

INQUIRY INTO WESTERN
AUSTRALIA'S ECONOMIC
RELATIONSHIP WITH INDIA

Submission from the
Australia India
Business Council
WA Chapter

23 January 2020.



Prepared by AIBC WA Chapter

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Preface

The Economics and Industry Standing Committee, Legislative Assembly, Govt. of Western Australia has commenced an enquiry into matters relating to Western Australia's economic relationship with India.

The Australia India Business Council AIBC, WA Chapter were formally invited to make a submission to the inquiry which addresses the terms of reference as per the invitation letter 30 August 2019. The submission closing date was 31 January 2020 and revised to 7 January 2020.

It should be noted that contributions from the AIBC are noted in this submission.

Established in 1986, the Australia India Business Council (AIBC) was founded to foster bi-lateral relations between the two countries. We are the only national premier non-profit organisation with a mission to promote trade dialogue between India and Australia through nurturing and maintaining close relationships in both Australia and India, with Federal and State government agencies, the diplomatic missions and industry bodies.

The AIBC is delighted to be given the opportunity to contribute to the Inquiry into Western Australia's Economic Relationship with India.

The Asia Business Series— India Business Forum was held in Perth on 3 May 2019 and featured Mr Peter N Varghese AO, author of 'An India Economic Strategy to 2035' (left), former Indian Ambassador Anil Wadhwa, who is writing the 'Australia Economic Strategy' for the Government of India (middle) and the Hon. Peter Tinley AM MLA, Minister for Asian Engagement, Government of Western Australia (right).



Source: Asian Engagement Strategy 2019-2030 Report 30 August 2019

Executive Summary

The commitment by the Western Australia Govt. to develop the trade and investment relationship with India since the Labor government took office in 2017 has been remarkable. There have been a number of ministerial-led missions to India including by; the Deputy Premier, Minister for Tourism, Minister for Education and more recently the Premier of Western Australia who led a delegation in November 2019 with a focus on Tourism, International Education, Business, Energy, Mining & METS and direct flights. The AIBC (WA Chapter) President accompanied the Premier's Mission to India in November.

The [Asian Engagement Strategy 2019-2030](#) was launched by the WA Govt. in August 2019 with a key focus on the Asian rim to grow bilateral trade and investment. India is one of the priority markets along with Japan, China and Korea.

Australia's ties with India are long standing and strong. India is currently our fifth largest trading partner and our fifth biggest export market. We exported \$20 billion worth of goods and services to India in 2017. Currently India is our 28th largest source of foreign direct investment (A949 million in 2018) and is the 15th largest destination for Australia's direct investment abroad. (\$1.6 billion in 2018).

The Australian Government is now committed to taking this relationship to the next level with its ambitious India Economic strategy. This strategy is premised on the report to the Australian Government by Peter Varghese AO, [An India Economic Strategy to 2035](#). This strategy recommends that by 2035 India must be:

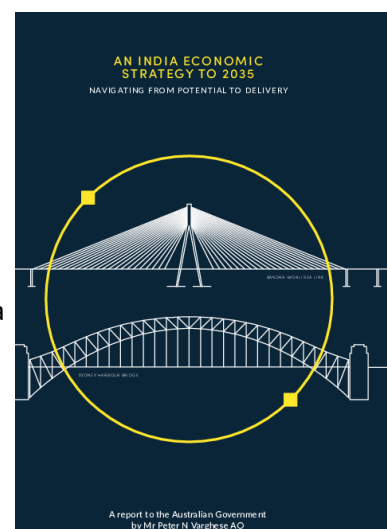
- one of our top three export markets
- the third largest destination in Asia for Australian outward investment
- part of the inner circle of Australia's strategic partnerships.

This strategy sees Australian exports in the next 20 years to India grow to around \$45 billion and Australian investment in India rise from the current \$10.3 billion to over \$100 billion mark. Why India matters to Western Australia and the size of the opportunity is as follows:

- It is the fastest growing large economy in the world.
- It will have the world's largest population by 2035.
- By 2025 one-fifth of the world's working age population will be Indian
- By 2030 there will be over 850 million internet users in India,
- By 2035, India's five largest cities will have economies of comparable size to middle income countries today.

