



Government of **Western Australia**
Department of **Jobs, Tourism, Science and Innovation**

Inquiry into Western Australia's economic relationship with India

Department of Jobs, Tourism, Science and
Innovation submission

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General information

This submission to the Economics and Industry Standing Committee's *Inquiry into Western Australia's Economic Relationship with India* is made by the Department of Jobs, Tourism, Science and Innovation (reference: A775289).

Summary

India has strong economic growth prospects due to a young, large and growing workforce, and has cultural ties with Western Australia through migration, tourism and international education. India's economic growth and reforms to open up the economy are likely to enable trade and financial flows with Western Australia to broaden and grow over time.

Economic reforms and infrastructure development could foster the development of India's manufacturing industry and demand for Western Australia's export commodities. India's need for cleaner energy could provide an opportunity for LNG and other clean energy-related exports such as hydrogen and battery minerals from Western Australia.

The Australian Government's *An India Economic Strategy to 2035* will help Western Australia pursue economic opportunities in areas such as education, tourism, water management and mining services.

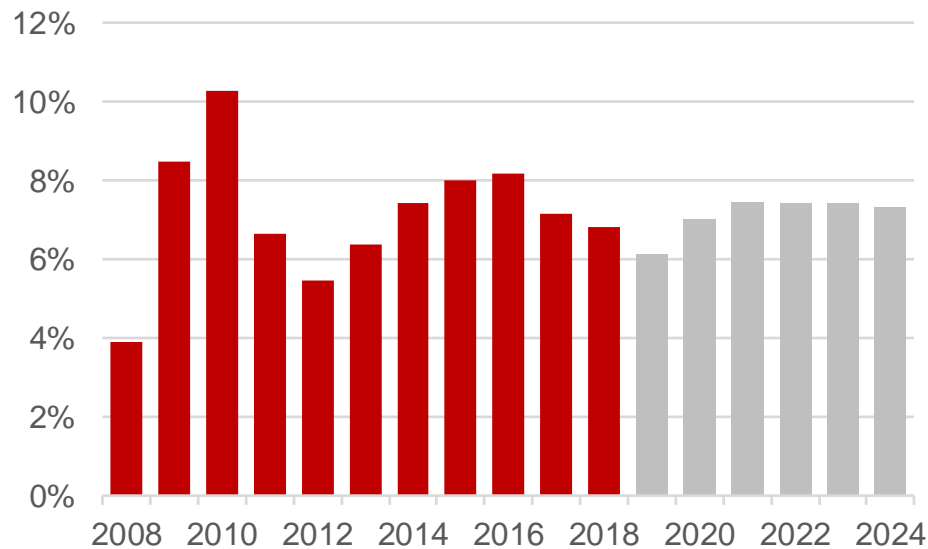
The main challenges for Western Australia to grow its economic relationship with India include being cost-competitive (including against India's own domestic supply of commodities and services) and India's protection of its own sectors from international competition, particularly agriculture. Differences in commercial practices may also affect investments both in India and in Western Australia.

Economic developments in India over the last decade and their implications for the bilateral trading relationship

Economic development

India's economy has grown strongly since the global financial crisis, with GDP growth averaging over 7 per cent a year since 2009. The International Monetary Fund forecasts India's GDP growth will be above 7 per cent a year between 2020 and 2024 (Chart 1). However, per capita incomes in India are relatively low. In 2018, India's GDP per capita of 7,859 international dollars (on a purchasing power parity basis) was below the Philippines (8,943 international dollars), Indonesia (13,234 international dollars), China (18,116 international dollars) and Thailand (19,484 international dollars).

Chart 1: India – Real GDP growth

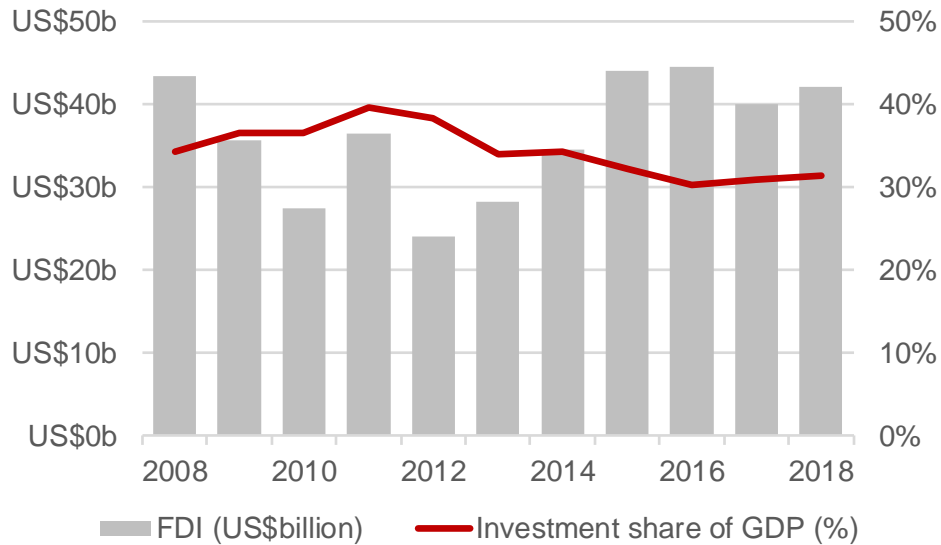


Source: International Monetary Fund, World Economic Outlook, October 2019.

Like other developing Asian economies, services are becoming a greater part of the Indian economy, accounting for over half of gross domestic product in 2018. Agriculture’s share of the economy has declined, but still accounts for 15 per cent of India’s GDP. The manufacturing industry has not featured in India’s economic development as much as in China, Japan or South Korea. Manufacturing accounted for 15 per cent of India’s GDP in 2018, around half the share it accounts for in China, Japan and South Korea.

