

# POLICY BRIEF

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## PROBLEMS TO PARTNERSHIP: A PLAN FOR AUSTRALIA- INDIA STRATEGIC TIES

### WHAT IS THE PROBLEM?

*Strategic ties between Australia and India keep falling short of expectations, despite strong growth in trade. Controversy over the welfare of Indian students has added to differences over uranium exports to cloud what should be promising links between two countries with many common concerns. The relationship will weather recent turbulence. But without major diplomatic initiatives soon, the prospects for a truly strategic partnership between these Indian Ocean democracies will be set back for years.*

### WHAT SHOULD BE DONE?

*The relationship needs to be invigorated through a leaders' commitment to a strategic partnership, informed by a fresh awareness of how each country can help the other increase its security. This needs to be more than rhetoric.*

*A bilateral security declaration would add Australia-India relations to a regional web of defence ties involving Japan and South Korea. India should reciprocate Australia's overtures to engage as a priority maritime partner, including in exercises. The two armies should help each other too, for example in special forces training.*

*Australia and India should work to expand common ground on nuclear non-proliferation and disarmament, which might help open the way on uranium sales. Both governments need fully to grasp Australia's vast potential in ensuring India's energy security.*

*Regular strategic dialogue should focus on common interests, including relating to China, Pakistan, Afghanistan, terrorism and maritime security. Options should also be explored for new regional arrangements including a three-party forum with Indonesia.*



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**Big power, big promise**

The Rudd Labor Government came to power in Australia in late November 2007 with declared ambitions of advancing India to the front rank of Australia's strategic relationships.

This rhetoric showed awareness of the great benefits that close ties with India offer Australia in the long run. India is set to be one of the handful of powers that will really matter to Australia in the Asian century. It will be the world's most populous country by the 2030s, when China is greying. With the United States and China, it is on course to be one of the three big global economies. This underpins its potential as a rising great power, with corresponding military strength and diplomatic influence.

India's emergence as a globalising nation is at last unlocking its vast capacity as a partner to other countries in trade, defence and coping with transnational challenges. A mature Australia-India relationship could offer many aspects of economic complementarity and strategic congruence. Australian resources, including energy, could play a key, and in time indispensable, role as India modernises and lifts hundreds of millions out of poverty. And the two countries have many security concerns in common.

New Delhi may often be a frustrating capital to deal with and will naturally put its own interests first. Sometimes these and Australia's will differ, and misunderstandings will arise. But this only adds to the need for engagement. India can no longer be ignored, and has much to offer. It will be even harder to cultivate once

the shadow of its future power becomes the real thing. And it has no shortage of suitors.

Yet two years on, the Rudd Government's progress in pressing its claim has been uneven and in some areas downright disappointing, especially on the strategic front. Despite this, some recent storm clouds on Canberra's foreign policy horizon – the furore over the welfare of international students in this country and the sustained chill in Canberra-Beijing relations – offer a silver lining: an opportunity to start fulfilling the hopes of closer ties between the Indian Ocean democracies.

With Australian Prime Minister Kevin Rudd about to visit India, and the tempo of high-level talks between the two capitals accelerating, a window is opening for serious diplomatic initiatives by both sides.

But this opening has a downside: if it is squandered, the cost may be more than just another opportunity missed. Several times before, Australian leaders have voiced grand aspirations about revolutionising relations with India. The point has arrived when more such big talk, without major commitments to follow, would confirm misgivings in New Delhi about Australia's importance and reliability.

**Hopes unfulfilled**

Growth in trade and investment has been impressive, especially from Canberra's vantage-point. India is now Australia's fourth largest export market, and a proposed Free Trade Agreement – however hard to negotiate – would improve prospects for both countries. The first long-term deal to export Australian

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liquid natural gas to help meet India's massive energy needs was concluded recently: a 20-year contract worth \$A25 billion. The level, quality and pace of senior dialogue have been enhanced, including among political and military leaders. Awareness is growing of the challenges both powers face in common: from climate change to economic fragility, nuclear proliferation to terrorism, the fraying of Pakistan to the rise of China, and the reshaping of the global and Asian diplomatic order.

