

India's rise as an Asia-Pacific power

Rhetoric and reality

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Overview

India's role in the Asia-Pacific is still circumscribed by a number of restraints that act to shape a 'continental' posture to its security—despite its 'Look East' rhetoric.

Factors determining the continental posture include India's difficult internal and border security environments; its large number of people still living in poverty; its strategy of 'inclusive growth', which diverts resources

from classic force projection capabilities; the problems of corruption and poor governance; the existence of a negative feedback loop between those domestic ills and problems in the equally troubled South Asian neighbourhood; emerging environmental and resource problems; and China's continuing ability to fish in South Asia's troubled waters. South Asia is a difficult neighbourhood for India's evolution as a world power.



Kashmiri government employees scuffle with Indian police during a protest march in Srinagar on April 10, 2012. The employees were demanding an increase in the retirement age from 58 to 60 and the release of arrears. © AFP/Rouf Bhat via AAP.

Consequently, it will be several decades before the wider strategic vistas to which India aspires can be translated into strategic reality on the ground. This is also true of India as a direct, *strategic* player in the Asia–Pacific—which is not to say that India doesn't have a growing profile there in diplomacy, trade and other elements of 'soft power'.

Despite India's continental bias, the Indian Navy continues to pursue an ambitious agenda to turn the nation into *the* major Indian Ocean power. Its planners argue that the Indian Ocean is part of the 'ring fence' protecting peninsular India and that it's a vital lifeline for energy supplies and trade. Although those ambitions are constrained by the continental bias and continuing bottlenecks in the infrastructure of naval production, they promise to make India a more important presence in the Indian Ocean over the next few decades.

While that presence is unlikely to translate soon into a substantial strategic presence in the Asia–Pacific, India's Indian Ocean ambitions are strategically important to the Asia–Pacific for other reasons.

The Indian Ocean is the 'great connector' for trade, and especially for increasingly important energy flows, to provide for the escalating needs of the major powers of East Asia. Beijing's concern is that India, which is centrally placed in the Indian Ocean and which has a developing relationship with the other important Indian Ocean player, the US, could act in conjunction with the US to threaten China's energy supplies during times of tension or conflict. Those concerns could drive a classic security dilemma in the Indian Ocean region (IOR).

India's growing Indian Ocean power, combined with its strategic weakness in the Asia–Pacific, has wider implications for Asia–Pacific security. Some analysts regard India as a member of a potential Asia–Pacific-focused concert of powers, which is seen as the best way of ensuring a relatively benign Asia–Pacific security architecture capable

of absorbing China's rise and the apparent relative decline of the US.

That architecture is in turn said to be dependent on India continuing to adhere to its classic foreign policy emphasis on 'strategic independence'. Were New Delhi to move too close to Washington, that would both increase the antagonism between India and China and damage prospects for the emergence of a stable concert of powers.

Sino-Indian relations could be profoundly affected by the fact that China, with an economy nearly three times as big as India's, continues to grow more rapidly. In a study commissioned by the US Department of Defense, the RAND Corporation assessed that by 2025 China will be spending four to seven times as much as India on defence.¹ China's growing strength, if combined with continuing assertiveness on issues of core importance to India, could push India into a closer strategic relationship with the US, although probably not into a fully-fledged 'alliance'. India's strength in the IOR, when combined with its 'tilt' to the US within the 'strategic independence' framework to which it currently aspires, also means that prospects for intensified Sino-Indian competition in the IOR are increased.

For those countries like Australia that have an interest in alleviating this tension, the main focus of effort should logically be on the IOR, for it's there that Beijing sees its potential problems in relation to India being most pressing and where the resulting security dilemma is likely to be pronounced.

But that focus presents difficulties. The current multilateral security regime in the IOR is dominated by India. New Delhi exercises its influence to meet its perceived need to exclude powers such as China (a legitimate user of the Indian Ocean) and Pakistan. In doing so, it's acting no differently from other great powers in relation to multilateral institutions not seen as supportive of their interests.

The result is that the effort to build an inclusive security architecture in the IOR will be painstakingly slow and will need to accommodate New Delhi's preferences, as the history of past attempts shows. This poses a particular difficulty for Australia and like-minded powers. It suggests a low-key, non-conventional security focus in the initial phases and a long-term strategy involving close consultation with like-minded powers, especially the US, in a better position to influence outcomes in New Delhi.

Introduction

India's economic reforms have increased growth from the pre-reform annual rate of about 3.5% to 7%–9%. That rate of growth in a country that will have the largest population in the world by 2025 has drawn attention to India's potential to be an important Asia–Pacific power.

Despite this dramatic economic resurgence, India isn't as important an Asian power as China and might not become one in the foreseeable future. China, with an economy nearly three times as big as India's, is still growing more rapidly. Even so, India's emergence as an Asian power—and eventually perhaps as an Asia–Pacific power—has wide implications for the region and consequently for Australia.

This paper considers those implications as they relate to three closely related areas: the restraints that act on India's security strategy and limit its strategic reach; its ambitious goals in the Indian Ocean region; and its emerging role in shaping the geostrategic structure of the Asia–Pacific region, which must simultaneously accommodate China's rise and America's relative decline.

The paper doesn't focus on Australia–India relations *per se*, except as they touch upon those larger issues, but it's obvious that Australia's wellbeing is intimately tied up with the questions addressed here.

Nor is this paper only about India's emerging 'Asia–Pacific' role—an analysis recently undertaken in detail by David Brewster.² Rather, it examines India's emergence more specifically as a South Asian and Indian Ocean power. It does so in the belief that it's impossible to understand India's emergence in the Asia–Pacific without understanding how it relates to contiguous regions. Moreover, as globalisation progresses and resource and environmental issues start to bite, it's becoming increasingly difficult to disentangle the various regions and subregions of the Asian continent and its surrounds.

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Although we can try to anticipate the geostrategic effects of India's rise in the Asia–Pacific, India hasn't yet fully intruded as a factor in the *strategic* equation of Asia–Pacific power, except indirectly in its role as an Indian Ocean power. This is partly because India's internal challenges, and the way they're closely linked with its South Asian neighbourhood through a series of negative feedback loops, leave New Delhi constrained in its international role in terms of conventional power projection and vulnerable in its own backyard to its competitors, especially China.

India's actions on the wider Asia–Pacific stage are also to an extent restrained by its need to channel resources to achieve its primary goal of 'inclusive growth'. For a vibrant democracy that need is especially acute, but the goal is also difficult to achieve, mainly because of problems of governance. If India is to rise to power in a step-by-step, coherent manner in the way that China has, it needs first to settle these pressing domestic and neighbourhood issues.

A second factor currently limiting the impact of India's rise is that it's overshadowed by the Sino-US relationship—the primary relationship of the Asia-Pacific region. It will be more important than any other relationship in driving the character of the Asia-Pacific security disposition for many years to come, but that's not to say that Sino-Indian relations don't have their own dynamic and aren't important.

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Although the Sino-US relationship has primacy, already we can see an expression of that relationship through the triangular relations between India, the US and China. Currently, that set of relationships consists of cautious ambivalence between China and India and consequent joint hedging by India and the US. In other words, at least when viewed from New Delhi, the one relationship (Sino-Indian relations) can't be divorced from the other (Indo-US relations). Increasingly, that's also becoming the view from Beijing, where leaders look askance at the developing 'strategic' content of US-Indian relations.³ This paper argues that from Beijing's perspective the Indo-US relationship emerges as especially important in its Indian Ocean rather than its Asia-Pacific context.

Moreover, the current trend in Sino-Indian relations is precisely in the direction of continuing suspicion between China and India (but within the current 'ambivalent' framework), growing power disparity in China's favour, continuing hardening of the Chinese position on border negotiations, and consequently an overall, but unstated,

tendency to sharpen the quality of the hedge between the US and India—which is not to say that in the shorter term Indo-US relations will not fluctuate from time to time, just as they're now doing over the nuclear issue in Iran.

