



**COMMONWEALTH OF AUSTRALIA**

# **JOINT STANDING COMMITTEE**

on

**FOREIGN AFFAIRS, DEFENCE AND TRADE**

(Trade Subcommittee)

**Reference: Australia's trade relationship with India**

**CANBERRA**

**Friday, 8 August 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

Mr Stephen Smith

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.

## WITNESSES

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<b>CABLE, Dr John, Director, Conformity Assessment Branch, Therapeutic Goods Administration, Department of Health and Family Services, PO Box 100, Woden, Australian Capital Territory 2606 . . . . .</b>	<b>360</b>
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<b>TYAGI, Mr Brij, Deputy High Commissioner, High Commission of India, 3-5 Moonah Place, Yarralumla, Australian Capital Territory 2600 . . . . .</b>	<b>324</b>

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(Trade subcommittee)

*Australia's relationship with India*

CANBERRA

Friday, 8 August 1997

Present

Mr Sinclair (Chair)

Senator Childs

Mr Hollis

Mrs Gallus

The subcommittee met at 10.08 a.m.

Mr Sinclair took the chair.

**PARTHASARATHY, Mr Gopalaswami, High Commissioner, High Commission of India, 3-5 Moonah Place, Yarralumla, Australian Capital Territory 2600**

**TYAGI, Mr Brij, Deputy High Commissioner, High Commission of India, 3-5 Moonah Place, Yarralumla, Australian Capital Territory 2600**

**CHAIR**—I welcome everyone to this hearing, and I particularly welcome you, Your Excellency, and your colleague. Although we have had a preliminary informal discussion, I am delighted to be able to declare open this fourth public hearing of the trade subcommittee of our inquiry into Australia's trade relationship with India and, as a second adjunct, with the emerging economies of the South-East Asia region.

The present inquiry is certainly one that is opening up quite a significant field of interests as far as most of us are concerned. I think that those who have attended the public hearings have been impressed by the extent to which relations between India and Australia have increased so dramatically over the last few years. To date we have received some 70 public and confidential submissions, and we have taken evidence from a range of witnesses. Today we will complete our Canberra program. We do have hearings again over the course of the next little while hopefully leading towards the completion of our report early next year.

On behalf of the subcommittee, I welcome Your Excellency. The proceedings of this committee are formal proceedings of the parliament and, although we do not require evidence to be given on oath, it is an important testimony for the parliament. The subcommittee prefers all evidence to be given in public, but if you wish to advise us at any stage of matters that you would prefer not to relate in public by all means request that and the subcommittee will give consideration to it. You may wish to make a short opening statement and then perhaps we can have some discussion. In particular I thank you, High Commissioner, for coming and participating in our events today.

**Mr Parthasarathy**—Thank you Mr Chairman. This is the second occasion, as you have mentioned, that I have appeared before this distinguished parliamentary committee. On the first occasion it was before the full committee of foreign affairs, defence and trade; now it is before the subcommittee. It is a pleasure and privilege for me to meet distinguished parliamentarians in this great seat of Australian democracy. I believe our relations are strong, abiding and resilient, primarily because both our countries share a commitment to democratic freedoms in pluralistic societies. I think this warmth was reflected when our parliamentary delegation led by the Speaker of the Lok Sabha was here. He and members of the delegation were very deeply touched by the warmth with which they were received when they visited Australia and the very warm and friendly discussions which they had with you, Mr Chairman, and other members of the Australian parliament.

I think we are now moving towards achieving what Alfred Deakin had proclaimed in 1893. Even before he became Prime Minister of Australia, Deakin had then observed, and I quote:

The future relations between India and Australia possess immeasurable potencies. Their geographical proximities cannot but exercise a very real and reciprocal influence upon the forces of national life in each other.

I should also say that our own leaders, like Mr Nehru, have often echoed these sentiments. While our shared historical experiences, similar democratic institutions, membership of the Commonwealth, and above all our common abiding passion for cricket, kept our relations cordial and friendly in the last five decades, the relationship had very little economic content until the last five years or so. If one goes back to what Senator Maguire authored in the report of the Senate Foreign Affairs, Defence and Trade Committee in 1990, that report noted that the relationship could be characterised as one of shameful neglect, or at best benign neglect.

Largely as a result of the lack of interest and of any knowledge about India, Australian companies did not endeavour to enter the Indian market for joint ventures in any significant manner in the late 1970s when India embarked on a process of progressive trade and technological liberalisation. I must mention that during this period companies from the United States, the United Kingdom, France, Germany, Italy, Switzerland and Japan did establish their presence in a very significant manner in India. Australian companies do, therefore, need to bear this in mind: that their Indian counterparts have longstanding business relations with partner companies, particularly in the United States and members of the European Union.

In the period 1980 to 1990 the Indian economy grew at about five per cent per annum—well over five per cent per annum, in fact. By 1990 we were convinced that the only way forward was to rapidly open out our economy to meet the challenges posed by globalisation. In recent years the economy has been growing at about seven per cent per annum with economic growth reaching 7.1 per cent in 1995-96 and 6.8 per cent in 1996-97. We are now committed to opening out our economy, progressively reducing our tariffs to levels prevailing in ASEAN countries by the turn of the century, facilitating foreign investment to reach a level of around \$10 billion annually—it was \$6.5 billion last year—and to a sustained period of growth of around seven per cent at present, and possibly eight per cent by the turn of the century.

Most importantly, our savings rate has risen from around 21 per cent at the beginning of the decade to 25.6 per cent of GDP in 1995-96, and it has been estimated that it will reach 26.3 per cent this year. Simultaneously, debt service payments are falling—I am talking of external debt—and now are estimated at 21 per cent of current receipts this year. This has come down from about 28 per cent a couple of years ago.



Personal income taxes in India have now been reduced. The highest level of income tax in India is 30 per cent. Corporate tax has also been significantly reduced. The highest level of corporate tax in India is now 35 per cent. In a recent report, the McKinsey quarterly observed that India could reach double digit rates of growth and emerge as the fourth largest economy by 2010. That is not our ambition; we hope to do so by 2015. Even today in terms of purchasing power parity, India is the fifth largest economy in the world.

I will now go to the figures for Indo-Australian trade. The figures are in Australian dollars. If you take the overall period, trade reached only \$A927.6 million in 1990-91. I have the latest Australian trade statistics for 1996-97, and these show that overall trade in 1996-97 reached \$A2.06 billion. That is an increase of over 100 per cent in the last five to six years. Australian exports have increased during the same period from around \$A667 million to \$A1.48 billion last year. If you look at the trade figures for each year, you will see that there has been a progressive increase in both Australian exports to us and our exports to you, although we still have a significant but growing deficit in our trade with Australia.

I must also mention—I am sure the committee will find it of some interest when they visit Perth—that these trade figures do not reflect the export of Australian diamonds to India. I think Argyle diamonds alone exports annually anything between \$A300 million and \$A500 million of their diamonds to India. Because they are routed through Antwerp and European destinations they are not reflected in the bilateral trade figures, but the market is India. Interestingly, Argyle now has a presence in India to facilitate the market access of processed diamonds in European and American markets. So, if you take the diamonds into account, current two-way trade would amount to between \$A2.4 to \$A2.5 billion.

It is our assessment that, given the continuing momentum in our economic growth, trade has the potential to double every five years. Even excluding diamonds, India is today Australia's sixteenth largest export market. At current rates of growth, it is likely to emerge as being within Australia's top 10 export markets before the end of the century.

This is broadly the area of trade; I shall go into further details about trade later on. I now move to joint ventures, which are a new feature in the relationship. We had very few in the pre-1990 period. Since August 1991 and until December 1996, according to figures which we have from our government, 209 Australian joint ventures have been approved in India. Of these, 134 have a financial presence and 75 are purely technical collaboration.

Australian investments in projects in India have been steadily growing, with investment approvals for projects in India reaching around \$A1.1 billion between August 1991 and February 1997. This figure is based on approvals which have been accorded for projects involving Australian investment in India. The areas are vast. They cover: alumina,

synthetic rutile, data processing services, agro-processing, railway equipment, chemicals, engineering products, leather products and the like.

Seventy-five Australian companies now have offices in India. The ANZ, with 57 branches, has its largest banking presence outside Australia and New Zealand in India. Major Australian companies like Telstra, CRA, BHP, White Industries, the Snowy Mountains Engineering Corporation and Command Petroleum have either already secured or are in the process of negotiating collaboration and investment agreements.

We have recently simplified and issued new guidelines for foreign participation in the mining, minerals, metals and coal sectors. These sectors are seen by Australian mining companies as areas of major opportunity for investment and a presence in India. P&O Australia has recently been awarded a contract for \$200 million for upgrading one of our ports. More such contracts are under negotiation. There is now an increasing trend towards privatisation of port facilities in the country.

We have held detailed discussions about our interest in purchases of liquefied natural gas and in oil and gas exploration off our east coast off the Andaman and Nicobar Islands, just north of Indonesia. Our petroleum minister was here recently and we have indicated that, given our energy needs, we would be very happy to enter into long-term arrangements for the purchase of liquefied natural gas of which you are now getting large sources off the coast of Western Australia and the Northern Territory. We have also said that not very far away from Australia, just across the shores of Indonesia, there are, in our assessment, substantial gas reserves and we intend to throw these open for exploration. We feel that the major potential for growth areas in which Australia can make headway in India are roads, ports, the coalmining industry, mining in general—minerals and metals, and in energy-related areas like the oil and gas sectors.

We have noted that, unlike their counterparts in countries like the US and Germany, small but high-tech industries in Australia need to improve their marketing if they are to make headway in India. I will give you a simple example. A company in Perth called OKA Motors manufactures highly sophisticated transport vehicles—I think they are also used by the Australian Army—capable of vertical climbing. I think it makes only 1,100 vehicles a year. What I want to mention here is that small companies in Australia do not need to invest in India. What we want is the transfer of technical and services know-how for which we will pay quite handsomely. OKA Motors has recently become tied up with one of our majors and, by the end of the century, will be producing perhaps 30,000 vehicles a year in India. But the networking was not done by the company; it was done by the Indian partner who traced the contacts out. It has generally been our feeling that small industries in Australia are not able to match either their German or American counterparts in such networking.

I will mention one more thing: we have welcomed the effort that the Australian government has made to significantly establish a presence in the Indian business mind

about the business potential for relations with Australia. We welcome the New Horizons program and the fact that five Australian ministers have visited India during the program. It certainly served to raise Australia's profile in our country, and this can best be seen by the fact that we have had five ministerial visits in the months since the new horizons promotion to Australia began and we are expecting two more within the next month. This is unprecedented—we have never had so many ministerial delegations visiting Australia from India. Mr Chairman, you are aware that two of our parliamentary delegations were here, and even the newly set-up ethics committee of parliament visited Australia primarily because there is an awareness that, as parliamentary democracies, there is much that we can share and learn from each other.

Turning briefly to Indian investments in Australia, I am afraid that these have been very small. Indian business is still learning to adapt to Australian conditions. We have got some of the hotel industry—the Windsor Hotel is owned by an Indian group now as are a number of Hard Rock Cafes across the country. We have set up a paints factory in Townsville by a company called Asian Paints and Tata, one of our major players, has set up a small vehicle assembly line in Brisbane for one tonne pick-up trucks. This is almost a pilot attempt and, once we find that we have a market for larger four by four trucks, I would expect a more significant assembly presence for our vehicles in Brisbane.

One point I should mention is that there is an immense potential for collaboration in computer software. I would not be immodest if I said that we are amongst the world leaders in computer software. This is well evidenced by the fact that Mr Bill Gates was recently in India. He has targeted India as one of the major areas for Microsoft operations. Our software industry grows at 50 per cent per annum. We have tried to establish collaboration and we have found that there is a tendency for Australian industry to look at us as rivals. In the software business everybody is rivalling each other. Progress is best made by accepting that and developing strategic tie-ups between software companies. I do hope that as the Sydney Olympics approach we will be able to get together with strategic tie-ups. The Indian computer companies are now setting up small offices in Australia. We have a global competitive edge and we can work together.

Trade is naturally linked to tariffs. In the last two or three years we have substantially reduced tariffs on products in which Australia has a substantive export interest. Coking coal was 10 per cent some time ago; it came down to five per cent. This year we have reduced it to 3 per cent. This is our largest single import from Australia. The duty on thermal coal was 40 per cent a few years ago. We have reduced our duties to 10 per cent in the recent budget despite the fact that there are domestic pressures—we have a massive coal industry producing 250 million tonnes of thermal coal annually. We have reduced our duties on wool products from 30 per cent to 25 per cent. In response to Australian approaches to us we have reduced duty on apparel grade wool from 25 per cent to 20 per cent.

I must, however, in all frankness state that we find Australian duties on items of

primary export interest to us high even by OECD standards. Thirty-eight per cent of our exports are textiles. We find your duties of 37 per cent on clothing and finished textiles, 25 per cent on cotton sheeting and 23 per cent on fabrics to be rather high. We would urge reduction in these duties and duties on footwear and leather products. We would also welcome a greater degree of transparency on quarantine regulations on items of export interest to us, for example, animal feed, which we export in substantial quantities to other OECD countries, notably in the European Union, and the United States.

On the World Trade Organisation, we remain fully committed to implementing the provisions of the Uruguay Round in letter and spirit. We are, however, concerned that even before these decisions are fully implemented, new issues like labour standards, trade and environment, trade and competition policy, and other similar measures are being brought in. India and other developing countries feel that these are really attempts to bring in non-tariff barriers by the back door. We appreciate Australia's policies on labour standards and look forward to continued cooperation and understanding on issues of interest to us.

I will say a word about APEC. Our new 'look east policies' lead to us having a rapidly expanding interest in cooperation with APEC economies. We share maritime boundaries with three APEC members, Indonesia, Thailand and Malaysia. We are, therefore, located in the Asia Pacific region. Fifty-four per cent of our foreign direct investment and 50 per cent of our exports are with APEC economies. Thirty-five of our imports are also from this region. The percentage would be much higher if oil imports from the gulf are excluded. We are committed to bringing our duties to levels that apply in ASEAN countries by the turn of the century. We are also committed to the APEC goal of free trade by 2020.

We have a rapidly expanding dialogue with ASEAN countries. We are a full dialogue partner of ASEAN and a member of the ASEAN regional forum. We would naturally be in a better position to expand cooperation with Australia and other APEC economies if we were a member of APEC. We appreciate recent Australian support for our membership of APEC working groups. We would welcome continuing Australian support for our quest for APEC membership. India would, after all, meet all valid criteria for admission, like geographic location, transparent procedures, a fair and open judicial system and a commitment to continuing trade and economic liberalisation.

