
The Parliament of the Commonwealth of Australia

Australia's relationship with India as an emerging world power

Joint Standing Committee on Foreign Affairs, Defence and Trade

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Canberra

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Foreword

The Inquiry into Australia's Relations with India as an Emerging World Power was first adopted by the Joint Committee on Foreign Affairs, Defence and Trade in the 41st Parliament, in March 2006. Although a draft report of the Inquiry had been prepared by the end of that Parliament, The Committee was unable to table a final report prior to the prorogation of the Parliament in October 2007.

The Committee was re-established in 12 February 2008 with a new Chair, Senator Michael Forshaw, and a significant change in membership. The Committee readopted the original Terms of Reference, and evidence already received, on 27 August 2008. In view of the significant lapse of time since the first draft was prepared the Committee sought updated submissions from the relevant Departments and other organisations and persons who had provided submissions and/or given evidence in the previous hearings.

The present Report is the result of revision by the Committee of the previous draft report taking into the further submissions and updated material.

In announcing the original Inquiry, the then Chair, Senator Alan Ferguson acknowledged the importance of the relationship particularly having regard to recent economic growth that had transformed India into an emerging world power. These conditions continue today. The Australian Government continues to place importance upon strengthening the relationship with India and the supplementary material received by the Committee during the present Parliament reinforces this fact.

During the last few months three significant events have occurred which have a direct bearing on matters raised in the Committee's Inquiry. They have not been able to be canvassed in this report but they nevertheless re-emphasise the importance of the relationship at both the country to country and multi-lateral levels.

The first of these is the Global Economic Crisis which has hit India hard and which has implications for all aspects of Australia's trade and investment relationship

with the country. Secondly, the terrorist attacks on Mumbai on 26 November 2008 directly affected India's commercial and tourist interests. Finally, India's recent general election, the largest democratic elections held anywhere in the world, are a tribute to the robust nature of Indian democracy. It is these democratic values which we share that will continue to provide the foundations of Australia's relationship with India.

Senator M Forshaw
Chair

Membership of the Committee – 41st Parliament

Chair	Senator M A Payne	Senator A B Ferguson (<i>until 15/8/2007</i>)
Deputy Chair	Hon G J Edwards MP	
Members	Senator A Bartlett	Senator P M Crossin
	Senator A Eggleston	Senator S Hutchins
	Senator L J Kirk	Senator the Hon. S Macdonald
	Senator C M Moore	Senator N J Stott Despoja
	Senator R B Trood	Senator R S Webber
	Hon B G Baird, MP	Mr P A Barresi, MP
	Mr M Danby, MP	Mrs T Draper, MP
	Mrs J Gash, MP	Mr S W Gibbons, MP
	Mr B W Haase, MP	Mr M J Hatton, MP
	Hon D F Jull, MP	Hon J E Moylan, MP
	Hon G D Prosser, MP	Hon B C Scott, MP
	Mr R C G Sercombe, MP	Hon W E Snowdon, MP
	Dr A J Southcott, MP	Mr C Thompson, MP
	Ms M Vamvakinou, MP	Mr B H Wakelin, MP
	Mr K W Wilkie, MP	

Membership of the Committee – 42nd Parliament

Chair	Senator M Forshaw	
Deputy Chair	The Hon D Hawker MP	
Members	Senator M Arbib (from 01/07/08 till 11/03/09) Senator A Bartlett (till 30/06/08) Senator M Bishop Senator M Cormann (till 23/09/08) Senator A Eggleston (till 19/03/08) Senator the Hon A Ferguson (from 01/07/08) Senator M Fifield Senator M Furner (from 16/03/08) Senator S Hanson-Young (from 04/12/08) Senator the Hon D Johnston (from 23/09/08) Senator L J Kirk (till 30/06/08) Senator S Ludlam (from 26/11/08) Senator the Hon J A L (Sandy) Macdonald (till 30/06/08) Senator C M Moore Senator K O'Brien (from 01/07/08) Senator M Payne (from 19/03/08) Senator N Stott Despoja (till 30/06/08) Senator R Trood Senator R S Webber (till 30/06/08) The Hon B Baldwin MP The Hon A Bevis MP	The Hon J Bishop MP (from 11/03/08) Mr M Danby MP Ms A Ellis MP The Hon J Fitzgibbon MP (from 15/06/09) Mr S W Gibbons MP Ms S Grierson MP Mr D Hale MP The Hon I Macfarlane MP Mrs L Markus MP (from 25/09/08) Ms S Mirabella MP (till 16/03/09) The Hon J Murphy MP (from 20/03/09) Mr R Oakeshott MP (from 20/03/09) Ms M Parke MP Ms K Rea MP Mr B Ripoll MP The Hon A Robb AO MP (till 25/09/08) Mr S Robert MP The Hon P Ruddock MP Ms J Saffin MP The Hon B Scott MP Mr K Thomson MP (till 15/06/09) Ms M Vamvakinou MP
Secretary	Dr M Kerley	

Committee Secretariat – 41st Parliament

Secretary	Dr Margot Kerley
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Committee Secretariat – 42nd Parliament

Secretary	Dr Margot Kerley
Research Officer	Dr Brian Lloyd
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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



List of abbreviations

ACIAR	Australian Centre for Intentional Agricultural Research
ABLE	Association of Biotechnology Led Enterprises
AEI	Australian Education International
AIBC	Australia-India Business Council
AISRF	Australia – India Strategic Research Fund
ANU	Australian National University
ANZ	Australia New Zealand
AQIS	Australian Quarantine and Inspection Service
ASEAN	Association of South East Asian Nations
ATC	Australian Tourism Commission
AusAID	Australian Agency for International Development
AUD	Australian Dollar
Austrade	Australian Trade Commission
AVCC	Australian Vice Chancellors Committee
AWB	Australian Wheat Board
CSIRO	Commonwealth Scientific and Research Organisation
DBT	Department of Biotechnology
DEST	Department of Education Science and Training

DFAT	Department of Foreign Affairs Defence and Trade
DIMA	Department of Immigration and Multicultural Affairs
DITR	Department of Industry Tourism and Resources
FDI	Foreign Direct Investment
Go8	Group of Eight
HIV-AIDS	Human Immunodeficiency Virus – Acquired Immune Deficiency Syndrome
ICT	Information and Communication Technology
IDP	International Development Program
IITB	Indian Institute of Technology Bombay
ILD	International Long Distance
IP	Intellectual Property
IPR	Intellectual Property Rights
IT	Information Technology
JSCFADT	Joint Standing Committee on Foreign Affairs Defence and Trade
JWG	Joint Working Group
KRS	Knights Restructuring Services
LNG	Liquefied Natural Gas
MOU	Memoranda of Understanding
MP	Member of Parliament
NAB	National Australia Bank
NRE	National Resources Environment
NSW	New South Wales
PEC	Perth Education City

QETI	Queensland Education and Training International
TA	Tourism Australia
UK	United Kingdom
UN	United Nations
US	United States
USD	United States Dollar
VET	Vocational Education and Training
WA	Western Australia
WTO	World Trade Organisation

Introduction: The Australia-India Relationship

Conduct of the inquiry

- 1.1 On Thursday 2 March 2006 the Minister for Foreign Affairs, the Hon. Alexander Downer MP, referred to the Committee an inquiry into Australia's relationship with India as an emerging world power.
- 1.2 The Committee advertised the inquiry in *The Australian* on 5, April 2006. The Committee sought submissions from government departments, relevant organisations and individuals.
- 1.3 The Committee received 38 submissions (listed at Appendix A) and took evidence at public hearings in Sydney on 20 September 2006 and in Canberra on 13 October and 3 November 2006 (listed at Appendix B).
- 1.4 The Committee was unable to finalise its report before the House of Representatives was dissolved on 17 October 2007. On 27 August 2008 the Committee formed in the 42nd Parliament resolved to re-adopt the inquiry and to call for updated submissions from those who had made submissions to the former Committee's inquiry, including the Department of Foreign Affairs and Trade. An additional 12 submissions

or supplementary submissions were received during 2008 and the evidence was incorporated in this report.

The context of the present inquiry

- 1.5 The terms of reference for this inquiry are wider than those set for the Committee's last inquiry into Australia's Trade Relationship with India, in 1998. This reflects the Committee's acknowledgement that the Australia-India relationship has evolved to include defence cooperation and a more widely internationally focused India. Since the last report the Australia-India relationship has improved, yet there remains room for much growth. The Indian economy has continued to reform and expand in the last ten years to the point where many around the world are anticipating its arrival as a "world power." India must continue its economic reform and development agendas in order to achieve that status and Australia must look to actively engage India during this process.
- 1.6 Since 1998, relations between the two countries have ranged from strained, when India tested a nuclear weapon (in 1998), to a friendly, yet limited relationship still predominantly based on historic cultural links such as the English language, commonwealth membership and cricket. This is now changing.
- 1.7 India's rapidly developing economy and the vast market potential of its growing middle class has generated a lot of interest throughout the world. Australia has taken the opportunity, and is continuing to actively engage Indian government and business.
- 1.8 The JSCFADT expects that this report will assist in maintaining Australia's focus on India. It examines the current status of our trade relations and opportunities for future trade growth, as well as consider Australia's government and defence relations with India.

Structure of the report

- 1.9 The Introduction continues in this Chapter with a summary of the fundamentals shaping Australia's relationship with India before moving on to a survey of the current Indian business environment.
- 1.10 Chapter 2 of the Report contains a discussion of Indian-Australian relations between various levels of government. The chapter outlines recent high-level government exchange and the work of Australian agencies such as Austrade, AusAID and the CSIRO. It includes a discussion on the current status of the Australia-India defence relationship and its future development.
- 1.11 Chapter 3 covers the economic relationship, noting established and emerging areas of trade with particular focus on business engagement in the energy, resources and agricultural sectors. Chapter 4 addresses business engagement in the services sector and Chapter 5 discusses key trade opportunities.
- 1.12 The report concludes in Chapter 6 with a discussion on the strategies for doing business in India and some of the challenges facing the trade relationship.

India as an emerging world power – 2007

Becoming a world power

- 1.13 There is no question that India is a rising world power with a growing economy, an outward looking foreign policy and an increasing military capability. India, however, faces some serious challenges as it moves towards "world power" status.
- 1.14 India's economic reform to date has been gradual. However, some commentators have contended that this reform process needs to increase in size and scope. A 2004 Lowy Institute Paper titled *India: The Next Economic Giant* notes that:

Economic reform [in India] in the years since 1991 has been partial, gradual, and at times, faltering. There remains much

to be done. Significant constraints to the country's growth potential, including fiscal fragility, infrastructure bottlenecks, the continued burden of excessive regulation and bureaucracy, shortcomings in the financial and agricultural sectors, and the pressures associated with growing inter- and intra-regional inequality, will all need to be overcome.¹

1.15 In evidence to the Committee, Dr Brent Davis of the Australian Chamber of Commerce and Industry commented on some of the economic challenges facing India including the need to consolidate fiscally and reform the tax system.² Knights Restructuring Services cited high rates of non performing loans in India and stressed continuing infrastructure problems, particularly in the electricity sector, as impediments to further economic performance.³

1.16 Large scale poverty, political unrest in some regions and corruption are further challenges for India. Dr Vicziany from Monash University compared the vast disparities that are inherent in modern day India noting the revitalisation of Bombay compared with insurgency movements in north eastern India and a growing Maoist insurgency in the centre of India's IT revolution:

[There] are areas of India where it is not inaccurate to speak of feudalism, where we have enormous disparities, a very tough caste system and landlord armies designed to protect landlords from government policy. There are government policies to pay minimum wages, but we are not aware of anyone paying minimum wages even though they were set in the sixties.⁴

1.17 Political unrest in India is fuelled in part by the persistent problem of mass poverty especially in rural regions. The exact level of poverty in India is debated but the Committee was advised that "possibly 35 per cent of Indian people live in extreme poverty."⁵

1 Mark Thirlwell, Lowy Institute Paper, *India: The Next Economic Giant*, 2004, p. viii.

2 Dr Brent Davis, ACCI, *Transcript 20 September 2006*, p. 39.

3 Knights Restructuring Services, *Submission No. 7, Sub. Vol. 1*, p. 54.

4 Dr Marika Vicziany, *Transcript 20 September 2006*, p. 10.

5 Dr Marika Vicziany, *Transcript 20 September 2006*, p. 11.

- 1.18 AusAID took a more nuanced approach noting that a lot of social development indicators have continued to improve in India but “there are still pockets of extreme poverty and challenges, including education and HIV-AIDS.”⁶ AusAID’s role in the Australia-India relationship and the issue of HIV-AIDS in India will be discussed later in the report but it is important to note the range of social issues India continues to address.

Engaging with an emerging world power

- 1.19 Australia must recognise and overcome a different set of challenges, in order to engage effectively with India. Australia is a relatively small country, in terms of population, and to gain India’s attention, it must work hard on a number of fronts.
- 1.20 On several occasions during the inquiry, the need for Australia to keep itself on India’s “radar screen” was brought to the attention of the Committee. In addition, the benefits of overcoming the strong focus on the resource trade and breaking down previous stereotypes were noted.
- 1.21 The Committee observed that:
- [in submissions] both of government agencies and corporate players of the two nations, it seems...that there is a lot of feeling of standing on the edge of enormous opportunity but not quite taking the next step⁷
- 1.22 Mr Darren Gribble, Chairman of the Australia-India Council noted in response:
- If you look at the Australian interest, part of it is generated by the fact that there is an enormous amount of trade that takes place, though a large amount of that has been in the area of commodities. The challenge is to generate more activity in what I would call the non-commodity sector. There is a willingness to get involved, but while the opportunity is large it should not be assumed that it is necessarily an easy place to do business.⁸

6 Mr Murray Proctor, *Transcript 3 November 2006*, p. 48.

7 The Committee, *Transcript, 13 October 2006*, p.14.

8 Mr Darren Gribble, *Transcript, 13 October 2006*, p. 14.

- 1.23 Raj Sharma of Pentaq Pty Ltd. reflected that the lack of an Indian Prime Ministerial visit to Australia in almost 20 years might highlight the fact that “Australia may not be on India’s radar screens other than as a supplier of resources.”⁹
- 1.24 Other witnesses to the inquiry reiterated Mr Sharma’s concern that Australia was not a focus of Indian attention. Mr Roach from the Australia-India Business Council (AIBC) commented on both the strong resource focus and India’s sometimes lack of interest in Australia:
- ... in India I am continually pushing the line that they have got to do a lot more to build a relationship. The resources thing is a no-brainer; everyone knows that we have got it and it is easy to sell and they need it, and fortunately there are no restrictions on it. But we have much more to offer. All these other things perhaps are an absence of priority and will [on the part of India].
- 1.25 As an emerging world power, Australia should expect that India will often have its focus elsewhere. It is Australia’s job to continue to stress the advantages of an expanded relationship. The Department of Foreign Affairs and Trade (DFAT) recognises this. It advised the Committee at its 2006 public hearing that the then Prime Minister Howard’s 2006 visit to India, in addition to a variety of recently signed MoUs, represents a forward momentum in the relationship which must be maintained. DFAT believes that the maintenance of such momentum represents a key challenge to Australia “particularly as Australia is not alone in recognising India’s growing importance.”¹⁰
- 1.26 Additional evidence received from DFAT in its 2008 Supplementary Submission No 21a, discusses a number of visits and meetings undertaken by the present government which build on these earlier initiatives. These are dealt with in greater detail in the following chapters.
- 1.27 In summary, the DFAT Supplementary Submission 21a makes the following assessment of the strategic significance of India to Australia and the region:

9 Mr Raj Sharma, *Transcript 20 September 2006*, p. 41.

10 Ms Deborah Stokes, *Transcript 3 November 2006*, p. 16.

Australia values India's increasing strategic importance in our region and its important role in contributing to stability in the Indian Ocean and South and Central Asia. India shares common concerns with Australia, both as a democratic nation with interests in maritime security in the Indian Ocean, as well as combating regional and global terrorism.¹¹

Current Indian Economic Profiles

- 1.28 In a position paper put before the Committee, which analysed the Indian business environment, the Australian Chamber of Commerce and Industry (ACCI) was cautiously optimistic about India's trade position:
- Gross trade flows (exports plus imports) almost tripled from \$US 57 billion in 1991/2 to \$156 billion a decade later...largely on the back of surging exports of manufactures (up 145 per cent) and services (up...275 per cent) over the decade.¹²
- 1.29 However prospects for continuing improvements in the Indian economy are impeded by the lack of investment in key infrastructure – roads, rail, sea and air ports, electricity and telecoms – where required investment over the coming decade is estimated to be \$US 420 billion.¹³
- 1.30 The electricity sector is particularly problematic with low quality, high cost and unreliable power supplies. In addressing these issues key reforms are required involving the 'rationalisation of power charges, the de-politicisation of power-tariff setting and the elimination of cross-subsidies that undermine the competitiveness of Indian commerce and industry.'¹⁴
- 1.31 Without a commitment to continuing micro-economic reform and infrastructure investment the ACCI survey finds that

11 DFAT *Submission* No. 21a, p. 10

12 ACCI Position Paper, August 2006, *Riding the Indian Elephant: Opportunities and challenges. for Australia and the World*, p.14.

