

# FOREIGN POLICY ANALYSIS

## The importance of India: Restoring Sight to Australia's Strategic Blind Spot

John Lee

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### EXECUTIVE SUMMARY

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Prime Minister Kevin Rudd has invited leading politicians and opinion makers in the region to a conference in early December in Sydney to discuss his vision of an Asia-Pacific Community and building inclusive institutions to discuss the full spectrum of security matters in the region. Besides wanting to ensure that Australia remains relevant rather than sidelined in any future setup, the main impetus behind Canberra's push for top-down security architecture is to take a proactive approach in order to manage China's rise and build institutions that can help ease current and future tensions.

When Canberra looks northwards to Asia, it mainly sees China's presence and ignores the other rising giant of the region: India. In important respects, India's economic and strategic prospects appear more favourable than China's. Even if we accept that the continued and rapid rise of China will be the most significant driver of change and potential instability in Asia, India's role and its strategic weight in helping to 'structurally' constrain and manage a potentially disruptive China is poorly appreciated by Canberra.

The paper traces the rise of 'strategic India' in Asia, the significance of the remarkable improvement in the US-India relationship, and the rapid progress made in bringing India into the existing regional security order. India is becoming an increasingly important stakeholder in, and contributor to, the existing regional security order. The paper concludes that despite the abundance of strategic and diplomatic activity in the region reflecting New Delhi's growing importance, India remains Australia's great 'strategic blind-spot.' Although Canberra is making some efforts to improve military-to-military ties with India, its diplomatic engagement with New Delhi is poor. Indeed, the relatively undeveloped relationship between Canberra and New Delhi is the weak link in terms of India's improving network of government-to-government relationships with key security partners in the Asia-Pacific.

The Indian economy still has a long way to go before it is irreversibly on the path of successful development. But on the back of a vibrant and growing middle class of around 300 million people, it is already a giant in Asia growing in confidence, ambition, power, wealth, and influence. Its rise is not feared by other Asian states and its values and interests are closely aligned with our own. Given that our diplomatic and economic resources are limited, the current focus on building new security architecture is an unnecessary distraction. Washington and other capitals in Asia recognise that when it comes to collectively meeting the challenge of China's rise, deepening bilateral relationships with emerging centres of power such as New Delhi are an important priority. If Australia is to remain a strategically and diplomatically clever, active and relevant middle power in the future—and a key player in future security institutions that might be built when the Asia-Pacific region is ready—then looking northwards towards India rather than just East Asia is crucial.

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## **Introduction**

Fifteen years ago, Henry Kissinger nominated the United States, the European Union, Russia, China and Japan as the five poles of power that would define the new multipolar century.<sup>1</sup> India made it only as a ‘probable.’

Today’s reality is that the European Union, Russia and Japan are facing an uncertain economic future, and there is increasing agreement that the twenty-first century will be an Asian one based overwhelmingly on the rise of China. Although America is entering a period of relative decline, it will still remain the dominant power in Asia and the world for several decades. On the other hand, the regional presence of a rising China will be immense. The 2009 *Defence White Paper* released by the Department of Defence predicts that China will be the strongest Asian military power by a ‘considerable margin.’<sup>2</sup>

These kinds of projections have led the Rudd government to adopt a ‘China-centric’ view of our future regional strategic environment and security policy, alongside uncritical acceptance that building all-inclusive multilateral security institutions will be the most effective way to manage China’s rise and promote continued peace in the region into the future. For example, the main impetus behind Prime Minister Kevin Rudd’s Asia Pacific Community (APC) idea is to build new security architecture in the region that can help manage China’s rise and diffuse future tensions. But even if one accepts that the continued and rapid rise of China will be the most significant driver of change in the region and the most likely cause of instability in Asia, there are legitimate criticisms that Rudd’s ‘Asia policy’ is focused too heavily on China and not enough on deepening relationships with allies such as Japan—still the second-largest economy in the world—and budding partners such as India. The future credentials of India are consistently ignored or given relatively little attention by officials and strategists in Canberra. Indeed, in the quest to build China-focused security architecture, the strategic role of India and the importance of its geopolitical weight in structurally constraining and ‘managing’ China are poorly appreciated. Beyond token statements acknowledging its rise, India remains our great strategic blind spot.

Ignoring India is a serious mistake and a significant oversight considering that the United States and our other allies and partners in Asia—also looking to anticipate future regional problems—are working hard to cultivate a constructive and long-lasting diplomatic and strategic relationship with India. Washington and other Asian capitals are focused on bulking up bilateral relationships with emerging centres of power such as New Delhi rather than the premature building of comprehensive, all-inclusive multilateral security institutions in the region. As the Australian *Defence White Paper* acknowledges, ‘strategic stability in the region is best underpinned by the continued presence of the United States through its network of security alliances and partnerships, including with Japan, the Republic of Korea, India and Australia.’<sup>3</sup> Enormous efforts and diplomatic resources are being put into building a better bilateral relationship with New Delhi in Washington, Tokyo, Jakarta and Singapore, in particular, with impressive results. If Australia is to remain a strategically clever, active and relevant middle power, it is time for Canberra to do the same.

## **India—the other rising great power in Asia**

China’s ongoing economic success story is a spectacular one, but it overlooks the fact that the Indian economy—more reliant on domestic consumption and less on state-led capital spending—has been booming for almost two decades and has tripled in size since 1988. India’s GDP as a share of the global economy (by PPP measurement) grew from 3.4% in 1978 to 4.6% in 2008. Growth per annum has averaged around 7.5% since the early 1990s, reaching 9% per annum for the past three years. Goldman Sachs estimates that the Indian economy will quadruple in size from 2007 to 2020, will surpass the size of the US economy in 2043, and will overtake Japan as the second-largest economy in the world behind China.<sup>4</sup>

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Despite the global downturn, the Indian economy will still grow between 7 and 8% in 2009. Importantly, unlike East Asian economies, 30–40% of GDP growth is due to rising productivity rather than ever-increasing capital and labour inputs.<sup>5</sup> For example, since the 1990s, the proportion of growth explained by total factor productivity is around 40%, compared to around 20% in the early 1980s with impressive improvements in the services and industry sectors.<sup>6</sup>

True, there are numerous problems that India needs to be overcome—including endemic corruption, institutionalised discrimination, an obstructive bureaucracy, the need for land reform—before setting on an irreversible path of successful and spectacular development. But in terms of exerting a significant strategic presence, it is significant that India has the largest middle class in the world—approaching 300 million people. China's middle class is still only 50 million–200 million (depending on the definition). This means that India has a critical mass of elites generating crucial economic resources required by New Delhi to become a great power even if a large proportion of the country remains poor. Unlike China's ageing problem,<sup>7</sup> India will have a favourable working age demographic until at least the middle of the century: around 50% of India's population is under 25 years old.<sup>8</sup> In contrast, around 2015, more people will be leaving the workforce in China than entering it.<sup>9</sup> The Indian working-age population is due to surpass China's in 2025 (approximately 900 million people) and its overall population will surpass China's by 2030–40.

