



Ind-Aus Economic Cooperation and Trade Agreement

For Prelims: [India-Australia Economic Cooperation and Trade Agreement](#), [Most Favoured Nation](#), [Double taxation](#), [Quad](#), [Bilateral Investment Treaty](#)

For Mains: India-Australia Bilateral Relations and Economic Cooperation, India's Trade Policy and International Agreements

Source: [PIB](#)

Why in News?

The [India-Australia Economic Cooperation and Trade Agreement \(Ind-Aus ECTA\)](#) has completed two years, marking a period of significant growth in bilateral trade and economic cooperation.

- Both countries aim to build on this success with strengthened collaboration and ambitious targets, including reaching **AUD 100 billion in trade by 2030**.

What is the Ind-Aus ECTA?

- **About:** The Ind-Aus ECTA is a landmark trade deal between India and Australia, signed in April 2022, and ratified by both nations in November 2022.
 - The agreement aims to foster deeper **economic integration and enhance trade relations** by **reducing tariffs, promoting services exchange**, and boosting investment flows between the two countries.
- **Key Features of the Ind-Aus ECTA:**
 - **Tariff Reductions:** The agreement allows **Australian businesses to export over 85% of goods** to India tariff-free, with the figure rising to 90% by January 2026.
 - Conversely, **96% of imports from India** are now tariff-free, with this number increasing to 100% by 2026.
 - This **tariff liberalization** is expected to benefit both nations by providing **cheaper raw materials**, enhancing global competitiveness, and reducing costs for consumers.
 - **Access to Key Markets:** The ECTA secures **preferential market access for India to Australia's fast-growing market**, which has over 1.4 billion people.
 - For Australia, the agreement offers opportunities in India's **labor-intensive sectors**, including gems and jewelry, textiles, leather, furniture, food, and agriculture.
 - **Services:** The agreement includes commitments in **135 sub-sectors** in services, benefiting industries like business services, communication, construction, and engineering.
 - India's contribution includes **market access to Australia in 103 sub-sectors** and **Most Favoured Nation (MFN) status in 31 sub-sectors**.
 - **Pharmaceutical and IT Benefits:** The agreement fast-tracks approval of medicines and **eliminates double taxation in the IT sector**, giving India's IT companies a

competitive edge and saving millions.

- **Job Creation and Skill Exchange:** The ECTA is expected to create 1 million jobs in India, with **benefits for Indian yoga teachers, chefs, and 100,000 students** through post-study work visas. This fosters skill exchange and employment opportunities in both countries.
- **Geopolitical Importance:** The ECTA strengthens India-Australia relations, deepening collaboration in strategic groups like the [Quad](#), [Indo-Pacific Economic Framework for Prosperity \(IPEF\)](#), and the [Supply Chain Resilience Initiative \(SCRI\)](#), aligning economic and geopolitical interests.

How Has Bilateral Trade Evolved Under Ind-Aus ECTA?

- **Trade Surge: Bilateral merchandise trade** has more than doubled since the agreement came into effect. From **USD 12.2 billion in 2020-21**, trade surged to **USD 26 billion in 2022-23**.
 - Trade momentum remains strong, with India's exports to Australia growing by 14%.
 - In the first eight months of 2024, total merchandise bilateral trade reached USD 16.3 billion, reflecting a robust trade partnership.
- **Export and Import Utilization:** The **preferential import data exchange** between the two countries commenced in 2023, showcasing effective implementation.
 - Export utilization stands at 79%, while import utilization is slightly higher at 84%.
- **Sectoral Growth:** Key sectors such as **textiles, chemicals, and agriculture have benefited** significantly from the agreement.
 - There has been diversification in exports, with new products like **gold studded with diamonds** and turbojets gaining prominence.
- **Raw Materials:** India's imports of raw materials such as metalliferous ores, cotton, and wood have fueled its industries, highlighting the complementary nature of the trade partnership.

What is the Vision for the Future of India-Australia Economic Relations?

- **Comprehensive Economic Cooperation Agreement (CECA):** Building upon the success of the ECTA, the [India-Australia Comprehensive Economic Cooperation Agreement \(CECA\)](#) is now in progress.
 - With 10 formal rounds and multiple inter-sessional discussions completed, CECA aims to advance the trade relationship even further.
- **Trade Target:** Both nations have set an **ambitious target to increase trade to AUD 100 billion by 2030**. This goal demonstrates the shared commitment to deepening bilateral trade ties and fostering mutual prosperity.
- **Global Economic Impact:** With a focus on deeper economic integration, India and Australia are poised to strengthen their partnership and contribute to a more resilient, dynamic global economy.

