



COMMONWEALTH OF AUSTRALIA

JOINT STANDING COMMITTEE

on

FOREIGN AFFAIRS, DEFENCE AND TRADE

(Trade Subcommittee)

Reference: Australia's trade relationship with India

MELBOURNE

Monday, 21 July 1997

OFFICIAL HANSARD REPORT

CANBERRA

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Trade Subcommittee)

Members:

Mr Sinclair (Chair)

Senator Forshaw (Deputy Chair)

Senator Chapman
Senator Childs
Senator Margetts

Mr Brough
Mr Dondas
Mrs Gallus
Mr Hollis
Mr Nugent
Mr Price
Mr Slipper

Matter referred:

Australia's trade relationship with India and to consider the emerging economies of South Asia, and report on such areas as:

India's economic significance for Australia, and the opportunities for expanding trade and investment;

the prospects for continuing economic reform and trade liberalisation in India and the implications of this for Australian trade and investment;

India's growing economic engagement with Asia and the Indian Ocean region;

South Asia's emerging economic significance for Australia, and the potential implications of closer economic cooperation amongst South Asian countries, including through the South Asian Association for Regional Cooperation;

trade and investment opportunities for Australia in Pakistan, Sri Lanka and Bangladesh.

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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE
(Trade subcommittee)

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Present

Mr Sinclair (Chair)

Senator Margetts

Mr Dondas

Mr Nugent

Mr Price

Mr Slipper

The committee met at 9.32 a.m.

Mr Sinclair took the chair.

CHAIR—I declare open this public hearing of the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. As everybody knows, we are conducting an inquiry into Australia's trade relations with India. I was glad to see this morning that even the *Australian* has caught up with the fact that India is an emerging nation and that it is important that we work out where we are going with it.

In particular, the inquiry is going to report on India's significance to Australia in terms of expanded trade and investment opportunities, the prospects for continued economic reform and trade liberalisation in India and the implication of this for Australian trade and investment, and the nature of India's growing economic engagement with Asia and the Indian Ocean region.

In the course of the inquiry, the subcommittee is conducting a number of public hearings around Australia, speaking with government, business and various representative groups, as well as professional analysts of the south Asian region and individuals with experience of India's economic environment. The committee expects to table its report on this reference early next year.

KENNAN, Mr James Harley, QC, Chair, Australia India Council, Department of Foreign Affairs and Trade, Canberra, Australian Capital Territory

CHAIR—Welcome, Mr Kennan. I advise you that the proceedings today are legal proceedings of the parliament and warrant the same respect which proceedings of respective houses of parliament demand. Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the subcommittee may be regarded as a contempt of parliament.

The subcommittee prefers all evidence to be given in public, but should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration to your request. I invite you to make an opening statement before we proceed to have some dialogue.

Mr Kennan—Thank you, Mr Chairman. I have been asked to comment on, in addition to the Australia India Council, my views about trade and investment with India as a result of some of my private business activities in India. I want to cover two broad headings: firstly, the activities of the Australia India Council and, secondly, my views about opportunities for trade and investment between Australia and India.

I think that Mr John Powys, the Director of the Secretariat of the Australia India Council, has already given evidence to the committee, and the committee is well aware of the background to the council. As the committee knows, there was a major promotion—the new horizons program promotion—by the Australian government in India last year. I think some six or seven government ministers attended in the course of that promotion and a lot of Australia India Council funding went into it. The Minister for Trade and Deputy Prime Minister launched a consultants report last week on that promotion, indicating that it had been thought to be successful by those Australian firms that participated in it.

The Australia India Council was there for much of the two weeks of the promotion. It is certainly my observation that Australia's profile was lifted very considerably during that promotion. India is no longer necessarily an easy country to get a profile into, because in recent years Delhi has become quite a hot spot for international promotions. For instance, the Canadians were there about a year ago; they came with their Prime Minister and the premier of each of the six or seven provinces. There are a lot of road shows through Delhi by various countries, and I think the Australians did well.

In the course of this year the Australia India Council will shift to a number of key projects in addition to some ongoing projects, which include academic exchanges, journalist exchanges and so on. We are trying to get as much as we can for the dollars spent by seeking to involve key stakeholders on each side and by trying to concentrate our funding on seed funding that draws in other funding or support which then creates ongoing collaborations after we no longer fund a project. Through that we are trying to set

up institutional links as well as one-off exchanges which have tended to characterise the activities of a number of bilateral councils in the past. We have a number of these that are currently under way.

One relates to alternative dispute resolution. Whatever problems there might have been in the Australian courts, I think India has 25 million cases awaiting trial and 8,000 courts, and no formal system of alternative dispute resolution. We have made a link with the secretary of the Indian Council of Arbitration who is housed in FICCI, one of the major chambers of commerce. He has been out here and has undergone training with Leader—one of the alternative dispute resolution training bodies in Australia. Later in the year we hope to send trainers over there to set up the protocols for alternative dispute resolution and training systems in India which will then receive the support of FICCI, which has more than 25 regional offices throughout India. We will seed fund that initially, and after that it is a matter for the Indians to take up.

In creating these institutional links, we have also sought to involve some high profile Australians. Sir Gustav Nossal is one. He has had a longstanding interest in India as an immunologist. He has retired from the Walter and Eliza Hall Institute but is still the President of the Australian Academy of Science. He did a round table in January in Delhi on health and biotechnology for us. We paid for other people to come from other parts of India to have a workshop with him, and that went very well. Through the Australian Academy of Science he is now setting up links for us where there will be some interchanges of Indian scientists and Australian scientists. There are a couple of Australians going to a major malaria conference in Hyderabad next month, and we hope to get exchanges going the other way.

With regard to the environment, you may know that there is an extremely activist supreme court in India. It has shut down a number of businesses throughout India for breaching environmental standards. There is a very well-established constitutional position in India where people can bring public standing litigation relatively easily. We, together with another chamber of commerce, the CII in India, are working on a project with the Victorian EPA to help Indian business set up proper monitoring of environmental standards.

We are just commencing the formation of that project. We hope, similarly, that that will be taken up by CII in India after we have helped with setting up protocols, training systems and so on. Another example is that of cultural training. We had a distinguished visitor, OP Jain, who runs Sanskriti, which is probably the best artisan residence facility in the world in Delhi that he has personally funded.

There is no system in India for the training of administrators of museums and galleries, although they have an extremely rich heritage. Together with the British Council—and some interest has been expressed by the Canadian government—we are interested in working with OP Jain, who has a building in Delhi, to set up an institute for

training. He has been out here for two weeks as the guest of the Australian government talking to various people in the cultural training area as to the suitable people to assist him in doing that.

Another example is the blood bank. There have been difficulties with the quality of blood bank protocols in India. We have been working with the Red Cross Blood Bank in Bombay to set up a new facility with the Melbourne Red Cross Blood Bank—the director of which, Dr Gordon White, is a world authority and known to Indian health officials. We have had an exchange there in helping them set up a new Red Cross Blood Bank in Bombay, which is yet to occur but which hopefully will occur. It is possible that it will become a World Bank project and will set up protocols for blood banks elsewhere in India.

That is an overview of the activities of the Australia India Council which seeks to build links at a range of levels and its ongoing institutional links between Australia and India. I should say that we do have a counterpart body. The India Australia Council was set up a couple of years ago in India. They do not have funding as we have, but they are supported by one of the leading chambers of commerce, CII, who can also make input—

Mr SLIPPER—What is the CII?

Mr Kennan—It is the Confederation of Indian Industry. It has considerable capacity to add to these programs through its own resources.

Turning to opportunities for trade and investment with India, no doubt the committee has heard a great deal on this from people more expert than myself and will hear a lot more. India was described by a Singaporean minister at an Asia society conference in March as not so much a tiger or a greenfield site but rather being in the process of renovating an old and grand mansion. I do not think I could do better than describe it that way myself. It will undoubtedly be a very major economic power in the next 25 years or so, together with China.

The very size of the market, and its very latent capacity, will ensure that but it will not move with the same predicability and speed that some of the other tiger economies have moved at. On the other hand, it is a democracy. I think the reforms might be less bubbly than in some other countries, but, certainly in the longer term, they are sustainable. In the process of refurbishing the mansion, since 1991, as you know, it has moved with the liberalisation of the economy in a very positive manner but still slowly and there are still many impediments.

At the Asia Society conference in March in Delhi, Mr Chidambaram, the minister for finance, who is an outstanding minister—he is a lawyer and a Harvard MBA—said that he wanted to see India Asianised. By that he meant he wanted to look at the policies being adopted in the rest of Asia in relation to trade and investment, in relation to foreign

investment and in relation to customs, tariffs, tax incentives and so on and match what was on offer in the rest of Asia. As you know, the other ASEAN countries—the tigers such as the Philippines, Malaysia and Thailand—have all adopted, if you will, a benchmarking approach to this. India has gone some distance towards that but has some considerable distance to go.

There are three main areas that are of interest to Australian firms in looking at this. Firstly, there is the domestic market. There are opportunities if you look just at the domestic market. You have no doubt heard a considerable number of figures about the size of the middle class in India—150 million to 200 million. There are probably 50 million people in India with the purchasing parity power equal to that of Taiwan. It is the third largest scientific and engineering manpower base in the world, the fourth largest technician base in the world and the largest pool of software specialists outside the United States. In that growing middle class segment in areas such as health services, there are opportunities for Australian expertise, some of which is already happening. If I am correct, the subsidiary of Mayne Nickless in the health area has an arrangement with Oberoi in relation to a private health facility. There are other health firms showing interest there.

In the area of food processing, India, as you know, through the green revolution has been very successful at producing and being self-sufficient in food, but there is an enormous loss between the farm and the market. There is very little in the way of food processing. That will change dramatically and the pattern of purchasing will change dramatically in the next 10 years. The area of domestic telecommunications will too, when Telstra and other telecom companies become active. In areas such as solar energy where there are incentives and encouragement in a number of parts of India for solar technologies, some Australian firms are already taking advantage. In the area of tourism and leisure, Village Roadshow has commenced a multiplex cinema. There are various Australians looking at hotel operations and those sorts of things. That is one category of the domestic market for Australian firms to invest in and operate in to cater for the domestic market in India itself.

The second area is to see India as a manufacturing base because of its cost efficiencies. Incentives are given—tax holidays—if 75 per cent or more of the unit's output is for export. Already, a lot of Australian companies are increasingly sourcing garments from India; and I think that will increase. The Indian share of world garment manufacture is a bit under three per cent at the moment; projected to grow to six per cent in the next five years or so.

In the area of mining and agriculture, Australian skills are directly reusable and very highly respected in India. I went to a conference back in 1994, when they were just opening up the mining sector, which was convened by the Indian government and one of the United Nations authorities. The subject of the conference was how to open up a previously closed sector to the private sector—local and international. Australian

companies were well represented at that conference with advice being sought on tax regimes, administrative structures and so on.

The third area is one which I think is just beginning to be looked at by Australian companies and is a very exciting opportunity, and that is to see India as a high-tech base. India has a great pool of highly qualified people. India underspends very significantly on primary education and, for a developing country, has overspent on tertiary education. On the one hand, you have a literacy rate of a touch under 50 per cent and, on the other hand, a very highly developed range of universities and higher institutions—many of whose students in the last generation have ended up offshore and in the United States—and that gives a great pool of not just software engineers, but electronic engineers and others.

I know there are a couple of Australian companies looking at something in the biotech area at the moment. There is the opportunity to do joint ventures with Indian companies where they will provide an R&D base. It might be pharmaceuticals or other things—biotech or electronics. Those opportunities can be used not just to serve the Indian and Australian markets, but also to serve other markets because some of the Indian companies—for instance, in pharmaceuticals—have become small multinationals themselves and are interested in looking at new developments.

In the IT area there are enormous opportunities because of their strength in that area. Some of the Indian IT companies already have established markets in Europe and other places and, for Australian companies with good know-how in that area, joint ventures can lead not only to the efficient development of their product but also to other markets. I hope, as a former lawyer and parliamentarian, I have been as concise as I can be.

CHAIR—Jim, you presented a far more exciting and positive view than I expected. I have not been to India for some years, but the thing that has always concerned me about India is that it has been a country of great potential but somehow that potential has never been realised. I have noted of late the suggestion that there has been a bit of a downturn in overall investment. I suppose that is partly because of what is happening in Asia generally—the problems in the baht and the difficulties in Japan—and things that are peculiar to India. How do you see that economic downturn? Is India going to go through another one of those blimps that takes her out of action? She has had three prime ministers in a very short period of time and there have been incredible processes of change.

Mr PRICE—I would not mind seeing that in Australia, actually.

CHAIR—Be that as it may. How do you read those things, Jim, because they are, to me, worrying signs on the hill as far as India is concerned?

Mr Kennan—I spent a week in India in the first week of June looking at

opportunities for a company called Sonodyne of which I am managing director in the electronics area. I had not been there since the first week of March. There had just been the change of government to the present Prime Minister and I had, like you, Mr Chairman, wondered about the uncertainty that that was creating, but I came away more positive than I had been for some time because what it showed, talking to various private sector people and people in the government sector, was that there was a confidence that, despite the political turmoil and uncertainty—and the prospects for a 13-party coalition cannot be good anywhere in terms of longevity—the reforms were not going to go backwards and that business was going on. The policies might not be advanced in terms of further liberalisation, but they had survived the period of real political uncertainty.

On the other hand, in terms of reforms in the bureaucracy and translating the government decisions down the line—and the very senior level bureaucrats are very good—the process is very slow. The empire is protecting itself in the bureaucracies, as you would expect in large bureaucracies everywhere. The political uncertainties have not upset things as much as one would think at a distance, but the pace of reform through the bureaucracy inevitably will be slow.

I do have some figures. Unfortunately, on the photocopy I do not have the date but they are from the last couple of weeks of the *Asian Wall Street Journal*. Some of the latest economic statistics there indicate industrial production being up quite substantially: 7½ per cent from April 1996 to February 1997. They also indicate foreign direct investment, March 1997 and April 1996, being reasonably strong and the other figures being reasonably strong. It is hard to get figures on direct foreign investment at this stage.

CHAIR—I have also read about the downturn and the flatness in the economy there. As I understand it, there has been a total disparity between the conditions of the people at the bottom end of the heap and the people who are more affluent. While the numbers who are more affluent seem to be increasing, there is apparently still enormous poverty, major difficulties in working conditions and difficulties in child labour, female labour and environmental contamination which, in part, you identified when you talked about the problems you have in the investment market. I wonder how you see the fact that there is this enormous disparity, which I gather is not just regional; it goes over much of the nation. As an Australian, when you go there you tend to be almost overwhelmed by the degree to which poverty abounds. It is almost despairing stuff knowing what you can do about it. In commercial terms that provides a downside because there is a concern about whether or not you are going to operate and invest properly. There is also a concern about the conditions of investment and whether you should invest and how you should behave when you do. Have you any observations on that field?

Mr Kennan—Certainly the poverty is overwhelming. I think a lot of Australian firms find that off-putting. As you say, Mr Chairman, India is not a place where you can go and just travel from the airport to a good hotel and not see anything. It confronts you, which is probably a very healthy thing, at every opportunity. In terms of investment and in

terms of standards of employment and how people are treated, I think there are a great many foreign firms that have gone there and set up very good standards. That is not off-putting and ought not to be off-putting to an investor. Indeed, there are a number of high profile American companies, like Levi's, which refuse to go into China because of human rights issues, and which have been very fussy about India in terms of environmental standards and which have gone ahead and set world class standards. In terms of child labour, it is a standard clause in most foreign joint ventures that no child labour will be involved. That is usually, as far as I am aware, observed. Child labour is probably in some domestic industries—textiles and rugs and that sort of thing—but in your average plant it is fairly easy to see that it does not exist.

CHAIR—What about subcontractors?

Mr Kennan—That is something you will never know. It is the same if you go down the street here and buy an Indian rug; you do not really know. It is something you cannot police absolutely, but there is a much greater level of transparency about that, a much greater level of transparency about the environmental situation, and a much greater level of transparency about corruption. But that will take a long time to change.

You are right, Mr Chairman: it must always be remembered that India is a developing country with a GDP of about \$US340 per head. It has many centuries living together at once: you can go to parts of India where people are living as they did 200 or 300 years ago and then go to Bangalore or Bombay and see state-of-the-art technology, all living side by side. That is India.

Mr NUGENT—I was in India for a week last August—and that, of course, makes me an instant expert. I then went to Pakistan for a week. One of the interesting things was—and this is a comment on that child labour business—that it seemed to me that there was much more of an attempt to defend the use of child labour in Pakistan and that there was not the same willingness to do something about it that there was in India, where at least they were conscious of the problem and there was an acknowledgment of it, even though the practice might be somewhat entrenched. Similarly, with human rights, India is trying to do something about it, whereas Pakistan is barely paying lip-service.

There are three or four things I would like to get your reaction or comment on. The first is in terms of the state of the infrastructure—which was generally, it seemed to me, making it very challenging to operate in that environment—whether it be roads, electricity or whatever. The second is one of the topical issues: we have just gone to the WTO over barriers in trade and so on. You may wish to comment on that.

Third is the central versus state situation: do you deal with New Delhi or do you deal with the state governments, where a company is more likely to find that that is going to be effective to get its trade up? Fourth is the matter of whether there is a need for local partners, and not just for the legalities: can one operate without local partners, or is there a

need for them to oil the wheels, and so on? Certainly, in Pakistan there was an acceptance that, if you did not have a local partner to whom you provided some cash to act as a bit of a slush fund so you could oil the wheels, you never got anywhere. I do not know whether your view would be that that is necessary in India, or what the score is. Can you comment on those things for us?

Mr Kennan—Infrastructure is a major weakness; power is a major problem. The Indian government have recognised that they do not have, and are unlikely in the foreseeable future to have, the money to build the necessary infrastructure, and so they have invited large-scale privatisation. They have had trouble, as you know, in the power sector in terms of getting the policy right, but that seems to be coming together.

Enron—and this touches on the last point you raised in terms of slush funds—is now only three or four months behind its original schedule for the new power station in Maharashtra. I was at the Asia Society conference in New Delhi in March, where Rebecca Mark, the CEO of Enron, said that Enron intended to make further investments in India. So they have not been put off by the disruption that occurred when there was a change in the state government of Maharashtra. Even in Bangalore, which is the high-tech city of India, there are power cuts. There is load-shedding, sometimes for four or five hours a day, and the power goes off. That is a very real problem, which is recognised.

Roads are, of course, in an equally bad situation. Technically, there are 25,000 kilometres of roads opened up to private investment. But making that actually happen and economically attractive for an investor is another thing. Airports are also urgently in need of upgrading, as are ports—in which some Australian companies have got involved. Infrastructure, right across the board, needs an upgrade. Telecommunications is another area, and probably the wireless telecommunications will see a rapid shift. Just getting things like faxes through can often be difficult, as well as making telephone calls and other things. Access by India to the Internet and to e-mail is held back, by reason of the poor telecommunications infrastructure.

CHAIR—That is hard to reconcile, considering how far advanced they are in IT, isn't it?

Mr Kennan—It is. It is a strange thing. They are very good at IT and they have very good IT specialists, many of whom work offshore. But local access to the Internet and e-mail has been held up because of the infrastructure. Infrastructure is a very real problem, and the logistics of moving around in India are off-putting, I think. There are easier countries to do business in, from that viewpoint, let alone from a number of other viewpoints.

On the matter of the WTO, they have moved, but the rates of duties and the difficulties there are still unacceptably high by WTO standards; and it is understandable that further pressure will be brought to bear there. They have political problems in relation

to that, because of employment. Unemployment is hard to measure there. It is estimated to be about 22 per cent, on one figure I saw, but it is hard to estimate in a country like India. That is a problem in terms of protection, just as it is a problem in terms of privatisation in areas such as insurance.

On state versus central: yes, there is a division not unlike Australia's except that the balance, I suppose, is the other way in the ultimate control of the constitution, because the central government can in fact dismiss a state government. But the state governments are still powerful and, particularly with this 13-party coalition, some parties in that coalition are state based, so at the moment politically there is a shift back to the states.

I think you have to maintain good relations with the central government if their policies are relevant, but in other areas it will be the state government that is critical. You need to look at the industry you are in and look at the particular climate that you need for your industry to pick. The state government is very important. There are great differences.

In terms of local partners, yes, some people say there are three 'p's to investing—partner, partner, partner; other people say that the three 'p's are patience, patience, patience. Whichever it is, they are the two key ones.

In terms of greasing wheels, I think that people pay the bribes they want to pay. If they do not want to pay a bribe, they do not pay a bribe. In most areas of just private sector joint ventures, I do not think corruption is a significant issue at all. In other areas that are highly publicised, depending on government permissions and consents, I think it is. But I think Australian firms can go there and do business in most areas without getting involved in that.

However, apart from that issue, the choice of partner is extremely important. And the other deterrent to investing in India is that it is slow, expensive and complex. You need to spend an enormous amount of time. The average small to medium firm, let alone the big firm, in Australia can probably get results more quickly in other countries. That has been one of the reasons for its being a bit slow.

Mr PRICE—What do you see as the role of government in promoting this trade with India, given that most concede that it has been very slow to get off the mark?

Mr Kennan—I think that governments have done more or less what they could. Austrade is active there. The high commission has been active there and active out here. A number of high commissioners from Asia did a road show a couple of months ago that was a constructive thing. I think that the new horizons program lifted the profile of India. I do not know that there is much more that government can do there vis-a-vis any other particular country.

You can have views about what governments can do to help companies generally

get into export markets but, when it comes to India, I think that the infrastructure, the high commission and the Austrade offices work pretty well. The ANZ Bank has given some cooperation by having infrastructure at their regional offices for Austrade—which has been constructive.

In terms of market research and things like that, India is very strong in its services area. Companies can get good quality market research and good quality entry strategy work done by consultants based in India, but they probably have to spend more time and therefore more money doing that than some other emerging markets.

Mr PRICE—Of those general things you said that governments can do across the board for exporting to all countries, what would be your highest priority in terms of something new or additional?

Mr Kennan—The chairman will no doubt interrupt me in a minute! The Asian countries are going down a different track. I have just spent a week in the Philippines for the first time, staying in fact with the Indian ambassador. I went out to a high-tech park there where Intel are building a semiconductor factory that is going to employ 10,000 people—a gateway technology park. They have an eight-year tax holiday.

In Malaysia, which I am also very familiar with, they have identified where they do not want labour intensive industries, because they have a labour shortage—they have negative unemployment. But they want to attract lasers and electro-optics, for instance. They have a number of itemised industries, and there again it is a nine per cent tax rate—and so on. Indeed, India have done that in their exports, and their foreign reserves have gone from \$1 billion to \$25 billion in seven years.

So I think you are really taking me into a debate over industry policy, but certainly, if you look at those Asian countries and look at the foreign investors moving in and out of those countries, they are looking at those sorts of fiscal initiatives that are given.

I think there is still a problem for Australian companies, despite telecommunications and despite jet aeroplanes and so on, because it is still expensive. For companies in Melbourne it is still eight hours to a relatively close Asian city. To India, depending where you are going, it can take you 20 hours. So you have a lot of expense just in setting that up, quite apart from questions of tax breaks, if you do get your exports going, and other incentives being given.

My experience of small to medium business in Australia is that they find those sorts of expenses daunting, and there is not a lot of help up-front for that. There might be help later or a 50-50 reclamation through various Austrade programs, but if you have to spend your first \$50,000—and it is \$50,000 doing that compared with \$50,000 that you might get a more sure return on—you will put it where the sure return is.

Mr PRICE—If you consult your crystal ball, what do you think the trade between India and Australia will be in, say, 10 or 15 years?

Mr Kennan—I think you have had Austrade give you some figures on this, but I think it has been growing fairly substantially off a very low base at about 15 or 20 per cent in both imports and exports. I do not see why it will not continue to grow at that rate.

I have been doing some figures in India on the electronics industry. The electronics industry is growing at the moment in India at 25 per cent a year, and it is projected to reach 45 per cent a year by the year 2000. I can recommend a very good Internet site of the US Department of Commerce called STATS. USA, which helpfully gives you all the reports coming in from the American trade representatives at various posts.

Mr PRICE—I did not know that.

Mr Kennan—Some of it is quite racy written. I got 25 pages, for instance, on medical laboratory equipment—this is Bombay, Madras and Delhi. The medical laboratory equipment is a market, they said, of about \$US170 million, growing at 20 per cent a year, mainly imported and half of it coming in from the States. So you will find lots of interesting segments there where the growth will be very positive. In the commodities area, I imagine that that will continue. I imagine that slowly the trade restrictions will go in the right direction anyway—and come down. In some of these other areas that Australia is just getting into they can begin to grow. A little bit of activity has begun in the ETMs area, and that will grow. So I think it will continue to grow significantly in percentage terms, but it is off a low base.

Mr DONDAS—How often does the Australia India Council meet?

Mr Kennan—We meet four times a year.

Mr DONDAS—Do the meetings rotate, or are they all in Melbourne?

Mr Kennan—No, we rotate. We are meeting in Canberra on 4 September. I think we might be coming to meet you as a council on 4 September.

Mr DONDAS—The story is that trade with India has doubled over the last five years. It is about to double again in the next five years. I was just having a look at a press release that was knocked out by Timmy Fischer on 16 July, which basically says that we are thinking of taking India to the World Trade Organisation for this dispute resolution procedure. Is that likely to affect our standing with the Indian region in terms of trade?

Mr Kennan—I doubt it. I think that the Indians understand, at government level anyway, that there is expected pressure to move a bit more quickly in some areas. I do not

think that that would be seen adversely. Indeed, Mr Fischer is widely respected in India as having had a long interest in India prior to becoming Minister for Trade. He and Mr Downer are both seen, I think, to have a very positive attitude to India. So I think that is seen to be a case on its merit rather than some hostility by the Australian government towards India.

Mr DONDAS—In terms of business visas and tourist visas, have you had any complaints from any of your Indian contacts? Are they finding it very hard to move through the immigration procedures to get into Australia?