India is not just a rising economic power. It has the second-largest military in the world and the fifth-largest navy in the world. Its rapidly growing navy is highly professional and includes the British-built aircraft carrier *INS Viraat*. New Delhi is also designing and building its own aircraft carriers, plans to construct its own nuclear-powered carriers in the near future, and boasts an indigenously built and designed nuclear powered submarine.<sup>10</sup> Military spending has been consistently growing at around 10% every year and is currently US\$26.6 billion, compared to China's US\$70.3 billion and America's \$518.3 billion.<sup>11</sup>

Many Australian officials privately consider their Indian counterparts as being painstakingly difficult and too unpredictable to deal with constructively. Yet, officials throughout Southeast Asia suggest to me that while this was their experience with New Delhi a decade ago, it is much less so the case today. Australia has a relatively small diplomatic presence in New Delhi—albeit ably led by Peter Varghese, former Director-General of the Office of National Assessments—and only thinly staffed consulates in Mumbai and Chennai.

Australia under Prime Minister John Howard caught on to the strategic value of India only during his final term in office. The current Foreign Minister, Stephen Smith, has promised to take Australia-India relations ‘to a new level ... to the frontline of our international partnerships.’<sup>12</sup> But Prime Minister Rudd, the driving force behind Australia’s strategic and foreign policy, has devoted little personal and official energy toward any concrete initiatives and secured few outcomes. As Hamish McDonald, the Asia-Pacific editor of the *Sydney Morning Herald*, observes, Australia’s peak intelligence body, the Office of National Assessments, is struggling to build its analytical expertise on India. Australian diplomats are learning about India after they arrive in their postings.<sup>13</sup> Contrast the Rudd government’s relative neglect of India with the barely reported fact that on 24 November 2009, US President Barrack Obama will welcome Indian Prime Minister Manmohan Singh for the first state visit of his presidency. Despite earlier fears that the Obama administration would eschew the advances in the US-India bilateral relationship made under the presidency of George W. Bush, the current administration has been making low-key but consistent advances towards India. The choice of Prime Minister Singh as Obama’s first state guest is significant because as White House spokesperson Robert Gibbs explained, the visit will ‘highlight the strong and growing strategic partnership between the United States and India’.<sup>14</sup>

The term ‘strategic partnership’ is not deployed lightly in official Washington circles; tellingly, Washington has not yet applied similar terms to the US-China relationship. It is now well-entrenched in the American strategic community on both sides of politics that a growing US-India strategic partnership can serve as a much sought-after ‘structural constraint’ to Beijing’s ability to potentially disrupt the existing security order, even as China rises. It is widely accepted in both Washington and New Delhi, and also throughout Asia, that the US-India partnership greatly enhances the prospect of continued stability in the region. True, this is dependent on India continuing to rise and being successfully brought into the existing diplomatic and strategic structures in Asia. But there is growing evidence that both are occurring, meaning that India is well positioned to become the ‘swing state’ that could determine Asia’s future balance.

### The rise of strategic India

The central position of India, its magnificent resources, its teeming multitude of men, its great trading harbours, its reserve of military strength, supplying an army always in a high state of efficiency and capable of being hurled at a moment’s notice upon any point either through Asia or Africa—all these are assets of precious value. On the West, India must exercise a predominant influence over the destinies of Persia and Afghanistan; on the north, it can veto any rival in Tibet; on the north-east ... it can exert great pressure upon China, and it is one of the guardians of the autonomous existence of Siam.<sup>15</sup>

—Lord Curzon, Viceroy of India 1898–1905

The recent historical neglect of India as a key strategic player in Asia is an aberration given the sheer size of the country in a location that would thrill any geo-strategist—the fault of both insular Indian domestic and foreign policy since its independence in 1947 and a lack of imagination on the part of America and its Asian allies.

For decades, India was its own worst enemy. The country’s poorly performing socialist system, its cultural insularity, and reflexive anti-Americanism limiting New Delhi’s influence were shortcomings that stifled India’s economic growth and strategic value. Leading foreign policy analyst C. Raja Mohan memorably compared India’s older strategic culture and style to a ‘porcupine’—vegetarian, slow-footed, defensive, and prickly.<sup>16</sup> Prime Minister Nehru’s aversion to the West and the early rhetoric of ‘non-alignment’ (which conveniently ignored the fact that India signed an alliance with the Soviet Union) dominated Indian strategic culture for decades. The result was strategic irrelevance despite the existence of such a large state.

To be sure, many of the problems between India and the United States, and India’s subsequent isolation, were also the result of Cold War politics. During the John F. Kennedy administration (1961–63), democratic India was seen as an important counterbalance to authoritarian China. However, the Chinese invasion of India in 1962 meant that India moved closer to the Soviet Union following the Sino-Soviet split in the 1960s. Subsequently, during the two Indo-Pakistan wars in 1965 and 1971, Washington offered diplomatic and military assistance to Islamabad while New Delhi eventually signed a 20-year pact of ‘peace, friendship and cooperation’ with the Soviet Union in 1971 (primarily to deter possible Chinese adventurism). Further obstacles to a better US-India relationship were erected after President Richard Nixon initiated the rapprochement with China in 1972 in order to isolate the Soviets. Even though there was a slight easing of tensions between India and the United States when President Jimmy Carter assumed power, India’s refusal to support America’s anti-Soviet campaign after the Soviet Union invaded Afghanistan in 1979 significantly reversed any small progress in the US-India bilateral relationship. Critically, America deepened its strategic relationship with Pakistan after the 1979 Soviet invasion of Afghanistan. The increased

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military cooperation between America and Pakistan raised fears that this might allow Pakistan to narrow the military gap with India, and pushed India even closer to the Soviet Union.

India's emergence from this hiatus happened in a process that unfolded over several decades, but 1991 was the year that India decisively woke from its complacent slumber—both economically and strategically. Importantly, Prime Minister Narasimha Rao, who was elected in 1991, chose the pro-reformist and free-market advocate Manmohan Singh as his Finance Minister to deal with the serious fiscal and economic crises facing the country.

India was confronted by a serious fiscal and balance of payments problem that had been worsening over a number of years. These deep-seated problems were exacerbated by the decision to purchase a large amount of petroleum on the spot market following Iraqi leader Saddam Hussein's invasion of Kuwait in 1991 as well as dramatic falls in remittances from Indian workers in the Middle East as a result of the first Gulf War. The decision drained the country's foreign exchange reserves, and the economic situation worsened after India lost its export markets in East Europe following the disintegration of the Soviet Union. In barely two years, 1990–91, an estimated 110 million people were thrown into poverty.<sup>17</sup>

As Finance Minister, Singh was the architect of the economic reforms that reversed this crisis and led to a two-decade economic boom. Unlike previous balance of payments led crises in 1956–57, 1965–66, and 1980–81 where Indian leaders reflexively reverted to communist principles and tightened rather than loosen controls and regulations,<sup>18</sup> Singh responded by altering the direction of the nation's economic policies. This included gradually abandoning import-substitution industrialisation, and slowly unravelling the regime of licenses, quotas, permits, and other regulations that stifled economic growth. To be fair to previous governments, the impetus for gradual, ad hoc liberalisation was already evident in the 1980s under the leadership of Indira Gandhi and Rajiv Gandhi.<sup>19</sup> But the 1991 crisis gave this trend an irreversible shot in the arm.

