

# MP-IDSA

## *Issue Brief*

# Australia's Strategic Imperatives in Indo-Pacific: Opportunities for India

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## **S***ummary*

Strategic environment in the Indo-Pacific Region has undergone a rapid shift. Australia is looking for a more robust security strategy and potent military capabilities in its priority focus area of Indo-Pacific. While Australia's relations with China have deteriorated in the recent past, Canberra has engaged with allies and partners more intensely and broadly, including deeper cooperation with the Quad countries and trilateral security pact with AUKUS (Australia–United Kingdom–United States). In 2020, India and Australia elevated their bilateral relationship to comprehensive strategic partnership and further deepened their ties by cooperating on various issues in the two Quad Summits and 2+2 Ministerial Dialogue held last year. Besides economic cooperation, wherein a comprehensive trade agreement is planned for in the next 12–18 months, there are a range of areas where India and Australia can further cooperate, particularly in maritime security, defence and technology domain.

Australia has emerged as a significant strategic player in the Indo-Pacific region in recent years. While major strategic shifts are happening in the region, a visible transformation in Australia's defence and security engagements is being observed all over the world. India and Australia elevated their bilateral relationship to a comprehensive strategic partnership in June 2020, and further strengthened it at the 2+2 Ministerial Dialogue in September 2021. The Quad Summits held in April 2021 and September 2021 also witnessed both the countries making commitments on a range of issues. Recently, Foreign Ministers of the Quad countries met in Melbourne on 12 February 2022.<sup>1</sup> On the side-lines of the Quad Meet, the Foreign Ministers of India and Australia discussed the bilateral issues to deepen their comprehensive strategic partnership. Moreover, Trade Ministers of the two countries met, on 11 February 2022 in New Delhi, to set a deadline of 30 days for an interim trade deal and a comprehensive agreement in the next 12–18 months.<sup>2</sup>

One of the noteworthy developments happening in the Indo-Pacific region is the intensifying strategic and economic competition between the US and China, which is clearly reflected in their recent statements, strategies and policies. China has aggressively demonstrated its ambition to become the predominant power in the region and beyond. While the US influence in the region is declining and its commitment to multilateral forums is diminishing, regional countries are attempting to fill the gap by forming regional institutions and economic partnerships in order to harness strategic benefits and bolster regional peace and prosperity. China's aggressive behaviour in the region, particularly its grey zone activities, has been a cause of great concern to Canberra.

India and Australia are emerging powers in the region and they are following their own strategic priorities, as also cooperating in many of them. While geographically ASEAN is central to Indo-Pacific, its member states are divided over Indo-Pacific construct and also, their strategies towards US and China are evolving, wherein they are not taking sides and reaping the benefits of good relationship with both. In the current strategic environment, critical technology, supply chain resilience, energy security/transition and pandemic response have emerged as key non-traditional security issues. Quad has emerged as a strong grouping of like-minded countries, where partners are rallying around free, open, inclusive, and resilient Indo-Pacific region.

## Australia's Strategic Imperatives

Australia's strategic focus and its engagements in the Indo-Pacific region have undergone a rapid change in recent years. Its relationship with China, which remains

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<sup>1</sup> ["Joint Statement by the Foreign Ministers of Australia, India and Japan and the Secretary of State of the United States following the 4th Quad Foreign Ministers' Meeting"](#), Ministry of External Affairs, Government of India, 11 February 2022.

<sup>2</sup> ["India and Australia Plan to Finalize the Interim Trade Agreement in Next 30 Days: Shri Piyush Goyal"](#), Press Information Bureau, Ministry of Commerce & Industry, Government of India, 11 February 2022.

its largest trading partner,<sup>3</sup> is undergoing a transformation. Australia and China have shown concerns over each other's actions at many instances in multilateral forums. For instance, Canberra called for independent investigation in origins of COVID-19, which was condemned by Beijing and it then targeted Australian imports particularly beef, barley, coal and wine. Canberra has realised that its interests in the Indo-Pacific region are vulnerable to economic coercion, disruptions and grey zone attacks by adversaries. As bulk of Australian trade is done through sea lanes of Southeast Asia and Indian Ocean, it is therefore in her interest to secure the rules-based order and stability of the region.

