



Submission No 6

Inquiry into Australia's relationship with India as an emerging world power

Organisation: Hunt and Hunt Lawyers

Contact Person: Dr Som Majumdar JP FRSA

**Address: GPO Box 4132
 Sydney NSW 2001**

30 May 2006

The Hon'ble Senator Alan Ferguson
Chairman, Foreign Affairs Committee
Parliament House
Canberra ACT 2600

**AUSTRALIA-INDIA RELATIONSHIP -
PARLIAMENTARY ENQUIRY PROBE**

Dear Hon'ble Senator

On behalf of Hunt & Hunt Lawyers, we have the pleasure to forward herewith our submission outlining our views and observations justifying the increased potential of Australia – India relationship.

Hunt & Hunt is one of the premier law firms in Australia that takes pride in showcasing Australia's expertise in various fields to the entrepreneurs and business leaders in India. The firm has been doing the business with India for many years in form of providing legal advices and conducting due diligence while encouraging Indian companies to consider Australia as their future business destination and vice versa.

India's growing importance in providing increased economic opportunities to Australian businesses cannot be overemphasized. The recent economic growth of India has transformed it into an emerging world power. India is therefore set to become one of Australia's key regional partner and it may be of Australia's interest to maintain this growing relationship.

With that belief in mind, it is our pleasure to make our submission. We shall be pleased to be of any assistance to the enquiry.

Kindest regards.

Sincerely,

Dr Som Majumdar JP FRSA
Director Asia
Hunt & Hunt

ABN 46 229 015 970

Gateway, 1 Macquarie Place, Sydney NSW 2000, Australia | Telephone +61 2 9391 3000 | Facsimile +61 2 9391 3099
GPO Box 4132, Sydney NSW 2001 | DX 214 Sydney | www.hunthunt.com.au

PARLIAMENTARY ENQUIRY ON AUSTRALIA-INDIA RELATIONSHIP

- PUBLIC SUBMISSION BY HUNT & HUNT LAWYERS, Sydney 30 May 2006

The Prelude:

India has come out from the shadow of history to the sunlight of tomorrow. The country has been witnessing a paradigm shift in its economic reforms during the last decade. Its recent economic growth (8.1% GDP growth in fiscal year 2005/06) and growing number of young middle class population has transformed India into an emerging world power. According to new forecast in Washington, "*India will become the world's third largest economy by equalling or surpassing Japan sometime this year – much earlier than previously projected*".

India is set to become one of Australia's key regional partner. The economic partnership with India will increasingly assist Australian businesses in pursuing growing economic opportunities offered by India's booming economy. Investment opportunities exist in Trade, Tourism, Education Export, and Defence related relationship and it would be a monumental error if the opportunity is allowed to pass by.

Why India?

This is because there is a great potential for the Australia India relationship and the reasons are briefly as follows:-

- India is Australia's 6th largest merchandise export market reaching close to \$7 billion in 2005 overtaking UK, and the largest coal export area
- Estimated Middle Income Earner : 350 million people providing a huge consumer market
- India is Australia's 2nd fastest growing inbound tourism market
- Australia supplies 25% of India's total gold market
- India is Australia's 2nd largest overseas student, growing @35% from 2003-2005
- Vibrant young population: about 70% of Indian population is less than 35 years old. Business India (April 2006) reported share of young Indian population will not decline as it approaches the mid-century.
- Australia is India's eighth largest overseas investor with close to \$1 billion approved for around 140 joint ventures.
- The indications are that India will soon introduce a bill to the parliament seeking amendment to its Atomic Energy Act and then allow 49% foreign direct investment in the nuclear power sector.

Potential Areas of Improved Relationship

1. Education Export
2. Trade Opportunities
3. Inbound Tourism
4. Biotechnology
5. Defence related relationship

Education

A \$6 billion industry in its own merit, Australia's education overseas is growing @6% each year. China and India combined provided an increase of 21.5% in this sector during 2004/05. Recent IDP conference in Gold Coast produced a paper from the British Council that says UK considers increasing student's intake from India from 12,613 in 2003 to 60,864 by 2010. By contrast, Australia's student intake from India, according to the Project manager, IDP is as follows during 2004:

NSW	18,500
Victoria	19,200
Queensland	300
South Australia	200
Total:	38,200

During this period total overseas students in Australia from around the world were 304,035 as per IDP report and India's intake alone contributed over 10% to the market and this is growing. In dollar terms, the overall export earning in terms of tuition fee @ \$60,000 for 2 years average course plus the board and lodging and other expenses for each student would reveal an enormous potential for the Indian intake. By tradition, Australia is looked upon very favourably by the Indians as a preferred choice next to USA. There is no reason why this sentiment should not be cashed in and hence the importance of increased bilateral relationship.

