

Associate Paper

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The Australia-India Bilateral Relationship in 2017: Stable, Static and Newly Significant

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Key Points

- The Australia-India bilateral relationship has not developed consistently across foreign policy and economic processes in recent decades.
- Recent bilateral engagements endorsed or set in place by Prime Ministers Abbott and Modi, and taken forward by Modi and Prime Minister Turnbull include the Comprehensive Economic Agreement (CECA), the Civil Nuclear Co-operation Agreement and the Framework for Security Co-operation.
- Regional multilateral engagements, both shared and separate, show either little movement, are stable or are advancing.
- Significant outcomes of Turnbull's and Modi's meeting in 2017 were Australia's commitment to a framework agreement to join the International Solar Alliance, and the announcement of Australia's India Economic Strategy.

Summary

Following a brief summary of some successes and some landmark pitfalls in the Australia-India bilateral relationship that line its journey to the election of Prime Ministers Tony Abbott in September 2013 and Narendra Modi in May 2014, this paper draws on the relationship's state of play from their election to the present. Following the election of two leaders whose parties, the Liberal Party and the Bharatiya Janata Party (BJP) had been out of power for some years, commitments to strengthen the defence and security partnership, enabled by the Framework for Security Co-operation that was agreed upon in 2014 and

ongoing trade negotiations, followed. Malcolm Turnbull's election as leader of the Liberal Party in September 2015 saw programmes enhanced and new initiatives that extend both the bilateral relationship and create opportunities for new interactions in multilateral forums. The increasing recognition by Australia and India of the benefits that each has to offer has the potential to invigorate the relationship, a hope that was carried forward this year by the visits to India of the Australian Prime Minister and Foreign Minister.

Analysis

The Australia-India bilateral relationship has been largely a case of "one step forward, two steps back". Slow progress across widely different foreign policy and economic processes was interrupted by events including the Emergency declared by Prime Minister Indira Gandhi in the 1970s, Australia's sale of surplus *Mirage* jet fighters to Pakistan in 1990, India's nuclear tests in 1998 and Australia's reaction to those tests. Periods of strong relations included Prime Minister Malcolm Fraser's collaborative effort with Prime Ministers Desai and Mrs Gandhi to establish up Commonwealth Heads of Government Regional Meetings with small emerging Pacific Island states between 1978 and 1984, and the close connection between Prime Ministers Bob Hawke and Rajiv Gandhi in the 1980s. Hawke's and Gandhi's endeavours to conclude a development agreement for the Piparwar Coal Mine faded, and the 1996 "New Horizons" promotion exhibiting Australia across India co-ordinated by the Department of Foreign Affairs and Trade, was briefly effective, but a subsequent broad parliamentary enquiry acknowledged the underdeveloped state of the bilateral relationship.

Prime Minister Rajiv Gandhi's celebrated visit to Canberra in 1986 was not repeated by successive Indian leaders until Prime Minister Modi visited Canberra after the Brisbane G20 meeting in November 2014. This was a long drought, although high-level official visits, often annual, were put in place over the intervening years. The potential for trade, investment and business ventures were mooted but grew in intention rather than in practice while India's economic liberalisation developed from the early 1990s. India's bureaucracy, with its perceived less-than-friendly business image,¹ arguably defeated Australian political will, and the outcomes of these initiatives did not meet the ambitions of the joint statements. Australia's on-again, off-again agreement to sell uranium to India undermined progress between 2008 and 2011, and attacks on Indian students studying in Australia in 2009 were damaging.

The Current State Of Play

In 2014, the two newly-elected Prime Ministers, Modi and Abbot, added vigour to the lack of enterprise, even neglect, that had largely characterised the bilateral relationship. Australia's new Prime Minister restated that India was at the forefront of his country's international partnerships, building on the Strategic Partnership (2009) and the Framework for Security Co-operation agreed in 2014. India's Prime Minister stated in his speech to the Joint Sitting

¹ Sharma, A., 'Australia-India Relations: Trends and the Prospects for a Comprehensive Economic Relationship', *ASARC Working Paper 2016/2*, (2016), p. 3.

of Parliament in Canberra on 19 November 2014, that Australia was no longer at ‘the periphery of India’s vision but at the centre of its thought[s]’, an equally optimistic perspective.