Investment makes a relatively large contribution to the Indian economy. In 2018, investment accounted for 31 per cent of India’s GDP, above Thailand (25 per cent), Vietnam (27 per cent) and the Philippines (27 per cent), but below China (45 per cent), Myanmar (37 per cent) and Indonesia (34 per cent). Chart 2 shows that India has attracted more foreign direct investment (FDI) since 2012.

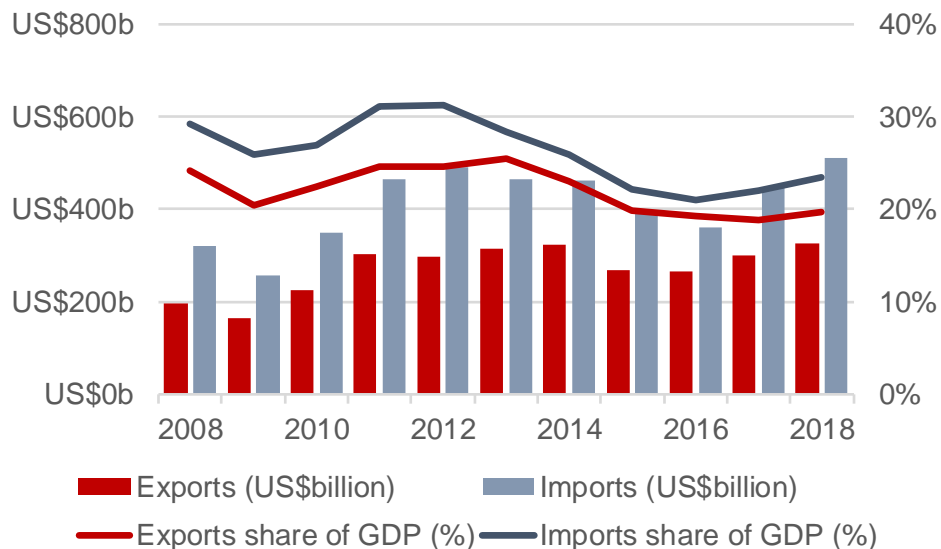
Chart 2: Investment in India



Source: World Bank and International Monetary Fund

India generally imports more than it exports (Chart 3). Although India has a surplus in services trade, driven by its software industry, this is outweighed by its deficit in goods trade. In 2018, exports of goods and services accounted for 20 per cent of India's GDP, a similar proportion to China. Imports of goods and services accounted for 23 per cent of India's GDP in 2018.

Chart 3: India's international trade in goods and services



Source: World Bank and International Monetary Fund

India has strong growth potential. It has a population of 1.3 billion people, which the United Nations expects will grow by more than any other Asian country by 2050 (up 276 million). India's workforce is large, young and increasingly well-educated. India has significant natural resources such as iron ore, coal, bauxite, natural gas and cultivable agricultural land.

Government reforms

Narendra Modi, leader of the Bharatiya Janata Party (BJP), became India's Prime Minister at the 2014 general election. The BJP increased its majority in the lower house at the May 2019 general election. The next general election is scheduled for May 2024.

The Modi Government has implemented economic reforms to make it easier to do business in India. These reforms include liberalising foreign direct investment, introducing an Insolvency and Bankruptcy Code and implementing a federal goods and services tax to replace indirect federal and state taxes. The reforms have had some success, with India improving its overall score in the World Bank's 'Ease of Doing Business' report from 55 (out of 100) in 2016 to 67 in 2019.¹

In September 2019, the Modi Government cut the corporate tax rate for existing companies from 30 to 22 per cent and for new manufacturing companies from 25 to 15 per cent. A month earlier, the Government announced various fiscal measures including withdrawing the surcharge on Foreign Portfolio Investors and injecting US\$9.7 billion into public banks.

The Government's draft 2017 energy policy aims to increase gas production over the medium term by encouraging collaboration between national companies and the private sector, sharing data on gas exploration and removing policies that distort the energy market. The policy acknowledges that India will need to import gas to meet its future demand.

The Modi Government has made less progress on trade liberalisation. India maintains some of the highest tariffs in the world and its agricultural sector is heavily subsidised.

The progress of future economic reforms partly depends on whether the BJP can secure a majority in the upper house. The BJP has formed an alliance with a group of minor parties that takes it close to a majority. With a third of upper house members retiring every two years, the BJP-led alliance may have a majority from 2020, giving it greater capacity to implement its reform agenda. This reform agenda also includes important land reforms to remove the difficulties in acquiring land that has delayed road, railway and power projects in India.

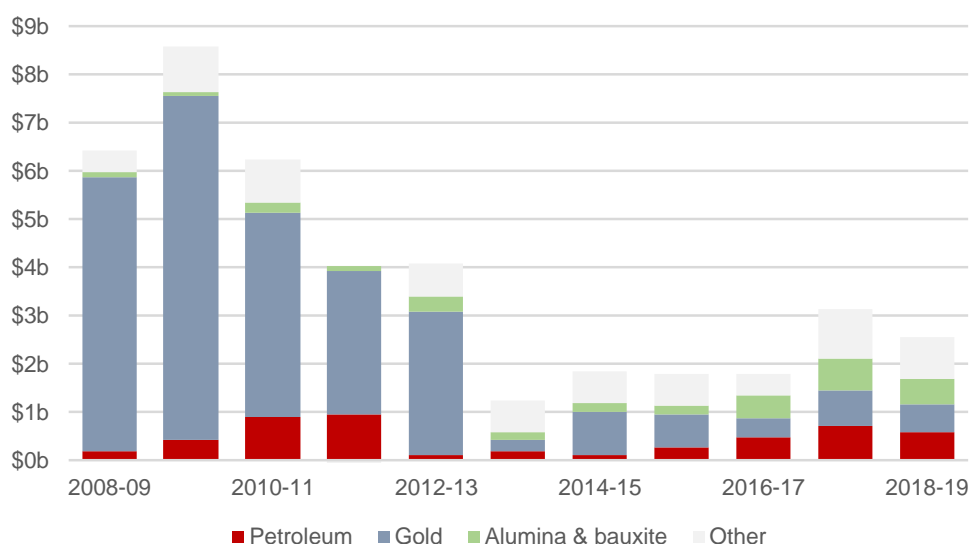
¹ Australia's score over this period was steady at 80.

