



INDIAN SUMMER

WE'RE PAYING A LOT MORE ATTENTION TO INDIA
LATELY, FOR A WHOLE RANGE OF REASONS.

STORY: FIONA EDWARDS

India is a complex entity: geographically, historically, religiously, socially, economically and politically. It is a nation of contradiction.

A country of considerable wealth, including a rich cultural heritage, a significant proportion of its populace is amongst the poorest on the earth. A stable and resilient democracy, it nevertheless harbours an undercurrent of political unrest. India resists any attempt at straightforward analysis.

Pundits predict that India will soon become one of the major economic, political and trade powers of the world. As India begins to enjoy its moment in the sun as a major regional and global player, it is becoming more and more evident that India's interests are ever converging with those of Australia.

"As an emerging world power, India's importance to Australia is growing," believes Alexander Downer, Australia's Minister for Foreign Affairs, speaking at the Australia India Business Council Independence day address in August 2006. "Economic reform, growing military capability and a more pragmatic

foreign policy are propelling India towards major power status with increasing influence in our region."

It is then perhaps timely that federal parliament's Foreign Affairs, Defence and Trade Committee is examining Australia's relationship with India.

"There is no question that India is a rising global power," agrees Senator Alan Ferguson, Committee Chair. "There has been much discussion in submissions about the potential a strengthened India-Australian relationship represents for both countries."

The committee is focusing on the extent of the political, strategic and economic relationship between the two countries, seeking the comments and observations of a wide variety of Australian companies from a range of sectors that have already made the move towards the subcontinent.

Australia has enjoyed a seemingly stable and passive relationship with India, but that is not to say that relations are by any means static.

In recent years ties have been strengthened, based on shared

economic interests and growing strategic, cultural and people-to-people links. Both members of the Commonwealth, with English as a common tongue and an obsession with cricket, the rhetoric suggests that India and Australia have good foundations upon which to build a closer association.

There are approximately 150,000 Australians of Indian descent living in Australia with close to 30,000 Indian students having chosen our shores as a place for study.

HOLDING the status of being the world's largest democracy and the second most populous nation, India is the seventh largest country in the world in terms of land area. Consisting of a puzzle board of 26 states, the country's high population density and variety of social, economic and cultural configurations are the products of a long process of regional expansion.

With its bustling cities and villages, cultivated fields, and ancient civilisation dating back 4,000 years, India has always held a significant role in global politics. But never

India is a nation of contradiction. Photos: AAP Continued page 50 ▶

“There are opportunities here for Australian companies in all sectors. You just have to do your research and identify your market.”

before has India enjoyed such economic growth, diplomatic influence and overall prestige as what the nation holds today.

After three post independence decades of slender progress, in recent years India has journeyed upon a path of reform and has transformed itself into a dynamic and vibrant economy. Since 1991 the country has lowered trade barriers and tax rates, broken state monopolies, freed up industry, encouraged competition and opened up to the rest of the world. Relying on its domestic market more than exports, expenditure more than speculation, services more than industry and high-tech more than low-skilled manufacturing, India has manoeuvred its way into a position of growth.

Today, India boasts highly competitive private companies, a booming stock market and a modern, well disciplined finance sector. India is now the world's fourth-largest economy, with analysts predicting it will soon surpass Japan. With an ever growing middle class together with their rising spending power, India is fast becoming a highly consumer based nation. And let's not forget that India is also a nuclear state.

Suddenly, India is being noticed by the global community. So where does that place Australia's relationship with the rising power?

A visit by Australian Prime Minister John Howard to the Indian subcontinent in March 2006 lifted bilateral relations to new heights with the level of cooperation between the nations spanning a range of sectors. While in India, the Prime Minister witnessed the signing of a trade and economic framework to encourage closer and strategic cooperation in key sectors such as energy and mining, infrastructure development, information and communications technology. He was also at the signing of memoranda of understanding on defence cooperation,



Prime Minister John Howard visiting India. Photo: AAP

customs and biotechnology as well as a bilateral air services agreement.

But, high level handshaking aside, what does the liberalisation of the Indian market mean to Australian business?

It is estimated that more than 1,500 Australian businesses have export interests in India. Qantas, Leighton, Deakin University, RMIT, Solahart, SMEC, BHP Billiton, Rio Tinto and Flight Centre are just some companies with offices in Delhi alone, with Mumbai and Chennai also centres where Australian businesses are located.

