

Strategic Analysis Paper

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Australia-India Relations: Why, How and When? **Would India Benefit From Closer Relations With Australia?**

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Key Points

- Despite the best intentions of their respective Prime Ministers, any enhancement of the Indo-Australian relationship depends for the most part on India's domestic agenda and thus remains speculative.
- Modi's perceived tilt towards the United States and its key democratic allies, including Australia, may lead to closer engagement with India's East Asia partners.
- India's Asia-Pacific associations could be read by China as hostile to its interests. Australia, in pursuit of its own regional agenda, may collaborate with India in some instances.
- There are prospects for a bilateral relationship that is recognised in both countries as strategically useful, economically productive and aligned with India's new agenda.

Summary

Non-alignment in its present form in India is both flexible and cautious, allowing New Delhi the freedom to pursue international relationships and partnerships that fall short of alliances. Its foreign policy has been described as a struggle to reconcile idealism and realism, and Modi has rapidly used this flexibility in a round of regional visits to establish

bonds that transcend economic co-operation. Modi's visit to Australia has established such a bond and reassured Canberra that it is no longer peripheral to India's interests.

In examining Modi's possible strategies, this paper canvassed opportunities for Australia to examine the benefits of closer ties for the Modi Government.

Analysis

India-Australia Relations, Modi-Style

Prime Minister Narendra Modi, in his speech to the joint sitting of the Australian Parliament in Canberra on 19 November 2014, suggested that while India has much in common with Australia, political, strategic and economic relations have been below potential. His statement that 'Australia will not be at the periphery of our vision, but at the centre of our thought', may be read as one of intention – but may prove transitory as has frequently been seen in the relationship.

Modi, elected, returned the Bharatiya Janata Party (BJP) to power in mid-May 2014 on a platform similar to that of Prime Minister Tony Abbott: infrastructure, business investments, greater trade and deregulation. Abbott's visit to India in September was the first following Modi's election, raising expectations of an enhanced relationship encouraged by the elaborate state welcome he received. Discussion around the export of Australian uranium to India, the Adani coal prospect (despite uncertainty caused by the fall in the price of coal and the new Queensland Government's policy) and the apparent rapport between the two leaders, promised strong engagement. In a long sought-after Australian goal, Modi attended the G20 Meeting in Brisbane in November and, in addressing the Australian Parliament, committed his country to engagement with Australia and the region. The Indian Prime Ministerial visit was the first to Australia since 1986 and therein lies its importance.

Signing five bilateral pacts at the start of Modi's visit to Canberra put in place the outline for the relationship. Australia's importance to India as a regional security and trade partner, as described by Modi, and his stated desire for closer ties suggest action plans, but there is much room for substantial input. The elevation of the relationship to a Strategic Level Partnership announced in 2009, for example, was little developed and, after the retraction by the then Australian government on the supply of uranium to India and the violence against Indian students was resolved, recent years have seen little public information on the bilateral initiatives and activities that were flagged in 2009. Arguably a substantial reason for this silence is the notion that Australia has been of little importance to India.

Theoretically, both states are now in a position to substantially upgrade the relationship. Questions are yet to be addressed, however, on the Indian Government's desire to reformulate its foreign policy, expand regional engagement beyond the Indian Ocean, further open opportunities for bilateral and multilateral collaborations already in the pipeline (discussed below), and manage a demanding domestic political agenda to remain in power. Modi's early visits to regional states and further afield have set out India's intentions, as he has done in Australia. Embracing closer ties with Australia include the proposed rapid

implementation of a Free Trade Agreement (FTA). Its Feasibility Study has been completed over recent years and both Prime Ministers see its implementation by the end of 2015 as a priority. Analysts have urged caution on this ambitious timeframe, citing India's layers of bureaucracy and relations between its state and central governments.¹ Additionally, Modi has set an ambitious regional agenda for India, which will contend with the Australian issue for his attention and time.

