

ECONOMICS AND INDUSTRY STANDING COMMITTEE

**INQUIRY INTO WESTERN AUSTRALIA'S ECONOMIC
RELATIONSHIP WITH THE REPUBLIC OF INDIA**



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 11 MARCH 2020**

SESSION ONE

Members

**Ms J.J. Shaw (Chair)
Dr D.J. Honey
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 9.54 am

Mr CHRISTOPHER RODWELL

Chief Executive Officer, Chamber of Commerce and Industry of Western Australia, examined:

Mr AARON MOREY

Chief Economist, Chamber of Commerce and Industry of Western Australia, examined:

Mr MICHAEL CARTER

Manager, International Trade and Investment, Chamber of Commerce and Industry of Western Australia, examined:

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today to provide evidence in relation to the inquiry in Western Australia's economic relationship with the Republic of India. My name is Jessica Shaw and I am Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee. To my right is Yaz Mubarakai, member for Jandakot in outer space over there! To my left is Terry Redman, member for Warren–Blackwood and deputy chair; Stephen Price, member for Forrestfield; and David Honey, member for Cottesloe.

It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege. However, this privilege does not apply to something you might say outside of today's proceedings. Mr Carter, you are also appearing in front of the committee next week, I understand, in another capacity.

Mr CARTER: That is correct.

The CHAIR: We were just talking about that and I think it is clear to put on the record the capacity in which you are appearing today. We just to make sure that we have all that straightened up.

Mr CARTER: Indeed.

The CHAIR: Before we begin with our questions, do you have any questions about your attendance here today?

The WITNESSES: No.

The CHAIR: Would you like to make an opening statement?

Mr RODWELL: We would and thank you for providing the opportunity for the CCIWA to appear before the committee. Western Australia and India share an important economic relationship. There is an enormous potential for that relationship to grow and there are also significant challenges ahead if we are to grow that relationship. At the moment, India is WA's eleventh largest export market as of FY2018–19 figures. It is valued at about \$A2.6 billion. Petroleum, gold, alumina bauxite and iron ore were the top commodities exported. The relationship is really important if we consider the state's need to diversify. That does not take in just a central diversification, but also a market diversification, which really comes into full light when we consider the impacts or the potential impacts of the outbreak of coronavirus given WA's heavy reliance on China—and there are markets that are obviously already significantly impacted by that. In this context, it is critical that the Western Australian government articulates a global engagement strategy to frame our state's overall goals for trade and investment, and that needs to be actioned as a priority.

Our submission really concentrates on identifying the barriers to trade and investment between WA and India, and then the opportunities to strengthen that relationship. Despite India's domestic economic agenda being one of economic liberalisation, as I said earlier, there are really significant barriers to trade that remain. It has a protectionist approach to trade policy and foreign investment and that is a major trade barrier. It has some of the highest tariffs in the world with an average applied rate of about 13.8 per cent. Protectionism is especially current in its domestic agricultural sector. That is another really significant barrier when we consider what Western Australia has to offer the world. Since 2017, the Indian government has adjusted tariff settings and imposed quotas on the imported pulses to manage supply gluts. Another barrier is government subsidies to incentivise domestic production of low-cost food items including wheat, rice and sugar. In addition to protecting domestic industries, this has increased market volatility in India's domestic agricultural sector resulting in price increases for non-subsidised items like fruit and vegetables.

Another key barrier to trade and investment is the lack of market awareness and understanding between India and Western Australia, and this goes very much two ways. I will not go any further into that for now, but given these barriers, we need to think about what are the opportunities to improve the relationship. The state government is obviously strengthening its relations on the ground and it has a trade office in Mumbai and a sister-state relationship with Andhra Pradesh. Obviously there was a recent trade mission led by the Premier. I was also a member of that trade mission in order to build relationships and to identify potential opportunities. Michael Carter was similarly a member of that trade mission.

