



Foreign Policy White Paper

Submission to

Department of Foreign Affairs and Trade

By

Australia India Business Council

March 2017



CONTENTS

1.0 Executive Summary

2.0 Background

- 2.1 Australia India Business Council
- 2.2 Recent Trends in Australia –India Trade and Investment
- 2.3 Potential Barriers to Growth
- 2.4 The Comprehensive Economic Co-Operation Agreement (CECA)
- 2.5 Towards a New Trade Model

3.0 Comments on Broad Issues

- 3.1 Australia’s foreign policy needs to be grounded in a clear-eyed assessment of our national interests
- 3.2 Australia has diverse interests that span the globe
- 3.3 Australia is an influential player in regional and international organisations
- 3.4 Australia needs to be ambitious in grasping economic opportunities
- 3.5 Australia confronts a range of strategic, security and transnational challenges
- 3.6 Australia uses a range of assets and capabilities to pursue our international interests
- 3.7 Increased migration, especially from India

4.0 Recommendations



1.0 Executive Summary

Australia's trade with India is stagnating at best – yet the Indian economy is powering along at over 7 per cent growth and will soon be larger than China and the USA. It is time for a complete rethink of the Australian 'transactional' approach to trade and the 'arrive and scatter' model of trade missions.

Australia needs to pursue a strategic partnership with India, which would strengthen ties across trade, investment, defence, security, and people to people links. Vital to this new partnership is the successful conclusion of the comprehensive economic co-operation agreement.

In an increasingly multipolar world Australia needs to strengthen ties with the next major economic powers, which would include not only India but ASEAN and China.

Contact:

Sheba Nandkeolyar, National Chair, AIBC
+61 421 555 228
sheba@multicall.com.au



2.0 Background

2.1 Australia India Business Council

The Australia India Business Council was established in 1986 and is a membership based not-for-profit national, limited company.

The purposes of the company are to:

- Promote, support and expand bilateral trade, investment and strategic partnerships between the business communities of Australia and India;
- Provide a forum for establishing contacts between members and key stakeholders interested in bilateral trade and business opportunities between Australia and India;
- Liaise with the federal, state and territory governments of both Australia and India so as to develop political, economic and commercial co-operation in relation to bilateral trade between Australia and India.

Membership of the Company is divided into geographical regions based on the State or Territory Chapters as follows:

Victoria, New South Wales, South Australia, Western Australia, Queensland and Australian Capital Territory.

The national governing board of the AIBC company is chaired by the National Chair (Sheba Nandkeolyar) and the board leadership is supported by National Vice Chair (Jim Varghese). Both are elected by secret ballot from all members of the AIBC in every state and territory.

The board comprises members who are the State Presidents from all State Chapters.

State Presidents are elected by the State Management committee who are in turn elected, by secret ballot, by their respective AIBC State Chapter members.



The National Treasurer is nominated by the board members to join the board.

The Company Secretary supports the board in ex-officio capacity. The Board is also supported by the National Secretariat Executive Officer. The current Company Secretary is John Cox supported by Julie Hallifax from the National Secretariat.

This report builds upon comments made to the Secretariat of the AIBC by several AIBC members during the writing of this submission – including the Chair, Vice Chair and the Board of Directors.

2.2 Recent trends in Australia –India Trade and Investment

Trade between Australia and India has stagnated over the past few years, with little in the way of growth of new sectors. This stagnation occurs against the background of consistent high growth (more than 7 per cent) in the Indian economy, and steady growth in the Australian economy.

Australia's exports to India are dominated by commodities, such as coal, gas, gold, and minerals, and by education services. In India's case the trade depends on petroleum products and back office services.

There are some areas of new export growth in recent years beyond commodities and education. These include agricultural products, financial services and the entertainment sector (films, and music).

There is potential for expanding trade in urbanisation, professional services, innovation research and development, and in agricultural products and services. Investment opportunities include infrastructure, manufacturing, food processing and agriculture.



2.3 Potential Barriers to growth

AIBC members have highlighted a series of concerns holding back growth opportunities. These include:

- The difficulty of obtaining long term business visas (up to five years)
- Mutual recognition of qualifications in both India and Australia
- Regulatory burden relating to establishing credentials in both countries, such as duplication in copies of documents for starting a new business or opening bank account
- The current ‘arrive and scatter’ trade mission model means every business has to identify their own opportunities while competitor countries are taking a collaborative and team approach
- Cross cultural understanding both ways continues to be an issue
- Indian awareness of the diversity, strengths and knowledge base of Australia remains low

2.4 The Comprehensive Economic Co-operation Agreement (CECA)

There have been considerable comments from members of the AIBC regarding the Australia–India Comprehensive Economic Cooperation Agreement (CECA). It has been noted that the negotiations have been underway for several years, and appear to be stalled, even with a strong push by both the Indian and Australian Prime Ministers in 2014. The Agreement is pursuing a broad agenda and creates a comprehensive approach to trade and investment between the two countries.

