WHY NUCLEAR COOPERATION WITH INDIA IS THE WRONG POLICY FOR THE UNITED STATES

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ABSTRACT

From the reaction of its markets to the direction of its foreign policy, the United States is seeing the frantic pace of globalization and the anxious prosecution of the war on terror coming to a definitive point. For years now, it has competed for global business based on shortsighted opportunities and developed strategic alliances, such as the U.S.-Indian nuclear agreement, by conceding too many advantages—a direction that has substituted competition for complacency.

Through the lens of H.R. 7081, the United States-India Nuclear Cooperation Approval and Nonproliferation Enhancement Act, signed into law by President George W. Bush, October 8, 2008, this research paper aims to address the complexities, issues, and questions that arise with such a significant policy decision.
PREFACE

Today, the Cold War has disappeared but thousands of those weapons have not. In a strange turn of history, the threat of global nuclear war has gone down, but the risk of a nuclear attack has gone up. More nations have acquired these weapons. Testing has continued. Black market trade in nuclear secrets and nuclear materials abound. The technology to build a bomb has spread. Terrorists are determined to buy, build or steal one. Our efforts to contain these dangers are centered on a global non-proliferation regime, but as more people and nations break the rules, we could reach the point where the center cannot hold…

Some argue that the spread of these weapons cannot be stopped, cannot be checked -- that we are destined to live in a world where more nations and more people possess the ultimate tools of destruction. Such fatalism is a deadly adversary, for if we believe that the spread of nuclear weapons is inevitable, then in some way we are admitting to ourselves that the use of nuclear weapons is inevitable…

So today, I state clearly and with conviction America's commitment to seek the peace and security of a world without nuclear weapons. I'm not naive. This goal will not be reached quickly -- perhaps not in my lifetime. It will take patience and persistence. But now we, too, must ignore the voices who tell us that the world cannot change.

– President Barack Obama, Prague, 2009
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INTRODUCTION

On October 9, 2008, President George W. Bush signed into law a bilateral nuclear agreement with India. Known officially as H.R. 7081, the United States-India Nuclear Cooperation Approval and Nonproliferation Enhancement Act, it effectively recognizes India as a nuclear member state and enables it to engage in civil nuclear cooperation (e.g. nuclear material, nuclear facilities, and major nuclear components) with the United States and other nuclear member nations.

The agreement, which also removes decades of sanctions on India in reaction to its past nuclear tests, has plenty of critics. Within India, opposition parties are concerned that the agreement infringes on Indian sovereignty by conceding too much influence to the United States. Internationally, critics say the agreement hurts global efforts to control the spread of nuclear technology and provides a new path to nuclear legitimacy by exempting India from certain provisions that govern the Nuclear Nonproliferation Treaty (NPT).\(^1\)

Under the Act, India will not be subject to the formal requirement of having to sign the NPT, nor will it be required to join international

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regulatory bodies such as the Nuclear Suppliers Group (NSG).\(^2\) Furthermore, while the conditions of the legislation do require India to separate its military and civil nuclear plants before it can engage in nuclear cooperation, it only mandates that India’s civil nuclear plants be subject to IAEA (International Atomic Energy Association) inspections and safeguards. According to Under Secretaries Nicholas Burns and Robert Joseph, “any additional conditions such as implementing a moratorium on fissile material production, ratifying the Comprehensive Test Ban Treaty, and/or joining the NPT as a non-nuclear weapon state would have been deal breakers,” for India.\(^3\)

However, Bush administration officials contended that the legislation will clear the way for the United States to deepen its strategic relationship with India, open significant opportunities for American firms,

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\(^2\) The Nuclear Suppliers Group (NSG) is a group of nuclear supplier countries, which seeks to contribute to the non-proliferation of nuclear weapons through the implementation of Guidelines for nuclear exports and nuclear related exports. (http://www.nuclearsuppliersgroup.org/) While India will not be required to proceed with any of these conditions it will be “encouraged.”


* Each member state of the Comprehensive Test Ban Treaty undertakes not to carry out any nuclear weapon test explosion or any other nuclear explosion, and to prohibit and prevent any such nuclear explosion at any place under its jurisdiction or control. (http://www.ctbto.org/) Each State Party undertakes, furthermore, to refrain from causing, encouraging, or in any way participating in the carrying out of any nuclear weapon test explosion or any other nuclear explosion.
help meet India’s surging energy requirements in an environmentally friendly manner, and bring India into the global nuclear nonproliferation mainstream.\(^4\) The Indian government has echoed this argument, and perhaps more importantly, argued that the legislation would also legitimize its influence in the global community, as there is no question that India equates nuclear power with strength.\(^5\)

Yet, at what point does compromise become concession? This agreement demonstrates a trend in U.S. foreign policy where a country whose ties with the U.S. have evolved though generous policy decisions; and while the civil nuclear cooperation with India is an example of a significant step forward in strengthening relations with a democratic country in a strategic geopolitical region, the merits of such a large dispensation remain debatable.

The resources and time invested in a deal such as the nuclear agreement with India diverts focus from the significant challenges facing the United States. Rather than competing for economic growth through serious domestic investment in energy, education and industry, and


securing its national interests through moral leadership and tough diplomacy, the U.S. has depended too much on inflated international markets to sustain its supremacy.

There is no doubt that maintaining free trade, open lines of communication, and strategic alliances are critical to the success of U.S. foreign and economic policy. Aligning with and supporting allies in strategic regions of the world benefits all parties involved, but to what extent should the U.S. engage and at what price?

Complacency and concessions will not guarantee the cooperation of other nations. The only way to compete in a competitive global, economic environment is to be faster, stronger, and smarter than the competition. This is not a paper calling for protectionism, or recommending international law determines U.S. national interests. Rather, it contends that shortsighted policies often miss long-term opportunities, and as such the United States must manage its foreign policy expectations as not to lose sight of the bigger picture.

As this paper reviews the expectations and consequences of the U.S.-India nuclear agreement, specific evidence and case history will demonstrate that there is little indication that the agreement will achieve the stated objectives of a stronger alliance between the two nations or energy independence for India. In an interview with National Public Radio,
Ashley J. Tellis, a senior associate at the Carnegie Endowment for International Peace who consulted on the nuclear accord, admits that despite U.S. concessions India’s tradition of “fiercely guarding their own independence” makes it unlikely that it will become a closer ally of the U.S.⁶

Beginning this discussion, Chapter 2 traces the steps of the dynamic relationship between the United States and India. Relations between India and the United States have long been fraught with difficulty and contention. Yet, these Cold War adversaries are slowly becoming twenty-first century allies.

During much of the Cold War, the two countries found themselves at odds because of fundamentally divergent conceptions of world order. India was committed to the doctrine of non-alignment and refused to join the Atlantic alliance that sought to contain Soviet power. America’s security ties to one of India’s key adversaries, Pakistan, also disrupted the growth of U.S-Indian ties.⁷

Sumit Ganguly, professor of Asian studies and government at the University of Texas at Austin and fellow at the Woodrow Wilson

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⁷ Sumit Ganguly, “America and India at a Turning Point,” Current History 104, no. 680 (March 2005): 120.
International Center for Scholars, captures this critical point in U.S.-India relations

U.S.-Indian relations are again at an important historical juncture. Both governments have important stakes in the continuing improvement of bilateral relations. The United States needs the support of one of the key emerging states in Asia on a range of issues that extend from global trade negotiations to the war on terror. India, in turn, hopes to entice American investment in key sectors of its growing economy, to obtain American support for its own attempts to cope with terrorism in the region, and to acquire various forms of technology for both civilian and military uses.\(^8\)

From contentious encounters to historic compromises, Chapter 2 will answer how the two got here.

Chapter 3 explores the political expectations of this monumental accord. Politically, the nuclear accord with India represents a significant step in demonstrating a strategic partnership between two nations who share vital interests. Robert Blackwill, President Bush’s first ambassador to India and a key architect of the new relationship, has set forth some determined rationales behind U.S. motives in pursuing the nuclear accord with India:

Think first of the vital interests of the United States: prosecuting the global war on terror and reducing the staying power and effectiveness of the jihadi killers; preventing the spread of weapons of mass destruction, including to terrorists groups; dealing with the rise of Chinese power;

\(^8\) Ibid.
ensuring the reliable supply of energy from the Persian Gulf; and keeping the global economy on track.⁹

Chapter 4 analyzes the economic opportunities that may derive from this nuclear deal. In announcing the U.S.-India nuclear cooperation initiative at the end of October 2008, Secretary of State Condoleezzza Rice remarked that the agreement between the “world's largest democracy” and “the world’s oldest continuous democracy” would cement U.S.-India relations. “We believe that the relationship between the United States and India is on a very firm footing, and that can only be good for democracy and it can only be good for the world,” said Rice.¹⁰

The nuclear deal is certainly good for U.S. business interests. The door is now open for U.S. companies to provide expertise to the Indian nuclear power industry and to sell billions of dollars of equipment to India to feed the country’s growing appetite for energy. The U.S.-India Business Council asserts that over the next 30 years, international corporations will be able to take advantage of $150 billion in commercial opportunities opened up by this civil nuclear cooperation.¹¹


One day after Congress endorsed the 2008 nuclear deal, removing all hurdles for the resumption of civilian nuclear trade between the two countries, Indian officials released reports it was gearing up to seal military contracts worth billions of dollars including a massive fighter jet deal which has prompted a dogfight among global aeronautical giants. India’s Air Chief Marshal Fali Major speaking at a news conference in 2008, a few months before the deal was set to be finalized, noted India’s intent to buy 126 fighter jets worth $12 billion was in its final stages with evaluations of six shortlisted aircraft set to begin early the following year.\textsuperscript{12}

U.S.-based Boeing and Lockheed Martin, Russian MiG, Sweden’s Saab and French Dassault are all vying for the world’s most lucrative fighter jet deal in 15 years, with industry sources speculating Lockheed Martin’s F-16 or Boeing’s Super Hornet were emerging as frontrunners.\textsuperscript{13}

Chapter 5 brings the discussion together and asks the question: Is there a fine line between foreign policy and the bottom line? For a decade, the nuclear issue between the U.S. and India has been a point of contention for the two nations and consumed the attention of senior White House and Congressional officials. During that time, the United States has

\textsuperscript{12} Pratap Chakravarty, “India to Seal Big-ticket Military Deals,” \textit{Agence France Presse}, 3 October 2008.

\textsuperscript{13} Ibid.
witnessed the failure of its financial markets, the collapse of manufacturing, the further deterioration of its education system, record high oil prices, a raging Middle East, a defiant Iran, a nuclear-armed North Korea, and travesties throughout the continent of Africa. And the greatest single foreign policy accomplishment the Bush administration has touted is the U.S.-India nuclear cooperation agreement, whose results are highly questionable.

Both the U.S. and India tout the strategic significance and moral imperative of the nuclear cooperation agreement. The U.S. insists that this benchmark is essential to securing a key ally in a volatile region and balancing the power in Asia. While, India is emphatic that nuclear power is required to sustain a GDP growth rate of 9% and move towards energy independence.\(^\text{14}\) However, in both of these arguments legitimate questions emerge.