Yet what is proving elusive is a relationship of genuine collaboration and candour in addressing these issues: a strategic partnership. Strategic in this sense is taken to refer broadly to power relations among states: that is, their ability to exert and resist influence in the international system. Military and other security matters are a subset of this.

In some ways, relations have taken a step back. Despite great and continued growth in trade and investment, along with enhanced dialogue, the headlines have been negative. In 2007, the highlights of the relationship included the in-principle decision by the conservative government of John Howard to sell uranium to India for civilian energy, the participation of both countries in a new quadrilateral diplomatic forum with the United States and Japan, and their cooperation in an unprecedented five-country naval exercise with the United States, Japan and Singapore.

Yet in 2008, the big stories were Indian dismay and confusion about two policy shifts under the Rudd Government. One was Australia's withholding of uranium exports. This reversal of Howard's breakthrough was due to the long-held Labor party position of not selling

uranium to states outside the Nuclear Non-Proliferation Treaty (NPT), whatever the circumstances. The other shift was Australia's publicly distancing itself from the quadrilateral dialogue. Japan and India by then were already having second thoughts of their own, but clumsy handling by Canberra – the Australian Foreign Minister downplayed the quad while standing next to his Chinese counterpart – played badly in New Delhi. These episodes reinforced the obsession in some quarters of the Indian commentariat with the theory, however ill-informed, that Kevin Rudd's close knowledge of China left him somehow in China's thrall.

Still, at least Australia-India ties continued to gallop economically, including in the flow of fee-paying Indian students down under. Then even that tale took a nasty twist. For much of 2009, a crisis over the welfare of Indian students in Australia – and the powerful Indian media's sometimes hysterical and inaccurate coverage – has clouded bilateral ties.

Nonetheless, it would be short-sighted to dismiss prospects for Australia-India links. The relationship remains broadly positive and rich with potential. Both governments harbour general goodwill toward one another at the highest levels, informing a fundamental wish to improve relations. On the student, uranium and quadrilateral matters, India's media was much less understanding of the real Australian situation than was its government. Canberra, meanwhile, is frustrated that its genuine efforts to boost ties with New Delhi have been at the mercy of factors which it has trouble bringing under control – whether criminals in the suburbs of Melbourne, cowboy operators in the

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education industry, or ideologically anti-nuclear elements in the Labor Party.

**Opportunity, not crisis**

On closer inspection, present conditions are conducive to a leap forward. India now has a government capable of decisive policy action. The historic election of April-May 2009 mandated Prime Minister Manmohan Singh to rule with a smaller and more cohesive Congress-led coalition than in his hamstrung first term. Anti-Western Leftist parties no longer constrain foreign policy. Kevin Rudd, meanwhile, so convincingly dominates Australian politics that he would be in a strong position to prioritise India if he so chose, even if that meant confronting parts of his own party after the next election. The conservative Opposition is now determinedly pro-Indian in any case.

Indians no longer have reason to fear that Australia might elevate relations with China at India's expense, as some did when the Mandarin-speaking Rudd came to power. Since then, controversies have accumulated in the Australia-China relationship, including protests surrounding the Olympic torch relay, differences over Chinese investment, perceptions that the 2009 Australian Defence White Paper portrayed China as a primary threat, China's arrest of an Australian mining executive, and Australia's hosting of a visit by a prominent Uighur activist. Canberra and Beijing may now be restoring the sensible diplomacy necessary for a crucial economic relationship and pragmatic political coexistence. But the recent sequence of bad experiences between Australia and China

suggests that their relationship – however much it becomes labelled ‘strategic’ – will long contain currents of mistrust arising from differences in security interests and values.

