

# **Australia India Business Council**



**Submission to  
Government of India**

**Australia-India Comprehensive Economic  
Cooperation Agreement (AICECA) Negotiations**

**January 2012**

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## **Introduction**

In April 2008, a Joint Study Group (JSG) was constituted to examine the feasibility for establishing a Free Trade Agreement (FTA) between India and Australia. Based on the recommendations of the JSG, India and Australia are currently negotiating a Comprehensive Economic Co-operation Agreement (CECA) covering trade in goods, services and investment related issues. The Australia India Business Council (AIBC) welcomes the opportunity to assist the Government of India in gathering the perspectives of Indian companies operating in Australia and to contribute these towards the development of the Comprehensive Economic Co-operation Agreement between Australia and India.

AIBC members represent the diversity of the Australia-India relationship and span small business to multi-national enterprises. Our members are based both in India and Australia and all share common interests in growing and supporting bilateral trade, investment and cooperation. In September 2011, AIBC prepared an initial submission on behalf of its members for the Australian Government.

This submission focuses on the experience of Indian companies who trade with and invest in Australia. Through consultation with a selection of Indian based companies operating in diverse industry sectors such as mining, information technology, business processing services and education, the submission aims to provide a high level overview of specific issues in relation to Indian interests operating in Australia. The submission focuses on the barriers and opportunities for trade and investment faced by Indian goods and services exporters and investors into Australia and other general matters associated with the potential impact of the Comprehensive Economic Co-operation Agreement.

## **The Australia - India Bilateral Relationship**

In 2010, India held the position of the world's 20th largest outward investor globally with Indian firms investing more than US \$75 billion in the last decade. Australia ranks among the top 10 investment destinations for Indian corporations with Indian investment into Australia estimated to be greater than AU \$7 billion (2010-11). There are now more than 100 Indian companies with investments in Australia, spanning diverse industry sectors such as resources/mining, infrastructure (ports), information technology, manufacturing, agri-business, hospitality, education and business processing.

In recent times, the list of high profile investments and market presence by Indian companies into the Australian market has grown. The list included in Attachment 1 is a selection of Indian corporations in Australia. This list is a small sample and in no way represents the volume of other Indian based corporations who are engaging with Australian partners for trade and investment purposes.

## **Barriers and Opportunities**

Overall, based on AIBC member inputs, Indian companies operating in Australia reported high levels of satisfaction in operating within the Australian trade and investment context. There is significant support for the AICECA with the hope that the Agreement will support:

- Improved processes, transparency and certainty of Australian immigration policy with respect to students and skilled migrants.
- More clarity and ease of process in investment and joint venture programs for Indian investors, including access to state government agencies involved in investment attraction and trade promotion.
- Continued people to people engagement that will enhance the cross-cultural understanding needed to continue to develop stronger business ties.
- Greater market access for Indian corporations in a range of industries including resources, education, financial services and ICT.

With regard to current barriers and opportunities, AIBC members suggested the following:

### **Barriers**

- Understanding and working across the commonwealth, state and local governments in trade and investment matters can be a complex process.
- Identifying suitable partners for acquisitions and joint ventures can also be a barrier.
- Indian corporations require a greater understanding of global tender processes. Support at the state government level is lagging in some states with limited support offered to Indian investors in Greenfield and Brownfield projects.
- In some limited cases the time taken and the level of understanding required to seek approval to operate in the pharmaceutical industry, resources and mining, financial services and education.
- Limited knowledge about the Australian market, business practice and approval times required at federal, state and local levels.
- The role of industry bodies as regulators and partners with government is often not well understood by Indian corporations.
- Mutual recognition of qualifications continues to be a barrier in key professional and trade areas.
- Streamlined approval for significant investments to be supported more closely through government approval processes.
- Access to a uniform set of rules and regulations covering export and import into Australia (including various state based requirements).

### **Opportunities**

- Development and support of new joint ventures and acquisition models.
- Education investment in areas of teaching, research and skills development.
- Training to support enhanced cross-cultural understanding between Australian and Indian corporations.
- There is significant opportunity to market and position Brand India in the Australian marketplace; this will not only raise the profile of Australia-Indian positive business and trade relations but also offer a strong platform for CECA negotiations.

## **Sectoral Opportunities**

This next section looks at some key sectors with strong trade and investment into Australia from India and any future issues or opportunities.

### **Mining and Resources**

The introduction of Australia's carbon tax and other mining and resources based taxes is an issue for Indian investors and one that needs to be fully understood. Indian investors in Australian resources are seeking to secure long-term supplies of core commodities at stable prices – in particular, India's demand for coal, power generation and steel making materials continues to fuel trade relationships between Australia and India. India realises China is roughly 5 years ahead in the race for commodities and that it needs to move quickly if it is to secure coal, copper and other essential resources.

Due to the need to secure resources, India's investment appetite in Australian resources is continuing to grow as proven by the increasing number of enquiries, presence of parties on the ground in Australia and announced deals e.g. GVK's \$1.26 billion acquisition of Hancock's coal assets (Sep-11), Adani's acquisition of Linc's coal assets for \$2.72 billion and Abbot Point terminal for \$2 billion (Aug-10), Lanco Infratech's acquisition of Griffin Coal for \$730 million (2010).

