

Australia India Business Council



Submission to

Department of Foreign Affairs and Trade

Australia-India Comprehensive Economic Cooperation Agreement (AICECA) Negotiations

September 2011

'Without doubt the Australia India Business Council will play a significant role in facilitating the ongoing improvement in Australia's trade and investment ties with India.'

Hon Kevin Rudd MP, Foreign Minister of Australia

'I hope the activities of the Australia India Business Council will open doors for our two large countries to better understand and benefit from each other's mutual strengths and complementarities.'

Dr Manmohan Singh, Prime Minister of India

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Introduction

The Australia India Business Council (AIBC) welcomes the opportunity to contribute to the **Comprehensive Economic Cooperation Agreement between Australia and India**. The AIBC was formed in 1986 on the initiative of the Prime Ministers of the time The Hon Bob Hawke and Shri Rajiv Gandhi as an apex body with full recognition by both Governments. The AIBC plays a vital role in fostering closer economic, cultural and business ties between Australia and India. Since the formation of AIBC, the global economy has transformed. It is clear that our two nations share a common platform and commitment to strengthened bilateral relations. The Australia India trade relationship will be central to the future of both nations in the broader Asia Pacific region and the global economy. AIBC commends the work of the Australian and Indian Governments in their commitment to further enhancing the trade, investment and cultural relationships between our nations.

Through a network of state based Councils, the AIBC represents a diverse range of Australian and Indian businesses operating across a myriad of industry sectors. The AIBC maintains close relationships with federal and state government agencies, the diplomatic corps and industry bodies, and showcases opportunities to the Australian business community through an active program of events nationally. This submission has been prepared with the input and advice of AIBC members, State based management committees and the National Executive Committee.

AIBC has considered the scope of the negotiations and this submission provides a high level summary on specific interests and issues in relation to Australia's trade, investment and economic cooperation with India, barriers to trade and investment faced by Australian goods and services exporters and investors in India and general issues and opportunities associated with the impact of the Comprehensive Economic Cooperation Agreement on Australia.

The Australia India Bilateral Relationship

In a recent interview Mr Peter Varghese, Australian High Commissioner in India, summarised the basis and importance of the Australia India bilateral relationship, noting that:

India-Australia bilateral trade is in a buoyant phase. It has been growing at 20 per cent for the past five years. From A\$8 billion in 2008, it has touched A\$23 billion now. The next target is to double it in the coming five years, to touch A\$40 billion. Driving this growth is the surging Indian investment in Australia's resources and the growing basket of traded items. With the economies of both countries doing well compared with most advanced countries, the near-term bilateral engagement looks promising.¹

The commitment of both governments to the development of a Comprehensive Economic Cooperation Agreement, at the 13th Joint Ministerial Commission between the two Trade Ministers held in Canberra in May 2011, indicates a strong strategic partnership. AIBC commends both governments on the development of productive and strategic bilateral relations, yet we also recognise that there is significant opportunity to improve market access, cooperation and trade and investment flows. The statistics behind the Australia India bilateral relationship are representative of this potential, with India now Australia's third largest trading partner and the exports of goods and services to India totalling A\$23

¹ Somasekhar M (2011) Australia up against entry barriers Business Line 31 August 2011

billion in 2010.² The balance of trade continues to be in favour of Australia, with India's exports to Australia diverse but not very large (A\$ 2 billion in 2009). Improving the imbalance in the Balance of Payments should be a focus for both governments and private sectors.

According to the Federation of Indian Chambers of Commerce and Industry (FICCI), Australia is India's eighth largest overseas investor with over \$1 billion approved for around 140 joint ventures. This investment covers manufacturing, telecommunications, hotels, minerals processing, food processing, oil and gas, and the automotive sector.³ According to Invest Australia, Indian investment in Australia is also worth around \$1 billion, making Australia the ninth most important destination for Indian foreign direct investment. This figure is sure to grow significantly given the recent investments in the resources and infrastructure sector by Indian companies in Queensland.

