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Indo-USA Civil Nuclear Deal: Implications for India's Foreign Policy

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Abstract

The U.S. Congress on October 1, 2008, gave final approval to an agreement facilitating nuclear cooperation between the United States and India. The deal is seen as a watershed in U.S.-India relations and introduces a new aspect to international non proliferation efforts. First introduced in the joint statement released by President Bush and Indian Prime Minister Manmohan Singh on July 18, 2005, the deal lifts a three-decade U.S. moratorium on nuclear trade with India. It provides U.S. assistance to India's civilian nuclear energy program, and expands U.S.-India cooperation in energy and satellite technology. But critics in the United States say the deal fundamentally reverses half a century of U.S. non proliferation efforts, undermines attempts to prevent states like Iran and North Korea from acquiring nuclear weapons, and potentially contributes to a nuclear arms race in Asia. This Paper examine the civil deal implications on India's Foreign Policy.

Keywords: civil deal, 123 agreement , hyde act, IAEA, NSG.

Introduction

Economic development is the core objective of any country's foreign policy after territorial security. India is the world's sixth largest consumer of energy and by 2025 India's energy needs are expected to double. To reach its economic potential, India must diversify its energy sources. Expanding, its civilian nuclear power capacity, assisted by the nuclear technology and fuel the civil nuclear deal will provide, it one way to accomplish that. With the end of Cold War there was major change in political, economic and strategic policies of both India and US. It, on the one hand, made US sole superpower and, on the other hand, India was freed from the Cold War compulsions. The initiation of New Economic Policy (in 1991) by India opened up doors for the multinational and transnational corporation. It was beneficial for US companies as India provided a huge consumer market. India in order to pace up its economic growth needed US technology and expertise, for that Indian policy makers looked towards US. The end of Cold War led to disintegration of USSR and its successor Russia itself started looking towards USA, which prompted India to engage with west in general and US in particular. US too showed interests in cultivating good political relations with India. The warmth of the initiation of closer relations between two major democracies of the world got a setback following India's Pokhran test in 1998. It was followed by imposition of economic and trade sanctions on India by US and its allies. However, President Clinton's visit to India started a new chapter in their relations. After it, the Bush administration started cultivating its relations with India more actively. At home, NDA government too started engaging with US politically, economically and strategically. It led to a new era of Indo-US bilateral relationships based on common opinions and mutual interests. India's support to US war on terror brought the two countries more closer. Such developments made the two

countries to initiate Next Steps in Strategic Partnership (NSSP) which included political, economic, educational, science and technology, and strategic components. One of the major defining factors in their bilateral relations happens to be the Indo-US civil nuclear cooperation agreement.

There was a major transformation in Indo-US ties following the 9/11 attacks as America adopted new diplomatic and military policies. The new national security strategy documents approved by President Bush mentions India as a growing world power and with which US have common strategic interests. Through a strong partnership with India, US wished to address differences and shape a dynamic future. It was followed by the initiation of Next Step in Strategic Partnership (NSSP) in which India had kept nuclear engagement at priority. Since the declaration of nuclear agreement in July 2005, the Indo-US nuclear cooperation had remained a debated issue. It brought reactions from different countries and had impact on political, economic and strategic interest of the two countries. These are discussed in this chapter to have assessment of political, economic and strategic impact of the deal in details.

Political Implications for India

The political engagement between world's oldest and largest democracy of the United States and India had remained zig-zag since India's independence. The zig-zag nature of their relations was attributable to differences of opinion on a host of matters. It was however, Anwns since India's independence in 1947. During much of 1950s ny 1960s, and India received a third of its import from US. Thereafter, in he last four decades, the economic relations between the India and the US remained at low ebb. The 'strategic partnership' pursued by Washington and New Delhi since 2004 involved numerous shared values and improving economic and trade relations. It is so because US Companies looked towards India as a lucrative and a potential candidate for the foreign investment. On its part India wanted to continue with its economic reforms of 1991. At this time many economist and journalists saw India as an emerging economic power. The National Intelligence Council, in a report in 2005, noted that India and China are to emerge as global power by 2020 and would have a similar impact as US had in early 20th century. For India in order to catch up with China as a competitor there was urgent need to build its infrastructure and manufacturing base. In order to make it a reality, US and Europe were only sources for India.

