

CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

Main Findings

6.1 Relations between Australia and India have made important advances since the beginning of the Committee's inquiry in September 1988. Prime Minister Hawke visited India in February 1989, and there have been a number of other ministerial level visits in both directions. A joint Ministerial Council has been established and the Australia-India Business Council (established in 1986) has established a broad range of new contacts. Several intergovernmental agreements have been signed and Australia has pledged \$35 million over three years in aid to India for projects with significant Australian commercial involvement. Australia's Chief of the Naval Staff visited India in March 1990.

6.2 In September 1989, the biggest ever single business deal between Australia and India was signed. It was a commercial contract for the construction of an open-cast steaming coal mine in Piparwar (Bihar State) between White Industries Limited and Coal India Limited. The total value of the contract is \$500 million, although the returns to Australian industry in goods and services will be about \$150 million over several years. The Australian Government has provided \$61.5 million in grant aid and additional financing support in a loan of \$140.1 million.

6.3 Nevertheless, during 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 was little evidence of a subsequent sustained, strategic change of direction similar to that undertaken by Australia in respect of China in the late 1970s. A state of hiatus seemed to characterise many aspects of the relationship and follow-up to initiatives was often inconsistent.

6.4 There appeared to be elements missing from the decision-making processes in a range of public bodies in Australia. There was little forward thinking: for example, 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?

6.5 Comprehensive estimates of India's national economic position or military position in the next two decades were not provided in the submissions received by the Committee. Assessments were most often limited to general observations about India's growing economic power and growing military capability in the next few years. One submission did provide projections of India's naval capability into the first decade of the twenty-first century. There was little comparison made

between India's likely international significance and that of other major powers such as China. For the most part, the Committee was left to its own devices to make the central strategic judgement from which most public policy decisions on India would flow — the likely importance of India to Australia in the longer term.

6.6 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 commitment and an unnecessarily narrow focus on governmental activities in the submissions from government departments.

6.7 With respect to trade policy (*Part A of the Terms of Reference*), the Committee believes that relations between Australia and India are underdeveloped in a number of areas. Trade performance in both directions is volatile and patchy when analysed from the point of view of broad categories of traded goods and their dollar values. There would appear to be considerable potential for Australia to increase its exports to India given the general opening up of the Indian economy and the clear priority given to development of industries of it in which Australia is internationally competitive. There may be some potential for India to increase its exports to Australia.

6.8 However, the pace and scope of liberalisation of the Indian economy over the next few years will need to match that of recent years if there is to be a sustained expansion of trade. The flattening out in the growth rate of Australia's exports to India across the board in the last two financial years is of serious concern. The Australian government may have to devote special attention to convince India of the value to it of a continuation of the opening up of the Indian economy. Australia will also have to watch for any signs of a return by India to a more closed economy under pressure from nationalist elements of the new Indian government.

6.9 The Indian market has unique features which create special needs for any Australian company trying to sell into it. Above all, India's large public sector purchases of Australian exports and its unique business culture appear to demand considerably greater efforts and local expertise than some other markets. Significantly enhanced market intelligence will play a central role in any expansion of trade with India.

6.10 The Committee strongly supports the views that education of Australian businessmen and officials in Indian affairs has an important role to play in further development of trade and that too much direct government participation in the actual business function should be avoided.

6.11 There are few signs in the short term of a significant expansion of Australia-India trade. The Committee has therefore directed its recommendations towards helping put Australia in a better position to compete in the longer term.

6.12 The main sector in which Australia is likely to be competitive will probably be in high technology (including consultancy or management services) associated with resource exploitation. The Indian Government certainly gives a high priority to imports in these areas. There appear to be few opportunities for export of consumer goods in the Indian market and Australia, on current assessments, cannot hope to compete significantly in non-resource based manufacturing. Niche market opportunities will present themselves to the astute exporter but these are unlikely to figure highly in the overall value of Australia-India trade.