The movement of people and development of knowledge is a significant component of the Australia India relationship and any Agreement must contribute to facilitating this cross border movement. Australia is welcoming more Indian visitors than ever before as tourists, students and migrants. In 2009, over 124,000 Indians visited Australia as tourist.⁴ In 2011, there were 61,549 Indian student enrolments in Australian institutions onshore, down almost 30 per cent from the previous year.⁵ India is an important source of skilled migrants for Australia. In 2010, 12.9 per cent of all skilled migrants were from India, totalling 21 768 skilled migrants.⁶ Indian skilled workers are now Australia's 2nd largest cohort under the 457 work visa, with 2566 workers being sponsored in 2011, making up 17.2 per cent of the overall cohort.⁷ The Australian Bureau of Statistics (ABS) also reports that there are around 300,000 Indian-born residents in Australia.⁸

Industry Barriers and Opportunities

This section of the submission considers a selection of industry sectors that underpin the Australia India bilateral trade and investment relationship. The comments below are predominately sourced from a Joint Business Council meeting that took place in May 2011 by the AIBC and the Federation of Indian Chamber of Commerce and Industry (FICCI). The industry sectors covered are ICT, energy, mining and infrastructure, food-processing and agribusiness and education services. This is not to diminish from the myriad of other industry opportunities in broad areas such as biotechnology, alternative medicines, tourism and eco tourism, security, water management, retailing, environmental management, banking & finance and engineering to name just a few.

² Department of Foreign Affairs and Trade, www.dfat.gov.au, 2010

³ Federation of Indian Chambers of Commerce and Industry www.ficci.com

⁴ Tourism Australia (2009) www.tourism.australia.com/en-au

⁵ Australian Education International (2011) Monthly Summary of International Student Enrolment Data

⁶ Department of Immigration and Citizenship (2011) 2011 Migration Program Report: Program Year to 30 June 2011

⁷ Department of Immigration and Citizenship (2011) Subclass 457 Skilled Temporary Visa Summary Report

⁸ Australian Bureau of Statistics (2008) Australian Year Book

Information and Communications Technology (ICT)

Background

According to the National Association of Software and Service Companies (NASSCOM), the Indian IT and BPO sector was estimated to generate revenues of US\$88.1 billion in 2011, with the IT software and services sector (excluding hardware) accounting for US\$76.1 billion of revenues. This represents almost 26 per cent of all Indian exports.⁹

Australia continues to be among the fastest growing markets for Indian IT majors. There are 18 large Indian companies in Australia, including the likes of Tata Consultancy Services, Mahindra Satyam, Infosys, Wipro, NIIT, and HCL to name a few. Similarly, Australian IT companies have also found a good foothold in India. iSoft, a health software firm, has nearly 2,000 employees in India. Several Australian majors are looking at back end business processing and legal services outsourcing to India. The policy that enables NASCOMM members to have streamlined processing for temporary skilled visas is a good case study and could equally be trialled in other sectors.

Issues

- In May 2011 during the Joint Business Council meeting between AIBC and FICCI, the main issue identified by this sector was the challenge of finding suitable partners in Australia for innovative Indian ICT companies and alternatively for Australian ICT companies seeking to enter the Indian market.
- There is a role and need for improved business matching activities involving industry and government to support greater cooperation.
- Clarity on Australian Government policies for supporting ICT graduates from India to remain in Australia and contribute their knowledge and expertise is also an issue that needs consideration
- Access to Government procurement processes for both Australian ICT firms in India and Indian ICT firms in Australia can be enhanced. There is an outmoded view that may assume all work will be offshore by the Indian ICT Company, yet Australian and US majors operating in the space now have similar business models.
- Whilst there have been significant improvements, Australian ICT firms report that intellectual property protection can be improved in India.

Opportunities

- Opportunities are apparent for ICT trade and investment in sectors including: Healthcare, Banking, Financial Services and Insurance, Education, Public Services, Telecommunication, Animation and Gaming, Custom Content Development, Automotive, Building and Construction, Aviation/Airport Infrastructure, Retail, Resources/Mining, IT Enabled Services.
- Collaboration on research and development across a range of IT based areas represents a unique opportunity for both Australia and India. Outsourcing and off-shoring partnerships to make the most of each country's natural competitive advantages should also be viewed in a positive light.