India being an energy deficient country had to look for energy alternatives to move on to the path of economic growth. Herein, nuclear energy would have been a option as being poor in fossil fuel reserves. Let us now look at the economic implications of the deal. India is already a significant power; its economy is the world's sixth largest, with a Gross Domestic Product (GDP) of over \$ 3 trillion. Its economy is growing at about 8 percent annually. This growth is good for other states, a prosperous, productive India offers an enormous market, and will provide goods and services to international consumers at competitive price. A by-product of this expansion has been a dramatic increase in energy consumption. In 2002-2003 India produced 639 terawatt hours of government to withdraw from further t negotiations with the United States asserting the agreement had wo-day international multi-fsceted hegative implications. At a Monday, they requested conference, which concluded in Mumbai on the government to support global abolition of nuclear weapons insteadl of going ahead with the nuclear deal with US, as t will only increase the nuclear arms race and race of Weapons of Mass Destruction (WMD) in the Asian region "Situation of weaponisation and sciated dangers have not changed much from the cold war days", John allam, a veteran anti-nuclear weapon campaigner and Friends of Earth, tralia member said. "The Indo-US nuclear dcal does not take the nrlld forward and the disarmament group feels that it is going in the necative direction", he said. Hamsa El-Hamid of the Afro-Asian People's solidarity organization, Egypt said, "It is important to make the Middle-East free from weapons of Mass Destruction - chemical or nuclear - but the Indo-US deal seems to promote the proliferation and arms race in the region". India's nuclear acquisition occurred over a period of 30 years., India was reluctant proliferators. It chose the path after struggling with the unequal nuclear order that was thrust upon it by the great powers that could not allay India's security concerns arising out of China's nuclear acquisition and China-Pakistan nuclear collaboration. India is essentially a status quo power, defensive and reactive. It has been at times critical of the international nuclear order, but has restrained Itsclf from spreading the weapons or materials to other states. Its nuclear doctrine is based on no first use and it has kept the components of nuclear Weapons separated - ensuring that the weapons are not fired haphazardly.

Unfortunately, Pakistan has a first use doctrine and has assigned nuclear Weapons a number of roles six to be precise that include use if there is an For long US-India nuclear estrangement had not only impinged on their bilateral relations but also kept India outside the nuclear non proliferation regime. On this account to some

scholars considered nuclear rapprochement between US and India as a positive development. It was called as a 'radical initiative' by Paul, as felt there were 'no signs offending' of the nuclear estrangement between India and the US, While Ashok Kapur argued that the agreement was significant step in levelling the playing field between 'nuclear haves' and 'have-nots' in sphere of nuclear negotiations. In July 2005, President Bush had recognized India as a responsible state with advanced nuclear technology, and pressed that India should acquire the same benefits and advantages as other such states,

In 2006, Prime Minister Manmohan Singh declared about the agreement in civil nuclear energy cooperation. It is an agreement between two states possessing advanced nuclear technologies, both parties having the same benefits and advantages. The significance of the agreement lies in the fact that when brought into effect, it will open the way for full civil nuclear energy cooperation between India and the United States. India negotiated this agreement as an equal partner, precisely because of the achievements of its scientists and technologists in overcoming the barriers placed around it in the past. This is an agreement based on the principle of mutual benefits.

Pessimists emphasized that India-US nuclear pact also have negative implications for the global nuclear order. They feared that this development would aggravate proliferation among nuclear threshold and problem states, thus creating a 'domino effect'. The US, being the norm entrepreneur, made nuclear technological cooperation conditional on the significant and lasting psychological and symbolic effects in addition to the material ones, and that Indian leaders require such a gesture in order to feel confident in the United States as a reliable partner on the world stage."

