

Committee of Sydney

"India & Australia: Moving Beyond the Three Cs"

11 April, 2008

- Privilege to be here with the Committee of Sydney.
- Always delighted to be back in beautiful city. I've been around a good bit and I can say with confidence, what many of you must already know, that Sydney is one of the world's finest cities. It is also its many charms include its wonderful climate, unique harbour vistas and landmarks such as the Opera House and the Harbour Bridge. I have made visits to Sydney over the past six months and come to love this city, which seems to me to embody much of what Australia stands for in the world today – a spirit of can do, of matching up to and often exceeding what the rest of the world has to offer; of excellence in services, industrial design, sports, architecture and the arts; one of the important international centres of trade and finance.
- You must all be immensely proud of the achievements of Sydney.
- Going from Australia to India, Australians tell me that it's the sheer multitudes of people that surprise and sometimes intimidate them. It's interesting to note from Indians visiting Australia for the first time that it's the vast open spaces and the fact that you can perhaps spend an entire weekend in a city such as Canberra without seeing a single soul that they find unnerving.
- As for me, I must admit that I find the peace and quiet of Canberra most conducive to work; I also enjoy coming to Sydney, inter alia, for the hustle and bustle and crowds, that remind me in some ways of home.
- I understand that the Committee of Sydney is a leading forum of decision-makers which aims to ensure a sustainable and prosperous future for Greater Sydney. Many of the issues that you grapple with are common to decision-makers in India as well, in this great century of urbanisation.
- Today, roughly 50 per cent of the global population lives in urban centres. In large and populous countries such as India and China, economic reforms and modernisation have spawned many industries and created employment opportunities in and around urban centres. This has acted as a great magnet for large numbers from rural areas who have migrated to urban centres. In India, approximately 70 % of our population still lives in the rural areas and 60 % of the population is still dependent on agriculture for its livelihood. However, the trends are very clear. By 2030, roughly 50 % of our population will be living in its already teeming cities and towns.

- We already have 33 cities in India with populations of over 1mn; if you go by total metropolitan area, then this number increases to 42 cities, with Mumbai heading the list with a population of 20.9mn. This is just a little smaller, perhaps than the total population of Australia.
- India is the world's fastest-growing democracy. It is currently the world's fourth-largest economy based on PPP parameters, and, extrapolating into the future, is expected to become the third-largest economy in absolute terms by 2050. India's services sector is well-known for its phenomenal success. India is also fast emerging as an advanced manufacturing hub in a globalised economy.
- There will no doubt be numerous challenges along the way, in terms of creating necessary infrastructure in education, health, communications, and above all, physical infrastructure by way of roads, expressways, ports, airports and mass transport systems in the over-crowded cities, in order to ensure success and sustained growth in the long run.
- India is already doing a great deal to improve these sectors, and many of you would no doubt have heard of the opportunities that exist today in India in terms of construction, expansion and management of ports, airports and toll roads. New Delhi, for instance, has notched up a big success by way of its new Metro Rail project, Phase-II of which has been completed linking many distant outlying suburbs with the city centre and reducing vehicular emissions and traffic congestions. Over the next twenty years, the Metro Rail project will change the face of the capital city, and beyond that, of the satellite townships, popularly known as the National Capital Territory (NCT).
- Alongside, I also see the challenges in agriculture, exacerbated by diminishing land holdings, huge migrations from the rural to the urban areas, and rising fuel consumption and costs. New cost-effective technologies will have to be adapted to ensure reduction in greenhouse gases, alongside promotion of renewable energy technologies like nuclear, solar and wind power, to support economic growth for India's billion plus population well into the 21st. Century.
- In the current fiscal year, the size of the Indian economy at market exchange rate will cross US\$1 trillion to reach US\$ 1.16 trillion in 2007-08, making it the 12th largest economy in the world.
- GDP at purchasing power parity is conceptually a better indicator of the relative size of the economy than the GDP at market exchange rates. There are, however, practical difficulties in deriving GDP at PPP, and we now have two different estimates of the PPP conversion factor for 2005. India's

GDP at PPP is estimated at US\$ 5.16 trillion or US\$ 3.19 trillion depending on whether the old or new conversion factor is used. In the former case, India is the third largest economy in the world after the United States and China, while in the latter it is the fifth largest (behind Japan and Germany).

