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Introduction

For the first time in India’s diplomatic history a summit was held on a virtual platform. On 4th June 2020 Prime Minister Narendra Modi discussed a range of issues with his Australian counterpart, Prime Minister Scott Morrison. This summit is significant for a variety of reasons. The very first one is the context – it has taken place amidst the COVID-19 pandemic. It is only natural that the bilateral relationship would be seen with China as a factor, and that is indeed true. But besides China, India and Australia have several other non-traditional security challenges to work upon. The current pandemic has only reiterated how devastating a transnational and non-traditional issue can get. Yet this article would analyse the current state of bilateral relations with China as the variable. Afterall, the COVID-19 crisis is a result of China’s lack of responsibility. It is also the most accurate variable to understand the bilateral relationship.

India and Australia have found vigour in the bilateral relations ever since the Indo-Pacific gained traction as the new geopolitics of Asia. But the process of deepening of the relationship began five years ago. The major development took place in 2014 when both sides concluded the framework for security cooperation, amongst many other agreements in economy, defence research and social security.
2014 was also the year when both Prime Ministers had met each other twice in the same year. Narendra Modi was the first Indian Prime Minister to have addressed the joint house of the Australian Parliament.

India and Australia have some common interests. Both are maritime nations. India is an Indian Ocean power. Australia is also part of the Indian Ocean but its primary area of focus is its eastern seaboard that borders the Pacific Ocean. It is however, beginning to develop strategic interest in the Indian Ocean as well.

**Australian Foreign Policy and the Relative Domestic Issues**

Australia experienced political instability in the recent past i.e. five prime ministers in five years. This hampered a stable foreign policy during that period. The two political parties- the Labour and the Liberals had different position over Australia’s relations with China. Labour was in favour of closer relations with China while the Liberals preferred the traditional relations with the US. But by the time Australia went to elections in 2018, there was bipartisan agreement with respect to China. This change happened because there was realisation of the growing Chinese influence in Australian polity. Ever since the Morrison-led government took office, Australia has been active in the Indo-Pacific. An effort to build closer relations with India and, upholding the traditional alliance with the US is seen.

As will be elaborated further, Australian growth story is closely linked to China’s economic development. The Chinese economy was basically an export-driven model, where China is the global manufacturing and exports hub. However, the Chinese economy is shifting from export-led towards domestic demand-driven economy. This affects Australia. The rate of Chinese domestic savings will impact its foreign investments. In this context, the thinking in Australia in the last 7-8 years is to capture Chinese market for high-
quality, finished goods, service sector, particularly financial services¹.

**Contextualising the Bilateral Relationship**

**History**

India and Australia have been in a rocky boat. Tyranny of distance has been one of the features. India has been pre-occupied with its neighbourhood and the Indian Ocean while Australia’s westward concerns were limited to Indonesia. Historically both countries were distant. As an independent country, India has adopted the policy of Non-Alignment whereas Australia was part of Western alliances. During the Cold War period, Australia desired a stronger US presence in the Indian Ocean². India that time wanted to keep the Indian Ocean free from superpower rivalry. India was closer to the USSR since 1971, while Australia saw the Soviet Union as a threat. After the end of the Cold War, India began to look eastward but the focus was East Asia. Australia came into Indian discussion over the Indo-US nuclear deal. Australia under Kevin Rudd had refused to supply uranium because India was not a signatory to the nuclear Non-Proliferation Treaty (NPT). Canberra’s refusal was an irritant in the bilateral relationship. In 2007, the four countries—India, US, Japan and Australia were to conduct a joint naval exercise *(Ex. Malabar)* in the Bay of Bengal¹. Australia withdrew at the last moment presumably under China’s pressure. Soon after, then Australian Prime Minister had also withdrawn from the QUAD.³ Thereafter Australia made several attempts to re-join *Ex. Malabar* but India did not accept the proposal.