Current status of India's trading relationship with Western Australia

The current trade relationship between Western Australia and India is limited mainly to Western Australia's petroleum, alumina and gold exports to India and students from India studying in Western Australia.

India was Western Australia's eleventh largest market for merchandise exports in 2018-19, accounting for 2 per cent of the State's merchandise exports. The value of Western Australia's merchandise exports to India was \$2.6 billion in 2018-19. Chart 4 shows that the value of Western Australia's merchandise exports to India peaked in 2009-10.

Chart 4: Western Australia's merchandise exports to India



Source: Australian Bureau of Statistics and Department of Mines Industry Regulation and Safety

The main reason for the decrease in merchandise exports has been the fall in gold exports, which peaked in 2009-10 at \$7.1 billion, but were only \$0.6 billion in 2018-19. The fall in the value of gold exports is the result of:

- Variation in the price of gold (which in United States dollar terms, peaked in 2011).
- Changes in demand for gold, both for consumption (for example, in jewellery) and as a store of value.
- Changes in the availability of supply from other countries.
- Changes in import duties for gold, which the Indian Government increased from 2 per cent to 10 per cent in a series of increases in 2012 and 2013.

In July 2019, the Indian Government announced the gold import duty would increase to 12.5 per cent. There is speculation this increase has led to more 'unreported' gold trade to escape the cost of the import duty. This may mean the 'official' value of Western Australia's gold exports to India is less than the 'actual' value. This may also be true of some other commodities that Western Australia exports, such as diamonds.

Apart from gold, Western Australia's main merchandise exports to India are petroleum (which includes LNG), alumina and bauxite, iron ore, copper ore, titanium dioxide pigment, waste/scrap metals, zircon and wool.

For Western Australia's two largest export commodities – iron ore and LNG – exports to India are presently small.

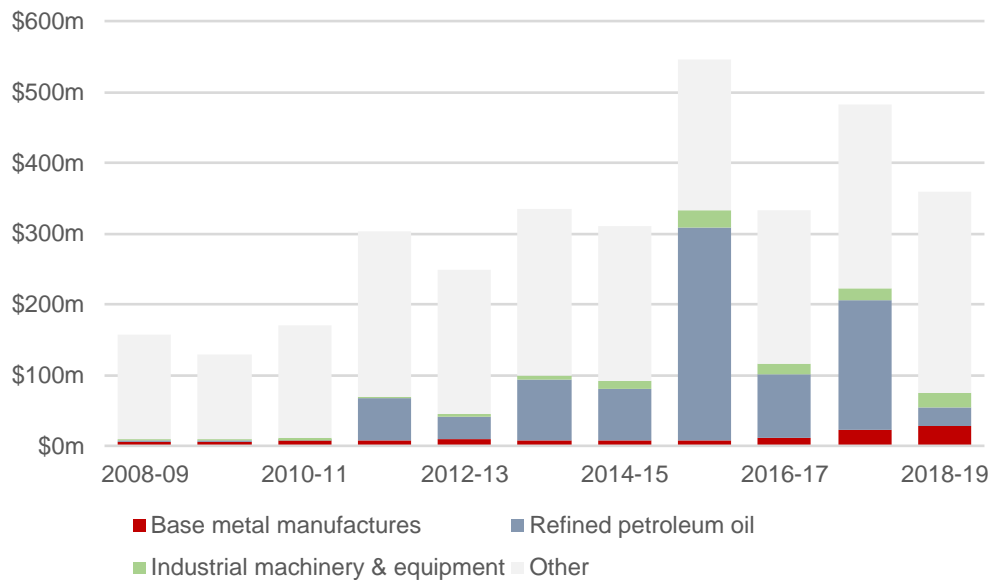
- With large domestic reserves, India's total imports of iron ore remain relatively small (16 million tonnes in 2018 compared to China's 1,065 million tonnes in 2018).
- India's demand for LNG has grown over the past few years, increasing from around 15 million tonnes in 2015 to over 22 million tonnes in 2018. Most of India's LNG has been supplied by Qatar.

With the exception of wool, India is not a large market for Western Australia's agricultural exports. As noted in *An India Economic Strategy to 2035*, India's agriculture sector is politically sensitive and trade protections may make it difficult to increase trade.

Western Australia accounted for 16 per cent of Australia's merchandise exports to India in 2018-19. This was the second highest share of any State, behind Queensland, which accounted for 67 per cent of Australia's exports to India, mainly due to its exports of metallurgical coal.

India was Western Australia's sixteenth largest import market in 2018-19, accounting for 1 per cent of the State's merchandise imports. The value of Western Australia's merchandise imports from India was \$359 million in 2018-19. Chart 5 shows that the main import commodities from India over recent years have been refined petroleum oil, the value of which has been highly variable, and base metal manufactures.

