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Not by coal and gold alone

Biswajit Dhar, Livemint

Trade between India and Australia is stuck in a one-way direction. More has to be done to lift it above the normal

26 September,2011: Economic relations between India and Australia are headed northwards as the two countries have initiated negotiations for formalizing a comprehensive economic partnership agreement (Cepa).

The initiation of the negotiations marks the end of somewhat lukewarm bilateral relations that was caused by two quite disparate occurrences. The first was the refusal by Australia to supply uranium to India even after the Nuclear Suppliers' Group (NSG) had agreed to lift export controls on material, equipment and technology despite its not joining the Nuclear Non-Proliferation Treaty (NPT) or placing its entire nuclear programme under safeguards. Australia's position can at best be termed as ambivalent for while it had not opposed lifting of the export bans imposed on India, it had itself refused to export uranium that India was looking for. The second distraction in furthering bilateral relations was a series of assault incidents on Indian students. However, with both countries putting the contentious issues on the back burner, the stage is now set for their engagement in some hard-nosed negotiations for deepening existing economic ties.

India's increasing dependence on Australia as a major source of imports has ushered in a new phase in the trade relations between the two countries. From less than $4 billion in 2004-05, India's imports from Australia increased to more than $12 billion in 2009-10, making it the country's sixth largest import source. This rate of increase was matched only by imports from China and those of petroleum products. There was, however, a reversal of the trend during the last financial year, as imports from Australia fell by more than $2 billion.

While India's imports from Australia have been buoyant, its exports have barely moved. From about a $1 billion in 2006-07, exports to Australia have risen to a mere $1.7 billion in 2010-11. Sluggish export growth meant that India has not only maintained a very high trade deficit with Australia, but also an export-import ratio that has remained close to 1:8 in most of the recent years.

This large deficit would instantly have been a source of concern but for the composition of India's imports from Australia. Two of the most prominent items that India imports are gold and coal and both are significant in view of India's recent growth story. The world's largest exporter of gems and jewellery has been provided ever-increasing supplies of the yellow metal by Australia, which had, by 2009-10, become the second largest import source after Switzerland. And, for an energy deficient country looking to augment its domestically available supplies of fossil fuels, Australia has emerged as the largest supplier of coal. But despite a favourable-looking composition of its imports from Australia, India should be concerned about its inability to penetrate an economy which has been experiencing rapid expansion of purchasing power, aided by the recent commodity boom. India's record of exports to Australia should be even more disconcerting given that the country's exports have been going through a phase of exceptionally high rate of growth in general.

India's inability to penetrate Australian markets is exemplified by its rather indifferent showing in the area of services trade. Australia's economic boom has brought with it large demands for services for which the country has reached out to the global economy. As a result, Australia's imports of services have increased by nearly 40% over the past five years. But in this growing market for services, India's share has remained stagnant at around 1%.

The low penetration of India in Australian markets despite a range of favourable factors, including the presence of a successful and influential Indian diaspora, can be reversed if the right opportunities are explored in the on-going Cepa negotiations. In the past, India's engagement with Australia was overshadowed by its concerns in the agricultural sector. The argument advanced was that Australia would seek opening of India’s agricultural markets given its large export interests in the sector and that any move in this direction would seriously undermine food security and livelihoods, particularly of the small and marginal farmers in India. While these arguments would continue to be important, India needs a thorough enquiry as to why its market access in Australia has remained limited in both goods and services. Once the impediments are identified, the two governments can take concrete steps to remove them in course of the Cepa negotiations.

There is, however, a much larger dimension of this economic entente between India and Australia, which is the growing cooperation between the two countries in giving shape to some of the significant regional groupings. The development of a dynamic Asian region through the East Asia Summit depends critically on India and Australia to provide much-needed direction. The Indian Ocean Rim Association for Regional Cooperation (IORARC), a collective of 18 countries that focuses on areas of economic cooperation that provides maximum opportunities for development, has remained languid since it was launched nearly a decade and a half back. With India assuming chairmanship of the formation this year and Australia as the vice-chair, IORARC has the great opportunity to realize the objectives for which the organization was established.

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Anand Sharma welcomes Australian Decision to Reverse Ban on Uranium to India

Ministry of Commerce Press Release

17 November 2011, New Delhi: The Union Minister of Commerce, Industry and Textiles Shri Anand Sharma has welcomed the Australian decision of reversing its ban on selling uranium to India. In a meeting with Mr. Barry O'Farrell the Premier of New South Wales, Australia, Shri Sharma said this decision will be welcomed all around and is in line with the strategic nature of the relationship between the two countries.

Shri Sharma further mentioned that India is going through a decade of innovation and for this purpose, India has institutional linkages with Germany, Switzerland and U.K. in the sectors of agriculture, pharmaceuticals and precision engineering. India and Australia have huge potential in collaborating in this area . Shri Sharma recalled his meeting with Senator Kim Carr, Australia's Minister for Technology where both sides expressed willingness to collaborate in the fields of bio technology, Automobile sector ICT and mines.

