

# CHAPTER ONE:

## Australia-India Relations Today

### Introduction

1.1 The emerging relationship between Australia and India is typical of the transition Australia has been making in the last two decades towards closer ties with Asia. 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. As of 1990, there are an increasing number of opportunities for the two countries to draw closer together. At the same time, there are some obstacles to a more broadly based relationship.

1.2 In saying this, the Committee is not disputing the proposition that government to government links are now becoming fairly warm and cooperative. However, the Committee sought to prepare a report reflecting broader community aspirations rather than rely simply on a government to government perspective.

1.3 To this end, submissions were obtained from a wide range of business people, educators and government departments (*Appendix 1* refers). Public hearings were held in Perth, Adelaide, Melbourne, Sydney and Canberra. (See *Appendix 2*). The inquiry was directed to a review, with recommendations for change as appropriate, of public policy on Australia's relations with India in the trade and security areas. The Committee sought through this type of inquiry to achieve a wide public airing of community views, to test these views against expert opinion, and to document the conclusions reached in the form of the Committee's final report.

1.4 Public policy is not merely the domain of Federal Government departments. It embraces statutory authorities, educational institutions, and state government, as well as large private corporations. A number of submissions took the view that the trade and military questions could not be dealt with in isolation from the broader social, political and economic considerations that came within the purview of these other organisations. The Committee was of the same view.

### Australian Policy Interests

1.5 Australia's policy interests in relations with India have been the subject of increased public debate in recent years. India has the most powerful military forces of any nation on the Indian Ocean littoral and is developing medium range ballistic missiles. It has had a nuclear weapons capability since 1974 when it exploded a nuclear device. Its domestic and international security situation is not stable. It has intervened with military force in Sri Lanka and the Maldives in

recent years, and in Bangladesh in 1971. India has active and tense border disputes with China and Pakistan, one a nuclear power, the other a nuclear aspirant.

1.6 In the next decade or two, India will be even more powerful than it is now. Australia must carefully assess, as best as is possible, just what India's intentions and capabilities might be into the early part of the next century. Any country must attempt to look this far ahead in considering its security interests.

1.7 India has island territories, the Andaman and Nicobar Islands, quite close to Indonesia and the important shipping lane of the Malacca Strait. The Indian mainland sits to the north of the oil route from the Persian Gulf to Japan.

1.8 Thus, in a geopolitical sense, India's military power and demonstrated will to use it could directly affect Australia's security interests: the security of seaborne trade and the security concerns of our allies and neighbours (Japan, our major commercial ally; Malaysia and Singapore, our partners in the Five Power Defence Agreement; and Indonesia, whose security is also important to us as a near neighbour).

1.9 India already affects Australia's security interests in less direct ways. India has often supported (or appeared to have supported) positions of the USSR and its allies, especially on such matters as the invasions of Afghanistan and Cambodia, when Australia has been strongly opposed. In addition, the risk of nuclear proliferation in South Asia is viewed with grave concern by the Australian Government as a threat to international security in broad terms. The Australian Government has been a consistently strong advocate of the Nuclear Non-Proliferation Treaty.

1.10 Similarly, if conflict between India and Pakistan or India and China were to occur, any escalation involving major external powers, such as the USSR or the United States, could have a negative effect on international security relationships. Such a scenario, however, is not very likely and the consequences for Australia in this would be indirect.

1.11 The complexity or intractability of the conflict situations in which India is involved, and the recent Indian military build-up need not lead automatically to the conclusion that India can only be some sort of international security threat for Australia. There have been a number of security interests shared by the two countries.

1.12 India has a growing interest in expanding its relations with developed Western countries, including the United States and Japan. A number of the international tensions or issues which put India and the Western Alliance at odds, such as the Cold War, the US-Pakistan alliance, the Vietnamese occupation of Cambodia, the Soviet occupation of Afghanistan, and US technology transfer, are now undergoing important modifications. India is increasingly interested in international trade after many years of insisting on fairly rigid adherence to the goal of self-sufficiency.

1.13 Australia has important interests in capitalising on India's renewed interest in trade. Our exports to India have experienced some fairly solid annual growth rates in recent years. While the bulk of exports are in traditional items (largely commodities), there has been some expansion of our exports in manufactures and services to India. AUSTRADE regards India as an important market with potential for rapid growth and has set itself a target for exports by 1992 of twice the 1987-88 level (\$1,000 million compared with \$500 million). Australia and India also have a mutual interest in a number of international commodity arrangements (sugar, wheat, iron ore and bauxite) and both are members of the General Agreement on Tariffs and Trade (GATT).

