

ENHANCING INDIA-AUSTRALIA TIES THROUGH MARITIME TRADE

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This article launches the NMF's advocacy for closer India-Australia economic and strategic ties and argues that the synchronisation of bilateral maritime trade may hold the key to future growth in the relationship between these two critical Indo-Pacific powers and members of the QUAD.

With the India-Australia bilateral Strategic Partnership (concluded in 2009) having been elevated to a Comprehensive Strategic Partnership (CSP) on 04 June 2020,¹ there is an urgent need to build upon the enhanced impetus imparted to the bilateral relationship by the two Prime Ministers, (Mr Scott Morrison and Shri Narendra Modi, respectively).

It is important at the outset to recognise the gradual development of a hierarchy associated with the expression 'strategic partnership', which appears to be rapidly replacing the outmoded 'treaty alliances' of the Cold War. "Strategic Partnerships" are bilateral structures, described as somewhat "*freewheeling partnerships with other nations based on complementarity of interests in specific but vital areas*" that "*do not bind nations to support each other on all strategic issues in all situations*", but rather, "*are entered into in those areas of common interest where mutual help and collaboration can be of long-term benefit to both*".² Over the past decade or so, India has entered into a large number of such bilateral strategic partnerships with a diverse grouping of nations including (amongst several others), Afghanistan, ASEAN, Australia, China, Indonesia, Iran, Japan the United States, Russia, South Korea, the USA, and Vietnam. It is by no means necessary that each strategic partnership should be the same as every other one. Some "*are more comprehensive than others, depending on the number of areas in which the two sides can fruitfully and actively engage to mutual benefit and the scope and depth of their relations.*"³ The hierarchy of strategic partnerships emerges from a continuous process of assessing and reassessing potential as well as 'actual' cooperation in the fields of defence, economics (commerce, trade, and investments), science and technology, education, and, of course, geopolitics as a whole. At the present juncture,

¹ "India Country Brief", Australian Government, Department of Foreign Affairs and Trade, <https://www.dfat.gov.au/geo/india/Pages/india-country-brief>

² Satish Kumar, SD Pradhan, Kanwal Sibal, Rahul Bedi and Bidisha Ganguly, "India's Strategic Partners: A Comparative Analysis", Foundation for National Security Research, New Delhi, November 2011, http://fnsr.org/files/Indias_Strategic.pdf

³ *Ibid*

See Also:

Ankit Panda, "Why Does India Have So Many 'Strategic Partners' and No Allies?", *The Diplomat*, 23 November 2013, <https://thediplomat.com/2013/11/why-does-india-have-so-many-strategic-partners-and-no-allies/>

and

Nirupama Subramanian, "In the Promiscuous World of International Relations, Elements of a Strategic Partnership", *The Hindu*, 17 January 2012, <https://www.thehindu.com/opinion/op-ed/In-the-promiscuous-world-of-international-relations-elements-of-a-strategic-partnership/article13368545.ece>

the hierarchy would appear to comprise three levels: strategic partnership, comprehensive strategic partnership (CSP), and global comprehensive strategic partnership.

Given that the Prime Minister of India, Shri Narendra Modi, has declared that India will strive to attain a five trillion-dollar economy by 2024 despite the mauling that the global economy (and that of India, too) has received from the still-raging Corona pandemic,⁴ automatically catapults economics (i.e., commerce, trade, and investment) to the top of the agenda of India's various forms of strategic partnerships.⁵ Within this context, and in consideration of the barefaced leveraging by China of its thus-far preeminent position within global supply chains, it is hardly surprising to find political establishments, particularly those in democracies, increasingly-stridently calling for supply-chain diversification.⁶ In many ways, this is a polite way of demanding that democratic States stop "feeding the beast" by continuing to pump money and resources into totalitarian communist China — something that they have been doing ever since 1978, when Deng Xiaoping launched China's "Open-Door Policy".⁷

