Reflections on Australia–India Relations since the 1990s, by Peter Varghese AO, October 2016

As reported by David Lowe

Peter Varghese is arguably the most qualified to offer reflections on the Australia–India relationship from the 1990s towards 2020. His early overseas postings with the Department of Foreign Affairs and Trade (DFAT), during the 1980s, were to Austria and the United States. Subsequent overseas postings were to Tokyo, and later to Kuala Lumpur as high commissioner, 2000–02. Of special note for this volume, Peter was high commissioner to India from August 2009 to December 2012. By the time he went to New Delhi, his seniority in the Australian policymaking community flagged the importance that the Australian Government attached to the post. He had served as first assistant secretary of the Public Diplomacy and International Security Divisions of DFAT, and deputy secretary of the department from 2002 to 2003. He had also been former prime minister Hawke’s senior international adviser in 2003; and seconded first assistant secretary of the International Division of Prime Minister and Cabinet, and was director-general of the Office of National Assessment, 2004–09.

Upon returning to Canberra from New Delhi in 2012, Peter became secretary of DFAT from December that year until his retirement from the department in July 2016. In July 2018 he presented his 500-page
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report, *An India Economic Strategy to 2035*,¹ commissioned by then prime minister Malcolm Turnbull. The report’s 90 recommendations were broadly welcomed by business, political and trade leaders, and the report’s implementation is being supervised by a group of Cabinet ministers. The double impact of Prime Minister Modi’s economic nationalism and, most recently, the COVID-19 pandemic, has set back near-term reforms in the relationship. But it was fitting that a special, concentrated focus on India preceded both Peter’s rise to leadership of DFAT, and also his major post-departmental contribution to policy formulation.

In addressing the group of academics and former diplomats gathered to commence the work that has resulted in this book, Peter’s key observation was that the story of the Australia–India bilateral relationship from the mid-1990s is the evolution towards a more multidimensional relationship. This change was driven by a sharper economic agenda, more congruent strategic perspectives, Australian governments more focused on the Asia growth story, Indian governments more prepared to vary the settings of foreign and economic policies and the rapid growth of a substantial Indian diaspora in Australia.

In deriving the maximum benefit from these changes, Peter said that a key element here was making the economic relationship the central, but by no means the only, axis in our dealings with India.

Reflecting on the origins of the changes, Peter reminded the group that the main driver was, of course, the economic reforms of the early nineties under Prime Minister Narashima Rao and Finance Minister Manmohan Singh, who later, as prime minister, continued the liberalisation of India’s economy. Rao’s legacy was of particular importance to Australia–India relations.

At the same time, the 1990s saw a sharper focus on trade and economic issues within the relatively newly amalgamated DFAT. Peter does not subscribe to the view that the old Department of Foreign Affairs did not bother itself with economics. He reminded listeners that it had a very

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clear political economy perspective, although the separate existence of the trade commissioner service did limit its role in the narrower area of trade promotion.

But the opening of the Indian economy in the early nineties was, according to Peter, a seminal moment. Even if the subsequent path has been more zigzag than linear, it will in time be seen as a historic shift, not unlike what Deng Xiaoping did in China in the late seventies. For the bilateral relationship it gave us a point of traction in what had been until then a relationship that had struggled to find common ground around our respective hard security and economic interests.

In fact, much of Ross Garnaut’s analysis of the structural complementarities between Australia and an industrialising and urbanising North-East Asia can also be applied to India; notwithstanding that India’s growth model is quite different to the East Asia experience, is based more on consumption and is more similar to an industrialising United States.

In terms of the bilateral relationship, the period from the early 1990s until the signing of the US–India nuclear deal in 2005 was dominated by the economic agenda. During this time, Peter suggests that it is fair to say that it was Australia that did most of the heavy lifting in building the agenda. Most of the Australian work went towards addressing the distance between our strategic interests, reinforced by the strong Australian response to India’s nuclear tests in 1998; some Indian perceptions of Australia as a client of the United States, on account of these responses to the tests; and India’s reluctance in finding common ground between Australia’s institutional agenda in East Asia and its own ‘Look East’ policy.