1.14 The changing political scene in South Asia and some new directions in Indian foreign policy and trade policy do provide opportunities for Australia, as a member of the international community with a stake in promoting peace and development, to bring some influence to bear on more disconcerting aspects of Indian policy, such as the military build-up and nuclear proliferation.

1.15 At a less visible level, any expansion of Australian/Indian contacts has good potential to enhance regional security and Australia's position in the Asia/Pacific community by reducing suspicions of Australia as an outpost of European culture or American strategic policy. Australia needs to be seen in Asia as an independent country with its own trade and security interests.

1.16 India's military position may also be turned to advantage for the security interests of Australia. The naval capability now possessed by India need not necessarily develop into a threat to seaborne trade. As long as India sees itself as having a stake in this trade, especially with Japan and the United States, India's military power may in fact serve to underpin the security of shipping lanes in the northern Indian Ocean. Australia has an interest, therefore, in seeing India consolidate its moves towards better relations with major Western countries and towards expanded trade, especially involving Australia.

1.17 Australia must also seek to engage India in cooperation on matters such as environmental protection and development of Antarctica and the fishing resources of the Indian Ocean.

### **India: Democratic, Powerful but Poor**

1.18 India is the world's largest democracy. It is also the world's most diverse democracy, embracing a complex variety of cultures, religions and languages. It is a powerful country. It has the second largest population in the world — about 800 million people.<sup>1</sup> It is the heir to a civilisation that developed at the same time as that in China, and which was in all respects as rich as China's. The literature, philosophy and religion of the old Indian civilisation had a substantial impact on many parts of Asia. Today, India has an economy that ranks eleventh in the world and a Gross Domestic Product just higher than Australia's.<sup>2</sup> India is a

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<sup>1</sup> This is an estimate. See *Evidence*, p.813

<sup>2</sup> For example, for 1987, India's GDP was US\$230 billion compared with Australia's US\$194 billion. See *Evidence*, p.282

recognised leader of the Third World but is in some respects a member of the group of second level powers, such as China. India aspires to recognition as a major player on the world stage.

1.19 India's land borders are 15,000 km long and its coastline is 5,600 km.<sup>3</sup> India has land borders with Pakistan, China, Nepal, Bhutan, Burma and Bangladesh. The territory of Bangladesh is almost completely surrounded on land by India. India is a sub-continent more than a country. Its regional diversities are reflected in a myriad of cultures, languages and religions, as well as disparities in wealth. However, over 80 per cent of the people are Hindu and this provides some cultural homogeneity.

1.20 In terms of military capability, India has the third largest army in the world (1.2 million personnel). The Navy and Air Force are by far the largest of those in any Indian Ocean littoral state. The defence industrial base in the country is highly developed. Military related scientific skills are extensive, as demonstrated in India's possession of a nuclear weapon capability and recent development of ballistic missiles. The country as a whole has an estimated two million engineers and scientists, and ten million graduates of all kinds.<sup>4</sup> India is now a producer and consumer of high technology, with major American and West European computer firms producing under licence there.<sup>5</sup>

1.21 India is relatively well-off in natural resources and manufacturing capability, as the following 1986-1987 world rankings provided in evidence show:

FIRST	Iron ore deposits Tea production Groundnut production Jute and similar fibres
SECOND	Irrigated land area Cotton fabrics production Rice production Natural rubber production
THIRD	Milk production Sugar production Tobacco production
FOURTH	Wheat production Cotton production
FIFTH	Coal production. <sup>6</sup>

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<sup>3</sup> *The New Encyclopaedia Britannica*, 15th ed., 1988, Vol.21, *India*, p.1

<sup>4</sup> EIU Country Profile, *India, Nepal 1988-89*, p.10

<sup>5</sup> *Evidence*, p.333

<sup>6</sup> *ibid.*, pp.282-283

1.22 The industrial sector generates about 22 per cent of GDP and India is arguably one of the ten most industrialised countries in the world. Economic growth in recent years has been impressive: 5 per cent per year on average through the 1980s.<sup>7</sup>

1.23 This is significantly below the growth rates being achieved in some other Asian countries, but well ahead of a number of developed countries.

