

ECONOMICS AND INDUSTRY STANDING COMMITTEE

**INQUIRY INTO WESTERN AUSTRALIA'S ECONOMIC
RELATIONSHIP WITH THE REPUBLIC OF INDIA**



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 19 FEBRUARY 2020**

SESSION

Members

**Ms J.J. Shaw (Chair)
Dr D.J. Honey
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 9.56 am

Professor STEPHEN FRANCIS SMITH

Board Member, Perth USAsia Centre, examined:

Professor GORDON FLAKE

CEO, Perth USAsia Centre, examined:

Mr HUGO SEYMOUR

Research Analyst, Perth USAsia Centre, examined:

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today to provide evidence in relation to the inquiry into Western Australia's economic relationship with the Republic of India. My name is Jessica Shaw and I am Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee. To my right, Yaz Mubarakai, member for Jandakot; to my left, Deputy Chair, Terry Redman, member for Warren–Blackwood; Stephen Price, member for Forrestfield; and David Honey, member for Cottesloe. I advise that the proceedings of the committee's hearing will be broadcast live within Parliament House and via the internet. This broadcast may include documentation provided by you to assist the committee in its investigations. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege; however, this privilege does not apply to anything you might say outside of today's proceedings. Could you please introduce yourselves for the record?

Prof. FLAKE: My name is Gordon Flake. I am the founding CEO of the Perth USAsia Centre at the University of Western Australia.

Prof. SMITH: Stephen Smith, I am a professor of public international law at the University of Western Australia. I am a distinguished fellow of the Perth USAsia Centre, and also a member of the board of the centre.

Mr SEYMOUR: Hugo Seymour, research analyst at the Perth USAsia Centre.

The CHAIR: Thank you very much. Before we begin with our questions, do you have any questions about your attendance here today?

The WITNESSES: We do not.

The CHAIR: I invite you to make your opening statements.

Prof. FLAKE: We very much appreciate the opportunity to speak today and to share our views on India, and particularly some of the research the centre has done in India. I thought, as the founding CEO of the centre, I might just make sure I set a little bit of context. The centre has been in existence now for just over six years, we are in our seventh full year of operation. We were established with support from the federal government, from the WA state government, from the University of Western Australia, as well as key private sector partners, with the broad mission of deepening understanding and cooperation between Western Australia, and Australia more broadly, and our near neighbours in Asia. Given the particular positioning of Perth in what we like to call Australia's Indian Ocean capital, we have had an intense focus on the Indo–Pacific as a construct, as a way of looking at the region. This has been evidenced, even prior to our existence, at the University of Western Australia. They have focused on In The Zone, a conference we run annually for the

university, which recognises that we here in Western Australia have recently begun to fundamentally shift the way we look at our position in the world.

Historically, Perth viewed itself as a poor country cousin to the east coast cities and we had that narrative of being the most isolated capital city in the world. The reality is, if you look northward, longitudinally, rather than historically and latitudinally, we are in the same time zone as Singapore, Kuala Lumpur, Manila, Hong Kong, Beijing, and we are within a two-hour time zone bandwidth within the range of the sixth or seventh of the world's population, and most of its opportunities. So, in that context, we really have been an Indo-Pacific-focused policy think tank. The objective is to advance the national interest and the WA state's interest in understanding developments in that region. Now, with a sixth or seventh of the world's population, that is an awful lot to bite off for a relatively small organisation. We have had to prioritise our efforts. We decided to focus on those countries and those relationships which are most important for the future for Western Australia, as well as for the country more broadly. That, of course, is our closest neighbour, Indonesia. I think the greatest amount of work we have done in the last six years has been in that bilateral relationship, and then, following shortly after that, India. We have deeply applauded the work of this committee and of the state government in its Asian engagement strategy and expanding its role with India, and we have been involved in that process for the last six years.

[10.00 am]

On top of that, this year we are expanding to do a little bit more with Vietnam. We of course will do the other countries, Singapore, Malaysia, Korea, Japan. We have not done much on China just because what we have done is tried to advance the state's interests by looking at those relationships which are underdone, which do not get the level of attention they deserve. One would be hard-pressed to say that China has not got enough attention out of Western Australia over the last 20 years, whereas India, particularly if you are looking forward, remains probably the most important relationship in terms of changes in that regard. In that context, two years ago, the centre produced an edited volume called *Realising the Indo-Pacific: Tasks for India's Regional Integration*. That was the first in a series of edited volumes we did. We subsequently did one on Indonesia, one on Vietnam and we just finished one on Japan late last year. We are currently writing one on Korea in the Indo-Pacific. So the idea is just for us to be seen as a centre of expertise on this region and on those important relationships.

On India in particular, we have, every year for the last four years, had delegations to India, as we have expanded our work. We have done annually both research projects and conferences focused on India. I would note that in the last 15 months alone, we have had four delegations to India; I have had a chance to travel twice. Stephen has actually, I think, been all four times and he will speak in just a moment, including Delhi and Mumbai in large conferences just this past month. He will introduce those in greater detail. On top of that, we were successful in securing the support of the former secretary of the Department of Foreign Affairs and Trade, Peter Varghese, who is now the Chancellor of the University of Queensland, to join our centre and to join Stephen as a distinguished fellow. He was a former High Commissioner to New Delhi, India, prior to being the Secretary of the Department of Foreign Affairs and Trade. In that context, he has not only helped us with our annual visits to India, but with our research content. So, earlier last year, Hugo, our research analyst, edited a volume on India and APEC, the Asia-Pacific Economic Cooperation initiative. As you know well, Hugo has kind of followed that work up with some information that he will follow up on, a most recent publication which we released just this week on Western Australia and India, as well as a lot more detailed work that he has done in preparation for this committee meeting here today.

On top of that, we have brought a steady stream of Indian scholars, government officials and business leaders to Western Australia in our effort to educate our community and the broader, geo-economic, geo-strategic community in Western Australia to have a better understanding of India and what it means for us. In a nutshell, everything we have done has really been driven by a firm belief that our future lies with India. I mentioned a few moments ago this construct of the Indo-Pacific. Most of you are probably much more familiar with, and familiar using the term, "Asia-Pacific", but Asia-Pacific itself is a relatively new term. When I began my professional career 30 years ago, we would frequently just talk about East Asia, South-East Asia, South Asia as "somewhere over there", and Australia was part of this mystical land called Oceania hanging out by, you know, Atlantis somewhere. It really was not until the late 80s and the nearly 1990s when, at the same time as Korea and Japan were looking to integrate southward and take advantage of markets and consumers in South-East Asia, Australia and New Zealand said, "We want to be part of this region where we are geographically located." So you had the creation of the Asia-Pacific Economic Cooperation initiative and a whole range of other organisations which eventually became the Asia-Pacific, and now the Asia-Pacific is kind of the most common understanding of the region, yet it had its fundamental weaknesses; that is, it did not include the future India and the Indo-Pacific.

One of our underlying rationales for our programs—and I will confess, a lot of this has been driven by Professor Stephen Smith, with his long experience as foreign minister and as defence minister. He will not note it, but I will, that the first government official anywhere in this region to use the term "Indo-Pacific" in a government document was Professor Smith in the 2013 "Defence White Paper". It is not a coincidence that succeeding government officials in Canberra who push that concept have also come from Western Australia, whether it is David Johnston who succeeded him or Julie Bishop, because they understood that sitting here in Western Australia, we had a unique responsibility to pull the attention of the east coast away from the Pacific and help them understand that a good chunk of our future lies in the Indian Ocean and it lies at the confluence of the Pacific and the Indian Ocean.

So as a result, everything we have done has been driven to help people understand that the economic centre of gravity is shifting; it is shifting our way. In a self-serving way, you could believe that 25 years ago the economic centre of gravity in Asia was in north east Asia, in Korea and Japan. Over the last 25 years, with the rise of China, our economic centre of gravity has shifted south west; there is no question about it. But if everything goes as we hope it will and as we need it to, that economic centre of gravity will continue to shift south west with the rise of ASEAN as a whole, of Indonesia in particular, and then India, India, India, and then that continues to move handily in our direction, closer and closer to Western Australia. In that context, the Indo-Pacific is, at its core, all about India. So our absolute mandate to understand the rise of India, to understand politics within India, to understand potential trade and investment partners within India, I think should be far more of a priority for the state government, as well as for the national government, for individuals, for educational organisations as well, because that is the future; that is where things are going.

That kind of gives you a sense for how we, institutionally, have kind of adjusted a lot of our work. I thought it would be most helpful for this committee to hear directly from our distinguished fellow, and again, a member of our board, Stephen Smith, given the fact that much of what I have just said has been deeply influenced by him in terms of his world view honed over decades of service to the commonwealth, but informed by very recent visits. Stephen and I were in Delhi and Mumbai in September. He just returned from India this January, and I think would share some broader observations that would build on and actually probably support much of what I have had to say. That would be my opening statement, and with your leave, I would suggest that Stephen might speak to you next, if that is okay.

The CHAIR: Absolutely. Thank you.

Prof. SMITH: Thanks very much, Gordon. Thank you, Madam Chair, and I thank you and the committee for the invitation to appear today. It is always a privilege to appear before a parliamentary committee, and always dangerous to start your submission to a parliamentary committee with an apology, but I have an unbreakable commitment at the University of Western Australia at 11, so I have alerted the committee staff to the fact that I will need to leave at a quarter to or 10 to 11.