⁹ National Association of Software and Service Companies (2011) IT-BPO Sector in India: Strategic Review 2011

Energy and Resources

Background

Bilateral energy and minerals cooperation with India is fundamental to this strategic partnership. India values Australia as a large, stable and reliable supplier of energy and resources – products India needs to fuel its growth. India's rapid population and economic growth is placing significant pressure on its already strained energy supply systems. India is pursuing a domestic and international energy strategy focused on domestic reforms and infrastructure investment. India currently relies on coal for 80 per cent of its electricity generation needs and it is already the fourth-largest consumer of energy in the world, despite the fact that 25 per cent of the population currently does not have access to electricity.¹⁰

India has ambitious plans to support its potential economic growth with a significant expansion of its nuclear power sector, which currently provides less than 5 per cent of the nation's electricity needs. The World Nuclear Association reports that India plans to expand nuclear power capacity to at least 25 per cent of its total requirements by 2050. This will allow the government to rapidly increase clean electricity generation while reducing its relative reliance on coal, with obvious benefits in terms of reducing greenhouse gas emissions. Australia and India have the opportunity to work together on a variety of clean energy initiatives.

Australia's current LNG supply capacity is around 15.6 million tonnes, with a further 9.6 million tonnes under construction. Planned new LNG projects could add more than 75 million tonnes to that total. Australia has considerable potential to expand its LNG production and many companies retain an interest in supplying India in the future.

Issues

There are a range of issues that may be dealt with under an Agreement to improve trade and investment in the energy sectors, these include:

- Clear and transparent processes for investment in each country's energy resources.
- Investment in supporting infrastructure.
- Streamlined approvals for significant investments.
- Identification and promotion of Australian partners and contractors.
- Development and support for new joint venture and acquisition models.
- Understanding and reform of the global tender processes.

Opportunities

- With India only currently receiving 1 per cent of the total coal being exported from Australia every year, there is enormous potential for growth in this market. There are signs that this is beginning to happen.
- Opportunities for reciprocal Indian and Australia investment in LNG and associated infrastructure.

¹⁰ OECD (2011) Economic Surveys India

- Indian investments in associated infrastructure including railways and ports. Again, there is evidence of activity in this space.
- Leverage opportunities in knowledge sharing and intellectual property.
- Collaboration between research institutions and universities on joint research and development programs.
- Skills enhancement and skills development with Australian vocational partners and the energy sector.
- Joint opportunities in renewable energy e.g. capacity building, project management and research and development

Mining and Infrastructure

Background

Both Australia and India are richly endowed with mineral resources. Australia is a reliable supplier of minerals and deeper trade engagement would enhance India's energy and minerals security. In 2009 imports were largely composed of mineral resources. The top three items were non-monetary gold A\$ 6.7 billion, coal A\$ 4.9 billion and copper ores A\$ 0.82 billion. The three commodities taken together comprised a total of A\$ 12.5 billion or 75 % of Australian exports to India. India's and Australia's tariffs on mining imports are considered low.

Issues

- Significant investment in power, port and rail capacity is necessary for developing, expansion, mining and shipping of resources in both India and Australia.
- Indian mineral buyers should be encouraged to participate upstream through investing, building and/or operating infrastructure supporting their resource interest.
- Support at the State Government level is lagging in some states with limited support offered to Indian investors in greenfield and brownfield projects.
- There is a lack of knowledge about each other's market. Indian firms do not have a clear understanding and visibility of Australian projects, and Australian firms often fail to understand the legal and commercial realities in India.
- Movement of skilled labour between Australia and India to support the growth in this area.

Opportunities

- Government should consider developing avenues for information exchange, including programs to support cross cultural understanding, business practices and investment programs.
- Investment opportunities for infrastructure, superannuation and sovereign funds in Indian infrastructure should be encouraged by government policy.
- Research and development collaboration for new clean coal and other mining processes.
- Joint project management and feasibility programs

Food Processing and Agri-Business

Background

The agriculture sector accounted for 14.2 per cent of India's gross domestic product (GDP) in 2010-11¹¹. There is a growing momentum in the agri-business sector due to increasing improvements in the agriculture sector and adoption of innovative management practices, in both on-farm and off-farm operations. According to the Agricultural and Processed Food Products Export Development Authority (APEDA) Indian exports of agricultural products will surpass US\$ 22 billion by 2014 and account for 5 per cent of the world's agriculture exports.