The Modi Government's Strategic Options

The fundamentals of India's post-independence non-aligned foreign policy remain in place but over recent years have morphed into an "independent foreign policy" that may still be described as a struggle between realism and idealism, embracing "strategic level" partnerships, security and defence collaborations and bi- and multilateral relations, each falling just short of full alliance commitments.

To develop India's grand strategy, including its economic and military objectives, budgetary constraints become a crucial factor and realistic priority list may determine actions to be undertaken in the early months of government. In terms of foreign policy, however, the Modi Government has started positively to harness the state's political and diplomatic arms to a clear "neighbourhood" strategy, with visits to several countries that are key to its immediate interests.

It has been suggested that India's grand strategy can be divided into 'core interests' and 'vital peripheries' with the US, China and Pakistan comprising the former, and Iran, Afghanistan, Israel and Africa, the latter.² India's approaches to each are teased out in terms of broad perspectives but they will shift as the Government's bilateral relationships coalesce; arguably the most important was the outcome of Modi's talks with President Obama in late January 2015 that are reported to have repaired relations, fractured by failures to agree over aspects of the India-US Civilian Nuclear Agreement, following the US House of Representatives in-principle approval in 2008. The long-unfinished business of India's Civil Liability aspects of nuclear co-operation that followed resolution on safeguards and administrative arrangements remains cloudy despite assurances.³ Nonetheless, repairing the relationship may affect India's relations with, for example, China and Iran and, possibly, justify claims that India does not see the United States as a reliable partner in the light of its relationship with Pakistan.

¹ McHugh, B., 'India free trade deal: analysts urge caution on 12-month timeframe ...', *ABC Rural*, 1 December 2014.

<<http://www.abc.net.au/news/2014-11-26/caution-over-speed-of-trade-under-indian-fta/5917942>>.

² Das, S., citing Bajpai, K., Basit, S. and Krishnappa, V., (Eds), 'India's Grand Strategy - History, Theory, Cases' in 'Dealing with the Problematics of Indian Strategy History', *The Hindu*, 11 August 2014.

<<http://www.thehindu.com/books/books-reviews/indias-grand-strategy-review-dealing-with-the-problematics-of-indian-strategy/article6305174.ece>>.

³ In a press release, the Ministry made it clear 'that the government is not making changes to the Civil Liability for Nuclear Damages Act 2010' and explained the basis on which contracts may now be signed. Haidar, S., 'No change in nuclear liability law: MEA', *The Hindu*, 8 February 2015.

<<http://www.thehindu.com/news/national/mea-on-indous-negotiations-no-changes-to-the-law/article6871193.ece>>.

If India's current tilt towards the United States and, thus, its allies, Japan and Australia is sustained, the question of a quadrilateral agreement may be raised again. The Quadrilateral Security Dialogue was initiated in 2007 but Australia withdrew during Kevin Rudd's period as Prime Minister. India, Japan and the United States have agreed to elevate their present dialogue to foreign minister level, and there is also a sound trilateral relationship between Japan, the United States and Australia. Australia and Japan have expanded their ties, although Australia does not want to enter into a formal structure so as not to upset its economic ties with China, its largest trading partner. Any future question of Australian re-engagement in a quadrilateral agreement that raises China's concerns, poses as many problems for India as it does for Australia.

In his early trips to Australia, Bhutan, Burma and Nepal and his outreach to Japan, however, Modi has demonstrated the urgency of his government to cement regional relations. China's President Xi Jinping is central to Modi's plans and both are keen to upgrade diplomatic relations. China, either as a challenge or a co-operative partner, is high on Modi's list of important relations. The common enthusiasm for an enhanced relationship was clear when Xi visited India in September. The visit's success was diminished, however, with a stand-off along the Line of Control, which underscored a limitation of their relationship - the on-going border dispute. Xi's flexibility, demonstrated by his meeting with Abe to diffuse hostilities, may be employed to the same end with India.