We are very pleased with the formation of the Indian Ocean Rim Association for Regional Cooperation, which is a new initiative, and the adoption of its charter in Mauritius recently. This is a vast region and we are confident that, in the course of time, the Indian Ocean Rim Association for Regional Cooperation will become an important forum to promote regional trade and economic cooperation.

In conclusion, a major transformation in India's relations with Australia in the last three years has been that each of us views the other not simply in terms of intrinsic

economic worth of bilateral relations but from a larger regional and strategic perspective. The contours of these new sensibilities in India-Australia relations are beginning to emerge both in the Asia-Pacific and the Indian ocean context. It is indeed the tasks of our governments and all those who have a stake in this relationship that the three main streams of India-Australia interaction—bilateral, Indian Ocean economic cooperation and Asia-Pacific economic cooperation—are mutually complimentary and replenishing.

Thank you, Mr Chairman. I know I have taken a lot of your time. It has been a long presentation, but to have an opportunity to appear before a distinguished committee of the Australian parliament is an opportunity I cherish and welcome. I am happy to answer any questions.

**CHAIR**—Thank you very much indeed, High Commissioner. It seems to me to be an excellent overview of our relationship. I confess that some of the data is really quite extraordinary. I had not realised the degree to which the trade figures and your economic growth had increased. They are really quite spectacular and a great credit to your government. In evidence before the committee we have had some reference—and you mentioned the problems you have with our TCF tariffs—to the fact that there are real problems for, for example, sales persons going into India.

We were told that at least until recently if you look at PCN that it had to be marked in and then marked out when you left the country and if you took 75 samples of a product in a suitcase then you had to have each of them ticked and marked off and have them marked off on the way out. It really seemed to me that if that were so it is quite an inhibitor to business. I would be interested to get your reaction to freeing those customs entry controls for matters that are demonstrably for personal use or for sales use.

We were also told of the particular difficulties there are with a multiplicity of small businesses in India; the difficulties you have that if you change these regulations there is likely to be considerable unemployment; and that the economies of scale that flow from having large business are very difficult to achieve. I wonder whether you could tell me what progress has been made in those two fields.

**Mr Parthasarathy**—With regard to the import controls, these are being progressively relaxed. It is not what it was sometime ago. We do have a genuine problem that is not with regard to Australia. The problem is with regard to other countries. A lot of things which are ostensibly being brought in as samples are really for sale. Therefore, we are unable to distinguish between one and the other. This is more so the case with countries in our neighbourhood. Therefore, there are regulations, but custom regulations have been substantially eased over recent years. It is never too much of a problem for individual businessmen to go in and go out.

The other question you raised is an interesting one about small scale sectors and the economies of scale. Over the years industry has been a major source of employment

and therefore certain basic consumer goods which we felt we could produce on our own were reserved for production in employment oriented industries. But there has been process of gradually dereserving those in order to make the economy more competitive. This has not served as a hindrance to investment or our export competitiveness because virtually all the major players with brand names are now coming in because of the competitive edge which you get by having production facilities in India. It is a problem which does exist for employment reasons, but it has not affected our export competitiveness because, where there is an export potential, the production has expanded. We do have large scale industries.

**Mr HOLLIS**—You were very diplomatic and did not highlight any difficulties, apart from the inevitable one about tariffs. Do you perceive there to be any difficulties or irritants in the relationship? You have quoted Deakin and you have painted a very rosy picture of the relationship. But from your perspective as the High Commissioner here, what irritants do you perceive there to be in the relationship?

**Mr Parthasarathy**—There is nothing which I would really take to be a serious irritant. In a relationship, you would always have problems. On the trade and economic side, as I said from our point of view, the two factors which we would like to see—but we understand it is going to be more of a process of discussion—are, firstly, the question of tariffs and, secondly, items like animal feed, where we have a large potential.

I understand the problems of quarantine regulations. I understand the seriousness of quarantine regulations in an island continent like Australia, but a greater degree of transparency would be helpful to exporters, particularly from developing countries like India, which do not have access to the Internet and other facilities which their counterparts in the developed world have.

**Mr HOLLIS**—Someone brought up the question yesterday of visas and the difficulties with visas for some visitors from India. Is that ever raised with you at all?

**Mr Parthasarathy**—In the case of business visas, there have been one or two instances of delays and problems, but it is nothing which I would characterise as insurmountable. We have sorted it out after discussions with the Department of Foreign Affairs and Trade.

We have a larger issue that flows from the GATT WTO agreements pertaining to movement of intellectual persons—computer software specialists and so on—but that is an issue which I think is still at the formative stage. We would like to examine it more carefully and then take it up with the Australian government.

One of the premises of the GATT WTO agreement is that persons with intellectual contributions to make in fields like computer software should have easy facilities to move around and travel around. Generally, we find that is a part of the bargain which we would

like to examine carefully—to see whether not just Australia but the developed world as a whole has been observing—because it is an area where we have immense potential. It is an issue we are examining. It is an issue we will discuss and take up with the Australian government in the course of time.

**Mr HOLLIS**—Yesterday we had Qantas before us. They have now got three flights a week and I think they are talking about an additional four flights a week. It is interesting that a few years back the India connection was on the way to London. Now they are talking about it terminating there and then coming back. They seemed to be very confident that the potential would grow and that tourism between the two countries would grow. I note that Air India has got its landing rights in Australia. Is there any discussion about Air India opening a flight to Australia?

**Mr Parthasarathy**—Yes, I think it is now under serious consideration. We do find that there is potential, but it is really a question of Air India getting itself enough aircraft for flights this way. Air India now makes its maximum profits on its routes to the Gulf, the US and the UK and its aircraft capabilities are fully stretched. As and when the aircraft capability expands, I think we will see flights to Australia.

**Mr HOLLIS**—That is all I have, Mr Chairman.

**Mrs GALLUS**—What is the situation now with child labour in India?

**Mr Parthasarathy**—You will have to look at child labour in somewhat comprehensive terms. There are instances of sweatshops which governments alone cannot clamp down on. Largely, it is the NGOs which are playing a very active role in India on this. I think that is a problem which we are directly handling.

I think you should also look at it from another perspective. Skills like carpet making are passed on from father to son. Where it is a family occupation, it is very difficult to tell a father that he cannot employ a 12- or 13-year-old boy at home to add to the family's income. But we are now discouraging organised child labour; the state governments are clamping down very hard.

The other thing we have done is devise a system of marking products to certify and ensure that they do not have a child labour content. We believe that some of the mechanisms we have worked out in India, which was done closely in cooperation with voluntary organisations, are the best guarantee that sweatshops do not find their work productive.

By and large, I think there has been substantial progress in dealing with the issue of child labour in that way. It is not a problem which is black and white. As I said, a traditional craftsman who for five generations has been involved in carpet weaving sees very little future for his son with the final school degree or certificate, but he does see a

future for his son with skills in carpet weaving.

**Mrs GALLUS**—I understand that that would not be a particular problem. I do not think that this has been raised as a huge issue in Australia, but I understand in America that the consumer groups are now quite vigilant in this and are looking for labels on the carpets—which you say you are putting on—to say that child labour has not been used.

**Mr Parthasarathy**—I think there was an article in the *Australian* recently which proved that sometimes even well-intentioned people from outside can go wrong in how they deal with the problem. I do believe that the solution clearly comes from our own voluntary agencies and people's movements. It is a democracy. People do not like children being put through that sort of thing. By and large, in the states concerned, it has been addressed. I believe the certification that we give is very carefully analysed before it is given to say it is free from child labour content.

**Mrs GALLUS**—I am sure nobody would have worries about a son following in his father's footsteps, but I think most of us would be very concerned if we were buying products made by child labour that had been exploited on a massive scale.

You mention the difficulty that small businesses and small industries had in India and that our networking was nowhere near what it should be compared with German networking and things like that. Have you any ideas of how we could get over this? Is this an Australian problem that the government should be looking at to facilitate greater access by Australian businesses? What do you see as the cure for the problem?

**Mr Parthasarathy**—My own assessment, for whatever it is worth, is that it relates to, firstly, until very recently the Australian definition of Asia being East Asia. Your companies never were encouraged to believe that anything existed west of Thailand, therefore, there was very little interest in establishing a business presence there.

Secondly, even in India there was very little knowledge of what was happening in Australia. That is changing. I explained this recent thing of the OKA motors. I think it is really for the Australian government and small business, especially high tech businesses, to work out together how best the firms could be facilitated in countries like India. You are talking of a market of at least 200 to 300 million people. Therefore, the production is much larger.

We also have a booming stock market. So it is not a problem for a good Indian company to raise resources in India. It does not want a small partner with equity participation; all it wants is technology transfers and design transfers. As I said, they pay very handsomely by way of service charges and what we call royalties.

**Mrs GALLUS**—So you are really talking about a lack of knowledge. You are making it clear that it is both ways, but these businesses have a lack of knowledge about



India itself.

**Mr Parthasarathy**—I think it is inadequate. I would not say there is a lack of knowledge, but it is inadequate. The Germans are the best I have seen in the way they go about interacting with Indian companies.

**Mrs GALLUS**—Can you touch on that?

**Mr Parthasarathy**—As I said, Australia is a late starter. In the 1980s, I remember that the equivalent of the Australian state premiers from Germany used to be in and out of India, along with small business from Stuttgart, Frankfurt and what have you. In Australia, for the state governments it is something new. I must commend the Western Australian government for what they have done. They have a very active office, and Western Australian businesses network very well with us.

**Mrs GALLUS**—So it really is that we are just late starters?

**Mr Parthasarathy**—Yes.

**Mrs GALLUS**—My final question is: do you see any benefit to trade between India and Australia in having a railway to Darwin and using Darwin as a major port to access India and India to access Australia?

**Mr Parthasarathy**—I am not too sure, because the main markets for our products would be along the east coast. I am not sure whether transportation from Darwin to the east coast is worth it when you can get a ship directly to Sydney or Melbourne or Brisbane. So I have not really examined that, but prima facie this would seem to be a problem. What we would be interested in—which we will be looking to Western Australia and to Darwin for—is that, as our energy needs expand, we would be in the market for liquefied natural gas. Both the Northern Territory and Western Australia are seen to be very much in the market for LNG.

**Mrs GALLUS**—Thank you.

**Senator CHILDS**—I wonder whether I could follow through that issue of the political/cultural interaction. I have asked a number of questions, and it seems to me that you need that political exchange as a catalyst to develop the relationship. I agree that, although you paint an emerging progress in the short term, there needs to be a way to increase that interchange. For example, in our other trading relationship, we have sister city arrangements, state to state arrangements, and we are similar in that we have a strong state system in both of our countries. Do you have any ideas? Up until now the evidence is that those arrangements are not very methodical at the moment. You have mentioned the increasing national interchange between ministers and others, but it seems to me that in the medium term one of the things that we have to address is an increased awareness of

the political and cultural advantages of both countries.

**Mr Parthasarathy**—I think I can answer that. That is a point very well taken. The thing is that, with the Indian market being so large, you will often have an Australian company operating in more than one state. I can see that companies like CRA and BHP, for example, in the next five years will perhaps be operating major projects in four to five states across the country. We have had a lot of state level exchanges. From our own states we have had ministers coming here very regularly. Their primary interest is in industry, mining and the development of ports.

So we have had, I think, at least half a dozen visits from state ministers over the last six or eight months. From the Australian side, we have had fairly regular visits from Mr Hendy Cowan, Deputy Premier of WA. He is a pretty well-known figure now in Delhi and in the states in India. We have also had Dr Refshauge from New South Wales, who is with us every now and then.

**CHAIR**—What is Dr Refshauge promoting? Is he promoting health?

**Mr Parthasarathy**—Dr Refshauge is interested in tying up cooperation in health. We now have, with private hospitals, very large investments coming in. We find that there is much we can benefit by way of collaboration with Australian institutes and hospitals of health excellence. One reason I might mention is that we find that our own hospitals, once modernised, serve as excellent providers at very reasonable rates, not only in India but also to our neighbouring countries. You can get an American trained doctor who has got back to India after working with Debakey willing to do by-pass surgery for the equivalent of \$A2,000 or \$A3,000. We do have a lot of inflow from our neighbouring countries also. Health is another area where are cooperating. In fact we had a delegation from the state of Madhya Pradesh recently in Australia looking at how we can develop cooperation in these areas.

**Senator CHILDS**—Can I go a stage further because it seems that the other area is the media and education, and they are not necessarily synonymous—at least with our media. It seems we have to develop those links if we are to break down the barriers of ignorance that exist. In Australia we tend to go in fads—and it seems to me that India should be our next fad—or we have to capture the attention of both media. Of course, at the same time we need to explore interchange between the education systems so that genuine interest in both our countries is extended. Do you have any views on that?

**Mr Parthasarathy**—Oh yes. On education: at the present moment the Australian thrust has been largely on getting students from India. There is very little by way of collaborative arrangements between educational institutions. The net result has been that you find our universities, because of the common English language, excellently networked with American and British counterparts but there is very little by way of educational networking with Australia. Some of the research work which is done in our universities is

used by American and British universities. There is no such networking and I am afraid the entire focus of the effort thus far in Australia has been on students and the commercial aspects of education. I entirely share your view that between democracies, if the relationship is to be abiding, collaborative relationships between educational institutions are important and I think we should focus more attention on this.

On the media, without sounding facetious, we both have very active national media who serve as very strong watchdogs. There have been a fair amount of media exchanges. All the leading Australian newspapers have bureaus in India and we are quite happy with their reporting. We have nothing to complain about. In fact, the view is often voiced that they are more charitable to us and to the government than our own media often is. Likewise, the Press Trust of India has an office in India. So stories of interest to us from Australia are carried in the Indian press. Again, it is somewhat distant. The fact that Australia is so close to us in economic terms, and that it is growing, is certainly something which we try to keep the media apprised of, but it is worth continuing the effort. Thank you.

**CHAIR**—Following on from that, there used to be a program—I see Graeme Dobell from Radio Australia in the audience—that Radio Australia used to promote called *Charting Australia*. The program was partly funded by the Australia-India Council and I believe it was transmitted from the Darwin transmitter that we are to look at next week. Do you know that program and, if so, how you did you see its reception and audience in India? Do you have any comments? I do not know whether it is available or is now being re-transmitted in any way.