The Indo-US nuclear deal caused a great political turmoil in India. This was an issue, which triggered off an intense and widespread debate in the country. Actually, it started in August 2007 when the text of the bilateral Indo-US pact, called 123 agreement, was made public simultaneously in both the countries. In India, while the analysts in government quarters were, on the whole, satisfied with the provisions of the agreement, the left parties, despite being allies in the ruling coalition, categorically rejected it and threatened to dissociate themselves from the government if it proceeded further. Even earlier particularly after July 2005, when both the governments formally agreed to proceed further towards the nuclear cooperation between the two countries, these parties had been constantly showing their displeasure. Later, the main opposition party Bharatiya Janta Party (BJP) also joined them. Both these political groups have their own concerns and reservations about the nuclear deal." One of the issues raised by the left parties in their statement on August 7 pertains to the restrictions on nuclear-related dual-use items as well. Transfer of nuclear dual-use items globally are controlled by Guidelines II of the NSG

The Left parties steered clear of all this confusion and struck to their position that the nuclear deal was not tenable, politically or in technical and scientific terms. While rejecting the United Progressive Alliance (UPA) government's proposals on taking the India- Specific Safeguards Agreement text to the IAEA Board, both Karat and community and ndian advances in ICT, Similarly, the opening of the Indian economy also encouraged Indian civil society to expand its interactions with the United States 18

The deal was a great success for India in terms of its diplomatic negotiations. It earned an important nuclear deal without compromising its stand on non-proliferation and nuclear ambitions. The deal placed in the comity of nations with nuclear-status without being part of non-proliferation treaty. In 2007, R. Nicholas Burns said that, as we Americans consider our future in the world, the rise of a democratic and increasingly powerful India represents a singularly the opportunity to advance our global interests. There is a tremendous, strategic upside to our growing engagement with India. That is why building a close US India partnership is one of the United State's highest priorities for the future. It is a unique opportunity with real promise for the global balance of power. Thus, with announcement of the 2005 nuclear agreement, both countries were varying of their losses and apprehension of the gain of the other. While in India debated issues were civilian and strategic program and in US debates were enmeshed in the hegemonic proliferation discourse.

Economic Implications

The advent of globalization and consequent economic reforms initiated by India at home opened up Indian markets for foreign investors. In this context US with time became one of the largest trade partners of India as more and more US companies and investors started business ties with India. While looking at the economic and trade relations between India and the United States, it has experienced a number of ups and in the post Cold War era, the US started looking towards India as an important trading partner. The changed global scenario in 21"

century brought both countries on one common platform. In 2005, the announcement of the US-India civil nuclear cooperation agreement was an unexpected development. The political ties between two countries got strengthened after the initiation of Indo-US civilian nuclear agreement under Bush administration. On its part, US modified its domestic laws and the international rules on nuclear commerce in favour of India. All this happened during a time when world recognized the urgency of strengthening non-proliferation regime. The focus this time was on the threat of nuclear weapons in new configurations from the North- Korea and Iran. In this context, the primary motivation for US to enter in such a deal was the India's rise as a global power. India's impressive record of non-proliferation and commitment of unilateral moratorium on nuclear testing earned this deal. India, in reciprocity to US's efforts to amend its domestic laws and push the deal in her favour agreed to undertake significant constraints on its own nuclear programme and abide the global non-proliferation rules. There was shift in foreign policy of US and renewed interests in South Asia. Here, India was probably the first choice to build upon relations. It was beneficial as a 'counter weight' to communist China. There was a significant shift in New Delhi's foreign policy as well. There was redefining of India's relations with the major powers, renewed engagement with the US and the West, rediscovering its extended neighborhood and revamping of policy towards its neighbours. There was a fundamental transition in policy-making establishment of India from idealism to pragmatism. The demand for electricity in India undoubtedly is going to increase significantly. The country in long - term strategies need to focus on the entire energy picture of which electricity production is but a small part. In order to do so, need is to replace traditional forms of energy, including biomass such as firewood and cow dung. While looking at the relative costs on production of electricity from coal, nuclear, hydro, and natural gas, following things are clear. Nuclear and hydro options require large upfront investments, and so their relative cost depends greatly on the financing available. While coal plant capital costs typically are more expensive than natural gas, but are significantly less expensive than nuclear. While comparative fuel costs are opposite, with coal being less expensive than natural gas and more expensive than nuclear." But it will not be easy to make an assessment that nuclear plants will cost less, will it be able to sustain economic growth. However, in the context of nuclear energy, the International atomic energy agency sometime back calculated that "at current levels...nuclear power is cheaper than gas and almost as cheap as coal", but one concern is that "new reactors, based on unproven technology, will cost more than expected to build and run". Such were the apprehensions. In the Indo-US joint statement of 18 July 2005, economic engagements between two countries were outlined as follows:

