

'Sleeping elephant' now wide awake

Without India, this APEC meeting is diminished, especially for Australia, writes **Stephen Manallack**.

AUSTRALIAN businesses and political leaders had special reasons to push for acceptance of India as a member of the Asia-Pacific Economic Co-operation forum.

But the meeting in Sydney of the 21-member APEC is going ahead without India, reducing the gathering's relevance and showing how slow organisations can be in reacting to change.

The Australian Chamber of Commerce and Industry expressed it best when it argued for India to be included because it was "too big to ignore".

Trade Minister Warren Truss combines caution with diligently building relationships in Delhi. However, he knows that our ambitions for a free trade agreement (FTA) with India are bound up with India's future in regional bodies such as APEC.

Our trade minister is also well aware that such a trading agreement would create enormous opportunities for our services sector.

Indeed, Australia has special reason to be miffed by the refusal to accept India. While India has not historically been a "major" trading partner, in the past year it has become our largest market for gold, second largest for coal and copper ores, and third largest for wool. Add the tentative moves towards an FTA with agreement for a "joint feasibility study", and you can see how the timing of this exclusion is not good for us.

Consider also how important India is in becoming a source of skilled workers, with India now second for the number of permanent visas granted in 2006-07, mainly for skilled workers such as accountants, computing professionals and registered nurses.

Economic growth has produced a "new" India, where Bill Gates has replaced Mahatma Gandhi (still a close second) as a leading role model for business students.

In this new India, entrepreneurs are now recognised around the world and there is a national expectation that the next Bill Gates will be an Indian. Global successes are celebrated, as Lakshmi Mittal and Ratan Tata have found, as their conglomerates become global steel leaders.

There is much more to come on this front, with growing reserves of corporate capital finding a home overseas and more Western business icons falling to Indian ownership. If I could use one word to sum up the new attitude of India's business leaders, it would be "confidence".

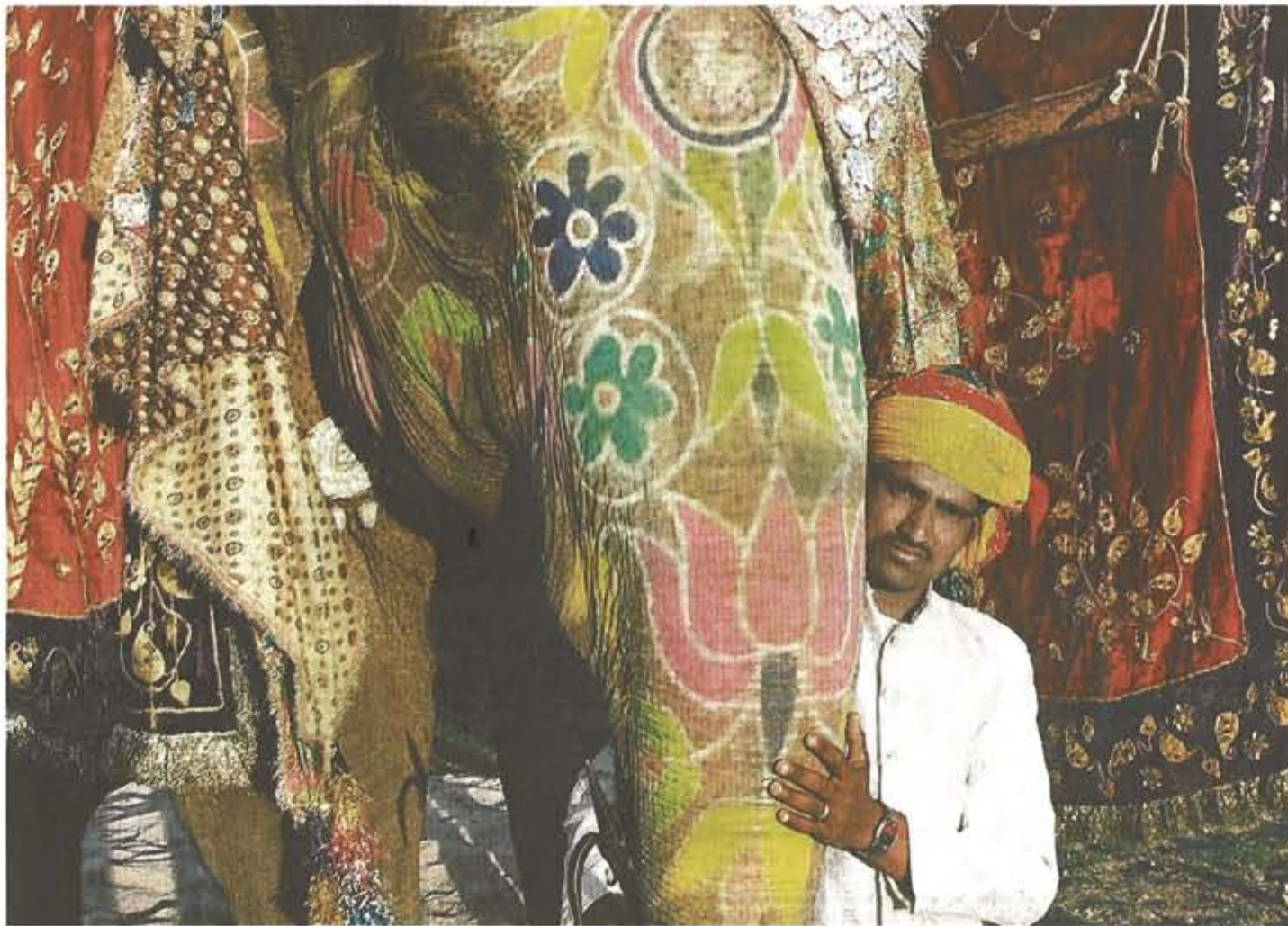
The "old" India never reacted too well to criticism or exclusion, but the "new" India has even less patience for it and will seek greener fields elsewhere — this is the risk APEC is taking.