Other Trade Agreements Between India and Australia

- **Double Taxation Avoidance Agreement (DTAA):** Enforced in 1991 to prevent double taxation of income earned in both countries, reducing tax burdens and facilitating smoother business operations.
- **Bilateral Investment Treaty (BIT):** The 1994 [BIT](#) was terminated by India in 2017. Both nations are exploring a new investment treaty to safeguard and promote bilateral investments.
- **Sector-Specific Agreements:** Multiple MoUs exist in areas like education, science and technology, defense, and agriculture, fostering collaboration and knowledge exchange.

MAJOR TRADE AGREEMENTS OF INDIA

Free Trade Agreement (FTA) With Neighbouring Countries

- ↳ India-Sri Lanka FTA
- ↳ India-Nepal Treaty of Trade
- ↳ India-Bhutan Agreement on Trade, Commerce, and Transit

A free trade agreement is a comprehensive deal between countries, offering preferential trade terms and tariff concessions, with a negative list excluding specific products and services.

Regional FTA's of India

- ↳ **India ASEAN Trade in Goods Agreement (11):** 10 ASEAN countries + India
- ↳ **South Asia Free Trade Agreement (7):** India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan, and the Maldives
- ↳ **Global System of Trade Preferences** (41 countries + India)

India's CECA's and CEPAs

CECA/CEPA is broader than FTAs, addressing regulatory, trade, and economic aspects comprehensively, with CEPA having the widest scope including services, investment, etc while CECA mainly focuses on tariff and TQR rates negotiation.

- ↳ CEPA with **UAE, South Korea, Japan**
- ↳ CECA with **Singapore, Malaysia**

Others:

- India-Australia Economic Cooperation and Trade Agreement (ECTA)
- India-Thailand Early Harvest Scheme (EHS)
- India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)

An EHS precedes an FTA/CECA/CEPA, where negotiating countries select products for tariff liberalisation, paving way for broader trade agreements and fostering confidence.

Preferential Trade Agreements (PTAs)

Partners in a PTA grant preferential access to specific products by lowering duties on agreed tariff lines, maintaining a positive list of products eligible for reduced or zero tariffs.

- ↳ **Asia Pacific Trade Agreement (APTA):** Bangladesh, China, India, S. Korea, Lao PDR, Sri Lanka, and Mongolia
- ↳ **SAARC Preferential Trading Agreement (SAPTA):** Same as SAFTA
- ↳ **India-MERCOSUR PTA:** Brazil, Argentina, Uruguay, Paraguay and India
- ↳ India's PTA with **Chile, Afghanistan**



Drishti IAS

What are the Challenges in India-Australia Trade?

- **Export Competitiveness:** Despite complementary trade profiles, India's competitiveness in Australia remains low compared to global markets.
- **Focus on Other Markets:** India performs better in markets like Saudi Arabia, Kuwait, and Sri Lanka but lags in geographically distant eastern markets like Australia.
- **Non-Tariff Barriers (NTBs)** 32% of the NTBs India faces in Australia arise from **Sanitary and Phyto-Sanitary (SPS) measures**, particularly affecting agricultural produce.
 - The **World Trade Organization (WTO)'s** SPS Agreement ensures that **traded products** between WTO members **do not spread pests and diseases**, and that **food products** do not contain harmful substances or pathogens.
- **Absence of a Comprehensive FTA:** Current agreements do not fully address issues like government procurement, digital trade, and rules of origin, leaving gaps in the trade framework.
 - Australia's upcoming federal elections in 2025 have slowed progress on the Comprehensive Economic Cooperation Agreement (CECA), delaying resolutions to trade challenges.

Way Forward

- **Leveraging Partnerships:** Deepen collaboration through strategic frameworks like the Quad, to bolster trade resilience. Enhance coordination on supply chain diversification to reduce dependency on single-source markets.
- **Finalization of CECA:** Expedite CECA negotiations to address gaps in government procurement, digital trade, rules of origin, and intellectual property for a more robust and inclusive trade framework.
- **Encourage Investment:** Finalize a new **Bilateral Investment Treaty (BIT)** to protect investments and foster innovation.
 - Tackle Non-Tariff Barriers (NTBs) by addressing SPS measures through Mutual Recognition Agreements and simplify compliance for exports.

Drishti Mains Question:

Assess the role of the Ind-Aus ECTA in enhancing India-Australia relations. How does this agreement align with India's strategic and economic priorities?

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.