6.13 Some general advice offered by AUSTRADE in its last Annual Report to Australian exporters is, in the Committee's opinion, particularly pertinent for the case of India. AUSTRADE advised Australian companies to think increasingly in terms of strategic alliances, joint ventures, international sub-contracting and similar approaches to reduce the magnitude of the competition, to spread the risk of capital expansion and technological development, and to capitalise on knowledge and skills bases, wherever they are available.¹ As one AUSTRADE study found, most of the top thirty exporters of the 249 applicants for the 1988 Export Awards had some sort of market presence in the tougher markets of Japan, West Europe and North America, which was seen as giving them the credibility as suppliers that buyers were after.²

6.14 With respect to security issues (*Part B of the Terms of Reference*), the Committee found that India's military power in the next two decades would be substantial and, therefore, sufficient to make India an important target of Australian study and diplomatic activity. India does not, in the Committee's view, represent a direct threat to Australian security interests or those of our Southeast Asian neighbours. As to the future, there is no evidence and little conceivable basis for India to develop an intent to threaten Australia's security interests or those of our neighbours. Nevertheless, Australian and regional security would be affected by India's development of a nuclear capability and an intercontinental missile capability, albeit limited.

6.15 Perceptions of a potential threat from India — which have been expressed by Australia's neighbours and some sections of the Australian community — also affect Australia's security policy, particularly its diplomacy and public presentation. Authoritative studies of India's actual and potential military capability should play an important part in the Australian Government's dealings with concerned neighbours and with concerned sections of the Australian community. Such studies would also fulfil the normal government requirement for long-term assessments of the military policies of powerful and relatively proximate nations.

¹ Australian Trade Commission, *1988-89 Annual Report*, p.17

² Speech by Mr W.D. Ferris, Chairman of AUSTRADE, at the *Australian Financial Review* conference on *Industry Policy and the Hawke Government* in Sydney, 14 July 1989

6.16 As far as South Asia is concerned, India is already the predominant military power there. Its military capability is very powerful compared with that of its South Asian neighbours.

6.17 The continued expansion of India's military capability over the next decade will probably reduce not only the security of India's neighbours but also that of India itself as its neighbours respond to the military build-up. There are also grounds for concern about India's views of its role as regional policeman and the degree to which coercion enters its calculations of enforcement.

6.18 The Department of Defence presented the following views of India's military power in the future:

Its enhanced maritime power will assist in ensuring that India's views are given full weight in regional decision-making, further its political and economic interests in the region, and may increase its influence over many of the Indian Ocean littoral states.³

The influence flowing from India's possession of significant maritime power could, in the longer term, enable it to resist increases in the presence of external powers in the Indian Ocean...⁴

Australia's area of direct military interest — while encompassing the more proximate eastern part of the Indian Ocean — does not overlap the areas in which India could be expected to exert strategic influence or maintain an effective maritime presence.⁵

There is a difference between wider naval operations for essentially international relations purposes, and a capability for sea control or sea denial operations. For the foreseeable future, the latter capability for India is likely to be restricted to the area proximate to the subcontinent.⁶

6.19 The Committee endorses these assessments, particularly the last assessment: India's military power is unlikely to have much effect outside the South Asian region, beyond protection of India's territory in the Nicobar and Andaman Islands. The Committee has reached this view on the basis of assessed limits to India's defence expenditure in the next decade, India's continuing preoccupation with South Asian military problems, India's poorly developed military logistical system (especially naval), and the lack of Indian interest to date in military activity outside its immediate region.

6.20 At the same time, the Committee accepts the view that India's industrial and technological potential could — in theory — easily be geared up over a decade or so to support a more aggressive military policy. Australia should be alert to this possibility — but no more so with India than with any major country of Asia.

³ *Evidence*, p.223

⁴ *ibid.*

⁵ *ibid.*, p.225

⁶ *ibid.*, p.234

6.21 The Committee does not accept that India has shown significant indications of a move towards an aggressive expansionist military policy. In fact, India has done far less in terms of military development and actual use of force in the last decade than China, and China's military posture has, for some time, not been regarded in the Australian community as a threat to regional stability or Australian security interests.

6.22 India does have the technical and financial resources to develop nuclear armed ballistic missiles. However, the Committee believes that any decision by India to deploy such a capability would not add significantly to the attention Australia should give to India. The Australian Government already devotes considerable time and resources to monitoring the military and foreign policies of India and to registering our concerns about nuclear weapons proliferation.

6.23 The Australian Government should watch for any significant development of power projection doctrine, capability or logistic support.

6.24 Yet the Committee notes that India and Australia are on friendly terms. Australia should not allow public misperceptions of India's defence capability or intentions to cloud relations. Moreover, Australia should seek where possible to develop defence contacts with India, especially where there are shared interests, such as the security of sea-borne trade.

Public Policy and India

6.25 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 military 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.

