

American Gains from the Indo-US Agreement

Introduction

On March 2, 2006 President Bush and Prime Minister Singh clinched an agreement to put a majority of India's civilian nuclear reactors under IAEA safeguards. In return the US would remove the sanctions imposed on India's nuclear program since 1974.

Gains

The agreement has the following gains for the US:

Firstly it brings India into the mainstream of non-proliferation norms by bringing 65% of the nuclear power reactors under IAEA safeguards. At present only 4 reactors are under safeguards. Previously India had made unilateral commitments to observe the non-proliferation norms. The agreement makes the commitment more formal and bilateral. The agreement permanently removes a large number of reactors from the military program. The letter and spirit of the NPT will remain intact as there is no assistance to the military program and there is no de-jure recognition of India as a Nuclear Weapon State (NWS). No part of the deal contributes to India's military program.

President Bush has acted as a statesman and a visionary to protect US interests 5-15 years from now, rather than score petty political victories in the name of a 1970s-vintage treaty.

Secondly the deal is good for the American economy as the deal enables nuclear energy to meet a substantial portion of India's demands for energy and reduces price pressures on other energy resources. India plans to generate 20,000 MW electricity from Nuclear sources by 2020– with or without the deal. Expansion of Indian n-program without the deal would have meant more un-safeguarded facilities in the world

Thirdly US sanctions had ensured that Indian market for hi-tech goods continued to be dominated by Russia, France, UK etc. Now the playing field will be leveled in favor of US companies – who are almost always the first choice for Indian technology importers if it were not for the sanctions. Trade gap is currently \$4B. This gap closure would enable creation of 40,000 high paying jobs using the standard measure of 10,000 jobs per \$1B trade.

Fourthly, US companies can leverage their presence in India and take advantage of the cost differentials to become cost competitive in the high technology items a like aircraft – both commercial and military, satellite launch services and even satellites. With the deal, n-sector is also open to US/foreign investment of about \$35b.

Conclusion

In conclusion the Indo-US agreement on civil nuclear reactors has many gains for the US. The primary gain being, India formalizing its adherence to non-proliferation norms. The agreement, by lifting the sanctions, will enable US to export high technology items and participate in India's vibrant energy sector.

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