Mr Kennan—Yes. You never want to get behind an Indian at immigration entry in most countries. Because there are so many Indians, Indians have a hard time everywhere getting visas, and they have a particularly hard time in Australia. I know there are changes afoot, but I think our attitude towards visas generally is very unfortunate—and I know there are moves to try to address this. As an Australian you can move through so many countries without requirements for a visa, and yet we require one for so many other nationalities. Only New Zealanders do not require a visa to come into Australia.

There are delays, and, I am afraid, the attitude of immigration authorities in most countries, probably, is one of ultra caution—if I can put it diplomatically—in relation to Indians, because they have 940 million people there, and the mind-set of a lot of immigration authorities is, ‘You have to be careful about opening the floodgates.’ So Indians have a hard time with immigration and visas generally and a hard time, in my experience, with Australia too.

Mr DONDAS—If there were a better procedure in issuing business visas, do you think that might increase the trade between the two countries?

Mr Kennan—Yes, it would help. It takes two to three weeks. If you have a visitor who wants to come, you have to write them a formal letter of invitation, and then it has to go to the high commission. Then, providing there are no hold-ups, it takes two to three weeks, but there might be hold-ups. So you cannot, as a businessman, say, ‘I need to be in a meeting in Sydney next Tuesday’, and come. It is not possible. You can, as an Australian, go to India. You can get your visa to India within 24 hours. And you can get a five-year multiple entry visa.

CHAIR—Multiple entry visas are available to Indians visiting here, are they not?

Mr Kennan—Generally the business visa is for just the one visit, for business that has to be specific. You have to name the company. You have to have a letter of invitation, name the place, the purpose of the visit, who you are meeting and the duration of the visit. There may be a multiple entry visa available if you have an ongoing relationship with the ANZ Bank or something and you can forecast it, but, in my experience, if someone wants to come out to discuss a particular proposal, it is very specific—and time specific.

Mr SLIPPER—Picking up on a couple of the other questions, if you were the Minister for Immigration and Multicultural Affairs, what would you do about the visa situation to facilitate improved trade with India?

Mr Kennan—In terms of businesses, we would need a fast-track approach, a special set of guidelines and, probably, a business desk in Delhi to handle them. There should be such an approach.

Mr SLIPPER—You mentioned that in India there are a number of tax free zones to facilitate economic growth. How did the Indian government choose certain geographic regions to benefit?

Mr Kennan—There is a more sweeping overriding one for exports which they introduced in 1991 when they had the crisis. Wherever you are in India, if you export more than 75 per cent of your production, you get your tax holiday for that, and you do not pay duty on capital equipment or raw materials imported for that purpose. You can set up a unit that is part of your existing physical facility—it might even be part of your factory—and have that as your export-oriented unit so that is an across-the-board tax break which has certainly had its effect.

Mr SLIPPER—But most factories in Australia would be producing for both the domestic market and for international export. How would the government of India approach the breaks for a company in that situation—if equipment was used partially for domestic production and partially for export?

Mr Kennan—It is calculated on a pro rata basis. But, generally, a separate unit is set up and a bonded warehouse is set up specifically. So, say you have—as is happening in a lot of areas—a unit set up, as is happening around Delhi, to provide garments to French department stores, they will set up a separate unit dedicated to that.

Mr SLIPPER—It certainly seems that might have some merit and would get around some of the problems that have been canvassed here—where individual areas would be seeking this status and that would present some political difficulties. If you allowed anyone who was concentrating on export to have these benefits, then presumably that could be looked at in this country as well.

Mr Kennan—Yes, in most of the Asian countries that is what has happened. Generally, they are across-the-board incentives for export and certain nominated industries—not nominated firms, but nominated industries. In addition, certain technology parks or export oriented zones are set up. They exist in India also, just as they exist in the Philippines.

In Asia there are across-the-board incentives and some high tech parks coming up. The advantages of the high tech parks tend to be more in local things—infrastructure

support, concessions on your water rates and that sort of thing. The tendency in most of the Asian countries is across-the-board incentives with some high tech parks, but it is really the across-the-board incentives that attract the major concessions.

Mr SLIPPER—My questions unfortunately are a grab bag of items. You mentioned that India is perhaps over investing in tertiary education. Would it therefore be a fact that most people at the higher levels of government in India would have been educated in Indian institutions? I think you mentioned that one minister had a Harvard MBA. Would most people be educated in India?

Mr Kennan—Yes. The senior bureaucrats are very good indeed and very bright, which I suppose you must be if you are going to get to the top of 940 million people. They will have received an education and a higher education in India and they have often done a higher degree in the US or sometimes in the UK.

Korea and Taiwan did very well in education, but they did not spend much more on education on average as a percentage of GDP than other countries. Indeed, it was about 2.8 per cent to 3.2 per cent in the last 30 years. They spent less as a percentage of GDP than some African countries, but they put it into primary and secondary education, so they got very high literacy rates and very high basic skills. They let the universities—as did Japan—be fairly elitist, if you like, but they had undifferentiated, uniform, comprehensive primary and secondary education.

In India, it has really been the reverse. The universities have been very inexpensive to go to, and the cynics say they have helped the American economy enormously, because a lot of those people are now management consultants, attorneys, brain surgeons, IT specialists and so on in the US. So there has been a distortion, as there has been—coming back to a point the chairman made—on health. Not enough has been spent on basic health, but there are some excellent private institutions. I was in Hyderabad recently and the gentleman I was talking to had a heart bypass. He said there were 15 quadruple bypasses a week just in Hyderabad. But in respect to basic health there is not enough.

Mr SLIPPER—You bring me to one other item that I am fairly keen on. It seems to me that we have done very well with our relationship with Singapore because so many of the senior people at high levels of Singaporean government were educated in Australia. For instance, the president and his wife met at Adelaide University, and ministers, members of parliament and captains of industry were educated here—particularly during the Colombo Plan days.

You mentioned with India that most of them are domestically educated at tertiary level and then a lot go to the UK and the US for further postgraduate study. It would seem to me that we would improve our linkages with India if we could somehow entice some of those people undertaking postgraduate studies to Australia. I was wondering if you have any suggestions on what we could do as a nation to attract those people to

Australia rather than them going to the UK or the US.

I know that the US and UK governments have also been enticing postgraduate students from Singapore through various scholarships. The people who used to be educated in Australia are now being educated in the UK and the US, so in 20 years time we are not going to have the same linkages as we now do. In India it would seem we could improve our trade relationship through person to person contact if we could encourage some of those postgraduate people to come here rather than to the UK or the US.

Mr Kennan—Yes. In my view, that is absolutely right. The educational impact, not just in Singapore but in Malaysia, has been of enormous value. You very rarely go to a meeting in Malaysia without meeting someone who has been to university or has got a relative at university in Australia. It has had a huge impact. Many of the political and business leaders have been educated in Australia; and that is one of those intangible benefits.

In India, Australian universities are just beginning to market themselves. I think the peak universities body has a full-time representative now in Delhi. Hitherto, they have been taking the slightly unsophisticated approach of trawling for students to try to get fee-paying students to come to Australia simply by putting ads in papers and having meetings in various cities. Until recently, they had not been doing all that well because they are competing against universities like Stanford, Wharton and Harvard. The Indians still have a mind-set that the top US universities are the places to go.

But there has been a slight change and I think Australian universities are now seen to be good. The management school at the University of Melbourne has a program with the Indian Institute of Management at Bangalore and offers one or two scholarships a year. Every year, there are one or two students from India at the Melbourne management school on a scholarship. The Melbourne management school pays their fares and fees and gives them an allowance.

What I think is required, and is beginning to happen, is a slightly more sophisticated approach by the universities to look at, possibly as a first step, making an investment in India. That is, helping them with a faculty or an area of development—it might be environmental engineering, medicine or whatever—and helping them set up a place of excellence, having some reciprocity here and bringing out some of their people, getting more of a give and take approach rather than just a take approach. I think that, for some universities with a bit of imagination, there is great scope for that.

Senator MARGETTS—What has been the impact in relation to changes in the intellectual property rules? You mentioned the green revolution but, for plant variety rights and trade—I guess such things as grain and so on—what has been the impact of the World Trade Organisation rules on intellectual property and plant variety rights?

Mr Kennan—I cannot answer specifically on plant variety rights. Generally India has moved, at least in theory, into line with world trade obligations in this area. Certainly there has been a lot of agitation by the pharmaceutical companies over the years. In some areas it is still a matter of concern but in other areas it is thought that the new legislation is effective and heavy penalties have been introduced. But I do not know the answer specifically in terms of plant variety rights.

Senator MARGETTS—I can ask other witnesses about that. What are the current tariff levels, roughly, in India?

Mr Kennan—There are still many at 40 to 45 per cent. There has been a general policy of trying to reduce them to about 25 per cent and in the current 1997-98 budget there were further reductions, but there will be many examples at 40 per cent and even up to 80 per cent. Those are the areas of concern. The tax rates, in terms of foreign company tax, have also been high for foreign companies. It was, until the current budget, 55 per cent and it has now been reduced to 48 per cent.

Senator MARGETTS—That is tax on profits, is it?

Mr Kennan—Yes.

Senator MARGETTS—India used to have some quite strict rules about trying to be self-sufficient and produce all of the things that they could. What has been the impact of places closing down? What kinds of goods and services is India potentially getting out of as a result of some of these trade changes?

Mr Kennan—In terms of industries closing down because of industry restructure?

Senator MARGETTS—Yes, but also because of the changes in trade and tariff rules. Have there been industries which have closed because of those changes?

Mr Kennan—I think not and that is partly, I suppose, because they have done it very gradually. You do not get a circumstance, as in Australia and many other developed countries, where there has been a restructure out of, if you like, traditional manufacturing or very substantially reduced numbers in traditional manufacturing in areas such as garments and textiles, footwear and motor cars. You have not had that in India and in a lot of those areas there has indeed been a growth in employment as those areas have come up.

Where I think they feel very threatened is in the public sector area, which is very large. That is because there are a large number of government enterprises that are even competing with private enterprise in terms of machinery and so on and whole areas of government enterprise that are only open to government, such as insurance. It is opening those areas up and the impact is on those workers where there is real political heat. The

labour laws there are such that it is very hard to handle large-scale redundancies quickly. There have been some redundancy programs in certain industries; in other areas companies in industries have preferred to go in and set up a greenfield site rather than try and restructure existing businesses.

Senator MARGETTS—I have been hearing some issues about Australian companies. You mention the environment and environmental standards; there is still some trade in toxic waste associated with Australian companies. Have you got any information about that?

Mr Kennan—No, not specifically. I have also seen that material and I think it is going to be a growing issue because there is growing environmental concern in India. The Supreme Court is very interventionist and there are a large number of public interest environmental groups which take action. As I said earlier, it is relatively easy, compared to Australian laws and laws in a lot of countries, to bring a public interest environmental action and have industry closed down. There are not the same rules of standing and the Supreme Court has responded in a fairly activist way in a lot of those areas. It has actually closed down businesses.

Senator MARGETTS—But there might still be Australians who might be benefiting from current loopholes; I do not know. Thank you very much.

CHAIR—Just going back to the Australia India Council, you mention you are moving into partnerships and collaborative activities to some degree. With budget cuts and with the changes generally in the structure and relationship, is there a role for an Australia India Council? You mentioned your interest in other countries. We do not have councils with other countries. You mentioned it, when you were responding to Mr Price—

Mr DONDAS—We have—

CHAIR—Well, we have a number of them—a Japanese and an Indonesian one; there are about half a dozen of them, I think. I have often wondered whether it is better to go with a council rather than sponsoring, for example, an Australia India chamber of commerce. You mentioned your relationship with CII and it seems to me that there is a problem in trying to work out the best way to develop relationships. How do you see the role and future of the Australia India Council? Is it effective? Will those new collaborative arrangements bring in funding which will enable you to survive in your present entity? I found the fact that you have your executive officer within the Department of Foreign Affairs and Trade a little strange, for example, although I understand for funding reasons it is probably quite convenient. Would you like to say anything about the structure? If you do not wish to I understand.

Mr Kennan—I am happy to talk about it. Indeed, there are five: Korea, Japan, Indonesia, China and India. The government had a review of the operations of these

councils last year and the five of us met with Mr Downer, the Minister for Foreign Affairs, in about last November. There is a view that these councils should not be set in concrete—you should roll them through. They were started to address a particular issue relating to strengthening the bilateral relationship with a country. Fifteen or 20 years later that relationship might be mature and there might be another country that needs attention.

The other question that was raised during those discussions was: should you have a council specific to one country or should you have a council covering more than one country which have separate issues? You always need to think in terms of government policy about a zero sum exercise, from time to time, of having a look at the justification for the continuance of any existing council. That is the first point I would make.

The second point I would make is that with India it has been valuable. It is the most recent council to be established so I suppose we are coming from a lower base, which in some senses makes it easier. To be effective requires more than just funding some exchanges and some particular programs. You have really got to set up some institutional links. We can do that by involving the relevant Australian peak bodies with the relevant Indian counterparts and seeking to get leverage on the funds we spend so that we end up drawing in other support in cash or in kind. There is also the possibility, although it overlaps on aid a little, that we can work some of these programs in collaboration with the World Bank and the Asian Development Bank.

CHAIR—It seems to me that there are problems. We recommended, for example, some time ago that there be a council with Thailand. Some of us have been worried about relations with PNG for years. It is a matter of trying to work out whether that is the way to go. I felt often that the groups of business houses which are doing business in the country often develop a better network than having some dispassionate group sitting above them. You mentioned that you networked fairly extensively, and for that reason I am curious about your future role.

The other thing—I am not sure whether you want to comment on this—is that there seems to be two areas: in one we have done very well and in the other there is enormous potential. I suspect that India is no different. The first is in terms of communications. Telstra and its various labels over the years have done a lot of work contracting. I do not know whether they have done anything in India. In answering Mr Nugent's question you suggested that infrastructure, particularly power and communications, was defective. What is the status of the development of the Indian telecommunications network and is there a role there for Australia?

Mr Kennan—Telstra has been very active. They have substantially privatised telecommunications in the last four or five years and introduced wireless services and mobile networks, initially in each of the four major metropolitan cities. Telstra eventually ended up with a licence with the Modi group in Calcutta so they operate a mobile licence there. They also have some other infrastructural work going on in India and there are a

number of other Australian telecommunications companies that have done quite well.

India has also opened up paging networks and theoretically they have the most radical privatisation of telecommunications of any country because they are opening up domestic landlines. The policy has got into some difficulty in implementation and indeed was subject to court challenges at one stage but, certainly, there is an ongoing role there.

The bids, as often occurs with privatisation of these enterprises, were, in many senses, very high and some foreign countries have lost money paying too much for licences. I think that those problems will sort themselves out. There are real ongoing opportunities in that area.

CHAIR—The other thing that has concerned me for a while is the extent to which we have a number of major corporations, like BHP for example, which have quite extensive networks within India. Do they to any degree work with your Australia India Council, and to what degree are you able to feed on those from Australia who have long-term and extensive networks in India?

Mr Kennan—We have on our council the international director for Kinhill, which is in joint venture with India. So we have those links. We have also always had a close relationship with the ANZ Bank which, by reason of Grindlays and 56 branches, has the most extensive private sector network in India. So there has been a very useful working relationship in that sense. India, however, is so big and so complex that no one group can have an effective network across the whole range of areas that we are dealing with. We have the capacity that a chamber of commerce or a private sector company does not have of reaching out into a lot of other networks. They simply cannot do that and would not know about them. Where they do know, for instance, we have started funding an executive exchange program—the first person has just been funded—where we are working with the Australia India Business Council.

CHAIR—Is that executives from India or from Australia?

Mr Kennan—Both. They are junior executives.

CHAIR—In terms of cooperation, those major corporations, people like BHP for example, are a little outside the Australia India Council altogether, are they?

Mr Kennan—From time to time there have been members of the Australia India Council who are either from BHP or have close links with BHP, but probably the major private sector company in Australia is the ANZ by reason of its immense investment and networks. We have always maintained a very close relationship with them.

Mr NUGENT—One of the big burdens on India in some sense is their military forces. It seemed to me when I was there that one of their large functions is internal

security—they are on every damn street corner—but the cost of it is obviously very significant for the military, given that they are trying to improve their economy and so on. Do you have any views in that respect?

Mr Kennan—I think it is over one million people. I think because they have been at war a number of times in the last 40 years that they are right to be vigilant about that. I do not think there will be any decline in the immediate or intermediate future in their level of military forces and preparedness. They really have been, if you like, isolated in foreign policy terms in many respects. They have not received, if I could put it diplomatically, what they would think is cooperation in the United States, for reasons that you will understand, in a lot of these areas. Even the space research program—ISRO, the Indian Space Research Organisation—which is very good, is having to develop some of its own technologies because, in a sense, it is isolated and does not always receive cooperation from the United States in that area. I would not see a decline in military forces. It has obviously been very necessary to them in the last 40 years and in areas like space research and aerospace I think some of their scientific developments have been useful, just as NASA and the defence program have been in the US.

Mr NUGENT—Their equipment is falling apart, is it not?

Mr Kennan—It may be in those areas, yes, but still, compared with one or two of their neighbours, they are probably in reasonable shape. I do not know enough about the military area to make any real judgment.

CHAIR—Thank you very much for coming along today. If you have any additional material that you might wish to provide before we conclude our deliberations, it might be helpful if you would send them to our secretary. Thank you for your attendance.

[10.45 a.m.]

MENDELSON, Associate Professor Oliver David, Member, National Centre for South Asian Studies, 4/20 Queen Street, Melbourne, Victoria 3000

VICZIANY, Associate Professor Marika Antonia, Foundation Director, National Centre for South Asian Studies, 4/20 Queen Street, Melbourne, Victoria 3000

CHAIR—I advise the witnesses that Senator Margetts is taking part through a telelink in Western Australia. I welcome you on behalf of the subcommittee. I should warn you, just as I do everyone, that the proceedings are legal proceedings of the parliament and warrant the same respect as proceedings in the respective houses of parliament.

Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the evidence you give nor the occasion. The deliberate misleading of the subcommittee may be regarded as a contempt of parliament. The subcommittee prefers all evidence to be given in public. Should you at any stage wish to give any evidence in private, you may be asked to do so and the subcommittee will consider your request.

The subcommittee has a submission from the National Centre for South Asian Studies, submission No. 7, and a personal submission from Associate Professor Marika Vicziany, submission No. 17. Would either or both of you wish to make an opening statement? Perhaps we can proceed from there.

Prof. Vicziany—To begin with, I apologise on behalf of my colleagues, the other members of the board who are all teaching academics. This being the beginning of the second semester, most of them are actually engaged in teaching duties.

Our submission, on behalf of the National Centre for South Asian Studies, deals with two big issues. The first is the question of educational exports to India in the context of our interests in the region as a whole—indeed, much of what we said about India is actually true also for Pakistan, Sri Lanka and Bangladesh. The second part of our submission has to do with the role of the national centre in promoting educational, cultural, intellectual and business links to the region and the current problems which threaten the long-term survival of the centre. I will just leave it at that to begin with.

CHAIR—Professor Mendelsohn, do you wish to add anything to that?

Prof. Mendelsohn—I will say a couple of things. I will take up the question that Mr Nugent put to Jim Kennan. Those people you saw and presumed to be army officers on the street corners in India certainly look like army officers, but almost certainly they are not army officers. They are paramilitary police, whose numbers have grown

enormously in recent years. It is not the army being deployed to put down internal dissent. It is a very muscular police force of various kinds—border security, railway police and other paramilitary police—that has been created and has grown greatly in recent years.

It also has to be remembered that India has inherited an authoritarian tradition from its former colonial master, Britain. It has enthusiastically, it has to be said, inherited that tradition and has augmented those forces greatly in recent years. But the important thing about India is that the army has not been politicised in the way that the army of its neighbours has been politicised with pretty unfortunate consequences in recent years. That is Pakistan and Bangladesh in particular.

There is a real difference in relation to India where the norms of constitutionalism that India began independent life with still persist. Indeed, there are only three nations in Asia which have the constitution which they began their independent life with. One is Indonesia where its constitution is still in place but its practical meaning has shifted greatly, and the other is Japan. Japan did not begin independent life with its current constitution but it began its post-war life with its current constitution. India has the same constitution it began independent life with—well, its constitution was created in 1950. That is just a point I took up from the previous questioning.

Let me come to the point of this matter because you are, after all, a trade subcommittee. I want mainly this morning to talk about one export item which I know a little about and that is education, which some of us find difficulty in thinking of as an export item. The commodification of education is generally a sore point to educationalists, but nonetheless it has become that. I want to back up what Professor Vicziany had to say and perhaps augment it at certain points and ask what the conditions are under which this very important export to India might flourish.

It is a very changed atmosphere since the last parliamentary inquiry took place some seven years ago. Incidentally, the political context of that was, again, the army. There was very great concern at that time for the build-up of naval forces in particular. It was right at the end of the Cold War period, just after the fall of the Berlin Wall. It is a very changed context now. Out of that committee came some very important developments, including the Australia India Council and the National Centre for South Asian Studies, as a direct result of the airing of concerns.

Things have improved greatly since then in terms of the interrelationship between the two countries but to some extent they have also stagnated on a bilateral and trade level and the question is just how to move it forward from here. That is not an easy question, but I have some thoughts and warnings perhaps on the education side.

CHAIR—Thank you very much, Professor Mendelsohn. Can I go back to the genesis and the role of the National Centre for South Asian Studies. Firstly, I am interested in the seven universities. Are they still members? Which are they? Also, why

are those universities which are not members, not members?

Secondly, why is it called South Asian and who is in South Asia? We think in Australia, because of ASEAN, that what used to be the Far East is now north Asia—this is a bit vague. There are the countries that border the Pacific in the northern part, then South-East Asia. South Asia I have always felt is different to the Indian subcontinent. Then, when we talk about Asia and where we go, we run into difficulties knowing how far towards the Mediterranean we go. In Europe everybody believes that across the straits from Istanbul, Asia Minor, is where Asia begins. Could you put your setting in place?

Thirdly, could you tell me the role and function of your institute? I notice in your submission you talk a good deal about education, particularly in language. You emphasise the fact that Hindi is the second largest language in the world. Are you looking at other languages? Is it really culture? Is it religion? Is it the origins of language? Where does it come from? Could you outline those three aspects first, please?

Prof. Vicziany—Mr Sinclair, let me begin with the definition of South Asia. The parliamentary submissions from the last joint committee in July 1990 recommended the establishment of a national centre for Indian studies. There is no doubt that India forms very much the greatest part of what we do. But, as academics and intellectuals involved in the region, we felt intensely uncomfortable about that name. We were much more comfortable with the idea of a national centre for South Asian studies, for a number of reasons.

Firstly, many of the issues and problems that we are interested in—and, indeed, the problems of the region as a whole—are regional rather than just Indian ones. Secondly, we were keen to build good relationships with the neglected parts of South Asia—Pakistan, in particular, and Bangladesh. We already have, and did have at the time, good academic and cultural links with these other countries and we felt that, if we just called ourselves a national centre for Indian studies, our focus would be, frankly, far too narrow.

Also, coming to it from the work that I have done on joint ventures and trade between India and Australia, it is definitely the case that most of our big traders, companies and consultancy firms have a broad commitment to the region rather than just to India. There are many cases we can cite. Take even the most recent addition to our list of companies: Pasmenco, which has just set up a joint venture with Hindustan Zinc, also has interests in Pakistan. For all of those reasons, we are interested in South Asia rather than just in India.

The actual concept of South Asia—you are quite right—is a difficult one. You will be interested to know that, in the region itself, when they talk of South Asia, they used to mean until fairly recently what we call South-East Asia. The concept of South Asia, in terms of its political and economic meaning, is reasonably new—in the sense that we have used the term in order to quite specifically focus on the Indian subcontinent at a time

when the general definition of Asia seemed to exclude India and the region as a whole.

We have had to confront the problem about the ongoing marginalisation of India and the neighbouring countries. When we, as generalists, talked about Asia—and often the media did also, until recently—we did usually mean North-East and South-East Asia. So, to make the point politically, culturally and academically, we found it very useful to say, ‘Hang on! Don’t forget about South Asia.’ It was a device for incorporating this part of the world into our definitions and discussions of Asia as a whole.

In the 1960s, it was not necessary to do that. In the 1960s, our relationships with North and South-East Asia were very immature. In those days, as you all know—and, certainly as an undergraduate at the University of WA, I found this—Asian Studies to a large extent actually meant Indian Studies. But, from the 1970s onwards—with our changing trade pattern and our engagement with North and South-East Asia—that whole area of the world became quite marginalised. I hope that that explains the concept. Let me turn briefly to the origins of the national centre.

CHAIR—I have another question, before you leave the first part, because it is all relevant to that. With the change in the Soviet structure with all those southern republics of Asia and the changes that are happening in Iraq, Iran and Afghanistan, which border on your definition of South Asia, are they countries which you envisage as coming into your future definition? Or have you virtually set your parameters and, therefore, confined your interests? Is there a moveable feast—as it were—and, as the world is changing and the Commonwealth of Independent States is moving out from there, is there an opportunity for you to stretch your interests, or is that too much?

Prof. Vicziany—In terms of the actual definition of South Asia, we have the hard core, which is the Indian subcontinent, and then we have the furry areas: Burma and Afghanistan. None of our colleagues claims either Burma or Afghanistan, and so we happily incorporate those two countries in our programs.

A couple of years ago Ahmed Rashid, a prominent reporter for the *Far Eastern Economic Review*, was appointed. He is based in Lahore. One of the reasons the board of the national centre appointed Ahmed Rashid is that while he is arguably our best specialist on Pakistan, he also understands extremely well the relationship between Pakistan and Afghanistan and the central Asiatic republics. It is a situation that reflects the academic, political and economic vacuums. However, I think we would be hard pressed to claim the Middle East or Turkey: beyond Afghanistan and Burma we are approaching other areas. Certainly we normally talk of the part of the world to the west of Afghanistan as west Asia, and there I would turn to my colleague at the ANU, Amin Saikhal, and say, ‘That is your kind of area’. Afghanistan straddles the two.