6.26 Given the well documented neglect of India by Australia, and the declining position of Indian studies in our universities, the Committee believes that public policy in Australia should, in coming years, devote more attention to India to compensate for past neglect and build for the long term future. The ability of government and the private sector to respond to India will depend on the Indian expertise of their employees. In this regard, the Committee notes a conclusion of the 1989 Ingleson Report that Asian studies in Australian universities are in a generally poor state.⁷

6.27 A major determinant of priorities for forward planning should be the assessment of what is likely to be most important to Australia in coming decades. Until now, India has ranked well behind Japan, the United States, the European Community, China and South East Asia in Australian foreign, defence and trade policy. For a number of fairly obvious reasons, India is unlikely to displace any of the traditional, high priority targets of Australian interest — major

⁷ *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, para. 7.2

trading partners, major allies, or neighbouring countries. At the same time, the Committee concluded that India — in the next two decades — will be of sufficient importance to warrant its elevation to approximately the same rank as China or South East Asia. Japan, the United States and the European Community will remain of significantly higher importance.

6.28 The main reason for the Committee's conclusion about the increased importance of India in the future is a simple one — in a more multi polar world, any country with power such as India will possess, and in such relative proximity to Australia, should be the object of active diplomacy and commercial engagement.

Recommendations

6.29 The Committee recommends attention to four broad areas of public policy:

- education;
- information;
- government support for trade; and
- diplomacy.

Education

6.30 The Committee accepts the view of the Asian Studies Association of Australia that 'Far too few Australians have a developed understanding of the modern Indian nation-state'.⁸ The Department of Defence acknowledged this to a point:

...we could not put together a team from Defence of experts on India. I would doubt that we would be able to do so in the foreseeable future, nor would we see a need to do so.⁹

6.31 To redress this ignorance, it would obviously be easy for this Committee to recommend immediate allocation of greater resources to Indian oriented concerns, with no reference to competing pressure for resources to be directed towards other countries. The Committee is acutely aware that resource availability is finite and that priorities in public policy must be set.

⁸ *Evidence*, p.382

⁹ *ibid.*, p.236

6.32 The Committee is in no position to repeat the research and analysis of the Ingleson Report but the Committee does note that this report has been criticised for its neglect of Indian and South Asian studies.¹⁰

6.33 With due regard for the above considerations, the Committee recommends the establishment of an Indian Studies Centre to provide advanced academic study of a range of Indian related disciplines. The development of this Centre should be based on a thorough analysis of the needs of the Australian Government and the business community. In establishing the Centre, the Committee recommends maximum use of existing academic resources. In particular, an Indian Studies Centre should overcome the existing problem of loss of institutional memory on India as individual universities change their priorities away from Indian studies or as Australia's older academics specialising in India retire. Such a Centre would become the country's register of expertise on India in other Australian institutions or enterprises.

6.34 The Committee believes that future development of Asian studies in Australia should recognise the need to pursue a two-track approach — the first involving support for advanced studies in humanities (history, literature, languages, arts and social sciences); the second involving support for commercially related, applied studies. Government, educational institutions, and the commercial sector should work actively to develop the two elements in tandem, with a creative and innovative approach to promoting interaction between the academic and applied streams. Studies in support of trade and collection of basic data on Australia/India trade should be an important part of the Centre's activity.

6.35 The Committee believes that the long-term funding of an Indian Studies Centre should be undertaken on a partnership basis between government and commercial enterprises, particularly large public corporations. The relatively new Australia-India Business Council may be able to play some role. In fact, the development of an education policy, duly accompanied by appropriate funding, could be regarded as an integral part of the Council's trade promotion program.

¹⁰ The reasons for the strong emphasis in the Ingleson Report on Japanese, Chinese and Indonesian studies compared with the almost total neglect of South Asian studies has been explained as follows. The situation in which Australia finds itself in respect of the study of countries such as Japan, China and Indonesia — which are *now* of vital interest to us — is so desperate that a great deal of urgent catch-up work needs to be done. Therefore, since India's importance to Australia is more a long-term issue, the Ingleson group was directed in its original guidance from the Asian Studies Council along the lines that increased attention by Australia to India should not be at the expense of urgent expansion of interest in the countries which are now very important to us and which will continue to be so. The Ingleson Report did make worthwhile recommendations in terms of maximising the efficiency of resources currently devoted to teaching Hindi but there are few additional specific references to South Asian studies.