It will be beneficial I think for the government to review the resourcing of the Mumbai trade office to see how they can leverage existing resources. This may include enhancing the government's digital presence in the Indian market, improving the facilitation of businesses into bilateral supply chains and raising awareness of opportunities. Obvious opportunities exist in Western Australia's areas of strength, which include minerals and energy, advanced manufacturing, agribusiness, international education and tourism.

Energy security and efficiency are particularly important issues for India. Approximately 700 million people have gained access to electricity in India in the past two decades and electricity demand will potentially double by 2040. India relies on energy imports and needs to ensure security of supply while also pursuing low-carbon energy sources due to air quality issues and the impacts of climate change. That trade mission was in Delhi at a time when it had the worst air quality I think Delhi had ever experienced. We saw firsthand how significant an issue it was. In this context, India has been identified as one of the fastest growing LNG markets in Asia as it looks to move away from emissions-intensive energy sources to meet growing demand. It also has very strong ambitions with respect to electric vehicles and really strong targets around the use and manufacture of electrical vehicles. From an investment perspective then, and with India previously demonstrating its preparedness to invest in significant resources and energy projects overseas, there is obviously scope in the —

[10.00 am]

The CHAIR: Do you mean inbound investments?

Mr RODWELL: Right.

The CHAIR: Inbound investment to Western Australia—sorry, just to clarify?

Mr RODWELL: Yes, absolutely, although I would say it is important for Western Australia to consider investment both ways. But certainly given India's demonstrated preparedness to invest, and we have seen that in other parts particularly of this nation, you would think that there is scope between Australia and India in areas such as LNG and the lithium battery value chain. There is also significant

need in India for increased food imports due to a growing population and domestic shortages, and you will obviously also see on the current trajectory higher incomes in India and therefore a shift into high-value add foods, which of course Western Australia is obviously very active in supplying elsewhere in the globe.

The government has implemented three main policy objectives in India—food security, food self-sufficiency and income support for farmers. With an agricultural sector here in WA that is highly regarded for innovative technology, you would think we are well positioned to help build the capability and capacity also of India's agricultural sector. There is also an opportunity for Western Australian agribusinesses to enter supply chains and address India's domestic market requirements.

Moving onto international students, Asia accounts for around three-quarters of Australia's international students. The largest number of those students come from China and India, and there is a potential to boost these numbers as India's growing population will need higher quality education to support its aspirations for economic development and growth. There have been recent efforts to market Western Australia, particularly from a tourism perspective, through the brand ambassadorship of Adam Gilchrist. We believe they are well targeted and should be supported. The state should also continue its efforts to secure direct flights as this will underpin stronger tourism growth.

That is really the close of the opening statement. As I said at the start, it is a great opportunity to discuss with the committee what the opportunities are. I should note that Michael Carter is a two-term trade commissioner with the Australian Trade Commission to India, so he has particularly deep expertise in the country.

The CHAIR: Excellent. Thank you very much and thank you for your submission. The breakfast the other morning was a great event and certainly I had a lot of interesting conversations there, which I am sure my colleagues also did. One of the things that has come through to me very strongly in the evidence is I think that there is a keen appreciation, certainly from the parties that have chosen to submit, of the opportunity. Everybody can see how prospective it is and just how much benefit Western Australia stands to gain if we can improve our trading links. I think that is a given and I think that there have been targeted sectors where we have advantages here and capacity that are very complementary to the Indian and sub-national Indian governments' needs. But what has not come through to us strongly is: What then? What can the state government do? You have spoken about the barriers to trade. Trade barriers are typically addressed at the national level; that is a conversation between the commonwealth government and the state of India to talk about how they erect their tariff walls. What we are trying to get to the bottom of—the state government has obviously released an Asian engagement strategy, which was a really promising step. Certainly it has been suggested to us to take active steps on practical things that the state government can then do within the state government's policy space. I am very keen to understand the chamber's views on those practical, action-oriented steps that you think the state government could take. Also, given that the vast majority of your membership are small to medium enterprises, can you give some specific examples of what your members think would be helpful, practical steps that we could take? You have spoken about the facilitation of businesses into supply chains. What does that look like? What sorts of facilitation? Perhaps if you could expand on those points a little, that would be helpful.

