

Australian Institute of International Affairs  
**National President's Forum: 'India 2020'**  
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**Rapporteur's Report**  
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**Opening Comments**

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Broadly, Australia's post-WWII foreign relations with Asia are characterised by four dominant themes, with the focus on India being most recent.

From 1954 through to the mid-1990s, Australia's dealings with Indo-China consumed considerable political energy of policy makers, not least through involvement in the Vietnam War. In the same period, Australian engagement with Southeast Asia was also extensive as many countries in this region secured independence and underwent significant social, political and economic transformations. Australia's levels of diplomatic engagement and expertise on Southeast Asia were high, most notably in relation to Indonesia. Meanwhile, Australia's engagement with Northeast Asia has been forged fundamentally by economic opportunities, reinforced by security objectives. Finally, an interest-driven relationship with South Asia has assumed priority since the 1990s as India has adopted a different post-Cold War foreign policy direction.

In prosecuting a closer and more effective relationship with India, two factors loom large. First, as with all contemporary foreign policy, globalisation has widened the interests affected by and concerned with foreign policy. Civil society in its various forms is integral to the politics of trying to shape foreign policy. Second, and not unrelated, managing regional perceptions of Australia's domestic and foreign policies is a major challenge with no margin for complacency. Reactions, both in India and Asia more generally, to attacks on Indian students in Australia and to Australia's handling of asylum seekers underline this point.

The Australia-India relationship is already significant and various initiatives are in train to develop it more fully. With \$22 billion in bilateral trade, Australia is India's 8<sup>th</sup> largest trading partner and India is Australia's 5<sup>th</sup> largest. Investment is growing in both directions, especially in logistics, infrastructure and services and a Comprehensive Economic Cooperation Agreement has been initiated. Defence ties are developing, demonstrated by meetings between the Indian Chief of Staff and the Australian Chief of Defence. As many as eleven legal agreements have been concluded, agreements on research collaboration have been reached and there has been a significant increase in Australian ministerial visits to India in recent years.

However, there are significant knowledge gaps and imperfect understandings in the Australia-India relationship, reflected in media reporting in particular. Australia's stance on uranium sales to India is also a matter of continuing contention, with one view being that this limits the realisation of the full potential of the strategic relationship between the two countries.

## Session 1: Understanding India's Strategic Environment

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Developments in India's regional neighbourhood pose increasingly unpredictable and potentially adverse challenges for its security. Regional peace must combine with very high and sustained levels of economic growth (in the order of 9-10 percent) for poverty to be eradicated in India and for India to become a global power.

Most immediately, political instability and radical Islamic influences in nuclear armed Pakistan are a major worry. The possibility of civil conflict within Pakistan is real as differences between liberal democrats and Islamic extremists intensify. Indian concerns about a strategy of 'a thousand cuts of terrorism' to bleed India have also been expressed.

Furthermore, China's foreign policy direction has profound significance for India. Relations between the two countries improved after the border conflict of 1962, and accelerated under Deng Xiaoping. However, there are numerous tensions: unresolved territorial disputes, including undefined Chinese claims to Arunachal Pradesh; China's 'string of pearls' strategy to secure foreign oil and trade routes, resulting in a bolstering by India of its blue water naval capacity; diversion of water from the Brahmaputra River to dry areas of China; and concerns about China's developing relationship with Pakistan.

Dynamics in West Asia are also of immense strategic importance to India, especially in Afghanistan. A neutral and benign Afghanistan would be a good outcome, but a regime in Kabul unduly influenced by Pakistan would be problematic for the Indian government. Prolonged internal conflicts in Burma, Sri Lanka, Nepal and instability in Bangladesh add to the potential security problems within India's neighbourhood.

Yet there are reasons for measured optimism that difficulties can be navigated to India's and Australia's advantage. The Indo-US strategic partnership, while not an official alliance, appears to portend a significant increase in military and other strategic cooperation. ASEAN is also welcoming of a greater role for India to balance China's regional influence, a perspective that could provide common ground for an enhanced India-Australia relationship. India's participation in the Indian Ocean Rim Association for Regional Cooperation is also an important avenue for Australia-India cooperation.

The question was asked whether there are any 'black swans', or highly improbable but important developments for India's strategic future? Reconciliation between India and Pakistan or the political implosion of China would both qualify.

It was also asked who are the significant non-state actors relevant to India's strategic environment? From a negative perspective, terrorist organisations based in Pakistan are important, although some of these appear to be state-funded. More positively, India-China relations have been strengthened by non-state actors from both countries' respective business communities.

