



**Submission No 42**

**Inquiry into Australia's relationship with India as an emerging world power**

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22 August 2008

Dr Margot Kerley  
The Secretary  
Joint Standing Committee of Foreign Affairs, Defence and Trade  
Parliament House  
Canberra ACT 2600

Dear Dr Kerley

Please find attached my update to my original submission to the Joint Standing Committee of Foreign Affairs, Defence and Trade's *Inquiry into Australia's relationship with India as an emerging world power*.

Yours sincerely



Dr Christopher Snedden

## **Update to My original Submission to Joint Standing Committee of Foreign Affairs, Defence and Trade's**

Since my original submission in 2006, I wish to comment on some changes that have occurred since then which have had, or could have, an impact on Australia's relationship with India as an emerging world power. First, Australia has had a change of government. Second, India and the United States have been trying to conclude their so-called '123 Agreement' on civilian nuclear cooperation. The two issues are related, chiefly because Australia has uranium that India would like to buy to assist it further its civil nuclear program and which the previous Australian Government was apparently prepared to sell to India. A secondary aspect is that Australia also has a strong relationship with the United States, as a result of which, should the India-US civilian nuclear cooperation agreement be concluded, it appears that Australia would be much happier to sell uranium to India, if only because this would clearly no longer be an issue or transaction that would upset the United States. That said, the whole issue of the India-US civilian nuclear cooperation agreement is still controversial in India, with the United Progressive Alliance (UPA) government recently narrowly winning a vote of confidence over the issue. This suggests that the more progressive or outward looking elements in India are currently to the forefront. However, the general election next year in India may change this political scenario.

Whether Australia *will* sell uranium to India is yet to be determined. Whether Australia *should* sell uranium to India is another matter. In relation to the change of government in Australia, the obvious impact of this was a public reversal by the new Labor Government of the stand of the previous Coalition Government that it would be prepared to sell uranium to India. I do not wish to debate whether this is, or is not, the correct policy for the Labor Party. What I do know is that this news, as initially enunciated by Australia's Minister for Foreign Affairs, was not well received by some very senior Indians whom I know. It deflated their expectation that Australia—which they perceive to be a stable, responsible and reliable fellow democracy and potential uranium supplier—was prepared to sell uranium to India. Despite understanding the ramifications of the change of government in Australia, these Indians hoped that such a possibility would continue to be the case because India has been a prudent, reliable and cautious nuclear power, even though it hasn't actually signed the Nuclear Non-Proliferation Treaty. (India considers the NPT to be discriminatory—rightly, in my opinion, although I am far from an expert on nuclear matters.) As evidence of India's prudence and reliability on nuclear matters, Indians claim that India has not proliferated nuclear weapons, nor has it sold or transferred nuclear technology to other nations (as they allege China, Pakistan, North Korea, etc., have done). Their position appears to be correct and is certainly defensible.

However, these Indians believe that Australia has a real opportunity to advance its position in India by selling uranium to India, with which opinion I agree. Australia and India do not have a strategically close relationship. By selling such a strategic and important product like uranium to India, Australia could develop a significant strategic relationship with this important nation. Arguably, such sales also would provide an excellent opportunity for Australia to enhance its ability to better engage with Indian thinking and Indian thinkers on strategic and nuclear matters. This also could provide the opportunity for a three-way conversation, or a regular nuclear dialogue, between Australia, India *and* the United States. Potentially—and best of all,

according to my senior Indian contacts, the sale of uranium to India could see Australia improve its status from that of being in the lower part of the second order of states that have relationships with India, to being in the first tier of nations that have significant relationships with India. For this reason alone—but also because India is a reliable, moderate and prudent nation, Australia should seriously consider selling uranium, with appropriate safeguards in place, to India. It would appear to be in the interests of both nations to do so.

Related to the issue of uranium sales to India is the issue of India's burgeoning energy needs. While nuclear power will help in some way to alleviate India's huge and increasing need for energy, Australia also should seek to sell India compressed natural gas from the North-West of Western Australia, as it does to other nations such as Japan and China. Such sales would be in Australia's own financial and strategic interests. Again, they would strengthen the Australia-India relationship in a very meaningful and substantial way.

However, I also believe that Australia should encourage the development of the Iran-Pakistan-India pipeline (IPI) to bring gas from Iran, across Pakistan, to India (and possibly onwards to China). Even though gas from Iran would appear to compete with Australian sales of gas to India, gas originating from either nation will not fully satisfy India's huge energy needs. However, sales from both would allow India to diversify its sources of supply. Both also could enter India at different points and be used in different regions.

One practical impediment to the IPI pipeline going ahead still appears to be price. However, all three nations—although Iran to a much lesser extent—appear reluctant to antagonise the United States, which has, to say the least, a difficult, even hostile, relationship with Iran and wants to prevent it from prospering economically. Australia therefore should seek to influence the United States to encourage this pipeline to go ahead. This is because IPI would provide a win-win-win scenario:

- it would bring Iran into a serious trade relationship with Pakistan and India and, in return, possibly allow these nations, particularly India, to further engage and possibly influence Iran;
- it would provide an unstable and often paranoid (*vis-à-vis* India) Pakistan with a greater sense of security in relation to its eastern neighbour: with IPI in place, the Pakistanis think that India would be far less inclined to attack Pakistan and destroy a major source of energy;
- India would obtain a significant source of energy to help its economy develop (as would Pakistan), and a strong India appears to be what many nations, including the United States and Australia, claim to want India to become.

All of these 'wins' would lead to a more prosperous South Asia and possibly to a more strategically- and militarily-stable South Asia

And, finally, we get back to cricket. In my initial submission, I suggested that we needed to move beyond cricket as the basis for a strong Australia-India relationship. The unsavoury scenes and dialogues associated with some of the Australia-India test matches played last December in Australia confirmed my argument that cricket can be a negative dynamic in the Australia-India relationship. Indeed, the 'fallout' from the Indian cricketers' visit last year moved the Australia-India relationship backwards, not forwards. That said, I have had to very partially revise my opinion due to Shane

Warne's highly-praised efforts for Rajasthan in this year's 20-20 matches, although he was playing in an Indian team with international players, not an Australian team. However, the 20-20 matches did show that India and Indians are not only embracing the world—and seemingly taking over cricket, but also they are bringing the world to India. For this reason, Australia would do well to more involved in the processes that are advancing India.