



# **Inquiry into Western Australia's economic relationship with the Republic of India**

Submission by the Chamber of Commerce and  
Industry WA

**7 February 2020**

## Introduction

The Chamber of Commerce and Industry of Western Australia (CCIWA) is the leading business association in Western Australia and has been the voice of business for 130 years. CCIWA represents employer members from across all regions and industries in Western Australia.

CCIWA welcomes the opportunity to provide a submission to the Economic and Industry Standing Committee's inquiry into Western Australia's economic relationship with the Republic of India.

The importance of the economic relationship between Western Australia and India is significant with potential for considerable growth. India was WA's 11th largest export market in 2018/19 valued at A\$2.6 billion; with petroleum, gold, alumina/bauxite and iron ore the top commodities exported.<sup>1</sup> The relationship is also important as an avenue for market diversification, given Western Australia's heavy reliance on China.

In this context, it is critical that the Western Australian Government articulates a global engagement strategy to frame the overall goals for trade and investment. This needs to be actioned as a priority.

This submission focuses on identifying the barriers to trade and investment between Western Australia and India and opportunities to strengthen the trade relationship.

## Barriers to trade and investment

India's increasingly liberalised domestic economic agenda has seen it transform from a stagnating, protectionist economy in the 1980s into the third largest economy in the world. Despite these economic reforms, several key barriers to trade remain. India still takes a protectionist approach to diplomacy and trade, prioritising domestic job creation and economic growth. Indeed, India has some of the highest tariffs in the world, with an averaged applied rate of 13.8 per cent.<sup>2</sup>

### Protectionist approach to domestic agriculture

India's protectionist approach to the domestic agricultural sector increases trade barriers for Western Australia. For example, since 2017 the government has adjusted tariff settings and imposed quotas on the import of pulses to manage domestic oversupply.<sup>3</sup>

Government intervention has increased market volatility in India's domestic agricultural sector. The government heavily subsidises domestic producers, incentivising the

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<sup>1</sup> Department of Jobs, Tourism, Science and Innovation, 2019. *Western Australia India Trade Profile October 2019*. [https://www.jtsi.wa.gov.au/docs/default-source/default-document-library/india-trade-profile--october-2019.pdf?sfvrsn=7614701c\\_2](https://www.jtsi.wa.gov.au/docs/default-source/default-document-library/india-trade-profile--october-2019.pdf?sfvrsn=7614701c_2)

<sup>2</sup> Office of the United States Trade Representative. *2019 National Trade Estimate Report on Foreign Trade Barriers*. [https://ustr.gov/sites/default/files/2019\\_National\\_Trade\\_Estimate\\_Report.pdf](https://ustr.gov/sites/default/files/2019_National_Trade_Estimate_Report.pdf)

<sup>3</sup> *Ibid*

production of wheat, rice and sugar, which are used to provide low-cost food for the poor. This has increased prices for non-subsidised items such as fruit and vegetables.<sup>4</sup>

### **Water scarcity**

Water scarcity has implications for India's food security and economic growth. India comprises 18 per cent of the global population and only 4 per cent of water resources. Water scarcity is a major issue, with many cities currently facing daily water shortages. Agriculture is the largest consumer of water (around 80 per cent). Subsidising water-intensive crops may be contributing to the further depletion of water supplies. Over-extraction of groundwater by farmers will see some regions exhaust their groundwater supplies within 10 to 15 years.<sup>5</sup>

India requires significant investment in infrastructure, such as water treatment plants, waste management systems and industrial water recycling technologies. Western Australia can offer expertise and share technological innovations in this area from experience developing and operating state-of-the-art water desalination plants. For example, the Perth Seawater Desalination Plant established in Kwinana uses systems of reverse osmosis to make fresh, potable water from seawater.

### **Market awareness**

Another key barrier to trade and investment is the lack of market awareness and understanding between India and Western Australia. The State Government is taking action to strengthen relations on the ground, for example through the WA trade office in Mumbai, the Sister-State Relationship with Andhra Pradesh, and the recent trade mission to India. It may be beneficial for the government to review the resourcing of the Mumbai trade office to see how they can better 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 investment opportunities. On the latter point, it is important to emphasise that Western Australia needs to better articulate the investment opportunities available in the State and its commitment to supporting deal flow.

