



THE UNIVERSITY OF
**WESTERN
AUSTRALIA**



UWA
Public Policy
Institute

Inquiry into Western Australia's Economic Relationship with the Republic of India

UWA response

The University of Western Australia (UWA) welcomes the announcement of the Economics and Industry Standing Committee's Inquiry into Western Australia's Economic Relationship with the Republic of India.

UWA's 2025 Strategy and UWA 2030 vision have a strong focus on India, and on our Indian Ocean region more generally, recognising that Perth is Australia's Indian Ocean capital and that increasing economic and people-people engagement with India, Indonesia, Africa and other Indian Ocean countries is of critical importance for the current and future welfare and prosperity of our State.

As our State's only university ranked in the world's top 100, and one of only three top-100 universities in the Indian Ocean region, we are proud to take the academic lead in our State's engagement in the region, including through our node of the Australia India Institute, and through UWA Public Policy Institute, Perth USAsia Centre, UWA Oceans Institute, and UWA Institute of Agriculture.

We make the following five recommendations:

- 1. There needs to be more consistent and sustained engagement by ministers and the State Government more broadly to drive awareness in India and in WA of the opportunities presented by increased economic engagement**
- 2. Further work should be done by the State Government to understand what is limiting business engagement between Western Australia and Andhra Pradesh, and the findings of that work should be made available to and discussed with WA stakeholders;**
- 3. The State Government should do more to promote within our State the fact that spending by Indian and other international students creates jobs for Western Australians in all sectors of the economy, and that the net result of increasing the numbers of international students is job growth; and**
- 4. The State Government should produce and share with stakeholders a report on the breakdown of Indian visitors to WA (student, tourist and so on), together with spending patterns and areas for future growth.**
- 5. The State Government should consider sponsoring events which are likely to have a high public impact in India and bring focus on our State – for example the filming of a Bollywood movie in WA, or a promotional campaign featuring the Western Warriors and visiting Indian players**

Economic developments in India over the last decade and their implications for the bilateral trading relationship

The Indian economy, measured by GDP, is already the fifth largest in the world¹. By many projections, in 2050 India will be the second or third largest economy^{2,3,4}. As a result of demographic shifts, India will add 285 million to its working-age population over the same period, while China will have nearly 210 million fewer workers by 2050. In just seven years' time, one-fifth of the world's working age population will be Indian. This rapid growth presents a range of opportunities for the bilateral relationship.

India's path to prosperity is, of course, not a given, and the country faces significant challenges along the way. Among these are: demographic changes (including a slowing of population growth and an aging population); developing and expanding the manufacturing base; maintaining and increasing labour participation rates, particularly for women⁵; increasing agricultural output; managing and improving health outcomes; and increasing the educational attainment of young Indians. These challenges for India also present opportunities for Western Australian expertise to assist.

Existing barriers or impediments to trade

At a general level, the over reliance of our State's trading relationship with India on gold is an impediment to increasing trade. Our State needs to transition to a more sustainable trade model, which requires the development of industry in Western Australia. This is of course already a priority of the State Government, as evidenced by its Diversify WA strategy. UWA suggests that further work be conducted by JTSI and other elements of government to apply an India lens to linking actions in the Diversify WA strategy more strongly with the WA Asian Engagement Strategy. The recent corporate tax cuts in India⁶ may provide an increased incentive Western Australian businesses and investors.

Direct flights are one way to address the Indian perception that Australia is far away, and that our State is unknown. All WA universities are in support of direct flights, as market intelligence firmly supports the view that lack of direct flights is an impediment to trade. The WA Indian community is also extremely keen to see this happen, and the Indian Society of WA has collected more than 2000 signatures in support of the route, which will be presented to Parliament next month.

