting on this occasion Dr. Henry Kissinger.

The brainchild of Dr. Henry Kissinger, USIBC was formed at the lowest point in U.S.-India relations in 1975 - following India's first nuclear test. The then Secretary of State Kissinger recognized that if the private sectors of both countries did not engage to strengthen business links and nurture entrepreneurial ties, the U.S.-India relationship would never achieve full potential.

When Dr. Kissinger returned from this frosty trip to New Delhi in late 1974 he requested the U.S. Chamber of Commerce to form a joint business council with its counterpart organization in India.

Accordingly, in June 1975, the U.S.-India Business Council was formed - under the aegis of the U.S. Chamber of Commerce.

Uniquely, the organization's charter spelled out that the U.S.-India Business Council would remain autonomous in matters of policy (such that it could be responsive to its members).

Today the organization is thriving - headquartered at the U.S. Chamber of Commerce, with offices in New York, San Francisco and New Delhi. Its membership is comprised of the top 250 U.S. companies, joined by India's global multinationals. The Council's mandate is to deepen two-way trade and strengthen U.S.-India commercial ties.

## MISSION TO INDIA - AUGUST 2005

Following the Prime Minister's July 2005 visit to Washington, USIBC's Executive Committee traveled to New Delhi as guests of the Confederation of Indian Industry. This USIBC "Fact-Finding Mission to India" crystallized USIBC's stance with respect to advocacy of the U.S.-India civilian nuclear cooperation initiative.

The USIBC Executive Committee includes the current chairman of the Board of Directors of the U.S.-India Business Council, together with immediate past chairmen. Charles "Chip" Kaye, Co-President of Warburg Pincus and USIBC's current chairman, led the effort, accompanied by Rajat Kumar Gupta, McKinsey's Managing Partner Worldwide, and AIG's Vice Chairman, Frank Wisner, who served as U.S. Ambassador to India from 1993-1997. As USIBC's President, it was my privilege to support the Mission.

None of these individuals or companies has anything to do with nuclear reactor sales or uranium enrichment, but what we learned during this USIBC "Fact-Finding Mission to India" less than a month after the July 2005 announcement of U.S.-India civilian nuclear cooperation was illuminating - and inspired USIBC leadership to back the nuclear deal.

Meetings with the Prime Minister and the Deputy Chairman of the Planning Commission revealed that the civilian nuclear cooperation initiative was much more than potential civilian nuclear reactor sales. There was that to be sure - as much as US\$ 60 billion worth in potential business opportunity over the next 30 years - but there was much more.

In these meetings with India's leadership team it was evident that for India the civilian nuclear cooperation initiative was focused on India's need for energy security. Beyond that, the deal represented a tectonic shift in U.S.-India strategic relations. This shift was consistent with the convergence underway between the U.S. and Indian economies.

## THE ECONOMIC CASE FOR STRATEGIC PARTNERSHIP WITH INDIA

The Hon'ble Prime Minister of India, Dr. Manmohan Singh, is the father of India's economic reforms. In 1991, when India was on the brink of insolvency, then-Prime Minister Narasimha Rao put his economic team to work - headed by then-Finance Minister, Dr. Manmohan Singh.

Dr. Singh is a reluctant politician - an academic and economist by profession. With support from Cabinet colleagues, namely P Chidambaram, the former Commerce Minister and Harvard MBA, Kamal Nath, the former Environment Minister, and Montek Singh Ahluwalia, the erstwhile Finance Secretary, Dr. Singh as Finance Minister

kick-started a bold reform process in 1991 that would change India's economic destiny.

Insurance was opened, which is helping create debt markets for the country's much-needed infrastructure development. The Electricity Act of 2003 was passed by Parliament to allow for direct electricity sales to credit-worthy buyers in order to provide payment security for the massive investments required for capital-intensive power projects. India's telecom opening is the stuff dreams are made of - with more than 8 million cell phone connections being registered across India each month - making India the fastest growing telecom market in the world.