For India, this bumpy reality check in Australia-China relations provides a major opportunity. It is a chance for New Delhi and Canberra to look with fresh eyes at the qualities each can offer the other as a strategic partner, at a time when India is experiencing increasing disquiet about its own security environment, including the long-term implications of Chinese power in its region.

Meanwhile the uproar over Indian students in Australia also has an upside. The criminal attacks on some, and the underwhelming quality of vocational courses offered to many more, has served as a wake-up call to the two governments and societies. There were hints of a related problem in earlier media controversies over alleged racism in cricket and the mistaken detention of Indian doctor Mohammed Haneef over supposed terrorist links. The message is that what diplomats tautologically call people-to-people relations simply do not substitute for sustained effort by governments.

Speeches about little more than cricket, curry and kangaroos may once have glossed over the low priority the two governments accorded each other. Now they just sound clichéd and lazy. Thick connections of society and culture can reinforce political, economic and security links, but only if properly channelled and cultivated. Otherwise, as the student issue has shown, people-to-people relations can generate fear as well as understanding, especially if the numbers grow faster than the social infrastructure. Now, at least, all complacency

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on that front is gone, and the governments have no choice but to take the lead in building the relationship.

Indeed, a positive side-effect of the student issue is the unprecedented level of attention the governments in New Delhi and Canberra are paying one another. A procession of Australian ministerial visits to India in recent months has affirmed the strenuous steps being taken, however belatedly, to fix the problems in the international education sector. But there is much else to talk about when a senior minister pays a call. And the traffic has not all been one way. The damaging profile of the student story has compelled decision-makers on both sides, perhaps against their earlier indifference, to try to understand the very different democracy on the other side of the water.

Australia-India relations are not in crisis. They will survive the travails over students and uranium. Trade and investment links will continue to grow, including in the coal, gas, copper, gold and service industries helping to drive India's economic development. Students will continue to arrive, and will receive better treatment, even if in temporarily diminished numbers. But economic and social connections are not enough to give two countries a sense of indispensability to each other's core concerns in the realm of international power politics.

The challenge, if Canberra and New Delhi dare to attempt it, is to take the relationship to the next level: to embed India in the first tier of Australia's international partnerships and to move Australia into India's.

**A chance for strategic diplomacy**

How, then, to proceed? There is no reason why change cannot begin at the top. The relationship can and should be invigorated through attention at the highest level: Prime Ministerial meetings and visits, informed by a willingness by each leader to look at the other country without preconceptions. There is much potential for a meeting of minds between Kevin Rudd and Manmohan Singh. They are unusually intellectual leaders, and each has a mandate to carry forward the reform of his country and its place in the world, provided he has the political courage to enact it. An imminent visit by Mr Rudd to India, in November 2009, will put the two leaders to the test.

In India's diplomatic tradition, symbolism and words matter, and this should not bother Australia greatly, as long as practicalities are not left far behind. A suitably strong joint statement by the two leaders could signal a new willingness to prioritise the relationship.

The shared aim of a strategic partnership could be announced, preferably as part of a formal security declaration. This would be a landmark document along the lines of those agreed in recent years between Australia and Japan, Japan and India, and Australia and South Korea. Such declarations serve in part to build an informal web of confidence and cooperation in Asia, among regional powers that have previously mediated their security ties through the United States. The Australia-India connection is an obvious missing link.

The declarations, although not holding treaty status, are important markers of the trust and

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status each country holds in the worldview of the other. They have identified common interests, values, challenges and objectives, and then gone on to identify agreed or intended steps towards cooperation, including concrete activities such as military exercises and information sharing.

Ever since the conclusion of the Japan-India security declaration in late 2008, modelled on the Australia-Japan one in early 2007, an Australia-India variant has been a matter of time. The challenge will be to give it weight. It should be easy enough to agree on high-sounding rhetoric. But without some early concrete examples of cooperation, such a document would lose credibility fast, and momentum to improve the relationship might be lost for years.