1.24 Three quarters of the population depend on agriculture for their livelihood and two thirds of the cultivated land is devoted to non-irrigated agriculture.<sup>8</sup> Growing agricultural productivity in recent years has helped promote economic growth generally but mass poverty, especially in rural areas, remains a significant social and developmental problem.

1.25 A number of submissions highlighted the existence in India of a potentially large, urban middle class consumer market. For example, Dr Mayer of Adelaide University reported this middle class market to comprise about 10-15 per cent of the population — that is, about 100 million people. The number of owners of industrial establishments has been put at 1.2 million and there is a well-off agricultural class of about 200 million. The relatively higher disposable income of these groups is reflected in the very rapid growth in the market for consumer durables in recent years.<sup>9</sup> The consumption patterns of the consumer market in India are quite different nonetheless from those in Australia. The definition of middle class in India is more likely to embrace the ability to buy a motor scooter rather than a car.

1.26 According to the World Bank, about a third of the world's one billion 'absolute poor' live in India.<sup>10</sup> According to the Indian Government's own, rather austere, definition of poverty — based on an income sufficient to ensure access to minimum nutritional standards — approximately 37 per cent of the population is estimated to live below the poverty line.<sup>11</sup> Poverty alleviation programs are having only limited success.<sup>12</sup>

1.27 There is a great variation in the extent of poverty, ranging in rural areas from only 12 per cent in the Punjab to 69 per cent in Orissa, and in urban areas from 25 per cent in the Punjab to 51 per cent in Kerala.<sup>13</sup>

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<sup>7</sup> D.P. Chaudhri, *Recent Trends in the Indian Economy*, Canberra, 1988, p.2

<sup>8</sup> EIU Country Profile, *India, Nepal 1988-89*, p.11

<sup>9</sup> *Evidence*, p.457

<sup>10</sup> EIU Country Profile, *India, Nepal 1988-89*, p.8

<sup>11</sup> *ibid.*

<sup>12</sup> *ibid.*, p.9

<sup>13</sup> *Evidence*, p.566

1.28 Adult literacy in India is estimated at 36 per cent, with women as a group being significantly behind men (25 per cent compared with 47 per cent — 1981 figures).<sup>14</sup> Health standards, especially in the countryside, remain poor due largely to lack of nutrition and shortage of medical support workers and facilities.<sup>15</sup>

1.29 India has to some degree been isolated from shocks in the world economy but at the same time has denied itself the growth potential that the world system can provide.<sup>16</sup> The objective of Indian economic planning is (in theory) to establish a socialistic pattern of society with recognition of private property rights, inheritances and some of the other economic rights accepted in most democratic countries. The basic criterion for determining policy, according to the Indian Government, 'must not be private profit but social gain', and the pattern of development should result 'not only in appreciable increases in national income and employment but also in greater equality in incomes and wealth'. The benefits of economic development 'must accrue more and more to the relatively less privileged classes of society'.<sup>17</sup> When India began its socialist economic planning, the ratio of invested capital to output was quite healthy but with each successive planning period, the incremental capital/output ratio has been declining.<sup>18</sup>

1.30 India's economic planning has been conducted through the mechanism of successive Five Year Plans. Each plan is fine-tuned through the annual budgets. The current plan, the Seventh, covers the period April 1985 to March 1990.<sup>19</sup>

### **Australia's Past Neglect of India**

1.31 There was a wide consensus in the submissions received by the Committee that, until recent years (1985 at the earliest), successive Australian Governments, educators, media editors and most business people ignored India.<sup>20</sup> There was a plea to 'break into this vicious circle of Australian ignorance of modern India'.<sup>21</sup> The Australian public had been denied an accurate picture of India, according to the Asian Studies Association of Australia.<sup>22</sup> The view is supported in part by the Department of Foreign Affairs and Trade.<sup>23</sup>

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<sup>14</sup> EIU Country Profile, *India, Nepal 1988-89*, p.9

<sup>15</sup> *ibid.*, p.10

<sup>16</sup> *Evidence*, p.324

<sup>17</sup> *ibid.*, pp.560-561

<sup>18</sup> *ibid.*, p.324

<sup>19</sup> *ibid.*, p.699

<sup>20</sup> *ibid.*, pp.332-338, 382-383, 791

<sup>21</sup> *ibid.*, p.338

<sup>22</sup> *ibid.*, p.382

<sup>23</sup> *ibid.*, p.786

1.32 This Department concedes its own shortcomings in this area:

Australia's...efforts to develop the bilateral relationship have not kept pace with India's rate of growth and achievements since independence.<sup>24</sup>