Chart 5: Western Australia's merchandise imports from India

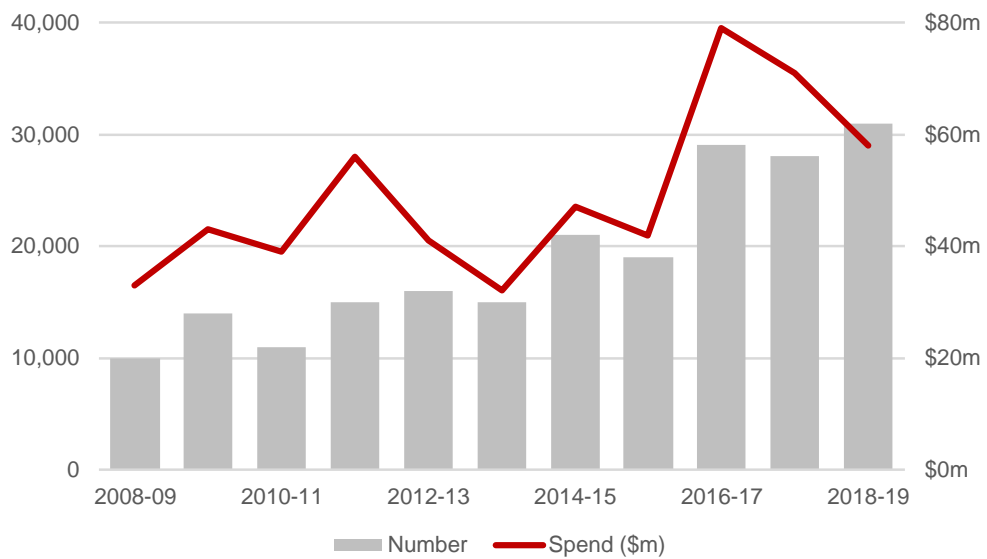


Source: Australian Bureau of Statistics

There is no data available for the total value of Western Australia's services exports by destination country. However, there is specific data to show the importance of India for two of Western Australia's largest services exports: tourism and international education.

India was Western Australia's ninth largest market for international visitors in 2018-19 with 31,000 visitors, which accounted for 3 per cent of the State's international visitors. Indian visitors were Western Australia's eleventh largest spenders in 2018-19 with spending of \$58 million, which accounted for 3 per cent of the State's international visitor spend. Chart 6 shows an upward trend for Indian visitor numbers in Western Australia over the past decade, while spend has been more variable.

Chart 6: Indian visitors to Western Australia

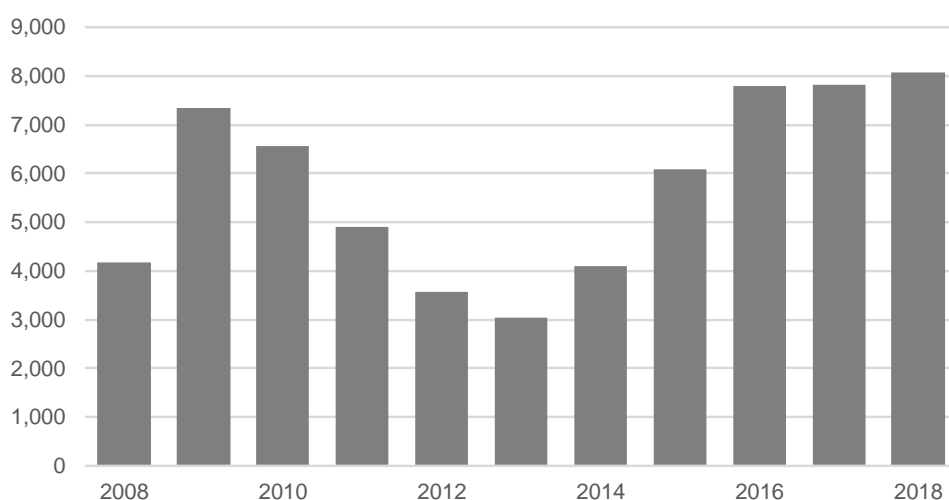


Source: Tourism Research Australia

In 2018-19, Western Australia accounted for around 9 per cent of Indian visitors to Australia and around 5 per cent of Indian visitor spend in Australia.

India was Western Australia's second largest market for international students in 2018 (behind only China) with 8,077 enrolments, which accounted for 16 per cent of the State's international student enrolments. Chart 7 shows after a drop-off in the early 2010s, there has been strong growth in Indian student enrolments since 2013.

Chart 7: Indian students enrolled in Western Australia



Source: Department of Education

The fall in enrolments from 2009 to 2013 was largely due to the Australian Government imposing stricter visa policies and a high Australian dollar that made studying in Australia more expensive for Indian students.

Western Australia accounted for 7.5 per cent of Indian student enrolments in Australia in 2018, down from a high of 10 per cent in 2016, with Western Australia's share falling due to stronger growth in other states.

Higher education accounted for 50 per cent of Indian student enrolments in Western Australia in 2018, followed by vocational education and training (43 per cent), intensive English language courses (7 per cent), schools (0.2 per cent) and non-award courses, such as foundation courses or study abroad and exchange programs (0.2 per cent).

The growth in Indian people travelling to Western Australia has coincided with a growing Indian community residing in Western Australia. In 2016, 69,000 Western Australian residents had Indian ancestry and 49,000 were born in India, compared with 22,000 and 15,000 respectively in 2006.

There is no aggregate data on foreign investment in Western Australia or Western Australia's investment in other countries. However, high-profile Indian investments in Western Australia include:

- Lanco Infratech's acquisition of Griffin Coal.
- The Indian Government owned public enterprise NDMC's (previously known as National Mineral Development Corporation) majority ownership of exploration company Legacy Iron Ore.
- Tata Consultancy Services' presence in Perth.

Major Western Australian investments in India include:

- Village Energy's pilot project in the Sister-State of Andhra Pradesh.
- Neometals' June 2019 binding Memorandum of Understanding (MoU) with India's third largest power trading and diversified renewable energy company, Manikaran Power to jointly fund the evaluation of developing the first lithium refinery in India, which would utilise all of Neometals' mine production.

Existing barriers or impediments to trade and investment

Indian governments tend to use trade policies – import and export quotas, tariffs and other restrictions – as a means of protecting domestic industries and for short-term economic management (controlling supply and prices). Significant changes in policy can occur with little notice.

To date, this has primarily affected India's agricultural trade as well as trade in some mineral commodities, especially gold (as detailed earlier). Indian governments apply protectionist measures to meet the objectives of food security, food self-sufficiency and income support for farmers. For example, from mid-2017 India implemented a series of changes to its trade policy on pulses, grains and sugar, designed to increase prices and farmer incomes. There are also quantitative restrictions on some pulse imports. The Indian Government announced these changes with immediate effect, without transitional arrangements for goods already in transit or purchased under contract. From a Western Australian perspective, the increased duty on wheat (currently 44 per cent), chickpeas (currently 66 per cent) and field peas (55 per cent) has had the greatest effect.

