

**SENATE STANDING COMMITTEE
ON FOREIGN AFFAIRS,
DEFENCE, AND TRADE**

**AUSTRALIA-INDIA RELATIONS
TRADE AND SECURITY**

July 1990

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TERMS OF REFERENCE

On 29 September 1988, the Senate directed its Standing Committee on Foreign Affairs, Defence and Trade to inquire into and report on Australia's relations with India, with particular reference to:

(a) prospects for increasing trade between the two countries;

and

(b) the implications for the regional strategic outlook of India's enhanced defence capability.

COMMITTEE MEMBERSHIP

Chairman: G.R. Maguire (South Australia)

Deputy Chairman: Baden Teague (South Australia)

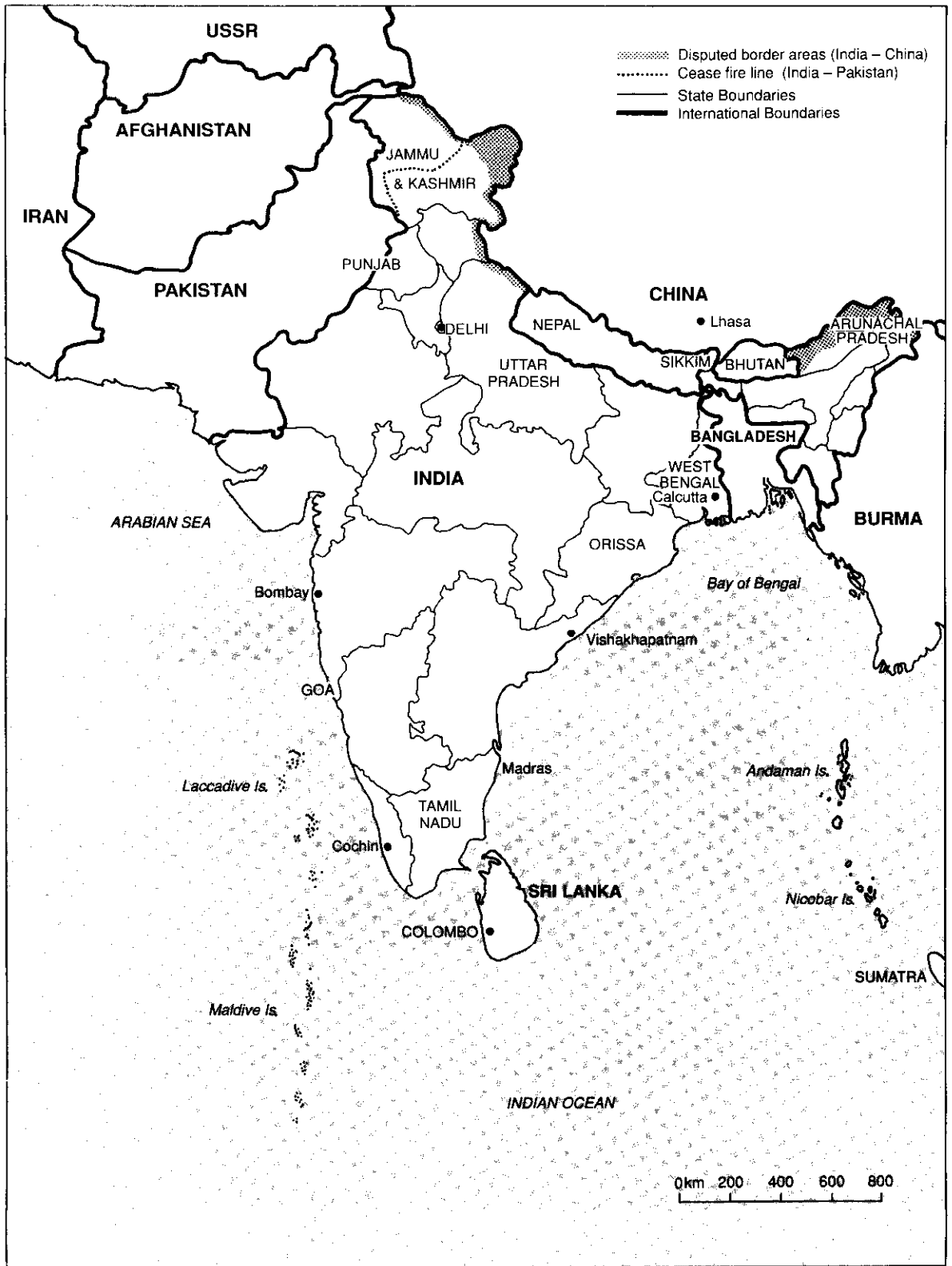
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I.P. Dunn (New South Wales)
D.J. Hamer, DSC (Victoria)
C. Schacht (South Australia)

The public hearings on this inquiry and much of the drafting of this report were carried out in the 35th Parliament by the predecessor to this Committee, whose membership was:

Chairman: G.R. Maguire (South Australia)

Deputy Chairman: D.J. Hamer, DSC (Victoria)

