



# BILATERAL ARCHITECTURE



## CHAPTER SEVENTEEN

Summary	346
The current state of play	347
The case for recalibrating bilateral architecture	348
Recommendations	352

## SUMMARY

- Translating sectoral opportunities into increased bilateral trade and investment will require stronger and more committed government, business and people-to-people relationships. This necessitates greater investment in institutionalised links that can resolve problems when they occur, build joint solutions to shared challenges, and develop the confidence to cooperate and compromise along the way.
- There are helpful foundations to build upon. But to elevate the economic partnership to its full potential, the 'architecture' of the bilateral relationship needs to mature into a pattern of engagement characterised by clear and sustained focus, mutual benefit and innovation. The growth of the strategic and security partnership in a relatively short period shows success is possible where both sides see benefit.
- Strong political leadership will be essential, including regular prime ministerial and ministerial engagement. Instituting a new Strategic Economic Dialogue and more comprehensive sector-specific ministerial engagement will send important signals to the bureaucracy and business about the level of government commitment. This will need to be backed by appropriate public sector resources in both Australia and India, at the federal and state level, to follow through on political commitments. Ideally India would have a reciprocal policy framework in response to this Strategy which could form the basis for determining shared priorities.
- The framework for business to business engagement is markedly undeveloped. Closer relationships and sustained interaction between business councils and industry groups provide a powerful platform for business to advocate for standards and policy settings important to commercial success. Through the consultation process, I have been struck by the relative success of some foreign businesses working with Indian businesses and associations to advise the Indian Government on changes to its policy and regulatory settings. Australia's business architecture needs to find a similar path.
- More systematic people to people links can enhance understanding of the political economy each country faces and facilitate business links. While much of this will happen informally, there is benefit in creating the right institutional support for the key messages to be fed through to government and industry.

## THE CURRENT STATE OF PLAY

The intensity of Australian Government engagement with India has been cyclical. Australian Governments have tended to see India as a challenging business partner and have often deferred prioritising the business relationship. Meanwhile, India has many countries competing for its attention and lacks bureaucratic capacity to commit time and resources to them all. In addition, there are restrictions on Indian ministers and officials travelling, which limits opportunities to schedule meetings.

Both governments have sought to make bilateral engagement more consistent and substantial in recent years. We now have a suite of existing government mechanisms in place to encourage cooperation and dialogue, including regular meetings by leaders and ministers. Prime Ministers Modi and Turnbull have met at least once every year since Prime Minister Turnbull assumed office.

The strategic and security elements of the bilateral architecture have come a long way over the past three years, reflecting growing strategic convergence. The first '2+2' meeting of foreign and defence secretaries was held in December 2017, and the Quadrilateral meeting of Australia, India, Japan and the United States recommenced in November 2017. A trilateral dialogue with Japan has taken place at foreign secretary-level annually, since 2015, while 1.5-track government and non-government trilateral discussions have commenced with Indonesia (November 2017) and with France (January 2018). A bilateral maritime dialogue also commenced in 2015 and is held annually to deepen cooperation on maritime security, safety and research.

But the architecture that supports our increasingly ambitious trade and investment activity has not matured at the same rate. It also remains less developed than Australia's relationships with other major Indo-Pacific partners such as China, Japan and Indonesia.

While there are established channels for ministerial engagement, better outcomes can be achieved. For several years our bilateral economic engagement had been primarily focused on advancing a bilateral free trade agreement. This contributed to the annual bilateral meeting between trade ministers, referred to as the Joint Ministerial Commission, not being held since 2013.

Ministerial engagement on our priority sectors, such as the Australia India Education Council and the Australia India Energy Dialogue, are sporadic rather than annual. There is no forum for regular ministerial engagement in our other lead sectors although agriculture ministers do meet on an ad hoc basis. This reflects the realities of scheduling high-level meetings. However, the more benefit participants garner from such meetings the more frequently they will occur.

The framework for business to business engagement also remains underdone. Australia's peak business councils, such as the Business Council of Australia, do not have a close relationship with their Indian counterparts, including the Confederation of Indian Industry or the Federation of Indian Chambers of Commerce and Industry – despite both of these having a presence in Australia. This partly reflects the lack of attention paid to India by corporate Australia, which has tended to prioritise the United States, Europe, North Asia and Southeast Asia for international investment and trade opportunities over India.