For one, can any agreement be so important that it must override international law? This agreement will enable India to develop nuclear material, nuclear facilities, and major nuclear components without the requirement of having to formally commit to the regulations governing the NPT. The international community is accepting India’s word that it will

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obey international nuclear laws and be a champion of nonproliferation, even though India refuses a deal with language committing it to sanction Tehran, open its military nuclear power plants in accordance with IAEA inspections, or any conditions such as implementing a moratorium on fissile material production, ratifying the Comprehensive Test Ban Treaty, and/or joining the NPT as a non-nuclear weapon state.\footnote{Sen. Richard Lugar, \textit{Questions for the Record.}}

Such stances provoke the question, how good is India’s word? A cornerstone in the U.S.-India nuclear agreement is that a strategic and economic cooperation between the two nations will advance. For the U.S. this means that in return for supplying India with immense amounts of nuclear fuel and nuclear reactor technology for its civil nuclear purposes, India will help balance the power of China, Russia and Iran. Yet, when looking into the issue a bit deeper it is easy to identify the strong ties India has with these nations, and their history of nonalignment. With Russia and Iran, India is collaborating on a multi-billion dollar natural gas pipeline and has a long history of defense cooperation with the two.

As far as the development of India’s civil nuclear power being a path towards its ability to sustain its GDP, secure its energy independence and promote positive climate change, by most reports and analysis, nuclear power is just a drop in the bucket to meet these three objectives.
The mere fact that India will need to rely on the U.S. to maintain energy independence negates that argument. India in the long-term will have to rely on its own coal supply to power its economy and maintain energy independence. India, or the U.S. for that matter, has not been able to prove the ability to develop nuclear power plants efficiently and safely.¹⁶

With all these issues, what can be driving this deal? India is an alluring customer for the U.S. With the development of nuclear technology, India is going to have to invest close to $150 billion over the next 10 years.¹⁷ And according to Rahul Bedi, an India-based correspondent for Jane’s Defense Weekly, New Delhi expects to spend more than $30 billion in the next four years upgrading its military forces and as much as $80 billion over the next decade to replace its near-obsolescent Soviet-era arsenal.¹⁸ By giving India this carrot, the U.S. hopes that such a sign of good faith will make it a more attractive supplier.

Is the economic impetus the core of this agreement? And if so, is that necessarily a bad thing? With the U.S. economy suffering, it should

¹⁶ Ibid.


welcome any financial opportunity; and given the history of India not working with it will just encourage it to bring its business elsewhere.

Still, if economic factors are the driving force of such a monumental foreign policy decision, then what foreign policy decisions is the United States, and for that matter the rest of the world, overlooking because no economic gains exist? And rather than putting all its economic chips in India, would the U.S. have a better chance at long-term economic stability if it would emerge as the leader in energy innovation? Chapter 5 makes the case that it is time for the United States, as the world’s leader, to reset, redirect and refocus its priorities. It’s back to the basics.

From the reaction of its markets to the direction of its foreign policy, the United States is seeing the frantic pace of globalization and the anxious prosecution of the war on terror coming to a definitive point. For years now, it has competed for global business based on shortsighted opportunities and developed strategic alliances, such as the U.S.-Indian nuclear agreement, by conceding too many advantages—a direction, which this thesis argues, has substituted competition for complacency.
CHAPTER 2
COLD WAR TENSIONS TO GLOBAL WORLD PARTNERS

It is important to understand first the history between the United States and India before analyzing the events of the present and predicting the challenges of the future. The relationship between the two nations has been marked with difficulty, in large part due to unrealistic expectations set by the United States given India’s tradition of nonalignment. India has consistently been clear to all alliances that it will maintain its “strategic independence,” by which it means that it will pursue bilateral relations as called for by its regional requirements – irrespective of discord other states may have with each other.¹

This fiercely guarded Indian independence was on display even before India won freedom from Britain in 1948.² India’s first prime minister, Jawaharlal Nehru, stressed independence as the cardinal point in India’s approach to foreign policy. He pledged that as far as possible India would “keep away from the power politics of groups, aligned against one


another.” These, he argued, “have led in the past to world wars and may again lead to disasters on an even vaster scale.” India wanted to judge each issue on the basis of its own self-interests. “I do not think that anything could be more injurious to us from any point of view—certainly from an idealistic and highly moral point of view, but equally so from the point of view of opportunism and national interests in the narrowest sense of that word—than for us…to try to align ourselves with this power or that and become its camp followers in the hope that some crumbs might fall from their table,” he told the Indian Constituent Assembly in 1948.4

As Howard B. Schaffer, former ambassador to India highlights, “India’s commitment to nonalignment was heightened by its recognition that, as the strongest power in its region, it did not need outside support…and efforts to limit the role of major powers in South Asia have been a key feature of Indian foreign policy ever since.”5 This tradition of taking an independent stance is perhaps reasonable from an Indian

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3 Jawaharlal Nehru, “India’s Foreign Policy: Future Taking Shape,” broadcast from New Delhi, 7 September 1946, Ministry of Information and Broadcasting, India, 2.

4 Ibid.

5 Schaffer, Chester Bowles: New Dealer in the Cold War, 46.
perspective, but it foreshadows the complexity of managing a dependable relationship with a country who pledges no allegiances.

**Cold War Complexities**

Following World War II, the United States actively encouraged Great Britain to end its colonial empire in India. Shaped by America’s own ideals of liberty, the Roosevelt and later the Truman administrations became strong advocates of Indian independence. A major strategy in Washington at the time was to recognize the potency of nationalism and accept the preferences of many Third World governments, such as India. The United States believed that appealing to a country’s sense of nationalism could counteract external Communist challenges. The post-independence Indian leadership was eager to reciprocate American support, and despite its formal invocation of nonalignment in the face of the emerging Cold War, it sought to develop a strategic relationship with the United States in hopes it would provide them with arms, economic assistance, and diplomatic support. However, the United States deferred

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such responsibilities to Great Britain, as the priorities of the Cold War left little room for informal allies.\(^8\)

In pursuing this independent foreign policy, the Indian approach differed sharply from the United States. Indians rejected the American view that international communism was the principal threat to world peace. Rather, the Nehru government saw the confrontation between the two blocs—the United States and the Soviet Union—as an opportunity to play a major diplomatic role. Schaffer writes, “India’s experience, its geographic setting, and its perceived political imperatives led it to question the U.S. conviction that the Cold War was a necessary struggle. Although it continued to battle domestic Communists politically, the Indian government was more concerned with what it regarded as the continuing menace of colonialism than it was by the prospects of further Communists gains at the expense of the free world.”\(^9\) A view undoubtedly shaped by Great Britain’s once colonial rule over India.

America’s disenchantment with this Indian neutralism despite its economic and political assistance, its growing involvement in Vietnam, and Indian involvement with the Soviet Union marked the beginning of tension in relations between the two countries and set the stage for

\(^8\) Tellis, *What Should We Expect From India as a Strategic Partner*, 231.

repeated confrontations. The 1965 Indo-Pakistani war witnessed the first formal U.S. military arms embargo on New Delhi, as the U.S. shifted its support to India’s rival, Pakistan. Ashley Tellis notes, “The aftermath of the war also brought new humiliations in the form of American efforts at conditioning food aid to India during the most serious agriculture failure faced by India in the post-independence period.”  

This, however, did not prevent India from continuing to increase its defense spending with the Soviet Union. The Indian military, which was undergoing rapid expansion, demonstrated its growth with a dominant defeat of Pakistan. In its October 1, 1965 issue, Time magazine quoted a Western ambassador as saying, “It used to be you could feed the word 'India' into the machine and it would spit out Maharajahs, snakes, too many babies, too many cows, and spindly-legged Hindus. Now it's apparent to everybody that India is going to emerge as an Asian power in its own right.”

India viewed the American policy of siding with Pakistan during the war as biased, since Pakistan had started the war and the U.S. did little to restrain Pakistan. After the war, India slowly started aligning with the

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10 Tellis, *What Should We Expect From India as a Strategic Partner*, 232-33.

Soviet Union, both politically and militarily. This would be cemented formally years later, before the Indo-Pakistani War of 1971.

According to Tellis, “the most serious confrontation in U.S.-Indian relations was during the 1971 Indo-Pakistani war, when the Nixon administration, because of its reliance on Pakistan as the intermediary in its opening to China, supported Islamabad against New Delhi…which resulted in an armed revolt…that locked India and the United States on opposite sides.”

The United States supported Pakistan both politically and materially. Nixon, backed by Henry Kissinger, feared Soviet expansion into South and Southeast Asia. And since Pakistan was a close ally of the People’s Republic of China, with whom Nixon had been negotiating a rapprochement, he feared that an Indian invasion of West Pakistan would mean total Soviet domination of the region, and that it would seriously undermine the global position of the United States and the regional position of America’s new tacit ally, China. In order to demonstrate to China the sincerity of the United States as an ally, Nixon sent military aid.

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12 Tellis, *What Should We Expect From India as a Strategic Partner*, 233.
supplies to Pakistan, routing them through Jordan and Iran, while also encouraging China to increase its arms supplies to Pakistan.\textsuperscript{13}

The Soviet Union sympathized with the Bangladeshis, and supported the Indian Army during the war, recognizing that the independence of Bangladesh would weaken the position of its rivals—the United States and China. The Soviets gave assurances to India that if a confrontation with the United States or China developed, it would take counter-measures—an assurance made official with the Indo-Soviet treaty signed just prior to the war.\textsuperscript{14}

Despite American assistance, the war ended with the surrender of the Pakistani military to the allied forces of India and Bangladesh in 1972. The years 1971—1982 would mark a period of cold relations between the United States and India, as the U.S. attempted to come to terms with its own defeat in Vietnam and it gradual loss of influence in South Asia caused both by the defeat of its ally, Pakistan, and a sharp increase in Soviet influence.\textsuperscript{15}


\textsuperscript{14} Tellis, \textit{What Should We Expect From India as a Strategic Partner}, 233.

\textsuperscript{15} Ibid.
Then, in 1991, the Cold War came to a dramatic close with the dissolution of the Soviet Union. In many ways India appeared to be the loser in South Asia and Pakistan the improbable winner.\textsuperscript{16} India’s principal supporter, the Soviet Union, had lost the Cold War, its influence, and had disappeared from the political landscape. Pakistan’s principal supporter, the United States, had won the Cold War and elevated its supremacy in the global world.\textsuperscript{17}

Yet, the winners and losers were not divided as such. As Tellis concludes, “While [it] might have seemed like an initial advantage as far as Pakistan was concerned, the real consequence turned out to be that the collapse of superpower competition afforded the United States the opportunity to cut Pakistan loose as an ally and reengage India in order to construct the bilateral partnership…which eluded them throughout the Cold War.” \textsuperscript{18} The maturing of the Indian economy and the influence of the United States provided the impetus for seeking a new bilateral relationship on both sides. For the United States, India held greater promise than Pakistan of becoming an emerging market for American goods and


\textsuperscript{17} Ibid.

