

2 CHAPTER

India and Australia Relations

After reading the chapter, the reader will be able to develop an analytical understanding on the following:

- Analysis of historical diplomatic relations
- Commercial and strategic diplomacy
- Nuclear and education diplomacy
- Analysis of bilateral visits

INTRODUCTION

Australia is an erstwhile British colony like India and their relation started unfolding during the colonial period. During the British era, Indian labour was used in the plantations and cane fields in Queensland. The Europe–Australia trade brought India and Australia closer to each other. Since Indian independence, Australia and India have witnessed three distinct phases of relationship. The initial Nehruvian period saw ideological differences separating India and Australia. The period from 1970s till the end of the Cold War saw undulation. Finally, since the end of the Cold War, there has been strategic convergence between the two. Let us examine each phase in detail.

PHASE 1: 1947 TO 1970

India, after its independence in 1947, established a mission in Australia. India had already had its mission opened in 1944, and took this opportunity to convert it to an Indian High Commission in 1947. Afterwards, India adopted non-alignment policy at foreign policy level while Australia remained inclined towards the USA and established its alliance with America very firmly.

Cold War alliance of Australia and the US

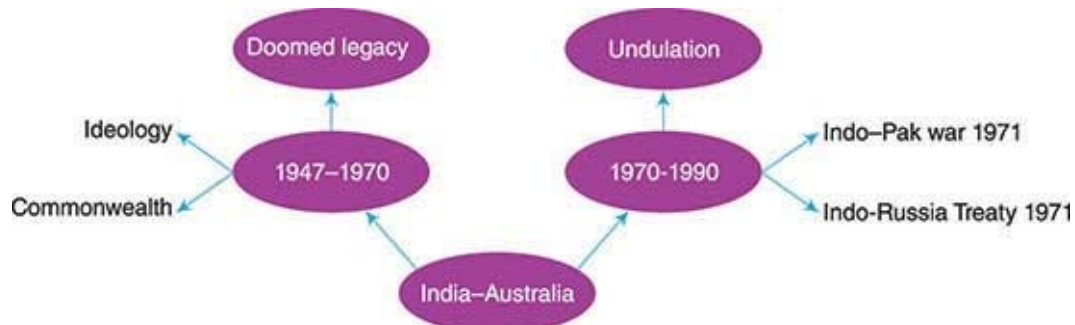
The relationship of Australia and US goes back to 1900–1901 when both cooperated for the first time to suppress the Boxer Rebellion in China. The US and Australia fought the World War–II together. In 1951, the ANZUS alliance was formed between Australia, New Zealand, and USA as a treaty for Pacific security. In 1954, when the SEATO was created, ANZUS was brought within its ambit but the ANZUS per se continued to be the bedrock of the US–Australia relation. Even today, Australia continues to be the top non-NATO troop contributor for NATO operations in Afghanistan and Iraq. The role of Australia for the US foreign policy has increased in the recent times owing to the Pivot to Asia initiative and Trans Pacific partnerships.

As the case notes, Australia became an ally of the US while India advocated for

NAM. The two nations, therefore, ideologically drifted apart. Moreover, the relations could not flourish as neither of the countries ever featured in each other's strategic calculus. In the initial phases, India decided to be a part of the British Commonwealth without allegiance to the British crown. Australia initially adopted a white only policy while India did not opt for any anti-Asian Policy. Australia supported the US in its Vietnam War and even allowed its territory to be used by the US for docking nuclear ships in Australia. Australia also provided aid to India under the Colombo Plan and supported India in its war against China in 1962. However, the ideological difference and their different approaches to the British Commonwealth prevented the relations to be taken to an advanced level.

PHASE 2: 1970 TO END OF COLD WAR

During this phase, we see domestic political change in Australia (Robert Menzeies was replaced by Gough Whitlam as Prime Minister) which also brought change in Australian international relations. Gough Whitlam intervened successfully to end Australian participation in Vietnam War. He went on to diplomatically recognise China, North Korea and East Germany. In 1971, India and Australia envisaged cultural cooperation. The relationship went on an upswing but it was short-lived. After the Indo-Pak war of 1971 and the subsequent conclusion of the India-Russia Treaty of Friendship, the relationship began to slowdown. The dip in the Indo-Australia relations came in 1975 when Malcolm Fraser, Australian PM criticised India's proximity to the USSR. He also took a dig at India's condemnation of the US base in Diego Garcia and refusal of India to condemn Soviet presence in the Indian Ocean region.



