

CHAPTER 4

BUILDING AUSTRALIA'S INTERESTS IN INDIA

A central feature of the Australian Government's approach to foreign and trade policy is the importance it attaches to strengthening bilateral relationships.¹ Australia recognises that India is assuming a growing strategic and economic importance in global and regional affairs and sees considerable scope to broaden the bilateral relationship, with the Government working accordingly to expand Australia's trade, investment and political links with India.²

Trade Outcomes and Objectives

4.1 In February 1997 the Australian Government submitted to the Parliament and the people of Australia the first annual *Trade Outcomes and Objectives Statement*.³ The annual Statement is an important part of the Coalition Government's strategy to strengthen Australia's trade and foreign investment performance and the 1998 Statement was released in March. The Hon Tim Fischer MP, Deputy Prime Minister and Minister for Trade notes that the Statement establishes priorities for Australia's trade policies and provides benchmarks against which to measure performance.⁴

4.2 In the Trade Outcomes and Objectives Statement 1997 (TOOS 97) the Government identified nine markets of major importance to Australia which offer significant opportunities for further trade and investment. Along with China, Indonesia, Japan, the United States of America amongst others, India is regarded as a key market for trade and investment.

4.3 In compiling TOOS 1997, the Department of Foreign Affairs and Trade, in consultation with other relevant agencies such as Austrade, the Department of Industry, Science and Tourism and the Department of Primary Industries and Energy, identified five priorities over the next *two* years for expanding Australia's bilateral trade and investment with India. These priorities are:

- increased access for Australian commodity exports to India through further tariff reductions, particularly for steaming coal and wool;
- facilitate participation by Australian companies in the Indian mining sector through seeking improved regulations for foreign equity participation, together with simplified and transparent approval processes;

1 *In the National Interest*, Australia's Foreign and Trade Policy White Paper, Commonwealth of Australia, 1997, p. 53.

2 *ibid.* p. 67.

3 TOOS 1997.

4 *ibid.* p. i.

- Indian agreement to a timetable for disinvocation and phase-out of its Balance-of-Payments import restrictions to increase market access for a wide range of Australian products, including processed foods, dairy and horticultural products;
- increased opportunities for Australian investment in India through finalisation of a bilateral Investment Promotion and Protection Agreement; and
- increased market access for Australian services, particularly insurance and professional services, through bilateral representations and as part of the WTO services negotiations.⁵

4.4 Against benchmarks provided to measure the performance of Australia's trade policies, outcomes have been achieved in four of the above priority areas in the first year and progress made on the fifth. Access to the insurance market has been delayed as the Indian Parliament has not passed the relevant legislation and a number of steps have been taken to increase access for Australian coal exports which is a continuing priority.

Australia's India Strategy

4.5 Australia's India strategy has a two-pronged focus - gaining market access and developing the market. In its quest to improve access to and develop its market in India, Australia is able to draw on a range of mediums, both multilateral and bilateral, through which its trade and investment policies can be pursued and developed. Such mediums include not only the major multilateral and bilateral fora for addressing issues, namely the WTO and the Joint Ministerial Commission, but the Australia-India Council, business councils and chambers of commerce, specialised research and studies centres, businesses operating in India, state trade and development authorities and of course Austrade with its five posts in India. In late 1996 the Australian Government, with support from Australian and Indian public and private sector agencies, undertook an integrated country program - *Australia India - New Horizons* - as part of its strategy to promote Australia in India. The importance placed on this promotion is underlined by the fact that it is only the fourth integrated trade and cultural country program ever undertaken by the Australian Government.⁶

Market Access Strategy

4.6 Australia's strategy to improve access to the Indian market involves a framework of bilateral and multilateral approaches.

4.7 World Trade Organisation

The WTO is an important multilateral vehicle for addressing some of our market access concerns with India, especially those related to balance-of-payments restrictions, and those impediments which limit foreign participation in India's services industries. Together with other countries, Australia will be pressing India to disinvoke its balance-of-payments restrictions and will be seeking a firm timetable

5 *ibid.* p. 76.

6 Previous promotions were held in Korea in 1992, Japan in 1993 and Indonesia in 1994.

for phasing them out.⁷ We will also continue to press for liberalisation of India's financial services, basic telecommunications and professional services industries, including legal, engineering and accountancy, during the course of negotiations and consultations under the auspices of the WTO.⁸

4.8 The Deputy Prime Minister and Minister for Trade, the Hon Tim Fischer MP, announced on 16 July 1997 that Australia had challenged India in the WTO over more than 2700 quantitative trade restrictions⁹ applied by India on imports. Australia, along with several other countries including the United States and New Zealand, formally requested WTO consultations with India on the issue. India had been operating under a restrictive trade regime for nearly 40 years on the premise of providing India with a breathing space to address its balance of payments problems. As the Minister for Trade pointed out, India no longer has a balance of payments problem:

Its foreign reserves are at record levels and the economy is responding strongly to recent trade and financial liberalisation. In fact the removal of these restrictions would give a further boost to the Indian economy.¹⁰

4.9 Under WTO rules India is required to replace its quantitative restrictions with tariffs as soon as possible. India had insisted on a seven-year phase-out period with many agricultural products of major interest to Australia not being subject to phase-out until the very end of this period.¹¹

4.10 As a result of the WTO consultations, the Australian Government was able to negotiate an agreement with India to cut its restrictions on many of Australia's priority products. Reaching an agreement with India on its balance of payments import restrictions had been identified by the Australian Government as one of five priorities for expanding Australia's bilateral trade and investment with India. As part of the bilateral agreement announced by Mr Fischer on 13 November 1997, 'some 177 of our priority products will be free of quantitative restrictions before April 2000, including salmon, prawns, scallops, grated cheese, honey, orange juice, opals, sapphires, and solar water heaters'.¹²

4.11 These new cuts in India's trade restrictions should boost Australia's exports to India by at least \$30 million. In the longer term it is seen that these cuts could lift Australia's exports to India by some \$200 million a year.¹³ This win is the single biggest factor which

7 Australia took the matter up within the WTO and on 13 November 1997 the Minister for Trade announced that Australia's exports to India would be boosted by at least A\$30 million a year in the short term, following an agreement on new cuts in India's trade restrictions, which had been in place for balance of payment reasons - a bilateral agreement on a five and a half year phase-out plan for India's quantitative restrictions on around 2700 items.

8 TOOS 1997, p. 79.

9 Quantitative restrictions - limits or quotas on the amounts of particular commodities that can be imported or exported during a given period. They are usually measured by volume.

10 *Australia Takes India to WTO Over Trade Restrictions*, media release from the Deputy Prime Minister and Minister for Trade, Canberra, 16 July 1997.

11 *ibid.*

12 *Australia Wins Big Access to Indian Market Through WTO Deal*, media release from the Deputy Prime Minister and Minister for Trade, Canberra, 13 November 1997.

13 *ibid.*

will promote and build Australia's trade with India in the near future, in a market which has great potential but in which business faces significant operational difficulties (see Chapter 5).

4.12 **Joint Ministerial Commission.** On the bilateral front the Australian Government makes representations during ministerial meetings and at officials' level to press the case for improved market access conditions on items and sectors of interest to Australian industry. Regular bilateral representations are made seeking further tariff reductions for Australian commodity exports, particularly thermal coal and wool, increased market access for a range of Australian goods, including food products and liberalisation of India's insurance and mining sectors.¹⁴

4.13 The Joint Ministerial Commission (JMC) is the principal bilateral institutional mechanism governing the Australia-India trade relationship:

... and the peak platform for the regular redress of market access concerns. The primary objective of the JMC, which was established in 1989, is to provide the framework in which to develop the strategic directions for managing the commercial relationship, resolve specific market access problems and maintain essential government-to-government contacts. The JMC endeavours to meet annually at ministerial level, and includes senior representation by the private sector. Regular officials' inter-sessional discussions are also held to monitor progress on issues and flag new issues for the next JMC meeting. Another forum where market access issues are regularly raised is at annual Senior Officials' Talks between the Australian Department of Foreign Affairs and Trade and the Indian Ministry of External Affairs. Sustained bilateral representations are also made to the Indian government, including at ministerial level, on key market access issues.¹⁵

4.14 The fifth India-Australia Joint Ministerial Commission was held in Canberra from 2-3 September 1997, with the Indian Delegation led by the Hon Dr B B Ramaiah, Minister of State for Commerce and the Australian Delegation led by the Hon Tim Fischer, Deputy Prime Minister and Minister for Trade. The JMC will next meet in India later this year.

4.15 Australia is well placed to provide expertise in areas which are essential to India's economic development. As part of the market access strategy, Australia's capabilities, expertise and technology in areas such as power, energy and mineral resources, telecommunications, manufactures, infrastructure, food processing and services are actively marketed in India through bilateral mechanisms including business missions led by ministers.¹⁶

4.16 **Australia-India Council.** Bilateral links are further promoted through the work of the Australia-India Council (AIC). The AIC¹⁷ was established in 1992 by the Australian Government to broaden the relationship between India and Australia by encouraging and

14 TOOS 1997, op. cit.

15 *ibid.*

16 *ibid.* p. 80.