Moreover, the implosion of the Soviet Union woke the Indian strategic community from its complacency. India faced the final decade of the twentieth century needing a new strategic vision that would complement the primary goals of both maintaining its independence and accelerating economic development. Under Prime Minister Narasimha Rao, increased engagement with regional powers was seen as a strategy that would enhance Indian economic development, status and, ultimately, the country's security. Remaining 'independent' no longer implied remaining 'unaligned'; the latter had become devoid of any real meaning. The benefits of being a strategic 'porcupine' were minimal. Instead, New Delhi realised that an economically strong and engaged India, rather than a weak and isolated one, was to be the future foundation for an effective counter-dominance strategy. But more than this, India also came to the sensible realisation that a country of its size, with one of the great civilisations in the world, had a natural role to play as a great regional and eventually global power.

### **(a) Looking East**

India's Look East policy was launched in 1992. In his first budget speech in Parliament in July 1991, Finance Minister Singh had offered a famous quote from French novelist Victor Hugo—'No power on earth can stop an idea whose time has come'—and declared the emergence of India as an economic power as one such idea. But looking east was not just an economic decision but an explicitly strategic one. Strategic engagement with Southeast and East Asian countries began simultaneously with economic engagement, not after it. Prime Minister Rao gave significant momentum to this shift by visiting China, Japan, South Korea, Vietnam, and Singapore.

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## Key economic developments

1992	India became an important ASEAN dialogue partner.
1996	India became a member of the ASEAN Regional Forum (ARF).
2002	India was placed alongside China, Japan and South Korea as an ARF summit level partner.
2002	Prime Minister Atal Behari Vajpayee addressed the first India-ASEAN Business Summit.
2003	India signed the Treaty of Amity and Cooperation (TAC).
2004	India signed an agreement on India-ASEAN Partnership for Peace, Progress and Shared Prosperity at the 3rd ASEAN-India Summit.

By the time Prime Minister Singh came to power in 2004, India had long accepted the rhetoric of the twenty-first century being an ‘Asian century’ and its growing importance in a changing Asia. India grew in confidence and expressed a desire to play a significant role in shaping this new environment.<sup>20</sup> For a country that once viewed East and Southeast Asia as a region dominated by America and its lackeys, this was an enormous change.

As Prime Minister Singh acknowledged, the Look East policy ‘was also a shift in India’s vision of the world and India’s place in the evolving global economy.’<sup>21</sup> India needed to find new friends after the implosion of the Soviet Union. Moreover, by the mid-1990s, it was undeniable that China had become a major power in the region. The ongoing dispute with Pakistan wasn’t going away, but India’s status as just a great South Asian (rather than Asian) power could no longer guarantee the country’s future security. In the 1990s, Chinese diplomatic strategy in the South China Sea was impulsive, aggressive and impatient. Since then, Beijing’s diplomacy has been much more subtle. As the paper observes, China’s rise—from a weak ‘rogue dragon’ to legitimate great power—further convinced the Indians that they had no choice but to accept a larger role in East and Southeast Asia.

### **(b) India and the US—confronting the elephant in the room**

Although President George W. Bush in his second term came to the belated realisation that India and America shared important political values and strategic interests, the recent strategic interest in India had its roots after the 9/11 terrorist attacks. Following the American invasion of Afghanistan in 2001 to remove the Taliban from power, there was renewed strategic interest in New Delhi since Indian influence in Afghanistan had been strong until the rise of the Islamabad backed Taliban’s rise to power in Kabul. India had supported successive governments in Kabul until the rise of the Taliban in the 1990s and subsequently supported the Northern Alliance that helped American forces depose the Taliban.<sup>22</sup> Since 2001, India has donated US\$1.2 billion to Afghanistan’s reconstruction, making it the largest regional donor.<sup>23</sup>

Nevertheless, any further deepening of diplomatic and strategic relations between Washington and New Delhi still had to overcome a traditional stumbling block: the reluctance of India’s political and bureaucratic elites to engage with the United States, especially after America’s condemnation of India’s nuclear test in 1998 and the persistent refusal to accept India as a ‘legitimate’ and ‘responsible’ nuclear power. From New Delhi’s point of view, the Non Proliferation Treaty (NPT) was an unfair agreement that served to entrench the interests of the then nuclear powers of the United States, Soviet Union (now Russia), China, France, and Britain. Persistent American backing for what former Indian External Affairs Minister Jaswant Singh called the ‘nuclear apartheid regime’<sup>24</sup> was viewed as an affront to India. As Indian leaders and strategists consistently argued,

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India had proven itself to be a responsible nuclear power with a perfect non-proliferation history. The continued ostracism of India as a nuclear power, according to New Delhi, meant a refusal to recognise and accept India as a rising and responsible great power.

A major change to repair this rift became apparent when in July 2005, George W. Bush and Prime Minister Singh signed a framework for an agreement under which India agreed to separate its civil and military nuclear facilities and place all its civil nuclear facilities under International Atomic Energy Agency (IAEA) safeguards. In return, the United States offered India full support for its civilian nuclear program. The result was the *United States-India Nuclear Cooperation Approval and Non-proliferation Enhancement Act*, which came into force in 2008. Even though India remains a non-signatory to the NPT, the 45-nation Nuclear Suppliers Group (NSG)—of which Australia is a member—granted India a waiver at the behest of the Americans, allowing India to enter into the legitimate market for nuclear materials. The agreement recognised India as ‘a responsible state with advanced nuclear technology’ and gave New Delhi what it wanted (access to fissile material from international suppliers and civilian nuclear technology) and legitimised India as a nuclear power after decades of international ostracism.

Interestingly, the decision by the United States to move on the nuclear deal followed India’s decision to apply for full membership of the Shanghai Cooperation Organisation (SCO) in June 2005, and again in October of that year<sup>25</sup> (after the conclusion of the US-India framework agreement). Even prior to the June 2008 statement by Indian External Affairs Minister K. Natwar Singh that India wanted to become a full member of the SCO, Beijing and New Delhi spoke ambiguously about working towards a ‘strategic partnership.’