6.36 The Federal Government as an important user — at least in theory — of expertise on all of Australia's major Asian neighbours should take a strong lead in developing a more solid basis for future Australian knowledge and study of India. The Committee believes that the Australian Government should, through relevant organisations such as the Asian Studies Council, commit itself to strong funding support for an Indian Studies Centre for an initial fixed term such as five years. The main user departments, such as Foreign Affairs and Trade, Defence, and the Office of National Assessments, must have training and information requirements that an Indian Studies Centre would satisfy and which are not now being fully met.

6.37 The level of funding required would be several hundred thousand dollars per year over and above current costs of existing Indian studies courses in the universities. The Committee believes such a funding level could be easily met within existing levels of appropriations by the relevant departments through minor adjustments in priorities.

6.38 The Committee envisages a need for the development of innovative funding and endowment arrangements for a new Indian Studies Centre. The provision of direct commercial support for specific specialisations in advanced study in the humanities in Australia is extremely underdeveloped, and, as a consequence, many areas of foreign commercial and government policy analysis suffer.

6.39 Companies with large commercial stakes in India, or even companies hopeful of a long-term future in Asia generally, would find it a drop in the ocean of their resource base to sponsor regular post-graduate awards for specialised study in commercially related fields. Moreover, the spin-offs in India to Australian companies being seen to sponsor Indian studies may be significant from a promotional point of view. If such awards were related to work-study arrangements for the recipients, Australian businesses might reap the rewards even more directly.

6.40 The ANZ Banking Group may consider membership on the management board of an Indian Studies Centre as a useful way to ensure the development of an adequate information base on India that businessmen can use, along the lines proposed by their representative at public hearings in Melbourne.¹¹ The ANZ Banking Group may well foresee other advantages in terms of personnel development for its Indian staff of Grindlays or Australian staff here in placing officers in the Indian Studies Centre on a regular basis to pursue commercially relevant academic research.

6.41 The mechanism by which a new Indian Studies Centre is created would be the concern of the relevant organisations but the Committee believes that a free-standing Centre, affiliated with a major university, would be the most desirable model. A new corporate body formed around representatives of major interested parties would appear to be the management arrangement most likely to guarantee long-term private sector funding (and use) of the Centre.

¹¹ *Evidence*, p.323

6.42 The initiative of interested universities in bidding for the new Centre would, in the Committee's view, be central to the success of the proposal. The Committee does not see the new Centre as a mere extension of existing undergraduate level studies currently offered in several universities, but the Committee does accept the thrust of the Ingleson Report's recommendation to rationalise existing resources in South Asian studies. A university able to share existing teaching and library resources, and able to offer additional physical space for a new Centre would probably have a distinct advantage over a university without these resources at present. The Melbourne South Asian Studies Group may wish to sponsor a joint development initiative between two or more universities.

6.43 The Committee is aware of the interest in the academic community and government in a broader South Asian perspective for a new Centre, so that it would include study of Bangladesh, Pakistan, and Sri Lanka, rather than focus exclusively on India. However, resource priorities would appear to exclude development of such a broad focus for a new centre. Existing discipline-based studies (such as political science or development economics) could be expected to provide some coverage. Foreign academic resources can also be relied upon.

6.44 The Committee believes that the study of India will of necessity generate some policy relevant study of broader South Asian issues. Australia should aim first to develop its Indian studies capacity and then, if resources permit in the longer term, consideration could be given to expanding into other South Asian studies.

6.45 No time should be lost in establishing the new Centre if it is to begin operating as a driving force in the development of Australian expertise on India, particularly in commercially related aspects. For this reason, the Committee does not regard it as premature for interested parties to begin studying and planning for the Centre immediately.

6.46 Apart from the creation of a new Indian Studies Centre, there are a number of avenues in the educating of Australians about India that the Committee believes should be pursued more vigorously. These include teacher and student exchanges, industry training in Australia of Indian nationals from Indian state corporations, conferences and symposia, trade union exchanges, and trade fairs.

6.47 The advancement of Indian studies in Australia could usefully be accompanied by increased support for Australian studies in India. Australian public bodies have some role to play here and, while needing to consider the prerogatives of the Indian Government, are free to undertake a range of initiatives.

6.48 The Committee believes that education policy in Australia has not kept pace with the increased Asian share of Australian trade, tourism, cultural exchanges and security preoccupations. In this respect, the Committee endorses

the recommendations of the Ingleson Report for an expansion of Asia related content in general curriculum design for humanities subjects at all levels of education.