Going back to the origins of the centre, the Senate standing committee recommended the establishment of a national centre for South Asian studies. I think we

interpreted their intentions correctly, even if we did not adopt their terminology. That recommendation was obviously based on a great deal of work that had been done both by us as academics and also by our colleagues in the business world. There had been a great deal of discussion, some very creative thinking, and even lobbying to set up some kind of an academic and intellectual conduit that would network with the business community, with the media community and with the schools community.

From the beginning, the schools were involved. We had done surveys that told us that no matter what we did in the universities, that would have very little impact on creating a small group of South Asia specialists; because by the time young people came to the university they had already developed interests on China or Indonesia or whatever, reflecting what had happened in the schools. We had also worked out from surveys that the average year 12 student in Australia could not tell you where Delhi was on a map of the world. Given that India is the second biggest country in the world, that in 2020 it will be the biggest country, and so on, we were very concerned.

Soon after this committee reported, DEET found funds for the national centre in the national priority reserve. They allocated \$200,000 a year for three years. We were instructed also to try to become self-funding in order to have an ongoing life. Once DEET had made that commitment, it was surprisingly easy to find, amongst our collegiate networks, the seven universities that agreed to form the consortium of the National Centre for South Asian Studies. Those seven were the ANU in Canberra, Curtin University in Perth, and the University of New England in New South Wales; and in Melbourne La Trobe, Swinburne, Deakin and Monash universities. The centre got up very, very quickly, and we got a lot of runs on the board.

A year later, RMIT joined. That was not because of the classic academic interest—RMIT does not have a huge number of South Asia specialists—but because RMIT saw that its interest in developing scientific, technical and research links with South Asia was very important. They use our goodwill and our connections in South Asia to expedite that function. We were very excited about RMIT joining, so we became a consortium of eight. We have had ongoing discussions with people in Sydney and other universities to encourage them to join but, as you can imagine, once you are up and running it is very hard to engage in renegotiating consortiums. It is a very time consuming process. Indeed, it is quite time consuming meeting the brief of eight universities in any case.

I should now turn to the current situation of the national centre. It has changed a little bit since I submitted the report to your committee. There is a little bit of good news on the horizon: we are not about to collapse. But we are going to have to contract by at least 50 per cent.

We in the universities are confronted with very difficult times. The result of that is that the ANU had to pull out of our consortium early this year. It is one of the better funded universities in Australia. The vice-chancellor of the ANU was very supportive, but

half of the funding had to come from the faculty of Asian studies and languages, which has not got the money. Half of the funding had to come from somewhere else, and that particular faculty is in great financial difficulty. Therefore, they pulled out of the consortium.

We also have been informed by the current chairman of the board, Professor Peter Reeves, who has recently retired from Curtin, that the South Asia research unit, which were our partners in this venture, also do not have the capacity to continue. We have been informed that Curtin University therefore will not continue in the consortium beyond the end of 1997.

There is a good little bit of news. I frankly expected all of the other six universities to say, 'Look, it's hard times. We can't justify this.' For every \$20,000 they give us, elsewhere in the university system redundancies are being created or people are being put on short-term contracts. But I was delighted and surprised that the other universities, at this stage, have indicated that they will provide the national centre with some kind of ongoing support. The details of that have not been determined and, except for Monash University, I do not have any actual commitments on paper.

With the internal funding difficulties of the universities—bearing in mind that South Asian studies are still not regarded as the top priority; we are not dealing with north-east Asian or South-East Asian studies—the other difficulty is that it is most unlikely that the universities will commit beyond just a one-year basis.

The result of all this is that I am trying to cobble together some kind of viable consortium with about 50 per cent of the resources that we had in the last year or two. I should emphasise that, in the last year or two, the national centre has not received one dollar of funding from government, whether federal or state governments. We are one of the few consortia in Australia that has generated money. We are very conscious of funds. We invest; we earn interest; we sell our services; we undertake consultancies. About 40 per cent to 45 per cent of our income, according to the recent audit, was generated by external funds.

There is a limit to how much we can generate through external funding for the simple reason that the companies that come to our assistance, or the government departments that employ us, say to us, 'We expect you to have an infrastructure before we employ you to do anything.' No-one is going to fund us if we do not have that basic infrastructure.

To summarise, DEET funding lasted for three years. It came to an end in late 1995. We have received no government funding whatsoever. We have been running on the basis of universities each putting in \$20,000 per annum. Six universities are going to help in some way. But, basically, we do not have the funds to continue running our premises in the city. We have city premises so we are close to business. In fact, we have business

briefings at lunch times. The Australia Sri Lanka Council has its AGMs in our building. It has been a terrific venue for networking with the business community.

But we have to give up our premises. We cannot afford the phone bills and the fax bills, and so on. Also, the national centre cannot afford to pay me a full salary. As of now, 1 July, I have gone back into the Department of Economics at Monash University on a half-time appointment, and half time I will be devoting my attention to reconstructing the national centre in some kind of viable way.

CHAIR—How do you interact with Ric Shand's ANU facility, the South Asia Research Centre?

Prof. Vicziany—What is the relationship between us?

CHAIR—Yes.

Prof. Vicziany—As a collegial group, we share our information and what have you, but they are very different from us. The Ric Shand centre is mainly concentrating on an economic analysis of South Asia in a fairly traditional definition of what constitutes economics: aggregate statistical analysis and looking perhaps at certain industries and so on. Our brief, as the National Centre for South Asian Studies, is much wider.

We have generated educational materials for schools and universities because no-one else was going to do it. We developed a teaching kit for secondary schools called 'Into India'. A copy of that was given to your secretariat. We act as a conduit for any visitor on South Asia coming through Australia, whether academic or not. We are a network of interests using these directories that we have produced. We are much more concerned with the pragmatic problems of doing business and how to network with the business community.

In the last six months, we have put our database on India, Pakistan, Bangladesh and Sri Lanka into a consolidated database of 2,500 entries which, to my knowledge, is the only database we have in Australia of our professional links with the region. That constitutes companies, media connections, academic links, cultural organisations and so on. Our definition of professional is quite strict in that you have to have the actual business before you enter into our directory.

An example of the function of the directory is how, when Mr Darren Gribble, the High Commissioner to Delhi, came through a couple of months ago to give a business briefing to the Australian community, we were able to do a very substantial mail-out. For the first time in history, I think, 160 people turned up to hear the Australian High Commissioner to India address a business gathering at the ANZ Bank. I turned to my colleagues and my friends in the ANZ Bank and said to Alister Maitland, 'See, these are our people.'

Three years ago, without the national centre, you could not have brought together 160 people on a miserable Tuesday night at 6 o'clock. It just did not happen. This intensive networking between business and the media and intellectuals and the dancers and the singers has generated a kind of commitment that, frankly, never existed before. I doubt that it is going to be there, unless we do something to preserve the sort of things we are doing.

The short answer to your question, Mr Sinclair, would be that the National Centre for South Asian Studies does not try to duplicate what the universities can do for themselves, whether it is Rick Shand at the ANU or Peter Reeves in Curtin or our colleagues at the UNE, who are all specialists on Islam and Muslim societies. We do not try to do what they are doing. That is their teaching and research agenda. We try to do all those other things that individuals and individual departments cannot do, and that is basically to generate this network and undertake projects that require us to draw on all this expertise across Australia.

Mr NUGENT—Given the wide parameters that you talked about, if I were a businessman looking at business in India and I came to you, what sort of things specifically would you be able to assist me with?

Prof. Vicziany—In fact, we have done this on a regular basis and, until recently, we have not charged.

Mr NUGENT—That is different to Austrade.

Prof. Vicziany—Yes. Indeed, often people come to us because Austrade has not been able to help. Austrade's perception as to what constitutes a viable, profitable trade is going to be different from ours. We are much more optimistic. We are prepared to help small and medium businesses. Austrade, for very good reasons, does not have that same kind of commitment. Incidentally, we are now charging \$250 an hour. We have not had any takers yet because we have just developed our corporate strategy quite specifically in these schedules of fees.

In the past, I would spend one or two hours with potential businessmen answering their questions. One of their first needs is to network with some other Australian company in the region doing something similar but being prepared to share information because, to be perfectly frank, the corporate culture of Australia is far less interested in sharing information. We are far more concerned than other countries about what constitutes commercial confidentiality. As I say, I spend one or two hours discussing the issue and, as I understand what they are trying to do, I make a list of the people I know who have an interest in that area. Then we pick up the phones and make appointments and put them into direct touch with those individuals.

Quite typically, we work with Shabbir Wahid who has been the president of the

Australia India Chamber of Commerce. We have referred a lot of people to him. We have also referred people to FICCI, the Federation of Indian Chambers of Commerce and Industry, in Delhi that is putting together a database on business inquiries. Depending on what it is and who it is, we actually try to put them into direct touch. Then, if their discussion suggests that this is useful, we also offer to do their socioeconomic and political profiles. Normally, we do not ever get to that stage. Once we have enabled them to network with the right people that is it: off they go and do their own thing.

I should add that it is a service we have provided not only to local business people but, more importantly, to visitors who come from South Asia. The most recent example was Mr Hala Afzal from Bexminco, which is the biggest group of companies in Dacca, Bangladesh. We had a conference in March on modern Bangladesh and Mr Hala Afzal said, 'Marika, I am going to stay three more days. Can you put me in touch with the important people so I can do some business.' I spent the whole Monday after the conference ringing around, networking and developing for him a two-day program. He then went off and talked to these various business interests. In that particular case, I am hoping that Bexminco is going to help us publish our directory on Bangladesh. I have not yet called in that assistance but we have had preliminary discussions.

Mr SLIPPER—Professor Mendelsohn, you were at Queensland University in the 1970s; were you not?

Prof. Mendelsohn—Yes.

Mr SLIPPER—You were lecturing in modern political ideology or contemporary political ideology.

Prof. Mendelsohn—Yes. I did not inflict myself upon you, did I?

Mr SLIPPER—You did, indeed. An earlier witness gave evidence that a lot of the higher degree postgraduate students from India actually go to the UK and the US to study. It seems to me that, if we could entice some of them to Australia, we would improve personal linkages so that this would make it easier for us to do business with India in years to come. One only has to look at the Singapore and Malaysian situations where people at a high level of government have actually studied in Australia. That helps us to get through problems such as those created by the member for Oxley and, indeed, helps to facilitate business contacts.

We are close to India and yet we are not linking into this opportunity to educate postgraduate students in Australia. What initiative do you think the Australian government could undertake to get our share of those students?

Prof. Vicziany—I have spoken at length this morning so perhaps I might hand over to Oliver on this because we have actually shared a great deal of information. This is

an ongoing topic of discussion amongst us and, also, Professor Mendelsohn has been networking with people in India on precisely this issue.

Prof. Mendelsohn—Yes. I think you raise a terribly important issue. I will get to it in a roundabout way by saying that those of us who have worked on Asia since the 1960s and, in the case of Professor Vicziany and I, the 1970s, think that these should be the glory days.

We have been arguing right through that we need to engage more with Asia and that has happened. The universities are now turned towards Asia in a way that they never have been. Stephen Fitzgerald talked about mainstreaming Asia in a report he put to Melbourne University. I think generally Asia has been ‘mainstreamed’ by Australian universities, to wit, for every vice-chancellor faced with dwindling support from the Commonwealth government in an era of mass education, which the government has initiated and either cannot or will not—both, I think—fund fully, the prime market has been seen to be Asia. Full fee paying students have been recruited from Asia and they are flowing in from India as well as from other Asian nations. I think Professor Vicziany and I would agree that India, in particular, represents the best market for students to come to Australia, the best market of all. Above all, we have the great advantage of language. We have a tremendous hunger for education which is not being satisfied.

So these should be the glory days—and I will come back to your specific question in a minute—but they are not the glory days because my own university, Latrobe University, used to have some eight people in the history department working on and teaching on Asia. It now offers not one single subject on Asia. It has voluntarily quit the subject of Asian history. Why? It has declining numbers and the vocationalisation of education—which has meant a decline in the BA—has meant that Asia experts are now dispensable. This is so in my own university and it is true right across the system. We are losing daily—certainly annually—numbers of Asia experts at the very moment when we are engaging with Asia in a new way. So they are not the glory days and I would back up what Professor Vicziany says. I think it is quite tragic and I have to add absurd that we are losing Radio Australia into India at this moment. This is not a woolly weak argument; this is a very hard-nosed argument to do with trade and dollars.

Let me come more directly to your question: how do we attract students from India, both undergraduate and graduate? Think about that for a moment. How do you do it? How do you go to India? How do you establish yourself as America and Britain have? Oxbridge, of course, have had the best of Indian students for generations. Subsequent to independence, America has gained both undergraduate and graduate students.

Mr SLIPPER—What are those countries doing that we are not?

Prof. Mendelsohn—Well Professor Vicziany went to do her graduate work at the School of Oriental and African studies at London. I went to the University of California and I started working on India there. We did not give PhDs before the war in Australia. It is purely a post-war phenomenon. I went in the late 1960s to America. Professor Vicziany went about the same time or a bit later first to Germany then to England. Then later we began to train our own and develop confidence, and began to turn out PhDs. Incidentally, I think that period is going to be over pretty soon. We are losing people here who are going to be able to train and they are not being replaced. Just yesterday we heard of one of our colleagues who has been made redundant, although he is in very good standing. It is because of cutbacks. Asian studies at this institution have been cut back. So we are going to be in that same situation at the very moment when we are being asked to earn more and more money, and we are doing it—we are massively successful. The educational industry is one of our great success stories. If you are interested in micro-economic reform and export-led development of Australia, go no further than the education ‘industry’.

Let me come back to my specific points, and I am telling you two things. I am saying that, unless you invest in our universities in Australia, the bonanza generally will not continue. That is not overstating it; it is not hype here. It is the truth. Secondly, how do we establish ourselves in the India market more than we are doing? We are doing pretty well but it cannot be done by sticking advertisements in Indian newspapers, which has been done sometimes in the past, because that does not get us known. We have to operate through reputable people. Professor Vicziany has a contact in a Francis Fanthome—whom she has written about in her submission—who is the president of a board of education. Frankly, he is very unhappy about the manner in which some Australian institutions have advertised themselves in India.

In fact, he said, ‘You are operating through touts; through intermediaries of no good repute.’ And what is his interest? His interest is in educating young Indians. He wants nothing more than that. He is prepared to facilitate them to go to reputable institutions but he says, ‘Let us have the role of helping.’ In short I am saying that we need to get the right people to network. Australians have not been good in the Indian market generally. We have not been diligent, and we have not been persistent, in the way many other countries are. America is one but there are other very small examples. Let us look at the case of Israel. Israel used to be banned by the Indian government for domestic political reasons—basically in order to appease the Muslim population of India. The Indian government had virtually nothing to do with Israel and certainly there were no diplomatic relations with Israel.

That has changed over the last years with the accords with the Palestinians. Israel-India trade has gone through the roof because they are not making the mistakes that we are making. In other words, how do you attract people to do further work in Australian universities? You do not allow the run-down of resources on Asia in Australia. You certainly do not allow the decapitation of the National Centre for South Asian Studies. That is just one example. Secondly, you go about doing educational business in India in a

sounder way, through the right people and by encouraging the right people in Australia who have the contacts in India. You do not kill the goose that lays the golden egg.

Mr SLIPPER—I am not defending the cutting back of Asian studies in Australian universities but many of those postgraduate students coming to Australia would be studying in other disciplines.

Prof. Mendelsohn—Absolutely.

Mr SLIPPER—I understand that the US has the Fulbright scholarships and the UK has a form of scholarship which is known in Singapore as the Raffles scholarship. It is undoubtedly known as something else in India but it is designed to attract students who are not only brilliant academically but who are likely to be in the political leadership group in the future. I presume the UK and US have those scholarships in India as well?

Prof. Vicziany—They do.

Mr SLIPPER—Would you recommend that we as a government, or we as a country, look at something similar? If you can ensure that the political elite of a country is educated in Australia that then gives us personal linkages which will be of benefit when we are negotiating business access in the future.

Prof. Vicziany—Yes. The national centre has just completed a report touching on this issue. It is a report on Australian studies and how we can promote that in India, Australian studies being broadly defined as how we can more effectively project Australian technology and expertise into the region. A draft copy of that has been given to your secretariat, but the final report has just been finished now.

The difference between the draft and the final report was that, I discovered in the interim, AusAID currently funds 164 Indian students studying in Australia, worth about \$4 million. I actually thought, obviously incorrectly, that I knew most of what happened in the bilateral relationship, but I had no idea that AusAID had so many scholarships. Why? Partly because, admirable as that scholarship system is, nobody seems to know about it. We have not advertised ourselves very effectively. Even networking in Canberra between the different agencies that all have an interest in India, whether it is DEETYA, DFAT, AusAID and so on, has not been so good. In terms of projecting that information back into India or even projecting that knowledge in Australia, not much has been done at all.

Nevertheless, there is room for more scholarships because obviously AusAID has a number of priorities in the sciences which may not coincide with our more general priorities and, indeed, Indian interests.

Mr SLIPPER—Of buying political influence in the future, which is what the UK and the US do?

Prof. Vicziany—Yes, that is the crux of it, but, in the meantime also, India does increasingly look to Australia as a neutral player in the Asia Pacific. They have a look east foreign policy. In fact, their trade and investment pattern is like ours—the bulk of it is with the APEC region—but India does not feel that it is actually a participant in that part of the world. It does look to us increasingly as helping India to become better involved and better networked.

What I have recommended on the basis of a great deal of consultation is that DEETYA and other agencies give serious consideration to fellowships and postgraduate scholarships in areas that deal with the Australian economy, with the APEC region, our relations with North-East Asia and with South-East Asia and that Indian students come here to study Indonesia, because, again, our conduits into Indonesia are better than Indian conduits.

I think there is an enormous potential to do this. I certainly hope that DEETYA will take these recommendations on board. I should add that we have no way of knowing whether even the AusAID scholarships—these 164—are going to survive. As you know, AusAID itself is restructuring, reorganising and re-thinking. There can be no doubt that the generosity of the Americans and the British in relation to scholarships has been a major factor.

Another major factor has been that a student from India going to the US to undertake any course is then actually also allowed by US immigration to stay on and do some work experience, whether it is for three or six months. By contrast, Australian immigration is very reluctant to contemplate that. Indeed, as I understand it, it will not contemplate work experience. We are too concerned with how our immigration objectives may in some way clash with our other educational objectives.

Mr SLIPPER—Do many of those students who are permitted to stay for three or six months remain permanently in the United States?

Prof. Vicziany—Yes, they do, but because the US wants them. To be perfectly blunt, the United States has been poaching on the intellectual and scientific training and the skills and the brilliance of the Indians. They get the cream of the bunch. If you go into any major American science research institute—NASA or whatever—you will find a huge number of Indians. As far as the American economy is concerned, it has actually suited America, especially in the sciences, to encourage the best Indian students to come and then stay on. In the science departments at MIT and so on, they pick up the good students, they give them scholarships, they guarantee livelihoods, they give them tutorships, they try to hang on to them and then even actively look for them to make sure they get jobs further down the track.

The American economy and its needs are somewhat different from what our needs are. For me, this means that we should be making more of an effort on the scholarship

side and on the tutorial side rather than less of an effort. We should be less preoccupied with the strictest definition of immigration and a little bit more generous in, for example, allowing those students who come here to train to undertake some work experience.

Mr DONDAS—I agree with a lot of what you said in terms of education. I can give you a classic example. In Darwin, in 1973, there was a student from Indonesia was the first exchange student and today, some 23 years later, he has something like \$10 million worth of investments in Darwin alone. That was a catalyst in terms of how he was brought up. I see education as being a very important link in terms of trade and other investment. Have you approached the Northern Territory university in terms of some funding for your group?

Prof. Vicziany—No, I have not, and thank you for the hint.

Mr DONDAS—Why wouldn't you have when whilst the Northern Territory university is quite young it is located in an area which is much closer to the region you are talking about than any other Australian university? I find it quite surprising that they have not been involved, or at least been invited to become involved, because of the influence that we have had in Indonesia, Malaysia, Sabah and Singapore.

I know that our university has been trying to encourage students from that particular region—throughout the South-East Asian region—to become involved with our educational system. You are saying that Asia is now trying to develop its own identity. How will that identity expand in light of what is going to happen in Hong Kong, as of 1 July?

Prof. Vicziany—I cannot say anything about Hong Kong, India and all of that. All I can say is that, when I did the research for the APEC studies group on Indian APEC, I was very surprised by the extent to which the Indian political leadership is articulating a definition of itself as an integral part of Asia, whether it is ASEAN, North-East Asia or South-East Asia.

The language is very strong, the historical illusions back to Nehru are very powerful. India is carving out an area saying, 'We Indians understand the ASEAN way and all these other things that have now become an important part of the intra-Asian dialogue because back in the 1950s we kind of invented this language and then we got sidetracked, lost or something.'

I was very impressed, as I say, by this attempt by India to become an integral force in the Asia-Pacific region. It occurred to me that this was a wonderful opportunity for Australia because, after all, we are the two big democracies in the region. Talking to India, having dialogue with India, is very easy. There are so many things on which we do actually agree that it seems to be a pity not to engage in a dialogue, whether it is at the level of education, science or technology, in order not only to help India to be taken more

seriously in the region but also to help us to be taken more seriously in the region.

If we can have a good dialogue with India, maybe that can compensate for the less optimal dialogue we have had in the past with other countries in the Asian area. India is a new factor in north and South-East Asia. The closer we can get to India, the better it is going to be for all of us.

Mr DONDAS—There has been a lot of feeling that Australia has neglected the Indian continent for many years and it is now starting to get involved. But, in another identity, do you see Australia becoming involved with India and the other Asian countries in terms of the Indian Ocean rim that people are now starting to speak about in contrast to the Pacific rim? What role can we play to ensure that there is an Indian Ocean rim?

Prof. Vicziany—My colleague in Perth Ken Macpherson is best qualified to answer that issue. Maybe I could report later this week because tonight a group of us, India specialists and APEC specialists, are actually flying to Perth and we are going to have a three-day workshop discussing these very issues.

The agenda in Perth in the next three days is to look at Australia's relationship with India and our joint relationships with each other and other countries in the Indian Ocean region on the one hand and the APEC region on the other. At this stage, all we can say, to begin with, is that APEC is the critical factor for us and for India at this point. Equally, we have to acknowledge that Africa has now come on-stream and the Middle East is very important. Therefore, we need to contemplate, to discuss and also to engage with the Indian Ocean.

Basically, I do not see these two things as competitive. They are complementary and part of globalising—as it were—in this part of the world. To some extent it is an artefact of Australia and India: both of us share sea borders with both regions. So we can neither develop relationships with APEC and neglect the Indian Ocean rim nor go all out for the Indian Ocean rim and neglect APEC. The very purpose of the workshop in Perth these next two or three days is to address that issue. There are only so many hours and so many experts and so much bureaucratic or intellectual time—the question is: how are we going to handle and to manage these complex relationships? The brief answer is that they are complementary and not competitive; they are not really alternatives.

Mr DONDAS—According to the figures we have, trade with India has doubled in the last five years, and they are saying it is going to double again in the next five years.

Prof. Vicziany—Yes.

Mr DONDAS—On the other hand, we are saying that trade with South Africa is now starting. South Africa is now one of the fastest growing countries in terms of Australia's overseas trade.

Prof. Vicziany—Indeed. But there is a very important thing I should add, and, with your permission, Mr Sinclair, I will make another submission. My doctoral student Ms Shalini Mathur is doing a doctorate on Australian and Indian trade, and just this last month she has discovered very exciting data demonstrating persuasively that the market share of Australia in the Indian market is growing. This is very good news. Our market share in the rest of the Asian region is declining. So a market share rise in India is very good.

The other component of the answer to your question is that, if we do want to develop a relationship with, say, sub-Saharan Africa, we would be well advised to have a good relationship with India because there are something like three million Indians in sub-Saharan Africa and, via Mauritius, they are networking intensely across the ocean. Mauritius is now the second or third—I think it is the third—biggest investor in the Indian economy. We know that money is coming from Africa, and we can predict that most of it—probably the bulk of it—is from the non-resident Indians.

CHAIR—I must admit that I would never have thought of Mauritius as being the modern Hong Kong.

Prof. Vicziany—Well *Asia Week* was making that argument a couple of months ago.

Senator MARGETTS—Within the National Centre for South Asian Studies, what kind of work has been done on the social impacts—and any potentially negative social impacts—that may have occurred as a result of India's entry into the World Trade Organisation?

Prof. Vicziany—The brief answer is that the centre itself does not come up with research agendas as such, so there is nobody in the centre itself who is working on that. Our job, as I said earlier, is simply to pick up on things that no-one else is doing. I am not aware of other people studying the social impact of India's position in the World Trade Organisation, but there is quite a lot of research taking place about the social dimensions of economic reform more generally in some of our consortium universities. Again, this is the research that is best left to our colleagues, as individuals or departments, within the universities, unless somebody decides this is a critical topic and commissions us to undertake that research. The brief answer is that, unless someone commissions us to undertake that research, unless we can find a funding source for it, we are not even able to take it up, important as it is.

Mr SLIPPER—Mr Chairman, would it be possible to get a copy of the final report?

Prof. Vicziany—On Australian studies?

Mr SLIPPER—Yes.

Prof. Vicziany—Yes.

CHAIR—Inevitably we run out of time in these dialogues, but I thank you both for coming and presenting your views to us. We hope to have our report out early next year, but if you do have any information that comes to your notice that might be of value, then we would be delighted if you could pass it along to our secretary. Can I thank you both very much indeed for your evidence. We look forward to our report contributing—as our earlier report did—to our relationship with India.

[11.51 a.m.]

JEFFREY, Professor Robin, 514 Station Street, North Carlton, Victoria 3054

CHAIR—Even though there are only three of us here, perhaps we might open because time is running on. As you will note, Senator Dee Margetts is also with us, but from afar. She is in Western Australia but participating by way of a teleconference facility.

On behalf of the subcommittee, I welcome Professor Robin Jeffrey of La Trobe University. The proceedings are legal proceedings of the parliament and warrant the same respect as those in either house of parliament. Although the subcommittee does not require you to give evidence on oath, you should be aware that this does not alter the importance of the occasion. The deliberate misleading of the subcommittee may be regarded as a contempt of parliament.