Mr RODWELL: I might kick off and then I will go to you, Mike. It is important to also clarify that CCIWA also runs an international trade and investment group. As part of that, we also deliver TradeStart for greater Perth and surrounds—I think that is the terminology. We are engaged with businesses every day. In addition to that, we deliver trade consulting. We also issue certificates of origin for product bound for other markets. Through that we get significant insights—more than a

decades' worth of insights—as to which product is going where out of which sector, for instance. We would issue somewhere around two-thirds or 70 per cent to three-quarters of all those certificates for the state, so it is not an insignificant database to draw upon. Obviously, if we look at recent activity, it has been dominated by China and interest in China, and for good reason: the prices are good. Now we are seeing the risk of the lack of diversification there.

In terms of practical steps, that is very much what the chamber aims to do with its members: provide the practical steps, from the basics of how to export, how to enter, and that literacy and competency around engaging international markets, right through into more sophisticated market-entry opportunities, and sometimes that may be in partnership or consultation with the office in Mumbai or an Austrade office, which is a key ally in the work that we do.

Now for some general observations. The capability within Western Australian companies to enter into global markets always needs to lift, especially across SMEs, and that needs to be an ongoing concern for governments at all levels, and I include local government in there.

The CHAIR: What does that look like? What can the state government do to lift that capability?

[10.10 am]

Mr RODWELL: I think it needs to reflect on what it is that the federal government has committed resources to, what it is that others, like ourselves, have committed, and then think through where the partnership might exist to go and take those companies in. For instance, we would argue that with the broad membership that we have, which is 8 000 companies predominantly, almost exclusively employing businesses, which are therefore more than likely to be the ones with the capacity to enter into global markets, the actual bulk of that membership and the relationship to work with them exists. I would say that that is the key, and if not the key, then it must be one of the top three things around the way Austrade chooses to work with us on the TradeStart program in terms of creating that flow into the pipeline. It then, for me, comes down to an execution and focus issue within markets as to what you really want to achieve. Without that, it is just a scatter-gun effect of seeking things reactively and opportunistically rather than with a very clear identification. Let us be really honest here: Western Australia has quite a finite resource when it comes to the allocation of people and dollars that it puts into trade and investment. That does not necessarily need to be viewed as a weakness. It is just that we then need to be rigorous around how it is applied and therefore be more strongly minded about exactly what it is we go after and where is the critical piece. That is why in our opening comments we made the remarks around how it is not just about an Asian engagement strategy; it is about how we view the globe.

The CHAIR: But we have to be targeted and focused if, as you say, we have a fair amount of capacity within the business community here. One of the points that came out for me at the breakfast the other morning—I cannot recall who; in fact, Mr Carter, it may even have been you who made the comment—is that the key thing is that we all have to work together. When we are in a small market like Western Australia, where you want to compete against and go after a very small pie, if you like, in India it would seem that the opportunities are so big that you have to look at it and say, “What are our target markets? What are we selling into those markets and how can businesses support one another?” From what you have said, I take the point that the federal government has obviously set some priorities and strategies down. You, yourselves, as an industry-based organisation, are undertaking targeted activities and there are businesses out there. Our job is to have a look at what the state government can do to complement that work. Do you think it should be something like, maybe, herding the cats and helping the various disparate stakeholders identify where the opportunity is and how they can most effectively work together, to bring them from a mindset where they were competing against as opposed to hunting together? I think there was some

terminology used on the day about how we have got to hunt as a pack. I take your points. I am just trying to work out what is the role for the state in this. Is it herding the cats, is it facilitating partnerships and almost joint venture-type arrangements where we agree that there are certain markets, certain sectors that we can all target together? I am really trying to understand the space for the state government here.

