

Northern Territory Government submission to the Joint Standing Committee on Treaties Inquiry into the Australia-India Economic Cooperation and Trade Agreement

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Overview

The Northern Territory Government recently released its International Engagement Strategy 2022-26 (the Strategy). In the Strategy, India has been identified as a priority market for increased diplomatic, trade and investment engagements.

The Strategy focuses on harnessing the Northern Territory's natural strengths, and expanding its global reach to secure a resilient and prosperous economic future. The Strategy focusses on building upon the Northern Territory's existing export trades, including gas, mining, education and training, defence and maritime services, while seeking to grow emerging export trades in critical minerals and ICT-digital technologies.

The Northern Territory Government is keen to work with subregional Indian governments to develop a program of inbound, outbound and virtual trade delegations to showcase the Northern Territory to Indian business and government representatives.

Australia-India bilateral architecture was enhanced with the signing of the Australia-India Economic Cooperation Trade Agreement (AI-ECTA) on 2 April 2022. As an interim trade arrangement, AI-ECTA was substantive and far reaching, facilitating greater and more liberal trade and investment between Australia and India. The Agreement spanned trade in goods and services, and people movement, including measures to increase the level of skilled migration and other regulatory and non-regulatory modifications.

Given the current uncertain geopolitical climate, global supply chain disruption and demand, countries around the world are making concerted efforts to mitigate risk by acquiring sure supply pathways and reinforcing diplomatic security. Key to success is ensuring Australian and Indian businesses are taking every measure to capitalise on the newfound strength of the bilateral relationship and the technical market access advantages it entails.

The benefits of increased trade, investment and capital flows, and the development of new supply chains, will benefit not just Australia and India alone. It offers much wider benefits to support the broader Indo-Pacific region for years to come.

Although the market access commitments are limited in the interim Agreement, it demonstrates a willingness by both governments to take India-Australia economic relations to a higher level. It represents a change in direction, and a more positive outlook towards these agreements.

Northern Territory Government Key Recommendations

The Northern Territory Government recommends that:

1. the Australian government builds on the work of Austrade, supporting the development of an India Business Intelligence micro-credential to build cross-cultural awareness of how to do business in India
2. the Australian Government adopts and implements the 5 recommendations of the Joint Standing Committee on Treaties Report 193 on Strengthening the Trade Agreement and Treaty Making Process in Australia
3. Investor State Dispute Settlements should not be included in the comprehensive agreement negotiations as these provisions are contrary to the national interest and basic principles of democratic sovereignty
4. the Productivity Commission prepares the trade treaty National Interest Analysis and Regulatory Impact Statement provided to the Joint Standing Committee on Treaties and tabled in Parliament.

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Enabling Australians to leverage the Agreement requires increased India Literacy

In the workforce, cultural awareness of Indian culture is limited. Low 'India literacy' among Australian state and federal governments, as well as Australian corporations, poses a challenge for business-to-business collaboration and foreign investment.

Improving literacy of India's business environment within the Northern Territory, and indeed across corporate Australia, would help support long term strategic investments in the Northern Territory and provide Australian businesses with the necessary tools and knowledge to communicate with their counterparts in India.

The Northern Territory Government acknowledges that Austrade currently engages in work to increase India literacy. It also holds events for Australian businesses that seek insights into India's foreign direct investment policies and regulations. The Australian Government should continue to building on the work of Austrade, including the AIBX and the India Business Mission, to help raise India literacy for Australian exporters, financiers, investors, consultants, training institutions and start-ups.

Supporting the development of a 'Business in India' micro-credential as part of corporate professional development would help strengthen understanding and cultural bridges, leading to favourable trade and investment outcomes for both Northern Territory and Indian businesses.

Recommendation: that the Australian Government builds on the work of Austrade, supporting the development of an India Business Intelligence micro-credential to build cross-cultural awareness of how to do business in India.

Minerals and Resources

Increasing urbanisation, rising household incomes and recent industrial policy reforms in India will drive greater demand for Australian mineral resources such as metallurgical coal, copper, gold and to a lesser extent, iron ore. In particular, these will provide inputs into India's production linked incentives scheme, a program designed to nurture domestic manufacturing capabilities through subsidies. In February 2021, the Indian Finance Minister announced that around \$270 billion would be allocated to support 13 strategic industries to create national manufacturing champions and to create employment opportunities for the young labour force. The Northern Territory's rich resource wealth could be a good resource supplier for India's manufacturing revival.

India is currently heavily dependent on China to source critical minerals. The Northern Territory has significant reserves of critical minerals and a number of associated projects under development. India's transition to industry 4.0, including key industries such as telecommunications, electronics, energy, healthcare, defence, aerospace, and transportation, requires Australia's reliable critical mineral and rare earth elements supply. The Australian Government has released a 'critical minerals strategy' to position the country as the 'world powerhouse' in critical minerals, which India needs to power its new energy economy. Similarly in 2019, the Northern Territory Government released the [Territory Critical Minerals Plan](#).