The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private, please ask to do so and the subcommittee will give consideration to your request. We have a submission from you, submission No. 9. I invite you to make a statement on the submission and then perhaps we can proceed to have some dialogue on it.

Prof. Jeffrey—I am appearing in my capacity as someone who earns their living by spending a lot of their time thinking about India and have done for some years now. What I would like to do is pick up in five minutes on the last paragraph of my submission where I allude to the prospect or the possibility of Australia's becoming 'a Switzerland of Asia-Pacific' in the 21st century. I would like to expand a little bit on that with a view to reinforcing some of the points I have tried to make in the submission.

What I mean by a Switzerland of Asia-Pacific is to replicate some of the qualities that Switzerland has demonstrated in Europe for the last 300 or 400 years, that is, a secure place, a place of a stable political system and therefore a centre for ideas and communications. Switzerland had mountains for its geographical protection; we have got oceans. The kind of comfort to ideas and the kind of junction of communications is demonstrated by people like John Calvin who travelled all over Europe in the course of their careers before settling in Geneva.

Switzerland also became a centre for international organisations—the Red Cross, the League of Nations, the gnomes of Zurich—and the place of high quality, specialised industry. Everybody who owned a watch in the 1950s knew it was a Swiss watch; it did not come from any other place. All of those qualities, it seems to me, are ones that are not inappropriate for the sort of country and society that Australia might want to be in the 21st century.

The Swiss had geography to provide them with their security, but their other advantages are the ones that relate to the points that I am trying to make in this submission. The first was and is a command of languages: the fact that Switzerland spoke perhaps the three great languages of Europe as their own. The second was the ability to adjust to the two great cultural traditions of Central and Western Europe, that is, Christianity and Protestantism, and the ability to accommodate cultures and to understand cultures. Those capacities allowed the Swiss to become the brokers of Europe for 350 years in many respects. It is not a coincidence that, although John Calvin was holed up in Geneva, the Vatican guard was provided by the Swiss as well, so they managed to understand both sides of that particular debate.

Australia has some of that potential I think but it needs to acquire in the space of a generation the cultural qualities that allowed the Swiss to become the brokers they are. Those qualities relate particularly to languages and to familiarity with the histories and practices of the neighbours. A discriminating understanding of the neighbours is what we ought to be striving for and that brings me to the argument about India. There are huge potential markets in India which Indian marketers and Indian capitalists are finding that they have to approach in Indian languages themselves. India has 18 official languages. Indian marketers who want to sell their products in this changed Indian economic environment of the 1990s are finding that it is no longer enough to try to sell things in English or even in Hindi, the national language. If you want to tap major markets you have to tap them in Telugu, Malayalam, Bengali or Gujarati. To get the cultural subtleties that are necessary to convince mass audiences in those languages of the value of particular products, you have to use the languages themselves. That is a discovery that Indians are making only in the last 15 years as I have tried to argue in the submission.

In Australia, of course, we do not teach any Indian language on a national basis and even Hindi/Urdu, the second largest spoken language in the world, which we keep hammering away at, is not secure in any university in Australia at the moment. It is only this year that it has become available through Open Learning Australia so that any Australian can study the language but that program too is rather tenuous. It is certainly not guaranteed beyond next year.

CHAIR—What is the difference between Hindi and Hindi/Urdu? Are there different forms of Hindi like Mandarin and Cantonese?

Prof. Jeffrey—In fact if we were speaking simply we would not know. If we asked each other ‘When does the bus go?’ we would not know if we were speaking Hindi or Urdu except for a kind of Lancaster/Home Counties accent. An Urdu speaker might have one variety; a Hindi speaker another. It is only when we begin to write the languages down that they become identifiable. Urdu is written in Perso-Arabic from the right to left. Hindi is written in Devanagari.

CHAIR—You have got some languages here.

Prof. Jeffrey—That is right. If you look at the little pamphlet that I included with my submission, the woman is answering the question, ‘Do you know the largest spoken language on this planet?’ The right-hand bubble is Urdu. That is Perso-Arabic script. She is saying, ‘Ji huun’. If I say ‘Ji huun’ people do not know whether I am speaking Hindi or Urdu but they do know I am saying ‘Yes’. In the one down here she is saying ‘Hindi’ in the Devanagari script. Of course as soon as you write them you are beginning to label yourself today, though not in the past, as either a Muslim or Hindu. But in spoken form they are indistinguishable until you get to highfalutin discussion when you start using abstract words. Usually people who come from a Muslim tradition will go for the abstract word from Arabic or Persian. A Hindi speaker will go for the abstract word from Sanskrit. So it is only when you write them down—

CHAIR—A bit like Serbo-Croat?

Prof. Jeffrey—That is the analogy, I think, very much. There are, as I say, accent qualities so that someone who has been brought up in a Muslim tradition with familiarity with Perso-Arabic through the Koran will pronounce some of the Hindi words rather differently from someone brought up in the Hindu tradition on Hindu scriptures. But that is a kind of Yorkshire/London—

CHAIR—When you say you are learning Hindi which one are you suggesting we should use?

Prof. Jeffrey—What we are teaching in Australia now is Hindi. It is very difficult to get any Urdu. People will teach in the Urdu script while they teach you Hindi if you study but you would not get much Urdu. In fact there is no Urdu program formally taught in an Australian university.

Mr SLIPPER—If you were talking to someone could you tell whether a person was Muslim by the way he spoke to you in Urdu rather than Hindi?

Prof. Jeffrey—I think people in north India now can pick that after some time. They would certainly make a guess but they may get it wrong because they may speak to someone who has grown up in a family with an old Urdu tradition. They may be Hindus but they may have generations of experience in the Perso-Arabic script and they have picked up those pronunciations and turns of phrase—but particularly pronunciation—which normally you would associate with Muslims. Like someone from the south of England who has grown up in Yorkshire and has a kind of Yorkshire twang even though they really belong in Kent.

Mr SLIPPER—Thank you. I am sorry I interrupted you. I was not sure of the difference.

Prof. Jeffrey—It is a nice point, as you can see, but a crucially important one. It is the one that divides India and Pakistan. To come back to this language thing, I am clearly

not advocating anything so silly and unrealistic as a notion that everyone should run off and learn Hindi/Urdu because we are not going to do that in Australia. What we do need to do is to ensure that these languages of lesser demand—Hindi/Urdu is simply one of them; I would put Korean and Arabic into that basket as well—are available nationwide on a regular predictable basis so that any Australian undergraduate or mature business person can decide that they are going to learn it and study it in a very high quality way.

We need to ensure that people working in India, and going to work in India, can receive small doses of appropriate instruction—maybe not to get them to the level of being scholars or even simultaneous translators but at least to the level where they feel comfortable in conducting everyday transactions with people in the street. That level of comfort is absolutely essential for people who are going to be based in the country. People who do not have it experience considerably more difficulties than those who do. A little knowledge of the language helps immensely.

The language knowledge needs to be accompanied by political and social knowledge but the two generally go hand in hand. If you are learning a language you generally develop an interest in the context in which that language is spoken. You have to acquire context if you are to work effectively. If you had a chance to look at the piece by John Zubrzycki in the Inside Asia magazine in this morning's *Australian* you will see that he is quoting someone from BHP to the effect that what you need to work in India is courage, patience and lots of cash. The patience is the crucial one and you have to be able to survive the place.

The need for cash, I think, would be considerably lessened if there were an increase in the knowledge of the political and social context in which people are working in India. I try not to make that as an idle assertion. I would cite as evidence the outgoing high commissioner, Darren Gribble, who, when he was in Melbourne in May, gave a speech. In that fairly short speech he twice referred to the increasing need to understand the federal polity of India to do any business. He said that business people he was encountering were constantly doing deals in Delhi with the national government but then going to Tamil Nadu or Karnataka or West Bengal and discovering that they were then in collision with the state government, which they really did not understand very much about.

Mr SLIPPER—Saying that in Melbourne, he thought his message might get through?

Prof. Jeffrey—Exactly. I would urge that this committee recommend measures to ensure the availability, in appropriate forms, of languages of lesser demand in this country—Hindi/Urdu being only one of them. In my submission I have sketched the outlines of a proposal that might achieve this. That proposal is being advocated by other people who are looking at the problem of language teaching in Australia.

Mr SLIPPER—Have you put a costing to it?

Prof. Jeffrey—There is no costing with it.

Mr SLIPPER—What do you suggest it would cost?

Prof. Jeffrey—I am suggesting that most of our cost would come from the Commonwealth withholding—top slicing—moneys that would otherwise go to funding teaching of languages in various penny packet fashion in the cities around the country. There would be an estimate made of how much the five universities in this city were getting for teaching small languages and that money would be held back until the universities were able to agree on a central centre for the rational teaching of those languages. The money would then be released to that centre so that current employees would become employees of the centre. Presumably there would be some sort of incentive establishment grant to get such a centre set up.

Such a centre would not only teach languages in these major capital cities in a rational way but would also develop short course programs for particular requirements and open learning kinds of programs that would make specific languages available nationally.

It seems to me necessary to provide Australians who work particularly in India with an understanding of the essential social and political context as well as language. The question of India's federal polity and its regional structure, which is related to language—the map in my submission shows that many of the states also coincide with language families—must be addressed. It seems to me that it is essential to do that to give Australia rather better than a fighting chance in dealing commercially and diplomatically with the whole of south Asia, but particularly with India. It may be worth pointing out that John Calvin worked all over Europe in the course of his career before he finally settled in Geneva. I think Australians in the 21st century are going to need people with some of those skills and the ability to work around Asia before settling in Australia to become little gnomes, if that is the appropriate sort of person we want—a figure from mythology—for the 21st century. I would be happy to try to expand on any of that or to clarify it if you are interested.

CHAIR—Thank you very much for that, Professor Jeffrey. I can see that you wish to become the John Calvin of Indian-Australian relations and for that I commend you. You mention that you want to put the sociopolitical context in the language; to me there is a requirement that you do the sociopolitical context perhaps even before the language because there are so many difficulties in just understanding the different regimes and different structures that Indians have. I have had a bit to do with them in the legal sense and you need to understand their social patterns to have a familiarity from which you can do anything else.

Your idea in a language sense is right, but does your university try and introduce into our secondary schooling some sense of our Asian relationships? There are so many different cultural patterns around Asia. I do not know whether anybody has actually

pushed it but I think we do have a critical need at a lower level than universities to start introducing Australians to an Asian cultural component. As far as I am aware there is nothing that offers it broadly within our secondary school system.

Mr PRICE—Particularly in Ipswich.

CHAIR—Even further afield than Ipswich, I might suggest. There are other places I could name too.

Prof. Jeffrey—Are you receiving a submission from the Asia Education Foundation, which is based in Melbourne?

CHAIR—I do not think we have; not that I am aware of.

Prof. Jeffrey—It seems to me a great pity if you are not because they are funded by DEETYA and have been in existence now for five years. The kind of work they are doing is particularly appropriate to what you are raising.

CHAIR—If we have not received one we will urge them to correspond or at least to come and meet us.

Prof. Jeffrey—I think it would be a very good thing if they did.

CHAIR—We might get their address from you.

Prof. Jeffrey—They are based in Carlton, working out of Melbourne.

CHAIR—I will get our secretary to make contact with them.

Prof. Jeffrey—Their publications, and not just on India, are really very good. They now have about 450 what they call ‘lighthouse schools’ around Australia which are intended to shine the beacon in the educational areas on which they are centred—secondary and primary schools. The materials they are producing are good but I think we have 4,000 schools in Australia so we are only at 10 per cent after five years with this kind of program.

With regard to universities, there was a report by John Ingleson in 1988-89 which said that perhaps two per cent of Australian undergraduates did any sort of Asian content in their degrees. I do not think that has improved in the eight or nine years since then. You would still probably find, given the growth of enrolments, it is about two or three per cent.

CHAIR—Pretty poor.

Prof. Jeffrey—It is pretty poor when you think that the rest of them are going through without really ever looking at a map and thinking, ‘Singapore is there. Kathmandu is land locked.’ Many of them might be almost at that level. I certainly agree with you, though, about the language thing. I would not, for a moment, advocate every Australian university student be made to learn an Asian language, never mind an Indian one, because I think that would be extremely wasteful. But the facilities have to be there for keen students, whether they are in Perth or the Northern Territory, to learn particularly the languages of lesser demand, and for them to have the ability to study that language in a high quality program once they have discovered that they have a particular propensity for that country. At the moment you cannot do that.

Mr PRICE—What about business? Clearly, if companies are identifying a long-term future in India, would you see a role for government in subsidising industry’s need to train some of its people in the language?

Prof. Jeffrey—That is what I am driving at in the submission with these big city centres, which would include language. By concentrating the available talent they would be able to prepare the sort of short course that a business person would find palatable and then would find very useful.

I come to you with the guilt of a convert because I am not a good linguist. I did six weeks of Hindi before I went to India 30 years ago and I have a 300- or 400-word vocabulary. It lets me move around and talk to taxidrivers and I can read the headlines in newspapers. With Malayalam, the Kerala language that I have studied, I can hack my way through a newspaper, but not particularly well and not in the way that my colleagues who work on China and Japan can do because they have spent two or three years learning languages. I have never had that opportunity, partly because people told me when I was a graduate student that I did not have to learn Indian languages as everything was in English. Of course, that is rubbish. It is not all in English. The really good and interesting stuff is in the Indian languages if you are a scholar.

Mr NUGENT—Is it really necessary for a business? There is an increasing tendency, whether it is in India, China or wherever, to get into joint ventures these days or to have a local partner for a whole range of reasons, whether it is understanding the local bureaucracy and knowing which palms to grease or whatever. If you have that sort of joint venture, do you really need the local language? Doesn’t that come with your joint venture partner?

Prof. Jeffrey—How do you know about your joint venture partner? How do I know, if we are sitting around like this, and you, the joint venture partner, turn to the colleague on your right and say something in the local language—

Mr NUGENT—He is from Queensland. I would never trust him.

Prof. Jeffrey—I would not for a moment expect anyone senior enough to be posted to India as a manager to take time out to do two years of language, but to have that six weeks or even three weeks so that they can talk to the people they are working with—

Mr NUGENT—Given that we are a multicultural society and there are plenty of Indians or Chinese here, why wouldn't you recruit somebody here whom you could evaluate by Australian standards and use them in your joint venture arrangement in the overseas country? Why do you need to put in place this huge academic structure?

Prof. Jeffrey—There is no reason at all not to do that. I would not envisage it as a huge academic structure because I do not think that is realistic or practical. I do think that, if you depend solely on your migrant population, you will often not get the combination of skills that you want. Sure you may get a bright young Indian who has the languages, but they may not have the knowledge of the way CRA works or the business skills required, and you may be adding one more person to your bureaucracy.

The other thing is it is just for general comfort. If you are going to put an Australian into a country like India, there is the comfort level of not just the person doing work but the spouse. If they have some language and they can carry on their daily lives without being constantly either offended and thinking they are being insulted by the people they are dealing with, or being ripped off and unable to communicate with them, you are going to increase their effectiveness.

Mr NUGENT—Isn't the comfort level a real problem, just on a logistical basis, putting any Australian into India?

Prof. Jeffrey—It is.

Mr NUGENT—Whether it is power supplies, sanitation, water supplies or just getting about, the comfort level is a major problem anyway.

Prof. Jeffrey—Yes, it is all of that. You will get your electricity reconnected quicker if you are able to do it in Hindi and tell them, 'Bijli nahin'—no electricity. You will do better than if you ring up and say, 'No electricity'.

Mr SLIPPER—Following on from Mr Nugent, how many Hindi/Urdu speakers would there be in Australia?

Prof. Jeffrey—I think we had about 70,000 South Asian- born people in Australia the last time I looked at the census.

Mr SLIPPER—And presumably some of their children would also speak Hindi/Urdu.

Prof. Jeffrey—Yes, that is one of the markets in Australian universities that we have been trying to tap: people who want their children to have a decent instruction rather than just the mummy, daddy language which you learn growing up in Australia.

Mr SLIPPER—It seems there is a lot of merit in what Mr Nugent said, even though he said that because I am from Queensland that I am not worthy of trust. I know he was jesting. If we do have a base of 70,000-odd people here, somewhere within that base there must be people who have those combinations of skills necessary to enable Australian companies to do business effectively.

Prof. Jeffrey—Yes. I am wondering whether the structures you create to find those people would be any more elaborate than the structures we already have, but that are not being used in a particularly efficient way, for teaching languages in Australia. I wonder if the current language teaching arrangements, inefficient and ragged as they are, could not be made more effective as a way of—

Mr SLIPPER—I am attracted to your proposal, partly because it is not going to cost any more money. We will be using our money already allocated in a more rational and effective way. But I must say I found your submission particularly interesting. I was quite shocked at the suggestion that English was not, of itself, adequate to do business with India. I was always of the impression in talking to a lot of Indians, many of whom have English as their mother tongue at home in India, that that was one of the reasons it was so easy to do business with India—because everybody who was anybody spoke English.

Prof. Jeffrey—Of course, we are both right. As you know, you are right—any one of us could go to India and never need a word of an Indian language. What I am saying is that Indians—that is, Indian marketers—who are in the know, who are wise, have discovered in the last 12 or 15 years—and this is what I have been trying to demonstrate with the graphs on advertising expenditure—that expenditure is now going heavily into the Indian languages. They have worked out that that is how you are going to communicate with your potential market.

Mr SLIPPER—Mr Chairman, I will continue to ask questions, if I might. You say that three per cent only of Indians speak English, and yet there is a large middle class of some 160 million. What percentage of that middle class would actually speak English?

Prof. Jeffrey—If we just take those figures, let us say, for the sake of argument, we call the middle class 150 million, and we say three per cent of Indians speak English, say 40 million, then four-fifteenths of the middle class speak English—the people who are economically middle class.

Mr SLIPPER—But you do not think a higher proportion of the middle class would speak English than of the general population itself?

Prof. Jeffrey—Indeed. There is no question of that. Four-fifteenths of the middle class is nearly a third of the middle class speaking English, and three per cent of the total population speak English.

Mr SLIPPER—Looking at the sales or the circulation of newspapers, it is clear that English newspapers are again on the ascendancy but not to the same extent as these published in Hindi/Urdu. Would that be indicative of the fact that in India English is continuing to become increasingly popular but nowhere near as much as Hindi/Urdu?

Prof. Jeffrey—That is right. I would not want to leave the impression that I am trying to say that English is vanishing from India. That is not at all the case. English has never been more widely taught, spoken or desired as a language. But the Indian languages are also growing too, because India has become print literate in a way that it has never been. The figures for print media in the last 15 years show there has been a revolution in the Indian languages.

Mr SLIPPER—Are you saying that the new political elite—people from lower castes—are less fluent in English than perhaps their higher caste predecessors?

Prof. Jeffrey—Indeed, and in some cases, for very local political reasons, will argue against English. The government of Uttar Pradesh, the great central Indian state, four years ago actually tried to drive English out of the administration for about a year for local political reasons because they said, ‘English disadvantages us low caste people who are finally beginning to grab power, and English has always been the thing that has been used to put us down.’

Mr SLIPPER—Like the government of Quebec.

Prof. Jeffrey—Similar, yes.

Mr NUGENT—I have got one other question. I want to talk about business and economic opportunities. There is a lot talked about the opportunities, the huge population and the increasing affluence. You only need a small proportion and you have still got large, real numbers; therefore what a wonderful opportunity for Australian businesses. But we are still an awfully long way away. Although you talked about Switzerland and its mountains and we have the oceans, the reality is that Switzerland is a lot closer to the rest of Europe than we are to India. So it is still a long way away, and there are still these cultural and language problems we have been talking about.

There are still the realities of protection, and they are very real indeed. Of course, Tim Fischer has been trying to do something about that with the World Trade Organisation just in the last week or so. Given all of those limitations and the fact there are so many others trying to compete in that market, how realistic really are some of those markets for Australian firms?

Prof. Jeffrey—One would have to say they are no less realistic than people thought Chinese markets were some time ago. Australia certainly has a better, if you like, market brand presence as Australians in India than many other countries do, yet the Swiss and the Dutch, who have had little connection with India, are working hard at it.

I would have thought that Australia has advantages and they are kind of cliché ones in some ways. One was Radio Australia which had given us a presence for a long time in India. It had given us that kind of brand identification, but we have lost that. The other is the cricket. The cricket is corny, but it is true. We could make an awful lot of our cricketers. If I were trying to market a product in India from Australia, I would have ‘Alan Border’s chewing gum’ or whatever it was. There are Australians who are household words in India because of sport in that way.

We have those sorts of advantages and we do have legal systems that are recognisable. There is the fact that the ANZ did get its money back when it was forced to deposit some tens of millions. It did get it back, but I do not know whether it would have got it back in most other countries in the world. I think people were fairly confident that it would and that the Indian legal system would do as it was supposed to do. Those are the sorts of reasons I would suggest that India is worth trying. If you are trying many others, this one is much more worth trying than a good many of the others.

Senator MARGETTS—I am interested in some of your statements in relation to India’s changing consumer habits. What are the statistics showing about current inequalities in India? Are they getting better, is it the same or getting worse?

Prof. Jeffrey—It depends whose statistics you are reading, of course. I recommend a book I mentioned in the submission, *Everybody loves a good drought* by P. Sainath. Sainath has studied the 10 poorest districts in India. He is making quite a strong argument that the disparities are growing worse under the economic reform.

Senator MARGETTS—Is that name mentioned in your submission?

Prof. Jeffrey—Yes it is. It is Sainath. The mainstream economists are talking mostly trickle down: that once we begin to produce real wealth, then it will begin to reach even the poor districts and even the lower castes in those poor districts. At the moment I think people would have to say the jury is out. It would be difficult to say that conditions for the poor have got notably worse. But because of the kind of environmental pollution that has gone with the last 15 years of expansion of consumerism, certainly it is the poor who suffer environmental degradation first because they have to live closest to it. In that respect you would have to say the conditions of the poor had worsened in the last 15 years.

Senator MARGETTS—Pollution may have affected their ability to grow food and other things in terms of survival?

Prof. Jeffrey—Just to get water and to breathe. The quality of the air in Indian cities is appalling. Delhi now occasionally claims with some pride to be the most air polluted city in the world. The availability of good drinking water is very, very scarce for the poor in major cities and also in some suburbs.

Mr NUGENT—Also in some first class hotels.

Prof. Jeffrey—I am sure that is so. I would not drink it myself in a first class hotel.

Senator MARGETTS—Australia has been involved in helping to promote exports of coal and coal technology. Do you hear of or see directions in terms of renewable technologies used for energy consumption in India?

Prof. Jeffrey—Certainly the Indian power shortages are monumental. There are two huge deficiencies in the Indian economy. One is the road system which has not really been addressed since 1947. The network is the same, but the quality of the surfaces and the widths of the roads really have not changed very much. The other is power generation where you get what is referred to as regular load shedding throughout the day. So the demand for energy sources, particularly coal fired generators, has to increase.

Senator MARGETTS—Is there any renewable and non-coal type of technology being used that you know of?

Prof. Jeffrey—The danger is the temptation towards nuclear power which I do not believe would be desirable. One can envisage having a right wing Indian government—a BJP government—which is committed to nuclearisation in India being quite enthusiastic about nuclear power perhaps. As for river power or hydro, there is probably very little more potential for hydro in India.

Senator MARGETTS—There has been a lot of community disruption with regard to dams and so on, has there not?

Prof. Jeffrey—Indeed. The difficulty of the major dam project in western India—the Narmada project—has dislocated thousands of people, that is right.

Senator MARGETTS—The suggestion that India has over-invested in tertiary education was mentioned earlier. We have heard something of the brain drain. Do you agree that India has over-invested in tertiary education or have there been some positive benefits coming out of the emphasis?

Prof. Jeffrey—The areas of India that put their money into primary education early show far better quality of life indicators—particularly Kerala in the south-west. For various historical reasons the governments of Kerala, even at the beginning of this century,

put a lot of investment not into colleges and high schools but into primary schools, and Kerala today has virtually 100 per cent literacy and 100 per cent female literacy. It also has a falling birth rate and the lowest infant mortality in India. It has a lower infant mortality rate than we have amongst Australian Aboriginals. That Kerala result came largely from constant regular investment in primary education, particularly for girls, and that has not happened elsewhere in India where the emphasis, as has been quite rightly stated, has been on higher education over the last 40-odd years. And there is no doubt that that has turned out some brilliant people, but the education of poor village children in North India—and particularly poor village girls—has been neglected.

Senator MARGETTS—Is there any legal right to a primary education?

Prof. Jeffrey—There is no compulsory primary education in India; there is quite a strong movement amongst Indian intellectuals and radicals to make the government declare primary education compulsory. I think the constitution says that every child has an entitlement to a primary education but, if we looked at the figures, we would still find only about 60 per cent of the primary cohort actually going to school, and many of those schools would be ghost schools not real schools.

Senator MARGETTS—Would that primary education necessarily have to draw resources from tertiary education or are there some other revenue earning bases for India to provide more input into basic education?

Prof. Jeffrey—The Indian revenues are in a fairly parlous position. Judging from everything I read, a lot of national revenue is going into subsidies for already fairly well-off groups, particularly the better off farmers in the countryside, who are cornering benefits through electricity subsidies, fertiliser subsidies and diesel oil subsidies. Such people are politically powerful, and they have no great interest in seeing the daughters and sons of their agricultural labourers getting primary educations, particularly if it is going to come at the cost of their own economic wellbeing.

Senator MARGETTS—We heard today that the official company tax rate is fairly high but there are concessions for people who are exporting and some companies are doing bi-lateral agreements for seven-year tax breaks or whatever. Do you know of anyone who has done studies of where the Indian government is obtaining its revenue mix?

Prof. Jeffrey—You will get good submissions on this from Ric Shand at his Centre for the Study of South Asian Economies at the Australian National University. That is very much their brief.

Senator MARGETTS—Right. That will be an interest I will follow up later. Thank you very much.