For the first time, the Australian and Indian Prime Ministers undertook state visits to New Delhi and Canberra in the same year, underlining the potential depth of their countries’ strategic partnership and their intention to pursue converging interests, to “unlock” their economic potential, and building rapidly on the Comprehensive Economic Co-operation Agreement (CECA) that was signed in 2009 and launched in 2011. At that time newly significant, it endorsed potential benefits for both countries across a range of areas, notably not dissimilar to the bilateral agendas of earlier governments: similarly progressive but the completion of which remained a distant goal.

In mid-2016, Australia’s former Trade Minister, Andrew Robb, noted that while there were still some ‘big differences’ to overcome, the ‘long-awaited trade deal’, CECA, [could be completed](#) if both states made it a priority. There had been nine formal CECA talks between previous Australian and Indian Governments, and the present ones, the most recent having been held in September 2015. Difficulties remain, however, including – as expressed by India – a lack of equivalence in tariff structures, the disparity in market size, and Australian restrictions on, for example, the import of some agricultural produce, and the availability of migrant work visas. Similarly, tariff barriers and trade restrictions are faced by Australia – sticking points that are all too familiar to observers of Australia-India relations.

While Australian Trade Minister Steven Ciobo has noted that the CECA, or free trade agreement (FTA) negotiations, continue and remain in play, they proceed alongside participation with India in the Regional Comprehensive Economic Partnership (RCEP), which is an ASEAN-centred [proposal for a regional free trade area](#). RCEP would include the ASEAN member states and states that now have FTAs with ASEAN, including Australia and India, thus providing a further opportunity to collaborate, this time in a multilateral setting.

RCEP, however, again precedes the present Australian and Indian Governments. It has been in play since late 2012 and, while it also usefully forms part of a comprehensive strategy for lowering trade barriers and improving market access, it too will take time to make its effect felt. The signal on CECA by Prime Minister Turnbull (September 2015) and Modi at their April 2017 meeting was that, having missed its planned completion in 2015, a new round of negotiations should be scheduled. With its raft of problematic issues, the trade-offs will be interesting.

Turnbull, in an attempt to cut through the lengthy negotiations already underway, announced a significant new initiative in April 2017 during his meeting with Modi: the commissioning of an India Economic Strategy to identify for his government the economic opportunities that India presents for Australia and how Australia should approach them. Objectives have been framed and submissions from the public sought. The initiative will be further discussed.

While endeavouring to generate Indian interest in Australia and to better position itself as an interested partner, new Australian restrictions on entries under the 475 visa subclass that

were announced in May 2017 add to India's list of reservations about Australia, although they are also a reflection of Modi's own "Make in India" domestic employment strategy. Entry to Australia's workforce was already a problematic issue in the CECA negotiations and also mirrors a discussion that India will hold with the United States. President Trump's executive order in April this year to the Department of Homeland Security to review the way in which H-1B visas are awarded will possibly affect skilled Indians employed in the American technology industry. Trump's "America First" is thus [reflected](#), albeit to a lesser extent, in Prime Minister Turnbull's statement that '... Australian workers must have priority for Australian jobs'

Restarting India's interest, however, was its long-awaited first uranium import from Australia, which was shipped in July 2017. Uranium sales to India were an on-again, off-again issue that adversely affected India's relations with Australia over a lengthy period. First agreed to by Prime Minister John Howard, the agreement was revoked during Prime Minister Rudd's first tenure, reinstated by his successor, Julia Gillard, in 2012 and supported with a Civil Nuclear Co-operation Agreement framed by Abbott and Modi in 2014.

Abbott's and Modi's 2014 Australia-India Nuclear Co-operation Agreement laid the groundwork for uranium sales. Foreign Minister Julie Bishop, on tabling it, noted that it was a framework for greater co-operation on a range of nuclear-related areas and, among several anticipated outcomes, [flagged](#) a senior officials-level dialogue on non-proliferation and disarmament. The most recent dialogue was held in October 2016. The commencement of uranium exports lagged, however, while the Australian Parliament's Joint Standing Committee on Treaties, beginning its scrutiny in 2015, found difficulties around governance issues and consequent legal uncertainties and recommended that exports be deferred until the issues raised were addressed.