17 The Australia-India Council is serviced by a Secretariat located in the Department of Foreign Affairs and Trade with budget support provided by the Australian Government.

supporting contacts and increasing levels of knowledge and understanding between the peoples and institutions of both countries. In carrying out its mission, the Council aims to:

- broaden awareness and understanding in Australia and India of each other's culture, society and areas of excellence;
- encourage activities that generate economic and other benefits for Australia and India;
- establish new areas of contact between Australia and India; and
- develop lasting links and reach a wide range of people in the two countries.¹⁸

4.17 The Council initiates and supports activities in a broad range of program areas, namely Australian studies, commerce, education, Indian studies, institutional and professional links, international relations, performing and visual arts, print, electronic media and film, science and technology, and sport. The work of the Council across these program areas not only supports greater cultural understanding but also supports Australian commercial objectives in India. For instance, the bilateral commercial relationship is promoted through the facilitation of institutional and professional contacts between Australians and Indians to strengthen links between key institutions in the two countries, such as universities, museums, professional organisations.

4.18 Under the commerce banner of the Council's work, the major initiative in 1996-97 was the Australia-India Business Exchange Program. The Program announced by the Deputy Prime Minister, the Hon Tim Fischer MP, during the *New Horizons* promotion in India in late 1996 has been established to promote contacts between young executives and provide a better understanding of the business practices and cultures of each country. Responsibility for the program in Australia rests with the Australia India Business Council with funding from the AIC. Other commerce initiatives which the Council provided funding for during the *New Horizons* promotion were:

- publicity material for a mission to the Agrotech trade fair in Chandigarh by the Australian pulse industry; and
- a survey of Indian business attitudes to doing business with Australia conducted by the Australia India Chamber of Commerce.¹⁹

4.19 A far reaching initiative which received Council funding was the highly successful radio program - *Charting Australia* - produced for India by Radio Australia. *Charting Australia*, beginning in April 1994, was broadcast weekly to India via Radio Australia's short-wave services until the closure on 30 June 1997 of the Cox Peninsula transmitter, outside Darwin. With the closure of the Cox Peninsula transmitter, South Asia can no longer be reached by Radio Australia.

4.20 The success of the program on the Radio Australia short-wave network led, in 1995-96, to the national broadcaster, All India Radio, rebroadcasting it within India on its

18 Australia-India Council, *Annual Report 1995-96*, AGPS, Canberra, p. 10.

19 Results of the survey were published by the Australia India Chamber of Commerce: *Doing Business with Australia - A Survey of Attitudes and Needs of Indian Business People*, October 1996.

local FM stations in New Delhi, Mumbai, Chennai, Calcutta and Bangalore. All India Radio also agreed to deliver the program by satellite to any of its stations anywhere within India and provided a monthly transcription service.²⁰ *Charting Australia* reached over a million people on the short-wave service alone and was known as the flagship of Australia's voice in India. The *Charting Australia* program was purpose designed and stories were specifically aimed at actively demonstrating a bilateral relationship between India and Australia.²¹ The program played an important role in publicising the *Australia India - New Horizons* promotion in 1996.

4.21 Radio, including short-wave radio, is still an enormous medium in India, even though other mediums such as television and satellite television channels are increasing. For an annual contribution of \$65 000 to Radio Australia's production costs of *Charting Australia*, the AIC received enormous value in raising the public awareness of Australia in India. Millions of Indians gained knowledge of Australia and were exposed to Australian current affairs, especially 'the young urban middle-class, ie. the potential decision-makers, opinion-leaders and significant consumers of the next generation'.²² Furthermore Radio Australia had given Australia a presence for a long time in India, with the association going back to the late 1940s.

4.22 As noted above, Radio Australia's footprint into India was delivered by short-wave transmission from the Cox Peninsula transmitter, outside Darwin. This site was the prime site for delivery of programming into Asia. There has been an enormous investment in transmitters on the Cox Peninsula. Over recent years the Cox Peninsula transmitter station, especially since the events of 1989 in Tianenman Square, had been upgraded and two new transmitters installed at a cost of \$3.5 million each. With the closure of Carnarvon the high capacity transmitter was refurbished, moved to Darwin and bolted in place last year at a cost of approximately \$1 million. This boosted Radio Australia's signal capacity into Asia especially at a time when other international broadcasters such as the BBC and Voice of America were enhancing their short-wave transmission power into Asia.

4.23 Responsibility for the operation and maintenance of transmitters rests with the National Transmission Authority with an operating cost of \$4 million for the Cox Peninsula transmitter. In 1997-98 the Authority had to achieve a saving of \$1.6 million which approximated the cost of powering the transmitter. To meet this saving target the Cox Peninsula transmitter was shut down on 30 June 1997.

4.24 One of the difficulties for Radio Australia, which had significant cuts to its 1997-98 budget, is access to infrastructure with the capacity to deliver quality and wide broadcast coverage into Asia. With the closure of the Cox Peninsula transmitter, Radio Australia has been severely limited in its Asian coverage and has lost the capacity to broadcast into South Asia. The Shepparton transmission facility in Victoria does not have a footprint which can deliver Radio Australia broadcasts into India and has limited ability to broadcast to only part of Asia on relatively low power and with transmitters that are not oriented to cover Asia. The effect of the downgrading of Radio Australia transmissions into Asia was highlighted during the Cambodian coup not more than a month after Cox Peninsula

20 AIC Transcript, p. 389.

21 *ibid.* p. 388.

22 AIC Submission to the Senate Standing Committee on Foreign Affairs, Defence and Trade's Inquiry into *The Role and Future of Radio Australia and Australia Television*, March 1997, p. 4.

was taken off line. Expatriates were unable to tune into Radio Australia, a life-line during emergencies, and when they could the signal was weak and of poor quality.

4.25 For the Committee it is a matter of concern that a budgetary decision made by the Australian Government for a saving target of \$1.6 million within the National Transmission Authority (NTA), has resulted in the loss of an invaluable means of profiling Australia and furthering our interests in India. After showcasing contemporary Australia in India through the *New Horizons* promotion at a cost of \$6 million and sending a message that the Australian Government is 'firmly committed to expanding and deepening Australia's relationship with India as a friendly country with which we share many traditions',²³ the savings target set by the Government for the NTA (which is earmarked for privatisation with the sale to be completed by the middle of 1998) with the consequent closure of the Cox Peninsula transmitter and the cessation of Radio Australia's broadcasts into India is extremely shortsighted and flies in the face of efforts to increase Australia's profile and influence in the South Asia region. This Committee, in its examination of Australia and ASEAN, recommended that the Australian Government restore the Cox Peninsula transmitters to full operation for the use of Radio Australia.²⁴

4.26 **Recommendation 2**

The Committee recommends that:

The Australian Government urgently review its decision which led to the closure of the Cox Peninsula transmitter and provide facilities to enable Radio Australia to transmit short-wave radio broadcasts into India.

4.27 Box 4.1 shows those AIC activities which in 1996-1997 explicitly supported Australian commercial objectives in India.

23 *Australia India - New Horizons*, Official Program, October to December 1996, foreword by Hon John Howard MP, Prime Minister, p. 1.

24 *Australia and ASEAN: Managing Change*, report of the Joint Standing Committee on Foreign Affairs, Defence and Trade, Commonwealth of Australia, March 1998.

COMMERCE

- The establishment of the Australia-India Business Exchange Program.
- The Council provided funding for publicity material for a mission to the Agrotech trade fair in Chandigarh.
- The Council provided funding during *New Horizons* for a survey of Indian business attitudes to doing business with Australia.
- The Council also provided funding to support the visit of the Indian international economist Professor Jagdish Bhagwati to Australia to present the 1996 K R Narayanan Oration at the Australia South Asia Research Centre, ANU.

INSTITUTIONAL AND PROFESSIONAL LINKS

- The Council funded an Australia-India legal conference and seminars in New Delhi on 26-27 October 1996, a key part of the *New Horizons* promotion.
- The Council provided funding for a legal study tour to Australia during May 1997.
- The Council also provided funding support for a training workshop for legal trainers.
- The Council provided funding assistance for airfares and accommodation to encourage participation in a range of key *New Horizons* events by Australian women identified as leaders in their respective fields.

INTERNATIONAL RELATIONS

- The Council jointly funded, with the Department of Foreign Affairs and Trade, a major Australia-India public policy conference in New Delhi as part of the *New Horizons* promotion.

PERFORMING AND VISUAL ARTS

- The Council funded performing arts activities during the *Australia India - New Horizons* promotion.

PRINT AND ELECTRONIC MEDIA AND FILM

- The Council provided support prior to *New Horizons* for the visit to Australia by five senior Indian journalists.
- Funding towards the cost of a special current affairs program on Australia screened during *New Horizons* on the Indian national television network, Doordarshan.
- Support for the video display production, used as a continuous information facility at key *New Horizons* venues, featuring digital graphic images of Australia as a new technologically advanced and multicultural society.
- Funding of the Australia-India Film Industry Symposium conducted by the Australian Film, Television and Radio School in New Delhi, Mumbai and Pune as part of *New Horizons*.

PUBLIC AWARENESS

- The Council has worked with other organisations involved in the Australia-India relationship (the Australia-India Business Council and Austrade) to develop a more broadly based newsletter covering a range of developments in Australia-India relations, particularly in the business sector.

SCIENCE AND TECHNOLOGY

- The Council provided funding for a visit to India for an officer of the Western Australian Department of Environmental Protection to identify opportunities in India for the application of Australian environmental technologies and pollution prevention and control technologies.

As part of *New Horizons*:

- The Council provided funding for an urban studies and environmental management project.
- The Council provided funding for an Australian health industry mission to India.
- The Council provided funding for a visit to India by the Faculty of Dentistry from the University of Adelaide to promote professional, educational and commercial links in dentistry.

Market Development Strategy

4.28 Market development and promotion activities, according to DFAT, are an important part of the bilateral approach to Australia's market access strategy for India.