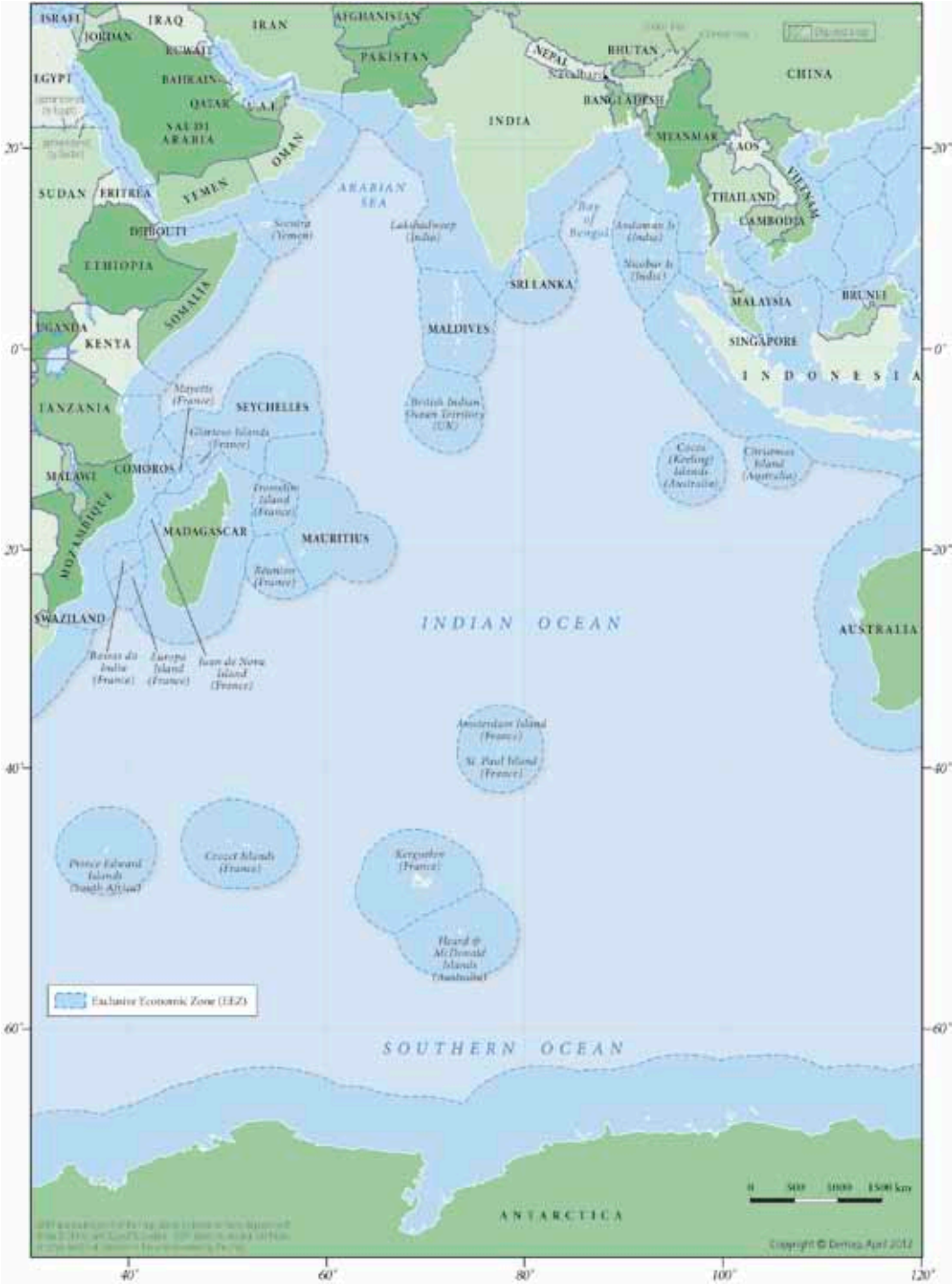
These trends cast some doubts on the argument of Coral Bell and Hugh White, who point out that a concert of powers would offer the best prospects of stability in the Asia-Pacific region and who include India in a prospective concert.⁴ While not disputing that point, this paper also asserts that the current direction of Sino-Indian relations and the effect of that relationship in tightening US-Indian bonds makes any concert involving India more difficult to achieve and less stable if achieved.

The third issue—that of the IOR—is also linked to the previous two. With its two major choke points at the Strait of Hormuz and the Malacca Strait, the IOR is emerging as a key area of transit for the burgeoning trade and energy flows that have accompanied the rise of the East Asian powers, especially China.

India has a significant geostrategic advantage in its location athwart the vital sea lines of communication (SLOCs) of the Indian Ocean. It's estimated that Indian Ocean littoral powers have a three-to-one sailing advantage over the external powers, enabling far quicker response times and far longer loitering times, not to mention the availability of land-based resources such as long-range aircraft and missiles capable of ranging out over the IOR. To that we must add India's territory in the Andaman Sea, which takes its territorial waters to within 80 nautical miles of Aceh (Figure 1).

As energy supplies become more constrained and developing countries such as India and China become more heavily dependent on Gulf energy resources, so will the role of the Indian Ocean as the 'great connector' become ever more pronounced and the strategic gaze of the great powers on it ever more intense.

Figure 1: Exclusive economic zones—Indian Ocean



Source: Widening horizons: Australia's new relationship with India, *ASPI, Canberra, 2007*.

India can use these considerable strategic assets in the Indian Ocean either positively, if it supports a ‘commons’ approach in which all users of the ocean can ‘rise on the same tide’, or negatively, if it chooses to use its geostrategic position to garner an advantage over China in deteriorating circumstances in Sino-Indian relations.

Unfortunately, the geostrategic reality is that India will use its Indian Ocean advantage adversely to affect its perceived competitors if relationships with China and Pakistan continue to be troubled. In other words, the relationships will drive India’s attitude to the Indian Ocean, not the other way round. There are obviously lessons here for China and India. The question is: are they likely to be learned?

So far, the evidence isn’t encouraging. Although India has proven to be an excellent international citizen in the policing of the IOR in anti-piracy and other non-conventional security areas, it’s resolutely held out against affording non-littoral powers any collegiate role in the ‘management’ of the IOR.

What this security dilemma building around the IOR tells us is that it’s impossible to conduct a coherent analysis of India’s emerging Asia–Pacific role without examining its Indian Ocean role. The two are inextricably linked, just as India’s situation in South and Southwest Asia is linked to its rise as an Asia–Pacific power.

Riding on top of all these issues is a geostrategic question that’s largely outside India’s capacity to affect—just how China will choose to rise. In turn, that question is linked to the issue of how the US will accommodate that rise and consequently how Sino-US relations are likely to evolve. These are the primary issues setting the trend for security in the Asia–Pacific region, and the way they unfold will be heavily influenced by the primary relationship—that between China and the US. Those issues are largely outside the scope of this paper, but it can at least say

something about the likely pressures and factors shaping Indian strategic thinking.

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Finally, as argued in this paper, India’s role in the Asia–Pacific in the direct sense of strategic capability is likely to remain constrained over the next few decades. India is still a ‘continental’ power focused on domestic issues of poverty and governance and on the way its internal problems have contributed to a vicious feedback loop between it and its troubled neighbours. Moreover, India’s inevitable role in the ‘Af-Pak’ region, arising from its strategic dissonance with Pakistan, is likely to remain a destabilising element into the future. Its reliance on the Middle East—an area drawing its attention away from the Asia–Pacific—is likely to increase. Its much-vaunted ‘Look East’ strategy is characterised more by rhetoric than reality.

As discussed in detail below, those factors, and others, are likely to see a limited role for India in the *strategic* calculus—as distinct from other aspects of international relations—of the Asia–Pacific region for the foreseeable future.

Strategic determinants of India’s rise to power

The nature and pace of India’s rise to power has been determined by three important conditions:

- the difficult Indian domestic and South Asian security environments
- India’s need for what it calls ‘inclusive growth’
- its energy security concerns.

Together these have caused India to adopt a 'continental' defence posture involving a focus on domestic and neighbourhood concerns and on its position and power in South Asia and the Indian Ocean region.

The 'continental' character of Indian power

According to Brewster, India has moved on from its well-known continental security priorities.⁵ While it's important to acknowledge that shift in Indian *thinking* as possibly presaging a future shift in policy on the ground, we need also to examine India's actual and projected acquisition of capabilities and the disposition of those capabilities. The reality India faces will be determined primarily by circumstances it confronts domestically and in its neighbourhood and by the way they interrelate. Countries don't operate like black boxes, but according to far more complex mechanisms that incorporate internal and neighbourhood imperatives as well as regional and global ones. When India's rise is viewed in terms of its actions and capabilities, it still appears more like a continental than a pan-Asian power.

Viewed in this way, India still exhibits what might be called a 'weak-strong' paradigm.⁶ On the one hand, it sees itself as potentially strong because of its mighty population, rapid economic growth, burgeoning technological capability and democratic institutions. On the other, it often appears weak due to the sclerotic and corrupt nature of those same institutions, its heterogeneous character, its porous borders and the way unrest floats back and forth across those borders like flotsam and jetsam to complete a vicious circle. The Indian central and state governments still confront enormous issues of poverty, infrastructure, equity, education, health, welfare and political discord. This weakness was recently captured by one of the most perceptive Indian commentators, Ramachandran Guha.⁷ Guha was also part of

a team from the London School of Economics that expressed scepticism about the claim that India is a developing superpower.⁸ Guha and his colleagues argue that India will be held back as a power by the difficult domestic circumstances it confronts, by its failure adequately to address poverty, corruption, the problems of diversity and internal unrest, and by the incompleteness of its economic reforms.