## **Opportunities to strengthen the trade and investment relationship**

As per the terms of reference for the inquiry, the focus of this submission is on the target sectors of minerals and energy, advanced manufacturing, agribusiness, international education, and tourism. Western Australia can build on its strengths in these areas to strengthen its trade relationship with India.

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<sup>4</sup> The Diplomat, 2014. *India's Dangerous Food Subsidies*. <https://thediplomat.com/2014/08/indias-dangerous-food-subsidies/>

<sup>5</sup> Down to Earth, 2017. *Why India needs to change the way it manages water resources*.

<https://www.downtoearth.org.in/blog/water/challenges-in-the-management-of-water-in-india-58275>

## Energy security

Approximately 700 million people have gained access to electricity in India in the last two decades. With electricity demand potentially doubling by 2040, energy security and efficiency are increasingly important issues for India.<sup>6</sup>

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. Indeed, the government of India is aiming to increase the share of natural gas in its energy mix from 6 per cent to 15 per cent by 2030.<sup>7</sup> The Western Australian Government has identified India 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.<sup>8</sup> India also has strong ambitions with respect to electric vehicles. From an investment perspective then, and with India previously demonstrating its preparedness to invest in significant resources and energy projects overseas, there is scope to grow the investment relationship between Australia and India in areas such as LNG and the lithium battery value chain.

India has also seen a rapid uptake of solar photovoltaic (PV) systems in the past decade, increasing by an average of 64 per cent per year from 2013 to 2017.<sup>9</sup> The uptake of solar PV systems is expected to continue to rise, driven by government renewable energy targets and incentives. The government has announced a target of 175GW of grid-connected renewable electricity capacity by 2022; grid-connected renewable electricity capacity is currently around 84GW.<sup>10</sup>

Western Australia has similarly experienced strong growth in installed capacity of PV systems, increasing from virtually zero ten years ago to over 1,000 megawatts (MW) in 2019.<sup>11</sup> Western Australia is currently grappling with the challenges created by integrated renewables in the main electricity grid, including how to manage increased variability and maintain power quality. This could therefore potentially be an area of research and technology sharing between Western Australia and India.

## Electric vehicles

The automotive industry in India contributes over 7 per cent to the country's gross domestic product.<sup>12</sup> Rising demand for electric vehicles presents risks and opportunities for India's automotive manufacturing sector. Government policy settings are in place to support the electrification of the transport industry in India. The government recently

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<sup>6</sup> International Energy Agency (IEA), 2020. *India 2020 Energy Policy Review*. <https://www.iea.org/reports/india-2020>

<sup>7</sup> *Ibid*

<sup>8</sup> Department of Jobs, Tourism, Science and Innovation, 2019. *Asian Engagement Strategy*. [https://www.jtsi.wa.gov.au/docs/default-source/default-document-library/asian-engagement-strategy-2019-2030.pdf?sfvrsn=a4c2701c\\_6](https://www.jtsi.wa.gov.au/docs/default-source/default-document-library/asian-engagement-strategy-2019-2030.pdf?sfvrsn=a4c2701c_6)

<sup>9</sup> International Energy Agency (IEA), 2020. *India 2020 Energy Policy Review*. <https://www.iea.org/reports/india-2020>

<sup>10</sup> *Ibid*

<sup>11</sup> A. Zibelman, 2019. *Managing the energy transition*. Accessed from: [https://ceda.com.au/CEDA/media/Attachments/2019/PDF/03/W190308\\_Zibelman\\_Presentation.pdf](https://ceda.com.au/CEDA/media/Attachments/2019/PDF/03/W190308_Zibelman_Presentation.pdf).

