

# Associate Paper

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## Australia-India Relations: Poised for Another Take-off?

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### Key Points

- There are indications that Prime Minister Morrison's planned activation of the Varghese Report will stimulate a new start to the Australia-India relationship.
- There are other indicators in new (or re-badged) ventures that the time is right: the Indo-Pacific Endeavours activities in 2019, and the Foreign Minister's recent speech in New Delhi elaborating on Australia's Indo-Pacific region intentions.
- Counter-indications revolve around an uneasy past relationship, slow progress with stated objectives, and differing priorities.
- General elections in both countries will delay, but not derail, a new start.

### Summary

The indications that favour a new start for the bilateral relationship to take it decisively forward will be explored in this paper, as will contra-indications – a summary of past failures. Recent positive indications include a discussion between Australia's Prime Minister and India's President in November 2018 on Australia's economic plan to engage with India. Deepening defence ties with Australia were endorsed in Minister Pyne's announcement that India will be a 'cornerstone' of the 2019 Indo-Pacific Endeavours activities, while the Foreign Minister's address to the Raisina Dialogue in New Delhi in January this year elaborated a fresh Australian approach to the Indian Ocean region, and a closer partnership with India. The history of the bilateral relationship, however, shows that it has not always been smooth

and, while there are substantial arguments in favour of a new start, both governments must hold general elections before mid-2019, delaying the re-set.

## Analysis

### ***Positive Indications: An Introduction***

An initial re-set occurred in late-2018, when Prime Minister Scott Morrison met with India's President, Ram Nath Kovind, in Sydney on 22 November. It was the first visit of an Indian President to Australia and the first meeting at Australia-India leadership level in Australia since Prime Minister Modi's visit in November 2014.

The Prime Minister and President discussed Australia's approach to its newly-released economic strategy for India. A roadmap to transform Australia-India economic engagement, the Report, titled *An India Economic Strategy to 2035*, had been commissioned by the government. Developed by the former Secretary of DFAT and High Commissioner to India, Peter Varghese, the [Report](#) contains some five hundred pages of highly researched, comprehensively argued and statistically backed notification of opportunities for economic partnership between the two countries. Morrison has flagged an initial implementation plan that includes five areas that are discussed below.

A second indication that the bilateral relationship is poised to advance, albeit from an established naval exercise, was Minister for Defence Christopher Pyne's [announcement](#) on 19 December 2018 that:

Engagement with India, one of Australia's key strategic partners in the Indian Ocean region, will be the cornerstone for IPE19 (Indo-Pacific Endeavours) with a number of high-level activities to be conducted to showcase the breadth and depth of our bilateral relationship.

Deepening defence ties are visible. While Australia remains excluded from India's *Malabar* naval exercises, the bilateral naval drill, AUSINDEX, took place in 2018, as did India's participation in *Pitch Black* (or *Pitch Dark*), a multinational air defence exercise focussing on a range of simulated threats to improve force integration, run from Darwin in July-August 2018. AUSINDEX, which has been conducted since 2015, will again be held in 2019.

The third positive indication was Foreign Minister Marise Payne's address to the Raisina Dialogue in New Delhi on 9 January 2019. The Dialogue is a multilateral conference that addresses challenging global issues. Started in 2016 this now-annual meeting hosted by the Observer Research Foundation with the Indian Ministry of External Affairs, is a multi-stakeholder cross-sectoral discussion involving heads of state, cabinet ministers and government officials, private sector executives, academics and media representatives.

Senator Payne's speech also discussed below, confirmed Australia's commitment across the strategic landscape to move beyond 'the immediate horizon' and set out an ambitious agenda beyond the economic roadmap. She met with India's Minister for External Affairs,

Sushma Swaraj, and discussed economic ties and regional security with Prime Minister Modi. Australian and Indian Foreign Ministers meet annually at the Foreign Ministers' Framework Dialogue (FMFD), alternately held in India and Australia. This year, Payne and Swaraj met at the Raisina Dialogue. The complex programme [underscores](#) the Dialogue's regional importance.