These developments took place during the same time the Central Intelligence Agency (CIA) described India as the key swing state in Asia and US strategists were urging the Bush Administration to prevent such an Indo-Sino partnership. Even though Prime Minister Singh characterised the framework agreement as one that would help secure Indian energy security in the future, it was squarely viewed by Indian officials as primarily a strategic move closer toward the United States. Notably, the deal was criticised by the communists from the Indian Left as being just that—one that entailed closer strategic relations with Washington—and condemned by the ultra-nationalistic Indian Right as one that would sacrifice India’s ‘strategic independence.’ Similarly, there is no doubt that even though the decision to conclude the deal was frequently justified by American officials as one designed to help meet India’s development needs by allowing it to purchase the nuclear materials it required to generate energy, Washington insiders widely admit that the primary motivation was a geo-strategic one.

Once the framework agreement was concluded, the foundations for a deeper strategic partnership between the United States and India were quickly laid. This was complemented by India and Japan declaring an ambition for a strategic and economic entente ‘between Asia’s two largest democratic powers’ in December 2006. Then US Secretary of State Condoleezza Rice spoke frequently about the United States ‘helping India to become a world power’<sup>26</sup> both immediately before and repeatedly after the signing of the framework agreement. This grand offer was matched by concrete initiatives such as America’s offer to help India produce world class combat aircraft. As C. Raja Mohan observes, ‘Our 30-year complaint [about] denial regimes [that] have targeted India has now been rubbed off with the American offers of joint production of world class combat aircraft. This is not to be mistaken for a hardware sale, but a realization that the Americans can live with a regional power like India.’<sup>27</sup> American generosity therefore extended to helping India become a major military power.

The nuclear deal was also an important prelude towards a so-called ‘de-hyphenated’ approach to relations between America and India. From New Delhi’s point of view, relations with Washington had always been complicated by India-Pakistan tensions. Given traditional American support for Islamabad, relations between Washington and New Delhi would always be awkward. A superpower like America could never

be a neutral arbiter in the India-Pakistan issue. Under a ‘hyphenated’ approach, the US-India relationship was always vulnerable to Pakistani manipulation. By forging a US-India relationship independent of the India-Pakistan issue, the prospect of a blank slate, in theory at least, was offered to any emerging bilateral relationship between the United States and India.

India was President George W. Bush’s big strategic play in the twilight of his presidency. To entrench the relationship, the strategic deepening between the two countries has been augmented by US-India naval cooperation institutionalised at the highest military levels, meaning that tactical and operational aspects of the partnership have become highly resilient to changing political whims. For example, the Malabar exercises, which resumed in 2002 following an interruption in the wake of the 1998 India nuclear tests, were elevated in importance. The September 2007 exercises involved military vessels and aircraft from the United States, India, Japan, Australia, and Singapore in joint exercises in the Bay of Bengal. Interestingly, the last time the American Seventh Fleet was in the Bay of Bengal was in 1971 when it was attempting to intimidate India as India and Pakistan fought a war that would lead to the establishment of Bangladesh. The 2008 exercises took place in the Arabian Sea. These involved the US nuclear powered aircraft carrier *USS Ronald Reagan* and anti-submarine warfare joint operations between the United States and India. This is significant since China is pursuing a sea-denial strategy against American maritime dominance, and Chinese submarines in Asian waters outnumber the American submarines by over four to one. US Lieutenant-Commander John Fleming, who participated in the 2009 exercises off the coast of Japan notably remarked, ‘The US, Japan and India share democratic and seafaring traditions’<sup>28</sup> and hinted at inter-operational exercises that go beyond mere tactical operations towards strategic cooperation. There is also talk about conducting joint aircraft carrier exercises, which would be a major next step in such cooperation.

Other recent US moves to encourage closer military ties with India have been considerable. In January 2009, the Obama administration approved the sale of six Lockheed Martin Hercules military transport planes worth US\$1 billion to India. In March 2009, the State Department approved the sale of eight Boeing P-81 maritime reconnaissance aircraft worth US\$2.1 billion to the Indians—the largest contract awarded to an American company by India. Then in July 2009, Secretary of State Hillary Clinton signed an End User Monitoring Agreement of military equipment, signaling an upping of trust and cooperation between the two countries. This paved the way for the September 2009 sale to the Indians of the ‘futuristic’ shipboard Hawkeye E-2D aircraft for Airborne Early Warning (AEW) and battle management. The UAE is the only other country that has gained State and Defense Department approval to purchase this technology. US sales of military hardware to India are expected to reach US\$35 billion over the next quarter century,<sup>29</sup> strengthening Indian reliance on American hardware, spare parts, and technology. India has also been looking to cooperate with the United States in building a ballistic missile defence (BMD) system in Asia. Finally, US companies are competing with rivals from Russia and France to sell fighter jets worth US\$12 billion to the Indian Air Force. If Lockheed Martin or Boeing were to win the contract, this would decisively shift New Delhi’s planned US\$50 billion military upgrade away from its traditional reliance on Moscow and towards Washington.

In a personal letter written by President Obama to Indian counterpart Manmohan Singh shortly after Obama’s election victory, the President-elect spoke about the ‘shared interests, shared values, shared sense of threats, and ever burgeoning ties between our two economies and societies.’ Obama then said, ‘as a starting point ... our common strategic interests call for a redoubling of US-India military, intelligence, and law enforcement cooperation.’<sup>30</sup>

The former US Ambassador to India Robert Blackwill notes that the importance of India is now ‘sufficiently embedded in the strategic consciousness of the United States.’<sup>31</sup> Likewise, the strategic usefulness of closer relations with the Americans is widely accepted

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## **China presents a strategic conundrum for America and its allies.**

amongst India's policy elites, a theme in Indian foreign policy that has been reinforced by the emphatic victory of Prime Minister Singh's Congress Party-led coalition in the May 2009 elections.

### **The China strategic conundrum**

The recent American (and regional) interest in India as a strategic partner is enhanced by the fact that continued American dominance in Asia faces a new set of challenges that were not entirely apparent when America became the world's only superpower less than two decades ago. Global and regional terrorism, as well as the ongoing situation in Pakistan and Afghanistan is one challenge. But by far the most important long-term challenge is the re-emergence of China as a great power in the region. In particular, China presents a strategic conundrum for America and its allies.

On the one hand, China is emerging as the clear challenger to American dominance, values and interests in the region. China's newfound significance and recent revival of its 'great power mentality' is built on the back of its spectacular economic growth since the reforms in 1979.<sup>32</sup> Although a beneficiary of US-backed security and stability in the region, China is still a dissatisfied rising power. Driven by a genuine sense of '150 years of humiliation' at the hands of Western and Japanese powers, the urge to return to greatness is deeply embedded in the expectations of both its leaders and social elites. Once the predominant power in Asia for almost 3,000 years, it is only now re-emerging within a regional order with a set of rules that it had no role in defining. It is also rising within a post-World War II regional security order that was not designed to accommodate the return of such a large competitor.