CHAIR—Mr Nugent asked about the role of the army in India—I do not know whether you would like to give your perspective. From here, we hear far more about the disputes with the Sikhs, the disputes with Pakistan, the conflict with China and the uncertainties the Tamil population in the south of India has in its relationship with Sri Lanka. We are aware of the relationship with the Soviet Union and how much that dominated Indian politics in the eighties. How do you see the people of India—are they concerned about their security or are they so busy surviving and worrying about themselves that really that framework which is thrown up internationally as being the main cause for concern with India is not something the average Indian is concerned with at all?

Prof. Jeffrey—I do not think those international concerns are the major political issues in India. The major political issues are ones about caste in the broadest sense. There is a whole shaking up of the Indian social framework and its political outflowings at the moment.

India—particularly in north India, where the political power really lies—is discovering what are becoming major ethnic groups. The Scheduled Castes, the old untouchables, are finding a voice. There is now literacy of about 40 per cent amongst these people. They comprise 15 per cent of the population, up to 20 per cent in some areas. Although there are lots of internal divisions within them, they are coming together as a political force and sort of saying, ‘We’re not going to take any more.’

Mr NUGENT—As with the new President?

Prof. Jeffrey—Indeed. That is an attempt, a sop, in some ways, to try to draw the claws, I guess.

Mr SLIPPER—He is not typical, is he?

Prof. Jeffrey—Not at all. He is from Kerala. He has been a journalist, an ambassador to the US and China, and a vice-chancellor of a major university—a very urbane kind of man. Nevertheless, he went to school with a man in Kerala whom I knew very well who was a high status man. He used to come home with his friend, he said, in the 1930s, and his parents did not like it at all. But they tolerated it, ‘because it was the national period and we were fighting the British and we were all linking arms so we were all Indians’. But his parents were pretty displeased with that kind of friendship. He is not at all typical. He is certainly not typical of what is going on in north India. That is one bloc.

But there is another bloc, a category that you will see in the literature as OBC—other backward castes. These are people who are not untouchables, but they are not of the three twice-born castes either. They too are beginning to try to behave as a voting cohort, if you like. The current government of the biggest state, Uttar Pradesh, has an untouchable woman, a Scheduled Caste, dalit, or whatever word you want to use. ‘Dalit’ is the

politically correct term for 'untouchable' which is extremely incorrect.

Mr SLIPPER—They have political correctness in India as well.

Prof. Jeffrey—With this one, yes. 'Dalit' is the favoured term at the moment, just as 'black' is now the favoured term for Americans and not 'negro' or 'coloured'.

Mr SLIPPER—I thought it was Afro American.

Prof. Jeffrey—Afro American is a favoured term now. But language changes as people's sense of their own identity changes.

This OBC category is perhaps 40 per cent of the population. People are trying to manufacture that into a political voting bloc in north India to build political parties around. Then, of course, there are the forward castes of the Brahmin, Kshatriya and Vaishya. They are the castes that really drove the place for not just the last 50 years but a good long time before that. They in some ways see themselves as being under threat to a certain extent, though still being very powerful. But it is they who run the Indian newspapers.

I have been asking my friends in the Indian newspaper business whether they know of a dalit journalist—not a dalit proprietor or editor, just a dalit journalist. I have not had anybody who has been able to point to a single one. Contrast that with blacks in the American newspapers today. Blacks are a constant presence. Newspapers recruit them, and they make themselves felt. But the dalit voices and those of the OBC—which is a very artificial social category but becoming quite a real political one—are the grinding issues, the sort of engine that is driving Indian politics today, I think.

Mr NUGENT—But would there not be broad based support for the very gung-ho position India has taken in its disputes with Pakistan in terms of its position on nuclear issues last year and the year before? That was an area in which we had some conflict. As I understood it—and I would be interested in your view—one of the reasons all the politicians are so gung-ho on all those things is that, when they stand up and trot out a strong nationalistic line, it actually strikes a chord in their communities.

Prof. Jeffrey—It may well do, although one would have to say that the current Prime Minister probably has taken a more conciliatory line with Pakistan than anyone we have seen—and he is a minority Prime Minister, so he is taking some risk. I think his position coincides very much with his own emotional feelings; he was born in what is now Pakistan.

But you are right: it is a brave politician who runs the risk of being accused of being unpatriotic. You will always run that risk if you start to go soft on 'our right to have a bomb', or 'our right to Kashmir'—and Kashmir is the crucial one, I think. You run the risk of going into an election where people are saying, 'Well, this person is betraying

the country.’ That is a difficult one in India just as it would be in most other places, I think.

But these issues are ones that are not at the forefront of people’s minds on a day-to-day basis. On the other hand, these new constellations of political forces are there constantly in northern Indian towns and cities every day, and in different forms in the south as well.

CHAIR—Thank you very much indeed, Professor Jeffrey, for coming and giving evidence to us today. If you have any facts, figures or other material you think might be of interest, we would be grateful if you would pass it on to us.

Luncheon adjournment

[1.37 p.m.]

BAILEY, Mr David Leonard, Vice-President, Australia India Chamber of Commerce, 11 Koornang Road, Scoresby, Victoria 3179

WAHID, Mr Shabbir, President, Australia India Chamber of Commerce, 11 Koornang Road, Scoresby, Victoria 3179

CHAIR—On behalf of the subcommittee, I welcome you both. I should advise that the proceedings are legal proceedings of the parliament and warrant the same respect as the proceedings of the respective houses of parliament demand. Although the subcommittee does not require you to give evidence under oath, you should be aware that this does not alter the importance of the occasion. It is a warning that we give everybody that the deliberate misleading of the subcommittee may be regarded as a contempt of parliament. The subcommittee prefers all evidence to be given in public, but should you at any stage wish to give any evidence to us in private, you may ask to do so and the subcommittee will, of course, give consideration to your request. Would you like to state the capacity in which you appear before us today?

Mr Bailey—As well as appearing as Vice-President of the Australia India Chamber of Commerce, I should say that I also wear a hat as a lawyer rather than as a businessman.

CHAIR—There is no need to apologise; I also wear a hat as a lawyer at times, as does Mr Slipper. Perhaps each of you may like to make an opening statement and tell us a little about the Australia India Chamber of Commerce, and then we can proceed from there.

Mr Wahid—The Australia India Chamber of Commerce was incorporated in Victoria in 1984. Since then the chamber has been quite actively pushing bilateral trade between Australia and India. We have been particularly active in the past six years, ever since India liberalised in 1991. We have seen, in our daily interaction with the business communities of both countries, that this economic liberalisation of India has had some very beneficial effects for business between the two countries.

We have taken several delegations into India. One of these—a particularly successful delegation—comprised a golf course industry group. From an initial trade mission that has now become an annual exhibition. It is called the Indian Golf and Resort Expo and it is held every year in India with international participation. We also took a group of New South Wales growers into India in 1993 for the first grower to grower contact. With the export of pulses and other agriproduce from Australia into India we found that the growers needed to know how the product was being used, so we took this group. They met with Indian growers and they realised they had a lot of commonalities in terms of soil conditions and disease resistant varieties that both countries are trying to

develop.

Also we were program managers for the 'Doing Business with Australia' event which was a part of Australia-India new horizons program. We ran three seminars, one each in the cities of Bangalore, Calcutta and Chennai. At the end of these three seminars we produced a survey on the needs and attitudes of Indian businessmen towards Australia. That report again highlighted a number of areas where Australia and India can work together.

Perhaps I could refer to some of the points that came out of the survey. There was generally a lot of contentment in India in terms of the attitudes of Australians who want to do business with India in that they were easy to deal with and they were open in their discussions. On the other hand, they said that perhaps there was not much of a profile of Australians in India, and that there was a lack of information on Australian business opportunities in India.

We also found that in certain areas in which Australia prided itself on being a leader in the field—for example, high technology—that did not become apparent when we were talking to people in similar fields. In Bangalore, for instance, we found they were very neutral about Australia's capability in the high-tech field. Bangalore itself is a centre of high technology, and perhaps they are seeing a lot more international trade missions and delegations related to the high-tech field. In the case of the traditional Australian strengths—mining, agriculture, even infrastructure—there was no doubt whatsoever as to Australia's strengths, but there are a few areas that perhaps Australia needs to improve its profile on. I might stop there and ask David to make his opening statement. Then maybe we could take this further.

CHAIR—Thank you very much indeed, Mr Wahid. I should tell you that Senator Dee Margetts has now joined us again on a telephone link from Western Australia. Dee, you have just heard from Mr Shabbir Wahid, who is the president of the Australia-India Chamber of Commerce. Mr Bailey, would you like to make a few observations?

Mr Bailey—Thank you. My main involvement through the chamber has been to assist with visits to Australia by Indian delegations, usually businessmen—I should say 'business people', but we do not see too many Indian ladies come with the delegations.

Mr SLIPPER—Why not?

Mr Bailey—We might ask that question, but traditionally the men have tended to run the big businesses. We have had delegations from very wide groups such as chambers of commerce. We have had a visit from the Gujarat Chamber of Commerce and a visit from the Bombay Industries Association. Usually a fairly large group will arrive—perhaps 20 or 30 people—with a broad range of interests. There may be chemical manufacturers, small fabricators, people in plastics, clothing, textiles—a whole range of industries.

Then sometimes we have visits from specific industry groups. We have had a visit from a pesticides group—that was a large delegation—and a textiles group. These are not low level groups—usually they will be led by a minister of state or someone with that level of seniority. We have averaged three or four visits a year of this nature. They are usually a fact-finding mission, although they ask us to arrange meetings with kindred business people here in Australia. We believe that those sorts of people-to-people visits have been very good in building the relationship. They have been going on over the last few years, probably increasing in significance since India started to liberalise her trading environment.

The most recent visit of some importance to Australia was the visit of Mr Minoo Schroff, a leading Indian businessman in the textiles area. He was sponsored by Asialink at the University of Melbourne. What was important about his visit was that he is a very significant individual. He talked about how India has developed its economy. His span of interest goes right back to the colonial days. It was useful to hear from someone who has done it rather than to hear from somebody simply quoting masses of statistics and talking about tariff barriers and these sorts of conceptual matters. He was really telling us about how things function in India and how the industry is being developed.

That sort of high level visit by a hands-on entrepreneur is very, very useful. That particular visit was well attended here in Australia by leading Australian business people. Olex Cables and people of that nature were at the various meetings I was at. That is the sort of people-to-people role that organisations like the Australia India Chamber of Commerce play.

As to my specific area of expertise, I am a lawyer. I have been involved for many years with Australia's relationship with countries such as China, Indonesia and Vietnam. I have seen the way we have developed those relationships in the legal area. I believe that when you turn to India we need to do the same sort of thing. One thing which is quite clear is that there is not the same level of interchange with India yet as there is, for example, with Indonesia or China. An area you might look at is the number of students from India studying in law schools in Australia. That number is very low compared with the number of Indonesian and Chinese students.

Mr SLIPPER—In law schools?

Mr Bailey—In law schools, yes, particularly in graduate studies programs where you would expect to see—

Mr SLIPPER—But the legal system in India is very similar to the system here, whereas the Indonesian and Chinese systems are quite different.

Mr Bailey—Indeed.

Mr SLIPPER—Therefore, wouldn't you expect a lot more Indian students here?

Mr Bailey—You would, yes. Traditionally, they have looked to England as being the source of their legal background and knowledge. Australia is not regarded as a natural source of training and education. That is changing and we will perhaps get on to that in a moment. There are reasons why it should change. They tend to look to Europe rather than to Australia.

The other area is that although Australian law firms have made some tentative attempts to set up connections with India, I do not yet see much evidence of Indian lawyers, for example, being out here in Australian law firms, working alongside Australian lawyers. As for the other way round, some Australian law firms have sent lawyers to India. But again, there are no permanent relationships that I am aware of such as exist in places like China, Vietnam and Indonesia where Australian law firms are represented on the ground with quite a number of personnel.

They are areas where much remains to be done. In terms of developing programs with India, that has started. The Australia India Council is very conscious of the need to seed the right sorts of programs. We recently had a visit from Mr Kwatra, the Secretary-General of the Indian Council of Arbitration. He came out here to look at what Australia is doing in the area of alternative dispute resolution—to look at the non-traditional means of resolving disputes.

They have become aware in India that Australia has had a great deal of success in dealing with disputes outside the traditional litigation method of dispute resolution. They are now looking to Australia as a source of guidance in mediation in particular. That was one of the main focuses of the Australia-India legal seminar, which was held in conjunction with the new horizons program last October. We could probably strengthen the relationship with the legal profession in that area. By way of an opening statement, perhaps I could leave it there.

CHAIR—Mr Wahid, you mentioned that you had some surveys. Would it be possible for us to get a copy of those?

Mr Wahid—Yes, we were supposed to bring it today but we could not bring it. I will make sure you get a copy.

CHAIR—If you would not mind sending them to our secretary, that would be very helpful. In telling us a little about the Australia India Chamber of Commerce, one of the things I noticed you are doing is helping prepare for the celebration of the 50th anniversary of India's independence. What are you doing in that sense? What are the plans for the celebration here?

Mr Wahid—We are joining with the broader community. I think the celebrations

go over a period of three days—15, 16 and 17 August—in Melbourne. The chamber is going to have its annual general meeting to coincide with Independence Day, so we are actually having that function on 15 August. We will also have a gala dinner at the Hyatt on the Saturday night, which I believe is going to be attended by the Victorian Premier and the Minister for Immigration and Ethnic Affairs, Philip Ruddock, representing the Prime Minister.

CHAIR—Have you anybody coming out from India?

Mr Wahid—No, we tried to get a few ministers. We are still trying to get a few people out. The stated reason for them not coming is that they would like to be in India for Independence Day and celebrate it in India. We have the Indian high commissioner coming over on Saturday and Sunday to represent the Indian government. I think this is the first time that the community has got together to celebrate an event of this type. I think that is important too in getting the Indian NRIs. You probably find in many countries that the NRIs form a significant group in terms of that country doing business with Australia.

Mr SLIPPER—NRIs?

Mr Wahid—A NRI is a non-resident Indian.

CHAIR—Talking about NRIs, I was quite fascinated this morning to hear that Mauritius is rapidly becoming a major entrepot point of reinvestment from the Indian community in South Africa into India. Is there a significant ongoing link between the NRIs—in other words, the Indians who live in Australia and India? How significant are they in your membership and to what degree do they contribute towards the growing trade relationship between India and Australia?

Mr Wahid—We do have a reasonable amount of members who are NRIs. The reason they are in the chamber is because they are doing business with India. Most of them tend to be importers. They tend to be importing traditional Indian exports such as in the TCF industry—textiles, a bit of footwear, handicrafts and brassware goods.

Of late I have seen a number of the non-resident Indians in Australia beginning to double up links in the area of telecommunications. In fact, at one of our seminars in Bangalore we had a person from Sydney who runs a firm. He was offering services in the telecommunications area. That seems to be an area which a lot of Indian small business people are trying to pick up on. Also there is an increasing number of people who are in the service of facilitating links between the two. There are also Indian companies that are beginning to look towards Australia. They seem to want to find Indians living here who can advise them on how to penetrate the market here and how to develop their product.

This is also a very distinct area of activity that the chamber would like to address.

With globalisation and India trying to develop its own exports, I think there is a good two-way relationship—especially in product development, where perhaps small- to medium-scale Australian companies can help Indians.

I will use the hand tool industry of India as an example. While they make a good product, in terms of marketing and packaging they are nowhere in the field of international competition. I think there are a lot of things we do very well in Australia, and these are areas where Australian technology can help the Australian exporters.

CHAIR—We heard this morning about CII, the Chamber of Indian Industry. Do you have any particular relationship with them? Are they a body that you turn to in India, or is there an India Australia chamber of commerce with whom you would essentially have your relationship?

Mr Wahid—We actually have a memorandum of understanding with the CII. There is no complementary India Australia chamber of commerce in India. I am not quite sure how that would work because of India's diversity and size. We have developed relationships with regional chambers which helped us to succeed. Likewise, we have a memorandum of understanding with the Federation of Indian Export Organisations. We developed one with the Greater Mysore Chamber of Commerce and one with the BHT Chamber of Commerce.

Mr SLIPPER—What sorts of matters are covered in the memorandum of understanding?

Mr Wahid—It is an exchange of information. It is a facilitation of visits. It is also to advise us on opportunities in regional areas. I might expand on that now.

One of the important developments in India is the empowerment of the states for development of their own projects, be it infrastructure or industry. For instance, in Bangalore—I say Bangalore because I probably know that place better than most others—it is the development of the floriculture industry. They have brought in the best varieties of roses from all over the world—basically from the Netherlands because that is where you get the best breeds of roses. They grow them well. The soil conditions are perfect. The plant hygiene and everything is great.

But they have problems the moment they start looking at packaging and exports. The roses need to be maintained at about three degrees Centigrade. They refrigerate them before they get to the airports, but the airports do not have the refrigeration facilities, so you have a variation from three degrees to about 21 degrees, which virtually kills the plants.

I do know that the Karnataka government is willing to look at technology that will help them develop this export industry. For instance, we do it very well here—in Victoria

we do that extremely well. That is a state based development and it will be very easy for us to facilitate that development because we have an understanding with the Greater Mysore Chamber of Commerce based in Bangalore.

Mr NUGENT—It is interesting that you refer to the state base because, although your name is Australia India Chamber of Commerce, you are effectively, as I understand it, a Victorian based organisation. Is that right?

Mr Wahid—That is right.

Mr NUGENT—There are some connections, I believe, with a similar group in Western Australia and there are some moves afoot to form a national organisation. Could you elaborate on some of that? How many members have you got? What are the types of members? Are they big companies or small companies? What sorts of business sectors are involved?

Mr Bailey—This chamber has been more aimed at the medium- to small-sized businesses. The Australia India Business Council has addressed more the BHPs of this world. We have struck more of the smaller companies, although we do have in our ranks a major Australian bank and a large Australian manufacturing company, so we do have the involvement of a few large companies. The membership base here in Victoria is only about 100 at the moment.

As far as forming an Australia wide organisation is concerned, that is an aim of the chamber and we have been having discussions with our like bodies in Queensland, New South Wales and Western Australia. It is fair to say that we are a still a little way off putting something together, although the discussions keep going on, and we are being encouraged to do so by the Indian high commission. They see it as fairly important that the activities be as uniform as possible across Australia so that we can coordinate visits by Indian groups from one point rather than, as often happens, learning a day or so beforehand that a delegation is arriving and having to arrange facilities and get people there in a very short space of time. That, of course, is not terribly satisfactory. So, from the point of view of coordination, one of our aims is to have an Australia-wide body but, unfortunately, we have not quite got there yet.

Mr NUGENT—Would your 110 or so members in Victoria tend to be medium to small industries?

Mr Bailey—Yes.

Mr NUGENT—Are there any particular industry categories?

Mr Bailey—It is pretty broad. We have people who develop and export irrigation systems, people who trade in coal, grains and pulses, and small business people—

Mr NUGENT—Would there be more people interested in importing from India or more in exporting to India?

Mr Bailey—Most of the local members here are interested in export, I think. My feeling would be that it is more that way, but there are a few who are quite involved with importing, organising joint ventures and things of that nature.

Mr NUGENT—What would you see as the most important things that need to happen in Australia to assist the process of our business relationships with India?

Mr Bailey—An increase in people-to-people activities and the sponsorship of visits by high level business people would be good, and trying to get more students from both countries involved in exchange programs would be a very useful development.

As far as business people are concerned, they basically want information. The chamber has tried to develop a database and have it on a computer based system or have it accessible through the Internet. We are currently trying to improve our electronic information, and that is certainly an area where we need assistance. We believe that it will enable people here in Australia to tap into current information, giving them trade and business opportunities in India.

It is important that an independent body like a chamber of commerce does that. Sometimes people get a bit nervous about dealing through government agencies and they like to feel that they can deal around the government route. That is why it would be useful if the chamber could enhance that aspect of its work, but it does not see itself as the sole repository of that sort of information. There are lots of other sources of information on India, and any government sponsored programs to enhance those information gathering and dissemination exercises would be very welcome. We have seen a great increase in activities in the past two or three years, and the Australia India Council has been doing a much better job in the past two or three years in heightening interest in India and dispersing information.

Mr Wahid—The aspect of the Australian presence in India is very important. What the chamber has been doing of late is moving away from a general investment type of mission—where you have people from different fields in the one group—to a more specific, industry based mission. We learned that through the golf mission that we took first, and in the next few months the chamber is looking at developing a trade mission that would be specific to, for example, supply chain management—because India has a very massive distribution problem.

Likewise, I would be looking at post-harvest technology for fruit and vegetables. We met with the visiting minister for food processing three weeks ago, and he was telling us that about 40 per cent of fruit and vegetable production is wasted and only one per cent of the fruit and vegetable production is actually processed.

Apparently, the government is trying to build infrastructures where they will have different zones and they will develop handling facilities so that farmers can deliver the produce. We must remember that the Indian land-holdings are very small and intense, unlike what we have here in Australia. So the chamber is trying to keep on top of that information and to pass that through to the relevant industry bodies here that facilitate it.

Mr SLIPPER—What degree of penetration does Australia have in the Indian market compared with our international competitors—countries such as the United States and Canada? Are we doing as well as they are? Are they doing things that we should be doing?

Mr Bailey—From my limited experience as a lawyer, I think you would have to have some concerns because as far as the Indians are concerned the English are seen as the people to look to for experience.

Mr SLIPPER—Surely we should share that experience because we are closer.

Mr Bailey—We are closer in flying time. But with the direct link to Mumbai it is a bit better. Flying time to London is about nine hours so it is a bit of a myth that Australia is close. It used to be a major problem when you had to go on a 22-hour excursion via Singapore or Bangkok. That has been a problem which might improve now that there is a direct link through Mumbai.

Other countries have got quite a strong presence there—the Germans, the French, the English. Australia has a lot of advantages that we ought to exploit. I think we are seen as a friendly country with common traditions, a love of sport, which is important in India, and whenever a delegation comes out here they talk about cricket. They relate to Australians very much in that regard in a way that I do not think they would relate to non-English countries or non-English background countries.

I think one of the problems is a general lack of knowledge in India about Australia. The survey that was undertaken before the new horizons program indicated that the Indian view of Australia was very much that of a rather backward country that had an overemphasis on sport. It was a sort of a beer-swilling ocker image. That image was not good. I do not know whether you have had access to a quite revealing report that was commissioned by some consultants.

One of the things that the new horizons program had to cope with was to try to reverse those sorts of views about Australia. Part of our task will be to get information to India and have activities going on in India which will dispel some of those views about Australia. As I say, in the legal area there is an awareness that Australia has developed alternative dispute resolution techniques rather well and possibly ahead of countries such as the UK. They have come out here to study what we have done in Victoria, which is

now regarded as a world leader in alternative dispute resolution techniques in the court system. I believe that my narrow area of expertise would be the area where we could show a lot to the Indian legal profession.

Mr NUGENT—Perhaps you could also export some of your expertise to the Hunter coalmines at the moment!

Mr Bailey—Yes.

Mr NUGENT—That is an aside.

Mr Bailey—Mr Wahid made another point about machine tools. I gather that companies such as MIM, which has a lot of need for high quality tool bits for mining, has been very successful in having that done in India. So there is room for joint venture collaboration of a very high level. I think we need to get the message through to business people here who are not yet aware of it. The degree of technical and scientific expertise in India is very high. It is one of the major sources of science graduates in the world and also one of the major sources for computer programming.

Some of the world's major airlines have a lot of their computer programming done in India. At this end we need to be aware of those sorts of very high level skills. It seems to me that the main problem at the moment in the relationship is getting the good information about Australia, our standards and our abilities to India at a good level. It is not just a matter of reaching a few people at the top but it is getting down to middle management, universities, the law firms and the people who can make investment and trade decisions and then deal with us.

Senator MARGETTS—I was wondering who the major wage competitors with India are. Who is offering similar sorts of industry opportunities? Who would India see as its major wage competitors?

Mr Wahid—In the agricultural field I believe that Australia is pitted against the Israelis. They have been coming into India literally by the plane load. Because their agricultural system is very close to the Indian system they have had quite a bit of success. In terms of technology it has been the Italians and the Germans, if you are looking at equipment and industrial machinery. If you are looking at the larger industrial investments such as power generation it is the Americans. In the insurance sector it is also the Americans.

Senator MARGETTS—So the major competitors are not competing on a wage basis but on a technology basis?

Mr Wahid—Yes, that is right.

Senator MARGETTS—What is the trend in wages for either skilled or unskilled workers?

Mr Wahid—In India the standard of living is increasing. You can see that by the expansion in the middle class, which will have downstream impact on the wage levels. You must remember that India does not really have a formal social support or an exit system or policy. That is going to put the lid on any rapid wage growth. It differs in specific industries, but across the board you are not going to see a great increase in the wage levels. I believe that they will be competitive in many areas of production.

Senator MARGETTS—Are they staying steady? What is the trend? Can anyone put me towards where I may look at that?

Mr Bailey—The trend would be that the Asian tigers are probably finding that their wage levels are now increasing. India will probably have a comparative advantage against countries such as Korea, China and Indonesia. I throw that up as a suggestion; someone needs to do the homework to work out whether that is so but my gut feeling is that that is the case—wage levels in India are comparatively less than in the so-called ‘Asian tigers’ where increasing productivity and prosperity is gradually forcing wages up. Places like Korea are now experiencing quite strong wages growth.

Senator MARGETTS—What is the situation regarding the level of unionisation of workers?

Mr Wahid—There is quite a high degree of unionisation. Some are more influential than others. The waterfront workers are a very militant and powerful group. There is also the insurance employees. They do sometimes tend to slow down reform but that is another process that India has to address.

Senator MARGETTS—Are they mainly male industries where they are unionised? Is it mainly male employment where there is a high level of unionisation?

Mr Wahid—Generally, yes. For instance, I think the bank employees union is yet another strong union. I would say that perhaps the bank employees union has a fair level of involvement of women because there are quite a few women bank employees. I would say that the waterfront is probably more male dominated than the others.

Mr SLIPPER—A few years ago I was in Indonesia and I visited a factory, which was Indian operated and Indian owned and which had relocated its operations from India because of industrial relations problems in India. They said they had nothing like the problems in Indonesia that they experienced in India. That follows on from the line of questioning of Senator Margetts and, of course, that would indicate that in some respects India has had a lot of the problems that we have had in that area.