6.49 One of the biggest obstacles to the fostering of advanced studies of Indian affairs, and Asian studies in general in Australia, is the lack of professional rewards available to people with advanced qualifications in the field. For example, people with Master's degrees or Doctorates in Asian studies can receive almost no recognition, compensation or employment in government or industry significantly different from that received by people without such specialist qualifications. Some Asian studies specialists are able to obtain employment in their subject areas for several years but are, for the sake of promotion, eventually forced to work in areas not specifically related to their field of expertise. At the same time, government and industry regularly observe a deficiency in Asian expertise within the country. The Committee therefore urges employers across the country to review their recruitment and incentives policies for people with specialist skills in Asian studies.

6.50 In particular, the expertise on India in government departments should be significantly upgraded and encouraged with appropriate incentives.

6.51 The establishment of an Australia-India Council, along the lines of the Australia-China Council, would be an appropriate mechanism to foster the development of the study of India in Australia in ways that are most responsive to broad community and governmental needs.

6.52 The Committee recommends therefore the immediate establishment by the Australian Government of an Australia-India Council. The aims of the Council would be to raise Australian expertise on India; to raise awareness of India in Australia and of Australia in India; to identify gaps in the relationship and focus attention on these through appropriate initiatives; and to organise support for and otherwise encourage a broad range of contacts between state and private organisations, governments, and people in the two countries.

6.53 The Council should initially comprise leading members of Australian business, academic and governmental organisations who have strong expertise in Indian affairs. The Council should be established by an Order-in-Council, with members to be appointed by the Governor-General, on the recommendation of the Minister for Foreign Affairs and Trade.

6.54 The earliest priorities of the Council should include the development of the Indian Studies Centre and a review of proposals for developing a broadly based, long term, mutually beneficial relationship between Australia and India by the end of the decade.

6.55 The Council would be responsible for providing some financial assistance to support innovative projects aimed at promoting longer term Australian goals with respect to India. In order not to dilute its resources or its goals, the Council should in the Committee's view support projects which are likely to have a "strategic" impact on relations between the two countries or on Australian

expertise on India. The Council could build on areas where cultural exchange already has a prominent profile as is the case with cricket. An eminent practitioner of the sport could be considered for a position on the Council.

Information Policy

6.56 The majority of submissions to this Committee bore testimony to the generally poor state of information policy in Australia where India is concerned. This has ramifications in several fields: intelligence, especially commercial intelligence; interdepartmental coordination; promotion of Australia in India and vice-versa; and keeping the public adequately informed.

6.57 The Committee found that the intelligence analyses presented to it, especially in the commercial sphere, were of variable quality and rarely addressed issues in an appropriately forward looking manner. There is almost certainly a link between the quality of the intelligence and the lack of support for advanced study of India in Australia. The unsatisfied demand in the business community for information and analysis on India, not only on future developments but also for basic data, is sufficient evidence in itself for this proposition. However, there was also evidence of a lack of rigour by government departments and authorities in development of consolidated, comprehensive analyses of key events in India of direct policy interest to Australia.

6.58 The Committee recommends that departments and authorities review their basic intelligence capability in respect of India. The Committee believes that the sort of information and analyses that government departments provided in submissions should already have been available in internal documents before the event and not been the object of a major research and writing task once the Committee called for submissions.

6.59 The Committee recommends that Australian Government departments regularly place in the public domain major assessments and information reports of a topical nature on the key countries of Asia. This already occurs to some extent through a variety of mechanisms, such as ministerial statements, answers to parliamentary questions, departmental information bulletins, and submissions to parliamentary inquiries. The interest shown by the general public through inquiries to this Committee's Secretariat for copies of departmental submissions is some evidence that public demand for certain types of assessments is not being met by other mechanisms. Assessments by the Department of Defence are in particular demand. Regular release of intelligence assessments of the security policies of our neighbours should make a worthwhile contribution to public attitudes and public debate on defence and security issues.

6.60 The Committee recommends that government departments review the degree to which their existing analysis of Indian politics, economics and defence policy provides an adequate basis for assessment of long term trends across the range of policy issues. In respect of trade, the Government's data base and analysis should be more responsive to the demands of business. In particular,

the Committee recommends that government agencies, universities and businesses review their information holdings on legal aspects of doing business in India.