1.33 When the Foreign Minister Mr Hayden went to India in May 1985 it was on a damage limitation mission: 'to stop the drift' in the relationship.<sup>25</sup> As late as mid-1988, according to the Department of Foreign Affairs, there was still a 'sense of drift'.<sup>26</sup>

1.34 Some observers have contrasted Australia's opening to China in the 1970s and 1980s with our neglect of India:

If the same government effort that has been devoted over the past few years to cultivating trade with China had been focused on India, the benefits to Australia may well have been greater.<sup>27</sup>

1.35 The Committee did not receive persuasive evidence on this point. The question is not one of India or China — it is simply one of applying to India, with its large growth potential, marketing efforts more in proportion to those we currently devote to China.

1.36 In February 1984, the Prime Minister Mr Hawke described the basis of Australia's developing relationship with China:

we now have important and substantial links. These are built on the recognition that a substantial relationship with China, acknowledging China's important role in the region and the world, should be central to Australian foreign policy.<sup>28</sup>

1.37 The Government does not appear to accord the same degree of strategic importance to India. The thrust of the Australia/India bilateral relationship today is from Australia's perspective largely commercial. The decisions by the Government in 1986 to withdraw the Australian defence attache from New Delhi in 1987 and to cease naval visits after 1986 (both decisions made under pressure from resource constraints) lend weight to suggestions made to the Committee that Australia has tended not to give India the weight in its diplomacy that significant elements of the community think it should have. (Both decisions have since been reversed.)<sup>29</sup>

1.38 Statements by senior government officials to the Committee and public statements by the Minister for Defence on the strategic significance of India have revolved around the question of whether India represents a threat to Australian

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<sup>24</sup> *ibid.*, p.788

<sup>25</sup> *ibid.*

<sup>26</sup> *ibid.*, p.790

<sup>27</sup> *ibid.*, p.332

<sup>28</sup> Quoted in Senate Standing Committee on Industry and Trade, *Australia-China Trade*, 1984, p.1

<sup>29</sup> *Evidence*, p.809

security interests. While such statements are made to defuse public concern about a possible Indian threat, the broader diplomatic issues of constructive engagement of India over the coming decade in pursuit of common security goals appear to have been given a lesser priority.

1.39 The Department of Foreign Affairs and Trade has been anxious to take account of concerns in some countries in South Asia and South East Asia about Indian military capability, but for the most part believes that the correct diplomatic response to India's military position should be 'low-key'.<sup>30</sup> The Australian Government has engaged in discussion with India on a range of security issues but India appears to remain the object of blandishments by us about its undesirable actions (for example, ballistic missile proliferation) rather than the object — as China has been — of an attempted strategic engagement based on shared security interests. India has received little credit from Australia for its position of independence from the USSR, which has poured much political and financial capital into India in an attempt to persuade it otherwise.

1.40 The importance to Australia of reviewing its perceptions of India as the starting point for a new relationship was highlighted in a number of submissions along the following lines:

- (i) economic relations between Australia and India are grossly underdeveloped because we have made insufficient effort in the past to approach more than the lowest end of the Indian market and have allowed perceptions both of difficulty and of the unimportance of India in the overall scheme of Australia's relationships to obscure real opportunities; and
- (ii) given our attitudes, the chances are that we will misconstrue the development of India's defence capabilities...<sup>31</sup>

1.41 Discussion of the influence of attitudes referred to stereo-types in the Australian public image of India:

...it seems possible, also, that early Indian migration to Australia...left an image of 'hawkers', 'camel drivers', and farmers or labourers which even the substantial post-second world war migration of professional people and their families has not effectively dispelled...<sup>32</sup>

Our experience as teachers tells us that Australians hold hard, but ill-informed cultural stereotypes of India. Indians are supposedly lazy, religious, fatalistic, other-worldly, corrupt, poor, inefficient, unreliable and fertile.<sup>33</sup>

1.42 The lack of interest by Australians at large in India has been described in terms of India's failure to grab our imagination.<sup>34</sup> Again the comparison with China emerges:

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<sup>30</sup> *ibid.*, p.809