India's 100% foreign direct investment opening in the oil and gas sector resulted in the largest discovery of natural gas in the world in 2003 - in the Bay of Bengal, and the largest oil discovery world-wide in 2004 in Rajasthan.

India's real estate opening in 2005 has attracted US\$10 billion of foreign direct investment in just two years - creating a construction boom with more than 600 malls under development, spurring India's steel and cement industry.

The U.S. and India have negotiated in recent years the most progressive Open Skies Agreement between any two countries in 30 years. The result: India's civilian airlines industry is growing at 40% per year. Last November, India's national airline announced the single-largest purchase order ever received by Boeing - US\$11 billion worth.

India's Parliament passed sweeping intellectual property rights protection, attracting companies like Merck to re-enter India after an 18 year absence.

India's massive retail market was opened to single brand players.

Wal-Mart and Bharti have recently announced a tie-up that promises to transform India's agricultural marketplace and supply chain infrastructure.

Finally, India's Ministry of Defense is opening to the domestic private sector, and is about to embark on a buying spree equivalent to US\$30 billion in new procurement over the next five years.

All told, Dr. Singh's call for economic liberalization enjoys consensus support across the country, and has delivered 8% growth rates for four years running. The economic reforms have attracted more than US\$75 billion into sectors where investment is needed most, while stimulating two-way Indo-U.S. trade to record levels: US\$32 billion and rising at better than 20% each year.

Impressively, the very crisis that spurred the economic reforms process originally - India's lack of foreign exchange

- has been righted to the point that now India is flush with foreign exchange to the tune of US\$175 billion.

Indian companies are now scouring the world markets picking up acquisitions. Tata's recent purchase of the former British Steel - Corus - for US\$12 billion is sweet irony - and is just one example of a new confidence that has inspired the dynamic Indian private sector.

Dr. Kissinger, President Clinton, Ambassador Bob Blackwill, Carnegie's Ashley Tellis, President Bush and Prime Minister Singh were the visionary architects who could see the bold future ahead - if only the strategic partnership between the two countries were grounded on a partnership based on trust and mutual respect.

These architects could see what others could not. They could see that the Information Technology boom in India is more about value addition than back office services, and that companies like IBM and Cognizant and Oracle have tens of thousands of employees in India for this reason.

They could appreciate that manufacturers like Ford and General Motors were producing 60,000 autos each year to serve a growing Indian market, without adversely affecting jobs at home.

They could see that blue chip companies like PepsiCo and The Coca Cola Company could grow billion dollar businesses in India that would transform the supply chain and deliver wealth and opportunity to Indian agriculture. Could they have predicted that India's space program would become the fifth largest in the world - and that NASA and the India Space Research Organization will next year launch a Mission to the Moon - not from Cape Kennedy but from Tamil Nadu aboard Indian-made technology?

Could they have foreseen that India's pharmaceutical industry would become the 4th largest world-wide, exceeding US\$12 billion in sales, attracting every major U.S. and Indian company to access India's vast talent pool, so innovations and discoveries can occur around the clock - 24/7?

Ambassador Wisner remarked to the USIBC Executive Committee after our meeting with the Prime Minister in August 2005 that the nuclear deal represents for India the removal of the cinder from the eye of the U.S.-India relationship, which, unbound, will enjoy virtually limitless potential.

For all these reasons and more, USIBC's Executive Committee took the decision to support the U.S.-India civilian nuclear cooperation initiative.

## ENLISTING SUPPORT FROM THE U.S. CHAMBER OF COMMERCE

The case had already been made by USIBC for the U.S. Chamber of Commerce to dedicate significant resources to support its "India Rising" campaign.

The U.S. Chamber of Commerce, founded in 1933, and comprised in membership of more than 3 million affiliates and companies, is no stranger to advocating on behalf of business in the promotion of free enterprise in the U.S. and for market access around the globe.

USIBC, as part of the U.S. Chamber of Commerce, had persuasively made the case that India and the United States are logical economic, ideological and strategic partners for the 21st Century.

