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The Audit of Conventional Wisdom

In this series of essays, MIT's Center for International Studies tours the horizon of conventional wisdoms that animate U.S. foreign policy, and put them to the test of data and history. By subjecting particularly well-accepted ideas to close scrutiny, our aim is to re-engage policy and opinion leaders on topics that are too easily passing such scrutiny. We hope that this will lead to further debate and inquiries, with a result we can all agree on: better foreign policies that lead to a more peaceful and prosperous world. Authors in this series are available to the press and policy community. Contact: Amy Tarr (atarr@mit.edu, 617.253.1965).

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The U.S.-India Nuclear Deal: Triumph of the Business Lobby

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Much has been written and spoken about the U.S.-India nuclear agreement since Prime Minister Manmohan Singh and President George W. Bush unveiled it on July 18, 2005, in Washington, D.C. Since then, the U.S. Congress has virtually set aside its much touted concerns about proliferation of nuclear weapons and is nearly ready to approve the amendments to the 1954 Atomic Energy Act that will be necessary for the deal to be consummated. It appears that instead of scrutinizing the deal through the lens of energy and proliferation concerns, the focus of business interests has prevailed.

South Asia has come a long way since the days of SEATO and CENTO¹—the U.S.-sponsored pacts to contain China and keep India under check. Gone are the days when the Seventh Fleet flexed its muscle on the Bay of Bengal in support of a beleaguered Pakistan in its military campaign against the “mukti bahini”—the freedom fighters in erstwhile East Pakistan, now Bangladesh. Once the leader of the non-aligned, the Indian government has not expressed even a whimper of protest about what has been happening to Iraq, Lebanon, or Gaza. India and the United States now are “natural allies,” apparently forged primarily by mutual economic interests. But there was the China factor as well.

Although left unsaid, China entered into the calculation of both India and the United States. The Bush administration is careful not to revive the notion of the Cold War policy of containing China, but many in the Congress are not so reticent. At the same time, the Indian government is equally careful to highlight the growing normalization of relations and the growing trade ties with Beijing. But the clamor in the security community in New Delhi is all about countering China—a topic I heard repeatedly during my recent visit to the region. So its importance cannot be discounted. But the economic incentives of the deal have not earned as much scrutiny, a major oversight in the public discourse.

Selling The Deal

The deal allows India to keep its nuclear weapons and to attain, in effect, the status of a nuclear weapons state without calling it as such. India remains a non-signatory of the Nuclear Non-Proliferation Treaty (NPT). The recent agreement includes a U.S. commitment to adjust

international regimes to enable full civil nuclear energy and trade with India and, specifically, resumption of supply of fuel to the reactors at Tarapur. India would separate its civilian facilities from military ones and put them under international safeguards, would continue its nuclear-weapons testing moratorium, and would refrain from transferring enrichment and reprocessing technologies to states that do not have them.² The Bush administration has promoted the deal as a great leap forward toward building a strategic relationship with India. The business case was made as follows. The United States wanted to help India become a world power. To achieve that status, India's current economic growth—which has been running at about 7 percent for the past few years—has to be sustained, and the key enabler was plentiful energy. The Congress Party-led government of the United Progressive Alliance (UPA) secretly negotiated the agreement with the U.S. government. Neither the Indian Parliament nor the U.S. Congress was aware of the deal until it was announced. In fact, the initial opposition in America was mainly about a Republican president ignoring his party's congressional leaders on such an important matter. However, the leadership was mollified soon enough after the administration offered assurances about future cooperation.

In India, the selling job was much less difficult. Consequently, the government did not take an active role politically or otherwise, letting others to do the talking. Given the loud criticisms by the small but vocal non-proliferation community in the United States, which characterized the deal as a total giveaway to the Indians, all the Indian government had to do was to assure the nation that they would not deviate from what was outlined in the July 18 joint statement. A year after the deal was announced, this is exactly the issue that the opposition in India is fixated on—no deviation from the original statement.

