



Submission No 22

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

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Australian Government

Austrade

Inquiry into Australia's Trade and Investment Relationship with India

Austrade's Submission to the
Joint Standing Committee on Foreign Affairs,
Defence and Trade

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TERMS OF REFERENCE

The full committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade shall examine and report on Australia's relationship with India as an emerging world power with particular reference to:

- Trade and tourism including investment opportunities
- The defence relationship
- The strategic possibilities for both nations resulting from increasing globalisation and regional imperatives



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AUSTRALIA'S TRADE AND INVESTMENT RELATIONS WITH INDIA

1. INTRODUCTION

With very strong economic growth, a burgeoning middle class and a legal system similar to ours, India offers enormous potential for Australian companies.

India is the world's 2nd fastest-growing economy and the world's 10th largest economy in 2004 (based on the market exchange rate measure of GDP).

With total Australian exports of goods and services to India worth more than \$7 billion and growing in excess of 25 per cent every year, India has moved from 13th to 9th to now 6th largest export destination. Current exports are dominated by commodities. However, there are current and emerging opportunities in almost every sector, including food & beverages, resources, ICT, education, infrastructure, retail, tourism and professional services. It is also becoming a significant source of foreign direct investment, students, tourists, migrants and skilled workers.

Prospects for medium term growth in India are solid, with the World Bank forecasting average annual GDP growth of 6.1 percent from 2004 – 2008.

This submission considers the Terms of Reference and focuses on Australia's trade and investment relationship with India from an Austrade perspective. Although this submission may touch on certain aspects of political relationships and development co-operation, Austrade's charter is to help Australian companies win export business and invest overseas. Austrade also works to support whole-of-Government activity with Invest Australia to generate inbound investment.

2. AUSTRADE'S ROLE

2.1 Working with Australian Clients and Overseas Buyers

The Australian Trade Commission (Austrade) is the federal government's principal trade and international business facilitation agency. Our mission is to contribute to community wealth by helping more Australians succeed in export and international business.

Operating as a statutory authority within the Foreign Affairs and Trade portfolio and working closely with other Federal, State and Territory government agencies, Austrade helps Australian business reduce the time, cost and risk involved in entering and expanding overseas markets.

Austrade provides a wide range of international market development and investment services to Australian companies, as well as to international buyers and investors, throughout our network. Austrade is represented in more than 130 locations in more than 60 countries and has an extensive domestic network throughout Australia.

Market development is a key focus of Austrade's offices in India. Austrade offices provide advice to exporters on current and local issues and are active in establishing and developing contacts with a range of political, commercial and regulatory authorities. They also make representations on behalf of exporters or investors to resolve impediments to trade or investment. Through contacts with Australian business they can identify areas of difficulty and

take steps to help resolve them. Where appropriate, Austrade uses its status as an Australian Government agency to gain access to key decision-makers and influence outcomes.

Building awareness of Australia's capabilities and of any opportunities the market offers Australia is another key aspect of Austrade's work overseas. Our staff draws on their knowledge of local business and developments to promote Australia in the local community and in so doing, raise awareness of Australia as a supplier of wide range of goods and services.

Austrade's services to Australian companies include:

- practical export information and advice;
- identification of overseas opportunities;
- on-the-ground exporting and investment support overseas, including arranging visit programs;
- a comprehensive trade exhibition program;
- services to identify potential overseas business partners and to research and access high-potential markets for Australian companies;
- strategic export planning and network formation services; and
- general information is provided at no charge to our clients and is available either through our website (www.austrade.gov.au) or contact Austrade on 13 28 78.
- Specific, tailored advice is provided to Australian companies based on an hourly rate, quoted, and agreed in advance, with overseas offices as the service delivery point.

The *TradeStart* initiative of Austrade focuses on small new exporters and potential exporters in regional and rural Australia by assisting them through the New Export Development Program. It disseminates Austrade services through this program via partnerships with industry associations, state and local governments and business enterprise centres in local communities. The following map shows the current locations of *TradeStart* offices across Australia.





Austrade also has an important role in providing advice, guidance and coordination to the Government and its agencies on export matters.

2.2 Austrade's Activities in India

In financial year 2004-05, Austrade's India-wide network of six offices in all major regions of the country helped 177 Australian firms achieve export success totalling \$67 million. This is a 160 per cent increase in the number of companies assisted over 2002-03 and 294 per cent increase in export sales value.

