

## “India-Australia Relations: The Way Forward”



By

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## Welcome

I'd like to personally welcome each of you in this Seminar of national importance. It's an exciting time for all of us as we continue to grow and adapt, remaining always adaptable, motivated and responsive to new ideas. We're meeting during a time of large nation-wide and global change. The field of law, policy and strategy research is an exciting area in which we work. We will continue to meet and bring intellectual people to come together in forums like this, to ensure IIFH remains at the top to strengthen the humanity.

## Introduction

Thank you for inviting me to speak. I'm delighted to have my first official interaction since becoming High Commissioner.

The High Commission has always appreciated the opportunity to share perspectives on foreign policy issues with the scholars and experts. You of course hosted our Deputy Secretary, Ric Wells, in December on the South Asian region and Big Power relationships.

I want to talk about the direction in which the bilateral relationship is going. But I will also make some comments on the region and regional security architecture.

This is particularly topical at the moment. The UNCLOS Arbitral Tribunal earlier this week handed down its decision on the South China Sea dispute.

Just to set the scene, you will no doubt be aware there was an election in Australia on 2 July. The result was very close. Counting has not yet finished for all the seats. But the current Turnbull Government has been returned with a slim majority.

The returned government will have its own views on priorities for the bilateral relationship and areas for deepened engagement. But that said, I don't foresee any notable changes to existing policies vis-à-vis India. The election was fought on domestic issues as is usually the case. Foreign policy



was not a focus and, to the extent it was, it tended to be on border protection. So I think it will be a case of back to business.

### **Australia-India – Common Interests**

One thing that is not business as usual is the current Australia-India relationship.

Let's start with a couple of clichés. It used to be said that Australians discovered India once every 20 years or so. And that the relationship between our two countries was based on the three “C’s” of cricket, curry and the Commonwealth.

I have taken up my post in New Delhi at a time when the bilateral relationship is growing in strength and depth well beyond those tired clichés. We now have an opportunity to forge an enduring partnership underpinned by common values and complementary strategic and economic interests.

At the most fundamental level, Australia and India are both liberal democracies which share a commitment to the rule of law, fundamental human rights and the peaceful resolution of disputes.

We are working together to build regional institutions. We are both Indian Ocean states which understand that the big strategic challenges of the future are likely to be maritime in nature.

Today India is the fastest growing economy in the world. Australia is the world's 12th largest economy with significant strengths in mining, agriculture, technology and services.

India's appetite for energy, its ambition to upskill half a billion people, its rapidly growing middle class and its shift to a more resource intensive manufacturing sector and a larger services sector all present significant opportunities for us to work together.

And not just in traditional sectors – we can build partnerships in areas as diverse as water management, sport, space science and cyber.



But the reason I think that we will stay closely engaged with each other over time is because of the dramatic growth in people-to-people links over recent years.

The numbers of Indian-born Australians has tripled over the past decade. Almost half a million of Australia's 24 million citizens are now of Indian origin.

Punjabi is the fastest growing language in Australia; Hinduism the fastest growing religion. There are 53,000 Indian students studying in Australia today, our second largest source of overseas students and 233,000 Indians visited Australia in 2015, making India our eighth largest source of visitors.

This is the bedrock, the foundation of the relationship, which keeps it steady and strong through the ebb and flow of our bilateral engagement.

#### Australian View Of The Region – Indo-Pacific

Before I go much further, it is worth setting our bilateral relationship in its strategic context.

Australia's focus for several decades has been on Asia, where our core economic and strategic interests lie – and where any disruption to our peace and prosperity would likely occur.

Traditionally our concept of Asia has focused on the Asia Pacific incorporating the United States, North and South East Asia, and the South Pacific.

More recently we have adopted the terminology of 'Indo-Pacific'. We have done this for several reasons.

First, it brings India into the strategic frame of the region. This reflects India's greater involvement in East Asian affairs, both directly and also institutionally through the East Asian Summit.

Second, it is a maritime concept, and captures better our sense that the big strategic issues going forward will be maritime. Continued economic



prosperity in Asia relies on maritime stability and keeping open sea lanes which are vital for trade.

And finally, by linking the Pacific and Indian oceans, the Indo-Pacific construct makes sense and recognises Australia's distinctive geo-strategic position as a continent which faces both oceans.