Moreover, India's main subregional competitor, Pakistan, is at least matching it in nuclear weapons capability and has a 'strategic' relationship with its main Asian rival, China. All of these factors make India vulnerable to outside 'interference' in its South Asian backyard. China hasn't been slow to seize on such opportunities, which are amplified in South Asia because of the operation of what might be called the 'Kautilian dictum'.⁹ Consequently, although India is indubitably the largest and most important power in South Asia, it isn't the predominant or even a dominant power.¹⁰

For example, the share of defence spending devoted to its bluewater navy, the classic tool of force projection, has remained in percentage terms fairly constant over the past two decades, shifting only from 13% of the defence budget to 15%—that is, one percentage point per decade. For a power seeking a force projection capability, that share is too low and too fixed (the US spends 26% of its defence budget on the US Navy). We also need to note the findings of Das, who chronicles the increased naval focus on inshore defences since 9/11, and especially since the attacks on Mumbai in 2008.¹¹

Another way of determining the nature of Indian power is to compare spending on internal security and force projection capabilities. Since the attacks of 9/11, the percentage share of homeland security (not including the coastguard or state police) in

conventional defence spending by the central government has risen from 11.76% in 2000–01 to 18.5% in 2009–10 (based on government budget estimates).

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The fact that security has been shaped to take on this 'continental' appearance despite India's overwhelming dominance in size of population and economy over its neighbours has occurred for several reasons. In determining the nature of India's rise to power, those reasons need to be assessed to see whether they're likely to be factors shaping India well into the future or are capable of early mitigation.

The first factor is that independent South Asia inherited a difficult set of borders that were drawn up with scant regard to ethnic, religious or economic factors. A number of fault lines subsequently dogged regional security, including between predominantly Bengali East Pakistan and Punjabi-dominated West Pakistan. That fault line eventually led to the war of 1971, when India provided crucial support to the Bangladeshi independence movement—for which Pakistan has never forgiven it. The former princely state of Kashmir was contiguous to both India and Pakistan and has been in contention ever since partition. Pakistan hopes that Kashmir might one day become India's 'East Pakistan'. Other borders remain contested.

Many of India's north-eastern states have Indo-Tibetan majorities who are ethnically and religiously different from the citizens in the Indian heartland. Among its population of 1.2 billion, India also has 160 million Muslims, a small minority of whom have

resorted to terrorism, often with the aid of extremist elements in Pakistan. The Pakistan Government has turned a blind eye to those links, and elements of the government may even have facilitated them. Certainly, in the case of cross-border insurgency and terrorism in Kashmir, Islamabad has provided substantial assistance as part of Pakistan's proxy war with India, which it can wage under a nuclear umbrella.

Since the end of the colonial period, the South Asian subregion has also been closely and often negatively linked to global pressures. During the Cold War, it became a major focus of superpower competition, especially after the Soviet invasion of Afghanistan in 1979. The subsequent 'blowback' still affects the entire region negatively today. After 9/11, the region again suffered, becoming the battleground for the ideological-religious struggle between the West and militant Islam.

Partly because of these negative influences, South Asia hasn't enjoyed the successes of East and Southeast Asia, either in alleviating poverty or in building a sense of cooperative community with a capacity to mitigate the dissonances of the region. The antagonism between India and Pakistan has negatively affected the whole region and vitiated any capacity that the South Asian Association for Regional Cooperation (founded 1985) may have had to provide a cooperative framework.

One consequence is that South Asia remains one of the poorest and most troubled regions of the globe. The 2010 *United Nations Millennium Development Goals Report* notes that the proportion of undernourished people in South Asia is again growing and is now on a par with that in 1990.¹² Pakistan is especially at risk. Its population of 170 million is projected to grow by 85 million over the next 20 years.¹³ It suffers from chronic environmental problems, poor literacy rates and a stagnated demographic transformation. The Fund for Peace ranks Pakistan as the world's eleventh worst fragile or failing state.¹⁴

Whatever India's future, it's bound to be affected by the negativities evident in the polity of its large, hostile neighbour. Should Pakistan manage to better its lot, it's still likely to remain antagonistic to India and tied to China; should it collapse, then that would severely unsettle India's environment for many years to come.

On top of all that, the final outcome in Afghanistan is by no means assured, and India has bought into the Afghan conflict with a new 'strategic' relationship with the Karzai government. The entire Af-Pak region is one of ongoing conflict and instability, and the outcome is highly uncertain.

China... has been a notable regional presence in South Asia.

China, which fought a border war with India in 1962, has been a notable regional presence in South Asia. It provides vital ballast for Pakistan against India. It gave Pakistan assistance in developing nuclear weapons and missile technology, manoeuvred on the border to split Indian troops during the war of 1965, and sells significant quantities of arms to Pakistan on highly favourable terms. It's upgrading road and rail links between the two countries, and it's built a substantial deepwater port at Gwadar close to the strategic Strait of Hormuz. The Sino-Pakistan relationship significantly diminishes Indian power in South Asia.

While Chinese involvement has been especially evident in relation to Pakistan, China enjoys close relations with all India's neighbours except Bhutan. Its relationships have already changed the strategic picture of the region, not only in relation to India as a regional power, but also the influence previously enjoyed by the West. For example, China's ability to fund Sri Lanka during the denouement of the civil war in May 2009

enabled Colombo to snub its nose at Western demands about human rights.

China's attitude to its border dispute with India has hardened significantly since 2007, when Beijing made it clear that China's claim to Arunachal Pradesh stood. India previously thought that the Arunachal claim was no longer active because of an agreement between China and India struck in 2005. India could never accept China's Arunachal claim: the state contains a population of 1.1 million, has significant water resources and commands crucial strategic territory at the foot of the Himalayas. This change in Chinese policy effectively precludes a 'swap' under which China would give up its claim in the east in return for India giving up its claim over Aksai China in the west, and makes any settlement far more difficult. One possible reason for the change is that Beijing no longer has a strategic need of Aksai China for transport purposes, whereas Arunachal has distinct strategic advantages and also contains the birthplace of the revered sixth Dalai Lama, which is important to its claim over 'Greater Tibet'. Also, as China grows more powerful in relation to India, it perceives that it has time on its side and will eventually obtain a more favourable settlement.

Meanwhile, India remains significantly focused on the dynamics of neighbourhood (South Asian) and Southwest Asian politics. Of India's six army corps, five are deployed directly against China and Pakistan, and the other, the Eastern Command, is partly deployed against China. Most of the Indian Navy's 140 surface ships are still deployed against Pakistan.¹⁵ To the extent that India is busy repositioning and upgrading these conventional forces, the new elements are aimed specifically at China and especially at reinforcing the eastern sector of the border. To that end, India has replaced ageing MiG-21s with two squadrons of the latest SU-30 Mk I aircraft, with associated infrastructure, in

Assam. It's raising four additional mountain divisions for fielding against China, totalling 90,000 additional troops, at a cost of US\$13 billion. It's engaged in expensive upgrading of its border roads in the Himalayas (delayed due to incompetence and corruption) in response to China's development of infrastructure in Tibet.

Because of these historical and circumstantial ills, South Asia is a difficult place for India's evolution as a global power. Cross-border tension throughout the region—but especially between India and its two Muslim majority neighbours—has become closely entwined with internal unrest, setting up a vicious circle of poverty, instability and international interference.

That vicious circle is linked with a worsening environmental crisis across South Asia involving rapidly growing population, scarcity of runoff water, a crisis in groundwater, pollution, and displacements of populations from land for industry, urbanisation, forestry and mining. Water competition between India and Bangladesh and India and Pakistan has recently intensified in the context of rapidly falling water availability. Environmental crisis and overpopulation have also triggered considerable tension about economic migration, especially between Bangladesh and India. All these problems are likely to intensify in coming years, and it's hard to see any early diminution of the forces that keep India strategically bound to its troubled neighbourhood.

... India hasn't even really begun the giant job of redirecting energy away from coal...