### ***Counter-Indications: Slow Progress***

For decades, Australia has taken the lead in seeking a close relationship with India. In recent years, progress towards that goal seemed most possible when Prime Minister Modi visited Australia in 2014 and, memorably, said that Australia was no longer on the periphery of India's vision. Since then, joint statements and newsworthy announcements have tended to be repetitive, or extending established ventures, signing new "cosmetic" agreements and making ambitious claims about what the two countries can achieve together. A lasting reality is, however, that India remains more important to Australia than the reverse, thus creating an uneven playing field.

There are good reasons for slow progress, particularly in regard to stated regional partnerships in spheres where fencing or hedging has become an integral part of the bilateral relationship. For example, when each country considers its domestic obligations, views on an Indo-Pacific order differ. India looks to a multipolar future in which it is central, while Australia generally trends towards trilateral or quadrilateral agreements to forge like-minded associations in a rules-based order that is not always in India's perceived interests. While Australia is committed to US primacy, India must, alongside its relations with the US, consider its relations with China – from border disputes to encirclement, and its effect on regional relations. This point of difference colours the picture and is an indication why Australia continues to be excluded from India's *Malabar* naval exercises, and why India has been described as the '[weakest link](#)' in the ongoing Quadrilateral Security Dialogue.

The history of the bilateral relationship has not been smooth; too often, it is one of breakdowns adding to slow progress. Such events include India's nuclear weapons testing, Australia's agreement to sell uranium to India in 2007, which was revoked and then reinstated, easing tensions until the Indian media brought past charges of Australian racism to the fore, such as when Indian students were assaulted in Melbourne and tragic deaths followed in 2010. The subsequent findings were much less discussed.

It has been argued that a lack of political will has caused Australia's attempts to engage with India '[to wither](#)'. Recent examples support this assessment: Prime Minister Abbott stated in 2014 that India was at the forefront of Australia's relationships, but outcomes were limited. Modi's "Make in India" and "Digital India", which were seen as opportunities for Australian industries, were not substantially realised. As repeatedly discovered by Australian industries, India is a difficult place in which to conduct business.

Bilateral engagements endorsed or tabled by Abbott and Modi or earlier governments, and taken up by Modi and Prime Minister Turnbull include the Comprehensive Economic Agreement (CECA) that commenced negotiations in 2011. Arguably, it may be overtaken by the Varghese Report's recommendations when implementation commences. The Civil

Nuclear Co-operation Agreement (2016) framed Australia's uranium exports to India and their safeguards, but, apart from the initial shipment in August 2017, despatched with little fanfare, deliveries have not been noteworthy. Faced with opposition, the Nuclear Co-operation Agreement grew from former Prime Minister Julia Gillard's 2011 decision to sell uranium to India. Progress was welcomed by Modi and Turnbull on the Framework for Security Co-operation in April 2017, signed by Modi and Abbott in 2014. The two countries failed to meet a 2015 deadline to sign a free trade agreement, however. Australia joined the International Solar Alliance, which is led by France and India, in December 2017. The Alliance aims to deepen co-operation on solar research, reduce technology costs and pull together international standards. Action is difficult to determine.

Indicators that most strongly flag slow progress with 2018-19 "new start" initiatives until after mid-year are the general elections to be held in both countries in May. Election outcomes in either country could delay or recalibrate the "new start" in bilateral relations. Bipartisanship on engagement with India in Australia, however, is unlikely to shift the positive indicators.

Media reporting and analysis in Australia and India are focussed on their coming general elections and foreign policy issues will not predominate unless other states cause anxiety about, for instance, election manipulation. Policy platforms beyond national borders are likely to concentrate on each government's border security.

Election distraction is fuelled by the recent losses of Modi's BJP (Bharatiya Janata Party) in three Provincial elections; the renewed prominence of Rahul Gandhi, President of the Indian National Congress; and the entry into politics by Priyanka Gandhi Vadra. The Liberal Party of Australia has lost recent by-elections and is being challenged in normally strong seats by independent candidates. Election results could see Modi put together a new coalition in which his government has fewer seats and see a possible change of government in Australia. Nonetheless, Australian bipartisan commitment to engagement with India, as said, will arguably see the Varghese Report, the 2019 Indo-Pacific Endeavours activities and the present foreign minister's Raisina speech as preface to a post-mid-year new start to the bilateral relationship.

### ***New Start Foundations***

*An India Economic Strategy to 2035* (April 2018), languished for several months until Morrison launched it in November. The "Letter of Transmission" (to the previous Prime Minister), that accompanied it noted that:

In commissioning the strategy you sought a report which would help transform Australia's relationship with India, elevate our understanding of India's trajectory out to 2035 and take our economic partnership to a new level.