\textsuperscript{18} Tellis, \textit{What Should We Expect From India as a Strategic Partner}, 234.
services, whereas for New Delhi, the United States remained a critical source of investment, high-technology, and political support.

The Nuclear Option

The measures the United States and India took to advance diplomatic relations following the Cold War were not without controversy. New U.S. pressures on nonproliferation were strongly challenged by India’s nuclear ambitions. Both sides however, attempted as best they could to prevent disagreements on this issue from impeding the rapprochement in bilateral relations.

The strategy adopted for this purpose by the Clinton administration was that of a “carve out,” meaning that the United States would separate its opposition with India on nuclear weapons, while proceeding to improve bilateral relations in all other areas. This strategy however, would quickly reach its limits of success. In large part because India’s economic development reached a point where its further growth required nuclear technologies that were controlled by various global nonproliferation regimes managed by the United States.19

19 Ibid., 235.
India Goes Nuclear: 5.13.98

The “carve out” became a point of frustration for India. India viewed the U.S. insistence on nonproliferation to be stifling its greater ambitions. India viewed policy such as the indefinite extension of the NPT as fundamentally undermining its efforts at maintaining its nuclear option, putting New Delhi on a collision course with Washington. Then, in May 1998, New Delhi tested a series of nuclear weapons and in a deliberate challenge to the United States they declared themselves a “nuclear weapons state.”

The testing of nuclear weapons by India resulted, once again, in a collapse in U.S.-Indian relations. The United States issued a strong statement condemning India’s actions and promised sanctions would follow. President Bill Clinton stated that the Indian nuclear tests "were unjustified. They clearly create a dangerous new instability in their region. And, as a result, in accordance with United States law, I have decided to impose economic sanctions against India.” And adding insult to injury,

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20 Ibid., 236.


the American establishment was embarrassed as there had been a serious intelligence failure in detecting the preparations for the test.

The United Nations would also issue a statement expressing its disappointment; and China made a vociferous condemnation calling upon the international community to exert pressure on India to sign the NPT and eliminate its nuclear arsenal. With India joining the group of countries possessing nuclear weapons, a new strategic dimension had emerged in Asia, particularly South Asia.23

Yet, the most vehement reaction to India's nuclear test was Pakistan's. Indignation raged in Pakistan, which issued a severe statement blaming India for instigating a nuclear arms race in the region. Pakistani Prime Minister Nawaz Sharif vowed that his country would give a suitable reply to the Indians. The Pakistan Atomic Energy Commission (PAEC) carried out five underground nuclear tests on the afternoon of May 28, 1998, just fifteen days after India's last test.24

President Bill Clinton condemned both India and Pakistan for conducting the nuclear tests. He said, "with their recent tests, Pakistan and India are contributing to a self-defeating cycle of escalation that does not add to the security of either nation." "Both India and Pakistan need to

23 Ibid.

24 Ibid.
renounce further nuclear and missile testing immediately and take
decisive steps to reverse this dangerous arms race," Clinton said. Clinton
also signed off on economic sanctions against Pakistan that prohibited
billions of dollars in loans from multilateral institutions.25

P.R. Chari, director of the New Delhi based Institute of Peace and
Conflict Studies, explains India’s nuclear test in May 1998 as “ostensibly
impelled by security considerations.”26 Prime Minister Vajpayee’s letter to
President Clinton after the event stated as follows:

We have an overt weapons state on our borders, a
state which committed armed aggression against India in
1962…That country has materially helped another neighbor
of ours to become a covert nuclear weapons state. At the
hands of this bitter neighbor we have suffered three
aggressions in the last 50 years. And for the last 10 years
we have been the victim of unremitting terrorism and
militancy sponsored by it in several parts of our country.27

India was indentifying China and Pakistan as the security reasons
compelling it to test nuclear weapons. However, despite such claims, non-
security factors clearly played a role. The Atlantic Council attributed the
decision to domestic political developments, writing that “the decision was
more grounded in domestic political imperatives and a desire for great

25 Ibid.

26 P.R. Chari, “India’s Nuclear Doctrine: Confused Ambitions,” The
Nonproliferation Review, (Fall/Winter 2000) 123.

27 Ibid.
power status…and the government apparently judged that any resulting sanctions would be limited in short term.”

It was a position by the Indians demonstrating an unwavering principle to reject the influence of the global world in the determination to project its own power and standing, irrespective of the consequences. And they were right to assume that U.S. sanctions would be short lived.

This disconcerting moment in bilateral relations between the United States and India did not last long; broken up by an ill-advised adventure by Pakistan into frontier just north of the disputed Kashmir border. It compelled both sides to reengage in collaborative diplomacy and confront the volatile unrest of the region. By the time the Bush administration arrived in office, U.S.-Indian relations were once more on the path to improvement, but still lacked a decisive resolution of the one issue that disrupted mutual ties since 1974: India’s nuclear weapons program and its status as an outlier in the NPT.

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28 Ibid.

29 Tellis, *What Should We Expect From India as a Strategic Partner*, 236.

30 Ibid.
The Nuclear Accord: 10.9.08

In a joint statement in Washington D.C., July 18, 2005, President George W. Bush and Indian Prime Minister Manmohan Singh announced their intent to enter into a peaceful nuclear accord. India, which was not a party to the NPT, was considered under U.S. law to be a non-nuclear weapons state, even though it tested nuclear weapons and maintained an ongoing nuclear weapons program. For these reasons, President Bush had to make certain waivers and determinations pursuant to the U.S. Atomic Energy Act of 1954 before nuclear cooperation with India could move forward.

In the joint statement President Bush affirmed as follows:

He will work to achieve full civil nuclear energy cooperation with India as it realizes its goals of promoting nuclear power and achieving energy security. The President would also seek agreement from Congress to adjust U.S. laws and policies, and the United States will work with friends and allies to adjust international regimes to enable full civil nuclear energy cooperation and trade with India,

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31 Only nations formally recognized under the NPT are considered legitimate nuclear weapons states by the international community. Five are considered to be "nuclear weapons states", an internationally recognized status conferred by the NPT. In order of acquisition of nuclear weapons these are: United States, Russia, United Kingdom, France, and China. See the United Nations Web site for transcript of the NPT: http://www.un.org/events/npt2005/npttreaty.html

including but not limited to expeditious consideration of fuel supplies for safeguarded nuclear reactors.\textsuperscript{33}

Prime Minister Singh conveyed for his part as follows:

India would reciprocally agree that it would be ready to assume the same responsibilities and practices and acquire the same benefits and advantages as other leading countries with advanced nuclear technology, such as the United States. These responsibilities and practices consist of identifying and separating civilian and military nuclear facilities and programs in a phased manner and filing a declaration regarding its civilians facilities with the International Atomic Energy Agency (IAEA); taking a decision to place voluntarily its civilian nuclear facilities under IAEA safeguards; signing and adhering to an Additional Protocol with respect to civilian nuclear facilities.\textsuperscript{34}

Interestingly, Prime Minister Singh’s assurances in the joint statement were exclusive to India’s civilian nuclear facilities, and did not encompass assurances relating to its military nuclear facilities. However, the joint announcement marked the first step in a complex process.

The second step came in March 2006, when after a visit to India, the Bush Administration proposed legislation to modify the requirements of Section 123 of the U.S. Atomic Energy Act of 1954. This was a critical step in approving a U.S.-India nuclear cooperation agreement in that the

\begin{footnotes}
\item[33] Ibid.
\item[34] Ibid.
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legislation would waive the application of section 123 of the U.S. Atomic Energy Act, which restricted nuclear exports to India.\textsuperscript{35}

For Congress to consider such an exemption the legislation stated the President would first make the following seven determinations before completing a nuclear accord with India; however, it was necessary that the waiver to Section 123 be enacted first to permit any future agreement:

1. India has provided the United States and the IAEA with a credible plan to separate civil and military nuclear facilities, materials, and programs, and has filed a declaration regarding its civil facilities and materials with the IAEA.

2. India and the IAEA have concluded all legal steps required prior to signature by the parties of an agreement.

3. India and the IAEA are making substantial progress toward concluding an Additional Protocol consistent with IAEA principles, practices, and policies that would apply to India’s civil nuclear program.

4. India is working actively with the United States for the early conclusion of a multilateral treaty on the cessation of the production of fissile materials for use in nuclear weapons or other nuclear explosive devices.

5. India is working with and supporting United States and international efforts to prevent the spread of enrichment and reprocessing technology to any state that does not already possess full-scale, functioning enrichment or reprocessing plants.

6. India is taking the necessary steps to secure nuclear and other sensitive materials and technology.

\textsuperscript{35} U.S. Congress, House, \textit{United States and India Nuclear Cooperation}, 109\textsuperscript{th} Congress, 2\textsuperscript{nd} sess., H.R. 5682, (2006).
7. The NSG has decided by consensus to permit supply to India of nuclear items covered by the guidelines of the NSG.\textsuperscript{36}

After hearings in April and May 2006, the House International Relations Committee and the Senate Foreign Relations Committee considered bills in late June 2006 to provide India with the exemption. On July 26, 2006 the House passed its version of legislation, H.R. 5682, by a vote of 359 to 98. Four months later, on November 16, 2006, the Senate incorporated the text of S. 709, as amended, into H.R. 5682 and passed the bill by a vote of 85 to 12.\textsuperscript{37} And on December 18, 2006, President Bush signed the “Henry J. Hyde United States-India Peaceful Atomic Energy Cooperation Act of 2006” into law, creating the waiver in section 123 of the U.S. Atomic Energy Act, and this paving the way for a nuclear cooperation agreement with India.\textsuperscript{38}

\textsuperscript{36} Ibid.

\textsuperscript{37} For a side-by-side comparison of legislation read the Congressional Studies Report (CSR) for Congress, U.S.-India Nuclear Cooperation: A Side-By-Side Comparison, December 2006. President Obama, then junior Senator from Illinois proposed two amendment to S. 706, which were adopted: 1) an amendment to ensure that the United States did not encourage other states to continue exports to India, if the United States exports terminated under U.S. law; and 2) an amendment containing a statement of U.S. policy that any nuclear power reactor fuel reserve provided to the Government of India for use in safeguarding civilian nuclear facilities should be commensurate with reasonable reactor operating requirements.

\textsuperscript{38} Section 123 of the United States Atomic Energy Act of 1954, titled “Cooperation With Other Nations,” establishes an agreement for cooperation as a prerequisite for nuclear deals between the US and any other nation. See: Nuclear Regulatory Legislation, 107\textsuperscript{th} Congress; 1\textsuperscript{st} Session.
President Bush noted that the act will “strengthen the strategic relationship between the United States and India.”\textsuperscript{39} In particular, a Congressional Research Report highlights some key statements by President Bush, one being that the executive branch will interpret two sections of the bill as “advisory” only: policy statements in Section 103 and the restriction contained in Section 104 (d) (2) on transferring items to India that would not meet Nuclear Suppliers Group (NSG) guidelines.\textsuperscript{40} On the first, the President evoked the Constitution’s “commitment to the presidency of the authority to conduct the nation’s foreign affairs,” and on the second, the President raised the question of whether the provision “unconstitutionally delegated legislative power to an international body.” The President’s signing statement also noted the President’s constitutional authority to protect information that could impair foreign relations and national security, suggesting the executive branch might limit the scope of reporting required by Congress.\textsuperscript{41} These statements by the President created an alternative should the United States not receive the full support needed to pass a final bill, or should India not complete its obligation to

\textsuperscript{39} Ibid., 41.

