



## Visit of Australian Prime Minister Malcolm Turnbull to India

*Dr. Dhrubajyoti Bhattacharjee\**

From the time a strategic partnership between Australia and India was formally agreed to by Prime Minister Manmohan Singh and Prime Minister Kevin Rudd in 2009, a new beginning of building a partnership based on mutual understanding and cooperation between the two nations was initiated. The recent four day visit of Australian Prime Minister Malcolm Turnbull (April 9 – 12, 2017) was significant, as it was another step forward in strengthening Indo-Australian relations. In the last five years, it is the third visit of an Australian Prime Minister to India and the maiden visit of PM Turnbull, after assuming office in September 2015. Earlier, his predecessor, Tony Abbott had visited India in September 2014. It was the eighth visit by an Australian Prime Minister in the last two decades. Such regular visits show the manner in which Australia recognises India as a strong regional force.

There was significant aspiration in the Australian administration, before the visit, of attaining an economic commitment from the Indian side, which would have opened up economic opportunities for an increase in Indo-Australian bilateral trade. It was an aspiration carried forward by Prime Minister Turnbull from his predecessors. Though the visit did not bring the fruition of such aspirations, but it certainly was a positive step in achieving understanding of each other's complexities, compulsions and intricacies.

It was a visit that saw the Prime Ministers interacting at length, conversing informally, while travelling in the Delhi Metro, or visiting the Akshardham temple. Along with official meetings, Prime Minister Turnbull and Prime Minister Modi got the opportunity of discussing the various nuances that needed to be overcome before achieving a consensus between the two business communities of India and Australia. The understanding that ensued between the two leaders was reflected in the interviews that PM Turnbull gave after returning home from the visit. He stated how he, along with PM Modi is working unitedly, to make sure that both sides get together. PM Turnbull was extremely optimistic of the leadership provided by PM Modi, the growth trajectory of the Indian economy and hoped that very soon they will be able to work on

the various nitty-gritties of chalking out a strategy to shape the Comprehensive Economic Cooperation Agreement (CECA). They would identify together the various obstacles and gaps, bridging them through mutual consultation and deliberation on the way. This agreement would be the mechanism to attain a free trade agreement in the future. He also stated that they had multiple issues which needed to be discussed informally.

### **Strategic and Defence Partnership**

This visit saw significant strengthening of strategic relations between Australia and India. A MoU was signed for enhancing cooperation to combat international terrorism and transnational organised crime. It is expected that such cooperation would allow better understanding between Australian and Indian law enforcement, border and intelligence agencies, which would ultimately strengthen both countries' ability to address global and regional security threats. PM Turnbull sees India evolving into an economic superpower, which will be followed by strengthening of its military and strategic power. Being committed to the rule of law, India is slowly turning into a force for stability in the region. Turnbull hailed India as an "enormously important" emerging "superpower" whose strategic interests complement with those of Australia, which he asserted was "already a significant Indo-Pacific naval power in its own right." He declared that the two countries need "to engage our friends and partners" to "shape the entire region's common strategic outlook." Turnbull said "trilateral engagement" between Australia, India and Japan was a "good example" of this, as were "our respective bilateral engagements with the United States." He also stated his support of India's membership of the Asia Pacific Economic Cooperation forum (APEC). Both the Prime Ministers agreed to strengthen the East Asia Summit (EAS), 'agreeing to share experiences and build partnerships for protection of marine resources, prevent environmental degradation, and tap the potential of the blue economy'.

To strengthen cooperation to counter human trafficking and irregular migration and people smuggling, the two leaderships agreed to develop guidelines to enhance cooperation, consistent with both countries' sovereignty, international law and respective domestic laws.

While addressing the National Defence College on April 11<sup>th</sup>, he spoke of the manner in which Australia is strengthening its maritime doctrine, as well as naval strength. He stated how Indian and Australian soldiers, sailors and airmen have worked alongside each other, fought alongside each other, in peace and in conflict, mentioning about Gallipoli, across the Middle East and on the Western Front during the First World War. He stressed on strengthening such historical links between the two nations. PM Turnbull stated that his government plans to spend \$195 billion on new weapon systems and other military hardware over the next five years. Understanding the growing nature of the strategic relationship, both the leaderships intend to raise their security ties, similar to the level which exists between India and Japan.<sup>1</sup> It was also decided that the two prime ministers will later announce the schedule of their first "2+2 strategic dialogue"—a meeting of their defence and foreign ministers. Both the leaderships agreed to India and Australia jointly holding their first bilateral army exercises which is going to take place in 2018, the reiteration of the Special Forces Bilateral Exercise later in 2017, as well as the second edition of joint maritime exercises they launched in 2015 (bilateral maritime exercise named AUSINDEX off Western Australia in the first half of 2018). The leadership also stressed the

important role of the bilateral White Shipping Agreement<sup>2</sup> that India and Australia have signed in 2015.