A 2007 World Bank study chronicled the enormous environmental challenges imposed by the simultaneous rise of Asia's two giants,

China and India. The bank was relatively sanguine that over the long term the two could raise energy efficiency and develop alternative sources capable of mitigating both market scarcity and adverse effects on the global commons.¹⁶ However, since then, both domestic and international trends lead to a more pessimistic view of the capacity of poor, mega-population powers like India to grow in an environmentally responsible way or of the ability of the global community to find ways to mitigate the effects of that growth. Domestically, India hasn't even really begun the giant job of redirecting energy away from coal, developing new, more efficient infrastructure to accommodate rapid urbanisation, or investing enough to resolve the imbalance emerging between water availability and consumption. International efforts to abate climate change through significant resource transfers to large, poor countries like India have stalled, not least because the West appears capable of neither meeting its own climate change responsibilities nor helping poorer countries to do so during a time of global economic crisis.

The need for 'inclusive growth'

One way New Delhi has sought to address poverty, associated domestic unrest and the subregional problems to which they contribute has been to seek to bring the bulk of the population along with its new growth patterns, which are derived significantly from the process of globalisation. This has given rise to a strategy that the Planning Commission calls 'inclusive growth'.

All Indian governments to a greater or lesser extent aspire to achieve inclusive growth. Under that policy, at least some of the benefits of globalisation and industrialisation are reallocated to the social sector to achieve better education, health, environmental and poverty reduction outcomes. At the

same time, the policy is designed to ensure that, in time, India will emerge as a more robust polity—one capable of weathering the vicissitudes of living in a difficult neighbourhood. It's also deemed politically necessary because India's governments must garner votes from the mass of the population living in rural areas.

The inclusive growth policy is strategically significant because social sector problems act as a sheet anchor on the acquisition of a genuine power projection capability. They do so in three ways:

- The social and political dislocation that results from poor social sector performance contributes to the 'continental' bias in Indian security, as described above.
- By limiting the resources available for the acquisition of military and 'soft' power in wider Asian and global settings, the inclusive growth policy adds to the continental bias in the disposition of defence resources.
- The policy has significantly shaped India's approach to key global forums on trade and climate change. This has given India common cause with China and helped to shape an ambivalent rather than wholly antagonistic relationship. However, at least in trade, that common ground is already eroding.

There are a number of problems associated with the inclusive growth strategy. Poverty has remained stubbornly entrenched despite the current Congress-led government's massive outlays on poverty reduction and rural employment schemes. Although the figure is disputed, according to some estimates such as the 2009 Tendulkar report, India still has 37% of its population, or 444 million people, living below the poverty line.¹⁷ According to the International Food Policy Research Institute, India is ranked 67 out

of 81 on its food situation, having declined from 'serious' to 'alarming' in the 2011 report.¹⁸ The World Food Program claims that India has 25% of the world's hungry people.¹⁹ India's new food program, introduced late last year, will cost US\$16 billion a year and is intended to reach 500 million people. India also has in place an expensive rural employment scheme worth US\$9 billion a year, and it recently introduced costly new universal education and health measures.

Corruption and poor governance have acted to slow progress in meeting India's social and political goals...

Corruption and poor governance have acted to slow progress in meeting India's social and political goals—the vast state of Uttar Pradesh, which is India's poorest and also highly corrupt, is a case in point. Rajiv Gandhi famously estimated that only 15 paise in the rupee (or 15% of the money) reached the people for whom it was intended. The failure of social programs in Maoist-affected areas (which cover about a third of the country) and the vulnerable northeast in turn breed social unrest and separatism—both costly aspects of India's continental security strategy.

The policy of inclusive growth has also significantly shaped India's approach to its post-1991 entry onto world markets. India's tariffs have fallen substantially since then, but are still relatively high, especially in agriculture. The trade barriers are bolstered partly by the policy, and are designed to deal with the fact that 60% of India's people, many of whom live below the poverty line, depend on agriculture. The agricultural sector also provides an enormous vote bank constantly affected by the populist press, which asserts that the problem of farmer suicide is driven by the 'globalisation' of agriculture.

In these circumstances, India's democratically elected governments are most reluctant to be seen to be eroding the protection of agriculture. For example, the perceived need for protection resulted in very high tariff sets remaining in areas of ASEAN comparative advantage, such as palm oil, in the free trade agreement between India and ASEAN. India has also adopted a position resistant to the reform of agriculture in the various World Trade Organization (WTO) negotiations.

India's bilateral trading relationships are also shaped by the perceived need to protect its labour-intensive manufacturing sector from cheaper imports from more efficient producers. Its failure to develop labour-intensive manufacturing to its full potential is also due to poor infrastructure and antiquated labour laws. Foreign direct investment has been restricted, especially from holders of large capital stocks like China, ostensibly on strategic grounds.

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India's large numbers of poor and the fact that 300 million Indians still remain unconnected to the power grid also shape its approach to global negotiations on climate change. The country's per capita energy consumption is extremely low, and it argues logically that it should be afforded some catch-up outside the international limits that might be placed on high per capita energy users. These factors have caused New Delhi to argue in United Nations climate change negotiations that any cuts should mainly occur in developed countries, and that cuts in developing ones should be offset by a substantial transfer of

wealth by way of compensation.²⁰ In this, India has made common cause with China, which confronts similar difficulties.

Consequently, commentators have generally concluded that China and India have more in common when it comes to their position on issues such as trade and climate change in international forums than they have differences.²¹ That commonality has meant that Sino-Indian relations can be seen as 'ambivalent', rather than confrontational.

While that's currently true, the commonalities relating to trade, at least, could evaporate quickly. Trade is already markedly in China's favour, and the imbalance is only likely to increase. This is part of a general shift in the balance of global trade from a developed/developing dichotomy to a developing/developing dichotomy, as countries such as China emerge as comprehensive economic powers. Previously, competition in manufacturing was perceived to come mostly from the West, but the ground has shifted substantially with the rise of China and other Asian 'tigers'. For example, in January 2012 the Indian Government established the Directorate General of Trade Remedies to impose WTO-sanctioned anti-subsidy and countervailing actions. The move is expected to 'hit China hardest'.²² Ironically, India has now directed those very mechanisms of the WTO originally intended to protect it from developed countries against new competitors from the developing world, especially China. This will eventually reduce the commonalities currently dictating the ambivalence in Sino-Indian relations.

In short, India's substantial social sector spending, along with the escalating costs and effort in maintaining internal security, limit the money, time and people available for traditional defence (central budget defence outlays are typically limited to 13% of the total central government outlays and under 2% of

GDP). In nominal terms, India's handsomely growing economy continues to deliver substantial rises in resources available for defence. In real terms, however, the rises are less spectacular than they appear (an annual average of 6.4% over the past decade).

Also, while India is now the largest importer of weapons in the developing world and will spend an estimated US\$42 billion on defence imports in the five years from 2011 to 2015²³, that should not mask the fact that China no longer occupies the leading importer position because it's been so successful in reverse engineering and producing the technologies it previously imported from the Russians and others.

Energy security

A third factor determining the parameters of Indian defence and security policy is energy. India is poor in most sources of energy. Although it has large coal reserves, they're poor quality and distant from industrial centres, and their extraction and transport are poorly managed by Coal India, which is government owned. Liquid fuels are in especially short supply, and India imports 65% of its oil requirement. It would need to increase primary energy supplies by three to four times to sustain a growth rate of 8%–9% over the next 25 years.²⁴ High energy imports place a significant burden on India's balance of payments. Due to ever-rising global demand and ongoing strategic shocks, such as those caused by events in Libya and Iran, this situation is likely to worsen.

These factors make India heavily dependent on Persian Gulf suppliers, shaping its policies towards that region, the West and its own Muslim population. Another reason the Gulf is important is that 4.9 million Indian guest workers are there. They earn a significant proportion of India's US\$55 billion global remittance inflows.²⁵ India's 2007 naval strategy lists energy security and SLOC security across the Indian Ocean as

major reasons for maintaining a capable bluewater navy.²⁶

New Delhi is at times caught uncomfortably between its growing relations with the West, and especially the US, and its imperatives in the Gulf. Two instances demonstrate that discomfort: India's refusal to join the 'coalition of the willing' in the Iraq War in 2003, and its current dilemma over US insistence that it not trade in oil with Iran—a demand with which India is refusing to comply, citing 'economic necessity'.²⁷ India's hunger for energy also dictates an increasing, but so far contained, competition with China in Central Asia, Africa and the East China Sea.

The scarcity of indigenous Indian sources of energy has also increased the focus on nuclear power.

The scarcity of indigenous Indian sources of energy has also increased the focus on nuclear power. Short of indigenous supplies of uranium, but rich in thorium, India has chosen to focus on an expensive and uncertain thorium path to nuclear power. All this has sharpened the focus on the Indo-US nuclear agreement finally struck in 2008, and on Australia's initial but now overturned refusal to export uranium to India.²⁸ India's energy relationship with Australia is likely to intensify in coming years not just in relation to uranium, but also liquefied natural gas and coal.