- The Indian economy has moved decisively to a higher growth phase with growth in GDP at market prices exceeding 8 per cent in every year since 2003. The projected economic growth of 8.7 per cent for 2008 is fully in line with this trend.
- In all this recounting of figures, it must not be forgotten that 22% of India's population is below the poverty line; this means about 225 mn whom we still need to bring into the economic growth process.
- This makes it imperative for us to ensure that India's higher rates of economic growth translate into more inclusive growth, both in terms of employment generation and poverty reduction.
- India is in the middle of a process of profound socio-economic and political change. We are working in India today towards nothing less than a transformation of our economic and social landscape, touching the lives of over a billion people. I keep making the point that in this endeavour, we constantly break new ground as the fastest growing democracy in the world – there is no precedent in human history for a nation of over one billion people moving within a framework of democracy towards development and prosperity.
- Since they were introduced in 1991, our economic reforms have raised our rates of growth, transformed the investment climate, improved business confidence and generated a wave of entrepreneurial optimism. This has led to a gradual improvement in competitiveness of the entire corporate sector, a resurgence in the manufacturing sector and an acceleration in the rate of investment.
- Balanced and prudent economic policies have focused on strengthening every aspect of our infrastructure; reduced our revenue and fiscal deficits; promoted greater investment, both domestic and foreign; given a boost to manufacturing and services; harvested the demographic dividend we are beginning to get from a youthful workforce; taken the fruits of development into our rural and backward areas and made India one of the most exciting places in the world to do business in.

INDIA – AUSTRALIA

- Let me come now to the three 'Cs'.
- For a long time, there were three 'Cs' that linked our two countries – Cricket, Curry and the Commonwealth. Many observers believe that India-Australia relations should move beyond the three 'Cs'. I am one of them; however, I do admit that during the recent India-Australia cricket series, I often felt that

if our two countries could engage as intensely and passionately with each other at all levels in all other areas as we did on the cricket field, then there was a great future ahead for India-Australia relations.

- Our ties with Australia can be said to be old because India has been engaged with Australia ever since Australia became a settlement some two hundred and twenty years ago, and the engagement has been unbroken ever since. We may be importing wheat today from Australia, but anecdotal evidence suggests that a trade ship, Sydney Cove, carrying food supplies from Calcutta to Australia in 1797 sank off the coast of Tasmania. The great effort to feed the colony in Australia during a famine was mounted from India. The first coal shipment for export from Newcastle, around 1801, was to Calcutta. As early as in the opening decade of the 20th. century, soon after the formation of the Federation of Australia in 1901, Alfred Deakin, before becoming the Prime Minister of Australia, wrote in his book *Irrigating India* about “geographical proximity and future relations..... possessing immeasurable potencies”.
- It is only in recent times, coinciding with India’s rapid economic growth and its demand for resources, energy and services, and Australia’s crucial role in providing these, that the potential in the bilateral trade and economic relationship is beginning to be realised.
- Today, both India and Australia are at the epicentre of the new economic forces shaping the world, particularly in the Asia-Pacific region. India has emerged as the fourth-largest export market for Australia, and the ninth-largest trading partner. Bilateral trade stands at about A\$ 11.2 billion, and is poised to grow rapidly as India’s economy places fresh demands on Australia’s vast natural resources, advanced technologies and its proven services sector. For the first time in the history of our bilateral ties, both countries are poised to take the relationship beyond the “Three Cs” - Cricket, Curry and the Commonwealth! The most important feature today is the “Fourth C”, that which stands for Commerce.
- Bilateral trade, at about A\$11.2 billion, of which our exports are about A\$10bn, making us Australia’s 4th largest export destination, has grown by over 32% p.a. over the last four years, the fastest of Australia’s major markets, for goods as well as services. With India’s GDP set to continue growing at 8-9% rates, the possibilities in taking economic ties with Australia to much higher levels are numerous.
- That both countries have agreed to set up a Joint Study Group to study the possibility of a FTA between India and Australia is a sign of the potential that we see for much closer economic interaction. The first meeting of this group will take place in India on 17 April.