Over the next 20 years, a growing India will need many of Australia's goods and services – in education, agriculture, energy, resources, tourism, healthcare, financial services, infrastructure, science and innovation and sport.

Western Australia was the first Australian state to open a trade and investment office in India in 1996. It continues to maintain representation in Mumbai. In 2016, WA established a sister-state relationship with Andhra Pradesh with a focus on collaboration and business support in areas of mining, education, dryland agriculture, energy production among other sectors.



Current Status of India's Trading relationship with Western Australia

Over the last ten years there has been a dramatic fall off in total goods exports from Western Australia to India from approx. \$6.2 billion to \$2.6 billion from 2008-09 to 2018-19. This has been principally due to the decrease in gold exports.



Source: ABS 5368.0 International Trade in Goods and Services; and WA Department of Mines, Industry Regulation and Safety, Resource Data Files.

Conversely over the same time frame total goods exports from Australia to India have increased by 78% to \$21.1 billion in 2018-19.

In 2018-19 India was Western Australia's 11th largest market for goods exports valued at \$2.6 billion which has been below the annual 10-year average of \$3.5 billion.

Western Australia's major trading partners: 2018-19							
Exports				Imports			
Rank	Market	\$billion	Share (%)	Rank	Market	\$billion	Share (%)
1	China ¹	81.4	50	1	China ¹	5.0	15
2	Japan	24.1	15	2	United States	3.1	10
3	South Korea	9.3	6	3	Papua New Guinea	3.0	9
4	Singapore	7.0	4	4	Japan	3.0	9
5	United Kingdom	5.0	3	5	Malaysia	2.6	8
11	India	2.6	2	16	India	0.4	1
	Other	32.4	20		Other	15.5	47
	Total	161.8	100		Total	32.6	100

¹ Excludes Special Administrative Regions and Taiwan.
 Source: ABS 5368.0 International Trade in Goods and Services.

The principal exports from Western Australia have been petroleum (including LNG, crude oil and condensate), gold and bauxite. Other exports have included other minerals, chemicals and agriculture and food.

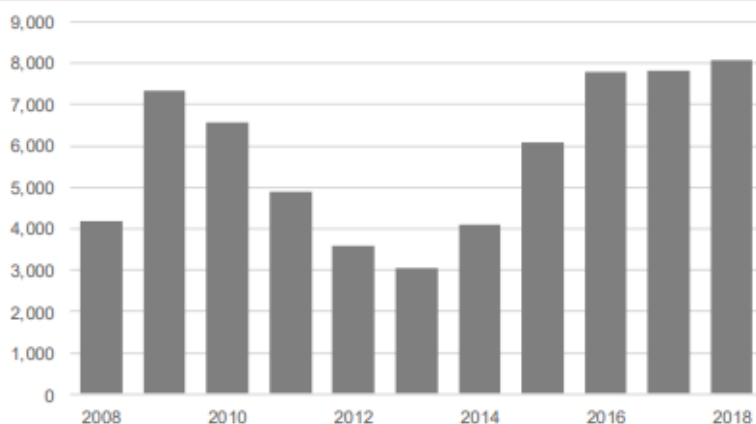
Major export commodities to India: 2018-19

Commodity	\$million	Share (%)	Annual change (%)	Rank as WA market
Petroleum ¹	583	23	-18	10
Gold	579	23	-21	6
Alumina ²	542	21	-17	5
Iron ore	237	9	-21	8
Copper ore	136	5	+6	5
All other exports ³	484	19	-22	
Total exports ⁴	2,562	100	-19	11

¹ LNG, crude oil, condensate and LPG. ² Includes bauxite. ³ Other minerals, chemicals, agricultural and food, machinery and equipment, and other manufactured goods. ⁴ Total merchandise exports of minerals, petroleum, chemicals, agricultural and food, machinery and equipment, and other manufactured goods.
Source: ABS 5368.0 International Trade in Goods and Services; and WA Department of Mines, Industry Regulation and Safety, Resource Data Files.

International Education has grown significantly where Indian student enrolments have more than doubled in the last ten years.

Indian students enrolled in Western Australia



Source: Department of Education and Training, International Students Data.