What distinguishes India from its rivals is that it is a pluralistic, secular democracy. Home to 1/5th the world's population at 1.2 billion individuals (set to surpass China in population in the next five years) and home to the second largest Muslim population after Indonesia, India is emerging as a model of free-market democracy in action.

To an unprecedented degree, the U.S. and India are now aligned on regional issues of mutual geopolitical importance. India's vote in Vienna with the U.S. to refer Iran to the United Nation's Security Council is just one example of the convergence of interests and principles of the two democracies.

As the strategic partnership between the United States and India blossoms, the Indo-U.S. commercial relationship would improve, also.

It was argued that while there are many steps still needed to open markets and establish a sound business environment, India's competitive advantages are apparent. The rule of law is alive and well in India, underpinned by English common law and an open and vibrant press. An English speaking, talented workforce is ready and eager to go to work. India produces the largest number of professionals in the world - after the U.S. - in the important fields of medical research and engineering. India is host to the second largest military in the world, creating major opportunities for U.S. companies.

Yet more than any other reason, India is destined to rise because of the startling fact that 54% of India's 1.2 billion population is under the age of 25. India's 600 million youth have no recollection of past difficulties between their country and ours. For the most part, they embrace free-market entrepreneurial values and represent a consumer class and workforce of tremendous vitality and potential.

The case was laid out that as the strategic partnership

between the U.S. and India deepens, so too will the commercial opportunities for American and Indian companies.

## THE COALITION FOR PARTNERSHIP WITH INDIA

USIBC's Executive Committee proposed to the U.S. Chamber of Commerce shortly after its return from India that it should organize and lead a Coalition for Partnership with India (CPI). The objective of CPI would be to assemble under one umbrella all interested parties - American businesses, academic institutions, associations, think-tanks, and like-minded individuals - supporting a deeper strategic partnership between the U.S. and India. The goal was to secure U.S. Congressional approval enabling the sharing of civilian nuclear technology with India. It was proposed that the Coalition meet regularly, with funding derived and solicited from interested USIBC member-companies

USIBC further recommended that CPI hire professional lobbying support (ultimately, USIBC hired the firm of Patton Boggs LLP) to assist in getting correct messages across to key members of Congress. As vocal opposition to the U.S.-India civilian nuclear initiative was instant - it was clear professional lobbying support would be needed to ensure constant and proper messaging on Capitol Hill.

USIBC hired staff to support the Coalition for Partnership with India, which immediately went into action by forming a CPI Core Committee. The Core Committee reviewed and approved message development, identified appropriate "industry" and "expert" individuals who would be made available to the media, and formed an Advocacy Team that included Industry as well as prominent members of the Indian American community.

With an issue as controversial as nuclear cooperation, the CPI Core Committee had to address one key question that would surely be asked by all members of Congress: Why support civilian nuclear cooperation with India?

The following message emerged:

Civilian nuclear cooperation will prove a win for our strategic relations, a win for energy security and the environment, and a win for non-proliferation.

On the Strategic Benefits, civilian nuclear cooperation represents a landmark alignment of two great democracies for the 21st Century.

India did not welcome another nuclear weapons state in its neighborhood and would maintain its support of the IAEA on this issue. India would be further encouraged to join President Bush's Proliferation Security Initiative.

On the economic benefits, energy security and the environment, sharing of civilian nuclear technology will offer impressive opportunities for U.S. industry. As India seeks to add 30,000 MW of nuclear power to its existing nuclear capacity of 3500 MW, a direct economic benefit of as much as US\$100 billion could become available - where U.S. companies could compete for contracts on a level playing field.

China, Canada, France, Australia, Japan and Russia would engage India in civilian nuclear trade if the U.S. chose not to do so.

On environment, an increased reliance on nuclear power, as opposed to coal or oil, would reduce India's greenhouse gas emissions.

The opening of nuclear trade with India would spur India's adoption of international best practices regarding safety, maintenance and waste disposal.

On non proliferation, the pact would bring India into the nuclear non-proliferation mainstream. India will separate its civilian and military facilities to ensure that the transfer does not aid nuclear military objectives.