## THE CASE FOR RECALIBRATING BILATERAL ARCHITECTURE

The elements of the Australia-India economic architecture rest on three pillars: government, business and people to people links.

### Proposed elements of Australia-India economic bilateral architecture

Government-led	Business-led	People to people
Prime Ministerial engagement	CEO Forum	Australia-India Council
A Strategic Economic Dialogue	Australia India Business Council	Australia India Institute
Ministerial meetings	Relationships between major business bodies (BCA and Indian counterparts)	Alumni networks
Parliamentary engagement	Institutionalised relationships between industry bodies	New Colombo Plan
Officials-level dialogues	India Australia Chamber of Commerce	Endeavour awards
State to State engagement		Australia India Leadership Dialogue
		Australia India Youth Dialogue

Underpinned by: the diaspora, business partnerships, academic and research partnerships, tourism and cultural connections.

### Government-led architecture

What does 'success' look like?

- Open and trusted avenues of communication.
- A unified approach, with public commitment, to the strategic direction of the relationship.
- The ability to quickly identify and address political issues which constrain the economic relationship.
- Closer alignment of specific policies, regulations and standards that support better commercial outcomes.
- Agreed agendas for practical joint activities.
- Sufficient government engagement to allow for effective working relationships and mutual understanding of each other's priorities and capabilities.

Proposed initiatives to build on status quo

- Establish a Strategic Economic Dialogue.

- In doing so, discontinue the Joint Ministerial Commission, but continue regular trade ministers' meetings.
- Aim for annual ministerial engagement in the education, agribusiness and resource sectors (tourism can be covered by the annual trade ministers meeting).
- Aim for biennial ministerial engagement in the six promising sectors identified in the report, either through ministerial visits or in the margins of other international fora.

Prime Ministers should continue to meet at least once every year, either at home or in the margins of international fora. Every second year, Australia should aim for this to take the form of a prime ministerial visit, with an accompanying business delegation, helping to further cut through bureaucratic inertia and create a head-turning effect for business.

A new initiative, a Strategic Economic Dialogue, should be established to bring together senior economic policymakers from both governments every two years. This would provide the necessary

platform for ministerial focus on the breadth of bilateral economic activity and the policy settings which enable it. A Strategic Economic Dialogue should target Indian Ministers for Finance and Commerce and the Vice Chair of NITI Aayog and partner them with the Australian Treasurer, Trade Minister and Productivity Commissioner. Depending on the proposed focus of each meeting, ministers of priority sectors could be invited to attend.

Such a dialogue would take the place of the Joint Ministerial Commission to elevate the conversation to include supporting two-way trade, investment attraction and sharing policy and regulatory experience to enhance productivity. Australia's Trade Minister and the Indian Commerce Minister should seek to meet annually to address individual trade and market access issues.

Regular ministerial engagement on the sectors identified in this Strategy will be essential to developing compatible policies and standards and for providing avenues for advocacy on matters of concern to business. Ministerial oversight of sectoral engagement can set the agenda for practical joint activities which can demonstrate to the Indian Government the benefits of greater economic engagement with Australia.

The priority 10 sectors of this Strategy should each have an Australian ministerial champion at the federal level. For the flagship and lead sectors, bilateral ministerial engagement should continue to occur each year.

With respect to education and training, and energy and resources, this means continuing the existing structures that are already in place: the Australia India Education Council and the Australia India Energy Dialogue. Every effort should be made to continually improve these meetings. For agribusiness, annual ministerial meetings should be institutionalised. Issues related to tourism should be covered by the trade minister meetings and as part of the Strategic Economic Dialogue.

Parliamentary linkages – including through exchanges and visits between members of parliament and future leaders – go a long way to raising consciousness and understanding of each

other in the political sphere. These should include state parliamentarians from both countries.

In each sector, the Australian Government can play an important role by working with Indian policymakers to align regulatory standards or adopt technology solutions in which Australia and India have expertise. Following ministerial leadership, government officials and industry bodies must follow through on implementation through both recurring joint working groups (such as health) and ad hoc collaboration. As set out in the sectoral chapters, Australia should also pursue greater engagement between regulatory bodies (such as Standards Australia and the Therapeutic Goods Administration) and their Indian counterparts.