Australia is looking at a more robust response strategy and potent capabilities in its priority focus area of Indo-Pacific. Australia's 2020 Defence Strategic Update provided the guidance towards this change "to ensure Australia is able to deploy military power to shape its environment, deter actions against its interests and, when required, respond with military force" focusing on Indo-Pacific.<sup>4</sup> And therefore, Australia is "taking a more active role in the region and the world, expanding its presence, strengthening its contribution and amplifying its voice".<sup>5</sup>

Towards these strategic objectives, Australia has engaged with its allies and partners more deeply and broadly in the recent past. In 2017, four like-minded democracies in the region—India, Japan, Australia and US—came together to form the Quadrilateral Security Dialogue (Quad 2.0) to ensure a free, open, inclusive and resilient Indo-Pacific region. Australia, which had some concerns regarding the grouping in 2008, when it was initially proposed by Japanese PM Shinzo Abe, is now fully supporting the initiative. In fact, the Quad framework has held regular meetings of officials and Foreign Ministers and was further elevated to Leaders' level in 2021. Quad leaders met twice last year, most recently in an 'in person' Summit in September 2021 at Washington DC.<sup>6</sup> Recently, Quad countries have worked more closely, particularly on pandemic issues, supply chain initiatives and maritime security.<sup>7</sup>

Australia has been an alliance partner of US for last 70 years since signing of the ANZUS Treaty (Australia, New Zealand and United States Security Treaty) in 1951. The recent announcement of an enhanced trilateral security partnership called "AUKUS", has further strengthened the alliance. In September 2021, Australia signed the pact with US and UK to enable deeper cooperation in developing leading-edge military capabilities and technologies. As the first initiative under AUKUS, Australia will acquire nuclear-powered submarines.<sup>8</sup> Australian Defence Minister

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<sup>3</sup> ["Australia"](#), Observatory of Economic Complexity (OEC) data on economic activities.

<sup>4</sup> ["2020 Defence Strategic Update"](#), Department of Defence, Australian Government.

<sup>5</sup> ["AUKUS Does Not Turn Our Back on Asia; It is About Building Our Relationships"](#), Minister for Foreign Affairs, Minister for Women, Senator the Hon Marise Payne, 27 September 2021.

<sup>6</sup> [No. 3.](#)

<sup>7</sup> [No. 1.](#)

<sup>8</sup> ["Joint Leaders Statement on AUKUS"](#), The White House, 15 September 2021.

Peter Dutton said: “(AUKUS) will help ensure that Australia remains a responsible and highly capable security partner in the Indo-Pacific region for decades to come”.<sup>9</sup>

Australia has also inked new strategic partnerships with India, Japan and Indonesia, as also trilateral arrangements with India–Japan, India–Indonesia and US–Japan. In January 2022, Australia signed the Reciprocal Access Agreement with Japan, thereby establishing a defence cooperation framework that will allow the basing of troops in each other’s territories along with the conduct of joint exercises and HADR missions. It is worth noting that Australia is part of all major free trade agreements (FTA) in the region including Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Asia-Pacific Economic Cooperation (APEC) and Regional Comprehensive Economic Partnership (RCEP). Canberra claims that 75 per cent of Australia’s two-way trade is covered by free trade agreements, representing preferential access to 2.9 billion customers up from 27 per cent three years ago. Moreover, a trade deal with India is likely in the next 12–18 months, which will further increase the FTA cover to nearly 90 per cent of its trade.<sup>10</sup>

## Shared Indo-Pacific Vision

India and Australia have a shared vision for Indo-Pacific that calls for a free, open, inclusive and resilient rules-based order in the region. India’s approach to the region was articulated by Prime Minister Modi at Shangri-La Dialogue in June 2018 at Singapore through the vision of SAGAR (Security and Growth for All in the Region).<sup>11</sup> To implement the vision of SAGAR, the Indo-Pacific Oceans Initiative (IPOI) was launched by PM Modi at the East Asia Summit in November 2019, with seven pillars—maritime security; maritime ecology; maritime resources; capacity building and resource sharing; disaster risk reduction and management; science, technology and academic cooperation; and trade connectivity and maritime transport.<sup>12</sup> As part of the comprehensive strategic partnership, the two nations signed a joint declaration on shared vision for maritime cooperation, under which Australia–India Indo-Pacific Oceans Initiative Partnership (AIPOIP) is being implemented.<sup>13</sup> AIPOIP has synergies with ASEAN’s Outlook on Indo-Pacific, Australia–ASEAN Plan and India–ASEAN Plan of Action.

