

CHAPTER 2

AUSTRALIA AND INDIA - A DEVELOPING RELATIONSHIP

It is well known that we share a common colonial heritage and, with that, many inherited institutions and arenas of interaction including the English language, parliamentary democracy and - of course - friendly competition on the cricket and hockey fields.¹

India - Its Part in Australia's Foreign Policy Pre 1991

Early Bilateral Trade

2.1 The potential benefits of an effective relationship between Australia and India were recognised as early as 1893.² Late last century, the importation of camels to serve in the outback became the first trade linkage between Australia and India. While coal was one of the earliest exports to India, Indian labour was being recruited to work in Queensland's canefields and fruit plantations. As shipping services between Australia and Europe, with stopovers on the subcontinent, became more frequent, the potential for trade became more apparent. Although tentative commercial dealings were formed in jute products, dried fruits, raw cotton and handicrafts, a trade delegation visiting India in the 1930s found that trade prospects were weak.³ An Australian official mission opened in New Delhi in 1944 (three years before Indian independence) and other attempts were made immediately after World War II (WWII) to establish commercial links.⁴ Despite a more substantial commercial interest in India during the 1950s, trade continued to be limited to traditional goods.⁵ Until large infrastructure and development projects came on stream in the 1970s:

... no serious effort was made by either party to develop new or exploit existing complementarities, and trade tended to rely on natural flows rather than on government encouragement.⁶

Effect of NAM on Australia-India Relations

2.2 Indian policies of non-alignment during the Cold War period presented problems for Australia. At that time, Australia was committed to the Western Alliance led by the United States. Australia's perception that fundamental political, security and cultural interests

1 *Australia and India; Links and Networking*, speech by the Minister for Trade, Senator the Hon Bob McMullan at the launch of *Australia India: A Directory of Our Links* and the *Australia India Trade Network*, Melbourne, 3 March 1995.

2 Before becoming Prime Minister of Australia, Alfred Deakin wrote a book entitled *Irrigating India* in which he noted that the 'future relations...possess immeasurable potencies. Their geographical proximity cannot but exercise a very real and reciprocal influence...in each'.

3 *India's Economy at the Midnight Hour: Australia's India Strategy*, report of the East Asia Analytical Unit, Department of Foreign Affairs and Trade, Commonwealth of Australia, 1994, p. 129.

4 The 1990 report of the Senate Committee on Foreign Affairs, Defence and Trade refers to attempts by the then NSW Premier, Bertram Stevens to establish close commercial links between Australia and India.

5 Imports from India were mainly handicrafts, exports from Australia were mainly foodstuffs.

6 *India's Economy at the Midnight Hour*, op. cit.

lay essentially with Europe and the United States constrained opportunities for closer bilateral contacts. As it was further perceived by Australia that India was not committed to the cause of anti-communism, Australia was not enthusiastic about expanding relations.⁷

Warming of Australia-India Relations

2.3 A 'noticeable warming in relations'⁸ was observed in 1962, with Australia supporting India during its border dispute with China. This support apparently contributed more to the development of the relationship than aid provided by Australia at times of natural disaster and under the Colombo Plan.⁹

2.4 Despite agreements between Australia and India in the fields of culture, science and technology and trade during the McMahon, Whitlam and Fraser Governments, there was little follow up to these initiatives. Prime Ministerial visits did occur, although usually only in connection with Commonwealth Heads of Government meetings.¹⁰

2.5 The 1990 Report of the Senate Committee on Foreign Affairs, Defence and Trade, *Australia-India Relations: Trade and Security*, described the then 'emerging relationship' between India and Australia. While commenting that in some respects, India and Australia 'have been unusually distant in their relations given their close cooperation on a broad range of Commonwealth issues and their shared cultural and institutional inheritances from Britain', the report recognised an 'increasing number of opportunities for the two countries to draw closer together',¹¹ and also noted the possibility of obstacles in this venture.

