

**Hon Barry O'Farrell MP, Premier of NSW**  
**Address to the Lowy Institute, Sydney**  
**9 December 2011**

***NSW and India: People and Partnerships in a Developing Relationship***

When I last spoke at the Lowy Institute<sup>i</sup>,

- Kevin Rudd was the Australian Prime Minister
- Libya had not had its Spring, and
- the Euro still had a pulse

and closer to home

- I was the Leader of the Opposition
- no NSW Premier had been to India in four years, and
- 2.1 million people were yet to vote for change in NSW to make us number one again.

And I can put my hand on my heart and say that while almost anyone I spoke to in those months leading up to March seemed very confident that change would be the choice,

I drew no security from the pundits, oracles and inevitabilists who could see a future that I would not presume.

In 16 years of Opposition I had seen too many pollsters and oracles contradicted by the brutal truth of democracy on election day,

because some politicians assume that others will do the hard work for them.

In Australia, many of us are used to hearing heroic mantras from pundits and oracles who tell us that India - '*our land of opportunity*' - '*promises to stoke economic engines for decades to come*<sup>ii</sup>' in, according to Michelle Grattan, an '*Indian economic bonanza*<sup>iii</sup>'.

I greatly admire and certainly don't doubt the resolve and achievements of India's government, business sector and people in making this true.

the IMF is forecasting Indian GDP growth to increase from 7.8 per cent in 2011, to 8.1 per cent in 2016<sup>iv</sup>.

What I fear is that we risk taking for granted that India's economic success will inevitably wash towards our opportune Asia/Pacific location, with no particular effort on our part

I don't *do* 'inevitable'.

Perhaps that's the mind-shift Michael Wesley was more generally trying to provoke when he wrote about the '*insular nation*' in his book earlier this year.

The truth is that

*inevitable* is nothing more than the evidence of sheer hard work.

And while we can study the high level data on bilateral demand and supply, align the strategic objectives of India and NSW and identify the commercial opportunities,

ultimately the success of any international relationship comes down to people.

Personal relationships

Trust and reputation.

Week in, week out.

This is why my NSW Liberal & Nationals team has been determined to make developing our relationship with India, and Indian leaders, businesspeople, and our strongly linked Indian Australian community, such a priority.

In February 2010 as Opposition Leader I visited India with a delegation of senior NSW business leaders

On my return, at the Lowy Institute, I set out the policy trajectory for much of our intended trade and investment approach should we win government, including

- that I would lead trade delegations to India and China within six months
- a goal to establish NSW as the first place in Australia to do business, and Sydney as a global finance capital
- driving economic growth by growing trade and investment opportunities, supported by an Export and Investment Advisory Board

whose Chair, the Honourable Warwick Smith, joined my November Trade Mission, and

- establishing the Multicultural Business Advisory Panel, now chaired by third generation Australian Nihal Gupta,

tasked to work with the Indian and other enterprising communities to leverage the assets of these strong family and business relationships.

This policy trajectory was shaped by the input of NSW and Indian businesspeople, our universities, not-for-profits and think tanks, the advice of the Indian Consul General Mr Amit Dasgupta,

and I am pleased to have a chance to acknowledge today, the contribution of the Lowy Institute

whose research depth and non-partisan advocacy for engagement in our region has been, and continues to be, much valued by my office.

So I am grateful to the Lowy Institute for the opportunity to report on some of the results of my first Trade Mission to India as Premier of NSW, in November this year

and to outline my plans for continuing to build on the valuable relationships we are developing.

Returning to Sydney 19 days ago, inspired and encouraged by the warmth of the reception we received in India, the genuine interest in NSW's renewed engagement, and with the knowledge that personal rapport had been established with many individuals,

I resolved that if we were to prove all the inevitabilists correct, we must invest time and genuine intent.

So our approach to deepening our successful engagement with India centres on four key elements;

1. Be a consistent and trustworthy friend;
2. Be competitive;
3. Deliver real and strategic outcomes for people in NSW and India, and
4. Develop a pathway and targets for a long partnership.

## Consistency and Trust

As the Lowy Institute's Rory Medcalf is keen to remind us, NSW first exported coal to Calcutta in 1799<sup>v</sup>,

the Sydney-born India-phile John Lang, pioneered India's free press;

and Australian cricketer Frank Tarrant umpired the first India-England Test in India in 1933 at the Gymkhana Ground, 'Bombay'.

Significant cultural and commercial links, underpinned first by our shared colonial heritage and business language, and more recently, of course that most precious heritage – democracy - and the same National Day.

Importantly, valuable work on our relationship with India occurs week to week here in NSW.

We welcomed the Minister for Commerce and Industry Mr Anand Sharma to Sydney in May, where we discussed education services, resources and India/Australia Free Trade Agreement negotiations – a discussion I continued with him in Delhi last month,

And met with the Indian Chamber of Commerce and Industry in Sydney, on its way to CHOGM last month.