Mr CARTER: Thank you, Jessica. I think the important aspect here is about applying a more focused approach to collaboration and cooperation. Notwithstanding that the WA trade office in Mumbai, we believe, is doing a good job, they are in a very crowded marketplace. They are very much focused in, if you like, the financial hub of India, and have been there since day one. At some point, just by way of context—some of you may be aware—they did have a remote, if you like, office in Chennai. In looking at India today, and in thinking about where decisions are made in that country and where some of the growth opportunities are in that country, one thing that the state government might want to look at is thinking about perhaps either deploying or recruiting additional resource perhaps to be first and foremost, you would think, in the state of Andhra Pradesh. If there is any way that the state government wants to demonstrate to the state government of Andhra Pradesh that we are committed about that sister-state relationship and want to take it forward, we should have someone on the ground in that state. It is a state that clearly has the need to build up its capability both in mining and METS and in agribusiness, and, surprise, surprise, those are two very core areas that Western Australia is very good at.

The CHAIR: Do you have a view of the political situation in Andhra Pradesh? We have had some evidence put to us that with the change in government in Andhra Pradesh, it is not the same administration that entered into the original sister-state agreement with the Barnett government. Although it was very prospective at that time, there are new barriers now that make it—it has been put to us that maybe it is not Andhra Pradesh right now. That jurisdiction may need to settle down. It has highly protectionist agricultural policies in particular, obviously very legitimately aimed at promoting growth in that sector for that population, but maybe the sister-state relationship is certainly a focus but there might be other states where we should also be focusing where, perhaps, the policy settings are a little more favourable for business entrants from WA.

Mr CARTER: I would agree with that. Certainly in that state at the present there are shifting sands. I am sure your trade commissioner in Mumbai would probably be more across it in today's contemporary times than when I was there. However, in saying that, there is a relationship that was invested into at a point in time. It is probably still worth pursuing that to see where are the areas. If we talk about agribusiness, we are talking here about the opportunities for Western Australian companies to be able to help address what Mr Rodwell said earlier about food security. This state has done that before. Within the old framework of what was then the Department of Agriculture, quite regularly there would be missions and there would be focused projects around trying to address food security in developing parts of the world. I think of Indonesia in the past and I think of North Africa and so on. Here is an opportunity whereby the state government could work with industry to help address food security in a place, whether it is Andhra Pradesh or many of the other states in India, is probably something that needs to be looked at.

Picking on from that, absolutely, that certainly is an opportunity to look at and say, "Okay. If there is a need to review that relationship with Andhra Pradesh, where else do we have our strength?" That strength of course is mining and METS. What conversations could be had looking into the state of, say, West Bengal where the Australian federal government has recently opened a Consul General? Could that be a location that could be looked at to have locally engaged staff on behalf of the Western Australian government? Where I do think that WA is probably missing out a bit is not having a presence in New Delhi. Everything centres around New Delhi in terms of central

government decision-making around the decisions that the Australian federal government represented by the Australian High Commission makes in Delhi. If Western Australia does not have a presence there, it is difficult to be there at the roundtable in those discussions.

The CHAIR: Do other states have a presence in New Delhi?

Mr CARTER: No. Most states have a presence in Bengaluru, which is like the Silicon Valley of India. You have Victoria and Queensland there. You have New South Wales represented in Mumbai and South Australia is similarly represented in Mumbai. May I also add that in Delhi, too, you have the peak chambers of commerce—CII and VCCI. To have a presence there, I would think, would probably help in increasing that bandwidth of awareness about Western Australian capability both in terms of trade and investment attraction. One of the things we are missing out on is not recognising that with the volume of, if you like, productive free trade agreements that Australia has consummated with many markets, say, in North-East Asia and South-East Asia, the opportunity and attractiveness for Indian companies to say, “You know what? It makes good sense for me to look at the investment opportunities and see Perth as that natural gateway, as that window into that region.” But it is difficult to do that when there is a limited presence in Mumbai, to date.