Issues

- AIBC members involved in food processing and agri-business have identified import duties in India as one of the key barriers to future growth of the sector.
- There is a view that Indian growers are over governed restricting overseas competition in agri-produce and quality food products. India's growth has created a strong demand which is putting more pressure on the existing food supply chains.
- Australian exporters still face challenges in engaging in the supply chain and dealing with significant government hurdles for the import of products.
- The delay of goods in India mainly at customs (due to strikes, system shut down or efficiency of clearing work load) and inland transportation (due to lack of infrastructure) result in products spoiling or a reduced expiry remaining on consumption in Australia.
- The issue of corruption within customs is also one that needs to be dealt with.
- Foreign Direct Investment rules in the agriculture sector have improved but still restrict investment in key areas.

Opportunities

- Australian Technology for agriculture and food production is world class, this allows for a strong value add position globally as food security becomes more of a focus
- Indian consumers are spending more on new food products and agri produce, the arrival of large retail chains in major cities is likely to speed up the introduction of processed food across India
- investment in supply chain in order to improve costs, tighten supplies and minimise waste
- investments in better packaging and cold chain infrastructure
- technology transfer and knowledge exchange in supply chain, production and distribution
- productivity improvements through the application of innovative approaches and advances in biotechnology that can be shared or jointly developed between Australia and India

¹¹ Department of Agriculture and Cooperation (2010) Central Statistical Organisation Data

Education

Background

Education is an area of increasing importance to the bilateral relationship. Nick Booker, commentator with the Observatory on Higher Education asserts that “India represents the greatest higher education opportunity in history.” In recent years, Australia has emerged as a major destination for Indian students studying abroad, who recognise the high quality and cost competitiveness of Australian education services. Australia India bilateral relations have been tested over the past two years following issues around student safety, student visas and work rights. In 2009 India student enrolments to Australia experienced their first decline in over a decade. The Australian Government and education providers have worked hard to rebuild Australia’s reputation in the minds of Indian parents and students, but there is still significant work to be done.

The Australia India education relationship is complex and deep. Educational partnerships are formed at all levels from high school, vocational college and higher education institutions. The research alliances and collaboration are considered a priority from both Indian and Australian research institutions. The Australian Government’s investment in a range of bilateral research partnerships form a central platform for this engagement, this is matched through institutional and corporate investment. The \$130 million Australia India Strategic Research Fund is indicative of the importance of research collaboration between our two countries.

The Australian India Institute, established in 2009 at the University of Melbourne with an \$8 million investment from the Commonwealth Government, represents an important catalyst in enhancing Australia India relations. Glyn Davis, Vice Chancellor of University of Melbourne stated at the launch that “it has never been more important for Australia to know, understand and work together with India.¹²” This goes to the heart of what many AIBC members have reported; that fundamentally there is a significant cultural divide between Australia and India. This is often overlooked given India’s proficiency in English and our long standing relationship, but will need significant investment and a willingness to gain better understanding of each other’s cultures if business and trade is to flourish.

The Australia 2020 Summit’s final report touches on this issue more generally, citing the need for a ‘concerted campaign to develop regional literacy in Australia (including the development of language, skills and cultural awareness)’ as a priority. The number of Australian students (at all levels) who chose to travel to India for student abroad or cultural programs is very low. This is in line with the research that demonstrates the soft power potential of international education and exchange as the basis for stronger relationships in the region.

Issues

- The education relationship has significant potential but is also plagued by a number of barriers. The Australian Government’s changing policy on student visas and graduate visas has created confusion and concern with Indian parents and students.