<sup>12</sup> PwC, 2019. *Indian automotive sector: Creating future-ready organisations*. <https://www.pwc.in/assets/pdfs/industries/automotive/indian-automotive-sector.pdf>

announced the second phase of the *Faster Adoption and Manufacturing of Electric Vehicles in India* scheme, which focuses on reducing the cost of electric vehicles used for public/shared transportation.<sup>13</sup>

Andhra Pradesh has developed an electric vehicle policy, looking at potential opportunities in the electric vehicle value chain.<sup>14</sup> The WA Government is also looking at ways to support the electrification of the transport sector and accelerate the uptake of electric vehicles.<sup>15</sup> Western Australia's Sister-State relationship with Andhra Pradesh could be an effective platform for collaboration and engagement on electric vehicle policy and aligns with discussions on the battery minerals value chain.

### **Battery minerals**

The increased penetration of renewable energy in global electricity systems and decarbonisation of our transport systems will be largely enabled by battery technology. With an abundance of natural gas and an innovative resources sector, WA has the potential to produce materials used in batteries for electric vehicles and battery storage systems at lower emissions intensity than its global competitors.

WA already has a crucial position in the global battery supply chain as a major exporter of battery minerals such as lithium, cobalt, nickel and alumina and is set to capitalise on opportunities for lithium hydroxide and nickel sulphate production, and potentially cobalt sulphate production. The State Government is actively promoting and growing WA's battery minerals sector through the work of the Future Battery Industry Strategy. There is an opportunity to build on this work and strengthen the trading relationship between India and WA in this sector.

### **Agribusiness**

India has a significant need for increased food commodities due to a growing population and domestic shortages. The government of India has implemented three main policy objectives: food security, food self-sufficiency and income support for farmers.

With an agricultural sector that is highly regarded for its innovative technology, Western Australia is well-positioned to help build capability in India's agricultural sector. There is also an opportunity for Western Australian agribusinesses to enter supply chains and address India's domestic market requirements. Western Australian dairy, fruit and vegetables, and meat products are well-positioned to meet demand for premium produce from India's growing middle class population.

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<sup>13</sup> International Energy Agency (IEA), 2019. *IEA Global EV Outlook 2019*. <https://www.iea.org/reports/global-ev-outlook-2019>

<sup>14</sup> World Economic Forum, 2019. *EV-Ready India. Part 1: Value Chain Analysis of State EV Policies*. [http://www3.weforum.org/docs/WEF\\_EV\\_Ready\\_India.pdf](http://www3.weforum.org/docs/WEF_EV_Ready_India.pdf)

<sup>15</sup> Department of Water and Environmental Regulation. 2019. *Climate Change in Western Australia – Issues paper*. [https://consult.dwer.wa.gov.au/climatechange/issues-paper/user\\_uploads/climate-change-in-wa\\_2019.pdf](https://consult.dwer.wa.gov.au/climatechange/issues-paper/user_uploads/climate-change-in-wa_2019.pdf)

## International education and tourism

Asia accounts for almost three quarters of Australia's international students, with the largest number of students coming from China and India.<sup>16</sup> There is strong potential to strengthen this further, as India's growing population will need high quality education in order to support its aspirations for economic development and growth.

WA educational service providers could align themselves with opportunities to provide vocational education and training (VET) services to India by becoming a foreign provider of choice for vocational training. This could be achieved by local businesses tailoring their orientation of services around India's specific skills requirements and conducting research and innovation partnerships that align WA expertise with needs of India's productivity gap. WA firms could seek the avenue of online education and collaboration to provide services.

The WA government has identified India as a growing tourism market for the State. In the year to September 2019, 31,100 visitors from India spent \$57 million in WA making it the 11<sup>th</sup> largest market in visitor spend.<sup>17</sup> Recent efforts to market Western Australia, notably through the brand ambassadorship of Adam Gilchrist, 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.

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<sup>16</sup> Department of Education. 2019. *International student data*.

<https://internationaleducation.gov.au/research/International-Student-Data/Pages/default.aspx>

<sup>17</sup> Tourism Western Australia, 2019. *Western Australian Tourism Industry Scorecard – Year Ending September 2019*.

<https://www.tourism.wa.gov.au/Publications%20Library/Research%20and%20reports/2019/YE%20Sep%202019/Tourism%20Industry%20Scorecard%20-%20YE%20Sep%202019.pdf>