PHASE 3: STRATEGIC CONVERGENCE

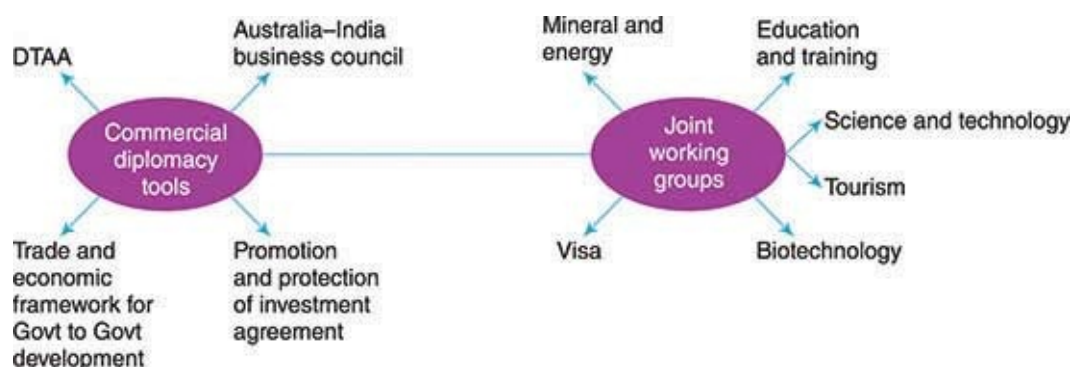
As the Cold War ended, a growing cooperative spirit began to emerge between the two nations. Both nations began to recognise shared ideals of democracy and peace. The ending of the Cold War also made India improve its relations with the US and its immediate neighbours. Both countries identified economic cooperation as an area for strengthening bilateral relations. An Australia-India council to promote long term interests in India was established and in 1992, a joint working group on coal was formed. In 1994, a report called 'India's economy at the Midnight Hour' was prepared. The report examined trade and investment opportunities in India and identified areas of future investment for Australia. This report acted as a strategy document for Australian businesses. In 1995, the Australian Trade Minister Bob McMullan visited India and developed government-to-government ties for the institutionalisation of trade. Australia has a unique way of undertaking research to fill the gap in awareness of a target market for future. Thus, the East Asia Analytical Unit in Department of Foreign Affairs and Trade prepared the above

report to guide future action. It also outlined education as a core area and encouraged Australian education industry to tap India on priority as a market for higher education.

The previous phase of undulation gave way for effective convergence of strategic relations after 9/11. The 9/11 again brought the US, Australia and India closer to contain terrorism. However, the relationship after the Cold War was not that smooth and some speed breakers did slow the pace of the unfolding relationship. In 1990, Australia sold Mirage aircrafts to Pakistan at complete displeasure of India. Initially, Australia also showed reluctance to support India at the APEC and UNSC. The 1998 nuclear tests by India saw a deeply negative reaction by Australia. Australia after India's nuclear test withdrew its High Commissioner from India and also halted all ongoing defence and security cooperation as well as trade. The relations saw normalisation only after the Indo-US nuclear deal post 2005. The period post 2005 saw the deepening of the relationship yet again.

COMMERCIAL DIPLOMACY

As the diplomatic ties between India and Australia began to normalise, trade as a dimension picked up. India exports to Australia pearls, medical instruments and IT services and imports gold, coal, copper and vegetables.



Australia invests in India through FDI while Indian firms also have presence in Australia. Indian firms in Australia include Sterlite, Reliance, Asian Paints, Adani, NMDC, Tata, ICICI, TCS and JFlex, to name a few. Australian FDI comes to India in services, metallurgical industry, telecom, automobile and consultancy. In Melbourne, Satyam Mahindra has established largest ever product development centre. In 2014, Australia had expressed interest to export resources from Abbot Point Port in Queensland by constructing a rail line to link the port with coal mines. Moreover, Tata Blue Scope Steel has established a Joint Venture for steel use for construction industry.