Other challenges with trading with India include dealing with different levels of government, and access to infrastructure.

Recent Indian investments in Western Australia have highlighted the importance of ongoing communication about commercial terms and conditions, investment settings, the role of the State Government in industry development and company obligations under State legislation.

Opportunities to strengthen the trading and investment relationship

Opportunities for Western Australia's economic relationship with India are many and varied, reflecting the size and diversity of India, as well as its current state of economic development.

Western Australia can strengthen its trade and investment with India by leveraging Australian Government strategies and engagement with India, and leveraging its own overseas trade and investment office in India, Sister-State Agreement with Andhra Pradesh, Indian diaspora in Western Australia and the State Government's trade and investment strategies.

Federal Government strategies and engagement

India and Australia's bilateral relationship is growing, with a large number of ministerial and business visits. These visits include the Foreign Ministers' Framework Dialogue; the Joint Ministerial Commission on Trade and Investment; the Energy Security Dialogue; and the Ministerial Dialogue on Education Cooperation. India and Australia, together with the United States and Japan, form the Quad countries, which meet regularly to discuss co-operation on maritime, terrorism and cyber issues.

In an effort to develop the bilateral relationship, Australia released *An India Economic Strategy to 2035* in July 2018, aiming to develop stronger economic, geopolitical and people-to-people relationships between India and Australia. The Australian Government supported 20 priority recommendations from the Strategy including increasing bilateral investment flows, establishing an Australia-India Food Partnership, providing grants up to \$500,000 for researchers to consider energy storage, marine science and plant genomics, expanding the Australia-India Mining Partnership and increasing direct flights.

In response, India released some details of its draft strategy to grow economic ties with Australia in November 2019. The Strategy, to be released in 2020, will recommend India focus on Australia to meet its future minerals and LNG needs, and invest in Australian agri-tech, cotton and food industries. The draft strategy identifies the benefits of accessing Australian expertise in renewable energy and electricity grid technology and suggests Indian workers could fill skill shortages in Australia, in the areas of health, infrastructure development and security.

Strategies to attract inbound investment to Western Australia

As with Western Australia's trade and investment relationship with any market, the State needs to match its competitive strengths with market opportunities. There are two elements to this:

- Making sure Western Australia's economy is productive, ensuring its industries are internationally competitive and maintaining its status as an attractive destination for investment. A number of government-wide initiatives are supporting this aim, including Infrastructure WA, the State Infrastructure Strategy, and Streamline WA Regulatory Reform.
- Making sure Western Australia identifies the right in-market opportunities and has the right engagement strategy to realise those opportunities. For example, the Asian Engagement Strategy provides a framework for Western Australia's long-term engagement with key Asian markets, including India. The Strategy seeks to maximise investment and trade opportunities, build Asian literacy and capability, enhance people-to-people ties, and support business networks.

The information network between business and government in both India and Western Australia allows for effective communication on practical opportunities for trade and investment. This network includes:

- Western Australia's office in Mumbai.
- Commonwealth agencies, particularly the Department of Foreign Affairs and Trade, and Austrade.
- The Department of Jobs, Tourism, Science and Innovation – including Invest and Trade Western Australia and those with specialist knowledge on the State's priority sectors.
- The Australia India Business Council Western Australia Chapter.
- The Consulate General of India in Perth.

Premier McGowan visited India in November 2019 with a delegation of representatives from Tourism WA, Perth Airport, the Chamber of Commerce and Industry of Western Australia, the Australia India Business Council (WA) and the Minerals Research Institute of Western Australia to strengthen economic ties and promote tourism. Linkages were made between agribusiness, mining, and science and innovation businesses. MoUs were signed between Western Australian and Indian education institutions for collaboration in chemical engineering and marine research. Western Australia was promoted to Indian tourists and travel agents, particularly for India's opening match in the T20 Cricket World Cup in Perth in October 2020. The relationship with India's aviation industry was strengthened and the case for the introduction of direct flights between Perth and India was progressed. Other State Government Ministers have travelled to India to pursue specific opportunities. Minister Ellery visited in January 2019 to promote Western Australia as a destination for international education and Minister Papalia visited in August 2019 to pursue direct flights between India and Perth.

The Western Australian office in India is part of the State's network of overseas trade and investment offices located in key trading regions. Western Australia was the first Australian state to open a trade and investment office in India in 1996. The rationale for the office was to have Western Australian expertise on the ground in India to provide advice and information to small and medium-sized businesses, and to identify and pursue business opportunities.

The office helps Western Australian businesses access trade and investment opportunities not only in India, but also in the broader South Asia region, including Sri Lanka, Bangladesh and Nepal. The India office has professional business development experts with sectoral knowledge covering mining, oil and gas, education, agriculture and tourism, which reflects Western Australia's priority sectors in India.

Western Australia's trade and investment priorities in India include driving partnerships and outcomes in:

- Energy – To support the creation of trade relationships between Western Australian and Indian companies and build awareness of Western Australia's opportunities in this sector.
- Agribusiness – Through providing a roadmap and insights for Western Australia's food, agriculture technologies and services exports into India and Sri Lanka.
- Mining and minerals – Through promoting Western Australia's mining export capabilities, attracting Indian investment in mining and minerals processing, and identifying commercial opportunities for Western Australian mining equipment, technology and services (METS) companies in India.
- International Education – To increase Western Australia's education and training engagement with India and other South Asian countries.

The India office promotes investment opportunities in Western Australia's critical minerals sector to high-level policymakers, government and industry in India, in co-ordination with the Future Battery Industry Ministerial Taskforce, relevant Co-operative Research Centres and the Australian Critical Minerals Facilitation Office. The office supports visits to India by Western Australian mining companies and relevant Ministers, speaks at relevant conferences and events, and encourages and facilitates visits to Western Australia by the Indian Government, private mining companies and policymakers.