Can Modi manage a clear tilt towards the United States, while embracing its key allies Japan and Australia, without compromising his "Act East" initiatives? Arguably, yes, as China and Russia also combine to move India closer to ASEAN. India's moves towards an independent foreign policy in recent years have also been described as "Nuanced Non-Alignment".⁴ If maintained, it removes ground from opposition parties and other groups that support non-alignment although there remain some struggle to reconcile idealism and realism. This failure to cast off long-held values has proved to be a thorn in America's desire for stronger links with India, and may have a limiting effect on tri- or quadrilateral agreements. Non-alignment in its present iteration is, however, both flexible and cautious, allowing a measure of Indian manoeuvrability in conducting international relations.

Australia, while welded to the United States by the ANZUS Treaty and its membership of the "Coalition of the Willing", also has its own regional agenda and its vitally important relationship with China to sustain. Here Australia's and India's strategic agenda may coincide.

India's Indo-Pacific Aims

India's long-established Look East Policy, now frequently badged as "Act East" or headlined as "Modi Acts East", has an impetus endorsed and driven by the Prime Minister's mandate. An opportunity to establish India as a serious player in the Indo-Pacific moving out from its Indian Ocean interests, is based on his government's new partnerships with Australia, Japan,

⁴ Poudel, S.S., 'Modi's Foreign Policy: Nuanced Non-Alignment?', S. Rajaratnam School of International Studies, *RSIS Commentary*, Nanyang Technological University, Singapore, 2 January 2015.

Vietnam and the Philippines, building its relationship with Indonesia, ASEAN members, the East Asian Summit, and China.⁵ Modi's *coup de grâce* will be to marry his "independent" Indo-Pacific agenda with American expectations while Russia, geographically both of the east and the west, remains India's most relied-upon strategic partner, a status that was reaffirmed during President Putin's visit to New Delhi in December 2014.

There is a considerable and perhaps complicating overlap between regional organisations in which India, or both India and Australia, have a greater or lesser link. As examples, the South Asian Association for Regional Co-operation, (SAARC) effectively led by India, in which Australia, China Japan and the United States have observer status; the BRIC states that include India but not Australia; the G20 states with a mandate to promote international financial security have a broad regional balance and, in concert with India's strategic aims discussed above, includes the United States, Japan and others. The G20 meeting held in Brisbane in November 2014 demonstrated the value of a broad-based Leaders' Summit and positively connected Abbott and Modi. It is a regular meeting ground for them, as are the Commonwealth Heads of Government Meetings (CHOGMs). The Indian Ocean Rim Association (IORA) is fertile ground for Australian-Indian co-operative leadership and its increased participation with regional stake-holders and dialogue partners has extended its reach beyond "India's lake" with Modi's endorsement.

Adding to the plethora of organisations that India will need to factor in when formulating its medium-term regional and global strategy is the proposed regional investment treaty, the Trans-Pacific Partnership (TPP). The TPP originated as a Free Trade Agreement (FTA) amongst a handful of Asia-Pacific countries until the United States, in the aftermath of the global financial crisis, saw an opportunity to participate in Asian growth, drawing in NAFTA and Latin American countries. Australia is a member but neither India nor China is, although China has shown some interest in membership at a future stage.

India is wary, as US negotiators have included issues in the TPP not related to trade that may prove not to be in India's interests. As Australia is at odds with the US President on desirable environmental laws, and as India's intention is to power its energy needs with fossil fuels and uranium imported in significant measure from Australia, debating such matters within the TPP may prove an area of collaboration for India and Australia. China, however, may proceed with the Free Trade Area of the Asia-Pacific, its version of the TPP, despite American opposition.

Rajendram, in *India's New Asia-Pacific Strategy: Modi Acts East*, suggests that Modi's electoral victory has allowed his government to pursue a 'serious strategy' in the Asia-Pacific that 'aligns' with his intention to boost India's economic growth and present the country as an attractive partner.⁶ Australia can take advantage of its geographic position at 'the centre of the Asia-Pacific', as described by Modi, and work with a two-pronged opportunity: to support India's eastern push focussing on regional security in directions other than trade

⁵ See Rajendram, D., *India's New Asia-Pacific Strategy: Modi Acts East*, Lowy Institute for International Policy, 18 December 2014. <<http://www.lowyinstitute.org/publications/indias-new-asia-pacific-strategy-modi-acts-east>>.