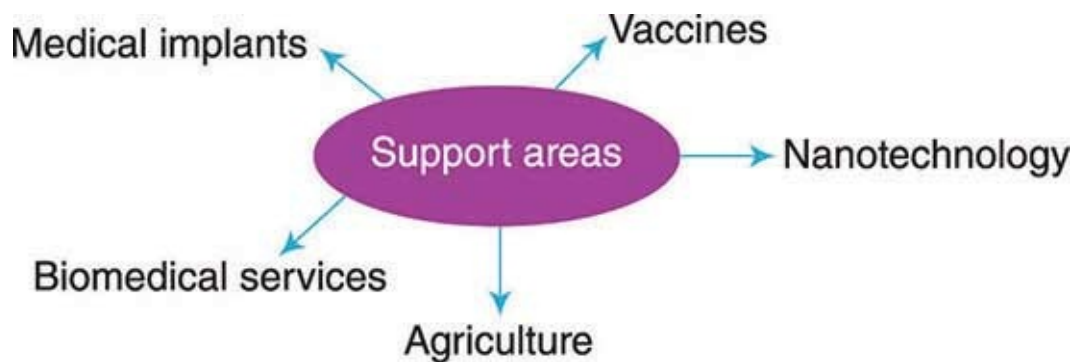


Adani Group and Carmichael Coal Mine

Carmichael coal mine is located in Queensland. The Government of Queensland, in August 2014, approved a mining lease for Adani. While approving the project, the Government of Queensland took environmental concerns into consideration. The main driving factor was job creation and flow of investment. The Government of Queensland granted three mining leases for an area containing 11 billion tons coal over 160 km area in North West of Clermont. It is a railroad project to establish mining activity, workshops, power lines, pipes to transport 100 tonnes of coal per

year. Once the company starts mining, it will send clean coal to India. However, the clearance has sparked concerns amongst green groups in Australia. The environmental lobby is asserting that the project will damage the great barrier reefs. They also site environmental damage due to dredging and climate change as serious concerns. As of now, the project has become operational.

In 2006, the Australia–India Research Fund was founded with an aim to promote bilateral research in sectors to enhance science based collaboration. In 2014, Tony Abbott donated 20 million dollars for four years to Australia–India strategic Research Fund which had identified five support areas.



Since 2008, both have been undertaking a joint study for a Free Trade Agreement (FTA) and have discussed impact of tariff reduction and increased trade in services. The FTA has focused on IT, Telecom, finance and Tourism. In May 2011, the negotiations for CECA began and are still going on.

STRATEGIC DIPLOMACY

Australia in 2012 has announced a white paper on defence. The title of the paper is ‘Australia in the Asian century’. Australia says that the centre of gravity has shifted to the Indo–Pacific as the new theatre of commerce and power. Hence, Australia intends to explore opportunities in Asia. The US attempting to rebalance Asia has brought strategic importance of Indian Ocean region to the fore. In this context, Australia has advanced an idea to cooperate with India in the economic area and maritime security and has recognised the importance of a forum like Indian Ocean Rim Association. It has announced in its 2014–15 budgets its commitment to grow its defence spending to 2% of GDP over the decade to curtail new threats in the maritime sphere.

In 2009 India and Australia announced their strategic partnership agreement (SPA) when the then Australian PM, Kevin Rudd, visited India. One important reason is an increased assertion by China in the South China Sea. Both India and Australia felt the need to cooperate at multiple strategic levels to ensure protection of sea lanes of communication.



India-Australia: Partners in Regional Security and Prosperity and AUSINDEX-2017

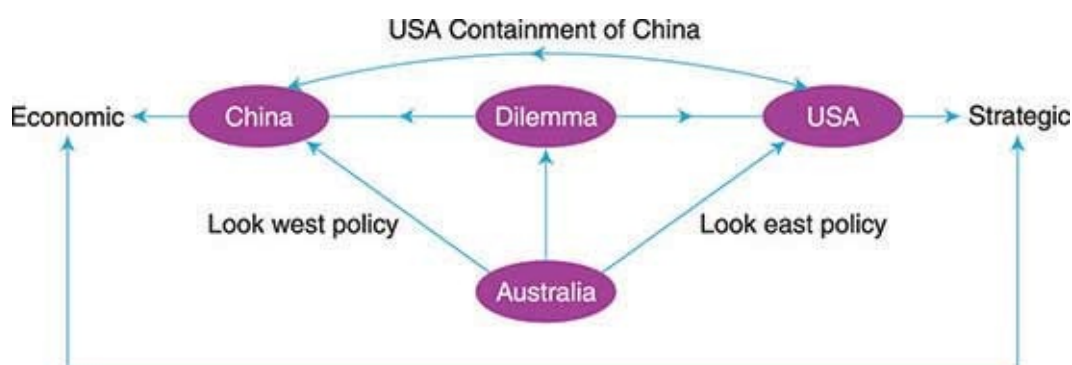
The Indo-Pacific region is witnessing strategic changes and India and Australia have deep convergences in meeting these emerging challenges. In June 2017, India and

