

Prime Minister of Australia

Address to the India Business Lunch
New Delhi
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I am delighted to be here today in New Delhi. I would have been equally delighted to have been in Mumbai last night at the DY Patel Stadium. But alas the weather gods intervened.

India shares many passions with Australia, one of them being our collective celebration of cricket. We share a passion for the game. But in my case, there has never been a correlation between passion on the one hand and ability on the other. You will be surprised to learn however that I have played against India before.

At least as a member of the Australian embassy team in Peking against the Indian embassy team. My highest score was 11 not out. We Australians always feared the Indian quicks and we feared that the reason India regularly beat us at the Temple of Heaven Ground was our belief that on the eve of each of the games, Indian MEA would fly in its best talent from Delhi.

At least that's my excuse for failure on the field - 11 not out. But, as someone who can recognise great talent when I see it, I congratulate Sachin Tendulkar on achieving the outstanding milestone of 17,000 One-Day International runs. From one cricket mad nation to another, we salute the 'Little Master'.

I'm advised his young teammate Yuvraj Singh has started calling the 36 year old 'grandfather' (where that places 52 year old like me, I'm not sure). And may I say on behalf of all Australian cricket fans that if Sachin does decide it is time to retire, we would support him wholeheartedly. Of course there is more to life than cricket.

Another of our shared passions is exploring new opportunities for business collaboration. Looking out to this diverse audience - business leaders, senior officials and commentators from all corners of the private and public sectors - I am struck by the extent of common Australian and Indian commercial interests. I am also reminded of the central role business will play in elevating our countries' bilateral partnership.

Our venue today - The Taj Mahal Hotel - is a testament to this. I am told this hotel is owned by the renowned Tata Group. It takes shrewd leadership to preserve and build a business group from one generation to the next. But it takes remarkable ability to sustain such a business over not one but five generations. This is exactly what the Tata family has achieved over the past 140 years, making it a pillar of the Indian business community - and also 32 years older than the Australian constitution!

It is a great compliment to Australian business that the Tata Group has decided to partner with Australian companies in fields as diverse as coated steel production, long-haul logistics and retail electronics. These partnerships demonstrate the power of entrepreneurialism: when we join commercial vision with complementary capacity, the possibilities are endless. The same is true of the Australian-Indian economic relationship as a whole. In the past 18 months, business men and women around the world have together faced the worst financial collapse in three quarters of a century.

We all know the figures - the global economy is forecast to contract by 1.1 per cent in 2009 - the first contraction since IMF records began. This is the deepest global recession in three-quarters of a century and very few countries have escaped the downturn.

From this crisis, one startling fact has become apparent: our economies are more interconnected and interdependent now than ever before. The economic crisis is, at its core, a crisis of globally interconnected credit markets. While it started in the US, UK and Europe, the financial and trade impacts quickly spread to the rest of the world. No nation was immune to the downturn.

But while our interdependence exposes us to great risk, it also creates great potential. Our coordinated response to the global economic crisis - driven by the G20 in which Australia and India are active - has highlighted the benefits of cooperation. It reminds us that global solutions to crises are through collective determination and action rather than insular policies. It has provided the strongest signal yet that the global economy has entered a new - though fragile - phase of recovery.

But Federal Reserve Chairman Ben Bernanke has warned that the early recovery won't be robust enough to prevent the unemployment rate — now at a 26-year high of 10.2 per cent — continuing to rise in the months ahead. So while there is tentative talk of recovery, it is still a long way off. The recovery will be slow and complex.

IMF Chief Economist Olivier Blanchard, writing in the IMF's magazine, warned that this recession is not normal. Sustaining any recovery will require delicate rebalancing acts, both within and across countries. As he rightly observes, and I quote:

"... the world is not in a run-of-the mill recession. The turnaround will not be simple. The crisis has left deep scars, which will affect both supply and demand for many years to come."

Global economic activity, driven by the strong performance of Asian economies such as India and China, still remains below pre-crisis levels. Private consumption and investment are needed to sustain this recovery. This requires a smooth transition from government-supported demand to private-led demand. We also need to unwind the global imbalances that led us into this crisis.