**Mr Parthasarathy**—On this specific program, no; Radio Australia, yes. I said earlier on that I did listen to Radio Australia. Although I must confess in all honesty that the first foreign station that most Indians listen to is the BBC. But, yes, Radio Australia was also listened to and people still do listen to Radio Australia. Its impact is very difficult to say. People like me do listen to it. About its utility, that is something I cannot—

**CHAIR**—Do many people listen to shortwave radio?

**Mr Parthasarathy**—Many people used to listen to shortwave radio. Now many more people watch television. But radio for rural India still remains something that a very large number of people listen to.

**CHAIR**—Your television: do you take CNN and BBC world programs? Do you take ATV?

**Mr Parthasarathy**—Cable TV is now available to every household in India.

**CHAIR**—Every household?

**Mr Parthasarathy**—Yes.

**CHAIR**—Rural areas?

**Mr Parthasarathy**—In the urban areas. In the most prosperous rural areas cable operators will certainly operate because there will be enough business. The regulation on the cable TV network is limited to saying, normally, that they have one or two of the national channels. But over and above that it is really Mr Murdoch's Star TV which has a very wide viewership. It has five or six channels. It would be generally fair to say that an average Indian today living in an urban area with a television set, paying a fee equivalent to about \$A8 a month, could get the benefit of 15 to 20 channels.

**CHAIR**—Thank you very much for your evidence given to us today, and for both you and your deputy coming. If you have any other information that you feel may be of value to the committee, then you might send it to our secretary because we regard this as a very important inquiry and any assistance we can have from you, on behalf of the Indian government, would be greatly appreciated. You will also be sent a copy of the transcript of your evidence. If you wish to correct that in any way, then by all means do so. Thank you.

**Mr Parthasarathy**—By the way, I think the Speaker wrote to you after he got back.

**CHAIR**—Yes.

**Mr Parthasarathy**—Both the delegations really enjoyed their visits.

**CHAIR**—I was very appreciative of the letter. Thank you very much.

[11.00 a.m.]

**BENNETT, Ms Barbara, Assistant Secretary, International Policy Branch, International Division, Department of Employment, Education, Training and Youth Affairs, Level 5, 10 Mort Street, Civic, Australian Capital Territory 2601**

**GORDON, Ms Jenni, Acting First Assistant Secretary, International Division, Department of Employment, Education, Training and Youth Affairs, Level 5, 10 Mort Street, Civic, Australian Capital Territory 2601**

**ROWLING, Mr John, Assistant Secretary, Australian International Education Foundation Branch, International Division, Department of Employment, Education, Training and Youth Affairs, Level 5, 10 Mort Street, Civic, Australian Capital Territory 2601**

**CHAIR**—Welcome to our hearing this morning. While we do not require evidence to be given on oath, these are formal proceedings of the parliament, as you are aware. We prefer all evidence to be given in public. If you wish to give some evidence in private, then by all means make that request and we will give consideration to it.

We have a submission from the Department of Employment, Education, Training and Youth Affairs which is submission No. 52. You may wish to make an opening statement to correct that submission or to supplement it.

**Ms Gordon**—I will not take up much time this morning with opening remarks. I think the department's submission adequately states our views and the position that our department has taken in relation to education and training matters with India and, indeed, with the other emerging economies of South Asia. We will provide you, with your leave, with some additional papers which hopefully will assist you in understanding the basis of the inclusions in our submission.

I do not think any of the remarks that we want to make this morning are ones that we are not happy to have on the public record. Some of the materials that we will provide you with, however, have been developed under the auspices of the Australian International Education Foundation, and to that extent we consider they are 'commercial in confidence'. They are used by the member institutions of the foundation. We have marked those materials where we consider there should be an appropriate restriction on their use. Obviously the committee will make a decision as it sees fit on those materials.

**CHAIR**—Are they severable so that we can receive one on the public record and one—

**Ms Gordon**—Most certainly. They are marked quite separately. We have two copies of the full set of materials for your use.

**CHAIR**—Right. Thank you very much indeed. That will be very helpful.

**Ms Gordon**—From time to time during the morning we will refer to materials that are in that package.

By way of opening remarks, we wish to say that our department believes Australia's education and training relationship with India is likely to be best developed on the basis of government support for private sector activities rather than the government leading the way with other countries with which we have education and training relationships. We believe it is the interaction between Australian education and training institutions and their counterparts in India that will maintain the momentum of the education and training relationship.

We had a very successful event in late 1996 under the New Horizons series of programs. That has given considerable impetus to the relationship between the education and training industry in Australia and India. Australia is now attracting quite a considerable degree of interest from Indian students who are seeking to gain high quality education and training qualifications. We believe that over the next three to four years that sort of interest is likely to increase. It is our view that rising personal income, the greater demand for skills and skills training in India itself, and the expectations of the Indian people themselves for qualifications and skills to support their own growing economy will mean that Australian education and training institutions and the education and training community at large in Australia will benefit, provided they develop and maintain close and supportive relationships with their Indian counterparts.

We are happy to talk about the statistics and the trends that we have identified and what we think they mean for us. We have not put such a clear focus on the other emerging economies in South Asia, but we think the opportunities at this stage have either been less identified or are less apparent. Nonetheless, we believe that they will grow also over the next three to five years, but India at this stage remains our major focus in South Asia. I am happy now to answer any questions that the committee may have.

**CHAIR**—Thank you. One of the things that you said a moment ago was that apparently there is a bit of interest in this health reciprocity. Does that extend to health education? A lot of Indian doctors have been recruited into Australia, but I had not really been aware of that health link before the evidence of Dr Refshauge's visits to India, and comments by the High Commissioner. What is that relationship? Do we have any medical schools in Australia that have a link with India?

**Ms Gordon**—I will refer to my colleague, Mr Rowling, who has been responsible for doing a market analysis on India. Among the documents we have given you is a strategic business plan for India for the Australian International Education Foundation. We do attempt to do analyses of various components of the market according to the particular demands for skills and training that we perceive in the countries that we relate to.

**Mr Rowling**—Thank you. The information and knowledge that we have in relation to health education is fairly anecdotal. I am aware, for example, that the University of Newcastle, through its medical school, has done a lot of work in and with developing countries. India has been one of those areas where there has been a fair bit of work. The High Commissioner's information about Minister Refshauge was news to me. I had not picked up, until then, the drive that was obviously being taken in relation to health, although we have been doing a reasonable amount of work with a number of states, including New South Wales and Victoria, and with the health authorities at the federal level, around health education and the export of health education services. It may well be that some of that work has been linked with and used by the New South Wales government.

**CHAIR**—In the post-war period, the Colombo Plan brought a large number of students from the region into Australia. Were many of those from India? I have not been conscious of any Indian students. The Indians withdrew from the world for a long period; I assume that many of their post-graduate students went to the Soviet bloc countries rather than to the west. Do you have a figure for the percentage of Indian students that travel abroad? Where do they go? Presumably, today, the UK and the US would be the principal destinations. Where would we stand in relation to the other countries?

**Mr Rowling**—I do not know whether India was a Colombo Plan recipient. We would have to find out for you.

**CHAIR**—Would you mind doing so? In the past it has been particularly important for countries like Singapore and Malaysia, for example.

**Mr Rowling**—In the context of what is happening now, it appears from our information that somewhere around about 50,000 Indian students travel overseas each year for study purposes. About half are travelling on scholarships, most of which are granted by US institutions and foundations. The other half, 25,000 or so, are fee paying students, of which the majority, again, are going to the USA. Australia is now the second destination behind the US. We surpassed the UK this year, in terms of numbers. The UK is responding to that with some pretty substantial marketing responses and is bringing a large number of institutions to India to try to redress it.

In part, it appears that the UK relationship with India on education was based for a long time on aid and aid based scholarships. As they started to make the transition to fee-paying students they did not alter their approach to recruitment, which gave us some opportunities to enter the market and gain considerable market share. The other thing that has happened is that last year New Horizons gave Australia and Australian education a fairly substantial impetus, and we have continued to see fairly strong and solid growth. A decade ago in 1987 there were only 14 students from India in the country. This year we are talking about 4,000. There is a continuing and steady rate of recruitment going on.

We tend to think of the growth in the context of universities, but a substantial part of that growth is actually in the vocational education and training sector. There are large numbers of students from India coming for university, but a very large proportion is also coming for vocational education studies.

**CHAIR**—How many of those would be on scholarships. Do you know?

**Mr Rowling**—Virtually none.

**CHAIR**—What would be the break-up between TAFE and universities?

**Mr Rowling**—In terms of the splits, out of 4,000 students in Australia in 1996 we are looking at 1,800 in the higher education sector and 2,000 in vocational education, many of whom are in TAFE. But there are also a lot participating in other programs that are very popular with Indian students such as air schools and related matters. About 50 attend schools.

**CHAIR**—Of the 1,800, how many would be postgraduates and how many would be undergraduates?

**Mr Rowling**—We would have to go and have a look at that for you. I would imagine most of them are postgraduates attending university doing masters programs—masters of business administration and related courses. But we would have to check that for you.

**CHAIR**—Thank you.

**Senator CHILDS**—You might have heard the High Commissioner talk about linkages between education generally, but I thought there was an implicit criticism of the lack of communication, other than on our part, and a wish to get students. Do you have any comment on the general intercourse between universities of both countries?

**Mr Rowling**—Yes, we would like to comment. We recognised in the lead-up to New Horizons that that was precisely an issue that we would be concerned about: that the development of the educational relationship with India was being built on a fairly narrow commercial base. We were concerned to utilise the 1996 New Horizons activities to re-base that and to start to build much better linkages between individuals and institutions in Australia and India. To a large extent, the strategy on education was built around developing institutional linkages. The submission that the department put to the inquiry lists the current institutional linkages between Australian and Indian universities, but it is quite clear that there is still a long way to go.

We have been completing some baseline evaluation of the outcomes of the education components of New Horizons to see to what extent our objectives in bringing



people together and starting to build linkages have been met at this early stage. The early evidence is that most participants in the New Horizons events indicated that they have led to a substantial increase in personal and formal linkages.

Indeed, yesterday I was talking to one of the participants in the New Horizons program from the Northern Territory schools education sector and she was commenting to the effect that, as a result of New Horizons, they actually now had a number of structured and formal linkages with Indian schools and one of the Indian state education bodies where they were going through a whole series of arrangements to exchange staff, teachers and arrangements of that kind. It will take time. It is certainly clear that the institutional linkages are not well developed yet but are starting to come on quite strongly.

**Senator CHILDS**—Is the department aware of any problems as far as immigration is concerned—overstaying students or problems of that nature? Have any problems in that area been drawn to your attention?

**Ms Gordon**—We constantly monitor the immigration visa issue matters because they obviously can either be a force for supporting the growth of the industry or, if they are not managed well, they can create difficulties for all concerned. One of the issues that we are addressing in the context of the review of the student visa regime that the Department of Immigration is currently managing does touch on this issue about countries, like India, where there may well be a perception that there is a significant number of people who would look to move to other Western countries because of greater advantages.

The difficulties that we have identified in relation to the visa regime in India at this stage go as much to the issue of processing as to the issue of whether students are entitled to get visas or not. I understand that the Department of Immigration itself remains concerned about the potential for visa fraud in India—fraudulent documentation, et cetera—and that is one of the reasons that it does very careful assessments of visa applications and it does have a relatively high rejection rate. Certainly it is one of the countries that we would not want to encourage a loose visa regime because, from our perspective, it is a country with great potential for the education and training exports industry. Well managed from an immigration perspective as well as from our own industry perspective, there are a lot of benefits in that relationship for both the Indian community and the Australian community.

That is a way of saying that, yes, the visa regime is obviously an important component in ensuring that we have a sound relationship. Quite often we have discussions with our immigration colleagues about the best way of managing any issues as they arise. Certainly we would hope that the review of the visa regime that immigration is undertaking would allow all those sorts of issues to be properly considered and canvassed and the statistics to be properly examined so we can understand precisely what is going on. At the moment there have been significant improvements in the rate, the speed, of visa processing; the time from application to decision is now significantly less than it was

some time ago, and that is moving in the right direction as far as we are concerned.

**Mrs GALLUS**—We hear all these stories about the effect that Pauline Hanson's statements are having on the direction of Asian students. Does that carry through to India or not?

**Mr Rowling**—I think the short answer is no. From the reports that we have had, there has been very little reporting of the racism debate in India; on top of that, there appears to be no impact. The rate of growth in applications for student visas continues to grow steadily. We have just had in July the largest number of student visas ever issued out of India for one month—over 870 student visas were issued in July. It does not appear to be having any impact at all.

**Mrs GALLUS**—Did you tell us before what your rate of growth was in students?

**Mr Rowling**—No, I did not directly but in a decade the rate of growth has gone from 14 students to 4,000 students.

**Mrs GALLUS**—So we have an accelerating rate of growth.

**Mr Rowling**—It has been very fast. However, the rate of growth is starting to slow, which is what you would expect. We went through a couple of years of quite dramatic growth. The overall numbers in terms of growth are staying up.

**Mrs GALLUS**—I guess what I am getting at is that when this growth started Australia was ahead in its educational facilities. Since then and more recently we are seeing a growth in South East Asia of their own educational facilities and the emphasis that they are putting on education. If you can project yourself into the future, do you see that there will be more Indian students going to other countries in the region as other countries' educational institutions increase their prestige and this will be at the expense of Australia?

**Mr Rowling**—I think it is quite clear that not only for Indian students but all international students the competition in international education is strong and will continue to get stronger. I suppose Indian students tend to be looking to Australia for either postgraduate education, where in the region Australia is very strong, or they are looking for vocational education, where vocational education and training systems in Australia are recognised as if not the best in the world certainly the best in the region. To that extent at the moment, in relation to Indian students both our postgraduate programs and our vocational educational and training programs continue to give us a competitive advantage in the region.

**Mrs GALLUS**—You keep saying 'at the moment'. Has DEETYA done any research to look at where they would expect countries in the region to be five or 10 years

from now to project whether Australia is going to keep that edge or whether the edge that Australia has is going to be one of diminishing returns?

**Mr Rowling**—We have done some projections. We do expect steady growth. But we also expect increasing competition. We expect that the Australian education institutions will respond to that by spreading and expanding the sorts of programs they offer and also how they offer them. We will see a slow down in the dependence on students coming into the country and we will see an increase in emphasis in offshore delivery, either through joint ventures or distance education, delivery in country, use of electronic telecommunications and other related delivery mechanisms.

It is known that, for example, Singapore and Malaysia have their own objectives in relation to positioning themselves in international education. At the same time, for example, Malaysia also has very ambitious plans for its own domestic population in relation to higher education. It is difficult to see from our projections that Malaysia will be able to achieve their objectives in relation to both their domestic population and international education in the next five to 10 years simply because of the enormous infrastructure that they will require to achieve that.