ANZ, which has been active in the market since 1989, currently employs 1,000 people in Bangalore and the number looks set to rise to 1,300 by the end of this year. Over the past 17 years they have established a specialist capability in developing and managing software and technology for many of their systems.

“Bangalore has many advantages,” writes Mike Grime, managing director of ANZ operations and technology, in his submission to the parliamentary inquiry. “We have access to skilled people including large number of graduates...especially a larger pool of people skilled in newer programming languages.”

Other benefits include its position as a global technology centre, the lower total costs including employment, property and technology costs, as well as the quality of work output.

Two years ago Leighton identified India as a potential new market for the company's oil and gas expertise and embarked upon a major development push in a bid to capitalise on the many opportunities.

“In a very short period of time, India has emerged as potentially our most important market,” says David Savage, managing director of Leighton Asia (Southern). “There are opportunities here in just about every market sector we operate in. The key for us will be to maintain our focus.”

“It will take continued patience, focus and dedication, but if the Indian economy continues to grow, Leighton could emerge as a major player in one of Asia's largest infrastructure markets.”

DESPITE the liberalisation in the 1990s, India is still a country that has strict controls pertaining to foreign investment. The sheer size of the bureaucracy can be daunting in the first instance, and the pace of change can be slow. Patience with the market is one virtue that anyone aspiring to do business in India will need to possess.

“Things take much longer here than they do in other markets,” warns Mike Moignard, Austrade's Senior Trade Commissioner based in New Delhi. “Companies must be prepared to wait.”

As India's largest city and a key commercial and investment centre, Mumbai is an important focus for major Australian companies, over 40 of which have operations in the city.

“Fifty per cent of foreign trade is handled out of Mumbai,” says Austrade's Peter Forby, Trade Commissioner in Mumbai. “There are opportunities here for Australian companies in all sectors. You just have to do your research and identify your market.”

Known as the centre of the Bollywood film industry, Mumbai is a thriving cosmopolitan city. “But it

is the disparity of wealth that can be confronting,” says Mr Forby. “There is extreme wealth and extreme poverty.”

Understanding the requirements of doing business in India is a must, even though they may not always apply universally.

“Nike for example can sell direct into the country,” says Woolworths’ director of property, Barry Neil. “But we, as a retailer, cannot get access to the market unless we have a local partner.”

Woolworths has been operating in partnership with Indian conglomerate Tata, providing consumer electronics to the company which has instigated a Dick Smith style merchandising outlet.

education sector. International education is Australia’s fourth largest export earner with India providing Australia’s second biggest market for international students following China. Australia is the second most popular destination of choice for Indian students, behind the United States and before the United Kingdom.

While in India earlier this year, Prime Minister John Howard committed \$20 million to support the Australia-India strategic research fund and \$5 million for research fellowships and professional development over the next five years.

Such an announcement has been warmly received by the CSIRO, which

investment and easy credit are fuelling a consumer revolution in urban areas.

“The Indian ICT Industry is growing at about 28 per cent per annum” said India’s President Dr Abdul Kalam in a nation-wide address. “Job opportunities are expected to grow from one million to nearly 9 million direct jobs and 6 million indirect jobs in the construction, retail and transportation industries by 2010.”

Many of India’s leading ICT companies have offices in Australia, employing more than 1,000 people in Melbourne alone. But many more are employed in India by Australian IT and telco providers as the trend to have their call centres offshore becomes more and more mainstream.

Unisys is one such company. A leading information technology outsourcing, networking and infrastructure company, Unisys has offices across the Asia-Pacific region, including India.

According to Lee Ward, vice president and general manager of global outsourcing and infrastructure services, operations in India arose primarily to source the best and most cost effective skills, expertise and resources.

“For the past decade, Unisys has joined a growing throng of companies that have moved towards sourcing work that can be done in other countries more cost effectively,” she noted. “A prime example of this being our global helpdesk operation, servicing both clients and staff in Australia, Asia-Pacific and worldwide, now based in Bangalore.”

ContentKeeper, an Australian based internet security company is another firm that has taken advantage of the IT boom in India to set up its 24/7 technical support centre there.

“We are convinced that forming business connections in India achieves two things,” said Peter Wigley, ContentKeeper Technologies chief financial officer. “First, it provides the opportunity to do business with some of the leading organisations in the information technology space in India. Second, it provides organisations here with a unique opportunity to do business with a growing company



The disparity of wealth in India can be confronting. Photo: AAP

“There is extreme wealth and extreme poverty.”