4.29 **Market Development Task Force Strategy (MDTF).** The process of advancing Australia's commercial interests is further refined in the Market Development Task Force Strategy (MDTF)²⁵ formed in August 1996 to coordinate and focus bilateral trade activity across key government agencies for twenty five target export markets. The Task Force process, the framework of which is set by the Trade Objectives and Outcomes Statement, reviews on a six month cycle Australia's trade and investment relations with the twenty five target export markets including India.

4.30 The MDTF strategy feeds into the Trade Objectives and Outcomes Statement process identifying narrower objectives (derived from the Statement) to be pursued within a six-month period. Progress is reviewed at the end of the period to gauge progress towards the broader objectives set out in the Statement and priorities refined before the next cycle begins.²⁶ The first review was conducted in June 1997 with the next reporting period in December 1997. Where outcomes were achieved in the two reporting periods, MDTF strategy priorities were reviewed and replaced, these being:

- raising Australia's commercial profile in India and alerting Australian business to the opportunities in India - the *New Horizons* promotion;
- encouraging the development of trade in aviation services;
- facilitating participation by Australian companies in the Indian mining sector;
- increasing wool exports to India;
- concluding a bilateral Investment and Promotion Agreement; and
- increasing market access for a wide range of products by encouraging India to produce a plan for an early phase-out of its quantitative restrictions on imports - bilateral agreement arising out of the WTO consultations.

4.31 Two priorities have been reviewed and adjusted and three new priorities have been identified for the next reporting period in June 1998. The priorities are:

- to achieve access by Australian companies to the Indian insurance sector;
- to develop linkages between the legal professions of Australia and India with the longer term objective of improving access for Australian lawyers to the Indian market;

25 The Task Force reports to the Minister for Trade and is chaired by the Secretary of DFAT. Members include Deputy Secretaries from DFAT, Austrade and the Departments of Primary Industries and Energy (DPIE) and Industry, Science and Tourism (DIST).

26 DFAT Submission, p. S 761.

- to identify and capitalise on opportunities for Australian companies in India's automotive industry;
- to increase access for Australian coal exports to India; and
- to facilitate Australian access to the petroleum and natural gas sector.

4.32 **Australia India - New Horizons.** The *Australia India - New Horizons* promotion in India, which ran from October to December 1996, was a significant aspect of the bilateral approach to Australia's market development strategy for India. The AIC was a major Australian contributor to *New Horizons* and as part of the promotion's program the Council held a Board meeting in New Delhi and a joint meeting with its Indian counterpart - the India Australia Council which was established in 1995.

4.33 *Australia India - New Horizons* was the fourth major integrated trade and cultural promotion overseas coordinated by DFAT. The promotion aimed to provide Australian organisations with a unique opportunity to make new Indian business, government and other connections with the full support of the Australian Federal and State/Territory Governments.²⁷ As DFAT pointed out to the Committee:

The active participation in *New Horizons* of: five senior Australian Government Ministers, including Mr Downer and Mr Fischer; three state Deputy Premiers (NSW, WA and Tasmania); and a senior Queensland Minister, underlined the seriousness and importance which the Government attached to *New Horizons*.²⁸

4.34 The calendar of events over the two months focused around a number of programs: trade and business (Austrade managed this program); education and training; cultural and sport. The centrepiece and major commercial event of *New Horizons* was the Business Forum, opened by the Hon Tim Fischer MP, on 4 November 1996 in New Delhi (and also held in Mumbai), which attracted over 150 representatives from Australian companies and more than 500 Indian participants. The Forum focused on prospects for private sector collaboration in telecommunications and information technology, mining, natural resource development and environmental management, and transport and infrastructure.

4.35 The other major business program of *New Horizons* was Agro-Tech '96. Agro-Tech - India's major biennial exhibition of agricultural technology - provided the opportunity for Australia to showcase its agribusiness. Australia was designated the Partner Country at Agro-Tech which was held in Chandigarh. Several State Governments and 25 companies represented the Australian agribusiness industry covering infrastructure, food processing, pulses and wools. DFAT estimates that some \$160 million in Australian export sales will have been generated from Agro-Tech.²⁹

4.36 The promotion provided the opportunity for a range of missions to visit India and promote themselves in an environment of unprecedented Indian focus on Australia and its capabilities as a supplier of innovative and sophisticated technology and expertise, and

27 *Australia India - New Horizons*, Official Program, October to December 1996, p. 31.

28 DFAT Submission, p. S 762.

29 *ibid.* p. S 763.

product. The missions were in the areas of coal, environment, health, information technology for banking, mining, pulses, telecommunications and travel industry sales.

4.37 A series of one day seminars - *Doing Business with Australia* - were held in the major Indian cities of Bangalore, Calcutta and Chennai with the aim of showcasing Australian capabilities and expertise in a broad range of industries of relevance to the Indian market. The seminars were organised in partnership with the respective local chambers of commerce in each city. According to DFAT, the impact of the seminars exceeded expectations.

4.38 Austrade noted that while a number of the Australian business program participants were well established in India, around 30 percent were new to the market, with the vast majority of the new entrants being small and medium sized enterprises (SMEs).³⁰

4.39 *New Horizons* attracted generous support from Australian companies, with ANZ Grindlays, National Mutual, Qantas and RTZ CRA being co-presenters of the promotion along with the Indian corporation Tata. Event or program sponsorship was significant with some twenty Australian and ten Indian companies providing sponsorship.³¹

4.40 DFAT commissioned the Buchan Communications Group to undertake a preliminary evaluation of the business components of the *Australia India - New Horizons* promotion. The evaluation was conducted in February 1997, some three months after *New Horizons*, where participants in the business program events were surveyed. Responses were received from 102 participants in the business program. In addition to the survey, interviews were conducted with event organisers, major sponsors, State Governments and other stakeholders, such as the Australia India Business Council (AIBC) and the Australia India Chamber of Commerce (AICC).

4.41 Key findings were:

- there was a demonstrably high level of satisfaction with the business program;
- there was strong expressed support for the concept of Integrated Country Promotions;
- the business with India being undertaken by business participants is substantial;
- a significant level of business was attributed to the *New Horizons* business program;
- there is substantial ongoing business contact which will lead to further new business over the next 1-2 years; and

30 Austrade Submission, p. S 391.

31 Air India; ALPIC Finance; Arts 21; The Associated Cement Companies Limited; Bonlac Foods; Boral Plasterboard; Bustan; Citibank; Clayton Utz; CMG Asia; Command Petroleum; Education Australia; Elder Pharmaceuticals Limited; Foster's Brewing Group Limited; Hyatt Regency - Delhi; Indiana; Infrastructure Leasing & Financial Services Limited; Indus Consulting; International Wool Secretariat; ITC Hotel Group; The Oberoi Group; Price Waterhouse Associates Pty Ltd; QBE Insurance; Rosemount Estate; SAIL; Singapore Airlines; The Taj Group of Hotels; Telstra; Titan; and Yalumba.

- there was a high level of satisfaction among the principal commercial sponsors of *New Horizons*.

4.42 Business outcomes from *New Horizons* were substantial. As the Buchan Group discovered:

Reflecting the involvement of the major Australian Companies, participants were currently exploring business valued at \$1.8 billion and \$1.1 billion under negotiation. \$160 million had been concluded in the period since *New Horizons*.

Business directly attributed to *New Horizons* was - \$86 million being explored, \$27 million under negotiation, and \$3 million concluded.

There was a high level of business interaction under way and there were strong expectations of substantial further business being realised one and two years out.

Given the involvement of new entrants to the market we would expect that the amount of business attributable to *New Horizons* would increase substantially over this period.³²

4.43 A major concern which was expressed on numerous occasions during the course of the inquiry was that the impetus and success created by the *New Horizons* promotion needed to be maintained and built upon. There was considerable feeling that following *New Horizons*, Australia's commitment to expanding its trade and investment links with India would abate and that the promotion would be seen as a big splash without promotional follow up at the highest level to continue to profile the advantages of doing business with Australia.

4.44 There has been a fair degree of criticism that the Prime Minister did not travel to India for the *New Horizons* promotion. Although the Foreign Minister and Deputy Prime Minister and Minister for Trade were present in India there was concern expressed that the non-attendance of the Prime Minister raised the question in Indian minds about the level of the Australian Government's commitment to strengthening its relations with India. The last time an Australian Prime Minister visited India was in 1989.

4.45 **Recommendation 3**

The Committee recommends that:

The Prime Minister of Australia consider making an official visit to India, accompanied by a delegation of senior Federal Ministers, once relations are normalised.

4.46 One of the difficulties is to maintain the trade impetus and continue to highlight Australia's expertise. Countries like the United States and Germany are skilled marketers. They are very adept at building trade and investment links with India and utilise trade

32 DFAT, *Australia India New Horizons, Evaluation Report*, Buchan Communications Group, May 1997, p. 42.

missions at the highest level to achieve success - the imprimatur of government is often the key to success.

4.47 The Snowy Mountains Engineering Corporation (SMEC), which has been one company operating in India for over twenty years, points out that many of Australia's competitors, especially UK firms, are supported by an active program of visits to India by senior economic ministers, including Prime Ministers, as well as regular reciprocal visits by Indian Ministers. The poor frequency of visits by Australian Ministers over the last decade is seen by Indian Ministers and officials as an indicator of the priority attached to trade relations with India by Australia. SMEC maintains that 'more frequent visits would be valuable in furthering trade; such visits should have at least in part a commercial focus and clear objectives and industry should be consulted on the appointment program'.³³

4.48 **Recommendation 4**

The Committee recommends that:

The Minister for Trade put together a trade mission to India to coincide with the visit to India of the Prime Minister of Australia.