Energy security is therefore extremely important in determining India's foreign relations posture and is likely to remain so. Its energy links with the Gulf have dictated tight sets of economic relationships that have maintained the Indian focus on the Gulf, Southwest Asia, Central Asia and Africa. Those constraints are, if anything, likely to become more important in future.

The Indian Ocean as a factor in Indian security

India inherited much intellectual and strategic baggage from the British. Whitehall saw control of the Indian Ocean as an essential part of the 'ring fence' Britain erected to protect its Indian possessions—the other main element being a system of buffer states around British India. To this has been added in recent years the perceived imperative to protect India's vital energy SLOCs, extensive territorial waters and trade routes that cross the Indian Ocean.

Together, these add up to a perceived imperative to exercise sea denial, control and influence over considerable portions of the IOR. Of course, that hasn't yet been possible and remains a distant prospect, given the naval predominance of the US in the Indian Ocean and India's 'continental' imperative. Nevertheless, it's a goal that Indian naval strategists aspire to.

When it comes to the acquisition of naval assets, however, India's ambition has tended to outflank its capacity.

When it comes to the acquisition of naval assets, however, India's ambition has tended to outflank its capacity. The tendency was evident in the 1980s, when it planned for a 200-ship navy (precipitating a Senate inquiry in Canberra). Similarly, India's naval ambitions, as expressed in public documents, have recently spooked some of the neighbours. Its long-term security strategy is increasingly focused on acquiring the capability to exercise sea control in surrounding waters and denial more broadly in the Arabian Sea and Bay of Bengal. To that end, India has embarked on two courses of action: the accumulation of bases, resources and potential areas of influence, and the acquisition of substantial naval assets.



India's Agni-V missile, with a range of 5,000 kilometers (3,100 miles), lifts off from the launch pad at Wheeler Island off India's east coast, 19 April 2012. India announced that it had successfully test launched a new nuclear-capable missile that would give it, for the first time, the capability of striking the major Chinese cities of Beijing and Shanghai. © AP Photo/Indian Ministry of Defense via AAP.

The Indian Navy first wrote a naval ‘doctrine’ document in 2004, publishing a public version in 2005. This ambitious document identifies the Navy—always the poor cousin of Indian strategy—as the torchbearer of India’s global strategic ambitions. It views the Indian Ocean as India’s backyard, calling for a bluewater capability and ‘sea control’ in designated areas of the Arabian Sea and Bay of Bengal. It cites India’s ‘policing’ role in the Indian Ocean and the need to protect far-flung populations of Indian origin. It posits a fully-fledged submarine-launched ballistic missile (SLBM) capability as the main plank of India’s strategic nuclear capability and suggests that India should have at least two carrier battle groups. Significantly, the document states that ‘India stands out alone as being devoid of a credible nuclear triad, especially when a *powerful adversary* [emphasis added] like China has massive capability in 14 submarine-launched ballistic missiles [*sic*].’²⁹

Although it’s more diplomatic in not specifically mentioning China in those terms, the 2007 version of the doctrine says essentially the same thing.³⁰ This document places considerable emphasis on the development of maritime surveillance and knowledge of the maritime domain. India’s space program is cited as an important element in this ambition. The strategy emphasises the development of India’s sealift and amphibious assault capabilities so it can exercise territorial power if need be. It also claims that ‘there is a critical need to wean the littoral states away from [the] increasingly pervasive influence of states hostile to India’s interests’, which can only mean China, and to ‘shape’ probable battlespaces (the Arabian Sea and Bay of Bengal).³¹ According to a study by Deloitte, by 2022 the navy will have more than 160 ships, including three aircraft carriers, 60 major combatants (including submarines) and 400 aircraft.³²

In pursuit of this program, the first of two leased Akula class nuclear hunter-killer

submarines has just been delivered from Russia. Meanwhile, India is busy developing its indigenous SLBM program and has already launched the shell of its first vessel, the *Arihant*, intended to carry a short-range (and eventually medium-range), vertically launched nuclear-capable missile. This program was assisted by an earlier lease of a Charlie II nuclear-powered attack submarine from the former Soviet Union. The lease both familiarised Indians with the operation of such craft and also provided some design features for the ‘single skin’ of the indigenous Arihant class. India intends eventually to have five Arihant class boats.

However, this otherwise handsome navy will still be weak in conventional submarines by the 2020s (Table 1). The pace of the indigenous program has been slow, and investment in capacity building and removing bottlenecks has been low.³³

India’s growing basing capability and its developing influence in the IOR also signal its wide naval ambition in that area. A progressive movement of India’s assets to the east seems to indicate its deepening concern about China’s access points into the Indian Ocean, especially through and around the Malacca Strait. In 2007, the annual ‘Malabar’ exercise with the US Navy (involving Australia, Singapore and Japan as well as India) took place off the eastern seaboard. This year’s ‘Milan 12’ exercise off the Andaman and Nicobar islands involves 14 Indian Ocean and Southeast Asian nations, including Australia, and has a focus on anti-piracy and non-conventional security. As well as developing its naval bases at Port Blair on South Andaman Island and Visakhapatnam on the east coast (where its nuclear submarine fleet will be located), India has opened a giant naval base, INS *Kadamba*, at Karwar on its west coast. Further afield, it has a listening post in northern Madagascar and berthing rights at Oman and conducts ship

Table 1: Present and expected force development: Indian Navy

Type	Actual	Planned / comment	Number by 2022
Surface			
Aircraft carriers	1 (INS <i>Viraat</i> —was scheduled for retirement in 2009): Total: 1	1 ex-Russian, <i>Admiral Gorshkov</i> , delivered 2013, not complete till 2017; 2 indigenously built, first scheduled 2015 but slipping	Possibly 3
Destroyers	3 Delhi class; 5 Rajput class: Total: 8	3 'stealth' destroyers, contract issued, to be built indigenously, with option for a further 4	11
Frigates	2 Shivalik class (stealth); 3 Talwar class; 3 Brahmaputra class; 3 Godaveri class; 2 Giri class: Total: 13	1 under construction; some say a total of 8 to be built. The Godaveri and Giri frigates are old and are likely to be phased out by 2022 3 from Russia (Krivak III guided missile with Brahmos): 2 for delivery in 2012 and 1 in 2013	Possibly 20, likely about 14
Corvettes	4 Kukri class; 4 Kore class: Total 8		8
Offshore patrol	6 Sukanya class	4 Saryu class constructed, being commissioned	10
Anti-submarine patrol	4	4 antisubmarine warfare corvettes under domestic construction for delivery in 2012–13	4
Minesweeper	9		
Landing platform/dock	Former <i>USS Trenton</i> acquired 2006: Total 1	Tenders issued internationally for 4	1–5
Landing ship, tank (LST)	5		?
LST(m)	4		?
Landing craft, utility	39	8 under domestic contract (not yet commenced)	?
Missile boats	12		?
Training	3		3
Survey/research	9		?
Supply and replenishment	3		3
Submarines (conventional)	4 Type 209; 10 Kilo: Total 14	6 Scorpène under construction for 2015–20 phase in; 6 'stealth' conventional submarines to be acquired, no dates. The final 3 Scorpènes might not be built due to lack of yard space.	10 (but possibly only 7)
Submarines (nuclear)			
Hunter-killer	1 Akula II (10-year lease with option to buy) Total: 1	1 Akula II, awaiting delivery	2
SLBM		1 launched, awaiting commissioning; 4 more planned, based on Russian Charlie III	2 or 3
Aircraft			
Carrier-borne	17 Sea Harrier	46 MiG-29K, purchased, delivery commences 2012	46
Maritime patrol	5 TU 142 (Bear), refurbished but not all operational; 15 Dornier 288–101; 12 UAV	12 P-8i (Neptune), ordered for delivery 2013—possibly 24 to be acquired in total	24

Sources: Various, as compiled by author and Aviotech, Indian naval acquisitions I: defense ship-building in India, 2011, available from www.aviotech.com/Aviotech_Thought_Leadership_Series_Naval_Shipbuilding_December_2011-2.pdf.

visits and training with Seychelles, Mauritius and a number of Gulf countries. It's active in anti-piracy operations on both sides of the Indian Ocean and has scored some notable successes.