## India's Internal Dynamics

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An appreciation of India's contemporary development must acknowledge the changing and increasingly contentious issue of land, widening social and economic disparities and the remarkable resilience of Indians in the face of formidable problems.

Previously land reform was pivotal to debates about land use in India, particularly for peasants seeking to secure livelihoods. It was in this context that the Naxalite Maoist insurgency of 1967 took place. The focus nowadays is on how to raise productivity and the potential of agribusinesses. Issues of land ownership are little discussed, giving way to a booming real estate industry instead in cities and villages alike as massive urbanisation gathers momentum.

Yet struggles over land are integral to India's economic and social transformation, taking a different form from earlier disputes. Displacement of people is a result of land acquisition for industrial purposes, to accommodate expanding cities and to meet demands for urban and semi-urban housing. The sustained organised opposition by farmers and villagers in Orissa since 2008 to South Korean steelmaker POSCO's project on forested land is but one example.

Meanwhile, the gap between wealthy and poor in India has intensified so that, despite significant gains by some, as many as 70 percent of the population live on less than \$2 per day according to some statistics. This has gone hand-in-hand with a massive increase in media growth in India over the last twenty years – encompassing television, newspapers, mobile and landline phones and advertising industries.

Acute inequality in conjunction with mounting friction over land usage has provided fruitful grounds for recruitment to Maoist movements, notably in East Central India. Authorities in this region are thus coming under increasing pressure to compensate people whose land has been taken for the exploitation of minerals, water and wood. High levels of suicides by farmers further underline the social costs associated with India's recent and rapid economic transformation. Within Indian cities there are also significant non-Maoist movements forming in response to the effects of urbanisation and rising inequality. Despite the shared condemnation of state corruption and the embrace of egalitarianism, these two movements have other ideological differences that prevent any prospect of alliance.

The scale of social and political conflict has nevertheless been contained by various factors, including the patience, forbearance and goodwill of the people of India who have to some extent contented themselves with small gains. Corrupt governments at state level have been thrown out. Incremental material gains, including television access, have been achieved. Importantly, as a democracy, the management and/or resolution of conflicts in India will necessarily be different from China. The apparently settled nature of India's political regime also contrasts with the less predictable medium to long-term form of the Chinese regime.

The Prime Minister's Economic Advisory Council may have scaled down India's projected growth from 9 percent to 8.2 percent for 2011-2012, but against the background of the Global

Financial Crisis and one of the most severe droughts in Indian history the economy has capacity to withstand shock. Prospects for India's long-term growth also remain sanguine due to an abundance of capital, labour, entrepreneurial skills and productivity. Population growth is generating a greater proportion of young people below 25 years of age than is true of many developed economies and literacy rates among women have grown particularly fast.

Nevertheless, and notwithstanding methodological disputes over the definition of poverty and therefore the precise level of poverty in India, India faces a major challenge in providing employment for its rapidly growing population to alleviate absolute and comparative deprivation. However, at this particular historical juncture of economic globalisation, moving into low value-added manufacturing activity demands major changes to labour laws and tax structures that are politically challenging.

### **Session 3: India Towards 2020**

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Predictions of when the shift in global economic power to Asia fully materialises may vary but its prospect is not in doubt. Based on assumptions of 8 percent annual economic growth, by 2020 India's GDP will be close to \$6 trillion, making it the fourth largest economy in the world. Having already grown faster than previously predicted, this projection is not unrealistic.

Nor is there any doubt about India's importance due to this shift and to the new global institutional architecture likely to ensue from it. The post-WWII era is rapidly fading and the global institutions born out of it are under obvious strain. The inconclusive nature of the WTO Doha round, IMF lending to Europe and reduced World Bank capital flows are all symptomatic of this. It is, however, too early to speculate about what the new architecture may look like.

However, if India is to repeat the scale of the recent Chinese economic transformation within the next decade, there are some sobering questions to be asked about such a trajectory. What effect would this have on the costs and availability of resource commodities? And what would be the ecological consequences? After all, according to one prediction such a transformation would still only deliver a per capita income of \$4,000 by 2020. Yet another dramatic increase in economic growth and attendant demands on the environment would be required to improve on this.

The Indian economy's need for resources and markets would also extend beyond its existing sphere of influence. However, India is currently a net importer of many raw materials of which it has in abundance, especially coal. The likelihood is that this situation will change by 2020 so that Australia cannot expect a simple replication of the pattern thus far with China in its resource demands.