2.3 Export Market Development Grants

For the latest completed grant year (2004-05) 203 applicants (5.4% of total EMDG applicants) reported either expenditure on promotional and marketing activities in India and/or having earned export income in India.

It is important to note that while the 203 applicants in 2004-05 received a total of \$6.0m in grants, the grant may not be limited to the Indian market. EMDG grants are paid for all eligible marketing expenses and these applicants may have been active in other countries outside India.

Table 1: EMDG Applicants

GRANT YEAR	Applicants targeting India	All Applicants	Indian promoters as % of total
2002-03	225	4022	5.6%
2003-04	174	3588	4.8%
2004-05	203	3765	5.4%

source: EMDG database, June 2006

3. AUSTRADE'S REPRESENTATION IN INDIA

3.1 Current locations

Austrade is represented in India through offices in the following major cities: New Delhi, Mumbai, Chennai and Bangalore.

However, in the hinterland there are over 20 medium sized cities each with more than one million people. Austrade has adopted a low cost but efficient way of identifying business opportunities in some of these cities (eg, Kochi, Ahmedabad and Pune) through the appointment of spotters. "Spotters" are established Indian business people, with extensive industry contacts, who are employed to identify opportunities and are remunerated on the basis of a very low retainer, plus a set fee for each opportunity that converts to an export sale.



A Senior Trade Commissioner is located in the Australian High Commission in New Delhi and Austrade runs the Consulates-General in Mumbai and Chennai (to be opened in July 2006). Bangalore is managed by a locally engaged Business Development Manager. Austrade has three locally engaged staff in the cities of Kolkatta, Hyderabad and Bangalore. This staffs are serviced from New Delhi and Chennai.

Table 2: 2005/06 staff figures as at 22 May 2006

	2004-05	2005-06
Total f/t staff nos	30	36
A-based f/t staff nos	3	3
Locally engaged f/t staff nos	27	33
Number of Trade Spotters	3	4
Number of posts (post, subpost and outpost)	7	7

3.2 Staff and Management profile

Austrade is resourced to service the interests of Australian companies wanting to export to India, which we do through our by both its overseas based Australian staff and locally engaged business development managers.

From 2006/07 there will be five overseas based Australian staff members based in India (3 in New Delhi, 1 in Mumbai, 1 in Chennai) and one India Market Development Specialist based in Sydney.

In terms of regional management, the Senior Trade Commissioner (STC) in New Delhi (Mike Moignard) is currently on his second tour of duty having previously served in this role in 1998-2000. In addition, the Regional Director (David Twine), to whom the STC New Delhi reports, is



similarly very experienced in India. Before joining Austrade, he was President India for BHP Billiton and Vice President for BHP Billiton (Petroleum) for India, Sri Lanka and Bangladesh.

The India on ground presence is well staffed with 33 locally engaged business development managers with relevant industry experience and tertiary qualifications of MBAs.

The Austrade India operations are in the process of being expanded as a result of the Federal Government's Budget 2006 initiative designed to help Australian businesses capitalise on emerging opportunities in India. This includes:

- Additional Austrade representation and an expanded reach in the north and south of India;
- the establishment of a new Austrade managed Consulate General in Chennai; and
- a sustained marketing and promotional campaign to be undertaken to raise awareness in the Indian business community of Australia's industry and services capability.

4. MAJOR BUSINESS OPPORTUNITIES

India is Australia's 12th largest trading partner and the commercial relationship is healthy. As our 6th largest merchandise export market in 2005, India has overtaken the UK and has, over the past five years, grown faster than any of Australia's other top 30 markets.

With two-way trade in goods and services totaling A\$9.5 billion in 2005, India is already a significant bilateral trading partner, and the potential exists for further growth in commercial relations. Australian exports to India continue to grow, reaching A\$7.9 billion in 2005 or 5 per cent of Australian exports. This was a rise of 28 per cent from 2004.

Australia's main exports to India in 2005 were gold (AUD 3 billion), coal (AUD2.2 billion), copper ores (AUD 527 million) and wool (AUD142 million). Main imports from India in 2005 were in traditional areas such as pearls and gems, jewellery articles of iron, steel and other base metals and floor coverings. Services trade with India accounted for A\$500m in 2004/05, with education being the major contributor.