Chinese regional ambitions, and the view of itself as the historical and natural great power in Asia, put it at odds with the US-backed regional order. The question of Taiwan remains a flashpoint that could yet lead to war between China and the United States. Territorial disputes between China and countries such as India, Russia, Japan, and several Southeast Asian states persist even if they are stable for the moment. China still claims four-fifths of the South China Sea as its historical waters, and is in the process of acquiring a naval capacity that will extend far beyond its stated aim of winning a war in the Taiwan Straits. The fact that China remains authoritarian—and a key backer of authoritarian regimes in states such as North Korea and Myanmar—creates distrust in Washington and many Asian capitals. Political values have strategic significance. China will not receive America's blessing (and that of its allies) as a great power to which it will happily cede influence until China gives up its vast territorial and maritime claims. Neither will the United States happily support the 'inclusion' of Taiwan back into Beijing's fold whilst China remains authoritarian.

On the other hand, despite widespread distrust of Beijing, the great strategic and diplomatic challenge for the United States and countries in the region, including Australia, arises from the fact that China is now viewed by the region (and by the United States) as a 'legitimate' rising state that is indispensable to the regional and global economy. Unlike the Soviet Union, or China under Mao Zedong, modern China is much more integrated into the existing regional and global economic system. This ensures that China is an essential regional and global economic player. In 2008, China was responsible for around one-quarter of global GDP growth, overtaking the United States as the most important economy in this regard. Chinese exports reached US\$377 billion in 2008, and it is estimated that China holds more than US\$1.3 trillion in USD denominated financial assets, including more than US\$800 billion in US Treasury bills.<sup>33</sup> China has become the region's primary export platform, importing more from the rest of Asia and exporting more to the rest of the world than any other Asian country.<sup>34</sup> From US\$100 billion in 2004, trade between China and ASEAN surpassed US\$200 billion in 2008, and there is constant talk—although little progress—of a Free Trade Agreement between China and ASEAN by 2010.<sup>35</sup> The economic rise of China has brought enormous economic benefits to the region and

the rest of the world. Even though almost every country in the region sees the continued American presence as a welcome deterrent against a possibly disruptive China, it is unthinkable for American allies in Asia to pursue any explicit economic containment strategy or to diplomatically isolate Beijing in the absence of serious Chinese provocation. Doing so would jeopardise future prosperity in an area where economic regionalism is growing and also enrage a great power, hence bringing to a premature end the hope that an increasingly ‘socialised’ China could be peacefully integrated into the existing setup.

To give regional leaders less reason to publically express fears about China’s rise, Beijing has conducted a carefully crafted and well-executed diplomatic strategy designed to increase acceptance of China as a great power and appease fears that a rising China would be a threat to the existing order. For example, Beijing has deliberately highlighted ‘consensus’ decision-making as the way forward and is emphasising primarily ‘win-win’ agreements with states in the region. Its engagement with ASEAN is relentless, having attended more than 40 major ASEAN meetings since 2000 compared to the Americans who have attended around 10.

Moreover, Chinese attempts to build a case for its legitimacy in Asia, Europe and America have been helped by the fact that China’s return to greatness is a long-awaited development not only for China’s 1.3 billion people but also for the approximately 40 million Chinese diaspora throughout these continents.

Beijing has even shown that it is capable of innovative regional leadership through the formation of the Shanghai Cooperation Organisation (SCO) with China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan as full members. Four states, India, Iran, Mongolia and Pakistan, have observer status. Although arguably creating distrust in equal measure, China is also buying friends and influencing countries through ‘no-strings attached’ aid policies in countries such as Cambodia, Myanmar and Sri Lanka. China has no interest in improved governance or better institutions in these recipient countries but expects and receives their support in the manner of client states.

China’s economic integration and diplomatic successes presents a profound conundrum for the United States and its regional allies. Explicit attempts to ‘contain’ China and keep it isolated will create a resentful great power. Any regional government seen to be explicitly containing China will find an unsupportive domestic and regional audience. Even as suspicions of Beijing’s long-term intentions grow, few states in Asia are prepared to miss on the immediate benefits of economic cooperation with China, and are reluctant to explicitly alienate such an important rising power.

### The permanence of Sino-Indo tensions

The rise of China is frequently seen as an East and Southeast Asian strategic conundrum while India has long been viewed only as a South Asian power. Yet, in many respects, India’s first Prime Minister Jawaharlal Nehru shared Lord Curzon’s expansive view of the country’s strategic worth: India was ‘the pivot round which the defense problems of the Middle East, the Indian Ocean, and Southeast Asia revolve.’<sup>36</sup> Likewise, Prime Minister Singh argued that India’s strategic footprint as a ‘super regional power covers the region bounded by the Horn of Africa, West Asia, Central Asia, Southeast Asia and beyond, to the reaches of the Indian Ocean.’<sup>37</sup> A large country of such geo-strategic significance and ambition was always likely to experience tensions with Asia’s other great traditional power, China. As US-India policy expert Ashley Tellis argues, ‘China and India appeared destined for competition from the moment of their creation as modern states.’<sup>38</sup> C. Raja Mohan makes a similar point:

I tell the Americans: You balanced China from 1949 to 1971, but then allied with Beijing from 1971 to 1989. India has been balancing China since the day the Chinese invaded Tibet in 1950. We have always balanced China—and that’s what we’ll continue to do.<sup>39</sup>

**'China and India appeared destined for competition from the moment of their creation as modern states.'**

**Beijing's strategy was to confine India to being a South Asian power with only limited ambitions in the Indian Ocean.**

Twentieth century history and the first decade of this century confirm this hypothesis. Even though Prime Minister Nehru initially held an optimistic view of India-China relations as the driving force behind a resurgent Asia, relations had soured by the late 1950s with China accusing India of nursing ambitions for a 'greater Indian empire'.<sup>40</sup> China's invasion of Tibet in 1950 had previously erased the traditional buffer between China and British-ruled India. This was always a concern for Indian strategists even though Nehru initially turned a blind eye for the sake of harmonious China-India relations. The China-India war in 1962 led to a defeat for India and China seizing the Aksai Chin region, which linked Tibet and Xinjiang provinces.

China still claims some 90,000 square kilometres of Indian territory, including large parts of the eastern-most Indian state of Arunachal Pradesh (which has Myanmar to its east). To put this in geographical context, the disputed area is more than twice the size of Switzerland. Tensions remain real, illustrated by China recently blocking the Asian Development Bank's US\$2.9 billion loan destined for India because US\$60 million of it was earmarked for a water program in Arunachal Pradesh.<sup>41</sup> More recently, Beijing expressed 'strong dissatisfaction' over Prime Minister Singh's visit to Arunachal Pradesh to help campaign in a local election. New Delhi responded by reaffirming that Arunachal Pradesh is 'an integral and inalienable part of India'.<sup>42</sup> The Indian military reported 270 Chinese border incursions into Indian territories in 2008, double the figure from 2007 and more than three times from 2006.<sup>43</sup> As *Newsweek* reported, the Chinese state-run *People's Daily* in an editorial in June 2009 criticised recent moves by India to strengthen its border defences and ominously declared that 'China will not make any compromises in its border disputes with India.' The editorial then asked whether New Delhi had 'weighed the consequences of a potential conflict with China'.<sup>44</sup>

China and India are also constantly locked in a battle for influence in the buffer state of Nepal and the Bay of Bengal access state of Bangladesh. For example, China backs the Maoists in Nepal and sells arms to Myanmar, Sri Lanka and Nepal in an attempt to foment 'contained instability' and gradually dilute Indian influence in these states. Importantly, China offers just enough strategic and military (including nuclear weapons and ballistic missile<sup>45</sup>) assistance to Pakistan to keep India distracted in South Asia but not enough to become a focal point in the existing India-Pakistan problem. Finally, New Delhi is apprehensive about China's militarisation, and in particular nuclearisation, of the Tibetan plateau. As an indication of very real tensions, China has *not* extended its 'no first use' of nuclear weapons doctrine to include India.