In 2011 under Julia Gillard’s leadership, Labour’s ban on Uranium sale was lifted. It was only in 2014 when then Prime Minister Tony

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¹ Another reason why the Exercise Malabar is maintained as a trilateral exercise, is to avoid the perception that Malabar is military manifestation of QUAD. However, India may be more open to include Australia in the foreseeable future.
Abbot visited India that Australia signed the supply agreement\(^4\), the first of its kind with a non-NPT country. The first ship carrying Uranium sailed for India in the middle of 2017\(^5\). Since 2015, Indian Navy and the Royal Australian Navy have been conducting bilateral naval exercise called *Ex. AUSINDEX*, which has taken place thrice so far- in 2015, 2017 and the latest edition was in 2019. It signifies growing confidence between the two countries.

In 2018, President of India visited Australia. Around this time, the term Indo-Pacific was often heard. Modi spelt out the Indian view of the Indo-Pacific at the Shangri-La dialogue in Singapore. India’s Indo-Pacific vision stood for rules-based international order, freedom of navigation, and inclusivity\(^6\). India’s vision marked a difference from the existing US-led narrative that mainly hinged on traditional security. Modi’s speech can be said to have resonated with middle and smaller powers. It is here where Australia comes, but this episode is not the exclusive context; and will be explained further.

When India’s Adani group was trying for the Carmichael coal project, it was met with stiff opposition from the local Left group called Greens. The project was deemed necessary for India’s energy needs, and hence the opposition to it was seen unfavourably\(^7\). But the Australian government nonetheless approved the project eventually in 2019.

**Australia’s Indian Ocean Outlook**

The bulk of Australia’s population, its economic activity is located on its eastern side. The East coast has favourable topography while the western side is an arid desert. Hence Australia has traditionally been focused on the Pacific. Traditionally, its threats were also seen to emanate from the east, north-east and the north- these were the Japanese in 1942, situation in the Pacific Islands, brief military involvement in Indonesia from 1963-66 and threat from Russia.
Australia entered into alliance with the US, signed the ANZUS (Australia-New Zealand-US) treaty in 1951. As far as its western seaboard was concerned, the UK’s naval presence served as a security guarantee. The US was also present in the Indian Ocean. Australia forged relationships with the Western naval powers and enjoyed its security umbrella. Australia’s main concern in the Indian Ocean during the Cold War was Russia. It tried to mitigate it by advocating larger US presence in the region. Its diplomacy ensured that the ANZUS covered its western coast. Things changed when the British declared withdrawal from the East of Suez in 1967. This was also the time when Western Australia had begun to develop its mineral resources. These developments changed the outlook towards the Indian Ocean and eventually Australia adopted a two-ocean strategy. When the United Nations Convention on the Law of the Sea came into being, it provided 200 nautical miles of exclusive economic zone. Under Art 76 of the Law of the Sea, Australia enjoyed additional 2.5 million sq. kms of continental shelf. Australia is reliant on Middle-East, South Asia and North-East Asia for oil imports. In 2017-2018, Australia imported 90 per cent of its refined oil products. Therefore, it is concerned with disruptions in oil supply from Asia. It has hydrocarbon reserves in the Indian Ocean. As part of Operation SLIPPER (both in

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ii Soviet intervention in Afghanistan was seen as a step towards gaining access to warm water ports in the Indian Ocean. Iran was also a concern.

iii Since the 1980’s there was growing awareness about the defence of the North-western border as the region started to develop economically.

iv This was overall gain, not specific to Indian Ocean.

v Hence it has diversified its imports. In the event of any disruption it can seek oil from other (geographically distant) countries in a matter of two to four weeks.

vi This is the biggest ADF involvement in the Indian Ocean region. ADF has 1550 troops in Afghanistan and 830 in the Middle East. Others are miniscule, mostly as military advisors.
Afghanistan and the Middle East) the Australian Defence Forces (ADF) have been deployed in the Gulf of Oman for maritime security and anti-terror operations. Two ADF personnel are deployed as part of UN peacekeeping force in Afghanistan. There is some involvement in Egypt, Sudan and Israel.

