



India-Australia Economic Cooperation and Trade Agreement

For Prelims: Economic Cooperation and Trade Agreement, Free Trade Agreement, CEPA, CECA, Supply Chain Resilience Initiative, QUAD, UNCLOS, Location of Australia and the Neighbourhood.

For Mains: International Treaties & Agreements, Government Policies & Interventions, Groupings & Agreements Involving India and/or Affecting India's Interests, Economic Cooperation and Trade Agreement, Free Trade Agreement and its Significance.

Why in News?

Recently, India signed a historic trade agreement with Australia, the **India-Australia Economic Cooperation and Trade Agreement** (Ind- Aus ECTA).

- In February 2022, [India and Australia announced](#) that they were going to sign such an agreement.
- The negotiations for India-Australia ECTA were formally re-launched in September 2021 and concluded on a fast-track basis by the end of March 2022.



What is the Economic Cooperation and Trade Agreement?

- It is the first [Free Trade Agreement \(FTA\)](#) that India has signed with a major developed country in over a decade.
 - In February, [India signed an FTA with the UAE](#) and is currently working on FTAs with [Israel](#), Canada, [UK](#) and the [European Union](#).
- The Agreement encompasses cooperation across the entire gamut of **bilateral economic and commercial relations between the two friendly countries**, and covers areas like:
 - Trade in Goods, Rules of Origin.
 - Trade in Services.
 - Technical Barriers to Trade (TBT).
 - [Sanitary and Phytosanitary](#) (SPS) measures.
 - Dispute Settlement, Movement of Natural Persons.
 - Telecom, Customs Procedures.
 - Pharmaceutical products, and Cooperation in other Areas.
- ECTA **provides for an institutional mechanism to encourage and improve trade** between the two countries.
- The ECTA between India and Australia **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**.
 - This includes all the **labour-intensive sectors of export interest to India** such as Gems and Jewellery, Textiles, leather, footwear, furniture etc.
 - On the other hand, **India will be offering preferential access to Australia on over 70% of its tariff lines**, including lines of export interest to Australia which are primarily raw materials and intermediaries such as coal, mineral ores and wines etc.
- Under the agreement, **Indian graduates from [STEM \(Science, Technology, Engineering and Mathematics\)](#) will be granted extended post-study work visas**.
 - Australia will also set up a programme to grant visas to young Indians looking to pursue working holidays in Australia.

Trade Booster

INDIA'S TRADE WITH OZ (\$ b)

	Goods	Services
Export	6.9	3.6
Import	15.1	1.9

(Calendar year 2021)



INDIA'S GAINS

GOODS

Immediate nil duty on 96.4% exports; **No duty on** textiles, leather, furniture, sports goods, jewellery

Phasing out to zero duty on remaining 113 tariff lines

Steel, aluminium, garments to gain from cheap raw material import but **no concession to** milk, dairy products, chickpeas, apple, wheat, rice, sugar, iron ore, medical devices

SERVICES

4-year visa for 1,800 chefs, yoga teachers every yr

Post study work visa of 2-4 years for Indian students on reciprocal basis

Multiple entry work & holiday visa to 1,000 young Indians

OZ BENEFITS

Immediate nil duty on 85% of Aus exports

No or low duty on 30.3% tariff lines in 3-10 yrs

Limited quota for oranges, mandarins, almonds, pears, cotton

What is the Significance of the Agreement?

- It will provide **zero-duty access to 96% of India's exports** to Australia including shipments from key sectors such as engineering goods, gems and jewellery, textiles, apparel and leather.
- 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, according to a government estimate.
- It will also **give about 85% of Australia's exports zero-duty access to the Indian market**, including coal, sheep meat and wool, and lower duty access on Australian wines, almonds, lentils, and certain fruits.

What are Free Trade Agreements?

- It is a **pact between two or more nations to reduce barriers** to imports and exports among them.
- Under a free trade policy, goods and services can be bought and sold across international borders with little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange.
- The concept of **free trade is the opposite of trade protectionism or economic isolationism**.
- FTAs can be categorised as Preferential Trade Agreement, [Comprehensive Economic Cooperation Agreement \(CECA\)](#), [Comprehensive Economic Partnership Agreement \(CEPA\)](#).

How has been the India- Australia Trade Relation so far?

- India and Australia **enjoy excellent bilateral relations that have undergone transformational evolution** in recent years, developing along a positive track, into a friendly partnership.
- This is a special partnership characterised by shared values of **pluralistic, parliamentary democracies, Commonwealth traditions, expanding economic engagement, long standing people-to-people ties and increasing high level interaction.**
- The India-Australia Comprehensive Strategic Partnership initiated during the [India-Australia Leaders' Virtual Summit](#) held in June 2020 is the cornerstone of India-Australia multi-faceted bilateral relations.
- Growing India-Australia economic and commercial relations **contribute to the stability and strength of a rapidly diversifying and deepening bilateral relationship** between the two countries.
- India and Australia have been each other's important trading partners.
 - **Australia is the 17th largest trading partner of India** and India is **Australia's 9th largest trading partner.**
 - India-Australia bilateral trade for both merchandise and services is valued at **USD 27.5 billion in 2021.**
 - India's merchandise exports to Australia grew 135% between 2019 and 2021. India's exports consist primarily of a broad-based basket largely of finished products and were **USD 6.9 billion in 2021.**
 - India's merchandise imports from Australia were **USD 15.1 billion in 2021**, consisting largely of raw materials, minerals and intermediate goods.
- India and Australia are partners in the trilateral [Supply Chain Resilience Initiative \(SCRI\)](#) arrangement along with Japan which seeks to enhance the resilience of supply chains in the [Indo-Pacific Region.](#)
- Further, India and Australia are also members of the [QUAD grouping \(India, the US, Australia and Japan\)](#), also comprising the US, and Japan, to further enhance cooperation and develop partnership across several issues of common concern.

Way Forward

- **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.

UPSC Civil Services Examination, Previous Year Questions (PYQs):

Q. Consider the following countries: (2018)

1. Australia
2. Canada
3. China
4. India
5. Japan
6. USA

Which of the above are among the 'free-trade partners' of ASEAN?

- (a) 1, 2, 4 and 5
 (b) 3, 4, 5 and 6

(c) 1, 3, 4 and 5
(d) 2, 3, 4 and 6

Ans: (c)

- The [Association of Southeast Asian Nations \(ASEAN\)](#) has free trade agreements with six partners, namely the People's Republic of China, Republic of Korea, Japan, India as well as Australia and New Zealand.

Source: PIB

PDF Reference URL: <https://www.drishtias.com/printpdf/india-australia-economic-cooperation-and-trade-agreement>