If I can start by saying that for all of the interrogation you might do of Gordon and I, you really want to interrogate Hugo, who has been single-handedly responsible for all of the detailed work that has been presented to you. I will start with a fundamental point: by the time we get to 2050, on all the current realistic economic projections, India will be the second-largest economy in the world, and Indonesia will be the fourth-largest economy in the world, China the first and the United States the third. We have very deep economic engagement and economic relationships with the United States both in terms of trade and, more importantly, both in terms of direct foreign investment, two-way direct foreign investment, and of course China is far and away our largest single trading partner. But if you come to India and Indonesia, our trade and investment relationships with India and Indonesia are nowhere near at the level they should be, and the danger is that in the blink of an eye, by 2050, we will not have deep economic relationships with two of the top four in our region. So the reason why we talk about the Indo-Pacific is because the world's geo-strategic, geo-economic prowess is moving closer us to, but moving in the direction of India and Indonesia.

[10.10 am]

Unless as both a nation and a state, we raise the level of our economic engagement with Indonesia and India, then by 2050 the big risk is that our prosperity will have fallen. Currently, despite all of our domestic economic issues, we are the fourteenth or fifteenth largest economy in the world. By the time we get to 2050, the same projections which see India and Indonesia being in the top four economies, Australia is struggling to be in a G30, let alone a G20. Our prosperity will fall unless we develop those deep relationships with those economies, in particular India. At the same time, the recent coronavirus disaster has drawn attention and crystallised the fact that, particularly as a state, but also as a nation, we are overcommitted to one particular trading partner and we must diversify. That project diversification has, at its heart, India as its most important aspect. In terms of paperwork, which is as much for the committee research officers as it is for the committee itself, can I just very quickly highlight what I think are the most valuable pieces of written materials for the committee's work in preparing its report.

Firstly, there is the Varghese report, commissioned by the Australian government to have the former high commissioner to India and former Secretary of the Department of Foreign Affairs and Trade do a study on India's economy and provide a pathway for Australian business to engage. The short summary of that report is that you cannot, as the Scandinavians would say, eat India whole; you have to look in bite-sized chunks. He identifies 10 economic states or centres and 10 sectors where Australia, and logically Western Australia, can focus their efforts in terms of ultimate success. Secondly, there is Hugo's own submission, or the Perth USAsia Centre's own submission to your committee which is viewed from a Western Australian perspective. In addition to that formal submission, Hugo has recently published a second paper on Western Australia and India which he will talk to. I think the other two pieces of valuable work for the committee is a comparable paper which Hugo did on the history of Western Australian trade and investment offices offshore, and also the Williams report, which was the recent review into the WA trade offices and their effectiveness.

I think both those pieces of paper will provide valuable background for the committee when it is looking at its India economic study.

Finally, as you would expect, when a country like Australia says we are doing an economic study into India, it does not take long before India says, “Well, we should do a comparable study on Australia”, so Ambassador Anil Wadhwa, whom the centre has met on numerous occasions in both India and Perth, is about to publish his Indian economic study of Australia. I think if you combine the Varghese report and the Wadhwa report, you will find the pathway for engagement between Australia and India. Hugo has worked closely with the secretariat supporting Anil Wadhwa, and he has some detailed evidence for you about the thinking of that committee, and the complementarity of the Indian economy with the Western Australia economy and the sorts of opportunities that we have. Whether it is international education or whether it is critical minerals, I will leave that detail to Hugo. I make what I regard as a fundamental point: when, as a state and a nation, we created our post-World War II export industries of minerals and petroleum resources into northeast Asia, initially iron ore into Japan, then Korea and then China; and not from Western Australia but from the eastern seaboard, coal into Japan, Korea and China; and then liquefied natural gas—LNG—into Japan, China and Korea in that order, all of the economic engagement which subsequently followed between northeast Asia and Australia and Western Australia had as a backbone a minerals or petroleum resource pathway. Lots of the industries and the engagements which sprung up were a direct result of that minerals and petroleum resources backbone being there.

With both India and Indonesia, that minerals or petroleum resources backbone will not be there, so for the first time since the end of World War II, as a state and a nation, we have to work out how do we encourage the Australian and the Western Australian business community to go offshore in the absence of that minerals and petroleum resources backbone. Yes, it is the case that India at some stage may need or want some of our metallurgical coal, but we do not produce any of that here, as members of the committee would well know. With the opening up of an LNG terminal on the Indian eastern coast, then the notion of Australian or Western Australian LNG to India becomes more realistic, but it will not provide the same backbone that it did for all of the spin-off industries which came from our exports to Japan, Korea and China. So the Varghese report, our submission, Hugo’s paper and Wadhwa’s paper will give the committee a pathway to see where the intersections are which might work for Western Australian industry.

When the committee asked us to attend, it expressly noted that we had recently been in India and asked if I could give some evidence on that front. As Gordon outlined, when we first started in 2014, we made our initial forays into Indonesia and, to a lesser extent, Singapore. From 2017 on, we started to embark upon our India work. I have been to India five or six times since 2017 and now I have got into a regular habit of going twice a year—in January for the Raisina conference and then in August and September, Gordon and I, other members of the centre, together with Peter Varghese, tend to do a trip to Delhi and Mumbai. The most recent trip I did when the committee asked me to appear was a trip with Gordon to Delhi and Mumbai in September 2019. My impression and overriding takeout from that trip was that India and the Indians we engaged with, both officials in Delhi and businesspeople and investors in Mumbai, had never been so optimistic, forward-leaning or enthusiastic about a trade and investment relationship with Australia.

It is the case that we have been working very hard with India to grow our strategic security and defence arrangements, and over the last decade and a half, that has brought a considerable amount of rewards, but we have always struggled on the economic front. In part because Australia is the demandeur in the relationship. We are a country of 25 million and we are the fourteenth or fifteenth largest economy. India is a country of 1.3 billion and will pretty quickly become the second-largest economy. So we have to make the running, but in September of last year, the Indians had never

been more forward-leaning about engaging with us economically. When I was there in January of this year, that same sentiment was there, coloured but not disturbed—coloured but not disturbed by the recent decline in the Indian GDP. The forecast was originally six per cent for the last year; it is down to 4.5, largely as a result of a slackening of international demand, but also implementation of the GST and implementation of changes to the so-called Indian cash economy. But the people I spoke to in Delhi in January of this year remained overwhelmingly confident that India's trajectory to be a great economy and a great power would continue.

So, yes, like any country there will be hiccups and there will be disappointments on short-term economic performance, but the long-term strategic trajectory of India will not change. If there was ever a time for Western Australia and Australia to move economically, now is that time. In terms of overview, or very broad brushes, what do we need to do? Firstly, we need to have Indian champions. It is not sufficient for the relevant Premier and minister of the day to be making the running on India; that is essential. It is not enough for the Prime Minister and the Minister for Trade to be making the running on India every day; that is essential. It needs to be buttressed by champions—parliamentary champions like this committee, but also business champions. That, to me, is our real weakness at the moment. How do we persuade, how do we encourage and how do we help Australian and Western Australian businesses to engage with India, particularly when they have a novel experience which is doing it without that minerals and petroleum resource backbone? To me, this requires a qualitatively different approach. It is not sufficient just for us to say, "Here's an odd trade officer who can take you down the streets of Delhi" or "Here's a WA trade and investment officer who can take you down the streets of Mumbai." That is important, and in passing, importantly, WA has a very good trade and investment officer in Mumbai. He is a very good officer and does very good work. But that, of itself, is not enough. So how do we engage in a qualitatively different way with business to get them thinking about India, not just for the national and the state interest, but for their own long-term economic interests, the interests of their businesses and the interests of their shareholders?

Thirdly, it can only be done with the commonwealth, and if you look at the areas that Varghese draws attention to and Hugo's submission draws attention to, it is very helpful if, on the ground, you have an Australian embassy or an Australian high commission or an Australian consulate, and we now have Australian consulates in Mumbai, in Kolkata and in Chennai. These are places which are in Varghese's 10, so having the assistance of a state or commonwealth officer on the ground is invaluable. Finally, I think it is very important that we engage the Indian diaspora. We have now got somewhere between 700 000 and 800 000 people of Indian origin in Australia. Often when we do the carve-up for Western Australia, we say we should be getting our 10 per cent, but we are below 10 per cent. We are not on the Indian diaspora. Engaging the Indian diaspora on our trade and investment and economic engagement with India I think is very, very important.

[10.20 am]

I think what the committee needs to find in the midst of all of the detailed suggestions it will make, and Hugo's most recent paper has 10 detailed recommendations which Peter Varghese tells me he wholeheartedly agrees with, but how do we get a qualitatively different engagement? How do we make it a priority for the Parliament? How do we make it a priority for the Western Australian chamber of commerce and Western Australian businesses? When we were growing our export industries to northeast Asia in the aftermath of World War II, every day someone in the commonwealth, someone in Western Australia, someone in government, someone in the Parliament or someone in business woke up saying, "What am I doing today to advance that industry", and that is the mindset we need now with our engagement with India. What are we doing every day to advance that relationship? Success will only come through patience, persistence and

perseverance, but by making it a strategic objective at every level. There is a roadmap there; if we do it, we will continue to maintain our economic prosperity. If we do not, our economic prosperity, the job opportunities and the lifestyle opportunities for successive generations of Western Australians will only go in one way, and that is down. Thank you very much for the opportunity to speak to you this morning.