<sup>31</sup> *ibid.*, p.5

<sup>32</sup> *ibid.*, p.6

<sup>33</sup> *ibid.*, p.332

<sup>34</sup> *ibid.*



Because of the common language, Australians assume they know all they need to know about India. They tend to neglect the study of language, culture and society that they realize is necessary in dealing with countries like Japan, China or Indonesia. ... Too few Australians have been able to distinguish India's new social and industrial formations... China's experience, on the other hand, caught the popular imagination: 25 years of isolation suddenly ended with the dramatic curtain-raising of the mid-1970s... Australians looked on China with new eyes... India has not produced the cataclysms and the mystery necessary to capture the attention of Australians.<sup>35</sup>

1.43 The Melbourne South Asian Studies Group was critical of the Australian media for its approach to India. Part of the reason, they said, for the credulousness of the stories about Indian naval expansion and some threat to Australian interests was that 'no Australian media outlet, except the ABC, keeps a correspondent in the South Asian region'.<sup>36</sup>

1.44 The Australian media were seen as relying too heavily for Indian coverage on British and American news agencies. The 'overworked' ABC office in New Delhi was described as 'hard pressed' to keep up with all of the news while the rest of the Australian media 'rarely get beyond sensational political or disaster stories'.<sup>37</sup>

1.45 Professional educators who presented submissions to the Committee, while admitting a vested interest in the expansion of Indian studies, sketched a picture of declining interest in South Asian studies in their institutions (both funding and enrolments) and a lack of interest by public corporations and government in exploiting their expertise.<sup>38</sup> The 1989 Ingleson Report on Asian studies in Australian higher education<sup>39</sup> reportedly found that South Asian subjects had been reduced by 25 per cent and enrolments had fallen by a third in the preceding five years.<sup>40</sup>

1.46 According to one academic source, the Ingleson Report itself failed to pay sufficient attention to South Asia and was criticised by the Asian Studies Association for this oversight.<sup>41</sup> Another academic source predicted that by the year 2010, the existing pool of South Asian expertise in Australia will have been lost if new measures are not introduced soon to maintain current levels, let alone build for the future out of recognition of India's growing importance.<sup>42</sup>

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<sup>35</sup> *ibid.*

<sup>36</sup> *ibid.*, pp.336-337

<sup>37</sup> *ibid.*

<sup>38</sup> *ibid.*, pp.8-9, 333, 337

<sup>39</sup> *Asia in Australian Higher Education: Report of the Inquiry Into the Teaching of Asian Studies and Languages in Higher Education*, submitted to the Asian Studies Council, January 1989

<sup>40</sup> *Evidence*, p.337

<sup>41</sup> *ibid.*, p.19

<sup>42</sup> *ibid.*, p.470

1.47 A number of submissions assessed the level of knowledge of India in the Australian Government and public corporations — both in the general cultural and social sense as well as in the hard-nosed commercial sense — as inadequate.<sup>43</sup>

1.48 Having experienced a certain frustration in trying to get a clear picture of the more complex aspects of the India/Australia economic relationship from some of the submissions, the Committee was left of much the same opinion — that expertise on India in Australia was at best fragmented between government departments and tertiary institutions or, from a less charitable perspective, simply not comprehensively developed and maintained.

1.49 On the other side of the Indian Ocean, there may be an equal lack of knowledge of Australia. According to some submissions, attitudes to Australia in India are not highly developed.<sup>44</sup> The Indian public's knowledge is for the most part confined to awareness that we play cricket and that some of our television programs and films are worth watching. Beyond this, the Indian business community and Government have felt little need to consider Australia because they felt we had little to offer them.

1.50 The Committee accepted that there had been a high state of ignorance or neglect of India in Australia. At the same time the Committee sought to review critically the limits to our financial resources in terms of funding new initiatives to redress Australia's neglect of India. India was clearly going to be more important to Australia in the future but would it be sufficiently important to warrant a significant diversion of resources?

### **The Bilateral Relationship**

1.51 Alfred Deakin, before he became Prime Minister of Australia, wrote a book entitled *Irrigated India*, in which he noted that:<sup>45</sup>

...the future relations of India and Australia possess immeasurable potencies. Their geographical proximity cannot but exercise a very real and reciprocal influence upon the forces of national life in each.  
(*London 1893, p.vi*)

1.52 Australia opened an official mission in New Delhi in 1944, three years before Indian independence. At the end of the war, the Premier of New South Wales, Bertram Stevens, sought to establish close commercial links seeing Australia's future as 'bound up inextricably in terms of trade and full employment in the extent to which they [the Government, businessmen and people as a whole] participate in the task of raising the standards of life in India and other eastern territories'.<sup>46</sup>