4.49 **Recommendation 5**

The Committee recommends that:

The Australian Government put together, in consultation with industry, an ongoing program of trade visits to India with the visits to be led by senior ministers.

Business and Research Interests

4.50 Business councils, chambers of commerce, specialised research and studies centres which are associated with tertiary institutions, contribute significantly to Australia being able to build stronger trade and commercial ties with India. This contribution is made in a variety of ways including 'image building', profiling Australian technical expertise and product, networking with Indian counterpart organisations and Central and State Government officials, and fostering an understanding of the Indian economy, political scene, business practices and opportunities, language, and regional and cultural diversity.

Specialised Research Centres

4.51 Indian studies have not been a major topic for Australian academics or schools although a number have recognised the importance of India as it emerges in this decade from being a closed economy. The Committee met with a number of research centres specialising in South Asian studies which provide invaluable work on India that can be and is utilised by State Government departments, business associations and individuals with interests in India. However these reservoirs of practical knowledge and networking are still largely untapped. Their expertise and research work provides an important focus for developing strategies for trade and investment decisions by business, government and individuals. The benefits to be gained through cooperation and collaboration between research centres, business and

33 SMEC Submission, p. S 929.

government were clearly demonstrated in the organisation, coordination and presentation of the *New Horizons* promotion.

4.52 **South Asia Research Unit (SARU).** SARU is part of the School of Social Sciences and Asian Languages, Curtin University of Technology, Perth. The Unit is in receipt of an Australian Research Council grant to research the economic, political and social impacts of economic liberalisation in West Bengal (a progressive Communist state). SARU has used the funding to conduct field work in Calcutta, establishing high level contacts within government, labour and industry to collect information from a wide range of sources; develop a resource and data base and analyse developments.³⁴ This work has involved an examination of the legislative base for India's economic reforms and the maintenance of an ongoing survey of changes in this field. The work by the Unit provides an understanding of the economic liberalisation process as it applies to both the central and state levels of Indian politics derived from the vantage point of working on the politics of economic liberalisation in West Bengal. As the Unit notes in its submission to the Committee, 'the ground reality for businessmen investing in India will lie with their experiences with State governments'.³⁵

4.53 Professor Peter Reeves, Founding Director of SARU, (and board member of the Indian Ocean Centre) was co-chairperson, with Dr Pai Panandiker, Centre for Policy Research, New Delhi, of the Public Policy Conference which was part of the promotion. The Public Policy Conference, organised by the Indian Ocean Centre at Curtin University in cooperation with the New Delhi Centre for Policy Research,³⁶ held in New Delhi on 23-24 October 1996, brought together prominent speakers from India and Australia who were influential decision makers and opinion leaders in their respective fields. Subjects covered included foreign and trade policy, cultural diversity, the media, sustainable development, and reforms in major public institutions such as the judiciary, civil service and scientific research organisations. The Australian Foreign Minister, the Hon Alexander Downer MP, delivered the keynote address.³⁷

4.54 SARU, against a nationwide background of university restructuring in a climate of reduced funding for universities, is facing an uncertain future. In 1997 a review was conducted of SARU which noted that SARU has undertaken work that has made a distinctive contribution to the advance of knowledge of the subcontinent. Yet:

... as the review committee also indicates, 'the achievements of SARU, as laudatory as they are, cannot be sustained with the current resources available'. Indeed, SARU has survived on very little direct funding from Curtin (approximately \$5 000 per year) and has reached a situation in which it is unable to sustain the research programmes that it has put in place, programmes that demand increasingly heavy commitments from staff already fully engaged in teaching and administrative activities.³⁸

4.55 SARU points out to the Committee that the present system of external funding for research bodies within universities is too narrow and rigid. Most Federal Government

34 SARU Submission, p. S 479.

35 *ibid.* See submission for detail on SARU's range of projects.

36 Supported by the Australia-India Council, DFAT and Command Petroleum.

37 *Australia India - New Horizons*, Official Program, October to December 1996, p. 26.

38 SARU Submission, p. S 1042.

funding based programs insist that research centres be linked to a specific industry, which SARU says, ignores the fact that concentrated research on large scale social, economic and political changes is vital if Australian Federal and State Governments, business and labour hope to make informed judgements about societies as large and diverse as India.³⁹

4.56 **Indian Ocean Centre (IOC).** The IOC was established as a joint initiative by the Western Australian Government, the Department of Foreign Affairs and Trade and the Curtin University of Technology in 1995. The IOC's role includes carrying out policy oriented research and developing business cooperation within the context of emerging Indian Ocean regional dialogues. As such, according to the WA Government submission, the IOC has been a critical element of the development and promotion of Perth and Western Australia as Australia's 'Gateway to the Indian Ocean'. The IOC is an adviser to government on Indian Ocean issues. With the Western Australia Government being an active and constructive partner in the formulation of national policy with respect to the Indian Ocean region, and being represented by officials from its Department of Commerce and Trade at all the meetings since March 1994 that explored the concept of a regional association to promote economic cooperation and growth leading to the formalisation of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) in March 1997, the IOC provided policy advice to the IOR-ARC process.

4.57 The significance of the work of the IOC can be measured by the fact that DFAT 'has established a partnership with the Australian Chamber of Commerce and Industry and the Indian Ocean Centre at Curtin University to explore and promote options for progressing trade policy in the [IOR-ARC] Association'.⁴⁰

4.58 There is concern that the future of the IOC is in doubt. As part of the joint initiative in establishing the IOC, the Federal Government provided funding for one triennium. For the financial year 1997-98, the Centre was originally to receive \$200 000 from DFAT but this was reduced to \$100 000 as a result of budget cuts. The Centre advises that DFAT has provided some one-off funds to compensate partially for the reduction but there is no guarantee that there will be funds for the next financial year. Furthermore if further funding is forthcoming from DFAT, the Government will not commit any research funds on more than an annual basis.⁴¹ The irony is, as the Centre points out, that it was established as an initiative of the Government 'but current official thinking appears to have forgotten this, and [is] viewing the Centre as purely a university initiative and as a traditional research centre, rather than as a centre of applied research to support national objectives in the Indian Ocean region'.⁴²

4.59 Without sufficient funding and commitment from the Federal Government, the Centre will not be able to continue its role as an adviser to the Government on Indian Ocean issues. This will leave an enormous void in terms of Australian expertise and understanding of the Indian Ocean Rim and hamstring Australia's role in building a spirit of cooperation and a commitment to implementing a trade dialogue amongst the diverse member countries of the IOR-ARC.

39 *ibid.* p. S 1043.

40 TOOS 1998, p. 138.

41 IOC Submission, p. S 970.

42 *ibid.*

4.60 **National Centre for South Asian Studies (NCSAS).** The NCSAS comprises a consortium of eight Australian Universities and is located in Melbourne. Established in 1993 the Centre houses various cultural and commercial databases; organises conferences, seminars, workshops and exchange visits; and initiates research, consultancy and publication projects on South Asia. The NCSAS has a number of objectives:

- to promote Australian scholarship on South Asia;
- to disseminate expertise to governments, business and media outlets via exchange programs and consultancies;
- to study South Asian languages;
- to develop innovative curricula for schools and colleges;
- to expand Australia's institutional, business and cultural links with the region; and
- to promote Australian Studies in South Asia.⁴³

4.61 The establishment of the NCSAS followed the recommendation by the Senate Committee on Foreign Affairs, Defence and Trade in its 1990 Inquiry that an Indian Studies Centre be established for advanced academic study of a range of Indian related disciplines which would boost the relationship between those parts of government and business in Australia which are concerned with India. Core funding for the Centre came from the Department of Employment, Education, Training and Youth Affairs (DEETYA) - \$200 000 per annum for three years - and seven universities. The Royal Melbourne Institute of Technology (RMIT) joined the consortium in 1995 and in 1996 DEETYA funding ceased. The NCSAS advised the Committee that it has continued to operate on the basis of university funding plus earnings (from consultancies, interest on deposits, sales of products, etc.).

4.62 Clearly the NCSAS is concerned about its long term viability which is under question for the following reasons:

- lack of Federal Government commitment (the NCSAS have been unable to find funds from either DEETYA or DFAT);
- funding cutbacks within the universities especially to activities other than core research and teaching; and
- the difficulty of finding ongoing corporate sponsorship.⁴⁴

4.63 The universities contribution to the consortium is \$20 000 per annum each. Due to the severe funding constraints which have been imposed on universities, five universities have withdrawn from the consortium since early 1997: the ANU pulled out of the consortium in early 1997; the SARU, Curtin University withdrew in mid 1997 for lack of financial means; Swanbourne University of Technology withdrew in late 1997 because Asian studies has now taken a lower profile in response to the university's funding problems; and the

43 *Australia India - New Horizons*, Official Program, October to December 1996, p. 26.

44 NCSAS Submission, p. S 45.

withdrawal from the consortium of the Deakin University in late 1997 and RMIT in February 1998 are related to funding constraints.⁴⁵

4.64 Only three universities remain in the NCSAS with two, La Trobe University and the University of New England, only committed to the end of 1998. Monash University has a three year commitment. Clearly the NCSAS faces a financial crisis and its future is in grave doubt. Some five years after its establishment, arising from a recognition of the need for an Indian studies centre for advanced academic study to boost the relationship between those parts of government and business in Australia which are concerned with India, the NCSAS is facing closure. The need for such a centre is even greater today than back in 1990 now that the Australia-India relationship has been significantly upgraded and Australian business is gaining success in the Indian marketplace.