With the rise of Asia or ‘Asian Century’ narrative, there is also an effort to identify itself more with Asia rather than only seen as a ‘western’ country. Australia sees itself as an Indian Ocean power by virtue of its long coastline, vast search and rescue area and, its overseas territories. It is also concerned with strategic shifts and competition in this region and hence has interest in regional stability. Today Australia is part of several forums in the Indian Ocean- Indian Ocean Rim Association (IORA), Indian Ocean Naval Symposium, Indian Ocean Tuna Commission and, Indian Ocean MOU on Port State Control.

The Indo-Pacific is also an apt identity for Australia as it is part of both the oceans. Australia values IORA to build regional and bilateral relationships in its broader framework of the Indo-Pacific. It is therefore only natural that Australia would build a deeper relationship with India.

**Canberra’s Dilemma**

Australia is one of the pillars of the US military alliance in Asia. As mentioned earlier, Australia was never really seen as an Asian country. It was somehow always perceived as a Western power- be it its alliances, or cultural distinction from the rest of Asia.

As it continues to be part of US-led security alliance, however, over a period it has cultivated strong economic relationship with China. Australian economy is significantly dependent on China. In 2015 Australia and China signed the Free Trade Agreement. China accounts for 31 per cent, valued at USD 110 billions of Australia’s
The main export items are minerals, coal, beef, wine, barley; and the imports comprise of finished goods and electronics, telecommunications, IT and furniture. Australian economy is built on two main products—minerals and education. China is the largest consumer of Australian minerals, and has also invested in the mining sector in Australia, to the extent that it is said that without Chinese investments, the mining sector would not have flourished the way it has.

Australia has been promoting its higher education to foreign students. In fact, since about a decade, representatives from several Australian universities are a common site in education fairs in India as well. Chinese students are the largest group of foreign students to study in Australia. Indians are second. As of March 2020, there are 167,526 Chinese students and 105,156 Indian students in Australia.

Australia is the only country that enjoys trade surplus with China. China also has influence in Australian economy through tourism, manufacturing and services. Australia’s rise is closely linked to China’s growth story. As China grew, its infrastructure expanded, it needed raw materials and this is where Australia fit the bill. Likewise, a rising China served as a market for Australian goods. It is therefore careful about its ties with China.

China’s economic dominance in Australia has had a spill-over effect in Australian politics. For instance, as a prime ministerial candidate Scott Morrison and the Coalition were ridiculed on by some users affiliated with the Communist Party of China (CCP) on WeChat, social media platform. Similarly, other media sites in China such as Tiexue Junshi had carried derogatory remarks about Australia. The propaganda was ongoing in the run up to the May 2019 elections. On the basis of analytics, experts observed that the Chinese propaganda was conclusively targeted at the Liberal Coalition, and not so much
towards the Labour\textsuperscript{22}. This was said to be China’s retaliation against the then Coalition Prime Minister Malcom Turnbull for banning Huawei from Australia’s 5G network and for passing laws against foreign interference\textsuperscript{23}. The law against foreign interference, or its need is an interesting phenomenon. This law specifically came into being over CCP’s espionage over Chinese students in Australia. Chinese spy agency is said to have a substantial eyes and ears in Australian universities. This is because Chinese students are exposed to novel ideas, mainly democracy in Australia.

There are numerous instances where Chinese students had participated in protests- say in support of Hong Kong. The said students were identified and a ‘guest’ would visit their homes in China to ‘talk’ to his/her family. The Chinese espionage is particularly looking to monitor discussions on Tibet and Falun Gong\textsuperscript{24}. The Australian Security Intelligence Organisation had to increase its capabilities in the light of widespread Chinese espionage\textsuperscript{25}. The 2018 law against foreign interference was passed to address the issue of espionage.