\textsuperscript{40} Ibid.

open its civil nuclear facilities to IAEA inspection in a reasonable period of time.

The Hyde Act made the necessary exemptions to section 123 of the U.S. Atomic Energy Act to enable the potential U.S.-India nuclear agreement, but the complete deal still required the final challenge of international cooperation and the fulfillment of the aforementioned seven determinations.

The next two years, put into motion an intense, and heated, lobbying campaign by a number of stakeholders. The U.S.-Indian lobby was critical in pressing members of Congress to support the nuclear agreement and emerged as an increasingly professional and well-funded lobby. U.S. business interests aggressively got into the mix as well. The U.S. Chamber of Commerce, with companies such as GE and Boeing Co., launched proactive lobbying campaigns to persuade Congress to approve the final deal. Ron Somers, head of the U.S.-India Business Council within the U.S. Chamber noted, "A successful conclusion to this deal [would] be

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42 This episode reveals the possible emergence of an important ethnic lobby seeking influence over U.S. foreign policy in the 21st century if it can sustain the momentum for its ambitious long-term goals, such as securing a permanent seat for India on the UN Security Council, in addition to the nuclear agreement itself. For an in-depth look at the Indian lobby read: Jason Kirk, Indian-Americans and the U.S.-India Nuclear Agreement: Consolidation of an Ethnic Lobby, Foreign Policy Analysis 4, no. 3, (2008): 275-300.
huge for U.S. companies.” It was no secret that a stronger alliance with India created the potential for billions of dollars in new business for American companies.

Yet the campaign faced stiff opposition from a number of lawmakers, including Democratic and Republican leaders of the House Foreign Affairs Committee, who raised an alarm over India’s military and economic ties to Iran. Pakistan, a longtime Indian rival with nuclear arms of its own, also presented another foreign-policy challenge. The neighbors nearly went to war as recently as 2002, and any advance in India’s nuclear capabilities would have the potential of unsettling an unstable government in Islamabad, a critical ally of the United States in the war on terror. Not to mention, the nuclear agreement was met with stiff opposition by some political parties and activists in India. Although many mainstream political parties supported the deal its realization ran into difficulties in the face of stiff political opposition.

There were also the hurdles of gaining approval from the IAEA and a waiver from the 45-member state NSG. In addition, more than 150 non-

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proliferation activists and anti-nuclear organizations called for tightening
the agreement to prevent harming the current global non-proliferation
regime. Among the steps called for were agreeing that all bilateral nuclear
cooporatior agreements between an NSG member-state and India
explicitly prohibit the replication or use of such technology in any
unsafeguarded Indian facilities.45

Still, the IAEA Board of Governors approved the safeguards
agreement on August 1, 2008, despite opposition from Pakistan, Iran,
Ireland, Norway, Switzerland and Austria; and on September 6, 2008 India
was granted the waiver at an NSG meeting in Vienna.46

Finally, on October 9, 2008, President George W. Bush signed into
law a bilateral nuclear accord with India (known officially as H.R. 7081, the
United States-India Nuclear Cooperation Approval and Nonproliferation
Enhancement Act). The law finalized the Hyde Act of 2006, which required
the President to report to Congress on whether India had met the
aforementioned seven determinations. As part of the agreement,
President Bush broke with long-standing U.S. policy and openly

45 “Decision Time on the Indian Nuclear Deal: Help Avert a Nonproliferation
Disaster,” letter from the Arms Control Association, addressing Federal Minister of
Germany, Frank-Walter Steinmeier, 15 August 2008.

46 “NSG clears nuclear waiver for India, [online report]” (Indian Business Network,
clears-nuclear-waiver-for-india/73011-3.html?from=rssfeed; Internet.
acknowledged India as a legitimate nuclear power, ending New Delhi’s 30-year quest for such recognition.

The United States-India Nuclear Cooperation Approval and Nonproliferation Enhancement Act met most of the determinations, however two of them required provisions. First, India has yet to identify in the text of its IAEA safeguards agreement those facilities it will place under safeguards. India has provided a plan for the separation of facilities from its nuclear weapons program to the IAEA, but the plan is nonbinding and appears outdated.47

In response to that issue, Section 104 of the bill requires that licenses may not be issued by the U.S. Nuclear Regulatory Commission for the transfer of nuclear fuel, equipment and technology until after the President determines and certifies to Congress that, one, the safeguards agreement approved by the IAEA Board of Governors on August 1, 2008, has entered into force; and, two, India has filed a declaration of facilities that is not materially inconsistent with the facilities and schedules described in its separation plan.48


48 Ibid.
The second issue that required a new provision in the legislation was India’s desire to reprocess spent nuclear fuel burned in its reactors, including fuel from the United States. Reprocessing can result in the separation of plutonium, which can be used in a nuclear weapon.\textsuperscript{49}

The United States permits some NPT members with long histories of strong compliance with the IAEA agreement to reprocess U.S.-origin spent nuclear fuel through a process called programmatic consent.\textsuperscript{50}

During initial negotiations on the agreement, India requested programmatic consent and the United States agreed. However, the United States made programmatic consent contingent on India establishing a dedicated facility to carry out the reprocessing and an agreement on reprocessing procedures in this new facility.\textsuperscript{51}

Despite these two key unresolved issues, India having yet to identify those facilities it will place under safeguards and establishing a dedicated facility to carry out reprocessing, the nuclear accord was passed unanimously by Congress and signed into law by President Bush. The nuclear deal, which was widely seen as a legacy-building effort by

\textsuperscript{49} Ibid., 8.

\textsuperscript{50} Ibid.

\textsuperscript{51} Ibid., 9.
President Bush and Prime Minister Singh, passed regardless of the uncertainty.

Now what…what can the two nations now expect from one another? As Brent Scowcroft, former National Security Advisor to Presidents George H. W. Bush and Gerald Ford, illustrates, “The Indians have always been difficult customers. They have been that way for fifty years. They certainly weren’t helpful during the Cold War. They weren’t helpful during the Afghan War. And it is unclear how much help they are right now.”

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CHAPTER 3
POLITICAL EXPECTATIONS and DANGEROUS PRECEDENTS

Now that the U.S.-India nuclear agreement has been written into law and India is formally recognized as a nuclear state, what will be the benefits of such cooperation? Most uncertain about the nuclear agreement are the expectations. When considering the broader strategic objectives of both the United States and India, it is difficult to imagine that India will part with its policy of nonalignment and that the United States can depend on India to increase its efforts in confronting serious global issues, such as combating terrorism, heading of the rising influence of China, and the nuclear ambitions of Iran.

In testimony before Congress, Ashton Carter, Co-Director, Preventative Defense Project at the Harvard Kennedy School, stated the significance of the U.S. concession in the nuclear accord with India, remarking that America will pay a price for the special nonproliferation carve-out for India and that it was striking how little America received in return.¹ The Bush administration obtained no meaningful commitments from New Delhi – no promises that India would limit its growing nuclear arsenal or take new steps to help combat nuclear proliferation and

¹ Ashton B. Carter, Testimony before the Committee on Foreign Relations, United States Senate: The India Deal, 2 November 2005.
international terrorism; while the nuclear agreement did set a dangerous precedent on the issue of nonproliferation.

Carter, a supporter of the nuclear agreement with India, does go on to argue however that India could in time become a valuable security partner.

Despite the deal's flaws and the uncertainties surrounding its implementation, Washington gave something away on the nuclear front in order to gain much more on other fronts; it hoped to win the support and cooperation of India – a strategically located democratic country of growing economic importance – to help the United States confront the challenges that a threatening Iran, a turbulent Pakistan, and an unpredictable China may pose in the future. Washington's decision to trade a nuclear-recognition quid for a strategic-partnership quo was a reasonable move.²

Carter's comments are how supporters of the nuclear deal champion its strategic significance. President Bush has commented the India deal “will help American businesses create more jobs for our people at home.”³ Indian Prime Minister Singh describes the U.S.-Indian relationship as “reshaping the world.”⁴ Yet, to assess the potential of this strategic cooperation, it is critical to first understand what each country is asking for and willing to commit.


⁴ Ibid.
In the near term, the United States looks for India’s continued commitment to support efforts in forcing Iran to end its reported nuclear weapons program. India, despite close relations and convergence of interests with Iran, voted against Iran in the IAEA in 2005, which took Iran by surprise. However, because India’s relationship with Iran in some key strategic areas, holding a high-technology, diplomatic, intelligence, and military partnership with them since 2001, the vote forced the Indian government to quickly play down its vote to the Indian and Iranian public.\(^5\)

To appease anger by Indian and Iranian opposition parties, Indian officials said its decision was based on 'very careful consideration' and aimed at averting a 'major confrontation' between Tehran and the international community.\(^6\)

A hurt Ali Larijani, Secretary of the Iran Supreme National Security Council, was reported as saying: "India was our friend." Former external affairs minister and senior BJP leader Yashwant Sinha charged that the UPA Government had made India a ‘client state’ of the U.S.\(^7\)

\(^5\) Fair, *India-Iran Security Ties*, 260


\(^7\) Ibid.
Denying that India acted under U.S. pressure in voting against Iran's nuclear program, Defense Minister Pranab Mukherjee said New Delhi's stand gave more time for diplomacy. "We took a stand that Iran should be given more time for peaceful resolution of the issue. The issue should not be sent to the Security Council ...but to the Board of the IAEA," he said. "What we wanted has been taken care of," he added.8

Thus far, India has demonstrated its ability to balance finely its need for Tehran and its interest in securing its ties with the U.S., but as the international community steps up its efforts to prevent Iran from developing weapons of mass destruction, India will have to take a more definitive position than it has in the past, as it is issues such as this will require India to break from its historic position of nonalignment now that it demands a voice on the international stage.

India, on the other hand, expects the terms of the nuclear agreement to be honored – the free exchange of nuclear fuel and technology from the U.S. and other foreign assets without having to officially sign on to the obligations of the NPT (a benefit which they have in principle). It is a benefit that poses a risk for the United States and challenges its long-held stance on the issue of nonproliferation, as the sale of nuclear fuel and nuclear technology to India could directly or

8 Ibid.
indirectly assist India’s nuclear weapons program and so implicate the United States and others in violating Article 1 of the NPT (which prohibits such assistance to any state that did not have nuclear weapons before 1967). Although, the legislation President Bush signed does make clear that Congress is keen to avoid such violations, highlighting U.S. policy to strengthen the NPT, IAEA and NSG, and encouraging India to limit the expansion of its nuclear strategic forces, the nuclear accord still provokes issues that must be confronted.

