

India at 60: The India-U.S. Nuclear Deal on Hold - Crash, or Course Correction?

The Indian government has put the civilian nuclear agreement with the United States in the deep freeze rather than face sudden death and early elections. This is a blow. Both governments are emphasizing their desire to move forward, but time is short and unless the deal's opponents have a change of heart, the path around their political objections is hard to discern. Important areas of cooperation will carry on. By 2009, there will be new governments in Delhi and Washington. They will want to continue the partnership. However, this year's political fireworks in India over the agreement will make both governments very cautious about re-launching civilian nuclear cooperation if it is not approved this year.

A sudden halt: The bilateral nuclear cooperation agreement (“123 Agreement”) India and the United States announced July 27, 2007 was a move towards implementing their civilian nuclear deal, and was greeted with jubilation inside both governments. Surveys suggested that it was popular with ordinary Indians. But it faced political explosions in India. Of the three Indian groups that had expressed concerns about the deal, one, the nuclear establishment, pronounced itself satisfied with the 123 Agreement. The other two went into rising choruses of opposition. The opposition Bharatiya Janata Party (BJP), which many believe would happily have accepted the same deal had it been in power, objected on grounds that it might place restrictions on India's nuclear arsenal.



The killer objections came from the Left parties, part of the Indian government's parliamentary majority but not formally part of the government. Their problem was not with the nuclear agreement as such, but with

India's increasingly close relationship to the United States. Within the largest party of the Left, the Communist Party of India-Marxist (CPM), the pragmatists who have run the state government in West Bengal for decades wanted to go along with the agreement. In the end, however, the CPM ideologues in Delhi prevailed, arguing that India's foreign policy would become subservient to that of the United States. They were prepared to withdraw support for the government, thereby causing the government to fall and face elections a year or more ahead of schedule. It was this threat that led Prime Minister Manmohan Singh to phone President Bush on October 14, 2007 to say he was putting the deal on hold.

“Strategic autonomy”: Closer relations with the United States have been a fact of life for a decade and are a centerpiece of India's post-Cold War foreign policy, supported by virtually all major political parties. However, CPM's ideological leadership has not been part of this consensus; hence the alarm bells about the danger of India's foreign policy becoming subservient to that of the United States. “Strategic autonomy,” perhaps the most emotive foreign policy issue in India, has wide political resonance.

Relations with Iran, already a hot-button issue in Washington with the potential to torpedo U.S. support for the agreement, emerged in Delhi as a symbol of India's foreign policy independence. The U.S. nuclear legislation included a requirement that the Administration report on India's policy toward Iran. Powerful Congressmen and Senators wrote formal, public letters to the Indian government objecting to India's policy toward Iran. Key U.S. legislators took exception to India's limited military contacts with Iran and ongoing interest in a gas pipeline from Iran. This U.S. focus on India's relations with Iran was cited as evidence that India's foreign policy would no longer be

its own. Fear that the U.S. wanted to dictate Indian policy resonated even with those Indians who favored the nuclear agreement.

Unrealistic hopes? Despite the government's defense of the agreement, political India did not really seem to grasp the magnitude of the legal and policy changes the U.S. was prepared to make on India's behalf. Nor was there much public recognition that, in order to end India's "nuclear pariah status," India could not avoid the relatively modest conditions embodied in the agreement with the United States. Opponents of the deal, especially those from the political opposition and, initially, from the nuclear establishment, defined "success" in a way that made a remarkably favorable agreement look bad.

Two different democracies: The nuclear deal has turned out to be a rather uncomfortable means for Indians and Americans to learn about each other's democratic systems. The passage of enabling legislation for the deal, the Hyde Act, in December 2006, was an eye-opener for Indians. Accustomed to a parliamentary system, many assumed that a Republican



Source: U.S. Department of State

president could simply write legislation and have a Republican Congress pass it. The legislation began with great controversy but ultimately passed both houses with solid majorities. The U.S. administration was pleased with this successful effort at consensus-building, accomplished through such classic techniques as non-binding hortatory language and requirements for the U.S. executive branch to produce reports. Indians, on the other hand, felt stung by a number of provisions they found distasteful or intrusive.

What happened in Delhi after the 123 Agreement was announced was similarly a lesson for Americans. The

U.S. had made extraordinary changes in its law and its nonproliferation policy, responding to India's decades-old quest to leave the ranks of the "nuclear pariahs." Americans had not expected the Indian Left to respond by wielding its ultimate weapon—withdrawal of support from the government, leading to sudden death. Americans underestimated the emotive power of accusations that the United States was trying to dictate India's broader foreign policy. Much of the U.S. activism on Iran came from the U.S. Congress, which put it beyond the control of the Administration.