Australia carried out the second edition of joint naval exercise called AUSINDEX in the West coast of Australia. From India, INS Jyoti, INS Shivalik and INS Kamorta visited the port of Freemantle. The first edition of this exercise happened in 2015 in Vishakapatnam. In the second edition, in 2017, the two focused on enhancing interoperability at the naval level. This helped both sides lay down a foundation for a professional culture of future war fighting. Australia and India want to ensure that the dynamic Indo-Pacific region remains a region of prosperity and both sides are able to uphold a rules based order which is challenged by unilateral action of some states (indirect reference to China and its assertion in the region). Both Australia and India are democracies where the leaders are accountable to the people. When democratic principles are translated and applied to foreign policy and international engagement, it gives rise to a rule based international system based on cooperation, transparency, predictability, peace and security. The two sides intend to deepen their security cooperation through the bilateral India-Australia Framework for Security Cooperation (signed in 2014).

A need was felt to establish and conclude an alternative security architecture aimed to balance China's hegemonic oceanic ambitions. Both sides understand that an architecture should be bilateral or regional with no power outside the region but should include US as a net security provider. As China, in recent times, has become excessively assertive, the SPA can have a balancing influence and promote stability.



Thus, the cooperation at strategic level between India and Australia can stabilise the region and both have a shared concern for China in the strategic sphere. But the more Australia undertakes commerce with China and continues to remain a US ally, the more will be the Australian dilemma in choosing a long-term relationship with India.



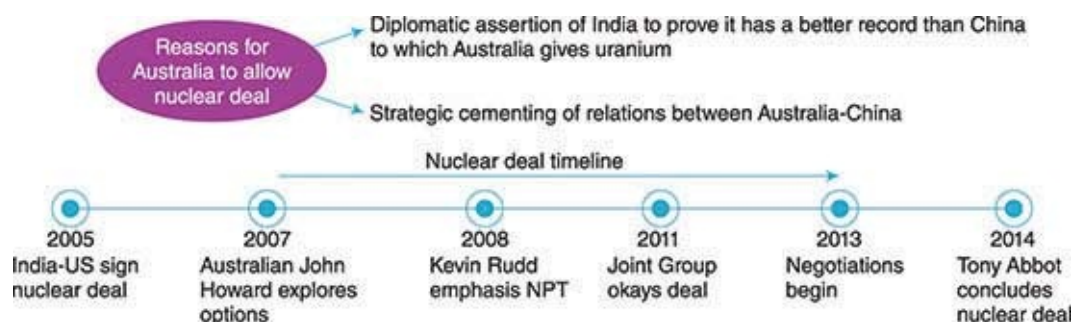
Why is India Reluctant to add Australia in the Malabar Naval Exercises?

Though India has preferred bilateral engagement with Australia, it has rejected Australia's entry into the Malabar exercises (Malabar is a trilateral naval exercise conducted between India, Japan and USA since 1992, but, Japan became a permanent