India will commit its civilian facilities to safeguards. Civilian nuclear cooperation does not disturb any provision of the NPT.

India has pledged to continue its moratorium on nuclear weapons testing.

India will adopt strong and effective export controls which adhere to the NSG and Missile Technology Control Regime and become a party to the Convention on the Physical Protection of Nuclear Material.

India will participate in negotiating a multilateral Fissile Materials Cut-off Treaty.

India will continue to uphold its vigilance in not transferring enrichment and reprocessing technologies to states that do not have them.

India's record on non-proliferation has been virtually impeccable.

India is ready to accept the identical NPT nonproliferation responsibilities of the United States and other acknowledged nuclear weapons states.

The civilian nuclear cooperation initiative has been welcomed and supported by the UK, France, Russia, Japan, and by the Director General of the IAEA.

In October 2005, the Coalition for Partnership with India held its first meeting with the full backing and support of the

U.S. Chamber of Commerce. General Dan Christman, Senior Vice President of the Chamber's International Division, agreed to serve as the Coalition's Chair.

Since inception, the Coalition for Partnership with India has been developing and refining its talking points (See [strategicpartnership.org](http://strategicpartnership.org)), interacting with the media, and implementing an aggressive advocacy plan on Capitol Hill and amongst constituent groups in Washington and across the country.

Most importantly, the CPI has sought from the very outset to enlist into its ranks the 2 million-strong Indian American community. Arguably, this is the first time Americans of Indian origin have rallied in such numbers and with such emotive force in support of any singular issue affecting U.S.-India relations.

## **RALLYING SUPPORT: POLICY EXPERTS, INDIAN AMERICANS & CEOs**

No issue attracts controversy in Washington like the N-word. It was essential for the CPI to enlist the support of known policy experts to "come out" vocally in support of U.S.-India civilian nuclear cooperation. Former National Security Advisors, Secretaries of State, Defense Secretaries, Policy Experts, and former Ambassadors were rallied to the cause.

To their credit, several prominent individuals entered the fray in support of U.S.-India civilian nuclear cooperation from the very outset. These included former Defense Secretary William S. Cohen, former Defense Secretary Frank Carlucci, former National Security Advisors Robert McFarlane and John Poindexter, who all stepped forward. Secretary Cohen authored several Op Ed pieces for prominent newspapers, including the Washington Post, the International Herald Tribune and the Wall Street Journal.

In addition, a slough of Policy Experts signed on to an Open Letter to Congress, including Selig Harrison, Walter Anderson, Gary Bertsch, Daniel Blumenthal, Marshal Bouton, Ambassador Richard Celeste, Ambassador William Clark, Stephen Cohen, Thomas Donnelly, Ainslee Embree, Harold Gould, Leonard Gordon, Frederic Grare, Robert Hathaway, Walter Hauser, Ambassador Karl Inderfurth, Robert Kagan, Ambassador Dennis Kux, Edward Luttwak, MC Marriott, Ambassador Thomas Pickering, Ambassador John Ritch, Lloyd Rudolph, Susanne Rudolph, Ambassador Howard Schaffer, Ambassador Tezi Schaffer, and Ambassador Frank G. Wisner.

Former National Security Advisor Sandy Berger and former Secretary of State Madeline Albright, who served in the Clinton Administration, provided additional support.

With endorsements coming from loyalists associated with both political parties, the appeal in support of the initiative began to achieve bipartisan traction on Capitol Hill.

Although there are two million Americans of Indian origin in the United States, never before had an issue arisen that would rally this politically integrated but diverse community. For Indian Americans everywhere, this single issue - civilian nuclear cooperation - represented the chance to fulfill a promise of logical partnership between the United States and India that for decades had too long foundered. This chance - civilian nuclear cooperation - became emblematic of a powerfully emotive aspiration of the Indian Diaspora that believed it was time for the United States and India to consummate a partnership based on trust and mutual respect. Indian Americans from every corner of America rose up in support.