Those issues were resolved with the passage of the Civil Nuclear Transfers to India Act in December 2016. The Bill was introduced, had its first reading on 9 November and was [passed](#) by both Houses on 1 December. The Act, which clarified that nuclear transfers to India should meet Australia's obligations relating to the Nuclear Non-Proliferation Treaty (NPT) and the South Pacific Nuclear Free Zone Treaty, had bipartisan support from the major parties with little or no publicised debate, and the first shipment of uranium was despatched without apparent fanfare in Australia or India, in July.

While constituting a firm step towards India's recognition of Australia as a bilateral partner, the Act may remain contentious. India is not a signatory to the NPT while Australia is. Although Australia and other NPT states agreed to the waiver granted to India by the Nuclear Suppliers Group as part of the Indo-US Nuclear Agreement of 2008, India cannot attract sufficient support from the other NSG members, perhaps influenced by China, to be granted full membership of the group. At the NSG Plenary Session to be held in November 2017, with US and Australian support (which it has had before), India will make another attempt to gain entry.

Australia may be deemed to have overturned its long-held policy on uranium sales only to NPT-signatory countries and has left itself open to future demands for concessions. Pakistan, for example, a non-NPT signatory, also seeks NSG membership.

India, however, has gained much from the 2014 Nuclear Co-operation Agreement and the consequent Civil Nuclear Transfers Act of last year, leaving, despite caveats, newly-gained strategic goodwill to help Turnbull and Modi to carry the relationship forward.

Regional Multilateral Engagement

While both states find themselves engaged at multilateral tables, Australia and India have, in the past, found themselves with different approaches to, for example, smaller trilateral and quadrilateral proposals, vestiges of India's commitment to non-alignment and Australian prudence. Today, however, among other regional groupings, both countries are active members of the East Asia Summit (EAS). Turnbull and Modi noted in their April 2017 Joint Statement that both states have signed the September 2016 EAS Declaration on Strengthening Responses to Migrants and Trafficking in Persons, adding their agreement under its [auspices](#) to 'develop guidelines' to broaden their co-operation on humanitarian treatment of 'trafficked persons' and the prosecution of offenders 'consistent with both countries' sovereignty, international law and respective domestic laws'.

As welcome as this new commitment may be, Turnbull's and Modi's intentions to broaden their co-operation as stated may yet prove to be a lengthy process and be caught up in domestic migration policies.

Both countries' engagements with ASEAN are growing. At the ASEAN-India Joint Co-operation Committee held in June 2017, Turnbull announced an ASEAN-Australian Special Summit scheduled for March 2018.

RCEP, an ASEAN-centred proposal for a regional free trade area in which Australia and India are both engaged, has been discussed, and another shared venture, the AIIB (Asian Infrastructure Investment Bank) includes both Australia and India among its ever-growing regional and non-regional member states. A Chinese Government initiative, it began operations in December 2015, and aims to support the building of infrastructure in the Asia-Pacific region, thus opening opportunities for Australian and Indian ventures in infrastructure development, in their Smart Cities agendas and in Modi's "Make in India" venture.

Both countries are also engaged in the Indian Ocean Rim Association (IORA) and co-sponsored the Declaration on Gender Equality and Women's Economic Empowerment this year. IORA, reinvigorated under recent consecutive tenures of India and Australia as Chair, agreed to a new initiative at the recent Council of Ministers Meeting in March 2017. The IORA summit was the group's first attended by member state leaders including Turnbull, Indian Vice-President Hamid Ansari, and five other heads of state from among the twenty-one member countries. Their achievement, broadening IORA's areas of responsibility to include co-operation across the Indian Ocean to [counter terrorism](#) and violent extremism, was also given expression in the MoU exchanged at the Prime Ministers' April 2017 meeting. Titled 'Co-operation in Combatting International Terrorism and Transnational Organised Crime', these previously-explored fields indicate new collaborative ventures.

The Indian Ocean Dialogues also bring together the IORA member states among others, and first met in 2014 in Kochi, in 2015, and in Perth and Padang in 2016, bringing together officials, academics and strategic thinkers, again including Australia and India, to discuss from their perspectives, policy approaches to the Indian Ocean Region. While the multilateral groups referred to are not a complete exploration of their regional commitments, they reflect stable Australian and Indian multilateral engagement, evolving in line with the regional architecture.