13 ACCI, *Riding the Indian Elephant*, p.18.

14 ACCI, *Riding the Indian Elephant*, p.18.

'India's economic growth rate is likely to slow, its business investment rate decline and fiscal deficit... increase.'¹⁵

- 1.32 This assessment makes realistic allowance for the difficulty in maintaining the political momentum for continued micro-economic reform in the complex Indian democratic environment. On the other hand, the ACCI analysis records an optimistic outlook for the continuing growth of the Indian services sector:

During the 1990's, India's services sector grew at an average rate of 9 per cent per annum, accounting for almost 60 per cent of the overall growth in the Indian economy over that period. At the same time, India's exports of services grew at an annual average rate of almost 17 per cent, one of the fastest rates in the world.¹⁶

- 1.33 The Indian services sector however displays two distinct profiles. On the one hand there are; 'the traded services (such as computer software, finance, management and consultancy) – up a phenomenal 330 per cent between 1996 and 2000', together with the specific area of business process outsourcing such as data entry, insurance claims, call centres and database services which 'grew at an extraordinary 100 per cent per annum in the five years to 2004.

- 1.34 On the other hand are the heavily regulated and protected domestic service sub-sectors such as retail trade and distribution, road and rail transport and professional services such as accountancy and law. These sectors would benefit from 'deregulation and similar reform initiatives', according to the World Bank.¹⁷

- 1.35 In summary, external pressure;

most notably the benchmarking of India against China, has kept the liberalisation program moving forward, albeit modestly and in the face of domestic resistance both from vested interests and political opponents of reform.¹⁸

15 ACCI, *Riding the Indian Elephant*, p.19.

16 ACCI, *Riding the Indian Elephant*, p. 21.

17 ACCI, *Riding the Indian Elephant*, p. 22.

18 ACCI, *Riding the Indian Elephant*, p. 27

- 1.36 As a result of the 2008 Global Financial Crisis, the Indian economy has significantly contracted reducing growth and leading to high inflation and depletion of foreign investor liquidity. When combined with a credit squeeze and an already weak currency, the crisis has severely hurt various sectors of the Indian economy, most notably banking, export and IT.

Australia – India Intergovernmental Relations

Current intergovernmental exchange

- 2.1 The current state of the Australia-India relationship has been usefully and succinctly summarised in a submission to the Committee's inquiry from DFAT as 'never in better shape.' More precisely this assessment is in terms of;

The standards generally used to measure bilateral relations (high-level political visits, trade and investment flows and interaction between communities and business).¹

- 2.2 The impetus for this improved state of bilateral relations has been changes in the global strategic outlook brought about by the end of the Cold War. These days, Indian foreign policy is 'based increasingly on careful national interest calculations rather than ideology – as had been substantially the case earlier.' With India aspiring to become:

An integral member of the foreign and security policy institutions that shape the regional and global order, including the UN Security Council and the G8. It is also a member of the East Asia Summit and the ASEAN Regional Forum.²

- 2.3 In its 2008 Submission DFAT also noted that:

1 Department of Foreign Affairs and Trade (DFAT), *Submission No. 21, Sub. Vol. 1* p.177.

2 DFAT, *Submission No. 21, Sub. Vol. 1*, p. 176.

Australia supports India's permanent membership of the UNSC and its inclusion in APEC when the membership moratorium ends.³

2.4 As part of this wider policy of strategic engagement, India has sought increasingly co-operative relations with the United States and under its 'Look East' policy has also made engagement with the countries of North and South East Asia (encompassing Australia and New Zealand) a priority.

2.5 At the economic level, India has been active in negotiating regional trade agreements with ASEAN countries as well as with ASEAN as a whole. Free Trade Framework Agreements are in place between India and Singapore, Thailand and ASEAN itself and Joint Study Groups have been set up to facilitate further agreements between India and both Malaysia and Indonesia.⁴ The 2008 Submission also notes that 'negotiations on a Japan-India FTA are well advanced'.⁵

2.6 As noted elsewhere in this Report, underscoring these active bilateral and multilateral engagements is the perception that India's demographic weight and high economic growth rates are likely to be sustained.

2.7 In recognition of the shared democratic values of Australia and India and in answer to a question from the Committee about general government to government exchanges 'at the political level', in the form of a 'political exchange program', the Australia-India Council noted that:

The Australian Political Exchange Council, which is part of the Department of Finance and Administration, has an agreement with the Indian Government, which is being worked through at the moment, to facilitate exchange.⁶

Governmental exchanges at the ministerial level

2.8 The visit to India of then Prime Minister the Hon John Howard, MP on 5-8 March 2006 served as the occasion for concluding a series of high level agreements. During his visit the Prime Minister witnessed the signing of a Trade and Economic Framework, a Civil Aviation

3 DFAT, *Supplementary Submission No 21a*, p.5

4 DFAT, *Submission No. 21, Sub. Vol. 1*, p. 176.

5 DFAT, *Supplementary Submission No 21a*, p.5

6 Australia-India Council, DFAT, Ms Carol Robertson, *Transcript, 13 October 2006*, p. 21.

Agreement and Memoranda of Understanding (MOU) on Defence Cooperation, Customs and Biotechnology.⁷ In association with the visit Austrade organised a 20 person high level business delegation to accompany the Prime Minister to New Delhi, Mumbai and Chennai. Austrade organised itineraries for the business delegates and the program included meetings with Indian ministers and business leaders:

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.⁸

- 2.9 In addition to visits undertaken during the former government, the current Australian Government has been committed to engaging with India on a 'strategic long term basis'.⁹

Visits to India by the Minister for Trade (Mr Crean) in January 2008 and the Minister for Foreign Affairs (Mr Smith) in September 2008 underlined the Government's firm commitment to substantially increase collaboration in a wide range of areas. During Mr Smith's visit, India agreed to take the level of relations to a strategic partnership and work towards this objective. This is a term that India uses to characterise its most important bilateral partnerships, including with the United States, the European Union, China and Japan.¹⁰

- 2.10 Concurrently, there have been increasing numbers of ministerial meetings at both the federal and state levels. In addition to meetings involving the Minister for Foreign Affairs, the DFAT submission notes ministerial level visits from Ministers for Immigration and Multicultural Affairs, Communications, Information Technology and the Arts, Tourism and Small Business and Agriculture, Fisheries and Forestry. Ministerial level visits are underlined by official level exchanges in the form of:

Joint working groups which provide strategic direction in areas such as energy and resources, tourism, education, science and technology and ICT.¹¹

7 DFAT, *Submission No. 21, Sub. Vol. 1*, p.177.

8 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 194.

9 DFAT, *Supplementary Submission No 21a*, p.6

10 DFAT, *Supplementary Submission No 21a*, p.6

11 DFAT, *Transcript, 3 November 2006*, p.17.

- 2.11 In its 2008 Submission, DFAT detailed the following Ministerial level contacts:

Seven Indian Ministers visited Australia in the first half of 2008 (the ministers for trade and commerce, science and technology, civil aviation, steel, food processing, youth affairs and sport, and external affairs) highlighting the breadth and depth of existing and potential economic links.

Major high-level meetings in 2008 have included the Joint Ministerial Commission, co-chaired by Mr Crean and India's Minister for Commerce and Industry, Kamal Nath, in May and the Foreign Ministers' Framework Dialogue, which Mr Smith cochaired with Indian Minister of External Affairs, Pranab Mukherjee, in Canberra in June. The Joint Ministerial Commission covered the WTO Doha Round, as well as key regional and bilateral trade issues. Mr Crean and Mr Nath witnessed the signing of a Memorandum of Understanding (MoU) on intellectual property cooperation and welcomed new bilateral dialogues and exchanges on economic policy and competition policy. They also agreed to establish a bilateral CEO Forum.¹²

- 2.12 Initiatives agreed at the June 2008 Foreign Ministers' Framework Dialogue included commitments to facilitate public sector linkages between Australia and India including a bilateral water dialogue, the set up of a working group on Visa, Consular and Passport matters and the signing of two treaties on extradition and co-operation in criminal law matters.¹³

- 2.13 In answer to a question from the Committee about where, in his opinion, government to government links could be most usefully focussed, Mr Cameron Clyne of the National Australia Bank noted that for his business to participate in rural sector finance in India where there was an obvious market, 'government to government engagement' was required to open up the sector to foreign investment.¹⁴

- 2.14 With respect to trade matters, DFAT reports that Australia-India trade has experienced a renaissance in recent times:

Two-way trade in goods and services has grown at a breakneck average annual rate of 28.1 per cent over the five years to 2007.

12 DFAT, *Supplementary Submission No 21a*, p. 6

13 DFAT, *Supplementary Submission No 21a*, pp. 6-7

14 Mr Cameron Clyne, National Australia Bank (NAB), *Transcript*, 13 October 2006, p. 7.

India was Australia's 10th largest trading partner in 2007, with two-way trade at \$13.3 billion.¹⁵

- 2.15 The Commonwealth Department of Education, Science and Training submission refers to ministerial initiatives involved in opening up opportunities for the Australian higher education sector in India's developing market for tertiary education services and research links:

Over recent years, increasing numbers of educational institutions have been visiting India to develop relationships with counterpart institutions. Further, visits by State government delegations and Ministers have also increased.¹⁶

- 2.16 Government to government relations in the education sector are underpinned by three MOUs. The first memorandum on education and training cooperation, entitled the Education Exchange Programme Agreement, was signed by the then Minister for Education Science and Training, the Hon Dr Nelson MP, in October 2003 and covers areas such as staff and student exchange, joint seminars and conferences. Another memorandum signed at the same time covers science and technology cooperation. A further such agreement on biotechnology cooperation was signed during the then Prime Minister's visit to India in March 2006.¹⁷

State and official level exchanges

- 2.17 Governmental links between Australia and India at the Prime Ministerial and Ministerial levels have been complemented by a variety of links at the State and official levels. The DFAT submission mentioned several state level visits to India including visits from the Premiers of Western Australia and South Australia. The Queensland Government submission noted that the then Premier Beattie was the first Queensland Premier to make an official visit to India when he visited Mumbai and Bangalore in February 2003 and again in September 2004.¹⁸
- 2.18 At the hearing on 3 November 2006, DFAT officials told the Committee that:

15 DFAT, "The growing importance of Australia-India Trade" DFAT Website, http://www.dfat.gov.au/trade/focus/080606_au_io_trade.html

16 Department of Education, Science and Training, *Submission No. 33, Sub. Vol. 2*, p. 332.

17 Department of Education, Science and Training, *Submission No. 33, Sub. Vol. 2*, p. 335.

18 Queensland Government, *Submission No. 27, Sub. Vol. 1*, p. 278.

The architecture of the political relationship is well developed. We have more or less annual foreign ministers framework dialogue meetings and we have meetings between the trade ministers in the context of the joint ministerial commission, also meant to be held on a regular basis. We also have annual senior officials talks and strategic dialogue.¹⁹

- 2.19 The supplementary submission received from DFAT in 2008 outlined the following State and official visits:

There have been a number of senior-level visits at a State level in 2008, including visits to India by the Premier of South Australia and the Deputy Premier of Western Australia. It will be important to maintain a steady rhythm of visits and other exchanges throughout the rest of 2008 and beyond.

At the officials' level, bilateral relations are underpinned by regular Senior Officials' Talks and a Strategic Dialogue (last held in Canberra in February 2008). Senior officials from DFAT, Treasury, AQIS, Department of Resources, Energy and Tourism, AusAID and CSIRO have visited India in 2008, as have a range of seniorlevel defence personnel. In addition, a series of bilateral joint working groups promote progress in key economic sectors, for instance minerals and energy, education and science.²⁰

- 2.20 The submission from the Government of Western Australia detailed several ministerial level exchanges between that State and the Government of India. Ministerial level meetings focussed on energy resources, the mining industry sector and trade and commerce generally.²¹ The then West Australian Premier, Mr Geoff Gallop, was the first to make an official visit to India in October 2005.

- 2.21 The Department of Agriculture and Food of Western Australia, in a submission to the Committee, noted as a general observation that both State and Federal governments can derive benefits from direct linkages between Australian and Indian governmental agencies, particularly those concerned with Indian agricultural reform:

Particularly as this could translate among other trade benefits, into reciprocity by India in reducing tariff and non-tariff trade barriers for Australian agribusiness exports to India.²²

19 DFAT, *Transcript*, 3 November 2006, p. 17.

20 DFAT, *Supplementary Submission 21a*, p. 7

21 Government of Western Australia (WA), *Submission No. 25, Sub. Vol. 1*, pp. 217-218.

22 Government of WA, Department of Agriculture and Food, *Submission No. 25, Sub. Vol. 1*, p. 237.

The Western Australian government has engaged in a number of such initiatives including training and research programs.²³

- 2.22 The WA Government, through the Department of Industry and Resources, has operated a Western Australian Trade Office in Mumbai since 1996, with a satellite office in Chennai and was the first state to open a trade office in India. This initiative has been complimented by a large number of official visits. The WA Government's submission to the Committee noted that the state links were to encourage the diversification of its exports to India (95 per cent of which consist of non-monetary gold), and to seek out specific market opportunities.²⁴
- 2.23 In addition to DFAT, a number of other Australian Government agencies contribute to promoting Australia's trading opportunities with India. These include the Department of Industry, Tourism and Resources, Tourism Australia, Department of Education Science and Training (DEST), Department of Immigration and Citizenship, Departments of Defence (DoD), Communications, Information Technology and the Arts, and the Department of Agriculture, Fisheries and Forestry.²⁵
- 2.24 The first Australia-India Joint Working Group on Education and Training Cooperation under the terms of the MOU (see paragraph 2.11 above) was held in Canberra on 24 May 2005 where further areas for potential cooperation were identified and agreed including collaborative research in educational policy, research student exchange, institutional cooperation and capacity building in vocational and technical education, distance education as well as the recognition of qualifications.²⁶
- 2.25 The DEST Submission noted that, in general:
- Australia and India have a positive and cooperative bilateral education relationship, facilitated by strong government to government links and institutional cooperation.²⁷
- 2.26 The submission from the Government of Queensland noted a number of Australia/India government to government links. A total of seven trade delegations had been sent to India sponsored by the

23 Government of WA, Department of Agriculture and Food, *Submission No. 25, Sub. Vol. 1*, p.236.

24 Government of Western Australia, Department of Industry and Resources, *Submission No. 25, Sub. Vol. 1*, pp. 218-9.

25 Austrade, *Submission No. 22, Sub. Vol. 1*, p.193.

26 Department of Education, Science and Training, *Submission No. 33, Sub. Vol. 2*, p. 335.

27 Department of Education, Science and Training, *Submission No. 33, Subs. Vol. 2*, p. 332.

Queensland Government during 2004 and 2005. Also, members of a higher education delegation led by the Queensland Education Minister attended a medical research and biotechnology conference in India in March 2006. A Queensland Government Trade and Investment Office opened in Bangalore in 2003 with another office to be opened in 2007.²⁸

Sector specific bi-lateral relations

Defence

2.27 The current defence relationship between Australia and India is focussed on strategic dialogue, senior level visits and staff college exchanges. It is possible that the relationship may extend to some limited practical service to service activities. Possible areas of mutual strategic interest include maritime security, counter-terrorism and peacekeeping.

2.28 Defence officials noted India's strategic preoccupations in the following terms:

As India's economic and military influence increases, its capacity to shape and contribute to our national influence grows...we aim to encourage India to contribute more and, in some instances, to work together with us in areas of mutual interest such as maritime security, counter-terrorism and peacekeeping in various parts of the world.²⁹

2.29 Under the terms of the MOU signed by the then Prime Minister Howard in March 2006, the DoD is working on some information sharing initiatives including oversight of the strategically crucial areas of the Malacca and Sunda straits and the Sulu and Celebes seas in our immediate region.