In a land of great cultural diversity, many languages and countless opinions, two things unite the nation — cricket and the World Trade Organisation.

Indians become instantly passionate when challenged on their high tariffs, pointing to European and American agricultural subsidies as well as restrictions on the flow of capital and people out of India.

This passion was seen at the Indian walk-out during the WTO in Germany last month, and will be seen again at countless forums around the globe. The message is, point the finger at India (or exclude it) and you can expect a robust response.

While many still believe that



The elephant that's not in the room.

our major relationship will be with China, a MasterCard worldwide survey has placed Mumbai in the world's top 10 list of financial flow hubs, ahead of Beijing and Hong Kong. The surprise for many is that China is not in the top 10.

Some people have been fooled with the view that the Indian economic miracle is just driven by call centres and IT — now pulling in \$US23.6 billion (\$A28.65 billion) revenue a year. Important as these are, look also at energy, retail, manufac-

turing, pharmaceuticals and even agriculture as areas where efficiency and good management are producing startling results.

India's economy is more driven by domestic demand than, for example, China.

Few people are aware that India is the world's second largest producer of wheat. And spice exports are set to reach \$US1 billion this financial year, including products such as chilli, cumin and mint. India aims to be a global processing

hub for spices, so watch this space. Already the basis of the IT industry is changing in India, with much of the "grunt" work outsourced to South-East Asia while Indian companies get a firmer grip on high-value knowledge work.

On top of this, the dragon (China) and the elephant (India) have learned they can dance, and soon China will be India's major trading partner.

The message is that the world is changing faster than ever, challenging those who

wish to remain relevant. Australia can no longer fall for the delusion that because we share a common heritage of democracy, English and cricket, we will always be well received in Mumbai and Delhi — because as APEC dithers on India's membership, the rest of the world is knocking on India's door.

Stephen Manallack is former chief executive, Australia India Business Council, and writer for Indian business website www.domain-b.com