Demographic factors are expected to be powerful generators of the Indian economy. It is predicted that by 2030 India will have the highest working age population in the world, with a low dependency ratio. Urban population growth will further increase demand for infrastructure such as urban rapid transport, railways and roads. But meeting these demands not only implies a more resource intensive economy but an educated and healthy workforce, as well as more

effective governance regimes conducive to foreign investment. Among the challenges here is arresting corruption.

In comparison with China, India's direction between now and 2020 is likely to be shaped by investment primarily coming from the private rather than the state sector, from stronger institutions, such as the rule of law and independent judiciaries, and from its democratic frameworks for potentially creating broad national consensus on policies – including through a genuine civil society.

Arriving at decisions may be slower and more 'messy' but will also be more sustainable because decisions reflect the interests and views of a more representative sample of the population. However, as support for movements representing those currently left behind or adversely affected by economic development indicates, there is room for improvement in the official commitment to, and implementation of, egalitarianism.

#### **Session 4: Implications for Australia**

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Three scenarios are possible for Australia-India relations. The two countries could operate as 'partners and allies' which have shared positions on global governance and trade and engage in various forms of policy coordination; as 'partners but not allies', as they currently are; or as neither partners nor allies. The immediate period is crucial to which of these directions the bilateral relationship takes.

The Indian Prime Minister's decision not to come to CHOGM in Perth in October 2011 suggests that work needs to be done to elevate the importance of Australia to Indian policymakers. This requires Australian champions for the bilateral relationship, including from Australian civil society, but these are lacking. It also requires a greater depth of understanding about India.

Australian attempts to enhance the relationship need to be cognisant of the world view of India's policy elite, including what kind of role they want India to play in international relations. Standard concepts like 'superpower' and 'world power' don't capture this. Nevertheless, India's primary quest appears to be to acquire the strength and strategic autonomy to influence the course of the international system. Engagement with multilateral regimes will be vital in this. A multifaceted engagement with the US is an imperative for India.

How the joint rise of India and China will play out in the region's dynamic military and geopolitical relationships is an obviously important question. Yet projections about this must also take account of Japan, Indonesia and other Asian countries' capacity to influence this process. For Australia-India relations, though, it is the broader strategic context that must inform analysis: the shift in global wealth to Asia; the development of the Indian Ocean and Pacific as one strategic region; and the involvement of the US in the region.

The close relationship between Australia and the US thus shapes as a potentially strong positive for Australia-India relations. Combined with shared public anxieties in both countries about the

possible directions of China, an opportunity exists for Australian policymakers intelligently to promote three-way security relations.

A closer strategic and security relationship between Australia and India invariably raises the question of uranium exports which are an obstacle to this. But while there is a case for a change in Australian policy on uranium exports, it also needs to be understood by the Indian government that this is a matter of democratic choice by Australian voters. Another obstacle is the inadequacy of the respective countries' diplomatic infrastructure which will need improvement.

The absence of any permanent media presence in Australia by Indian media is also not helpful for building better understanding between the two countries. Meanwhile, the growing number of Indians who have settled in Australia will continue, as will their influence across Australian society in years to come. This is a potential force for improved understanding.

Scope exists to increase Australia's economic relationship with India significantly by diversifying exports to, and investment in, India. In particular, the education and skill needs of the Indian economy represent a major opportunity for Australia.

Significantly, Australia no longer operates a 'hyphenated' foreign policy relationship with India-Pakistan, as was the case in the 1970s and 1980s when there was great Australian sensitivity to the reactions of Pakistan and India to Australian policy on either country. However, Indian officials are sensitive to Australia's relations with China. There is no need for Australia's engagement with China to become a stumbling block but there is a need more effectively to manage how this is perceived in India. The Indian perception that Australia is too submissive to China doesn't hold up to close scrutiny. The visit to Australia by Uighur leader Rebiya Kadeer and screening of a film about her at the Melbourne International Film Festival in 2009 is one illustration of this. More effective communication between Australia and India on their engagements with China is needed.

Alongside Australia's China engagement and uranium export policy, three other issues have been at the fore of difficulties in Australia-India relations in recent years: the detaining on terror charges of Indian medical doctor Mohamed Haneef; attacks on Indian students in Australia; and controversy surrounding on field comments by Indian cricketer Harbhajan Singh.

If there is a seed to be sowed which is capable of producing more substantive enmeshment between Australia and India, though, it is trade and investment, the prospects of which appear bright.

The AIIA will explore the possibility of holding a similar forum in conjunction with its counterparts in India to continue and expand this discussion.