2.30 The DFAT Supplementary Submission also noted ongoing cooperation in defence and counter-terrorism matters:

In recognition of our common interests, Australia and India signed a defence cooperation MoU in 2007. At the June 2008 Foreign Ministers' Framework Dialogue, Mr Smith and Mr Mukherjee welcomed the decision to establish regular chief of defence force

28 Government of Queensland, *Submission No. 27, Subs. Vol. 2*, pp. 277 to 278.

29 Department of Defence, Mr M Pezzullo, *Transcript, 3 November 2006*, p.58.

level talks. Ongoing defence engagement with India includes senior level visits, joint working groups, and education and training exchanges. Australia is also pursuing increased defence cooperation in the areas of counter-insurgency, peace-keeping, maritime security and counter-terrorism.³⁰

- 2.31 Other areas of mutual interest include participation in multilateral naval exercises and counter-terrorism and high-altitude warfare training for Australian and Indian Special Forces. Furthermore, it is expected that mutual exchange visits involving Indian and Australian service chiefs will lead to the inauguration of some lower level joint training exercises.³¹
- 2.32 In terms of Indian strategic planning, the DoD submission notes that India seeks an increased level of regional control within the Indian Ocean. In pursuit of this goal India plans to acquire submarines, aircraft carriers and maritime surveillance aircraft over the next 20 years in order to project and sustain forces further afield. In answer to a question from the Committee about India's previously perceived defensively focussed 'continental strategy', Defence noted that India's statements of strategic intent currently recognised a more global outlook and a need to develop modern capabilities in order to protect their interests further afield.³²
- 2.33 The DoD submission also notes that Indian defence officials are, like their Australian counterparts, moving toward a network centric war fighting approach 'that plans to have the Services and their assets linked through a new command, control, communications and computer infrastructure.'³³
- 2.34 The Western Australian Government's submission details the significant defence assets based in the state and notes:
- WA is also home to half of the Royal Australian Navy's surface combatant ships and all of the Collins class submarines. With the facilities in place to support this large naval presence and WA's proximity to India, there is an opportunity to invite Indian naval vessels to WA to conduct joint and combined exercises with the RAN.³⁴ Annex D of the DoD submission details three ship visits to the port of Fremantle by Indian naval vessels between 2001 and

30 DFAT, *Supplementary Submission No 21a*, p. 10

31 Department of Defence, Mr M Pezzullo, *Transcript*, 3 November 2006, p. 59.

32 Department of Defence, Mr M Pezzullo, *Transcript*, 3 November 2006, pp. 62-3.

33 Department of Defence, *Submission No. 20, Subs. Vol. 1*, p. 165.

34 Government of Western Australia, *Submission No. 25, Subs. Vol. 1*, p. 230.

2006 and there are indications that this could increase in the future.

The Aid Relationship

- 2.35 Australia has provided a total of around \$500 million in development assistance to India since the 1950s. Since the 1980s however, the level of assistance has been relatively small and targeted to the areas of public health, HIV-AIDS education, water and sanitation. In 2003, India moved to bring bilateral donor relationships to a close and to receive specific aid through multilateral organisations. As a result AusAID has moved to deliver aid to the countries of South Asia predominately through multilateral organisations such as the UN, UNICEF, the World Bank and the Asian Development Bank. Currently official development assistance to India is about A\$10 million delivered through these channels.³⁵
- 2.36 India itself has moved to the position of aid donor in its region, (for example India provided US\$210 million during 2005-6 to Nepal, Afghanistan, Bhutan, Bangladesh, some African countries and Vietnam) and has declined assistance for the 2004 Tsunami. However, there are pockets of extreme poverty and deprivation in India as well as the on-going AIDS epidemic for which Australia has targeted assistance programs to be delivered through multilateral and non- governmental agencies. AusAID told the Committee:
- India is estimated to have the largest number of people living with HIV-AIDS, overtaking South Africa this year. If the pandemic is not controlled, it would be reasonably expected to have serious negative effects on the economic growth of the country, beyond the effects on the infected individuals.³⁶
- 2.37 Australia's participation in the fight against HIV-AIDS in the South Asia region is centred on a partnership with UNAIDS with Australia providing AUD\$10 million towards a comprehensive response to the AIDS epidemic in four north-east Indian states: Manipur, Mizoram, Nagaland and Meghalaya which are located on the border of the "Golden Triangle" opium producing region and vulnerable to infiltration by the drug trade.³⁷ More specifically, AusAID told the Committee:

35 AusAID, Mr Murray Proctor, *Transcript*, 3 November 2006, pp.47-8.

36 Aus AID, Mr Murray Proctor, *Transcript*, 3 November 2006, p. 48.

37 AusAID, Mr Andrew Adzic, *Transcript*, 3 November 2006, p. 51.

In terms of regional HIV-AIDS, our key activity has been through the UN Office on Drugs and Crime, which has targeted intravenous drug users around the region...We are about to move into phase 2 through UNAIDS. It is going to be a \$7 million activity over five years.³⁸

- 2.38 In answer to a question from the Committee about Australian assistance in the field of agriculture, in particular noting Australia's expertise with respect to drylands agriculture, AusAID said that such programs were administered by the Australian Centre for International Agricultural Research (ACIAR).
- 2.39 ACIAR were currently administering projects of a total cost of A\$13.6 million over several years in the areas of food safety and exports, irrigation improvement, trade liberalisation and market reform, increasing cattle and sheep productivity and salinity reduction.³⁹
- 2.40 AusAID also noted that Australia provides a source of microfinance to recipients in Bangladesh in partnership with a locally based NGO there and that 'one of the national banks' works with NGOs to make microcredit available to people in India.⁴⁰

Research and development links

- 2.41 Australia's formal research and development links with India are administered by DEST. The most important link point is through the management of the Australia – India Strategic Research Fund(AISRF). Funding for the AISRF is provided through the Australian Scholarships initiative which provides nearly AUD\$1.4 billion over five years for educational scholarships in the Asia-Pacific region. Through the AISRF it was expected that there would be a competitive call for research proposals during 2006/7 in a number of agreed priority areas.⁴¹ The Submission from CSIRO also notes the expected benefits to that organisation from Australia's joint participation in the fund.⁴²
- 2.42 DEST notes that science and technology research in India had been traditionally concentrated in the government sector through the Ministry of Science and Technology. Recently there has been a significant increase of Indian Government funding for research.

38 AusAID, Mr Andrew Adzic, *Transcript*, 3 November 2006, p.51.

39 AusAID, Mr Peter Callan, *Transcript*, 3 November 2006, p.54.

40 AusAID, Mr Andrew Adzic, *Transcript*, 3 November 2006, p.57.

41 Department of Education, Science and Training (DEST), *Submission No. 33, Subs. Vol. 2*, p.342.

42 CSIRO, *Submission No 4, Subs Vol 1*, p. 23

During 2005-06, for example, the Indian Government allocated a sum of A\$3.8 billion for science and technology, an increase over the previous year of 24 per cent.⁴³

- 2.43 The fields of greatest emphasis for Indian governmental investment are currently information technology, biotechnology, agriculture and agri based industries and infrastructure sectors including energy, transportation, communication and housing. India is now focusing on integrating science and technology into various policies and programs covering the economic, energy, environmental and other socio-economic sectors.⁴⁴
- 2.44 In its submission to the Committee, the CSIRO noted that interactions with Indian research organisations on joint projects totalled 32 per year. Areas of association included the fields of agribusiness, environment and natural resources, radioastronomy, manufacturing and construction and minerals and energy.⁴⁵

Biotechnology and related fields

- 2.45 Official research and development links between Australia and India continue to be, like educational links, a growth point in the relationship. A 2007 survey prepared for DFAT noted that there was 'strong scope' for partnering and collaboration in numerous research fields, notably in biotechnology but also in areas such as nanotechnology and bioinformatics'.⁴⁶
- 2.46 Anticipating a surge in the Indian biotechnology market, AusBiotech signed an MOU with India's peak biotechnology industry body, the Indian Association of Biotechnology Led Enterprises (ABLE), in October 2004. An Indo-Australian Conference on Nanoscience and Nanotechnology was held in Bangalore in March 2006. Then Prime Minister Howard announced a new A\$25 million bilateral research and fellowships program and a new MOU on biotechnology was signed during his visit to India in March 2006. The new MOU will complement existing agreements between Australia and India in science and technology and education and training signed in 2003.⁴⁷
- 2.47 In evidence to the Committee, Dr Majumdar, Director, Asia, Hunt and Hunt Lawyers noted that Australia had an already established

43 DEST, *Submission No. 33, Subs. Vol. 2*, p. 344.

44 DEST, *Submission No. 33, Subs. Vol. 2*, p. 345.

45 CSIRO, *Submission No. 4, Subs. Vol. 1*, p. 21 - Specific projects are listed at pp. 22-23.

46 DFAT, Economic Analytical Unit, *India's Services Sector, 2007*, p.63.

47 DFAT, Economic Analytical Unit, *India's Services Sector, 2007*, p.63.

reputation in the biotechnology field and that India is making progress in the field of bionic stem cell research. This could be one field where research cooperation with Australia might lead to useful discoveries.⁴⁸ Other possible areas of research interest include defence aerospace technology, business law, IT and pharmaceuticals.⁴⁹

2.48 DEST's submission to the Committee also mentioned the 2006 MOU with the Indian Department of Biotechnology (DBT). As part of this agreement a Joint Biotechnology Committee has been set up.

2.49 In a submission to the inquiry, the WA Department of Agriculture and Food noted that it had participated in the Wool Industry Technology Transfer Initiative (WITTI) of 1998-2002, which provided capacity building and training of Indian university lecturers in India for the transfer of technology training for Indian wool manufacturers.⁵⁰ Other agricultural research links sponsored by the WA Government included assistance in the areas of grain and legume crops yield improvement research to various Indian universities and research institutes.⁵¹

Committee comment

2.50 The Committee notes the observation in the WA Government's submission that there is 'very little or no collaboration between Commonwealth or State governments on research and development initiatives undertaken across industry sectors in India.'⁵² Should this be the case, the Commonwealth should ensure that the appropriate agencies coordinate relevant information so that a complete picture of research cooperation initiatives involving Australia and India is maintained.

48 Hunt and Hunt Lawyers, *Transcript*, 20 September 2006, p. 21.

49 Hunt and Hunt Lawyers, *Transcript*, 20 September 2006, pp.21-22.

50 WA Government, *Submission No.25, Subs. Vol. 1*, p. 236.

51 WA Government, *Submission No. 25, Subs. Vol. 1*, pp. 236-8.

52 WA Government, *Submission No. 25, Subs. Vol. 1*, p. 238.

The economic relationship: Business engagement—energy, resources and agriculture

Introduction

- 3.1 As noted in chapter 1, this Committee last examined the trade relationship between Australia and India in 1998. At that time, it was reported that the Indian economy was growing and that economic reform begun in 1992 was beginning to have an effect. The Indian middle class was on the rise, which represented a potentially large consumer market.¹
- 3.2 These trends continue today. India is the world's second fastest growing economy. Economic reform continues and the potential purchasing power of the burgeoning Indian middle class is growing.² In its Supplementary Submission, DFAT updated the trade and investment figures provided to the Committee earlier:

Although the range of areas in which Australia and India engage is expanding steadily, trade and investment are at the core of the relationship. Two-way trade in goods and services totalled \$13.3 billion in 2007. In 2007, India was Australia's 10th largest merchandise trading partner. Australian merchandise exports to India reached \$9.3 billion in 2007. Our

1 JSCFADT report, *Australia's Trade Relationship with India*, June 1998, pp. 6-7.

2 Austrade, *Submission No 4, Sub. Vol. 1*, p. 185.

sixth largest merchandise export market in 2007, India was also Australia's fastest growing major export market for both goods and services over the last five years. While merchandise exports predominate, the role of services is significant. Australia exported \$2.1 billion worth of services to India in 2007.³

- 3.3 Australia is one of India's largest overseas investors, with Australian companies spending around AUD\$1 billion in joint ventures. Indian investment in Australia is at roughly the same level and is focused on industries such as mining, fertilizer and pharmaceutical and information and communications technology.⁴
- 3.4 This chapter will focus primarily on Australia's business relationship with India in the energy, resources and agriculture sectors. Subsequent chapters will cover Australia's engagement in the services sectors and any potential trade opportunities.

Energy and resources

- 3.5 Despite the growth in all avenues of trade with India, mineral exports still dominate Australia-India trade statistics. DITR advised the Committee that "India is one of Australia's fastest growing mineral export markets accounting for eight percent of total mineral exports in 2005-06, up from one percent in 1995-96."⁵
- 3.6 For example, in the Committee's previous report on India, Australian coal exports to India were valued at AUD\$687 million.⁶ Figures gathered for this report (noted below) value Australian coal exports at AUD\$2,396 million. In its Supplementary Submission of 2008, DFAT estimated coal exports as \$2.4 billion in 2007.
- 3.7 Principal mineral exports to India include:
- non-monetary gold;
 - coal/coking coal; and
 - copper ores.

3 DFAT, *Supplementary Submission No 21a*, pp. 7-8

4 DFAT, *Submission No. 21, Sub. Vol. 1*, p. 178.

5 DITR, *Submission No. 37, Sub. Vol. 2*, p. 375.

6 JSCFADT report, *Australia's Trade Relationship with India*, June 1998, p. 115.

- 3.8 The chart below showing figures received in 2008 in a Submission from the Department of Resources, Energy and Tourism outlines the values in dollars of Australia's top exports to India:

Top Australian exports to India - 2007	
Item	Value (A\$ m)
Non-monetary gold	4167
Coal	2396
Copper ores	1113
Wool	151

.7

Coal, in particular, has been cited as one of Australia's most important exports to India. DFAT noted that:

Given the significant role Australian exports of coking coal play in India's large steel industry, the importance of coal as one of the mainstays of our trading relationship is unlikely to diminish.⁸

- 3.9 Links between the Australian and Indian coal industries continue to increase. A coal and mining forum was held between the two countries in February 2006 (see details below) and Indian companies have begun to invest in Australian coal mines – Gujarat NRE Coke's investment in NSW coal mines being a good example.⁹

- 3.10 In its 2008 Submission to the Committee, the Department of Resources, Energy and Tourism summarised the increasing importance of India as an energy market for Australia:

India is the world's fifth largest energy consumer with energy needs increasingly in line with a growth rate of approximately 8 percent per annum during the period 2000-2007.¹⁰

7 Department of Resources, Energy and Tourism, *Submission No 40* (2008) , p.1

8 < <http://www.aph.gov.au/house/committee/jfadt/india2006/subs/sub21.pdf>> , 8 January 2006, p. 9.

9 DITR, *Submission No. 37, Sub. Vol. 2*, p. 377.

10 Department of Resources, Energy and Tourism, *Submission No 40*, p.1

Liquefied Natural Gas (LNG)

- 3.11 Evidence supplied to the Committee by DITR in 2006, noted that the Australian Bureau of Agriculture and Resource Economics expects “that LNG exports to India will increase to 8.1 million tonnes per annum by 2010,” and that there has been strong Indian interest in Australia as a source for LNG.”¹¹ A submission from the Western Australian Government also noted the potential for a long-term LNG supply partnership with India given the state’s vast reserves of LNG.¹²
- 3.12 An Indian company, Petronet LNG, signed a A\$12.5 billion contract with ExxonMobil Corp for procuring liquefied natural gas (LNG) from its Gorgon project in Western Australia. Under the deal, Exxon’s subsidiaries, Mobil Australia, Mobil Australia Resources Company and Mobil Exploration and Producing Australia will annually supply 1.5 million metric tons of LNG to Petronet’s Kochi terminal in Kerala.¹³
- 3.13 The 2008 Submission from the Department of Resources, Energy and Tourism provided a summary of the present state of the Indian LNG market:
- India has been importing LNG since 2004 and in 2007 imported 8.42 million tons of LNG. To date, this LNG trade has consisted of several spot cargoes. ABARE expects that Indian LNG imports will increase to 12.6 million tonnes per annum (mtpa) by 2015 and 21.1 mtpa by 2020. This will involve an expansion at the existing import terminals and /or new LNG terminal projects.¹⁴
- 3.14 The Submission forecasts strong potential for growth but, as with other sectors, growth is dependent on continuing economic adjustment in India as well as expansion in Australia’s production capacity:
- India represents an important long-term market for Australian LNG, but realising the potential will depend on Indian Government reforms and the availability and

11 Mr Philip Noonan, *Transcript 3 November 2006*, p. 31.

12 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 226.

13 “Petronet LNG and ExxonMobil Sign Pact for Gorgon LNG Supply, 8 May 2009, <http://www.india-server.com/news/petronet-Ing-and-exxonmobil-sign-pact-7163.html>

14 Department of Resources, Energy and Tourism, *Submission No 40*, p. 2

competitiveness of LNG compared with other fuel sources. Australia has considerable potential to expand its LNG production and companies such as Woodside, BHP Billiton, Chevron, Shell and ExxonMobil retain an interest in supplying India in the future. The outlook for Australian LNG exports to India has improved significantly, with Shell signing a memorandum of understanding (MOU) with India's Gujarat State Petroleum Corporation to supply up to 0.5 million tonnes of LNG, which could be sourced from the proposed Gorgon project.