A success story facilitated by the India office is Western Australian industrial minerals developer Neometals' signing of a binding MoU in June 2019 with Manikaran Power. If the lithium refinery project proceeds, it will be located in either Gujarat or Andhra Pradesh, and would result in Manikaran Power taking all of Neometals' lithium mine production for processing into lithium hydroxide.

The India office is working with the Department of Primary Industries and Regional Development (DPIRD) and Invest and Trade Western Australia to promote the quality of Western Australia's food products to Indian importers, in particular grains and pulses. The office supports visits to India by Western Australian farmers and commodity sellers seeking partnerships with importers, and facilitates inbound programs for Indian buyers. In September 2019, the India office delivered an inbound program, in partnership with the Grain Industry Association of Western Australia, for a senior Indian Government, industry and research grains delegation to meet with counterparts in Western Australia.

Sister-State Relationship between the State Government of Western Australia and the State Government of Andhra Pradesh

Andhra Pradesh was looking for a partnership, following the bifurcation of the State in 2014 (which split the existing Andhra Pradesh state into Telangana and the residuary Andhra Pradesh). Its economy and industrial structure provided a basis for Western Australia to establish a Sister-State relationship.

For Andhra Pradesh, the key sectoral opportunities identified initially were in resources and METS, tourism, health, financial services, agri-business, energy and infrastructure. There is alignment between these sectors and Western Australia's priority sectors as identified in *Diversify WA*.

The Sister-State Agreement highlights collaboration in mining and mining services, agriculture and fisheries systems, energy production and distribution, and higher and vocational education and training. Water management is also high priority now. The Western Australian office in India is leveraging the Sister-State relationship as a market entry platform for Western Australian companies developing businesses in India.

Through the Sister-State relationship, introductions from the India office, and Western Australian corporate partnerships, Western Australian renewable energy technology company Village Energy has expanded into the country, with the commencement of its pilot project in Andhra Pradesh in April 2019. The project is helping rural communities to access reliable and more affordable electricity through advanced technology.

The India office is building relationships with the senior levels of the new Andhra Pradesh Government, which took office in May 2019, and has had significant personnel changes and very different policies to the previous Government. The Commissioner of the India office recently visited Andhra Pradesh and met with Ministers (including the Chief Minister) and officials. These visits will allow the development of an updated focus of projects that align with the changed direction of the new Government.

The role of the Indian diaspora business and entrepreneur community

The establishment and growth of long-term relationships allows Western Australia and India to develop a deeper understanding of each other for trade and investment success. Fortunately, Western Australia has many high-quality relationships in India through trade and investment, ministerial visits, tourism, international education, Sister-State, sport and cultural exchange programs and diaspora networks.

Over the past decade, the proportion of Western Australia's population born in India has more than doubled, from 0.8 per cent in 2006 to 2.0 per cent in 2016. Indian-born communities are powerful partners in deepening the State's connectivity and influence in India, as well as attracting business investment, tourism and international students.

Strategic partnerships between industry bodies and business networks in Western Australia and India are critical in advocating for high quality and connected infrastructure, consistent governance standards, transparent legal institutions, investment and investor matching, and workforce standards.

Cultural diplomacy is an effective way to advance Western Australia's reputation in India and bring a deeper understanding to Western Australians about the benefit of international trade and investment. Soft power initiatives, including educational and sporting exchanges, professional and community development opportunities, higher education opportunities, young entrepreneur platforms and institutional exchange programs, demonstrate Western Australia's goodwill and deliver high-value business and community outcomes.

An India Business Forum was held on 3 May 2019 as a partnership between the Department of Jobs, Tourism, Science and Innovation, the Australia-India Business Council Western Australia Chapter, and the Consulate General of India in Perth. The event was the fourth event in the 'Asia Business Series', which forms part of the Department of Jobs, Tourism, Science and Innovation's support for Asian Business Councils to leverage the State's relationships and increase economic opportunities. The event was the first collaboration between the Australia India Business Council (WA) and the Consulate General of India in Perth.

The forum focused on the future economic opportunities and practicalities of doing business in India and attracted over 200 Western Australian business people – the largest number of attendees of any Australia India Business Council (WA) event. The forum provided an opportunity to discuss Australia's and India's respective reports on developing the bilateral economic relationship. The forum featured notable speakers including Mr Peter Varghese AO, the author of the Australian Government's *An India Economic Strategy to 2035*, former Ambassador Anil Wadhwa, the author of the 'Australia Economic Strategy' for the Indian Government, and Hon Peter Tinley MLA, Minister for Asian Engagement.

After the event, Minister Tinley met with Infosys, a digital services and consulting company, to promote the idea of the company expanding its Perth operations. The Department of Jobs, Tourism, Science and Innovation also secured the first ever meeting of the Australia India Council in Perth. The Australia India Business Council (WA) is currently developing a Strategic Plan with the Department of Jobs, Tourism, Science and Innovation's support for Asian Business Councils. There has been follow-up meetings with the Consul General of India and Anil Wadhwa. The President of the Australia India Business Council (WA) joined the Premier's mission to India in November 2019 and the Premier will provide an India Address on his mission to India on 5 March 2020.

Developing existing and new export markets in India in target sectors

In July 2019, the Premier launched *Diversify WA*, Western Australia's Economic Development Framework. *Diversify WA* provides an economic blueprint for collaboration between government, industry and the community, and supports Government's focus on creating secure, quality jobs, growing and diversifying the economy and attracting investment.

Diversify WA identifies six priority sectors for building a stronger economy: energy; tourism, events and creative industries; international education, mining and METS; technology and advanced manufacturing; and primary industries. The following section provides information on the opportunities and challenges for Western Australia to build links with India in Western Australia's priority sectors.

International education

International education is a point of strength in Western Australia's economic relationship with India. India is the State's second largest market for international students, accounting for around one in every six international student enrolments.