The AIBC provided a submission to DFAT on the CECA in March 2015.¹ The issues outlined in that report are still of concern. Without reiterating then all those that have been highlighted, the following have been indicated by AIBC members as issues needing to be addressed:

¹ Source: <http://dfat.gov.au/trade/agreements/aifta/Documents/australia-india-business-council-submission.pdf>



- Cross cultural barriers remain a concern. There continues to be a need for education and training for businesses and governments to understand the business culture of each country. Basic myths continue to exist which can hold back greater business connectivity.
- Ensure mutual recognition of qualifications occurs, especially for professional services.
- Standard formats and processes for presentation of business data and credentials to ease the bureaucratic burden on businesses wishing to establish offices in either country.
- Consider providing the same FIRB (Foreign Investment Review Board) threshold levels for Indian investment into Australia as are available for investors from China, Korea and Japan.
- An India – Australia International Co-Production arrangement for films and other media productions, which would allow film projects to be eligible for Government incentives from both countries, including investment and taxation breaks.

While the CECA is not the only way of enhancing Government support for trade and investment between India and Australia, it will have a positive impact if it can be finalised in a timely manner.

2.5 Towards a New Trade Model

In November 2016, the AIBC in Victoria invited food and agribusiness companies and advisors to join a new ‘Food & Agribusiness Roundtable’ based on the following as a potential new trade model:

- Collaborating as a group in Australia – and creating collaborative groups in India
- Thinking longer term for India – minimum three years’ commitment
- Moving beyond just seeking sales - a transactional relationship
- Open minded about what the market might be and what they might supply



- Looking for much more than one trade mission and multiple rushed appointments
- Creative, collaborative, thinking outside the square
- Having intellectual property (technology, management, strategic) that can add real value in India
- Understanding what we must offer – products, pricing, post-harvest storage and distribution, IT, intellectual property, management, food processing, and more
- Open to alternative business building arrangements such as JVs, B2B2G, technology agreements, equipment sales, licensing, etc.

This Roundtable has highlighted four areas where Indian Governments and businesses see urgent need to build the Indian food and agribusiness sectors:

- Post-harvest storage and distribution – major weakness on India’s side
- Farming equipment and technology – young people are leaving the farm, which results in labour shortages
- Food processing and marketing – across most areas
- High end products for middle and upper classes leveraging the ‘clean, green’ perception of Australia

Many of these can be supported by Australian expertise, and by working collaboratively with Indian Governments and companies. The roundtable has an ambitious agenda mapped out for the rest of 2017, to test this new arrangement.



3.0 Comments on Broad Issues

As the Australia India Business Council's remit relates to India alone, the following comments are made with the India connection in mind. Where this interacts with broader considerations, they have been noted in our comments.

3.1 Australia's foreign policy needs to be grounded in a clear-eyed assessment of our national interests.

The AIBC considers that Australia's national interests would be best delivered by a strong relationship with our Asian and Indian Ocean neighbours. With Australian gas, and iron ore resources facing the Indian Ocean, Australia must be mindful of the needs of countries around the Ocean's rim. AIBC supports Australia's involvement in the Indian Ocean Rim Association.

3.2 Australia has diverse interests that span the globe

The Indo-Asia-Pacific area is expected to see the highest rates of economic growth in the next few decades, with India, China, Korea, Japan and ASEAN leading the way. India currently has the highest GDP growth rate of the major developing countries. The Asian Development Bank predicts India will grow at greater than 7 per cent for the next three years. Building sustainable linkages with this region will be important for Australia in the years ahead.

However, Australia's interests spread beyond our geographical neighbourhood. For example, Australia has security relations with the United States and Japan. There are also economic and investment relationships in place with the EU and Great Britain will continue to be major areas of interest.

Further, our innovation efforts in science and technology rely on advanced Western economies, but countries such as India are emerging as sources of collaboration in new scientific innovation. Australia also has a strong education



sector which needs to be nurtured and supported, as it provides a significant pathway to maintain key country relationships.

