

# Australia-India uranium deal strengthens economic and strategic ties

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During his visit to India this week, Australian Prime Minister Tony Abbott signed an agreement yesterday with his Indian counterpart, Narendra Modi, to export uranium ore to India. The uranium deal not only cemented closer economic and trade ties between the two countries, but also signalled India's closer strategic alignment with the US and its key Asian Pacific allies against China.

Underscoring the growing significance of Indian-Australian ties, Abbott was the first overseas leader to be accorded a full state visit since Modi's Hindu supremacist Bharatiya Janata Party (BJP) won office in May. Modi had just returned from Japan where he and Prime Minister Shinzo Abe proclaimed a "special, strategic global partnership." Japan and Australia are the cornerstones of the Obama administration's "pivot to Asia" and military build-up throughout the Indo-Pacific, which is directed against China.

Australian governments previously blocked the sale of uranium ore to India because New Delhi is not a signatory to the Nuclear Non-Proliferation Treaty (NPT) and carried out nuclear tests in 1998. The US undermined the NPT by striking a bilateral deal with India for nuclear cooperation that was finally ratified in 2008. The US agreement opened the way for others, including Australia, to sign similar pacts.

In justifying the decision to sell uranium ore to India, Abbott declared: "India has an absolutely impeccable non-proliferation record. India has been a model international citizen. India threatens no one."

The claim that India threatens no-one is simply absurd. India has fought three wars against regional rival Pakistan since 1947 and a border war with China in 1962. In 2001–02, India's last BJP-led government brought the Indian subcontinent to the brink of nuclear war when it massed half a million troops, including

three armoured divisions, on the Pakistan border in response to an attack by armed militants on the Indian parliament.

In fact, it is precisely India's substantial and rapidly expanding military capabilities that Washington and its allies are seeking to enlist as part of the encirclement of China throughout Asia.

Under the uranium deal, India is committed to using Australian uranium ore for civilian purposes—to fuel its 21 power reactors. Seven more are under construction as India plans to more than double its nuclear power generation capacity by 2032. However, the claim that the uranium ore will be used solely for peaceful purposes involves a sleight of hand. Imported uranium ore allows India to divert its own limited reserves to its military program. India is currently estimated to have about 100 nuclear weapons.

As far as Australia is concerned, there is certainly a significant economic component to the uranium agreement. Australian mining corporations are seeking to expand uranium sales after prices halved following the 2011 Fukushima nuclear disaster and the shutdown of Japan's nuclear power reactors.

As cited in the *Financial Times*, the Minerals Council of Australia predicted: "A rebound in the global nuclear industry, led by demand from China and India, will see Australia's uranium exports grow from \$A630 million in 2013–14 to about \$A1.1 billion in 2019." Australia has about one third of the world's known uranium reserves.

Abbott's visit was also aimed at more broadly expanding trade and investment. Trade between the two countries has tripled over the past decade to \$A15.2 billion last year, amid surging Indian demand for Australian coal and other commodities. India is Australia's fifth largest export market and tenth largest

overall trading partner.

Abbott, who was accompanied by Trade Minister Andrew Robb and 30 Australian CEOs, flagged that he wanted to conclude a comprehensive economic partnership or free trade agreement by the end of 2016. Robb is due to return to India next January at the head of a 300-strong delegation to stage the Australian Business Week in India to secure “real commercial outcomes.”

However, the uranium agreement has always been bound up with strategic relations. In early 2008, Australian Labor Prime Minister Kevin Rudd reversed plans by the previous Liberal-National Coalition government to sell uranium to India. Shortly afterward, the Rudd government also scotched Australian involvement in the proposed Quadrilateral strategic partnership of so-called democracies—the US, Japan, Australia and India—after China bitterly criticised the plan.

Rudd’s ousting in an inner-party coup in 2010 was bound up with hostility in Washington to his efforts to ease tensions in the Asia-Pacific, just as the Obama administration was ratcheting up its diplomatic and strategic confrontation with China. Rudd’s replacement, Julia Gillard, made plain her full support for the “pivot.” She provided Obama with the Australian parliament as the venue for him to formally announce the pivot in November 2011 and signed an agreement to host US Marines in Darwin.

Gillard also announced her government’s intention to sell uranium to India and pushed through an end to the Labor Party’s ban on the sale. The Gillard government’s decision set in motion the five rounds of negotiations that culminated in yesterday’s signing of the deal.

Indian Prime Minister Modi underscored the importance of the agreement, describing it as “a historic milestone in our relationship” that reflects “a new level of understanding mutual trust and confidence” in bilateral ties. Abbott was equally effusive, describing India as “the world’s emerging democratic superpower” and the pact as “an important sign of mutual trust.”

While Rudd had forged a strategic partnership with India in 2009, New Delhi regarded the lack of a deal on uranium sales as an obstacle to closer ties. Gillard’s overturn of the uranium ban opened the door for closer

military collaboration, particularly naval cooperation in the Indian Ocean. Australia and India are planning to hold their first joint naval exercise next year.

Although there has been no formal revival of the so-called Quadrilateral, the Obama administration has encouraged Japan, India and Australia to forge closer military relations. The Abe government has revised the interpretation of the country’s constitution to allow for “collective self-defence” and put arms sales to India and Australia on the agenda. The US, India and Japan are planning trilateral naval exercises.

As part of Obama’s “pivot,” the US has sought to maintain its military dominance across the Indo-Pacific, especially control over key shipping lanes in the Indian Ocean and through South East Asia on which China depends for imports of energy and raw materials from Africa and the Middle East. Access to Australian military bases for US forces is central to the Pentagon’s plans to be able to mount an economic blockade of China.

Although defence ties were not high on Abbott’s formal agenda, they were undoubtedly closely discussed during his visit. Under the Abbott government, Australia has hosted two high-level meetings attended by India and focussed on the Indian Ocean—the Indian Ocean Region Association summit in November 2013 and the Indian Ocean Naval Symposium in March 2014. Modi and Abbott announced plans to increase security cooperation. In another sign of closer ties, Modi will remain after November’s G20 Summit in Brisbane as part of a bilateral visit to Australia—the first by an Indian prime minister since 1986.



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