

2. India-Australia Relation- International Relation

Australia to remove tariffs on 100% of Indian exports from January 1, says Piyush Goyal. The India-Australia ECTA, an "early harvest" agreement operational since 2022, has successfully boosted bilateral trade by liberalizing tariffs, offering duty-free access to Indian goods, and laying the groundwork for a future Comprehensive Economic Cooperation Agreement (CECA).

Introduction- Ind-Aus ECTA

Definition & Status- The India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA) is a bilateral free trade agreement that has now completed three years of successful operation.

Timeline

1. Signed- 2 April 2022.
2. Implemented- December 2022.

Nature of the Agreement

1. **"Early Harvest"**- It is an interim agreement focused on immediate, high-impact gains.
2. **Goods Focus-** The primary aim is the rapid liberalization of trade in goods.
3. **Services & Investment-** It includes limited but strategic commitments in services and investment, leaving deeper integration for later.
4. **Future Roadmap-** It serves as the foundational stepping stone for a broader Comprehensive Economic Cooperation Agreement (CECA) currently in the pipeline.

Key Features of the Ind-Aus ECTA

Tariff Liberalisation in Goods

Feature	Australia's Commitments	India's Commitments
Immediate Access	Provided duty-free access for Indian exports on over 95% of tariff lines from day one.	Adopted a strategy of gradual tariff reduction on Australian exports.
Future Targets	By 1 January 2026, 100% of Australian tariff lines will be duty-free for Indian goods.	Implemented phased liberalisation to allow domestic producers time to adjust to global competition.
Sensitive Sectors	N/A (Broad liberalization)	Maintained protection/sensitivity for key sectors like agriculture, dairy, and wine.

Rules of Origin and Trade Facilitation

Strict Rules of Origin (ROO)- Clearly defined rules are established to prevent "trans-shipment" (goods from third countries being routed through Australia to bypass Indian tariffs) and ensure only genuine products benefit.

Simplified Procedures- Customs processes have been streamlined to reduce transaction costs and delays, aimed specifically at benefiting Micro, Small, and Medium Enterprises (MSMEs).

Services and Mobility

Mobility Provisions- The agreement includes significant provisions facilitating the movement of Business visitors. Contractual service suppliers. Skilled professionals.

Sectoral Focus- Enhanced cooperation is targeted in IT, education, and professional services.

Note- Deeper liberalization in the services sector is reserved for the future CECA.

Investment and Safeguards

Investment- Includes frameworks for the promotion and protection of cross-border investments.

Safeguard Mechanisms- Critical clauses allow for temporary measures to restrict imports if a sudden surge threatens to harm domestic industries.

Significance of the India-Australia Relationship

Strategic and Geopolitical Alignment

Shared Vision- Both nations are committed to a free, open, and rules-based Indo-Pacific region.

Maritime Governance- The Australia–India Indo-Pacific Oceans Initiative Partnership (AIPOIP) strengthens cooperation in maritime ecology and security.

Strategic Alliances (QUAD)

Economic Pillar- Both are core members of the Quadrilateral Security Dialogue (QUAD) (alongside the US and Japan). The ECTA adds a vital economic dimension to what was primarily a strategic security dialogue.

Defence and Security Cooperation

Logistics- The Mutual Logistics Support Agreement (MLSA) allows reciprocal access to military bases for refuelling and supplies.

Joint Exercises- Regular military drills enhance trust and interoperability

1. Malabar- Naval exercise involving all QUAD nations.
2. AUSINDEX- Bilateral naval exercise between India and Australia.

Multilateral Alignment

Global Forums- Deep collaboration in international platforms such as the G20, East Asia Summit (EAS), and the Indian Ocean Rim Association (IORA).

Supply Chain Resilience

Initiative- Partners in the Supply Chain Resilience Initiative (SCRI) with Japan.

Objective- To diversify supply chains, reducing dependence on any single country and promoting trusted production networks.

Critical Minerals Partnership

Resource Access- Australia is a global leader in supplying lithium, cobalt, and rare earth elements.

Strategic Importance- These minerals are critical for India's future economy, specifically for

1. Electric Vehicle (EV) Mission.
2. Battery Manufacturing.
3. Clean Energy Transition.

Challenges & Limitations

Services Share Mismatch- The services sector contributes ~55% to India's GDP, yet it receives limited coverage under the current ECTA framework compared to goods.

Domestic Sensitivity (Dairy)- The dairy sector supports ~80 million rural households in India. Protecting their livelihoods is the primary reason for India's cautious approach to liberalizing dairy imports.

Way Forward

Boost FTA Utilisation- Efforts must be made to improve the utilization rate of Free Trade Agreements by Indian MSMEs, which is currently estimated to be below 30%.

Fast-Track CECA- Negotiations for the Comprehensive Economic Cooperation Agreement (CECA) should be accelerated, focusing on Services Trade. Digital Trade. Investment Protection.

Future-Ready Cooperation- Expand the partnership into high-tech and green sectors such as Green Hydrogen, critical minerals processing, and enhancing skill mobility.

Source- <https://www.thehindu.com/business/Industry/australia-to-remove-tariffs-on-100-of-indian-exports-from-january-1-says-piyush-goyal/article70449634.ece>