4.65 **Australia South Asia Research Centre (ASARC).** ASARC was established in 1994 as an initiative of the Australian National University and its Research School of Pacific and Asian Studies, to consolidate the ANU's position in economic research on South Asian economic development, and to underscore the University's recognition of the significance of the emergence of South Asia, and especially India, in joining the mainstream of internationally oriented economic growth.⁴⁶ The Centre receives funding from the Federal Government for two staffing positions.

4.66 ASARC has produced major economic publications on India and South Asia and as the ANU's contribution to the *Hew Horizons* initiative, in July 1996 the Centre produced a summary analysis of the performance of the Indian economy after five years of economic reform and liberalisation - *From Crisis to Consensus: Economic Reforms in India*.⁴⁷ This publication added 'substantially to the ground-breaking publication *India's Economy at the Midnight Hour: Australia's India Strategy*, produced by the East Asia Analytical Unit of DFAT in 1994'.⁴⁸

4.67 As part of its brief ASARC provides consultancy services and was 'quite influential as a matter of fact in [their] report in the Western Australian Government setting up its office in Mumbai'.⁴⁹ It has had consultancies with BHP and Australian Consulting Engineers. The Centre's linkages with India are strong with collaborative research being undertaken with Indian economic research institutions, such as the National Council of Applied Economic Research, Madras School of Economics, Delhi University and the Institute for Social and Economic Change. Under the South Asia Research Project (SARP), ASARC and AusAID have collaborated on a study of the *Economics of Thermal Electricity Supply in India*, as ASARC notes, a crucial infrastructural bottleneck for accelerated growth of Indian industry. This study involved close collaboration with Central and State Governments as well as Indian research institutions.

4.68 ASARC does not see itself as being sufficiently hands-on to talk about how to do business in India, regarding that as the function of Austrade. But it does see it as vital to have a strong research capacity to see where the Indian economy is going, where the constraints

45 *ibid.* p. S 983.

46 Exhibit No. 73.

47 *ibid.*

48 *ibid.*

49 ASARC Transcript, p. 276.

are and to make this information readily available in a digestible form to government, business and other interested parties.

Future of Specialised Research Centres

4.69 The economic dynamism which is transforming India and South Asia, in tandem with India looking East to develop trade links is one, which requires from Australia, a sustained priority towards India and South Asia in government policy, both in foreign affairs and trade.

4.70 In the last two decades Australia has focused on developing ties with Asia especially those countries to the north such as China, Japan and Korea and with the ASEAN countries. India and the countries of South Asia did not receive the same trading and strategic profile as Australia's neighbours to the north. The public profile in Australia on India was about to change in 1990 with the release of the Senate Foreign Affairs, Defence and Trade Committee's report which pointed out that the relationship between Australia and India was underdeveloped. The Senate Committee noted that 'the majority of submissions presented to the Committee bore testimony to the generally poor state of information policy in Australia where India is concerned'.⁵⁰ The establishment of an Indian studies centre - the NCSAS - and the Australia-India Council were two initiatives which arose from that Committee's recommendations.

4.71 Following the Senate Committee's report, the Indian balance of payments crisis in 1991 leading to structural adjustment and liberalisation, the publication by DFAT's East Asia Analytical Unit of Australia's India Strategy (*India's Economy at the Midnight Hour*), the 1994 *India Today* program organised by the Australia-India Council, the establishment of specialised research centres, the expansion of business and commerce chapters, the Australian Government's *Australia India - New Horizons* initiative, and Austrade's *Link West* seminars in the *Year of South Asia* (1997), have contributed significantly to building the Australia-India relationship, and profiling India not only with business and government but generally within the wider Australian community.

4.72 In essence, the development of expertise on India is critical to maintaining and building an understanding of the dynamics of India and South Asia, especially in the climate of world economic globalisation. The applied research centres such as ASARC, SARU, the Indian Ocean Centre and NCSAS are integral to the process of growth and dissemination of information concerning Indian economic and trade policies, business opportunities, and political developments. To maintain these research centres is in the national interest and to fund them is a partnership between the tertiary institutions, State Governments where applicable and the Federal Government. The tertiary institutions alone do not have the financial resources to meet the costs of fully funding the centres.

4.73 **Recommendation 6**

The Committee recommends that:

The Australian Government provide sufficient direct and indirect funding to ensure the continued viability of the specialised

50 *Australia-India Relations: Trade and Security*, report of the Senate Standing Committee on Foreign Affairs, Defence and Trade, AGPS, Canberra, July 1990, p. xi.

research centres that focus on India, South Asia and the Indian Ocean region.

Language Skills

4.74 Added to the role of research centres is the importance of Indian language skills (Hindu/Urdu is the world's second largest spoken language) in capitalising on the growth of Indian consumerism. As Professor Jeffrey from La Trobe University points out, in Australian universities 'the study of Hindi is on the shakiest ground, and other Indian languages are not formally and regularly taught at all'.⁵¹ In 1997 Hindi was only available at three universities, the Australian National University, La Trobe and Sydney, and its future at these institutions is not secure. Professor Jeffrey argues that without a longer term commitment from government and business, and a shift away from funding by numbers principles, academic institutions will inevitably scrap Hindi language programs as being too costly and marginal to maintain. As Professor Jeffrey points out, ready access to and use of languages of lesser demand in universities, such as Hindi, coupled with cultural, political and economic background, are essential for Australian business to achieve international best practice standard.

4.75 Thomas Egan and Associates, Melbourne Barristers and Solicitors, echo Professor Jeffrey's concern. The firm points out that Hindi language training in Australia is underdeveloped and this has made it extremely difficult for the firm to utilise a Hindi language program to compliment its Asian law practice. They maintain that it would be a mistake to assume that because the Indian elite speak English that foreign businessmen can succeed without native language skills. Furthermore:

In a business situation total unfamiliarity or only a passing familiarity with the native foreign language means that different drivers of the negotiations occur. It is fundamental that a good strong base of language scholars be nurtured, not only for purposes of simultaneous interpreting but because Australian business people will not be able to engage in the most profitable dialogues with their counterparts without that language training.⁵²

4.76 At a time when Australia is working to build its trade and investment links with India and South Asia, the Committee is concerned that the availability of Hindi language training is extremely limited and that what is available is under threat of being dropped by institutions. It took many years to build Australian student numbers in courses for languages spoken in the countries of North, East and South East Asia. These numbers increased as the profiles of these Asian countries were raised within the Australian community. To lose the available Hindi courses because of small student numbers and budgetary constraints would be a retrograde step. The Committee endorses Professor Jeffrey's comment that 'The question of Hindi highlights a pervasive problem for Australia's national interest: how best to create and maintain a cohort of Australians familiar with languages which have limited student demand...'.⁵³ The NCSAS argues that it is essential for Australia as it emerges into the next

51 Jeffrey Submission, p. S 75.

52 Thomas Egan and Associates Submission. p. S 292.

53 Jeffrey Submission, p. S 76.

century, to have a small and highly competent cadre of South Asian language specialists to draw on.⁵⁴

4.77 The Committee sees merit in the provision of economical language teaching which would benefit universities and business by preserving low demand languages like Hindi. To achieve this may require innovative thinking, not only from an administrative and financial point of view but also from a delivery perspective. To this end Professor Jeffrey proposes that:

The universities of each capital city should be induced to cooperate to establish a "humanities research centre" in which one of the most important components would be the "Melbourne/Sydney/Brisbane/etc centre of languages." The Centre of Languages would centralize and rationalize teaching of languages and maintain distance-learning programs in languages like Hindi, Arabic, Korean, etc.⁵⁵

4.78 **Recommendation 7**

The Committee recommends that:

DEETYA, in consultation with the universities, increase funding to preserve the study of the Hindi language and eliminate the uncertainty surrounding the availability of Hindi courses in Australia.

Business Organisations

4.79 If the *New Horizons* promotion put a friendly face on Australia's interests in India, a number of business organisations have been working since the 1980s to promote Australia's business interests in India. The Australia India Chamber of Commerce (AICC) and the Australia India Business Council (AIBC), through its central body and state chapters, have been actively pushing bilateral trade between Australia and India. There are a number of state-based business associations which are promoting bilateral trade such as the Australia-India Chamber of Commerce - NSW, (formerly known as the Australia India Business Association - NSW), the recently established Australia-South Asia Regional Chamber of Commerce in South Australia and the Asia Pacific Chamber of Commerce & Industry Inc. (Canberra), which held a successful trade and investment forum on South Asia last year.

4.80 **Australia India Chamber of Commerce (AICC).** The AICC was incorporated in Victoria in 1984 and has been very active since India liberalised in 1991. The Chamber is focused at the small and medium-sized businesses although it does have a number of large companies in its membership (the AIBC tends to represent the large corporations at the BHP level). It has strong links with counterpart organisations in India with a memorandum of understanding with the Confederation of Indian Industry (CII), the Federation of Indian Export Organisations, the Greater Mysore Chamber of Commerce and the BHT Chamber of Commerce. Major aspects of the Chamber's role include the provision of information to business, building specific industry based missions to visit India, and meeting incoming business delegations and networking them with relevant businesses and areas of government.

54 NCSAS Submission, p. S 44.

55 Jeffrey Submission, op. cit.

4.81 The AICC was the program manager for the *Doing Business With Australia* one day seminars held in Bangalore, Calcutta and Chennai as part of the *New Horizons* program. As noted in paragraph 4.37, the seminars were organised in partnership with the respective local chambers of commerce⁵⁶ in each city, with the aim of showcasing Australian capabilities and expertise at a state level in a broad range of industries of relevance to the Indian market - such as construction engineering, agro-processing, information technology, software development, auto parts industry, infrastructure development, particularly highways, toll road, bridges, and railway maintenance systems.

