

ISAS Brief

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Time to Look Down Under: Australia may hold the key to India's Nuclear Energy

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The Indo-US civilian nuclear negotiations have, quite naturally, been hogging the front page of almost every leading newspaper in the world in recent weeks. The controversial negotiations have created opinion divides not just within India but they have, arguably, been the subject of debate internationally.

While the main actors in this unending drama have primarily been in the United States and India, an important player of this deal broke its silence recently. Australia, which until now had largely played a fringe part in the unfolding scenes of this agreement, suddenly has found itself a crucial determinant of the future of civilian nuclear energy in India. Making an exception on its policy of not exporting uranium fuel to non-signatories of the nuclear Non-Proliferation Treaty (NPT), Australia announced its in-principle decision to sell nuclear fuel to India.

However, Australian Prime Minister John Howard and his administration have made it clear that any such deal will only happen if the pre-requisite conditions are satisfactorily met. Essentially, Australia needs a guarantee from India that all uranium purchases will only be used for its civilian nuclear reactors and will not go towards its military nuclear programme

With 40 percent of the world's uranium reserves in its country, Australia is the world's largest supplier of this nuclear fuel and one of the most influential members of the Nuclear Suppliers Group (NSG). If India wishes to receive a share of this supply, it has little choice but to dance to the Australian tune. Many in India may argue that uranium does not play a key role in India's nuclear energy. India only has less than one percent of the world's uranium supply but has the world's second largest reserve of thorium. Owing to this endowment and due to thorium being a relatively cheaper source of nuclear fuel that also produces less nuclear waste, India has become a world leader in this technology. In reality though, a thorium-fueled nuclear plant still needs a by-product of the uranium cycle as an input, which will generate further energy from the thorium cycle. With this in view, although India may choose to limit its number of uranium reactors to a minimum with larger, more efficient capacity, it will still need a substantial supply of uranium to fuel its thorium supply. Consequently, Australia is a key player in this game.

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Having the largest reserves of thorium itself, Australia is fully aware of the ironical economics of these two nuclear fuels. Canberra will exploit this dominant position to enforce India as a responsible international stakeholder and to ensure that New Delhi adheres to its moratorium on nuclear testing. There has been much debate on whether the 123 Agreement with the United States allows India to carry out any future nuclear tests without Washington canceling the deal. If ambiguity surrounds that argument, Australia's stand on this is crystal clear. Foreign Minister Alexander Downer has drawn parallels to 1995, when Australia maintained the position of suspending uranium exports to France after the latter conducted nuclear tests, claiming that any country that defies the spirit of the comprehensive test ban treaty by pursuing nuclear testing shall be deprived of uranium.

It is no secret that Australia's decision to provide any supply of uranium to India is motivated by its desire to bring India's nuclear programme under some form of safeguards. Domestically, the administration has argued against accusations that its decision contributes to the weakening of nuclear non-proliferation. Seeing as that India was in no hurry to sign the NPT, this deal which places India under some form of international supervision, strengthens the non-proliferation regime. Besides, Australia recognises that at the NSG level, there will be other member countries eager to cash in on uranium sale to India. Therefore, a first-mover advantage secures a lucrative market for Australia and this would also be ideal for the Indians who look upon Canberra as a steady supplier of nuclear fuel.

Nevertheless, the opposition Labour Party in Australia clearly rejects this notion. It believes that the efforts to develop safeguards in ensuring that Australian uranium is not used for military purposes are impossible. Moreover, it is argued that providing nuclear fuel to India may upset the regional stability. The ferocity of Labour's opposition adds to the controversy already surrounding this deal. It would be in Prime Minister Manmohan Singh's and his administration's interest to take note that Australia is having a general election this year. If opinion polls are any indication, then the current leader, the Labour Party, is likely to form the new government. In such a scenario, New Delhi cannot expect a continued supply of uranium from Australia even if it was able to conclude any agreement with John Howard's administration before then. The new Australian government is likely to leverage on its position to force India to join the NPT if it wants any uranium from Australia. Furthermore, an Australian Labour government will provide India with a tougher negotiating session at the NSG.

There are of course other sources of uranium that India could explore. Canada, another large producer of uranium, will be reluctant to supply to India after their exports fuelled the 1974 Indian nuclear test that prompted the Canadians to immediately cease supply. Kazakhstan, South Africa and Russia are already exhausting their supplies in exporting to Japan, the United States and Western Europe. The United States and China, having both primary and secondary supplies, need fuel for their own nuclear energy programmes. Moreover, due to strategic interests, China is more likely to export to Pakistan than to India. That leaves Australia as the most available long-term source of uranium.

As days number, the complexity of this civilian nuclear deal seems to increase its relative cost to India. In the meantime, India debates the ambiguity of the deal domestically. However, in reality, the point of such a debate is insignificant as Australia's involvement ensures that India would have to compromise on its nuclear testing and is likely to be compelled into membership of the international non-proliferation regime. Consequently, instead of engaging in pointless disagreements, India should stand united and focus towards

how it best stands to gain from this deal. It is in the nation's collective interests to recognise that aspects of the deal are instrumental to India's economic growth and more importantly, to its strategic international positioning.

India should know that there is no such a thing as a free lunch. And if it wishes to leverage on the deal with the United States to gain ascendancy in international circles, then there will be a price to pay for it.

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