An India Economic Strategy to 2035 identified education as the flagship sector, noting:

- India's tertiary-age (18–22) population is the largest in the world and is projected to peak at 126 million in 2026 before stabilising at 118 million by 2035.
- Indian enrolment in higher education (27 per cent) lags behind China (43 per cent) and Brazil (51 per cent) and by 2030 India aims to lift the enrolment rate to 50 per cent.
- Indian Government estimates suggest an additional 120 million skilled workers will be required by 2022, fuelling demand for vocational training.
- India cannot meet the demand for education on its own and as an excellent education provider, Australia can collaborate with India across secondary, university and vocational sectors.

The relative attractiveness of Australia for Indian students may increase given the continued uncertainty with the United States and the United Kingdom as educational venues. Indian students may be deterred from studying in these countries because of stricter migration policies in the United States and the United Kingdom leaving the European Union.

Western Australia has an opportunity to increase its overall share of Australia's international student enrolments. Despite increasing student numbers from India, Western Australia's total number of international student enrolments fell 5 per cent between 2016 and 2018, while for the rest of Australia there was a 26 per cent increase over this period. As a result, Western Australia's share of Australia's international student enrolments fell from 7.7 per cent in 2016 to 5.9 per cent in 2018.

The recent re-classification of Perth to a regional centre will increase the attractiveness of Western Australia as a destination for Indian students. The change means:

- Longer Post-Study Work Rights – Indian students will be able to stay and work for longer in Perth with an additional year added to post-study work visas.
- Improved access to Skilled Migration – Indian students who graduate in Western Australia can qualify for a skilled migration visa through state nomination via the Graduate Stream, which provides an easier pathway to permanent residency.

An education agent has assisted over 75 per cent of international students in Australia. Acknowledging the important role of education agents, the Department of Jobs, Tourism, Science and Innovation has engaged an Education Business Development Manager (EBDM) based in the State's Trade and Investment office in Mumbai, India. Building on Perth's classification as a regional centre, the EBDM has actively engaged with education agents across India to promote Perth as an education destination, including undertaking education agent training and familiarisation tours.

Tourism

There is a strong link between international education and tourism, with the growth in students from India contributing to growth in the number of visitors from India to Western Australia over the past few years. The State Government is pursuing direct flights between India and Perth to further increase growth in tourist numbers.

The Indian visitor market continues to grow. Tourism WA remains focused on growing the Indian market. It has recently allocated additional funding for this market as part of the State Government's \$12 million International Marketing Boost funding. Funds will be spent in partnership with key travel agent partners and carriers such as Singapore Airlines.

Direct flights between Perth and India remain a high priority for Tourism WA, although there are challenges in securing an appropriate international carrier.

- Jet Airways, India's second largest international carrier after Air India and second largest domestic carrier after IndiGo, ceased all operations in April 2019, with bankruptcy proceedings commencing in June 2019. This has affected international aviation capacity to India and capacity within India.
- Other domestic carriers have rapidly filled the domestic capacity void left behind by Jet Airways, although international services fell following its cessation. Most Indian carriers do not have the fleet to operate medium (including India to Perth) or long-haul international services.
- Air India – India's largest international carrier and under control of the Indian Government – remains under significant financial strain. The Government is determined to divest Air India and to sell up to 100 per cent ownership. This divestment has placed a hold on any international expansion plans by Air India.
- Discussions between Tourism WA, Perth Airport and alternate Indian airlines are ongoing and progressing.

Tourism WA has previously identified the cost and processing times for visas to be a major barrier to travel between Western Australia and India. Currently, Electronic Travel Authorities (ETA), which generally cost less than a standard tourist visa, are not available to residents of India. Additionally, changes to Australian Government visa processing arrangements have resulted in the timeframes for visa processing for Indian visitors increasing from 48 hours to over three weeks. At the same time, there has been significant growth in applications (a 31 per cent increase in the first quarter of 2019) with no commensurate increase in resources.

Minerals and energy

There are developing opportunities in Western Australia's traditionally strong industries of mining and energy as urbanisation and industrialisation in India leads to higher demand for export commodities, such as iron ore and LNG. The State's battery minerals sector also offers much potential for the relationship, given India's aims for manufacturing electric vehicles.

Investment opportunities are also emerging in the mining and energy sectors as India looks to secure long-term supply sources. For example, NMDC is the major shareholder of Legacy Iron Ore, a Perth-based exploration company focused on the development of iron ore, gold and base metal deposits.

Western Australia also has much to offer India in the areas of METS (mining equipment and technical services) and PETS (petroleum equipment and technical services) to address issues such as environmental management, safety and productivity.

India's increasing urbanisation and industrial activity will drive demand for greater volumes of Western Australia's mineral commodities, although growth in volumes may be volatile due to policy changes in India that influence domestic production.

India is historically a net exporter of iron ore, although various policy changes over the past decade have reduced the volume of its exports. For example, India's iron ore exports fell from around 100 million tonnes in 2010 to 4 million tonnes in 2015 due to a range of policies that limited domestic production and restricted exports. The Indian Supreme Court and State Governments banned iron ore exports from Karnataka between July 2011 and April 2013 and from Goa between September 2012 and April 2014 to address illegal mining and ensure a sufficient supply to the local steel industry.

If industrialisation accelerates, India is likely to require more iron ore from imports. As noted in *An India Economic Strategy to 2035*, the prospect for growth in imports is reinforced by limitations in India's rail and port infrastructure, which make it easier for Western Australia to supply steel mills on the east coast with imports, rather than India using iron ore from domestic mines. However, these limitations are not necessarily permanent and could be overcome with investment in infrastructure. There is also the prospect of India imposing measures to protect its mining industry.

Whatever India's requirement for import volumes, Western Australia could supply India's demand given its available capacity and relative proximity. Among Western Australia's other mineral commodities, prospects for growth from India look best for gold and copper.

As India industrialises and seeks to improve productivity in its mining sector, there may be opportunities for Western Australian METS businesses, particularly in the areas of environmental management, safety, exploration and remote operations. India's political and legal environment may make this challenging, however, Indian governments often look for low-cost procurement options and Western Australian businesses find it difficult to compete against Indian providers.