And this is why forums such as this are critical for progressing the conversation between governments and with businesses on how we can build long-term, sustainable growth for the future. My message to the global community is simple: we're all in this together, and we're all in this for the long haul. So what does Australia have to bring to the table?

- Strong fundamentals;
- A stable, prosperous economy; and
- An ongoing economic policy reform agenda.

Like India, the Australian economy has weathered the global recession better than most:

- our economy grew in the June quarter at 0.6 per cent, making it the fastest-growing advanced economy in the past year and the only advanced economy to have reported positive through-the-year growth to June 2009; and
- while every Major Advanced Economy has fallen into recession, Australia so far has not.

- But still, as the slight rise in our unemployment rate to 5.8 per cent today underlines, Australia is by no means out of the woods, yet - as we still face such a fundamentally uncertain global economic outlook.

Australia is a significant economy. We are the 14th largest economy in the world. By market exchange rates, Australia is the fourth largest economy in Asia - after Japan, China and India, and the fourteenth largest in the world. We have the second lowest unemployment rate when compared with the Major Advanced Economies. Our public finances are sound, with Standard and Poor's reaffirming our AAA sovereign rating.

According to the OECD, Australia is projected to have a lower deficit in 2010 than any of the Major Advanced Economies. We also have the lowest debt of all the Major Advanced Economies, with government net debt projected to peak at 10 per cent of GDP in 2013. Australia is globally acknowledged for our resilient banking system and strong prudential and regulatory regimes:

- Of the world's nine remaining AA plus rated banks, four are Australian; and
- The percentage of nonperforming bank-to-bank loans in Australia is among the lowest in the world.

The strength of our banking system reflects a strong set of regulatory arrangements and a smart industry model. Most significantly, Australia prides itself as a good place to do business. In its 2009 survey, IMD rated Australia as one of the four most resilient economies globally, and the strongest in our region.

The World Bank ranked Australia as one of the most business-friendly economies in the world, offering a business environment that is both stable and flexible. And our corporate governance environment has also been ranked first by - based on measures like:

- The transparency of our business and regulatory culture;
- The power and rights our shareholders enjoy; and
- The interaction between Government and business.

When coupled with a deep, mature financial sector, Australian Government reforms to drive productivity growth and low debt and deficit levels by any global standards, Australia offers a safe and rewarding environment to conduct 21st century business. Economic reform has set Australia on a path of sustainable growth, as have the reforms set in train in India back in 1991. The impacts of these reforms are palpable.

India's strategic weight and the structure of its economy have seen it withstand the impacts of the global economic crisis better than most. India has managed an impressive six per cent growth at a time when few other economies have managed any growth at all. India has truly emerged as a central pillar of regional and global economic strength and significance. In 2010 almost 90 per cent of global growth will come from emerging economies; and By 2014 the IMF projects that emerging Asian economies will contribute to half of world GDP growth, of which 10 per cent will come from India. But the great upswing in India's growth does not end there. By 2030, India will have the world's largest population and be the third largest economy. When combined with advances in technology, education, services, resources and security, all of this equates to one thing - opportunity. Opportunities for Indian citizens domestically and abroad. Opportunities for stronger regional growth and cooperation. And opportunities for stronger commercial links between Australia and India.

When it comes to encouraging greater commercial cooperation with India, the Australian Government means business. India is already Australia's fastest growing major two-way trading partner - trade in goods was worth nearly \$18 billion in 2008-09. Our services exports to India are growing - \$2.9 billion in 2008. As is our foreign direct investment relationship, albeit off a low base.

One important part of our relationship is of course the large number of Indian students who come to Australia - nearly one-fifth of the half a million students who come to our country. These students represent the future of Indian and Australian business - and those who study together, stick together. And the Australian Government is committed to doing all that is physically responsible to ensure all international students in Australia have a safe and rewarding experience during their time as welcome guests in our nation. Indian students are welcome guests in our country and we have an obligation to extend the hand of friendship and support to all our Indian visitors.