The Territory Critical Minerals Plan helps position the Northern Territory as a strategically important jurisdiction in the production, processing and manufacturing of minerals important to the high technology, battery and defence sectors.

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The Northern Territory is well positioned to attract Indian investment, with strong reserves in critical minerals, including copper, lithium, vanadium, rare earths, tungsten and cobalt, and with established logistics capability for exporting critical minerals to international markets.

The Northern Territory has potential to become an important player in India's critical minerals supply chain. The Northern Territory Government and Northern Territory-based companies are keen to engage with end users in India. Economic collaboration in this sector will pave the way to establish stable, secure, and resilient supply chains in critical and strategic minerals.

The Northern Territory's first lithium mine is under construction near Darwin, with the NT to be a lithium producer within the next six months. The NT also has a large developing rare earths project with the potential to supply 5% of global supply of magnet-feed rare earths (NdPr).

There are also significant emerging projects with potential to produce other critical minerals, including vanadium, tungsten, magnesium, copper, manganese and cobalt. Most critical minerals projects in the Northern Territory are looking at options for further downstream processing and value adding.

There are other important emerging projects that will be of interest to Indian companies. The Northern Territory has Australia's largest undeveloped phosphate deposits, and the companies that own them (Verdant Minerals Pty Ltd and Avenir Ltd) are currently undertaking feasibility on mining projects with production of phosphoric acid and potential downstream fertiliser production. India is seen as an important potential customer and/or partner for the development of these projects.

TNG Ltd has a large critical minerals project near Barrow Creek, north of Alice Springs, that will involve a mine with an onsite processing plant to provide high-purity vanadium, titanium and iron products. Goa-based Indian company Vinson Group has a binding offtake agreement to purchase half a million tonnes per annum of high grade iron ore fines from the project, which is currently going through regulatory approvals.

Additionally, a large copper-silver project at Jervois in Central Australia is nearing Final Investment Decision and will produce copper concentrate to be sent to Glencore's Mount Isa copper smelter for processing.

The Northern Territory's resources sector makes a major contribution to Australia's economic growth and prosperity. The AI-ECTA services commitments will provide market access for Australian mining services, an area where Northern Territory and Australian firms have world-leading skills and expertise. Expansion of the IA-ECTA will contribute more broadly to future opportunities for Australian resources by stimulating trade and investment flows, while the AI-ECTA will enhance one-way trade opportunities in the mining and mining services sectors.

The Northern Territory Government is keen for the full Australia-India Comprehensive Economic Cooperation Agreement to enhance two way investment flows in the resource sector as they are particularly important for the Northern Territory's mining sector. This industry has benefitted from foreign capital in developing the Northern Territory's natural resources and building the mining sector into the largest contributor to the Northern Territory Gross State Product, with production value of \$6.4 billion in the 2020-21 financial year.

Currently, the Northern Territory has 21 mining projects proceeding through approvals processes or seeking project finance. Expanding the investment provisions to India will help the Northern Territory to realise both inward and outward investment opportunities in the mining sector.

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Furthermore, the Northern Territory Government is keen for the Australia-India Comprehensive Economic Cooperation Agreement to expand services commitments which provides market access for Australian mining services, an area where the Northern Territory has significant skills and expertise and one of our future sources of comparative advantage in trade, to complement our extractive resources exports.

Agriculture

The Northern Territory agriculture sector is a key pillar of the Northern Australian economy, contributing significantly to employment opportunities, economic prosperity and investment diversification.

The AI-ECTA indicates some immediate elimination of tariffs on some agriculture and aquaculture goods and the reduction of tariffs over 3, 5, 7 or 10 years for an additional 5% will enhance one-way trade opportunities in this sector.

The Northern Territory Government is keen for the full Australia-India Comprehensive Economic Cooperation Agreement to enhance two way investment flows in the agribusiness sector as they are particularly important in supporting growth and development for the future.

The Australian cotton industry exports 99% of its high quality cotton to textile manufacturers and India is a significant trading partner. The developing Northern Territory cotton industry is expecting that within a decade, the industry will generate \$250 million per year. The Northern Territory industry has comparative trading advantages due to its proximity to market and is complementary to the season extension of the Australian cotton industry. The industry will continue to open up inward and outward investment and export opportunities both upstream and downstream across the whole supply chain.