⁶ *Ibid.*

and economic policy, and become a prominent player in the “Make in India” campaign with a range of necessary services and innovative practices.

What Can Australia Offer India?

Modi has made it clear to Abbott that Australia is no longer on India’s periphery and a persuasive Australian public diplomacy programme must ensure that this interest does not wane or be usurped by more enterprising regional and Western states. Australia, which shares an Indian Ocean coastline and a version of the Westminster system with India, can offer expertise in-country, expansion of energy technologies and its production in Australia, new and revitalised bilateral projects, options for greater security co-operation, and multilateral support in institutions such as the G20, where both countries can be influential in regional issues.

Such observations were reflected in Modi’s speech in Canberra, where his use of the term ‘Asia Pacific region’ illustrated the geographic reach he envisages for India:

‘Since my Government entered office, no region has seen more intense engagement on India’s part than the Asia Pacific region – because we understand how deeply our future is linked to this region.’

His words were underlined by his acknowledgement that Australia and India could play a role in the region, ‘expanding our security cooperation and deepening international partnerships across the region...’, collaborating on maintaining maritime security, supporting the process of ‘economic integration’ and ‘an open global trading system that remains integrated’, taking the Modi-Abbott Agenda forward in concert with the bilateral pacts signed by them in Canberra.

The proposed Comprehensive Economic Cooperation Agreement (FTA) suggests benefits for both countries. It provides great opportunities for Australia to offer India the services it needs albeit they are, to a large extent, also on offer in other contexts such as the “Make in India” policy, IORA, and the new bilateral pacts. Arguably, therefore, it is not the only path to co-operation and any failure to meet Abbott’s short timeframe is not a “game over” scenario.

The “Make in India” campaign is another start point, aimed at making India a manufacturing hub that Australia can assist in developing. Urgent involvement is required in promoting a business-friendly environment in India that offers opportunities to design and implement projects at numerous levels. What Australia can also offer includes the development of customs clearance procedures and innovative manufacturing practices, the introduction of research and development models, the design of rapid transport corridors and skills education modules. In addition, Australian students flowing into India under the New Colombo Plan programme will be visible and will stimulate cultural exchange and on-going people-to-people skills that are recognised as vital for the coming generation of diplomats, politicians and entrepreneurs.

Such short- and medium-term interests indicate that India can benefit in significant measure from Australian expertise across its domestic and multilateral interests and, substantially, its home-based desire to build its middle class, drawing people up from dire levels of poverty.

Conclusion

The above observations found reflection in Modi's speech in Canberra, where his use of "Asia Pacific region", cited above, illustrated the reach he envisages for India. His words were underlined by his acknowledgement that Australia and India should play a central role in the region, 'expanding our security co-operation and deepening international partnerships across the region', collaborating on maintaining maritime security, supporting the process of 'economic integration' and 'an open global trading system that remains integrated'. Each aspect fits within or builds on collaborative regional engagement by both countries, taking the Modi-Abbott agenda forward.

On India's side, the pace of change may quicken under Modi's watch. Transparency of regulation instituted to off-set fears of corruption is crucial, demonstrated with structural change that validates the slogan that India "is open for business". On Australia's side, fear of doing business with India must be set aside and confidence in managing people-to-people relations to grow with positive experience. This, of course, has been said frequently in the one step forward – two steps back nature of the bilateral relationship over decades. In examining India's regional strategies and old and new relationships, this paper concludes that closer ties with Australia, while speculative at this time, could be of benefit to the Modi's Government.

Modi and Abbott offer change in a most favourable environment for India-Australia relations to move from the periphery to the centre.

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