The CHAIR: Thank you. Hugo, did you want to add some comments?

Mr SEYMOUR: Yes, please. Thank you, Chair, committee members and staff for the opportunity to appear subsequent to our written submission. Thank you, Gordon and Stephen, for the possibly premature accolades and subsequent pressure to perform. I will just make a few brief points: firstly, around the diversification of the Western Australian economy; secondly, the rise of India and the implications of that for WA's diversification story; and, thirdly, some recent updates in the WA–India space. Firstly, for the record, there are two documents we have additionally provided to the committee to assist in its investigations. One is a detailed executive summary of the upcoming "Australia Economic Strategy" authored by Ambassador Wadhwa with the Confederation of Indian Industry's assistance, which is currently before the Indian Prime Minister for subsequent release and, hopefully, adoption. That executive summary details complementary sectors similar to Australia's "India Economic Strategy" and also in line with the current state government's diversification objectives and priority sectors.

Importantly, in that executive summary, it details that Western Australia is holding significant opportunities, for example, in critical minerals and LNG imports and as a direct flight route to Perth. These are some complementary areas identified by the Western Australian government and Australian government as opportunities with India, so there are complementary opportunities there. Secondly, as alluded to, we have submitted our second publication on Western Australia's international economic engagement, this one on Western Australia's relationship with India. That report detailed some of the further opportunities for economic engagement and provides some practical recommendations that could help advance the relationship. They are also complementary to the state government's priorities and the commonwealth priorities and now also as we see in the developing "Australia Economic Strategy".

With respect to WA's diversification priorities and goals, it has been appropriately articulated for a long time that the diversification of the state's economy is very important for the ongoing resilience of the Western Australian economy and to create employment opportunities for Western Australians in the years and decades to come. On the Perth USAsia Centre, we firmly believe that diversification must mean market diversification just as much as it means sector diversification. As an international trading state, that means the markets we are engaging with as well as the sectors that we are trading with those markets in.

There are a number of key reasons why we believe markets and sector diversification has to be the priority. Firstly, while it is a great economic achievement, that trade contributes to half of our economic activity in the state and half of our GDP, it is an economic risk that currently half of our exports are in one commodity and half of our exports go to one country. In an uncertain global economic environment, with supply and demand side shocks that can happen, that risk is posed. Secondly, our two leading industrial sectors which have contributed greatly to the Western Australian economy, iron ore and LNG, reputable economists have forecast that on both of those fronts, there will come a time when these sectors will plateau as a growth industry, and growth industry for Western Australia.

On iron ore, particularly with the China market, there will be a ceiling of iron ore imports from Western Australia to China, and that will happen sooner rather than later. Also, as alluded to by

Gordon and Stephen, the major emerging economies in our region either have iron ore deposits and thus therefore do not necessarily want or need our iron ore products. On LNG, right now in the global markets as a transition fuel towards a low carbon future, as that transition continues and technologies in renewable energy continue to advance, it is foreseeable, not necessarily in years, but in decades, that LNG will also plateau as an industry of growth for Western Australia. Therein lies the need to diversify the base of our economic activity. Finally, a reason for market and sector diversification: our traditional sources and supplies of foreign investment have been the United States, Western Europe, Japan and more recently China. Now, notwithstanding China, all the reputable economists forecast and predict that contributions to global growth and investments by the United States, Japan and Western Europe will plateau and marginalise over the coming decades as other major economies develop, including India, Indonesia and Vietnam, as the centre focuses its attention towards. So, Western Australia will have to secure alternative sources of foreign investment to enable economic activity and business investment in the state to underpin our job-creating industries, so on and so forth.

So there are three reasons why at the centre we focus on market diversification as well as sector diversification—which brings us to India, which, despite the recent slowdown, is still forecast to grow this year at 5.8 per cent, and over the rest of this decade it is forecast to be the fastest-growing major economy in the world. By 2030 it is predicted to be larger than the United States and the European Union are today, and on par with the China of today. Further, India's growth story is also nonlinear but continued sustained improvement in India's ease of doing business indicators and the formalisation of the economy continues to occur. That is outlined deeply in the *"India Economic Strategy"* by Mr Varghese and also outlined in international institutional analysis and also in Western Australian and national trade surveys. Now, most importantly for Western Australia, the growth sectors in India, whether it be consumer industrial demand and investments made into central services, be it energy, health care, education, they are sectors complementary to Western Australia's capacity and provide an opportunity for Western Australia to engage.

[10.30 am]

As has been made by Gordon and Stephen, the challenge for Western Australia with India is that the relationship and the engagement will have to be of a different kind to what we have gotten accustomed to in the last 40, 50 or 60 years—with India, for three key reasons: firstly, India right now, the same as Western Australia's jurisdiction, is a capital importing market. In the near term, we are unlikely to be able to see large-scale Indian investment into Western Australia to drive a relationship as we saw with Japan, Korea and now we are seeing with China. Secondly, India is a services and consumption-driven economy. Western Australia, whilst it has growing services export industries, is not renowned for its services exports as of yet. Thirdly, as alluded to, India has strong deposits of iron ore and a developing industry and Western Australia does not have metallurgical, coal which is currently the only major bulk export commodity we supply from the east coast to India.

So the challenge is finding a new way of engaging with the Indian market to grow the relationship. At the centre, we advocate that has to involve increased services exports, increases in market engagement by government and business and also increased partnerships along the technical spectrum where WA has capacity, for example, in best practices in agriculture and health care, so on and so forth, and we can discuss that later. Now, it is important to note there is a precedent of Western Australia having a strong and growing economic relationship with India. The *"India Economic Strategy"* by Peter Varghese makes an aspirational target for Australia to hold India as its third-largest export market. A decade ago, Western Australia's third-largest export market was India, and, unfortunately, that had receded over the last decade. There is a precedent of Western Australia being able to grow an economic relationship on the merchandise goods front with India,

and currently right now, despite the goods trade decline, India is now our number one source of international students, and last year higher education enrolments grew faster than the national average, and also one of our fastest-growing international visitor markets. With a rising Indian middle class, that can continue to grow.

So there are opportunities and growth tissue emerging right now in the relationship. At the overall strategic level, as has been spoken to by Gordon and Stephen, we are seeing all the ducks line up. We have the “India Economic Strategy”, which articulates the complementary and priority sectors for the national engagement with India endorsed by the commonwealth government. They align in a very clear manner with the current state government’s priority sectors of focus, be it education, tourism, minerals and resources, including mineral and resources services, so on and so forth, and also, as we have seen and just circulated, in the developing “Australia Economic Strategy”. It is the same story, the same sectors of opportunity which are appearing in the mindset of Australia and Western Australia to grow the relationship, and in the minds of India’s central government to grow the relationship with Australia as well. The key thing now is to turn the overarching strategy to draw complementary and line up into business activity and trade investment growth in the relationship.

Now, just a final point on recent developments since our written submission. We saw late last year the Premier’s visit to India. That marks the fourth consecutive Premier visit to India in a row, following the previous three Premiers who went to India. That is unambiguously a good thing, and that was to promote the trade, tourism and investment relationship. Those visits, whilst alone will not drive the relationship, there needs to be business buy-in and support that puts a mark on the wall that India is important for Western Australia, and also in India, puts Western Australia on the map. Finally, we have also seen, as Stephen referred to, the Helen Williams AC-led review into the trade and investment offices of Western Australia. I think there are two key findings to take at this point with respect to the WA–India relationship. Firstly, the Williams’ review articulates that the two current West Australian government strategies on international trade and investment, the “Diversify WA” framework and the “Asian Engagement Strategy”, are the principal framework documents for the state’s trading and investment agenda going forward for the state. The review itself finds, as do those two documents, India is a significant and growing market across the sectors of focus for the state to grow its economy.

Secondly, while this was not a particular finding of the trade office’s review, it can be seen that at this stage, the review panel undertook its processes, interviewed and had engagement with a number of the departments and agencies as to what their overseas focus markets were and which offices they were engaging with. At this stage, it appears that many of the departments and agencies who have an outward-looking focus and are part of this essential diversification story are yet to have India as a focus priority or a target market. We are confident, and have received an opportunity for, as the government strategies are further implemented, that these core departments, their core business are the essential services sectors and the sectors where all the major government strategies outlined are the areas to grow, these departments and managers would look to India to help grow the relationship. That will be unambiguously a good thing for Western Australia in developing the relationship as well.

With that, thank you for the opportunity to make an opening statement. I will yield to the floor for questions. Thank you.

The CHAIR: Thank you, and thank you very much for an incredibly well-written and very informative submission. I am sure we will absolutely relish the opportunities to read through the subsequent documentation you have provided. One of the things I found fascinating in the submission was the narrative around the way we have traditionally done business. You have spoken about the target

markets or the traditional markets we have had relationships with in the past based on the legacy, I suppose, of our existing colonial relationships, almost, or our westernised relationships, particularly with the US and Europe, and then with China, because we have something that the Chinese economy or the Chinese government has identified as a real priority and essential to the development of their own economies. It was really fascinating for me to read the narrative in your submission that we do not have either of those things necessarily, to a significant degree at least, in the prevailing dynamics at the moment with the Indian economy. I think it is essential that we understand that we need to do business differently and we need to find an alternative way of engagement. Western Australia, as a state government in particular, probably has not ever needed to think as hard as we have to right now. When you travel to India and you are dealing particularly with the sub-national jurisdictions—because I think the point is well made that we need to eat an elephant one bite at a time, and we are a very, very small economy in relative scale here in Western Australia—what do the Indian sub-national governments tell you they need to see from us? What are they telling you?