South Pacific is Australia’s primary area of influence, wherein its deep engagement with South Pacific nations is through its “Pacific Step Up” initiative. India has also

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<sup>9</sup> [“Defence Minister’s Address to the Lowy Institute: Indo-Pacific Operating System, Digital Conference”](#), Department of Defence, Australian Government, 2 December 2021.

<sup>10</sup> Shreya Nandi, [“India, Australia to Finalise Early Harvest Agreement in Next 30 Days: Goyal”](#), *Business Standard*, 10 February 2022.

<sup>11</sup> [“Prime Minister’s Keynote Address at Shangri La Dialogue \(June 01, 2018\)”](#), Ministry of External Affairs, Government of India, 1 June 2018.

<sup>12</sup> [“Prime Minister’s Speech at the East Asia Summit, 04 November 2019”](#), Ministry of External Affairs, Government of India, 4 November 2019.

<sup>13</sup> [“Australia-India Indo-Pacific Oceans Initiative Partnership: Grant Round 2”](#), Australian High Commission, New Delhi.

reinforced its outreach with Pacific Island countries. Cooperation and dialogue with these countries is through Forum for India–Pacific Island Cooperation (FIPIC) and is an extension of New Delhi's Act East Policy. India-Pacific Islands Developing States (PSIDS) Leaders' Meeting was held on 24 September 2019 in New York on the sidelines of the 74th United Nations General Assembly,<sup>14</sup> where India committed US\$12 million grant (US\$ 1 million to each state) towards implementation of high impact developmental project, as also concessional Lines of Credit of US\$ 150 million.

## India–Australia: Strategic Convergence

Recent years have witnessed a transformation of the India–Australia strategic relationship, with both nations recognising that there is significant potential for cooperation in a range of areas. New Delhi and Canberra have found strategic convergences in many multilateral and bilateral forums and mechanisms. Both are members of the Quad, along with Japan and the US and they share similar values and attributes—democracies, market economies and pluralistic societies. Quad has played a valuable role in the last one year particularly in distribution of vaccines, maritime security, climate change, and humanitarian assistance and disaster relief. Both the countries have been cooperating closely in ASEAN forums at East Asia Summit, ASEAN Regional Forum and ASEAN Defence Ministers Meeting as well as in trilateral dialogues with Japan, Indonesia and US.

Since 2020, when the two countries elevated their partnership to Comprehensive Strategic Partnership, an array of institutional mechanisms have been put in place to promote bilateral cooperation, particularly important are the Annual Meetings of Prime Ministers and the India–Australia '2+2' Ministerial Dialogue where ministers took stock of various dialogue mechanisms.<sup>15</sup> On counter-terrorism, the two countries have cooperated in multilateral and bilateral forums, with similar views on situation in Afghanistan and cross-border terrorism issues.

India and Australia have substantially broadened their defence cooperation by participating in Joint Naval Exercises, defence exchanges, security arrangements and Navy-to-Navy talks. They signed the Military Logistics Support Agreement (MLSA) and established Joint Working Groups and various Dialogue Mechanisms in many areas including Cyber Security, Counter Terrorism and Space Cooperation. Defence partnership between the two countries has moved ahead in strategic dialogues, joint military exercises, military-to-military workshops/exchanges and training at military colleges/institutes.

Maritime Security Cooperation has expanded significantly between India and Australia in recent years, particularly in the Indian Ocean and Southeast Asian sea

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<sup>14</sup> [“Prime Minister Meets Pacific Island Leaders”](#), Ministry of External Affairs, Government of India, 24 September 2019.

<sup>15</sup> [“Joint Statement on Inaugural India-Australia 2+2 Ministerial Dialogue \(September 11, 2021, New Delhi\)”](#), Ministry of External Affairs, Government of India, 11 September 2021.

lanes, through various mechanisms including Indian Ocean Rim Association (IORA) and Indian Oceans Naval Symposium (IONS). India and Australia participate in a large number of Joint Naval Exercises particularly Malabar with US, Japan, and AUSINDEX a biannual bilateral exercise, as also conduct naval workshops with Indonesia and initiatives like MILAN, where India invites like-minded navies in the Indian Ocean (See Table 1 for recent joint exercises). In August 2021, Navy-to-Navy Talks were held wherein further to the already signed Joint Guidance, Terms of Reference were signed virtually. MILAN Exercise, which is going to be conducted from 25 February to 4 March 2022, is aimed at promoting “collective responsibilities of maritime security for ensuring safe and secure seas”.<sup>16</sup> However, defence trade and high-end technological defence cooperation, leaves much to be desired.