For both the U.S. and India, there will be expectations and political motives that confront existing alliances and challenge long-held beliefs. Will these steep prices for strategic cooperation assure the two nations meet such high expectations? Will nuclear cooperation strengthen the U.S.-Indian relationship, or as critics suggest, die due to an unwillingness to part with the past?

**Strategic Cooperation**

For the United States, the long-term improvement of relations with India has a strategic logic. India’s economy has grown at impressive rates over the past decade, and New Delhi is trying to play an active role in the international community. India shares with the United States a deep sense of threat from terrorists and is unsure about a rising China. Moreover, The United States needs India to understand that it must maintain good
relations with its rival Pakistan. Therefore, there are fundamental interests in assisting India’s rise as a prosperous democracy that contributes to international security in a volatile region.

For its part, India wants to be a great power in the region and in the world, and there is no doubt that New Delhi equates great power with nuclear strength.⁹ Encompassed in this grand objective of becoming a great power are India’s immediate concerns: combating terrorism, settlement of the Jammu and Kashmir borders on favorable terms, diversification of its energy supply, checking a China that New Delhi believes is encroaching on its sphere of influence, and maintaining good relations with Iran to ensure a stable supply of oil and gas. And as Dan Blumenthal, a resident fellow at the American Enterprise Institute, highlights, “Securing America’s recognition as a nuclear weapon’s state happens to be the crown jewel.” ¹⁰

For years, India has taken the position that the global nonproliferation regime was the strong countries’ way of maintaining a monopoly on nuclear power – a position that has been the major impediment in U.S.-Indian relations. Case in point, India’s testing of

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⁹ Blumenthal, *Will India be a better strategic partner than China*, 345.

¹⁰ Ibid.
nuclear weapons in May 1998 was a deliberate challenge to the United States as it promptly declared itself to be a nuclear weapons state.

As Strobe Talbott, president of the Brookings Institution and former deputy secretary of state under the Clinton administration writes, “India’s decision to set conduct nuclear tests was a manifestation of long festering differences over the rules governing the international system and our countries’ self assigned positions in that system.”

Talbott goes on to point out that from an American perspective what was at stake with the 1998 tests was the stability of the global nuclear order. If India felt it had to have a bomb, other countries would be compelled they must have one too, and the world would become a much more dangerous place.

Yet, the Indians saw the matter in terms of sovereignty, security, and equity, and the Indian government was disinclined to compromise on that position. “The Indians conducted their test knowing that it would provoke American castigation but also hoping it might have another consequence; perhaps it would force the United States to pay them


12 Ibid.
serious, sustained, and respectful attention of a kind the Indians felt they
never received before,” writes Talbott.13

And under the Clinton administration and through the Bush
presidency, with the nuclear agreement, Washington broke with long-
standing U.S. policy and has openly acknowledged India as a legitimate
nuclear power, ending New Delhi’s 30-year quest for such recognition. In
addition to nuclear technology, India is also the beneficiary of American
advanced defense and space technology, and all India had to commit
itself to were policies it had already been pursuing – combating terrorism
and engaging in high-level dialogues on the economy, space, defense,
and energy.14

By outlasting and outtalking the U.S. in the marathon of diplomacy
spurred by the test – by not compromising – the Indians proved their
resolve and resilience. This outcome can either be viewed as a
concession by the United States, or as the turning point in U.S.-India
relations. If the latter is to hold true, it is up to the Indians now to
reciprocate the good will generated by the nuclear deal.

Proponents of the agreement maintain that it is probable that when
the history of the George W. Bush administration is written, the

13 Ibid., 5.

14 Carter, The India Deal.
transformation of the U.S.-India relationship will be judged as the
President’s greatest foreign policy achievement. Tellis writes that “its
success, if sustained through wise policies and skillful diplomacy by future
administrations, will portend enormous consequences for the future
balance of power in Asia and globally to the advantage of the United
States.”¹⁵

The principle value in transforming the U.S.-India relationship is to
bring together two nations that share a democratic heritage – a link
reinforced by the new dramatic convergence of national interests between
the United States and India. Tellis writes, “Today and for the foreseeable
future, both Washington and New Delhi will be bound by common
interest.” He identifies that common interest with eight shared realities:

1. Preventing Asia from being dominated by a single power
2. Eliminating threats posed by state sponsors of terrorism
3. Arresting the further spread of weapons of mass destruction
4. Promoting the spread of democracy in a strategic region
5. Advancing the diffusion of economic development
6. Protecting the seas which flow goods and services that are critical
to the global economy
7. Preserving energy security

¹⁵ Tellis, What Should We Expect From India, 231.
8. Safeguarding the global environment

For the first time in memory, American and Indian interests in each of these areas are strongly convergent, but it does not imply cooperation will be automatic. The differentials in raw power between the United States and India are still too great and create differences in operating objectives. Bilateral cooperation will be hindered by competing national preferences over the strategies used to realize certain objectives, and differences in negotiating methods and tactics will divide the two sides at times. And although the issue of competing national preferences and differing negotiating tactics is not unique to the United States and India, we are at a juncture in this global world where alliances must share the equal burden if they want to reap the equal rewards. No longer can nations such as India excuse themselves from the pain of tough decisions under the excuse of being a developing nation; not when it demands an equal seat and an equal voice on the international stage. The true success of the nuclear agreement will depend on India’s ability or willingness to step up.

Yet, if bilateral cooperation cannot be assumed automatically, supporters insist that the common vision the two nations share of which end-states are most desirable will endure the growing pains of the

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16 Ibid., 241-2.
developing relationship. Arguing, while strategies may differ, there are no differences in vital interests, and the end game cannot be reached without the cooperation of the other.¹⁷

On the surface, these realities just might provide the basis for a strong practical relationship between the United States and India. They are realities that do not define U.S. bilateral relations with any other major player in South Asia, and the fact that the United States and India have never threatened aggression toward one another, even in moments of deep disagreement, provides a level of security. U.S. relations with neither Russia nor China share any comparable protection.

Typically, when the value of the U.S.-Indian relationship is at issue, the first question from critics is “what will India do for us?” But, as supporters highlight, the real question should be, “is a strong democratic (even if perpetually independent) India in American interest?” And the answer to this fundamental question is “yes.”¹⁸

However, nuclear deal or no nuclear deal India would have still remained a strong democratic country regardless. The fundamental question now, as the global community faces serious threats to its economic and physical security is what will India do for us? The learning curve is over and if democratic

¹⁷ Ibid., 243

¹⁸ Ibid.
nations that strive for independence are going to succeed they will need the collective cooperation of everyone, including India.

Advancing the growth of Indian power consistent with this intention is fundamental to the United States. Assisting India to become a major world power is imperative to constructing a stable geopolitical order in Asia that is conducive to peace and prosperity. There is little doubt that the Asian continent is poised to become the focus of capabilities in international politics, and an Asia that hosts economic power of such magnitude, along with its strong and growing connectivity to the American economy, will become an arena vital to the United States.

Considering this fundamental question – that India’s growth in power is valuable to the United States principally not because of what it does for the U.S., but because of what it enables India to become in the context of an emerging Asia – does not necessarily mitigate the concerns of the nuclear deal’s price. The tactic of nuclear cooperation and questionable alliances cannot be ignored.

The U.S.-India nuclear cooperation agreement provokes three significant political issues. It raises questions about India’s alliances with rogue governments such as Iran, creates confrontation with its neighbor Pakistan, and provides a set back of the U.S. policy of nonproliferation.
The Iran Factor

On March 15, 1950, New Delhi and Tehran signed a treaty, which called for “perpetual peace and friendship.” In principle, this document committed the two nations to amicable relations. However in practice, the two were mired in Cold War alliances. Iran, under the leadership of Mohammed Reza Shah, had close ties to the United States and Pakistan, while India, preferring to stick to its tradition of nonalignment, was forced to forge close ties with the Soviet Union, who became India's primary defense supplier.

Significant improvements in relations between India and Iran did not materialize until the end of the Cold War. The turning point in bilateral relations came in 1993, with then Indian Prime Minister Narasimha Rao’s state visit to Iran – the first by an Indian Prime Minister since the 1979 Iranian revolution. The visit paved the way for the first of many high-level talks between the two nations and eventually led to the 2001 Tehran Declaration, signed by Indian Prime Minister Vajpayee and Iran’s President Mohammed Khatami. The Tehran Declaration laid the

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20 Fair, India-Iran Security Ties, 259.
foundation for Indian and Iranian cooperation on a wide array of strategic issues, including defense cooperation.\textsuperscript{21}

Two years later, both leaders promoted their alliance during a visit to India by President Khatami and signed the New Delhi Agreement.\textsuperscript{22} Timely was the agreement in that it came during the U.S. build up of military forces in the Persian Gulf, just prior to the second U.S. war with Iraq, and when there was an unprecedented expansion of U.S.-India military ties. Substantive was the agreement in that it built on the Tehran Declaration, extending the two nations into deeper levels of military cooperation. Revealing was this agreement in that it came during a time when India was also forging closer ties with the United States, foreshadowing that India will promote its own self-interests regardless of tension its alliances might share.

India’s relations with Iran are likely to remain a high priority, and the United States needs to think through the regional implications of the Indo-Iranian relationship, and how the deal of nuclear cooperation will have import for the region.

Both opponents and proponents of the U.S.-India nuclear deal have questioned the strategic and military ties that New Delhi and Tehran have

\textsuperscript{21} Ibid., 260.

\textsuperscript{22} Ibid.
heralded as great achievements. India’s votes at the IAEA against Iran in September 2005 and February 2006 were important tests for the dubious, but there were early signs leading up to each vote that India would either abstain or oppose the United States on this issue. Notably, India’s Foreign Minister Natwar Singh declared in October 2005 that India would not support U.S. efforts to refer Iran to the United Nations Security Council, they eventually did with the February 2006 vote. In fact, India has characterized its role in the vote, to Iranian audiences, as working assiduously to ensure that the international community voted on the merits of the issue and not on the ideology of the West.  

The position India took in these two votes demonstrate its preference to balance its ties with Iran and the international community. However, as Iran blatantly challenges the world with nuclear ambitions and ruthless elections, India will have to be more definitive in its objections with Iran. Whether or not the U.S.-India nuclear agreement will diminish India’s relationship with Iran is still in question, but it is part of that fundamental question stated earlier: What can India do for us?  

Indian analysts and defense managers often describe India’s strategic environment in terms of the entire Indian Ocean – reaching as far west to the eastern coast of Africa, extending east to the South China

\[\text{\textsuperscript{23} Ibid.}\]
Sea, up through the north to Central Asia, and down south to the extents of Antarctica as illustrated below.  