Riding on the back of its massive economy and global market share, China can now dictate terms in the region. This has been an ongoing characteristic of Chinese behaviour over the last decade (since 2010) with Beijing throwing its weight around with increasing confidence, proving in the process that it has a variety of levers with which to bend other States to its will. In 2010, Beijing had used its then-monopoly in rare-earth minerals to put considerable pressure on Japan,⁸ which caused Tokyo to launch a strenuous and ultimately successful, decade-long drive to locate rare earth deposits of its own, eventually enabling Japan to break away from its dependence upon this Beijing-controlled supply chain.⁹ Likewise, China had, in 2010, banned salmon imports from Norway after the Nobel prize committee awarded the peace prize to a Chinese dissident, Liu Xiaobo.¹⁰ This

⁴ "India Can Still be \$5 Trillion Economy, says PM Modi", *Business Today*, 04 April 2021, <https://www.businesstoday.in/current/economy-politics/india-can-still-be-5-trillion-economy-says-pm-modi/story/420217.html>

⁵ Pranab Dhal Samanta, "Reaching its Economic Goal Should be India's Biggest Strategic Objective", *Economic Times (ET Prime)*, 01 December 2020, <https://economictimes.indiatimes.com/news/economy/policy/view-reaching-its-economic-goal-should-be-indias-biggest-strategic-objective/articleshow/79498476.cms>

⁶ JR Reed, "President Trump Ordered US Firms to ditch China, but Many Already Have and More are on the Way", *CNBC News*, 01 September 2019, <https://www.cnbc.com/2019/09/01/trump-ordered-us-firms-to-ditch-china-but-many-already-have.html>

See also:

A Chaudhry, "EU to Focus on Diversifying Crucial Supply Chains, Says Borrell." *Bloomberg Quint* (2020)

<https://www.bloombergquint.com/global-economics/eu-to-focus-on-diversifying-crucial-supply-chains-says-borrell>

⁷ J Howell, "The Impact of the Open-Door Policy on the Chinese State", In *The Chinese State in the Era of Economic Reform. Studies on the Chinese Economy* (ed. G White), Palgrave Macmillan, London, https://doi.org/10.1007/978-1-349-11939-4_6

⁸ Keith Bradsher, "Amid Tension, China Blocks Vital Exports to Japan", *The New York Times*, 22 September 2010, <https://www.nytimes.com/2010/09/23/business/global/23rare.html>

⁹ Cary Huang, "China's Ban on Rare Earths Didn't Work on Japan and Won't Work in the Trade War with the US", *South China Morning Post*, 05 June 2019, <https://www.scmp.com/comment/opinion/article/3012994/chinas-ban-rare-earths-didnt-work-japan-and-wont-work-trade-war-us>

¹⁰ Mark Lewis, "Norway's Salmon Rot as China Takes Revenge for Dissident's Nobel Prize", *Independent News Website*, 23 October 2011, <https://www.independent.co.uk/news/world/europe/norway-s-salmon-rot-china-takes-revenge-dissident-s-nobel-prize-2366167.html>

behavioural throwback to naked mercantilism was once again in evidence when China, in 2012, blocked shipment of bananas from the Philippines after a standoff near the Scarborough shoal in the South China Sea.¹¹ Immediately thereafter, Chinese travel agencies also stopped selling Philippines as a tourist destination.¹²