Mr RODWELL: I might add a bit of background for you. I was originally the trade commissioner for the Queensland government for the Americas before I worked for Austrade. All my work has been exclusively in the Americas. I think this point around who is the right state and where is the right location is a really important one. As the trade commissioner at the time, I inherited MOUs with half the countries of Latin and North America, and I think clear principles need to be defined around why you would want to enter into that, what is the body of work that you commit to and how you will resource it? That last piece especially is one that constantly gets overlooked. There should be rigour around that and also an agility, a flexibility, to move out. During the time that I was the trade commissioner, we had one office in Los Angeles. We closed that office. We moved the North American office into Houston. We had opened the headquarters down in Santiago and had two consultants working, one out of Brazil, and then we put another consultant back into LA. But the point was that you have to react to what the opportunities are. The reason for Houston was because there was clear oil and gas investment coming out of Houston into Queensland and, if you were not there, you were not going to get that SME run on both investment into Australia but also the reverse opportunities of trading into what is obviously the oil capital of the world. It is really critical that Western Australia constantly review its policies and its locations to ensure, and then it has to make decisions around what kind of commitments it wants to make and for how long in particular areas because, with the right approach, it could work very nimbly in terms of responding to the market conditions.

[10.20 am]

Mr Y. MUBARAKAI: Thanks, gents. Obviously there is a paradigm shift in Western Australia and it was pretty evident at the breakfast launch—I think it was last week—with a room packed full of businesses. The aftermath of having conversations with businesses was just a buzz of “where do we start?” The question I really want to ask the CCI is where the SME base that you have within the membership—could you give the committee a brief about where has India sat with your member base? Has there been a shift within the CCI about some interest of now looking at opportunities with India? Has that been within your member base something that is quite active?

Mr CARTER: That is a terrific question. Traditionally, Yaz, when we look at, for example, our certificate-of-origin records, we still continue to see of course the flow of, shall we call it, the traditional exports into India—the agri-exports of chickpeas, wool, wheat and so forth, and then a whole range of mining commodities. That will continue. However, what has been noticeable,

certainly over the last six to 12 months, has been the growing dialogue around looking at India from a WA SME perspective as being a source of supply in terms of fulfilling that global supply chain mechanism. The announcement that Mr Rodwell made last week at our India event is just one example of that. A well-established Indian company in Pune that manufactures quality steel rollers for the mining sector has now just consummated a deal with a 50-year-old mining supplier here in WA. That is not just an import transaction; that is now going to potentially lead to that company and probably others to think that maybe it makes sense to look at Western Australia as being a place to invest and set up a factory and create jobs and so on and so forth. We are starting to see that. I met a company yesterday called Avid, and they are big. They are across verticals of construction. They are across farmer and industrial. They are looking at what the play is going to be looking like in Western Australia. I think we have to recognise that that engagement between Western Australia and India is going to envelop more than just what are called “rocks and crops”. I think the opportunity for greater collaboration within sectors such as construction and advanced manufacturing are going to be some of the areas that we can start to assist in.

Mr Y. MUBARAKAI: These conversations that you are having with predominantly your member base would be strong with trade in China and there has been a track record of that engagement. With India as an emerging market and that increase in businesses now, as Michael described, building that rapport and tapping into this new emerging market, as an organisation are you finding it difficult to find a pathway in Western Australia of leading into India for matching—I am going to call it bride matching—where a business in Western Australia that has been currently exporting to China now wants to look at India? When you as an organisation are looking into India, do you find that there are certain barriers here within the current platform we have, to look at going to India?