The land disputes are not the only sources of tension. A key component of Beijing's strategy was to help keep India preoccupied with its land-based neighbours, allowing Beijing a freer hand in the South China Sea and the Indian Ocean. But the dependence of both China and India on shipping commerce, especially energy imports (that pass through the Persian Gulf and the Gulf of Aden, the Indian Ocean, and the Malacca Straits) will most likely make sea-based rather than land-based competition more important.

Even back in 1993, a former director of the General Logistics Department of the People's Liberation Army, Zhao Nanqi, reversed long-standing policy by arguing that they could 'no longer accept the Indian Ocean as an ocean only of the Indians'.<sup>46</sup> The Chinese Navy is now the second-largest navy in the world, with more than 250,000 personnel and over 300 ships.<sup>47</sup> It has been building three new submarines a year since 1995 and now has around 85—the second largest such fleet in the world after the United States.<sup>48</sup> It is building at least five ballistic missile submarines, each carrying 12 intercontinental missiles and each missile having three nuclear warheads. To counter India's natural advantage of access to the Indian Ocean (as well as American Fifth Fleet based in Bahrain), China has set up naval ports, listening stations, logistics facilities, and refueling depots in waters belonging to Myanmar, Sri Lanka, and Pakistan<sup>49</sup> in addition to one in Cambodia. This includes facilities in the Coco Islands, which lie only 18 km north of the Indian naval base in the Andaman Islands. China is constructing a waterway that extends from Yunnan province to the Bay of Bengal through the Irrawaddy River

in Myanmar.<sup>50</sup> These are segments of what American and Indian analysts call China's emerging 'string of pearls' strategy:<sup>51</sup> efforts to increase access to ports and airfields, develop special diplomatic relationships, and modernise military forces that extend from the South China Sea through the Strait of Malacca, across the Indian Ocean, and on to the Arabian Gulf. Although there are still only very few actually discernable 'pearls' on the string, only Indian influence has prevented China from successfully signing on other 'string of pearls' candidates such as Bangladesh, Maldives, Mauritius, and Seychelles.

There is strong evidence that competition between the two powers now involves both land and sea. For example, Indian strategist and former intelligence chief Vikram Sood believes that China's strategy is all about keeping India bogged down by fomenting instability in its relations with Pakistan, Nepal, Bangladesh, and Myanmar, whilst encircling India with its 'string of pearls' strategy—a move designed to 'put India in pincers.'<sup>52</sup> Beijing's strategy was to confine India to being a South Asian power with only limited ambitions in the Indian Ocean, and prevent it from becoming an Asian or a global power. But the growing interests and ambitions of India means China will be disappointed in this regard. The reported February 2009 stand-off between Chinese destroyers and an Indian submarine in the Gulf of Aden—in international waters far away from Chinese and Indian territorial borders—is significant. As C. Raja Mohan notes, the fact that the stand-off took place in neutral territory suggests colliding interests that extend way beyond the territorial waters of either nation.<sup>53</sup> India is threatening to constrain Chinese influence in the South China Sea, and China is moving into India's sphere of influence in the Indian Ocean.

Although China's yearning for a dominant role in a future post-America Asia leaves little room for Indian leadership, New Delhi sees itself as a major centre of power in Asia (and not just South Asia). It is significant that the most recent Indian naval strategy manual is titled *Freedom to Use the Seas* and speaks about India being 'among the foremost centres of power—economic, technological, and cultural—in the coming decades.' In New Delhi's eyes, this calls for 'a concomitant accretion of national power, of which the military power will be a critical dimension.'<sup>54</sup> Although both countries are still primarily focused on domestic development and tensions can therefore be managed, there is little doubt that a rising India and China remain 'strategic adversaries.'

### **Democratic India as a counter-balance against China**

India's commitment to democracy is sincere, having been long established and reaffirmed over decades. In a speech in 2005, Prime Minister Singh said that the 'idea of India' is the 'idea of an inclusive, open, multi-cultural, multi-ethnic, multi-lingual society.' Singh believes that this is 'the dominant trend of political evolution of all societies in the 21st century ... Liberal democracy is the natural order of political organisation in today's world. All alternate systems [are an] aberration.'<sup>55</sup>

To be sure, democracy by itself has never been enough to overcome the different strategic cultures and diverging interests of India vis-à-vis America and its allies. There is no preordained harmony between the world's most powerful democracy and the world's largest democracy. For example, in examining the UN voting patterns of India compared to the United States in issues such as human rights, the Middle East, and arms control, the voting coincidence between the two powers varied from zero percent to 45% from 1997–2003.<sup>56</sup> But converging regional interests mean that democratic India becomes a strategic asset of huge significance. Indian and American leaders now refer to each other as 'natural allies'.<sup>57</sup> In particular, both sides believe that cooperation will eventually create a power balance in Asia that will help keep potential Chinese ambitions in check and constrain the ability of Beijing to challenge the existing liberal, open order in the future.

As the paper pointed out earlier, India has traditionally been preoccupied with land-based instability in its borders with Pakistan, Bangladesh and Myanmar. But the great powers in Asia are littoral states, and maritime power is critically important. As India's

**Converging regional interests means that democratic India becomes a strategic asset of huge significance.**

power and interests grow, it is wisely focusing on its sea-based priorities and objectives, which will be more important in the future. This has opened up opportunities for the United States, its allies and partners, and India to reinforce and entrench their still fledging strategic partnership with extensive tactical cooperation at all levels.

India is adamant that it must remain the hegemon in the waters hugging its territorial borders. This is a concession the Americans and most of Asia are more than happy to make and will most likely offer India their blessing in this regard. In practical terms, India would seek an effective veto over actions of outside partners in these areas.