In more recent times, however, it is Australia that has faced the brunt of Chinese economic coercion. China has, for quite some time now, been the largest trade partner of Australia. Indeed, after the December 1978 announcement by Deng Xiaoping, of Beijing's "Open-Door Policy", Australia's trade with China grew at almost the same breakneck pace as the Chinese economy itself. The factories that mushroomed in China after 1978 needed raw materials to produce finished goods. Australia, which is approximately 3,000 nautical miles from Shanghai, is rich in iron-ore, aluminium, coal and other minerals, and Australia's Department of Foreign Affairs and Trade (DFAT) quite correctly considered the economies of the two countries to be complementary. Although frictions began to surface in 2011 when US President Barack Obama emphasised his "pivot to Asia" on the floor of the Australian parliament,¹³ after the signing of Free Trade Agreement (FTA) between the two States in 2015,¹⁴ Australian exports to China climbed up another notch from their already-impressive level. However, as the second half of the decade progressed, with US President Donald Trump picking up the gauntlet that had been thrown down by China, *"Canberra became increasingly vocal about Beijing's more aggressive policy in the South China Sea and alleged attempts to meddle in Australian political affairs. Following the resignation of an Australian senator embroiled in a political donations scandal involving a wealthy Chinese businessman, Australia passed foreign interference legislation in 2017 -- seen as an effort to counter Chinese influence."*¹⁵ After Australia demanded an enquiry into the origins of the Corona virus, doubting Beijing's version of events, the relationship between the two has nosedived. China has sought to 'punish' Australia by suspending or hindering imports of an unusually large number of items including coal, barley, beef copper, wines and beef. Although the Chinese government denies that it has sanctioned Australian imports, it is widely acknowledged that the communist government in Beijing is behind boycotts, hurdles and import suspensions of Australian products. The Chinese have also listed a number of grievances that Beijing holds against Australia and warned that if Australia wants China to be an enemy, it will be one.¹⁶ The Australian response has been robust and there have been several assertions at the political level that Canberra would not be cowed down by

¹¹ "The China-Philippine Banana War", Asian Sentinel, 07 June 2012, <https://www.asiasentinel.com/p/the-china-philippine-banana-war>

¹² "China Travel Agencies Suspend Philippine Tours", *BBC News*, 10 May 2012, <https://www.bbc.com/news/world-asia-18015538>

¹³ Mitch Ryan, "China-Australia Clash: How it Started and How it's Going", *NIKKEI Asia*, 09 December 2020, <https://asia.nikkei.com/Politics/International-relations/China-Australia-clash-How-it-started-and-how-it-s-going>

¹⁴ "China–Australia Free Trade Agreement", Australian Government, Department of Foreign Affairs and Trade, <https://www.dfat.gov.au/trade/agreements/in-force/chafta/Pages/australia-china-fta>

¹⁵ Ryan, China-Australia Clash, *Supra* 13

¹⁶ Jonathan Kearsley, Eryk Bagshaw, and Anthony Galloway, "If You Make China the Enemy, China will be the Enemy: Beijing's Fresh Threat to Australia", *Sunday Morning Herald*, 18 November 2020, <https://www.smh.com.au/world/asia/if-you-make-china-the-enemy-china-will-be-the-enemy-beijing-s-fresh-threat-to-australia-20201118-p56fq.html>

the economic coercion being attempted by Beijing. As Australia's Trade Minister, Mr Simon Birmingham, said last year, "*Australia is no more going to change our policy position on a major public health issue because of economic coercion, or threats of economic coercion, than we would change our policy position in matters of national security.*"¹⁷ It is, nevertheless, a fact that due to the unusually high share that Beijing enjoys in the Australian trade basket, Canberra still remains especially vulnerable to Chinese economic coercion. As a result, Australia, too, is now looking for markets other than China for its goods.

This provides a tremendous opportunity for both, India and Australia in terms of enhancing bilateral maritime mercantile trade. Indeed, democratic India which has uncomfortable if not outrightly inimical ties with China, appears to be an ideal partner for Australia, both in the strategic and economic fields, to replace China. India has a similar demographic profile to that of China, a growing market, and welcoming policies. With all stars apparently aligning in favour of India, New Delhi is naturally loath to waste this opportunity, and it, therefore, comes as no surprise to find Indian leaders enthusiastically joining the chorus of democracies calling for supply-chain diversification,¹⁸ and seeking a central position for India in a number of these diversified supply-chains.