This terminology has also entered the Indian lexicon. Prime Minister Modi, External Affairs Minister Swaraj and Foreign Secretary Jaishankar have all referenced the Indo-Pacific in recent statements. There may be nuances between us regarding where this strategic arc begins and ends, but broadly speaking, we share a similar view of the whole.

## **Regional Architecture**

Our region faces a range of traditional security challenges that relate to issues of trust, territorial issues, changing power dynamics and nuclear proliferation. There are also a growing number of non-traditional and transboundary security challenges, including terrorism, natural disasters and pandemics.

Given our strategic alignment, India and Australia are well-placed to work together on challenges in the Indian Ocean region.

It will be important to build and strengthen institutions and norms in the region which can help manage tensions.

There has been an ongoing discussion in recent years of various proposals for regional security architecture.

Broadly speaking, there have been two schools of thought: (a) to strengthen existing ASEAN-led mechanisms, notably the East Asia Summit; or (b) to create a new structure for regional architecture. Some countries have also argued that this is not a binary choice.



Australia has consistently advocated the approach of strengthening the ASEAN-led institutions. The ten member states of ASEAN have been critical to building a strong, dynamic and resilient regional community.

From Australia's strategic perspective, the East Asia Summit is the regional institution which has the highest priority and the most potential. Its members account for 55 per cent of global GDP and over half the global population. And it includes all the major powers in the Indo-Pacific region.

A core objective of the EAS should be to promote consultation across the region. Consultation might not resolve problems but it can make the search for solutions easier and diminish the risk of miscommunication and miscalculation.

2015 was a milestone year. The Kuala Lumpur Declaration by East Asia Summit Leaders set a benchmark of our Leaders' expectations on regional security architecture, namely that the EAS would be a leaders-led strategic forum. Australia welcomed this development and is keen to work with others to further strengthen the EAS as an institution.

### **South China Sea decision**

It is inevitable that the upcoming EAS Summit in Vientiane and other regional summits will focus on developments in the South China Sea.

The ruling handed down by the Arbitral Tribunal on Tuesday was very clear. It found in favour of most of the Philippines' arguments and clarified the maritime rights in the South China Sea.

China has, as foreshadowed, rejected the jurisdiction of the Tribunal and claimed the award is null and void. Australia's position on this has been consistent and clear. We don't take sides on competing territorial claims but we have strong interests in regional peace and stability and respect for international law.

Australia's Foreign Minister, Ms Julie Bishop, issued a statement following the ruling, calling on the Philippines and China to abide by the ruling, which is final and legally binding on them. The Tribunal was established in



accordance with UNCLOS. Its decision was not about sovereignty, but about maritime rights under UNCLOS.

Looking ahead, we hope that all claimants take this opportunity to re-engage in dialogue based on greater clarity of maritime rights, and bring their claims into line with international law.

I note that India's Ministry of External Affairs also released a statement on Tuesday that urged all parties to show utmost respect for UNCLOS, which establishes the international legal order of the seas. We agree.

Like India and many others, we will watch with great interest how the Philippines and China respond to the outcome. This arbitration is a test case for how our region can manage disputes peacefully, in accordance with international law.

### **Australia-India Bilateral Relationship**

Given this strategic context, a strong Australia-India bilateral partnership is more important than ever.

Australia has placed India at the forefront of its international relationships. Our relationship has been on an upwards trajectory since it was elevated to a Strategic Partnership in 2009.

The two-way Prime Ministerial visits in 2014 was a milestone, setting out an ambitious forward agenda.

So 2015 was a year of implementation. Last year we saw new or expanded maritime, cyber, terrorism and transnational crime dialogues.

There was an inaugural trilateral dialogue with Japan. We had our first bilateral maritime exercise – AUSINDEX – which will occur biennially.

Our civil nuclear cooperation agreement entered into force, enabling the export of uranium to India.



We had our largest business delegation of over 450 visit India for 'Australia Business Week in India' and we established a new Australia-India CEO Forum. A suite of MOUs were signed on economic policy, VET skills, sports, tourism, water, tertiary education and the environment.

And our people got to know and understand each other better through a series of cultural events that took place in our countries, including the exhibition of Ramayana Miniatures in Australia and the Australian World Orchestra tour of India.

### **Where to from here?**

Looking at all this activity, and as the incoming High Commissioner, I have asked myself where I should take the relationship. Broadly, my priorities fall into two areas:

First, I am focusing on the new bilateral architecture. By this I mean building habits of cooperation, identifying practical areas for cooperation and taking the projects and programs already in train through to their conclusion. It is no use having lots of dialogue if nothing concrete comes out of it.