Australia's current LNG supply capacity is around 15.6 million tonnes, with a further 9.6 million tonnes under construction. Planned new LNG projects could add more than 50 million tonnes to that total.¹⁵

Government - industry collaboration

- 3.15 The Australian Government is actively engaging Indian companies and government over issues in the energy and minerals sector through a number of collaborative and strategic forums. For example, in 2000 the India-Australia Joint Working Group on Energy and Minerals (JWG) was established.
- 3.16 DITR advised the Committee that the purpose of the JWG is to "address trade and investment issues in the energy and minerals sector, to exchange information on policy developments and to identify possible commercial opportunities."¹⁶ It noted that a key outcome of the JWG has been the Australia-India Coal and Mining Forum, held in New Delhi in early 2006.¹⁷
- 3.17 Key issues discussed at the Forum included:
- impediments to trade and investment;
 - market access;
 - regulatory frameworks on mining;
 - opportunities for collaboration on education, skills and training;
 - prospects for mining technology services and equipment; and

15 Department of Resources, Energy and Tourism, *Submission No 40*, p. 2

16 DITR, *Submission No. 37, Sub. Vol. 2*, p. 378.

17 Mr Philip Noonan, *Transcript 3 November 2006*, p. 32.

- clean coal technologies, coal washeries and coal bed methane.¹⁸

3.18 Issues discussed at this Forum are now being considered by DITR through the development of an India-Australia resources strategy. It is expected that this strategy will progress issues identified at the JWG meetings and forum as well as provide a “road map for the long-term resources relationship between India and Australia.”¹⁹

3.19 The 2008 Submission from the Department of Resources, Energy and Tourism updated the previous information on government to government resource strategy talks:

The Australia-India Resources Strategy proposal was endorsed by Trade Ministers at the February 2007 Joint Ministerial Commission Meeting. This strategy will provide a framework for long term collaboration on key resources issues identified by the Australia-India Joint Working Group on Minerals and Energy.²⁰

India's energy security

3.20 India's rapid population and economic growth is placing significant pressure on its already strained energy supply systems. Energy shortages in India are a result of low investment in energy resource exploration and infrastructure development. As a result, India is pursuing a domestic and international energy strategy focused on domestic reforms and infrastructure investment coupled with international “energy diplomacy.”²¹

3.21 As DFAT's 2008 Supplementary Submission notes, Australia's potential role in India's energy security is a complimentary one:

Australia is well-positioned to partner India in this area, through exports of minerals (including gold, iron ore, bauxite, copper) and fuels, energy investment opportunities in Australia and collaboration in areas of common interest such as new mining technologies.²²

18 DITR, *Submission No. 37, Sub. Vol. 2*, p. 378.

19 Mr Philip Noonan, *Transcript 3 November 2006*, p. 32.

20 Department of Resources, Energy and Tourism, *Submission No 40*, p. 1

21 DITR, *Submission No. 37, Sub. Vol. 2*, p. 379.

22 DFAT, *Supplementary Submission No 21a*, p. 8

Nuclear energy

- 3.22 Part of India's energy strategy is focused on the development of nuclear energy. India has plans for a major expansion of nuclear energy generation, with seven reactors currently under construction and plans for 19 more. India expects to supply 25 percent of its electricity through nuclear power generation by 2020.²³
- 3.23 A Submission to the inquiry from M V Ramana (No 46) challenged India's ability to meet these targets claiming they are extremely ambitious:
- It is true that India does have plans for a major expansion of nuclear energy generation. And if even all the reactors being constructed currently are completed, nuclear generation capacity in the country will grow substantially. At the same time, it must be remembered that Indian planners have a history of projecting rapid growth for nuclear power in India. In 1962, the Indian Department of Atomic Energy (DAE) predicted that, by 1987, India would have 20-25 GWe of installed heavy-water and breeder-reactor capacity [Hart, 1983, p. 61]. This was subsequently updated to 43 GWe of nuclear capacity by 2000 [Sethna, 1972]. None of this came true. At the end of 2008, India's nuclear capacity amounted to just 4.12 GWe, about 3 per cent of the country's total electricity generation capacity.²⁴
- 3.24 DITR noted that India's uranium production capacity is unable to meet the demand of an expanded nuclear generating capacity.²⁵ Geoscience Australia advises that "India's prospectivity for major uranium deposits is low."²⁶ India has increased uranium exploration in hopes of finding 100,000 t U over the next four years but it has reportedly been forced to obtain enriched uranium from Russia to fuel two of its reactors.²⁷

23 DITR, *Submission No. 37, Sub. Vol. 2*, p. 380.

24 MV Ramana, *Submission No 46*, p. 1

25 DITR, *Submission No. 37, Sub. Vol. 2*, p. 380.

26 DITR, *Submission No. 37, Sub. Vol. 2*, p. 380.

27 DITR, *Submission No. 37, Sub. Vol. 2*, p. 381 and 380.

Committee comment

- 3.25 Australia is well situated to capitalise on India's growing energy and resources needs. A steady growth in mineral export numbers since the Committee's previous report represents a gradual realisation of the potential in the Australia-India resource trade which has been regularly cited.
- 3.26 The Committee supports continued Australia-India collaboration in forums such as the JWG and suspects that greater dialogue will assist in growing the India-Australia energy and resources trade.
- 3.27 The Committee notes present Government policy with respect to uranium sales to India:

The Australian Government's policy remains that Australia will supply **uranium** only to those countries that are parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), and with which Australia has a bilateral safeguards agreement. Nor will Australia supply nuclear-related dual-use items to non-NPT parties for use in civil nuclear programs. India is not a party to the NPT. The Australian Government supported both India's recently concluded safeguards agreement with the International Atomic Energy Agency (IAEA) and a consensus decision by the Nuclear Suppliers Group (NSG) to adopt a statement on civil nuclear cooperation with India, enabling civil nuclear supply to India by those NSG Participating Governments that choose to do so. In forming Australia's position, the Government took into account non-proliferation considerations and the strategic importance of the issue for India and the United States.²⁸

Agriculture

- 3.28 Australia's agriculture trade with India is considerably more limited than its energy and minerals trade. For example, Western Australia's agrifood exports to India have remained static over the last five years, totalling AUD\$61 million.²⁹ This may be due, in part, to India's own increasing level of agriculture exports. The

28 DFAT, *Supplementary Submission No 21a*, p. 9

29 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 221.

Committee was advised that, in recent years, Indian agriculture exports have grown at a rate of 16 per cent and that the Indian government is “very enthusiastic” about the prospect for further growth.³⁰

- 3.29 Another possible explanation for the limited level of agriculture trade between India and Australia may be found in India’s response to the Doha round of WTO negotiations. Professor Jha from the Australian National University, told the Committee that poor rural farmers in India, with no access to credit, would be particularly vulnerable to a more liberalised agriculture trading regime:

... any sharp changes in the terms of trade of agriculture would mean a drastic increase in the vulnerability of poor households [in India]. No democratic government – and you know India is a democracy – would be willing to countenance that.³¹

- 3.30 Despite the relatively limited level of agricultural trade between the two countries, Australia continues to export a range of agricultural products to India, which include:

- grains;
- field peas;
- canola;
- oilseeds;
- fresh fruits and vegetables;
- processed food; and
- wool.³²

- 3.31 Furthermore, the Committee received evidence noting a variety of opportunities for Australian agriculture exports to India, which will be dealt with separately in Chapter 5.

30 Australia South Asia Research Centre, ANU, *Submission No. 5, Sub. Vol. 1*, p. 29.

31 Professor Raghbendra Jha, *Transcript 20 September 2006*, p. 7.

32 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 221.

The economic relationship: Business engagement—services

- 4.1 The bilateral trade in services between India and Australia is expanding rapidly. India has been the recipient of a growing trend in Australia to send ICT enabled services activities and business processes offshore to lower cost destinations and Australia is benefiting from increases in Indian student and tourist levels.¹
- 4.2 The benefits, however, go beyond business growth. Trade in services has the potential to strengthen business relations and general understanding between Australians and Indians because “services inevitably require direct human interaction, including the movement of people from one country to the other.”²
- 4.3 This chapter will explore the services trade between Australia and India with particular focus on the following areas:
- Australia’s services exports to India – education and tourism; and
 - India’s services exports to Australia.

1 The Australian Services Roundtable, *Submission No. 28, Sub. Vol. 1*, p. 289.

2 Australia-India Business Council, *Submission No. 15, Sub. Vol. 1*, p. 112-113.

Australia's services exports to India—education and tourism

Education services

- 4.4 Indian students in Australia make a significant contribution to the Australian economy and their numbers are growing. In the period between 2002 and 2005, the number of Indian students choosing to study in Australia has grown almost 35 percent per annum.³ In 2005 more than 27 000 Indian students were in Australia. This number is projected to grow to around 120,000 by 2011.⁴ Australia is currently second behind the United States as the most favoured study destination for Indian students.⁵
- 4.5 In its Submission (No 45) to the Committee in 2008, the Department of Education, Employment and Workplace Relations (DEEWR), noted:

The number of Indian students choosing to study in Australia continues to increase. India remains the second ranked source of international students, with Indian student enrolments accounting for 17% of total international student enrolments. A total of 51,762 Indian students studied in Australia in calendar year 2007.

In further analysis of these numbers, the DEEWR Submission noted that the enrolments were largely in the vocational education and training (VET) sector:

There has been particularly high growth in Indian student enrolments in VET and English language courses. Year to date June 2008 data shows that Indian student enrolments are largely in the VET sector (53%, up from 14% in 2005) and the higher education sector (32%, down from 80% in 2005).⁶

The DEEWR Submission notes that the resulting trends may be the result of conscious efforts to seek migration outcomes:

The strong growth in Indian student enrolments in the VET sector results from some education agents, providers and

3 Department of Science, Education and Training, *Submission No. 33, Sub. Vol. 2*, p. 332.

4 Mr Graeme Rankin, *Transcript 3 November 2006*, p. 5.

5 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 3.

6 Department of Education, Employment and Workplace Relations, (DEEWR), *Submission No 45*, p. 1

students taking the opportunity presented by Australia's skilled migration policy which gives points for skilled migration on the basis of qualifications related to occupations on the Migration Occupations in Demand List (MODL). Almost half of all Indian student enrolments in the VET sector are in hospitality management and 96% of these enrolments are with private providers, mainly in Victoria and New South Wales.⁷

- 4.6 The Committee asked the Australian Vice Chancellors' Committee (AVCC) if there were particular areas of study which attract a higher number of Indian students. The AVCC cited study in the Information Technology (IT) field as well as business and accounting as areas of particular interest to Indian students.⁸ DEST noted that in the vocational education sector, 85 percent of Indian students are enrolled in tourism and hospitality, business administration and computer science courses.⁹
- 4.7 The Group of Eight (Go8) raised its concern that "Australia is failing to attract the highest quality of students from India, particularly at the undergraduate and research levels." They noted that a large majority of Indian higher education students in Australia are undertaking short coursework masters programs and vocational training. The Go8 does not want Australia to gain a reputation in India as a provider of "cheap" education.¹⁰
- 4.8 The AVCC's comments to the Committee regarding the perception in India of Australian education services were contrary to that of the Go8. When queried by the Committee as to how Australian education institutions were viewed by Indians, the AVCC noted that they are viewed "very well:"

We have a high-quality education system, and this is universally recognised. We have the language. We have a very high proportional international student population...So we are very competitive.¹¹

7 DEEWR, *Submission No 45*, p. 1

8 Professor Roger Dean, *Transcript 13 October 2006*, p. 51.

9 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 8.

10 Go8, *Submission No. 32, Sub. Vol. 2*, p. 327.

11 Professor Roger Dean, *Transcript 13 October 2006*, p. 48.

- 4.9 The Go8 recommended that in order to attract top students from places such as India, Australia needs to provide generous scholarships like those provided by institutions in the UK and US.¹²

Australia's capacity to accommodate Indian students in the future

- 4.10 Given the rising number of Indian students studying in Australia, the Committee inquired as to the ability of Australian institutions to accommodate further numbers in the future.
- 4.11 DEST advised the Committee that the Government does not set upper limits on the number of international students allowed in Australia but did point out that each institution sets and monitors its domestic to international student mix, and many may have already reached the desired mix. In those cases, institutions are now beginning to focus on diversity strategies which ensure that international students are studying in a wide range of programs rather than in one or two specific areas of study such as IT and business.¹³
- 4.12 DEST also noted that world-wide competition for international students is growing and that increasingly, Australia will have to focus on maintaining its current levels in the face of competition from other countries such as China and Japan.¹⁴

Australian training in India

- 4.13 Also of interest to the Committee was the correlation between the skill sets required by Australian business in India and the opportunity for Indians to gain those skill sets through Australian training programs.
- 4.14 The Committee was advised that Australian companies represent a "big opportunity to showcase Australian training."¹⁵ DEST has been working with Austrade, examining the potential for Australian companies in places like India to "train the local workforce to work there and give them the possibility of coming and working for the company in Australia for a period of time."¹⁶

12 Go8, *Submission No. 32, Sub. Vol. 2*, p. 327.

13 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 13.

14 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 14.

15 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 9.

16 Mr Graeme Rankin, *Transcript 3 November 2006*, pp. 9-10.

Promoting Australia's education services in India

4.15 Australia's education services are promoted in India by Australian educational institutions, state governments and the Federal Government. These strategies are outlined in the paragraphs below.

Peak body activity

4.16 The Go8, an organisation which represents eight of Australia's leading universities, highlighted several strategic activities designed to increase levels of engagement with India:

- Monash University's agreement with the Indian Institute of Technology Bombay (IITB) to establish the first joint institution for research and research training;
- a MOU between The University of NSW and IITB to encourage research collaboration in the areas of science and engineering;
- The University of Adelaide has an articulation agreement with the Global Academy of Technology in Bangalore; and
- ongoing collaboration between the Go8 Deans of Engineering and the Indian Institutes of Technology.¹⁷

4.17 In addition to collaborative efforts designed to increase engagement, Australian institutions promote their education services to prospective Indian students through agencies such as IDP Education Pty Ltd – a global company offering student recruiting and testing services. IDP is part-owned by 38 Australian universities and represents all education sectors.¹⁸

State government activity

4.18 State governments are also involved in the promotion of education services. Submissions to the Committee from the governments of Queensland and Western Australia noted the activities of international units within various state government departments.

4.19 In Queensland, education services are marketed internationally by Queensland Education & Training International (QETI). QETI is located within the Department of Premier and Cabinet and is tasked with the responsibility of providing leadership to international education and training providers, both public and private by building

17 Go8, *Submission No. 32, Sub. Vol. 2*, p. 326.

18 <<http://www.idp.com/corporate/aboutus/default.asp>>, 09 January 2007.

a whole-of-industry approach, which is designed to ensure that Queensland is positioned as a preferred provider in selected international and niche education markets.¹⁹

4.20 In March 2006, the Chair of QETI led a higher education delegation to Hyderabad and in March 2004, a Queensland Higher Education Trade Mission visited Mumbai, Chennai, Bangalore and Delhi.²⁰ QETI's goal, upon inception in 2001, was to grow Queensland's education and training industry to one billion by 2006. That goal has been achieved.²¹

4.21 The Government of Western Australia markets WA's education services through the Education Training International arm of the Department of Education and Training as well as through Perth Education City (PEC) – a peak industry body for international education in WA.²² PEC advised the Committee that its India strategy encompasses the following:

- The development of an awareness of Perth, both as a destination and provider of quality education;
- Improving the recognition of Perth as a provider of quality education which rivals that of the US and UK. Changing the marketing focus from affordability to quality;
- Strengthening relationships between Western Australian and Indian education institutions;
- Promoting VET as a viable and lucrative education sector to Indian students. This sector in India, as in many Asian countries, is not held in high regard. Yet, in Perth it is a booming and vital component of WA's efforts to sustain its future; and
- Marketing campaigns that recognise India as a country divided into several very distinct and individual regions, each that require a different approach and marketing strategy.²³

19<http://www.premiers.qld.gov.au/key_activities_information_and_services/International_students/>, 10 January 2007.

20 Queensland Government, *Submission No. 27, Sub. Vol. 1*, pp. 276-77.

21<http://www.premiers.qld.gov.au/Key_activities_information_and_services/International_students/>, 10 January 2007.

22 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, pp. 221 and 227.

23 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 227.