Members: B.R. Burns (Queensland)
I.P. Dunn (New South Wales)
R.F. McMullan (ACT)
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MAIN FINDINGS AND RECOMMENDATIONS

1. The Committee believes that India already is an important Asian power of the same general order as China, albeit with a less prominent international trading and strategic profile beyond its immediate neighbourhood. India's power will probably continue to consolidate over the next two decades and its economy will probably continue to open up.
2. The Committee believes that relations between Australia and India are underdeveloped. The Committee found that, despite recent initiatives, the past neglect of India by Australia had not been overcome completely. The main problem seemed to be a lack of forward thinking in policy analysis. There is a need for a more coordinated national strategy towards India based on long term assessments of India's potential importance in Asian affairs.
3. There are few signs in the short term of a significant expansion of Australia-India trade. However, Australia should act now in the ways suggested later in this summary with a view to helping put our exporters in a better position in the longer term. If the opening up of selected sectors of the Indian economy to foreign trade continues, long term opportunities will occur in sectors where Australia is competitive.
4. A major sector in which Australia is likely to be competitive is in the technology (including consultancy and management services) associated with resource exploitation. The 1989 signing of a \$500 million contract between White Industries Limited and Coal India Limited for construction of a coal mine in Bihar State is an encouraging development in this regard. However, on current assessments, Australia cannot hope to compete significantly in non-resource based manufacturing.
5. The Committee endorsed AUSTRADE's advice to exporters to think increasingly in terms of strategic alliances, joint ventures, and international sub-contracting. The Committee identified an important function for AUSTRADE, and perhaps major banks, in actively developing consortia in the longer term.
6. India does not, in the Committee's view, represent a threat to Australian security interests or those of our South East Asian neighbours. There is little conceivable basis for the view that India may develop unfriendly intentions

toward Australia. Nevertheless, India's development of a nuclear weapons capability and an intercontinental missile capability could affect Australian regional security interests.

7. As far as South Asia is concerned, India is already the predominant military power. This position, however, has a negative effect on India's security because it prompts India's neighbours to attempt to redress the balance. The Committee finds grounds for concern with India's view of its role as a regional policeman in South Asia and the degree to which pressure on its smaller neighbours may enter its calculations of enforcement.

8. The Committee notes that India and Australia are on friendly terms. Public misperceptions in Australia about India's strategic posture should not blind Australia to opportunities for greater cooperation with India based on shared interests, such as the security of sea-borne trade.

9. The Committee recommends that a large part of Australia's diplomatic effort in India be directed at encouraging the Indian Government to make faster progress towards relaxing trade and investment controls detrimental to Australian business. However, fundamentally important issues like Antarctica, chemical weapons, and nuclear proliferation should — in the Committee's view — still remain important in Australia's diplomatic priorities in India.

10. The Committee was made aware of claims that artificially high shipping rates charged by the state owned shipping line on the west coast of India are affecting Australian exports. The Committee recommends that the Australian Government commission a study, either from its departments or private enterprise, on which it could base approaches to the Indian Government to correct this problem.

11. The Committee found that the knowledge of India in Australian government and business is not adequate given the importance India will have in international trade and politics within the next decade. Therefore, the Committee recommends:

the establishment of an Indian Studies Centre for advanced academic study of a range of Indian related disciplines which the Committee believes would boost the relationship between those parts of government and business in Australia which are concerned with India;

the development of private sector support for such a Centre over the long term to supplement Australian government funding support for an initial fixed term such as five years;

the upgrading by Australian employers, particularly government, of the expertise about India of their employees, with the provision of appropriate incentives for the further fostering of such expertise; and

the immediate establishment of an Australian-India Council to increase Australian expertise about India, to raise awareness of Australia in India and of India in Australia, to develop plans to bridge gaps in the relationship, and to support a broad range of contacts between the people and organisations of the two countries.

12. The Committee believes that the majority of submissions presented to the Committee bore testimony to the generally poor state of information policy in Australia where India is concerned. This has ramifications in several fields, the most important of which are: intelligence, especially commercial intelligence; and keeping the public informed. Therefore, the Committee recommends:

the establishment of an active program for the regular dissemination of assessments on India to important user groups within the community;

special attention by the Department of Defence to regular release of intelligence assessments, appropriately declassified, on India in order to allow the public debate in Australia on defence and security issues to be better informed; and

the development of closer links between government departments and non-government experts on India who should be invited to review the quality of departmental assessments on India.

13. The Committee found that coordination among government departments and authorities concerned with the development of trade with India was inadequate. There is a need to consider the balance between country oriented export strategies and approaches based more on sector profitability in the global market. Therefore, the Committee recommends:

a review by government departments of the relationship between "Strategic Plans" for a particular country like India and the appropriate emphasis to be given to sector specific strategies;

a greater emphasis by Government on the need to support Australian businesses seeking to export by providing more responsive, high quality commercial intelligence, and by offering greater country expertise to solve specific problems that Australian exporters face in dealing with complex foreign government regulations, like those in India.