

Energy Security Implications of the US-India Nuclear Deal

Written by Jeremy Carl
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On July 22, 2008, India's government led by Prime Minister Manmohan Singh narrowly survived a no-confidence vote, the first such vote in Indian politics in the last decade. Opposition lawmakers waved stacks of Indian currency on the floor during the debate, and charged that Singh's Congress-Party-led coalition government had only carried the day due to bribery of reluctant lawmakers. The entire scene was one of the most turbulent political events in India during the last several years, and the issue dominated India's news media in the days leading up to the vote. What was surprising was the issue that led to the no confidence vote; it was not related to caste, regionalism, farmers, the Hindu-Muslim conflict or any one of the many other popular issues that generally dominate the Indian political debate. Instead, India's government came close to collapse because it had approved a deal with the United States in which the US agreed to share nuclear technology and fuel with India (breaking a longtime international blockade against India by the Nuclear Suppliers Group [NSG]) in exchange for granting the International Atomic Energy Agency (IAEA) limited rights of inspection of India's nuclear facilities. The US-India Nuclear deal created a unique exception to the non-proliferation treaty (NPT) for India. The US then aggressively lobbied its partner nations in the nuclear suppliers group to extend their own NPT exceptions to India.

Currently nuclear power in India makes up just 2% of India's total energy consumption. To understand why India felt a need to risk its governmental survival on what would seem to be a peripheral issue, it is important to understand the broader political context in which Indian energy policy, and in particular nuclear energy policy, operates.

It is also useful to understand the misperceptions that many in the policy community have about the deal. Many analysts, particularly those based in Washington, see the US-India Nuclear deal as a mere fig-leaf for India's desire to acquire additional nuclear fuel and technology for weapons production. While it was certainly true that India wanted the ability to gain increased access to fuel for its nuclear arsenal (though this is formally disallowed under the agreement) it is equally the case that India was desperate for an alternative to its current coal-based fuel system, which is straining mightily under increased domestic energy demand and the continuing struggles of an industrial reform process. The Indian leadership saw a potential increase in nuclear energy as a valuable alternative to coal that would provide stable baseload electricity and also possibly address (at least rhetorically) the climate implications of India's coal build-out. Given the theoretical restriction against repurposing imported fuels and technologies for weapons, one can expect India to proceed very cautiously regarding taking risks with turning "civilian" nuclear fuel and technology to military uses. But in Washington, pundits and researchers tend to be somewhat ignorant of Indian domestic political interests and more carefully attuned to issues surrounding nuclear weapons, causing them to overemphasize the weapons dimension of the agreement. For India, this deal is just as much about energy as it is about weapons.

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India and the United States announced their original understanding that formed the basis of the nuclear deal in 2005, and over time it evolved into the highest priority for a bilateral relationship for both the Bush and Singh administrations. The deal guaranteed India nuclear fuel supplies and technology (which it badly needs to bolster its civilian nuclear capacity) in exchange for India accepting International Atomic Energy Agency (IAEA) safeguards on its nuclear reactors to ensure that civilian nuclear technologies and fuel were not repurposed for military uses. By the time the draft agreement was signed by Manmohan Singh and George Bush in March 2006, Singh described it as “a cornerstone of the new strategic partnership between the two countries.” However, Singh had not counted on the opposition of the Left Front (a collection of leftist parties who were, at the time, supporting his government), led by the Communist Party of India-Marxist (CPI-M).

While the left flank of Singh’s coalition provided much of the heartache, domestic criticism of the agreement began with the BJP—the leading opposition party, though the BJP had initiated similar discussions under the previous Prime Minister (Vajpayee’s) rule. However, the stakes were dramatically escalated with the opposition of CPIM Secretary General Prakash Karat, who implied that the Left Front would withdraw support of the government if the deal were “operationalized”. There were numerous reasons for the Left Front’s opposition to the deal— an inherent dislike and distrust of the US combined with state-level electoral considerations being primary among them.

While the Bush Administration also faced political pressures in regards to the deal (that it was willing to amend the longstanding NPT regime for India’s benefit) says a great deal about the strategic value Bush placed on the US-India relationship. Administration officials saw India as a stable, democratic ally that could be useful in checking China’s hegemonic plans in Asia while providing geographic proximity to key strategic locales in Afghanistan and Pakistan. In addition, US commercial interests saw India as a potentially substantial market for US nuclear technologies. Some greens were brought on board because nuclear power does not create greenhouse gas emissions, which made the deal more palatable to an environmental community that expected India to take on more meaningful post-Kyoto commitments. These greens saw nuclear power as a potentially excellent alternative to the carbon-intensive coal based generation that dominates India’s power sector and looked likely to do so in the future

While it was subject to a good deal of internal scrutiny in the US, The final agreement was ratified overwhelmingly by the US Congress in 2008 despite concerns among many commentators that, in its desire to do a deal, the US had largely caved in to Indian demands. This was the final element needed for the deal as Prime Minister Singh publicly had committed to its implementation shortly after a 2006 MOU was signed (approval of which did not require a parliamentary vote).

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While the debate played out prominently in the US and (especially) Indian media, Prime Minister Singh soon realized that the deal had taken on even broader dimensions than had originally been envisaged. It became a test of India's international credibility to follow through on its treaty commitments and its relationship with the US. The nuclear deal also remade his entire governing coalition leading to the removal of the left and the addition of the regional parties. The strong and broad support for the deal among India's elite was anchored in the realization that failure to honor the promise would badly damage India's credibility in the international arena as much as it was support for the deal itself.