Turnbull declared Australia's defence and national security relationship with India a 'natural partnership' that both sides must continue to develop. He stated that co-operation on regional stability sits squarely in the interests of both the nations. Especially with the swift changing power shifts globally and in the region, nations in the Indo-Pacific have a much larger role to play, India, Japan and Australia being at the centre of this strategic flux in the Indo-Pacific. The trilateral initiatives between India, Australia and Japan, that have been adopted till now, need to be strengthened significantly. India and Australia's maritime relations have progressed and there are great opportunities for further cooperation going forwards, which was identified by both the nations. The leaderships felt the need to engage their friends and partners to form broader habits of co-operation, develop each other's capabilities and shape the entire region's common

CECA stand for **Comprehensive Economic Cooperation Agreement**. India has signed CECA with Malaysia and Singapore. CECA involve "tariff reduction/elimination in a phased manner on listed / all items except the negative list and tariff rate quota (TRQ) items".

strategic outlook.

In the Joint Statement, both the leaderships, reaffirming their commitment to a peaceful and prosperous Indo-Pacific, agreed to strengthen common interests in ensuring maritime security and the safety of sea lanes of communication. Both leaders recognised the importance of freedom of navigation and over flight, unimpeded lawful commerce, as well as resolving maritime disputes by peaceful means.

### **Economic Cooperation**

Australia and India, though have varied complementarities in their economies. It can be noted here that coal is Australia's largest single export to India, making up about 44 per cent of total exports, which is valued to be worth about \$5.5bn, in 2015, followed by education exports (Indian students travelling to Australia for higher studies) at 20 per cent, which is worth \$2.5bn, and then gold and copper. Still the trade volume in between the two nations has not developed as it should have. The Indian exports to Australia include refined petroleum, business services, telecommunication services, cars, gems and jewelery and tourism. Australia has free trade agreements with ten nations, including ASEAN, and China (which came into effect in December 2015).

Though expectations were high that both the leaderships will be able to work on the long awaited CECA which could have paved the way for having a Free Trade Agreement (FTA), there remained some basic hurdles. Protectionism, tariff barriers and apprehension of allowing foreign investments in some specific sectors of the Indian economy that were not overcome, and the failure of the Australian government to conceding the demand by India for greater access to its labour in Australia, fell short of finalizing CECA. PM Turnbull stated that though both the leaderships wanted to have significant progress, but the process was not as fast as either of the

nations would have liked it to be. PM Turnbull made it clear that though India Australia trade has doubled to \$20bn in a decade, it was a fraction of what it could and should be. He pointed out that the protectionism that exists in India and the Indian domestic sensitivity with regard to foreign brands and foreign investments remain as hurdles that need to be overcome. India is Australia's fifth largest export market, and tenth largest trading partner overall; accounting for almost A\$20 billion in two-way trade, Australian investment in India totaled \$10.6 billion at the end of 2015, and Indian investment in Australia \$11.6 billion. The Australian Department of Foreign Affairs and Trade under a chief negotiator has made attempts to attain a common ground of resolving misunderstandings and apprehensions that remain in the Indian as well as in the Australian bureaucracy. Australia wants a TPP (Trans Pacific Partnership) model of ISDS (Investor-state dispute settlement<sup>3</sup>), but India wants more limited version. India also remains reluctant to move to zero tariffs, specifically on Australian agricultural products, especially dairy products. India sought expansion for temporary workers with less labour market testing and other changes to student visas and computer-related service providers but with the removal of 457 Visa, that expectation of India remain unfulfilled. The removal of the 457 Visa (which allowed a temporary worker to stay for four years) will impact on the 95,000 temporary foreign workers (majority of which are Indians) presently in Australia. It is a new two tier system, where initially the visa is for two years, and a second visa class focused on strategic, long-term skills with a four-year limit. The 457 Visa also facilitated the process of gaining permanent residency in Australia. By scrapping the visa, that facility of getting permanent residency was removed. This decision has generated significant discussion amongst workers unions and business circles in Australia, as temporary visa schemes have been and remain a lifeline for Australia, and the present decision might have a negative impact on the Australian economy.

It will take time for Indian business houses (especially in the agriculture and dairy sector) to agree to the needs of the Australian business houses. Only through continuous discussion and deliberation, both the nations will be able to find a common ground, building a consensus in India, as well as confidence amongst the Indian business houses, for the removal of such tariff barriers, which would facilitate in creating such FTA's not only with Australia, but with other nations in the region and beyond.