Mr NUGENT—Both former British colonies, which Indonesia is not.

CHAIR—Spoken like a true pom.

Mr SLIPPER—I was trying to think of a politically correct way to say that.

Mr Bailey—India is a pluralistic country with a democratic tradition—I will not say any more about other countries. Certainly, that means that people have a greater sense of being able to say things and greater freedom to demonstrate and do things than might exist in other countries in that region. That comes at a cost, as we know. Democracy is not a perfect system; it is an expensive system. To be fair, I guess it has to be expensive. That is probably enough said on that score.

CHAIR—I ask you, from your perspective in your Chamber of Commerce role, about the stagnation in the last 12 months. India came through a period where it was totally oriented towards the Soviet Union and then came out of that. We had a period when there seemed to be quite spectacular growth, more in some sectors than others. The impression is that, in the last 12 to 18 months, it has tended to flatten out a bit economically. With the concern about the baht and the general perspective that perhaps the Asian tigers do not have that solidity of performance for the future that was originally automatically credited them, how do you see India rating?

India seems to me to be a country, as I said to somebody earlier today, full of promise but never quite realised. I just wonder how you, with your far closer interface with a range of states and people in India, would see it?

Mr Bailey—India potentially will be one of the strongest industrial countries eventually. The problem it has experienced over the years has been to perhaps secure the general infrastructure of the society. Someone put it to me this way: in China they have tried to get the economic situation right first and then they will worry about the politics later, whereas in India maybe it is the other way around, with the politics being addressed first, almost as a necessity following independence from England in 1947. That process has eventually settled down and the economic reforms have followed on. But we still have a long way to go to make sure that those reforms are evenly matched with development across the country.

Mr Wahid has spoken of the fact that you have lots of small holdings in the farming sector which create enormous problems of distribution and so forth. The same goes for retailing and other forms of distribution. Until those things are ironed out, you will not see perhaps the enormous headlong rush of development that you have had in the Asian tigers. My feeling is that a lot of good things are happening in India generally, and we will see the fruit of those things within the next five to 10 years.

CHAIR—Is not part of the problem the fact that India does not know where it is?

For years it has looked towards Europe and, for a while, towards the Soviet Union. Now, suddenly, it is trying to work out whether it is an Asian country or not. What do you think it is?

Mr Wahid—I think it is still a land of promise and a large proportion of that promise will be realised. We must not forget that it has only been 50 years since India really started coming out on its own and started doing things. Sure, there was that leaning towards the Soviet Union, and when what happened to the Soviet happened India was left in a bit of a vacuum. Also there is the fact that there are 920 million people that it has to drag along with it. I guess then it is a question of benchmarking and of relativity.

How do you compare India? What country do you compare India to in order to say whether the changes that are happening there are fast enough or are not fast enough? I do not believe there really is another example that you can relate to India and say, 'If they had done that, this would have happened,' or, 'If they do this they can improve.' It is also a functioning democracy and very conscious of maintaining that democratic perspective or perception.

These are some of the problems that India has. They have to find their own solutions. I do not believe there are any ready made solutions to the problems that they are facing. Therefore, it bears out that one has to be involved in the long term and be seen more as a partner in helping them to grow than in trying to tell them, 'Look, we are here to sell a product.' I believe Australians are good at being able to give them that feeling of partnership and saying, 'We are not here just to sell a product to you, we are here to help you grow.' That is one of the things that came out in the survey too.

Mr SLIPPER—We have the Australia India Council, the Australia India Business Council and the Australia India Chamber of Commerce. It seems to me that there could be some duplication. Would we achieve a better result if all of those organisations and maybe others worked together or if there was one organisation rather than a duplicating of the same function and role?

Mr Bailey—Certainly there is cooperation between our chamber and the Australia India Business Council. As I said earlier, our chamber is aimed more at the smaller to medium sized business entity; the council is aimed more at the larger organisations like BHP. But there is no reason why there should not be some general umbrella whereby all those bodies coordinated their efforts.

One thing that continues to worry me about Australia is that we have lots of bodies doing the same sort of thing and, when you analyse it all, the same group of people are usually involved. We have to marshal our resources a lot better and take on board your comment and try to improve the efficiency of what we do here. It is a well-made comment but the question is: how do you go about making sure it is taken up the right way and that the organisations do cooperate? As for putting them all together, that is

probably a task beyond us. We have certainly tried in different ways to coordinate our functions.

CHAIR—I apparently before implied, as one of my colleagues said, that the baht was the currency of India. Of course I did not mean that; I meant the instability of the baht, which is reflected in the currency, and the instability in some of the other countries of Asia. As with the rupee, it has not looked as secure as it might be. Perhaps it is not reflected to the degree of the baht. So I was not implying that the baht suddenly was the currency of India.

Thank you both very much for appearing. If you do have any additional material or there are any other matters that you would like to raise with us, please let us know. Obviously it is a bit of a difficult task trying to work out what we say about the potential of a country that, as you have suggested, has enormous potential but, demonstrably, it is important that we do get as much background as we can. In particular, if you have any comments or recommendations about things the government might be able to do or that we can do in Australia to try and encourage the trade relationship perhaps you might let our secretary know. We would be happy to have your suggestions.

[2.28 p.m.]

ANAND, Mr Dinesh Dev, Senior Manager South Asia, Australia and New Zealand Banking Group, 100 Queen Street, Melbourne, Victoria 3000

MAITLAND, Mr Alister Thirlestane, International Adviser, Australia and New Zealand Banking Group, 100 Queen Street, Melbourne, Victoria 3000

CHAIR—Welcome. It is obviously important to us to try and get as broad a cross-section as we can of the Australian-Indian connection. I do recognise the very important role that the ANZ Banking Group is playing, through Grindlays and your other incarnations, not only in India but elsewhere in our region, so I think it is particularly helpful to us that you have seen fit to come and join us today.

The proceedings, although we do not require an oath, are legal proceedings of the parliament and warrant the same respect as proceedings before the parliament. Obviously, evidence given, though not under oath, is important and a deliberate misleading of the subcommittee is the same as contempt of parliament. The subcommittee prefers all evidence to be given in public but, should you wish to give any evidence in private, please ask and the subcommittee will give consideration to your request.

We have a submission from the ANZ Banking Group—submission No. 59—and one from the Australia India Business Council—submission No. 41. Mr Maitland and Mr Anand, you might like to make an opening statement, and then we can proceed with some questioning.

Mr Maitland—On behalf of both organisations—the bank and the business council—can I say that we are very pleased that the government has taken this initiative to look into India. There was the new horizons program last year. It, for the first time I think, put a more friendly face on Australia's interests in India. It gave us some recognition. It is very hard for 18 million people to get recognised amongst 900 million plus people in India, and it is only when you have big concerted efforts that you somehow get some ongoing recognition. This is the year of South Asia for the Australian government and, having a continuing focus on South Asia—and particularly India—becomes important because, if you do not keep up the presence, then the effort you have spent in the past tends to dissipate very quickly.

One looks at other countries, particularly Germany and America, which have a number of trade missions and economic missions constantly visiting India. That does keep up a profile. Australia to date has had a few high profile visits but, really, fairly small in relation to the potential that India offers. Everybody talks about India in terms of a promise, but is it being delivered? One can forget one's own history, but the speed of change in India since the early 1990s has been considerable. It has come away from being a very closed economy. You were commenting before on its closer links to the Soviet

Union. After the disintegration of that body, India probably found itself less well known in the rest of the world, but it has made big strides in the last five to six years to correct that position.

As a bank, the ANZ has had an investment in India through the purchase of Grindlays Bank, which goes back about 147 years. There are 57 branch licences granted to us and we operate across the whole country. We did have a peak staff of just over 4,000. Today that is 3,500. We could have a discussion about the role of English. The reality is that, for most of our business life, English is the one mode that is common. Even when we transfer staff within India we find that, while they can speak the local dialect, when they move to another part of India they cannot speak that dialect, so they end up using English as the common medium of exchange. We find it beneficial that the bulk of our staff are, in fact, Indian nationals. Not only do they work for us in India but in many other countries of the world. The fact that they have the local custom, the local idiom and the ability to absorb the local languages and understand local people is a very important part of our successful operation there. It enables us to help other companies which perhaps do not have the depth of language skills and local customs skills to get them established in India. I think with those few remarks, Chairman, we might take questions.

CHAIR—One of the aspects of your operations—actually, there was something else that you said which I will pick up on, too—in recent times that I have found very interesting and, from Austrade’s point of view, very rewarding is the link that you have now developed with Austrade. I gather that you have, in three cities, your offices being used by the Austrade representatives. I wonder if you can tell us a little bit about how you see that arrangement from your point of view, and perhaps I can proceed to the other question then.

Mr Maitland—This is part of the wider memorandum of understanding the ANZ signed with Austrade a year and a half ago, I think, where we offered to make our offices available throughout the world to take inquiries relating to Australia from companies looking to import from Australia and separately those looking to invest in Australia and/or people wanting to get contacts with Australia.

In India we developed that a little further and, recognising that at that stage we had 56 branches and Austrade, from memory, has two key trade representatives there plus support staff, it is a huge country for two people to cover. By making some of our offices available, it helped increase the presence of Australia and, from our point of view as a banker from Australia, it gave added emphasis to the Australian connection. While the bank in India is known as ANZ Grindlays, it would be the Grindlays name that has instant recognition. You would get out of the airport in Mumbai and say, ‘Grindlays Bank, 90 MG Road,’ and you would be taken by any taxi driver to your destination. I think if you got out and said, ‘ANZ Bank, 90 Mahatma Gandhi Road,’ you could end up anywhere. It is that recognition of the Grindlays name which is important.

Linking it to Austrade and then Australia, it gave Austrade a much greater coverage and spread. We take the inquiry in, we can handle the initial processing, refer it to Austrade and provide office space and limited secretarial assistance. More importantly, when the Austrade person visits, they have got a base, a constant place to be at. It is not this hotel room this time and another hotel room the next time; there is one permanent point of representation in that city where anyone having an Australian interest will gradually come to understand that if you want information on the opportunities to trade with or invest in Australia, there is a point of contact.

CHAIR—So in India you now operate as ANZ Grindlays, not as Grindlays ANZ.

Mr Maitland—Round the world we would have ANZ Grindlays as the preferred nomenclature. It is different in some parts. In Nepal, for instance, where it is a 50 per cent joint venture with the major Nepalese bank, it is Nepal Grindlays Bank. We will change that gradually to get more ANZ into it, but invariably we seek to see ANZ Grindlays or straight ANZ Bank.

CHAIR—It is obviously always a difficult business changing your flag, whatever the flag might be.

The other question related to something you said. We had a number of academics this morning telling us how significant Hindi-Urdu was. It is the second most widely spoken language in the world and one which is spoken still by a large percentage of the people in India whereas English is spoken by only a few. What you have said in your opening remarks runs contrary to that. You said that you have found English as a language of commerce has been satisfactory, whereas they suggested that certainly in culture and every other form Hindi-Urdu was a far more persuasive language to use. Obviously those who work in your banking staff would have Hindi-Urdu, but I was interested in the emphasis. You do not find the language and the emphasis on English a disadvantage in your presentation?

Mr Maitland—I think there are a number of levels to this debate. If one is getting to the cultural and social side then understanding of languages and culture and the training and teaching of those bring an added dimension. But I think there are 14 languages in India and, while Hindi-Urdu, the twin group, is the most widely spoken, it is not universal itself. Staff who might come from a particular area with a local dialect will not find that dialect spoken in other parts of India. They will then have to revert to Hindi, which they may or may not have, or English becomes a more common medium of exchange. I think it is possible to do good business in India with just the English language. The court system is running in English. The official regulations from the Reserve Bank get published in English. They might also get published in Hindi, but you do get them in English.

As a bank, where the bulk of our staff are local nationals, we do in fact have the languages. These are full-time employees who speak the 14 languages of India. That is

extremely helpful. But, as a foreign investor in India, we have not had to provide education in local languages for our staff to be successful there. The submissions that come from the academic side would point out that having some understanding is an added benefit and understanding culture and languages is very important.

When you come to industrial relations, our local personnel man in India is an Indian so he has that natural ability anyway. We at the bank invariably try to see that we get as many locals as possible in the key jobs in a country. We would aim to have locals run our operations in their countries from time to time. But they have to be at that world standard where they can run operations in that country plus another one. For example, the man running the ANZ Bank's operations in India is an Indian. He spent most of his career with Citibank and in the last part of his career has joined ANZ Grindlays. For a long time, we had a Jordanian running our operations in Jordan, but at the moment we have an Englishman running our operations there. So it varies, and we mix them up. For the first time we have a Bangladeshi running our operations in Bangladesh today.

CHAIR—Mr Nugent's subcommittee has just completed a report on Hong Kong, having an eye on the handover on 1 July. One of the things that quite interested me as a lawyer was that they are quite concerned by the suggestion that the laws in Hong Kong may well be in Mandarin rather than in English in the future. In the banking world, are all your contracts negotiated in English or—

Mr Maitland—No. It depends on the law of the land. In China, for example, our contracts are in Chinese.

CHAIR—Mandarin.

Mr Maitland—In Mandarin. So when we are talking about mainland China—to distinguish it from Hong Kong—our correspondence with the authorities there is in Mandarin.

CHAIR—And in India?

Mr Maitland—In India it is invariably in English.

CHAIR—That is because their law is essentially in English, I suppose.

Mr Anand—It depends on what level of court you are in. If you go down to the panchayat—to the village areas—then the judicial proceedings would be in the local languages.

CHAIR—That is the concern in Hong Kong. They are introducing Cantonese at the lower level courts—

Mr Anand—How far up the language—

CHAIR—And they are worried about how far up it goes. Because the precision of one language is that you know exactly what is going to be there, whereas, as soon as you start introducing another language, you get one word with a slightly different nuance—

Mr Anand—The administrative language and the language of higher education has always been English in India. So I would imagine that it would be less easy to do in a place like India than somewhere else.

Mr Maitland—Many national countries run their local language as their legal administrative language. In France or in Germany, we deal in those languages in those countries.

Mr NUGENT—Mr Maitland, wearing both your ANZ Grindlays and AIBC hats—in both capacities you must have had a lot of Australian companies coming to you with a view to doing business in India—could you give us a feel for what you see as being the key problems and difficulties that those companies have to come to grips with in India that they might not have to come to grips with elsewhere in order to be successful?

Mr Maitland—For a company or individual contemplating investment in any foreign country—or commencing trading activities and looking for agents and partners—it is very important to do your homework to fully understand the nature of the events you are going into and the people you are working with. In the case of India, there has been a degree of bureaucracy about the process. That can be frustrating to Westerners at times, because of their need for more instantaneous decisions. That is improving significantly in India. Since they implemented the foreign investment promotion board and undertook to provide answers on major investment projects in six weeks, the process is speeding up. But, like most things in countries with well entrenched bureaucracies, it is easy for the law-makers to pronounce what will happen; the mechanics of it actually happening take a little longer to follow through. One of the strengths the bank brings to this is being able to work within that understanding and watch how you can usher something through.

For a long time, you virtually had to seek approval department by department in the government. Today it is more likely that you will get a single set of approvals and only the additional parts of those approvals will be department by department. That is the official standing of what has been announced. Yet occasionally you will run into the position where a particular department or subgroup within it wishes to go back to square one and look at everything again. So there is that frustration.

My experience has been that, for reasonably sized investment projects, it takes about two years from go to thinking about it, working it all through and actually getting to making it happen. I cannot recall statistics accurately, other than in a conceptual frame which says that, compared with most countries, it has taken a little more time and effort

by management to get investment established in India. But, once that has been done, the return tends to be above the international average.

Mr DONDAS—I have a question for Mr Maitland. In 1986—11 years ago—AIBC was formed. In 1992 we had the Australia India Council, and Australia India Pty Ltd was formed. Was that formed as a breakaway group to promote self-interest or vested interests? Would it not be confusing for somebody in India to find that there are two organisations in Australia trying to promote Australia's commerce?

Mr Maitland—Yes. I heard you asking that of previous witnesses. This is one of the issues for Australia. In a free enterprise system, having competing bodies is inevitable. But there is strong cooperation between them. The Australian government has been the funder of the Australia India Council. Until fairly recently, to a large extent it has been involved in the arts, the cultural and the social side and less in the business side. With its present chairman, Jim Kennan, there has been a significant increase in the business activity.

I am not sure whether your committee has received the *Australia-India Focus* publication which was released last week. It is a joint effort between Austrade, the Australia India Council and the Australia India Business Council, where we pooled our resources to put out a common letter. At the end of the day, the private sector will say that there is room for competing bodies because, if they meet particular needs, then like interest groups get together. It is also true that, for the ANZ Bank, there would be probably 40 of these bodies in which the bank is involved in bilateral relations.

If you are dealing with Korea, it is important that there is a group that looks after Korea. The same goes for Japan, the Philippines and Taiwan. There is PBEC, which tends to pick up a lot of those. There are now APEC groupings. So there is a proliferation, and it is true that the same people tend to get involved in a great majority of them if they have an interest in that area. The bank is in 42 countries—we cannot afford to ignore any of them, because each one is important to us. India is particularly important in the sense that it is our largest single investment outside Australasia. But, then again, we are the largest foreign bank in Pakistan, Bangladesh, Nepal and Fiji.

CHAIR—What about the Grindlays arm?

Mr Maitland—Fiji was the ANZ arm; the others were in the Grindlays arm. So it lends a sort of need to be helping in this area. In terms of getting cooperation, the business council has chapters in Sydney, Melbourne and in Perth, and we work with people in Adelaide. Some of the firms are more state oriented, and the business council tends to cater for those that are more national in their distribution. The chambers of commerce tend to pick up those which are more state based.

CHAIR—I certainly have not seen that publication.

Mr Maitland—We are happy to leave one with you. In India, for example, there are about three bodies that we deal with. I will get Dinesh to help me out because I can remember only their initials.

Mr Anand—There is the counterpart of the Australia India Council, which is the India Australia Council. Then we have something called the Australia India Business Council here, so it is the India Australia Business Council there. We have joint business council meetings with the JMC meetings here with that. Then there is the Australia India Chamber of Commerce—the previous speaker Shabbir Wahid spoke about that—and the counterpart to that is the India Australia Chamber of Commerce. In Indian industry there is no one centralised body which represents industry there either. They have the CII which is the Confederation of Indian Industry, FICCI and ASSOCHAM and so forth.

Mr DONDAS—In terms of the Indian Ocean rim which has come to the fore in the last five to 10 years, what role do you see the ANZ Bank playing in its development, not as the AIBC—the Australia India Business Council—but as a bank?

Mr Maitland—I guess this goes back to the Gareth Evans second tracking concept when the Indian Ocean rim forum was established. We did not attend the first meeting in Mauritius but we did attend the meeting in Perth. The bank has been supportive of the government's efforts to create the type of dialogue that can take place without quite the formal recognition that comes when you advance that body to a stage like APEC. The discussion that takes place in the Indian Ocean rim is important to the ANZ because we are in many of the countries of the Indian Ocean rim. For us it provides another outlet for people with like interests who are meeting to look at ways of enhancing cooperation, trade and investment as well as some of the other goals the Indian Ocean rim has as its objectives.

Mr SLIPPER—In India you mentioned that the ANZ, through the Grindlays arm, is the major foreign owned bank. Do you trade as Grindlays or ANZ?

Mr Maitland—It trades as ANZ Grindlays but the trade name out there in the market that is well recognised would just be Grindlays alone. Grindlays is 100 per cent a subsidiary of the ANZ Banking Group.

Mr SLIPPER—One of our earlier witnesses criticised Australia's visa rules and regulations as inhibiting exchange of business contacts. If you were the Minister for Immigration and Multicultural Affairs and you had control over our visa regulations, what would you do to smooth the passage of business travellers or to facilitate a better arrangement between the two countries?

Mr DONDAS—I would not like to be Philip Ruddock.

Mr Maitland—I think there is a whole range of issues that come into this. The

Trade Policy Advisory Council has, in fact, been having this as a topic on its agenda with Alexander Downer, the foreign minister, and the trade minister, Tim Fischer, heavily involved.

Could I mention APEC for a moment? As you know, there is a movement within APEC to set up an APEC business card and, in fact, I have one. I think only two countries, at the early stage, are participating. That type of ability to have pre-clearance when you are constantly travelling is of great assistance. In the case of India, it is possible to get five-year visas for Australians visiting India and that is what I hold. It is, in effect, not a hassle once you have your visa the first time.

To the extent that business is far more international and events are happening more quickly, the ability for business people to get on planes at short notice and make visits is clearly something that is important to doing things well. I have not found the relationship with India to be constraining to the extent that it would inhibit trade at this stage. I would have thought the moves being made with APEC, which I see as a sort of trial for what might possibly come down the track, are all moves in the right direction. I am not in a position to balance up the need for governments to monitor the citizens visiting their country against those purely for business interests where most business people would like unrestricted entry.

Senator MARGETTS—I was wondering about what the level of computerisation is within ANZ Grindlays in India? I know you have problems with power supply so I was curious about the level of computerisation within your branches. How are your branch staffing levels compared with Australian branches?

Mr Maitland—At a very broad level, power generation and supply in India is increasing at a very rapid rate but nowhere near fast enough to keep up with the demands being placed on it. Certain cities of India have considerable brown-outs and that does interrupt computer operated equipment. Up till now we have run our 56 branches in India as stand alone. They have computer facilities within their branch and they tend to send disks down to a central point for coordination.

We are in the process of putting a communication backbone between the branches in India, which will be relying on landlines and very little on the satellite or microwave. The big expenditure the ANZ group is making in India at the moment is the implementation of a new computer system that will be bringing every branch onto the same system and relying heavily on the communication backbone.

It will be our communication backbone so it will give us some degree of security. In practical terms, it is triangulated so that there will be three ways for any message to go. Packet switching network equipment today makes that a relatively simple task. So in getting India into the computer age what would have been most difficult 10 years ago today is now possible.

It is very hard to comment on the staffing levels because there are rules and regulations about banking in India that are quite different from those in Australia. But the bank's staff numbers in India in the last year have reduced by about 556, partly as a result of streamlining and partly in preparation for getting a common banking system across all of the branches in India.

Senator MARGETTS—With regard to those rules and regulations, are they just for investors or is that in general?

Mr Maitland—Generally, it is domestic requirements of the Indian reserve bank and other authorities that things be done in a particular manner or in a certain fashion in India, which would not be common here in Australia.

Senator MARGETTS—Just to clear up the picture in my mind, you still have ledger machinists and people keeping manual records and so on?

Mr Maitland—Today there would be far more manual record keeping in India, but in 12 months time there will not be.

Senator MARGETTS—What percentage of your local employees are graduates?

Mr Maitland—I cannot give you that figure, but I can get it sent to you—unless Dinesh can remember it.

Mr Anand—It would be a very high percentage. In fact, there would be two or three different levels of entry in the bank in India. Most of the people at the managerial level would probably be postgraduates and at the officer level graduates. I do not think we would have taken too many people not at the graduate level.

Senator MARGETTS—Even tellers and so on would be graduates?

Mr Maitland—We could give you the figures. As an observation, we have a considerable number of female managers, chief managers and senior managers in India. The work force is highly educated. A lot of the degrees are obtained outside India. If you went to our Mumbai head office, you would find a very healthy sprinkling of Oxford and Cambridge degrees and graduates from leading American universities.

Senator MARGETTS—Apart from the regulations that the reserve bank applies to all banks in India, are there special conditions about staffing and employment creation that are applied to investors, say, in banks if they invest in India?

Mr Maitland—In general terms, we are not treated differently from the Indian domestic banks. Is that the thrust of your question?

Senator MARGETTS—Sort of. I am just curious as to what the general conditions are for, say, Australian companies investing in India; for example, how many people you employ. Are there any kinds of investment conditions?

Mr Maitland—Not to my knowledge. I am not aware of any condition that says, ‘You must employ X per cent of locals or foreigners.’ We have had complete freedom in sending expatriate staff to India. When we talk as a bank in that regard, expatriate is just anybody who is not Indian domiciled. There are a lot of staff from the Middle East, New Zealand and Australia, for example, who have been in India. Just as we would have a huge number of Indian staff because of their level of education and overall capabilities, in many of our 42 countries of operation.

Mr NUGENT—In your opening comments you remarked on the appropriateness and the timeliness of this particular inquiry and very correctly picked the sorts of reasons why we chose to do it now, of course. Are there any particular recommendations that you would like to see come out of this inquiry that would actually help in terms of the Australia-India business relationship?

Mr Maitland—To background that a little, it is very hard for Australia, with 18 million people, to keep the level of presence in the countries in which we clearly have a trading interest. It is so easy to say about some of the countries that have potential but often have a slightly more difficult bureaucratic procedure, ‘Why don’t we go somewhere that is easier?’ I guess if you took marketing warfare as your marketing strategy you would say that no general ever crossed a wide ditch by taking half a step. You actually have to go the full way and be determined to succeed.

At the same time, countries that are developing and opening up and changing their basis for admitting foreign investment and encouraging trade, if you get the high ground at the early phase of that development someone will have to take it off you. If someone else has done it from another country you have to go in and take it off them, and that is a lot harder. But I recognise that in Australia we tend to have limited resources to handle what are huge opportunities in many countries.

In broad terms, the submission made by the bank really highlighted some of the differences between China and India. Both are the world’s most populous countries and both are seeking a lot of the world’s uncommitted investment capital. China started the process about 10 years in front of India and China has been receiving a huge amount of investment capital. In the last 18 months, India has started to receive something comparable to what China has been receiving, so the attention going to India is clearly picking up.

If as a country you wait until it is so obvious to every other country that the opportunity is there it is a lot harder. So my encouragement would be to say, ‘Australia is a trading nation. We get our standard of living and our wealth, beyond what the 18

million people create internally, by trading externally.’ India is one of those opportunities for trade because what was a very closed economy until the middle of 1990 is now becoming a more open economy. There are little things around the edges where there are tariffs on things like fine wool that India itself is not a producer of—that sort of thing is irksome. As you know, we are joining in an action for the WTO. I do not think this upsets India—it is just the appropriate body. It is something the WTO has brought together to provide a mechanism for that type of debate to take place in a structured format. Those mechanisms will help but, at the end of the day, it needs government support and understanding for a private sector that is trying to increase the opportunities for trade and investment for Australia.