The similarities in our systems of federal government and public administration make Australia well-placed to work closely with India on matters of economic reform. We should seek to identify reforms which are priorities for India and which can make the greatest difference for Australian commercial interests. For example, an Australia-India Infrastructure Council could provide a forum for collaboration between government and private sector from both countries, including at the state level [see *Chapter 9: Infrastructure Sector*].

The regulatory settings of India's state governments will cumulatively have a greater impact on the business environment than the central government. Embedding sub-national engagement in the bilateral architecture will provide opportunities for the Australian Commonwealth and state governments to engage with India's increasingly influential states on their business enabling environments.

The Commonwealth and state governments should make every effort to coordinate and mutually reinforce their connections with India. The Strategic Economic Dialogue could include Australian state representatives when meeting in Australia and Indian state representatives when meeting in India. This will complement our emerging network of state to state relationships [see *Chapter 14: A Collection of States*].

## Business-led architecture

What does 'success' look like?

- Australian and Indian businesses have the right platforms to advocate with governments for policy settings and regulatory standards.
- Australian business has the right frameworks to work more collaboratively in India.
- Australian and Indian businesses work together in key sectors to identify practical solutions to regulatory constraints and jointly advocate to governments.
- Australian and Indian businesses better understand each other's business culture.

Proposed initiatives to build on the status quo

- Bring the CEO Forum into a regular annual cycle with a practical intersessional agenda.
- Establish an Australian secretariat for the CEO Forum in the BCA.
- Broaden membership of the AIBC to include more large corporates to complement SME membership and broaden membership beyond the Indian diaspora community.
- Seek a closer relationship between the BCA, Australian Industry Group and Australian Chamber of Commerce and Industry and peak Indian industry groups.

The current structures underpinning business to business engagement are inadequate to support an expansion in the trade and investment relationship.

Specifically, there is a lack of effective platforms for Australian business to advocate directly for the policy settings and regulatory standards that are key to commercial success.

Experience from overseas is that, to be heard in the Indian system, Australian businesses need to collaborate with each other to identify practical solutions to regulatory constraints. Working with India's business community enables industry groups in both countries to advocate for those reforms to their own governments. A lesson observed from overseas is that if there are issues in a sector that is a political priority for India, and

if the foreign country is viewed by India as having best practice, progress is possible.

Business-led architecture also needs to do more to assist Australian businesses better understand unique aspects of Indian business culture. A more active role by peak Australian business groups in educating their members would help increase confidence.

The Australia-India CEO Forum is a useful vehicle. But its meetings should be brought into a regular annual cycle and it needs an intersessional agenda. It should have a secretariat based in the BCA, giving it some institutional heft. At present there is little visibility of the CEO Forum among the BCA's heavyweight member base.

The secretariat should be responsible for organising the annual CEO Forum as well as coordinating its ongoing agenda. As secretariat, the BCA could seek guidance from its members on issues to prioritise and outreach activities to initiate. Building on the existing partnership with the CII will be important, including as a means to convene the Indian side.

Similarly, the Australia-India Business Council needs substantially more clout. It should include more large corporates who do business in India to complement the SME membership which is its current focus. The AIBC also needs to broaden beyond the Indian diaspora community which is its base. In doing so, the AIBC could take forward a bigger agenda. SMEs should consider organising themselves along sectoral lines to form clusters which can lobby for sectoral-wide outcomes and look to partner with Indian industry groups.

There should be a much closer relationship between the BCA, the Australian Industry Group and the Australian Chamber of Commerce and Industry with the peak Indian industry groups – CII, FICCI and the Associated Chambers of Commerce and Industry of India – which play a key role in promoting India's business links with its major trading partners. The National Association of Software and Services Companies should also be prioritised given the reach of its networks and talent pool. India has an entrenched culture of engagement through chambers of commerce, not just nationally but at the state level, and Australian businesses and industry groups should look to

work more closely with these counterparts. CII and FICCI have a presence in Australia, which should be nurtured and supported. There are also opportunities to engage Indian business during trade missions organised by CII, FICCI and others in third countries.

## People to people links

What does 'success' look like?

- Greater familiarity with each other's economies and societies and higher levels of 'India literacy' in Australia.
- Indian alumni of Australia's education system contributing to stronger business connections.
- A higher profile of the Australian market in India.
- An even greater take up of the New Colombo Plan in India.

Proposed initiatives to build on the status quo

- A strengthened Australia India Leadership Dialogue with higher levels of Indian engagement and stronger business participation.
- Support for the Australia India Youth Dialogue including to implement some of its ideas.
- Greater mobilisation of the Indian diaspora [see Chapter 18: *The Role of the Diaspora*].