The Indian American Friendship Council was formed to garner support of Indian Americans across the United States. Whether harnessing the voices of physicians of Indian origin, or the powerful hotel owners' lobby, the Indian American Friendship Council served as the front of Indian American support. Mr. Swadesh Chatterjee, a self-made entrepreneur from North Carolina, worked tirelessly and spent substantial resources from his own pocket to ensure solidarity.

Indeed, what distinguishes the Coalition for Partnership with India is the coming of age of a potent new lobby - Industry joined by the Indian American community.

CEOs from America's best known companies joined in the campaign, enlisted by USIBC. A ready-made group known as the CEO Forum - ten U.S. CEOs, who were a part of the 20-person U.S.-India Economic Dialogue, were the first to issue a Letter to the President supporting the U.S.-India civilian cooperation initiative.

Under the auspices of the Coalition for Partnership with India, policy experts, prominent Indian Americans, and U.S. corporate executives lent their weight to a growing chorus supporting civilian nuclear cooperation between the United States and India.

## ADDRESSING NUCLEAR PROLIFERATION

The U.S. and Indian Governments still had much to accomplish on the initiative before CPI could aggressively approach Capitol Hill. There was still the matter of India agreeing to separate its military from civilian energy facilities to address Administration concerns about nuclear proliferation.

Negotiations between the two governments on this front proved to be a challenge - for purely practical reasons. As India had developed its own strategic and energy nuclear

programs over the decades - with no need to segregate facilities - separating them proved to be not easy.

In the end, it took the U.S. President's trip to India on March 2, 2006, to break the impasse. India agreed that 14 of its 22 reactors would be subject to International safeguards, as well as all future civil facilities.

With the issue of non-proliferation satisfactorily addressed by the U.S. government, Industry and the CPI launched its advocacy campaign on Capitol Hill and in the media in earnest.

## AMENDMENT OF THE ATOMIC ENERGY ACT OF 1954

Debate on Capitol Hill is on record and some of the champions like Senator Joe Biden and Senator Lugar, Congressman Tom Lantos and Congressman Hyde, after which the nuclear bill is named, will be remembered for their eloquent contribution to posterity.

Those close to the vote recall the enemies of the bill, which mainly was lack of time. Practically, the 109th Congress had a very crammed schedule that would barely allow for debate of an issue of such national and international significance. As the clock ran out, beckoning the October 2006 recess, hopes were substantially dimmed that this bill could achieve passage in the 109th Congress.

The second enemy included two "killer" amendments, which were under consideration. One restricted India's sovereign right to engage with Iran. Another outlawed reprocessing of spent fuel. These were concerning - as adoption of any of these amendments would sink the bill.

In the end, the final vote of 359-68 in the House and 85-12 in the Senate in favor of civilian nuclear cooperation between the U.S. and India, amending the U.S. Atomic Energy Act for the first time in its 52 year history, making an exception for India, betrays the urgency and perilously close call the bill almost suffered. This happy outcome reflecting overwhelming bipartisan support occurred in the final hour of the final day of the 109th Congress at three in the morning on December 9, 2006 by a voice vote - forever changing history.

## 123 AGREEMENT AND NEXT STEPS

Assurances were always conveyed by Indian colleagues that successful conclusion of the 123 Agreement (referring to Section 123 of the Atomic Energy Act) would be relatively easy. Yet, this, too, came perilously close to unraveling.

Indian negotiators insisted on the right to reprocess spent fuel - a demand wholly within the bounds of the Hyde Act, which, they argued, was consistent with the understandings conveyed by both governments from the very outset - on July 18, 2005.

Final text of the 123 Agreement reveals how carefully the several outstanding issues were addressed. American negotiators stayed within the bounds of the Henry Hyde Act, and Indian negotiators achieved what they believe had been promised - full-scale civilian nuclear cooperation. India's domestic political review of the 123 Agreement is still underway, and U.S. Congressional review and hopeful approval must follow.