CHAIR—Would you say that the lifts in investment that followed those relaxations were a part of the WTO negotiations in changing the general climate for operation of financial services which were introduced in India?

Mr Maitland—In India’s case, less so. It has been only more recently that those things have come into play. For other countries of the world it has had a bearing. It certainly was of assistance in China, for example, where the pressure put on the Chinese because of the WTO enabled the market for Beijing to open up—and ANZ has received one of the 10 licences for operating in Beijing. We would like to think that that was clearly on the merits of the organisation, but it also recognises that there is a general move, for those who are members of the WTO, that opening up is not just for trade—which is where the great emphasis was under the Uruguay Round and the GATT regulations—but is also encompassing services. And the world has not been as good at seeing freedom in services as they have been in seeing freedom in trade. Yet, interestingly for services, the technology behind it has probably outstripped the ability of most of the law-makers to keep pace. The Internet itself has allowed transactions to take place well beyond what the law-makers envisaged within national boundaries, say, for financial services.

Mr NUGENT—When you say that you would like to see government being more supportive and provide more help, what sorts of measures are you talking about?

Mr Maitland—The help that I think is most beneficial is when you have visits by senior ministers and promotions like the new horizons program which, after all, followed on from Indonesia 94, and Celebrate Japan, which I think was prior to that. It is getting that recognition to allow the private sector to operate in a climate of, ‘Yes, we are hearing about Australia.’ It is very hard for the private sector to go to countries and not only have to explain who your own company is but, after all, what is Australia.

I will tell you a little story, Chairman. Correct me if I am wrong, Dinesh, but I think it was the foreign minister for India, Salman Khurshid, who visited 2½ years ago on his first visit to Australia. I happened to host both his first and last dinners for the government. I said to the minister at the final dinner, ‘What was it you knew about

Australia before you came and what have you found since you have been here?' To paraphrase what was a fairly lengthy response he said, 'I knew nothing about Australia before I came. No, not true. I knew you had a great cricket team.' I must say, you can go anywhere in India and if you do not have one topic of conversation, you can always get to cricket and you will find instant recognition. He said, 'Apart from that, when Prime Minister Rao said I was to come, I started getting briefs and I was told that there are nearly 18 million people. I told myself that that's a pretty big city. I get to Australia and find this big city spread over a very big country. You've got some remarkable infrastructure facilities; your roads, your bridges, your ports, your airports and your buildings in the city are of excellent standard, but there is no-one in them.' So that was the perception.

What happened after that was that some of the dryland farming techniques that Australia has are particularly applicable to India, so there is more cooperation taking place at that level. I tell you that story partly to emphasise that it is very hard to get recognised. Even ministers of another government do not necessarily come with an understanding of what Australia is. I seem to recall that one of the early bits of research before the new horizons program was that if they—in the general sense of that more outward looking group—knew much about Australia they knew little about the real structure of this country. It was the beaches, the surf and the cricket. But about the structure of our country, the strengths and weaknesses and the skills that we have to take abroad, there is very little understanding.

Mr NUGENT—So you are really saying that the key role that you would like to see from government is much more salesmanship rather than direct financial business support.

Mr Maitland—Yes. I think opening the doors, keeping the presence and flying the flag enables the private sector then to move in and do what it does best, which is getting on with the deals and the transactions. That does not need financial support from government so much as it needs government to open the door. Mahatir has just been to—I had better be careful where I say—another country and he has taken his helicopter. He lands it in the grounds of a major corporation and walks in and says, 'We're the Malaysian government and we are here to see what deals we can do.' That is a pretty direct approach.

I am not going quite that far but one of the developments that has taken place right now is that there will be a joint ministerial meeting in early September with the commerce minister for India and the Australian government officials and ministers. The joint business council will be holding a meeting the day beforehand, then the minister who will be attending that meeting goes on to the government meetings. On the second day there will be joint meetings between the bureaucracy or the officials, ministers and the private sector. At that meeting it is envisaged that problems about the relationship—any inhibitions to doing things better, from either side—can be put on the table and discussed

to see whether some of those issues can be addressed. To me, that is a step in the right direction.

CHAIR—Where is that meeting taking place?

Mr Maitland—The business council meeting will be taking place in Sydney and the joint ministerial meeting will be taking place in Canberra.

CHAIR—A state owned financial institution used to have a preferential regime in tax and all sorts of things. Does that, to any degree, still continue? I know they are supposed to have eased the financial system a bit, but state owned enterprises were always given a big advantage. Is that still so?

Mr Maitland—Here or in India?

CHAIR—Both. We have a Hilmer report which is supposed to be addressing the latter, but I wonder whether there is something happening in India.

Mr Anand—It is not just the financial institutions; it is all foreign companies operating in India. Once you get a licence to operate in India, everything else becomes almost identical to what prevails as far as an Indian company is concerned. In some specific situations, like where you are a 100 per cent branch of an overseas company, the taxation rates are different. So they do have different tax rates—I am not a tax expert—for a foreign company operating there as a 100 per cent branch or as a subsidiary.

CHAIR—Is that a private company as distinct from an Indian private company or as distinct from a state owned institution?

Mr Anand—It has nothing to do with a state owned institution. It depends on how it has been structured. If it has been formed as a corporation under an act of government by the state or the centre, of course, the situation is different, but a lot of the state owned companies are actually corporatised, in which case they are treated like every other.

CHAIR—What about infrastructure? Are you involved with much infrastructure development? What stage is that at? Is the private sector or basically state owned enterprises involved in it? The World Bank is involved but I just wondered how an organisation like ANZ-Grindlays sees its role in those sorts of things.

Mr Maitland—We are a financier of the infrastructure developments of India. We compete with other international financiers to win those contracts. As probably the largest foreign bank in India, we are heavily involved in that area. It comes within the bank's own investment banking division. That has been quite successful in the subcontinent. In Pakistan—correct me, Dinesh—of the 10 contracts let last year, I think we won seven of them as a foreign financier.

CHAIR—What would be the aggregate volume of those—\$A10 billion or \$A20 billion?

Mr Anand—In terms of the advisory—

CHAIR—No, I am saying that if you won seven out of 10 infrastructure, what is the total order of size? Are they multi-billion or are they small?

Mr Anand—In the power sector they tend to range between \$US100 million, which is typically about a 100 megawatt power station, to 500 to 600 megawatt power stations. So if you took it altogether, it would run into a couple of billion dollars. It would be the same if you went across to India and you looked at the total external commercial borrowings that India has done through the corporate sector, the state sector, et cetera, in the last five or seven years. The single largest syndicator of this financing, which again runs into about \$US4 billion or \$US5 billion, has been ANZ-Grindlays.

So we are involved in quite a large way in India for such a sector. It is still pretty heavily public sector owned. If you took the power sector, for example, most of the power stations that are there at present are owned by either the state or the central government or corporations of one or the other.

CHAIR—That actually gets on to that final question I wanted to ask you. In a country like India, where you have an upper echelon that is obviously very wealthy and a growing middle class, you also have a very large percentage of the population that are still relatively poor and living in abject poverty. Does ANZ-Grindlays see itself only as a banker to the upper two or three classes, not in racial terms, or are you embarking on projects to try to help the growth of that growing small business sector, which obviously is going to be the dynamic part of changing the face of India?

Mr Maitland—We see ourselves as a niche banker in terms of the total Indian population. We do not have the skills or the background to bank the lower income groups, so the bottom two-thirds of the Indian population would be outside our horizons. We need to keep it in perspective. Even the bit that we look at is probably five times the size of the Australian population. So with 56 branches serving a potential market five times the size of Australia, given the number of branches we have in a country like Australia, we see tremendous opportunity to do more. Increasingly, that will be done electronically rather than through bricks and mortar.

CHAIR—Who owns the land? Is it state owned or is it individually owned? In Australia, home lending—this is related to that last question—is a major part of banking business. But in India, I gather that by the time people reach those upper echelons, they are starting to build middle-class housing, you are getting high rise housing developments around the bigger cities and, of course, you are getting factories and commercial developments.

In the operation of your business, you would essentially look to, as you say, niche banking, but in ownership of the land lies the core to that future development. Do you take mortgages and do you operate in the same way as you do in the Australian market in that housing sector?

Mr Maitland—I will let Dinesh answer on the ownership of the land first.

Mr Anand—The ownership is mixed. In some cases there is direct ownership of the land by the individual, but in a very large number of cases it is on 99-year or similar leases from the government, either the state or a government entity. They tend to extend the lease arrangements reasonably generously without too much of a problem. For example, we have a property in Mumbai, the DN Road branch—the old Lloyds Bank branch—which we own. The 99-year lease came up for renewal and it was more or less automatically renewed without too much of a problem. It is not really too much of an issue to get the lease itself renewed. The way it tends to operate is that getting the access is a problem but once you have that it is not too much of an issue.

CHAIR—Do you treat that as a mortgageable asset in the normal sense?

Mr Anand—If you have a long-term lease, yes. Apart from the lease itself, home lending has traditionally been the purview of, again, specialised banks. If you see the way the Indian financial institutions have developed, they have tended to have specific financial institutions catering to different needs of the country. They have a shipping credit and finance corporation for the ships, and they have something called a housing development finance corporation set up basically to fund housing development. They are then able to raise finance—semi-government as well as others—often at concessional rates or relatively cheap rates. Therefore, they are able to fund cheap housing loans. Alternatively, people tended to have large life assurance policies against which they borrow, again, at concessional rates one way or the other.

The housing development market by private banks is a relatively recent phenomenon to start with. It used to be basically your employers giving you a loan or going to one of these specialised agencies to get a housing loan. It is not a market like it is here where it is commercially funded by the commercial banks and every other financial institution you can think of. It is quite different from that.

Mr Maitland—It is only in the last two years that we have offered housing loans in India. Up till now the lending has been very much directed towards the corporate sector. With the growing small business sector, we need to get to definitions because India is full of small business where typical loans are just a few hundred dollars. We are not in that part of small business. With growing consumerism in India, with the rise in the disposable incomes of an increasing middle class by an income definition, the bank is expanding into housing loans, credit cards, and facilities for lending to private individuals as distinct from a business or corporation.

CHAIR—Thank you very much for your time and your contribution. If you have any additional information you want to provide to us at any time before we complete our report we will be very happy to receive it. You can send it to our secretary. We will be looking forward to hearing of how ANZ Grindlays continues to flourish, under whatever name.

[3.26 p.m.]

WHITE, Mr Barry, Group Manager, International Wool Operations, International Wool Secretariat, Wool House, 369 Royal Parade, Parkville, Victoria

CHAIR—Welcome to the proceedings of our inquiry. Although we do not require you to take an oath, the proceedings are legal proceedings of the parliament, with all the consequences that flow from that. We would prefer all evidence to be given in public, but if you want to tell us anything in private just ask us and we will be happy to consider that. Would you care to comment on the capacity in which you appear and then make an opening statement?

Mr White—Thank you. My role with the International Wool Secretariat is primarily a market development activity, so I am directly involved in the development of new markets for the Australian wool industry. India is very rapidly becoming one of the most important markets for the Australian wool industry. Currently, it is No. 8, but there is substantial investment taking place at the present time which will see it rise on the list over the next few years. It is a market which is currently worth around \$140 million to the Australian wool industry. As I say, I think we expect that to at least double if not treble over the next 10 years.

In terms of our priorities for new markets, China has been the most important priority for us since about 1990-91, but India, as I say, is rapidly assuming a higher priority and is currently No. 2. So we do place a high degree of emphasis on the developments that are taking place in the subcontinent.

CHAIR—It has been said that the whole nature of the textile industry is changing. I suppose when you look at the technology of it it is inevitable. Just looking into the future, you say that the market will double, but surely part of the problem is what you are going to produce. Is the demand going to be for products other than the products such as those in the developing world, in particular India, can actually weave or whatever?

Mr White—I think that that is a very relevant point. I think there are two issues there. Firstly, the investment that is going into India at the present time would be what we consider state-of-the-art technology. It really is quite modern. And if you are contrasting perhaps the developments that have taken place in China compared to India, it is this emphasis on quality and the best technology available which is characterising the overall development of the Indian wool textiles sector.

With respect to product, I think one of the major issues for us is to see the development of the domestic market. Certainly the upper and upper middle market sectors are virgin territory for wool and particularly for wool blends. I think your comment, Chairman, is a very relevant one: we have to start looking at developing products suitable for that market rather than just transplanting ideas that might be suitable for the northern

hemisphere.

So we see a two-pronged development taking place. One is export development from India—and I think that India is well placed to take advantage of that because of the technology that is currently being employed. Secondly, we see significant growth potential in the domestic market, particularly in the area of wool blends, as incomes rise and income distribution improves. That is qualified to a degree by the extent of retail development that takes place in India. That is a very important factor. Nevertheless, we are taking a long-term view with India, and we see substantial growth potential.

CHAIR—What stage is it at? Is it top making, is it all stages through?

Mr White—There are two sectors in India. One is the knitwear or decentralised sector, which is largely in the north—in the Punjab region. Traditionally, that has tended to be targeted towards the former Soviet Union. That was the principal market prior to 1990. The other sector is what is known as the organised sector, and they are the large vertically integrated mills which have top making and spinning and weaving. Both of those sectors are developing. Obviously, the knitwear sector is having to shift its targets from the former Soviet Union to the developed markets. We are seeing some improvement, particularly in the case of Europe, both in market access—which India is taking advantage of—and the quality of product which is coming out of India. That is reflecting back on the quality of Australian wool which is now being bought by India. That is a major point.

In the other area—the fully integrated mills taking advantage, as I say, of the best technology that is available—we are seeing a fairly significant increase in demand for the finer quality wools from Australia. But it is starting primarily with scoured wool. To a degree that reflects the market access problem we have. India currently has the highest import duties on Australian wool.

CHAIR—What is the level?

Mr White—At the present time—and this is given the recent reduction—on greasy wool, it is reduced from 25 per cent to 20 per cent, but then there was a 2 per cent surcharge placed on that, so it is 22 per cent. For tops, it is 42 per cent, down from 50 per cent.

CHAIR—What about the fabric itself, is that higher still?

Mr White—That is higher again. I can give you the figures on that if you are interested.

Mr SLIPPER—By ‘tops’, do you mean—

Mr White—Wool tops which are processed in Australia and then exported to India for spinning and then weaving—they attract a 40 per cent import duty.

Mr SLIPPER—Are those tariffs on Australian wool or on all wool?

Mr White—There is a differential tariff that applies to what they call ‘apparel wool’. A duty of only 10 per cent plus 2 per cent, making 12 per cent, is placed on non-apparel wool and that is largely the wool supplied—for carpet making, for example—from New Zealand. The differential is at 30 microns—if that means anything. Anything broader than 30 microns attracts the lower duty. So we are being disadvantaged compared to New Zealand. The argument is that, because the rug making or carpet making sector in India is an important employer, the Indian industry needs New Zealand wool to reinforce their own wool to be able to achieve quality. For that reason they give an advantage in terms of import duty. We find that a fairly spurious argument. The New Zealanders have probably done a better job of lobbying than we have.

Mr SLIPPER—Why?

Mr White—They have argued exactly the case I have just put, which is that the rug making sector—and handknitting yarns to a certain degree—is a major employer and that the Indian wool by itself is inadequate and needs to have New Zealand wool blended with it. New Zealand has been able to convince the Indian authorities that there is an advantage through that process.

With the Department of Primary Industries and Energy we have been lobbying most of the Indian government departments fairly strenuously on this issue because we believe that we are quite clearly being disadvantaged and that it is also restricting Indian industry from developing a better and wider range of products and improving efficiency in the processing of their wool. We would argue that that is detrimental to their own interests. Most of the departments have accepted that, with the exception of the Ministry of Finance, which is obviously looking for a revenue neutral result. So we have been unsuccessful in getting a significant reduction in import duties.

CHAIR—Are the people involved in the wool industry a new, overseas investment represented, vertically integrated mill type group or are they people who have previously been using cotton and other materials? Who is in the industry in India?

Mr White—It is a combination of those. A lot of the investment has taken place in established wool textile manufacturers—particularly the family based units. You are quite right; some of the major new entrants are people from the cotton industry who are now diversifying and adding value through wool related textile manufacturing. If not the largest, close to the largest new manufacturing enterprise now in India is one of those groups—the Uniworth Group from Indonesia. Even though they are Indians, the holding company is in Indonesia. They have expanded their operations significantly.

Mr SLIPPER—Do they use the trade name Indra?

Mr White—No, Indorama. They have an operation in Indonesia called Indorama and they have just set up a new integrated wool textile manufacturing operation in Thailand.

Mr SLIPPER—I believe I went to their factory in Indonesia. They said that they had set up in Indonesia because it did not have the industrial relations problems of India.

Mr White—That may be the case. I think that it is also largely the fact that a large part of their business has been cotton based, not wool based. They got other advantages, in setting up in Indonesia, that they could not get in India. The wool related activities in India operate as Woolworths—not to be confused with the retailer Woolworths. It is a very, very sophisticated operation and largely from the cotton industry. I think it has been very good for the wool textile manufacturing industry because they have brought ideas of quality management into the industry that were not there before. So there are some significant developments.

The third point is that there is joint venture activity taking place. The most recent has been a Danish-Taiwanese- Indian conglomerate that has been established also to enter into the wool textile manufacturing sector. There are a few of those around.

CHAIR—You say that traditional industries are in the north but that the newer industry tends to be more in the centre or the south.

Mr White—Correct, yes. They are the fully integrated worsted manufacturing operations. The manufacturers in the north have mostly been knitwear manufacturers traditionally supplying to the former Soviet Union. There is still a lot of that trade going on, but there is increasing emphasis on the developed economies.

CHAIR—You heard a little of our discussion with ANZ Grindlays. There seemed to be financial problems in some industries. To what degree is the wool industry dependent on either local finance, or overseas Indians who are re-investing in India, or borrowing through some structure to get this new investment? You say it is a fairly high technology industry.

Mr White—A lot of the investment is coming from the family companies. I could not give you a specific answer on whether they are raising the funds domestically or offshore, because we know that there is funding from the Middle East as well in a number of these new enterprises. There are a range of sources of finance. I must say that finance has not been raised as a particular problem or issue in any of the discussions we have had. Most of the problems that confront the industry at the present time are more to do with markets than finance or investment.

CHAIR—Where are the markets? You mentioned eastern Europe.

Mr White—Most of the business, which is for wool, is export oriented at the present time and largely towards Europe. There is a little to Japan, a little to the United States and a smattering to Australia itself, but it is primarily Europe.

CHAIR—You say it is basically Soviet replacement, from the old Soviet wool factory industry.

Mr White—For the knitwear sector, yes. But for the large weaving plants, the business is much more generic and global. They are taking advantage of the US and Japan and everywhere they can find a market.

CHAIR—What are they making in the apparel wools?

Mr White—Very fine worsted suitings, women's wear—I guess what we would traditionally associate with them.

CHAIR—Is the carpet industry a large component of it or is it only a big employer?

Mr White—In terms of its total share of the textile business, it is probably declining. The Indians have had a lot of problems with their export development over recent years in the carpet area and it is not one that Australia competes in any way. It has been largely the confine of New Zealand wool and domestic wool.

Mr SLIPPER—Why is that? If New Zealand wool can compete why can't our wool? Do we grow a different sort of wool?

Mr White—Yes.

Mr SLIPPER—Do we not grow any of that sort of wool?

Mr White—We do, but a very small amount.

Mr SLIPPER—Not enough to export?

Mr White—No, not enough to have an impact commercially. Most of the coarse wool that we produce would go into local carpet manufacturing or hand knitting yarns. New Zealand specialises in that. Probably 85 per cent of the clip or more would be in that sector.

Mr SLIPPER—It might seem a naive question, but why do they do that? Can they not grow the quality wool we grow?

Mr White—I think you would find that the climatic conditions are much more suited to the British breeds. There is also a combination of meat and wool which has been traditional to New Zealand—it is largely a breeding issue. They certainly produce some fine wool, but it is only a very small quantity compared to Australia. We have about 85 per cent of the apparel Indian market, so we are by far and away the largest supplier to that market.

CHAIR—Did the old Soviet Union supply large quantities of wool to India, or has that not really been a significant factor to the growth?

Mr White—Eighteen months ago it was. The Soviet Union was significant because it was the largest market for the knitwear product out of the northern India sector—the Punjab sector. It was a major market for India but, in terms of raw material, it supplied very little. Eighteen months ago, it saturated the market. It had a lot of wool available for hard currency. The Indians were prepared to do that and they have probably suffered a little bit as a consequence, which is good news for us.

CHAIR—I know that the IWS has recently set up an Ilkley look-alike in Japan. How are you getting your technology into India?

Mr White—A lot of the technology is being supplied by the new ventures themselves. There are two issues here. One is the actual processing technology, and most of the firms we are talking about have employed state-of-the-art technology. They have gone to the major machinery suppliers—and they have gone to the best—and are working on the advice that has been provided by those suppliers.

The other issue is one of product development, and this is probably an area where India currently is at a disadvantage. They are very good at producing large volumes of standard products but, when it comes to design and product innovation, they are restricted. This is where we see a role for the Asian development centre in Japan.

It is a little bit more difficult in India because it is not quite as Asian as, for example, if we were dealing with China, Taiwan or Korea, which are the other major markets for us. So, to a degree, we will also be supplying quite a bit of technology, design and technical assistance from our European technical centre, and that reflects the market in Europe. So, it is not quite as clear-cut.

CHAIR—One of the problems in the TCF sector has always been the degree to which it has been a bit of a sweatshop complex, with a large number of women employed, and not necessarily in the best working conditions. But, at the same time, it has provided valuable employment for them. Is the new wool industry in India different, or is it essentially of that same mould?

Mr White—It is different, particularly in the organised sector—the major

integrated mills—in that they are employing far more graduates in the manufacturing operation. There are fewer menial tasks because there is far more capital intensity than labour intensity. So, you are seeing a change in the structure of employees. Again, I differentiate from, say, the carpet sector, where there has in the past been a lot of child labour.

It is different, but it is also a major problem for us because most of the graduates who are currently going into the industry are far more conversant with other fibres and not wool. It is this area of education and training in particular which is the soft underbelly of the development that is going on at the present time.

Mr DONDAS—In February this year, the textiles minister from India—a fellow by the name of Jalappa—had some discussions with Tim Fischer about joint ventures where they would source wool from Australia, send it to India for manufacturing of garments and then re-export them back to Australia and other markets. Has anything happened with that in the past five months?

Mr White—To my knowledge, at this stage there are no direct joint ventures involving Australian companies. There are certainly companies doing exactly what you have described. They are coming to India with, firstly, a market and they are also becoming involved and taking equity positions with Indian firms and manufacturing for re-export.

I must say that when I was referring to import duties before it should be noted that the import duties do not apply to wool which is imported for processing and then re-exported. There is a distinction there between the domestic market and the export market. That is happening but not, to a large degree, with Australian companies, and I think it reflects the fact that we are very thin on the ground with respect to investment opportunities out of Australia, because we do not now have a lot of companies who are in a position to invest. We have very few wool textile manufacturing companies left in this country.

Mr DONDAS—Does that mean that your organisation should be chasing Mr Fischer up to deliver?

Mr White—He is chasing us up, I think, to deliver. We are presently involved in discussions along a similar line with China, and previously we were with Mexico. That was on the market access issue and, yes, he has raised the issue of doing a similar exercise with India. But I would say that the biggest problem with our involvement with India is nothing to do with wool supply or technology: identifying markets is the real issue.

Senator MARGETTS—I bought some lovely fine Australian textile wool the other day. Is that a rare commodity now?

Mr White—No. I think it is one of the reasons we are looking to a number of the new markets in particular, given the lack of capacity now in Australia to convert our fine wool into fine fabrics.

One of the reasons why we are placing a priority on India is because it does have the capability. As I mentioned before, not only is the capital base—that is, the new technology which is being employed—world best, but we do have people coming into the industry from other industries who are far more conversant and far more quality oriented than perhaps has been the case previously in the wool industry. That gives us confidence that, with that sort of technology and the technical skills, India is a fairly important target for us to develop those types of products you are referring to, and they are producing some very nice fabrics.

Senator MARGETTS—Just following up from that, some comments made earlier by previous witnesses suggested that the main competitors that India was matching were not on, say, wages but they were based on technology. It just seems such a pity that we cannot be evaluating more of our own wool in Australia.

Mr White—A lot of the wool that is being exported to India is scoured wool—it is washed. There is not a great deal of value added associated with that, but we would have liked to have developed much more business based on our early stage processing in Australia—that is, on the top making. That is where the market access issue is a critical issue for us. With the current import duties on Australian wool tops into India, we do have a major impediment. To a degree—I would not overstate this—it is one of the reasons why perhaps we are not producing the range of products that we believe India is really capable of producing.

CHAIR—What about this multi-fibre agreement and the prospects for further phasing down of tariffs? What is the prospect?

Mr White—We understand that there is agreement from the Indian government to phase down the import duties on Australian wool. It started this year with what I would consider a gesture and not much more. We were given to understand that we could expect a reduction as low as 10 per cent. It was not forthcoming, so we have to keep hammering that. Every indication that we have been given is that there will be continued reduction on import duty for our wool.

CHAIR—Is it a problem at a state level or is it the national government and the fact that you just haven't got markets?

Mr White—I think it is the national government. Once again, we have argued some fairly sound cases with the ministry of textile industry, the ministry of commerce and others who accept our arguments and the fact that the current strategy is, in fact, retarding development of the domestic textile industry, but it really comes down to the

ministry of finance. I do not think the ministry of finance is swayed by any other argument than where they are going to get the additional revenue.

CHAIR—There has been some type of special credit facility given in China and to Chinese textile manufacturers. That is not the problem in India, so I presume that is not even under consideration. The real problem in India is markets.