“Finding the right partnership in India is as important as it is anywhere,” says Mr Neil. “It is a relatively bureaucratic country and slow moving. Patience is needed.”

Working across the patchwork of states that make up the nation is also challenging. “Within India there are different states and different taxing boundaries exist within each of them, adding additional challenges,” Mr Neil says. “Gaining a cultural understanding is important when doing business in India and this is where your local partner can help.”

“Partner selection,” agrees Mike Moignard, “is the most important decision made by the company. Paper work must be correct in setting up any arrangement in India, including import permits, visas and contracts.”

Partnership is also the catch phrase for those investing in the

has had some level of interaction with India since the organisation’s inception in 1926. While the nature of the relationship has varied, the idea of collaboration has never been in question. It is anticipated that an alliance in the energy and water domains will be a major focus for research interaction between the two nations.

Higher education institutions also have highlighted the belief, fostered by the Australian Vice-Chancellors’ Committee, that India should see Australian universities as partners not merely as providers of education. To this end, the Prime Minister also witnessed the signing of two agreements between the Indian Institute of Technology, Mumbai and two Australian universities (Monash and the University of NSW) for collaborative research programs.

SINCE the liberalisation of the Indian economy the country has emerged as the world leader in information technology and business outsourcing, with an average growth of about 6 percent a year. Growing foreign

Continued page 52 ▶

that provides superior technology and which is gaining international recognition.”

But investing in Indian offshore call centres is not for everyone. Telstra, which through its global business services group has sales offices in numerous Asia-Pacific locations including Mumbai, Delhi and Bangalore, does not operate call centres in India. While having formed relationships with IT providers Satyam and Infosys, both with head offices in India, as well as supply arrangements with other Indian firms to guarantee service to corporate customers, Telstra adamantly denies taking the offshore call centre option. In fact, Telstra has taken legal action against an overseas call centre for misleading customers.

While there is doubtless negativity associated with offshore call centres, Telstra like others believes that the benefits of an open trading relationship with India outweigh the disadvantages, and that Australia's own legal system can be utilised in reigning in unfair practice.

India is also looking at becoming a preferred provider of consumer goods. Low labour costs, now lower than in China, are making the prospect of

sourcing goods from the subcontinent more attractive.

“We currently only import stainless steel pots and kitchen utensils,” says Woolworths' Barry Neil. “But it's all just a question of timing.”

There is little doubt that Australia's capacity to supply the expanding energy and other needs of India's fast growing economy, and the consumer demands of India's burgeoning middle class, place Australian exports in a potentially positive position. Australia is one of India's largest overseas investors with close to \$1 billion approved for about 140 joint ventures. Indian investment in Australia is also worth around \$1 billion, the majority focused on mining, fertiliser, pharmaceutical and information and communications technology industries. India stands to benefit from Australian investment in areas such as infrastructure development, food processing and services.

But there is no point in diving into the India economy, expecting to reap instant rewards. “The relationship between Australia and India must be built broadly,” believes Austrade's Mike Moignard, “not only in trade, but

culturally and politically as well. More interaction between common interest groups through visits, trade fairs and presentations are necessary. We need to understand each others' culture and needs.”

It is widely anticipated that India's restriction on foreign investment across the sectors will continue to dominate any discussion about the future of the relationship between the two nations.

According to Senator Alan Ferguson, Foreign Affairs, Defence and Trade Committee Chair, the committee is pleased that a variety of representatives from the Australian business community are participating in the parliamentary inquiry. “We are keen to hear their insights on ways to promote better business relations between the two countries,” he says.

And it's all because India matters a lot more to us today than it did decades ago. ■

For information on the review of Australia's relations with India, visit www.aph.gov.au/house/committee/jfadt/india2006 or email jscfadt@aph.gov.au or phone (02) 6277 2313.

FREE STUDY GUIDE

on the history of the House of Representatives



Receive a free 133 page study guide on the history of the House of Representatives when you purchase the House's history encyclopaedia on CD-ROM or the four episode documentary on the House's first 100 years. Ideal for teachers, lecturers and students of parliament and its history.

A House for the Nation on CD-ROM provides the most comprehensive collection of facts, images, audio and video of the House of Representatives ever produced. And the separate four episode documentary, on DVD or video, brings the people and issues of our first century to life.



For more information on *A House for the Nation*, the House of Representatives history project, visit www.houseforthenation.gov.au or email liaison.reps@aph.gov.au or phone freecall 1800 139 299.