

Senate, Monday 29 June 1998

**COMMITTEES: Foreign Affairs, Defence and Trade Committee: Joint: Report**

**Senator MacGIBBON** (Queensland)(4.30 p.m.) —On behalf of the Joint Committee on Foreign Affairs, Defence and Trade, I present a report entitled *Australia's trade relationship with India* together with the Hansard transcript and minutes of proceedings.

Ordered that the report be printed.

**Senator MacGIBBON** —I move:

That the Senate take note of the report.

I seek leave to incorporate my tabling statement in Hansard .

Leave granted.

The statement read as follows—

This report of the Joint Standing Committee on Foreign Affairs, Defence and Trade—*Australia's trade relationship with India*—will play an important role in maintaining the focus on the importance of India to Australian trade and investment.

Australia recognised early in this decade that the Australia-India relationship was underdeveloped. Since then the Australian Government has increasingly focused efforts on developing a stronger and more diverse relationship with India. Australia's bilateral relationship with India has expanded significantly, particularly in the areas of trade and investment.

In the past six years, bilateral trade has more than doubled. On current growth rates this trade level is set to double again in the next five years, making India one of Australia's largest export markets. Equally important is Australian investment in India which has increased dramatically since 1991.

Much of the impetus for the expanding bilateral trade relationship has been provided by the gradual restructuring and liberalisation of India's formerly 'inward looking' economy. This restructuring began in earnest after India struck severe balance of payments difficulties in 1991. Since then a wide range of economic and trade reform measures have been implemented to improve India's economy, and to make it globally competitive.

Despite its status as a developing country, financial and investment indicators suggest India has huge potential as a market for trade in goods and services. It is the world's largest democracy, with a population of approximately 950 million people and growing at 2 percent per annum. In 1994 it was rated as the fifth largest economy in the world in purchasing power parity terms, although it is estimated that 328 million citizens are living below the poverty line. The size and real disposable income of India's growing middle class is debated. However by the year 2020 India is expected to be the fourth largest economy in the world.

The importance of India as an emerging regional economic and political power, and in particular its growing significance to Australia's commercial interests, cannot be underestimated. The inquiry took a considerable body of evidence during 1997 which stressed the opportunities for Australian trade and investment. Concern was expressed by witnesses that the focus, at the official level, on the significance of the Indian market to Australia would wane in the wake of the successful Australia India—New Horizons promotion at the end of 1996. The Committee has made a number of recommendations which will build upon the impetus and success created by the New Horizons promotion, including putting in place an ongoing program of trade visits to be led at the highest government level.

The Committee recognises the important and significant role played by Australia-India business councils chambers of commerce, cultural organisations and specialised research and studies centres in developing trade and investment links with India. The report deals with the future of the specialised research centres and the need to preserve the teaching of the Hindi language in Australia.

The Committee endorses the efforts of the Australian Government in promoting Australia's trade and commercial interests in India through a number of bilateral and multilateral mechanisms. A number of recommendations have been made which will assist in further developing commercial ties, and focusing Australian business on India as a market and the opportunities to be found there. Two issues of significant concern to the Committee, which impact on the Australian Government's strategy to advance Australia's commercial interests overseas, are the closure of Radio Australia's broadcasts to India and the lack of a mixed credit or soft loan facility.

The report addresses the importance of Australia's engagement in a number of regional mechanisms including the multilateral initiative on regional cooperation and trade facilitation, the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). The Committee stresses the importance of paying more attention to the social and cultural dimensions of the South Asia/Indian Ocean region and utilising the expertise of specialised research centres. Two significant events occurred during the final stages of the Committee's Inquiry which impact on the Australia-India relationship. The first was the election of a new Government in March 1998. The second was the five underground nuclear tests which India conducted in May 1998. India has been described as a country with no full stops and the latter event has put a comma in the Australia-India relationship at both a political and commercial level. The Committee maintains that Australia must continue to develop its links west and to build on its trade and investment relationship with India.

I commend the report to the Senate.