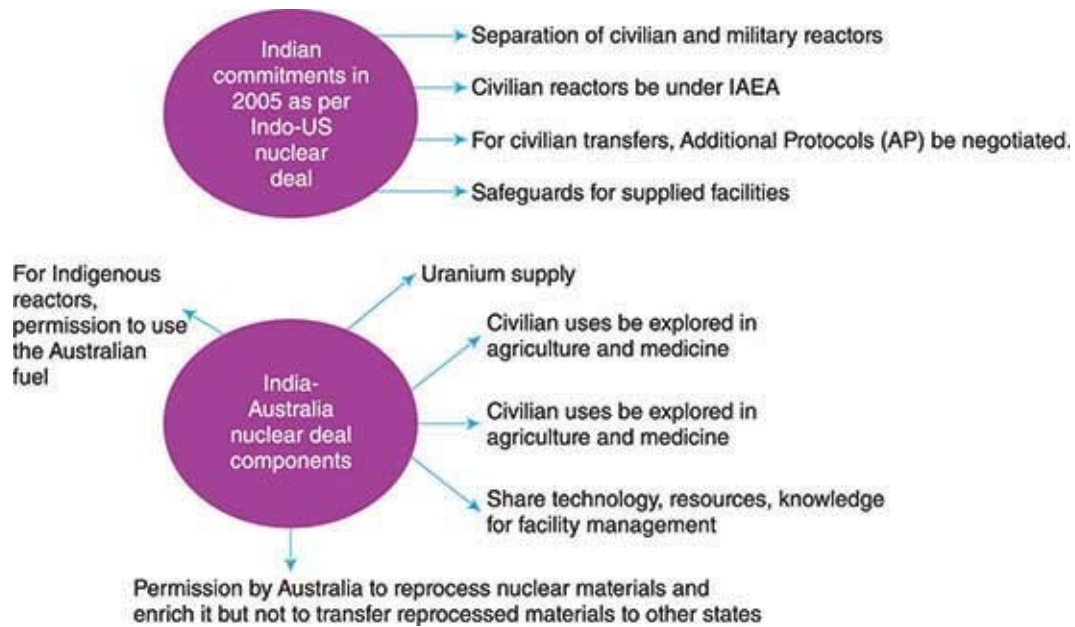
member in 2015 only. The 2017 version of the Malabar exercise is explained in the chapter of India and Japan relationship). The reason is that Australia initially pulled out of the Quadrilateral Security Dialogue (established in 2007 by Shinzo Abe, the Prime Minister of Japan as an informal security dialogue platform between India, Japan, USA and Australia) as it perceived that engaging in such a dialogue could upset Australia-China relations. Australia and China have a deep strategic and economic relationship (with the bilateral trade approximately 60 Billion Dollars between the two). Australia and China also signed a Free Trade Agreement in 2014. India remains concerned about strategic clarity from the Australian side vis-à-vis China. India feels that if Australia tilts more towards China at the strategic level, then by deepening its bilateral engagement with USA and Japan in Malabar, India will be able to counter balance the influence of China. Addition of Australia in the trilateral Malabar, India feels, will not give it any tactical gain on the ground. In the near future, Australia may enter Malabar, but, as of now, India-Australia prefer bilateralism to gain strategic value.

NUCLEAR DIPLOMACY

The India–Australia nuclear issue has always revolved around the NPT. Australia has a lot of Uranium which India needs. However, Australia had been reluctant to supply for a long time on the basis that it was a signatory of NPT while India was not. Australia has always insisted that its nuclear supply would be conducted and in accordance to the NPT and supplies would only be granted to NPT signatories having proper safeguard agreements in place as per the IAEA. As India is a non-signatory to the NPT despite having acknowledged good non-proliferation credentials. If India and Australia had any nuclear commerce, then it would mean that Australia had tried to reward non-compliance to global regimes. However, post the 2005 nuclear deal between India and the USA and Australian support to India at NSG, it has initiated a rethink. In 2011, a joint group announced a policy shift for Uranium exports to India for civilian use. Australia has made it clear that strict safeguards need to be negotiated upon. The change is attributed to economic gain and fear of being isolated as the US, France, Canada have already concluded nuclear deals with India. In addition, Australia has given Uranium to China, which does not have a good non-proliferation record. The diplomatic angle played a very important role.



In September 2014, Tony Abbott visited India and concluded a nuclear deal. The basis of this 2014 nuclear deal was 2005 Indo–US nuclear deal. Australia finally concluded the deal based on Indian commitments in 2005.