Prof. FLAKE: I will give an initial response to that. The stark reality, is they do not. They do not think about us. They do not have a strategy for us. We are not a priority for them. That is the difference. I would describe it in terms of push and pull. With all due credit to many of your predecessors in Western Australian governments going back 50 years, Western Australia has done a wonderful job in orienting its economy and applying its technology and know-how and regulatory changes to enable us to respond to demand coming from Japan, then Korea, then China, for our core commodities. But we were responding to a pull coming from somewhere else. So the dynamic is quite different right now. Now we have societies, particularly like India, where there is no pull. They are not waking up in the morning and thinking about, “What do we need from Western Australia for our industrial base? What do we need from Western Australia in terms of resources?” They do not, and even the sub-national governments do not. Stephen used the word “demandeur”, right? We are the mendicants. We have to get their attention. So, in some respects, we are the ones that are selling. But the problem is that if we get in the mindset of what do we have to sell, and we are just pushing, then I think we under-sell the real potential.

The real potential is obviously the people. We have seen actually several examples. It is a hard thing to do, but the real challenge is how you deepen the relationship to the point where you generate pull. In other words, through your relationships in India, whether it is a sister-state relationship, or a state government, or an individual, or an individual who has family back and forth, or an individual whose students are studying here, that they, out of their sheer affinity for Western Australia and their visits here, come away just gobsmacked with the quality of the agricultural product we have here, the innovation that takes place here, the science that takes place here, that they themselves generate the pull, right? So, again, I know that is kind of philosophical, but the reality is that the feedback we got from Australian embassy officials, as well as from our trade officials there, is that they do not ask us for something, they do not have a plan for us, they are not thinking for us.

Can I add just for the record here, Hugo has been very humble in so doing it, but the fact that this committee has, before anybody else anywhere in Australia, kind of a draft of the summary of the Indian–Australia economic strategy really speaks miles about Hugo’s own efforts and his relationship with that group. We have been fortunate to host Anil Wadhwa here twice. That is the closest you are going to get to that. You know, the fact that we have, on a national level, somebody who had been, in response to a great level, on an Australian level, instructed to come up with an Australian economic strategy. So the short answer to your question is that provincial governments do not do it now. If the Wadhwa report is implemented, that will then provide a road map for them,

just like the Varghese report should hopefully provide a road map for you. So, Stephen, I do not know if I have kind of hit the right points there.

[10.40 am]

Prof. SMITH: I agree with everything that Gordon has said. I will just underline a couple of points. We have tried very hard as a centre to get overseas Indo-Pacific participants coming to Perth, Western Australia, including India and Indonesia. There is one short outcome from that. If we get someone to come to Perth once, they will come again. So with the supply-driven versus demand-driven equation that Gordon has underlined, which I made the point earlier, we should not underestimate the great work that went into creating our North Asia export industries post World War II, but in each of those cases—Japan, Korea and China—they were asking us to deliver things which we had that they needed for their economic development. Now we face a circumstance where India does not need or require those commodities, but they have a whole range of service and consumer opportunities in other areas, which Hugo drew attention to in his submission and which are in the written submissions, which we can take advantage of, but only if we are in their faces. The direct answer to your question, which was, “How do they see us?”, is that they do not. Where we have a bit of a scratch on the wall—so a trade and investment officer in Mumbai or a sister-state relationship with Andhra Pradesh—they have a vague notion of us.

If you speak to individual Indian businesspeople who are doing business with Australia or Western Australia, they underline the same things that we have always known about doing business in a different country. It takes me a long time to trust the partner I have. The importance of that trust relationship and being patient and persistent with it underpins a lot of the Indian engagement, as it does in South-East Asia. So we have to take the running, we have to be persistent, we have to be patient. But there are lots of opportunities in what you might describe as our non-traditional core economic areas, which if we are in India's face, we can get some attention. If we bring them here, they will come back. Hugo's point: India used to be Western Australia's third-largest trading partner. At the moment we have a diaspora here, which is 10 per cent of the Indian diaspora generally. The Indian students coming to Australia are at a high level, so that is a successful area which we can build on. But we are doing the running, and that running has to be done by us going there in the first instance and dragging them back, whether it is a Chamber of Commerce delegation, whether it is a trade delegation, whether it is a parliamentary committee delegation. All of these drops of water on marble will eventually break through and secure a trade and investment relationship.

The CHAIR: Can I explore that a little further, because it sounds like there is quite a mountain to climb. If they do not know we exist, there is quite a mountain to climb. We are, as you pointed out, geographically so well positioned relative to a raft of Asian economies and we have a limited amount of resource. Are we adequately prioritising India? We have spoken about Indonesia, we have spoken about India and there is a whole range of other economies, but there is a limited amount that any state government can do. I am interested to understand the resourcing and the effort required relative to the efforts that we might make. We have an “Asian Engagement Strategy” that targets 15 countries. Where should India be in that mix, and how well do you think our efforts are currently targeted at India relative to others and what should we do to change?

Prof. SMITH: Hugo mentioned India, Indonesia and Vietnam. In terms of “new markets”, my own view is that they should be Western Australia's three highest priorities, just as they need to be Australia's three highest priorities in terms of new and deep trade and investment partners. At a strategic level, the government and the Parliament gets it. This committee would not be doing an inquiry if it did not get that strategic point. So at a strategic level we get it. But Hugo's point is that if you look beneath the surface of the Williams report, you will find that there are a whole range of

agencies and departments who naturally fall for an external orientation for the potential for overseas work who do not have India on their list. Indeed, there are some examples where Cambodia and Bangladesh feature, but India does not.

So there has to be an assertive trickle-down effect. It is the strategic implementation. As I say, that requires champions beyond the Premier of the day, beyond the Minister for Asian Engagement, beyond the foreign affairs and trade minister and beyond the Prime Minister. So there is a role for the parliamentary committee to drive these things on an ongoing basis. Secondly, we will have a roadmap so when the Wadhwa report is published, you will be able to do the matrix. What intersects here? Where is the intersection between the Varghese report, the Wadhwa report and the Western Australian economy, which you know very well? And you will be able to tick off the things. Then you would say, "Okay, how are we proceeding to implement this now from a Western Australian perspective?"

So, to me, just a couple of off-the-wall suggestions: it would be an unambiguously good thing if the committee itself said, "We should do a monitoring or a report or a review of how that intersection is implemented by the government and by Western Australian business." Maybe, given that we know business has, in more recent historical times in Australia and Western Australia shied away from India; maybe we should drag in all of the relevant business groups and say, "Well, what's your thinking about India? How can we help? What issues and problems do you perceive?" But not just go to the traditional "Indian players", but to the whole new area of opportunities, whether it is aged care, whether it is healthcare, whether it is architectural services, whatever it is, there is 1.3 billion people there who eventually will want to be the beneficiaries of services that we can provide at a world-class level. So I think the penny is just starting to drop strategically. The diversification need has been crystallised by the coronavirus, that we are too susceptible to political and economic shocks, with too many of our eggs in one basket. So it is a strategic imperative for state and nation, but it is not going to occur overnight.

What do we know? If we do nothing, we will end up with a lower quality of living and a smaller economy. If we put the shoulder to the wheel and do it assiduously from here on in, then we will have success. You think about it: we are a country of 25 million, we are a state of two million. We only need a small slice of a market of 1.4 billion people, whether it is China or India, to be successful.

Hon TERRY REDMAN: What is your broad assessment of the size or the scale of that intersection you talk about, between what they are chasing sort of what we have of strategic importance? We have over a hundred billion in exports in the resources sector, I do not know what the recent numbers are, nine or so billion in agricultural sector and tourism. How big is this piece and how quickly can this piece grow in opportunity?

[10.50 am]

Prof. SMITH: When you get the chance to read the summary of what work Hugo has handed over, when you get the chance to read the report itself, I think there will be a lot of intersections. Agribusiness will be a big intersection. METS, the minerals resources economy technical services, critical minerals. India itself placed a ban on the export of its critical minerals about nine or 12 months ago, so that is an area of opportunity. Education, research. Wadhwa has consistently said in his meetings with the Perth USAsia Centre in Perth and our meetings with him in Delhi, that he sees enormous opportunities to start advancing the India–Western Australia and India–Australia relationship in research and development technologies. If you look at the success of our minerals and petroleum resource industries, they are not just based on commodities, they are based on a highly sophisticated research and development logistical experience. They are highly sophisticated modern industries. We are now looking at a world-class remote operations capacity in Western

Australia. So we are not just digging up iron ore with graders or magically bottling LNG. Underneath and what underpins that is a highly sophisticated technical economy.

Wadhwa sees lots of opportunities in that space. So there will be a lot of intersections, and then it is a matter of driving the matrix and the Parliament can, and perhaps should, start with, well, what are our own agencies doing or not doing in this space, and I think that might be fertile ground for the committee, you know, in phase 2 of this work.