Mr CARTER: Let me firstly say that obviously our purview is the globe. We work with members who have an appetite to pursue international engagement, whether it is import or export, or two-way investment in any part of the world. Notwithstanding that probably about 60 per cent of our work has been very much focused into China for obvious reasons, we are starting to see a growing level of interest in India. I would not have thought four or five years ago that we would have packed out Fraser’s last Thursday morning; there was just not that level of interest. I think it comes back to, “You only know what you know”, to use that hackneyed expression. I think that government, bodies like ourselves and others need to continue to play that very important role of increasing that level of awareness. As far as our current engagement in India, whether that is working with the WA trade office in Bombay or the Austrade offices or the chamber network of the International Chamber of Commerce, we are having those dialogues. The challenge is in increasing the level of awareness among the business community here about some of those opportunities and really looking at India and saying, “Let us not look at it as one big elephant that you chew; it’s got to be market segmented.” We have looked at the Peter Varghese report—we all have—and we have certainly clearly identified that there are certain sectors where Western Australia has both the competitive advantage and the capability, vis-a-vis, say, Tasmania or New South Wales, to be able to make that inroad.

I just want to pick up quickly on education. Our universities are fairly active in India but they could probably work a bit more collaboratively together. That might take the form of there being some sort of platform on a one-stop shop, whether it is in the Mumbai office or in Delhi or elsewhere, where any one of our four universities that are travelling to India can present that united front. We are not just competing with universities in other states of Australia; we are competing very actively with the Americans and the British and Canadian universities that would be far more active and far more prevalent in the southern states of India, whereas traditionally they would be very much focused in the north.

The CHAIR: Tertiary education is very much a federal issue, but I will throw to Terry because I know that his question follows on from Yaz's.

Mr D.T. REDMAN: I want to come off the back of Yaz's question and your response, Mr Carter, that suggested that if you look at supply chains in markets, the Holy Grail is to get some sort of advanced manufacturing in Western Australia. We are trying to achieve that as a goal. You gave me the impression that in the interaction with India there were those opportunities, including investments back here. In your opening remarks you referred to electric vehicles being something that is being chased in India. When the lithium boom was kicking off, there were comments from the chamber to the state government saying, "Be careful not to focus. Don't try to bog down your manufacturing. Look at the other early parts of the supply chain." That was a priority that was thrown out from yourselves. What you are responding to now would seem a bit counter. Is that an India-specific issue?

Mr RODWELL: Maybe it is important for us to clarify that. We maintain that the work we published in 2018 around where the opportunities are for WA to operate upstream and downstream remains current. We have also always been open, where the economics have changed, to say that perhaps there is the opportunity to move further down the value chain. I think with respect to India—conversations were held to this extent during the trade mission—Indian investment at any level is non-existent, really, in Australia. Given their commitments that they are making in multiple decades—they are not just commitments, by the way; there is huge funding attached to them—the point is that we need to be having a conversation, more conversations, about where it is that Indian investment in particular could come in to Western Australia. As a chamber we are always happy to be proven wrong. If there is an opportunity to move further down the value chain, then so be it. But it is clear that we should be having the conversation, and an informed conversation with India, given its commitments.

[10.30 am]

Mr D.T. REDMAN: By extension, if there are strong initiatives driven by policy settings in India—it is probably Mr Carter's background I guess that might bring this to bear—what is your experience in terms of how much they will drive that in terms of securing the relationship, as distinct from the pure economics of a decision? Part of that is around sovereign risk of battery minerals, for example. I know that the US is looking at this. I am not sure we have seen the direct influence where companies are backed to that extent. Is India different, or is India just watching that game?

Mr RODWELL: I would say just at the outset that history tells us that in terms of the relationship on commodities, that India tends to buy on the spot market. It is not engaged in long-term contracts. I think that if you look into the future, I am not sure that that is a recipe that will work so well, so we should expect that India is more likely to pivot to at least some different form and, therefore, Western Australia should be having the conversation.

Mr D.T. REDMAN: So is that something we should be engaging in as a shopfront, about the security of those relationships for longer-term policy agendas?

Mr CARTER: Particularly within the framework, if you like, of the quadrilateral with the US, Japan, Australia and India and the role that we can play. That quadrilateral is certainly looking at regional security; looking at ways in which they can address such areas as, for example, energy security. Can you imagine a world in which tomorrow WA is the supplier of what is needed to manufacture lithium batteries in India, which certainly would capture the attention of large international automotive manufacturers in the US and Japan, giving them the opportunity to think that they do not have to be reliant on China and that they can look to India as being a source of supply, and the role that we can play in that? Even within the defence collaboration there is the role that we can play, in terms

of Western Australia being a terrific geography in terms of the servicing for defence-related activity and engagement with India on the other side of the Indian Ocean.