4.1 Companies and Opportunities

Australian capability relative to India's current needs lies in the following areas:

- Processed food and beverages
- Education services
- Retailing
- Resources investment, equipment and services
- Health services
- IT and biotechnology
- Infrastructure development – roads; ports; airports.

Other export opportunities for Australian businesses in India include biotechnology, healthcare, ICT, education, film, tourism, insurance, energy, power, and aviation.

Currently over 1500 Australian companies are exporting to India. Examples of companies that have achieved success include:

- FMP Australia: (Automotive, Victoria)
- Hamersley Iron: (Mining, Western Australia)
- Cochlear: (Healthcare, NSW)



- Waterco Limited: (Swimming pool equipment, NSW)
- Golden Circle Limited: (Food & Beverage, QLD)
- Qantm: (ICT/Training Services, QLD)
- Annvers Wines (Wine, SA)
- Beerenberg Pty Ltd (Jams, SA)
- Black Cat Productions (Film, TV Shows & Commercial production, VIC)
- Mt Romance Aust & Aust Sandalwood Oil Co. (Sandalwood oil, WA)
- VicRoads International (Road Safety Audit, VIC)
- Padgham & Partners Pty Ltd (Healthcare & Construction services, VIC)

CASE STUDIES in WINNING BUSINESS IN INDIA

VICTORIAN CHEMICAL COMPANY , Coolaroo, VIC	SONICLEAN PTY LTD Thebarton, SA	CRAIG MOSTYN GROUP , Fremantle, WA
<p>Have patience and find the right partner</p> <p>The Victorian Chemical Company has an enviable export history with India that spans more than 20 years.</p> <p>The company exports a number of oleo-chemical products to India for use in their agricultural industry, including Victoria Fruit Drying Oil for drying grapes to raisins.</p> <p>“By using our drying oil and the drying technology utilised in Australia, the Indian raisin industry was able to significantly improve the quality of their product,” said Garry Oxer, the company’s regional manager - Asia, Middle East & Africa</p> <p>Finding the right company to work with was integral to the company’s success – as well as plenty of patience. “You have to be willing and prepared to invest money and time to establish a presence before gaining any sales,” he said.</p>	<p>Keeping customers loyal a key to success</p> <p>The use of ultrasonic cleaners in health industries has risen significantly in recent years, and along with it has the number of companies making the equipment.</p> <p>Soniclean is a world leader in providing high quality ultrasonic cleaners – but has to work hard to stay there. Export manager, Aaron Ng, said the world market had become extremely competitive, and India was no exception.</p> <p>“They now have their own companies making equipment cleaners, but we have customers who have been using our products and still are,” he said. “The biggest challenge is maintaining that loyalty when they can get the product cheaper in India.”</p>	<p>Volume the key to taking on the competition</p> <p>After more than 10 years’ exporting cereals and pulses to India, the Craig Mostyn Group is well established in this competitive market.</p> <p>But that does not mean the company rests comfortably on its laurels.</p> <p>Senior Trader/Grain Exporter, Tom Puddy, says personal attention to customers has to be maintained no matter how long you have been dealing with an overseas customer.</p> <p>“Maintaining that interpersonal relationship is crucial,” he said.</p> <p>Knowing your product and the processes involved in exporting to your chosen company are vital. Mr Puddy said volume was the other major key to success in his market.</p> <p>“You have got to do volume to be competitive in the market,” he said.</p>



How Austrade helped	How Austrade helped	How Austrade helped
<p>Austrade supported the company in its product promotion, exhibition and field trial programs, and identified a company to be its distributor.</p>	<p>Austrade identified a potential buyer, and assisted with organising product evaluations until the first sale was concluded. Austrade is now looking to identify additional buyers.</p>	<p>Austrade identified an India buyer for the company's oats, and assisted the buyer and seller with import documentation issues until the first sale was concluded. (Oats for human consumption were then new to the Indian market.)</p>

India is one of the fastest growing markets in the world, with opportunities in virtually every sector, including Films, ICT, Financial Services, Education, Resources, Infrastructure, Food, Beverages, Retail, Tourism and Professional Services. India is also becoming a significant source of foreign direct investment, students, tourists, migrants and skilled resources.

There is a growing Indian middle class, estimated at 300 million people, who are splashing out on luxuries ranging from appliances, branded sports goods, imported wines and cheeses, high-tech gadgets and cars.

