

# Strategic Analysis Paper

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## India and Mongolia: Uranium and Beyond

**Balaji Chandramohan**

*FDI Visiting Fellow*

### Key Points

- India sees excellent potential for co-operation with Mongolia in the resources sector, as the country is rich in such minerals as coal, copper, gold, rare earths and uranium.
- India has a civil nuclear agreement with Mongolia that was signed in September 2009 and which, following the visit of Prime Minister Narendra Modi to Ulaanbaatar, could soon be put in practice.
- India's extended "Look East" and "Act East" policies coincide neatly with Mongolia's "Third Neighbour" policy.
- If the Indo-Australian uranium trade were to encounter difficulties, Mongolia could, once the necessary transport linkages are in place, provide India with a viable alternative.

### Summary

As an emerging power in the wider Asia-Pacific region and with an eye on its energy needs, India, under Prime Minister Narendra Modi, has expanded the range and scope of its diplomatic outreach. Modi's recent visit to Mongolia, the first by an Indian Prime Minister, was an example of that effort.

The Modi Administration feels that there is much potential for co-operation with Mongolia in the minerals sector as it is a mineral-rich country that holds significant deposits of coking coal, copper, gold, rare earths and, importantly, uranium. India's interest in Mongolia meshes well with the latter's "Third Neighbour" policy, which has seen it look beyond Russia and China.

## Analysis

### ***The “Third Neighbour” Policy and India***

The energy demands of India’s growing economy and its energy diplomacy with Mongolia coincide with that country’s “Third Neighbour” policy, which refers to Mongolia’s need to look beyond the immediate opportunities presented by China and Russia.

The Third Neighbour policy has enabled Mongolia to create and enhance its relationships with the United States, India, Japan and South Korea. This policy has had two significant outcomes: a vibrant, multilateral approach to foreign affairs and an active defence and diplomatic initiative, in both of which India has participated and partnered with Mongolia on common issues for mutual benefit.

Mongolia has become an integral part of India’s “Look East” and “Act East” Policies and the Indo-Mongolian relationship was elevated to a strategic partnership during Modi’s state visit. While in Ulaanbaatar, Modi announced that a US\$1billion Line of Credit would be extended to Mongolia for infrastructure projects as part of the Act East policy.

### ***Defence Diplomacy***

As noted above, Indo-Mongolian relations have been extended to take the form of an active strategic partnership, if not an implicit alliance. India participates with the Mongolian armed forces in annual joint exercises called *Nomadic Elephant*, and an annual peacekeeping exercise, Mongolia’s *Khaan Quest*.

The *Khaan Quest* exercise is the pivot of Mongolian defence diplomacy. The exercise involves various different activities, including staff planning and field training exercises, engineering projects like renovating schools and medical facilities, and providing medical aid to local communities.

Mongolian leaders have used such exercises to modernise the country’s armed forces and to raise its international profile. They have also aided Mongolia in projecting itself as a neutral forum for dialogue and co-operation because it has no territorial disputes with its neighbours and has amicable relations with all East Asian states. Leveraging that neutrality, Mongolia hosts rounds of the North Korea-Japan dialogue and the recently announced Ulaanbaatar Dialogue, on North-East Asian Security.

### ***The Indo-Mongolian Uranium Trade: Implications for Australia?***

India has had a civil nuclear agreement with Mongolia since September 2009. Under that agreement, uranium can be exported to India once the domestic laws to permit prospecting and mining in Mongolia are in place. While that is now expected to begin sooner rather than later, the transport networks needed to get Mongolian uranium to India are not in place – a definite advantage for the landlocked country’s competitors.

The Indian civil nuclear negotiations with Mongolia followed the earlier grant (in 2008), of a waiver by the Nuclear Suppliers Group and subsequent similar negotiations between India and Australia, Canada and the United States.

In a paradigm shift, India and Australia reached a consensus on uranium sales in September 2014. Even so, the Indo-Australian nuclear agreement will differ from the 23 other treaties that Canberra has entered into with 41 countries, including the United States. The issue is that the Australian Safeguards and Non-Proliferation Office is required under Section 51(2) of the Nuclear Non-Proliferation (Safeguards) Act 1987 to prepare annual reports accounting for all nuclear material supplied by Australia to its various buyers in terms of location, quantities and intended use. This means that Australian uranium would have to be tagged and its passage through a nuclear fuel cycle recorded at every stage. If India were to refuse to share such information, the Safeguards and Non-Proliferation Office would not be able to fulfil its obligations to Canberra's lawmakers.

From an Indian perspective, any information shared must serve a domestic purpose. Canberra maintains a close watch on its nuclear material to ensure that its non-proliferation responsibilities are met. If India can guarantee these, there should be no need to submit details about how it uses its Australian uranium. To this end, India has entered into an agreement with the International Atomic Energy Agency (IAEA) that puts fourteen of its twenty reactors under international safeguards. The details of the analysis and reports produced by the IAEA remain classified but may be shared with other countries if New Delhi permits it to do so.

On the other hand, Australia's nuclear commerce treaties are usually stricter than international safeguards norms. While Canberra's agreement with New Delhi is more flexible than those with other states, a complicating factor is that the IAEA allows India to use safeguarded material in unsafeguarded facilities.

While that may be true, it poses little risk of proliferation because any facility that accepts safeguarded material comes under safeguards itself. Furthermore, depending upon the amount of material involved, India will have to submit the facility to inspections. One assumes that New Delhi will not take kindly to any inspection of its military installations and so will not transfer safeguarded material to such facilities. It is also alleged that India can use safeguarded fuel in a blend with unsafeguarded material.

It is also true that Australia has given India a degree of flexibility that it does not extend to other states, even close allies. For instance, India has been given a pre-emptive right to reprocess fuel, whereas other states may do so only with permission from Australia. Again, while this is true, any such reprocessing is subject to IAEA safeguards as well as the modalities of India's agreement with the United States. What makes India stand out in terms of reprocessing is that it is one of the few countries still interested in a closed nuclear fuel cycle. Reprocessing would be as routine in an Indian programme as enrichment is in an American. For such a regular activity, it makes sense to provide a one-time, pre-emptive permission under prescriptive safeguards than at regular and frequent intervals.

If the Indo-Australian agreement is delayed, however, India will look for an alternative source – possibly in Mongolia.

## **Conclusion**

The closer strategic relationship between India and Mongolia is important to India for at least four reasons. First, it extends India's relationship with East Asia and could lead to an extended Indian presence in East Asia in the longer term. Second, although remote and sparsely populated, Mongolia happens to be at the junction of Central Asia, North-East Asia, China and Russia, and a robust Indian robust presence there, be it diplomatic, economic or military, demonstrates to other powers – especially China – that India is serious about expanding itself strategically beyond South Asia. Third, Mongolia gives India another potential source of uranium to help fuel its burgeoning economy. Finally, this strategic engagement with Mongolia offers an example of how the Modi Government will pursue its version of strategic autonomy, in which geopolitical and economic pragmatism is winning out over the traditional path of non-alignment.

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80 Birdwood Parade, Dalkeith WA 6009, Australia.  
Tel: +61 8 9389 9831 Fax: +61 8 9389 8803  
E-mail: [lluke@futuredirections.org.au](mailto:lluke@futuredirections.org.au) Web: [www.futuredirections.org.au](http://www.futuredirections.org.au)