TOP 10 EXPORT MARKETS

WESTERN AUSTRALIA'S EXPORTS 2018		
Ranking	Market	Value (A\$billion)
1	China	68.42
2	Japan	23.14
3	South Korea	8.61
4	Hong Kong	6.98
5	Singapore	6.22
6	India	3.41
7	Thailand	2.89
8	Taiwan	2.87
9	United Arab Emirates	2.46
10	Indonesia	2.26

TOP 10 INTERNATIONAL VISITORS

WESTERN AUSTRALIA'S ASIAN VISITORS 2018		
Ranking	Market	Visitors
1	Malaysia	102,300
2	Singapore	99,000
3	China	61,000
4	Indonesia	31,500
5	Japan	30,900
6	India	30,900
7	Hong Kong	25,300
8	Korea	15,500
9	Taiwan	12,400
10	Thailand	12,400

TOP 15 INTERNATIONAL EDUCATION

ASIAN STUDENTS ENROLLED IN WESTERN AUSTRALIA 2018		
Ranking	Market	Number
1	China	8,452
2	India	8,077
3	Malaysia	3,425
4	Bhutan	1,781
5	Taiwan	1,778
6	Vietnam	1,708
7	Hong Kong	1,661
8	South Korea	1,572
9	Pakistan	1,443
10	Singapore	1,415
11	Nepal	1,360
12	Japan	1,144
13	Indonesia	1,121
14	Thailand	784
15	Philippines	589

TOP 10 ASIAN MIGRANT SOURCE COUNTRIES

ASIAN MIGRANTS IN WESTERN AUSTRALIA 2016		
Ranking	Birthplace	Population
1	India	53,370
2	Philippines	33,430
3	Malaysia	32,250
4	China	29,960
5	Vietnam	17,620
6	Singapore	16,270
7	Indonesia	12,490
8	Myanmar	9,110
9	Sri Lanka	8,870
10	Thailand	8,360

Data sources: Australian Bureau of Statistics, Trade in Goods and Services and Migration, Australia; Department of Education, International Student Data; International Monetary Fund, World Economic Outlook Database; and Tourism Research Australia, International Visitor Survey.

Existing Barriers or Impediments to Trade

There have been and in part continue to be barriers or impediments to trade between Western Australia and India which can be best articulated as follows;

1. A Free Trade Agreement in the future.

Australia and India began negotiations for a Comprehensive Economic Cooperation Agreement (CECA) in May 2011 since then there have been nine rounds of negotiations. India remains protective of its domestic market and is still negotiating CECA with Australia

Notwithstanding this the Australian Government formally endorsed the independent India Economic Strategy and its ambitious vision for bilateral trade and investment authored by Peter Varghese AO [An India Economic Strategy to 2035](#).

2. Constraints and Challenges in Doing Business

The control in sectors like the energy sector characterised by state-run organisations and a monopolistic structure with controlled pricing and high barriers to entry frustrate efforts to develop opportunities for new overseas entrants.

Transparency and corruption, whilst at the centre may be showing a decline, is probably less so at state level and across the public sector. Furthermore, there remains frustrations for companies to do business highlighted by;

- Bureaucratic inefficiencies
- Restrictive land acquisition
- Difficult regulatory procedures
- Obtaining permits and enforcing contracts
- Starting a business.

Notwithstanding the above according to World Bank Rankings 2019 in terms of ease of doing business India ranked #77 in 2019 compared to a ranking of #130 in 2017. It is imperative that WA businesses identify the right sources of expert local market advice and therefore engage with the WA Trade office (Mumbai), DFAT and Austrade offices.

3. Understanding each other.

On both sides of the Indian ocean there has been little awareness and understanding of the burgeoning bilateral trade and investment opportunities between Western Australia and India. WA business engagement for some time has been focussed on mining resources and Agri commodities trade and little else.

To some extent there have been outdated views and misconceptions about India and similarly Western Australia. For this reason, the importance of soft or cultural diplomacy has been an important catalyst to enable both nations to better understand the cultural nuances i.e. Australian Federal Govt's [Oz Fest India](#) 2012-13 and in 2017.