For all its concrete activities in support of non-conventional security objectives in the IOR, India has chosen not to join international attempts to build security and confidence in the region. It's declined to join the Proliferation Security Initiative or Combined Task Force 151 (CTF-151—the anti-piracy initiative), and it's continually blocked the emergence of a viable IOR regional association because of its desire to keep Pakistan and China out of such forums. It effectively scuttled the 1995 attempt by Australia's then foreign minister, Gareth Evans, to set up a comprehensive security mechanism in the IOR, largely because it saw Evans's 'Perth initiative' (known as the International Forum on the Indian Ocean Region) as cutting across the so-called 'Mauritius process', initiated by New Delhi a few months earlier. The Mauritius process was a narrowly based first-track, trade-focused mechanism designed to keep Pakistan and like-minded countries out, along with major users of the Indian Ocean such as China and the US. At the time, the Perth process was criticised by India because it dealt with security issues—albeit non-conventional ones.³⁴

The successor organisation to the Mauritius process, the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC), has effectively been kept on a drip-feed; although China and some other outside users are dialogue partners, it's designed to keep out external users, Pakistan and like-minded states.

India has also been instrumental in establishing the Indian Ocean Naval Symposium, a two-yearly meeting of Indian Ocean naval chiefs that includes Pakistan but not outside users such as China. The

symposium focuses on transnational issues rather than conventional security. India also established the Milan process, which consists of biannual exercising by India and Southeast Asian nations, usually in the northeast Indian Ocean. Finally, it sponsored BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), a subregional grouping focusing on the northeast quadrant of the Indian Ocean. BIMSTEC consists of India, Bangladesh, Sri Lanka, Thailand, Myanmar, Nepal and Bhutan. Again, the focus is economic. Indonesia is a notable omission, given its key location on the Strait of Malacca.

India's response to the need of confidence-building measures and multilateral institutions in the IOR leads to Raja Mohan's conclusion that 'Delhi seems far more comfortable in multilateral military institutions set up under its leadership rather than those where the agenda and direction are set by the others.'³⁵

It's easy to understand New Delhi's reluctance to support security-focused institution building in the IOR that it can't control. The strategic architecture in the IOR is very different from that in the Asia-Pacific. In the IOR, India is the dominant littoral power and also the power of the future. The next largest navy is that of Australia, which is only ever going to be a middle power. In the Asia-Pacific, however, four great powers—the US, China, Japan and Russia—vie for regional position. As the big IOR littoral power, India doesn't want to institute any regime that might result in the weakening of its bilateral options at some point in the future or undermine its perceived strategic interests, such as containing the China-Pakistan relationship. At the same time, it wishes to do enough to be seen as a team player so that it doesn't alienate the other IOR powers, especially the small island states. This approach to multilateral organisations is similar to the one followed by the other great powers, such as the US and China.

Even though India is unlikely to achieve its ambitions in relation to its navy and the IOR in the near term, in time it will emerge as a significant Indian Ocean power. As such, it's bound to affect the strategic environment more broadly, even though it won't be a major strategic factor in the Asia–Pacific in the direct sense. The implications of this for East Asia's equally acute reliance on the Indian Ocean as 'the great connector' are discussed below.

Strategic independence

Indian strategy has always been driven by two closely related desires: the desire for strategic independence and the related strategy of 'playing both ends against the middle'.³⁶ Those strategies were evident during the Cold War, despite Indira Gandhi's 'tilt' to Moscow, and haven't gone away today, when the 'tilt' is towards Washington. According to Raja Mohan, India has an 'omnidirectional' approach to relationships with the great powers³⁷—a view essentially shared by White³⁸, Brewster³⁹ and Merrington.⁴⁰ A highly influential paper was recently released by the Centre for Policy Research in New Delhi arguing for a new non-aligned approach consisting of a policy of 'strategic independence' as part of 'India's grand strategy'.⁴¹ This strategy of strategic independence is said to favour India willingly entering into a concert of powers, in that it would seek to stand approximately equidistant between the great powers of Asia.⁴²

The policy of strategic independence is probably real enough to policymakers in the Ministry of External Affairs. However, a question mark hangs over the viability of the policy and consequently the extent to which it's likely to be followed in practice as well as rhetoric. The following section explores the likely realities of the policy, in the light of both the fundamentals driving India's security situation (as outlined in this

section) and the evidence of its emerging role in the Asia–Pacific.

India as an Asia–Pacific power

Because of India's 'continental' focus and all the difficulties it confronts in its neighbourhood, it will be some time before it fully enters East and Southeast Asian power equations as a 'power in being', as distinct from 'a power in waiting'. As Raja Mohan puts it, 'Delhi is a long way from becoming a challenger to Beijing in Southeast Asia and the Pacific'.⁴³ However, that delay will apply more to India's role as a conventional power than to its 'soft power' status, which is likely to be driven forward by its vibrant democracy, growing trade links and skills in technology, IT, media and some areas of education.

To the extent that India is able to develop its naval interests, its ambition to be the major Indian Ocean power will remain paramount. Given the continuing continental focus and likely demands in and around South Asia, there'll be a lag between ambition and reality. Certainly, the Indian Navy will conduct ship visits and exercises further afield than the IOR (as it does now), but that's very different from being able to project power far away from peninsular India and the Andaman possessions. Just as the tyranny of distance advantages India over outside powers in the IOR, so it will advantage China in the Western Pacific.

To better understand how such factors even now shape Indian security, we need to take a closer look at the nature of its engagement in East and Southeast Asia since the so-called 'Look East' policy was inaugurated in the early 1990s.

India does not 'Look East'

India's Look East policy was essentially a declaratory one that emerged out of the ashes of the twin failures of its policies of

economic autarchy and its 'tilt' to the former Soviet Union, both of which were evident in 1991. Two decades later, it's debatable whether India still has a comprehensive Look East policy.

Despite India's constant declarations about the Look East policy, the disposition of its resources on the ground doesn't suggest that such a policy is being actively pursued. Indeed, 72.5% of India's export trade is still to countries outside East and Southeast Asia, and 67.53% of its imports come from countries outside those regions.⁴⁴ Even the hard-won free trade agreement with ASEAN hasn't fulfilled its promise, as ASEAN now receives only 12.5% of India's exports and supplies only 8.9% of its imports.⁴⁵ The arrangement of the Ministry of External Affairs staff in the New Delhi headquarters doesn't reflect a Look East bias either: only 12 of 89 officers (13.5%) service those regions.⁴⁶ In naval exercises in 2010, India exercised either bilaterally or multilaterally with eight nations, including PASSEXs ('passing exercises', to ensure interoperability between navies). Of those, only two were from the Asia-Pacific (Singapore and Indonesia).⁴⁷

It's not that no important developments are occurring in India's relations to its East, but those developments tend to be driven by specific relationships and proximities rather than any deliberate allocation of resources to support a Look East strategy. For example, to a significant extent India's relationship with Burma is driven by perceived competition with China and the exigencies of sharing a border across which rebels seek refuge. Similarly, it could be argued that India's engagement with Vietnam has more to do with China and with India's longstanding friendship with Vietnam than with any Look East strategy. The same claim may be made about India's strategic decision to strengthen its eastern waters around the Andaman Sea and Bay of Bengal and to move military

resources to the country's northeast. India's unfolding military-to-military relationships with Malaysia, Indonesia and Singapore (such as they are) can also be attributed to the desire of the ASEAN nations to hedge their strategic bets concerning the rise of China. And the strategic interest in India shown by Japan is largely attributable to Tokyo's acute awareness of India's emerging role as the occupier of a box seat in the Indian Ocean, across which Japan draws the bulk of its energy and other imports.

This paper doesn't argue that India hasn't upgraded its relationships with East Asian countries (as Brewster illustrates, India participates in a wide range of unfolding activities with East and Southeast Asian countries⁴⁸). Rather, it argues that any Indian attention to East Asia tends to be subjugated to other strategic, regional and global determinants, as outlined above.

In Indian-Chinese tit-for-tat 'backyard' machinations (keeping in mind China's activities in Pakistan and elsewhere in South Asia and India's in Vietnam), India is the far more vulnerable. Not only is it vehemently opposed by China's nuclearised friend, Pakistan, and not only does China enjoy a strategic advantage on the northern border (there's far better infrastructure and less exacting terrain in Tibet), but India is especially vulnerable in its northeast, where separatist movements have been active since soon after independence. During the 1960s and 1970s, they were assisted by Maoist China. China also attempted to cut India asunder by aiding the Naxalbari (Maoist) revolt in 1967 in a region that lies strategically over the vulnerable so-called 'chicken's neck' separating the northeast from the rest of India (Figure 2). Even today, India would remain highly vulnerable to any Chinese interference in the northeast in support of separatists and Maoists, the latter having recently moved back into that region.

Figure 2: Northern Indian Ocean region



Sino-Indian relations in the context of Indo-US relations

All the factors limiting India's potential as a strategic player in more distant regions mean that any claim that India might one day relatively soon approximate China as a strategic player in the Asia-Pacific region is simply absurd. Of course, that doesn't mean India isn't very important in the region in other ways, but any would-be strategic player must have the capability to stake its claim in strategic terms.