2.6 The 1990 Senate report concentrated on issues of trade and security. As mentioned earlier in this report, the collapse of the USSR and Eastern Bloc states forced India to re-evaluate its strategic policy, which in turn raised the interest of India's neighbours in the analysis of strategic and security issues. Although there has been relative stability with successive Indian Governments in recent years which has reduced the degree of concern about strategic and security issues, the recent election of the BJP Government on a pro-nuclear platform raised strategic and security concerns, which have been borne out by the May 1998 nuclear underground tests carried out by the new Government. The regional strategic and security concerns are discussed in Chapter 8.

2.7 The 1990 Senate Committee recorded evidence suggesting that there had been a 'neglect' of India in Australian foreign policy in the years between WWII and the May 1985 visit of the then Australian Foreign Minister, Hon Bill Hayden. This visit was ostensibly for the purpose of 'damage limitation: to "stop the drift" in the relationship'.¹²

2.8 It has been suggested to the Committee that until recently:

7 *Australia-India Relations: Trade and Security*, report of the Senate Standing Committee on Foreign Affairs, Defence and Trade, AGPS, Canberra, July 1990, p. 11.

8 *ibid.*

9 *ibid.*

10 *ibid.*

11 *ibid.* p. 1.

12 *ibid.* p. 7.

... Australian-Indian economic relations reflected the low-key nature of the political relationship between the two countries. Relations were distant, but cordial and based on some shared experiences and national passions for cricket.¹³

2.9 This was a view confirmed by His Excellency Mr Parthasarathy, Indian High Commissioner to Australia, who suggested that the bilateral relationship had very little economic content before the last five years or so. The High Commissioner stated that it was a lack of interest and knowledge that resulted in the failure of Australian companies to enter the Indian market in the late 1970s, in spite of India's embarkation on a program of progressive trade and economic liberalisation.¹⁴

2.10 Apart from minor trade and historical linkages, the Australia-India relationship was marked by a shared national passion for cricket. Even as Australia has sought to secure for itself a future in the Asia-Pacific region, the main focus of trading and diplomatic attention has been towards North, East and South-East Asia, rather than South Asia. Economic links were limited, with two way trade less than A\$100 million per annum by 1982. In its submission, the Indian Ocean Centre suggests that the change in Australia-India relations was precipitated by 'warm political ties between leading politicians [in both countries] and a growing interest in both countries to explore a more intimate economic relationship'.¹⁵

2.11 The visit by the Australian Foreign Minister in 1985 marked the beginning of a more solid and varied relationship between Australia and India.¹⁶ Development of trade and other linkages (such as academic and cultural), however, was not always smooth. The Committee, during this inquiry, has heard that bilateral trade between Australia and India until the 1990s was still, to an extent, 'erratic'.¹⁷ The Indian Ocean Centre referred to, as examples, food trade (occasional, but often very large, quantities of wheat, supplemented inadequate domestic supplies) and 'significant one-off sales of manufactured items'.¹⁸ It has been suggested that such sales 'significantly boosted trade figures but in reality represented a fragile economic relationship without lasting substance'.¹⁹

2.12 By 1987, the changing international scene had prompted a debate in India about the value of the ideology that formed the basis of the country's post-independence economic and foreign policies. The Government of Prime Minister Rajiv Gandhi introduced some limited reforms and started on the development of a more open and pragmatic foreign policy. The 1990 Senate Report pointed out the Australia-India relationship had been underdeveloped and neglected, and the question was whether the potential of the trade relationship was significant enough to warrant the diversion of resources to promote Australia in India.²⁰

Australia's India Relations Post 1991

13 IOC Submission, p. S 232.

14 Indian High Commissioner Transcript, p. 325.

15 IOC Submission, pp. S 232-233.

16 *Australia-India Relations: Trade and Security*, op. cit.

17 IOC Submission, p. S 223.

18 *ibid.*

19 WA Government Submission, p. S 809.

20 *Australia-India Relations: Trade and Security*, op. cit. p. 10.