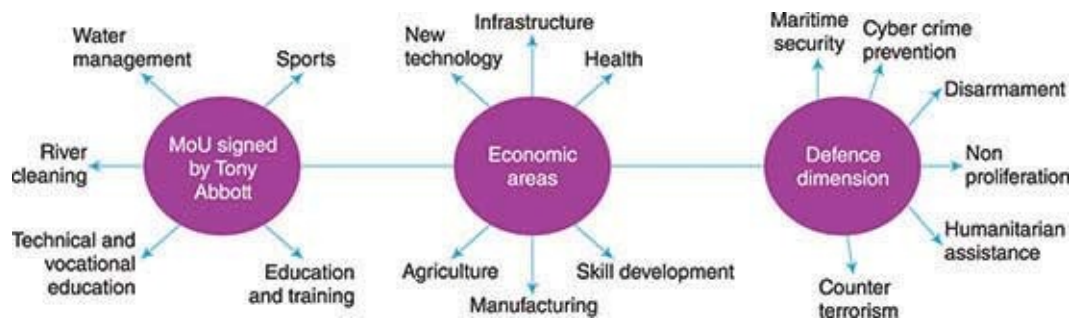


EDUCATION DIPLOMACY

Australia has come out with a white paper plan in education that places Hindi as one of the four priority languages along with Chinese, Japanese and Indonesian. Australia aims to equip their children with Asian languages. Australia is promoting higher education and skill development for foreign students. If we compare Australia vis-à-vis Europe in post-study work permit, part time work permit and permanent residency permits, Australia stands positive on all three areas over and above Europe. However, with relation to Indian students, Australia saw some racial attacks in 2010–2012 where Indian students were targeted on Australian territory. Australia subsequently amended its domestic laws to make punishments very stringent for racial attacks. This created the needed impact. Australia has also undertaken a severe crackdown on fake and non-recognised universities in Victoria and other cities making education highly controlled through stringent norms. In 2014, during the visit of Tony Abbott to India, he unveiled the New Colombo Plan for education. Under the plan, 1800 students from Australia will pursue internship and short programmes in India. Australia shall be training Indians in vocational skills to make them b ready in India.

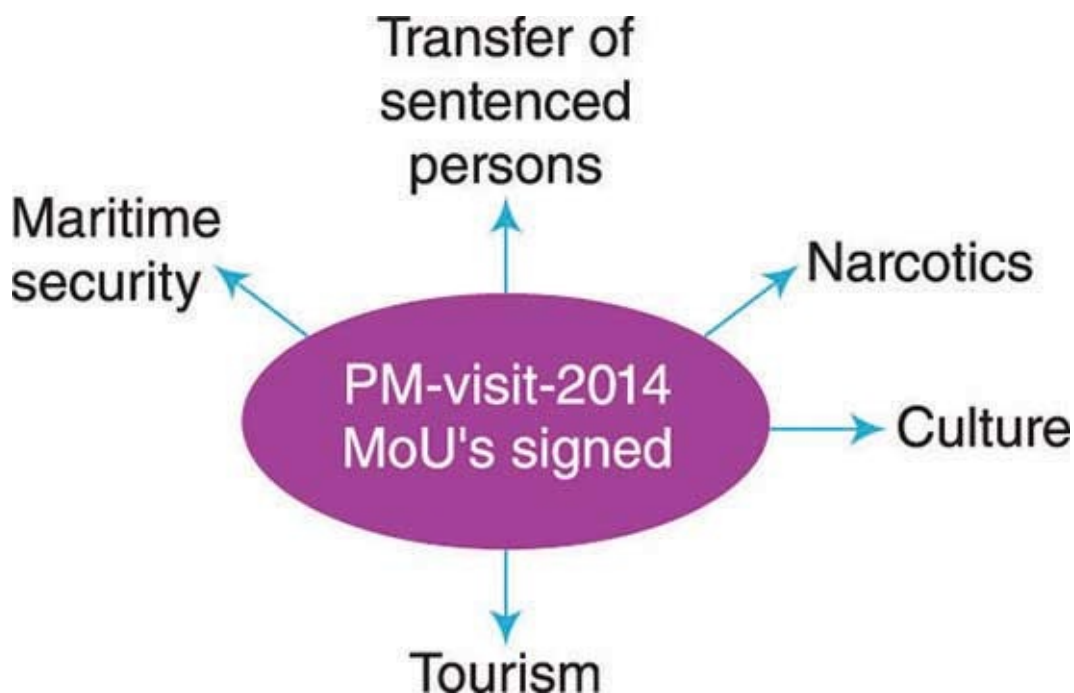
ANALYSIS OF PM'S VISIT TO AUSTRALIA—2014

In September, 2014, Tony Abbott visited India. Australian cultural diplomacy bolstered India's faith the moment he returned idols of Chola dynasty including a Natraja idol and the sculpture of Ardhanariswara. Abbott also gifted a shawl made of Australian wool to the mother of the Prime Minister. During the visit, he concluded an MoU on cooperation in civilian nuclear energy. Australia is now likely to become a long-term Uranium supplier to India. Important steps were taken to boost economic cooperation and enhance defence diplomacy.



