

## FROM WESTERNPORT TO INDIA

Address by the Hon Gareth Evans QC, Minister for Foreign Affairs, to  
Westernport Export Foundation's Seminar Dinner, 27 February 1996

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It is a great pleasure to be back here tonight wearing one of my favourite local hats, as Chairman of the Westernport Export Foundation, and to be joining with you in our joint efforts to boost the export performance of the South East region. This is the first of three seminars that the Foundation will hold, to help small to medium enterprises get a better understanding of the menu of Government services they can use to develop their export potential. The key to the value of these seminars is practical advice and assistance - as well as informal networking with others who are seeking to initiate or expand their export business.

We are all in the business of finding new business these days, and when you're a small or medium sized enterprise getting into export, it is just plain good sense to be taking advantage of the advice, experience and potential joint venture support of others in our region. The Foundation is very much in the game of helping with those advice and information flows, and helping individual firms find partners with whom to venture offshore together.

Each of the seminars has a special country focus. Later seminars will deal with South Africa and Indonesia. But the focus today has been on India. The story is a very exciting and encouraging one: India itself is undergoing a very dramatic transformation and the potential for Australian companies in India is virtually unlimited. But let me begin by placing that story in the overall framework of Australia's trade strategy.

### **Australia's Trade Strategy: Overview**

Our trading relations with the rest of the world are absolutely crucial to our economic future, to our job growth and to our standard of living. But in order to improve our export performance, we have to make sure we have got our own act together. That is why, through our time in office, the Federal Government has fundamentally restructured the Australian economy to make it a more outward-looking and competitive place. At the same time, we also embarked on a four-

pronged trade

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strategy, each element of which reinforces the others. First, we have been committed to further strengthening the multilateral trading system as embodied in the World Trade Organisation that succeeded GATT last year. Secondly, we have been committed to developing regional trade liberalisation through APEC, the Asia Pacific Economic Cooperation forum. Thirdly, we have put in unremitting effort to work with each of our trading partners bilaterally on market access. Fourthly, we have developed an active and creative strategy of national export promotion.

The results have been impressive by anyone's standards.

- In 1982-83, when this Government came to power, we inherited an economy which exported less than 15 per cent of its GDP. In 1994-95, Australia exported 19 per cent of its GDP - equivalent to \$20,000 million in extra national income, and representing unprecedented export growth.
- Present indications are that Australia's ratio of exports to GDP in 2000/2001 will be around 23 per cent.
- As a result, the economy can now grow a full percentage point faster than was previously possible. Our improved export performance will be a crucial contributor to meeting our domestic unemployment target: no more than 5 per cent of the labour force by 2000.

**Global:** GATT/WTO: We worked hard at the Uruguay Round of trade liberalisation negotiations and achieved a very positive outcome for Australian traders.

- The Industry Commission estimates that by 2002 the reforms implemented under the Uruguay Round should add \$5.2 billion (1992) to Australia's exports: real money in anyone's terms.

**Regional:** This Government conceived of APEC in 1989 and Prime Minister

Keating pushed hard to elevate its status by creating leaders' meetings - and then at the Bogor meeting in Indonesia helped forge the historic agreement to achieve free and open trade and investment in the Asia-Pacific region by 2010 (for the developed economies) and by 2020 (for the developing economies).

- When that vision is realised, we estimate that Australia's national income will be \$40 billion a year greater, and that we will have created another 500,000 Australian jobs.

- APEC is also eliminating a whole range of administrative impediments to trade and reducing costs that make the supply of goods and services more expensive without adding any value.

**Bilateral** relationships are in very good shape, despite the political comments you may have been hearing during the election campaign.

- With Indonesia we have established a new ministerial forum for dialogue on a range of issues, including on trade. In Malaysia, our economic and people to people relations remain very strong, despite some bumps over recent years. Our relationship with Singapore is extraordinarily good: we recently set up the important Singapore Australia Business Alliance Forum.

- In North Asia our economic and political relationship with Japan is booming, is buttressed by an active Ministerial Council dialogue - the only dialogue of its kind maintained by Japan; the relationship with Korea has infinitely more depth and breadth than it used to; and we have excellent relations with both the People's Republic of China and Taiwan.

- We are working with the European Union towards a Framework Cooperation Agreement which will foster a better climate for strengthening bilateral trade relations and pursuing market access concerns with the EU. So far from our relationships going backward, as the EU put it, in a statement just last month, *"Australia has sought to bring the country close to its Asian neighbours without diminishing the economic, political and cultural influence that has traditionally come from Europe."*

**Assistance to Business:** All this trade diplomacy is about creating opportunities through improved market access for Australian exporters. Side by side with this activity we have been engaged in trade promotion: assisting exporters capture those opportunities.