Federal government activity

- 4.22 The commercial activities of Australian education institutions are supported at the federal government level by Australian Education International (AEI), which is a division within DEST.
- 4.23 AEI maintains an office in New Delhi and is responsible for promoting Australia's education and training capabilities through a range of strategies including:
- brand positioning;
 - promotional events;
 - marketing materials;
 - the Study in Australia web site; and
 - in-country communications campaigns.
- 4.24 DEST and Indian Ministries have several MOUs which help to establish a foundation for education service activities:
- Education Exchange Programme agreement – signed in 2003 and covers areas such as staff and student exchange and joint seminars and conferences;
 - MOU on Science and Technology Cooperation also signed in 2003; and
 - MOU on scientific and technological cooperation in biotechnology.
- 4.25 Much of the Australian/Indian government interaction in the education field occurs through a bilateral Joint Working Group (JWG) which held its first meeting in May 2005.²⁴ Issues identified at the meeting for potential cooperation included:
- collaborative research in education policy;
 - research student exchange;
 - encouraging institutional collaboration;
 - capacity building programs;
 - distance learning; and
 - recognition of qualifications.²⁵

24 DEST, *Submission No. 33, Sub. Vol. 2*, p. 335.

25 DEST, *Submission No. 33, Sub. Vol. 2*, p. 335.

Education services and immigration issues

- 4.26 The ability to fulfil immigration requirements and receive a student visa in a timely fashion is a key factor in providing quality education services to Indian students. Note the contribution from DEEWR set out in paragraph 4.5 above on this issue.
- 4.27 In November 2004, the Department of Immigration and Multicultural Affairs (DIMA) introduced an online visa application service for Indian nationals who are residents of India called the student eVisa service.
- 4.28 DIMA advised the Committee that processing times for student visas have been substantially reduced with more than 60% of electronic applications finalised within one month. The proportion of student visa applications now lodged electronically has risen to 44% percent.²⁶
- 4.29 Although the eVisa service has reduced student visa processing times, the Committee was advised by DIMA that student visas generally take longer to process because DIMA has “to satisfy [themselves] as to...the student’s financial capacity to support themselves in Australia.”²⁷
- 4.30 DIMA is in the process of implementing a scheme whereby prospective students could provide DIMA with a statement from a specific financial institution which would satisfy DIMA as to the financial capability of the student. DIMA expects that such a scheme will further reduce student visa processing times.²⁸
- 4.31 Submission No 45 of 2008 to the Committee from the Department of Education Employment and Workplace Relations (DEEWR), updating the Submission of the former Department of Education Science and Training (DEST) noted:

The strong growth in Indian student enrolments in the VET sector results from some education agents, providers and students taking the opportunity presented by Australia’s skilled migration policy which gives points for skilled migration on the basis of qualifications related to occupations on the Migration Occupations in Demand List (MODL).²⁹

26 DIMA, *Submission No. 16, Sub. Vol. 1*, p. 125.

27 Mr James Fox, *Transcript 3 November 2006*, p. 69.

28 Mr James Fox, *Transcript 3 November 2006*, p. 69.

29 DEEWR, *Submission No 45*, p.1

- 4.32 Professor Dean of the AVCC noted, however, that new legislation allowing for students to acquire further language and work experience after their degree in order to qualify for permanent residency, will be beneficial in attracting further students from India.³⁰
- 4.33 In answer to a query from the Committee as to why barriers to permanent residency should not be put in place to deter overseas student visa holders from seeking migration outcomes³¹, Professor Roger Dean made the following points:
- skilled immigrants are economic drivers which fill gaps in the workforce that Australia is unable to fill itself; and
 - innovation can be driven by sociocultural interaction.³²

Harmonisation of qualifications

- 4.34 The Committee believes that limiting barriers to student mobility plays an important role in encouraging the scholastic relationship between Australia and India.³³ Barriers may include immigration issues, but also issues regarding the harmonisation of educational qualifications.
- 4.35 It is important that students who come to Australia to study have previous qualifications recognised in Australia and Australian qualifications recognised upon return.
- 4.36 When the Committee queried the AVCC as to its stance on qualification harmonisation, the AVCC was supportive but qualified its statement by noting that it was in favour of qualifications being complementary and consistent rather than congruent. This would allow Australian institutions to remain flexible in relation to the education systems in other markets such as the United States and China in the future.³⁴
- 4.37 The Australian Government has also been supportive of harmonising qualifications. In April 2006, the Minister for Education, Science and Training chaired a meeting in Brisbane of 37 education and training ministers from across the Asia-Pacific. At that meeting it was agreed

30 Professor Roger Dean, *Transcript 13 October 2006*, p. 49.

31 Senator Alan Ferguson, *Transcript*, 13 October 2006, p.55.

32 Professor Roger Dean, *Transcript 13 October 2006*, p. 55.

33 Senator Alan Ferguson, *Transcript 13 October 2006*, p. 49.

34 Professor Roger Dean, *Transcript 13 October 2006*, p. 48.

that increasing student and academic mobility as well as the transferability of qualifications was a common goal.³⁵

4.38 DEST advised the Committee that it plays a role in facilitating the recognition of qualifications through the use of a country education profile which maps various qualifications in India and then equates those qualifications to Australian ones. This allows Indian students to ascertain how much of their qualification may be applied in Australia.³⁶

4.39 Australian higher education qualifications are generally recognised in India. A representative from DEST noted that:

... at the higher education end, the Australian qualifications that are issued by our universities are recognised by both the government of India and by businesses for employment.³⁷

4.40 The recognition of qualifications for employment in the professions is regulated and accredited by the professional body:

... the role of recognition of the professions [in Australia] is not one played directly by DEST; that is the role of the various registering boards.³⁸

4.41 DEST does attempt to facilitate qualification harmonisation in the professions by ensuring that Australian qualifications are broadly recognised in India:

One of the roles of our offices, say in Delhi, is to become aware if Australian qualifications are not being recognised and if not, to ask: why not? Do we need to change our training or is it just a case of communication as to what is the qualification?³⁹

Committee comment

4.42 Australian education services exports to India have risen steadily since the Committee's last report on India. In 1998, Indian student numbers were expected to grow to over ten thousand by 2001. As noted in this section, there were 27 thousand Indian students studying in Australia in 2006. Forecasts for Indian student growth in

35 AVCC, *Submission No. 1, Sub. Vol. 1*, p. 2.

36 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 10.

37 Mr Graeme Rankin, *Transcript 3 November 2006*, pp. 7-8.

38 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 10.

39 Ms Fiona Buffinton, *Transcript 3 November 2006*, p. 8.

1998 were at 38 percent per annum, which is consistent with current growth forecasts.⁴⁰ The DEEWR 2008 Submission noted:

There has been particularly high growth in Indian student enrolments in VET and English language courses. Year to date June 2008 data shows that Indian student enrolments are largely in the VET sector (53%, up from 14% in 2005 and the higher education sector (32% down from 80% in 2005).⁴¹

- 4.43 This is a strong and growing area in the services exports market and the Committee is satisfied that appropriate measures are being taken to grow and manage education service exports to India. It is imperative, however, that Australia maintain its high educational standards and continue to seek the best possible international students.

Tourism services

- 4.44 In a Supplementary Submission from 2008, the Department of Resources, Energy and Tourism (Replacing the Department of Industry, Tourism and Resources), provided updated figures on visitor arrivals from India:

India is Australia's fastest growing tourism market. In the financial year ending June 2008, there were 107,700 Indian tourists to Australia, an increase of 22.5 per cent compared to the previous financial year. This places India just outside of Australia's top 10 inbound markets. The Tourism Forecasting Committee predicts the Indian market will continue to grow at an annual average rate of 16.8 per cent over the 2006-16 forecasting period to reach 397,000 visitors in 2016. In 2007 there were 121,000 Australian visitors to India, an increase of nearly 15 per cent compared to 2006.⁴²

- 4.45 The following section will cover tourism service issues relating to:
- government initiatives;
 - visas for Indian visitors; and
 - air services.

40 JSCFADT report, *Australia's Trade Relationship with India*, June 1998, p. 126.

41 DEEWR, *Submission No 45*, p. 1

42 Department of Resources, Industry and Tourism, *Submission No 40*, p.4

Government initiatives

4.46 In 1998, the inbound Indian tourism market was considered an emerging market in the medium to long-term.⁴³ Today it is one of Australia's fastest growing markets.⁴⁴ Australian state and federal governments have undertaken a number of initiatives in recent years, designed to grow the Indian tourism market and respond to the increased volume of Indian tourists in Australia.

Federal government activity

4.47 As with education, activity in the tourism services sector between Australia and India is underpinned by bilateral government cooperation.

4.48 In April 2002, the Australian and Indian Governments signed a MOU on tourism cooperation. The MOU outlined specific areas for knowledge and expertise exchange and a JWG was established to oversee its implementation.⁴⁵

4.49 In its 2008 Submission, the Department of Resources, Energy and Tourism noted that the above MOU had expired on 22 April 2008 and that it had had limited outcomes and as a result the Department 'would need to carefully consider any future tourism bilateral arrangements with India.'⁴⁶

4.50 Australia, as a tourist destination, is marketed in India through Tourism Australia (TA). TA's marketing strategy in India is currently focused at the high-end of the market:

Our marketing strategies at this stage have been focused very much on that top-end-experience seeker market, where we feel Australia offers unique opportunities that are not available in nearer countries.⁴⁷

4.51 It is expected that as the market in India grows, TA's marketing strategy will expand to reach the entire range of potential tourists including backpackers.⁴⁸

43 JSCFADT report, *Australia's Trade Relationship with India*, June 1998, p. 136.

44 DITR, *Submission No. 37, Sub. Vol. 2*, p. 382.

45 DITR, *Submission No. 37, Sub. Vol. 2*, p. 382.

46 Department of Resources, Energy and Tourism, *Submission No 40*, p.4

47 Mr Philip Noonan, *Transcript 3 November 2006*, p. 33.

48 Mr Philip Noonan, *Transcript 3 November 2006*, p. 33.

4.52 In its 2008 Submission, the Department of Resources, Energy and Tourism explained current marketing strategies:

Tourism Australia's marketing strategy for India is aimed at capturing the Indian traveller at the top end of the market including family groups, honeymooners and the incentive reward market. Marketing activities in India focus on creating a stronger brand presence and refreshing consumer perceptions of Australia as a holiday destination. This involves public relations activities, targeted on line content and promotional activities. Another key objective in the market is to establish a solid distribution network via the development of the Aussie Specialist Program across key markets, with priority cities being Mumbai and Delhi.⁴⁹

4.53 In 2005, an Emerging Markets Strategy was commissioned by the then Department of Industry, Tourism and Resources which related to the Indian tourism market. Relevant recommendations were that:

4.54 TA undertakes segmentation studies to identify the best prospect customers for Australia, and their motivations and disseminate that information to the Australian tourism industry. A channel strategy designed to ensure the best prospect customers receive Australian tourism information through the most appropriate channels also needs to be employed;

4.55 TA undertake the development of a specific Australian tourism brand programme;

- expand the Aussie Specialist Programme and network;
- Australian and Indian Governments continue to work together;
- the Australian Government increase investment in the development of the Indian tourist market and support the establishment of a TA office in Mumbai;
- the efficiency of the tourist visa issuing arrangements is further developed;
- the Australian Government review the Indian Air Service Agreement to allow for further increases in capacity;
- appropriate feedback mechanisms are in place to allow quarantine management to monitor complaint levels; and

49 Department of Resources, Energy and Tourism, *Submission No 40*, pp. 4-5

- that DITR work with the Australian tourism industry to ensure that relevant cultural awareness training is provided to its members.⁵⁰
- 4.56 DITR's response to the report was released in January 2007. In general the response was favourable to the India recommendations.⁵¹ In its 2008 Submission, DITR's successor Agency, the Department of Resources, Energy and Tourism noted that Tourism Australia had acquired a licence to establish an office in Mumbai and was working to open it as soon as possible.⁵²
- 4.57 In its 2008 Submission, the Department of Resources, Energy and Tourism noted with respect to longer term Tourism Strategies:

To address supply side issues in Australia's markets, the Australian Government is developing a National Long-Term Tourism Strategy. The focus of the Strategy, to be developed over the next year, will be to develop the productive capacity of the industry, looking at the issues of investment, labour and skills, climate change and infrastructure. A high level Steering Committee has been developed with members drawn from within and outside the tourism industry.⁵³

Visas for Indian visitors

- 4.58 In response to the increase in tourist traffic from India to Australia, DIMA and TA worked together to develop the Preferred Aussie Specialists scheme. *Preferred Aussie Specialists* are travel agents trained by DIMA and supported by a visa authorisation service.⁵⁴ The scheme is designed to ensure a quick turn around for tourist visa applications and to date, has been very successful:

It is producing great results for us both from the perspective of the number of people using the Preferred Aussie Specialist mechanism and the quality of applicant, which is reflected in that our refusal rates are very low and we are getting people who are genuinely seeking to come to Australia frequently.⁵⁵

50<http://www.industry.gov.au/assets/documents/itrinternet/AGresponse_jan20070110165941.pdf>, 11 January 2007.

51<http://www.industry.gov.au/assets/documents/itrinternet/AGresponse_jan20070110165941.pdf>, 11 January 2007.

52 Department of Resources, Energy and Tourism, *Submission No 40*, p. 4

53 Department of Resources, Energy and Tourism, *Submission No 40*, p. 5

54 DIMA, *Submission No. 16, Sub. Vol. 1*, p. 122.

55 Mr James Fox, *Transcript 3 November 2006*, p. 66.

- 4.59 Turn around time for tourist visa applications has been further reduced by the implementation of the electronic visa application facility for short stay visitor visas in August 2006.⁵⁶ The e676 visa allows Indian clients to apply over the internet with access granted to approved *Preferred Aussie Specialists*.⁵⁷ DIMA reports that “the take-up was modest to begin with but is increasing almost daily.”⁵⁸ Over time, the number of *Preferred Aussie Specialists* is expected to grow; thereby increasing the number of agents authorised to use the e676 visa application facility.⁵⁹

Air services

- 4.60 Australia and India have held an air services agreement since 1947. Talks held in 2004 have liberalised the air service arrangements considerably.⁶⁰ Air service capacity for Australian and Indian carriers has risen to 6,500 seats per week to six specified points in each country.⁶¹

- 4.61 In an updated Submission to the Committee in 2008, Qantas Airways Ltd noted the continuing de-regulation of the Indian aviation market:

The Indian aviation market has undergone further deregulation and experienced unprecedented growth in recent years. Associated with these changes, low cost carriers such as Jet Airways, Air Deccan, Kingfisher, Spice Jet, Jet Lite and Go Air have made significant inroads into the market shares of the government owned airlines; namely international carrier Air India, and domestic carrier Indian Airlines. Partly in response to these developments, Air India and Indian Airlines were merged under the Air India banner in 2007, and long overdue steps were taken to progressively modernise and re-equip their fleets.⁶²

- 4.62 With respect to Qantas’s own services into India the 2008 Supplementary Submission noted:

Qantas operations to India have been modified since our 2006 submission. We are now operating three A330-200 services

56 DITR, *Submission No. 37, Sub. Vol. 2*, p. 384.

57 DIMA, *Submission No. 16, Sub. Vol. 1*, p. 122.

58 Mr James Fox, *Transcript 3 November 2006*, p. 66.

59 DITR, *Submission No. 37, Sub. Vol. 2*, p. 384.

60 Qantas, *Submission No. 17, Sub. Vol. 1*, p. 135.

61 DITR, *Submission No. 37, Sub. Vol. 2*, p. 384.

62 Qantas, *Supplementary Submission No 17a*, p. 1

per week non-stop between Sydney and Mumbai, offering a total of 705 seats. While the commercial performance of the route remains below expectations, we remain committed to the India market given its increasing importance and obvious long term potential.⁶³

- 4.63 The Qantas Supplementary Submission noted that despite competition from other Asian hub carriers, the growth in inbound passenger numbers from India would sustain a Qantas presence in the market in the immediate future:

According to the Australian Tourism Forecasting Committee's recently released estimates (Forecast 2008 – Issue 1) inbound visitors numbers from India to Australia will grow by 20% in 2008 – the fastest growth rate from any country, with similar rates expected to prevail over the next 10 years.⁶⁴

Committee comment

- 4.64 The Indian tourism market has the potential to be an extremely important one for Australia. The Committee supports TA's efforts in developing the market and concurs with the Emerging Markets Strategy recommendation calling on the Government to increase funding and resources for the development of this market.

India's services exports to Australia

- 4.65 In 2004/05, Australia imported AUD\$276 million worth of services from India.⁶⁵ India has become well known globally for its IT services and the Committee received evidence from ANZ and Unisys which suggested that Australian companies are taking advantage of India's skills in this area. Similarly, evidence received from the National Australia Bank (NAB) suggests that India is extremely capable of providing accounting and other banking services. The following section will review the evidence provided by ANZ and NAB.