Since my February visit last year, I have appreciated the counsel of Mr Amit Dasgupta, the Indian Consul General who is with us this morning,

and my government has been working with Indian based investors on project proposals for investment in NSW, and on trade opportunities in India.

I am determined that my sincere intentions to develop the cultural and economic relationship between NSW and India must be built on more than symbols.

Strong relationships are built on trust, and following through on commitments,

such as returning to visit as I promised, and recommitting to visit India on an annual basis.

In any friendship there will be surprises, and I think it's an asset when your history brings a maturity of friendship that lets us tell each other honestly if things get off track,

and I am pleased to say that at various times the Trade Mission appreciated frank discussions about where we can make things better

as one would expect of a consistent and trustworthy friend.

## 2. Be competitive

The second element is to be competitive.

Last week, two dark clouds combined to remind me why inevitabilism is death.

*The Australian* reported that working days lost due to strikes reached 101,300 in the September quarter - the highest in seven years<sup>vi</sup>;

And economist Henry Ergas<sup>vii</sup> wrote that industrial practices on our wharfs and domestic shipping routes are winding back the clock on modernising Howard Government reforms which delivered jobs, opportunity and wealth to working men and women and their families.

NSW bilateral trade with India represents \$1.73 billion in 2009/10 (a 95 per cent increase on the five year period since 2004/05) a year.

And if we are to not only defend but also grow that relationship our only guarantee to secure 'the inevitable' is to keep lifting our own economic game.

Whilst our economy is currently the envy of many developed countries, if we assume that the *relativities* will save us, we are having ourselves on.

So whether Europe and North America takes the tough decisions they need or not, we must accept that success or failure in securing new and ongoing contracts to supply resources, goods and services to growing markets such as India,

will depend on whether we have the guts to make the tough decisions to live within our means.

When we came to government in March, our first of all priorities was unashamedly to *Make NSW Number One Again* – and to *Improve the Performance of the NSW Economy*,

by growing business investment by an average of 4% per year to 2020, and

targeting GSP growth by an average of 1.5% per year to 2020, with specific industry growth targets.

These include doubling tourism, growing critical industries, increasing the value of primary production and mining production, and growing exports from NSW.

None of us would enjoy the opportunities we seek were it not for private and social enterprises, and individuals and investors willing to back their own ideas and take investment risks.

State Government can't influence monetary policy, fix Europe's economic problems, or their effect on global markets.

What we can do to maximise NSW's own competitive position is to

get our own State fiscal house in order,

give a clear idea of our strategic priorities,

invest in productive and strategic economic public infrastructure

open the door to private and social enterprise participation and investment in the public sector economy, whether in infrastructure, services or thought leadership,

improve the services we need to invest for our future – including education and skills, and

put downward pressure on cost of living increases.

Our economic and fiscal strategy must also engage with national issues;

Our national productivity is going in the wrong direction.

Productivity growth, accelerated from an annual average pace of 1.3 per cent during the 80's to 2.1 per cent during the 90's.

But productivity has slowed in recent years, averaging only 1.1 per cent growth per annum during the past decade and 0.6 on average over the last five years. In 2010-11 productivity fell by 1.1 per cent<sup>viii</sup>.

So in addition to Labor's carbon tax which attacks our strategic competitive advantage as a unilateral 'own goal'

the credit in the bank of resilience achieved by the Hawke, Keating and Howard Governments is being spent fast by the incumbent Federal Government;

In our first forty weeks or so, we have tackled productivity in the public sector by

reining in public sector expense growth, and strengthening public sector wages policy  
giving payroll tax rebates for new jobs, and abolishing costly taxes on development, and  
implementing our principle of contestability, starting with franchising Sydney ferry operations.

Our record Budget capital allocation of \$62.5 billion to 2014/15, will create a strong infrastructure pipeline open to the private sector for investment, collaboration and operation, including:

fast tracking the North West Rail Link;  
improving the interface between Port Botany, Sydney's airport, and our arterial road network;  
building a new convention centre by PPP,  
long term lease transactions for the desalination plant and Port Botany, and  
selling electricity generators, development sites and the Cobbora coal mine,  
so we can re-invest in strategic regional road infrastructure, and other assets.

And NSW must offer competitive investment conditions for foreign capital and we welcome the interest of several Indian companies in NSW's resources-related infrastructure.

I was pleased that during the mission we held talks with Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission in Delhi.

For every two dollars overseas investors put into the Indian economy, one dollar is exported by Indian companies. I want NSW to be in the best position to compete for the \$17.5 billion in Indian investment destined to overseas subsidiaries and acquisitions, and

to back this commitment we have

a NSW Government Business Office in India in Mumbai, led by Director of Trade and Investment Mr Rohit Manchanda; and

we will expand the operations of Destination NSW, in India.