Indian companies are also likely to look to invest in Australia's mining sector as a means of securing supply. There have been a number of issues with Indian investments in Australian coal projects, both in Western Australia (Lanco's acquisition of Griffin) and elsewhere in Australia (in particular, Adani's Carmichael mine). Ensuring productive investment will require an ongoing dialogue on the expectations of mining companies operating in Australia.

Western Australia's energy sector includes liquefied natural gas (LNG) and other petroleum exports, Petroleum Equipment and Technical Services (PETS) and battery minerals.

India's demand for LNG is expected to grow over time to complement its domestic gas production as it reduces its reliance on coal. India is likely to rely on LNG for its gas import needs as importing gas via pipeline remains unfeasible for geographic and political reasons. India has four LNG import terminals with a total capacity of 30 million tonnes a year. The Indian government plans to build another 11 terminals over the next seven years, with at least three of those terminals ready to receive cargoes in 2019 or 2020. These additions will increase India's import capacity to 41.5 million tonnes a year.

A challenge for Western Australian exporters is that India's demand for LNG is quite price sensitive and it sources a relatively high share of its LNG imports through spot and short-term contracts. Indian LNG buyers have also been very assertive in seeking to re-negotiate long-term LNG contracts, which is in contrast to Western Australia's traditional customers from Japan and South Korea.

By 2030, India could represent more than one third of global electric vehicle (EV) battery demand if it meets its goals for a rapid transition to shared, connected, and electric mobility.

India's Government is advancing a Make-in-India policy, by developing manufacturing activities and building capability within India to supply a growing domestic market. This policy applies to EVs, the majority of which India currently imports from other countries in the Asia-Pacific region (principally China).

To manufacture EV batteries domestically, the Indian Government is actively assessing global supplies of battery minerals and evaluating strategic partnerships with energy-rich countries (such as Bolivia and Chile), and private sector partnerships for securing offtake agreements. As such, there are opportunities for Indian investment in Western Australia through mineral offtake agreements for the key battery minerals of lithium, nickel, cobalt, graphite, aluminium, manganese and vanadium.

By 2026, the Indian Government intends to be only importing cathodes. Western Australia has all the minerals required for manufacturing cathodes and is actively seeking foreign investment to establish a cathode manufacturing industry. This may present a medium to long-term opportunity for Western Australia to export either cathode active materials or (potentially) manufactured cathodes to India.

Western Australia's expertise in energy storage systems (for example, micro-grids, virtual power plants, stand-alone power systems) presents an opportunity for collaboration with India on the supply of cost-competitive, reliable, battery-based energy supply.

Indian investment decisions in the future battery sector are largely driven by price and investors are seeking low-cost investment opportunities with Western Australia's competitors in the global future battery minerals

industry. In addition, low overheads and operating costs in India suggest it is unlikely investors would favour a Western Australian-processed product, as opposed to a raw product that could be further refined in India.

Advanced manufacturing

Western Australia's capabilities in advanced manufacturing include defence, shipbuilding, health research and cybersecurity.

An India Economic Strategy to 2035 identifies science and innovation as fundamental to advancing productivity and economic growth in both Australia and India. Science and innovation can solve many shared challenges, ranging from managing water to delivering infrastructure, health and education services over distances. While India's capabilities are emerging, collaboration between Western Australia and India are more likely to be over niche opportunities and developed on a partnership basis, such as in the defence sector.

Western Australia's location is a strategic strength for defence and serves as a gateway to the Indian Ocean region and emerging international defence markets, including India. Western Australia's defence presence, which includes HMAS Stirling, RAAF Base Pearce and Campbell Barracks, is established and respected. Since the implementation of the Two Ocean Policy in 1987, HMAS Stirling has emerged as the Royal Australian Navy's major fleet base on the Indian Ocean. Up to half of the RAN's fleet is based permanently in Western Australia, including all six of the Collins submarines.

While there is a strategic alliance, India also has a policy to shift from being a large importer of defence equipment to meeting the majority of its needs through domestic production. Depending on the success of this policy, opportunities for Western Australia's defence exports may be limited to joint research and development in niche areas and the provision of some services and training in cybersecurity.

Agri-business

India's growing population and incomes will mean greater demand for food, but there are challenges in this sector given India's trade policies to protect its agricultural sector from overseas competition.

India is not a major agricultural export market for Western Australia. The State exported \$56 million of agricultural products to India in 2018-19, with the largest exports being wool and oats.

As India's economy develops, incomes rise and industrialisation and urbanisation reduce the amount of land available for agricultural production, India will likely need to source more of its food products from imports. There is growth potential for Western Australia's exports in grains (wheat and barley), pulses (lupins, chickpeas, lentils) and rolled oats. Opportunities

may also emerge, for value-added products sought by the growing middle class, such as wine and processed food, while the introduction of direct flights could open up markets for premium products. Much of these opportunities will depend on whether premium product prices can be competitive (and not prohibitive). As India looks to improve productivity in its agricultural sector, there may also be opportunities for providing agri-tech services.

India's agriculture and trade policy is the primary barrier to the agricultural trade relationship. India's agricultural policy is heavily influenced by subsidy schemes. India applies: minimum support prices (MSP) for basic staples (23 crops) including rice, wheat, oilseeds, cotton, coarse grains and pulses; ad hoc market intervention schemes for commodities not covered by the MSP; farm input subsidies for fertiliser, irrigation and utilities; a system of public procurement, distribution and stockholding to provide subsidised food grains to low-income groups; and trade protection.

India also uses trade policy, such as export taxes, minimum export price and adjustments to import duties, as a means to regulate domestic supply and to address short-term objectives, such as controlling inflation and fluctuations in commodity prices.

The challenge for trade with India is a complex regulatory and commercial environment, with additional layers created by state and local regulatory authorities adding to complexity. Federal and state taxes significantly affect imported goods and deter prospective traders.

A further challenge is that the global market for many agricultural products is very competitive. In the Indian market for premium products, Western Australia is competing with European countries that have much easier and more direct trade routes – both via air and sea.