4.82 With financial support from the Australia-India Council, the AICC conducted a survey of seminar participants during the *Doing Business With Australia* seminars. The major purpose of the study was to assess the attitude of the Indian business people towards Australia and its business people. This survey was the first of its kind in Australia and tested previous assumptions of needs and perceptions of Indian business about Australia. The survey 'report reveals that the existing relationship is comfortable and positive, and at the same time highlights many future opportunities for Australian business in India'.⁵⁷ One area which requires improvement is the availability of commercial information about business opportunities in Australia and details of Australian businesses - some 35 percent of respondents indicated they were unable to get information about Australia and details of the businesses. While the overall perception of the expertise of various Australian industry sectors was encouraging, there was cause for concern especially in view of the neutral perception of Australian expertise in high tech design/production by 45 percent of the Bangalore respondents.

4.83 This survey illustrates that in looking to do business in India, the issue of perceptions is a two-way street. The lack of awareness should be factored into business strategies designed to achieve and maintain a competitive edge in the market.

4.84 **Australia India Business Council (AIBC).** The AIBC, a bilateral business council under the umbrella of the Australian Chamber of Commerce and Industry (ACCI),⁵⁸ was formed in 1986. It has 'supported the needs of business for informed knowledge and liaison with India since then, and provides a forum for the exchange of up-to-date commercial information on India'.⁵⁹ The Council was established to:

- provide an opportunity for Australian businesses to network on business activities with their peers in India;
- provide a forum for establishing high level contacts in the Australian and Indian Governments, financial and business communities;
- influence policy makers in Australia and India and act as a conduit between governments and the Australian business community;

56 The Greater Mysore Chamber of Commerce in Bangalore, the Indian Chamber of Commerce and Industry in Calcutta and the Indo-Australian Chamber of Commerce and Industry in Chennai.

57 *Doing Business with Australia - A Survey of Attitudes and Needs of Indian Business People*, October 1996, Australia India Chamber of Commerce, Foreword.

58 The ACCI is the peak council of Australian business associations.

59 *Australia India Business Council*, Information Brochure.

- develop and maintain a high level of support for Council's activities from the respective governments and collaborate in relevant government initiated programs;
- support the promotion of Australia's commercial interests; and
- be recognised as the peak body for promoting business links between Australia and India.⁶⁰

4.85 A major activity of the AIBC is the annual Joint Business Council meeting with its Indian counterpart. The Australia-India Joint Business Council meeting preferably coincides with the JMC meeting. The last meeting, the 11th Joint Meeting of the Australia India Business Council and the India Australia Joint Business Council, was held on 1 September 1997, the day before the JMC convened. The agenda for discussion at this meeting included:

... trade and investment opportunities in India and Australia and how these might be facilitated, as well as industry sector presentations and discussions on mining and exploration; infrastructure; services, including education; and agribusiness, including food processing and packaging. A segment on Information Technology and Telecommunications was included in the program also.⁶¹

4.86 **Australia-India Chamber of Commerce - NSW.** Formerly known as the Australia India Business Association, the Chamber is the principal Australia-India bilateral business chamber in NSW and was established in 1990. The Chamber's current members are drawn from a broad cross section of small, medium and corporate businesses as well as government representatives. The NSW Chamber has forged strong working relations with the NSW and Commonwealth Governments, the Indian Consulate in Sydney and the High Commission in Canberra, sister chambers in Australia and equivalent counterparts in India.⁶²

4.87 The aims and objectives of the Chamber are to:

- promote sustainable economic, trade and investment ties between Australian and Indian businesses;
- assist in matching the needs and capabilities between Australian and Indian businesses;
- promote regular business networking; and
- foster strong relations between State and Central Government in Australia and India.

Developing Communication Strategies

60 *ibid.*

61 Joint Statement, *11th Australia-India Joint Business Council Meeting*, 1 September 1997, Sydney, p. 1.

62 *Australia-India Chamber of Commerce - NSW*, Information Brochure.

4.88 During the course of the inquiry, concern was expressed by some business representatives that the momentum created by the *New Horizons* promotion was not being capitalised on by government to provide ongoing focus on India, even though 1997 was labelled the Year of South Asia. There clearly was a gap in linkages that would provide awareness and understanding of what the various business and business organisations, DFAT, and Austrade were doing or had planned in relation to trade with India. To bridge this consultation and information gap, a grouping has been formed building on the linkages that were made in developing the *New Horizons* promotion program - as DFAT puts it, a 'team Australia' approach to advancing Australia's interests in India.⁶³ The Committee is pleased to learn that this coordination group - India Contact Group - has been put in place and meets generally on a six-monthly basis, having met to date in August 1997 and April 1998. The group consists of State and Commonwealth Government agencies as well as the AIBC and the AIC and the AICC - Victoria. As there are a number of other India business associations in the Australian Capital Territory, South Australia, Queensland and New South Wales the Committee is of the view that these business organisations should be involved in the coordination and consultation process to assist in keeping in touch with the broader Australian effort to pursue Australia's interests in India.

4.89 **Recommendation 8**

The Committee recommends that:

The Department of Foreign Affairs and Trade, which chairs the India Contact Group, ensure that all State and Territory-based India business associations are invited to participate in Group meetings.

4.90 As part of the realisation that the good work done in *New Horizons* could not be allowed to dissipate, the AIBC, Australia-India Council and Austrade launched in July 1997 *Australia-India Focus*, a jointly funded and produced newsletter. The newsletter, which will be published five times each year, has been created to communicate relevant news, forthcoming events and features of the Australia-India relationship to business, government and other interested parties in Australia and India, to enhance bilateral cooperation, and to represent the activities and views of the AIBC, the AIC and Austrade.

4.91 The Committee is concerned that with the number of business organisations promoting trade with India there is the scope for duplication of effort. In line with the efforts that have been made with the assistance of government, to increase communication and build on linkages, it would be to the advantage of the various business organisations to marshall their resources to develop better communication between themselves to understand what

63 DFAT Submission, p. S 717.

efforts are being made to increase trade and investment with India. Mechanisms to do this could include workshops and telephone conferencing.

4.92 **Recommendation 9**

The Committee recommends that:

The Australia India business organisations marshal their resources to develop a communication strategy between them to improve the understanding and efficiency of the efforts being made to increase trade and investment with India.

Australia's Development Cooperation Program with India

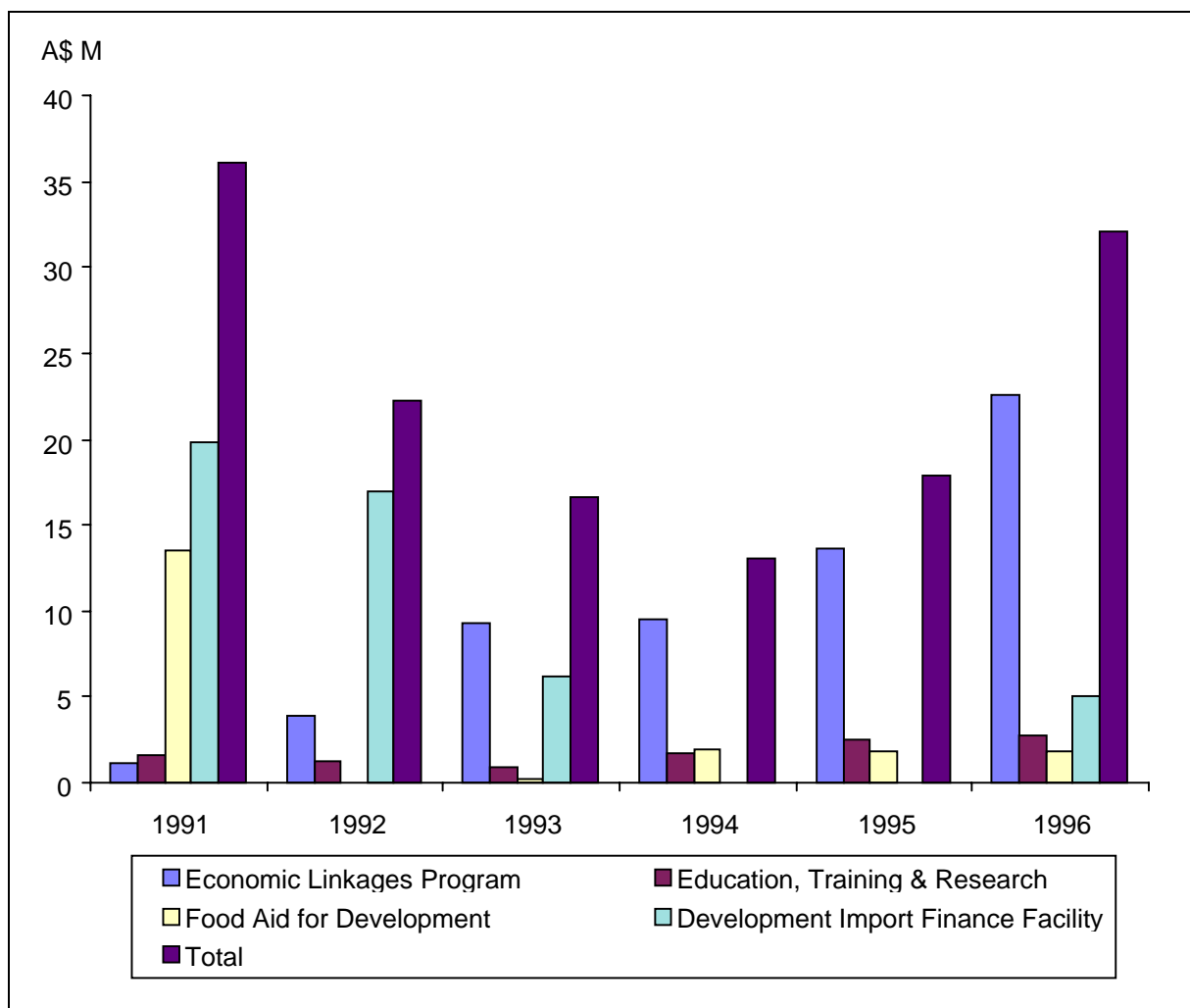
4.93 The year 1991 was not only the year of India's unqualified move towards liberalisation and reform, but the year that Australia commenced its bilateral development Cooperation Program with India.

