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25 June 2015

Australia-India Comprehensive Economic Cooperation Agreement
Free Trade Agreement Division
Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT 0221

Sent By Email: indiafta@dfat.gov.au

Dear Sir / Madam,

**RE: Submission for the Australia India Comprehensive Economic Cooperation Agreement
(Free Trade Agreement)**

Introduction:

The writer comes from over 10-15 years involved with Australia-India business, trade & investment relations. A past General Secretary of the Australia India Chamber of Commerce NSW INC, now merged as part of the Australia India Business Council (AIBC). The writer with ABC Group, with their Australia India Relations Network, welcomes the agreement by the Indian and Australian Governments to commence negotiations on a bilateral free trade agreement (Comprehensive Economic Cooperation Agreement) and appreciates the opportunity to make this submission on feedback, comments and suggestions. ABS Group, based at North Sydney, has Indian clientele, in property, legal, business and media services.

The writer has been to India 5-6 times since 2005, having family connections in Mumbai and Goa. Australia-India trade relations grew from \$3.3 billion in 2000 to over \$15.2 billion in 2013 (Source, Australia Department Foreign Affairs and Trade). Key sectors to benefit from the upcoming Free Trade Agreement between India and Australia include Mining, Resources, Agriculture, Tourism, IT, Education, Media, Bollywood/Filming, Television programs, Vocational Training and Professional Services. Also important in building up very strong and prosperous Australia-India relations include defence, sports, cultural and science etc sectors.

Australia-India business, trade and investment relations has been described over the years as “under-developed”. During November 2014, Indian Prime Minister Modi’s visit to Australia, it was described as the visit to discover the fourth C-Commence (the other three Cs being Commonwealth, Curry and Cricket, common description of Australia-India relations over the years). India’s trade relations with Australia, is only a mere 10% of Australia’s trade relations with China. Next 5-10 years, we expect Australia-India trade relations to rival China’s. Indian Prime Minister Modi has invited the world, with his slogan “Make it in India”, with a key focus on Australia for various reasons, including defence, education, IT/science, agriculture, resources, mining, professional services, media and of course Bollywood film making. Our submission is focused on four key areas – 1. Indian Investment in Australia with Real Estate and Australian Investment in Indian Real Estate, 2. Professional Mutual Recognition of Qualifications, 3. Ease of Business Entries and 4. Australia – India official international Co-Production Treaty.

1) Indian Investment in Australia with Real Estate and Australian Investment in Indian Real Estate:

The writer recently written a published article (published by a number of media outlets), “Asian Century of investors in Australian Property Market”.

The Asian century, as referred to by recent and current Australian Prime Ministers, is shaping up with Asian business, trade and investment relations, filtering through into the Australia real estate market. The Foreign Investment Review Board (FIRB) recently (27 April 2015) their 2013/04 their annual report, real estate applications account for 76% of the value of approvals in 2013-14, with China was the largest investor, 17 per cent of the total value), now ahead of United States, accounting for \$12.4 billion foreign real estate –

Countries Rankings with Foreign Investment in Real Estate				2012/13 - Comparison from Previous Year			
2013/14							
Country	Ranking	Value Billion	Percentages	Country	Ranking	Value Billion	Percentages
China	1	\$ 12.41	16.64%	China	1	\$ 5.93	11.42%
United States	2	\$ 6.14	8.23%	Canada	2	\$ 4.93	9.50%
Singapore	3	\$ 4.30	5.76%	United States	2	\$ 4.41	8.50%
Canada	4	\$ 2.95	3.95%	Singapore	4	\$ 2.01	3.87%
Malaysia	5	\$ 2.04	2.73%	United Kingdom	5	\$ 1.67	3.22%
United Kingdom	6	\$ 1.80	2.41%	Malaysia	6	\$ 1.60	3.08%
Holland	7	\$ 1.72	2.31%	South Africa	7	\$ 0.95	1.83%
New Zealand	8	\$ 1.36	1.82%	Korea (South)	8	\$ 0.90	1.73%
Hong Kong	9	\$ 1.28	1.72%	Japan	9	\$ 0.90	1.73%
Germany	10	\$ 1.17	1.57%	United Emirates	10	\$ 0.89	1.71%
Korea (South)	11	\$ 1.08	1.45%	Germany	11	\$ 0.77	1.48%
South Africa	12	\$ 0.99	1.33%	New Zealand	12	\$ 0.64	1.23%
Others		\$ 20.98	28.12%	Others		\$ 11.86	22.85%
Developer AO TP		\$ 16.38	21.96%	Developer AO TP		\$ 14.45	27.84%
Totals		\$ 74.60	100%	Totals		\$ 51.91	100%