Trade and Other Initiatives

2.13 ASARC suggests that 'Australia's economic relationships with India in the 1990s have reflected the sea change in the Indian economy'.²¹ Australia responded very positively to the changes in Indian domestic and foreign policies. Australia-India bilateral relations have strengthened considerably since the Indian Government launched its major economic reforms. With the opening up of the Indian economy to wider foreign investment, Australia's exports have (if diamonds are included) more than doubled.²² Increased ministerial contact (including visits from Prime Minister Hawke in February 1989 and Foreign Minister Evans in June 1989) was complemented by a bilateral aid program with a value of A\$35 million. Other efforts were made to develop a framework to advance the relationship, including the establishment of a Joint Ministerial Commission (JMC) in July 1989 and a Joint Working Group on Coal in 1992, and an agreement to hold regular bilateral talks on disarmament and human rights.

2.14 A solid base to broaden and deepen the relationship was laid with the establishment of the Australia-India Council (AIC) in 1992. The AIC is a public non-statutory body whose establishment was a major recommendation of the 1990 Senate Report. The AIC consists of board members and a secretariat located within DFAT. The Australian High Commission in New Delhi provides support for the AIC's activities in India. The AIC initiates or supports activities, in partnership with other funding agencies, that promote substantial and enduring collaboration between Australia and India and which serve Australia's long term interests in India. Following representations from the Australian Government, the Indian Government in 1995 established a counterpart body, the India Australia Council, comprising a number of Indians influential in business, government, sport and other areas and a secretariat within the Confederation of Indian Industry (CII).

2.15 Other initiatives have led to the development of better linkages and commercial arrangements, leading to much stronger commercial and cultural ties. Several events in 1994 further strengthened the relationship including a visit to Australia by Vice-President Narayanan, who was then the most senior Indian leader to visit Australia. Also in 1994, the first Joint Ministerial Commission met with the substantial involvement of Australian business. Senior Officials Talks were reactivated, the Australia-India Council's *India Today 1994* promotion was held; the comprehensive study of the Indian economy, *India's Economy at the Midnight Hour: Australia's India Strategy* was launched; and the Australia South Asia Research Centre at the Australian National University was established.

The Midnight Hour Report

2.16 The report, *India's Economy at the Midnight Hour: Australia's India Strategy* was produced by the East Asia Analytical Unit of the Department of Foreign Affairs and Trade in 1994, and was arguably the first thorough examination of trade and investment opportunities for Australia in India. The East Asia Analytical Unit was directed by the Standing Committee

21 ASARC Submission, p. S 100.

22 *ibid.*

of Deputy Secretaries in early 1993 to 'undertake a study of the recent economic reform in India, likely prospects for economic growth and future opportunities for Australian trade and investment'.²³ It had been suggested that a strategy for Australian business and policy makers designed to promote mutually beneficial economic cooperation would strengthen the bilateral relationship.

2.17 The growing trade and investment relationship between Australia and India was taken to a more prominent level in 1995, with Senator the Hon Bob McMullan, the then Minister for Trade, leading the largest business mission ever to visit India. Several high level exchanges during 1995 helped to consolidate government to government ties. Foreign Minister Evans again visited New Delhi in May 1995, preceding the visit to Australia by the Indian Minister of State for External Affairs, Mr Salman Khursid. Parliamentary contacts have also continued, with parliamentary delegations being exchanged in 1992 and 1993. Australian delegations also attended Commonwealth Parliamentary Association and International Parliamentary Union conferences held in India in 1991 and 1993.

Australia India - New Horizons Promotion

2.18 The *Australia India - New Horizons* promotion was coordinated by DFAT and held in India in late 1996. The program was designed to promote Australian culture, technology and business. The country promotion concept has its origins in research which identified a lack of awareness in major Australian target markets of Australia's capabilities. *New Horizons* was scheduled from late October through to December 1996 and focused on six major Indian cities: New Delhi, Mumbai (Bombay), Bangalore, Calcutta, Chennai (Madras) and Chandigarh. The centrepiece of the program was a three-day Business Forum on 4-6 November, held in New Delhi and Mumbai. The Committee received evidence from participants in the program, and from those who were affected by it, attesting to the success of the program in expanding knowledge and awareness of bilateral business and trade relationships between Australia and India. The *New Horizons* program is discussed in greater detail in Chapter 4.