The Chinese students have stirred another debate in Australia- that Australian universities in its bid to attract international students has compromised on admission standards, often on English language requirements. It is also argued that the dominant numbers of Chinese students amongst international students makes Australia vulnerable, if ever their numbers see a downturn. Australia is looking at India, amongst other countries, to attract international students\textsuperscript{26}.

Chinese clout, or rather interference has gone as far as to influence appointments of ethnic Chinese or persons of Chinese-origin in public offices. The influence is also sought through Chinese-language centres\textsuperscript{27}. Chinese political economy where CPC, through the United Front Works and other patriotic association exerts control or influence on Chinese private firms is Chinese state’s another
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tool for retaliation. So, if Australia takes a political stand that goes against China’s interest, the Chinese businesses will begin to pressurise Australian politicians. These could be in form of banning or delaying imports from Australia, or even filing defamation cases and lawsuits. Chinese diplomatic missions have engaged with the Australian citizens of Chinese origin for favourable impact. The 2018 legislation mentioned earlier criminalises foreign information and leaking trade information, with punishment ranging from 10 to 20 years in prison.

Australia faces a dilemma that is common to many countries in the world today—between security and prosperity. In Canberra’s case it become peculiar since it is a formal ally of Washington with deep economic interdependence with Beijing. To choose a side, is really not a favourable option. The current American leadership and its (pre-COVID) negligence of Asia in general and of its Asian allies in particular complicates the choices even more. Right since the days of Obama presidency, the US has not been able to arrest China’s growing aggression. China has made inroads into Pacific Island States which makes matters worse for Australia. China’s growth, its geo-economic and (increasing) geo-political heft within and around Australia does not seem like a situation Canberra would want to be in.

**India in the Australian Policy**

All of these are grave matters. Australian politicians have taken note of China’s influence and economic dominance. In this regard, Australia strives to diversify its trade and widen diplomatic engagements. Contemporary elevation in India-Australia need to be understood from this point.

Australia is looking ambitiously at the Indian market. Earlier, India as a destination was seen as difficult. But policy changes in India in over the years seem to reflect change Australian attitude.
Australian business look to India as a market for education, tourism, health services and premium products like wine, food and beauty. In February 2020 a delegation of about 100 Australian businesses visited India. Senator Simon Birmingham, Australian Minister for Trade, Tourism and Development stated that:

“We want to make sure Australian businesses are front and centre as India’s economy grows over the next 20 years. India’s economy is rapidly transforming, predicted to be the third largest in the world by 2035, and this presents huge opportunities for Australian businesses across a range of export sectors.

India’s aspirational middle class – already 12 times the size of Australia’s population – is also growing rapidly, and now is the time to position Australian businesses so they can develop long-term relationships with Indian businesses, supply chains and investment partners.”

In 2017 then Prime Minister Malcom Turnbull had sought an independent report to carve Australia’s economic strategy for India—something that would transform relations with India. In 2018 Peter Varghese of University of Queensland submitted ‘An India Economic Strategy 2035’. Varghese recommended that:

“Australia must prepare for that through a strategic investment in the relationship and a long term and ambitious strategy led at the highest levels of government.”

The report acknowledged existing constraints in doing business in India but recommends Australian businesses to explore India nonetheless. India’s democracy, competitive-federalism and economy’s sustainability owing to structures is recognised. Most importantly, India is understood as distinct from both China and East Asia. The economic strategy is embedded into a long-term deeper relationship with India where geopolitics is also taken into
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account. With the slew of policy changes that India announced as part of the road to recovery from COVID-19 pandemic—particularly labour and FDI and agriculture, Australian investors would be enthusiastic.

Australia has begun to identify closely with India on security issues in the Indian Ocean region. According to the 2017 foreign policy white paper, ‘India now sits in the front rank of Australia’s international partnership’. Australia also sees opportunities since both the navies are enhancing their capabilities.