About 7 million middle-class consumers (aged 20 to 34) will be added to the population every year over the next 10 years.

There are substantial opportunities for cooperation over the Commonwealth Games, given Melbourne's hosting of the Games in 2006 and New Delhi's hosting in 2010.

Infrastructure (especially Commonwealth Games 2010 projects) and resources (mining, oil and gas), food and beverage, and retail and services are the key sectors where Australian and Indian businesses can further collaborate. India's investment in airports, roads, oil and gas, mining, power, and telecoms will top US\$200 billion (A\$267.6 billion) in the next five years, which will offer added opportunities for appropriately experienced Australian companies.

Education is an area of increasing importance to the bilateral relationship. Australia has, in recent years, emerged as a major destination for Indian students studying abroad, who recognize the high quality and cost competitiveness of Australian education services. In 2005, India was the second highest source of international students in Australia, with around 27,279 students (a growth of 33 per cent from 2004).

- In terms of economic cooperation, a key outcome of the May 2005 Joint Australia India Ministerial Commission was the decision by Trade Minister Mr Mark Vaile and India's Commerce and Industry Minister, Mr Kamal Nath, to progress on a Trade and Economic Framework (TEF) between Australia and India. The TEF was signed during Prime Minister Howard's visit to India, 5-8 March 2006. It encourages closer, strategic cooperation in key sectors with outstanding potential, such as in energy and mining, infrastructure development, information and communications technology. It also encourages the strengthening of people-to-people links, which provide the foundation for continued growth in trade and investment, in such areas as education, entertainment, sport and tourism.



For Australian companies with a quality product at a competitive price, the Indian market offers broad opportunities. Austrade has identified a number of focus sectors as its priorities for Australian business. These sectors are shown in Table 3 below. Identification of these sectors does not preclude support for activity in other sectors but it does indicate where the best opportunities lie for Australian companies.

Table 3: Focus Sectors for Australian Business – Current Austrade Priorities

Industry	Industry sectors	Locations
Agribusiness	<ul style="list-style-type: none"> ▪ Food and beverages ▪ Bulk commodities eg pulses, wheat, wool, timber ▪ Consulting on grain handling ▪ Consulting on food processing ▪ Grain & horticulture handling technologies ▪ Agri services 	New Delhi Chennai Bangalore
Automotive & Auto Components	<ul style="list-style-type: none"> ▪ Tooling ▪ Design, product development, prototyping 	Chennai
Aviation	<ul style="list-style-type: none"> ▪ Pilot training ▪ Aircraft maintenance ▪ Air traffic systems ▪ Airport operations/privatisation 	New Delhi Mumbai Chennai
CG 2010	<ul style="list-style-type: none"> ▪ Consultancy for Games village and venues ▪ Training of volunteers ▪ 15 new 5-star hotels ▪ Sports speciality hospital ▪ New Aquatic centre 	New Delhi
Construction	<ul style="list-style-type: none"> ▪ Building materials, architectural products ▪ Services – Township projects, IT Parks, Commercial & retail 	Chennai
Consumer / Retail / Leisure / Sports	<ul style="list-style-type: none"> ▪ Training for retail industry ▪ Art sales ▪ New mall set up and retail stock ▪ Fashion & cosmetics ▪ High end lifestyle products ▪ Sporting goods & equipment 	New Delhi Mumbai Chennai
Education & Training	<ul style="list-style-type: none"> ▪ Higher education ▪ Vocational education and training ▪ Distance learning and e-learning ▪ Joint collaborations with institutions ▪ Corporate learning ▪ Research linkages and exchange programs ▪ Sports training & skills development 	New Delhi Mumbai Chennai Bangalore Hyderabad
Health & Medical	<ul style="list-style-type: none"> ▪ Hospital management systems, consulting ▪ Medical equipment ▪ Hospital training ▪ Biotechnology ▪ Sports medicine 	New Delhi Mumbai Chennai
ICT	<ul style="list-style-type: none"> ▪ IT security, Gaming, Telecom, Networking, Wireless 	Bangalore Hyderabad Chennai
Infrastructure / Resources	<ul style="list-style-type: none"> ▪ Mining software and systems for exploration, mine management & training ▪ Mining consultancy – planning & design, mine scheduling ▪ Contract mining ▪ JV mining ▪ Clean coal technology, beneficiation ▪ Environmental solutions, Mine safety, Niche equipment, Consumables, capacity building by training ▪ Coal, gold, uranium, LNG supply ▪ Cargo handling systems ▪ Roads & highway ancillary systems 	New Delhi Mumbai Chennai Kolkata
Services	<ul style="list-style-type: none"> ▪ Legal and banking ▪ Film business 	Mumbai New Delhi Chennai