Although the Bush administration promoted the nuclear agreement as a virtual down payment to buy a strategic ally, little debate ensued on the principal selling points. Neither the ramifications of such an alliance on peace and stability in Asia, nor the projected role of nuclear power in India received noticeable scrutiny. Instead, the debate in both countries remained focused on nuclear weapons proliferation, albeit from two diametrically different perspectives. In the United States, the opponents repeatedly emphasized how the deal would allow India to free up its indigenous supply of uranium to make more weapons and thus contribute to a nuclear arms race with Pakistan. Opponents also cited the negative impact on the nonproliferation regime that will result from rewarding India, which stoutly has refused to sign the NPT. Ashton Carter, former assistant secretary of defense (1993-1996), noted that the critics were right but were missing the big picture: "Washington's decision to trade a nuclear-recognition quid for a strategic-partnership quo was a reasonable move."³

In contrast, the opposition in India was based on concerns about the nation losing its ability to continue its nuclear weapons program without external scrutiny from the International Atomic Energy Agency. The right-wing Bharatiya Janata Party (BJP), whose leader, then-Prime Minister Atal Bihari Bajpayee, ordered the nuclear explosives tests in 1998, led the opposition by characterizing the deal as a sellout because it would tie India's hands in pursuing a credible nuclear deterrent. Ironically, the BJP was deeply involved in shuttle diplomacy to forge a strategic alliance with Washington following President Clinton's visit to India in 2000. The BJP's opposition smacks of partisan politics and sour grapes, because they could not take credit for the deal.

The left-wing parties, led by the Communists, are deeply worried about India's joining the United States in a strategic partnership. They are concerned about the effects of economic liberalization and pressures exerted by Washington for further opening up of India's economy. They think the nuclear deal would have other quid pro quos and would most certainly constrain India's independent foreign policy. The press in India specifically buzzed about the plan to separate the Indian nuclear facilities into military and civil categories. The atomic energy establishment drew a bright line around the breeder reactor facilities, publicly expressing opposition to their inclusion in the civil list.⁴ The scientists prevailed: listed are 22 sites (existing, or under construction). Fourteen sites are to be under international safeguards and the other eight are off limits. The breeders are included in the latter.

As important as they are, the arguments put forward by the non-proliferation activists—and I agree with many of them—and the debate on nuclear weapons generally were largely a side show. Contrary to conventional wisdom, the NPT regime is not immune to manipulations. The double standard practiced by its guarantors, particularly the neglected obligation under Article VI to move steadily toward nuclear disarmament, produces the supreme irony that a country like India, so often a critic of the double standard, is benefiting from such hypocrisy. To be sure, the Bush administration did respond to the non-proliferation concerns by claiming that

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citation

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the agreement will help bring India closer to the NPT regime and by pointing out that India had a very good record on non-proliferation. The nonproliferation lobbyists had some initial success in getting the attention of key leaders in the Congress, such as Sen. Richard Lugar, who chairs the Foreign Relations Committee, and Sen. Joseph Biden, the ranking Democrat. There was an abrupt turnaround toward the end, however. Ultimately, the non-proliferation lobby could not match the well-funded effort by the business associations, the Indian embassy, and the political action committees formed by wealthy Indian Americans.

The Lobbying Effort

While senior administration officials, such as Secretary of State Condoleezza Rice and Under Secretary Nicholas Burns, did the heavy lifting in public, the real action was elsewhere. In Washington, the Indian government mounted a multi-faceted lobbying campaign, expending large sums of money—e.g., \$1.3 million on two lobbying firms—with the aim of pushing the deal through Congress. One of the firms it hired is Barbour, Griffith, and Rogers, which is headed by Robert Blackwill—a former U.S. ambassador to India.

There were other significant players. These include business lobbies like the Confederation of Indian Industries and the U.S.-India Business Council, and ethnic-based lobbies such as the U.S. India Political Action Committee (USINPAC) and the U.S.-India Friendship Council. The powerful Israeli lobby worked less conspicuously, but made its substantial network available to the relative neophytes in the embassy and the Indian lobbies. The American Jewish Committee expressed its strong support for the deal by sending a letter to influential lawmakers.⁵ Collectively, they launched a massive lobbying effort by blanketing Capitol Hill with receptions, meetings and briefings, and the like. The lobbyists worked energetically to highlight the commercial potential for the U.S. nuclear industry to participate in the projected build-up of nuclear power in India. They also sponsored numerous trips to India by the American lawmakers and their staff.⁶