**Action plan for a security partnership**

What might give substance to an Australia-India security declaration and the real strategic partnership it could frame? Even from a present-day vantage-point, the list of possibilities is long, making it plain that this partnership has real potential. Many of these items will involve resourcing decisions by the two governments, such as increasing their diplomatic presence in each other's countries and reallocating defence assets to exercises with each other rather than with less strategic partners. (Australia could also finally train some diplomats in Indian languages, both as a signal of its wish to understand India better and as a way to ensuring that it does.)

Some issues will involve awkward policy choices, even policy shifts. Such are the

measures of partnership in the strategic sense: the way that countries can help each other to improve their ability to wield and to resist influence in the international system, including in relation to armed force. To carry real weight, an Australia-India security declaration will need in some way to address many of the following elements.

*A reiteration, at leaders' level, that both countries see each other overwhelmingly as factors for stability in the shared Indo-Pacific region:* This would confirm a judgment first declared publicly after the first bilateral officials' strategic dialogue in 2001.

*A commitment to maximising opportunities for both militaries to work together in providing public goods in international security:* These include disaster relief, peacekeeping and sea lane protection roles such as countering piracy. Cooperation should be stepped up in operations as well as in training.

*A focus on maritime security:* This would be underpinned by a recognition of the vital role each navy can play helping the other in the Indian Ocean. It would involve much closer relations between two navies which already harbour goodwill towards each other. There should be willingness to work together in a wide range of exercises, from high-intensity bilateral war-games (such as anti-submarine warfare) to inclusion in the multilateral activities each country hosts. Australia's exclusion, since 2007, from India's Malabar exercises, is not in India's interests – nor was India's choice not to attend Australia's 2008 Kakadu activity, to which Japan sent a destroyer and where even Pakistan showed up. Australia could also commit to a deeper level of



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support for the Indian Ocean Naval Symposium, an innovative maritime forum recently set up by India, for example offering to host a future round in Perth.

*A focus on real-time intelligence and information sharing, especially regarding terrorism and the Indian Ocean:* Australia and India have much information and expertise that can be of assistance to each other, for example in relation to maritime issues and to the terrorist threat, whether in Southeast Asia, South Asia or the links between the two regions. The successful investigation of the 2002 Bali bombings showed that Australia has exceptional forensic expertise that could be most useful to India. Both countries maintain large intelligence efforts to deal with the threats they face, essentially in common, from jihadist terrorism. At sea, meanwhile, there should be much scope to develop a common operating picture, with each other and the United States. After all, in the decade ahead both Australia and India will be acquiring the same leading-edge maritime surveillance platforms – the P-8 Poseidon long-range patrol aircraft. This would be useful for collaboration on monitoring traffic in the Indian Ocean and managing transnational maritime threats, as well as more high-intensity contingencies.

*Substantial army cooperation:* Australia, with its world-class special forces, could offer assistance with the training of Indian commando and counter-terrorist units, including for hostage situations such as the Mumbai attacks. New Delhi could extend invaluable opportunities for Australian forces to train in remote Indian high-altitude environments, which would assist in preparing for Afghanistan and other regional

contingencies. India might also assist Australian security personnel in South Asian languages and cultural familiarisation, skills useful for counter-insurgency in the region.

*The frank exchange of strategic judgments:* This should include sharing of candid, confidential assessments on issues of common concern, such as Afghanistan, counterterrorism, and the Asian strategic balance.

*A Defence Ministers' dialogue:* Australia and India have elevated their defence talks to chief of defence force level in recent years, a notable achievement and one of the few areas where Australia's defence relationship with India is already in the inner circle. A regular dialogue of defence ministers is a logical next step. In time, this might even become a '2+2' combined meeting of defence and foreign ministers, just as Australia has with Japan, the United States and the United Kingdom. Such meetings are useful for coordinating foreign and defence policies within each partner country as well as between them, including to ensure that defence engagement keeps pace with political ties.