63 Qantas, *Supplementary Submission No 17a*, p. 2

64 Qantas, *Supplementary Submission 17a*, p. 2

65 DITR, *Committee Correspondence*, 4 December 2006.

IT services

- 4.66 ANZ advised the Committee that the Indian Government has supported the development of India's IT industry for over 20 years and noted that Bangalore, in particular, has developed "as a global technology centre with many of the world's largest companies ... basing key parts of their technology and operations support functions there."⁶⁶
- 4.67 Unisys noted that:
- India has emerged as Unisys Asia Pacific's preferred offshore destination, which reflects the fact that India has become recognised internationally as a leading centre for offshoring work in the information technology sector.⁶⁷
- 4.68 Unisys operates a global helpdesk based in Bangalore which services clients and staff in Australia, the Asia Pacific and worldwide.⁶⁸
- 4.69 ANZ's experience in India is representative of many companies worldwide and a brief examination of its operation in Bangalore will highlight India's services exports ability and the advantage that importing services from India can present for Australia.
- 4.70 ANZ has owned a technology business (ANZ Operations and Technology) in Bangalore since 1989. ANZ Operations and Technology develops and manages software and technology for ANZ's systems as well as those of other companies.⁶⁹
- 4.71 ANZ cited several advantages to operating the Bangalore business. They included:
- access to skilled people;
 - different time zones between Australia and Bangalore provide an extended working day, which creates efficiencies;
 - co-located facilities with companies such as Microsoft and IBM which allows for better access to their laboratories;
 - lower employment, property and technology costs; and
 - high quality work output.⁷⁰

66 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 269.

67 Unisys, *Submission No. 30, Sub. Vol. 1*, p. 316.

68 Unisys, *Submission No. 30, Sub. Vol. 1*, p. 316.

69 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 269.

70 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 270.

- 4.72 The process of sending specific services offshore to India has raised several key concerns in Australia. In providing evidence to the Committee, ANZ addressed issues regarding privacy of customer information, loss of Australian jobs to India and the use of customer contact centres in India.
- 4.73 In regards to maintaining the privacy of Australian ANZ customer information, ANZ stated that:
- Staff in Bangalore...operate under the same ANZ policies and controls that we have in place in Australia. Records for our Australian customers are located in Australia and will remain located in Australia. They are subject to Australian law and privacy standards and where there is a need to access customer data by ANZ staff in other countries, that access accords with Australian privacy law and ANZ's global information security policies.⁷¹
- 4.74 When ANZ chooses to send jobs to India, it advised the Committee that its focus is on "redeployment and internal mobility."⁷² ANZ noted that the majority of staff affected by a decision to relocate 300 IT jobs to India in 2005 have found other roles within ANZ.⁷³
- 4.75 ANZ has also committed itself to retaining all customer contact roles, including call centres, in Australia.⁷⁴ This is a theme that the Committee has noted in the evidence, with the NAB also making a similar claim.
- 4.76 Subsequent to the public hearings held for the Inquiry, the widely reported financial scandals associated with directors of the Indian IT company Satyam have had repercussions for both NAB and ANZ. In response to widespread press reports of the exposure of both banks to IT service contracts with Satyam the banks issued various public statements in January 2009 detailing the extent of their involvement with the Indian IT company.⁷⁵

71 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 272.

72 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 271.

73 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 271.

74 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 272.

75 For example; press statements appeared in *The Australian* on 21 January 2009, (relating to NAB) and 12 January 2009 (relating to ANZ). Both banks announced that contracts with Satyam would be cancelled or 'revised'.

Legal and Accounting services

- 4.77 Evidence received by the Committee from the NAB outlined its reasons for utilizing Indian accounting services. It noted that in 2005, NAB established an outsourcing relationship through a global third-party vendor to provide the bank with accounts payable services. The outsourced services are located in Bangalore.⁷⁶ Since that time, NAB reports that its expectations have been “exceeded” and it plans to expand the amount of positions at its Bangalore centre.⁷⁷
- 4.78 The Committee asked NAB to specifically outline the benefits that its move to Bangalore represented for Australians. NAB noted several benefits:
- a two-way flow of business opens up dialogue in the Australian-Indian business relationship;
 - cheaper services procured in India allow NAB to invest saved money back into Australia (opening new branches); and
 - allows NAB to fill positions it cannot fill in Australia.
- 4.79 The Committee also asked NAB for its stance on the use of Indian call centres and the maintenance of customer privacy. As previously noted, like ANZ, NAB has no foreseeable plans to use Indian call centres, but did state that banks in the US and UK have indicated a high level of customer satisfaction with Indian call centres.⁷⁸
- 4.80 In regards to data privacy and the maintenance of customer records, NAB pointed out that it does not store any customer data overseas. It also advised the Committee to bear in mind that the Indian economy is developing quickly and there are various “tiers of supply” in the area of business process and technology services, and that top-tier Indian suppliers provide the same level of security that can be found in any major financial centre.⁷⁹
- 4.81 A research study published by the Department of Foreign Affairs and Trade Economic Analytical Unit in 2007 entitled *India’s Services Sector Unlocking Opportunity*, noted that in India:

76 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 2.

77 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 2.

78 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 5.

79 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 5.

Both legal and accountancy services are subject to significant domestic regulation, notably limitations on size of firm, as well as barriers to foreign entry.

India has the world's second-largest legal profession. Its more than 900 000 lawyers are regulated by the Bar Council of India, which is constituted under the Advocates Act 1961.

Foreign lawyers and law firms have no avenues to establish any commercial presence in India. FDI (Foreign Direct Investment) is not permitted in the sector, which precludes international law firms from establishing offices.⁸⁰

4.82 In its updated Submission No 45, DEEWR noted:

The Australian Government does not enter into mutual recognition arrangements on behalf of professions, as professions are regulated at State or Territory government level. International professional recognition arrangements need to be driven and supported by the relevant professional bodies in each country. Many peak professional bodies in Australia set national standards for their profession and also assess skilled migrants seeking entry to Australia. These bodies are best placed to discuss mutual recognition with their overseas counterparts.⁸¹

4.83 Current economic trends which might cause change in the professional services sector in India are also outlined in the 2007 DFAT study:

The growth of the Indian economy has fostered demand for qualified and suitably experienced international lawyers and accountants to service the needs of foreign investors in India and Indian multinationals and Indian exporters of capital, goods and services.⁸²

The 2007 DFAT study indicated that Australia was pursuing greater access to the Indian professional services market through the multilateral WTO negotiations:

In WTO services trade negotiations, Australia is seeking a commitment from India on legal services covering advisory services in foreign law, which would enable Australian

80 DFAT, *India's Services Sector Unlocking Opportunity*, 2007, pp. 38-9

81 DEEWR, *Submission No 45*, p.2

82 DFAT, *India's Services Sector, Unlocking Opportunity*, 2007, p.65

lawyers to enter into voluntary forms of association with Indian lawyers and law firms, and employ or be employed by Indian lawyers. Australia is also pushing for commitments on commercial presence to enable Australian accountants to establish offices in India and provide a full range of accountancy services.⁸³

- 4.84 In its 2008 Supplementary Submission, DFAT noted Indian and Australian participation in the Doha Round of WTO negotiations. It also notes that in preliminary studies towards the feasibility of a free trade agreement between Australia and India, attracted strong support:

There has been strong public support from Australian businesses and state and territory governments for an FTA. More than 45 public submissions have been received. Many have pointed to barriers to doing business in India, but are equally keen to find ways to overcome them and improve or gain access to such an important potential market through an FTA which achieves commercially-meaningful outcomes for Australian exporters and investors.⁸⁴

83 DFAT, *India's Services Sector, Unlocking Opportunity*, 2007, p.65

84 DFAT, *Supplementary Submission No 17a*, p.8

Trade opportunities

- 5.1 In its updated 2008 Supplementary Submission to the Committee, DFAT drew attention to the preparations now underway for a FTA between Australia and India:

The importance of Australia's economic relationship with India has been underscored by agreement in August 2007 to undertake a joint government-level study into the merits of a **bilateral free trade agreement** (FTA)... Terms of Reference for the study were agreed in April 2008. They allow for a comprehensive study covering goods, services and investment without exceptions. They also make explicit reference to a range of cross-cutting issues that would be important in any FTA negotiations such as intellectual property, competition policy, government procurement, the movement of service providers and sanitary and phytosanitary measures. Good progress has been made through three Joint Study Group (JSG) meetings (New Delhi on 17 April, Melbourne on 21 May and New Delhi on 11-12 August 2008). The Australian Trade Minister, Mr Crean, and India's Minister for Commerce and Industry, Mr Nath, agreed that the JSG should aim to present its joint report to governments by the end of 2008. India has drawn attention to traditionally sensitive areas, particularly its agriculture sector. Australia has said it seeks high-quality truly liberalising FTAs.¹

1 DFAT, *Supplementary Submission No 21a*, p.8

- 5.2 ABARE reports that in 2008-09, India wheat imports decreased to around 100 000 tonnes, down from 2 million in 2007-08. The Western Australian Government has previously advised the Committee that wheat and grain exports to India tend to remain static due to “existing quotas” which act as a barrier to increasing trade in the sector.
- 5.3 This example is representative of the fact that the majority of opportunities cited in the Committee’s previous report of 1998 have not been fully realised, but are gradually expanding with time – the exception has been the trade in education, tourism and IT services, which has grown rapidly in the last ten years.
- 5.4 Many business opportunities highlighted ten years ago, have, once again, been noted as potential trade opportunities in submissions and evidence received by the Committee for this inquiry. This section will outline some of these key opportunities.
- 5.5 They include:
- retailing;
 - financial services;
 - processed food and beverages; and
 - infrastructure development.

Retailing

- 5.6 The Committee was advised by Woolworths that it holds a very positive view of the prospects for retail activities in India.² It described the Indian marketplace as “very large” but disorganised, with multiple small enterprises all operating in a rapidly transforming environment due to the arrival of offshore entities such as Woolworths.³
- 5.7 The existing statutory environment in India precludes foreign direct investment in retail. As a result, Woolworths has partnered with the Tata group of companies to retail consumer electronics using a model similar to Dick Smith Powerhouse. Woolworths will be restricted to franchising and wholesaling activities with the Tata group responsible for the retailing end of the business.
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2 Mr Barry Neil, *Transcript 20 September 2006*, p. 60.

3 Mr Barry Neil, *Transcript 20 September 2006*, p. 60.

- 5.8 There are some immediate challenges which will have to be overcome. The advent of the shopping mall in India is driving the need for retail outlets such as consumer electronic stores but shopping malls are being erected in larger numbers than necessary and there is virtually no skill base upon which to support such high levels of growth.⁴ In addition, Woolworths notes that the cost of doing business in India is rising as rents, land prices and construction costs are all on the rise.⁵
- 5.9 Nevertheless, Woolworths believes that the long-term prospect for the business is very good:
- [India] is an economy that will grow very strongly, because there is an enormous pool of potential workers who are being well educated and, therefore, there will be potential consumers. In that context – and I would say the world’s retailers have come to this conclusion almost as one – eventually somebody will make some good money there.⁶

Financial services

- 5.10 At present, there is very little involvement between Australia and India’s financial services sectors. The State Bank of India has a banking licence in Australia and there are no Australian banks with a full banking operation in India.⁷
- 5.11 Knights Restructuring Services (KRS), a restructuring business with expertise on capital investment in India, voiced concern to the Committee about the low level of correspondence between Australian and Indian banks in the financial service sector. It noted that, a “greater presence by Australian banks in India would make it easier to facilitate exports to India.”⁸
- 5.12 Part of the reason for the lack of Australian banking services in India are existing restrictions on the level of foreign direct investment in Indian banks.⁹

4 Mr Barry Neil, *Transcript 20 September 2006*, p. 62.

5 Mr Barry Neil, *Transcript 20 September 2006*, p. 62.

6 Mr Barry Neil, *Transcript 20 September 2006*, p. 62.

7 Knights Restructuring Services, *Submission No. 8, Sub. Vol. 1*, p. 65.

8 Knights Restructuring Services, *Submission No. 8, Sub. Vol. 1*, p. 66.

9 Knights Restructuring Services, *Submission No. 8, Sub. Vol. 1*, p. 65.

- 5.13 The Committee was advised by ANZ, however, that it has operated ANZ India, a trade finance business, since 2001. ANZ India is classified as a non-bank financial corporation which markets trade finance for corporate customers and writes all its transactions cross-border, primarily in Singapore.¹⁰ ANZ expects this business to write approximately AUD\$1.5bn in 2007.
- 5.14 With a commonly shared legal system (British) there appears to be little reason why, in the future, Australian banks cannot expand into the India financial services market, providing that restrictions on that expansion are eventually lifted.

Processed food and beverages

- 5.15 Austrade has highlighted processed food and beverages as an area in which Australia has a capability relative to India's needs and designated it as a current Austrade priority.¹¹
- 5.16 Food and beverage sales in India are US\$135 billion a year and rising at five percent. Australia exported A\$50 million of food and beverages to India in 2004-05 and with a growing population, Austrade expects a middle class and consumer revolution to push food and beverage sales upwards.¹²
- 5.17 The Government of Western Australia believes that the "growth and expansion of supermarkets, restaurants and hotel chains in India provides untapped opportunities."¹³
- 5.18 Austrade advised the Committee that the focus in current range of food product being focused on include pasta, jams, sauces, condiments, cereal, fruit juice, bakery products and confectionery – all dry goods which is attributed to the relative quality of the dry good food chain in India and difficulties with the frozen and chilled goods food chain.¹⁴

10 ANZ, *Submission No. 26, Sub. Vol. 1*, p. 272.

11 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 189.

12 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 189 and Mr Mike Moignard, *Transcript 3 November 2006*, p. 41.

13 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 228.

14 Mr Mike Moignard, *Transcript 3 November 2006*, p. 44.

- 5.19 Austrade and the National Food Industry Strategy Ltd have launched a five-year strategy to gain greater access for Australian products to Indian supermarkets and have set a two-year goal to establish a platform for Australian foods targeted at supermarkets in Chennai and Bangalore.¹⁵

Infrastructure development

- 5.20 Many witnesses to the Committee commented on the poor state of India's infrastructure. This can pose challenges in a business relationship but also opportunities for Australian companies with expertise in infrastructure development. Austrade noted that India's infrastructure investment in the next five years will top AUD\$267.6 billion which will "offer added opportunities for appropriately experienced Australian companies."¹⁶
- 5.21 When asked by the Committee what areas NAB would suggest targeting, it responded that infrastructure development in the Indian rural sector was one area of promise for foreign investors providing that government-to-government engagement paved the way for greater foreign investment in the sector:

There is an enormous opportunity for us as a bank to participate in financing [supply chain] infrastructure, providing asset finance around the consolidation of agriculture and bringing about mechanisation...it would require...a government-to-government view about the banking system to allow greater participation in that sector and perhaps open it up to greater foreign investment.¹⁷

- 5.22 KRS stated that:

Apart from the major infrastructure projects, such as the construction of power plants, or dams, there is a plethora of business available to Australian companies in maintaining or upgrading existing infrastructure. These opportunities range from contracts suitable to Australian SME's in small towns and villages, to major contracts in the metropolitan centres.¹⁸

15 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 195.

16 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 191.

17 Mr Cameron Clyne, *Transcript, 13 October 2006*, p. 7.

18 Knights Restructuring Services, *Submission No. 8, Sub. Vol. 1*, p. 64.

- 5.23 KRS believes that “Australian companies could gain a very tangible advantage in penetrating the Indian infrastructure market if they could defray the [financial] risk incurred on these projects.”¹⁹
- 5.24 KRS proposes that the Government of Australia enter into an investment financing agreement with the Government of India which would entail the Australian Government agreeing to carry the cost of credit insurance while the Indian Government ensured that underlying payment obligations would be met.²⁰

19 Knights Restructuring Services, *Submission No. 8, Sub. Vol. 1*, p. 64.

20 Knights Restructuring Services, *Submission No. 8, Sub. Vol. 1*, p. 64.

Doing business in India

6.1 Austrade advised the Committee that:

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...¹

6.2 Strategies for success in the Indian marketplace include:

- understand the market;
- test your hypothesis by visiting the market;
- business partner and product mix;
- address the local needs;
- prepare for short time leads;
- be flexible;
- have clear documentation; and
- be committed and have patience.²

6.3 Several of the points noted by Austrade above were also mentioned by various business representatives who appeared before the Committee.

¹ Austrade, *Submission No. 22, Sub. Vol. 1*, p. 197.

² Austrade, *Submission No. 22, Sub. Vol. 1*, p. 197.