The success of the TV series MasterChef Australia in India has also been an effective mechanism to portray contemporary Australian culture.

Our relationship is much more than the common cliché “Commonwealth, Curry & Cricket” and the more people understand each other, and the value sets we can increase the level of business engagement. For example, it is important for higher education to play a part in cultural, as well as commercial, diplomacy which to some extent is being undertaken but sometimes in a non-strategic way. There are enormous possibilities to work with good Indian universities to set up ‘labs’ or ‘institutes’ across a range of areas that would be relatively low cost.

4. Serious commitment from WA’s business diaspora.

For some time, the WA Business community has been narrowly preoccupied with the trade and investment agenda with North East Asian markets rather than India, which is understandable given the demand for mineral resources and energy. There has been a greater level of trade and investment engagement from the other states of Australia with India; Queensland (Mining & METS), Victoria (International Education & VET) and New South Wales (Financial Services, Professional Services and Mining). In international higher education might benefit from a more strategic and broader framework of engagement beyond merely student recruitment.

It should be noted the ratification of the three North East Asian Free Trade Agreements; JAPEA, JAFTA and ChAFTA have also played a key role in the focus on this region of engagement.

Therefore, WA businesses will need to patiently take a long-term view and commit to building relationships to position Western Australian capabilities and capacities in a segmented marketplace already occupied by European, North American and Asian SME’s and NML’s.

5. Revising the market entry strategy for India.

Western Australian business will need to align its core competencies and USP’s to the market gaps within India’s economic frameworks at a state level.

It is not a simple case of “shotgun” market entry channel strategy in India – this will not work. WA companies will need to change their market entry approaches in India with focus and precision in the same way as is being done in Northern and SE Asia.

6. What Western Australia has to offer India.

Getting the marketing pitch appropriate and relevant is important to promote Western Australia as a trade and investment destination for Mining & METS, Agribusiness and Agri-Services, International Education, Energy and Tourism. It is also important to understand that India is not ‘one country’, but many markets and regions with particular nuances.

Similarly, it is important to position Western Australia not as a backwater or isolated location, rather as a regional hub in the Indo-Pacific region and a gateway for doing business in South East and North East Asia as well as the Middle East.

The plethora of bilateral and multilateral FTA's Australia is a party too provides an opportunity for Indian companies to invest in Western Australia as a viable gateway into several Asian FTA markets and therefore benefit from the FTA trade and investment concessions.

Opportunities to Strengthen the Trading Relationship

Sister State Relationship with Andhra Pradesh

Since the Western Australian Govt. signed a sister state agreement with the state of Andhra Pradesh in January 2017 it is difficult to identify any specific milestones or outcomes from the agreement.

The states of Telangana and Andhra Pradesh were formed from the erstwhile (combined) state of Andhra Pradesh, with the City Hyderabad serving as the joint capital for the states of Telangana and Andhra Pradesh. The states are strong in agriculture, pharmaceuticals, information technology, biotechnology, infrastructure, education and minerals & mining.

Andhra Pradesh is keenly seeking to attract investment and open markets in such areas as sustainable commercial fishing, architectural services, urban infrastructure, Ports, Metro Rail Gas Pipeline network.

Notwithstanding that the WA Govt has a trade office in Mumbai consideration should be given to having a locally engaged officer domiciled in the state of Andhra Pradesh to foster these important state Govt and business ties.

The Indian Diaspora in Western Australia

The Indian diaspora in WA is almost 100,000 and growing across numerous Indian ethnic communities. They continue to play a pivotal role in building the people to people relationships across the Indian Ocean in business and cultural ties.

Similarly, the Indian Consulate General plays an important role supporting WA-India engagement through a series of business and cultural programmes including [Confluence: A festival of India in Australia](#), held annually, as well as Indian festivals such as Diwali, held across many suburbs in Perth Greater Metro.