Where India does become strategically important to the Asia-Pacific is in its role as an Indian Ocean power. Although its naval capacity will remain below its aspirations, it occupies a box seat in the Indian Ocean—a key reason why New Delhi has been courted so assiduously by Tokyo. It's also, in part, why the US decided to reopen strategic relations with India after the 1991 Gulf War, which brought home to Washington the strategic importance of the 'west about' route into the Gulf. Significantly, it was CINCPAC, with its command responsibilities over the

Pacific and on into the Indian Ocean as far as Pakistan, that was tasked with opening out the relationship with India. The likely trajectory of the Sino-Indian relationship can't be determined in isolation from Indo-US relations.

Beijing's concern is not so much that India would threaten trans-oceanic energy supplies simply for the sake of it, but rather that it could threaten to cut them off or actually do so in the context of heightened tension, or even war, between China and the US or China and India. That possibility gives India far greater strategic clout vis-a-vis China than its objective strength suggests. It's one of the reasons why China is so interested in building its own influence and position in the Indian Ocean. It's also a driver in an important and highly negative (for the region) security dilemma that is developing in the IOR. Beijing's concern about a potential strategic relationship between India and the US is also greatly increased by the possibility that the two could team up as a formidable, strategically placed competitor in the region.

Thus, China's rise to power is taking place in the context of an ambivalent relationship with India—one characterised by some similar global interests but also overshadowed by some mutual concerns on both sides. China is continuing to draw away from India strategically as its economy develops more rapidly and its defence research and technology base becomes more effective. The comparative rise of China in turn prompts questions about the longevity and pace of China's current process of power accrual in relation to India.

China, with an economy nearly thrice that of India at market rates, is growing faster and will therefore continue to widen the gap. This disparity has persisted over the last two global economic crises. A recent RAND Corporation study⁴⁹ seeks to quantify the two countries' GDPs at market rates according to various

growth scenarios, as shown in Figure 3. The RAND paper is a coherent attempt to analyse the comparative strengths of India and China by 2025. Significantly, it was commissioned by the US Department of Defense.

Given any 'straight line' trajectory for the growth of India and China, and given current force structures and dispositions, India is vulnerable to a rising China over the longer term, especially if Beijing becomes more assertive towards perceived competitors, such as India.

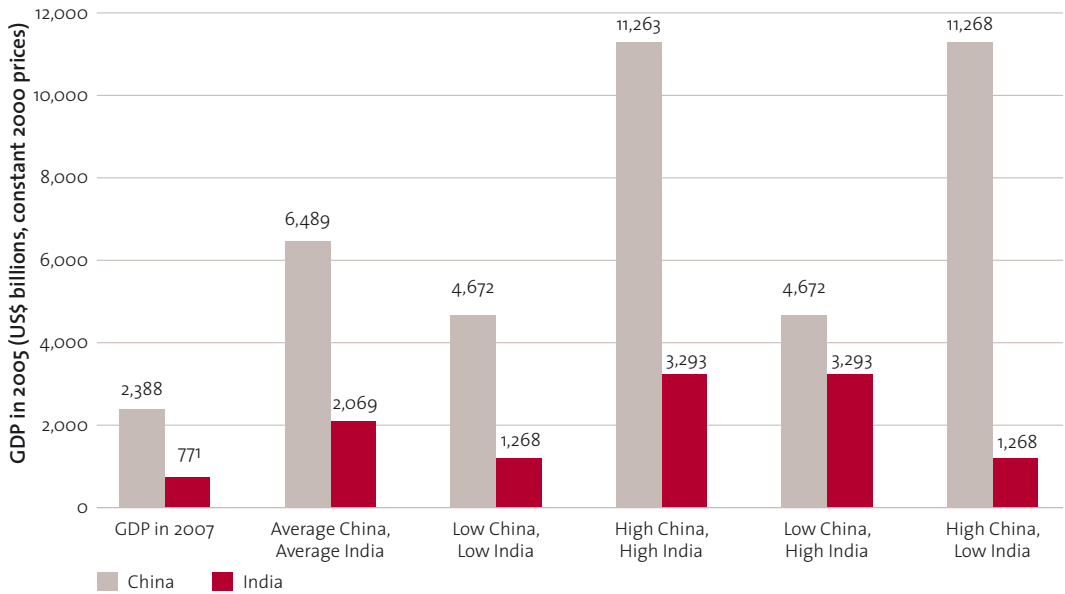
What's remarkable about this projection is that even in a low growth scenario for China and a high one for India, China would still have a substantially bigger economy in 2025.

Of course, there are many variables and unknowns associated with such assessments, not least the supposed demographic advantage for India, which will in future endow it with a proportionally larger working-age population. However, according to RAND, India's dependency ratio won't fall below China's till 2027—well down the track in strategic terms. The key here is the term 'dependency'—one must ask whether India's legions of undernourished, undereducated poor actually constitute a 'demographic advantage'. Added to that, China will undoubtedly be able to use its enormous capital reserves to substitute for labour, just as Japan, Korea and Taiwan did as their economies developed.⁵⁰

The RAND authors also believe that China's economic advantage, in combination with a range of other factors, will translate into a defence expenditure of between four and seven times that of India by 2025—a very significant advantage.⁵¹

These projections sound a salutary warning on two levels. First, those who assume that India is *necessarily* in a process of catching up with China need to explain why risk in India is inherently less than it is in China. This

Figure 3: Five scenarios: GDPs of China and India in 2025, market exchange rates



Note: Conversion to market exchange rates based on the World Bank's World Development Indicators (World Bank, no date).

Source: RAND Corporation, China and India, 2025: a comparative assessment, Santa Monica, 2011, available from <http://www.rand.org/pubs/monographs/MG1009.html>. Figure 3.5, p. 53. Reprinted with permission.

paper has outlined some of the risks that India will confront as its economy develops, such as environmental problems and the enormous need to develop infrastructure to seize the advantage of labour-intensive manufacturing afforded by its demography. While the same environmental problems certainly apply to China, there's no evidence to suggest that they'd be worse there than in India. And even though China still has to cross a democratisation Rubicon, that's a difficult unknown to factor in. Indeed, some are now even touting China's high percentage of state-owned enterprises as an advantage, at least in some respects.⁵²

Meanwhile, we should remain conscious of all the impediments associated with India's particular brand of democracy, as detailed by Guha and many others.⁵³

The key question is: what are the implications of any rapid accretion of power by China in relation to India?

... it wouldn't be surprising if China's comparative rise were to make India edgy and inclined to 'call in' its hedge in terms of relations with the US.

Given current difficulties in the Sino-Indian relationship, it wouldn't be surprising if China's comparative rise were to make India edgy and inclined to 'call in' its hedge in terms of relations with the US. Its alternative might be to eventually cede position to China on what it considers its core interests, such as the border, South Asia and the IOR. Moreover, the comparative accrual of power by China would further affect India's regional relationships, making it less likely that the small powers of the IOR and South and Southeast Asia would seek to use India to balance a rising China. Vietnam's position as China's neighbour would be especially tenuous. Such powers would tend to either look to the US or accept China as the regional hegemon.

India, too, may well seek to strengthen its strategic relationship with the US in such circumstances, seeking to leverage the US's technological base through its own relatively cheap productive capability. Coincidentally, such a strategy would harmonise with Washington's current desires, since one of the great problems the US faces is China's growing comparative advantage as a source of cheap weapons, technology and research. One example of Washington's desire to leverage its relationship with India was the offer to jointly produce the front-line Joint Strike Fighter—an offer India knocked back in favour of the French Rafale.

Any such accrual of power in Beijing's favour could cause policymakers in New Delhi to question India's policy of 'strategic independence'. Indeed, the 'policy' should be seen more as a desired goal than a permanent verity. Even in policy circles in New Delhi, there's considerable variance on how India's emerging global role is perceived. Although it's fairly clear that the weight of opinion in the Ministry of External Affairs still emphasises strategic independence, others in important policy circles have a different view when it comes to China.

For example, some conclude that the only way for India to deal with China's rise is to stand up to it. Those people tend to cluster around conservative think tanks and more strident, nationalistic media, but they also include some staff of the Ministry of Defence and the Secretariat of the National Security Council.⁵⁴

The view that China needs to be 'stood up to' gained considerable traction during 2009, when a series of stand-offs between China and India resulted in firm decisions in New Delhi—for example, not to be cowed by China's demand that the Dalai Lama be kept away from disputed Tawang (birthplace of the revered sixth Dalai) and to strongly reinforce India's military position in the northeast.