- Austrade, established by Labor in 1986, is as you know the Commonwealth agency charged with providing this export assistance. Last year Austrade assisted exporters achieve export sales of over \$4.7 billion in 1994-95 - which represents an earnings to operating cost ratio of 28:1.
- Austrade's Export Marketing Development Grant (EMDG) scheme has a special focus on small to medium enterprises looking to export; 60 per cent of its SME clients have a turnover of less than \$20 million.
- The Government-sponsored National Trade and Investment Outlook Conference (NTIOC), the Asia-Pacific's premier trade and investment conference, in 1994 generated \$135 million in new business for Australian companies from the networking opportunities it provided.
- Our Development Import Finance Facility (DIFF) scheme also offers Australian business an opportunity to be involved in delivering high quality aid. I am sad to say that this has been slated for termination by the Federal Coalition if they win office - a decision which my colleague Gordon Bilney has called "stupid and shortsighted" and which will undoubtedly disappoint many of the enterprises which were participating in the scheme, not to mention the recipient countries.

## **The Challenge of India**

India is a key market for Australia and one which we are looking to really expand over the coming year. So I welcome the Westernport Development Foundation's interest in India's trade and investment potential.

The size and relative importance of India's economy is often understated. But on any score-card the Indian economy is huge - it is the twelfth largest economy in

the world in terms of GDP, but the fifth largest if measured in Purchasing Power Parity (PPP) terms; it is growing at 5.6 percent in real terms at present with the capacity to grow even faster over the next few years. India has an enormous agricultural sector that is, by and large, able to feed its population of 920 million; the world's ninth largest manufacturing sector, which makes everything from pots and pans to cars and computers; and it has a large educated and skilled workforce.

India has one sixth of the world's people - and around a quarter of the Indian population, some 250 million people, are already 'discretionary consumers' - people with money to spend on goods and services beyond those required to meet basic needs for food, clothing and shelter. A sizeable and growing number of these people are in fact middle class consumers: Indians who have incomes that enable them to purchase household appliances, televisions, radios and motorcycles and, increasingly, cars. These consumers have money to spend on entertainment, movies and cable television. They like to dine out, with western-style fast food making inroads on traditional cuisine as it has done elsewhere in Asia. India's middle-class is starting to travel for recreation - primarily within India at present, but also to tourist destinations abroad in the not too distant future.

Perhaps the most exciting and remarkable feature of the contemporary Indian economy is the dramatic process of reform and liberalisation initiated in mid-1991. After four decades of economic isolationism, India has now come in from the cold. India has dismantled foreign investment regulations that previously starved its industries of capital and funds; tariffs have been slashed, and a complicated tax system simplified; the rupee has been floated and made convertible in large part. Millions of Indians have consequently found their incomes rising and new goods and services to spend their money on. In short, India's entrepreneurs have been freed from many of the constraints that prevented them from playing their natural game, and potential exporters into the Indian market have had their task simplified and their potential benefits magnified.

These reforms have been extensively documented in my Department's 1993 report entitled "India's Economy at the Midnight Hour". For those of you looking to come to grips with the extent of economic reform in India over the last few years, that publication is well worth a read.

One question I often hear from people interested in doing business in India is: will the reform process last? Is it reversible? I believe that it is well understood by the leadership of the major Indian political parties that India must continue to

liberalise its economy, attract foreign investment and modernise its industry, if it is to improve the lot of its people and secure its long-term strategic interests. Certainly the reform process offers foreign businesses a tremendous opportunity - and the stronger these trade and investment links become, the more resilient and successful the reform process will be.

As far as Australia is concerned, India is rapidly becoming one of our major relationships.

- Two-way trade last year was over \$1.5 billion. On the basis of current trends two way trade is likely to double by the year 2000, putting India among our top ten trading partners. Australian exports to India in the first 7 months of last year alone increased by 27 per cent.
- In time Australian investment into India should compare with our investment levels in China and Indonesia.
- Importantly for Australia, India needs the sort of things Australia produces efficiently and the growing range of services and technology that we provide. The areas of Australia's particular capability are a good match for India's development priorities - raw materials, power, telecommunications, infrastructure development, education among other things.

Some of Australia's big names are, of course, already involved in commercial enterprises in India. ANZ, BHP, CRA and News Corporation, which owns Star TV, are doing important work in India. Telstra's investment plans are well advanced - providing a dramatic example of the international benefits to be derived from retaining our telecommunications company entirely in public ownership. There is also a host of small to medium enterprises which have seen the opportunities in the Indian market and which are now trading or seeking to invest in India through joint ventures.