¹² University of Melbourne (2009) \$8m Australia India Institute for University of Melbourne, Media Release 10 Aug 2009

- The nexus between education outcomes and skilled migration opportunities has been problematic. Yet the reality of Australia's skills shortages is such that international students and graduates can form an important part of the solution. The visa processing arrangements, time delays and in some cases discretionary treatment of applicants at post is an issue that needs to be addressed.
- Mutual recognition of qualifications and professional licensing continues to be an area of concern. Particularly in professional and para-professional fields such as engineering, accounting and health professionals, this should be a priority. With Indian skilled workers representing the 2nd largest cohort of skills migrants into Australia improved understanding of local requirements, mutual recognition partnership between credentialing bodies should be prioritised.
- India's drives to reform the education sector and to create new educational institutions required to meet the countries skilling needs are welcomed. The challenge of creating 1000 new universities and almost 25000 vocational colleges is one of significant proportions, the like of which has the world has rarely witnessed.
- For transnational education programs the introduction of the Foreign Education Bill has been heralded as both an opportunity and potential issue. The proposed legislation requires a 'foreign education institution' to become an approved 'foreign education provider' (FEP) in order to operate courses in India. There is need for clarity around how these activities will be administered. The delay of the Bill has also left many Australian providers nervous about entering the market prior to the adoption of the Bill.
- Australia's reputation in the region requires whole of government and whole of sector coordination to re-position Australia as an ideal country for educational partnership, study abroad and research.

Opportunities

- Australian education providers can play a key role in the Indian Government's goal of up-skilling 500 million of its people by 2022 particularly by providing vocational courses and skills training in India¹³
- As noted above, the introduction of the Foreign Education Bill is also considered an opportunity, so that when fully implemented, Australian institutions will have clarity on the requirements for establishing and delivering education in India.
- Research collaboration, in science and technology also represents a significant opportunity, continued funding and support is required in this area.
- Increased mobility for Australian students studying in India or undertaking work and volunteer placements as part of their course should be a priority for all education institutions.
- Investment in a Indian language and cultural programs within Australian universities will improve the understanding of India in Australia.
- Increased investment from Indian institutions in the Australian education market, as has been evidenced through the S P Jain Centre of Management in Sydney.
- The Australian Government and in particular Austrade, who has been given the opportunity to promote Australian education globally, need to invest more in the marketing of Australian education. By comparison, the UK Government has donated over \$280 million pounds over the past 8 years to under privileged children in India. Australia is still viewed as too focused on the commercial aspects of the educational relationship.

¹³ See National Skill Development Corporation www.nsdcindia.org

Tourism, Sports and Biotechnology

Whilst there are many niche industry sectors that are important to the Australia India relationship, AIBC suggests that tourism, sport and biotechnology are considered as key sectors that require ongoing investment and support. Each of these industries presents unique challenges and opportunities, in the short term to medium term; we believe these industries to be vital to the sustainability of a strong bilateral relationship. These sectors are inextricably linked to India's demography, population, culture and economy.

10 Point Plan for Australia India Trade and Investment Relations

Given the importance of the Australia India trade and investment relationship, AIBC encourages negotiators to consider the following in developing the Comprehensive Economic Cooperation Agreement.

1. Continued tariff reduction for trade in goods

There are still major barriers to trade with India, despite recent reforms. The International Monetary Fund (IMF) has highlighted the importance of continued tariff reduction and the lowering of administrative barriers to trade. Indian tariff rates and trade barriers more generally remain among the highest in the world. In addition to tariffs, India imposes various duties, such as safeguard and anti-dumping duties, and non-tariff restrictions such as import bans and standards or certification agreements. The Australia India Free Trade Agreement Feasibility study also identifies this as an area that can immediately improve the trade relationship between our countries, across a broad range of goods. Both India and Australia have committed to trade liberalisation over recent decades, but there is still more work to be done.