**Mrs GALLUS**—You said that you expect our institutions will be looking at that and changing as required. Is DEETYA actually working with the institutions saying, 'This is where we are now. This is a major export for Australia. What are we going to be doing to counter the efforts in the region because, yes, they are working very hard so how are we going to keep that edge? Are you just saying that presumably the institutions are going to respond to this or is there an active involvement in working with the institutions?

**Mr Rowling**—The Australian government established a partnership with the industry through the Australian International Education Foundation. Part of its role is to provide information and work with the industry to help them understand where the opportunities and where the threats are coming from. To that extent there is an active role for the foundation in that way.

**Mrs GALLUS**—Do you see exciting things happening in Australian education in the next five to 10 years that is going to keep us ahead?

**Mr Rowling**—It depends what you describe as exciting.

**Mrs GALLUS**—That attracts other people.

**Mr Rowling**—The answer is yes. We do see Australian international education and export earnings to continue to grow and grow substantially. We see Australian education institutions taking a lot of innovative steps to maintain that growth.

**Mrs GALLUS**—It was the innovative steps that I was interested in.

**Mr Rowling**—A lot of those innovative steps are built around either technology or development of relations, joint ventures and twinning programs offshore, to maintain or build a position or to establish themselves in difficult markets. We have seen some very innovative arrangements emerging in India. I understand IDP is going to be giving some testimony.

**Mrs GALLUS**—I think they follow.

**Mr Rowling**—They, with Deakin University, for example, have put in place some very innovative arrangements in relation to education programs in India which signal the sort of flexibility and innovation that can be taken by Australian institutions.

**Mrs GALLUS**—We will be able to hear about it next.

**CHAIR**—In terms of external education, are there many Indian students taking courses through Australian universities? In other words, instead of taking the courses by coming out to Australia, are many doing courses in India essentially externally?

**Mr Rowling**—The answer to that is yes. Whether we actually have any data on that I am not sure. It is quite a difficult area in which to collect information. We have only just started to collect that information. Certainly some of the initiatives that were taken in 1996 as part of New Horizons by a number of institutions were built around joint venture arrangements and linkages with Indian institutions or Indian professional bodies for the delivery of programs in country.

**Ms Gordon**—It may well be possible for us to give you quite specific data from our 1996 overseas student statistics on that. I think probably page 54 of the book that we have handed across may well give you the data that existed at that time about external mode. To the extent that it does not give you the detail that you want and we are able to go back and do some more analysis we will be happy to do so.

**CHAIR**—This also gives the answer to the next question. Which university is doing it the most? Southern Queensland and Monash seem to be way ahead according to this. That is external multi-modal.

**Mr Rowling**—Yes.

**CHAIR**—In terms of internal studies in Australia—

**Ms Gordon**—It is earlier in this book. It can get a bit tedious but there is quite a lot of data packed into that book. If you need some analysis done of the figures we would be happy to do what we can to assist.

**CHAIR**—I am interested in the Australian International Education Foundation. I

noted that there was funding in last year's budget. There was a review to be undertaken. Has that review been completed? What was the result of it? To what degree is the foundation now financially independent and where is the foundation going? What is its plan for the future?

**Ms Gordon**—The foundation is not yet financially independent nor was the decision in the last year's budget that it would be so by now. The intention was that the foundation would move towards self-sufficiency by the year 2001. The review is up to the stage of discussions between the minister and peak education and training bodies about the nature of the functions and activities that the industry would want to agree with the government that it would be prepared to fund. Those negotiations are still under way. I do not think the minister expects to draw a conclusion until later this year about what direction will be taken in terms of the foundation.

**CHAIR**—In terms of the Indian reciprocal educational opportunities, does India attract postgraduate students from the region? Is it an educational centre itself?

**Mr Rowling**—Last year we had quite extensive discussions with the chair of the University Grants Commission. One of the policy issues that the Indian government and the University Grants Commission were struggling with is that they do attract substantial numbers of students from the region and also from countries who are also our markets. Their difficulty is that their education to a large extent is free or near enough to free at the university level. They were exploring the extent to which they could start at least cost recovering some of the impost of in particular postgraduate students from other countries in the region. They are constrained by a whole number of factors, which seems to be inhibiting their capacity to enter the international education market on the same basis. For example, Australia has developed its own fee for service basis.

**CHAIR**—I have not really been able to identify in my own mind the parallel rate of growth in different states and regions of India. Universities would have been the traditional population and I guess cultural centres, if you want to call it that, of India. With the growth in income and the growth in some states has there been a marked growth in new universities and new educational opportunities?

**Mr Rowling**—I do not know the answer to that.

**Ms Bennett**—In one of the papers we provided to you there was a country analysis for India. It explains the extent of investment by the Indian government in the university sector and it shows the current number of universities. The system is slightly different from ours in the fact that what they call a deemed university is primarily a postgraduate provider and then they have many undergraduate colleges. There are more than 6,000 undergraduate providers and more than 200 deemed universities. There has been a reasonably steady growth in India over the last few years.

**CHAIR**—From evidence given to us by the Centre for South Asian Studies yesterday, it appears that they have some particular relationships with Indian universities. Are there many Australian universities with particular relationships, say, between Adelaide university and New Delhi?

**Ms Bennett**—In our submission there was a list of the institutional links that we are aware of on the fifth page. I think one of the issues is that many Australian institutions have links but obviously with there being so many more institutions on the Indian side not all Indian institutions will have links with Australian institutions. With the other side having between 6,000 and 200 institutions, depending on how you look at it, and us having 37 universities.

**Ms Gordon**—I think part of the answer to your question is that we simply would not necessarily have an exhaustive list of all the linkages between Australian institutions and Indian institutions. We do not seek to collect that information from Australian institutions. With the increasing growth in the private sector in Australia, there may well be linkages that we are unaware of and that are proving to be quite productive for those particular institutions. This particular list is easier for us to provide to you. As you will identify, it has been sourced from the Australian Vice Chancellors Committee. To that extent, it is the linkages between the Australian universities that come under the AVCC rather than an exhaustive list of all potential linkages that exist.

**CHAIR**—The other thing that you canvassed a while ago was professional links. In terms of reciprocity of recognition of qualifications I think Indian doctors are accepted for practice outside capital cities or in some regional areas. What about law, accountancy, business management and across the raft of paramedical disciplines? Is there generally a standard that we accept in Australia of qualifications from India and India accepts from Australia or is the problem in training people here, and their qualifications are not recognised when they go back to India?

**Ms Bennett**—As part of the activities of New Horizons the National Office of Overseas Skills Recognition, NOOSR, undertook and updated what they call a country profile of India. The previous one had been undertaken about seven or eight years beforehand. What it found is that there had been enormous improvement in the quality of education outcomes by Indian institutions. How we tend to embark on mutual recognition is that that is a first step, an analysis, of the country. In exchange, they get to have a look at our qualifications, because it is a two-way process. It is about them looking at us and us looking at them.

So what I am saying is that, as a result of that last year, that first step was undertaken. We are now at that stage where we would need to proceed with the next stages of discussion and understanding of what mutual recognition means. The point that you make about doctors, lawyers and engineers is that a lot of that relates to professional registration in Australia, not about the recognition of the qualification from the institution.

That is a different negotiation.

**CHAIR**—What happens is that the institute tends to either set additional criteria or take certain examination results or university qualifications as a prerequisite and then top up or provide some qualification. I was just interested in that, because it is obviously a very important field for Australia. If we have people offering training courses, we want to make sure they are accepted when they return to their own country or we are in trouble. I just wondered where it was up to. So it is moving, but it still has a little way to go from what you are saying

**Ms Bennett**—Yes. The students who return to India are not concerned about their qualifications being recognised. Students who study in Australia have generally found that the qualifications they take back to India have been acceptable when they return. They are able to be used in the professions that they pursue when they return to their country.

**CHAIR**—Generally, but there is no guarantee.

**Ms Bennett**—Mainly through my work on New Horizons and participating in some of the discussions with the Business Council, I understand that there are strong linkages, but you would need to talk to the Department of Foreign Affairs and Trade. They have been fostering those linkages between professional organisations here in Australia and in India. I got the feeling, in observing that, that there were quite good relationships. But the Department of Foreign Affairs and Trade would be much better placed to talk about how well that is working.

**CHAIR**—As there are no further questions, I thank you very much for coming and giving evidence here this morning. Obviously we will give you a transcript of your evidence. If you wish to correct it or add to it, then by all means do so. You have given us a number of additional documents. I noted that you do not have any problems with the first three that are listed: statistical data, new horizons and the Australian International Education Foundation advantages to members document. I would suggest we table those as exhibits in their order of appearance. You have two other documents. One is the draft country strategy for India. When do you expect that one to be finalised?

**Ms Gordon**—The country strategies are essentially internal working documents for the department. We do analyses of a whole variety of bilateral country relationships that the department has to try to identify the sorts of strategies that we will pursue. Sitting beneath that particular document, there is also an AIEF business plan. The country strategies themselves are updated from time to time.

It is still in draft form because it has not yet been endorsed by the executive of the department nor been seen by the minister. We would hope to be able to finalise that process later this year. I cannot give you a definite date, because it is one of those matters where internally we will keep revisiting the material that we have in there. The AIEF

business plan that sits beneath that strategy is one of the documents that I referred to earlier that we consider to be commercial-in-confidence, because it has been developed specifically in consultation with those members of the industry that choose to subscribe to the AIEF.

**CHAIR**—When you say it is one of them, which is the other one?

**Ms Gordon**—We have those across a whole range of other bilateral relationships.

**CHAIR**—I see. I just wondered whether we should have treated your draft country strategy and your draft country business plan as being generally in confidence, because they were only in draft form.

**Ms Gordon**—We would prefer that you treat it that way, but certainly we would be happy for you to use the information that is in there.

**CHAIR**—We should do that and treat those accordingly. I thank you for your evidence to us. We will table those documents in the order we have sequentially identified: statistical data, new horizons and the Australian International Education Foundation advantages to members document. We will use the other two on a confidential basis. Thank you.



[11.42 a.m.]

**BLIGHT, Dr Denis Geoffrey, Chief Executive, IDP Education Australia Ltd, One Geils Court, Deakin, Australian Capital Territory 2600**

**CHAIR**—Welcome. These proceedings are formal proceedings of the parliament and need to be treated accordingly. We prefer all evidence to be given in public. If you wish it to be given otherwise, you should request it and we will give consideration to your request. The submission from IDP Education Australia Ltd, submission No. 64, has been adopted by us. Should you wish to make a brief opening statement, you are welcome to do so.

**Dr Blight**—I just want to make a very brief statement which flows on somewhat from the end bit of the discussion I heard just a few moments ago. The first point is that trade and education services between Australia and India, whilst currently at a relatively low level, are going to be a very important part of our international educational effort. The demand for higher education in India is growing at such a pace that, in order to meet it, India will have to build a university a week. You only need about five per cent of those students to study abroad and five per cent of that five per cent to come to Australia to give us a substantial flow of Indian scholars to Australia and, hence, a substantial level of revenue earnings for our institutions, foreign exchange for Australia and, incidentally, for my company. So India is a very important market.

We only need a relatively small share of that market to replace, and we do need it to replace, a slackening in growth in other countries in the region. But that is not going to just fall into our laps. We will have to have innovative approaches by our institutions, and we will have to have an Australian effort to enhance Australia's image in India, such as we saw through New Horizons. We will also need some policy actions by the government to enable that process to proceed smoothly. I am happy to answer questions.

**CHAIR**—The thing about India is that it seems, having been relatively close to us for years, that it has just gone into an incredible period of quiescence, where nothing happens. Now there is this remarkable surge in not only their trade and commerce but in contact. Remarkably, it seems to be moving more to our part of the world than I thought it might.

The US and India have always had a very special relationship. We heard that in educational scholarships they are still by far the most dominant force. Do you see, within the work that you do, that there is something we need to do as Australia to lift our profile so we can make ourselves more attractive? We have heard a bit from DEETYA about what they are doing, but it seems to me that we are requiring people who come out here, for example, to pay their full educational fees. America is offering all these scholarships. Is that a factor? What do we need to do to try to get in on the bandwagon to a greater degree than we have?

**Dr Blight**—There are two points I would like to make. First, it is not the first case where we have experienced that sort of gap in our relationship with a country. Korea is another case where, under the Colombo plan and the scholarships scheme, we had quite a substantial relationship with Korea—and I am talking about in the educational field—in the 1950s and 1960s. It just went into hole with the end of the aid program. There was a gap between the end of the aid phase and the pick up of the trade phase, if I can use that shorthand in places like Korea.

We did not see that same gap elsewhere, but in India we did. India was a major recipient of Australian aid under the Colombo plan. Then it just sort of stopped or went down to a very low level in the relationship. Education is an important part of that aid relationship. It just went into a hole.

In the case of India it has been revived, essentially because of changes in the Indian environment, with the liberalisation and the opening of the Indian economy to the world. Australia got in there pretty quickly, and I am talking about the education field. Institutions sensed in about 1993-94 that there was an opportunity in India. So they started to get their own act together with the encouragement of government, but it really was down to institutions to do the job. IDP, for example, started opening an office in India in New Delhi in 1995. We now have opened in Chennai and in Mumbai, because we sense that that is a very important market.

So, on the one hand, it is up to the institutions themselves to get their act together and to go to India to promote and recruit. By and large, they are doing that. The other point, though, is that we do need to enhance Australia's image. If you look at the review of the AIEF, the conclusion that it came to was that there is an appropriate role for government in promoting an image of Australia in key markets. The review did not favour promotion of, or the funding of the promotion of education by government or, for that matter, the funding of any particular industry. Rather, it argues that there is a role for government in promoting the standing and image of Australia as an advanced, culturally diverse, tolerant, educationally rich country. That is where we need the government's help.

New Horizons, which was proposed by the previous government and implemented by this one, was an example of what can be done. The government took something of a lead, but I would guess that the overwhelming expenditure actually came from participants like myself and others from the industry who spent a fair bit of their own money to get there for good commercial reasons.

**CHAIR**—One of the things that strikes me as being so difficult is that we are in a very competitive market. You were not here, but we heard from the High Commissioner about how effective the Germans were. We obviously have an advantage in education because of the English language base. Has much been done by those countries, such as the Germans, the French, the other Europeans and the Japanese in the education field?

**Dr Blight**—There is, but we are generally outstripping them. Australia is generally doing better in the education market than any of our major competitors. We are stealing market share from virtually all of them.