In the Joint statement, both the leaderships agreed that 'shared prosperity and growth prospects are best served by an open, global trading system and a rules-based international order' and sought a timely conclusion of 'a high quality Regional Comprehensive Economic Partnership (RCEP)'.<sup>4</sup>

During the visit, Tata Consultancy Services (TCS) announced it would open a new TCS Innovation Lab in Australia, after a one-on-one meeting between PM Turnbull and the CEO and Managing Director of TCS, Rajesh Gopinathan, which took place during PM Turnbull's visit to Mumbai. Such a venture will strengthen PM Turnbull's Innovation and Science agenda, delivering crucial investment across a range of sectors, including financial services, aviation and retail. Currently TCS has nine such labs [two of them is situated in UK and US respectively; rest seven situated in India].

The delegation headed by the PM Turnbull also witnessed the signing of two Implementing Arrangements between Indian Space Research Organization (ISRO) and Geoscience Australia on cooperation in space technology. Similar was the MoU for the promotion and development of cooperation in civil aviation security, which is to strengthen both strategic and civilian interests.

Similarly, though all the governmental approval has been attained, a specific time schedule was not declared regarding the transfer of uranium to India, but both the leaderships expressed confidence that such sales would commence soon.<sup>5</sup> PM Turnbull reiterated his commitment of collaborating with India in the promotion of a wide range of energy resources through the Australia India Energy Dialogue. He announced Australia's intention to join the International Solar Alliance established under the leadership of PM Modi.

Both the leaderships considered the forthcoming Australia Business Week in India (second half in 2017) of significant importance, recognizing the importance of the Australia-India CEO Forum.

### **Social Cooperation**

Along with economic cooperation, there were multiple MoUs that were agreed upon to strengthen societal understanding and cooperation as well as both the nations' commitment for the protection of climate, wildlife and the environment. The MoU on climate, wildlife and environment intend to strengthen collaboration on domestic actions on climate change and improve environmental data collection. MoUs to strengthen cooperation in the fields of health and medicine; implementing arrangements on cooperation in space technology, remains to be such fields of cooperation, where both the nations have a lot to learn from each other.

The delegation also had education high on their agenda, having Australia's Education Minister, Senator Simon Birmingham, and Vice Chancellors from Australia's highest ranked universities, the Group of Eight in the delegation, stressing to strengthening PM Turnbull's 'New Colombo Plan' where both Indian students get the opportunity of studying in Australia, and Australian students learn more about India by visiting and studying here including through the scholarships and grants supported by the Australian government. During the visit, Deakin University, Australia and Manipal Global Education Services (MaGE) in Bengaluru signed a MoU initiating a strategic alliance to start education and training programs and establish Data Science and Cyber Security Centre of Excellence.

The Indian Academy of Highway Engineers (IAHE), New Delhi, also signed a MoU with University of New South Wales (UNSW) for establishing Centre of Excellence in Smart Transportation. The delegation met the members of the Association of Australian Education Representatives in India who jointly worked for the mutual recognition of each other's master's degrees. Australia-India mining partnership at the Indian Institute of Technology-Indian School of Mines (IIT-ISM), Dhanbad was also signed by the MEA officials and the Australian High Commissioner in New Delhi. They also inaugurated the world's most advanced nano-biotechnology research centre, a joint venture between The Energy and Resources Institute (TERI) and Deakin University, Australia. The TERI-Deakin Nano Biotechnology Centre (TDNBC),

established at Gwal Pahari, Gurgaon, aims to support and nurture innovative ideas for existing problems of Indian agriculture amongst other sectors. The centre is an expansion of Deakin University's ongoing 'Deakin India Research Initiative'. The prime ministers were pleased to note that a further seven project teams of Indian and Australian researchers will be supported over the next three years (for which PM Turnbull announced \$7 million) following the successful conclusion of the most recent Australia India Strategic Research Fund (AISRF) funding round (both the governments have committed over \$100mn in the fund). Australia-India Strategic Research Fund is for collaborative research in areas such as nanotechnology, agriculture, food security, smart cities, etc.

The MoU on the cooperation in sports is an example where two nations can forge a space through cooperation to facilitate sports to be a tool for bringing nations closer. The MoU aims to establish Indian National Sports University, which would be partnered by Australian Universities along with the Indian government. PM Turnbull met famous Indian cricket player Sachin Tendulkar in Mumbai while launching the idea of a National Sports University. PM Turnbull also invited the Indian sports teams to train in Australia ahead of the 2018 Commonwealth Games in the Gold Coast.