Recent Developments

Australia took a tough stance on China over independent investigation into the origins of the virus. China had threatened to cut down on Australian agrarian and organic exports. Nonetheless, Australia went ahead with its call for enquiry. China too cut meat, barley and wine exports from Australia. Crisis is also an opportunity. Perhaps the COVID-19 crisis has been a turning point in Australia, where, as elsewhere in the world, popular resentment against China is seen. Canberra has taken the opportunity to go tough on China. Although one must bear in mind that the economic retaliation is not one way in this case; rather the economic interdependence is very much at play. China is crucially dependent on Australian coal and minerals. Eventually two countries are more likely to resume normal trade.

But Australia has taken cognisance of its relationship with China and as seen through the list of agreements that were signed between Modi and Morrison; a deeper and indeed comprehensive relationship with India is in the pipeline. From Australia’s point of advantage, it has found another destination for an investor in its mining and strategic minerals sector. India is aiming at USD 5 trillion and a growing economy would have increased energy requirements. Recently India announced a policy for manufacturing
of electronics in India where critical minerals would be required. The Indian government has encouraged electrical vehicles under its Faster Adoption of Hybrid and Electric Vehicles (FAME – 1 & 2) policy where access to Australian minerals will be important.

**India and Australia in the Indo-Pacific**

Indo-Pacific as a geo-political concept will remain relevant in post-COVID world, but not without challenges. Asia would be curious to see US’s role in the time to come- will it assume its global leadership role, does one see more commitment in the Indo-Pacific, are some of the questions. The important thing in a post-COVID world would be economic recovery. While some argue that there would be more protectionism but that seems unlikely because contemporary global economy continues to remain inter-dependent. Countries or companies would reconsider their level of investments in China, as it is already evident, but per se the nature of international economy would remain unchanged. This would also see some seeking active economic engagement with one another. There could be more Australian business interest in India and vice-versa.

There are certain similarities between Indian and Australian foreign policy when it comes to the Indo-Pacific. Taking forward the earlier point on Indo-Pacific and India’s approach, by now it is evident that Australia is seeking diversification. It also wants to avoid to be in a place where it has to make a hard choice between US and China. For India also its strategic autonomy is paramount. Unlike Australia, Indian economy is diversified and China does not enjoy a disproportionate share amongst other trading partners.

Australia’s view on the Indo-Pacific imagines continued US preponderance, recognises China’s growing economic power and the potential to use it for strategic gains. Further it assesses that India is one of the countries that would shape the balance of power.
in the Indo-Pacific. Australia would modernise its forces and would want to shape regional balance in its favour\textsuperscript{36}.

India and Australia give importance to the region of Southeast Asia. Both the countries support ASEAN centrality in the Indo-Pacific. Smaller countries of the Indo-Pacific, such as Southeast Asian countries have been heavily reliant on China. There may be limitation to what India and Australia can do about it at a regional level, but more political support can be extended. With strategic foresight, India and Australia need to pool resources in the Indian Ocean. Illegal, Unreported and Unregulated (IUU) fishing in the Indian Ocean, particularly in the Southern part of the Ocean needs serious attention.

Besides, both countries are part of the Quadrilateral (QUAD) grouping. QUAD would be something to watch out for in a post-COVID world. Unlike a traditional bipolar balance of power, the QUAD consists of four poles. QUAD of course has had its limitations where the members, particularly India, Australia and Japan were mindful of their relationship with China. They also wanted to avoid QUAD to be seen as an overtly anti-China. But China’s conduct in the last six months- from COVID secrecy to aggression over territory and economic coercion, members may come to look at the QUAD more seriously. In the current circumstances, QUAD may enjoy better support from other countries as well.

The joint statement on the Indo-Pacific states that\textsuperscript{37}:

‘India and Australia reiterate their commitment to promoting peace, security, stability, and prosperity in the Indo-Pacific region, which is vital for the world. As two key Indo-Pacific countries, India and Australia have an enduring interest in a free, open, inclusive and rules based Indo-Pacific region. They have a shared interest in ensuring freedom of navigation and overflight in the Indo-Pacific region, and maintaining open, safe and efficient
sea lanes for transportation and communication. With a shared maritime geography and a deep and long-standing friendship, India and Australia are natural partners to work together towards realisation of this shared vision.’

