

It should now be apparent to most individuals that the next 100 years will be influenced to a great deal by two giant countries in our region – India and China.

Australia is in a unique geographic position to benefit from the spectacular growth and continued long term potential of these two goliaths, residing to our North....

Australia and India share many similarities – in this context, the three “C” have perhaps been over utilized in the past – Cricket, Curry and Commonwealth, arguably in that order (!). However a fourth “C” has far deeper significance and this is COMMERCE.

India is the world’s largest democracy and the majority of its population is below the age of 30.

Australia can reap a lasting and massive economic benefit by tapping into the unique synergies that exist between these two economies.

For instance:

Instead of selling vast quantise of raw materials to India – Iron ore, nickel, etc – why not use Australian expertise to actually manufacture the finished product at a lower cost in India and then export this to the rest of the world. This can be via joint venture, corporate takeovers etc

The same argument can be extended to a wide spectrum of industries – agriculture, pharmaceuticals, serum production, medical equipment etc– with Australian technology; these items can be produced in India at a fraction of the cost. The Japanese have utilized this approach in electronics and car manufacturing – witness Sony or Toyota manufacturing in China or South East Asia. The high end jobs in strategy, innovation and Research & Development have remained in Japan, but manufacturing has been shipped off-shore. As a result, Japanese companies have remained world class and highly competitive.

Given Australia’s very small size (vis-à-vis population and GDP) the Free Trade should focus on niche sectors, where Australian companies and indeed the Australian consumer can benefit from high quality goods at lower prices. It’s a win-win situation for all concerned – Australian companies can vastly increase their profits by producing more goods, at a cheaper price for a world market. They can have the opportunity to be major players in the global market. This increase in profit will result in the Commonwealth government increasing its tax revenues and hence have a direct positive impact on the standard of living for the average Australian.

Financial Services is also a case in point – the Australian Financial Services sector is world class. Recent reforms have led to a strengthening in consumer protection, whilst still providing a dynamic and competitive environment for business and commerce. In this respect, the Indian financial services sector has gigantic potential, but is crying out for structure and regulation – think of the long term benefit and good will for Australia, if we were to assist India in developing a suitable financial services model!

Green power generation is the next frontier – once again India and Australia stand to benefit enormously from a joint effort. Cutting edge solar and other green sources of power are expensive to develop and manufacture. By entering into joint ventures or other arrangements, Australian companies can manufacture solar panels in India, initially for the large Indian market, and later, use this as a launch pad to export these commodities to the rest of the world.

The list is endless, but Tourism needs special mention, as it is an essential part of trade.

The Indian Premier League (Cricket) has drawn to our attention that there is no shortage of wealth in India. India’s middle class now numbers 300 million and is growing. The criteria for

defining this middle class is open to debate, but even if one were to focus on just 10% of this number, this means that there are potentially 30 million new tourists who could be tempted to travel to Australia. Over the course of the next decade, this could have the same positive impact for tourism and the Australian economy as the Japanese tourists of years gone by.

However, from cursory evidence, it would appear that for Indians, the requirements for obtaining an Australian tourist visa are much more stringent than that of for Indians intending to travel to other holiday destinations, especially those in South East Asia. Yes, from an Australian context, one could argue that Indians could be more likely to overstay their temporary visas, and perhaps the Australian government has the statistics to prove this. However, this needs to be viewed in the context that a large number of young Indian students study in Australia and if statistics was the main rationale, it could also be argued that people from the UK have amongst the highest levels of visa overstays in Australia (similarly, this does not necessarily mean that legitimate British tourists overstay their visas, but rather, that this could be attributed to young backpackers). The thrust of this argument is therefore that Australia and the Australian High Commission in New Delhi and other Indian capital cities needs to cognisant of India's growing middle class and apply a more pragmatic approach to tourist and other visas. One size no longer fits all Indians.

Whilst China has come to the fore front in terms of Australian real politics, India, despite its similar potential, is only now seen as a country that is worthy of economic and political "courtship" by Australia. In this respect, Australia has been on the back foot – the US, Russia and the EC economic "courtship" is at an advanced stage and hence we will have to take the initiative and perhaps the first steps/concessions. Even tiny Israel, had made great strides in tying up with Indian companies in the fields of defence, agriculture, irrigation and solar power.

In conclusion, one could argue that all the talk about India and China growing wealth and influence is really just a fact of history. It's a well researched fact that since the middle ages and beyond, that these two countries were the world's biggest economies and the world's richest countries.

It therefore needs to be stressed that Australia should pursue a Free Trade Agreement with India, with the utmost vigour and enthusiasm.

Whilst I am the Secretary of the Australia India Business Council (NSW Chapter), I have expressed the above opinion in a strictly individual capacity.

Please do not hesitate to contact me if I can be of any further assistance.
Regards

Sorab
Sorab M. Daver
CERTIFIED FINANCIAL PLANNER™, MSc, JP
e-mail: life.solutions@optusnet.com.au
Web: <http://www.ascensionlifestyle.com.au>