Trade

The two-way trade between Australia and India is now at a level of \$9.4 billion during 2005 and is increasing. The proposed 'Trade & Economic Framework' (TEF) between Australia and India lunched at the Ninth Australia-India Joint Ministerial Commission (JMC) would set the direction for enhanced trade and economic relationship. "*Australia has the resources, the technologies, the services etc to partner India's continued expansion while India stands to benefit from the facilitation of Australian investment in areas such as energy & resources, infrastructure development, food & agriculture processing services and so on*", remarked Trade Minister, Mark Vaile. India now being the 13th on the list of Australia's top trading partners, its growing importance and potential justifying enhanced bilateral relationship cannot be over emphasized.

Tourism

India is an emerging market for Australian tourism. Over 60% of the Indian population is within the age group of 25-35 years who are the major contributors to the world tourism market. According to Tourism Australia report, the major important destinations of Indian visitors to the world are: Singapore, USA, UK, Dubai, Australia and New Zealand. The total number of visitors to Australia from around the world from 2000-2004 were 3.9 million to 5.4 million, against which, the Indian visitors to Australia were between 41,500 to 55,600 during the corresponding period. The annual average growth rate for Indians visiting Australia during the last decade (1994-2004) was 16.5% which is expected to decline to 14.2% during the next decade (2004-2014) as per report of Tourism Australia.

The market share of Indian tourists visiting Australia from 2000 to 2003 is exhibited in the following table:

	2000	2001	2002	2003
All visitors (worldwide)	3,982,000	4,066,900	4,620,600	5,296,300
Indian Market share	1%	1.2%	1%	0.9%
Available Indian market share	5.3%	6.2%	4.9%	4.3%

(Source: Tourism Australia, www.tourism.australia.com)

It is very apparent from the exhibit that the full potential of Australian tourism towards India is not being exploited and there is enough room for improvement.

Biotechnology

The cutting edge tool of stem cell technology harvested from human embryos in treating incurable diseases focuses India in the forefront. A reason why stem cell research flourishes in India is the absence of any religious or political opposition. India passed Medical Termination of Pregnancy Act (MTP) that allows abortion within 20 weeks of conception. With a large pool of scientific talent and a mature information technology industry, India can provide a platform for research on stem cell and its clinical application which no other country has. By 2010, India may be in a position to account for a \$10 billion dollar Biotech industry. A project commissioned by French Embassy in New Delhi in liaison with CERNA Paris based on 60 interviews with the Indian leaders and scientists, reported that India is seen as one of the forerunners in stem cell research. The scientific advances in molecular biology and genetic engineering have found many applications of new drug developments. More recently, the sequencing and mapping of the human genome has opened numerous economic applications of enhancing the methods of production of therapeutic drugs. Australia is a pioneer in research in biotechnology and therefore enhanced bilateral relationship with India may open up new economic opportunities for the Australian entrepreneurs.

Bollywood Film Industry

India is one of the largest film producing countries in the world. Nearly 1000 films are made in India every year. The films are produced to entertain 20 million plus patrons over 13,000 cinemas every day around the country. Like Australia, India has always had a strong local film industry culture. The recent trend in globalisation is reflected in Indian film industry when the Indian/Western blending is increasingly taking place. Many Indian producers tend to select Australian countryside and metropolitan cities as the backdrop of the screenplay. Recent success of one Indian film (*Salaam Namaste*) that was entirely shot in the background of Melbourne city is the clear evidence of popularity of Australian location. One of the Indian clients of Hunt & Hunt's Sydney office has made an approach to hold the Indian Film Fair Award in Australia which is equivalent to that of Academy Awards of USA in terms of popularity. In a 4-days of program, this event, if held in Australia, has got immense potential to attract many business leaders across the globe and will help gearing huge tourist traffic to Australia. Hunt & Hunt is ready to open the dialogue with the appropriate Ministry to make this plan a reality. With closer ties, the Australia-India relationship will evidently open up new avenues of opportunities to encourage Bollywood to patronise Australia.

Defence

Since this is a classified area, it is difficult to identify the areas of co-operative work. Nonetheless, joint research in security and counter intelligence to combat terrorism and defence related joint exercise may be the areas that are worth considering.

References:

1. "*Biotechnology in India – Final Report*", A Martha, J Ruet, M-H Zerah, Centre de Sciences Humanities, French Ministry of Foreign Affairs.
2. "*India embraces stem cell research*", Indrajit Basu, Asia Times South Asia Dec 2, 2005
3. "*Estimated Investment Opportunities in Biotechnology in Near Future*", Confederation of Indian Industry (CII), Mumbai India, www.ciionline.org
4. "*India Country Brief – April 2006*", Australian Government DFAT Canberra. www.dfat.gov.au/geo/india_brief.html
5. "*India – April 2006 The Great Divide*" Asian Focus Group – Asian Analysis, The Australian National University Canberra (ANU)
6. "*To the Forefront*", Business India Mumbai, April 23, 2006
7. "*Market India*", Tourism Australia, www.tourism.australia.com/market
8. "*India A sound Wicket*", Tim Harcourt, Austrade, www.austrade.gov.au/economistscorner
9. "*Media Release, Thursday 19 May 2005 & Tuesday 9 May 2006*" Minister of Trade Australia, The Hon. Mark Vaile MP, www.trademinister.gov.au/releases