It is, of course, the brash, assertive, and often aggressive manner in which China has been rising that provides both impetus and glue to the India-Australia Comprehensive Strategic Partnership. India's armed clashes with China on the trans-Himalayan border between May and July of 2020,¹⁹ certainly played a role in the reiteration by the Indian Prime Minister of an "*Atmanirbhar Bharat*" that sought a reappraisal of the regional and global supply-chains that sustain maritime trade and, at a broader level, economic growth itself. New Delhi has received support from various countries such as Germany in this endeavour.²⁰ Australia, too, perhaps hedging against a waning of US power in the Indo-Pacific and Washington's political vacillation from one administration to another, is looking to diversify regional and global supply chains, and identifies itself and India (amongst others) as important new nodes in this endeavour. Hence, at this juncture, the importance of the "Supply Chain Resilience Initiative" (SCRI), mooted jointly by Australia, India, and Japan on 01 September 2020, can hardly be overemphasised. The SCRI envisages "*disengaging strategic supply*

¹⁷ "Interview on ABC Radio Canberra AM with Sabra Lane." *Minister for Trade, Tourism and Investment*. (2020)

<https://www.trademinister.gov.au/minister/simon-birmingham/transcript/interview-abc-radio-canberra-am-sabra-lane>

¹⁸ S Sibal, "PM Narendra Modi Calls for Diversification of Global Supply Chains During Summit with Denmark's PM Mette Frederiksen", *Zeenews India*, (2020) <https://zeenews.india.com/india/pm-narendra-modi-calls-for-diversification-of-global-supply-chains-during-summit-with-denmarks-pm-mette-frederiksen-2313043.html>

¹⁹ Sandeep Unnithan, "India-China border clash: Will it escalate?", *India Today*, 17 June 2020, <https://www.indiatoday.in/india-today-insight/story/india-china-border-clash-will-it-escalate-1689774-2020-06-17>

²⁰ Dipanjan Roy Chaudhury, "India's Role is Imperative in Diversification of Global Supply Chains & Berlin's Strategy: German Envoy", *The Economic Times*, 10 September, 2020, <https://economictimes.indiatimes.com/news/economy/foreign-trade/indias-role-is-imperative-in-diversification-of-global-supply-chains-berlins-strategy-german-envoy/articleshow/78033392.cms>

chains — semiconductors, automobiles, pharmaceuticals, and telecommunications — from China, and repositioning them substantially in countries without security threats”²¹

Obviously, however, all this may be easier said than done. On the one hand, China is now one of the largest markets in the world²² and multinational firms are discovering that they may have reached a point where they need China more than China needs them. Moreover, it is difficult if not impossible for firms to uproot their well-established factories and transfer them someplace else simply because their political leaders have suddenly realised their short-sightedness and are belatedly discovering that the “China Dream” is rapidly turning into a nightmare for them. On the other hand, in the wake of crippling impact of the COVID-19 pandemic that purportedly emanated from Wuhan in China, India’s Prime Minister, in May 2020, reiterated, with far greater stridency and contextual relevance than hitherto, his call for an “*Atmanirbhar Bharat*” — a call that he had been making at least since 2014.²³ As a result of the age-old problem of translation of nuance from one language to another, in this case from Hindi to English, the expression “*Atmanirbhar Bharat*” can mean either a “self-sufficient India”, implying a rejection of globalisation and an obsession with import-substitution through indigenous production; or it can mean a “self-reliant India” that implies “*that the country wants to have enough resources — typically foreign exchange reserves — to pay for what it wants to import*”, accepting that “*it is better to become so economically prosperous that the country has enough Forex reserves to pay for what it cannot produce at home or what could be (more cheaply) imported from abroad...*”²⁴ The fallout — of this poverty of translation of nuance — is that detractors of the Prime Minister have gleefully taken to debunking the government’s initiative declaring that it constitutes deliberate doublespeak “*to pacify the Swadeshi Jagaran Manch and Bharatiya Mazdoor Sangh who are ultra-protectionist*”²⁵. To its credit, the Government of India has been pushing back strongly to ensure that its message is not “lost in translation”. At least at the lofty heights of the Cabinet of the central government, there appears to be a fair degree of consistency in the repeated assertion that “*When India speaks of becoming self-reliant, it doesn’t advocate a self-centred system*”.²⁶ The question, however, is whether this conceptual clarity and consistency remains uncorrupted as it percolates down the complex and varied chains of India’s bureaucracy, not merely at the level of the central government, but also at that of the states and union territories into which the country is administratively divided. If this cannot be ensured,