Hon TERRY REDMAN: Does political stability rate in their assessment of those trade relationships?

Prof. SMITH: Political change always occurs, and the Indians understand better than most political change. They have nearly 40 states. They literally have a state election every month. There is always political change. I think what drives the Australia–India economic relationship is neither political change nor political stability, it is essentially a parliamentary bipartisan and multi-party commitment that this is absolutely essential to our economic interests, both state and national and we all have to put our shoulder to the wheel and we all have to do it. As Hugo said in his written report, in his most recent paper, we have actually done this before. We have turned the state post World War II from an agribusiness-based economy to a minerals resources, petroleum resources, agribusiness economy, and we can change it again to add services exports to that, particularly to India but also Indonesia and Vietnam.

Now, one cannot be late for a parliamentary committee, but it is also inadvisable for someone to be late for a meeting with the vice-chancellor.

The CHAIR: We would not want you to make a career-limiting move.

Prof. SMITH: Thank you very much. I am happy to respond to any follow-up queries which the committee has, and it has been a privilege to appear before you.

The CHAIR: Thank you.

Prof. FLAKE: As Stephen departs, could I add a little bit more on Terry's question?

The CHAIR: Of course.

Prof. FLAKE: The short answer is there is nothing in India that will be able to supplant in a significant way the resource sector; I am aware of that. Not any individual sector, and at this point, we are not even capable, candidly, of in a meaningful way, putting it together to say it is 10 per cent or 20 per cent, et cetera. However, again, we do not have this data, this is probably an interesting next research project perhaps for the Perth USAsia Centre. Because we tend to articulate those in terms of dollar value in exports, and not in terms of jobs created, I think there is a skewing effect there, right? Because, again, without taking anything away from the tremendous amount of job creation from the resource sector, because the dollar value of those efforts are so high, we get a skewed view of their relative importance to the state economy. So, for example, if you took these 10 sectors that Hugo laid out in his report, and you put them together collectively and then put them on a growth trajectory, you are still probably not going to get to the dollar value of the resource sector, but you may get to a very significant portion of the job creation, if that makes sense, because it is a different way of measuring and looking at economic activity.

We have not done it yet, I am not aware of anybody who has, but I think that might be an interesting exploration. If I could just be a little bit more specific on both the questions on this front, though, and to address the elephant in the room. Ironically, we used to think that China was the elephant in the room, but as India emerges, they are the ones with elephants, so technically India is the one with the elephant in the room, so I am not sure how that works now; we have the elephant and the dragon in the room!

The CHAIR: It is a herd.

Prof. FLAKE: Yes, there is a herd. But the end is that there is a growing global debate, and I just spent all last week in Canberra and the week before that, I was in Washington DC, that is about decoupling and divestment with China. You hear this every single day. I heard it every single day in Washington DC. I was there with the Group of Eight universities from Australia and every single meeting we had in the White House and the State Department, in the intelligence committee, it was all about deep concern about Chinese intervention into government, into society and business, et cetera. So as a result, the closest I have ever come to a mathematical equation is basically to say that D3 is greater than D2. That is, diversify, diversify, diversify has to be greater than divestment and decoupling. Because if it is not, if we do not diversify, diversity, diversify, the relationship with China is unsustainable. No matter how economically dependent we are, in WA as a state, because of our heightened dependence, has actually been a bit of an outlier from Australia as a whole, and the other states, maybe Victoria aside, right? As a result, we have not had the same discourse that you have heard in Canberra, vis-à-vis the relationship with China and vis-à-vis the exposure of the relationship with China.

My feeling is that given the way these things develop in democracies, if the public perceive—you know, with the news about coronavirus most recently, but before that, what was going on with the Uyghurs in Xinjiang and the Muslims there, before that was going out to AI and technology, before that what was going on with the intervention in terms of IT and hacking and that kind of stuff. You know, it is one thing to be relatively dependent on a partner that you trust, as that dependency increases, and the truth is in the last six years that we have been in existence, our institutional mandate has been diversify, diversify, diversify.

During that six years, Western Australia's dependence on China has deepened. Australia's dependence on China has deepened, despite the fact that we recognise the problem. So it is just going to take a much broader approach, and it has to be an all-sector approach to kind of begin to challenge that.

I would just indicate, from our own lived example, we are a small organisation. We have just this year reached 13 staff in terms of the work we do, but we do a hundred different events, conferences, seminars a year, whether it is our In The Zone conference, which, three years ago, focused on food security, and then two years ago focused on space and then last year focused on rare earth. We are always having an Indian voice in that dialogue. For the third year in a row this year, we will be running the WA Indo-Pacific defence dialogue. We do that for the state government. We have always had a very strong Indian delegation be part of that. Just yesterday and the day before, some of your colleagues joined us, we had our third annual Japan conference, but this year we focused on Japan-India-Australia trilateral. We had a strong, strong Indian delegation from that. So my kind of feeling is even in our little space, the awareness within the strategic affairs community in India of Perth and of WA has skyrocketed from nothing six years ago to sky-high right now. Now, every trip I have to Delhi or Mumbai, the first question I have is: when are you going to invite me to Perth? That is because they have all come here.

My point is: if we can do that in the foreign policy sector, then why not in the medical sector, in the IT sector, in the education sector, in the infrastructure sector? My guess is every sector in the WA state economy, there is somebody thinking about China today—in almost any sector. If you are in hearing, if you are working in cochlear implants, I guarantee they are thinking: what should we be doing with China today? And if you are in ag, they are thinking: what should we be doing with China today? We have really got to get to that same point with India. Every sector of WA's economy needs to do something similar to what we have done as an organisation to figure out: How can we invite

Indian speakers and Indian participants? What are the Indian organisations? Because if we do not do that, we will not diversify. That is the crux of it right there.

Mr Y. MUBARAKAI: My question, I guess, I am going to redirect with some Indian masala in it to Hugo, from two questions—one was from the Chair to Professor Smith, and, I guess, member Terry Redman's question as well—is about really where are we at, as the state of Western Australia, in relation to something unique in an emerging market like India, which is quite different in our perception or approach in terms of a paradigm of doing business with? I guess from where the Perth USAsia Centre sits, your experience in the last four years, along with the Varghese report, along with Ambassador Wadhwa's report, due sometime in 2020, the real question, I think, for this committee—and, Hugo, if you could just sort of put into perspective—looking at the information, it is quite detailed and it is quite broad, and that is the problem everyone has when they talk about India. It is too big; it is too huge; we know nothing about it and we do not know where to start. So this inquiry is the basis of exactly that. Where I sit, particularly on behalf of the members, I want to touch a bit more on it, and, hopefully, you can share that. The thing is, from a state perspective, and my journey, obviously, to Australia, as a migrant—an international student, now I am fortunate to have a family I am raising and my life here—I have the paradigms of two different worlds, and I can sort of see some of the anomalies. But, Hugo, I guess you have spent a lot of time over the years particularly looking at this emerging opportunity.

[11.00 am]

The question I want to ask, I think Professor Smith touched on it a bit. For this parliamentary inquiry and for all future WA relationships with India, as a starting point, compared to other states in Australia—so we can look at Victoria and New South Wales and as the national body—how important do you think the starting point will be, for this parliamentary inquiry to understand, for Western Australia and even the commonwealth to work in sort of a partnership towards creating that foresight of that strong commitment or strategy? How important do you think that is? In everything I have read so far, Hugo, you talk about what Australia should do, what are the sectors, what are the markets. The references are there, but it is so broad, it is so big, and I think the real essence of getting off the block is: Do we need the commonwealth in this? Do we not need the commonwealth in this? How important is the starting point for this committee to sort of realise that importance?

Mr SEYMOUR: Thank you. I can answer your question as well as answering Jessica and Mr Redman's as well. I think the inquiry itself is very broad in its terms of reference. It counts in lots of different sectors, which is a good thing, because, as we believe and as outlined, with India, there is no one single silver bullet to grow the relationship. It will require a strengthening across all possible sectors and opportunities, whether it be in education, health care, tourism and so on and so forth. The committee is very well timed, given, as we outlined previously, we have the "India Economic Strategy", the "Australia Economic Strategy", the two state government documents which both identify India as being of signature importance, and I think that is a strategic framework. The committee has a true opportunity to look at what is currently happening on the ground as far as advancing that and what practical things can be done to shift the dial.

This goes to Jessica's question: the state of Western Australia cannot do it alone. It has to be done in coordination with the commonwealth government. Whilst the state is, in the scheme of things, a smaller player, history has shown that with a sustained and sustainable effort utilising the trade offices, sister state agreements, frequent ministerial visits, departmental focus, trade delegations with business and industry, that can help advance an economic relationship. We have seen that done with north east Asia. Peter Varghese outlines in his report that whilst state and commonwealth

government activity in north east Asia has been, and continues to be, considerable in growing the economic relationship, we will have to do more with India than we are used to. All these frameworks establish that there needs to be a whole-of-government approach to advancing the relationship at the state and at the commonwealth level.