Mr S.J. PRICE: We have heard a lot around relationships between Australia and India. Do you think we are doing enough to develop and secure the relationship we have with India? Do you think that maybe we need to look at having an India-specific strategy, both from a Western Australian point of view and possibly federal, to help drive and develop and establish those relationships further to enable all these opportunities we keep talking about to come to fruition?

Mr RODWELL: I might start. If you look at the total sum of resources applied to India and the thinking that has occurred especially at a national level, and the quality of the individuals that are put into market, Australia does quite well. If we even reflect back at a national level when Andrew Robb was the trade minister, there was an extraordinary push into India in a way that few other countries, if any, could compare. I think some of the work that was done there, absent of trade agreement, was unprecedented. He was obviously an exceptional trade minister in his ability to negotiate FTAs and it was arguably the most significant economic reform that occurred at a national level in the last decade. His push into India with industry across sectors was very important, and clearly there are cultural ties. Can we do more in India? Yes, and I think we do need to reflect on location. But I would say that actually the bigger thing that Invest and Trade Western Australia needs to look at is the whole global piece and where India fits within that. We have an Asian engagement strategy, but we do not have a fully carved out global strategy. In fairness to them, I was at an Invest and Trade WA business advisory forum yesterday afternoon and clear work is being done around strengthening the value proposition, considering how they should look at the responsibilities of their officers and even right down to looking at what a prospectus is. WA currently does not run off a single deal book in terms of even looking at bringing Indian investment into here. There are practical things that we can do so that there is a clear strategy around how to approach the market. India is important in the context of the growth opportunity that sits there over the next couple of decades and the clear need to diversify markets, especially in respect of China.

Mr CARTER: It really comes back to, again, strength being more so and really amplifying that people-to-people engagement. Indian businesses invest a lot of time in that; we need to as well. Yes, it is great that we have had a number of Western Australian government ministers travel to India—we had the Premier just recently—but that has to be supported by further ministerial missions as well as business missions. We need to be putting people in front of people. It is people that do business.

Dr D.J. HONEY: My path is sort of heading down Yaz's path a bit and I am going to come back to a quite simplistic view in terms of the trade. We were talking before about the opportunity for the small to medium enterprises to trade with India. Is it that those businesses are not aware of opportunities or is it that they just see an intractable barrier once they realise there is an opportunity in India? I am thinking more along the lines that the Chair was heading down and that is—recognising government's role is not as big as it ever thinks it is—what role can government play in facilitating one or both parts?

Mr CARTER: There are a couple of low-bearing fruit. The government has recently launched its second tranche, if you like, of the Access Asia grants program. You can imagine that if there was a version of that that was very much focused towards India, I am sure that would get the attention. I think again, picking up from what Mr Rodwell said earlier, we have the Asian engagement strategy but it is very broad. Within that, what support can the government, working in harmony with stakeholders like the CCI and others, play in helping SMEs navigate with their particular product and service where they can find that entry point?

Dr D.J. HONEY: Really it is around: do the firms here know what the opportunities are?

Mr CARTER: Absolutely not enough. There needs to be more of that awareness raising.

Dr D.J. HONEY: And that is facilitated by what you were talking about just a minute ago, and that was actually taking groups over and constantly facilitating that process, if you like.

Mr CARTER: Correct.

Dr D.J. HONEY: We have heard about the barriers on the other side, but are they intractable? I am thinking aloud to myself. If you look at our boat-building industry at Henderson, that has had fabulous penetration into Asia. One of our companies is becoming a major supplier of military vessels in the US. But I am not aware that they have had anywhere near the penetration into India. They are not babes in the woods; they are very advanced and they are completely export focused. But is that my lack of awareness? It just seems to me that you would expect that India would be a major market for that same group of companies.