- 6.4 Witnesses stressed the importance of visiting and understanding the Indian market. For example, Mr Sharma, Managing Director of Pentaq Technology Pty Ltd, advised the Committee that leaders of small to medium Indian companies like to deal with the same level of management. A common mistake made by foreign companies is to send “a relatively junior representative to negotiate with owners of companies which may have existed for 150 years...that tends to be a cultural difference.”³
- 6.5 Mr Lal of Hunt and Hunt Lawyers believes that in order to understand the market [in India] and properly explore it, a company needs to be there for a while. Unfortunately, he acknowledged that there are often financial imperatives which do not allow a company to send representatives overseas for extended periods of time.⁴ Nevertheless, as much exposure as possible is recommended.
- 6.6 A business partner in India may assist in overcoming a companies’ lack of on-ground experience and can assist in distributing a product. Mr Lal believes that without a partner it can be “a maze.”⁵ Likewise, Mr Sharma advised the Committee that having a partner in India “is almost a must.”⁶
- 6.7 Dr Davis of the Australian Chamber of Commerce and Industry concurred:
- You need the right joint venture partner on the ground in a place like India; someone who really knows the niche and can get into a good thing...my advice would be for the Australian to look at R&D, innovation and reliability of supply, and then just make sure it is a good, well-structured joint venture partnership with you Indian counterpart and let them do the hard work on the ground because they know the ground far better than you will...⁷
- 6.8 There is a risk, of course, to any joint venture and ones in India can be of “higher risk” according to Mr Neil of Woolworths. He told the Committee that “in seeking partners in India there is a significant challenge that you have got to ensure that your partner shares your

3 Mr Raj Sharma, *Transcript 20 September 2006*, p. 43.

4 Mr Sunil Lal, *Transcript 20 September 2006*, p. 25.

5 Mr Sunil Lal, *Transcript 20 September 2006*, p. 28.

6 Mr Raj Sharma, *Transcript 20 September 2006*, p. 45.

7 Dr Brent Davis, *Transcript 20 September 2006*, p. 36.

values.”⁸ Woolworths entered into partnership with the Tata Group because the head of Woolworths shared a friendship with the executive chairman of the Tata Group.⁹

- 6.9 Mr Sharma believes that “it usually takes a long time to establish relationships, and a lot of patience is required.” Like Austrade, Mr Sharma recommends patience in order to be successful in the Indian market. He notes that:

Culturally, the business model for a lot of organisations in Australia and other countries measures success on a quarterly and yearly basis. This mindset will not be beneficial when entering the Indian market.¹⁰

The Australian presence in India

Austrade

- 6.10 Austrade is the federal government’s principal trade and international business facilitation agency. Austrade helps Australian business reduce the time, cost and risk involved in entering and expanding overseas markets.¹¹
- 6.11 The key focus of Austrade offices in India is market development. Specifically, Austrade is involved in the following activities in India:
- giving advice to exporters on current and local issues;
 - establishing and developing contact with political, commercial and regulatory authorities;
 - identifying areas of difficulty and taking steps to resolve them;
 - building awareness of Australia’s capabilities; and
 - making representations on behalf of exporters or investors to resolve impediments to trade or investment.
- 6.12 Austrade operates offices in New Delhi, Mumbai, Chennai and Bangalore. In 2004/05, Austrade India assisted 177 Australian

8 Mr Barry Neil, *Transcript 20 September 2006*, p. 64.

9 Mr Barry Neil, *Transcript 20 September 2006*, p. 64.

10 Mr Raj Sharma, *Transcript 20 September 2006*, p. 43.

11 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 185.

companies achieve A\$67 million of export success – a major increase over previous years.¹²

- 6.13 Senior Trade Commissioner in India, Mr Moignard, noted that the Austrade India offices have seen a 135 percent increase in clients from 2004/05 to 2006/07.¹³ As a result, Austrade has increased its staffing in India and introduced a system of “spotters” to identify business opportunities in areas in which Austrade does not operate an office.¹⁴
- 6.14 The Committee queried Austrade as to the nature of the “spotters” program and was advised that Austrade has four “spotters” using two separate models.
- 6.15 The first model consists of using local chambers of commerce in Chandigarh and Pune. Austrade has a MOU with the chambers and participates in joint initiatives with them. The chambers also “look out for opportunities passed on from their members, which they pass down to [the Austrade] office in New Delhi.¹⁵
- 6.16 The second model is based on individuals in the states of Gujarat and Kerala who have experience in specific areas which are producing opportunities in those states.¹⁶ For example, agribusiness in Kerala is on the rise and the “spotter” in that state is from the agribusiness industry.
- 6.17 Recent and ongoing Austrade initiatives in India include:
- Former Prime Minister Howard’s high level business mission, 2006;
 - Indian business delegation to Australia during the Melbourne Commonwealth Games, 2006;
 - an enhanced budget allocation of \$2.6 million for the 2006/07 financial year to expand Austrade’s reach in India and undertake a sustained marketing program;
 - a five-year South India food strategy designed to gain greater access to Indian supermarkets for Australian products;
 - compiling of an electronic version of a guide to doing business in India; and

12 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 187.

13 Mr Mike Moignard, *Transcript 3 November 2006*, p. 41.

14 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 187.

15 Mr Mike Moignard, *Transcript 3 November 2006*, p. 42.

16 Mr Mike Moignard, *Transcript 3 November 2006*, p. 42.

- ongoing trade events in India.¹⁷

State representation

- 6.18 In addition to a variety of trade missions and government delegations which travel from various Australian states to India, four state governments maintain permanent representation in India.¹⁸
- 6.19 The governments of Western Australia and Queensland chose to advise the Committee of their representation in India. Queensland operates a trade and investment office in Bangalore, which opened in September 2004 and has also opened a Tourism Queensland office in Mumbai in 2007.¹⁹
- 6.20 The Western Australian Government, through its Department of Industry and Resources has operated a trade office in Mumbai since 1996, with a satellite office in Chennai.²⁰
- 6.21 Mr Roach, of the Australia-India Business Council, raised concern about the uncoordinated efforts of Australian state and federal governments in trying to promote Australian business in India. In particular, Mr Roach believes that as the Australian states compete for business opportunities in India, they will be inclined to go to those Indian states which “stand out” and neglect other Indian states which may still present good opportunities for business.
- 6.22 Mr Roach proposes greater Australian/India state-to-state initiatives in order to avoid Australian state competition in a few select areas of India. He also believes that the Commonwealth can play a leadership role in coordinating programs which involve federal and state governments.²¹
- 6.23 Mr Roach is not alone. A submission from the Government of Western Australia’s Department of Agriculture and Food recommends that:

... the Commonwealth & State governments work in collaboration on research and trade initiatives undertaken in

17 Austrade, *Submission No. 22, Sub. Vol. 1*, pp. 194-95.

18 Mr Mike Moignard, *Transcript 3 November 2006*, p. 42.

19 Department of Premier and Cabinet, Queensland Government, *Submission No. 27, Sub. Vol. 1*, p. 278.

20 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 217.

21 Mr Neville Roach, *Transcript 3 November 2006*, p. 77.

India so that opportunities in India are not fragmented by a lack of communication and intelligence between government agencies.²²

Committee comment

- 6.24 It is not the federal government's role to attempt to harmonise competition between the states for business opportunities in India. However, the Committee is aware that as state and federal governments vie for business in specific Indian states there remains the potential to miss opportunities in less well-known areas of India.
- 6.25 The Committee would support any initiative designed to enhance state and federal government cooperation intended to increase communication regarding trade opportunities in India.

Impediments to business

- 6.26 During the course of this inquiry, several challenges in the Australia-India business relationship were brought to the attention of the Committee. The following section will outline some of these key challenges, which include:
- perceptions;
 - barriers to the services trade;
 - bureaucracy and cross state impediments in India;
 - access for Australian agricultural products; and
 - intellectual property rights.

Perceptions

- 6.27 Recommendation 14 of the Committee's previous report on India, called on the Australian Government to "develop an ongoing communication campaign to promote Australia as a clever country in India."²³ This recommendation was drafted in response to evidence received by the Committee which noted "a general lack of awareness

22 Department of Agriculture and Food, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 238.

23 JSCFADT report, *Australia's Trade Relationship with India*, June 1998, p. 83.

and appreciation that Indians have about the different aspects of Australia, its way of life, culture and business and technological capabilities.”²⁴

6.28 Once again, the Committee has received evidence which suggests that despite continued efforts to raise Australia’s profile in India, there are some who believe that a lack of knowledge about each other remains.

6.29 A submission from KRS describes “attitudinal impediments to better relations which lie principally in mutual ignorance.”²⁵ The Western Australian Department of Industry and Resources noted that:

There is a lack of awareness and hesitance on the part of Australian companies to look at India more seriously. Australia has failed to market itself resulting in India not knowing what Australia and in particular WA has to offer.²⁶

6.30 On an individual level, businessman Mr Sunil Lal admitted that he often gets asked whether there is any discrimination in Australia, but does not believe it is an issue with any migrants who have come to Australia.²⁷

6.31 In its updated 2008 Submission the Department of Foreign Affairs and Trade made the following statement regarding the current arrangements for facilitating positive people to people relations between India and Australia:

Public diplomacy plays a central role in promoting a positive and sophisticated image of Australia in India and ensuring influential Indians understand Australia’s priorities and concerns. Australia’s principal vehicle for public diplomacy in India is the Australia-India Council (AIC) which was established by and Order-In-Council on 21 May 1992.

The AIC promotes people-to-people links in key areas and complements official government to government exchanges with India. It initiates and supports activities that either raise awareness or promote the relationship through visits, exchanges and institutional links in the following broad thematic areas: the arts...education and society...science, technology and environment; and public awareness/public

24 JSCFADT report, *Australia’s Trade Relationship with India*, June 1998, p. 83.

25 Knights Restructuring Services, *Submission No. 8, Sub. Vol. 1*, p. 70.

26 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 225.

27 Mr S Lal, *Transcript, 20 September 2006*, p.29

policy. A significant second-track dialogue supported by the AIC in partnership with the Lowy Institute, is the Australia-India Roundtable. The AIC also advances Australian commercial objectives in India.²⁸

Committee comment

6.32 The Committee welcomes the positive and constructive efforts of agencies such as the Australia-India Council and Austrade, which reflect the increasingly multi-dimensional nature of the bilateral relationship. The Committee expects that people to people diplomacy and the continuing high levels of migration and educational service provision should continue to develop the relationship.

Barriers to the services trade—telecommunications

6.33 The Committee was advised that “many potential Australian services exports into India are affected by an array of ‘beyond the border’ administrative and regulatory barriers of varying degrees of transparency.”²⁹

6.34 The Australian Services Roundtable noted that “the relative share of service in Australia’s total exports to India is well below our global average” and believes that the barriers faced in the Indian services market are part of the problem.

6.35 These barriers are reported to include:

- non-recognition of international standards;
- lack of transparency and openness in domestic standardisation processes; and
- burdensome and duplicative conformity assessment procedures.³⁰

6.36 The Committee received evidence from Telstra which commented specifically on the following restrictions:

- access to the Indian International Long Distance (ILD) telecommunications services market;

28 Department of Foreign Affairs and Trade, *Supplementary Submission 21A*, pp. 9-10

29 Australian Services Roundtable, *Submission No. 28, Sub. Vol. 1*, p. 288.

30 Australian Services Roundtable, *Submission No. 28, Sub. Vol. 1*, p. 288.

- landed submarine cable capacity; and
- restrictions on foreign employees.

ILD license restrictions

6.37 Telstra defines an ILD as:

... a licence which permits the supply of network carriage services, providing international connectivity to network facilities operated by foreign carriers in other countries...[these services facilitate the supply of] end-to-end services such as voice, data, fax, video and multimedia.³¹

6.38 In the past, access to ILD licences in India was restricted by foreign direct investment (FDI) limits and a range of behind the border restrictions including high licence fees, high capital investment requirements and restrictions on foreign employees in senior positions.³²

6.39 In 2005, the Indian Government reformed its IDL regulations. It increased the FDI ceiling from 49% to 74% and reduced several costs associated with licence fees and capital investment requirements.³³ While Telstra believes that the easing of IDL restrictions in 2005 makes it feasible for a foreign company to obtain a licence, the regime comes with “strings attached” thereby making it “unworkable for foreign operators.”³⁴

6.40 The “strings attached” come in the form of national security and law enforcement requirements which impose restrictions on a number of activities including the:

- transfer of accounting, user and network information outside India;
- international transit routing of domestic India traffic; and on
- remote access for maintenance/repairs from outside India.³⁵

6.41 Telstra stated that these restrictions go “far beyond what security agencies elsewhere in the world require.”³⁶ For example, Telstra noted that in the United States, a country which faces similar security

31 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 146.

32 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 145.

33 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 146.

34 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 147.

35 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 147.

36 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 148.

issues, “they do not have such draconian restrictions on carriage of traffic, transfer of user data, counting data offshore et cetera.”³⁷

- 6.42 The question, Telstra believes, is “whether the security issues are, in some respects, being used as a proxy for a trade barrier.”³⁸

Landed submarine cable capacity

- 6.43 Telstra observed that:

While an ILD licence permits a licensee to own and use submarine cable capacity landing in India, to be able to deploy that capacity commercially the licensee must be able to access the cable station where the cable system on which the licensee owns capacity, lands.³⁹

- 6.44 Telstra reported that “all cable landing stations in India are currently owned by domestic Indian ILD licensees,” and that “access problems” to the landing stations have occurred.⁴⁰

- 6.45 Access to Indian landed submarine cable stations represents another potential barrier to foreign operators planing to apply for ILD licences.

Restrictions on foreign employees

- 6.46 Like many countries, India prescribes restrictions on foreign employees in senior roles in telecommunications carriers. However, India places greater restrictions than others, including Australia which does stipulate that Telstra’s Chairperson must be an Australian citizen.⁴¹

- 6.47 Under India’s current ILD licence regime, the Chairman of the Board, Managing Director, Chief Executive, Chief Technical Officer and Chief Financial Officer must all be resident Indian citizens.⁴²

- 6.48 Telstra is of the opinion that “Indian restrictions are far more intrusive in forcing new entrants to its market to comply with these

37 Mr Danny Kotlowitz, *Transcript 20 September 2006*, p. 56.

38 Mr Danny Kotlowitz, *Transcript 20 September 2006*, p. 57.

39 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 149.

40 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 149.

41 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 151.

42 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 151.

restrictions, and in applying the restrictions at both executive management and board level.”⁴³

Conclusion

- 6.49 Telstra and the Australian Services Roundtable believe that the Australian Government and Australian services providers must “lobby the Indian Government intensely in favour of more rapid reform across all services sectors including telecommunications.”⁴⁴
- 6.50 Both organisations told the Committee that Australian service providers will have greater opportunity to compete and be successful in the Indian market should greater reforms occur. This is most clear in the telecommunications sector where currently there are no international carriers which hold an ILD licence in India.⁴⁵

Committee comment

- 6.51 The Committee recognises that in order for Australian businesses to reap the advantages posed by a growing Indian economy, economic reforms in India need to continue.
- 6.52 It is the role of Australian government officials, in addition to private organisations, to engage in bilateral discussions with India over Indian economic reform.

Bureaucracy and cross state impediments in India

- 6.53 Bureaucratic delays were noted in the Committee’s 1998 report as a “difficulty faced by Australian companies dealing with India.”⁴⁶ Evidence received by the Committee suggests that bureaucratic delays continue to be a concern for Australian companies doing business in/with India.
- 6.54 Austrade advised the Committee that the “governing of India can make life difficult for business, especially where time is an important

43 Telstra, *Submission No. 18, Sub. Vol. 1*, p. 152.

44 Australian Services Roundtable, *Submission No. 28, Sub. Vol. 1*, p. 296.

45 Mr Danny Kotlowitz, *Transcript 20 September 2006*, p. 59.

46 JSCFADT report, *Australia’s Trade Relationship with India*, June 1998, p. 85.

factor.”⁴⁷ The size of India and the fact that it is a democracy means that consensus can take a long time to build. This leads to:

... 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...One reason for this delay is the hierarchy...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.⁴⁸

- 6.55 The Government of Queensland concurs, noting that “bureaucratic processes at the local, state and national level impacts on the decision-making process, and are leading to an increased timeframes to realise export outcomes.”⁴⁹
- 6.56 Austrade recommends that Australian companies be aware that “if it takes six months to do things in Australia, expect it to take twelve or more months in India.”⁵⁰
- 6.57 The Committee inquired as to whether bureaucratic delays arose, in part, as a result of various cross-state impediments. NAB stated that it was important to remember that India is made up of many states that are very different and the movement of goods, in particular, between states can be challenging and ultimately time consuming.⁵¹
- 6.58 Cross-state impediments noted by NAB included:
- differences in regulations between states;
 - differences in taxes between states; and
 - different policies and procedures between states.

Committee comment

- 6.59 The Committee understands that bureaucratic difficulties continue to arise in the Australia-India business relationship; however, there is very little that the Australian Government can do to directly impact

47 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 196.

48 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 196.