People to people links can enhance the understanding of the political economy each country faces, provide windows into the technologies and trends of the future that can shape the relationship, and provide business links and market knowledge.

Australia's fast growing Indian diaspora, joint research and development, and certain sectors such as education, training and tourism all contribute to developing strong people to people links.

Although most of this engagement will take place in an organic fashion, investing in mechanisms to enable interactions in a focused way can lead to better outcomes, and the possibility of shaping the government and business environment.

The Australia India Leadership Dialogue (AILD), which has met annually since 2015, has attracted

bipartisan representation from government as well as participation from the business community, media, academia and civil society. The AILD has considerable potential but needs to attract higher level Indian political involvement and stronger business representation on both sides. Its Australian organisers have had to do the heavy lifting and it would benefit from a strong lead Indian partner with reach into the Indian system.

The Australia India Youth Dialogue, as a platform for driving engagement between Australian and Indian young leaders and influencers, is already an influential network of young leaders who will become custodians of bilateral collaboration. While youthful energy and volunteerism has carried it this far, greater institutional support would ensure its sustainability.

Australia's Alumni Engagement Strategy is a valuable means of connecting and convening the talented and diverse Indian community that has studied in Australia. It provides opportunities for professional development, shared research and strengthened business connections.

The Australia-India Council has a mandate to build connections between our two countries. The Council should be commended for increasingly focusing on building sustainable relationships and has been a strong supporter of this strategy.

The Australia India Institute plays an important role in expanding Australian understanding of contemporary India, including through a program of research and events. A sharper focus on the key issues animating the bilateral relationship would enhance the Institute's effectiveness to shape discussion about the future direction of the relationship.



## RECOMMENDATIONS

In taking forward the meetings to support our bilateral architecture, the reality is that Australian Government and business representatives will need to be prepared to do more travelling, on balance, than the Indian side.

### 82. A Strategic Economic Dialogue

82.1 Establish a Strategic Economic Dialogue with India to facilitate a broader and deeper discussion of the economic relationship and reform priorities

- it should convene every two years with the Australian Treasurer, Trade Minister and the chair of the Productivity Commission alongside the Indian Ministers for Finance and Commerce and the Vice Chair of NITI Aayog
- this would take the place of the Joint Ministerial Commission
- the Dialogue could include Australian state representatives when meeting in Australia and Indian state representatives when meeting in India.

### 83. Ensure strong ministerial leadership in the 10 sectors identified in this strategy

83.1 The Australia India Education Council and the Australia India Energy Dialogue should be maintained while expanding their practical focus.

83.2 Ministers for Trade, Resources and Agriculture should meet their Indian counterparts annually.

83.3 Ministers responsible for the six promising sectors identified in this strategy should meet biennially with their Indian counterparts.

### 84. Strengthen the Australia-India CEO Forum

84.1 The BCA should take on the secretariat duties of the Australia-India CEO Forum. In doing so, it should work closely with the relevant Indian chamber to convene participation on the Indian side.

84.2 The BCA should also draw on guidance from its members and advice from government to take forward an intersessional policy agenda for the CEO Forum.

## 85. Expand the Australia India Leadership Dialogue

- 85.1 The Australia India Leadership Dialogue should continue on an annual basis.
- 85.2 This will require the Australia India Institute to secure sufficient sponsorship money once the pool of current funding runs out.
- 85.3 Secure a strong Indian partner to bolster Indian participation, especially from political and business circles.
- 85.4 The Australian Government should continue to provide high-level bipartisan participation in the AILD and should promote its value to the Indian Government.

## 86. Strengthen bilateral business organisations

- 86.1 The Australia India Business Council should seek to broaden its member base beyond SMEs, targeting large corporations and working closely with Indian industry bodies
  - this will shift the AIBC focus beyond diaspora business representatives.
- 86.2 Encourage the merger and strengthening of existing Indian-based Australian business chambers to a national level body.

## 87. Explore options to hold a meeting of Australian premiers with Indian chief ministers

This will help build state to state engagement and would send a powerful signal of the priority of the bilateral relationship.

Scheduling such a meeting would be a challenge, but prime ministerial support would help and seeking to align such a meeting with a Prime Minister's visit to India could be the most practical option in the first instance.