The Europeans, the Germans and the French have a particular problem in education, as John said in relation to India itself. They provide their education free of charge so there is no incentive for the universities in those countries to recruit international students; it would just become another burden on them. There are other incentives in terms of culturally enriching the campus and so on, but universities everywhere are under pressure. They have got to do more with less, so they are hardly going to welcome foreign students who do not contribute to them financially.

I have talked to the director-general of DAAD, which is the academic cooperation agency of Germany. Do not ask me what the initials stand for! He agrees, in fact, that free education in places like Germany is a disincentive to internationalisation. Superficially they might say, 'Oh, well, we're allowing foreign students in free. We should be able to compete rather well with the Australians.' But they cannot, because there is not the motivation on the part of the institutions.

I think probably the British Council and the British are our major competitors in India. The British Council has got £200 million from the exchequer to spend on promoting an image of Britain abroad—not an image of British education, but an image of Britain abroad. We do not have those sorts of dollars in Australia and we are consequentially disadvantaged compared with the British. Although, in spite of that we are doing rather well.

**Senator CHILDS**—I have asked this question of other people as well: university cooperation other than students. I think the High Commissioner was indicating this morning that he thought there should be more contact between universities themselves and not a preoccupation—I think this is what could be read into what he said—with just getting students. How do you react to that?

**Dr Blight**—I agree with the High Commissioner. Those activities have to be financed. We have done some studies of what universities are doing with the money they are making from the foreign students program. I think virtually without exception they are pouring it back into something they call internationalisation. That ranges from introducing innovative ways of teaching, raising the bar in terms of the quality of the services we provide to students, supporting study abroad by Australians and supporting institutional links.

If you look at the universities and the way they are performing—Monash, for example, which is probably one of the major earners in the international education market—they are using that money to enhance the quality of their teaching of foreign students, to enhance the quality of the services, to sponsor study by Australians in the

countries concerned and to internationalise their campuses' bilateral links. There is a bit of a timelag there—you have got to earn the revenue first and be confident that the revenue flows are there. But then they are all putting that money into what can be broadly termed internationalisation.

**Senator CHILDS**—Could you come back to talk about India: whether you are aware of any developments in the Indian nation specifically?

**Dr Blight**—With links to Australia, do you mean?

**Senator CHILDS**—Yes, academic links.

**Dr Blight**—I expect we will see this grow quite substantially over the next five to 10 years. John Rowling referred to one initiative that we have developed with Deakin University to provide an MBA in India through the distance education mode. It is not quite on the point of building institutional links, but it is doing something in India rather than just bringing students out here. It is providing an MBA in technology for engineers in India through the distance education mode.

I expect quite a few things like that to happen. We are supporting that. We provide the administrative base in India for the delivery of those courses. It has been so successful we are extending it South Africa as well. There will be lots of things like that. I expect to see those sorts of things develop and grow over the next five to 10 years as India becomes if not the dominant certainly one of the dominant sources of students for us. Roughly it is potentially about 10 Singapores in terms of the market for Australia.

**Senator CHILDS**—But surely its potential is far greater than 10 Singapores in the longer period?

**Dr Blight**—I was just using that as a shorthand—as I said, I thought that it might get me into trouble. But in terms of the people within the Indian society who will have the means to finance study abroad, it is roughly 20 million or so. That is the target market you are looking at. We have got to get a share of those who go abroad to come to Australia. As I said, that will not fall in our laps, but the potential is there.

**Mrs GALLUS**—I am a little concerned—maybe it is just that we are in a low key atmosphere here today—and I would like to go back to what DEETYA said, and also to what you are saying. You said earlier that if five per cent of Indians decided to go abroad and we got five per cent of that then we would maintain our level. I am sure that that is just a shorthand way of saying it, but what I would like to be hearing is someone saying, 'Okay, if we could get 10 or 15 or 20 per cent of those Indians who want education abroad then we could do very well and we could really have a great growth industry.' Another one of your phrases is, 'We are doing rather well.' Surely for us this is a huge opportunity that we do not seem to be exploiting to the full.

I will just finish with a query about what you said about resources. Do you think the government should be putting more money into this because of the potential for trade that it brings?

**Dr Blight**—I think the government should be putting more money into the promotion of an image of Australia, not necessarily the promotion of the Australian education industry. Government should be taking the lead in catalysing work on an image of Australia. What students abroad think about first is what country they will go to. They think about that largely in terms of their image of that country. The questions about education image and particular institutions are secondary and tertiary questions. The question is, 'Will I go to Australia?' If they read something negative about Australia in their press they may well take Australia off the list and not bother to inquire any further.

It is that first question: 'Is Australia the sort of country I want to go to—in terms of its culture, society and educational standing—or not?' We have to get over that first barrier. Because that benefits all Australians and all industries in Australia that is where government should focus its attention, not on promoting a particular sector.

In a sense I am arguing against my own industry here, but I am taking a lead from the review of the AIEF, which gives a very clear and consistent argument for government expenditures to promote an image of Australia—like New Horizons. I think New Horizons was a very good event. It was led by the government. It got a range of industries involved, including the education industry, and it went to India and said, 'Here's Australia. We are important. We are a good country. We are culturally diverse and rich in a range of fields. Listen to us.' The industries pick up that lead and go for it.

We will not get that five per cent of five per cent by sitting on our hands. We will have to be proactive. One of the things that we will have to do that I did not mention is that we will have to look at the supply side in Australia. Do we have the resources in Australia to meet this demand? How are we, the institutions, going to get the funds to build the capacity? At the moment we have 60,000 international students in our universities—about 10 per cent of total students. There is no reason why that cannot go to 120,000 or 240,000. Indeed, we forecast that it could grow to 124,000 or 240,000 by 2010. We have done some research on the international market. It could grow to that. There will be an issue on the supply side and that is where we will have to be innovative and find new ways of teaching and new ways of learning.

There are lots of examples of best practice by Australian institutions in this area. I agree with you. I do not see any reason why we should sit back and say, '10 per cent; that's pretty good, let's let it rest there.' There is no reason why the percentage of students from abroad in our educational institutions could not grow to 20 per cent or 40 per cent. Some institutions now have raised their target to 25 per cent.

**Mrs GALLUS**—Let me play the devil's advocate a bit. There is a growth in the

desire for education in India but at the moment you have a limited number of people accessing external education. Presumably, when they come back to India the choice of job is theirs. They really do not have to fight in a job market; they can pretty well take any job they want.

**Dr Blight**—Yes.

**Mrs GALLUS**—As education in India increases and more young Indians have that education there is going to be greater competition amongst them for the top jobs. Here people do not say, ‘I want to go overseas and do post graduate study; I think I will go to America because I like baseball and I like Americans,’ or ‘I think I will go to England because I want to visit the Cotswolds.’ They say, ‘I want to go to Harvard Business School because it is the best,’ or ‘I want to go to the London School of Economics.’ They actually know where the institutions are that are going to help them get jobs in the future.

I am just putting to you that, although it is not the situation now in India, in the future it might be institution specific rather than country specific.

**CHAIR**—I unfortunately have to go and meet an Austrian minister. It is nice to have you here. I will leave it to my colleagues.

**Dr Blight**—That may well happen. The reasons for choice as we gather them are, first, country. There is a number who want to go to a particular institution. I am just trying to think how I can helpfully answer this question. We did look specifically at a tranche of about 1,600 students who came to Australia last year who enrolled through us. We asked them questions such as: ‘What were your reasons? Where did you apply first? Why did you apply there? Where did you end up?’

There is a whole set of factors. Certainly, the country is a very important issue. The second issue is quality; ‘I applied to the University of Melbourne because I know it as a quality institution.’ The third is that of process. If a university can make an offer within 24 hours of the students inquiring, they are more likely to end up there than they are at an institution which takes six weeks to reply. So there is a whole set of factors.

We are doing some research this year, which we will publish in October, on reasons for choice—not just coming to Australia but also the United States and the UK. We are spending a reasonable sum of money on this because it is a very key issue for us. I am making some assumptions based on such evidence that we have. For the bulk of students the first issue is, ‘I want to go abroad to study. Which country will I go to?’ Their general reaction to that country will be instrumental in their decision making and then they will look further as to which institution.

That does not apply to all students. There will be a cadre, particularly of the top quality students, the high achieving students, which will follow the course that you are

suggesting.

**ACTING CHAIR (Mrs Gallus)**—I understand that that is the present situation. I am asking you if there is a possibility that this will change in the future, at which stage we are going to need some leading institutions where people think excellence and immediately think of the University of Melbourne or whatever—the similar things our students do when they think of excellence in institutions like Harvard.

Although at present this is not a key issue, is there not a chance that it may be an issue in the future. In which case, should we not be promoting institutions as institutions now, not for the present, but for the future when other decisions are being made on different grounds?

**Dr Blight**—I think it is already happening now with a cadre of students. They are identifying institution first.

**ACTING CHAIR**—But your point was that you think we should be promoting the country as a destination not promoting an institution. I am asking you perhaps in regard to future students should we not also be promoting institutions?

**Dr Blight**—My point was that the government should be promoting the country. If there is a role for government expenditure it is in promoting the country. I think it would be entirely unacceptable for government to be selecting and promoting four or five institutions.

**ACTING CHAIR**—I am not suggesting they would be selecting ones, but I am looking at your strategy.

**Dr Blight**—The strategy for government is that government expenditure should be dedicated to promoting Australia as a destination and as a place to do business with generally. It is up to the institutions to promote themselves individually if they so wish to do. Some of them are doing it.

The University of Melbourne has formed its universitas network, benchmarking itself against 12 top universities. That is an action taken deliberately by the vice-chancellor of the university to identify the University of Melbourne as one of the top 12, 15 or whatever universities in the world that it compares itself with, for example, Harvard, the University of California, Berkeley, Oxford, Cambridge and so on.

So there is a role for individual institutions to promote their particular skills, values and strengths. There is also a role for universities in rural and regional Australia to promote the particular strengths that they have.

**ACTING CHAIR**—How do you see your role in the promotion of individual

institutions? Do you see that you have to be hands off or do you see yourself working with individual institutions to promote their particular expertise?

**Dr Blight**—IDP is a private not-for-profit company owned by the 37 universities so we have a collective role to all 37 universities, but we are increasingly working with individual institutions to develop with them marketing approaches and programs for that. They pay us for that. When you do that, each institution will try to identify its own market niche, its own strengths, the way in which it is going to promote itself and the countries it is going to choose to promote itself in. So we have a role in that and they pay us for that role. They get rewarded—with increased flows of students—as do we. Just like in any other business, we have a role in working with our clients to develop their promotional strategies and programs. They use our exhibitions and our publications and they use our network of officers as recruiting agents for them.

**ACTING CHAIR**—Obviously some universities are more pro-active than others and obviously you could not name any that are not, but do you see some that have potential but are lagging behind in this area?

**Dr Blight**—There has been some historical evidence of that. I do not think the University of Sydney or the University of Melbourne would mind me saying that their initial approach was a very benign one—‘here we are; if you want to enrol you may’—but over the last four or five years they have become increasingly pro-active.

The University of Queensland has been in that category, not taking a very pro-active approach, as has the University of Adelaide as well by not taking a particularly pro-active approach to marketing until recent years. I think the University of Adelaide quite deliberately and consciously took a decision to recruit just postgraduates or to put their emphasis on postgraduate recruitment in the early years. Now they are revising that and they are looking at the decision again as they see the potential for those students. The fact is that the students—while there are lots of them out there—will not just fall in our lap because we are here; we have got to be pro-active.

**ACTING CHAIR**—What happens in a town like Adelaide where you have got two universities? You have got the University of Adelaide and Flinders University. Is it inevitable that one takes a back seat or are they both out there fighting for students? There is the University of South Australia as well.

**Dr Blight**—I think the three universities are all pro-active, individually and collectively. They do work together. In Adelaide, I do not think they have yet quite taken it to the point, say, that we have in Perth. Perth promotes itself as ‘Education City’ and does very well. You will find that Perth’s universities and other educational institutions promote themselves collectively as well as individually. If you go to an exhibition, you will see ‘Perth—Education City’ with four or five institutions sitting under that banner. I understand that the South Australians are looking at that, but have not quite taken the step



yet.

**ACTING CHAIR**—So to date they have been rivals rather than seeing that a collective approach also has its advantages?

**Dr Blight**—Yes, this word ‘cooperetition’ is possible where they can be competitors and cooperate as well. I do not see any particular problem with that or any paradox in that of being competitors and cooperating—that happens quite often in business and it should happen in the university sector as well.

**ACTING CHAIR**—Taking what you said earlier that the government should be promoting Australia, does that apply also to the individual states? Is there a danger—as we are dealing with South Australia we will stay with that for a moment—that, no matter how much the University of South Australia, Adelaide University or Flinders University are promoting themselves, if the students say, ‘But where’s Adelaide?’, there is a problem?

**Dr Blight**—I think there is a particular problem for Adelaide. It is not well known and yet it is an excellent education destination: Adelaide is a university city. There is a need, and it is a matter of course for the state government to make that judgement as to whether it is its responsibility to be spending money in that area but, if that is within its sort of philosophical frame, it certainly should be doing that and providing at least some seed funding to promote Adelaide as ‘Education City’.

**ACTING CHAIR**—At the moment you see that South Australia is not actually doing that sufficiently?

**Dr Blight**—They are certainly not getting a fair share of the market, and I think they acknowledge that. I do not know what stage their deliberations have reached, but I know there was consideration in government in South Australia of the idea of forming some sort of consortium approach to promoting ‘Adelaide—Education City’ and I think they looked closely at the models that have been developed in Perth.

Perth in a sense is pretty well established as an education destination. Western Australia does disproportionately well in terms of market share, and part of that must be because of the way they have got their act together because this tends to have a flow-on effect, a snowballing effect, because students go back and say, ‘I went to Perth; it was good there’, and word of mouth is still the most important marketing tool.

**ACTING CHAIR**—I would imagine it was.

**Dr Blight**—Having said that and to be consistent with my earlier argument, I should say that the South Australian government should actually be promoting Adelaide as a destination for everything, not just for students but as a place to do business, to trade

with, to emigrate to and so on.

**ACTING CHAIR**—I take that point. The point you are making is that at present it is part of the whole equation: if they know about the place where they are going to, they are more likely to choose to go to an institution in that area.

**Dr Blight**—Yes.

**ACTING CHAIR**—This is perhaps a hard question: as for India, is there a feel for what sort of place the Indian students would like to go to? Does climate, for instance, play a role? Does the size of the city play a role? What sorts of things, extraneous to the education of themselves, are involved?

