

The Australia-India Relationship

by

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The National Gallery of Victoria
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In January 2008 I was on a visit to Australia as the India Prime Minister's Special Envoy, to seek support for a waiver from the Nuclear Suppliers' Group (NSG) ,which would permit its members to engage in civil nuclear cooperation with India. A related part of my brief was to urge the new Kevin Rudd government to abide by the decision taken earlier by Prime Minister John Howard to supply uranium to India. My meeting with Foreign Minister Stephen Smith took place in Perth and coincided with the third India-Australia cricket test at Perth, being played under the shadow of a lingering controversy over an alleged exchange of abusive words between Harbhajan Singh our popular and accomplished bowler and Andrew Symonds also a very fine cricketer on the Australian side. When we emerged from our meeting to confront a phalanx of TV reporters, the questions thrown at us were all about the cricket controversy and high emotions generated on both sides. There was no interest at all in the weighty issues we had just discussed. The politics of cricket easily trumped the politics of everything else in the relationship. But we have come a long way since then. We still play cricket and despite the occasional and angry glares exchanged amongst our cricketers, the atmosphere is civilized, giving us space to deal with more prosaic issues in our bilateral relations. Australia supported the waiver for India at the NSG later in 2008 at Vienna and has concluded a bilateral Civil Nuclear Agreement with India. The sale of uranium to India is no longer an issue. We now seek Canberra's support for our membership of the NSG and other export control regimes such as MTCR and the Wassenaar group. India has deeply appreciated Australia's backing in this respect and this is reflected in the growing strategic convergence between the two countries. There were earlier phases in our bilateral relations when there were promising starts but followed by disappointed expectations. The affinities of language, membership of the Commonwealth, and yes, the love of cricket, did not somehow add up to a substantial relationship. Before 1990, one could blame the Cold War and the two countries finding themselves on opposite sides of the fence. However, even with the distorting prism of the Cold War having been removed, there was no automatic upside in the relations. There were setbacks such as the sharp Australian reaction to India's nuclear tests in 1998. More recently there was the controversy over a series of attacks against on Indian students. Then Australia's gaze turned to the greater opportunities offered by a rapidly growing Chinese economy. But there is a new energy in the relationship and for various good reasons it may have reached a critical mass and, therefore, become more sustainable. India and Australia are at the two ends of a strategic ocean space which is being increasingly described as the Indo-Pacific. This body of water has become key to the security of both India and Australia and the countries in between. It carries much of our external trade and energy supplies and as the Tsunami of 2004-5 demonstrated, maritime emergencies require collaborative responses among the maritime capable states. The U.S. alone cannot be expected to shoulder the entire burden of responsibility for ensuring peace and security in the region. As it happened during the tsunami, countries like the U.S.,Japan, Australia and India came together to deliver much needed relief and assistance to countries affected by the Tsunami far away from their shores. This is why naval exercises and other forms of cooperation among them have become so important .India supports the further strengthening of maritime security cooperation among our countries and Australia has become a valued partner in this respect. We recently had the first ever bilateral naval exercises between our navies off the port of Vishakapatnam on India's east coast. Sometimes the argument is made that this could be construed as the containment of China and provoke a negative reaction from that country. However, as far as India is concerned, the network of security arrangements that we have established with various friendly countries in the region is not directed against China or any other country. We have all along expressed our preference for a regional security architecture in the Asia-Pacific which is open, inclusive, transparent and balanced. It should be based on the acknowledgement that all stakeholders in the region have legitimate security concerns and interests which should be reconciled through mutual reassurance and

confidence building rather than through unilateral build up of military capabilities and assertion of narrowly conceived national interests. China is welcome to join such an arrangement. However, neither China nor any other country should be given a veto over the efforts made by countries, who share security concerns, to consult and coordinate among themselves in mutual interest. I believe that as Australia's profile and engagement spreads westwards and India acquires expanded profile eastwards, there will be greater strategic convergence between our two countries and this will also drive other aspects of our relations.

It is true that our economic and trade relations remain thin and have even declined somewhat in recent months. It stands at a modest US\$ 15 billion currently declining from a peak of about US\$ 20 billion a few years ago. On the Indian side the export basket for Australia is limited as is the case on the Australian side which has focused mostly on resource exports. There is an obvious asymmetry in the scale of the two economies. India can be a huge market for Australian goods and services but Australia is unlikely to become a sizeable market for Indian goods and services. This asymmetry can be partially overcome through a robust investment partnership, with Indian companies investing in Australia and Australian companies investing in India. While there have been a few large scale investment proposals such as Adani's acquisition of coal mines and port facilities in Queensland, their prospects are currently in doubt due to the adverse turn in the commodity cycle. Their project along with investments made or proposed by other Indian groups such as GVK and Jindals also face opposition from environmental groups adding uncertainty to the investment climate in Australia. Australian companies, too, have yet to overcome their inhibition in investing in India. This is mainly because there continues to be a lack of familiarity with what is seen as a complex and difficult investment environment. It took several years for Australian business to acquire domain knowledge of the Chinese market. It may also be some time before a fair degree of comfort level is achieved in dealing with the Indian market. Initiatives such as the activities of the India-Australia Business Council, the setting up of the CEOs forum and more recently the India-Australia Leadership Dialogue, will be very helpful in enhancing mutual familiarity and confidence in expanding the investment relationship. We will need to be patient and remain engaged over time. In this context, the proposed Comprehensive Economic Cooperation (CECA) Agreement could become an important catalyst in promoting sustained trade and investment relations between the two countries. One hopes it will be concluded before the end of this year.