When we look at the wider economic relationship between our two countries, I am firmly of the view that we can do more. India is a dynamic and diversified economy with an acknowledged infrastructure deficit and challenges in meeting the growing food and energy needs of its burgeoning population. Australia is a resource-rich country with a relatively small domestic market but a number of compelling comparative advantages, particularly in energy and resources. India is itself richly endowed with many mineral and energy resources. And so there is significant potential for reciprocal investment in our resource sectors. Mining exports are already the largest component of our bilateral trade.

Some of Australia's biggest companies - Rio Tinto and BHP Billiton - have strong and enduring bonds with India. Meanwhile, Indian investors in Australia such as NRE Coke are helping Australian resources reach Indian markets. In August this year, India's Petronet LNG signed a 20-year agreement with Exxon Mobil Australia, securing the supply of 1.5 million tonnes of LNG per annum from Australia's Gorgon field. This is the first of what I hope will be many strategic energy deals.

Likewise in the agricultural sector, Australia and India have much to gain from each other. Australia can meet domestic shortfalls in Indian production. And there are opportunities for two-way trade in seasonal items on a counter-seasonal basis. One area of cooperation that I am particularly excited about is the prospect of new technologies to support green growth.

New and renewable energy is critical to our broader efforts to address climate change. India is a founding member of the Global Carbon Capture and Storage Institute established by Australia to advance commercialisation of important climate technologies.

The Australia-India Strategic Research Fund - Australia's largest bilateral science fund - has also strengthened the ties between our best and brightest scientists. Together, we can work to develop and trial commercially viable sources of renewable energy and low-carbon growth. Of course, the commercial opportunities I have outlined today would be greatly strengthened through an Australia-India Free Trade Agreement.

An FTA which is truly liberalising across all sectors, and consistent with our multilateral trading objectives, would enhance our trading relationship. Experience has shown us that greater ambition in an FTA means greater rewards. I firmly believe that a comprehensive, commercially-meaningful FTA between Australia and India could deliver substantial new market access for exporters and investors, and open up job opportunities in both countries.

And this is good news for us all. The feasibility study into an FTA between our two countries is nearly complete, and I expect it to recommend in favour of commencing FTA negotiations soon - something I strongly support.

Our growing commercial links are already being reinforced through greater cooperation between Australia and India on the world stage. The designation of the G20 as the premier forum for global economic cooperation was an historic occasion for India and Australia. It also endorses the success of G20 in coordinating a global response to the economic crisis. And it reaffirms the central role of key emerging economies - particularly India - as the engine of global growth.

But complacency is not an option. The ultimate success of the G20 forum rests in implementation of its important agenda. G20 leaders recognised that a strong, stable and balanced global economy relies on:

1. strengthened financial regulation;
2. representative, legitimate and well-resourced international financial institutions;
3. an open trading system;
4. strong labour markets; and
5. support for those most in need.

And I am pleased to say that Australia and India are working together to address these five key challenges. I firmly believe the G20 is the right forum for the future. We know what the global economic challenges are. And these impact on our countries and our region. The challenge going forward is how we ensure our region is playing its part in the global economic agenda.

I welcome the recognition by EAS Leaders at their October Summit of the need to initiate an EAS Finance Ministers' process. This is an important step towards greater economic cooperation in the region. We must learn from the past.

As Bob Zoellick, President of the World Bank Group, said in September, and I quote:

"Today's upheaval did not occur from nowhere. The seeds were planted earlier."

And we must look to the future. We have the economic potential and commercial creativity to build on our existing commercial links. Governments have a responsibility in unlocking this economic potential, and this is one of the key challenges I will be discussing with Prime Minister Singh. But that's only part of the story.

Business leaders have an important role in recognising commercial opportunities and pursuing them - whether they are in Mumbai or Melbourne. That's why I'm delighted that our Trade and Commerce Ministers have agreed to establish a CEO forum to bring together the business elites of our two countries to discuss opportunities and impediments to greater economic cooperation. And I look forward to reading their recommendations in 2010 on what governments can do.

After all, enhancing commercial cooperation between our two countries is a central pillar of the Australia-India strategic partnership and an opportunity to bring our countries closer together. This is an opportunity we just can't pass up.