2. Supporting the services sector

The Indian Government in recent times has committed to the deregulation of services sectors, including telecommunications and ICT. We also recognise the significant changes that have occurred in the financial sector although foreign investment in Banking and Insurance remains relatively less open. Education and Tourism as key services sectors would benefit from greater promotion and profiling in market in order for Australia to be considered a leading destination. Transport, Power, Business Services such as Accountancy and Legal Services remain protected from foreign competition, as does the Retail Sector.¹⁴ Services and knowledge based exports for both India and Australia are important to our future growth and sustainability, any Agreement should recognise the importance the services sector

3. Recognising the role of private sector

The role of the private sector and business community is critical to the success of any Agreement. Whilst this is true for any bilateral relationship, we argue that it must be a driving force for Australia and India. At the May 2011 Joint Business Council Meeting, Ministers highlighted "the critical role of the private

¹⁴ Australian Government Department of Foreign Affairs and Trade and Government of India, Ministry of Commerce and Industry, Department of Commerce(2010) Australia India Joint Feasibility Study <http://www.dfat.gov.au/fta/aifta/Australia-India-Joint-FTA-Feasibility-Study.html#section5> accessed 30 August 2011

sector in providing a parallel pathway to closer economic integration.”¹⁵ AIBC was pleased to be involved in the Joint Business Council Meeting and to support the concept of a CEO Forum. Private sector investment and cooperation will drive the future of the Australia India relationship. There must be ongoing recognition and engagement with the sector to reap the benefits of any future bilateral agreement. AIBC is well regarded by the Australian and Indian Governments as having a significant role to play in facilitating the ongoing improvement in Australia’s trade and investment ties with India.

4. People to people linkages

The role of people to people linkages in the Australia India bilateral relationship cannot be understated. These are harnessed through the movement of people for tourism, education, migration and business. Tourism, skilled migration and business engagement have all increased, whilst education has experienced decline in the past 2 years due to changes in visa regulations. Migration to Australia from India is an important part of our people to people linkages. In 2011, skilled migrants from India were Australia’s third largest migrant group after China and the United Kingdom. The role of organisations such the AIBC, the Australia India Council and Australia India Institute are vital. A continued investment in infrastructure to support and enhance these people-to-people relations should be a priority. Initiatives that build people-to-people links can also enhance understanding of the business culture in our two countries. We recognise the importance of the Australia India Council but also urge the Government and industry to continue to innovate in creating new and sustainable partnerships to advance the understanding of each country. There is still a long way to go in raising a greater awareness of Australia in India and India in Australia, the AIBC supports the Australian government’s initiative to promote the year of Australia in India in 2012. AIBC calls on the Australian Government to offer clear and consistent policies for temporary and permanent residence for skilled and knowledge workers who aspire to contribute to Australia. Getting this policy right impacts all other sectors and is vital to the sustainability of open and friendly relations between our countries.

5. Education and knowledge exchange

The bilateral relationship between Australia and India is in many ways defined by our educational ties. The education relationship is complex and varied, spanning the exchange of students and staff in high schools, vocational studies and skills development programs delivered both on shore and offshore, undergraduate and post-graduate studies in a broad range of fields and finally significant investment and collaboration in science, technology and research. The \$130 million Australia-India Strategic Research Fund represents the largest ever commitment of Australian research funds into a bilateral program and will work to address global challenges such as food and water security, health, energy and the environment.

Sustainable growth in student mobility is paramount to the interests of both countries and needs to be supported through transparent and equitable government policies on student visas and work visas. We are entering a new phase of engagement with the pending introduction of the Foreign Education Bill in India and the opening up of transnational education delivery models by Australian providers in India. This is matched with the recent AUD45 million investment from S P Jain Centre of Management in

¹⁵The Hon. Dr Craig Emerson, Australian Minister for Trade and Shri Anand Sharma, Commerce and Industry Minister (CIM) of India (2011) Australia-India Joint Ministerial Commission, 12 May 2011

establishing a campus in Sydney to focus on MBA programs for students from across the region. Research collaborations are a high priority for Australian research centres, with broad focus areas including biotechnology, mental health, education and ICT, renewable energy and clean technologies.

6. Facilitating investment

The investment opportunities in both India and Australia are significant. To date they have been hampered by significant bureaucratic overlaps. AIBC members have reported cross-sectoral problems, where various ministries and bureaucracies do not align in decision making and processing, which delays approvals and complicates the requirements for global investors. Hurdles to investment must be addressed if we are to build and grow the two way investment between our nations. Better understanding of the culture and business models from Indian investors in Australia is also important. Many anecdotes have been shared of limited understanding of the cultural differences that exist between Australia and India and the need to work to better understand each other, particularly in the area of investment attraction.