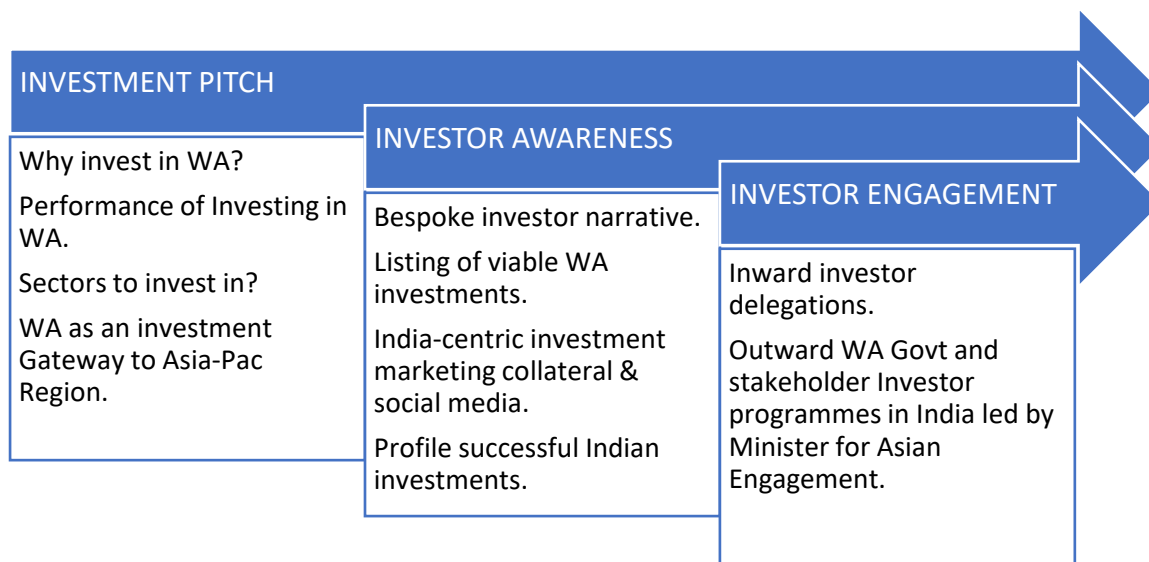
Within the State and Local Govt diaspora there are active advocates for growing the India- WA relationship they include; Mr Kevin Joseph Jude Michel MLA, Karratha; Mr Yaz Mubarakai MLA, Jandakot and; Cr. Yaso Ponnuthurai, City of Canning.

The Australia India Business Council [AIBC](#), Western Australia Chapter plays an important role engaging with the Indian Business diaspora as well organising business events and activities in collaboration with key stakeholders in Govt, industry and our universities.

Strategies to Attract Inbound Investment

Fundamentally Western Australia needs to rethink its FDI strategy to ensure it succeeds in attractive long-term sustainable investment to grow the WA economy and create jobs.

This is a three-tier strategy based on the INVESTMENT PITCH, INVESTOR AWARENESS and INVESTOR ENGAGEMENT.

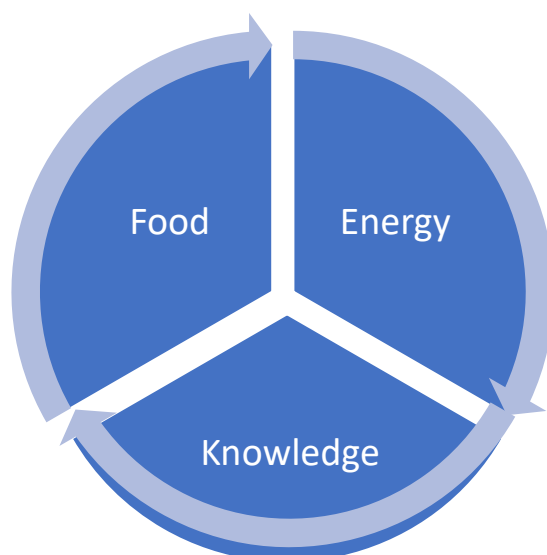


Central to the investment pitch will be the identification of key sectors and the viability of investing in these nexuses of sectors.

Food Security: to address India's demand for raw materials, valued added Food processing expertise and ability to secure long term supplies of Agri commodities.

Energy Security: to enable the supply of lithium, LNG and other clean energy solutions to fuel India's enormous growth trajectory and infrastructure expansion in roadways, smart cities and rapid urbanisation.