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<sup>43</sup> *ibid.*, pp.10, 283, 298, 338

<sup>44</sup> Dr J.C. Masselos, *Submission*, p.4

<sup>45</sup> As quoted in the submission of Dr Masselos, p.7

<sup>46</sup> *ibid.*, quoting from *New Horizons*, Sydney, 1946, pp.24-25

1.53 In the post-war period, these sorts of visions have not been fulfilled. Australia, under the Prime Ministership of Sir Robert Menzies, had an uneasy relationship with India, led by Jawaharlal Nehru. In the atmosphere of the Cold War, Australia could not come to terms with India's policy of non-alignment, particularly since Australia was fully committed to the Western alliance under the leadership of the United States. The view that India was not committed to the cause of anti-communism contributed to a lack of enthusiasm on Australia's part in any expansion in relations.

1.54 From India's viewpoint, Australia was seen as little more than a satellite of the United Kingdom and the United States. Moreover, India regarded Australia as irrelevant to its interests. The fact that Australia's immigration policies for many years discriminated against Asians contributed to a cool relationship. The aid that Australia gave India in these years at times of natural disasters and under the Colombo plan did not have a substantial impact on relations. Australian support for India in its border conflict with China in 1962 led to a noticeable warming in relations at that time.

1.55 The McMahon, Whitlam and Fraser Governments made some advances in Australia/India relations in the early 1970s, represented by agreements for cooperation in the fields of culture (1971), science and technology (1975) and trade (1976).<sup>47</sup> There was not much follow-up to these initiatives however. Prime Ministerial visits did occur in both directions but usually in connection with Commonwealth Heads of Government meetings.

1.56 Visits to India in 1985 by the Australian Foreign Minister (May) and the Minister for Trade (October) gave the relationship its first real impetus, resulting in an agreement to form a Working Group on Mining, Minerals Processing and Heavy Engineering as the first step towards the creation of an Australia-India Business Council.<sup>48</sup> In that year, Australian exports to India grew across most categories, resulting in an increase in total exports compared with 1984 of 165 per cent.<sup>49</sup>

1.57 In May 1986, Indian Prime Minister Gandhi's former senior economic adviser, Mr L.K. Jha, visited Australia to prepare the ground for Gandhi's visit later in the year and the Minister for Steel and Mines, K.C. Pant (later the Defence Minister), visited Australia in July 1986. In October 1986, Gandhi's visit resulted in agreement on moves toward long term economic cooperation through initial cooperation in selected areas. The Australia-India Business Council was set up; a revised agreement on cooperation in science and technology was signed; a high level officials' group to monitor expansion of relations was formed; and agreement was reached on the possible formation of a Joint Working Group on Coal.<sup>50</sup>

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<sup>47</sup> *Evidence*, p.788

<sup>48</sup> *ibid.*

<sup>49</sup> *ibid.*, p.305

<sup>50</sup> *ibid.*, p.789

1.58 In 1987, there were some brief Indian Ministerial visits to Australia and none in the other direction. In November 1988, a visit by Australia's Minister for Primary Industry and Energy, Mr Kerin, facilitated negotiations on the sale of Australian coal to India and provided the opportunity for discussions on cooperation in food processing, agricultural science and animal husbandry. Mr Kerin was accompanied by Australian business representatives with interests in India.<sup>51</sup>

1.59 A Joint Ministerial Commission was agreed during the visit to India by Prime Minister Hawke in February 1989 and both sides undertook to increase the pace of ministerial level exchanges.<sup>52</sup> The Foreign Minister visited India in June 1989 to formalise some of the matters agreed during the Prime Minister's visit, including a \$35 million bilateral aid program, and to hold discussions on some important trade issues, including tariffs. Agreement was reached on a new round of negotiations on double taxation arrangements and, after three years of discussing it, on the establishment of a Joint Working Group on Coal.

1.60 The inaugural meeting of the Australia-India Joint Ministerial Commission was held in July 1989, with the Indian Minister for Commerce, Mr Dinesh Singh, leading his country's delegation. By the end of 1989, a number of forums existed for business and government to promote trade.