In the last decade, Peter said, we have seen a relationship that has broadened out considerably. The key factors driving this include:

- Expanded economic relations including negotiations on a free trade agreement (still under negotiation) and more dialogue machinery such as a CEOs forum.
- Strategic cooperation that, under the Modi Government, has gone more quickly than expected.
- The shared embrace the ‘Indo-Pacific’ construct as a means of regional orientation.
• A shared concern to find ways to balance the rise of China in the region, as evident in the subsequent revival of the ‘Quad’—Australia, India, Japan and the United States.
• The continued growth of the Indian diaspora in Australia.
• The deepening and expanding relationships in education.
• Mutual interests in a broader regional agenda including the East Asia Summit, the Indian Ocean Rim Association, and the unfinished business of the Asia-Pacific Economic Cooperation group (APEC), of which India is not yet a member but might secure membership with the assistance of Australia.

What has all this meant for Australia’s diplomatic representation?

First, the size and scope of Australia’s high commission has grown significantly with many more attached agencies, such that there is now Immigration, Education, Resources, Industry, Police and Intelligence, Defence, Agriculture and the Australian Centre for International Agricultural Research, and Austrade. At the same time, Australia’s regional footprint has grown, with nine to 10 Austrade offices, and consuls general in Chennai and Mumbai (and now also Kolkata), and with it a more regional economic strategy.

Second, our corresponding engagement with the Indian system has also broadened. For example, Peter recalled that he spent quite a bit of time on water issues and the Australian experience of public sector reforms. Third, state governments in both countries loom much larger in our work than previously.

Fourth, Australia’s public diplomacy has expanded enormously in recent times. This can be seen most clearly in the ‘New Horizons’ promotion in 1997. It was also evident in the intense media activity following the student safety issues of 2009–10, and the success of Oz Fest in 2012–14 and various cultural exchanges. These examples are part of a broader shift recognising the importance of public advocacy in Australian–Indian relations.

Fifth, the size of the diaspora has created a network of connections outside government that the high commission inevitably engages with, noting that India is our largest source of skilled migrants.
By way of perspective, Peter compared his time as Australia’s high commissioner in India with how he imagined that of say, Tange and Plimsoll, or even Feakes, concluding that the differences were many. His own tenure from August 2009 to December 2012 was:

- much more demanding in terms of time pressures
- included a business agenda that was barely there beforehand
- shaped by a much larger and more complicated high commission to run
- characterised by a much broader engagement with other agencies in Canberra and Delhi
- inclusive of an Indian state agenda that is much more detailed than anything beforehand
- encompassing a reach back to Australian states, which would have been non-existent in the time of those he was referencing
- marked by a work profile outside of government.

Peter added that some of these trends apply to the evolution of Australian diplomacy generally, in all parts of the world; but most of them flow from the changes in the content and scope of the bilateral Australia–India relationship.

Finally, Peter emphasised the point that he very consciously sought to have the high commission drive the relationship. Again, this might not have been a totally novel feature, but he felt that the resource pressures on Canberra was making this a more established pattern in Australian diplomacy. In a phrase that is sometimes used, the ‘bandwidth in Canberra’ is limited. A post is therefore best placed to see how the various moving parts of a relationship come together, and have the strongest sense of what works and does not work.

How does the relationship look today? The economic complementarities between Australia and India are strong but will also take time to play out fully. A congruence of strategic interests is moving fast. Peter suggested that the history of thickening relations between Australia and Japan might be instructive, for its starting with a relatively narrow economic basis and broadening in more recent decades. In India’s case, the diaspora element and the key role of education are added factors. He looked forward to what he hoped would be next stage developments in the field of education,
something that would also, from an Australian perspective, spread the risk of reliance on students from China. And he added that it was important not to hold the development of the relationship hostage to a free trade agreement. In the end, however, Peter, said the headroom for growth in the bilateral relationship will be determined by India’s economic performance more than any other single factor.