Even if India's endorsement of the 123 Agreement occurs, the IAEA still must conclude a mutually acceptable safeguards agreement, and the Nuclear Suppliers Group must reach consensus on nuclear trade with India. These major steps must be completed before the 123 Agreement can be presented to the 110th U.S. Congress for "up or down" consideration.

Time will again be a factor - especially as the U.S. prepares for Presidential Elections. The concern is that the 123 Agreement will become wrapped-up in U.S. Presidential politics - underscoring that time is of the essence.

Further, even if U.S. Congressional Passage occurs, assuming a successful IAEA safeguards outcome and India's induction into the NSG, there is still the matter of India's adoption of the Convention of Supplementary Compensation to address liability concerns of U.S. and other private sector companies who wish to trade with India in nuclear technology.

Adoption of such a Convention will require passage not only by India's Parliament, but also by the U.S. House of Representatives - as this piece of the legislation is still pending.

## INDIA'S ENERGY SECURITY IMPERATIVE

India consumes on a per capita basis less than 600 kwh per person per year, as compared to U.S. or European electricity consumption, which hovers above 12,000 kwh per year: 600 vs. 12,000.

India imports 75% of its hydrocarbons, and suffers electricity capacity shortages such that rolling brown-outs and black-outs are a daily occurrence outside metro centers. Hydroelectric development in India provides for approximately 40% of India's electricity - and, although there is enormous hydro potential, India's density of population and its open and free judicial system render major hydro development impractical. As an example, the Narmada Dam Project has suffered more than 15 years of public interest litigation - causing the World Bank to reconsider the funding of future large-scale projects.

Gas discoveries in Myanmar by India's GAIL and Oil & Natural Gas Corporation remain stranded due to neighboring Bangladesh's unwillingness to provide for a gas pipeline to transit from Myanmar into India.

The offshore gas discovery by Reliance in the Bay of Bengal is essentially already spoken for. Similarly, the Cairn Oil discovery at Mangla in Rajasthan will be exhausted shortly after an oil refinery is completed.

Simply put, India's appetite for energy is enormous - leaving India three remaining resources to provide for its energy security - pipeline gas from Iran via Pakistan, domestic coal, and nuclear power.

Iranian pipeline gas comes with a heavy price in this complex geopolitical environment. Transit fees being proposed by Pakistan, for example, to enable the Iranian pipeline to pass through Pakistan to India, are being touted at three times the world average. Political risk for a project of this magnitude (2700 kms, two border crossings, three governments) renders the project unfinanceable. Moreover, the price of delivered Iranian pipeline gas to India - under its present configuration - translates into an even higher price than LNG - which is politically and practically not sustainable. Such pipelines in any case require a gestation period of at least a dozen or more years.

All the while, India's economy is soaring - needing energy.

That leaves coal and nuclear power.

India is blessed by over 200 years of domestic coal reserves - although coal is located primarily in India's eastern region far from the population. As rail lines are already at over-capacity - moving more people per year than any public transit system on earth - pit head projects are feasible but require long gestation, not to mention the toll on the environment.

As India requires 100,000 MW of new generation capacity over the next five years - to augment its 132,000 MW of installed capacity developed since 1947 - so that India can sustain its near-double digit growth rate, it is clear that India must also build up its indigenous nuclear energy capability. India's current population is 1.2 billion. Fifty four per cent of this population is less than 25 years of age. Thirty-six per cent are less than the age of 15. More than 300 million individuals have entered India's middle class. These numbers will grow - and with them India's need for clean, reliable, and environmentally-safe energy.

Nuclear power for India is an essential part of its energy solution. As countries from around the world engage in civilian nuclear trade with India, not only will India be able to achieve its potential as the world's largest free-market democracy, but she will provide a talented and capable workforce to help other countries develop their nuclear programs, as well.

At 1/5th the world's population, soon to surpass China, India's is vital to our interests - in business, as an exemplar of democracy, in achieving energy security, and in protecting the global environment.

USIBC is privileged to have contributed towards the strategic alignment of two great democracies for the 21st Century, and we look forward to working with colleagues of the World Nuclear Association in advancing U.S.-India commercial relations.