3.3 Australia is an influential player in regional and international organisations

Australia's position in key economic groups is paramount to our having a role in our region. Australia has always played a strong role in international groups, from the United Nations to the OECD, to APEC. Its regional involvement with ASEAN and North Asia can be seen as stabilising in an increasingly complex world. BREXIT, security issues in the Middle East and the South China Sea, and an uncertain United States foreign and economic policy, all indicate the need to build a strong international architecture.

In the case of India, Australia's involvement in the Indian Ocean Rim Association is very important. The AIBC supports the strengthening of the World Trade Organisation, and APEC.

India is building trade and investment linkages into ASEAN, Korea, Japan and China. Australia should consider the support it can provide to bolster our international relations with India, including supporting the inclusion of India into the APEC group.

3.4 Australia needs to be ambitious in grasping economic opportunities

Australia and India elevated their government cooperation to a strategic partnership in 2014 under Prime Ministers Modi and Abbott. Part of this arrangement included a renewed emphasis on the CECA negotiations. However, the Strategic Partnership approach has the potential to be more important. It could cover, for example, defence, security, education, innovation, cultural activities or sharing of government services. Australia should be innovative in its approach to this concept, and develop some new ideas.



The Indian Government's economic priorities have been well enunciated by the present Government. Australia needs to utilise its 'strategic partner' status with India to work cooperatively with the Government to see how Australian business could assist India to meet its development and economic priorities. This could include collaborative projects, as discussed under the heading 'Towards a New Trade Model' above. The partnership should also consider investments in strategic sectors between both countries, such as innovation, energy, and education and training. This would encourage greater interaction between Australia and the fastest growing economy in the region. A level of intensity in our relationship with India needs to build, as it has with China.

3.5 Australia confronts a range of strategic, security and transnational challenges

Australia needs to support the Indian Ocean Rim Association in its attempts to shore up security in this area.

Pursuing a Strategic Partnership with India would also help to build better linkages on security, with a proven and valuable partner.

3.6 Australia uses a range of assets and capabilities to pursue our international interests.

The AIBC represents the Australian business community with interests in the India trade and investment space. It has capabilities able to assist in the country's efforts to enhance Australia's international interests. Through building business networks, and encouraging cross cultural connections, it can help to create greater understanding between India and Australia. Business roundtables, and leadership conferences can be a bridge to greater cooperation. The AIBC has forged key alliances with Indian business organisations such as the Federation of Indian Chambers of Commerce and Industry (FICCI), and the Confederation of Indian Industry (CII).



The AIBC strongly supports, and works closely with, the Australia India Institute, which is building links to Indian universities and think-tanks.

AIBC works collaboratively with other organisations whose interests are closely aligned in context to India, such as Asia Link Business and Management Consultants who have offices in India as well as Australia.

AIBC also plays a conduit role in facilitating business between the two countries through its close working relationships with the governments of Australia and India.

3.7 Increased migration, especially from India

Recent years have seen an increase in professional migration – especially from China and India. The two countries have overtaken the United Kingdom and New Zealand as the top source countries for migration to Australia.

India is, therefore, one of the most rapidly growing diaspora audiences in Australia and as such will play a significant role in shaping the Australian economy and have implications for cross-border trade with India.

With the increase of international students from India, the Australian alumni based in India will need to be engaged to maximise the potential of the Australia-India relationship.



4.0 Recommendations

The AIBC recommends that, in considering Australia's role in the world, it moves to increase its relationship with India, at all levels.

The AIBC supports the concept of a Strategic Partnership with India, and that the Government move to establish a mechanism to move forward on the potential opportunities such a Partnership would offer, especially in defence, education, innovation and services

The AIBC strongly recommends that the CECA be finalised as soon as possible, giving business in both countries a similar status to our other key trading partners.

The AIBC supports a new trade model for working with India, which supports collaboration, multi industry participation at all levels of the business chain (from research and development to manufacturing and service delivery). Such a model advocates a greater participation from business communities from both countries, building trust and collaboration. Government support of this approach would build a better, long term economic relationship with a significant partner for the future.

The AIBC urges agreement on an India – Australia International Co-Production arrangement for films and other media productions, which would allow film projects to be eligible for Government incentives from both countries, including investment and taxation breaks.

The AIBC recommends that further steps be taken to improve cross-cultural understanding both ways between the two countries.

The AIBC recommends tapping into diaspora resources and Australian alumni resources to maximise the potential of the relationship for the future.