**Table 1. Recent Joint Exercises**

Year	Exercise	Location	Leading Country	Participating
2018	Ex Pitch Black	Australia	Australia	India (Air Force), others
2018	AUSTRAHIND	India	India	Australia (Army)
2019	AUSINDEX	Bay of Bengal	Australia	India
2020	Malabar	Bay of Bengal, Western IOR	India	US, Japan, Australia
2021	La Perouse	Eastern IOR	France	Australia, India, Japan US
2021	Malabar	Guam, Bay of Bengal	USA	India, Japan, Australia
2021	AUSINDEX	North Australia	Australia	India
2023	Talisman Sabre	Australia	Australia	India Invited, multilateral

**Source:** Author's own.

## Trade and Technology

Over the last three decades, Australia and India have engaged on varied trade sectors to expand economic relationship under the Comprehensive Strategic Partnership. India's main exports to Australia are refined petroleum, medicaments, railway vehicles, pearls and gems, jewellery, while major imports are coal, copper ores, gold, vegetables, wool and other animal hair, fruits and nuts, lentils and education-related services. The bilateral trade between the nations in 2020–21 was US\$ 12.3 billion,<sup>17</sup> which is likely to increase significantly as the pandemic effect reduces and trade agreements are put in place. However, Australia and India are reliant on China for trade on a range of products and services. In order to promote trade, as also to address economic dependency on China, Supply Chain Resilience Initiative (SCRI) was launched by India, Japan and Australia last year. India and Australia have

<sup>16</sup> Huma Siddiqui, [“Largest Ever MILAN Naval Exercise will Have Frigates, Destroyers and Other Ships Participating”](#), *Financial Express*, 12 February 2022.

<sup>17</sup> [“India, Australia Hold Talks on Free Trade Pact”](#), *The Hindu*, 10 February 2022.

agreed to finalise an interim trade agreement in 30 days, and a comprehensive deal by the year end.<sup>18</sup>

The Civil Nuclear Cooperation Agreement was signed in September 2014, which has facilitated export of uranium to India. Australia has consistently affirmed the support for India's NSG (Nuclear Suppliers Group) membership and permanent seat in UN Security Council. Further, along with Comprehensive Strategic Partnership in 2020, New Delhi and Canberra signed a Framework arrangement for Cyber, and Cyber Enabled Critical Technologies which will contribute globally towards development of Critical and Emerging Technology such as Artificial Intelligence, 5G/6G telecom, Internet of Things, quantum computing, blockchain and big data.<sup>19</sup>

Both countries are committed to partnerships on various mechanisms on climate change and energy security, for instance, India led International Solar Alliance (ISA) and Coalition for Disaster Resilient Infrastructure (CDRI). Australia supported the cause with 1 million AUD for ISA and 10 million AUD for the CDRI.

## Challenges in Bilateral Relationship

While India and Australia are considered natural partners and their strategic interests have converged in the recent past, they face many challenges and legacy issues. Till 2000, New Delhi and Canberra had a guarded relationship that was influenced by caution arising out of many divergences including rivalry in commonwealth, India's non-aligned stance, Cold War dynamics and India's nuclear tests, as also Australia's security dependency on US. They have a differing perspective on geography and scope of Indo-Pacific. While India defines Indo-Pacific region extent from east coast of Africa to west coast of US, Australia in its 2020 Defence Strategic Update, has prioritised Northeast Indian Ocean, South East Asian Region and South West Pacific, as focus areas. India feels that its security threats are more continental in nature, particularly from China in northern borders and from Pakistan in the west, whereas, Australia perceives that its threats are primarily in maritime domain and relates to securing its sea lanes and interests in South China Sea, East China Sea, Indian Ocean and West Pacific.