The Australian High Commissioner to India, Her Excellency Ms Harinder Sidhu, speaking at The Institute of Peace and Conflict Studies' (IPCS) Twentieth Anniversary Plenum Series in November 2016, discussed the idea of the Indo-Pacific and [raised](#) new opportunities for Australia and India to work together 'in this new order'. Raising the argument that crises and transnational issues do not necessarily fall within a single region – SARS, the Zika virus and threats posed by terrorism, for instance – she proposed new networks of small group engagements, citing trilateral dialogues between the Australian, Indian and Japanese foreign secretaries.

In the main, however, small group engagements do not include both countries. Australia and India, for example, have separate dialogues with the United States and Japan. Australia had a leadership role in founding the MIKTA group of “pivotal powers” along with Mexico, Indonesia, South Korea and Turkey, that held its inaugural meeting in September 2013, but which does not include India, while groups in which India has shown leadership do not involve Australia. Those groups include SAARC (South Asian Association for Regional Co-operation), BBIN (Bangladesh, Bhutan, India, Nepal), BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Co-operation) and, arguably the most significant, BRICS (Brazil, Russia, India, China, South Africa).

To India's credit, it attended the September 2017 BRICS Summit in Xiamen, having led the diplomatic defusing of the confrontation with China at Doklam (in Bhutan) over an extension of China's One Belt One Road (OBOR) initiative.

While, as indicated, Australia's and India's small group engagements do not often overlap and are thus outside their bilateral or multilateral relationships, IORA's twenty-one members embrace Indian Ocean states whose priority areas of co-operation – trade, communication and security across the Indian Ocean – form one base on which the bilateral relationship rests. Both countries remain committed to their defence ties. Turnbull and Modi at their meeting re-endorsed long-held commitments to peace and prosperity in the Indo-Pacific, and recalled more recent ventures: the Special Forces Bilateral Exercise in October 2016, to be repeated this year, and anticipated the first bilateral Army-to-Army exercise to take place in 2018.

Indian Ocean naval bilateral collaboration with India has been less successful for Australia. Building on Indian Ocean institutions such as IORA as a platform to engage in regional challenges, India may agree to Australia's participation in 2018 in the *Malabar* naval exercise series generally held in the Bay of Bengal. Australia's request to participate in July 2017 was denied by India, as it has been since first requested in 2015. The refusal was made on the basis that, as a trilateral exercise with long-term partner, the United States, and recent

entrant, Japan, a fourth democratic participant could exacerbate diplomatic tensions with China.

In 2007, Australia participated in the *Malabar* exercise but, in a somewhat ironic precursor to the present situation, the newly-elected Rudd Government withdrew Australia from it on the basis of concerns then expressed by Beijing. Arguably in concert with the idea of small group engagement, the Defence Department has restated its interest in forming a new quadrilateral engagement.

Staying in the Bay of Bengal, however, the first AUSINDEX (Australia-India Exercise) bilateral naval drill was held in 2015. The second, held in the Indian Ocean coast off Western Australia in June 2017, was a new venture and a significant move in the bilateral relationship. Demonstrating interoperability in a joint offshore exercise in Australian waters, it built a new link into regional security.

In their Joint Statement in April 2017, the Prime Ministers also referred to the many high-level annual meetings now in place, including the eleventh India-Australia Foreign Ministers' Dialogue, attended by Foreign Minister Bishop in Delhi in July this year. Other meetings include the third Australia-India Energy Security Dialogue in 2016 and two-way goods and services sector dialogues. India's investment in Australian energy and resources – the Adani Coal Mine's contentious operation, for instance – reflects local objection to coalmining in Australia.

Key dialogues on education are frequent, the most recent led by the Minister for Education and Training, Simon Birmingham, during the Prime Minister's April visit. International education, research and training are Australia's second-largest export to India. The New Colombo Plan, a signature initiative of the Abbott Government, now sees growing numbers of Australian students electing to undertake internships or to study in India, building on arguably the most fruitful aspect of the bilateral relationship over time: people-to-people links.