### **3. Delivering real outcomes for people in NSW and India**

The *third* element is to deliver real benefits and strategic outcomes for people in NSW and India.

The only purpose of economic policy, should be to improve the choices, opportunities, prosperity and quality of life of our citizens.

A strong theme of my discussions in India is the idea of *partnerships*.

We understand that India's development is critical to driving global economic growth and my Government and our business sector in NSW, stands ready to partner with Indian leaders and business

because it will benefit to all of us in the region – and the world - as well as India's citizens.

So our objectives in our Trade Mission were on ways in which NSW and India can achieve mutual goals which benefit people both here and there.

These include:

#### Promoting Sydney as a ***Finance Capital***

Both Sydney, and Mumbai in the State of Maharashtra, share goals and characteristics as significant finance capitals.

Meetings with the Governor and the Chief Minister achieved an agreement to work towards a state to state relationship with the State of Maharashtra – which, like NSW, is the headquarters of major banks and insurance companies

and I look forward to welcoming the Chief Minister who plans to visit NSW with a high level business delegation.

Cricket is a welcome symbol of this relationship.

I was pleased to announce the NSW/Maharashtra Cricket Cup, with a Premier's XI and the Chief Minister's XI to be played every two years for charity,

proving the value of sport as an enabling environment for business, and in deepening trade relationships.

In building these economic opportunities, we will also benefit a Bangalore Charity - 40K -

with students from four NSW universities and TAFE NSW taking part next year in a scholarship program to assist 40K.

Sydney's success in securing the Australian Centre for Finance and Regulation, along with the future capacity of Barangaroo as a new finance district adds to our appeal as a headquartering option for Indian multinationals.

The Trade Mission enabled the Sydney Airport Corporation to open talks with major Indian airlines to encourage direct air services to Sydney, and in Mumbai

we celebrated the success of Sydney company Laservision in winning the \$5.5 million contract to develop a large-scale multi-media attraction at a religious centre in south western India,

the significance of which is greater than it might sound, as 20 million people who are adherents to this religion use this technology for their 'bible'.

#### Secondly, the Trade Mission promoted NSW as an ***Education Destination***

Dr Amit Dasgupta alerted me to the Minister for Human Resources, Kapil Sibal's, challenge to develop an additional 1000 universities and 55,000 technical colleges in the next 10 years in order to

cope with the projected increase in the number of Indian children going to college, from the current 16 million to 45 million.

Staggering growth.

And a staggering opportunity for NSW Universities and our training institutions to reach out and collaborate with Indian institutions to help meet this need,

and I was delighted to meet Minister Sibal in New Delhi to discuss this in person.

Three vice chancellors from NSW's top universities and the head of TAFE Sydney joined the Trade Mission, each developing strategic partnerships with Indian institutions, including Delhi University, Indian Institute of Science and the LV Prasad Institute.

We are confident that NSW's curriculum and other training providers have much to offer India to help meet its skills development needs, especially in non-traditional, digitally based, delivery methods where we can help provide content,

and in primary and secondary education,

such as at the Holy Child Auxilium School in New Delhi where local staff are being trained by NSW teachers from the Association of Independent Schools of NSW.

Another success was the MOU signed by Dr Harry Harinath, with Mumbai Cricket, which will promote the sharing of NSW's expertise in sports injury management and sport training programs.

We are positioning NSW as a secure and reliable supplier of **resources** for India, which currently receives half of Australia's gold exports and approximately 16% of our coal exports.

Delegation members including leaders of Xstrata, BHP Billiton, Gujarat NRE, who see India as the best growth prospect for both NSW's coal resources and natural gas,

conducted meetings with the Tata Group, the CEO of Jindal Steel and Power, Naveen Jindal, Essar and Adi Godrej, Chairman of the Godrej Group, which sells a product to 500 million people every day.

#### **4 Develop a pathway and targets for a long partnership**

In New Delhi in 2006, former Prime Minister Howard recalled a comment Prime Minister Manmohan Singh made during his 2000 visit to India that although the two countries had much in common, they do not do much together.

When John Howard said *'I hope to change that, not just by this visit, but over time'*<sup>ix</sup>, I think he recognised, as I do,

that we become consistent and trustworthy friends by investing time in a genuine long term relationship.

Sydney is home to people from 187 different nationalities, and we are fortunate that 60,000 residents of Indian background call NSW home.

In today's integrated global economy, these Indian expatriates and their descendants now serve as India's ambassador's overseas, with many retaining cultural, economic and familial ties with India<sup>x</sup>.

We believe that our NSW multicultural community is one of our strongest assets, especially when it comes to doing business in the Asia Pacific region.