**Dr Blight**—I would be guessing without some data. I think there is probably a whole series of factors—that different students have different views. Some parents would prefer their kids to go to a quieter rural location; they do not want them to go to a big city—they do not want them to go to the so-called dangerous big cities. They would prefer that they not have to take too long to get to school or university and that they not spend too long in the traffic. I think there is a whole set of factors there and it would be misleading to pick out a particular one.

**ACTING CHAIR**—You have not done any work particularly on this?

**Dr Blight**—No, we will be doing that as part of the study I referred to earlier, because we will be looking at a number of destinations. But it will doubtless show that there is a range of factors that have different emphasis according to the views of the individual parents and the kids themselves.

**ACTING CHAIR**—There being no further questions, I thank you very much, Dr Blight, for your evidence today. If we have any other questions pertaining to it, the committee will contact you. If *Hansard* wants to clarify anything, its staff will also contact you. Thank you for appearing before us today.

**Dr Blight**—It was a pleasure.

[12.13 p.m.]

**ALLITT, Miss Natasha Joi, Special Projects Officer, Industry Development and International Branch, Department of Health and Family Services, GPO Box 9848, Canberra City, Australian Capital Territory 2601**

**CABLE, Dr John, Director, Conformity Assessment Branch, Therapeutic Goods Administration, Department of Health and Family Services, PO Box 100, Woden, Australian Capital Territory 2606**

**INGRAM, Ms Sue Patricia, Assistant Secretary, Industry Development and International Branch, Department of Health and Family Services, Alexander Building, Furzer Street, Woden, Australian Capital Territory**

**STEPHENS, Ms Faye, Assistant Director, Industry Development and International Branch, Department of Health and Family Services, GPO Box 9848, Canberra City, Australian Capital Territory 2601**

**ACTING CHAIR**—On behalf of the subcommittee, I welcome representatives from the Department of Health and Family Services. I must advise you that the proceedings here today 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 on oath, you should be aware that this does not alter the importance of the occasion. Deliberate misleading of the subcommittee may be regarded as contempt of parliament.

The subcommittee prefers that all evidence is 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. The subcommittee has received a submission from the Department of Health and Family Services, submission No. 5. Do you wish to make a statement in relation to that or do you wish to go straight into questions?

**Ms Ingram**—We shall make a short opening statement, simply to supplement the submission. The submission itself sets out our overall approach to working with the health industry to create a more globalised and globally competitive health sector. It also emphasises that we are just one of several players in the Commonwealth scene, the other significant ones being the Department of Foreign Affairs and Trade, Austrade and the Department of Industry, Science and Tourism. Where our comparative advantage comes as a health department is in the unique knowledge and involvement that we have with the Australian health sector, also our fairly privileged access to overseas health ministries and multilateral organisations that have health as part of their charter.

Essentially what we aim to do is to build on that comparative advantage and we

very much take a team Australia approach. We are working with other areas of the Commonwealth government, with other areas of state governments and with the private sector to develop a stronger export culture in the Australian health sector and to contribute to the development of specific export markets for health sector products and services. We can help to open doors for the Australian health industry. I think our involvement in Australia-India New Horizons was an example of that. It was our first engagement as an agency directly with India, in terms of supporting the Australian health sector. Most of our work has been concentrated in countries of the South-East Asian region.

The health mission that the department led to India established a profile for the Australian health industry there and helped to develop new networks. Certainly, the feedback we have received from industry participants would suggest that. Now, of course, it is largely up to industry itself to build on the networks that came out of the health mission. We are very pleased that one of the outcomes of the health mission has been the formation of the Australia India Health Industry Network, under the auspices of the Australian Health Industry Development Forum, with which we are closely involved.

The driver for the establishment of Australia-India Health Industry Network is, of course, Robert Krakowiak, who was one of the participants in the health mission to India as part of Australia-India New Horizons. I have with me today two people who participated in Australia-India New Horizons, Dr John Cable, who is one of our senior scientists, and Natasha Allitt, who did a lot of the logistical work on the ground for us.

**ACTING CHAIR**—Thank you. We are, according to your own submission, starting a bit behind in India. We have not put the same effort into India that we have into South-East Asian countries.

**Ms Ingram**—That is correct. Our focus so far has been on a small number of countries. Certainly, our strategic approach, because our resources in this area are quite small, simply a handful of people, is to look both at where the opportunities are available to us—where we see the capacity to open doors, as I described—and where there is also a readiness on the part of the Australian health industry to operate in a particular national market. Indonesia would be a very good example of that, where we have a framework arrangement under an MOU that was signed in 1992. We have also used the opportunities available through the Australia-Indonesia Ministerial Forum, which has the bilateral economic relationship very much as its focus. We have been able to use the Ministerial Forum to introduce health as one of the sectors that has been focused on in the development of the economic relationship.

Out of the Ministerial Forum in October last year, in Jakarta, a quite detailed plan of action was signed off by the Australian and Indonesian health ministers. There are a number of projects that have been developed under that plan of action. Importantly too, out of the communique from the ministerial forum were two very important elements. One was the willingness to explore sources of funding to support the plan of action, looking

particularly at the multilateral banks, so that Indonesia would be looking for funding through, for example, the World Bank and ADB, to support the kind of areas of collaboration that are identified in the plan of action. The communique also emphasised the role of the private sector and closer collaboration between the private health sectors of the two countries. Indonesia is probably the country where our work is most developed.

Malaysia is another country that offers considerable opportunities and a fair amount of interest was generated from a visit last year by the Malaysian health minister. There have been subsequent missions to Malaysia, one by the South Australian government which had a health focus. Our own minister has been in Malaysia this week. In fact he issued a press release from that visit that shows very considerable potential in some areas of what is a very rapidly expanding health market in Malaysia.

**ACTING CHAIR**—Post-new horizons, do see you this sort of potential now in India? We are obviously not yet tapping into it, but is it potentially a huge market in the health area for us?

**Ms Ingram**—India is a very interesting market and obviously we are guided too by the advice from those areas of government that specialise much more in trade development, a particular segment being health. If we look at the description of the market, of a population of 950 million, there is a middle class of around 200 million, but an upper middle class—perhaps the real target market—that is much smaller, of course, at around 30 million. On health expenditure in India: private sector expenditure, according to World Bank figures, accounts for about 4.7 per cent of GDP; public expenditure is about 1.3 per cent of GDP. So a total of six per cent of GDP is health, a larger percentage than some countries in the region.

There is certainly a potential there. There are obvious areas where there is a potential for closer collaboration between India and Australia. The World Bank, for example, is looking at a very significant program around HIV/AIDS in India. There have been discussions, I understand, at a very senior level in India involving the president of the World Bank, Dr Wolfensohn.

Australia, of course, has a lot of leading edge approaches in dealing with HIV/AIDS and there is a lot of interest in our approaches in the region. Australia was also one of the first countries to produce a safe blood supply, and that is something that Dr Cable could talk more about. I think there are market segments where opportunities are there.

**ACTING CHAIR**—If you look at India, you said the top end of the market is 30 million, which is still considerably larger than the whole of Australia.

**Ms Ingram**—Indeed, indeed.

**ACTING CHAIR**—And with a seven per cent growth, with the six per cent of the GDP now spent on health, as the country becomes richer then I suspect that will increase, as in all other developed countries.

**Ms Ingram**—There are a number of other Australian companies already doing business in India in the health sector across a fair spread from private hospital development to some of the areas of interest opened up through New Horizons in more specialised areas like blood supply, malaria vaccines, et cetera.

**ACTING CHAIR**—Dr Cable, would you like to enlarge on the areas where you see the opportunities lie?

**Dr Cable**—I guess TGA's involvement in the region has largely been in two areas. One is that we conduct audits of manufacturers who manufacture products in countries right through South-East Asia and India. If those products are then imported into Australia—for instance, in India there is a quite a lot of production of bulk pharmaceuticals, such as antibiotic substances, which are subsequently then formulated into finished products which are imported into Australia—we would undertake audits of those manufacturers for the purposes of ensuring compliance with an appropriate standard of good manufacturing practice. That is, if you like, a regulatory role that we currently play. I am not sure if you would call that a trade role but, if it is, it is in this direction rather than the other direction.

There is another area. I accompanied the Australia-India new horizons party to Mumbai for the one meeting there. In the party was Dr Gordon White of the Red Cross Blood Bank in Victoria. He had put forward at an earlier time a proposal to enhance the capacity and upgrade the facilities of the blood banking facilities within Mumbai. While we were there we visited two of the blood collection centres and spent some time at the conference. There was a presentation by the director of one of the blood collection centres, a presentation by Dr White about the way in which the Red Cross had approached this and then a presentation by me about the way in which the Therapeutic Goods Administration was involved in the audit and licensing of blood collection centres.

The thought was that there was expertise available in Australia which could be provided to assist in setting up a better arrangement than they currently had, particularly in view of the potential for AIDS to be spread fairly dramatically through a poorly controlled blood collection system. Following that visit I, along with Mr Lindenmayer, visited the World Bank in Washington and gave a presentation that, as part of their AIDS program, they might consider funding the enhancement of that service.

Dr White has continued his negotiations, through his platform, the Red Cross, with the haematologists and so on in Mumbai, but I understand that at this point there is still a need to develop a better proposal from the Mumbai end as to a program that might be funded by the World Bank. That would likely involve the TGA on the licensing side and

the Red Cross on the collection side in providing advice. I guess if anything that is trade and expertise out of Australia to assist the country to get to a more appropriate standard. I am not sure if you would call that a trade initiative, but it is certainly an activity. It is similar, I guess.

From the TGA point of view, we are currently involved in a number of programs which lead to the enhancement of national control agencies throughout the region. Some of those are funded under AusAID in joint programs with WHO, some are directly through a memorandum of understanding with Indonesia. We have been involved in the national drugs policy program in the Philippines. We have worked fairly closely with both the Singapore and the Malaysian national control agencies, either with placement of staff or participation in the organisation of seminars on back-scene quality and that sort of range of activities.

**ACTING CHAIR**—Taking that a bit further, do you know whether any of our private pathology services are setting up in India and using the expertise that we have in pathology?

**Miss Allitt**—Looking into the market at the moment, to the best of my knowledge at this point in time it is only testing the market. But they are—

**ACTING CHAIR**—Do you know which firms?

**Miss Allitt**—Macquarie was quite interested at the time that we were looking at putting together a health mission last year. We approached Macquarie and they were quite interested, but unfortunately, due to prior commitments, they were unable to attend the health mission. But I understand they were interested in looking at it.

**ACTING CHAIR**—It would seem to me that for those sorts of pathology firms there must be a huge potential in India. Are we already behind, as we are in some other areas? Are Americans and Germans already in there in that area?

**Ms Ingram**—As far as the Indian market is concerned, I am not aware. I think when we are looking at our relationship with the health sector there are probably, in export terms, for any sector various stages. One step is being export aware, I guess the next step is being export ready and then, finally, export active. I think there has been a lot of activity over the last few years that has produced now a much better level of awareness of export potential across the health sector. Now we are also seeing a much greater degree of export readiness and export participation, but it is an incremental process across many markets and many different types of activities. A characteristic of the Australian health sector is enormous diversity. It goes from bed manufacturers to hospital design to diagnostic testing to the provision of services on health systems design and health financing. It is enormously diverse.

**Mr HOLLIS**—Is your relationship with the health part of India a commercial relationship? We had the High Commissioner for India here this morning and one of the points he was making related to education. We have had the education people before us and all they talked about is a commercial opportunity for education in India. One of the points the High Commissioner made is that it seemed to him a great pity that we are only looking at commercial opportunities we are not looking at collaborative opportunities, say, between educational institutions in Australia and India.

Dr Cable mentioned taking a case about blood to the World Bank. It seems to me that the only aspect that the various departments that come before this committee can talk about in India is commercial activities. I wondered whether there are any other health fields where we are working on a collaborative basis with any health institutions in India or are we only looking at India in health terms—when I say health you can say education and a whole range of other departments—as a potential export market or are we working with them in a more collaborative way?

**Ms Ingram**—Again when you talk about the collaborative relationships, and they are important, in the health sector a lot of the delivery of health is at the state administration level and in the private sector as well. Individual hospitals, for example, often establish twinning arrangements with hospitals in other countries. I am not aware of any specific twinning arrangements in India. But again out of New Horizons there were three areas of collaboration that are more at that institutional end than at the straight trade end. The examples are in dental care, HIV/AIDS and malaria vaccine development where people who were members of the health mission to India came from those specific areas and have essentially ongoing collaborative, not commercial, relationships with their Indian counterparts. I think there was an MOU in the dental area that perhaps Natasha could provide more information on.

**Miss Allitt**—I believe you have the matrix. Within that it says that there was a MOU signed between the dental school of Adelaide university and two dental schools in India. I am not precisely aware of their names. I can get back to you if you want the exact names. That was a collaborative effort. It was looking at training issues and the sharing of information.

**Mr HOLLIS**—You have mentioned HIV/AIDS a couple of times. What is the incidence of HIV/AIDS in India?

**Ms Ingram**—I do not have the figures on that. We could no doubt obtain them for you. There is often, too, a difference between official and estimated figures for the incidence of the disease, but we could certainly get that information.

**Mr HOLLIS**—Last week I was in Thailand and Vietnam and we were told there that the two places where AIDS occurs are India and South Africa and mainly because both countries are in denial mood.



**Ms Ingram**—Let me say that this is not my area of expertise. I understand that fairly recently there was a new appointment at the national level—a new health minister was appointed. I understand from Dr Peter Piot, who is the head of UNAIDS, that she identified three health priorities for her management of the portfolio. Those three priorities were in the areas of reproductive health, women's health and HIV/AIDS, suggesting that there is a focus now on the disease in the country.

**Miss Allitt**—Mr Hollis is correct in what he is saying about the Indian health system at the moment. They have a large number of deaths from tuberculosis caused by HIV aids which are not recorded as being HIV related—they are simply recorded as tuberculosis. When we went over, a lot of them were in denial. However, there were pockets of experts who were aware that it was a problem and who were aware that it was a problem that they needed to act on now in order to not make it a huge problem later on. Doctor Suzanne Crowe and a number of other members of the health mission met, while they were in Chennai, or Madras, with Doctor Jacob John, who is an Indian expert in this area. They had quite a productive meeting with her about this topic and they are moving on it. Pockets of them are certainly aware, and with this new minister things should start to happen.

**Ms Ingram**—Dr Crowe is also to return to India under a program which was set up by DIST with the MOU that it signed with its Indian counterpart during the New Horizons program and which provides for a range of scientific, technical and medical visits both ways between India and Australia.