While the investment appetite has increased, there are a number of challenges for incoming parties to overcome in due diligence, valuation, negotiation, structuring, communications and cultural differences. For example, Indian companies need to have a better understanding of global tender processes.

### **Education**

The Australian education industry is known around the world as a high quality and reputable system, training thousands of domestic and international students annually at universities, private colleges, TAFEs, schools and English language colleges. Investments in the Australian education sector require significant approval processes that take up to 12 months, with approvals to be sought from federal government, state governments, local governments and in some cases, industry accrediting bodies. Many Indian institutions are now looking toward Australia for potential trade and investment links including joint research, joint curriculum development, accreditation and training. The SP Jain Centre of Management (New South Wales) is a reflection of the likely trend in inward investment and joint ventures between Indian and Australian centres of education excellence.

As a result of the Baird Review, changes to the ESOS Act and other related legislation will also likely make it more difficult for new education entities to operate in the Australian market place.

As was mentioned in AIBCs earlier submission to the Australian Government, mutual recognition of qualifications and professional licensing continues to be an area of concern and one where both government and industry partners can make significant improvements. With Indian skilled workers representing the second largest cohort of skilled migrants into Australia, improved understanding of local requirements, mutual recognition of qualifications and partnerships between credentialing bodies should be prioritised.

## **Information and Communications Technology (ICT)**

According to the National Association of Software and Service Companies (NASSCOM), the Indian IT and BPO sector was estimated to generate revenues of US \$88.1 billion in 2011.<sup>1</sup> Australia continues to be among the fastest growing markets for Indian IT majors. There are 18 large Indian companies in Australia, including the likes of Tata Consultancy Services, Mahindra Satyam, Infosys, Wipro, NIIT, and HCL to name a few.

In May 2011, during the Joint Business Council meeting between AIBC and FICCI, the main issue identified by this sector was the challenge of finding suitable partners in Australia for innovative Indian ICT companies. Related to the education opportunities between Australia and India, there is a need for more clarity on Australian Government policies for supporting ICT graduates from India to remain in Australia and contribute their knowledge and expertise, which is also an issue that needs consideration. For Indian ICT corporations in the Australian market place, gaining access to government procurement processes can be a barrier. There is a need for education on both sides, i.e. the Indian corporations in understanding procurement processes and Australian government/industry in the value of the technical skill and knowledge in the locally operated Indian firms here in Australia.

## **Supporting Increased Trade and Investment**

AIBC recommends the following five key actions to support increased trade and investment from India into Australia:

1. Improved business matching services and support for Indian and Australian companies in priority industry areas such as resources, energy, education, financial services, ICT and biotechnology.
2. Greater cohesion between government policies and programs at federal, state and local levels in Australia and the preparation of a document that summarises these for Indian companies operating in Australia.
3. A focused campaign to support improved cultural competence of both Australian and Indian corporations in working together.
4. Continuation of business forums to share information and best practice in engagement between Australia and India.
5. Closer engagement with the Australian community on the benefit of trade and investment between Australia and India for our collective futures.

## **For more information**

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<sup>1</sup> National Association of Software and Service Companies (2011) IT-BPO Sector in India: Strategic Review 2011

## Attachment 1: List of Indian Corporations in Australia

<ul style="list-style-type: none"><li>• ITeS HCL Technologies</li><li>• Infosys Technologies</li><li>• Tata Consultancy Services</li><li>• Polaris Software</li><li>• Wipro Technologies</li><li>• Cognizant Technologies</li><li>• Birlasoft Zenith</li><li>• Software iGate</li><li>• Global Solutions</li><li>• Mindtree Consulting</li><li>• Infinite Computer Systems</li><li>• Infotech Enterprises</li><li>• Mahindra Satyam</li><li>• Tatvasoft Softpro Systems</li><li>• Dhanush Infotech Komli Media</li><li>• Manthan Systems Eka Software Allied Digital</li></ul>	<ul style="list-style-type: none"><li>• Mphasis Resources</li><li>• Birla Group</li><li>• Sterlite Industries</li><li>• Gujrat NRE Coke Ltd</li><li>• Indian Institute of Chemical Technology</li><li>• Balaji Coke</li><li>• Bhushan Steel</li><li>• Suzlon Energy</li><li>• Tata Power</li><li>• Reliance Industries</li><li>• Essar Oil Mineral Enterprises Ltd</li><li>• Indian Seamless Metal Tubes Ltd</li><li>• Jindal Steel &amp; Power Ltd</li><li>• Vanasree Minerals</li><li>• Adhunik Metals Adani Group</li><li>• Saurashtra Fuels</li></ul>	<ul style="list-style-type: none"><li>• Lanco Infratech</li><li>• Hindustan Petroleum Financial Services</li><li>• State Bank of India New India</li><li>• Assurance Ltd Bank of Baroda</li><li>• Union Bank of India ASK Investment Management</li><li>• Punjab National Bank</li><li>• Religare Securities</li><li>• Security &amp; Intelligence Services (SIS)</li><li>• Mahindra &amp; Mahindra (Auto/ Aviation)</li><li>• Indage Holdings (Winery)</li><li>• Asian Paints (Paints)</li><li>• Pearls Group (Hospitality)</li><li>• Cox and Kings (Travel)</li><li>• S. P. Jain (Education)</li></ul>
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