5. MAJOR AUSTRALIAN COMPANIES AND INVESTMENTS IN INDIA

5.1 Australian investment in India

Australia is the eighth largest overseas investor in India, with over \$1 billion approved for around 140 joint ventures covering manufacturing, telecommunications, hotels, minerals processing, food processing, oil and gas and the automotive sector. Examples include BHP Billiton, Bluescope Steel, and Pathnet (Gribbles).

Some very prominent Australian companies that have invested in India include:

- P&O Ports - a significant developer of infrastructure
- Foster's Group - the first foreign brewer to enter this market
- BHP Billiton and Rio Tinto - interests in the mineral and petroleum sectors.
- Gribble Pathology - established a joint venture with Dr Reddy's in healthcare services.

5.2 Indian Investment in Australia

Indian investment in Australia is also worth around \$1 billion. Examples include WA Government and the Oswal Group to build the world's largest ammonia plant (valued at A\$630 million), Birla and Sterlite in copper resources in Queensland, WA and Tasmania. The top Indian software firms - Tata, Satyam, Infosys, Wipro, Pentasoft and HCL – have all invested in Australia.

6. WORKING WITH ALLIES

In addition to DFAT (including the Australia India Council) and Austrade, a number of other Australian Government agencies also contribute to promoting Australia's trading opportunities with India. These include the Department of Industry, Technology and Resources (DITR), Tourism Australia, Department of Education, Science and Training (DEST - through Australian Education International), Department of Immigration and Multicultural Affairs (DIMA), Attorney General's Office, Department of Defence, Department of Communications, Information Technology and the Arts, and the Department of Agriculture, Fisheries and Forestry (DAFF).

Australia is well positioned to partner India in meeting its rapidly growing industrial and consumer demand for energy supplies through exports of minerals and fuels, energy investment opportunities in Australia and collaboration on areas of joint interest, such as new mining technologies. Austrade maintains a close relationship with DITR on matters relating to the Joint Working Group (JWG) on Energy and Minerals which was established in 1999 and last met in Delhi in June 2005. It has generated several initiatives designed to deepen the bilateral energy and resources relationship.

Several state governments have local representative offices in India, eg WA in Mumbai, Victoria and Queensland in Bangalore and SA in Chennai. (The SA representative is employed by Austrade, under contract with the SA Government.) Austrade works very closely with local representatives, as well as other Australian State and Territory Governments with interests in India.



7. NEW INITIATIVES

7.1 Prime Minister's High Level Business Mission

Ministerial and other high-level visitors play a key role in promoting Australian trade and investment interests in the region. In recent years several State and Federal ministers have visited India and held high level talks with government officials, designed to give impetus to the further development of bilateral trade and commercial relations.

Austrade, in collaboration with the Department of Prime Minister and Cabinet and DFAT, organised a 20 person High Level Business Delegation to accompany the Prime Minister to New Delhi, Mumbai and Chennai from 6-8 March 2006. During the visit four companies announced new offices in India (Leightons, Linfox, Macquarie Equities, Hydro Tasmania) and one company (Santos) announced a major commercial collaboration with an Indian company Reliance Industries for resource exploitation.

Austrade organised tailor made itineraries for the business delegates and the PM's program included meetings with Indian ministers, business forums with Indian business leaders, signing a number of bilateral pacts covering aviation, education, research, defence and sport and interacting with a Bollywood film crew, whose latest production (Salaam Namaste) was filmed in Melbourne.

7.2 Commonwealth Games 2006

Austrade's offices in India recruited more than 1,000 qualified Indian business contacts to form a business delegation to visit Australia during the Commonwealth Games in Melbourne in March 2006. This represented the largest business delegation from any Commonwealth country. The business program of delegates was organised by Austrade's Business Club Australia.