**Senator MARGETTS** (Western Australia)(4.31 p.m.) —This report, *Australia's trade relationship with India: Commonwealth, common language, cricket and beyond*, bears some connection to the report about Australia's trade relationship with Hong Kong and Indonesia. I make that connection because during the inquiry and hearings on Australia's trade relationship with Indonesia I sought with the committee to get some understanding of the on-the-ground realities in Indonesia. This included an understanding of the internal politics of the country and what the relationship between Australia and Indonesia might be like in a post-Suharto Indonesia. To that end, I suggested a witness or witnesses that committee members could speak to who would not give them the idea that it was a static or hopeful situation or one set at a particular point in time. As such, they would have given information which might have been of some use. It did not happen then, and I do not think it has necessarily happened in this report.

I was a bit concerned about the subtitle of the report, which is Commonwealth, common language, cricket and beyond. It sounds very much to be about jolly hockey sticks and the old boys club. The situation in India is changing. It is not back in the 1950s; it is changing. We have perhaps not acknowledged to any extent the impact of those changes on India. If as a committee we do not attempt to find out the social and economic impacts of major changes in trade on a country that has had a very specific self-reliant trade policy for a long time, we will probably continue to be surprised when, in a general election, there is a change of government and people choose a fairly radical, economic nationalist approach. 'What a surprise,' we will say, 'how did this happen?'

I suppose that part of it is that Australia has not acknowledged the major social turmoil in India that has occurred as a result of the free trade agenda. There have been major changes to employment and people's life expectations. They are beginning to see that some of those things were built from Gandhian times, when India was basically ripped off by colonisers in a trade relationship. They got to a point where they were producing almost nothing. They were producing natural resources, and they were having their terms of trade dictated by another country. They had ceased to be able to produce a lot of their own goods and services.

The symbolic gesture at the time was that Gandhi became a spinner. He encouraged people to spin to make a political statement about India reclaiming its ability to meet its own basic

needs, clothing being one of them. It got to be a very strong policy in India, considering its population, needs and employment situation. If the people could produce goods and services and value added products using their own technology and personnel, they did. It got to the point where India was even producing its own whiskey, which was probably not a good thing to do, considering the need for a particular water quality in that process.

There were many things to be admired about the post-Ghandian time, where Indians virtually pulled themselves up by their bootstraps. They became self-reliant and dictated the terms to other countries and, especially, to multinational corporations, which would otherwise go into a country and determine in advance the terms of investment. India chose not to do that. It was one of the few countries specifically outside the Soviet bloc that did not, for instance, have Coca-Cola established there for a long time.

Things are changing in India. The push for globalisation and so-called free trade has reached India as it has everywhere else. People realise that changes need to be made, but they still criticise the claim that free trade will bring all the benefits that it is meant to. Therefore, it is not surprising that when there is a change of government people respond. They will respond if they have not seen the benefits that they were promised, just as Australians responded to the Keating push for free trade and competition policy. The benefits included more markets for beef and wool and better prices for primary commodities. There was going to be an improvement in the balance of trade, but that is now off the agenda. There was going to be more choice and better outcomes for consumers. Consumers are finding that they are being pushed into the international global agenda. The big players are getting their needs met, but small consumers are being left off, particularly if they are bank consumers or consumers who do not matter to the large corporations.

You can also see a parallel with Australia. The push for globalisation and globalised free trade as a result of the Uruguay Round of GATT had a massive impact. Substantial social comments were made and large protest rallies were held. There were riots in some parts of India, just as there were in other parts of the world. If the committee had gone to India, and if I had been able to find time away from my electorate to go to India, I was hoping that the committee would have had a chance to talk to groups in India about the different viewpoints amongst groups in India about globalisation, globalised free trade and the impacts of the World Trade Organisation.

If, as a parliament, we understand the impact those issues are having in those countries then, apart from anything else, it might help us understand when we get a fairly substantial kick in the rear end from the electorate in parts of Australia. India is an almost totally closed market going to a substantially open market, and what is happening there might help us to understand some of the elements within our own economy and within other economies in the South-East Asian region.

I am making a plea that, when committees look at trade relationships with other countries, they understand that it is necessary to look at the social and economic impacts on the ground, how that has been spread throughout the economies, and how that is likely to impact later on in terms of political change. Otherwise, as a parliament, we will continue to be surprised when there is some substantial change in the politics of India or Indonesia because we have failed to understand that major global economic changes have social, economic and political impacts. It may well be a waste of time if committees of the parliament are not prepared to look into those aspects or if they try to pretend that everything is rosy in relation to trade between Australia and other countries. I seek leave to continue my remarks later.

Leave granted; debate adjourned.