India’s Ministry of Defense Annual Report (the closest alternative to a national security strategy document) identifies functional areas of concern within this operating environment. Chief among of the national security concerns, the document notes, “Energy security is particularly crucial to India for two main reasons: the country’s dependence on imports of fossil fuels and the physical proximity of the two energy rich areas of the

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24 Indian Ministry of Defense Annual Report, *The Security Environment*, 2006. (Google Map of South Asia highlights the scope and breadth of India’s Strategic Environment, and demonstrates the sensitive relations it must manage with its neighbors).
Gulf and Central Asia, where competitive access rivalries contain inherent tendencies towards conflict involving outside powers.”

To combat these regional challenges India has a number of strategic goals. The first is to become a preeminent power, second is to foster stability by shaping regional security arrangements, and third is to proactively prevent developments that fundamentally challenge its interest by relying on its soft power: economic and political sources of influence. Concurrent with these goals has been India’s policy of maintaining a sophisticated, but complex, set of relations with the Middle East, from Israel and Iran.  

Iran Matters

Iran matters for India because of its strategic objectives in Central Asia, where both states have complimentary interests. India sees Central Asia as a theatre to develop economically in the commodities rich region, and as a way to compromise Pakistan’s notion of strategic depth. And both India and Iran share concerns about domestic security in their neighborhood, fear of a resurging Sunni Islamist power in Afghanistan, and are uncomfortable with the role the United States has played in the

\[25\] Ibid. (Other areas of issue are the spread of extremism, conflicts in Afghanistan, Iraq and North Korea, and a number of economic challenges).

\[26\] Fair, *India-Iran Security Ties*, 264.
region, although both share very different relations with the United States.  

Commercial and Energy Ties

Iran and India are optimistic about the commercial benefits of Central Asian markets and hope to share in the profits of a North-South Transit Corridor with Russia – a network of ports, roads and rail projects. Russia, Iran, and India signed this agreement (called the Inter-Governmental Agreement on International “North-South Transport Corridor”) in September 2000 in St. Petersburg, Russia. This North-South corridor permits the transit of goods from Indian ports to Iran’s port of Bandar Abbas and eventually Chahbahar, which would then eventually be transferred to ports in Russia, and extending onward to Northern Europe. Indian officials are enthusiastic about the route because it will reduce travel time and transport costs to move goods.  

And this is an important deal for the region, but it does create a complex set of relations between India and two nations that pose diplomatic challenges to the United States: Iran and Russia.

27 Ibid.

28 Currently, India claims that the port of Chahbar will be a commercial port. However, others in the region – Pakistan and China – fear that once complete, Indian naval vessels will have a presence there (Source: Fair, India-Iran Security Ties, 264).
Defense and intelligence ties

Overall, the relationship between India and Iran appears to be promising. In 2003-04, trade between them was $1.18 billion, up from $913 million in 2002-03. Defense exports contribute to part of that number, highlighting the military relationship the two share.

Indian analysts believe that the 2003 New Delhi Declaration will boost armament exports to Iran, a view shared by Iranian analysts as well. Iran sees India as a partner in its efforts to fortify and modernize its defenses and hopes that India will provide expertise in electronics and telecommunications as well as upgrades for many of its legacy Russian weapons systems. India has been anxious to become a source of conventional military assistance providing modern weapons platforms to Iran, and is looking to Central Asia for additional buyers its services.

There have been various and consistent reports of specific military deals cut between India and Iran. According to Indian press, India has trained Iranian naval engineers in Mumbai, and there have been several news reports (albeit of uncertain authority) of a bilateral accord that will

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30 Fair, India-Iran Security Ties, 280.
permit India to access Iranian military bases in the event of war with Pakistan. If true, this in principal will put Iran in opposition to Pakistan.\(^{31}\)

What does this mean and how does it square with U.S. assertions that the Indian government tells us they don’t have a significant defense relationship with Iran? If you look at the figures that are available to the Congressional Research Service (CRS), the data reveals that India does not appear to be that close with Iran. The largest suppliers of major conventional weapons systems to Iran are Russia (72 percent in 2005) and China (18 percent in 2005).\(^{32}\)

Thus, when measured in metrics, the U.S. administration and Indian government is correct that the Indo-Iranian relationship is not that significant as media reports might indicate, however, as the foregoing discussion demonstrates, much of what India has done to date would not appear in such databases (i.e. weapons upgrades, defense modifications, military training, etc.). There are implications should India and Iran increase their joint military capabilities.

From a regional security point of view, the presence of Indian engineers at Chahbahar and Indian military advisors and intelligence officials in Iran confers to India a significant access to Iran that may have

\(^{31}\) Ehsan Ehari, “As India and Iran Snuggle, Pakistan Feels the Chills,” Asia Times, 11 February 2003.

\(^{32}\) Sipri Arms Transfer Database
tremendous import for India’s ability to project force in relation to Pakistan and Central Asia, which can provoke the insecurities of a fragile, yet hostile Pakistan.

India’s relations with Iran cannot be reduced to India’s energy requirements. Rather, evaluation of India’s relationship with Iran must take into consideration the fact that India has great power aspirations and that Central Asia is an important theatre for India’s power projection. Again, because India’s relations with Iran are likely to remain a high priority, the United States needs to think through the regional implications of the Indo-Iranian relationship, and how the nuclear deal of nuclear cooperation will have import for the region.

Most Indian officials dismiss the concerns of its relationship to Iran by suggesting that India’s bilateral ties with Iran may make India more valuable to the United States rather than less. And while this scenario may have appeal and possibility, it causes a number of uncertainties, especially given India’s position of nonalignment in the face of confrontation and its tendency to think of its foreign agenda in the Cold War scope of Pakistan and not the broader context of a stable world order.
The Pakistan Factor

From a global security point of view, this projection directly conflicts with U.S. efforts to see Pakistan as a strategic ally in the war on terror, and the very nature of India’s strategic actions and the U.S. involvement with India creates an insecure and un-cooperating Pakistan.

This is a very dangerous situation. Pakistan, in a sense, got a tough hand in the division of India, in 1947. It inherited the fractious tribal areas. It did not inherit the Congress Party, which gave a sense of unity to India that Pakistan did not enjoy. And it has been unable to deal with democracy. There have been continued upheavals in Pakistan – the civilian government grows corrupt, or inept, or both, the military kicks them out, runs the country for a while, then turns it back to the civilians.

When Pakistan was young, the United States was one of its closest allies, and it relied on the U.S. for security. After the second Indo-Pakistan War, however, the U.S. put sanctions on both India and Pakistan and stopped selling them military equipment. It didn’t matter to the Indians, because it had an arms industry, compliments of its Cold War relationship with Russia. The Pakistanis did not. The sanctions disrupted its sense of security and started its drive for nuclear weapons.

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33 Ignatius, *America and the World*, 143.
As the Pakistanis began to build nuclear capability, the U.S. levied more sanctions, increasing Pakistan’s insecurity until, eventually, the U.S. got the Pakistan of today – dynastic parties with significant tribal bases.\textsuperscript{34}

It’s going to take skill to prevent an explosion. A Pakistan in chaos could be a fatal attraction for India to solve the Kashmir problem, which would certainly have repercussions in Afghanistan.\textsuperscript{35}

Thus far, the U.S. embracing of India and India’s interest in limiting Pakistani influence in Afghanistan is driving the Pakistanis into some rash actions, which are worrisome. How Pakistan chooses to respond to India’s bold moves to become a dominant player on the global stage and the U.S.-India nuclear agreement will have implications for the security of the region and beyond.

\textit{Nonproliferation}

The U.S.-India nuclear agreement also undermines the continued effort to impede nuclear proliferation. It is dangerous to assume the virtues of nuclear power in both its forms, civilian and military. Instead of dealing with concerns raised by nonproliferation specialist, architects of the legislation negate them by dismissing them as insignificant when

\textsuperscript{34} Ibid.

\textsuperscript{35} Ibid.
compared to the broader and historical change nuclear cooperation with India brings.

Some experts say, China's rise in the region is prompting the United States to seek a strategic relationship with India. "The United States is trying to cement its relationship with the world's largest democracy in order to counterbalance China," says Charles D. Ferguson, Council on Foreign Relations.36 Henry Sokolski executive director of the Nonproliferation Policy Education Center, a nonprofit organization dedicated to improving awareness of proliferation issues says, "[Washington is] hoping that latching onto India as the rising star of Asia could help them handle China."37

By asserting that a more robust Indian nuclear arsenal can help balance the power in South Asia, the United States sends an inflationary signal to the global marketplace. To be sure, the signal is even stronger to the degree that Washington is rewarding India by removing all long-standing policies that penalize states acquiring nuclear weapons, and devalues the restraint that countries such as Argentina, Brazil, Germany, Japan, South Africa, South Korea, Sweden, and others have exercised in the pursuit of nuclear weapons.


37 Ibid.
Might countries like Iran now assume they can adopt the Indian model? Granted India and Iran have vital differences, and what is being done for India will not be done for Iran. Still, Iran is civilization on par with India; it has greater energy resources and occupies a vital geostrategic region as well. Therefore, as a consequence, many Iranians speculate that the United States will eventually subordinate nonproliferation objectives and allow Iran to pursue its nuclear ambitions, just as it did with India.\[^{38}\]

Certainly, the United States will try to deprive Iran and other hostile countries from acquiring this technology precisely to prevent limitations on American power projection. Yet Washington’s capacity to rally the international community is impacted by the strategies it is employing on Iran and the broader context of the U.S.-India nuclear agreement.

If states in the volatile region of the Middle East and Asia move to acquire overt or recessed nuclear weapons capabilities, the United States, as the world’s greatest power will face an overwhelming challenge. As Henry Kissinger recently wrote:

> The management of a nuclear-armed world would be infinitely more complex than maintaining the deterrent balance of two Cold War superpowers. The various nuclear countries would not only have to maintain deterrent balances with their own adversaries, a process that would not

\[^{38}\] Ignatius, *America and the World.*
necessarily follow the principles and practices that have evolved over decades among the existing states. They would have the ability and incentives to declare themselves as interested parties in general confrontations.\textsuperscript{39}

Beyond increasing the potential of more difficult balance-of-power challenges, the deal undermines international institutions and rules vital to a cooperative security model. It is difficult to see how this approach strengthens the NSG and IAEA.