Second, I am keen to expand the relationship in areas where it is underdone. The depth and scale of our relationship does not yet match the potential of both our countries. This is particularly so in the economic relationship. There has been a steady growth in two-way trade and investment, but we could go much further.

Let me give you a few examples of where I see potential to expand the relationship.

#### **1. Education**

India is currently undergoing a profound transformation. More than 54 per cent of its total population are below 25 years of age and only a small proportion of the workforce has formal skills. The Indian Government expects that 400 million additional people will need to be trained in the vocational sector alone by 2022.





Equipping these Indians with the skills to participate in the economy underpins so many of the Modi Government's flagship policies, from Make in India to the Smart Cities initiative.

We see ourselves as a natural partner for India as it seeks to meet its challenges across the education sector, whether this is in schools, higher or vocational education, or research.

In higher education, we have some of the world's best institutions and academics. Already, we are sharing teaching and learning expertise between India and Australia.

Beyond this, we are starting to expand our work on delivering vocational and skills training to equip India's workforce to meet the demands of the expanding economy. This training is in fields as diverse as welding, fitness and aged care.

## **2. Water**

Australia and India face some similar challenges in water resources management, particularly in managing over-allocation and water quality, while balancing the water needs of the community, industry and maintaining system flows.

In Australia, the 12-year millennium drought experienced across most of the nation challenged our traditional approaches to water. It forced us to look at bold solutions – particularly for the Murray Darling Basin – an iconic river system and critical source of drinking and irrigation water for many regional and urban communities.

A key achievement has been the development of the Murray-Darling Basin Plan. The Plan addresses over-allocation through new 'sustainable diversion limits' on water use and coordinated water use across the Basin. The aim is to ensure a healthy productive river system for generations to come.



Australia has taken our learnings from this Plan to work with Indian agencies on a river basin planning initiative for India's Brahmani-Baitarani River Basin which flows in the states of Jharkhand Chhattisgarh and Odisha.

Sharing our experience with India is a key focus, including how to successfully unify the Centre and State Governments to implement a single integrated approach, as well as sharing our world leading basin planning and management tools.

The Australian Water Partnership is offering a package of technical assistance to support the implementation of India's National Hydrology Program. And we are contributing to efforts to the Ganga Rejuvenation effort.

### 3. Energy

Meeting the energy needs of 240 million people, which currently lack access to electricity, is a key priority for India. To this end, India's Government has introduced key goals - electricity to all by 2019 and an eye catching target of achieving 175 GW of renewable energy by 2022.

Australia is a natural partner for India in the energy sector. It is a world leader in resources and energy and the sector contributes around 10% to Australia's GDP. By the end of this decade, Australia is expected to overtake Qatar to be the largest exporter of Liquefied Natural Gas.

Australia's long-term and secure LNG supply can help diversify India its current highly concentrated import supplies from the Middle East. Australia is well placed to support India in helping it achieve its burgeoning energy demand.

Apart from rich resource endowment, Australia is also a leading mining equipment, technology and services (METS) provider and renowned for its world class technology and innovation in the mining sector. The Australian METS sector exports over AUD 15 billion of products and services to every corner of the globe, and invests AUD 4 billion in research and development. As India plans to expand its mining sector hiking mining share in GDP by 1% in next 2-3 years, Australia can offer its world class technical expertise



in METS, mine safety and mine management to help India achieve its target.

We have also made some ground-breaking innovations in the solar sector with researchers from the University of New South Wales setting a new world-record in solar energy efficiency, achieving an electricity conversion rate of over 40%. This is a world record they have held for 30 of the last 32 years.

The recent visit by Minister Goyal to Australia for the 3rd Australia-India Energy Security Dialogue gave both countries the chance to explore areas of collaborative work including new areas of research like underground coal gasification.

#### **4. Science & Technology**

India and Australia have a strong track record of collaborating in research and innovation. The \$84 million Australia-India Strategic Research Fund (AISRF) is Australia's largest. To date, over 250 collaborative research projects, workshops and other activities have been successfully completed by some of India and Australia's best researchers, involving around 100 top universities and research institutes in both countries.

For instance, collaboration between Australian researchers and India's Centre for Cellular and Molecular Biology has already led to the development of a new class of magnesium alloys that mimic those of natural bone. This first-of-a-kind research paved the way for the development of a new class of materials, suitable for implanting in the human body, that will improve bone-tissue engineering techniques with patients being the ultimate beneficiaries.