6.61 AUSTRADE has made considerable advances in provision of market intelligence to Australian exporters in the last year through the establishment of a subscriber service computer data base, called TOP — Trade Opportunities, which incorporates not only information collected by AUSTRADE but also major international commercial data-bases. The Committee applauds such initiatives.

6.62 At the same time, the processed intelligence — the hard assessment of particular commercial issues — is something that cannot be provided by a fact based data system. Human resources and constant reassessment are central to good commercial intelligence. The Committee recommends that the government agencies assess the quality of their commercial intelligence services from that perspective.

6.63 Current government practice in filling most positions in the relevant departments is to assign non-specialist officers. Therefore, many officers who are tasked with writing major policy advice papers on India have learnt their subject almost exclusively from on the job training. This would not be a problem provided that daily work pressures did not prevent officers from devoting a substantial amount of time to in depth study of the subject. Such a situation does not, however, exist. The Committee believes that generalist analytical and writing skills are not an adequate substitute for deep knowledge of the country involved — in this case India. The lack of in depth knowledge results in papers which are largely descriptive of the past and which appear to lack the confidence to be appropriately forward looking.

6.64 Given the relatively undeveloped state of expertise on India in the relevant areas of government departments, the Committee recommends that departments institute a system whereby major assessments or policy papers would be subject to critical appraisal by at least one external expert. The establishment of a working relationship between government departments and experts — who could be given appropriate security clearances — is a normal practice in the United States and the United Kingdom.

6.65 With respect to interdepartmental coordination of information policy, the Committee is aware of steps currently underway to overcome previous deficiencies. A regular meeting of desk-level officers has been convened. This should have been normal practice.

6.66 The Committee also regards as unacceptable the practice whereby one government department seeks to publish a major document on a subject as important as foreign trade or foreign relations without first incorporating the information or assessments that all other key departments, or the relevant diplomatic missions overseas, might have to offer. The decision by the Department of Foreign Affairs and Trade to publish its *Trade and Commercial Development Program for Australia in India* independently from and ahead of AUSTRADE's proposed *Market Development Plan* strikes the Committee as

undesirable. The lack of regular access of AUSTRADE officials to briefing papers prepared in government departments is also a matter of concern to the Committee.

6.67 The Committee does not seek to impose a bureaucratic solution to the problem of poor coordination of activity or information among government departments. The Committee does however make a strong plea for a more coordinated approach.

6.68 The effectiveness of the promotional activities of Australian companies or government departments must be disadvantaged by the poor state of Australia's information policy toward India.

6.69 The Committee notes the statement in the *Trade and Commercial Development Program for Australia in India* that an 'appropriate Australian Overseas Information Service (AOIS) program will be developed as an integral part of Australia's overall strategy'.¹² The Committee recommends that the relevant departments participate jointly in development of any AOIS plan for promotion of Australia in India. The Committee further recommends that AOIS activities in India be developed with the long term purpose of supporting Australian exports and not be devoted to support of broader goals of propagandising to Indians the quality and unique features of the Australian way of life. The Committee does not believe that Australia can afford to devote its information resources in India to the imitation of the cultural export policies of more wealthy countries, such as the United States, France or Canada.

Government Support for Trade

6.70 The Committee is strongly of the view that the main responsibility for development of export markets rests with the private sector. This view is based on the facts that the market-place decides and that business people are in the best position to respond to the market-place for their particular product. However, in the case of countries such as India, with a large public sector, the Australian Government has an important role as a facilitator.

6.71 Therefore, the Committee does see merit in the development by government agencies of marketing strategies built around the promotion of a wide range of particular sectors in India. At the same time, the Committee recommends that relevant departments, and AUSTRADE itself, could give more weight to sector specific strategies responsive to the global market-place in the development of country oriented strategies. The continued implementation over several years of a country specific plan in countries like India may not prove worthwhile in the longer term if the commercial prospects in the particular country for industries targetted in the country plan do not improve or even worsen. AUSTRADE has already made some progress in developing its sector export strategies, according to its 1988-89 Annual Report.¹³

¹² p.35

¹³ Australian Trade Commission, *1988-89 Annual Report*, p.7

6.72 Country specific trade strategies, like the one developed for India must avoid becoming prisoners of the bureaucracy that invented them. For example, the AUSTRADE estimate of July 1989 to the Committee that Australian exports to India have the potential to reach \$1 billion in a five year period appears to have been made more on the basis of the need to set some sort of target rather than on the basis of specific sector projections. Pursuit of poorly developed targets could well prove to be costly in terms of dollars spent and possibly in terms of opportunities missed elsewhere.