**Senator CHILDS**—I would like to explore with you this problem that we have. This subcommittee is aware of your efforts in Indonesia because you appeared before us when we were having an inquiry. It seems that every department has the problem that they now have a mature relationship with Indonesia. The challenge for us is to work out how we can speed up the process of identification and repeat this process with India.

I appreciate that you are working in an atmosphere where there have been cut backs, but could you give us an estimate of how many people are involved, if you like, on Indonesian projects in your department compared with the number of people who handle India? I realise that you have a handle on Indonesia, but this is a leading question to find out whether you can evaluate the attention India gets within your particular department.

**Ms Ingram**—It is not a question of assigning individuals to specific countries. We have a small section, like all policy sections, within my branch which is called the international development section. We are focusing on supporting the export push of the Australian health sector. No-one is dedicated to a particular function or country. There is a range of things that we try to do: using our leverage as a health ministry to develop and consolidate relationships with particular countries is one of those things. Working closely with the sector is another, particularly through the Australian Health Industry Development Forum. We are really trying to open the door and ensure that there is a health industry

that can follow us through that door.

I am not trying to avoid a response, but there are not people in the section labelled 'India' or 'Indonesia'. That is very much a function of the activities required at the time—the activities that create a forward momentum. Obviously, as soon as we engage with a country, that starts to produce a forward momentum. I mentioned that the Australia India Health Industry Network has been developed under the Australian Health Industry Development Forum. There are now four country focus groups under the forum and we work very closely with each one. Having engaged in India, that does produce some forward momentum.

Again, I talked about a team Australia approach. It is really very important that we are one of many players. It is important to have all of those players working together and attuned at the same time to the same market. The kinds of infrastructures that governments can put in place are enormously helpful. The existence of the Australia Indonesia Ministerial Forum and the commitment of both governments to it provide an excellent framework in which to operate because they build up a momentum of their own to which you can add activities and ensure the commitment of both governments to carry the activity forward. I think looking at the framework in which activities develop is very important as well.

**Senator CHILDS**—Has the number of staff in your section been reduced in the last two years?

**Ms Ingram**—No. There has been an evolution in the branch in that we have drawn together the international functions in the last two years from across the department. What began as a fragmented international function around the department was drawn together into my old branch, so I acquired a branch plus international. Progressively the other functions were disseminated to other parts of the department and it is now an industry development and international branch. So, in that sense, there has been a strengthening. As I say, it is a small policy section, but the function is certainly protected.

**Senator CHILDS**—If we were to recommend that more attention be given to India, then in a series of departments one has to give more attention to it. I appreciate that your answer is probably the standard answer that departments will give to us, but we do have to work out how we make up for any delays or inertia that has existed in the past. I do not expect you to comment on that—you cannot really. It seems to me that, if we were to accelerate the attention given to India, then there is a difficulty that resources are required to handle that.

You refer in your submission to a significant increase in the WHO fellows requesting training in Australia. I wonder if you could give us the detail of that increase.

**Ms Ingram**—The numbers are actually quite small, but it was something that we

noticed because the branch also administers the WHO fellowship program. Maybe I should just set that in context. About seven per cent of WHO's regular budget goes towards health work force development in developing countries. The fellowship program is one important mechanism for achieving that. It provides fairly modest funding per fellow for people to study overseas or to do short-term study tours overseas. We develop those tour programs or set up the training opportunities in Australia on behalf of WHO.

There is a loose policy that training under WHO fellowships be intraregional. We are part of the Western Pacific region, which is essentially East Asia and the Pacific. India is part of the South-East Asia region. Our fellowship numbers from India went from three last year to already 22 this year. It is an interesting correlation that Australia-India New Horizons, in generating interest in at least three large cities in India amongst the medical/health scientific community and in being reported more widely, has perhaps been a trigger for prospective WHO fellows to nominate Australia as a training destination.

**Mr HOLLIS**—That figure you quoted is quite interesting because it is in line with what we were given by the education people who were here earlier. One figure quoted was from eight or 10 years ago when they had 14 students from India, and now they have 4,000. I do not know if it is from new arrivals or what, but obviously there is a heightened awareness in India of Australia and its training and educational opportunities. That was a comment rather than a question.

**Ms Ingram**—Yes.

**ACTING CHAIR**—From the Indian point of view, what impediments do you see to increasing the health sector relationship between India and Australia?

**Ms Ingram**—There would be a whole series of structural issues which DFAT would be much more competent to comment on. We merely monitor that. Looking at the health sector, I mentioned before the issue of export readiness and of going from export aware to export ready and active—

**ACTING CHAIR**—That is on our side. I was wondering about the Indian side.

**Ms Ingram**—On the Indian side I think it would be that raft of structural issues around market entry opportunities et cetera.

**ACTING CHAIR**—Can you give us an example? Are you aware of any specific examples?

**Ms Ingram**—I am not aware because I have not had that kind of detailed discussion with exporters into the Indian market. Robert Krakowiak has, I understand, made a submission to the committee. If he is also giving evidence he may be able to comment from a very practical business point of view on specific issues.

**ACTING CHAIR**—But from a health point of view you are not aware of specific impediments to the opening up of trade?

**Miss Allitt**—The largest impediment in terms of products would be that they do not know what we are capable of. They have not heard about us. They are unaware that we are good for anything except cricket—when we went over there we lost, so we are not even good at cricket—and sunshine. That is really the extent of the knowledge about us. Very few of them are aware of our specialities and our strengths in the health area. There is a lack of knowledge. There is a perceived knowledge in India that America, Germany and Japan—and still England to a large extent—are far superior.

We are battling against what they perceive to be the best. In other areas it is our distance: we are a lot further away from them than other areas that they know about. That is a large problem. Another impediment is the cultural difference, although Australians are a little more in line culturally with the way Indians conduct business—this is in the health area as well—than other nations. It takes a long time to break into the Indian market and it would involve an awful amount of work.

**ACTING CHAIR**—Thank you very much. If you have any additional material you would like to provide, please do provide it to the secretary. You will be sent a transcript of your evidence which you might like to correct if you find anything is wrong either with grammar or facts. Thank you very much for appearing here today.

### **Luncheon adjournment**

[2.50 p.m.]

**BROWN, Mr Colin Bayley, Acting Assistant Secretary, Energy Minerals Branch, Coal and Mineral Industries Division, Department of Primary Industries and Energy, GPO Box 858, Canberra, Australian Capital Territory 2601**

**GEBBIE, Dr Dennis, Assistant Secretary, International Branch, Department of Primary Industries and Energy, Edmund Barton Building, Blackall Street, Barton, Australian Capital Territory 2600**

**HUGHES, Mr Brett James, Assistant Director, International Branch, Corporate Policy Division, Department of Primary Industries and Energy, Edmund Barton Building, Blackall Street, Barton, Australian Capital Territory 2600**

**NAVIN, Mr David, Director, International Wool Section, Wool Branch, Livestock and Pastoral Division, Department of Primary Industries and Energy, Edmund Barton Building, Blackall Street, Barton, Australian Capital Territory 2600**

**ACTING CHAIR**—I reconvene this public hearing of the trade subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. On behalf of the subcommittee, I welcome representatives from the Department of Primary Industries and Energy.

I must advise you that the proceedings here today are legal proceedings of the parliament and warrant the same respect which proceedings in the 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. Deliberate misleading of the subcommittee may be regarded as a contempt of parliament.

The subcommittee prefers that all evidence is given in public but, should you at any stage wish to give evidence in private, you may ask to do so and the subcommittee will give consideration to your request. The subcommittee has received a submission from the Department of Primary Industries and Energy, submission No. 18. Do you wish to make a statement in relation to the submission or would you care to make some introductory remarks before we proceed to questions?

**Dr Gebbie**—Thank you, Madam Chairman. I would like to make a short opening statement. The Department of Primary Industries and Energy very much welcomes the opportunity to appear before the committee. I would like to make some brief opening remarks which focus on the department's interests concerning current and emerging trade and investment opportunities in the agriculture and minerals and energy sectors in India. The department is working closely with other government agencies, in particular the Department of Foreign Affairs and Trade, in identifying and facilitating opportunities for Australia's resources and agriculture sectors in India. We very much welcome the

committee's focus on India. It is a region of the world that is too often forgotten.

**ACTING CHAIR**—I hand you over to our chairman, Mr Sinclair.

**CHAIR**—My apologies. An Austrian minister appeared out of the blue, and when the parliament is not sitting it is always a bit difficult trying to get an audience; so we constituted it. Please continue.

**Dr Gebbie**—Thanks, Mr Chairman, I had just commenced a few brief opening remarks. DPIE very much welcomes the committee's focus on India through this inquiry. It is a region of the world that is too often forgotten as we tend to focus our trade and investment efforts these days more on north and south Asia. We would hope that the committee's inquiry will lead to an increasing focus on where we might go in future in terms of exploiting some of the opportunities that appear to be emerging in this area of the world.

The department is very conscious of the increasing importance of India as a trade and investment partner. As you would be aware, there has been a significant increase in the level of trade with India, especially since the early 1990s. Australian exports to India have increased by roughly 50 per cent since 1992, from \$840 million in 1992 to \$1.2 billion in 1996.

India is an increasingly important market for a range of commodities which fall within the DPIE portfolio responsibility. Coal and wool dominate portfolio exports currently, with other exports such as grains, pulses, dairy products and processed foods occupying much smaller niche markets. The major increase in our exports for coal and wool reflect changes in the Indian economy. For example, the expansion of coal exports are a direct response to reductions in tariff rates announced in the 1994-95 Indian budget. However, in the future we do expect Australia's export profile to continue to change as India further develops its economy and hopefully reduces its high levels of barriers to trade and investment.

Coal is Australia's major export item to India, having grown very rapidly over recent years. In 1995-96, the coal trade was valued at over \$650 million, which accounts for 55 per cent of the total value of Australian exports to that market. Although India itself is a major producer of coal, it is still a net importer due to the low quality of its own domestic coal. India is Australia's fourth largest customer for coal, almost all of it being high quality, hard coking coal used for steel making. We think Australia is well placed to supply this coal due to our geographic advantages over our main competitors—the United States and Canada—and also because of the high inherent qualities of Australian coal.

We think coal exports to India will continue to increase as the Indian government progressively opens up the power generation and infrastructure sectors to private sector participation. In addition, with tariffs on coal being reduced and foreign investment

regulations easing, there are significant opportunities for Australian industry not only in the area of coal supply but also in the provision of coal related mining equipment, technology and services.

Wool is Australia's second largest export commodity to India. Coal and wool together account for 66 per cent of our total exports to India; so it is a large proportion of what we now do. India is our eighth largest wool export destination. It has a strong tradition of wool use and, with a growing middle class, domestic consumption is expected to continue to increase.

Current trade with India, however, is constrained by high import duties and taxes as well as a general lack of technical and marketing expertise, which is restricting India from more successfully competing in the world wool textile markets. Prospects for increased wool exports have, however, improved with the government proposing across-the-board reductions in wool tariffs in the 1997-98 budget. These reductions appear to flow from government-to-government negotiations on wool import duties in 1996 and also I think they were facilitated through a guest-of-government visit earlier this year by the Indian Minister for Textiles which was hosted by Minister Anderson. However, Australia will need to continue to keep the pressure on India to make sure these reductions in barriers actually occur.

Our exports of agri-food products are currently very limited. But there is potential in the longer term for significant increases with the expanding domestic Indian market. These opportunities are emerging largely as a result of changes in food consumption patterns, particularly moves towards foods high in protein. A large proportion of the Indian population, of course, are vegetarians. We believe Australia is well placed to meet this increasing demand as a producer of high quality food and raw materials, having a leading edge in agricultural production and processing technologies.

However, despite the apparent promising outlook, high tariff levels and other restrictive policies have and are continuing to act as impediments to exports of food to India, India has had a strong tradition of pursuing self-sufficiency policies. It is not completely clear at this stage, I do not think, that this policy has been abandoned. There is also a lack of infrastructure of various kinds—such as storage and refrigeration—and this has also acted to restrict trade from expanding as it otherwise might.

Australia's attempts at developing a dairy export market to India, for example, have been inhibited by the restrictive import licensing practices of the Indian government and by the import monopoly status of the Indian National Dairy Development Board for certain products such as butter. We are continuing to pursue reductions in these barriers with other government agencies—as well as those in a number of other agricultural areas and, indeed a much wider area—through the removal of India's WTO sanction balance of payments provisions.

On the resources side, in addition to coal I think there are significant opportunities for us to increase our market share for a number of minerals and metals commodities. Again, these should emerge from the removal of the WTO balance of payments restrictions, together with more relaxed regulation of mining and exploration activity in India. As I think I indicated earlier, further major opportunities for resources and energy related interests are also expected to emerge from the massive development needs of India in the fields of power generation, energy and mineral resources.

You may be aware that the fifth India-Australia joint ministerial commission meeting is scheduled for Canberra in early September. While the agenda for that meeting remains to be finalised, there are likely to be a number of key issues for the DPIE portfolio on that agenda, particularly in the market access area. We will be pursuing those interests with our Indian counterparts at that meeting.

That is all I propose to say in my opening statement. Again, I thank the committee for the opportunity to appear before it. We are here to answer any questions you might have on our submission. Thank you.

**CHAIR**—This morning the High Commissioner for India mentioned concerns they have about quarantine restrictions imposed by us, particularly against animal feed going, as they say, fairly freely into Europe. I notice that we have had some problems because of allegations about weed seeds in wheat shipments. To what degree is the objection by the Indians based on tit for tat? Are we genuinely moving along our quarantine protocols with the animal foodstuffs that they want to import? Where are we up to on the dispute over weed seed in wheat?

**Dr Gebbie**—The quarantine area, as I am sure everybody appreciates, has been a particularly difficult one in Australia recently. I think the reason for that is the agreement during the Uruguay Round to the new sanitary and phyto-sanitary agreement. This is forcing all countries, including Australia, to face up to some very difficult decisions.

Prior to the Uruguay Round, countries could basically implement SPS measures and there was very little recourse if they raised concerns. It was very difficult under the old GATT rules to challenge those sorts of things. In today's WTO world, we now have the rules as set out in the SPS agreement, and for the first time we have SPS measures subject to the normal WTO dispute settlement processes. So it is much more difficult these days to implement measures that are not based on sound science. We are finding that ourselves with the concerns being raised in Australia over chicken meat, pig meat, salmon, apples and so forth.