7.3 Enhanced Budget Allocation

In the 2006-07 Budget, the Federal Government provided \$2.6 million in funding for the 2006-07 financial year to expand Austrade's reach in India and undertake a sustained marketing program. Austrade will also allocate an additional \$3.9 million from existing resources, bringing the total package of additional support for developing Australia's commercial interests in India to \$6.5 million over three years.

The Budget initiative provides for additional Austrade representation and an expanded reach in the north and south of India. This includes the establishment of a new Austrade managed Consulate-General in Chennai.

Included in the Budget funding is resourcing for Austrade to undertake a sustained marketing and promotional campaign to raise awareness in the Indian business community of Australia's industry and services capability. The range of activities will include product and industry specific promotions and in-bound missions around key events such as the 2010 Commonwealth Games. This important measure reinforces the Government's focus on strengthening trading relationships and highlights its commitment to the future development of the trade and economic relationship with India.



7.4 South India Food Strategy

Australia has launched a five-year strategy to gain greater access for its products to Indian supermarkets. The project, jointly managed by the National Food Industry Strategy (NFIS) Ltd and Austrade, is paving the way for long-term, sustainable partnerships between the Australian and Indian food industries and governments.

Within the next two years, the goal is to set up a platform for Australian foods in targeted supermarkets in Chennai and Bangalore. (India's food and beverage sales are US\$135 billion a year and growing at 5 per cent a year. Australia exported \$50 million of food and beverages to India in 2004-05.)

7.5 Guide to Doing Business in India

Austrade is in the process of compiling an electronic version of a Guide to Doing Business in India to assist companies travelling to India for business. It will be available online in August 2006.

7.6 Upcoming Trade Events in India

A key activity that Austrade undertakes in markets where there are emerging opportunities for Australian business is the establishment and operation of an Australian pavilion at international trade fairs. Austrade has performed this function with significant results in India in recent years.

Upcoming trade fairs of interest to Australian companies include:

September 2006	Tourism Showcase, New Delhi (tourism)
October 2006	Interbuild India 2006, New Delhi (building & construction)
November 2006	Bangalore IT.com (information technology & services)
November 2006	IMME Kolkata (mining & minerals)
Nov/Dec 2006	International Food Exhibition, New Delhi (food & beverages)
Jan 2007	International Food & Wine Show, New Delhi (food & beverages)
February 2007	Aero India, Bangalore (aviation)
March 2007	FICCI Frames, Mumbai (film, television & media)
March 2007	HOSPImedica India, New Delhi (health products & services)
May 2007	Biotech Exhibition, Bangalore (biotechnology)
November 2007	Foodpro, Chennai (food & beverages).

8. ISSUES, CHALLENGES AND STRATEGIES FOR DOING BUSINESS IN INDIA

8.1 Perceptions

The business delegates of the Prime Minister's March 2006 visit to India reported that India and Australia could do more to raise the general level of awareness of each others way of life, culture and business and technological capabilities.

From Australia's perspective, an enhanced communication campaign in India is being developed to raise their level of awareness of Australia and what we have to offer.



8.2 Challenges in Doing Business in India

India can be very hard to come to grips with. It is often said it is 16 countries rolled into one – with 26 states it can be difficult to know what applies universally and what is regional. And regional India definitely is. It has 10 major cities and 27 cities of greater than 1 million people. These can be quite different in their buying patterns; their cuisine; their dress; their cultural pursuits (except cricket – never underestimate it – probably two things bring India together – English and cricket).

Often businesses in different regional centres will have different business cultures – the Northern Punjabi as compared to the Chennai southerner.

Price, price and price – Indians are always looking for the best price. This can be disconcerting to some Australians, who believe that business is win/win.

The governing of India can make life difficult for business, especially where time is an important factor – and it is for most Australian businesses. Democracy in India means consensus, and that takes a long time because there are so many stakeholders. This leads to the bureaucracy, which often means decisions take a long time to be made; things are done sequentially in India and therefore projects will stop and start depending on the decision-making process. This is one of the most frustrating things for Australian business. If it takes six months to do things in Australia, expect it to take twelve or more months in India.

One reason for this delay is the hierarchy – which is very evident in both the private and public sectors. The number of people in an organisation in India who actually make decisions is very small in relation to the overall staff in that organisation. Therefore bottlenecks occur. To make matters even more interesting, sometimes there are multiple decision makers in different levels of government - the mining sector is a prime example of this.