4.94 In the current financial year, 1997-98, total Australian aid flows to India are estimated at \$20 million. The majority of activities have focused to date on technology transfer through demonstration projects, mainly in mining, environment and telecommunications. In response to the policy preferences of new governments of India and Australia there has been an increased focus on health and education initiatives.

4.95 Of the \$20 million, \$16.3 million is allocated for bilateral activities that are mutually agreed with the Government of India, while the remainder comprises funding for Non-Government Organisations (NGOs) and international agricultural research.⁶⁴ Figure 4.1 shows total Australian aid flows to India from 1991 to 1996 by type of aid.

Figure 4.1 Total Australian Aid Flows to India, 1991 to 1996 (A\$ million)

64 DFAT Submission, p. S 1000.

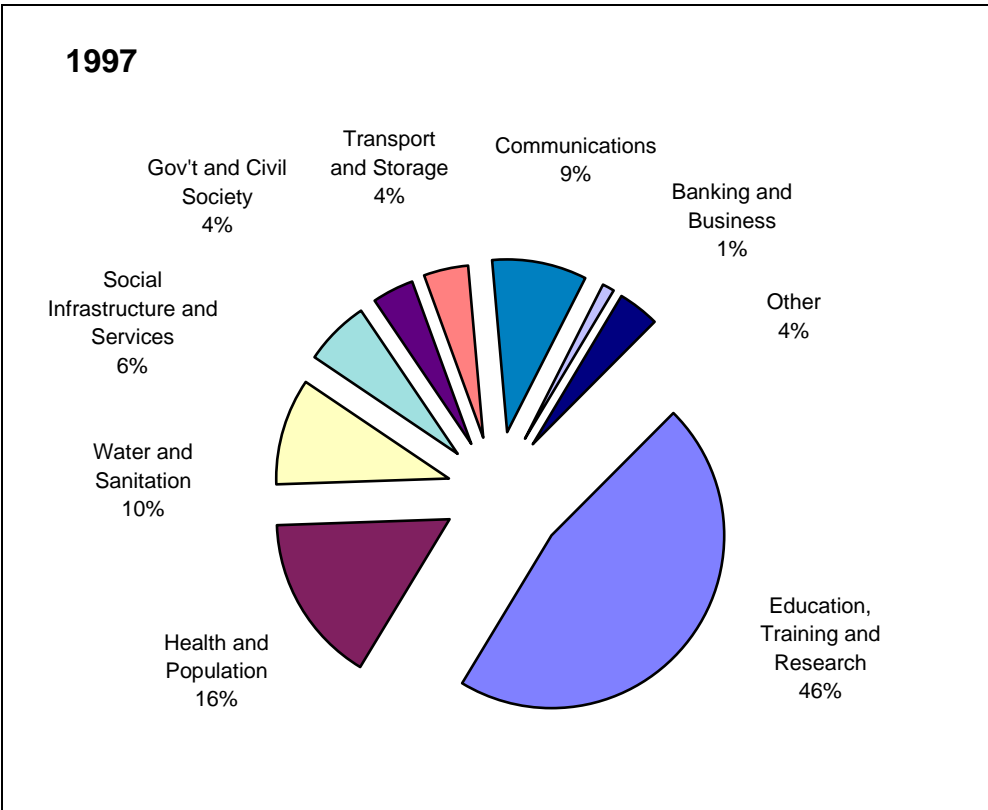
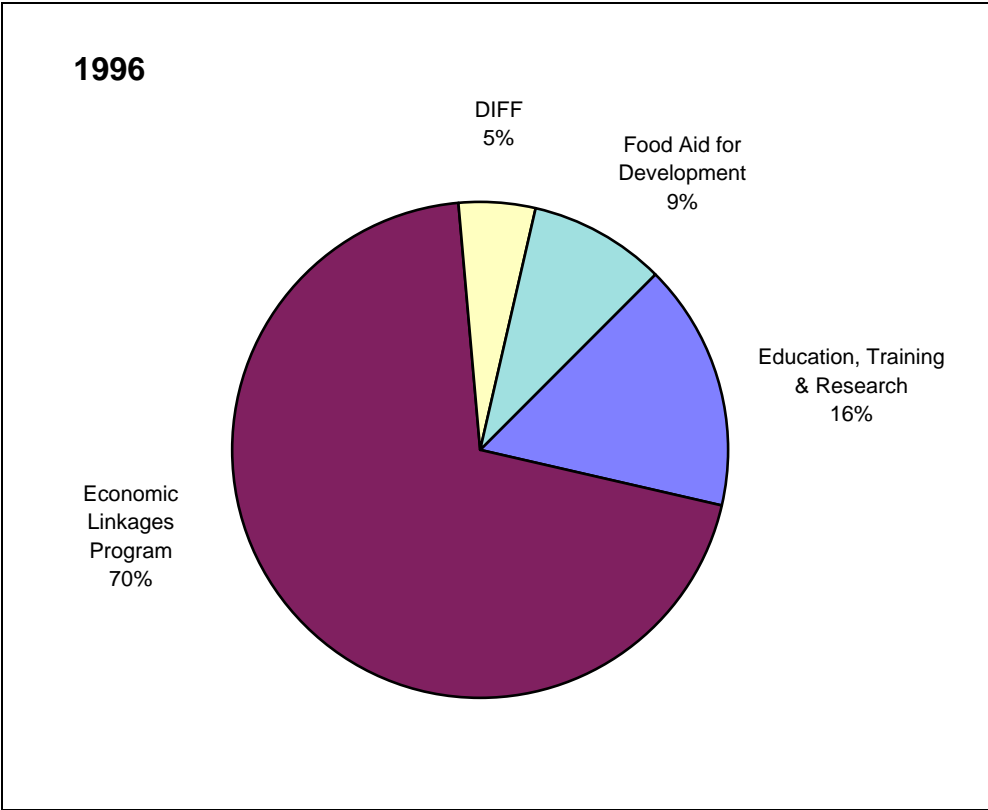


Source: ASARC Exhibit No. 116.

4.96 AusAID points to the significant gains in life expectancy, child survival rates, immunisation coverage and literacy that India has achieved since independence. In spite of these gains annual GDP per head is a low US\$314 (less than a dollar a day) with some 25 percent of Indians (around 230 million people) living in absolute poverty.⁶⁵ India is the third largest recipient of aid globally and in 1995 bilateral aid donors, the largest being Japan, Germany and the UK, disbursed over US\$1 billion in India. AusAID points out that Australia contributes 1 percent of overall bilateral aid to India, but closer to 4 percent in grant terms. Moreover India receives between US\$500 million and US\$1 billion in multilateral assistance annually which is mainly in the form of loans. Figure 4.2 shows total Australian aid flows to India by components for 1996 and 1997. In 1996 the economic linkages program comprised 70 percent of Australia's bilateral program to India.

Figure 4.2 Total Australian Aid Flows to India by Components, 1996 and 1997

65 *ibid.*



Source: ASARC Exhibit No. 116.

4.97 Food aid for development comprised some 9 percent of Australian aid flow to India in 1996 and the Committee is concerned that high protein foods such as pulses be included in food aid programs. The Committee addresses this issue in Chapter 6 and makes a recommendation, Recommendation 24.

4.98 Under the bilateral country program with India, the currently funded aid projects are focused in the priority sectors of infrastructure, environmental management, training, primary education and health. The projects are set out below in Box 4.2.

Box 4.2 Current Projects under Bilateral Country Program with India

TRAINING AND CAPACITY BUILDING

- better equipping the public sector to adapt to its changing role. The Indian Government regards training and capacity building programs as a high priority. A new India-Australia Training and Capacity Building Project (A\$12m over 3 years) will replace short course training awards which strengthen the capacity of Indian Government officials to deliver services. Around \$3m is expended annually for study in environment, business management, power, biotechnology, agriculture and health. In addition, Indian students undertake graduate and post-graduate courses in Australian academic institutions. The Coal India Training Program will also commence in 1998.

HYDERABAD WASTE MANAGEMENT PROJECT (\$7m over 3 years)

- controlling industrial waste in and around the city of Hyderabad.

RAILWAYS TECHNOLOGY PROJECT (\$6m over 3 years)

- improving the safety and efficiency of the South Eastern and Central Railways.

GHATSILA SMELTER PROJECT (\$3.9m over 2 years)

- enhancing the economic and environmental performance of smelting operations.

UNICEF PRIMARY EDUCATION ENHANCEMENT (\$10.4m over 3 years)

- increasing the enrolment, attendance and completion rates of children in the formal primary education system.

UNICEF CHILD SURVIVAL AND SAFE MOTHERHOOD PROGRAM (\$7.3m over 3 years)

- reducing maternal and child mortality rates in selected regions within India.