²¹ Amitendu Palit, “The Resilient Supply Chain Initiative: Reshaping Economics Through Geopolitics”, *The Diplomat*, 10 September 2020, <https://thediplomat.com/2020/09/the-resilient-supply-chain-initiative-reshaping-economics-through-geopolitics/>

²² N Sun, “China to Surpass US as World’s Biggest Consumer Market This Year.” *Nikkei Asia*, 24 January 2019, <https://asia.nikkei.com/Economy/China-to-surpass-US-as-world-s-biggest-consumer-market-this-year>

²³ Press Trust of India (PTI), “PM Narendra Modi Dedicates Largest Warship INS *Vikramaditya* to the Nation, Pitches for Self-Reliance”, *Indian Express*, 14 June 2014, <https://indianexpress.com/article/india/india-others/prime-minister-narendra-modi-lands-on-indias-biggest-warship-ins-vikramaditya/>

²⁴ Udit Misra, “Atmanirbhar Bharat: A Brief and Not-So-Affectionate History”, *The Indian Express (Explained Desk)*, 17 August 2020, <https://indianexpress.com/article/explained/explainspeaking-atmanirbhar-bharat-a-brief-and-not-so-affectionate-history-6556627/>

²⁵ Swaminathan Aiyar, “Government Needs to Understand the Difference Between Self-Sufficiency and Self-Reliance”, *Economic Times*, 30 June 2020, <https://economictimes.indiatimes.com/markets/expert-view/govt-needs-to-understand-the-difference-between-self-sufficiency-and-self-reliance-swaminathan-aiyar/articleshow/76710928.cms>

²⁶ Prime Minister Narendra Modi quoted in the Government of India’s web portal, “*Atmanirbhar Bharat Abhiyan*”, <https://aatmanirbharbharat.mygov.in/>

there is a real danger that the policy could, especially in its implementation, spiral inwards and downwards into nothing more than the resurfacing of a traditional socialist proclivity towards total self-sufficiency. This, of course, would prove to be a major hindrance in advancing bilateral maritime trade (incorporating both, imports and exports) between India and Australia.

National psyche certainly impacts and even shapes the contours of international trade. While the foregoing comments on “*Atmanirbhar Bharat*” would provide some idea of such impacts (at least from the Indian perspective), perhaps some thoughts on these impacts on the Australian perspective might be similarly useful.

While India and China are ancient civilizations on the Eurasian continent with some degree of communication between them, Australia is an island-continent that was largely unknown to the rest of the world until its discovery by European seafarers in the 17th and 18th centuries. As a British colony, which saw large-scale immigration of mostly Europeans to the continent — at least partly due to its *White Australia* policy — Australian history is different from that of most of its neighbours in Asia. In fact, it may not be too farfetched to say that Australia’s demographic identity is in contrast to its geographical position, which makes it a unique State in the Indo-Pacific. A similar contrast is visible between Canberra’s political and economic relations. Geographical proximity with Asian States enables Australia to trade strongly with them and much of Australia’s economic development is a function of its Asian trade. On the other hand, at the political level, Australia remains firmly ensconced in Anglo-Saxon frameworks. It has a security-centric treaty alliance with the United States of America (the ANZUS Treaty),²⁷ and is a founding member of the Five Eyes (FVEY) intelligence alliance comprising Australia, Canada, New Zealand, the United Kingdom, and the United States. Within the FVEY alliance, Australia’s “Office of the Inspector-General of Intelligence and Security of Australia” shares political and security intelligence with its counterparts on the “Five Eyes Intelligence Oversight and Review Council” (FIORC).²⁸ The problematic dynamics arising from this lack of synchronisation between Australia’s geopolitical and economic positions, could certainly hinder the scale and rate of advancement of the Australia-India trade partnership. However, the QUAD might well prove to be a mitigating mechanism in this regard and deliberations within the subordinate structures developing within QUAD should certainly include this issue.