Academic-Educational Links

2.19 The Committee heard evidence about the academic and educational links now in existence between Australia and South Asia. The Department of Employment, Education, Training and Youth Affairs (DEETYA) provided the inquiry with extensive information about current market activity and the institutional linkages currently under negotiation between Australia and South Asia.²⁴

2.20 In its submission ASARC suggests that 'a sustained program of collaborative research should underpin the growth and dissemination of information concerning Indian (and other South Asian countries) economic policies and business opportunities and the capacity of Australian firms to match India's needs on a competitive basis', and suggests that this may be achieved through a long term program of academic linkages.²⁵ ASARC describes recent collaborative efforts between ASARC and AusAID under the South Asia Research Project (SARP) over the past two years.

23 *India's Economy at the Midnight Hour*, op. cit. p. ix.

24 DEETYA Submission, p. S 635.

25 ASARC Submission, p. S 105.

2.21 The National Centre for South Asian Studies (NCSAS) outlined in evidence the potential for the formation of stronger academic linkages between Australia and India. This included a consideration that there was no certainty of the continued survival of AusAID scholarships for Indian students undertaking study in Australia.²⁶ Professor Vicziany contested that a greater availability of fellowships and postgraduate scholarships (offered by DEETYA and other agencies) would help extend India's impression of Australia as being a neutral and reliable player in the Asia-Pacific region and improve existing Australia-India networks in the academic and business fields.²⁷

Australia-India Complementarities

2.22 The Committee sees some obvious similarities and complementing factors between Australia and India which demonstrate the potential for the success of trade relations. Apart from being the two biggest democracies in the region, with a free press, well established institutions of government and administration, and an independent judicial system, they share English as the main language of commerce and industry. India is geographically part of Australia's sphere of interest, and is a significant international actor with a growing interest in and engagement with the Asia-Pacific region. India also has a substantial industrial base and Australia and India share many complementarities in traded goods. Australia can supply wool for India's textile industry, high grade coal for steel-making and mining technology and skills for the development of India's mineral wealth. Furthermore it has been suggested that Australia has an advantage in that there is a lack of 'cultural baggage' between the nations and that a more 'naive' attitude has led to a better response by India to Australian companies wishing to do business.²⁸

Lack of Cultural and Commercial Awareness

2.23 The Committee acknowledges the importance of building awareness of Indian society and culture, and that there needs to be a greater cultural understanding between the two nations to further economic development. The Committee heard evidence which described a perceived weakening of links at a time when Australian involvement reached a crucial point. In her submission, Professor Vicziany from the NCSAS was highly critical of the closure of the Trade Investment Promotion Service (TIPS); the end of Indian interest by the East Asia Analytical Unit within DFAT; and the replacement of the Department of Business and Commerce in the Victorian Government by a new department which now excludes South Asia. These actions were listed as being likely 'to have a detrimental impact on our capacity to understand and monitor our commercial relations with South Asia'.²⁹

Ongoing Issues - Economic, Political, Social, Cultural

2.24 Australia and India's trading relationship has become more diverse and dynamic since 1991, aided by many of the developments outlined briefly in the preceding paragraphs. The Committee received evidence from individuals and organisations attesting to the success of the developing relationship, outlining the flaws which should be remedied and the potential for further economic development and prosperity. One of the ongoing issues about

26 Associate Professor Vicziany's submission stated that at that time there were 164 scholarships being undertaken; at the time of writing this report there were 90.

27 NCSAS Transcript, pp. 102-103.

28 Kinhill Transcript, p. 412.

29 Vicziany Submission, p. S 267.

which Australia needs to be vigilant is the continuation of the strengthening of relations with India, including pursuing a more positive approach to Indian involvement in regional structures.

2.25 In evidence to the Committee, the High Commissioner for India observed that a major transformation in Australia-India relations had occurred where each views the other 'not simply in terms of economic worth of bilateral relations but from a larger regional and strategic perspective'.³⁰ The change in India's economic conditions and the increasing opportunities India offers as a market have prompted the Australian Government to pursue a strategy of fostering the bilateral relationship.

30 Indian High Commissioner Transcript, p. 329.