¹ <https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD>

² <https://www.pwc.com/gx/en/world-2050/assets/pwc-the-world-in-2050-full-report-feb-2017.pdf#page=68>

³ <https://www.willembuiter.com/3G.pdf>

⁴ <https://www.worldatlas.com/articles/world-economies-projected-to-be-the-largest-by-2050.html>

⁵ India has one of the lowest women's work force participation rates, along with one of the lowest gender development and women empowerment indicators. Women in India represent 29 percent of the labour force, down from 35 percent in 2004. The economic impact of achieving gender equality in India is estimated to be US\$700 billion of added GDP by 2025. The IMF estimates that equal participation of women in the workforce would increase India's GDP by 27 per cent (<https://in.one.un.org/unibf/gender-equality/>)

⁶ <https://www.bbc.com/news/business-49764964>

Inbound tourism and international student numbers are both increasing at a rapid rate, but considerable further awareness raising of WA and Perth in India is urgently needed. UWA believes that more consistent and sustained engagement by ministers and the WA Government more broadly is key to this. We welcome the recent review of the WA Government's Global Offices, and hope that the resulting changes address the number, location, and activities of the offices, and not just governance issues.

The Varghese report correctly notes that a lack of 'India literacy' is holding back the engagement of Australian companies with India. UWA, through our node of the Australia India Institute, is keen to work with the WA Government and with WA businesses to address this through short courses and professional development training.

From a university perspective, interactions with Indian bureaucracy and approval systems can limit our ability to increase research and teaching links. The difficulties are not only on the Indian side, however, and our ability to significantly grow education exports is hampered by current visa settings, including settings within the gift of our State Government.

Recommendation 1: there needs to be more consistent and sustained engagement by ministers and the State Government more broadly to drive awareness in India and in WA of the opportunities presented by increased economic engagement.

Opportunities to strengthen the trading relationship

The Sister State Relationship between the State Government of Western Australia and the State Government of Andhra Pradesh

The Sister State Relationship with Andhra Pradesh has not achieved what it might have, particularly as Andhra Pradesh is building a new capital city and major ports, and has underutilised energy and mineral deposits, all things which align with expertise and industry in our State and which should present significant business opportunities. An increase in WA business engagement in Andhra Pradesh would provide opportunities for UWA and other WA universities to engage in contract research related to this economic development and to recruit students from Andhra Pradesh.

Recommendation 2: further work should be done by the State Government to understand what is limiting business engagement, and the findings of that work should be made available to and discussed with WA stakeholders.

Developing existing and new export markets in India in target sectors

International education

The Australian federal university funding model requires universities to obtain external (i.e. not Australian federal) funding to deliver their teaching and research missions.

The WA Trade Office in Mumbai does a good job of helping WA's universities and other educational institutions engage in India, particularly through the expertise and varied contacts of its locally engaged staff.

The WA Government also has an important role in destination marketing to assist the State's universities, TAFEs, VET providers and schools in recruiting international students.

Universities do not usually experience difficulty in commencing relationships with Indian universities; government-led inbound visits from Indian universities seeking MoUs or research relationships are not needed.

As mentioned above, visa settings are important, and affect the choices of international students. While the federal visa settings are globally competitive, state-related settings put WA at a disadvantage nationally, particularly when it comes to recruiting Indian students. The State Government could do more to promote within our State the fact that spending by international students creates jobs for Western Australians in all sectors of the economy, and that the net result of increasing the numbers of international students is job growth.

One particular area of high potential and mutual benefit is healthcare and related education and training. Medical, nursing and pharmaceutical industries are growing across the world. Here in Australia our ageing population is driving growth across the healthcare sector, and more workers are needed to meet the growing demand for healthcare services and old-age care. In some cases – most notably nursing – this is proving difficult. Given that India has huge potential for medical and nursing work-force training, UWA and WA can extend skills and technical support to develop the Indian medical and nursing industry and in turn they can serve as a potential caregiving and health workforce for the state.

Recommendation 3: The State Government should do more to promote within our State the fact that spending by international students creates jobs for Western Australians in all sectors of the economy, and that the net result of increasing the numbers of international students is job growth.

