

# CLOSER INTEGRATION WITH INDIA STUDY

## PART 1: RESURGENT INDIA'S RELEVANCE TO AUSTRALIA

### Introduction

*India is vital to  
Australia's future*

India's relevance to Australia's economic and strategic interests cannot be underestimated. The rise and rise of India is already telling. It has been Australia's fastest-growing market for the last five years and is now its sixth-largest merchandise export market, with a \$6 billion trade surplus in Australia's favour.

After centuries of looking to its North, India's focus has now returned to Asia, increasingly intertwined geopolitically and economically with the region. In turn, Australia's economic and strategic interests are equally firmly tied with that continent. Advancement of those interests, particularly in the littoral states of the Indian Ocean, requires that Australia now engage India with the same sort of emphasis that it accords to China and Japan.

### EVOLUTION OF THE BILATERAL RELATIONSHIP

*but the bilateral  
relationship is  
underdeveloped and  
overstated*

Sixty years after the establishment of Australia-India diplomatic relations, the overall bilateral relationship remains underdeveloped in substance and overstated in terms of purported commonalities. There has been some recent appreciation of new strategic synergies. Economic relations have also advanced significantly since 2001 but in no way yet approach the potential which could be realised.

The handicap remains that the bilateral economic super-structure is still not underpinned by meaningful political relations or cultural understandings and accommodations. Both countries remain locked into stereotyped images of each other and changing fundamental misperceptions is proving to be no easy matter.

*the political dimension  
has mostly been  
unhelpful...*

After Indian independence in 1947, common roots in the British Commonwealth and Nehru's prescient insistence on advocating Australia's inclusion in Asian affairs provided a certain early basis for goodwill. But that soon foundered on the shoals of a gamut of personality and policy differences.

Prime Ministers Menzies and Nehru came from different political and cultural stocks. Churchill, the former's hero, was the latter's *bete noire*. India was critical of Australia's immigration policies and of its passive acceptance of the South African apartheid regime. Australia saw Communist China as the "yellow lava", while India wanted it admitted into the UN Security Council at Taiwan's - and its own - expense. Nehru viewed the 1956 Suez crisis as the last gasp of imperialism, while Menzies strongly supported the British invasion. They clashed on the Non-Alignment Movement. The Cold War pushed the two countries to opposite sides of the ideological fence, sealing the divide.

*... based on mutual  
disregard*

Not surprisingly, the relationship remained cool until Menzies' departure in 1965. The course of bilateral relations since then has been, at best, fitful, characterised by occasional discovery and rediscovery of each other. Regrettably, promising fresh starts have had a habit of degenerating into mutual disregard.

One positive moment was Prime Minister Gandhi's visit in 1986 and his rapport with Prime Minister Hawke. The resulting goodwill soon dissipated, however, under the combined weight of an Australian jibe that India was playing Deputy Sheriff for the Soviet Union in the Indian Ocean; the sale of Australian Mirage fighters to Pakistan; and Canberra's tendency to perceive India only through the prism of the Kashmir dispute. No Indian Prime Minister has visited Australia since 1986.

*...reflected in a stunted economic relationship*

Australia-India economic relations have reflected the lack of substance in political relations. This was inevitable under India's socialist command economy when foreign economic relations depended principally on Government initiatives. Australia, of course, hardly figured on the Indian radar. Bilateral trade was just over \$100 million by the early eighties, almost exclusively commodity-based.

Australia, in turn, following the pattern of dealing with socialist states, relied on advancing its (limited) economic interests through two principal mechanisms – the Joint Ministerial Council and its twin, the Joint Business Council. These socialist constructs accomplished little. Meetings ended with ritual refrains about the potential for bilateral trade stemming from democratic traditions, similar institutional political and legal systems and having the English language in common. They still do. But they went nowhere, replete only with Australian attempts to open up the Indian market and Indian pleas for concessions for its footwear, clothing and handicraft exports. The 1994 Memoranda of Understanding of both Councils are good examples of this.

## **Indian Economic Reforms**

*Australia was initially slow to comprehend*

The beginning of Indian economic liberalisation in 1991 offered faint glimmers of hope that this impasse could be circumvented. Unfortunately, Australia was probably the last among developed countries to grasp the significance of the fairly unobtrusive political, social and economic revolution that the then Prime Minister Rao and Finance Minister Manmohan Singh were orchestrating across the country. A far-sighted Australian initiative in 1994 to promote economic cooperation among Indian Ocean littoral states created much ill-feeling over three years of intensive bilateral negotiations, partly because of a failure to appreciate the domestic political compulsions in India on the pace of its economic liberalisation. As late as 1997, former Prime Minister Keating acknowledged on Indian soil that Australia had earlier been instrumental in keeping India out of APEC because it had not been convinced about the scope of Indian economic reforms.

*...relations then went from an early high*

Nevertheless, a growing awareness of the far-reaching changes taking shape in India prompted the most successful Australian initiative so far to advance its bilateral economic interests, one which other Western governments are still replicating.

In 1996 Australia launched the New Horizons Programme, a multi-million dollar exercise to showcase Australia in India. Its core was trade, but it also included cultural, social and political content, spread over several states over three weeks. This highly successful exercise served as a catalyst for fresh interest across many economic sectors, promoting education and opening doors for Australian inputs into

mining, agri-products, tourism and infrastructure businesses. It paved the way for broader bilateral political and economic relations to reach an apogee in 1996-1998.

*... to a new low*

Unfortunately, the bilateral edifice came crashing down in the wake of Australia's tough and uncompromising response to India's nuclear tests in May 1998. Public Australian hectoring and condemnation, more zealous and self-righteous than other Western powers were dishing out, hastened a low in bilateral relations not seen since the sixties. One telling example was a very high-level Indian decision to substitute coal imports from Australia with supplies from South Africa (which later lapsed, however, because of price considerations).

The decision of the Department of Foreign Affairs and Trade to signal Australia's displeasure by abolishing its India Section, established only three years before, and merging it with the South Asia Section, rankles in the Indian bureaucratic establishment to this day. Interestingly, moves were then afoot in the Ministry of External Affairs to establish a separate ANZ/South Pacific Section. That idea fast bit the dust, and Australia continues to languish in the Ministry's faceless "Southern Division", staffed by less than two diplomatic officers.

*Now towards recovery  
and new relevance*

There has been a sea-change in Western perceptions of India since 1999, largely as a consequence of a new US policy to engage India as a strategic partner instead of treating it as a nuclear pariah. This dramatically more positive approach by Australia's principal ally has inevitably influenced its own political and strategic relations with India, setting the stage for a *rapprochement* after the lows of 1998. Relationship-building is now a higher priority, leading to an unstated alliance with India on a host of strategic issues, ranging from anti-terrorism to the protection of sea lanes in the Indian Ocean.

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