Insofar as the sort of the sector slices opportunity, I mean, tourism in WA employs as many people as direct mining does. On the numbers, as far as the forecast, Mr Varghese predicts that tourism from India alone could be a \$9 billion industry for Australia before you go into the indirect development, such as property investment, consumer whatever, and international education could be a \$12 billion industry. Western Australia's service sector exports, international education and tourism, are both \$2 billion right now, and both employ—in tourism, 100 000 people; in international education, 15 000 people. If we were to get a population share of that Indian growth, that would be more than half of what we are currently getting with all of our markets. So all we need is a slice, but the employment creation prospects from a lift in that market, as we are currently seeing right now in students and tourism, will have dramatic beneficial effects for the state. As Gordon and Stephen said before, it is hard to get noticed. I think the state cannot do it alone; the government cannot do it alone. It needs business buy-in; it needs parliamentary buy-in. Mr Varghese in his report outlines the practical things the state could do to help advance that in concert with the commonwealth, including parliamentary delegations, industry delegations et cetera. I think the answer is all of the above to help drive the relationship.

Dr D.J. HONEY: Thanks very much for that. I was interested in the comments, Hugo, on the sort of growth trajectory for oil and gas. Gordon helped facilitate a visit that my colleague Sean L'Estrange and I made to South Korea, and we went to Tokyo as well, and Richard Court organised a whole heap of visits. We spoke to the investment companies and they all said the same thing; that is, that they are not looking at any investment in Australia for new either iron ore or gas outside of replacement, so they would see no expansion in Western Australia at all. They were saying we have plateaued. I think you were indicating plateauing in 10 years, but they are saying, no, we are plateaued now, which I thought was interesting, for me, at least. They said they were looking for their investment in Indonesia and Vietnam. That was where their growth—if there was any growth in investment, it was going to come from there, but not here. So that was interesting.

A bit along the lines that Yaz was just asking, that is: Can we do it alone? Is it, in fact, if you like, the resources you require, you really just have to get in bed with Victoria or someone else and really partner up, or do you try and do it alone? I know we are looking for unique advantage, but, you know, maybe is the approach that we have to actually get into bed, if you like, with the other states in the commonwealth and really drive it? Because I am just worried. You know, you say it is a daunting prospect in just getting that exposure. Should you be driving that relationship and working more actively; rather than in competition with the other states, you actually actively work together and then share the pie, if you like?

Mr SEYMOUR: I think, given the scale of India and the sheer size of demand, I do not think—for example, in the “India Economic Strategy”, Mr Varghese talked about education. All states and all tertiary institutions in Australia, they do not need to compete with each other, because the scale of demand is so large. So they are working together to get brand Australia or brand WA or brand Perth noticed. That is the main goal. So, I think, the trade office review that has just been publicly released late last year canvasses all the various options and avenues for the state to have a presence on the ground in market, whether it is in concert embedded in an Austrade office, or standalone offices, or satellite offices, a hub-and-spoke model, where you have the main office in Mumbai and then, say, a satellite office in Chennai or Calcutta, for example, and we have done that before. They are all canvassed deeply in the trade offices review. The key takeaway, I think, is that WA must have an on-

the-ground presence in the market, which we currently do, and the trade office in India is currently our second-most staffed office out of all of them, so that is a good thing.

People consistently say that the Victorian model is the most advanced—the most integrated across government. Western Australia has a precedent of performing very well in this. I mean, in international education, WA was the first state to go out there and start recruiting students, and at one time, a quarter of all international education enrolments were in WA, and the trade offices were focused on the student group. So WA does have a history of being able to execute a broad overseas in-market to drive the relationship. I think, with India, it is looking at less of a competition between states, between institutions, and looking at it as a collaborative approach to actually get noticed in the market. On LNG, the forecast for Indian LNG demand growth is significant, and import growth is significant. As we discussed before, the new import terminal on the east coast makes Western Australia more competitive, potentially, for export to India; and, indeed, in the executive summary of the Wadhwa report, LNG import from Western Australia is specifically identified. You are right—the current major iron ore projects are replacement projects; so are the expansions in the offshore oil and gas industry. Yes.

Prof. FLAKE: Can I chime in a bit as well. I am just thinking through my mind about our engagement in the region and whether or not there are any scenarios in which we are working closely with other states. We have such a relatively small province, and the truth is that Australia as a whole has a relatively small presence in the region. The one mandate which is clear is that we need to work closely with Austrade and with the federal government and to leverage those resources rather than try to reinvent the wheel. There is an element of competition, whether it is for student bodies or whatever the thing is. For me, my broader conclusion, though, is that rather than thinking that there is a sectorial fix or an institutional fix, we have really got to fundamentally start by changing our culture here. So to answer Yaz's question: where do you start? Well, you start with the Indians. You start with people, because, in the end—you know, I applaud the state government's focus on direct flights. Direct flights make all the difference in the world. I was sitting with the Japanese ambassador yesterday. He was telling me about a conversation he had with ANA. To ANA's shock, the direct flight between Perth and Tokyo is making money. They did not expect that, right? We know this about the Qantas direct flight to London, too. You have direct flights; mothers are more happy sending their kids to go to school here, it is easier to visit for tourism. Again, when you have students, that follows tourism, and, candidly, it follows migration, in terms of getting the best and the brightest. I fear—and, here, full confession: I do not swear in as an Australian citizen until 5.30 tonight.

The CHAIR: Congratulations!

Prof. FLAKE: So I am still an immigrant status, right? But I have some bias, so I am declaring my bias. Our number-one challenge as a country and our number-one challenge as a state is human resources, and, unfortunately, our immigration debate has been so hijacked by boat people and the threat-based analysis, we have dropped what has been our strength for 50 years, which is a strategic opportunity-based approach to say: how do we leverage the best climate, the best opportunity, the best living conditions in the world to get the best and the brightest? And when you are selecting the best and the brightest out of 1.3 billion people, we really ought to be thinking about how do we get the best and the brightest Indians to come here? That is exactly what I was talking about earlier—about generating pull in India. The way we generate pull in India is by getting the best and the brightest to come to school here, to do tourism here and to emigrate here, and then to leverage those networks back there, which will lift off. So, for me, it is really about, again, tourism, direct flights, education and exchanges. Going back to what I just said earlier, there is nothing you can do better than to have every institution in the state government, including the Parliament, and all the

different school staff to be thinking every day: who and how can we engage India today, and how can we engage Indians to get them to come here? Because that is where it is going to start. Once that happens, those things flow much more organically and naturally through the process. Not to discount the 10 sectors, but my guess is that is where it comes from.

Dr D.J. HONEY: Just a follow-up on that, then. Is it worthwhile creating a vehicle, if you like, that, you know, you have your conferences, but let us say we want to have an affair with India and it is chocolates and flowers and phone calls and follow-up text messages. Is it worthwhile actually inviting someone out to dinner and putting on a big bash?

Prof. FLAKE: Absolutely. I will give you three very specific examples. One, the Premier's visit this year was actually very successful, and it was a stroke of genius to take a cricketer along with him. But going back to what I was saying, I would also like to have seen him have 50 Western Australians, not just businessmen, but businessmen, education sector—again, that shows India that we are serious and we are interested, and that then changes the way each of those 50 in that delegation go along. So a large WA delegation, multisector, I think would go to great lengths to changing that kind of view.

Dr D.J. HONEY: Coming the other way, guys, you were saying before, if they come here —

Prof. FLAKE: So this is my second point. Last May, at the behest of the state government, we organised a “Doing Business in China” conference. We did that together with—and it was actually a wonderful conference. It provided a great venue for the state to kind of emphasise that relationship, a chance for the new Chinese consul general to speak. But, candidly, if I am speaking here—and I know I am now on the record—of all the things that WA should be doing, a big large flashy conference on doing business in China is probably not the one that we needed to do. We need to do those kind of conferences with India, Indonesia and Vietnam, where we do not get the profile, where we do not have the level of interest, right? So, again, while applauding what it accomplished, we have not had a large “Doing business with India” thing. The closest we have come—here, I give full credit to the Department of Jobs, Tourism, Science and Innovation, and particularly Walter Gomes, who has done a series now over the last two years of working together with the various chambers of commerce and industry, so they have done Korea, Japan and India. That is probably the largest India-focused event we have had yet here in WA. We are talking 100 to 150 people. So something along that line. It may not be chocolates; it may be different.

The third and final point I would make specifically on this is when I was in Canberra last week, I was fortunate enough to attend the speech by the Indonesian President, Joko Widodo, to the Parliament. It was followed by a formal state luncheon, which I was honoured to attend. The content will not be remembered long. The speeches will not be remembered long. What will be remembered is that the entire Australian federal Parliament—Senate and the House—came out and gave respect and honour to an Indonesian President. We rolled it out. That is exactly what I think WA needs to do. We need to show them that we want them. We want them here as tourists, we want them as high-skilled immigrants, we want them here as students and as business partners. Because, again, going to Yaz's question, where does the Indian engagement strategy start? It starts with Indians—with the people—not with a magic sector.

Mr S.J. PRICE: Look, Gordon, that sort of plays part to the question I had. There seems to be a pretty common theme from the evidence that we have received so far in regards to the importance of relationships between Western Australians and India, essentially, and the people over in India. In regard to how do we tackle such a large challenge, we have a sister-state relationship with Andhra Pradesh. I was just reading the annual report—you made mention of it—it does not seem that we are taking full advantage of that sister-state relationship. If we were going to start anywhere, that

would seem like an obvious place for us to focus some of our attention. Do you have any thoughts on whether that is an approach that we should take; and, if so, how we should do that?