This resurgence of Australian commercial interest in India contributed to it being selected for the Government's next major overseas promotion: the Australia-India: New Horizons promotion which will be staged in India in October and November this year. Directed squarely at India's decision makers, the New Horizons program features a range of business, science, technology, education,

cultural and sporting events in six major Indian cities - New Delhi, Bombay, Calcutta, Bangalore, Madras and Chandigarh. Earlier undertakings of this kind have been held in Korea, Japan and Indonesia - Australia's foremost regional trading partners - and it is a mark of the special importance Australia attaches to its relationship with India that we have chosen it for our fourth major integrated country promotion.

Over the past few years the Government has been extremely active in helping to develop the bilateral relationship. Last year alone, Bob McMullan led the largest and most senior Australian business delegation ever to visit India for our annual Joint Ministerial Commission meeting; we opened three more Austrade offices in India - Calcutta Madras and Bangalore; my colleague David Beddall led a coal mission to India; Sontosh Dev, India's Minister of State for Steel visited Australia; and India was featured as a focus market at NTIOC.

All these positive things having been said, I don't want to give the impression that India is an easy market. It has to be said that alongside its substantial assets the Indian economy has a number of weaknesses. For example, India needs massive investment in power generation capacity, transport infrastructure and telecommunications to provide the basis for sustained growth, and further investment to provide its urban dwellers in particular with a clean and healthy living environment.

International development aid will continue to play a role in these areas and, under the present Government, Australia has contributed strongly. Through the DIFF scheme I mentioned earlier, we have been in a position to provide crucial funding (through a soft loan package of \$206 million) for White Industries Australia to develop in conjunction with Coal India Limited an open cut coal mine and washery at Piparwar in the northern Karanpura coalfields of Bihar State. And, in the context of an Australian aid initiative in India, we are currently working on the possibility of Australian environmental engineering technology being utilised to help develop a new sewage treatment plant for New Delhi.

The reform process in India, together with the dismantling of apartheid and the emergence of non racial democratic rule in South Africa have transformed the Indian Ocean region. It is now possible to think of the Indian Ocean as a region undergoing the early phases of the transformation that has revolutionised East Asia. We need to think of ways of ensuring that Australia can reap the benefits of this new development. And we need also to look at ways of enhancing and

strengthening economic cooperation throughout the Indian Ocean region.

This is why Bob McMullan and I, in 1994, launched the Australian Government's 'Look West' initiative which seeks to highlight the tremendous opportunities for Australian engagement in the Indian Ocean region. In May last year, I visited eight Indian Ocean rim countries to discuss proposals to strengthen regional cooperation. And in June, we convened the International Forum on the Indian Ocean Region (IFIOR) in Perth which brought together a range of senior participants from 29 countries around the region to take the first practical steps towards that goal. IFIOR prompted the establishment of a consultative business network which is now looking at issues including impediments to investment in the region, maritime issues and the potential for expanding information technology links throughout the region. It also led to the formation of a research network which will continue a process of non-official diplomacy to develop regional consensus across a range of economic and political issues.

Following on from the success of IFIOR, I am convinced that we are now launched on the path towards effective regional cooperation in the Indian Ocean. While a process on the scale of APEC, which aims at sweeping trade and investment facilitation and liberalisation, will take some time to evolve in the Indian Ocean context, the first, tentative dialogue towards that goal is now emerging.

I hope you're in no doubt now that the development of Australia's relations with India is a priority for us. We are committed to ensuring that Australia and India engage with each other in cooperative and mutually beneficial ways. There is great scope for Australia and India to work more closely together in many areas, including on the emerging challenge of contributing to economic integration in the Indian Ocean. And I feel sure that the New Horizons promotion will make a major contribution to a lasting renewal of the Australia-India relationship.

The need now is to bring our people, governments and private sectors closer together in a concerted effort to take up the challenge offered by India, and indeed the whole of our Asian and Indian Ocean neighbourhood. That's not just going to happen in some large, abstract, generalised way. As always, there's only so much that governments can do in setting the ring: the real action at the end of the day is always going to be with the entrepreneurs that make it happen on the ground. And these days the businesses making it happen in export are at least as often small and medium sized as they are the people at the top end of town.



The Westernport Export Foundation was created to help set some fires alight for small and medium enterprise in our own region, and with your commitment and enthusiasm - together with the great professional skill and energy that the Foundation and Council are now putting in, with Greg Emes in the Export Manager's chair - we can make it happen together.