## **Aid**

1.61 When Australia began its international aid program in 1951, India received a bigger share than any other country but in recent years aid to India had been maintained at only a very modest level, for example, only \$2.8 million in 1987-88. The new development assistance program announced by the Prime Minister during his visit in February 1989 proposed a \$35 million line of grant aid over three years beginning in 1990-1991 for development projects, with a focus on the promotion of mutual economic links in which Australia has expertise and comparative economic advantage. An Australian aid reconnaissance mission has visited India and it is envisaged that the program will focus on telecommunications, energy and mining exploration technology (including environmental management aspects), food storage technology, food processing technology, and railways.<sup>53</sup> The existing country program (\$325,000 in 1988/89) provided in that year for training (\$155,000), a plant quarantine project and a solar cell development project (\$64,000), and a Small Activities Scheme (\$100,000) which provides funds for relatively small, but effective aid activities.<sup>54</sup> Total Australian Development Assistance for 1988-89 was \$8.4 million.<sup>55</sup>

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<sup>51</sup> *ibid.*

<sup>52</sup> *ibid.*, p.790

<sup>53</sup> Department of Foreign Affairs and Trade, *Trade and Commercial Development Program for Australia in India*, June 1989, p.6

<sup>54</sup> *Evidence*, pp.800, 823

<sup>55</sup> *Australia's Overseas Aid Program 1989-90*, Budget Related Paper No.4, p.34

1.62 As of June 1989, five projects in India were under consideration for financial support from the Development Import Finance Facility (DIFF), which provides non-programmable grant aid funds to be used with commercial export finance either as a mixed credit or in a single concessional loan to government buyers of Australian capital goods and services for approved projects. The Government will fund between thirty-five per cent and fifty per cent of the cost of a project. The Australian Government sees DIFF as a strategic and cost-effective official mechanism for enhancing Australia's commercial profile in India.<sup>56</sup>

1.63 Australia also provides aid to India through multilateral agencies, such as the International Development Agency or the World Bank; and through community groups in Australia, such as Community Aid Abroad. Overall, though, India has ranked lowly in Australian aid priorities in recent years, coming behind countries such as Mozambique and Egypt in terms of Australian Overseas Development Assistance.<sup>57</sup>

### Cultural Relations

1.64 The level of Australian Government sponsored cultural activity with India is modest by comparison with Australian programs with China, Japan or Indonesia and is about the same as the programs with the other ASEAN countries and the USSR. The funding (\$85,000 in 1988/89) is seen by the Australian Government as 'seed money for the establishment of institutional links promoting Australian literature and the arts, and Australia's excellence in scientific and technological areas'.<sup>58</sup> The money spent in this area is also intended to create an awareness of Australia as a sound economic partner.

1.65 According to the Department of Foreign Affairs and Trade, India expects Australia to do more in the area of cultural exchange, especially in the promotion of Indian studies in Australian tertiary institutions.<sup>59</sup> The Department appears to see the Indian view as somewhat less pragmatic and more idealistic than our own, which it described as 'simply...a support measure for other national interests'<sup>60</sup> — presumably economic.

1.66 In 1988, the Australian Government set up a Coordinating Group to facilitate marshalling of resources within Australia and to ensure that any party with a related interest, especially trade interests, gets full benefits from any cultural exchange. The Group includes representatives of relevant Federal Government agencies, the Business Council, and the International Development Program of Australian Universities and Colleges.<sup>61</sup>

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<sup>56</sup> *Evidence*, p.804

<sup>57</sup> *Australia's Overseas Aid Program, 1989-90*, Budget Related Paper No.4, p.34

<sup>58</sup> *Evidence*, p.800

<sup>59</sup> *ibid.*, p.801

<sup>60</sup> *ibid.*

<sup>61</sup> *ibid.*

1.67 The Department of Foreign Affairs and Trade is looking at the feasibility of new funding measures that will tap into private sector resources for a general sports exchanges program which is expected to have special value in Australia's relationship with India. It is intended in part to support trade linked opportunities.<sup>62</sup>

1.68 The sports contacts between India and Australia, mostly in cricket and to a lesser extent hockey, have probably been the first point of reference for many Australians about modern day India. The Western Australian Chamber of Commerce and Industry has realised the potential to build on this in support of a general expansion of cultural and commercial contacts.

1.69 It is not unusual for large Indian companies to support their own cricket teams. To exploit the commercial value of this, the Western Australian Chamber of Commerce and Industry, in cooperation with the State's Cricket Association, sought to strengthen cricketing ties between the Indian state of Tamil Nadu and Western Australia. The M.G. Kailis Group of Companies is the Australian sponsor of the M.G. Kailis/Chemplast Cup played between the Tamil Nadu and Western Australia cricket teams. The Indian sponsor is Chemicals and Plastics India Pty Ltd, which is part of the large Sanmar Group.