Since World War II, Australia has always relied on its treaty allies, US and UK, to achieve its strategic aims, and AUKUS has further strengthened that bond, whereas India has maintained its strategic autonomy in not aligning with any major power strategically. Recent strategic posturing by Australia, notably Indo-Pacific construct, Quad partnership and now military capabilities and high-end technological support from US and UK under AUKUS, has moved Australia from periphery to a pivot position in the Indo-Pacific. AUKUS also provides a strategic advantage to US, by

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<sup>18</sup> Karunjit Singh, [“Explained: India-Australia Interim Trade Agreement and FTA”](#), *The Indian Express*, 15 February 2022.

<sup>19</sup> [“Joint Statement on the Inaugural India-Australia Foreign Ministers' Cyber Framework Dialogue”](#), Ministry of External Affairs, Government of India, 12 February 2022.

strengthening a credible ally against China in the contested region. AUKUS security pact on one hand may catapult Australia as a greater strategic player with an enlarged role in the region, on the other hand it binds Canberra securely in the US alliance and thus precludes Australian attempt towards building a fresh outlook and space for itself.

Australia's strategic focus remains primarily maritime. Hence, Australian Defence Force (ADF) is looking to flex its muscles by acquiring nuclear-propelled submarines and cutting-edge defence technology under AUKUS. India has a large military force, predominantly Army disposed towards borders, and a Navy that boasts of one aircraft carrier (another under sea trials), besides large surface and sub-surface fleet including a SSBN. While India considers Indo-Pacific a strategic reality and an extension of its Act East policy, Australia looks at the region for widening its influence in economic and strategic domains. China as threat to India is more continental than maritime and India feels that it is the net provider of security in the Indian Ocean owing to its central location and substantial naval capabilities. Australian differences with China are on values, ideology and on shipping-related issues, and thus more maritime in nature.

The two countries also differ in their perspective towards Russia's role in the strategic and security affairs of Europe and North Pacific. While India has for decades maintained close strategic relations with both Russia and US, Australia has consistently backed US in multilateral and regional forums.

## **Opportunities in Strategic Cooperation**

The Indo-Pacific construct has significantly enhanced the strategic salience of both India and Australia in a multipolar region. While the two nations have considerably deepened their strategic partnership, there is scope for much more improvement in several sectors. Apropos, the two countries should work together closely on Quad platform as also at ASEAN forums to focus on issues of common concern in the region. The two countries can further bolster their comprehensive strategic partnership and strengthen their 2+2 Ministerial Dialogue by deepening defence and technological cooperation and broadening their trade and economic linkages. On the defence and security issues, some recommendations for the two countries are mentioned below.

First, there is considerable scope for cooperation in defence manufacturing, where the two countries can leverage self-reliance (Aatmanirbhar Bharat) initiatives to each other's advantage. Inviting delegates and manufacturers to Defence Exhibitions, for example, Def Expo and Aero India, will further provide the much-needed exposure to the high-end defence technology in the two countries.

Second, India and Australia should leverage their leadership roles in IONS and IORA, by providing peace, prosperity and regional security to island nations as well as own island territories, for instance, development of bases in India's Nicobar Islands and



Australia's Cocos (Keeling) Island along with Indonesia. Naval exchange at Fleet level can take advantage of some common equipment platforms and benefit from greater interoperability and enhanced maritime domain awareness. Joint exercises and training by the two air forces will enhance cooperation and better interoperability, for example, in mid-air refuelling and logistics sharing. Indian Army with its vast experience in counter-terrorism and jungle warfare can provide valuable training to the Australian Army, officers and troops.

Third, cooperation and joint development/manufacturing of critical and emerging technologies can be beneficial to both countries, for instance AI, semiconductors, blockchain, drones, etc. Space technology is expanding in defence domain, the two countries can jointly develop and launch missions in this field.

Early conclusion of a Comprehensive Economic Cooperation Agreement is in interest of both the countries. Further, multinational companies in India and Australia can work together to diversify their trade with Chinese manufacturing goods and look at new opportunities in India. Moreover, a Special Economic Corridor (Chennai-Perth) can boost critical mineral and rare earth metals trade. New Delhi and Canberra should coordinate along with other Quad countries to plan and achieve greater technology and connectivity trade to leverage the collective strength of Quad. A greater focus on technology sharing in exploration of minerals can benefit India in its connectivity and development projects.

Government and educational institutes of the two countries are already cooperating in various joint exchanges towards greater people-to-people ties. A 1.5 Track Dialogue for strategic cooperation in maritime security and technology domains, led by MP-IDSA, is proposed to yield benefits to the two countries, as well as to the region.

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