Since then, New Delhi's been far more robust in its determination to 'show the flag' in the Asia-Pacific region—for example, in relation to Vietnam. And although there's generally a 'pragmatic' approach within the Army to Chinese incursions on the contested border, the Ministry of Defence and National Security Council decided to put up significant quantities of 'hard cash' to buy insurance against China.

Such negative views of China in Indian policy circles don't currently or necessarily mean a concomitant desire to draw closer to the US, and that situation may persist for some time. But if China continues to draw away from India in power parities and continues to be assertive on issues like the border, it would become far more difficult to implement a policy of genuine (as opposed to rhetorical) strategic independence. Given the existence of the strategic independence paradigm, however, such circumstances might not be captured in the rhetoric emanating from New Delhi, even were India to increase its current tilt to the US.

The Indo-US strategic relationship is already more developed than *any other* Indian strategic relationship. It consists of a comprehensive framework for military exercising (particularly navy-to-navy exercises but not confined to that) and growing arms and technology transfers. Although India didn't choose the now outdated F-16 and FA-18 technologies on offer from the US for its latest multi-role fighter, that shouldn't overshadow the fact that substantial purchases have already been made or are in train, such as the landing platform/dock *USS Trenton*, C-130 and C-17 transport aircraft, artillery tracking radars and the P-8 maritime patrol aircraft, totalling US\$6 billion since 2000.⁵⁵ India has also acquired valuable technologies from Israel, such as the Phalcon airborne warning and control and anti-ballistic missile systems, which were made available with US permission (denied to China, in the case of the Phalcon).



The Nimitz-class aircraft carrier USS *Carl Vinson* (CVN 70) and the Indian navy fleet oiler INS *Shakti* (A57) conduct a refuelling at sea exercise as part of the Exercise Malabar, 13 April 2012. Photo courtesy of US Navy.

None of this suggests that a stronger US–Indian relationship, and a concomitant strengthening of the adversarial quality of Sino-Indian relations, is inevitable. Much will depend on how Sino-US relations unfold and on how China chooses to rise as an Asian power. This is still a fluid situation—one amenable to policy settings, to the way regional security architecture is shaped and to how the national leaderships choose to engage with each other into the future.

Conclusion and policy implications for Australia

In a purely Asia-Pacific context, India is an important emerging power but not yet an important strategic player. Other priorities and restraints currently dictating policy in New Delhi will prevent India from fulfilling a major strategic role at least for several decades. Therefore, when we refer to India's role as an Asia-Pacific 'power', we need to

be mindful of just what that means in policy terms. Although India can play significant roles in diplomacy, trade and other elements of soft power, and while it may be counted as an element in any putative concert of powers focused on the Asia-Pacific, it shouldn't be factored into major power-balancing calculations in that part of the world. But that fact shouldn't mask its growing salience as gatekeeper (and 'gamekeeper') in the IOR. It's in that role that India emerges as truly important in the Asia-Pacific context.

Although the triangular relationship between India, China and the US currently involves a 'tilt' towards US interests on the part of India, the ambivalent and undeveloped relationship between Beijing and New Delhi means it's still unclear how India will ultimately stand vis-a-vis the other two powers. Much will depend on how Chinese power develops in relation to the other big powers and how Beijing chooses to use its power once it

has it. If, as seems likely, China continues to accrue power and India doesn't catch up, that would make it more likely for India to call in its 'hedge' in relation to the US as a counterweight to China's growing role. But none of this is inevitable.

Seen from Canberra, this has two important implications for the development of Australian policy towards India.

The prospects for power balancing in the Asia–Pacific region

First, at least for now, attempts to draw India in to any Asia–Pacific-focused offshore balancing mechanism are premature and could even be damaging (recall the abortive attempt to construct a 'Quadrilateral' in 2007 consisting of India, Australia, Japan and the US). Not only would such attempts antagonise a China whose rise might turn out to be essentially peaceful, but India wouldn't be a very good proposition in the near to medium term as a potential balance against China in Asia (as distinct from its IOR role). In other words, at least for now, the costs would outweigh the benefits.

... although Indian membership of a putative Asia–Pacific concert of powers should be welcomed, policymakers should remain watchful about the longer term stability of any such concert...

Moreover, although Indian membership of a putative Asia–Pacific concert of powers should be welcomed, policymakers should remain watchful about the longer term stability of any such concert, at least as it involves India. India is currently *losing* power vis-a-vis China, not gaining it (at least in the purely strategic sense). Should that continue,

and should China continue to be assertive about those aspects of policy that New Delhi considers vital to its interests (the border, South Asia and the IOR), we may well see the current hedge in policy towards the US being called in, resulting in a closer, more 'strategic' Indo-US relationship emerging. Such a relationship wouldn't be as conducive to a concert of powers as the current one, which is, at least officially, one of equidistance between India and the other great powers.

Policymakers will thus need to watch closely the comparative rates of growth of economic and military power of China and India, the nature and effectiveness of apparent US attempts to enhance India's power vis-a-vis China, and indicators of how China would intend to use its new power. The nature of the game is to wait and watch and only to act once indicators suggest that an inevitable process of containment is underway—one that Canberra couldn't affect through any policies it might adopt. Meanwhile, policymakers will need to pay careful attention to the nature of the joint activities that may evolve between like-minded powers disposed to balance China's rise. Those activities that support a collective approach to security might be supported, while those that suggest overt power balancing against China should be approached with caution.

The prospects for cooperation in the Indian Ocean region

Second, because India's influence and role in the IOR are likely to grow, and because the IOR is vital to the Asia–Pacific, that's where the major consideration of policy towards India should lie. But in approaching Indian Ocean issues, Australian policymakers need also to be aware that India would only with some difficulty be brought to support any architecture that it doesn't initiate and control and that doesn't represent what it sees as its interests. This isn't surprising, but



Indian Defence Minister A K Antony (R), shakes hand with his Australian counterpart Stephen Smith in New Delhi before meeting to discuss defence and security concerning both countries, 7 December 2011. © EPA via AAP.

it presents other littoral powers and external users with a dilemma: how can they initiate a more inclusive regime in the IOR—one in which all powers dependent upon trade flows over the Indian Ocean can be confident that the IOR will continue to meet their strategic and economic needs—while at the same time being sensitive to India's perceived need to control the process? If they continue to strongly support the current Indian-initiated processes in circumstances in which the China–Pakistan combine continues to be shut out, would this mean that those very processes could take on the hue of an anti-China combine in the IOR?

Not necessarily. The key is to work assiduously with India, and if possible with a re-engaged US, to ensure that those same institutions are geared towards solving problems of

'the commons', such as non-conventional security threats (piracy, people smuggling and trafficking, arms trafficking, drug smuggling), and overcoming scientific and oceanographic challenges of mutual concern. Moreover, although the China–Pakistan combine is currently shut out of the premier pan-IOR institution, the IOR–ARC, China at least has dialogue partner status. Drawing from examples available among the Pacific communities, especially those fostered by ASEAN, we can see that dialogue partner status can provide a useful route to more active participation. Thus the IOR–ARC, for all its faults, contains a seed that can be nurtured by Canberra, in so far as it has a voice.

This will take a long-term approach that's sensitive to India's concerns: to its perceived need to be the leading Indian Ocean littoral

power, to its deep-seated anxiety about the Pakistan–China combination as it might shape the future of the IOR, and to its desire to be in the driving seat of any emerging cooperative security and trading systems. This implies a need to work within India’s current arrangements, such as the IOR–ARC, BIMSTEC, the Milan process and the Indian Ocean Naval Symposium, however inadequate those may currently appear to be. For example, there’s no reason why Australia, as a northeast Indian Ocean power, shouldn’t be more actively involved in the Milan process, so that it might eventually evolve into a more effective and less periodic arrangement for maintaining non-conventional security in the northeast Indian Ocean.

... might also consider involving Washington in an effort to persuade New Delhi of the need for a more inclusive regime.

In seeking to convince India quietly, Canberra might also consider involving Washington in an effort to persuade New Delhi of the need for a more inclusive regime. But, again, Washington would need to become involved in a way that respects India’s very real and also its perceived strategic difficulties with more inclusive regional forums. Furthermore, it’s by no means clear that such an approach would trump Washington’s current strategy of building India up in relation to China over the long term in order to unsettle and delay China’s rise to power, and of using India’s box seat position in the IOR as a means of pressuring China’s soft underbelly—its insatiable need for Gulf oil—during times of stress or conflict.

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Acronyms and abbreviations

ASEAN	Association of Southeast Asian Nations
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
GDP	gross domestic product
IOR	Indian Ocean region
IOR-ARC	Indian Ocean Rim Association for Regional Cooperation
SLBM	submarine-launched ballistic missile
SLOCs	sea lines of communication
WTO	World Trade Organization

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