Though Singh and the UPA eventually emerged victorious, the central fact of the agreement remains that it has shown that even the highest profile energy and energy security agreements in India can be held hostage to domestic politics. And while the strength of domestic opposition seemed to catch Congressional leadership by surprise, the risks were well understood by many independent commentators. As one energy analyst testified before the US Congress concerning the deal, the framers of the agreement needed to "pay attention to how the deal plays locally. It is striking how much hostility the deal has engendered in the Indian press, as Indian nationalists portray this as an erosion of India's sovereign prerogative to sustain a nuclear weapons program" Unfortunately, these warnings went unheeded, needlessly damaging India's international credibility and almost delivering a large setback to India's energy security.

The aftermath: Implications for Indian nuclear policy

The now operational US-India nuclear deal has many potentially interesting consequences. First and most important is that the deal, now that it is negotiated and signed, will not be revisited by future US or Indian governments. BJP officials have privately made clear that they will honor the deal and even the left front parties, having made their political point, have little to gain from stirring the waters further.

With numerous foreign vendors lining up eagerly to take part in a nuclear power renaissance in India, and a large and competent domestic nuclear engineering capability already present, there remains an opportunity for a relatively rapid buildout of India's nuclear capability in the wake of the deal. India currently has more 4.1GW of nuclear power plants in operation with an additional 3.1 GW under construction—evidence of the aggressive ramp-up rate. Jairam Ramesh, Minister of State for Power, recently indicated that he hopes to increase this to 20GW by 2020, a substantial increase that would still be a moderate portion of India's electricity output (about 15% of today's total output), but would do much to diversify India's coal based portfolio, and strengthen the country's overall energy security. Some Indian government officials have set goals of generating more than 25% of India's total energy from nuclear power by 2050 Such

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plans would have been impossible to seriously consider during the previous NSG freezeout of India as India's domestic reactions were chronically fuel short and ran at 50% of capacity, providing just 2.5% of India's electricity in 2007.

In the wake of the deal, overall trade velocity increased with new nuclear power deals being signed on a regular basis. In December 2008, Russia's Rosatom and Areva from France had contracted with the Indian government to supply uranium for power generation, with Kazakhstani and Brazilian firms waiting in the wings. The initial results are now being seen on the ground. On March 31, India received its first nuclear shipment from foreign suppliers since the decades long foreign embargo began, obtaining 60 tons of Uranium from the French group Areva, the world's largest builder of Nuclear reactors. Two days later a senior French naval officer endorsed India's development of a nuclear-powered submarine attack fleet. A week prior to the Areva deal, Bhabha Heavy Electricals Ltd (BHEL) and the Nuclear Power Corporation of India, both companies run by the Indian government, signed agreements with GE Hitachi agreeing to purchase nuclear reactors from them as well. India plans to finalize a similar deal with Russian suppliers in June.

One potential obstacle to the expansion of the US-India nuclear relationship is Ellen Tauscher, a California Congresswoman long opposed to the US-India nuclear deal, who was recently appointed Undersecretary of State for Arms Control and International Security. While Tauscher's appointment may reduce the velocity of US-Indian nuclear trade, it seems very unlikely to fundamentally derail a deal that both sides have put a great deal of effort into completing.

For further evidence that the US nuclear deal remains focused on energy and not weapons, it is instructive to look at the issue of Iran. One key component of the deal was an a mutually understood (though not explicit) agreement for India to support, or at least not impede US efforts to bring Iran before the UN Security Council for its proliferation activities. Inevitably, this support is seen as effectively killing India's chances of securing a natural gas pipeline through Iran to India, which has often been debated by Indian officials as a potential alternate form of energy that would leave India less reliant on coal. Ultimately, Indian officials were willing to forego this option because it looked to be un-economic under most energy pricing scenarios, and because the pipeline would have to pass through Pakistan. Pakistan's potential involvement in such a key piece of India's energy security portfolio was seen as untenable by India's leadership given the current state of Indian-Pakistani relations. Despite these obvious deficiencies, the Iran pipeline was considered to be one of India's best chances to obtain a reliable energy alternative to coal. India would not have put its chances to utilize this alternative at risk if it did not see nuclear energy generation as a critical and realistic component of the deal.

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Of course, there remain substantial risks for both the US and its allies in pursuing nuclear alliance with India. The first is a possibility of proliferation to other countries as was the case in Pakistan with A.Q. Khan's infamous network. Given the level of corruption in the Indian state, such a possibility cannot be discounted. The second risk is a growing nuclear arms race in South Asia—one which the White House is obviously eager to avoid. In October of 2008, in clear and direct response to the US-India nuclear deal, China announced a agreement to provide two new nuclear reactors to Pakistan thus raising the nuclear stakes in South Asia. Finally, there is the prospect of unintended blowback from the inspection regime. If India is "caught out" using allegedly civilian nuclear technology or material for military use, the politics of enforcement would become difficult. An attempt to enforce punishment for violations would wound Indian national pride which is a particularly significant driver of Indian national policy. In and of themselves, an inspection or monitoring regime is seen as provocative by many hard-line Indian nationalists. They see inspections as putting the NSG countries on a different level than India.

For the US-India nuclear deal to be successful all of these risks will need to be successfully managed and nuclear supplies and technology used as a lever to pull India closer to the US orbit. If this can be accomplished successfully, it may open up a new world of nuclear policy that is more closely aligned globally, while offering a model for the future introduction of select non-proliferating states into the nuclear club.

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