*The creation of a regular dialogue to maximise common ground on nuclear non-proliferation and disarmament:* In announcing this, the leaders could include a willingness to consider open-mindedly the recommendations of the forthcoming report by the International Commission on Nuclear Non-Proliferation and Disarmament sponsored by Australia and Japan. Australia could acknowledge the restrained nature of India's nuclear posture, including a No First Use doctrine, and its value as a step to nuclear disarmament.



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*An emphasis on the centrality of energy security to the relationship:* Leaders could underscore the great potential Australia has in helping meet the spectrum of India's vast energy needs. This could provide a hint of future flexibility about revisiting the uranium supply issue in a context that refers to more than a treaty which India is unable to sign, the NPT. Even though coal and gas will supply much more of India's energy needs than will nuclear for the foreseeable future, India will not consider Australia a genuine strategic partner until a uranium supply relationship can be countenanced. Whether under Labor in a second Rudd term starting around late 2010, or a conservative Liberal-National Coalition government further on, Australia will find itself returning to this question.

*An undertaking to collaborate in building regional security arrangements:* The two countries have a strong interest in working together to help accommodate China's rise but in such a way that Beijing does not become destabilisingly dominant. Australia and India could thus affirm the intent to develop Asian regional bodies in which they are both members, which help to sustain deep US engagement in the region, and which could help reduce the risks of conflict: qualities all being envisioned in the Asia Pacific community idea encouraged by Prime Minister Rudd. Australia and India share a common challenge of being both deeply enmeshed with East Asia yet being not regarded as automatic candidates for regional institutions – at least not by China. With careful coordination, each could help the other influence the future of Asia's diplomatic 'architecture' to mutual benefit.

*A readiness to work with third countries on regional security:* A logical starting-point here would be the pursuit of a three-way security forum with Indonesia. The three eastern Indian Ocean powers, after all, have contiguous maritime zones of interest as well as shared challenges of maritime security, terrorism, Islamist radicalism, people smuggling and other transnational threats. This idea of course would require prior consultations with Jakarta before being publicly aired. In the meantime, a security declaration might at least note that Australia's and India's interests could be served by commonly developing ties with third parties.

**Mutual gains**

It is a big agenda, and will demand new levels of attention on both sides. India, for example, will have to stop seeing Australia primarily as either an adjunct to the United States or an afterthought in New Delhi's 'Look East' policy, much of which focuses on Southeast Asia.

Why should Australia and India bother to make the effort? Canberra already knows that India matters. All other factors aside, India's demographics and energy needs, combined with an increasingly outward policy orientation, make it a crucial state to the regional and global future, regardless of whether its rise stays on track or hits trouble.

But many in New Delhi still have not realised that Australia is more than just another middle power lining up for a piece of India's future.

Australia's hybrid character offers India a singular combination of qualities as a strategic collaborator. It has massive natural resources

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yet a developed economy. It is Western yet increasingly Asian. It has a strong alliance with the United States yet well-established independent diplomatic, military and intelligence capacity. It combines proximity as an Indian Ocean neighbour with a deep enmeshment with other parts of the globe. It boasts political stability alongside major population growth and the absorption of an extraordinary mix of cultures. It is a fundamentally secure nation yet worries about many of the same security uncertainties that plague India's strategic community.

Despite all their other connections, Australian and India are fundamentally lonely powers in the global system: neither belongs to a natural bloc, and both sustain stable, democratic systems in an environment that is often less than sympathetic to their interests. They have much more to gain from forging closer links with each other than from letting pride and hesitancy continue to keep them aloof.

## ABOUT THE AUTHOR

*Rory Medcalf* directs the international security program at the Lowy Institute for International Policy. He is a former diplomat, intelligence analyst and journalist. He was posted to the Australian High Commission in New Delhi from 2000 to 2003. He is the Australian coordinator of the Australia-India Roundtable, a high-level informal dialogue convened by the Lowy Institute and the Indian Council of World Affairs, with support from the Australia-India Council.

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