In the broader Indian Ocean (as well as the Arabian Sea and Bay of Bengal), the US Pacific Command is eager to expand further naval cooperation with India in protecting the sea-lanes of the Indian Ocean. The United States and India will likely increase the scope and frequency of the already extensive naval and air force exercises and planning in these Indian Ocean sea lanes<sup>58</sup> as well as deepen the broad-based dialogues and briefings with India. These briefings cover a wide range of matters relevant to South, Central and Southeast Asia, spanning Chinese military developments, policy in the Indian and Pacific Oceans, as well as US policy with rogue states such as Iran and North Korea. In terms of naval cooperation, Ashley Tellis suggests that ‘a cooperative division of labour with respect to ocean surveillance, search and rescue, anti-piracy operations, and humanitarian assistance would be a good place to start.’<sup>59</sup> Indeed, this has occurred. India, with regional blessing, is becoming a hegemon in its own backyard and one of the great powers in Asia.

Built on the back of quiet and tireless diplomacy and thriving bilateral relationships, Indian naval cooperation with Southeast Asia is also impressive. According to Uday Bhanu Singh, Research Officer with the Institute for Defence Studies and Analyses (IDSA), the conclusion of a bilateral defence cooperation agreement with Singapore in 2003 opened the door for India to ramp up its security diplomacy in Southeast and East Asia.<sup>60</sup> India has since signed defence cooperation agreements with Indonesia, Malaysia, Vietnam, and Cambodia. In fact, India-Indonesia naval cooperation goes back 14 years to the Ind-Indo Corpat arrangement, and New Delhi arranges more tactical naval exercises with Jakarta than any other country, including the United States. In 2005, the Indian aircraft carrier *INS Viraat* made inaugural visits to the ports of Singapore, Jakarta, and Klang in Malaysia. Already, India has naval bases in the Andaman and Nicobar Islands at the western mouth of the Malacca Strait, giving New Delhi a huge advantage over Beijing when it comes tactical positioning in this crucial shipping laneway.

Chinese attempts to extend its naval reach and power through relationships with states such as Pakistan, Myanmar and Sri Lanka directly work to dilute Indian naval influence in the south Arabian Sea, south Indian Ocean, and southern parts of Bay of Bengal. America is already explicitly committed to helping India become a world power, and more specifically, a world naval power. This is aligned with Indian intentions to become one of the great naval powers able to materially influence matters in the waters to its west, east and south.

Importantly, Southeast Asia feels remarkably unthreatened by the rise of the Indian Navy. As former Singapore Prime Minister Lee Kuan Yew points out, Asia (with the exception of China) is not fundamentally concerned with India’s economic and military rise.<sup>61</sup> In supporting an enhanced Indian naval presence in the Indian Ocean, it is unlikely that the Indian Navy would seek to overplay its role since it would not have the capability to demand a greater role in the Persian Gulf, Malacca Straits, or the South China Sea and impinge on America’s preferred areas of influence. In fact, it is likely that New Delhi will happily support continued American naval pre-eminence in these areas. The tactical confluence of interests means that Washington, New Delhi and South East Asian capitals consider each other’s naval presence—and the network of bilateral partnerships with New Delhi—as stabilising forces for the region. Offering India an enhanced role is already indicating to New Delhi that Washington and Asian allies and partners are prepared to welcome India as an emerging and trusted great power.

The US-India partnership, as well as Indian engagement with East and Southeast Asia, is still in its early stages, but the foundations to build further are solid. If these relationships can continue to prosper from the bottom-up and if India's strategic partnerships can be further integrated into the existing US-led order in Asia—for which the early indicators are promising—India's future strategic, military and economic weight means that the twin prospects that China's rise can be peacefully managed and the existing liberal order can survive rise dramatically. China is an ambitious and even revisionist power (when it comes to its land and maritime borders), but it remains a sensible rather than reckless one. This is why a continued American presence and the informal network of bilateral security relationships remain the single-most important factor in preserving the peace now and in the future. Placing structural constraints on Chinese actions as it rises will remain the primary and effective strategy in meeting the challenge of the Chinese conundrum. India is poised to add its formidable and growing weight in reinforcing this approach.

That this can continue to occur depends on the successful coordination of many parts moving in sync. For example, India's growing role as a strategic player depends on the continued success of its economic reform program and rapid development. The US-India relationship and Indian partnerships with other states depend on continued, tireless bottom-up functional cooperation, as well as top-down intent from all sides. There is still much work to do in order to build the region's acceptance of any growing US-India partnership such that the partnership (as well as India's other bilateral relationships) augments rather than competes with the existing US-led regional order as well as other regional institutions. For example, many Southeast Asian states will not easily accept agreements that are seen as competitive and dilute ASEAN's relevance.

A case in point is the *2007 Quadrilateral Initiative* between the United States, India, Japan and Australia. The *Initiative* was viewed as an agreement that could reduce the relevance of ASEAN and of ASEAN-led forums such as the ARF. It was also seen as too explicitly an anti-Chinese containment agreement that might cause smaller states to 'choose' between China and *Initiative* members.

Moreover, New Delhi needs to further enmesh itself in the manifold and sometimes tedious multilateral forums and processes that characterise diplomacy in Asia. Even though multilateral institutions such as ASEAN and the various ASEAN-led forums are weak in terms of compliance and enforcement procedures, they serve the purpose of reinforcing norms of counter-dominance and counter-interference in each other's affairs. This is an important complement to the US-led 'hub-and-spokes' structure that has underpinned security and stability since World War II. China, for example, has learnt that it is much more effective to work with ASEAN to build influence and legitimacy than attempt to bully its way into ascendancy.

Finally, the 'strategic encirclement' of China with India as one of the major centres of power needs to remain subtle and restrained. New Delhi must be allowed to continue to forge its own way and remain a 'structural constraint' on Chinese ambitions and actions, not an explicit one that is part of an anti-Chinese alliance. Importantly, China needs to remain confident that its interests and path towards continued prosperity lie in acceding to the existing US-led structure and competing within it rather than transforming or superseding it.

### **Conclusion: the importance of courting India**

India is an Asian giant growing in confidence, ambition, power, wealth, and influence. Its diplomats are also increasingly active in the region. For example, India has announced plans to create 514 new positions in its Ministry of External Affairs over the next 10 years.<sup>62</sup> Importantly, its rise is not feared by other Asian states and its values and interests are closely aligned with our own.

**Placing structural constraints on Chinese actions as it rises will remain the primary and effective strategy in meeting the challenge of the Chinese conundrum. India is poised to add its formidable and growing weight in reinforcing this approach.**

**A fully engaged India will improve the region's leverage over a potentially disruptive China in the future.**

Yet, current Australian government strategic thinking focuses excessively on East Asia and China in particular. For example, as Chris Rahman observed, the rise of India's navy a decade ago even caught Canberra by surprise.<sup>63</sup> Admittedly, defence cooperation with India has since deepened. For example, Canberra and New Delhi have signed a *Memorandum of Understanding on Defence Cooperation* in 2006 designed to deepen practical defence ties in maritime security and counter-terrorism. An *Information Sharing Agreement* was signed in 2007, which 'will facilitate the sharing of classified information between the two countries' defence organizations.'<sup>64</sup> Most recently, Foreign Minister Stephen Smith visited New Delhi and formally requested that Australia be allowed to participate in the annual US-India Malabar exercises.<sup>65</sup> These are positive developments.

