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India, now well worth the journey

Australian Financial Review

2 March 2006

P. 63

When Prime Minister John Howard visits India this month, he will be taking what has recently become a well-trodden path. Last year, Chinese Premier Wen Jiabao, Japanese Prime Minister Junichiro Koizumi and the United Nation's Kofi Annan all dropped by.

While this year, France's Jacques Chirac and Saudi Arabia's King Abdullah have paid their respects, and United States President George Bush is in New Delhi this week. The politicians are being joined by a growing number of business executives.

The main reason the world's movers and shakers are knocking on India's door, of course, is the impressive turnaround in the subcontinent's economic performance. After decades of sluggish growth, the economy is powering ahead. Growth this financial year is running at about 8 per cent after a 7½ per cent expansion last year. India is now one of the world's fastest-growing economies. High-profile successes in information technology and offshore outsourcing have only added to the lustre of the new Indian economic model.

Given this context, Howard's visit is an important signal that Canberra, too, recognises the growing weight of India in the international economy. Certainly, Australia has good economic reasons for wanting to build on the existing bilateral relationship. In terms of merchandise trade, for example, India is now our sixth-largest export market for goods - ahead of the United Kingdom - and our 12th-largest trading partner. True, much of this trade is concentrated in commodities, primarily gold and coal, but with India's share of world trade still well below potential, there is plenty of scope for expansion. And while services trade is on a smaller scale, it has been expanding rapidly.

Two-way investment ties are also ripe for expansion. At present, our investment in India is modest, but it is still large enough to put us in the top 10 overseas investors, and that applies to capital flowing the other way.

There are good reasons beyond trade and investment for Canberra to strengthen ties with New Delhi. One significant feature of India's long overdue economic take-off is that it is successfully combining democracy with strong growth.

Moreover, this is in a country that still has a relatively low level of income per capita and remarkable diversity in terms of religion, culture and language - conditions in which, sceptics would argue, democracy was doomed to failure.

Indeed, until recently, India was often cited as an example of why democracy was incompatible with economic success, at least in developing countries. As a fellow Asian democracy, and another economic success story, Australia has a clear interest in good relations with a country that offers the region such an attractive example.

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