[10.40 am]

Mr MOREY: On that issue, member, the OECD has some pretty comprehensive data on the barriers for individual countries on things like FDI and the like. India has probably the most restrictive barriers when it comes to FDI in general—in the top two or three—and not just on FDI in general but in setting up professional services firms in the country and cross-border data flows; for example, stipulating that any information service provider needs to house the data within the country. With intellectual property, it has some of the laxest oversight of those sorts of rules in the world. These are well documented. The Australian government asked the Productivity Commission to look at service exports in particular in about 2014. The commission emphasised all of these barriers on the other side, which the Chair rightly recognises is out of our control and it is up to the Australian government to negotiate through those. I would note that an FTA is not a panacea for addressing those barriers either. What the commission emphasised—this is not a sexy or exciting initiative—is that governments can create an environment where their local industry is as internationally competitive as possible. That is a great first step that they can take to complement these specific initiatives. These inquiries come along and it is great and we think about the specific initiatives we can do with India, but we always need to be thinking about how we can make our domestic SME sector as internationally competitive as possible through tax and regulatory settings. The commission looked at specific areas such as visitor attractions and ensuring that they have the infrastructure for international tourism and the like. The sorts of things that they talked about are actually policy measures at the state level, so ensuring that there is a good project selection process, a very robust cost–benefit analysis to ensure we get sufficient tourism infrastructure, development approvals are timely and planning and zoning laws are not too restrictive. Whilst they are not India-specific type initiatives, the Australian government’s principal adviser has emphasised those things as providing a platform upon which a local business sector can succeed in any market, including India.

Dr D.J. HONEY: Just along that specific line, I have spoken to some Indian investors who want to invest in Western Australia. They have expressed to me—this has been over probably more than a decade—extreme frustration with doing business in Australia. I know on the other side, Australians doing business in India have expressed extreme frustration, but it seems that they have an expectation that they will be able to—they have a pocket of money. Some of these are billion-dollar investors. They feel that they should be welcomed with open arms and embraced and assisted in what they are doing. They expressed frustration to the point that they feel they are being thwarted in what they want to do. I know generally what they are trying to do, but I do not know the intimate details of the transactions, if you like. But they expressed that to the point of giving up. They just think it is essentially—it is not a hostile environment but it is certainly a really frustrating

environment for them when they have money and a good business opportunity, but there are all just the regulatory barriers that we have that stop them from investing.

Mr CARTER: If I may chip in, it may also depend on the sector. For example, if you have a conversation with some of the large Indian IT companies that have a presence in Australia, certainly here in Western Australia, whether it is companies like Tata Consultancy Services or Wipro, it is a different story. They are making good business here. They are content that they have invested into the state.

Dr D.J. HONEY: Are these people investing in mining and energy?

Mr CARTER: For sure.

Mr RODWELL: But I would also say agriculture is also a significant one. When I was in Mexico City, there was a joint investment between Mexican and Indian partners in canola seed pressing in southern New South Wales where it was certainly the case that there were concerns around regulatory issues, cost issues especially. The costs are very real; it is not just India that is concerned with them. It is something that we have to take our medicine on as a state and as a nation that there are regulatory improvements that could excite greater investment, whether it be India or some other jurisdiction. It is what the federal government is doing right now, but also the state government through Streamline WA is critically important. It is important that we start to get some delivery of all of that. I say that as a steering committee member of Streamline WA.

The CHAIR: We are 15 minutes over time with this hearing. What we may do is put some questions on notice and invite the chamber to provide us with the answers. We have hopefully flagged some of the issues that are of concern to the committee. If you feel that there is something that we should know, we would certainly welcome a supplementary submission. That would be fantastic. I am sorry. I will proceed to close today's hearing. Thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 working days of the date of the email attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you so much for coming in, we really appreciate it.

Hearing concluded at 10.45 am