Data from the Foreign Investment Review Board (FIRB) data, showing China, now Australia’s largest foreign investor in local real estate, and Asian countries, such as Japan, Korea (South Korea), Malaysia and Singapore, are now major local real estate investment players. India not in the league as yet, but expected to become a major local real estate investment player in the next few years, lagging behind China, Japan and Korea, when it comes to having a Free Trade Agreement (FTA) with Australia and investment into Australian real estate.

An Australia-India Free Trade Agreement must address India investment of real estate in Australia, as well as Australia investment of real estate in India.

Looking at different property sectors in summary –

Residential property accounts for \$34.7 billion or 46.5% of the FIRB approvals in real estate during 2013/04. This is made predominately, in the FIRB approvals legal framework, new dwellings, apartments, townhouses and vacant land (construction within 24 months). There is also permitted existing residential property from overseas nationals (i.e., from New Zealand), who given approval, that complies with the FIRB legal framework. Residential property is a key area for Australia-India Free Trade Agreement to address, relaxing the FIRB for Indian nationals to buy/invest in Australia, and at the same time, allowing Australians to buy/invest residential property in India.

Commercial property accounts for \$39.88 billion or 53.5% of the FIRB approvals in real estate during 2013/04. This is made predominately, in the FIRB approvals legal framework, an overseas investor acquiring an interest in developed commercial real estate (for example, shopping centres, office buildings, warehouses, hotels and motels) that is valued at more than the applicable monetary threshold (\$54 million or \$5 million if heritage listed, unless from United States or New Zealand, who have higher thresholds) are required to notify and get prior approval before purchasing. For commercial development, foreign persons need to apply to buy or take an interest in commercial land for development, regardless of the value of the land. Such proposed investment is normally approved subject to

conditions (such as, that construction begins within five years). Commercial property equally important for Australia-India Free Trade Agreement to address, relaxing the FIRB for Indian nationals to invest in Australia of commercial property, and at the same time, allowing Australians to buy/invest commercial property in India.

Recent Free Trade agreements with China, Japan and Korea also focuses on to encourage more foreign in Australia real estate, allowing these countries to enjoy commercial property thresholds, similar to United states and New Zealand, of \$1.094 billion, rather than the uniform commercial property threshold of \$54 million restricted to other countries. This came into place for Korean in December 2014 and Japan January 2015 (Source, FRIB website). This is good news in the Australian commercial property sector, with the Australian residential property sector enjoying a boom with new residential properties bought by foreign buyers/investors taking advantage of low interest rates. India is next destination for Australia with Free Trade Agreement relations, with Prime Tony Abbott keen to get Indian investors finally into the Australia real estate market. Taj Hotel sold their Sydney property, but maintains a local Aussie with an office in Sydney, looking to re-explore such opportunities in Australia.



Prime Minister Tony Abbott with Indian Prime Minister Narendra Modi – India is missing in action when it comes to foreign investment in Australian real estate, but it is expected to become a major player in the next few years, as it becomes a major trading partner with Australia to rival China's leading position.

2) Professional Mutual Recognition of Qualifications:

During the John Howard government era, which was the first talk of a Australia-India Free Trade Agreement, the then Federal Attorney General Philip Ruddock MP, was talking about a Australia-India Free Trade Agreement, should look at professional mutual recognition of qualifications. For example, engineers, lawyers, accountants, architects etc, for both Australia and India to remove 'red tape' barriers to mutual recognize each other country's professionals with their qualifications, especially when their professional nationals going to the other country, to work on special projects. Easy fast track professional mutual recognition of qualifications and granting of professional work visas.

