



INDIA: THE SOLUTION TO AUSTRALIA'S RELIANCE ON CHINA?

BY ADIL CADER

Adil Cader (adilacn1@gmail.com) is a Pacific Forum young leader and is on the Perth US Consul General's alliance managers committee. He has previously worked at the Australian Mission to the UN in New York and has been involved with various think tanks. He holds two masters degrees in international relations and international law from UWA. His interests are Australian foreign policy and the impact of soft-power diplomacy.

An earlier version of this article was published by the [Australian Institute for International Affairs](#).

Australia would benefit from an increase in both economic and strategic ties with India. Strong trade and closer ties with India would help ease Australia's economic and political vulnerability to China. Indeed, Prime Minister Scott Morrison's 2020 plan was initially to travel to India to [revitalize negotiations](#) for an Australia-India economic agreement, however the bushfire crisis put a halt to the trip. According to DFAT, [two-way trade](#) between Australia and India has grown in value from \$13.6 billion in 2007 to \$30.4 billion in 2018. Negotiations for a bilateral agreement between the two countries started in May 2011 and there have been nine rounds of negotiations so far, the latest of which was held in September 2015. While there are no concrete plans yet to reschedule the meeting between Morrison and Indian Prime Minister Narendra Modi, given the travel challenges presented by Covid-19, the governments should look to restart negotiations as soon as possible.

Australia's China Vulnerability: How India Can Help

Australia's economy is [heavily reliant](#) on China, which continues to be Australia's largest two-way

[trading partner](#), accounting for around a quarter of total trade. While Australia has benefitted from Chinese demand, such large dependency has also left it in a vulnerable position. Whenever China is negatively impacted by a global economic shock, Australia is exposed to such impact.

This became evident with the ongoing US-China [trade war](#). In August 2019, the Australian stock market slumped because of the trade war. Even though Australia was not involved, it still felt the effects of the trade war. It should be noted however, that at times the Australian economy has been able to [benefit](#) in certain areas from the ongoing battle. Nonetheless, this is only a short-term benefit, in comparison with the more serious long-term consequences to come. Former senior economic officials from both [Australia](#) and [the US](#) believe that the Australian economy will further have to suffer because of the trade hostilities.

Politically, the economic dependency also puts Australia in an awkward position in confronting the [US-China dilemma](#). Australia is forced to take sides between economic and defensive dependency, in which both choices alone present considerable disadvantages. Australia must balance its relationships with a country on which it is heavily reliant economically for crucial exports (China) and a country on which it has relied for security and defense since the fall of Singapore in 1942 (the US). Both security and economic wellbeing are vital components of a state's survival, so being forced to choose one inevitably means missing out on the other.

To counter this, Australia needs to increase its competitiveness by expanding its export market opportunities. Currently, Australian trade relies on a minimal number of commodities to a small number of critical trading partners. Australia needs to diversify its trade partners and expand its export base, which is where India can help.

India is currently Australia's fifth largest export partner and presents a lucrative option for Australian exporters to diversify. By 2027, India's population is [projected](#) to overtake China's. By 2030, India is [expected](#) to become the world's third largest economy, and the [second largest](#) by 2050. At the end of this

decade, India and China will be on par when it comes to potential export markets.

While Australian trade with India has grown steadily, there is much more potential for export market access. However, India has notably high trade barriers and low [ease of doing business](#), especially in areas such as contract enforcement and property registration. An economic agreement would help to reduce obstacles for Australian exporters.

Strategic Benefits of Closer Ties with India

Economic relations aside, closer ties also present strategic political benefits. India shares more in common with Australia than China. India and Australia are federal democracies, former British colonies, and English is the primary language of both foreign ministries. These similarities go a long way in ensuring smooth diplomatic communication between both governments, something which has been an obstacle in the Australia-China relationship.

India has a strong relationship with the US, as was evident in the recent state visits by [Modi to the US](#) and President Trump to India. Australia wouldn't have to worry about taking sides should India be in the picture. Instead Australia could use this to their advantage and work in a collaborative relationship with both countries.

Despite the clear importance of India to Australia, Australia is still very much focused on China. China [accounts](#) for over 30% of Australian exports, whereas India accounts for just 5. China was mentioned 112 times and had its own sub-chapter in the [2017 Foreign Policy White Paper](#). By comparison, India was mentioned just 60 times. The Australian foreign policy community commonly cites the "[Rise of China](#)" but India too should be viewed in the same way. India is experiencing a geopolitical rise in the Indo-Pacific. Similar to the increase in [Chinese influence](#) within Pacific Island countries, Australia tends to forget India too is [playing this game](#) with other countries in region, much to the displeasure from Beijing.

The decade ahead will see increased importance in the space race and cyber-security, both of which India

[looks to play](#) an active role. India has demonstrated its similarity with China in terms of its rising power status and strategic importance. Australia has yet to recognize this and its low prioritization of India, in favor of China, is not in Australia's strategic interest. India's global rise presents Australia a pivotal opportunity to change economic and strategic dependence for the better.

PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed and encouraged. Click [here](#) to request a PacNet subscription.