That there is much more at stake behind the nuclear deal is evident from the importance assigned to it by the business leaders in both countries. For example, the U.S.-India Business Council hired Patton Boggs, reportedly one of the most expensive lobbying firms in Washington, for an undisclosed sum, to push the deal. On the Indian side, the Confederation of Indian Industries is said to have been one of the top international organizations paying for congressional travel between 2000 and 2005, spending some \$538,000.⁷

Stumping for the deal and soliciting support from the U.S. business community was none other than Dr. Montek Singh Ahluwalia, the Deputy Chairman of India's Planning Commission and a close confidant of Prime Minister Singh. They are not related, but both are World Bank alums. In his enthusiasm to woo U.S. business, Dr. Ahluwalia reportedly said that any opening up of the trade would give the United States a "terrific advantage."⁸ And referring to a recent order placed by Air India for 68 aircraft from Boeing, he predicted that "the Air India deal is only one example. There will be many others."⁹ According to newspaper reports,¹⁰ the U.S.-India Business Council thought that American business could get a considerable portion of the \$20-40 billion that India is planning to spend by 2020. It would also open the door for large-scale sale of military hardware to India. For example, Lockheed Martin could get a contract between \$4 billion and \$9 billion to supply 126 fighter planes India is

planning to buy soon. As if on cue, the *New York Times* said that the Bush administration is organizing a business delegation to India this fall that is "potentially the largest such mission ever to a single country."¹¹

Nuclear Power and India's Energy Future

To sustain its economic expansion, India needs new energy sources. The total electricity generation capacity of India is about 111 gigawatts (GW). Of this, only 2.5 percent is nuclear, while thermal is 70 and hydro 26 percent.¹² According to a recently published draft report on energy policy, India's power generation capacity would have to increase five to seven times by 2031 to about 800 GW in order to maintain a growth rate of 8 percent.¹³ The present installed nuclear capacity is 3.3 GW, which is projected to grow three fold—to a little over 10 GW by 2012—and double again to 20 GW by 2020.¹⁴ At 1,000 megawatts per plant, this projects to about 40 new plants in the next quarter century—music to the American nuclear industry, which has had no new orders in the U.S. for 30 years.

What is an appropriate and sustainable energy policy for India? It needs more energy to meet the basic needs of its population, large segments of which do not have access to electricity nearly sixty years after gaining independence. Even if a 20-fold increase takes place in India's nuclear power capacity, the contribution of nuclear energy to India's energy mix is expected to be at best 5-6 percent by 2031-2032. To put things in perspective, an astounding 40 percent or more of the generated electrical power is lost from the transmission and distribution networks for the country as a whole—a large part due to theft.¹⁵ Dr. A. Gopalakrishnan, former Chair of India's Atomic Energy Regulatory Board, has questioned the Indian government's premise of promoting the deal primarily to enhance the country's energy security.¹⁶

In addition to these serious doubts about appropriateness, there is the peculiar ground shift in U. S. policy toward Pakistan. Only a few years ago South Asia was described as the most dangerous place on earth. With this loose rendering of global nuclear rules, wouldn't stability in the subcontinent be jeopardized? In the bonhomie created after the approval of the deal in principle by the U.S. House of Representatives on July 26, 2006, by an overwhelming majority, there has been little discussion of such substantive issues. Business interests and the allure of 'balancing' China, rather than sensible energy or arms control priorities, have apparently won out.

article footnotes

1 SEATO was the South East Asia Treaty Organization, and CENTO the Central Treaty Organization; Pakistan was a member of each. Both are now defunct.

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5 Suman Guha Mozumder, "AJC throws weight behind nuclear deal," *India Abroad*, May 2006.

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9, 10 "Big business at work," *Frontline*, April 7, 2006, pp. 121-124.

11 Sengupta, Somini, "Big U.S. Business Troupe is Being Readied for India," *New York Times*, August 8, 2006.

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14 Sarosh Bana, "Nuclear Technology: What Can't We Produce?," *Business India*, March 12, 2006.

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16 "Energy Security as a Scapegoat," *Asian Age*, August 13, 2006.



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