At the economic level, Abbott decided to develop a strong strategic partnership in energy security. Energy was crucial item of bilateral talks in 2014. Australia is an energy resource rich country. India also expressed interest in LNG, Uranium, coal and gold. At the education level, the Australian PM announced the Colombo Plan in Mumbai University in 2014, under which, a boost to academic exchanges and youth cooperation would be envisaged as Australia youth would be studying in Indian institutions. Australia has further decided to expand cooperation on the level of higher education. International cooperation is envisaged in G-20, East Asian Summit, APEC and IORA.

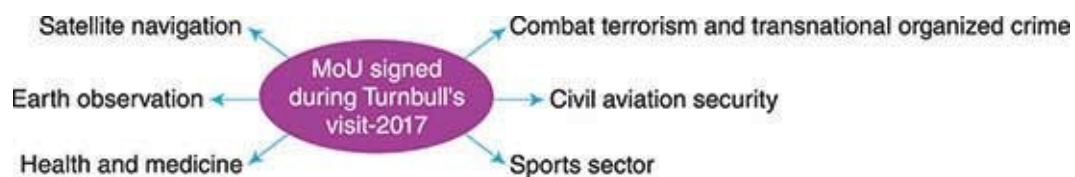
The last Indian PM to visit Australia had been in 1986 when Rajiv Gandhi visited Australia. Narendra Modi visited Australia after a gap of 28 years in November, 2014, thereby finally bringing Australia within the periphery of Indian foreign policy vision. He addressed a gathering of Indian diaspora at Sydney’s Allphones Arena and urged the diaspora to invest in India. The visit of the PM saw MoUs negotiated. A framework for security cooperation was concluded for defence and maritime security. The framework envisages cooperation in R&D and regular bilateral exercises.



VISIT OF MALCOLM TURNBULL TO INDIA—2017

Australian PM Malcolm Turnbull visited India in April, 2017. The two sides decided to strengthen their bilateral cooperation in the Indo-Pacific. India wishes to use Australia’s expertise and finances to support economic programmes in India. India appreciated that the new Columbo Plan of Australia has made Indian students choose Australia as a destination for education. Due to the rising education-based relations, a flourishing knowledge partnership is emerging between Australia and India. The two sides have

decided to strengthen naval cooperation in the Indo–Pacific and work jointly for ensuring a legal maritime order and freedom navigation. In 2014, the two sides had concluded a bilateral framework for security cooperation. The leaders of both states decided in 2017 to broaden the defence partnership by enhancing maritime security. India and Australia will organise an army exercise in 2018. To enhance strategic cooperation, the two have decided to work together on ‘2+2’ format of dialogue where defense and foreign ministers of both states will interact. The two sides will enhance cooperation on counter-terrorism under a joint working group on counter-terrorism. As the Australian parliament has passed the Civilian Nuclear Transfers to India Act, India will receive the first batch of Uranium from Australia by 2019. India has accepted Australian invitation to enhance sports partnership by participating in 2018 Commonwealth Games in Gold Coast, Australia. The two sides are hopeful of concluding a Comprehensive Economic Cooperation Agreement at the earliest. India and Australia have decided to take steps to deepen their cooperation at the trade level. During the visit of Turnbull to India, the two sides have established India Economic Strategy for Australia. The strategy will be the key tool used by Australia to enhance commercial diplomatic ties with India. In September 2017, the two sides held Australia Business Week in India (ABWI) and more than 170 Australian businessmen participated in the meeting which happened in six different Indian cities. The Australian businessmen explored business opportunities ranging from health to mining to infrastructure in India. Many Australian business houses are keen to support urban re-designing and smart city creation in India.



Contrarian Play

Since the election of Donald Trump as the President of the USA, a new era of economic nationalism has emerged. Many countries have returned to protectionism and erected walls to restrict entry of outsiders. In the chapter of India–USA relationship, we have already analysed how H1-B category visa issues have impacted the Indian IT sector. Australia has abolished the 457 visa programme. Under the 457 visa programme, the Australian businesses could employ skilled foreign workers for up to four years to meet the shortage of skilled workers in Australia. Under the 457 visa programme, the employers were free to employ any number of foreigners as there was no cap in the programme. The Turnbull administration has replaced the 457 Visa programme with a Temporary Skill Shortage (TSS) visa which would allow Australian firms access to foreign workers in a limited way. As walls turn around us everywhere, India should not fall for the hype of herds but turn the walls into an opportunity. As the future would be such where Indian workers may find it tough to work abroad, India should build up an ecosystem to incentivise foreign firms to relocate to India.