### **Future Prospects**

The passage of the Civil Nuclear Transfers to India Act 2016 in the Australian Parliament, after PM Modi and PM Turnbull agreed that uranium will be imported to India from Australia on the sidelines of the G20 Summit in Turkey in 2015, created significant positivity amongst the two leaderships. Australia has about 40 per cent of the world's uranium reserves and as reported exports nearly 7,000 tonnes of uranium annually. This is an area that will develop India Australia relations into a new stage. There is also major scope in the sector of the civil nuclear programme along with jointly working to develop other renewable energy sources.

It needs to be seen how this strategic partnership develops as Australia has already identified India as an important defence partner for the Indian Ocean region (as mentioned in the Defence White Paper released in 2016). A strategic partnership along with US can play a much larger role. There is also scope of joint defence production in the future as agreed upon in the Framework for Security Cooperation in the past, and both being at the helm of Indian Ocean Regional Association (IORA), a formal agreement in the future might strengthen the bond, which is already shared by both the nations. On the strategic side, the relevant role that India can play in strengthening the Indo-Pacific region should be sought. While agreements have been made with regard to cooperation in space technology, countries in the region can take advantage of the satellite programme developed in India, for strengthening their strategic positions as well as in enhancing their respective maritime surveillance.

With the number of students studying in Australia (which is approximately around 60,000 contributing around \$2.3 billion to the Australian economy), there seems no intention of the present Turnbull government to facilitate them with work permits. Students who want to get employed in Australia after completion of their studies face significant hardships. , There could have been an opportunity to initiate facilitating the availability of work permits for specific

sectors for absorbing the skilled and trained Indian work force, instead of adopting an 'Australian first' approach, which might impact on the number of students applying for higher studies in Australia in the future.

The Australian government can also come up with a list of approved institutions and universities, which can be made available to the Australian High Commission in India, which could make the selection and admission process for students for aspiring vocational and higher studies in Australia easier. To strengthen the objective of 'Skill India', Australian institutions can set up collaboration with Indian Universities to provide opportunity of having shared courses which is being practiced in some South Asian Universities presently. For that there is a serious need for discussion and deliberation, with implementation of necessary policies for such campuses to be setup.

It has been noted that Australia and India have a lot in common, which includes a 'shared heritage in being part of the Commonwealth, use of the English language and an apparently similar democratic and legal system'. There is a need for both the nations to come closer in all the available bilateral, regional and multilateral platforms, understanding each other's domestic and regional compulsions. This visit has certainly generated a forward positive momentum in this direction.

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\* Dr. Dhruvajyoti Bhattacharjee is a Research Fellow at Indian Council of World Affairs, Sapru House, New Delhi. .

Disclaimer: The views expressed are that of the Researcher and not of the Council.

## **Endnotes**

<sup>1</sup>India and Japan have built up a 'Special Strategic and Global Partnership', working together on a joint vision of attaining 'Peace and Prosperity in the Indo-Pacific Region and the World'. Japan and India has agreed to boost their trilateral security cooperation with the United States, also working on cooperation amongst defence industries in both the nations, upgradation of Indian naval air bases as well as constructing new signals intelligence stations. Japan and India has also multiple other joint defence ventures together.

<sup>2</sup>White Shipping Agreement establishes an information network protocol that allows the navies of both countries to exchange information about ships in their oceanic territories. Usually under such agreement, ships are classified into white (commercial ships), grey (military vessels), and black (illegal vessels). India has a similar agreement with United States (signed in January 2015) and Singapore (July 2015).

<sup>3</sup> Investor-state dispute settlement (ISDS) or investment court system (ICS) is a system through which individual companies can sue countries for alleged discriminatory practices. If an investor from one country (the "home state") invests in another country (the "host state"), both of which have agreed to ISDS, and the host state violates the rights granted to the investor under public international law, then that investor may bring the matter before an arbitral tribunal. India has sought for a separate arbitration framework as India, like other developing economies, has been a victim of the inherent structural bias that prevails in the traditional frameworks of international arbitration.

<sup>4</sup> There is an argument amongst analysts that India is deferring finalizing a trade deal with Australia until the ongoing multi-country Regional Comprehensive Economic Partnership (RCEP) trade negotiations come to a conclusion. There is an understanding that Australia being part of the RCEP, India might lose its leveraging power by finalizing a trade deal with it ahead of the RCEP deal.

<sup>5</sup> As per Jaideep Mazumdar, Joint Secretary (South) in the Ministry of External Affairs, the delay in the transfer is not due to procedural constraints, but for commercial negotiations that is being concluded on issues such as price, quantity, purity. As cited in Rezaul H Laskar, "As Turnbull visits, India and Australia negotiate uranium shipment", *Hindustan Times*, April 6, 2017, <http://www.hindustantimes.com/india-news/as-turnbull-visits-india-and-australia-negotiate-uranium-shipment/story-VlJUYRFcSihv9lOurCAMDI.html>