So the *fourth* element of my approach is to develop a pathway, and targets, for a long partnership, bringing together this vast resource of enterprising and educated Indian Australians, and our accelerating direct engagement *with* India,

*in* India

to evidence the genuine and personal ties between us.

Relationships ultimately come down to people – and as Dr Singh said to John Howard,

*'our people to people links have always been strong'*<sup>xi</sup>.

I want to make them even stronger, and to develop a pathway for a very long partnership, and set some targets for ourselves along the way.

- First, as Premier of NSW I will visit India every year, and look forward to welcoming established and new Indian friends to NSW as often as they can visit us
- we know Government doesn't have all the answers, and we want to invite the ideas and innovation of the private, not for profit, tertiary sectors and think tanks in a collaborative and fine grained effort to diversify and deepen those personal links, and
- to ensure our engagement with India delivers a quality of trade and cultural relationship which is transparent, ethical, and responsible.

You can count on my support of the Australia India Roundtable – the leading non-government dialogue between influential Indians and Australians, convened of course by the Lowy Institute, in Sydney and New Delhi and

the Inaugural Gandhi Oration — to be held at UNSW on 30 January—the day Mahatma Gandhi was assassinated in 1948.

We are also delighted to be a founding partner in the 'Australia India Youth Dialogue', brainchild of an Indian student at Sydney University.

If we are to avoid making costly strategic mistakes, we need to invest in these personal relationships that enable real trust and understanding, and the occasional gutsy and obviously good decision.

Whilst a valuable step forward has been achieved on the uranium issue, I would have preferred that within our two mature democracies, with our shared values and accountabilities in a robust Westminster system,

we should have been able to resolve this to our mutual advantage much sooner.

## **Conclusion**

I want to take up the challenge identified by former Prime Minister John Howard who said in India in 2006

*'there is so much our countries naturally have in common, [but] for a combination of reasons, in the past potential has not been fully liberated'*<sup>xii</sup>.



A lot can change in 22 months,

including assumptions of the inevitable – whether it's our economic future, or more prosaically, the cricket results.

When I spoke at the Lowy Institute last May,

our Australian Cricket team was re-adjusting from years of world dominance, being thrashed by England in the Ashes, and beaten by India in the World Cup,

and we had yet to have revealed the truth of NSW's parlous financial situation, and the scale of the task ahead of my NSW Liberals & Nationals team.

'*Economic engines*' and '*bonanzas*' of any sort don't occur without hard work, fiscal discipline, honesty and engagement.

And like me, I'm sure neither Michael Clark nor India Captain MS Dhoni believes the past presages any inevitability for the summer Test series in Australia,

and in the same spirit of competition in which I want to see NSW engage competitively in trade and investment with India to *liberate* that great potential,

I'd also like to see any oracles of destiny at the SCG put to the real test of skill, preparation and competition in January.

So I will leave the Oracles in Delphi,

and the inevitabilists in hope,

and rely instead on the day to day hard work of preparation, policy and good practice

that I believe is the best predictor of performance success in all we have to do

to rebuild our economy,

develop a deep and long standing relationship with our Indian friends,

and contribute to our goal of making NSW number one.

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<sup>i</sup> O'Farrell Address to Lowy Institute May 2010 'NSW and Its Place in the World'

<sup>ii</sup> *The Adelaide Advertiser* 4 March 2006 'Trade Hopes: Bush and Howard seek to capitalise on subcontinent's booming economy; India – our land of opportunity'

<sup>iii</sup> Michelle Grattan 'Australia makes up for lost momentum in India' *The Age* (Melbourne) 7 March 2006

<sup>iv</sup> IMF Table A4 September 2011 *World Economic Outlook World Economic and Financial Surveys*

<sup>v</sup> Medcalf, R 2011. "Grand Stakes: Australia's Future between China and India" In *Asia Responds to its Rising Powers*. National Bureau of Asian Research, Seattle, Washington DC.

<sup>vi</sup> *The Australian* 'Strike surge under Fair Work with days lost to industrial action highest since 2004' Ewin Hannan, Industrial editor December 02, 2011

<sup>vii</sup> Henry Ergas *The Australian* December 02, 2011

<sup>viii</sup> Source: NSW Treasury November 2011

<sup>ix</sup> *The Adelaide Advertiser* 4 March 2006 'Trade Hopes: Bush and Howard seek to capitalise on subcontinent's booming economy; India – our land of opportunity'

<sup>x</sup> Malik, A & Medcalf, R, 2011, "*India's New World: Civil Society in the Making of Foreign Policy*." Lowy Institute for International Policy, 2011.

<sup>xi</sup> March 6, 2006. Joint Press Conference Hyderabad House, New Delhi

<sup>xii</sup> March 6, 2006. Joint Press Conference Hyderabad House, New Delhi