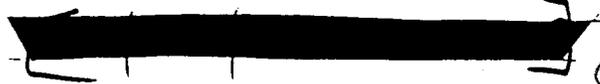




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NEAR EAST AND SOUTH ASIA REVIEW

28 March 1980

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Within the next few weeks it is possible that nuclear cooperation between India and the United States will come to a halt, and with Prime Minister Gandhi facing serious economic and political problems, this issue may be used to distract public discontent.

[REDACTED]

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India - United States: Approaching Break
in Nuclear Relations

Within the next few weeks it is possible that nuclear cooperation between India and the United States will come to a halt. As an isolated event in overall Indo-US affairs, this development would normally result in a short-term dislocation to our bilateral relationship that would ease over time. Current developments on the Indian scene, however, appear to militate against a calm reaction to the break in nuclear relations. The domestic political momentum generated by Prime Minister Gandhi's election in January has not been sustained at the pace she anticipated when she came to power. In addition, the apparent inability of her party to solve the problems facing the Indian economy could further aggravate the break in nuclear ties and make termination more acrimonious.

Background to the Impasse

The principal Indo-US nuclear tie in recent years has involved the supply of US-enriched uranium for two US-built power reactors at Tarapur, 50 kilometers north of Bombay. The agreement providing for the supply of US fuel for Tarapur was signed in 1963 and was to continue for the anticipated 30-year lifespan of the reactors. In return for the fuel, India agreed not to purchase fuel from another source, not to reprocess the spent fuel without US consent, and to place Tarapur-related facilities under safeguards enforced by the International Atomic Energy Agency (IAEA) in Vienna. Numerous Indian installations--unrelated to Tarapur--built entirely with indigenous technology or with limited foreign participation are not under IAEA safeguards.

The present dispute between New Delhi and Washington stems from US legislation passed in 1978 to further overall nuclear nonproliferation goals. The US Nuclear Non-Proliferation Act (NNPA) of 1978 provided that, after two

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years, shipments of enriched uranium to foreign nations would be possible only if the recipients had signed the Non-Proliferation Treaty (NPT), or if they had accepted "fullscope" safeguards over all their nuclear installations. New Delhi has consistently refused to accept the expanded inspection requirements of the NNPA which go well beyond the scope of the earlier bilateral nuclear cooperation agreement with the United States. Legal experts argue that India is not bound by "retroactive legislation." Moreover, India maintains longstanding objections to the NPT, which it considers discriminatory toward nonnuclear weapon states.

Supplies of Tarapur fuel were provided to India on a regular basis through 1976--about two years after the Indian explosion of a nuclear device. Requests for fuel in 1977 were delayed but eventually delivered. Approval of two fuel requests from India in 1978 and 1979--received within the two-year "grace period" provided by the NNPA--has been given by the Executive Branch but not by the Nuclear Regulatory Commission, which is seeking assurances from India that plutonium from spent Tarapur fuel will never be used in nuclear weapons.

Bilateral negotiations over the past two years with three successive Indian governments have thus far been fruitless. The Indians claim that if the United States fails to provide enriched fuel as provided for in the 1963 agreement, Washington will have unilaterally violated the terms of the contract and India will be free to purchase enriched uranium elsewhere, reprocess the spent fuel, and utilize the extracted plutonium without safeguard inspections.

In anticipation of an eventual cutoff of US fuel, India allotted funds in the spring of 1979 to construct a mixed oxide fuel fabrication facility. Plutonium extracted from Tarapur's spent fuel could be mixed with natural uranium as a substitute fuel for Tarapur and thereby end reliance on foreign suppliers for enriched uranium. Indian nuclear experts acknowledge that India does not have the appropriate technology to utilize this process but could reasonably expect to obtain it before the enriched fuel already on hand runs out in 1982.

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[REDACTED]

There is some concern in the Indian nuclear establishment, however, about the two pending shipments of 40 tons of enriched fuel, and the hope is that this will be resolved by August 1980 at the latest. Indian scientists want to begin the reprocessing of the spent fuel to have sufficient plutonium available for the fabrication of mixed oxide fuel well ahead of 1982. [REDACTED]

Were India to seek a local substitute, such as mixed oxide, for US-supplied fuel and achieve self-sufficiency--a fundamental objective of all Indian nuclear policy--it is not clear whether India would choose to operate outside of safeguards or decide on some sort of continued inspection by the IAEA that would cover only the Tarapur fuel cycle. The latter approach might be considered in order to deflect criticism, particularly from Third World countries, that could arise if India rejected all forms of inspections.* An added incentive to resolve the safeguards dilemma is the need for continued access to sophisticated nuclear technology and equipment from other nuclear suppliers that probably would be denied if India eliminated existing safeguards. [REDACTED]

Domestic Political Ramifications

The government's refusal to agree to US demands has long had broad political support. Once the break in nuclear relations with Washington occurs, there is likely to be considerable criticism of the United States in both Parliament and the press. The effect of the cessation of nuclear cooperation could be further aggravated, however, by developments on the Indian political and economic scene. [REDACTED]

Within the next two months, the Congress(I) government of Prime Minister Gandhi will face elections in nine states where opposition-led legislatures were recently dissolved. Success in these states, where two-thirds of India's population resides, is crucial to ensure implementation of party programs. These elections will be hotly contested and acrimonious, and results favorable to Gandhi are not certain. [REDACTED]

*Tarapur would be the first instance where an IAEA safeguarded facility would have safeguards removed. India could be expected to take steps to escape the opprobrium of establishing such a precedent. [REDACTED]

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[REDACTED]

If it became apparent that her government might fare poorly at the polls because of Congress(I) failures to turn the sagging economy around, Gandhi could choose to make the Tarapur impasse a major campaign issue--quite disproportionate to the actual effect it has on the Indian economy. Tarapur would give the Congress(I) an ideal issue to distract the electorate from domestic problems and focus attention on the disruptive policies of the United States. Criticism of Washington has long been a favored--and popular--tactic of Indian politicians, particularly Gandhi. [REDACTED]

The prospect that Tarapur might have to reduce its electrical output because of a fuel shortage--whether real or imagined--would have considerable effect in the western Indian states tied to the Tarapur power grid. Severe electrical shortages already exist in the region because of the monsoon failure last year and the ensuing drastic reduction of hydroelectric power available to this heavily industrialized area. Moreover, several conventional power generating stations in the region have had to shut down or reduce their output dramatically because of equipment malfunctions. These power shortages have resulted in the reduction of power supplied to manufacturers by almost 50 percent. The claim that more reductions are likely because of the unavailability of US fuel is one example of an issue that could be used by the Congress(I). [REDACTED]

Prospects

The extent of the political and economic difficulties in which Gandhi finds herself as the state elections approach will determine the degree to which she may choose to make an issue out of the Tarapur problem. If she were to find herself faced with a severe threat at the polls and not able to consolidate her domestic political position, she could make the break in nuclear cooperation a far more acrimonious event in Indo-US relations than might otherwise be expected. [REDACTED]

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[REDACTED]

The Indians are confident that their legal position in the contractual agreement with the United States is well founded. As an election ploy to gain points with a chauvinistic electorate, Gandhi may choose to take India's case to the International Court of Justice for an advisory opinion. Whether she wins or loses, the assertion of India's position in the face of pressure from a superpower could have a dramatic political effect in India. [REDACTED]

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