This introduction may be seen as the key indicator of a new start to the Australia-India bilateral relationship. The Prime Minister met with the Indian President on 22 November 2018 in Sydney and discussed with him Australia's response to the Varghese Report,

endorsing support for the 20 priority recommendations stretching to 2035, and setting out [five achievable actions](#) for the first year that include a manageable list:

- A Memorandum of Understanding between Austrade and Invest India to promote bilateral investment flows.
- The establishment of an Australia-India Food Partnership, opening up new opportunities for agri-tech and services companies.
- Australia-India Strategic Research Fund grants of up to \$500,000 designed to help researchers solve challenges shared by both countries, including energy storage, marine science and plant genomics.
- The expansion of the Australia-India Mining Partnership at the Indian School of Mines, connecting Australian companies to India's mineral-rich north-eastern states, supported by the new Consulate-General in Kolkata.
- Engagement with airlines to increase direct flights through the Australia-India air services agreement.

In the overview of his economic strategy, Varghese indicates that the transformation of the Indian economy has started unevenly but its direction is clear, and he argues that Australia should set itself a goal that places India in its top export markets by 2035. Morrison has started Australia on this newly-mapped course.

While theoretically not a new start, Pyne announced in December 2018, that India will engage this year with Australia's taskforce, Indo-Pacific Endeavour 2019 (IPE19) – and 'will be the cornerstone' – to showcase their countries' defence relations. The AUSINDEX bilateral naval exercise, now integrated with IPE, was conducted off the east coast of India in September 2018. AUSINDEX is entering its fifth year and serves to demonstrate growing maritime ties with India and a shared interest in security in the Indian Ocean, without raising the potential political problems for India of including Australia in its *Malabar* exercises.

'Putting India at the Heart of our Indo Pacific Endeavours', displayed as a banner headline in Pyne's December [media release](#), suggests a fresh start if not a new one.

The third indication of a new start was Foreign Minister Marise Payne's substantial speech at the Raisina Dialogue in New Delhi in January this year. Her presence there is noteworthy. The Dialogue, this year titled 'A World Reorder: New Geometries; Fluid Partnerships; Uncertain Outcomes', is India's "flagship" geopolitical and geostrategic conference. In its fifth year, it brought together some 600 delegates from more than 90 countries.

Iterating that common values lie at the heart of the Australia-India relationship, the Minister spoke of Australia's Indian Ocean presence, a shared commitment to security and pursuing their range of interests in 'our very large Indian Ocean neighbourhood'.

Welcoming India's leadership, the Minister set out [Australia's many continuing aims](#) that included further developing a deep strategic partnership with India; supporting its role as a strategic anchor in the region; helping to build stronger regional institutions and norms that

manage regional peace and security and that promote openness; supporting resilience among regional countries to withstand coercion and shape opportunities in their national interest; and working with partners to protect and shape rules that promote economic growth, trade liberalisation and open markets.

Working with India (and partners) to 'shape the rules', Payne acknowledged that 'geopolitically' Australia and India might from time to time seem far apart and – in terms of the Dialogue's theme, 'a world re-ordered' – that geo-strategic change has seen increased strategic competition between the 'major powers'. In referring again to Australia's aim that a high level of bilateral co-operation, together with multilateral and mini-lateral engagement on defence, security and economic interests, would contribute to a more positive 'regional security outlook', she announced that Australia supports SARIC, a new Regional Infrastructure Connectivity initiative across South Asia with a focus on transport and energy. The Minister [applauded](#) the launch in December 2018 of the Information Fusion Centre – Indian Ocean Region (IFC-IOR) to monitor maritime activities with partner countries to enhance maritime security. Payne drew in IORA (Indian Ocean Rim Association), a reinvigorated group chaired by India in 2011-12 and Australia for the following two years, which now has 21 additional member states committed to encouraging the flow of goods, services and investment between them.

While making brief mention of Australia's support of US engagement in the region and working together 'in the form of the Quad', the focus of Payne's speech to an audience drawn from some 93 countries was the importance of India in all forms of engagement to Australia. Thus, the indications are clear that a new start for the bilateral relationship is ready and poised to advance.

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