Minister Sharma raised the concerns regarding pharmaceutical exports from India to Australia require approvals from Therapeutic Goods Administration (TGA). The TGA approval process is a long drawn out and expensive process. There is no recognition or concession to Indian companies who have FDA approval or GMP certificate, which allows a faster process. Minister suggested that using the services of Australian professionals to draw out a standard which when followed by the Indian companies would result in obtaining permission to export their medicines to Australia. This would only help in improving the standards of our industry as well as make it easier for Indian companies to enter the Australian market which is very lucrative for the pharmaceutical sector of India.

Bilateral Trade between India and Australia in 2010 has been US $ 13.708 billion. Total trade between January to August 2011 has been US $ 9.351 billion. India is engaged with Australia in negotiations Comprehensive Economic Cooperation Agreement. Shri Sharma emphasized that both sides must aim for concluding the agreement latest by middle of 2012.

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Australia looking to strengthen trade relations with India

Elizabeth Roche, Livemint

30 January 2012, New Delhi: Australia is bullish on trade prospects with India and is looking at renewable energy, automobiles, infrastructure, farm businesses and education to expand investments. "Indian companies will be looking at the clean-tech space, renewables in the next few years," Grayson Perry, commercial counsellor at the Australian high commission, told reporters on Monday. Australian firms are also interested in investing in Indian automotive and infrastructure space, Perry said.

Trade between the two nations is expected to touch A$40 billion in three years, according to Perry. India, Asia's third largest economy, mainly imports coal, gold, copper ore, lead, wool and farm products from Australia.

India needs at least $1 trillion in the next five years to spruce up its infrastructure, which is slowing growth in one of the world's fastest growing major economies, according to commerce and industry minister Anand Sharma.

Australia is well placed to partner India in the infrastructure space, with the country boasting of a number of mid- and large-sized companies with expertise in partnering with the government, Perry said.

"If you are looking at another opportunity for India and Australia, it is in the auto sector," he said. "We have a very open auto sector. Australia is only one of 13 countries across the world that can build a car from the drawing board to rolling the car out of the factory."

"We have an auto mission coming out to India at the end of February, 18 companies in the auto space, all of them have a whole lot of good products," Perry said, adding that the companies are looking at sharing technologies with Indian partners.

Ties between India and Australia have been buffeted in recent years by many factors that included Australia's refusal to sell uranium to India and a spate of alleged racial attacks in 2009 on Indian students studying in Australia. But a move by Prime Minister Julia Gillard's ruling Labor Party to overturn the ban on selling uranium that fuels nuclear power plants has led to a thaw.

Education, which involves vocational training, executive management service, retail services or hospitality, continue to be an area of interest to Australian firms, Perry said. "There is a massive gap in training that India needs and the capacity it has at present, so that is probably the number one big-ticket item for Australia," Biswajit Dhar, director general at Research and Information System for Developing Countries, a New Delhi-based think tank, welcomed the idea of increased joint ventures between Australian and Indian firms. "In trade, Australia maintains a surplus in goods and services. Their investments here could help address this. One of the issues before India was that we were not getting access to the Australian market and that is why we started free trade talks" with Australia last year. "Right now, we don't have any substantial presence in the Australian market, so joint ventures are a good way to address this," Dhar said.

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India hopes to revive mango export to Australia this year

Jayashree Bhosale, Economic Times

Pune, June 22, 2012: India is preparing to export irradiated mangoes to Australia, four years after being granted market access, in a move that traders believe could revive faltering overseas sales that have declined 30% in the last three years.

Ranked first in the world in mango production, Indian exports are not significant. The Agricultural and Processed Food Products Export Development Authority (APEDA) has been trying to develop overseas market for Indian mangoes. The United States opened its market for Indian mangoes five years ago. The US has one of the strictest hygiene norms and the mangoes have to be treated at the irradiation facility.

Australia approved the policy of importing Indian mangoes in 2008. However, the trial shipments of mangoes treated with vapour heat treatment (VHT) reportedly faced quality issues. The Australian authorities recently visited the irradiation facility at Lasalgaon near Nashik, Maharashtra.

Both the Indian and Australian governments are currently working on preparing the standard operation procedures (SOP) for mango export. If the SOP is prepared this season, then there is a possibility of sending trial shipments of the Chausa and Langda varieties in July after irradiation.
Mangoes are irradiated at the Lasalgaon facility where the US officials remain physically present. Mango export has declined 30% from 83,703 tonne in 2008-09 to 59,220 tonne in 2010-11. Export for the juicy fruit to the US has also declined during the same period.

The Middle East still remains the main market for Indian mangoes. "Middle East is an easy market for Indian mangoes. The US market needs many compliance. The mangoes have to be transported from the growing area to the irradiation facility and then to Mumbai for shipping. This results in deterioration of quality," said an official of a big agri-business company on condition of anonymity. However, Indian exporters face tough competition from Pakistan, which is cheaper than the Indian mangoes.

Mango exports to Japan, which needs VHP treatment, have declined 88% during 2008-09 to 2010-11. "Indian mangoes become very expensive by the time it reaches US or Japan. After the tsunami, the demand for Indian mangoes has declined in Japan. Major customers of Indian mangoes in the US are the people of Indian origin who prefer to eat Alphonso mango. But Alphonso has quality issue as it develops spongy tissue by the time it reaches US," said KZ Toshnival, managing director, Maharashtra State Agricultural Marketing Board.

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