KESHOPUR SEWAGE TREATMENT PLANT (\$1m over 2 years)

- technical advice to the Indian Government for sewage management in Delhi.

MINE SAFETY TRAINING PROJECT (\$2.6m over 3 years)

- strengthening occupational mine safety in India through the Directorate General of Mine Safety in Dhanbad.

SMALL ACTIVITIES SCHEME (SAS) (\$1m in 1997-98)

- small-scale, developmentally-sound, community focused activities, targeting the needs of disadvantaged groups, particularly women and children.

Source: DFAT Submission, p. S 1001.

4.99 The objective of Australia's overseas aid program is to advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development. Within the program, AusAID sees development projects as a useful mechanism to demonstrate Australian technical capacity. Certainly in evidence to the Committee it became clear that Australian firms working on AusAID projects in India were in a position to be able to showcase their capabilities, an opportunity which would not have otherwise been available to them in the competitive world of winning contracts.

4.100 **Private Sector Linkages Program (PSLP).** The PSLP has been AusAID's principal tool for encouraging joint ventures between Australian companies and those in

developing countries since its creation in 1992.⁶⁶ As the Simons Report says, it is a small but highly symbolic program providing matching grants of up to \$250 000 to Australian companies for feasibility studies, technological demonstration, training and staff exchanges. It is designed to help transfer technology to developing countries and facilitate private sector development.⁶⁷

4.101 The Simons Committee, in reviewing Australia's overseas aid program, agreed with AusAID's conclusion that there is a strong relationship between commercial linkages and country development, however it qualified this by saying that it does not mean that it is desirable to use aid to stimulate private investment directly. Furthermore the Simons Committee took the position that although this practice is widespread among other donors who want to assist private sector development, it is not a sound one and direct assistance to industry involves picking winners which governments are not very successful at on the domestic front let alone abroad.⁶⁸

4.102 The Simons Committee recommended that the PSLP 'should be recast to redress specifically market failure in the formation of business links with developing countries. If this is not possible, or cost-effective, the program should cease'.⁶⁹ In response to this recommendation the Minister for Foreign Affairs has asked AusAID to develop a policy paper on promoting private sector development through Australia's aid program.

4.103 At present there are two activities with India funded under the PSLP:

- **Automotive Training Australia (ATA) Ltd, Victoria**

Competency based training in association with Ashlok Leyland Ltd.
Establish a partnership with Ashlok Leyland of Madras (Chennai), a vehicle manufacturing company, and implement a model competency based training program.

PSLP contribution: \$158 478

Expected completion date: August 1998

- **Indian Tourism and Hospitality Degree (RMIT, Victoria)**

Develop a degree program in tourism and hospitality in Indian universities.

PSLP contribution : \$76 300

Expected completion date: March 1999

4.104 The PSLP program has already profiled the technical capability of Australian companies through a range of completed activities in India, which included:

66 The Australian Overseas Aid Program, *One Clear Objective - poverty reduction through sustainable development*, Report of the Committee of Review 1997 (Simons Report), p. 154. The Simons Report on the review of the Australian overseas aid program was commissioned by the Minister for Foreign Affairs in June 1996.

67 *ibid.*

68 *ibid.*

69 *ibid.* Recommendation 8.3.

- demonstrating Australian technologies for commercial seed production;
- promoting Australian technology for air pollution reduction by the installation of a demonstration trial at a thermal power station;
- reviewing a feasibility study report on a 600 MW Kameng hydro-electric power development in Arunachal Pradesh and transforming it into a detailed blueprint for construction purposes;
- demonstrating, customising and ultimately commercialising newly developed Australian energy technology for the Indian electricity sector;
- developing fully an in-depth feasibility study, appraising all technical and commercial aspects of the construction of lead acid battery recycling plants;
- introducing a competency-based management development program covering the full range of management from supervisor through to senior management;
- preparing a pre-feasibility study and proposal to build, own and operate a coking coal beneficiation plant at the Durgapur steel plant of the Steel Authority of India Ltd;
- preparing and conducting a training program in mine operations and environmental management; and
- demonstrating plastics manufacturing technology, including market research and training through the establishment of pilot projects.

4.105 The kick start that is provided to Australian companies through the delivery of AusAID activities in India cannot be underestimated. However it is important to note that there are serious impediments to Australian firms gaining further work in India as a result of them showcasing their capability through an aid-funded project. One of the major stumbling blocks is access to a soft loan facility to enable Australian companies to be in the hunt competitively to bid for work. This issue is discussed in Chapter 5.

4.106 SMEC made the very strong point to the Committee that:

... the aid program is an essential support for business in India as it allows Australian companies to demonstrate their capability in Indian conditions; the current Indian program is designed to emphasise mutual benefit and SMEC considers that this focus should be maintained.⁷⁰

4.107 The Government of Western Australia considers that Australia's overseas aid program needs to adopt a broad focus to foreign aid, one which:

- recognises the importance of economic infrastructure and services (particularly in transport, communications and energy) in promoting sustainable growth; and

70 SMEC Submission, p. S 928.

- realises the importance of this sustainable economic growth for the development of the country's ability to engage in international trade and the exponential economic benefits that this engagement brings.⁷¹

4.108 Furthermore the WA Government takes the position that 'Australia should be wary of narrowing the focus of its foreign aid program to short term humanitarian aid projects as it will therefore miss out on high impact aid projects in the infrastructure and economic development areas, which will still be funded by other aid donors'.⁷² The Committee agrees with this position and believes Australia should not 'cut off its nose to spite its face'.

4.109 **Recommendation 10**

The Committee recommends that:

The Australian Government should not consider abandoning the Private Sector Linkages Program but should expand the Program within its Official Development Assistance.

4.110 The major contribution of business to development, according to the Simons Report, 'comes through the investments it makes, the jobs it creates, the foreign exchange it earns, and the taxes it pays which help to finance both developing country public expenditure and ODA'.⁷³ Simons went on to say 'As the principle deliverer of Australian aid on behalf of the Australian Government, ie. as contractors to AusAID, the private sector also brings its expertise into the vast majority of development cooperation activities. Many businesses also support small-scale poverty reduction efforts directly for reasons of corporate good citizenship or self-interest'.

4.111 In fact the evidence from White Industries showed the vital importance of aid as a component of project development. White Industries was awarded a significant contract to build the Piparwar open-cut coal mine in Bihar State in India, as well as coal preparation and coal handling plant, together with train loading facilities. The contract totalling about \$500 million was awarded in 1989, and the funds for the project came from Coal India Ltd, plus \$206 million of Australian money loaned to Coal India, with no interest and drawn down over five years and payable back over ten years.⁷⁴

4.112 Mr Duncan, Managing Director of White Industries, told the Committee that:

... the project included one hospital with 30 beds, with four male doctors and two female doctors. It was most important to have female doctors, because of the religious sensibilities in the area. There were three primary schools done, one secondary school, one high school, and no colleges. A bank, a post office and a cooperative were set up. There were four school buses and other buses provided for conveying employees to the mine. There were 698 houses built, and 16 houses were built to European standard for our people to live in.

71 WA Government Submission, p. S 821.

72 *ibid.* p. S 822.

73 Simons Report, *op. cit.* p. 158.

74 White Industries Transcript, p. 622.

Also, 750,000 gallons per day of potable water was provided and distributed throughout the mine area and villages. ... A farming system was started, to teach the villagers who were relocated and who had no land bank to support them in the new position about multi-layer farming: growing nuts and fruit trees, fish farming, beekeeping and things of that nature. There was an adult literacy program put in for 250 adults. There was a health immunisation program started, whereby rooms were provided in all the villages and the doctor from the main hospital would go around and the villagers could get there.

There was a non-conventional energy program started, using animal waste to generate gas in the area. There was a craft development area for training for self-employment in two locations, for 30 ladies and 10 men at each location. Ten crore rupees, about \$500,000, was provided for educational grants and various other of those activities.⁷⁵

4.113 Community Aid Abroad (CAA), in evidence to the inquiry, drew to the Committee's attention the continuing problem of inequitable distribution of wealth generated by economic growth and industrial development in India. CAA notes that, while India has posted impressive growth over the past 5 years in industrial output, exports and levels of foreign direct investment, the benefits of this growth have not flowed to all sectors of society; the percentage of the country's population living below the poverty line has remained relatively constant (estimated by some reports at 39 percent). CAA maintains that, as Australian based companies respond to the trade and investment opportunities created by continuing economic liberalisation in India, they should do so in ways which provide equitable benefits to all.

4.114 With Australia's exports to India growing in sectors where Australia has comparative advantages such as coal and industrial raw materials, mining equipment and technology, equipment and services for power generation and distribution, infrastructure (including ports, public works etc) and telecommunications, CAA maintains that if Australian trade and investment concentrates in these areas then it will have increasingly major environmental and social impacts, and potentially disastrous effects, on the poorer and weaker sectors of Indian society.⁷⁶

4.115 To counter such effects, CAA believes that as 'Australian-based companies increasingly move into the new liberalised economy of India, bringing investment, trade and jobs, it is important that they do so in ways which provide equitable benefits to all - and do not, as so often happens, disadvantage the poor or leave them without a livelihood'.⁷⁷ The CAA concludes that '... the record of Australian companies so far is not good, and leaves us with serious cause for concern'.⁷⁸ The Committee does not necessarily agree with CAA's conclusion given that on the Piparwar project, White Industries provided benefits to the local population who were not disadvantaged or left without a livelihood.

75 *ibid.* p. 624.

76 CAA Submission, p. S 583.

77 *ibid.* p. S 584.

78 *ibid.*