Mr SEYMOUR: I think that the sister-state agreement with Andhra Pradesh, signed in 2016, was a very good strategic move at that time. Andhra Pradesh was growing at rates above 10 per cent and was subsequently made a priority state in the Varghese report. And we saw visits up to the signing of the state agreement by the then Treasurer Dr Nahan, and I have to make a correction here. In the written submission, I missed out one of his visits to Andhra Pradesh, so that makes it 10 visits in the last five years, not nine—my apologies for that. We then saw, in this current government, the Deputy Premier's first overseas visit was to Andhra Pradesh and to India.

In our consultations, the signing of a sister-state agreement is the beginning, not the end, of a process. It sort of opens the door for the state, and all of the findings were reinforced by our consultations, whether it be in the trade office's review, whether it be in the Varghese report, with specific action items in the memorandum, followed up by a government and business engagement, they can drive the relationship.

We recently saw a new chief minister elected in Andhra Pradesh, Chief Minister Reddy, who has done a number of things to overturn previous government policy. So that relationship, when it was originally signed, was done with Chief Minister Naidu; now it is a new chief minister. We are yet to have a visit to Andhra Pradesh in that time. I would note that in our consultations our current commissioner in India, Peter Baldwin—there is some uncertainty around current economic policies and direction in Andhra Pradesh, particularly around, say, the new state capital, which was going to be built—the new greenfields capital. There are other major economic hubs in Andhra Pradesh: Vijayawada, Vishakhapatnam. These are major, growing cities and I think there are still opportunities there, in mining and energy and agriculture and education, for the state to develop a relationship. Governments in India—as they will in Australia and Western Australia—will change and policies will change. The underlying structural drivers in that economy, whilst currently caught up in the recent slowdown, are still there, and I think we have a framework of opportunity for engagement there; the MOU opens the door. The onus is on us to now continue to go.

Prof. FLAKE: So can I echo everything that Hugo just said. The feedback that we received both in Delhi and in Mumbai while we were there was exactly what Hugo has reported—that a change of government there has meant that the level of interest and support on the Indian side that had existed previously may or may not be there yet, and it is going to take some work to re-establish that, too. Because it is relatively new, this is what I would call under institutionalised. There are some areas where you have got long-standing and deep bureaucratic-level support for a relationship—that does not yet exist in India, and so that is something that has to be built. I am a great fan in understanding niches, right? One of the challenges for a subnational government, like a state government like Western Australia is, you go to a place like Delhi or Jakarta, you are competing with the entire world, because everybody wants a piece of India. Whereas, if you go to Andhra Pradesh, the reality is you might be the only one there and you are going to get far more traction than you would otherwise. Stephen rightly pointed out that that is where the core relationships are going to be formed, where they perceive that you are focusing on it. The only suggestion I would have on this front is I am actually a firm believer in the importance of direct air linkages. As of right now—I do not know; you may have more updates in terms of the work of the state government right now, as it stands, and of the Parliament, but once we determine where those direct flights are coming from, that should have heavy influence in terms of where we invest in relationships, right? Whether it is universities or business or sectors, because, in the end—go figure—international relations are all about relationships, and the ability to get here is going to drive that. There is some conversation about it possibly coming out of Chennai. There is some conversation about it possibly

coming out of Mumbai, or even in Delhi. That might determine how we strategise it going forward. But I do not have much more to add on that.

[11.20 am]

Mr D.T. REDMAN: There were a couple of comments made that I want to try and pull together and get your critique. One was made by Professor Smith in that the challenges of the business-to-business relationships and building on that and establishing something are known. He said trust is one—it takes a long time to build trust. I think one of the points he did not make was that the regulatory environment that we have over here is more important for industrial-type footprints than it is for service-based industries. Also, the comment that David made about a vehicle to try and help establish those business-to-business links. So my question goes to how important is government, as a conduit, to establishing and building the business-to-business relationship beyond what I have probably seen as probably a single dimensional discussion here about relationships and the importance of government in putting people together and having conferences—park those comments. Going back a couple of years, we established, in WA, a WA Open For Business unit, and I guess the focus was on China and Asia because of the challenge of people coming here and not knowing where to go, not knowing who to talk to, and wanted to do business, did not know the risks and challenges, but they did trust government in that discussion, and, therefore, anything that had a government tag attached to it made it much easier to take those next steps, and had some confidence in that path. That unit is still there. We do not hear much about it, and I will not play a hard political card now, but what is that theme, if you like, as a vehicle for taking the government relationship to another level to build a more mature business relationship in a faster, more efficient way where you establish those trust links because you have got government as a conduit?

Mr SEYMOUR: So of course, any strengthening of the India–Western Australia current relationship has to involve business. Ultimately, it is business activity that is driving it, and the role of government, as a facilitator, as a driver, will only go so far. In India, given the challenges of the market, the breadth of the market, the size of the market, the diversity in the market, there is a clear role for government to be assisting Western Australian industry seeking to export to, or operate in, the market. I think we would agree with your points that the badge of government can play a role in helping to build trust, open doors, facilitate the relationship and also provide advice. The state government, currently, and in history, has a precedent of doing that very well. And the trade offices on the ground are an important component of that.

Even just glancing at some of the other submissions, the challenges of the Indian market—there was a detailed submission from the school curriculum authority, who were looking at India as a target market. The message I got from reading that submission was they knew the importance of the market; they wanted to engage; but just needed a bit of assistance and advice and support. Now, obviously, that is a government entity, but that would be where the government support on the ground could and would assist, and I think the same as for business.

Another point is we have active business chambers in Western Australia: chamber of commerce, CME et cetera. In our consultations, in our experience, the business chambers in India are very active as well, and that can really drive direction strategy and relationships. CCI and CME, in the past, have done delegations to India. CCI was on the delegation with the Premier to India. AIBC is getting more government support and more buy-in with the diaspora community et cetera. They are good conduits from government to business and, of themselves, they are very important in driving the relationship. Ultimately, it has to have business buy-in. I think the government, in a challenging market like India—say, for example, compared to walking down the streets of London—can provide more assistance with business looking to get in there.

Prof. FLAKE: You will not be surprised, from my previous remarks, to know that my view is that government's primary role, particularly on a state level, is in its ability to influence the governed—the citizens of the state. So our greatest impact will be educational; it will be in setting the example, setting the tone of the discussion. So if you think about the role of government vis-à-vis the relationship with China and Korea and Japan, we were somewhat overly harsh and said it was just basically getting out of the way and letting these countries get the resources they want. But getting out of the way is a hard thing, right? Government had to figure out how to facilitate that, how to change the regulatory environment. There was an awful lot of relationship building with these other countries where they had to develop the relationship trust for them to come and do that. This next step is going to be actually a lot harder. It is going to be a lot more democratic, which means that what we have got to do, far more than we had to do during the resource boom, is we have got to educate our citizenry—again, in the education sector, in the tourism sector, in the resource sector, in the ag sector, in the IT sector—to be thinking every day about engaging them. So that example, that narrative, is a little bit different, with one exception: if you look at what is happening in the next-generation resource sector, there is where the old playbook still applies—lithium, rare earths. These are sectors where we have got to think, “What do the Indians need?”, and then we have got to facilitate in the same way that we did before. There government plays a very important role, particularly the offices like you are talking about.

Mr D.T. REDMAN: You talked about the importance of champions in your submission. Do we need to intensify our relationship to the point where we are not spreading ourselves too thin and we actually get some success in focus areas and that becomes the conduit for the broader investment interest?

Prof. FLAKE: Absolutely. Success narratives are so, so important. Again, just to give you an example, in our six years of operation, we have told the story of Interflour a thousand times. The reason that narrative is important is because this is a case where CBH, representing a WA cooperative, built a co-sponsored organisation company—a co-investing company—initially in Indonesia and then now Vietnam, who then created the demand for the WA product, who provided the pull that went up in there. So that narrative becomes really, really important. Right now, I cannot tell you what the narrative is around India. We do not have those individual success stories that we can just tell over and over and over again to highlight that relationship. That is what we have to create—you are spot on.

Mr Y. MUBARAKAI: I think you are quite right, Gordon, in your response. I guess the real perception out there in the market is that India is too hard a basket to do business with and they are not ready to do business. That whole paradigm shift is something that needs to be worked on.

But I am just going to ask a segue question—again, pointing out what Terry just raised questions on. For me, I am excited about this inquiry coming through and for asking you this question, in particular. A lot of talk is about India as an emerging market and the opportunities of Western Australia's ability to meet those expectations in terms of export and demand for their self-consumption. But really, Gordon, I think in a very short time—and going back to the Chair's remarks about are we under-resourced, going back to the fact that is Western Australia too broad in its strategy, because the third thing that is going to happen is—and this is where I like your recommendations on my question—Ambassador Wadhwa's report is going to trigger a two-way street where we are going to have a lot of businesses from India looking at Western Australia in the sector to market-matching as opportunities for them to diversify as well. So, India, in the last decade or two, has also looked at certain commodities in certain markets to diversify in other parts of the world, and I feel that is also a huge opportunity for Western Australia. When the report comes out and there is a clear match,

are we prepared, or do you feel that Western Australia is prepared, to meet those interests coming in?