Some important measures were taken during the summit in June. As expected, both sides declared shared vision on Maritime Cooperation in the Indo-Pacific. Both countries will be coordinating their actions through the existing multilateral fora. Besides, both see merit in mini-lateral engagements. There’s emphasis on transnational maritime issues which would be addressed through the Indo-Pacific Oceans Initiative.

India’s Indo-Pacific policy has three concentric circles—Indian Ocean occupies the inner-most circle signifying first order of priority. East Asia comes second, followed by the far-east. India has been cultivating ties with Fiji which has Indian diaspora. Australia is also an Indian Ocean power, but primarily concerned with the Pacific. Yet Australia would be keen on Indian Ocean security, particularly when Chinese fishing vessels and PLA-N submarines are becoming frequent in the Indian Ocean. Chinese fishing activities are to be watched about. As fish stock has been depleting in the South China Sea, Chinese fishing boats, often accompanied by Chinese coast guards are seen in the Indian Ocean. India and Australia need to collaborate on improving maritime domain awareness and one of the ways could be to establish maritime surveillance stations, which could be linked to India’s fusion centre. (IFC-IOR).

The Mutual Logistics Support Agreement paves way for greater military interaction and cooperation. The Bilateral naval exercise called AUSINDEX should be expected to grow in complexity. It is only natural that Australia joins the Malabar Exercise. India is likely to be more open to a quadrilateral naval exercise and Australia is unlikely to repeat 2007. Both countries face an altered geo-political
situation from what was 13 years ago.

Bilateral agreement on cyber security and critical cyber technology assumes importance when countries are facing cyber-crimes, hybrid warfare and as militaries are becoming network-centric.

Besides, both countries have several maritime issues to work upon such as climate change, ocean-acidification, marine ecological degradation. Illegal, unregulated and unreported fishing in the southern Indian Ocean requires serious attention.

By now the world has got a sneak-peak into how things would look when China is the hegemon. Post-COVID world would look at China critically. Economic engagement will indeed continue, but it is unlikely to be as lopsided as before. Countries today are open to new constellations and more resolute to meet the China challenge. In the last couple of months, a meeting on COVID-19 under the banner of Indo-Pacific took place, which some have even begun to address as QUAD-plus. In the light of these developments, the future holds promising for India and Australia relations.

Endnotes


6. Prime Minister’s Keynote Address at Shangri-La Dialogue, Ministry of External Affairs, Government of India, 1 June 2018.


23. Ibid.


25. Ibid.


30. Ibid.


33. Ibid.


35. 2017 Foreign Policy White paper, *Australian Government*, pp 42

36. Ibid. pp 25-27

About the VIVEKANANDA INTERNATIONAL FOUNDATION

The Vivekananda International Foundation is an independent non-partisan institution that conducts research and analysis on domestic and international issues, and offers a platform for dialogue and conflict resolution. Some of India’s leading practitioners from the fields of security, military, diplomacy, government, academia and media have come together to generate ideas and stimulate action on national security issues.

The defining feature of VIF lies in its provision of core institutional support which enables the organisation to be flexible in its approach and proactive in changing circumstances, with a long-term focus on India’s strategic, developmental and civilisational interests. The VIF aims to channelise fresh insights and decades of experience harnessed from its faculty into fostering actionable ideas for the nation’s stakeholders.

Since its inception, VIF has pursued quality research and scholarship and made efforts to highlight issues in governance, and strengthen national security. This is being actualised through numerous activities like seminars, round tables, interactive dialogues, Vimarsh (public discourse), conferences and briefings. The publications of VIF form lasting deliverables of VIF’s aspiration to impact on the prevailing discourse on issues concerning India’s national interest.

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