In effect, by grandfathering India’s breakout nuclear weapons program into the nonproliferation treaty and excluding its fourteen reactors from international control damages U.S. credibility. As former National Security Advisor under President Carter, Zbigniew Brzezinski, recently commented:

These fourteen reactors are producing weapons. Excluding them from international control has potentially significant implications, even in terms of the military balance in the Far East. If the Indians were to significantly increase their nuclear arsenal, would the Chinese stick to their minimum nuclear deterrence posture? I don’t think we have thought through the strategic implications of this.\textsuperscript{40}

The bottom line is this: The U.S.-India nuclear deal is touted as some monumental achievement by supporters and some

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\textsuperscript{40} David Ignatius, \textit{America and the World: Conversations on the Future of American Foreign Policy} (New York, NY:Basic Books, 2008), 144.
\end{flushright}
dangerous precedent by contractors, when at the end of the day its outcome is political impact is still to be determined? The point is that there are more uncertainties and questions than there are solid answers. Is the United States expecting too much? Will India prove to be a strong ally in the future? Are the issues with the nuclear agreement over exaggerated or is the actual achievement of the nuclear agreement over played? Who knows, but as this paper will go on to discuss the fact remains while so many questions and uncertainties surround what could be a great step forward in forging ties between two powerful nations, there are a number of substantive issues that have yet to be addressed that could have even a greater impact while the nuclear deal was being debated, crafted, and sold.
CHAPTER 4
THE FINE LINE IN THE BOTTOM LINE

It is argued that the U.S.-India nuclear agreement makes considerable sense from an economic perspective. Among these arguments are the assertions that: it will make India less reliant on unstable sources of oil and gas; that India requires nuclear energy to meet its GDP growth targets; that nuclear energy can improve the environment significantly and enhance energy independence; and that the strategic relationship will open opportunities to U.S. industry.¹

In fact, it can be argued that this economic perspective was the undercurrent that kept the nuclear agreement moving forward. While the Bush administration made India the most important emerging U.S. strategic partner because of a rising China, an unabated growth of Islamic militancy in Pakistan and Afghanistan, and its convenient location between the shipping lanes of the South Pacific and the Persian Gulf, a commentary on the influence of economics in history by the Economist is quite apropos to the U.S.-India Nuclear Agreement:

Napoleon dismissed Britain as a nation of shopkeepers, but its emerging might as a trading power helped fight him off. In the cold war Western strategists

¹ Blumenthal, *Will India be a better strategic partner than China*, 345. This is a position that has been communicated by several sources earlier in this paper.
probably spent too much time worrying about the Soviet Union’s military clout and not enough analyzing its commercial frailties. Economics does not determine history, but it does provide the backbeat.²

**Economic Relationship**

After decades of strained political and economic relations, the U.S. and Indian governments are currently pursuing a strategic partnership based on a number of mutual interests, shared values, and perhaps more importantly, improved economic and trade relations. India is in the midst of a rapid economic expansion. As the current Indian government seeks to continue the economic reforms started in 1991, aimed at transforming a quasi-socialist economy into a more open, market-oriented economy, many U.S. companies view India as a lucrative market and a candidate for foreign investment.³

The United States is one of India’s largest direct investors and is India’s largest trading partner. And while levels of U.S.-India trade are relatively low compared to trade relations with other nations, they are

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blossoming; the total value of bilateral trade has doubled since 2001 and the two governments intend to see it doubled again by 2009.\textsuperscript{4}

The United States is also India's largest investment partner; with American direct investment of $9 billion accounting for 9% of total foreign investment into India. U.S. companies have made notable foreign investment in India's power generation, telecommunications, ports, roads, petroleum exploration/processing, and mining industries.\textsuperscript{5}

India's accelerating economic growth attracts huge investment by major U.S. corporations. Conversely, the U.S. is the largest market for India's information-technology outsourcing industry and potentially for a host of "made in India" items ranging from automobiles to agricultural products.\textsuperscript{6}

India has one of the largest and fastest growing economies in the world. India’s real gross domestic product (GDP) rose by 9.2% in 2006 — a growth rate second only to China among Asian nations. The strong GDP

\textsuperscript{4} In 2008, the United States exported $19 billion worth goods to India and imported $26 billion worth of Indian goods. Major items exported by India to the U.S. include information technology, textiles, gems and diamonds, chemicals, iron and steel products. Major American items imported by India include aircraft, fertilizers, computer hardware, scrap metal and medical equipment (See http://www.census.gov/foreign-trade/statistics/country/index.html).


\textsuperscript{6} Ibid.
performance in 2006 capped five years of rapid economic expansion, transforming India into the third largest economy in Asia (after Japan and China). Yet, despite this recent growth, India’s economy confronts several challenges to its future prosperity – lack of infrastructure, bureaucratic obstacles, and environmental degradation. And critics of the Indian government’s attempts at economic reforms opine that they are progressing too slowly.

Even with the continued strength of the economy and the Singh government’s attempt to balance its economic policies, many analysts see India facing a number of economic challenges and believe there are still several important economic reforms that India needs to make to increase the benefits generated by its economy. Therefore, making the hope that the nuclear agreement will significantly open opportunities for U.S. industry rather uncertain.

In March 2007, Prime Minister Singh addressed a roundtable hosted by the Economist magazine. In his remarks, Prime Minister Singh provided a fairly comprehensive overview of his administration’s view of the current status of the Indian economy, arguing that India’s economy will probably continue its rapid growth for another decade or more. In light of India’s past and planned reforms, he stated, “I find it surprising when I

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7 Martin and Kronstadt, India-U.S. Economic and Trade Relations, 2.
continue to hear complaints about our economy still being a relatively inward-looking economy.”

Washington, however, seems to hold a different view of India’s economic conditions, maintaining that the Singh government ought to push forward more actively with its economic reforms. In September 2006, U.S. Ambassador to India, David Mulford, said to an audience in New Delhi:

Today's business environment in India is more favorable to trade and investment. But there are signs of a pause in the reform process in recent months. Privatizations have stopped, and political reality suggests that reform of other key sectors and policies of central interest to investors will take longer than envisioned. It is important to bear in mind there are serious economic costs to any loss of momentum on the reform front...The solution to attracting much greater private sector investment in energy and infrastructure development is a blend of policies that includes better governance, market sensitive regulatory regimes, continued liberalization of the financial sector that enables foreign and domestic private capital to finance major projects, and the timely resolution of investor-state disputes.

Notwithstanding these tests, however, Prime Minister Singh maintains the U.S.-India nuclear agreement has "symbolic significance" and that "it may be remembered in time as a watershed event for India." He notes that for all the rhetoric about Pakistan being a major ally in the

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8 “Prime Minster’s Address at ‘The Economist’ Round Table on India,” The Economist, 13 March 2007.

9 See [http://www.state.gov/p/sca/rls/rm/2006/72175.htm].
United States' war on terror, "the U.S. has refused point blank on any kind of parity between Pakistan and India in the nuclear domain." He attributes that stance to the fact that "India has always played by the rules, even though it is not a signatory to the NPT, whereas Pakistan has been a nuclear proliferator with supplies to Iran, Libya, North Korea and perhaps others."

Saikat Chaudhuri, management professor at the Wharton Business School, feels that it is this symbolic value of the U.S.-India nuclear agreement that will be significant for long-term planning between the U.S. and India, "whereas in earlier years you had to always include a caveat" about how the relationship would evolve. "In the past, there has always been a certain amount of mistrust between the two countries, which has perhaps prevented closer ties and led to some political uncertainties over the last 20 to 30 years," says Chaudhuri, who now sees clear signals from the U.S. that it "wants to engage India" for both economic and geopolitical reasons.10

Both governments appear to be committed to improving trade relations. On March 2, 2006, President George W. Bush and Indian Prime Minister Manmohan Singh endorsed the goal of doubling bilateral trade in

three years. And on October 9, 2008, President George W. Bush signed into law the bilateral nuclear agreement with India: H.R. 7081, the United States-India Nuclear Cooperation Approval and Nonproliferation Enhancement Act.

Trade and investment between the two countries is promising. American corporations expect to earn between $20 billion and $40 billion as a result of the nuclear agreement alone as U.S. manufacturers compete to supply this growing new industry. Indian corporations, increasingly flexing international muscle and actively seeking to expand exports, in turn are coveting the U.S. market as intensely as their U.S. counterparts are examining India.¹¹

For U.S. companies, multi-billion dollar opportunities are opening up. "It is not just in the nuclear area," says Shivanand Kanavi, a commentator on technology issues who is currently writing a book on India's nuclear program and is the author of *Sand to Silicon*, a book on the digital revolution. "There are opportunities at several levels and in several sectors."¹²

¹¹ Ibid.

¹² Ibid.
Nuclear Market

Financially, the U.S. anticipates that the nuclear deal will spur India's economic growth, bringing in $150 billion in the next decade for nuclear power plants. According to an August 9, 2008 Bloomberg News report, "Areva, the world's largest maker of nuclear power stations, and General Electric, are among four companies poised to share $14 billion of orders from India as nations led by the U.S. lift a 33-year ban. Toshiba's Westinghouse Electric and Russia's atomic energy agency Rosatom will probably also win contracts to each build two 1,000 megawatt reactors, according to S.K. Jain, chairman, Nuclear Power Corp. of India.

Bloomberg adds, "The orders will form the first phase of Prime Minister Manmohan Singh's plan to build 40,000 megawatts of nuclear capacity by 2020, equivalent to a third of current generation. India needs to add to the 3% of electricity that comes from Russian-designed reactors to meet soaring energy needs and reduce its reliance on coal-fired power plants." The report also quoted one source who said India would "try to

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13 Linzer, *Bush Officials Defend India Nuclear Deal*.

diversify its suppliers and it's highly likely all four [Areva, GE, Westinghouse and Rosatom] will win the contracts.”

These numbers are extrapolated from the Indian nuclear industry’s plans to increase nuclear power output from around 3,500 MW now to 60,000 MW over the next three decades. The Atomic Energy Commission has doubled its target for 2024 from 20,000 MW to 40,000 MW. Nuclear energy today accounts for barely 3% of India’s total generation of 120,000 MW. The nuclear agreement was conceived as it’s a major step in enhancing Indian energy supplies, thus facilitating more rapid economic growth.\textsuperscript{16}

However, the developmental economic advising firm Dalberg, which advises the IMF and the World Bank, moreover, has done its own analysis of the economic value of investing in nuclear power development in India. Their conclusion is that for the next 20 years such investments are likely to be far less valuable economically or environmentally than a variety of other measures to increase electricity production in India. They have noted that U.S. nuclear vendors cannot sell any reactors to India until India caps third party liabilities or establishes a credible liability pool

\textsuperscript{15} Ibid.

to protect U.S. firms from being sued in the case of an accident or a terrorist act of sabotage against nuclear plants.¹⁷

Before it can exploit its thorium, to name only one obstacle, India must first breed plutonium at a viable cost and scale. John Stephenson and Peter Tynan of Dalberg, do not expect much from thorium before 2050 at best. In the meantime, India hopes its new license to import uranium will allow it to quintuple its nuclear-generated electricity by 2020. But even that will meet only 5% of its projected demand, according to Mr. Dalberg. India cannot fulfill its nuclear aspirations without foreign help, and its nuclear plans, even if realized, can meet only a fraction of its vast energy needs. As the Economist writes in reaction to the Dalberg study, “Some constraints, sadly, do not yield to either diplomatic or atomic power.”¹⁸

Defense Market

With the nuclear deal, the U.S. is also fast emerging as a potent challenger to Russia, Israel and France in supplying military hardware and software to India, one of the world's largest arms importers. While there may be no direct correlation between the Bush administration's role in changing the global nuclear architecture for India and defense deals, New

¹⁷ Ibid.
Delhi's geopolitical considerations will certainly be an important factor in determining its arms purchases.