49 Department of Premier and Cabinet, Queensland Government, *Submission No. 27, Sub. Vol. 1*, p. 279.

50 Austrade, *Submission No. 22, Sub. Vol. 1*, p. 196.

51 Mr Cameron Clyne, *Transcript 13 October 2006*, p. 6.

the bureaucratic processes of Indian public and private sector agencies.

- 6.60 It is important that the Australian Government continues to advise Australian businesses of the challenges posed by Indian bureaucracy and suggest strategies for addressing this challenge.

Access for Australian agricultural products

- 6.61 As noted in the previous chapter, there are significant opportunities for Australia in the provision of processed food products to India; however, the exportation of frozen and chilled meat products; dairy products and horticultural products to India remains a challenge.⁵²
- 6.62 The Committee received a submission from the Government of Western Australia outlining some of the issues exporters in Western Australia face in this regard. They include:
- quarantine restrictions on field peas and stonefruit;
 - high import tariff rates and phytosanitary requirements for apples;
 - ban on lupin exports;
 - health/sanitary certificate requirements for chilled lamb/goat exports; and
 - issues regarding oestrogen in Australian dairy products.⁵³
- 6.63 It was suggested in Committee evidence that some of the barriers facing the products noted above may have been imposed by the Indian Government in retaliation for Australia's ban on the importation of Indian mangoes and grapes due to fruit-fly concerns:
- There is a general feeling among the export community that many of these restrictions are of a retaliatory nature and in response to Australia's perceived trade barriers.⁵⁴
- 6.64 One Indian business attempting to import Australian lamb has suggested that:
- The Ministry in India is strict because grapes had been exported to Australia from India but had been rejected by

52 Mr Mike Moignard, *Transcript 3 November 2006*, p. 44.

53 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, pp. 241-42.

54 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 235.

AQIS [Australian Quarantine and Inspection Service], so the ministry is upset with this.⁵⁵

Committee comment

6.65 While the Committee has not received further information regarding market access for Australian agricultural products, it believes that this has the potential to become a serious issue.

Intellectual property rights

6.66 The Committee discussed intellectual property (IP) rights in its previous India report noting that “many users of copyright material [in India] have tended to do so illegitimately,” perhaps due to the “absence of effective enforcement.”⁵⁶

6.67 The issue arose again during the course of this inquiry. The Committee was advised by the Government of Western Australia that “WA companies are still wary of India’s poor reputation in protecting IP,”⁵⁷ even though the Government of India is taking “aggressive” steps to strengthen and establish, at all levels of government, a structure designed to address the protection of IP rights.⁵⁸

6.68 Wilcom International Pty. Ltd. – an Australian company specialising in computer embroidery design software – suggested that there is a serious lack of intellectual property (IP) rights protection in India.⁵⁹

6.69 Wilcom advised the Committee that it suffers an estimated loss of US\$1.5 million per year due to software piracy in India. It believes that there are approximately 6,000 illegal Wilcom design systems in operation in India.⁶⁰

6.70 Wilcom notes that Indian IP rights laws are “correct” and comply with World Trade Organisation rules.⁶¹ However:

55 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 261.

56 JSCFADT report, *Australia’s Trade Relationship with India*, June 1998, p. 100.

57 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 225.

58 Department of Industry and Resources, Government of Western Australia, *Submission No. 25, Sub. Vol. 1*, p. 225.

59 Wilcom International Pty. Ltd., *Submission No. 3, Sub. Vol. 1*, p. 14.

60 Wilcom International Pty. Ltd., *Submission No. 3, Sub. Vol. 1*, pp. 14-15.

61 Wilcom International Pty. Ltd., *Submission No. 3, Sub. Vol. 1*, p. 16.

The Indian government only advocates the enforcement of the law in general terms but has no action plan on how to implement the enforcement at the lower (state government and suburban) levels. It seems that the problem is not with the willingness but with the lack of understanding of what it requires to enforce the law, the lack of investment into expert consultants and mostly: a formalised and systematic approach to the software piracy at government level.⁶²

- 6.71 The Committee asked DITR to comment on the Wilcom case and was advised that DITR was “not aware of any particular issues in relation to intellectual property.”⁶³
- 6.72 IP Australia states that “India has a well-established statutory, administrative and judicial framework to protect IP rights,” and, like DITR, does not have any direct information regarding Australian industry concerns.⁶⁴
- 6.73 IP Australia did concede, however, that the “US Trade Representative and the Economic Intelligence Unit indicate that piracy of business software is an issue.”⁶⁵ It suggested the following ways in which the Australian Government could “potentially influence the development of the IPR system in India:”
- promote strong IP regimes through enhanced relationships between the IP offices of Australia and India;
 - equip Australian business with the tools to work more effectively with the IPR systems in other countries;
 - assist in capacity building including training of IPR administrators, judiciary, and development of capabilities in public education and awareness and office automation; and
 - use existing bilateral and plurilateral trade relationships with India to promote cooperation on IP.⁶⁶
- 6.74 IP Australia advised DITR and the Committee that it has identified India as an influential player in the IP arena, and as such, is

62 Wilcom International Pty. Ltd., *Submission No. 3, Sub. Vol. 1*, p. 16.

63 Mr Philip Noonan, *Transcript 3 November 2006*, p. 36.

64 DITR, *Committee correspondence*, 4 December 2006.

65 DITR, *Committee correspondence*, 4 December 2006.

66 DITR, *Committee correspondence*, 4 December 2006.

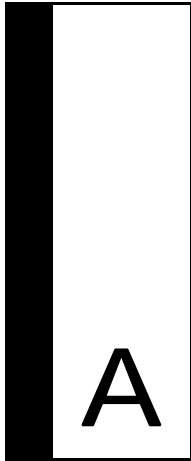
progressing medium term initiatives to assist and educate Australians doing business in India.⁶⁷

Committee comment

- 6.75 It would appear to the Committee that while there are effective mechanisms in place to protect IP rights in India, enforcement of IP laws may be a problem.
- 6.76 The Committee understands that Australia previously assisted India to modernise its IPR system through a technical assistance program. It would therefore be suitable for Australia to provide support to India as it continues to refine its IPR system.

Senator Michael Forshaw
Chair

67 DITR, *Committee correspondence*, 4 December 2006.

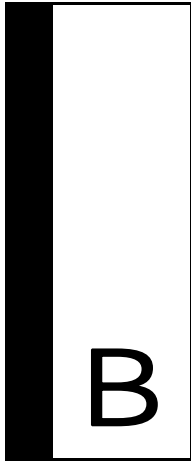


Appendix A – List of Submissions

- 1 Australian Vice-Chancellors' Committee
- 2 Education Adelaide
- 3 Wilcom International Pty Ltd.
- 4 CSIRO
- 5 ANU - Australia South Asia Research Centre
- 6 Hunt and Hunt Lawyers
- 7 Australia India Business Council
- 7a Australia India Business Council – Supplementary Submission
- 8 Knights Restructuring Services
- 9 Australia India Film Council
- 10 Ausker Group of Companies
- 11 Australian India Film Arts, Media & Arts Council
- 12 Dr Christopher Snedden
- 13 Australian National University - College of Asia and the Pacific
- 13a Australian National University – Supplementary Submission
- 14 Dr U N Bhati
- 15 Australia India Business Council

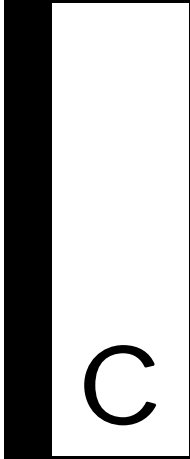
- 16 Department of Immigration and Multicultural Affairs
- 17 QANTAS Airways Ltd
- 17a QANTAS Airways Ltd - Supplementary Submission
- 18 Telstra
- 19 Australia India Media Exchange
- 20 Department of Defence
- 21 Department of Foreign Affairs and Trade
- 21a Department of Foreign Affairs and Trade - Supplementary Submission
- 22 Austrade
- 23 Resolution Group Australia Pty Limited
- 24 Australia-India Policy Institute
- 25 Department of Industry and Resources Western Australia
- 26 ANZ Bank
- 27 Queensland Government - Department of Premier & Cabinet
- 28 The Australian Services Roundtable
- 29 Minister for Asian Relation & Trade (Northern Territory Government)
- 30 Unisys Australia Pty Limited
- 31 Monash Asia Institute
- 31a Monash Asia Institute - Supplementary Submission
- 32 The Group of Eight Ltd
- 33 Department of Education, Science and Training
- 34 Telstra Corporation Limited
- 35 Australian Chamber of Commerce and Industry
- 35a Australian Chamber of Commerce and Industry - Supplementary Submission
- 36 Australia India Council
- 37 Department of Industry Tourism and Resources

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- 38 Department of Foreign Affairs and Trade AusArts
 - 39 Unisys Australia Pty Ltd
 - 40 Department of Resources, Energy and Tourism
 - 41 Telstra Corporation Limited
 - 42 Dr Christopher Snedden
 - 43 Australia-India Policy Institute
 - 44 Education Adelaide
 - 45 Department of Education, Employment and Workplace Relations
 - 46 Centre for Interdisciplinary Studies in Environment and Development



Appendix B – List of Exhibits

- 1 Australian Chamber of Commerce and Industry
Riding the Indian Elephant: Opportunities and Challenges for Australia and the World - Position Paper August 2006
- 2 AusTrade
“High-level Business Delegation” Booklet – Visit to India by Prime Minister John Howard 6 to 8 March 2006
- 3 Salwood Asia Pacific
“India’s Demands for Wood: Can Australia Provide?” – April 2008



Appendix C – List of Hearings and Witnesses

Wednesday, 20 September 2006 - Sydney

Australia South Asia Research Centre, Australian National University

Professor Raghendra Jha, Executive Director

Australian Chamber of Commerce and Industry

Dr Brent Davis, Director - Trade and International Affairs

Cox Group Pty Ltd

Mr Russell Leet, Director

Hunt & Hunt Lawyers

Mr Sunil Lal, Partner

Dr Som Majumdar, Director - Asia Division

PENTAQ Technology Pty. Ltd.

Mr Raj Sharma, Managing Director

Private Capacity

Professor Marika Vicziany

Telstra Corporation Limited

Mr Danny Kotlowitz, Solicitor - Regulatory Legal Group

The Australian Services Roundtable

Ms Jane Drake-Brockman, Executive Director

Woolworths Limited

Mr Barry Neil, Director of Property

Friday, 13 October 2006 - Canberra

Australian Vice-Chancellors' Committee

Professor Roger Dean, Member

Ms Callista Punch, Director – Communication and Coordination

BHP Billiton India Advisory Board

Mr Aditya Narayan, President and CEO – BHP Billiton Marketing Services, India

Mr Madras Seshamani Ramachandran, Chairman

Commonwealth Scientific and Industrial Research Organisation

Ms Kimberley Shrives, International Relations Adviser

Dr Kleanthes (Anthos) Yannakou, Director - International

Department of Foreign Affairs and Trade

Mr Darren Gribble, Chairman – Australia-India Council

Ms Carol Robertson, Director – Australia-India Council Secretariat

National Australia Bank

Mr Cameron Clyne, Executive General Manager - Group Development

QANTAS

Mr Derek Baines, Commercial Manager - International Commercial Management

Mr David Hawes, Manager - Government and Industry Relations

Friday, 3 November 2006 - Canberra**Austrade**

Mr Mike Moignard, Senior Trade Commissioner - South Asia

Mr Pat Stortz, Manager - International Liaison Unit

Australia-India Business Council

Mr Neville Roach, Chairman Emeritus

Australia-India Council

Ms Carol Robertson, Director - Australia-India Council Secretariat,
South and West Asia, Middle East and Africa Division

Australian Agency for International Development

Mr Andrew Adzic, Manager - South Asia Regional Program -North
and South Asia Section

Mr Peter Callan, Assistant Director-General - Asia Regional Branch

Mr Murray Proctor, Deputy Director-General - Asia Division

Department of Immigration and Multicultural Affairs

Mr Paul Farrell, Assistant Secretary - Temporary Entry Branch

Department of Defence

Dr Karl Claxton, Acting Director - North and South Asia Branch,
International Policy Division

Mr Michael Pezzullo, Deputy Secretary - Strategy

Department of Education, Science and Training

Ms Jessie Borthwick, Group Manager - Science

Ms Fiona Buffinton, Group Manager - International Education

Mr Graeme Rankin, Director - South and South-East Asia and the
Middle East, International Education

Mr Justin Withers, Assistant Director - Science Group

Department of Foreign Affairs and Trade

Ms Gita Kamath, Director - Arms Control Section, International Security Division

Ms Deborah Anne Stokes, First Assistant Secretary - South and West Asia, Middle East and Africa Division

Mr Phillip Stonehouse, Acting Assistant Secretary - South and West Asia Branch

Department of Immigration and Multicultural Affairs

Mr James Fox, First Assistant Secretary - Migration and Temporary Entry Division

Department of Industry, Tourism and Resources

Ms Kate Horton, Manager - Investment Strategy Team, Market Access Branch

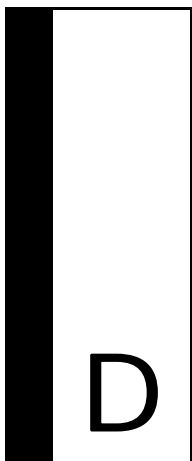
Mr John Karas, Manager - Coal Industry Section, Resources Division

Mr Philip Noonan, Head - Tourism Division

Mr Kevin O'Brien, General Manager - Industry Policy Division

Invest Australia

Ms Kerry Rooney, General Manager - Technology and Manufacturing Industries Branch



Appendix D – From the Australian Greens

The Greens believe that strengthening the relationship between Australia and India promises significant mutual benefits and opportunities. Such opportunities are not only limited to economic or defence interests; as the world's largest democracy, with its diverse population and rich, ancient culture, Australia has a great deal to learn through exchange with India.

The Greens additional comments relate to the Committee's brief reference to the issue of nuclear energy.

The Committee's inquiry process yielded divergent opinions from experts on the likelihood of India fulfilling projections relating to its nuclear programme, which are reflected in the report (3.22 – 3.24). Immediately after the section dealing with nuclear energy, which notes India's low prospectively for major uranium deposits, the Committee comments that "Australia is well situated to capitalise on India's growing energy and resources needs." (para 3.25). The Committee then notes that current policy with respect to uranium prohibits sales to India because it stands outside the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).

There are many good reasons for Australia to maintain the principled position of not selling uranium to India.

The import of uranium will free up more of India's domestic uranium for its military nuclear weapons program. Indeed, the former head of India's official National Security Advisory Board, K. Subrahmaniyam, is on record as arguing: "Given India's uranium ore crunch, it is to India's advantage to categorize as many power reactors as possible as civilian ones to be refueled by imported uranium and conserve our native uranium fuel for weapons-grade plutonium production." (cited in the Wall Street Journal, 10 July 2008, Opinion, Henry Sokolski) . Selling uranium to India is not viable given this reality, and Australia's renewed efforts

towards a nuclear-weapon free world and strengthening of the global nuclear non-proliferation and disarmament regimes.

Given India's vast population and growing middle class, and its potential to make a significant contribution either to catastrophic climate change or a low carbon future, India should be supported to invest in technologies that limit greenhouse gas emissions rather than nuclear energy which is extremely carbon intensive in all but one phase of its cycle.

Building more reactors won't solve the emissions problem. India could reduce emissions more effectively simply by being more efficient. Even by the estimate of India's own Bureau of Energy Efficiency, up to 20,000 megawatts per year—the projected equivalent of the country's nuclear-power capacity for the year 2020—could be saved by increasing the efficiency of the production and use of energy forms already in existence.

Between 2002 to 2007 in India, 3,075 MW of renewable grid-tied power was planned, however, the actual capacity addition exceeded 6,000 MW by 2006. A large share of this was wind energy, which is expected to add more than 10,000 MW of additional capacity by 2012, followed by small hydro (1,400 MW), co-generation (1,200 MW) and biomass (500 MW).

According to the 11th New and Renewable Energy five-year plan proposed by the government of India, from 2008-2012 the renewable energy market in India will reach an estimated US \$19 billion. Investments of US \$15 billion will be required in order to add the approximately 15,000 megawatts (MW) of renewable energy to the present installed capacity. The government of India has planned a subsidy support system of approximately US \$1 billion in government funds. This amounts to adding renewable energy capacity at 1 Watt per US \$1, with potential subsidy support of US \$0.07/Watt.

The Indian government has also set specific targets for renewable energy: by 2012 it expects renewable energy to contribute 10% of total power generation capacity and have a 4-5% share in the electricity mix. This implies that growth in renewable energy will occur at a much faster pace than traditional power generation, with renewables making up 20% of the 70,000 MW of total additional energy planned from 2008-2012.

As is evident from these projections, there are many more potential mutual benefits for cooperation between Australia and India in the renewable energy field.