India and Australia have also begun to develop a robust anti-terrorism cooperation. There is expanded intelligence sharing and regular consultations between our counter-terrorism officials. The emergence of ISIS and its likely spread eastwards is a shared and increasing preoccupation including over our citizens heading to Iraq and Syria to fight alongside Jihadis from other parts of the world. There is also a growing recognition that what is under assault are our shared values of liberal democracy and celebration of plural societies. Each has a stake in the success of the other in successfully confronting and overcoming the spread of these doctrines of hate and violence. The most recent and horrific terrorist attacks in Paris, with its ominous echoes of what India went through in 2008 with the Mumbai terrorist outrage, planned and executed from across the border, ought to alert us to a reality that we continue to neglect at our collective peril- the terrorist networks linked to fundamentalist and extremist ideologies have better coordination and collaboration among them than the governments confronting them. There can be no segmentation in the war against terrorism nor in the manner we seek to defeat these interlinked and inter-connected forces. India and Australia would wish to see our common neighbourhood of the Indo-Pacific flourish as a community of vibrant and prosperous democracies. It is important that the geopolitical transformation that is taking place in our region ensures place for countries to follow their own chosen path towards a future determined by their own people.

Let me focus a little more on the economic and commercial links between our countries since that is indispensable to developing and sustaining a robust all-round relationship.

Why is Australia important to India? If India is to grow at 8-9% per annum for the next couple of decades and more, one of the major constraints will be the availability of affordable energy. Australia can emerge as India's preferred energy partner. It has high quality coal which is what India needs for its new generation of super-critical and ultra-super-critical thermal plants. It has large reserves of uranium which could fuel our projected expansion of nuclear power. And it is now a new and substantial source of Liquefied Natural Gas, for which India is destined to become a major

global customer. When India ponders over its energy security challenge, Australia readily suggests itself as a stable, reliable and long term partner.

In this context let me also say that I find it somewhat hypocritical that some countries seek to prevent the continued use of coal for generating power by energy starved countries like India after having, for decades, resisted any restriction themselves despite their high per capita carbon emissions. They may now have affordable alternatives available but we don't. India is already committed as I said, to adopting clean coal technologies, even as it attempts to make a strategic shift from its current reliance on fossil fuels to a pattern of development based progressively on renewable and cleaner sources of energy. The supply of high quality coal from Australia will be good for our energy security. It would also be good for mitigation of carbon emissions.

India also faces a major challenge in ensuring food security for its still growing population. The country's population is projected to reach 1.6 billion by 2050 before stabilizing and declining. The demand for food, in particular, proteins, is likely to be significantly higher than today particularly as income levels also rise as they inevitably will. Australia is blessed with large expanses of arable land, which in India is in very short supply. It has a level of farm productivity which is the envy of the world. In the foreseeable future, Australia is already destined to become a major supplier of lentils and pulses to India, the exports of which have rapidly risen to about \$ 100 million currently. In the longer run there could be possibilities of Indian companies leasing land for extended periods for large scale production of a wide variety of agricultural crops which could then be exported to India. This may require bringing in labour from India for which special agreement may be necessary and there could be political sensitivities involved.

In respect of food security let me also mention that India is keenly interested in the advances which Australia has made in arid zone agriculture. I understand that the two countries are engaged in some interesting joint R&D projects in this area which would be of great value to both our countries.

India is one of the countries likely to suffer increasing water stress not only because of sheer population pressure but also due to the negative impact of Climate Change. We are deeply concerned over the melting of the Himalayan glaciers due to global warming which are the source of our major perennial rivers. There are ominous changes in the monsoons on which much of our agriculture is dependent. Recent evidence shows that we are getting heavier rainfall in shorter periods of time and this is affecting crops but also urban infrastructure. We are deeply impressed by Australian achievements in water management, water recycling and river basin management. This is an area where Australia could make a significant contribution to India's economic development. Of course there are several other areas which would be of mutual commercial interest. Indian IT companies are well represented in the Australian market. The Australian education and vocational training sector has already attracted both Indian students as well as institutions like the National Skill Development Corporation of India. The latter is charged with ensuring that millions of young entrants to the Indian labor market have the necessary capacities to get jobs in keeping with their rising aspirations and in line with the needs of a maturing Indian economy.

It should be apparent, therefore, that the opportunities for a substantial and expanding economic partnership between our two countries are immense and waiting to be realized. Since this coincides with the inevitable deceleration in the Chinese economy, India as the fastest growing large economy in the world today, is clearly on the Australian radar screen.

I would like to touch upon the role of the Indian community in Australia, which is now 450,000 strong and growing. There are many success stories among them and the ranks of highly skilled professionals is growing. The community can play an important bridging role between our two countries and this is already beginning to happen.

Distinguished guests, ladies and gentlemen, it is my firm conviction that India and Australia are on the threshold of a truly productive and rewarding partnership which could enable both countries help shape the emerging economic and security architecture of a region which we share and which continues to be the most dynamic component of the global economy. We have been and continue to be vibrant and plural democracies. This did not result in strategic convergence in the past. But it is apparent that being democracies is a significant factor in strengthening the strategic convergence that we enjoy today. We must grasp the opportunities opening up before us with firm and confident hands.

I thank you for your attention.