India will be a particular problem in this area. I do not think that we have, by any means, reached the peak of the concerns that will arise in this area, whether plant or animal, with India. We get in there now very little in the way of horticultural products. There are very high tariffs in this area, as you will know, which are restricting trade from



flowing. Even if those tariffs come down, as we hope they will, to more reasonable levels we will then have to face up to, I am quite confident, some severe problems in the quarantine area. Somewhat perversely the WTO SPS agreement could result in more rather than less trade in a number of countries because for the first time countries can actually use the SPS agreement to restrict trade because they now have to go through certain procedures and processes that in the short-term are going to hold things up.

In our own case regarding animal or plant products from India, I think the minister has made it clear that, notwithstanding the Nairn review, which the government is yet to respond to, our quarantine procedures and approach will continue to be very conservative as we acknowledge them to be and they are regarded to be around the world. Given the apparent pest and disease status of India in both the plant and animal area, I think it is going to require a lot of difficult analysis and cooperation between our own and the Indian quarantine agencies before we arrive at any acceptable solutions in this area. I think a number of the Asian countries have probably a fair way to go to get their house in order before they will meet the sorts of well justified quarantine concerns that we have.

**CHAIR**—What about the contamination of wheat shipments?

**Dr Gebbie**—My understanding is that that problem has been resolved. There was indeed a problem there, but our understanding is that that has been satisfactorily resolved. Wheat shipments to India have been very spasmodic, as you may appreciate. Back in 1991-92 we put in over a million tonnes or so. Until the current period we have had no wheat exports there at all which is probably connected to some extent with the use of EEP by the US. Wheat is a commodity on which there has not been a continuous focus and which may have been able to avoid the problems to which you referred.

**Mr HOLLIS**—I thought for a brief time that India was self-sufficient in wheat, am I wrong?

**Dr Gebbie**—No, as I said in my introductory remarks they have pursued a self-sufficiency policy in many areas for a long time and have virtually closed off their agricultural markets and their economy generally from the rest of the world. While one does not agree with that sort of approach, which indeed can be very costly to the overall economy, I think you do have to recognise that they have done some fairly remarkable things in growing the food required to feed their large and growing population. So they have quite remarkable things in making use of productivity advances in the grains area.

**CHAIR**—But half the problem has been internal infrastructure—moving grain and handling grain, has it not?

**Dr Gebbie**—Yes, not so much availability as making the food available where it is actually needed in the country.

**Mr HOLLIS**—Yes, the internal movement from the north to the south.

**Dr Gebbie**—And there is a lot of wastage.

**Mrs GALLUS**—Coal and wool are our two biggest exports to India. How do we export them physically?

**Mr Brown**—With coal it is a dedicated trade. The vessels that carry coal are specialised coal carriers—they are bulk carriers—and by and large they operate directly from Australian coal export ports to Indian import points. One of the reasons that Australia has been very strong as a supplier of coking coal to the Indian steel industry has been the inability of Indian ports to accept very large—100,000 tonnes deadweight—vessels. The usual size of coal shipment to India would be of the order of 40,000 to 50,000 tonnes. In that sort of situation, it has been almost a competitive advantage to Australia to have shipments in relatively small vessels, in international coal trade terms. That situation will change over time and the ports will be developed and expanded, particularly the ports serving the Indian steel industry.

**Mrs GALLUS**—Would there possibly be any advantage at all—this is a question I ask most people coming in on this issue—in having the Darwin to Adelaide rail link? Can you conceivably see any advantage to coal in that?

**Mr Brown**—For a commodity like coal I would doubt it. One of the major international advantages that the Australian coal industry has is that our deposits of coal are located very close to the coast.

**Mrs GALLUS**—So they are just shipped directly from the coal site offshore?

**Mr Brown**—Yes, that is right or with a relatively short, in international terms, train journey from the producing field to the port. In the areas around Wollongong it is almost in many cases a truck or very short rail trip through, unfortunately, some of the Sydney suburbs. The Hunter Valley is very close. The transport distance is no more than 80 to 100 kilometres for most mines, and in Queensland it would be around 250 kilometres as the usual sort of distance.

**Mrs GALLUS**—Any advantage for wool with that rail link?

**Mr Navin**—I would have my doubts that there would be a particular advantage for wool. Wool comes from a diverse range of sources around Australia so there would be real freight costs involved in getting the wool to Adelaide to make the train shipment up to Darwin. I would have my doubts because a lot of the wool that goes to India comes from places like Western Australia, New South Wales and Queensland as well as South Australia.

**Mrs GALLUS**—As a South Australian, I am obligated to ask these questions.

**Mr Navin**—There is some wool from South Australia that would go.

**Mrs GALLUS**—We were talking earlier, before the hearing actually started, about the wool market in India and generally about trade with India and how there are some sorts of impediments—it is difficult to get the trade up and moving. Could you expand a bit more on that in this public hearing?

**Mr Navin**—The wool trade to India has been around for quite some time. It underwent a down period in the late 1980s when India became more concentrated on promoting its own interests and was very insular. We have had to overcome that over a period of time. During that period the barriers to trade with India rose quite substantially in the wool area, an issue that is only now being addressed. We are still behind where we were back in the mid-1980s in terms of the barriers that we meet with India despite the fact that we have had substantial reductions in recent years, so there is still a good way to go with India in that respect. India still has the highest import duties of any country around the world with respect to wool and so we have still got some problems there; there is also a VAT-type system that applies and creates some problems that apply to wool.

More generally, because it has been a relatively small industry in India, the quality of the products that they produce tends to be very variable. That is changing to an extent with some of the new players who are coming into India and there has been some investment within the country with very modern plants going in. But the Indian industry still has a long way to go to be able to produce consistently products which are acceptable on the world markets. They are making progress and the International Wool Secretariat has increased the amount of assistance in the technical areas which it has been providing to India quite substantially over the last few years. That is generally due to the recognition of the potential that the market has.

Given the change in attitude on the management of the Indian economy to make it a more open economy, we are gradually reducing the barriers which have been built up over a number of years. A fast developing economy in wool which is very much linked to the development of economies will create within the domestic market an increasing middle class which hopefully can be attracted to use wool.

On the international market the obvious advantages that India has in later stage processing with the low cost of its labour, despite the fact that in some of the plants they are still using far more labour than perhaps in other countries, would overcome any disadvantages they might have in that area. The challenge is to get that product up to international acceptance on the markets.

Basically, they have been making some progress, particularly with sales to the European Union. They are beginning to develop small markets to Japan. I think for the

future historically they had quite significant markets in the former Soviet Union. That is an area where they will continue to look for future markets, although that is a very difficult market to deal in in the current circumstances.

**Mrs GALLUS**—Are Australian wool producers totally in tune with what the importers want from Australian wool? To give you the example which we all know about, the Italians object to the way we bundle our wool in plastic instead of nylon because the plastic fibres gets into the wool for the dyeing process and they continue to say, ‘For heaven’s sake, stop it,’ and we continue sending it in plastic. Is there any equivalent in India?

**Mr Navin**—I think all countries around the world have a serious concern about contamination issues. There can be a number of kinds in terms of the type of packaging which is used and also some of the extraneous matter that still finds its way into the wool bales, particularly with the baling twine which is used—propylene I think. There is a real concern about that. That extends to virtually all countries of the world who process wool. They all have some problems with that.

That has been a particular concern, I think, for the European trade and for the Japanese trade in particular but certainly the Indians have concerns about it as well, perhaps not as strongly as some of the others. It is an issue which is recognised in the Australian wool industry as one which there has to be a resolution of those problems. Our minister very recently called a conference of the major players in the industry on that. They have been charged with reporting back to the minister by October this year to provide recommendations on what further steps can be made.

That will include looking at issues like whether we should move to nylon packs as opposed to the current ones. Certainly the current packs are likely to be a particular problem within the European Union because of the environmental issues which go right throughout the union. There are decisions which have been made which will mean that there will be difficulties, we think, in the future in being able to get the current packs into the union and to meet their provisions.

**Mrs GALLUS**—The reason we do not use the nylon packages is, as I understand it, that they are more expensive.

**Mr Navin**—That is basically correct.

**Mrs GALLUS**—Presumably to satisfy our markets we are going to have to move to those nylon packages. Is that going to create a problem in the cost of our product going into India?

**Mr Navin**—In the immediate sense, there will be some small increases. The current position is that the nylon packs cost about \$16 as opposed to \$8 for the normal

ones. My understanding is that the normal packs are about to move to \$10, so the differential will reduce a little.

If there is wider spread use of nylon, over time there will be opportunities for greater cost savings to be made in that area. I think it is quite possible that there will be further substantial reductions in the cost of nylon packs as that progresses, which again will narrow that gap. If we can get the use of it increased, that gap should be narrowed quite substantially.

**Mrs GALLUS**—Mr Navin, you are being very diplomatic here. We are not losing either way. I am just trying to work out where the interests of the wool grower lie in India and if India is feeling that perhaps we are not trying hard enough to get our product in there as against products from other countries. Are we doing the best we can to satisfy the Indian customer or are we still lagging behind?

**Mr Navin**—There are still problems with it. One of those problems is the lack of Indian knowledge of the fibre and the need for specification in order to obtain the best product from the wool. Quite a bit of work is being done in the specification area through the international secretariat. They have been providing quite a lot of assistance to a range of Indian mills, teaching them the value of specification of the product. Hopefully, that will translate—indeed, it already is—into way the contracts are written for wool.

That puts a greater emphasis on our exporters to comply with those. We do not have that. There is scope for mixing and matching of wool to meet price conditions. It does not mean that we are doing anything that is particularly wrong, but it may be that the value that they can achieve is not as high as it might otherwise be. That is largely an education process which is going on with the Indian trade over the last few years.

The other problem we have had with the trade—and this is a very difficult one to do anything about—relates to freight rates to India, which tend to be extremely high compared with a number of other destinations. I suspect that that is probably partly due to the fairly limited trade that Australia has with India in the overall scheme of things.

Following the visit by the Indian textile minister earlier this year there was agreement that greater cooperation was needed between the Australian and the Indian trades on freight matters. I am pleased to be able to report that subsequent to that there have been some meetings between the Australian parties and the Indians. There has been agreement on cooperation in that area. There will be shortly some further negotiations.

It is also pleasing that, during this year, there have been some freight rate negotiations with the conference lines. That resulted in a very significant reduction in the conference rate to India—I think from memory of about \$500 per container. So quite significant reductions were achieved. This brought it much more closely into line with the non-conference lines which tend, as I understand it, to operate an indirect service to India

as opposed to a direct service which was much cheaper.

So the competition in that area is now much better than it was previously. There is still some improvements which, hopefully, can be made. Cooperation in that area is now progressing with the Indian trade where previously that was not occurring.

**Mrs GALLUS**—Is India going to keep its reliance on coal or is it going to move to nuclear power?

**Mr Brown**—India is currently producing around 70 per cent of its electricity from coal. India itself is the third largest producer of coal in the world. It produces about 266 million tonnes, which is actually larger than Australia's domestic coal production.

We expect that the Indians will continue to rely on coal as a major source of their power generation and energy production. We do not expect too much change in how they produce electricity in their country. The future might see some imports of natural gas from suppliers such as Iran where there are very large reserves. It is possible, given the right geopolitical outcomes in that part of the world, to see a future where India might rely more in imports of natural gas. But I think that, certainly for the foreseeable future, they will continue to rely on coal. They have, in fact, been expanding their domestic coal production very rapidly.

**CHAIR**—As an adjunct to that, I noticed that in the new investment promotion protection agreement one of the new priorities recommended for attention in the June-November period is to facilitate entry of Australian thermal coal exports. Does that mean that you are going to improve the ports and hence reduce our competitive advantage? What does that mean?

**Mr Brown**—What we have in mind is to undertake, initially, a consultancy study of Indian coal ports, particularly the ones that are likely to be required for imports of thermal coal. I might perhaps go back a little into background on this. At the present time there is a chronic shortage of coal in India between domestic consumption for their power industry and needs. It is currently estimated at about 10 per cent of total production, which amounts to about 20 million tonnes. That problem is being resolved through chronic brown-outs in the Indian power industry.

The Indian government, as a deliberate policy, has been seeking to encourage reform of the Indian coal industry. They have announced new policy changes aimed at trying to encourage more rapid development of their domestic coal industry. At the same time, in recent years, they have reduced substantially the tariff on steaming coal coming into India. Just two years ago it was around 35 per cent. It is now 10 per cent. So it has been reduced in two very significant steps.

The major areas where there is a deficit are the ones that are located relatively

distant from the major Indian coal production centres, which are located in the north-eastern part of the country, particularly Tamil Nadu and Karnataka. This is going around the south-east into the western parts of India: Maharashtra state and Gujarat state. What we have had in mind has been to undertake a study of the capacity of existing facilities in those states especially, and in Andhra Pradesh as well, which is north of Tamil Nadu, to define whether there are opportunities for expansion of coal receipt facilities for their domestic power industry.

If we find, as a result of an initial review of all of those areas, that there is one where the conditions might be right, particularly in terms of their domestic power industry, for promotion of imports of steaming coal, we will undertake a preliminary scoping study for a coal port development. Then we would be looking to Austrade to develop a commercially-based group which might, as an initiative, work with Indian counterparts in developing facilities in that area.

**Mr HOLLIS**—The problem is moving the coal from the north-east down. Someone once told me that it was quicker to ship coal to Tamil Nadu from Collie in Western Australia than to bring it down from the north because of the chaotic infrastructure. I do not know whether it was just hearsay but that was what people told me, either here or in India—that it was quicker to take it from Western Australia to Tamil Nadu than to bring it from within India down to Tamil Nadu.

**Mr Brown**—Yes. There has been a chronic problem within India in terms of transporting a major bulk commodity like coal and they are seeking to develop ports on their eastern coasts to encourage coastal shipping. Also, of course, they are seeking to develop their railways. But the railways have been the transport system of choice and, combined with the fact that the domestic coal production has been developed on the basis of produce at any cost and get the biggest tonnage you can, the quality of the domestic coal has been very poor. Quite often you find the railway system carrying coal that is basically 45 per cent rock. That, of course, helps neither the power stations nor the efficiency of transport of calories.

**CHAIR**—Thank you very much. There is a whole field that I would like to pursue, but there are a few other things we have to do. Thank you for your submission. If you do have other facts or figures that you would wish to give to us, please do so. Before our hearings are over we may well come back to you because in your field I think there are the most exciting prospects of increasing our trade, at least in the short term. It is also in your field that tariffs, transport and infrastructure problems seem to predominate. You will receive a copy of your submission and if you wish to correct it, by all means do so,

largely in matters of fact rather than otherwise. We hope to get the report finished early in the new year at the latest.

Resolved (on motion by Mr Sinclair):

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

**Subcommittee adjourned at 3.34 p.m.**