Mr White—It is true that we actually did work with one bank to establish a facility in China. That appears to have worked very satisfactorily. We have had discussions with the same bank about a similar facility in India, and I think that is a real possibility. That would be an advantage to have that. It is certainly not going to affect our trade in a negative way. It can only be considered a positive move, but it is very early days. I think the bank involved would like to see what sort of progress it makes with this current facility before it extends the same sort of structure into India. If we can do that and if we can structure our finance and our technology and add value to our wool sales, that has to be considered a very positive development for us.

CHAIR—Obviously lying where she does, India presumably attracts some wool from Russia and, I presume, from China, knowing their internal transport system. What about South Africa? Are they the principal other supplier of that 15 per cent of apparel wool?

Mr White—It would not be as much as that. South Africa probably would be the major competitor. There is a little from Uruguay and Argentina as well, although, in the case of Uruguay, it is mainly wool tops, so it would not be considered a major competitor. As I said, there is a little bit from Argentina. The problem with South Africa is that they have probably suffered more through the restructuring of their wool industry than Australia has. They really do not have a large amount of wool to offer and they do not pose a threat, if you like, to our position in the market. They are also still a partner of the IWS, so we try to cooperate as much as we can.

CHAIR—In terms of the future of the wool industry, you remain reasonably optimistic as far as our Indian associations are concerned?

Mr White—Very much. I think there are some problems in the short term. That reflects the investment that has gone into the textile sector and the need to find additional markets. It is tough at the present time; there is no doubt about that. I have heard that a number of the firms that have put so much investment into the business need to expand their markets. That is an area that needs to be the centre of a fair amount of our concentration over the next few years. I am very confident about India's position as a market for Australian wool.

CHAIR—If you are confident about India, what does that do to China? Aren't they essentially competing in the same market? Apart from the internal market in each

country, if they are each relying on the growth in exports of their reprocessed wool then they are going to be major competitors; and we cannot sell to both in ever-escalating quantities, can we?

Mr White—We keep saying there is plenty of wool to go around, so we can accommodate that.

Mr DONDAS—We would have to grow another 18 million sheep in the next seven years to maintain the market.

Mr White—We would like to do that. But I think the real answer is that increasingly we are seeing domestic consumption in China increasing. This is the big factor.

CHAIR—But not in India to the same degree.

Mr White—Not to anywhere the same degree. But if we see a change in the market access issue, if we see a shift in the type of product that is available to the domestic market—and we are starting to see that grow now—I think we will see domestic growth and not just replacement of one export market with another. That is certainly our objective. It is happening in China, and I do think that over the next 10 years we will see a similar development take place in the case of India. But we do have to have competitive suppliers of good quality textiles to world markets; and both of the markets you have identified, China and India, play a very major role in that respect.

CHAIR—What about Russia?

Mr White—The Great White Hope—and I guess the big black hole at the present time. Just this year we are starting to review our strategies with respect to Russia. We see that as potentially a most important market for Australia. All the conditions are there. We will not see it in the next three or four years, but we do see it now beginning to come out of the dive. There is certainly substantial capacity available, and we think that there is now a shift in the Russian market away from sourcing cheap supplies externally to using its own capacity. I think we will be placing greater emphasis on that area in the next few years.

CHAIR—Surely, if you are looking at Eastern Europe as a market for Indian production, Russia has also to be a potential market. The Russian and southern Asian republics all have a far colder winter climate, and demonstrably wool has an advantage there.

Mr White—Exactly. I should correct one thing. The growth market for India is Europe—Western Europe, primarily, which is seeing more and more of its manufacturing being relocated into Eastern Europe and elsewhere. It will be Western Europe that will be

the principal market, but it is correct that Indian textiles will go into Eastern Europe. There is the opportunity to concentrate some of the activity on Russia, but it is a longer term objective at this point in time. There is still a lot that will need to happen in the Russian market before we see some real commercial gain.

CHAIR—Thank you very much indeed for that. That was very helpful. We will be looking forward to seeing a continued buoyant prospect. As a woolgrower, I have more than a little interest in the subject! If you have any other information you feel is relevant to our inquiry, the secretary would be delighted to hear from you. Thank you very much indeed for coming and giving us your evidence. We do appreciate it.

Mr White—The other thing I would like to say, before we end the discussion, is on the new horizons project last year. We did indicate that we were not entirely happy with the way it was structured, primarily because of the break between the new horizons promotion itself and the Foreign Affairs and Austrade agritech promotion later that month. We felt that we could have got far better value had those two events been much closer together. That prevented quite a number of people from the wool trade from participating, so that was a little bit of a negative.

CHAIR—Thanks, Barry.

[3.56 p.m.]

DEWAN, Mr Tim, Regional Manager, Marketing, South-East Asia, Australian Wheat Board, Ceres House, 528 Lonsdale Street, Melbourne, Victoria 3000

EMONS, Mr Mark, Regional Manager, Marketing, Middle East, Africa and Europe, Australian Wheat Board, Ceres House, 528 Lonsdale Street, Melbourne, Victoria 3000

MARTIN, Ms Joanne, Government Relations Manager, Australian Wheat Board, Ceres House, 528 Lonsdale Street, Melbourne, Victoria 3000

OFFICER, Mr Nigel, General Manager, International, Australian Wheat Board, Ceres House, 528 Lonsdale St, Melbourne, Victoria 3000

CHAIR—Welcome. Although we do not require you to give your evidence on oath, these are formal proceedings of the parliament and they should be treated with the same respect as proceedings of the chambers. We prefer all evidence to be given in public but if you have something you want to tell us in private then by all means request to do so and we will be happy to consider that. Perhaps you might like to make an opening statement on your trade prospects in India and we could ask some questions. There have been some quite exciting sales there recently and I am sure we would like to hear about that.

I should have explained to you that Senator Dee Margetts is participating in our hearing and the voice from the speakers on the wall is Senator Margetts from Western Australia.

Mr Officer—Thank you very much, Mr Chairman, for the opportunity to make a presentation to the trade subcommittee inquiry into Australia's trade relationship with India. Australian wheat in a normal year would generate somewhere in the order of \$3 billion in export revenue. However, this last 12 months, 1996-97, based on a record wheat harvest of approximately 23½ million tonnes, we will have an export program of close to 19 million tonnes, which will generate somewhere in the order of A\$4 billion. So it is certainly a very large year for us this year and a large contribution to the export revenue of Australia.

As far as the breakdown of our exports is concerned, particularly in light of very good sales this year into India and the south-west Asian region, that region, which includes from our perspective India, Pakistan, Sri Lanka and Bangladesh, will account for about 15 per cent of our total exports sales. So it is certainly not an insignificant portion of our business.

By way of comparison, the Middle East region—and I am referring here more to

our business into Iran, Iraq, Turkey, Egypt and the Gulf markets—will this year generate about 33 per cent of our export sales. On the other hand, our Asian sales are close to 40 per cent, and some of the other markets around the world, including the Pacific islands and so forth and South America, will account for roughly 13 per cent or thereabouts.

In general dollar terms, if you look at the four markets that I referred to in south-west Asia—and I will round these out—sales to India this year will account for about \$A300 million; Pakistan, close to \$A115 million; Sri Lanka, \$A45 million; and Bangladesh, \$A50 million. This year India—which has not been a regular importer in the international market: the last time it imported wheat was back in 1992 when we supplied one-third of that country's requirements—will rank in the top five export destinations from Australia, while Pakistan will continue to be one of our top 10 markets by both volume and value. Domestic demand in Australia by way of interest this year is about 3.5 million tons and, as I am sure you can appreciate, does not change very much from one year to the next.

As a general comment, aside from the importance of the business in dollar and volume percentage terms, we certainly have a strong commitment to the region as a whole. If you look at the map and our competitors—our major competitors being the North American suppliers in the United States and Canada, and also markets like Europe and Argentina—Australia is certainly well positioned from a geographical perspective as much as anything else to capitalise on the business opportunities that generate in that region.

In simple terms, if you look at the time it takes to ship wheat from Australia compared to the time it takes to ship wheat from the west coast of the United States, we are many days closer to that region. Therefore, there are lower freight costs involved. So we are able to generate premium returns because of that geographical proximity. From a commercial perspective, it is an extremely important region for us.

It is not only the geographical issues. Certainly the product is one that has performed extremely well in these markets. In India and Pakistan, there is a strong preference for white wheat. The United States and Canada, in the bulk of their productions, are producers of red grained wheats as opposed to white grained wheats. There is a strong psychological preference for white grained wheats. Certainly from a flour milling perspective, at a higher extraction rate, you can get the same quality of colour in the flour. White flour is obviously preferred to anything that is less than perfectly white. So from a product perspective, we have a strong advantage.

Our view, along with the views of most other industry observers, is that the demand for wheat, in increasing numbers by sophisticated consumers, in those markets tends to lend itself to increased demand for wheat and wheat based products, particularly in places like India and Pakistan, where there is a wheat flour dietary requirement, as opposed to a rice based diet. So in the longer term, we see great prospects for Australian

wheat.

We have no difficulty competing on commercial grounds in these markets. The only thorns in the side, if you like, are things like export subsidies from countries like the United States. Despite the fact that the export enhancement program, or EEP, is still a live program, we have not seen it actually implemented or used over the last couple of years, but there are still allocations for markets issued under the regional approach to the export enhancement program. That is the strongest competitive threat, if you like, for us in the region. Once the subsidies are there, we find it very difficult to compete. Importantly, with the removal of export bonuses over the last couple of years, we have been able to re-enter on an equal footing on commercial terms markets like Bangladesh and Sri Lanka, from which we were effectively excluded given the presence of export subsidies from both Europe and the United States.

The other major competing factor for us is the generous credit package offers that are available, particularly from the United States and Canada. These have tended to be on much more favourable terms than the credit that is available to the AWB through Australian government channels. Again, that is one factor that we find is significant in competition in those markets.

We certainly are very supportive of the job done by Australian government officials in the region. There have been occasions where they have assisted enormously in the facilitation of our trade. We therefore are supportive of the government's current focus on the economic opportunities which the south-west Asia region presents and the trade benefits which accrue from such high level government interest.

From our perspective the South-West Asia region is, and will continue to be, an important market for Australian wheat. Shifts in consumption patterns of these economies combined with increasing populations and economic prosperity will mean that demand into the future is likely to rise. There is little doubt that it will go that way and there is not much chance of going the other way.

Our continued presence in these markets, along with our excellent reputation for providing, as I mentioned before, a quality product that meets the market requirement will ensure, if markets remain free of the distorting government intervention that I referred to particularly in relation to whether export subsidies do reappear, that Australia is certainly well placed to capitalise on any commercial opportunities that arise. That is a fairly long opening statement and I apologise for that.

CHAIR—It was very adequate. There are a couple of aspects that interest me. You talked about EEP programs and I notice on the complaint which Australia is taking to the World Trade Organisation that the Indians are saying their tariffs on wheat and cereals generally are in their seven-year bracket for removal. How significant are they in terms of your imports?

Mr DONDAS—I think wheat has an exemption at the moment.

CHAIR—Does wheat have an exemption? What is the story? Is wheat not included?

Mr Officer—It is not included, to the best of my knowledge.

CHAIR—There is no domestic tariff or restrictive regime in our exporting grain into India at all?

Mr Officer—No, not at all. I think there is a small tariff. I am not too sure what it is, to be honest. It certainly applies consistently across all exporting countries into India but it is certainly not a barrier or a difficulty that we confront in trying to move product into that market.

CHAIR—The nature of our sales in the last couple of years has been apparently influenced by infrastructure and the fact that 40 per cent of the food that India produces is, in fact, just wasted because of poor infrastructure and whatever. To what degree do you think our wheat trade is going to be prejudiced as the Indian infrastructure improves? Is that one of the principal factors affecting the future or is it just our capacity to produce enough to supply India? As the living standards of India improve, do you expect that the consumption of grain is going to increase and, therefore, all that will be offset simply by the increase in consumption?

Mr Officer—Two years ago and as recently as April 1966 India was still exporting significant volumes of wheat into the world market. We would have said a little earlier than this time last year that, in fact, one of our major competitors in the international marketplace was India. There is quite a significant turnaround in the space of less than 12 months. In fact, from April there was a government ban on exporting wheat and then we concluded some business in January this year. So in the space of eight or nine months, India has become a significant importer of wheat, having contracted so far this year over 2½ million tonnes.

Mr SLIPPER—How much wheat did they actually export? How did their quantity of wheat available for export compare with our own?

Mr Officer—I think they exported somewhere around three million tonnes, from memory.

Mr Dewan—Their target was to export around three million tonnes during calendar year 1996. They did not achieve that.

Mr SLIPPER—And we export how much?

Mr Dewan—On average about 11 to 12 tonnes, although this year is quite high because of the excellent season. Their target was to export three million tonnes. It would be somewhere around 1.2 million tonnes. Again, their outloading capacity and their infrastructure are their greatest inhibitors in doing that.

CHAIR—You are talking about the demand. So it switched from being an exporter to an importer. Why, and what is the long-term prospect?

Mr Officer—India's own domestic wheat production increased considerably. We have all heard about the green revolution. In a good year, they produce somewhere around 65 million tonnes. We are not sure but certainly our own internal analysis and, as I mentioned before, the analysis of most other industry observers is that India will not continue to increase its wheat production to match demand. Therefore, longer term there will be opportunities, perhaps not every year, depending on their monsoon rains, on a commercial basis for us to do business.

Generally I would say that yes, like all developing countries India is switching from being an exporter to an importer. I was listening with interest to the discussion with Mr White. Certainly a country like Russia—we expect that India will and is doing the same sorts of things—in reducing the amount of wastage that occurs in the wheat industry through better storage and less damage through water and things like that. We believe that, despite those improvements on the wastage front with the general increase in population, demand will increase. As we all know we have 250 million people who are classified in the burgeoning middle class. There is increasing demand for better flour based products. That only lends itself to products like we produce here in Australia.

CHAIR—How can you handle your grain better than they can handle theirs? If they have 65 million tonnes, our import is insignificant. If they do so much of it, why can we handle and store and deliver and they cannot?

Mr Officer—We would argue that in Australia we have zero wastage. Technologically we have some of the best storage.

CHAIR—I really meant there. I can understand why in Australia, but once it arrives wherever it has landed in India, how do we deliver and they cannot?

Mr Officer—It is a good point. Most of it goes into the public distribution system, the PDS. I am sure you know voucher systems apply and basically all Indian families have access to the PDS. However, there is certainly some demand for imported product that goes through to both government and private sector flour mills where there is a commercial or demand preference for a particular type of wheat. Our business is all about making sure that we deliver the quality that the customer wants. Quality, as we all know, can mean a lot of different things but we must deliver what the customer requires, and that, in the case of India in general terms, is a product that makes a very good chapatti.

We have a reputation as being good chapatti flour producers so we tend to try to market off that.

CHAIR—We have not invested in storage or transport in India?

Mr Officer—No, we have not.

CHAIR—There is no suggestion that we should do so?

Mr Officer—No, there is not. We have looked at strategic storages offshore in the past but generally speaking it is not something that we have become involved in. Quite honestly, it is not something we have any immediate intentions of doing either.

CHAIR—What percentage of the wheat grain delivered to India would come from Western Australia? Is it a very big percentage or is it spread around?

Mr Officer—Basically this year it has been spread around, but over the last 10 years Western Australia has been our largest wheat producing state, with the exception of last year when New South Wales pipped it by producing about eight million tonnes compared with Western Australia's seven. Western Australia does give us an additional strategic advantage in that it is a lot closer to India than New South Wales. To that extent that works to our favour in certain situations. This year less than 50 per cent would be from Western Australia, probably somewhere around 35 to 40 per cent.

CHAIR—You mentioned the various markets. Is there much price differential or are we paid competitively for grain into India compared with grain into the Middle East or Japan?

Mr Officer—We always price against the competition that applies in any particular market on that particular day. The price that we sell to India needs to be competitive with other offers that would be available. This year it has been very much a case of the US, Canada and Argentina being our major competitors. We look at the prices we might see from those origins and then factor into account things such as the freight premium, given that we are closer in freight terms. There are also quality advantages that generate commercial benefit to the flour miller. Those sorts of things come into play as well.

To answer the question, it really depends. On a particular day the price that we would achieve in one particular market against another would depend on the competition. Also, we would weigh up the individual benefits from different markets. In other words, if we get a higher return from another market then we would look at selling to the higher returning markets, although we do have longer-term strategic intentions in mind.

Mr SLIPPER—Following on from Mr Sinclair's question, I see that you maintain that prices reached for wheat exports to India in the short to medium term will be based

off cheapest US wheat—that is, the price assisted through the EEP. There has to be a minimum price below which it is not economic for you to export wheat. Are you saying that we can still export wheat economically to India at a price lower than US wheat is available under the EEP?

Mr Officer—No, we would not be looking to sell at lower than EEP values. EEP, as I have mentioned before, has not been in the marketplace in an active sense for the last two years. If EEP were available, then it would become a commercial decision that we would take as to whether or not we would want to compete with that EEP type value. In most instances, we would target what we would call subsidy shelter markets; in other words, markets where EEP does not apply. But when the Americans—as they were—were subsidising to a broad range of markets right across the globe, there was a limited number of markets that EEP did not work in. So it becomes a commercial decision on the day. But to answer the question: if EEP were available in India today, depending on the level of the bonus and depending on the options that we had available to us in other markets, we would or would not sell.

Mr SLIPPER—It is just that you said that prices reached for wheat exports will be based off cheapest US wheat—that is, prices assisted through the EEP. So it seems to presuppose that the price you are going to get for wheat exports is compared with the US price that is available, and that US price is driven by the EEP.

Mr Officer—What has tended to happen with EEP—when it has been available—is that it has tended to dictate the market price. So if EEP levels are discounting the market then, clearly, the Canada and Argentinas of this world would tend to compete at those sorts of levels. The market would be driven down to the extent of the EEP levels, if you like. So in that context, we would need to compete with EEP, yes.

Mr DONDAS—Nigel, you raised the question of the quality of wheat, but it is my understanding that somewhere along the line we are having quarantine problems with the presence of weed seeds in some of those shipments. Have we resolved that particular situation?

Mr Officer—If a call is not being made right now, we will be making the call when we get back to the office. We expect that issue to be resolved today. We have had all the unofficial advices to that effect as recently as Thursday evening—Friday was a public holiday in India, as you probably know. As I say, we are expecting to resolve that issue. We have a contract that calls for shipment for July-August. We are well into July. We are fully expecting that contract to be executed in accordance with its terms and conditions.

Mr DONDAS—Are we looking okay?

Mr Officer—We are looking okay. There has been a review of Indian quarantine

standards. If they were amended, we believe they would affect future contracts, not existing contracts. So, to that extent, we are looking okay.

CHAIR—Senator Margetts from Western Australia, do you have any questions? Are you there, Dee? It does not sound as though she is. We will come back to her.

One of the things that worries me about our marketing is obviously our ability to produce and that is something over which only the seasons predominantly have control and I guess the alternate profitability of growing other crops. From what you say, you would obviously see India as one of our exciting new markets. In the days gone by, Russia and China were the basis of our major export trade, although you did not mention Russia specifically in that break down. Are we still exporting to Russia?

Mr Officer—No, we have not sold to Russia for about four years now. It is a bit like the comments I heard earlier with the wool industry. As I mentioned, rather than paying subsidies to their farmers and receiving those payments for little effort, it is very much a market base return that the growers in Russia receive. They have improved enormously the yields that they get for their hectareage. There is also a lot less wastage because farmers are actually being paid for what they deliver as opposed to being given a guarantee payment.

The other important thing is that there has been a significant movement of grain from the Ukraine and Kazakhstan and so forth into Russia. So we are seeing a lot of intra trade—that is, former Soviet Union trade. To be perfectly honest, the former Soviet Union has not imported wheat in any significant volumes in the world market for close to five or six years now. To be perfectly frank with you, it is not a market that we keep a close monitoring watch on. We are in close communication with Australian sources in Moscow and other parts of the former Soviet Union; we also have very close working relationships and contact with trading house people who are actually working that market pretty closely. We do not see significant trading opportunities into the former Soviet Union, certainly for the next couple of years at least; that would be our estimation.

CHAIR—China and Egypt are still two important markets—

Mr Officer—No question—China is the largest producer of wheat in the world. It is also the largest importer of wheat in normal years. Last year it had a record harvest; this current year it has another record harvest. In fact, it will break last year's harvest.

CHAIR—What would it produce?

Mr Officer—It produced about 117 million tonnes this year and about 109 million tonnes last year. Under normal circumstances, we would expect the Chinese to import somewhere between 10 and 12 million tonnes. Last year they imported about three to 3½ million tonnes. We see them importing that sort of level again this current year—or in

1997-98 from our perspective. We have a long-term agreement with the Chinese to import one million tonnes from Australia each year.

It is an extremely important market, which is growing faster than any other market—with the possible exception of Indonesia in terms of consumption. It is a market that we have a strong, strategic presence in and one that, despite the fact that it has had record harvests this year and last year, we would see as a market returning to significant volumes of imports in future years—although perhaps not to the extent of some of the doomsday sayers of the world. The Worldwatch Institute, for example, and some other independent studies have had them importing huge volumes of wheat that would have a significant effect on the overall balance sheet of world wheat. We do not see it to that extent, but we certainly see them as a significant market for Australian wheat in years to come.

CHAIR—This is really what I was getting to: we have these long-term contracts with a number of those traditional markets; you have not developed those sorts of relations with India at this stage, or have you?

Mr Officer—I referred to the long-term agreement with China. That is the only long-term agreement that we have. In the international grains market, there are very few long-term agreements. It is not like the sugar trade or other trades where you do see long-term trading agreements. The world wheat market—or the world grains market for that matter—is a volatile market. In the world wheat market, two years ago wheat was trading at \$200 a tonne; today it is trading at around \$150 a tonne. It is extremely volatile and any week, any day, it can move quite dramatically.

As a result, most buyers tend to hedge their bets a little bit. They tend to buy very much on a hand-to-mouth basis and they are really buying two to three months forward. At present we have a couple of contracts through until the end of this year but, basically, buyers are buying two to three months forward. Japan is a classic case of a market that demands security of supply, and security of pricing and quality. It has a policy of buying two months forward and has done for many years. Hopefully, that will give you a perspective on how grain buyers tend to operate.

CHAIR—In what currency would you sell wheat to India?

Mr Officer—The international grains market as a whole is denominated in US currency. That is the currency that we sell to India in. We are happy to sell in any non-exotic currency, if you like. But, generally speaking, the international grains market talks US dollars—it always has and no doubt will continue to do so.

CHAIR—Who are the buyers—are they government owned institutions or are they private millers or whom?

Mr Officer—The private sector in India, which is small in comparison to the government sector, has had the capacity to import certain volumes of wheat free or direct from the international market place but has not done so up until this point in time. The government is the buyer. The government of India would delegate responsibility for physically carrying out wheat imports to either one of the state agencies like the Food Corporation of India or, in this year's case, the State Trading Corporation of India. That is how the business is transacted. They tend to buy predominantly for the public distribution system. There is, as I mentioned before, some distribution of wheat through to private sector flour mills, but that is in the minority of cases.

CHAIR—Thank you all for coming in and giving us the benefit of your advice. Obviously, as far as we are concerned, we are interested in where we go in Australian trade relations. The one area that I did not ask you about is the new horizons program. Did you participate, and was that any help to you? Barry White was telling us that it was of some significance as far as wool was concerned. Most of the others who have been before us have spoken of it. Were you participants, and to what degree did it affect your business?

Mr Officer—The comment that Barry White made also applies to us. There was quite a gap between New Horizons and Agritech. We participated in Agritech, interestingly, not on a wheat front. We were not participants in New Horizons. We participated in Agritech on a pulses front, not a wheat front. It is important to note that Australia has been and is now a significant exporter of grain legumes, or pulses. We are significant suppliers to the Indian subcontinent of chickpeas and dunn peas. This is the largest market for these products in the human consumption arena. We are focusing a lot of attention on it. We have a new chickpea called a Lasseter chickpea, which we are looking to 'brand', if you like, in a retail sense in the Indian market. That is a growing market opportunity for us.

But to answer your question, no, we were not involved in the New Horizons program. We were very supportive of the concept. We were not able to participate at the time. We did participate in Agritech. Had the two been closer together then we would have been participating in New Horizons in a slightly different way than we were.

CHAIR—Do you find the profile of Australia adequate for your purpose? We have heard from several witnesses that part of the trouble is trying to explain who we are and where we are. You would have heard the story where someone mentioned 18 million people and the response was, 'It must be a big city.'

Mr Officer—It is often mentioned that the annual population growth in India is the same as the total population of Australia. No, we do not. We think from our experience that Australia in that part of the world has a particularly high profile, particularly when it comes to cricket season it is well renown and known. We feel very confident with the profile that Australia has. As I said before, we are very supportive of

the government's efforts and intentions. We have been very pleased with the level of support that we have received from our government representatives in that part of the world.

As a rule, we often say that we are 'big enough and ugly enough' to do our own thing. That is generally the case. We have direct access to our buyers. We tend not to be a large user of embassies and Austrade facilities around the world. In this part of the world we have been good supporters and users of the facilities that the government has provided for us. To that extent we are very happy.

CHAIR—Thank you. If you have any information that might be of interest to our inquiry that appears between now and the time we complete our report, which we hope will be early next year, then perhaps you might advise our secretary of it. Thank you for giving your evidence. We very much appreciate hearing from you and trust that we can produce enough wheat to satisfy the markets. That seems to be one of the principal concerns—speaking with my other hat on and representing a few grain growers who have some interest in your future.

Mr SLIPPER—You are not a wheat farmer yourself, though?

CHAIR—Not at the moment, no. I have been.

Mr Officer—Thank you. In closing I just want to say that we really do stress the importance of the region to the Australian wheat industry. We should not forget the importance of markets like Pakistan. We have talked a lot about India, obviously, but Pakistan in particular has been a very important market and will continue to be so, as have Bangladesh and Sri Lanka. The region as a whole is one we place a lot of importance on.

CHAIR—Thank you.

Resolved (on motion by Mr Slipper):

That this subcommittee authorises publication of the evidence given before it at public hearing this day.

Subcommittee adjourned at 4.30 p.m.