Pentagon officials have said they expect India to start purchasing as much as $40 billion worth of conventional military equipment as a result of the nuclear deal. The current U.S. Nonproliferation Act has prevented India in the past from acquiring a wide range of U.S. military technology that include components which could be used for nuclear programs.\textsuperscript{19}

Since the Kargil conflict, India has spent a whopping $25 billion in defense imports, with Russia, Israel, France and UK cornering most of the contracts. Russia, leads the pack with annual arms sales to India worth around $1.5 billion, followed by Israel with $1 billion.\textsuperscript{20}

Now, with India poised to spend another $40 billion over the coming five to six years, the U.S. is obviously keen to grab some of the lucrative contracts. "Well, we have very intensive ties with the U.S. across the entire military spectrum now. And armament purchases are a prominent factor in the relationship," said a top Indian defense official, which comes on the heels of India’s biggest-ever defense deal with the U.S. – the one to

\textsuperscript{19} Ibid.

buy eight Boeing P-8i long-range maritime reconnaissance aircraft for $2.1 billion.  

Still, what the U.S. is really focused on is the Indian Air Force’s project to procure 126 multi-role combat fighters, with Washington aggressively hawking the Boeing F/A-18 Super Hornet and the Lockheed Martin F-16 Falcon.  

However, even with the new strategic partnership between the United States and India, symbolized with the nuclear agreement, it will not be a complete cakewalk for U.S. firms, which will have to compete with Russian MiG-35, the Swedish Gripen, the French Rafale, and the Eurofighter Typhoon (a consortium of British, German, Spanish and Italian companies.  

Further Opportunities

The nuclear agreement will also have spin-off benefits for Indian companies as well, as government regulations require foreign suppliers to invest 30% of deal values above $66 million in India's defense industry, wrote New Delhi-based defense commentator Siddharth Srivastava. He

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21 Ibid.

22 This information comes from personal experience having worked in the defense industry for the last five years.

23 Ibid.
points to Boeing’s recent win of an $11 billion order for 68 aircraft from Air India, and its announcement that it would invest $1.7 billion to buy goods and services from Indian companies. Lockheed Martin has approached Hindustan Aeronautics.24

The big Indian houses of Tata, Mahindra and Godrej are getting together to bid for defense projects that may open up as a result of the nuclear deal. Indian business groups with defense expertise include Tata (electronic warfare systems, embedded software), Mahindra (simulators, surveillance systems), Ashok Leyland (transport/passenger vehicles, light armored trucks), Kirloskar (naval engines) and Bajaj Tempo (armored vehicles, components). Mahindra recently announced a marketing and support deal with Seabird Aviation Jordan to supply Seabird seeker aircraft to India. "This is a natural extension of our activities in the field of surveillance for which we have obtained a license from the government of India," says Brigadier (Retd.) K.A. Hai, CEO of Mahindra Defense Systems.25

Another area where the nuclear agreement will make a difference is in space. "The deal will pave the way for lifting technology restriction regimes," says Kanavi. "One example: U.S. satellites or even satellites

24 Wharton Business School, Power Plays.

25 Ibid.
carrying U.S. components are not allowed to be launched by the Indian Space Research Organization. This might change and lead to India entering the business of space launches and satellite fabrication as a serious player. It has a price advantage of about 30% here due to the availability of high-skilled talent at low cost.\textsuperscript{26}

In addition, The Boeing Company has said the demand for new aircraft would continue in the long term, and China and India will be amongst major drivers for growth as these economies are likely to grow at much faster pace than the global GDP.

The Senior Vice-President, Sales, Boeing Commercial Airplanes, Dr. Dinesh A. Keskar, said about 29,400 new aircraft will be required over the next 20 years, of which 12,500 will be for replacement of current ones, and 16,900 new ones inducted to meet growth. The overall value of these planes is estimated at about $3.2 trillion.\textsuperscript{27}

\textit{Economic Realities}

The economic influence of the U.S.-India Nuclear Agreement provides a compelling argument for the benefits of the deal. "Ultimately, economics determines everything," says Chaudhuri, who feels those

\textsuperscript{26} Ibid.

\textsuperscript{27} “Boeing scales up demand projections from India,” The Hindu Business Line, 7 October 2008, 7.
compulsions will override the political uncertainty of the nuclear deal. To support that point, he says that despite widespread criticism of China's political system and its human rights issues, the U.S. business community is "very close to China." He says the Chinese government's investment in New York City-based private equity firm Blackstone "is very telling," as is also the recently embattled financial services giant Bear Stearns's attempt to rope in Chinese partners.28

Chaudhuri adds that it is impressive that India "stuck to its guns" in the negotiations leading up to the nuclear deal, and also won the endorsement of its scientific establishment. "What's also interesting is that India is going to keep its options open and engage various countries, including Russia and China, at the geopolitical level," he says. "That's a new reality that has to be accepted by the rest of the world." The deal also sends a clear message to the U.S. that its "unilateral actions are probably bound not to be as effective any more," he says.29

"There are some people who look askance at the 'sudden' emergence of India," says Prime Minister Singh. He argues that a longer-term historical perspective is needed, citing William Dalrymple's article in Time magazine's Asian edition August 13, 2007, in which he says the

28 Wharton Business School, Power Plays.
29 Ibid.
notion of India as a poor country is of relatively recent origin, and that as late as 1700, it was one of the wealthiest regions of the world.\textsuperscript{30}

"It may be worth reminding ourselves that at one time India was called \textit{Sone ki Chidiya} -- the Golden Bird," says Singh. "Maybe that was not just a flight of fancy after all. And India and China are simply heading back, in this post-Cold War, post-imperialism era, to their historically handsome share of world GDP and trade."\textsuperscript{31}

Yet, it is that point exactly that raises questions as to whether or not the U.S. will see any significant economic benefits from the nuclear agreement. There are still a number of hurdles India must cross before it can become a truly accessible market, and even then there is still uncertainty whether or not the U.S. can impact India’s economy as it might hope or expect.

From both the U.S. and Indian perspective, there has been a recent rapid increase in bilateral merchandise trade flows, with India’s exports to the United States out performing U.S. exports to India. However, despite the rise in the value of bilateral trade, the relative importance of the other country to the nation’s external trade volume has remained small and is well below levels seen in the decade immediately following India’s

\textsuperscript{30} Ibid.

\textsuperscript{31} Ibid.
independence. Also, over the last five years, India’s trade with China has
grown more rapidly than trade with the United States. As a result, China
has already surpassed the United States as India’s leading source of
imports, and may soon become India’s largest trading partner.\textsuperscript{32}

So given these existing challenges that have no indication of an
immediate resolution, for all the nice sentiments about a “strategic
partnership” exchanged between the United States and India, this paper
would like to quote the famed words of Rob Tidwell, the struggling wide
receiver of the Arizona Cardinals played by Cuba Gooding Jr. in Tom
Crusie’s, Jerry Maguire: “Show me the money!”

\textsuperscript{32} Ibid.
CHAPTER 5
COMPETITION OR COMPLACENCY

South Asia is as a vital element to core U.S. foreign policy interests in the 21st century. A 2009 Congressional Research Service (CRS) report details India, a dominant actor in the region, with more than one billion citizens, as often being characterized as a promising major power and “natural partner” of the United States, one that many analysts view as a potential counterweight to China’s growing influence, according to Alan Kronstadt, author of the CRS report. The report goes on to note that Washington and New Delhi have been pursuing a “strategic partnership” based on shared values such as democracy, pluralism, and rule of law. Numerous economic, security, and global initiatives, including the U.S.-India Nuclear Agreement, are underway. The latter initiative, launched by President Bush in 2005 and finalized by the 110th Congress in 2008 (P.L. 110-369), reverses three decades of U.S. nonproliferation policy. Since 2002, the two countries have engaged in unprecedented combined military exercises. Major U.S. arms sales to India are anticipated. And the influence of a growing and relatively wealthy Indian-American community
of more than two million is reflected in Congress’s largest country-specific caucus.¹

Yet, given all of these promising prospects, there is no certainty that the monumental compromise in the form of the U.S.-India Nuclear Agreement can advance the good intentions between the United States and India. At the end of the day, India remains a nation of nonalignment and the United States a nation that holds exceptional expectations. This was evident in the Cold War, it was evident in India’s development of a nuclear arsenal in the early 1990s, and it is evident now.

For almost a decade, the nuclear issue between the U.S. and India has been a point of contention for the two nations and consumed the attention of senior White House and Congressional officials. During that time, the United States has witnessed the failure of its financial markets, the collapse of manufacturing, the further deterioration of its education system, record high oil prices, a raging Middle East, a defiant Iran, a nuclear-armed North Korea, and travesties throughout the continent of Africa. And the U.S.-India nuclear cooperation agreement, whose results are highly questionable, is just another example of foreign policy developed out of short sightedness because it lacks the scope to deal with real issues.

¹ Kronstadt, India-U.S. Relations, 2.
Both the U.S. and India argue the strategic significance and moral imperative of the nuclear cooperation agreement. It is true that the two share important interests. In addition to working together on the nuclear agreement, the United States and India share numerous economic, security, and global initiatives.

Further U.S. interest in South Asia focuses on ongoing tensions between India and Pakistan rooted largely in competing claims to the Kashmir region and in “cross-border terrorism” in both Kashmir and major Indian cities. In the interests of regional stability, the United States strongly endorses an existing, but currently waning India-Pakistan peace initiative, and remains concerned about the potential for conflict over Kashmiri sovereignty to cause open hostilities between these two nuclear-armed countries.2

U.S. business interests view India as a lucrative market and candidate for foreign investment. India has been in the midst of major and rapid economic expansion. The United States supports India’s efforts to transform its once quasi-socialist economy through fiscal reform and market opening.3

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2 Ibid.
3 Ibid.
Yet, at what point do you draw the line on promoting policy of false hopes? The U.S.-India nuclear cooperation agreement demonstrates a trend in U.S. foreign policy where a country whose ties with the U.S. have evolved though generous policy decisions; and while the civil nuclear cooperation with India is an example of a significant step in strengthening relations with a democratic country in a strategic geopolitical region, the merits of such a large dispensation are debatable as demonstrated in the vast uncertainties at the time the legislation was signed into law.

The resources and time invested in a deal such as the nuclear agreement with India diverts focus from the significant challenges facing the United States. Rather than competing for economic growth through serious investment in energy, education and industry, and securing its national interests through moral leadership and tough diplomacy, it has depended too much on inflated international markets to sustain its supremacy.

Compromise did not need to come in the form of concession. From the reaction of its markets to the direction of its foreign policy, the United States is seeing the frantic pace of globalization and the anxious prosecution of the war on terror coming to a definitive point. For years now, it has competed for global business based on shortsighted opportunities and developed strategic alliances, such as the U.S.-Indian
nuclear agreement, by conceding too many advantages—a direction that has substituted competition for complacency.

The only way to compete in a competitive global environment is to be faster, stronger, and smarter than the competition. As this paper maintains, it is not protectionist to argue that shortsighted policies miss long-term opportunities, and that the United States must manage its foreign policy expectations, and not to lose sight of the bigger picture, and the critical domestic decisions that are required to move the country forward.
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