

India-Australia relations and CEPA

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Manifest Pedagogy:

India Australia FTA has the right ingredients for success and add to this mix-the geopolitical realities this FTA must succeed. Trade is moving to countries with like-minded values and neither India nor Australia can stay out of these groupings. This is truly an opportunity for India to enter the mainstream of global and take advantage of the 'China+1 supply chain opportunity,

In news: India and Australia have signed a historic interim Economic Cooperation And Trade Agreement (INDAUS ECTA), which will give a fillip to India's exports in the textiles, leather, gems, and jewellery sector.

Placing it in Syllabus: International Relations

Static Dimension

- India- Australia relations

Current Dimension

- About ECTA
- Scope for CEPA
- Challenges
- India- Australia relations
- Way forward

Content

For India, the ECTA with Australia is the first agreement with a large developed economy of the world after more than a decade. **Australia is also the third OECD country after Japan**

and South Korea with which India has signed a Free Trade Agreement (FTA).

What is the India-Australia ECTA?

- It covers almost all the tariff lines dealt in by India and Australia respectively.
- India will benefit from preferential market access provided by Australia on 100% of its tariff lines.
- India will be offering preferential access to Australia on over 70% of its tariff lines.
- Under the agreement, Indian graduates from STEM (Science, Technology, Engineering and Mathematics) will be granted extended post-study work visas.
- It will provide zero-duty access to 96% of India's exports to Australia and will give about 85% of Australia's exports zero-duty access to the Indian market.
- It will boost bilateral trade in goods and services to USD 45-50 billion over five years, up from around USD 27 billion, and generate over one million jobs in India.

India- Australia CEPA

- The India–Australia bilateral trade negotiations started in 2011 but were suspended in 2015 due to a stalemate on various issues, including Indian market access for Australian dairy products and a liberalised Australian visa regime for Indian professionals.
- In June 2020, as part of the Joint Statement on a Comprehensive Strategic Partnership between India and Australia, Prime Ministers Morrison and Modi [decided to re-engage](#) on a bilateral Comprehensive Economic Cooperation Agreement (CECA).
- Compared to earlier history, a new round of negotiations on the FTA that started in September 2021 produced fruitful results and [India and Australia signed](#) an interim Economic Cooperation and Trade Agreement (ECTA)

on 2 April 2022.

- Both the countries reaffirmed their commitment to conclude a CECA by the end of 2022.

Impact on bilateral trade-

- ECTA will eliminate or lower tariffs on a huge number of goods on both sides, along with proactive measures to remove non-tariff barriers like technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) restrictions.
- Two-way trade between India and Australia [increased from US \\$13.6 billion in 2007](#) to US \$24.3 billion in 2020.
- [Top three export markets](#) by 2035 and also the [third-largest](#) in Asia for Australian investment.
- Governments of both countries expect trade in goods to [double in five years](#) (after the implementation of the agreement) to US \$50 billion.
- Australia's FTA will positively influence other ongoing bilateral trade negotiations with developed countries like the UK, the EU, and Canada.
- India can import coal from Australia at a much cheaper rate and this constitutes about 70 percent of India's imports from Australia and which also attracts 2.5 percent duty.
- Several labour-intensive Indian exports (which currently attract 4 percent to 5 percent tariff), including textiles, apparels, agriculture and fish products, leather, footwear, furniture and sports goods, jewellery, engineering goods, and selected pharmaceuticals and medical devices, are expected to gain from the immediate duty-free access
- Tariff lines on certain Australian raw material exports, like wool, sheep meat, coal, alumina, metallic ores and critical minerals, are slated to be reduced to zero immediately.
- For agricultural produces like avocados, onions,

cherries, shelled pistachios, macadamias, cashews in-shell, blueberries, raspberries, blackberries and currants, tariffs will be eliminated over the next few years.

- Import duties on Australian wine in India will be significantly slashed, but not eliminated fully.
- India–Australia CECA is likely to make available crucial Australian raw material and inputs to Indian producers.
- Australia will now extend the length of stay by two to three years for Indian students, with first class honours degree in areas related to science, technology, engineering, mathematics (STEM), and information and communication technology (ICT).
- Young Indian professionals will now be eligible for participation in working holidays in Australia.

What are the challenges?

- Australia–India trade volume still remains at a lower level.
- Though most of the FTAs India signed, Indian manufacturers had been unable to utilise full potential of preferential trade in goods.
- India–Australia CECA is likely to make available crucial Australian raw material and inputs to Indian producers. However, the extent of final benefit will depend upon the status of future export competitiveness created by Indian industries.
- Any lapse in attaining those critical production advantages, coming out of this FTA, will negate the future positive benefit of this pact for India.
- A strong bilateral cooperation is needed for any trilateral, minilateral cooperative framework to work successfully.
- India will be forced back into import dependence, compromising its nutritional security.
- Farmers in India have consistently opposed the

government's plans to open up the dairy sector to foreign dairy conglomerates. This was the impetus behind the opposition to the RCEP (Regional Comprehensive Economic Partnership) deal, which also aimed to allow dairy imports into India.

- Cheap imports overwhelm Indian markets, hurting farmers and their profits and pushing them into poverty.
- Australia has raised World Trade Organization disputes with China over the trade of wine and barley.