Tourism

There are strong connections between tourism and international education. A senior Austrade figure recently explained to UWA that while China is ranked number one in WA and also nationally for visitor spend, this is primarily driven by the spending of Chinese international students rather than Chinese tourists. India was Western Australia's 10th largest market for international visitors in 2018, accounting for 3 per cent of the state's international visitors. A detailed understanding of who our current Indian visitors are, their spending patterns, and areas for future growth, should inform the WA Government's continuing (and very valuable) focus on destination marketing and a report should be shared with stakeholders.

One activity which could be very valuable would be for the WA Government to sponsor a Bollywood movie to be filmed in WA. We have already seen the benefits of the filming in our State of an episode of the Chinese reality romance show 'Vive La Romance', and perhaps the

neo-Romanesque columns of UWA's campus would provide the perfect setting for a Bollywood movie.

Cricket is the number one sport in India, and this provides opportunities for WA destination marketing and for inbound tourism. For example, the WA Government in conjunction with Study Perth and/or Tourism WA could run a promotional campaign featuring the Western Warriors and visiting Indian players.

Recommendation 4: The State Government should produce and share with stakeholders a report on the breakdown of Indian visitors to WA (student, tourist and so on), together with spending patterns and areas for future growth.

Recommendation 5: The State Government should consider sponsoring events which are likely to have a high public impact in India and bring focus on our State – for example the filming of a Bollywood movie in WA, or a promotional campaign featuring the Western Warriors and visiting Indian players

Agribusiness.

India's agriculture sector offers significant opportunities. It accounts for US\$400 billion (15.4%) of the country's US\$2.6 trillion economy and 245 million jobs (47% of total employment)⁷. India is also the gateway to many Asian and African countries with its technical programs, and agribusiness provides the opportunity to WA to partner with India.

Agricultural productivity in India is below its potential. Some of the constraints include limited use of modern farming methods, volatility of weather, weak agricultural support services and lack of market-oriented production. The frequent occurrences of natural disasters like flood, drought, storms, hails, cyclones have led to severe hardship and farm distress. Feeding a growing population and ensuring food and nutritional security in future thus becomes a daunting challenge, especially in the era of climate change.

The agriculture sector is a leading area that needs a re-look and re-invention. India needs to advance from traditional agricultural systems (labour-intensive) to contemporary agribusiness systems (capital- and technology-intensive). The Government of India has recently set an ambitious target to double the income of farmers by 2022-23, which corresponds to targeted annual agricultural growth of more than 14% a year. For this to happen, suitable policy actions with scientific interventions become imperative for Indian agriculture.

The Indian Government is currently planning policy reorientation and accelerated action plans for achieving sustainable agriculture to improve the livelihood of smallholder farmers as well as addressing the issues of poverty, hunger and malnutrition that continue to prevail in India, despite various agricultural revolutions (green, blue, white, etc.) over the past few decades. Adoption and scaling of new technologies and innovations through an enabling policy environment, with inclusiveness of all stakeholders, can accelerate agricultural growth in India.

⁷ <https://www.cia.gov/library/publications/resources/the-world-factbook/geos/in.html>

New opportunities exist for harnessing science for new gains in areas where WA's universities and businesses have expertise, through the use of: precision agriculture, biotechnology, sensor technology, bioinformatics, climate-smart agriculture, robotics, drones, big data management, and artificial intelligence. There exists considerable scope for scaling out promising technologies for extending gains such as: growing different crops in newer/non-traditional areas; exploitation of hybrid technology; use of biotechnology, especially GM crops; conservation agriculture; scientific land use and ecoregional planning; farm mechanization for precision farming; reversing soil degradation and improving soil health, especially through the restoration of soil organic carbon; doubling water use efficiency; improved nutrient use; generation of bioenergy and biofuel production; and ICT for knowledge empowerment.