Logistics can be a nightmare, depending on the sector – a problem for physical products that need special care (frozen products, perishables, and breakables) – but for IT can be most efficient. Infrastructure tends to be clogged, over worked, inefficient, not well inter-networked, and heavily reliant on road transport within the country. But it is improving.

Finance can still be an issue even though the Indian banking system is growing stronger, and now has some very aggressive private sector participation. Most exporters still rely on letters of credit and there can be problems in the opening of these, as well as the expense. Credit arrangements are improving, but Australian companies need to have a very close working relationship with their India partner where credit is involved.

However, with regard to projects there is plenty of money around – finance for new projects is not normally a major constraint as it was a few years ago. Indian corporates have financing available for expansion and mergers and acquisitions – and are also looking overseas for these projects.

Ultimately the question of the difficulty of doing business in India for Australian companies comes down to understanding two things:

- a) The Indian culture, and ensuring that the Australian company controls the planning and implementation of the venture.
- b) An adequate time frame, the lack of which causes many projects in India to collapse through poor project planning – typically exacerbated by misunderstandings between buyer and seller.

8.3 Strategies for Success

The successful strategies for Australian business might seem straight forward but can be difficult in practice. The following is the advice that Austrade gives to companies interested in doing business in India:

- **Understand the market.** The best strategies don't necessarily require lots of money on market research. In some cases it can be pretty easy to identify where the market is. This can be based on demographics, existing use of a similar products, cultural similarities, existing infrastructure. Identifying these characteristics early will help to identify prospective customers.
- **Test your hypothesis by visiting the market** – not once but several times. Keep in mind what you think the market could be worth to you, and then consider your initial budget costs – and remember it will take you much longer than you imagine.
- **Business partner and product mix** - the two biggest decisions companies have to make very early on. There are many ways to enter the Indian market now it has become a lot more relaxed. Exporters will need someone on the ground who knows your business, and a partner who can distribute your products. Consideration need to be given to the distribution system in your industry. Increasingly there are companies setting up their own subsidiary in India and then supporting that with a distributor network. This can work well particularly when you need a strong link back to head office, and marketing is a strong aspect for your business.
- **Address the local needs** - this is crucial. Don't expect that the conditions under which your product or service operates in Australia will be matched in India. Also remember that Indians see themselves as different – see if you can match that perception with an 'Indian' version of your product – or it may even be a different way of delivering your service.
- **Prepare for short lead times** - the market can be a fickle thing in India and you will often find your Indian customer asking for very difficult deadlines. This comes back to the issue of project implementation. Austrade sees this happening over and over again – an example, cricket arenas still being worked on the day of the big game. The last minute rush to conclude an arrangement. Last minute changes to orders when the product is about to go to the airport.
- **Be flexible** - the good part of that story is that even though things don't always go according to plan, they sort of work. But be prepared to be flexible and accommodating.
- **Clear documentation** - should be a given but it is surprising how often it is overlooked. Don't assume that the terms you use will have the same meaning in India – even in specialised sectors. Don't assume a 'yes' for a 'yes'. Like all Asian cultures 'yes' has a multitude of meanings. With contracts, make sure you get an Indian lawyer to have a look at them for you. Understand your exit strategy. When you are providing goods and services to India make sure you have guidance on all the steps you need to take – changing paperwork at the last minute can be costly.
- **Finally, be committed and have patience** – you will need lots of both!

9. SUMMARY

India can be a daunting place to do business. It is a huge, bustling and culturally challenging and diverse market place with a multiplicity of needs from basic commodities to advanced infrastructure. But it also has a huge, English speaking and generally highly educated workforce, a fast growing market economy, and a gathering momentum that could see it



becoming the next complementary economy for Australian economic integration through trade and investment.

Australia and India have a lot to offer each other. For Australian companies, one of those offerings will be the virtue of commitment to a market, and patience to achieve the outcomes if they expect to achieve sustained business outcomes in that market.

Austrade now has a significant presence across India, a broad range of promotional events, a strong industry sectoral focus, and a complement of outstanding and commercially experienced locally engaged staff, to guide Australian companies to achieve business and investment outcomes in the Indian market. The issue now is to engage and educate those Australian companies that have the commitment and patience to successfully pursue the enormous present and emerging opportunities that the Indian market offers.