The conflict between China and Australia, including on trade, does not look like abating anytime soon. As the paradox of staying in Western democratic camp and trading with a communist Eastern State catches up with Australia, Canberra is forced to attempt diversification of its exports.

²⁷ The Australia, New Zealand and United States Security (ANZUS) Treaty was an agreement signed in 1951. The agreement between the US and New Zealand under this treaty has been non-functional since 1986. However, the US and Australia have reaffirmed their commitments under the ANZUS security agreement.

Milestones: 1945–1952 - Office of the Historian (state.gov)

²⁸ “Five Eyes Intelligence Oversight and Review Council (FIORC)”, Office of the Director of National Intelligence, Government of the USA, <https://www.dni.gov/index.php/ncsc-how-we-work/217-about/organization/icig-pages/2660-icig-fiorc>

Prior to faltering in the face of Covid-induced challenges, the Indian economy had been growing rapidly. Even accounting for the adverse impacts of the COVID pandemic, India's GDP has increased almost six-fold since the beginning of the millennium and is now almost three trillion US dollars. According to some estimates, India will become the third largest economy behind the US and China by 2030.²⁹ This offers both, opportunities and challenges.

Insofar as opportunities are concerned, these are plentiful and arise largely from the convergence of 'national intent' in both countries. Australia is certainly keen to build closer economic ties with India and the reverse is also truer than ever before. There are seminal documents now available in both countries to guide the process of trade-enhancement. In 2018, for instance, the Australian government released an ambitious plan to increase its trade with India called "An India Economy Strategy 2035".³⁰ In response, the Indian government released its own "Australia Economic Strategy",³¹ and, at a trilateral level, as mentioned earlier, Japan, India and Australia have launched the SCRI³². The former two documents, in particular, provide an impressive analysis and a far more comprehensive road map than any that this brief article can hope to present.

However, there is one feature that makes this article a promising precursor of the ongoing study of how the India-Australia partnership potential can be advanced within the larger maritime context. Geography. Geography dictates that merchandise trade between the two countries will be almost entirely maritime in nature. As such, given the merchandise being exported and imported to and from India and Australia, three major parameters along which further analysis must necessarily proceed so as to supplement and complement the two seminal documents to which reference has just been made, are: **(1)** the vulnerabilities arising from the percentage of merchandise of exports and imports being carried by national-flag shipping as opposed to that carried by foreign vessels, including those flying "Flags of Convenience" (FOC), **(2)** the impact of the age, size, technological advancement and carrying capacity of each country's merchant fleet upon trade-efficiency; **(3)** the density, technological advancement and functional efficiency of each country's ports and the identification of what India and Australia can do together so as to enhance this functional efficiency.

²⁹ Indranil Sen Gupta, "India to be the Third Largest Economy in 10 Years", *The Economic Times*, 25 March, 2021, <https://economictimes.indiatimes.com/news/economy/indicators/india-to-be-the-third-largest-economy-in-10-years-bofa-securities/articleshow/81685020.cms>

³⁰ Peter N Varghese, "An India Economic Strategy to 2035", Report to the Australian Government, Department of Foreign Affairs and Trade, <https://www.dfat.gov.au/geo/india/ies/pdf/dfat-an-india-economic-strategy-to-2035.pdf>

³¹ Natasha Jha Bhaskar, "India's Australia Economic Strategy: A Big Push to Bilateral Trade", *Business Today*, 27 December 2020, <https://www.businesstoday.in/opinion/columns/india-releases-australia-economic-strategy-to-give-a-big-push-to-bilateral-trade-between-both-countries/story/426115.html>

³² Dipanjan Roy Chaudhury, "India-Japan-Australia Decide to Launch Resilient Supply Chain Initiative in the Indo-Pacific region", 02 September 2020, *Economic Times*, <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-japan-australia-decide-to-launch-resilient-supply-chain-initiative-in-the-indo-pacific-region/articleshow/77870346.cms>

These specific analyses will be attempted in subsequent articles relevant to the ongoing advocacy referred to in the opening paragraph of this article.

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