However, the patient approach of quietly and steadily building meaningful bottom-up military functional cooperation with the Indians in defence, as well as the need to conscientiously deepen the bilateral relationship, is at odds with Prime Minister Rudd's attempts to hurriedly lead the construction of comprehensive, multilateral top-down security architecture for the whole region before Australia, the United States, or Asia is ready. Doing so prematurely will simply exacerbate the *insecurity* of Asian states vis-à-vis a rising China since any such new structure would have to explicitly allow China an *equal strategic status* as a player in the region. Regional states will want this to occur only when they are sure that China is fully committed to the pre-existing rules and norms of behaviour in the region, which will be some time away. Meanwhile, America and Asian allies and partners much prefer to bulk up the informal network of security alliances and partners (including with India) to hedge and maximise leverage against a rising China before any serious discussion of new comprehensive and inclusive security architecture can take place. Far from the region entering into a dangerous period of 'strategic drift' as Australian Prime Minister Kevin Rudd contends,<sup>66</sup> there is evidence that the United States, India, and key Asian partners are increasingly reading from the same strategic blueprint: A strong bilateral relationship with a rising India will be a critical factor in forging and strengthening the balance against a rising China in the future and in structurally constraining Beijing's actions.<sup>67</sup> A fully engaged India will improve the region's leverage over a potentially disruptive China in the future. Subsequently, America and Asian states are busy doing the hard graft of building a lasting economic and strategic relationship with a rising India and bringing New Delhi into existing regional structures.

There is less evidence Canberra is reading from the same page.

First, pushing for institutions that are all-inclusive and designed to discuss the full spectrum of security matters is certainly premature. Besides threatening to dilute the current strategy used to both assist with and manage China's rise, it goes against regional diplomatic culture in discussing tensions in open forums involving third parties. The most constructive work is done behind doors without the pressure of a high-profile security forum. Besides, the great fear of smaller Asian states is to have to 'choose' between the United States and China. They have never had to do so explicitly because they do not take part in any substantive, high-level action-based security forums involving both China and the United States. A pan-Asian security forum might very well change that.

Second, and more related to the arguments in this paper, simply arguing that India be included in future security institutions is a token gesture that pays only lip-service to India's growing importance. That India is poorly appreciated by the Rudd government—despite the commonality in values and strategic interests as well as the enormous economic opportunities presented by India's rise—is confirmed by the lack of energy and resources devoted to building the bilateral relationship with New Delhi. As C. Raja Mohan observes, the weakest link in strategic and diplomatic cooperation between India, the United States, and other Asian states is the weak relationship between New Delhi and Canberra.<sup>68</sup> Discussions about what top-down, overarching security architecture we should build (rather than the diplomatic and security relationships we

first need to renew and reaffirm) are putting the strategic cart before the horse and are a mistake and distraction. Bear in mind that a poorly developed relationship between Canberra and New Delhi is not a regional deal-breaker when it comes to New Delhi's growing strategic weight—India will simply become too big and important. But a poor or undeveloped relationship will do more future harm to Australia than it will to India. The India factor in Asia's future will rise in importance despite our neglect, but it will reduce Australia's future regional strategic relevance.

More generally, Canberra should reduce its focus on top-down architecture building for the moment and instead direct our limited resources and attention toward improving bilateral relationships, such as with Asia's other giant—India. This also makes sense since Canberra's influence will be enhanced in any future regional institution if Australia's bilateral relationship with key players such as India is first strengthened.

The paper is not denying that some efforts have been made. The annual talks between the Australian Chief of Defence and Indian counterparts is a good initiative, but Australia's poor overall diplomatic engagement with and strategic appreciation of India is nevertheless worrying. For example, while Australia holds an annual *Defence Strategic Dialogue* with China involving the Secretary of Defence in addition to the Chief of Defence Force, there is no equivalent annual Secretary-level bi-lateral dialogue with India.<sup>69</sup> Even though the Rudd government in 2008 pulled out of the 'Strategic Dialogue plus India' involving the ill-fated *Quadrilateral Initiative* partners, there is no reason why Canberra should not work towards instituting an annual Secretary-level bi-lateral security dialogue with New Delhi to discuss bottom-up cooperation, but prudently leaving aside top-down strategic matters until New Delhi is ready.

Meanwhile, Australia has its own nuclear-related stumbling block with India that is holding back the prospect of better relations. It is time to revisit the arguments for and against selling uranium to India—a non-signatory to the *Non Proliferation Treaty* (NPT)—that are becoming less relevant. The Rudd government's refusal to honour the previous Howard government's deal to sell uranium to India—despite Rudd subsequently supporting the 2008 'India waiver' as a member of the 45-nation Nuclear Suppliers Group (NSG) which allowed the sale of uranium to India in 2008<sup>70</sup>—remains an inconsistent, anachronistic and dogmatic stance, and an unnecessary slight against India.<sup>71</sup> Despite the Rudd government's continual reassurance that Australia's refusal to sell uranium to non-signatories of the NPT is not aimed at India,<sup>72</sup> the fact remains that the only other nuclear powers that are non-signatories to the NPT are North Korea and Pakistan.<sup>73</sup> New Delhi therefore sees Canberra's position as tantamount to treating 'responsible India' as an 'irresponsible rogue state' or as a 'nuclear proliferator,' although India (unlike Pakistan) has never been one. This stumbling block in our relations with New Delhi should be removed.

Furthermore, the 'Asia-Pacific' has always been understood as a strategic rather than geographical construction. Given its growing economic interests as a result of the Look East policy, Canberra should devote proper resources to seriously push the argument that India be incorporated and encouraged to play an active role into the full array of existing regional institutions, especially a reorganised Asia-Pacific Economic Cooperation (APEC) organisation. Indeed, even though bilateral relationships remain the main game, China is cleverly using existing institutions to extend its influence.<sup>74</sup> Given India's rising role as a 'structural constraint' and counter against Chinese power and influence, Canberra should relentlessly seek to push for New Delhi's inclusion in as many existing regional multilateral forums as possible.

The enormous importance of India should no longer be our strategic blind spot. If Australia and the Rudd government can help smooth the path of a rising India into Asia, then we will undoubtedly enhance our future relevance and play our part in reinforcing existing foundations for a stable peace and prosperity in the region that may yet survive for decades.

**The enormous importance of India should no longer be our strategic blind spot.**

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- 67 A strong and fully engaged America in the region remains the most important factor. The value of Japan as a key balancer against China is the other important factor besides India.
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- 69 It is granted that the *Defence Strategic Dialogue* with China was largely instituted to reduce misunderstanding and encourage greater military and strategic transparency from Beijing. These are not problems we have with India to the same extent. However, the *Defence Strategic Dialogue* is also used to discuss securing greater cooperation in areas of shared interest. Canberra would benefit from having instituted such a mechanism with New Delhi.
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