6.73 The Committee believes that the government function in support of trade must be based on maximum flexibility to respond to the specific demands of business as they arise in four specific areas especially: provision of commercial intelligence; liaison or dealing with state ministries or corporations in the host country on behalf of Australian commercial enterprises; export promotional activities; and provision of administrative support for Australian business people not yet acquainted with or established in the country concerned. The question of the long term desirability of government financial support for Australian exports through various rebate, loan or soft credit schemes is one which the Committee believes is worthy of thorough review.

6.74 Australia has come late to the opening up of the Indian economy and finds it hard to compete with countries, such as Japan or Canada, which can offer more attractive soft financing arrangements. The Committee is mindful of the cost to Australia in trying to compete.

6.75 One important function for AUSTRADE, and perhaps the ANZ Banking Group, in support of Australian exports to India may be active involvement in consortium development, especially in bringing together Indian investors, either state sector or private, and Australian businesses. AUSTRADE may well be the only Australian organisation, apart from the ANZ Banking Group, with sufficient exposure in India to set up long-term collaborations between Australian and Indian partners.

Diplomacy

6.76 Australia must recognise its own limitations in regard to its influence as a medium level power. Simply put, Australia must decide the relative priority it is to give to the fostering of Australian exports in comparison with the priority given to attempts to influence Indian thinking on its own security affairs. No other country will look to Australia's export performance in India but a number of far more influential countries, such as the United States and Great Britain, are already actively seeking to influence Indian economic and security policies in much the same directions as Australia. Australia must recognise the potential reactions it could generate by taking the moral high ground in relation to countries like India.

6.77 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.

6.78 The Committee recommends that in respect of countries such as India, which are not in Australia's area of primary strategic importance, the Australian Government should only develop a diplomatic position on their external policy or defence policy where there is a direct threat to our interests, such as that presented by nuclear proliferation,¹⁴ or a breach of international law. This would appear to be the practical implication of the comments of the Minister for Foreign Affairs, Senator Evans, in a speech on priorities in Australian foreign policy when he said:

priority in our foreign policy should be given to that which is not only important but achievable;...for a country of Australia's size and weight in world affairs...it is not wise to have exaggerated ideas of influence beyond our station...¹⁵

6.79 The submission to the Committee by the Department of Foreign Affairs and Trade was suitably modest in this respect. Nevertheless, at times the desire to lecture India on its economic and military policies appears to creep into Australian thinking. A tendency to blame the Indians for most problems in the relationship — in the absence of any real self-criticism of Australia's performance — is some indication of a disturbing sense of superiority adopted by some officials and other commentators who appeared before the Committee.

6.80 For this reason, the Committee recommends that Australian groups or government officials seeking to influence Indian thinking on major policy issues, either in the commercial or security spheres, give more attention to the commissioning of in-depth studies which could support the Australian point of view by demonstrating to the Indian side what might be in it for them. If Australia cannot produce such studies, it is unlikely to get much more than a polite hearing.

6.81 Specifically, 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 one problem mentioned in Chapter Two of this report: the claimed artificially high shipping rates charged by the state owned shipping line on the west coast of India. Another subject worthy of some study by the Australian Government for discussion with the Indian authorities would appear to be the proposal of AUSTRADE for the establishment of a line of credit with a designated Indian agency for a particular industry, such as the fishing industry. The line of credit, held for example by a development bank in India, would be used to allow individual Indian clients who may not have sufficient resources or credit rating

¹⁴ The Committee believes that it is of some concern to Australia foreign policy to attempt to dampen the tendency towards competition in defence between India and Pakistan especially in nuclear weapons

¹⁵ *Roy Milne Memorial Lecture*, 27 April 1989, reprinted in *Australian Foreign Affairs and Trade: The Monthly Record*, April 1989, p.142

acceptable to a foreign seller to purchase the imported items – the presumption being that the process of recovery on default would be easier for Indian authorities than for Australian exporters.

6.82 The Australian Government should ensure that the range of services that affect trade with India, including post and telecommunications, as well as visa arrangements for Indian businessmen are as well developed as resources allow. Some dissatisfaction with these services was made known to the Committee.

G.R. Maguire
Chairman