Knowledge Security: Indian investment into upskilling and educating its large under 25yo consumer base with high education and vocational and education training VET requirements. This also includes investment into R&D centres, Centres of Learning.



Developing existing and new Sectoral Focuses

The following sectors have been identified pivotal to growing the trade engagement between India and Western Australia. They include; International Education, Tourism, Minerals & Energy, Advanced Manufacturing, Agribusiness.

International Education and VET

India's growing consumer class ambitions for its youth is creating a demand for quality education and training. As such India's demography is driving this change with the largest tertiary population globally. Consequently, the opportunity for our universities and training providers to upskill India's dominant under 25yo population and to expand on higher education services delivered in Australia and offshore are enormous.

Our Universities are well placed to meet the global challenges in India. Below are the respective rankings often considered when Indian students consider their future study options abroad

University	Times Ranking	QS Ranking
UWA	131	91
Notre Dame	157	212
Curtin	251-300	250
Edith Cowan	401-500	751-800
Murdoch	401-500	591-600

It should also be noted that students and often their parents will consider other parameters in making the institution selection. They include cost of degree course, study lifestyle, safety, post study employment opportunities and of course the reputation of the institution often based on family, relative or friend referral.

Driving innovation and research and developments through start up India, Digital India, The F Grand Innovation Challenge and the Inclusive Innovation Fund are key programmes for creating opportunities for collaboration in academic research between institutions.

With the extension of the Australia- India Strategic Research Fund (AISRF) to 2022 this should provide an impetus for WA institutions. There are great opportunities to partner with excellent private higher education universities in India setting up labs in blockchain etc as well as opportunities in Executive Education.

Some of this is being done by universities but there is room to work on a more focused and niche basis perhaps to leverage state-sister relationships

Tourism

Although Indian tourists to Western Australia only accounted for 3% of the state's total international visitors there is scope to attract more India visitors to our state. The recent appointment of a WA Tourism representative of Tourism Australia in Mumbai is a good start however more can be done in the areas of;

1. Social Media Campaigning to promote Western Australia as a safe, exciting and relaxing destination to enjoy our breathtaking clean and dramatic scenery, quality and diverse food and wine in appealing all weather conditions.
2. Direct Flights Advocacy must continue at Govt. and business level in Western Australia to dramatically increase the vacations and business traveller to Western Australia with a direct route.
3. Perth, Western Australia a gateway for Indian travellers travelling onwards to eastern Australia or NZ. Perth as the ideal break or stop over on route to other Australian city destinations. Within a radius of 12km's there is much to enjoy and do in Perth Greater Metro for Indian families and single travellers.
4. Putting WA on the Silver screen to attract film studios to shoot in Western Australia given the range of diverse shooting locations from the outback in the Pilbara to the lush green forests in the south West and Perth's cosmopolitan vibrant CBD scene.

Mining & Energy

WA's world class proven expertise in mining & METS capability. The demand for gold, bauxite, alumina, iron ore and copper can be supplied by WA and potentially provide an opportunity for Indian investment in these ore commodities.

Moreover, WA's expertise in METS can be deployed to build efficiency in India's mining operations in areas such as coal value chain and beneficiation, R&D collaboration, mining IT, planning software, mine safety, health and risk management.

The States of India relevant to focus WA mining & METS capability should be West Bengal, Odisha, Jharkhand, Chhattisgarh and Andhra Pradesh.

India has a strategic focus to reduce its reliance on fossil fuels by 30% in the medium- long term. As a result, EV is a key agenda focus. Therefore, India requires battery-grade lithium compounds including high-purity Lithium Carbonate and Lithium Hydroxide Monohydrate for cell manufacturing. This is where Western Australia can be a potential supplier of these compounds to enable battery manufacturing in India for numerous applications including EV, smart phones etc.

Advanced Manufacturing

Although Western Australia is not a large Advanced Manufacturing location there could be opportunities for WA Advanced Manufacturing companies to be a part of global supply and value chains and invest in India as a value-added market for WA designed manufacturing equipment in the mining, resources and infrastructure sectors. To design and develop the IP in Western Australia and finalise production and/or assembly in India where there is a wealth of lower cost skilled assembly and production capability. For example, Mercedes Benz and BMW export car components “flat packed” to India for assembly in India for the local market. This approach could be applied for WA Advanced manufacturing engineering and componentry.