In the next 30 years, India requires 30,000 engineers to work on projects, equivalent to 30 cities to be built. Australian universities would be the big supplier of engineering qualifications, which the students would be both Indians and Australians. Indian students would then go back, or Australian students could seek job abroad in Australia, to work on projects in India, that under an Australia-India Free Trade Agreement, would quickly recognise the Australian engineering qualification, without the normal 'red tape' barriers. The same would apply if Indians and Australians obtain say IT engineering qualifications in India and then come or return to Australia, to work on the National Broadband Network (NBN) projects.

The same would apply for lawyers, accountants, architects and other professionals, going from one country (Australia or India) and travel to work in the other country, especially with projects.

If the Australia-India Free Trade Agreement is to “cover all the bases”, its needs to take into consideration professional mutual recognition of qualifications, with suitable work and business visa structured arrangements, to remove current ‘red tape’ processes, especially with specialized projects, that could be joint Australia-India projects.

3) Ease of Business Entries:

Feedback the writer is receiving from clients and business networking, is the current barriers and “red tape” of Australian businesses going to India and Indian businesses coming to Australia, when it comes to setting up business in the other country, with legal requirements on business structures, capital raising, investment, shipping, taxation, compliances etc.

Further investigations are needed, if the Australia-India Free Trade Agreement is to “cover all the bases”, to make it easy for Australian businesses to enter India and for Indian businesses to enter Australia –
Review of ‘red tape’ regulations and allow an easy approach in the Australia-India Free Trade Agreement, with legal requirements on business structures, capital raising, investment, shipping, taxation, compliances etc.

This has been raised by members of an Australia-India business group that the writer belongs to.

4) Media - Australia – India official international Co-Production Treaty:

Forging strategic links and develop business connections between Australia and India cannot pass without considering media and Bollywood film production.

The Australia – India official international co-production treaty, must be an integral part of the Australia-India Free Trade Agreement. It is an important part of achieving the aims of the Media & Bollywood between Australia and India. Raised at a Australia-India business group that the writer belongs to, Film Producer Martin Brown from Moulin Rouge and Ana Tiwary Owner/Producer of inDiVisual films (making documentaries for ABC’s Compass TV Program, such as “The Holy Dip”), speaking about the importance of the Australia India Co-production Treaty to be signed by both countries. "Film co-production treaties are government-to-government agreements that enable a film to be structured so that it officially qualifies as a film of both countries. This allows the film to receive statutory incentives (tax breaks and grants funding) from both countries. We produce about thirty feature films a year and India produces about a thousand! We might be a bit slow here in Australia but this may explain why we are starting to turn our attention to India and realizing the huge potential that exists between our countries."

The Australia-India Free Trade Agreement must include the Australia – India official international co-production treaty, so Australia can become India’s number one destination for overseas Bollywood film making and Australia becomes India’s number one destination for overseas television programs. Australia is attracting Bollywood film making, as such Salam Namaste and UnIndian with Brett Lee. The co-production treaty with the Australia-India Free Trade Agreement will open the gates to make Bollywood in Australia a big economic driver and cement Australia’s reputation as Bollywood’s number one overseas post. At the same time, Australia television programs have a future in India, with Australia’s Master Chef, a top rating television program in India. The benefits to Australia back, of the co-production treaty with the Australia-India Free Trade Agreement, would include Australia producing and exporting television programs to India, to make Australia, India’s top provider of overseas television programs into India.

Conclusion:

The writer with ABC Group, with their Australia India Relations Network, welcomes to commence negotiations on a bilateral Comprehensive Economic Cooperation Agreement (Free Trade Agreement) between Australia and India. The writer above has shared over 10-15 years experience on Australia India in business, trade and investment. Having received feedback from clients, business networking and an Australia-India business group that the writer belongs to. Our submission asks for the Australia India Free Trade Agreement negotiations to address the areas of Indian Investment in Australia with real estate and Australian Investment in Indian real estate. Professional mutual recognition of qualifications, ease of business entries and the Australia – India official international Co-Production Treaty. The writer with ABC Group, is more than happy to discuss further and provide more feedback.

Should you require further information about this submission please contact the writer on 0411 037 057 or email paul.ABSGroup@gmail.com

Yours faithfully,

Advance Business Solutions (ABS Group) Pty Limited / Australia India Relations Network



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