Both states agreed to build on partnerships that were framed at previous ministerial meetings, reiterating their support for continued bilateral nuclear co-operation, reaffirming the importance of the G20 meetings and reasserting their commitment to the Paris Climate Accord. The relationship, demonstrably lacking much movement in oft-repeated aims, is also stable around ongoing commitments and is significant in new fields.

Newly Significant

Julie Bishop's visit to India in July this year saw her give the Indo-Pacific Oration in Delhi for the second time, building on her first, delivered in July 2015. She noted in it the strengthening of the bilateral relationship and cited opportunities for a rules-based regional order linked by Indo-Pacific democracies. The eleventh India-Australia Foreign Ministers' Framework Dialogue, co-chaired with Sushma Swaraj, the External Affairs Minister, was held during her visit. As the main bilateral institution, issues of shared concern including counter-terrorism, defence, security, and trade and investment, reflected Turnbull's and Modi's discussions three months earlier. Ms Bishop held discussions with the Prime Minister, and

talks with Defence Minister Arun Jaitley and Human Resource Development Minister Prakash Javadekar, areas of continuing high interest to both countries.

The significant event of the Foreign Minister's visit was the signing of a framework agreement during her meeting with the External Affairs Minister to join the International Solar Alliance (ISA), [announced](#) during the Prime Minister's April visit. The ISA had been launched by Modi and then French President François Hollande in Paris at the UN Summit on Climate Change in 2015. It is of particular importance in a bilateral sense in that its headquarters are in India.

Its aim is to provide technical and financial support to developing countries within the tropics to increase their use of solar power. Largely financed by France, and with funds from the Indian Renewable Energy Development Agency (IREDA) and the Solar Corporation of India (SECI), it opens new, or additional, opportunities for the Australian Government and for state and private enterprises, with those agencies. It is a significant development that can take the energy aspects of the bilateral relationship forward.

During his visit to India in April, Turnbull had announced a significant new endeavour by his government, a reversal of familiar attempts to promote Australia in India. The object is to better position Australia to manage the complexities of partnering with India, not only as a major emerging economy, but also in the broad strategic context. The aim is to identify opportunities for Australian businesses in India, and the strategy will involve extensive consultations and a public submission process.

Titled the "India Economic Strategy", its brief is to position Australia to partner with India in the course of its continuing economic rise, including the complex security environment in the Indo-Pacific, as outlined by Ms Bishop in her Indo-Pacific Oration, and to factor in beside India's economic trajectory, its political and governance directions. Among the aimed-for [outcomes](#) are 'an analysis of the domestic and international policy settings required for Australia to capitalise on the opportunities offered by India' and a 'list of practical options for how Australian expertise can be utilised to support economic reform in India and how these would create opportunities for Australian businesses'. An ambitious programme, informed by public submissions, it will be led by Peter Varghese, a former Australian High Commissioner to India, a recent Secretary of the Department of Foreign Affairs and Trade and presently a University Chancellor. The significance of the Prime Minister's initiative is thus clearly illustrated and will also increase the profile of Australian economic diplomacy.

Conclusion

'Despite a number of caveats and sensitivities',² Australia's relationship with India continues, dialogues are re-invigorated while 'sensitivities' – noteworthy are the progress of the Adani Coal Mine project and adjustments to 457 visas – are not ignored. The Prime Minister's April visit to India demonstrated his clear desire for progress, encapsulated in his [remark](#) that 'Australia aspires to be India's knowledge partner of choice', made at his address to the India-Australia Business Council in Mumbai. There, he enumerated areas discussed with the

² Brewster, D. & R. Medcalf, R., 'Cocos and Christmas Islands: Building Australia's Strategic Role in the Indian Ocean', *Journal of the Indian Ocean Region*, Vol. 13, No 2, July 2017, p. 168.

Prime Minister, Ministers and business leaders, with emphasis on reliable, affordable and increasingly clean energy as the greatest enabler of economic activity. Linking both countries' major concerns is India's "24x7 Power for All" initiative.

Unable to resist his exhortation, frequently heard in Australia, the Prime Minister also announced during his address to the India-Australia Business Dinner in Delhi that, 'There has never been a better time [for Australia and India] to make that relationship stronger'.

The Australia-India bilateral relationship over time has, as said, frequently been one of one step forwards followed by two steps back. A significant step forwards may have commenced.

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