7. Improved transparency

Australian companies often report the difficulty in dealing with Indian Government processes and bureaucracy. The need for a clear, transparent legal and business operating framework is critical to continued trade and investment. Austrade estimates that there are now over 1500 Australian companies exporting to India. This could be substantially increased if the bureaucratic barriers to operating in India were reduced. We must push for transparent laws, rules and guidelines for operating in India and promote a restriction in discretionary decision-making. AIBC commends the Indian Government on the significant reform process underway across many departments and industry areas. We recognise the need for deeper and continued reform at all levels, including legislative, policy platforms and frameworks, procedures and processes and implementation (including procurement processes). Getting it right at every level is important.

8. Broadening the base

The Australia India trade and investment relationship is dominated by a few key sectors predominately related to the primary commodities industries. It is critical for the future sustainability of the trade relationship to also support other niche and emerging industry sectors, such as biotechnology, alternative medicines, tourism and eco tourism, creative industries, power generation, security, infrastructure and engineering, water and environment and retail. Given the significant role that services play in both economies, there is scope to expand trade in services between Australia and India. In addition to education, hospitality, health, IT-enabled services and tourism, there appears to be considerable potential in financial and legal services, the retail sector and other service industries such as architectural services, E-learning, film making and computer-aided design. Collaborative efforts in service industries will result in substantive benefits to both countries. Sports plays an important role in the cultural ties between Australia and India, we have an opportunity to leverage trade and investment outcomes from this shared passion.

9. Resources and energy

There is no doubt that trade and investment in resources and energy are critical to the bilateral relationship. In many ways, Australian resources and energy exports to India serve as a crucial motor of Indian economic growth. Whilst the exports of resources and energy dominate Australia's trade with India, we have an opportunity to add to this in expanding cooperation in mining services, expertise and technology to increase productivity on both sides. Inherent in this relationship is continued cooperation and investment between Australia and India in relation to low emission and renewable energy climate change and sustainable development. Peter Varghese, Australian High Commissioner to India forecasts a "quantum jump in Indian investments in the next 3-5 years", estimating Indian companies to hold over AUD20 billion investments mainly in the resources and energy sectors¹⁶. The AICECA will be a vital conduit in supporting this investment and driving the economic future of both nations.

10. Working together for our global future

Australia and India represent two of the largest and most stable democracies in the Asia Pacific region. Independently, and collectively, we have a responsibility in the region to support and drive continued growth and prosperity. As outlined in the key action areas above, we can use our trade and investment as the basis for the development of not only productive bilateral relationships, but also for multilateral relations that benefit the region. From 2011-2013, India and Australia will be working closely together as the Chair and Vice Chair respectively of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). This represents another milestone for our cooperation in the region and in support of regional trade infrastructure.

Conclusion

Based on the initial Free Trade Agreement modelling, an Australia India Agreement is estimated to have a significant impact on the GDP of both economies, with estimates that by 2020 Australia's GDP would be 0.23 per cent higher than otherwise, and 0.15 per cent higher in the case of India.¹⁷ At the time of modelling, 70 per cent of Australian sectors and 68 per cent of Indian sectors were expected to experience an increase in output under a new Agreement.

AIBC supports the Governments of Australia and India in the Comprehensive Economic Cooperation Agreement (AICECA) negotiations. We urge both governments to continue engaging with the private sector and business community to ensure that the Agreement drives future trade and investment. Importantly for AIBC, we strive for recognition in any negotiations, that we are operating as equals – both Australia and India have much to gain in creating closer economic relations. Just as we have much to lose, if trade barriers, impediments to investment or lack of cultural knowledge stand in the way of creating opportunities for genuine partnership and development.

¹⁶ Somasekhar M (2011) Australia up against entry barriers Business Line 31 August 2011

¹⁷ Centre for International Economics (2008) Economic Modelling for the Australia-India FTA Feasibility Study