Where does the partnership stand now? Both governments are emphasizing the positive aspects of the U.S. – India relationship: vibrant economic relations, expanding trade, dynamic security relations, potential for defense trade, and dialogue on a rapidly growing list of issues. Work will continue in all these areas. U.S. Treasury Secretary Paulson will visit India in early November. More importantly, much of this work, especially in the security area, is based on important common interests. Indian Ocean security is of crucial importance to both governments. So is technical cooperation between our anti-terrorism officials. This will provide momentum to continue deepening the relationship.

But if the nuclear deal cannot be revived soon, its freezing will be a serious setback. The nuclear agreement had become the most compelling symbol of the new U.S.-India relationship. Leaving aside the feelings of U.S. negotiators who invested many hours and much jetlag in the deal, facing withering criticism from the U.S. non-proliferation community, Americans inevitably wonder how important the new relationship really is to India.

The Indian government, for its part, knew it had negotiated a good deal, which almost, but not quite, eliminated the gap between India's status and full legal nuclear legitimacy. Weaknesses in political management were a major factor in the government's decision to go slow. Indian political observers have spoken of the "democracy tax" that India pays, meaning that the process of building consensus for controversial decisions tends to be slow. India's leaders thought they had built in sufficient time to maneuver their way through the lengthy process of building consensus, but in retrospect this was incorrect.

The most troublesome question is whether India's political system is ready to sustain the rough-and-

tumble of Indian participation in global politics as a major power. In an earlier era, when Nehru was at the height of his power, India issued stirring statements on the issues of the day, but was not often called on to make choices that were truly controversial at home. Today, India competes for international attention with the major powers, and inability to follow through on an undertaking of this magnitude will affect India's reputation.

Impact on the U.S. and on India: For the United States, the freezing of the deal is a disappointment, and robs the Bush Administration of a foreign policy achievement it had hoped to cement. In the final analysis, what the United States wanted was a partnership with India; the substance of the nuclear agreement was important mainly because India had long wanted it. The United States will push forward with the rest of its agenda with India.

The Indian government undoubtedly does not want the fallout from its decision to affect other aspects of the partnership, but it will need to work hard to make sure this does not happen. India's principal short-term cost is embarrassment for the government. In the longer term, the economic impact of not moving the deal forward could be significant. As India's economy grows at over 9 percent a year, one of its major potential speed bumps is infrastructure, including electric power. Nuclear power produces less than 3000 megawatts today, or less than 3 percent of electricity generation. India's government hoped, based in part on nuclear imports, to increase this to 10,000 megawatts by 2010 and to double it again by 2020. This would still be a small percentage of total electricity generation. However, in many parts of India, supply falls far short of peak demand, which magnifies its impact. And this episode will leave foreign businesses that are new to India concerned about the risk of political "sudden death" for their own business-related negotiations.

What next? Prime Minister Manmohan Singh has emphasized that he still supports the nuclear agreement. His government's coordinating committee on that issue is continuing to meet. However, he has little time. Close observers of the U.S. congressional and political calendar believe that unless India's safeguards agreement with the International Atomic Energy Agency (IAEA) and the rules changes in the Nuclear Suppliers' Group (NSG) are concluded by January, there will not be time before the U.S. election

to have the U.S. Congress vote, as it must, to implement the 123 Agreement. There is no scope for renegotiating the text of the agreement. And apart from the difficulties he has already faced, Singh's adversaries will want to capitalize on his weakness, and will not be inclined to rescue his signature foreign policy initiative.

In 2009, there will be a new government in Washington and elections in India as well. Technically, there is no reason why new governments could not pick up the deal and continue moving forward. Both major parties in India have helped create the U.S.-India partnership. Partnership with India and expansion of India's role in the world are consensus items in American foreign policy. All the major U.S. presidential candidates have publicly cited India's importance, though most have not been specific about where nuclear matters fit into their concept of India's future.

But a new U.S. administration will be very cautious about picking up this agreement, and will need to be reassured that a new effort will end better than the last one. It will also need to put its own stamp of ownership on the agreement. This means articulating what the U.S.-Indian partnership means for them, and how a nuclear agreement serves the goals of international nonproliferation. A new Indian government will face similar pressures and will need to articulate how a revived deal addresses India's "strategic autonomy." Progress will be slow, and both governments will be determined to avoid another failure. Perhaps there is a silver lining, however: this may be one of the ways that the governments of two democracies, each of which lives daily with its own version of the "democracy tax," learn how to work together.

— *Teresita C. Schaffer*

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