India's agriculture sector is politically sensitive (with a protectionist sentiment that is unlikely to fade). The central and state governments seek to balance smallholder farmers (245 million) and consumer needs with the broader goals of minimising social disruption and maximising electoral rural support. The Indian Government has three objectives in this area: food security, food self-sufficiency, and income support for farmers. So India will remain a difficult market, prone to fluctuating import demand and sharp policy changes – hedging against this volatility is part of spreading risk. But there is scope for it to become more predictable. A strategic decision by the Australian Government to work more closely with India on reducing the need for market distortions and developing import pathways can both respond to Indian priorities and ultimately help commercial engagement.

Despite India's focus on domestic production, the gap between demand and supply is expected to grow substantially by 2035⁸. This reflects growth potential for Australian exports in commodities like pulses, grains, horticulture, oilseeds and wine. India's growing middle class will also develop an appetite for value-added products like wine, processed food and so on. Importantly, there is also a potential for WA universities and industry to provide specialised services to Indian Governments, institutions, and farmers in improving agricultural practices, especially logistics, bulk storage technologies, food safety management systems and agri-product processing. This is important for Australia to be viewed as a trusted partner to India's agriculture, land, and water management reforms. A recent paper by Bahal (2019) shows how rural development programs in India that develop agriculture centric infrastructure can substantially increase agricultural output by increasing agricultural productivity⁹. The paper finds a “spending multiplier” of greater than two, which suggests that a dollar invested in agriculture reforms increase agricultural output by more than two dollars. The holistic approach, therefore, should be to pair exports of raw commodities with exports of value-added products, and export of services to work with India on productivity improvements and increasing farmer incomes.

Water, Urban and Pollution Management Strategies

Pollution, surface (river/ponds) water distribution management are contributing to the depletion of India's water reserves. Many of India's mega cities already face water shortages

⁸ <https://dfat.gov.au/geo/india/ies/pdf/dfat-an-india-economic-strategy-to-2035.pdf>

⁹ <https://academic.oup.com/ajae/advance-article/doi/10.1093/ajae/aaz030/5555852>

on a daily basis. Australia's urban management expertise in the design of urban infrastructure has a huge scope to enrich the trade and economic relationship between the countries. Promoting research and providing expertise assistance in this regard can enrich education, trade and business.

Evidence, Science and Innovation

Considerable emphasis is put on the role of universities in the export of education services: rightly so, as international education is Australia's third biggest export, after iron ore and coal, worth \$34 billion in 2018¹⁰ and creating jobs for Australian workers across all sectors of the economy.

International education is not the only activity with economic impact that universities engage in, however, with research and knowledge transfer from Australia's eight leading universities (including UWA) alone having a \$24.5 billion impact on the Australian economy in 2016¹¹. The international impact of research by Australian universities is difficult to measure, but due to the international nature and applicability of most research it can reasonably be expected to be very significant.

As India develops, it is clear that Australia has to move away from a transactional student recruitment focussed approach towards India in higher education, and to work collaboratively in areas where Australian research expertise can contribute to India's social and economic development. The Indian government released its draft National Education Policy in May 2019¹². This document has an ambitious agenda to modernise the Indian education system, increase research collaboration and internationalisation in Indian higher education institutions. Given the strong research capability of UWA and other Western Australian universities, particularly in the areas that India needs to develop the most – such as agriculture, food security, water security, energy security, civil engineering and big data, there is potential to increase research collaboration through joint PhDs, academic and student exchange.

Collaboration in evidence generation, science and innovation will facilitate deeper engagement across both economies, and in particular in health and education. The demographic window advantage that India will continue to have until 2061 can provide the opportunity for both countries to engage in generation of evidence connected to the key problems that both countries are dealing with, and investment in science and innovation to create healthy and sustainable economies with a mutual co-operation. Targeted State Government funding, perhaps linked with investment by WA industry in Andhra Pradesh or elsewhere in India, can assist with this.

¹⁰ <https://ministers.education.gov.au/tehan/continued-growth-international-education-sector>

¹¹ https://www.go8.edu.au/Go8_London-Economics-Report.pdf

¹² Government of India (GOI) 2019. Draft National Education Policy. Delhi: Government of India