Another Fund collaboration brings together a multidisciplinary team to look at the growing resistance to standard pest-controls that have the potential to seriously threaten the long-term food security of stored grains. The outcomes of this research will benefit farmers and consumers in both India and Australia because less grain will be lost to spoilage, resulting in more food available to millions of people.



Whether it is nanotechnology, software engineering, energy efficiency or agricultural research, Australian and Indian companies are innovating and translating great research into practical applications. The Australian Government's \$1.1 billion National Innovation and Science Agenda presents new opportunities to engage with India. The agenda resonates well with India's 'Start-up India' and 'Make in India' campaign.

## 5. Space

As I've highlighted, Australia-India cooperation knows no bounds. Literally so. One embryonic area is in space science and technology. The Indian Space Research Organisation has a proud record of space exploration, including recently with its successful Mars Orbiter Mission.

Australia and India signed a Memorandum of Understanding in 2012 to increase collaboration in civil space science research, technology and capability development and educational activities for mutual benefit.

There have already been a number of activities completed under the MOU, including a study in 2014 between Indian and Australian space scientists and students to carry out experiments to compare how well human astronauts and robotic vehicles can work together and perform tasks on Mars.

Australia and South Africa are co-hosts for the Square Kilometre Array project, a global next-generation radio telescope project involving institutions from over 20 countries.

We were delighted last year when the Indian Government signed for membership of the SKA Organisation, bringing India formally into the Square Kilometre Array project. We look forward to our scientists working side-by-side once that is constructed.

## 6. Sport

I have already made a reference to cricket, which is a shared love by both our countries. But our sporting ties extend much further.



There is considerable scope to use sport to build our people-to-people connections. We now have young Indian girls and boys, men and women playing netball and Australia Rules Football, two iconic Australia sports. There are even Kabaddi tournaments being run Australia, seeded by diaspora groups but gaining broader interest in the community as it becomes more aware of this immensely popular Indian sport.

### CECA & Regional Economic Architecture

These are exciting developments. And I look forward to seeing our relationship expand further in these areas – and many others. One important way we can help to realise the mutual gains available from our increased economic interaction is by putting in place the sort of frameworks that will encourage trade and investment between Australia and India.

I particularly have in mind the bilateral Comprehensive Economic Cooperation Agreement – or CECA, as it is often called – currently under negotiation.

For India, CECA would give improved access to the world's twelfth largest economy.

With over half of India's exports to Australia currently facing tariffs, it would quickly put India on the same tariff-free footing as our existing FTA partners, such as China – including for key Indian exports such as textiles and clothing, auto parts and jewellery and it would facilitate investment flows with Australia, which has the world's third largest pool of investment funds under management.

At the regional level, Australia is keen to work with India to achieve a sufficiently ambitious outcome in the Regional Comprehensive Economic Partnership – or RCEP – negotiations.

RCEP provides an ideal forum in which India can contribute to shaping and influencing the rules governing trade and investment in the region, thereby building stronger economic ties across the Indo-Pacific.



And, on the issue of regional economic architecture, I would also mention APEC. Australia has made clear its support for Indian membership of APEC. APEC has an important role in nurturing regional economic integration. The region and India would benefit from India being part of it.

## Conclusion

Australia's partnership with India is already strong, but the potential for growth is truly exciting. There are good reasons to think that this upswing in the bilateral relationship will be enduring.

First, our economies are highly complementary. Your growth requires the sorts of things that we can supply. But trade is still very narrow – 70% of Australian exports to India comprise only two items – coal and gold. If we are to build depth to our economic relationship, we need to broaden its base. That is why we are negotiating a CECA which will put in place the framework to support the free flow of – particularly – services and investment between our countries.

Second, the growth in Australia's Indian population in recent years will anchor and help sustain both economic and political interest in India for the foreseeable future.

Third, we share strategic interests in Asia. We are both maritime nations for whom regional stability is of paramount importance. And this is recognised by the expansive agenda set out in our Framework for Security Cooperation.

Finally, more than perhaps any other country in Asia, our values are closely aligned. We both value democracy, liberty, the rule of law, human rights and freedom of expression.

We therefore have all the ingredients of a strong Australia-India relationship going forward. I will be working hard over the next three years to not only promote Australia within India, but India within Australia, in order to realise some of these opportunities.

Thank you.