To revitalize the US-India economic dialogue and launch a CEO forum to harness private sector energy and ideas to deepen the bilateral economic relationship. . Support and accelerate economic growth in both countries through greater trade, investment, and technology collaboration.. Promote modernization of India's infrastructure as a pre-requisite for the continued growth of the Indian economy. As India enhances its investment climate, opportunities for investment will increase. Launch a US-India knowledge Initiative on Agriculture focused on promoting teaching, research, service and commercial linkages. " Endorsing the efforts of the US-India Trade Policy Forum to reduce barriers to trade and investment with the goal of doubling bilateral trade in three years.""

The economic connotation of the bill lies in the bilateral economic relations between the two countries on the one hand and future economic opportunity on the other. The interplay of the two economies in terms of trade and commerce has been a strategic factor in the overall improvement in bilateral relations. From a mere US \$ 5.6 billion in 1990, total bilateral trade has gone up by 378 percent to \$ 26.76 billion in 2005, representing nearly 10 percent of India's total trade. In the post liberalization period India has been a favorite hunting ground for US investors. Towards the end of 2004, the US became the largest source for India with respect to FDI approvals, actual inflows and portfolio investment. As of September 2004, total cumulative FDI inflow from the US totaled \$ 4.1 billion, or 10 percent to total FDI inflow to India. In the Same period total cumulative Foreign Institutional Investments (FII) from the US constituted 40 percent of all FII into India. Similarly, in the other Namibia. In the agreement concluded with France in 2008, both countries have decided to develop a multiform civil nuclear cooperation covering a wide range of activities including nuclear power projects, R&D, nuclear safety, education and training.³⁹ It came into force on January 14, 2010. In another deal signed on 5 December 2008, Russia and India agreed upon to collaborate on constructing additional nuclear power plants and to expand and pursue further areas for bilateral cooperation in the field of peaceful uses of nuclear energy. The deal had an advantage over Indo-US

deal as it "ensure transfer of technology and uninterrupted uranium fuel supplies to its nuclear reactors and inked three pacts in the defense sector" Thus, the economic implications of the Indo-US nuclear deal are visible in terms of growing trade and commerce relations between other countries.

Strategic Implications

The strategic implications of the 123 deal can be understood in the backdrop of expanding US-India Strategic relations. In year 2000, US President Bill Clinton paid a visit to South Asia which proved to be a turning point towards improved security relations between the two countries. It was evident from the Joint Statement that pledged to deepen the India-American partnership in tangible ways. President Clinton himself opined that the US had ignored India over the preceding 20 years and indicated that it would end the passive impact caused by nuclear issues in future.

The September 2001 terrorist attacks on twin tower in US provided an opportunity to India to offer United States full cooperation and the use of India's bases for counter terrorism operations, the offer reflected the sea change that has occurred in recent years in the US-India relationship, which for decades was mired in the politics of the cold war and India's friendly relations with the Soviet Union President George W Bush Continued the same policy of incidence of September Clinton administration had initiated. The 11 brought an impetus into this changing relationship, "The two countries together implemented a co-operative framework of relationships based on three dimensions: democracy, economy, and security".