[11.30 am]

Mr SEYMOUR: In our consultation with the Confederation of Indian Industry and Ambassador Wadhwa, as you well know, Yaz, once the report is publicly made available and, hopefully, endorsed by the Indian central government, that should trigger a wave of delegations to Australia, to Western Australia, and that will obviously create opportunities to actually activate the sort of the things that we are talking about. I think that will require, as we are seeing with the state government and the restructuring of the old DSD into JTSI, the new Invest and Trade WA framework—that is the government agency to be the front door for engagement. I think there will be an important role for organisations like the Perth USAsia Centre, in concert with AIBC, CCIWA, to be supporting the government in rolling out the red carpet, when these things happen, and also in facilitating the business majors or the businesses who have not yet looked to India to have discussions. I think one of the great outcomes of the “India Economic Strategy” was not necessarily so much the strategy itself alone, but it was the 12 to 14 months of consultations which asked every boardroom in Australia: what are you doing about India? That perked interest. When Indian delegations start coming here after the strategy is released and the synergies are made so obviously clear, there is real opportunity there for government and business to work hand-in-hand with organisations like the centre and others to help build relations and advance the relationship.

Prof. FLAKE: I will just add a very short comment and that is you are exactly correct; that is the roadmap. Again, Hugo, I think, laid it out pretty well. You have got the Varghese report and you have got those sectors. We have now got, thanks to Hugo, an early draft of the executive summary of India’s “Australia Economic Strategy”. Of those, one-third are not going to apply to WA at all. It is just a matter of going through the remaining ones and figuring out, okay, in these ones, which ones are we going to champion as a state government, as a Parliament? I think you are exactly correct. We need to figure out: where are we going to get our early successes? So we need to take the 10 and even if three of them do not apply, we get down to seven, then of the seven, we have probably got to get our top three and say, “We’re going to seek to have earlier successes in these three”, and then just knock it out of the park, and that will then lead to expansion of the others. You do the others as well; they just do not become priorities, because, like everything else, if everything is a priority, nothing is a priority. I think you are spot on; that is exactly what we have to do.

Dr D.J. HONEY: Just going back to the comment made earlier on the military links. We have heard from Professor Smith that those military links will strengthen the relationship. One thing of the tour that Sean L’Estrange and I did that was really clear—it was good for me to go there and see that—was the necessity of a strong military alliance between South Korea and Japan and then Australia, but then Indonesia and India and that military link. I know you have got your conference, but is there some we can do to increase those military ties? I mean, we have got a fabulous, for example, marine complex south of Perth, which would be an ideal complex as an alternative port for Indian ships. They would hate going to Darwin because now that we have given it away to the Chinese—the consul general was telling me this a couple of years ago—they have to give a manifest of all of their crew to the Chinese operators of the port, which does not appeal to them. So, this is an opportunity for us to actually target military cooperation and support with India and also act as a bit of a bridge, if you like, with South Korea and Japan.

Prof. FLAKE: I agree wholeheartedly. Again, here I will note that, historically, WA political leaders have done a great job in changing the narrative in Canberra. If you go back as far as Kim Beazley when he was defence minister, in a sense he just dragged Fleet Base West out here to the point

where HMAS Stirling is the largest naval base in the Australian Navy, and still it does not register over east; they do not quite understand that. So whether it is the state government or an organisation like ours, parliamentary leaders federally—both past, present and future—we are going to have to continue that narrative. We regularly would be proposing Australia–Japan–India exercises and Australia–Indonesia–India exercises to utilise what we have got here. There is, in this, a ray of hope. When we were set up over six years ago, I remember in my first year we had some conversations with what was then ADIN—the Australia Defence Industry Network—and we met with someone from state government, and the response was, “The defence industry is less than one per cent of our state GDP. You’re just not going to get our attention.”

Obviously the drop in iron ore price changed that a little. But if you look at the WA Indo–Pacific Defence Conference, which we held last August—and we are going to do the third one this coming August—we had 500 people in the room, all day long. We had both government officials and industry officials from the region and from over east in a way we have never had before. We have started a serious strategic affairs community in WA, which now has to be consulted on all these issues, vis-a-vis exercising, and that is a great venue for us to push that because it has spin-on effects for the relationship. That is exactly what we need to do with India. We need to build within WA society an industry, education sector, government lobby, if you will, a community, that gets India—in the same way that we get defence industry now, which we did not six years ago. So in six years’ time we should be able to have an India conference and get 500 people from all sorts of sectors to come here and say, “This is essential.”

The CHAIR: It is an interesting segue into the final question I have. Others may have more; we have about another 10 minutes. Clearly, there are some significant tensions at the moment between our first and second largest trading partners. There are also considerable tensions between the Chinese and Indian governments. Australia sits in the middle of that, and Western Australia in particular sits very closely and is very closely interlinked with the Chinese economy. There is a geostrategic set of considerations that apply here, and you cannot divorce economic considerations from those broader geostrategic issues. Do you have any observations to make on how we navigate through those sensitivities, particularly at a state government level? I am mindful that this is not just about the economy. There is a very complex set of geostrategic considerations that sit around the relationships. I would welcome some preliminary views on those.

Prof. FLAKE: I may, by dint of my funny Arizona accent and the fact that I spent 25 years in Washington, DC, come across as somebody who might have early on fallen into that G2 diverse and decouple kind of narrative. The truth is that I have had 30-odd trips to China. I would never in a world consider myself a China-basher or favouring that kind of decoupling, which is where the tension is right now. Having said that, at a recent event towards the end of last year we had a large high-level Chinese university delegation in town. I heard it expressed better than I have ever heard it expressed before. That is, for 30 years, the Australia–China relationship was built on a foundation of converging values. The Deng Xiaoping consensus that came out after the excesses of the Mao era and the great leap forward and the cultural revolution was based on the presumption that although there would be bumps on the road, every succeeding year China would be a little bit more open, a little bit more free, a little bit more engaged in the world—whatever word you want to use. For most of my professional career and most of WA’s period of engagement with China, that held true. The last five years has seen a very different direction out of China, not out of us. There have been decisions made in China where those values are now diverging and whether it is treatment of minorities, whether it is the freedom of the press, whether it is freedom of academics, whether it is their expectations of other countries and relationships, we are at the point right now—candidly—where I do not think it is possible for a state government to make China happy; there are just

tensions, and tensions exist, and they are always going to exist. I do not know that there is a clear pathway. Those problems are not going to just persist, they are going to grow, and the pressure coming from Canberra will grow on that issue.

That is exactly the point I was trying to make when I was talking about D3 versus D2. If we do not diversify, we will end up with decoupling. As our relative dependence on China lessens, those issues become less important. But if they are our everything, then we are really at risk of a rather sharp and precipitous break. If we end up doing great things with India and great things with Indonesia, well yes, we have ongoing concerns about China, but they are not our everything, and so as a result we can manage that relationship better. There is no easy answer. The answer is: diversify, diversity, diversify, and in the meantime try to manage what will increasingly be a difficult relationship.

[11.40 am]

The CHAIR: I think the whole narrative around common values is really fascinating. The other interesting aspect in Australia's relationship with India is that we are part of the commonwealth and there are historical links to that extent. I suppose we have a common law tradition; we have democracies—we are both democratic nations. There is a lot we have in common in values.

Dr D.J. HONEY: Hockey and cricket.

The CHAIR: Hockey and cricket—obviously there are a lot of cultural of sporting commonalities as well. I suppose it goes to your point, professor, about the need to communicate to our own people here in Western Australia just how much we have in common as opposed to how much we have that is different.

Prof. FLAKE: Herein is the era we live in. Obviously that narrative with the United States is very difficult right now. That narrative with India is very difficult. And that narrative with India—just so we do not appear to be just cheerleaders and we are giving you frank and candid advice—is more difficult today than it was six months ago. What they have done in Kashmir has made that more difficult. What they have done with citizenship laws or immigration standards have made it more difficult. The current shift of the Modi government and its decision to pull out of the Regional Comprehensive Economic Partnership co-operative, which was under the economic framework of agreements in the Indo-Pacific, is more difficult. These are not black or white issues. It is not a universal good, nor is China a universal bad; they are just complex. All of our trading partners can be that way, but again, I think we as a state are better served by not being overly dependent on anyone—so diversification, diversification, diversification.

The CHAIR I suppose the thing is as well, at the end of the day, there is an awful lot of that that goes on that we have absolutely no control over, but we need to be flexible and open enough in our thinking to adapt. I suppose that is where we need to work together far more collaboratively with our cultural institutions, our business communities and think about how we can be more adaptive.

Mr SEYMOUR: I just want to make one quick point. As far as the relationship goes, it will soon be a time when one in 25 Australians was either born in India or migrated from India. Yaz is a terrific example of that migration from India to Australia and Western Australia, looking for skills or coming with skills. These migrants become Australian and they contribute to our society. When one in 25 Australians is of Indian ancestry, that will have a huge bearing on our political, business and institutional dynamics. Maybe in part the existence of this inquiry is driven by that, so that will be a great steward for the relationship as well. You cannot understate how important that diaspora base is. In WA, our diaspora is above average: four per cent of Perth's population is of Indian ancestry, so that is very strong.

The CHAIR: That was fantastic; thank you. I will proceed to close today's hearing. Thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 working days of the date of the email attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence.

Hearing concluded at 11.44 am