The Govt. of India’s Initiative [Make in India](#), to transform India into a manufacturing hub is a logical step forward to encourage WA advanced manufacturing companies to explore the investment and co-collaboration partnering opportunities in India.

As well, with the Indian Govt’s mandate to create 100 smart cities underpinned in the [Smart Cities Initiative](#) is an opportunity for WA tech and IoT providers in applications for green building design, energy solutions, security and surveillance and robotics applications in mining, road infrastructure. Govt of India has allocated over USD\$376 billion for infrastructure over 3 years in addition to its 100 Smart City programme.

Agribusiness

Whilst Western Australia may be an established large supplier of grains, pulses and wool to India and this is expected to continue despite the vagaries of fluctuating Indian import tariffs and quotas there are emerging areas of agribusiness trade and investment opportunities for Western Australia.

India has the world's fastest growing population of millionaires. The country will have 950,000 millionaires by 2027, up almost 190% from 330,000 last year. India's rising upper middle class of approx. 600 million has substantial disposable income and aspirations to travel, purchase goods and enjoy new consumer experiences.

It should be noted that increased internet and smart phone penetration across India is driving rapid growth in e-commerce. For WA Premium Food exporters e-commerce offers a lower risk market entry approach into the consumer market and allows access to India’s multitude of second tier cities where demand is met only by the limited retail options.

Such consumer behaviour presents an opportunity to position premium value-added food products and beverages into the organised premium retail food and HORECA sectors across the major capital Indian cities; New Delhi, Mumbai, Bengaluru and Hyderabad. From Western Australia this would include; fruit juices, wine, craft beers, spirits, lamb, dairy products, cereals and snack foods.

Notwithstanding the size of India's agribusiness sectors; dairy, horticulture, grains and commercial wild caught harvest and aquaculture there are long term opportunities for Western Australian agricultural capabilities in areas of technology transfer, skills and training, research collaboration and mechanisation to greatly improve the efficiency in harvest and post harvest processes in both land based and offshore practices to address food and protein security.

States of India which have potential for WA Agri-services and tech include; Andhra Pradesh, Rajasthan, Punjab, Madhya Pradesh, West Bengal and Tamil Nadu.

Conclusion

As the world's fastest growing major economy which is consumer led and driven by the services sector Western Australia has enormous opportunities to engage at the B2B and B2G across the sectors identified in this submission.

These sectors include; International Education, Mining & METS, Agribusiness and Agri Services, Energy, Tourism and Advanced Manufacturing to forge deeper bilateral engagement over the next 10 to 15 years. This is amplified in the Peter Varghese report "An India Economic Strategy to 2035".

The Australia India Business Council at a Chapter level as well as a national level remain firmly committed to collaborating with key stakeholders in the WA- India relationship at Federal Govt Agency level (Austrade and DFAT), State Govt Dept level (JTSI, DPIRD) and at industry and business bilateral level to profoundly grow the business and people to people linkages between Western Australia and India.

Contributions from AIBC WA Chapter.

WESTERN AUSTRALIA STATE CHAPTER MEMBERS:

MICHAEL CARTER

PRESIDENT

Michael has over 25 years' experience in International Engagement and Business Development having held senior management roles in the private sector working abroad and in Australia in the industries of commercial and private banking, road infrastructure, Food & agribusiness and in the public sector with the Australian Trade Commission, Austrade. During his time with Austrade Michael was Trade commissioner to India from 2007 to 2015 responsible for building bilateral trade and investment between Australia and the South Asian region. Michael's suite of core competencies includes a well-grounded experience in the areas of; stakeholder engagement, Govt policy and advocacy, International business, Strategic Planning and B to B and B to G engagement across micro, SME and large corporates.

Michael currently heads the International Trade and Investment Centre (ITIC) at the Chamber of Commerce and Industry of Western Australia. ITIC delivers the core international services; export documentation (Certificates of origin, Carnets), bespoke international trade consulting and oversee the delivery of the Federal Govts. key programmes; Tradestart Exporter Services and the Entrepreneurs Programme.

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