India-Australia Relations

Diplomatic

- In the pre-independence period, India and Australia established diplomatic relations with the establishment of the India Trade Office in Sydney in 1941.
- The end of the Cold War, combined with India's willingness to implement major economic reforms in 1991, marked the first positive step toward the development of closer ties between the two countries.

Strategic

- Australia regards India as a vital partner in promoting regional security and stability.
- This resulted in the bilateral relationship being upgraded to a Strategic Partnership, which included a Joint Declaration on Security Cooperation in 2009.

Bilateral Cooperation

- Australia-India Education Council, High-level visits, Annual Meetings of Prime Ministers, Foreign Ministers' Framework Dialogue, Joint Trade and Commerce Ministerial Commission, India-Australia '2+2' Foreign Secretaries and Defence Secretaries Dialogue, Defence Policy Talks, Defence Services Staff Talks, and so on are examples of bilateral mechanisms.

Multilateral Cooperation

- Both the countries have close cooperation in multilateral fora such as the Food and Agriculture Organization (FAO) and G20.
- The Quadrilateral Framework (QUAD) of India and Australia, as well as the United States and Japan, emphasizes the collective resolve to keep the Indo-Pacific area free, open, and inclusive.

Bilateral Trade

- India's primary exports to Australia are refined petroleum, medicines, railway vehicles (including hover-trains), pearls, gems, and jewelry.
- Coal, copper ores and concentrate, vegetables, gold, wool and other animal hair, fruits and nuts, lentils, and education-related services are India's main imports.
- The value of bilateral trade in goods and services between both countries increased from US\$10.12 billion in 2007 to US\$18.08 billion in 2020.
- In 2020, India was Australia's seventh-largest trading partner and sixth largest export destination, driven by coal and international education.
- In 2020, India exported US\$3.19 billion to Australia. The main products that India exported to Australia are refined petroleum (US\$287 million), packaged medicaments (US\$277 million), and railway passenger cars (US\$166 million).
- In 2020, Australian exports to India amounted to US\$15.3 billion. The main products that Australia exported to India were coal briquettes (US\$12.1 billion), gold (US\$604 million), and petroleum gas (US\$419 million).

Agreement on Civil Nuclear Cooperation

- A **Civil Nuclear Cooperation Agreement between the two countries was signed in September 2014** during the visit

of the Australian Prime Minister to India.

- The agreement came into force from 13 November 2015.
- The Australian Parliament passed the “Civil Nuclear Transfer to India Bill 2016” on 01 December, 2016 which ensures that Uranium mining companies in Australia may fulfill contracts to supply Australian uranium to India for civil use with confidence that exports would not be hindered by domestic legal action challenging the consistency of the safeguards applied by the IAEA in India and Australia’s international non-proliferation obligations.
- It also ensures that any future bilateral trade in other nuclear-related material or items for civil use will also be protected.

S&T

- An Australia-India Strategic Research Fund (AISRF), which was established in 2006, supports scientists in India and Australia to collaborate on leading-edge research.
- AISRF consists of India – Australia Biotechnology Fund; India-Australia Science & Technology Fund; Grand Challenge Fund and Fellowship Schemes.
- The India Australia Circular Economy (I-ACE) Hackathon 2021 was an initiative to strengthen bilateral Circular Economy technologies.

▪ **Defense**

- Both sides agreed in 2014 to expand defense cooperation to include research, development, and industry engagement, and to hold regular meetings at the level of the Defence Minister, conduct regular maritime exercises, and hold regular service-to-service talks.
- In September 2015, the first-ever Bilateral Maritime Exercise, AUSINDEX, was held in Visakhapatnam.

- For the first time, the Indian Air Force took part in the Exercise Pitch Black in Australia in 2018.
- INS Sahyadri took part in Kakadu, the Australian Navy's biennial exercise held in 2018, in which 27 nations took part.
- In September 2019, the 4th edition of AUSTRAHIND (Special Forces of Army Exercise) was held.

Environment

- The flagship program of National Innovation for Climate Resilient Agriculture, as well as collaboration with Australian research organizations.

Indian diaspora

- With a population of nearly half 7 lakhs, Australia's Indian community continues to grow in size and importance.
- After the United Kingdom and New Zealand, India is now the third-largest source of immigrants to Australia, as well as the largest source of skilled professionals.
- There is a constant influx of Indian students and tourists.
- The growing importance of the community is reflected in Australia's large-scale celebrations of Indian festivals, particularly Deepawali.

Way Forward

The agreement is a win-win situation for all parties, as it serves the interests of people and businesses on both sides. Shared values, shared interests, shared geography and shared objectives are the bedrock of deepening India-Australia ties and the cooperation and coordination between the two countries have picked up momentum in recent years.

Both India and Australia share a vision of a free, open, inclusive and rules-based Indo-Pacific region and cooperative

use of the seas by adherence to international law including the United Nations Convention on the Law of the Sea (UNCLOS) and peaceful resolution of disputes rather than through unilateral or coercive actions. The India-Australia ECTA will further cement the already deep, close and strategic relations between the two countries and will significantly enhance bilateral trade in goods and services, create new employment opportunities, raise living standards, and improve the general welfare of the peoples of the two countries.

Mould your thought-

1. How will the signing of the India-Australia interim trade agreement further cement the already deep, close and strategic relations between the two countries. Critically analyze.

Approach to the question

- Discuss in brief India- Australia ECTA
- Write about present trade between the two nations
- Opportunities for India from ECTA
- Challenges
- Way forward.