- Australia possesses expertise, technologies and products in a number of fields of interest to India; the potential is immense for instance in mining, agriculture, healthcare, pharmaceuticals, infrastructure building, tourism, the retail sector, logistics and environmental technologies.
- Education is another area where there is great potential. Australia is already the second-most preferred destination for Indian students travelling abroad for studies; vocational education in Australia is also a great opportunity to promote Australian institutions such as TAFE to youth in India and is also of great significance to India's development.
- Indian investment in Australia is rapidly increasing. Indian industries have invested in copper, coal and gold mines; an Indian industrialist has set up in Western Australia the largest ammonia plant in the world with the investment of 600mn dollars. Indian oil companies have in the past few years bid for exploration of natural gas off the North West coast of Australia.
- India is the second largest source for Australia of skilled professionals, students and businessmen applying for long term visas.
- In tourism also, India is Australia's fastest growing market; in the reverse direction, the number of Australian tourists visiting India is also showing excellent growth. And we have only scratched the surface – the Gold Coast , Sydney, where many Indian tourists, especially Tamil tourists go and head straight for the Sydney Opera House. This is not because they are fans of Opera but because they wish to see this weird, iconic architecture where so many song and dance sequences in Tamil films have been sought.
- An increasing number of Indian films are being shot in Australia and with each hit, the number of tourists increased. In fact any state in Australia wishing to promote tourism to its state just needs to ensure that the next bollywood blockbuster is sought in some particularly scenic location. I guarantee you that you will see instant results.
- Defence cooperation is going well; in the past 18 months all three of our Service Chiefs visited Australia; They have also seen several incoming visits from Australia and the beginning of joint exercises. We have a common interest in the maintenance of maritime security on sea lanes of communication in the region and can work together productively in this area.
- In S&T we have a joint S&T Committee and have been cooperating in various focus areas including an early warning system for Tsunamis and on clean energy in the framework of AP6 (Asia Pacific Partnership on climate and clean development).

- The growing economic linkages between our two countries present a solid foundation for us to build further on the many complementarities that exist between us. From the strategic perspective, I see Australia and India not as countries that are far away from each other, but in each others extended neighbourhood.
- As for the commonalities, there are several, beyond the 3 CS; Our proximity is underscored by our shared values of a democratic system, the rule of law based on the Westminster model of parliamentary democracy, a free press, an independent judiciary and a vibrant civil society; both our countries nurture a deep respect for fundamental rights and human freedoms; We are both multiethnic, multilingual and multi cultural societies; the common use of the English language facilitates communication and understanding by and large, (except perhaps on the cricket field).
- In the evolving geo-political and economic re-alignment in the world, perhaps we can visualise a situation in which Indian and Australian interests will increasingly intersect. With the shift in the centre of gravity of the world economy towards Asia, the Indian Ocean has greater economic and strategic value than before. Existing and emerging threats in the form of piracy, drug trafficking, WMD proliferation, pollution, accidents, closure of choke points, regional conflicts and other disputes are of concern to both our countries. All these challenges demand concerted action Australia and India are well placed, along with other stakeholders in the region, to utilise their inherent synergies in dealing with these.
- High-level visits on both sides are promoting engagement across a broad spectrum and heralding fresh opportunities for Indian and Australian companies and organisations in the field of education, food and wine, biotechnology, environment and renewable energy.
- Finally, the large and growing Indian community of professionals and migrants in Australia, 234,000 and growing, and students, 57,000 and growing, has integrated well and made laudable contributions to building bridges of friendship between India and Australia.
- All in all, G, L, I see strong prospects for our bilateral relationship moving beyond the 3 Cs. I have no doubt that you will share my enthusiasm and hopes in this regard.

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