The 123 agreement between India and US is a logical extension of the Next Steps in Strategic Partnership (NSSP) negotiations that had been initiated by National Democratic Government in 2004. The ten year US India Defence framework agreement signed in 2005 followed it. Infact, there is hardly any scope for doubt that the NSSP constituted an important milestone in transforming relations between Washington and New Delhi. Although the strategic partnership between India and US has strengthened since 2004, it was, however, during the Bill Clinton's tenure as President that efforts were initiated."

For few years such an engagement was halted following nuclear tests by India in 1998. The year 1998 will be remembered for the lowest point in Indo-US relations as US imposed sanctions on India following latter's nuclear tests. However, few years later there was a paradigm shift in their relations. The visit of President Bill Clinton in 2000 followed by

President George W Bush brought a U-turn in their relations. The scholars agrees that expansion in relation between India and US is attributable their similar opinions over many things such nuclear non proliferations, world peace, global terror, and experiences on democracy. For President George W Bush India became a focus of the US's expanding foreign policy interest in South Asia. In the 20 Century, many apartheid ehnology erected around India'. For him it was 'acceptance of Iodia' within the broader nuclear non-proliferation regime, though not withinth e NPT. While other analyst viewed this deal as a significant opportunity for India, in order to accelerate atomic energy programme and overcome power deficiency. It brought into focus the viability of nuclear energy within the broader energy security matrix. Another major implication of the 123 agreement is that US under Dch Presidency focUsed its attention on Asia where it lacked strong alliances and presence. To US, it became apparent that a 'strategically stable Asia' can only be achieved if India is given a role on the international level and is made a part of non-proliferation regime. In the strategic context the 123 agreement had military benefits to both the partners. The military gain to the US primarily is that forty percent of world's oil and commerce passes through the Indian Ocean sea-lancs. These are unprotected and have threats from Pirates in the red sea, Malacca strait, Somalian pirates. In this context US benefits immensely with India as a major military power. India's cooperation is significant to keep sea-lanes free. Another major advantage to US is that India could be a counter weight to 'rising china', in this part of world. India is on its ambitious military expansion programmed and here US benefits as a military hardware suppliers. For India, militarily this deal is advantageous for diversification of its sources of military hardware. Although Russia has remained a reliable source for last four to five decades but it needs to be diversified. So, here US are a major supplier.

Negative Implications

At a conference in Mumbai nuclear disarmament activists participating in it urged the -United Progressive Alliance (UPA) region.

India's secular ideology as well as its security assistance would be of let Using furthering its own goal of checking radical Islam in the roigion. Thus, increased security cooperation between India and the US Wasi mportanti nt his area. It was a major gain for US by winning India's confidence and removing constraints on its military and technological developments.

Thus, the deal brought political, economic and strategic advantages for both countries. The deal has given recognition to India's aspirations to become a global political and economic power. It reaffirmed its status of ohle democratic political system and relevance of India in the global dor In economic field the deal to the host of business deals between the NO cOuntries. It led to diversification in their bilateral economic relations and expanded trade and investment flows. After the deal, US have heoome India's largest trading partner in goods and services and India has become one of the fastest groWing recipients of FDI from US. India has now access to hi-tech advanced technology which will pace up its economic growth. It removed the restrictions on trade in dual use technologies as well as nuclear technologies and raw materials. With the signing of deal US agreed to work with India to strengthen the global export control framework and transform bilateral export control regulations and policies to realize the full potential of the bilateral strategic partnership. With this US got an important strategic partner in South Asia and for India to expand its strategic influence US is a major gain. President Obama during his India visit said that Indo-US relations ae no longer emerging, rather they have emerged, and this visible from e growing politico-economic and strategic relations after the Indo-US uclear deal was finalized.

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