Developing Northern Australia, establishing and maintaining high-quality, comprehensive Free Trade Agreements, improving market access, focusing on higher value production, reducing technical barriers to trade, and improving agriculture export legislation are some of the important priorities and functions of the Australian Government in relation to agriculture exports. For northern Australian food and resources industries to continue to grow market share, it is critical that access to markets is improved through world-class supply chains, further enhancing Australia's competitive advantage.

Migration

The Northern Territory supports Australia's permanent migration scheme which has contributed to our vibrant multicultural society. The Northern Territory Government is keen to see more Indian migrants call the Northern Territory home.

In the services sector, Australia has responded positively to one of India's main areas of interest, movement of natural persons under Mode 4, by allowing several categories of professionals to access its market in 26 sectors. However, most of these sectors belong only to 'business services', as per the Services Sectoral Classification of the World Trade Organization.

We note the Agreement provides for a number of commitments to specific numbers of temporary workers. These include:

1. 1,800 qualified chefs and yoga teachers for four years (Annex 9a p. 6)
2. a list of other industries and occupations for those with specialised qualifications and experience to enter for one year (Annex 9a, Tables A and B pp 11-13)
3. a Side Letter on work and holiday visas which permits entry for up to 1,000 people, 18-31 years old, who have completed two years of post-secondary study, and meet other current work and holiday visa requirements. These are more restrictive than the A-UKFTA conditions

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4. the Side letter on post-study work visas provides that stays for bachelor degree graduate who receive 1st class honours will be extended from two years to three years.

The Northern Territory Government is supportive of these arrangements as they provide the necessary flexibility to encourage increased access to overseas workers to alleviate skill shortages.

Independent review and analysis

Many businesses report difficulties understanding regulatory divergence among Australian trade agreements. This can create administrative barriers for traders that could have been avoided if identified during negotiations. Such stumbling blocks add to red tape and time-consuming workarounds which makes the affected trade treaties less desirable. For Australian businesses to gain the most benefits of any interim Free Trade Agreement and the future full Free Trade Agreement, a strong foundation of understanding and support is needed. This could be better achieved through assessment by an independent government body that is arms'-length from negotiations, such as the Productivity Commission.

The Northern Territory Government recommends that the Australian Government adopts and implements the 5 recommendations of the Joint Standing Committee on Treaties Report 193 on Strengthening the Trade Agreement and Treaty Making Process in Australia.

The Northern Territory Government recommends that the Productivity Commission prepares the trade treaty National Interest Analysis and Regulatory Impact Statement provided to the Joint Standing Committee on Treaties and tabled in Parliament.

Investment Chapter in the Comprehensive Agreement

The Northern Territory Government supports the Australian Government's policy platform which opposes the inclusion of special legal rights for international investors to sue governments in international tribunals if they can argue that a change in law or policy harms their profits, known as Investor-State Dispute Settlement (ISDS). The Government's policy platform opposes the inclusion of ISDS in new trade agreements and pledges to negotiate to remove it from existing agreement.

There is no investment chapter in the interim AI-ECTA, meaning that ISDS has not yet been discussed.

The Northern Territory Government recommends that ISDS should not be included in the comprehensive agreement negotiations.

The Northern Territory Government is keen to see the development of an investment chapter that removes barriers to increased two way investment. We hope that with development of the comprehensive agreement, Indian businesses will be encouraged to invest in the Northern Territory thanks to Australian best practice investment rules, including to set up regional headquarters in Darwin to leverage Australia's network of bilateral and multilateral Free Trade Agreements.

The Northern Territory Government is committed to pursuing investment opportunities in key focus areas that will support our future growth.

The Northern Territory is well positioned to attract investment into solar and hydrogen developments due to world-class solar and gas resources, and existing infrastructure and supply chains. Developing low emissions manufacturing capability in the Northern Territory is closely aligned to these energy opportunities and responds to the global trend, and the Northern Territory's own goals, of decarbonisation and net zero emissions.

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The Northern Territory has a world-class mining export industry, including value-add processing and several major mines. There are key opportunities in attracting investment to spur the development of local processing and manufacturing, as well as tapping into some of Australia's most geologically promising greenfield or underexplored regions. Moving beyond raw resources will modernise Northern Territory industry, develop and attract a highly skilled workforce, and deliver greater value to the Northern Territory economy.

Other opportunities for investment attraction are in agribusiness through Sustainable Development Precincts and digital through developments of data centres and subsea cables linking the Northern Territory to South-East Asia and North American markets and beyond. Investment attraction will also be pursued to support industry-enabling infrastructure development, including digital technology, maritime infrastructure, aerospace and tourism infrastructure.

Collaborative approach to trade negotiations

The Northern Territory Government would like to reiterate our appreciation for the Australian Government's collaborative approach to trade negotiations, and our hopes for continued federal-state and territory discussions on the future bilateral and multilateral free trade negotiations commence.