1.70 According to the Western Australian Chamber of Commerce and Industry, the activities associated with preparing for the Cup have led to strong personal business connections and the opening of a range of communications channels on other matters.<sup>63</sup>

### **Science and Technology Cooperation**

1.71 The main activity under the Science and Technology Cooperation Agreement with India is collaboration on research projects and the main area of government expenditure is on travel funds to support this collaboration. Twelve grants were made between June 1987 and March 1989, comprising ten visits to Australia by Indian researchers and two in the other direction by Australian researchers. Funding of institution to institution links, for which the Agreement provides, has not been possible because of resource constraints.<sup>64</sup>

1.72 In April 1987, senior officials from both governments agreed on a number of areas for possible development of large scale cooperative projects between counterpart institutions or enterprises in each country: space, meteorology, marine science, geoscience, biotechnology and materials science. The most promising area of scientific cooperation so far has been the solar cell project referred to above which aims to manufacture under licence in India high quality solar cells developed by the University of New South Wales. The Indian partner is a commercial firm, Central Electronics Limited, as opposed to a research organisation.<sup>65</sup>

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<sup>62</sup> *ibid.*

<sup>63</sup> Western Australian Chamber of Commerce and Industry, *Submission*, p.14

<sup>64</sup> *Evidence*, p.641

<sup>65</sup> *ibid.*, pp.641-642

1.73 The Department of Industry, Technology and Commerce saw the Cooperation Agreement and related activities as useful support for the promotion in India of Australia's technological capability in selected commercial sectors. The Department's submission suggested that the Australian Overseas Information Service 'could play a significant role' in this area, but warned that Australian efforts would need to be carefully assessed because the links between the scientific community and business in India were relatively weak.<sup>66</sup>

1.74 The CSIRO Office of Space Science and Applications has been working to develop cooperation in remote sensing for commercial and scientific applications. This was one of the areas identified in the senior officials' talks in April 1987. The CSIRO is interested in a project which would produce a jointly built Australian-Indian remote sensing instrument to be carried into space in 1993. The funding level required would be, according to the submission, \$10 million over three years. The advantages to Australia from this project would be to exploit India's well developed expertise in space applications, especially long distance telecommunications, in remote sensing for renewable and natural resources, and in meteorological studies. In return, Australia could offer expertise in infra-red techniques for remote sensing. The similarities between the two countries in size, climate and resource management problems were advanced as strong arguments in support of such collaboration.<sup>67</sup>

1.75 An unusual feature of the CSIRO submission was that it was one of the few that explicitly recognised India's technological advancement.

### **Immigration**

1.76 Immigration to Australia from India has not played a major part in determining the agenda for the bilateral relationship and the local Indian community has not sought to lobby the Australian Government on our policy toward India. The 1986 census recorded 47,816 Indian born people in Australia, with the highest concentrations in New South Wales (14,617) and Victoria (14,535). The second wave of Indian immigration to Australia after the War occurred in the late 1960s when Australia was in need of doctors, engineers, teachers and other professionals. Interest in migration to Australia remains high in India, with an increase in formal applications over the last two years of more than 100 per cent.<sup>68</sup>

### **Conclusion**

1.77 Through the course of its inquiry into Australia's relations with India, the Committee became even more convinced of the need for the inquiry. While government departments were prepared to admit that the relationship between India and Australia had been one of 'shameful neglect' or 'benign neglect', there

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<sup>66</sup> *ibid.*, p.643

<sup>67</sup> CSIRO Office of Space Science and Applications, *Submission*, pp.1-2

<sup>68</sup> *Evidence*, p.802

was little evidence of a strategic change of direction similar to that undertaken by Australia in respect of China in the 1970s. Hiatus seemed to characterise many aspects of the relationship and follow-up to initiatives was often missing.

1.78 There appeared to be elements missing from the decision-making processes in a range of public bodies in Australia. There was little forward thinking: what will India be to Australia in the year 2000? How far might the economic opening up that has only just begun proceed by the year 2000? How can we harness India's strategic weight to our advantage in the next century?

1.79 There appeared to be a weak institutional memory and little empathy with Indian culture in Australian Government departments. The submissions from businessmen and academics who know India well showed a richness of detail which made their arguments all the more convincing. By contrast, there appeared to be a certain lack of colour and an unnecessarily narrow focus on government activities in the submissions from government departments.