

AIR Spotlight: India-Australia Economic Partnership

AIR Spotlight is an insightful program featured daily on the All India Radio Newsonair. In this program, many eminent panellists discuss issues of importance which can be quite helpful in [IAS exam](#) preparation. In this article, the features and significance of the India - Australia economic partnership are discussed.

Participants:

- Anil Wadhwa, former Ambassador
- Sinnan Sodhi, Journalist

Context:

Recently, an interim agreement, the Australia-India Economic Cooperation and Trade Agreement was signed by India and Australia.

India-Australia Economic Cooperation and Trade Agreement (ECTA):

- ECTA with Australia is India's first trade agreement with a developed country in more than a decade.
- India and Australia have signed an economic cooperation and trade agreement that will allow the two countries to trade in a variety of commodities without any barriers.
- In the next five years, trade between India and Australia will nearly double, from \$27 billion to \$45-50 billion.

Significance of (IndAus ECTA):

- **Significance for India:**
 - Under the agreement, Australia will offer India duty-free access to about 96 percent of its exports.
 - This agreement is expected to benefit a number of industries in India, including textiles and apparel, agricultural and fish products, leather, footwear, furniture, sports goods, jewellery, machinery, and electrical goods.
- **Significance for Australia:**
 - India is the world's largest democracy with a strong market.
 - Education, agriculture, energy, resources, tourism, healthcare, financial services, infrastructure, science and innovation, and sport are all areas where India's youthful population, diversified economy, and growth trajectory present significant opportunities for Australian businesses.

India-Australia ECTA (IndAus ECTA): Benefits for the Indian Economy

- **Boost to bilateral trade**

- India's 17th largest trading partner is Australia, and Australia is India's 9th largest trading partner.
- While India has a trade surplus with Australia in services, it has a trade deficit in goods, owing largely to coal imports.
- In five years, the Indo-Australia agreement is expected to increase bilateral trade.
- As a result of the agreement, India's market share of goods and services in Australia will grow, as will India's exports.
- The agreement will also allow products and services not currently exported to Australia to enter the Australian market.
- Similarly, the IndAus ECTA will allow Indian companies to obtain materials from Australia, providing a viable sourcing option.
- The agreement will benefit the Indian pharmaceutical industry in particular because Australian regulatory processes will be simplified.

- **Employment generation:**

- By benefiting several labour-intensive sectors, the India-Australia Economic Cooperation and Trade Agreement is expected to generate around ten lakh jobs in the next 5-7 years.
- On the other hand, it is expected to improve Indian employment prospects in Australia.
- Additional employment of 40,000 people per year is expected to be created as a result of increased capacity and investment in textile export.

- **Strategic importance:**

- With Australia and Japan, India has formed the trilateral Supply Chain Resilience Initiative (SCRI).
- It aims to strengthen the Indo-Pacific region's supply chains, develop reliable sources of supply, and attract investment.
- It also aims to attract [FDI](#) to the region and strengthen the participants' mutually beneficial relationships.
- Quad was formed by the United States, Australia, India, and Japan to improve cooperation and develop partnerships on a variety of issues of mutual concern.

- **Quota for chefs and Yoga teachers**

- Australia has set aside 1800 places each year for qualified, professional Indian traditional chefs and yoga teachers to work as Contractual Service Suppliers in the country. Chefs

and Yoga teachers will be able to move around Australia more easily thanks to a quota system.

- **Post-study work visa**

- Post-study work visas will give eligible Indian graduates, post-graduates, and STEM specialists more options for employment in Australia. Australia has agreed to give students the opportunity to live, study, and work in Australia after they finish their studies.

- **Encouragement to STEM:**

- Science, Technology, Engineering, or Mathematics (STEM) specialists, including Indian Information and Communications Technology (ICT) professionals, have made a significant contribution to Australia.
- To promote mobility in these fields, Australia will increase the length of stay for Indian students who graduate with First Class Honours from bachelor's degrees in STEM fields, including ICT fields, from two to three years.

- **Mutual Recognition Agreements**

- Under the agreement, both countries have agreed to mutual recognition of professional services and other licensed/regulated occupations.
- This will pave the way for discussions between India's and Australia's professional bodies on Mutual Recognition Agreements in Nursing, Architecture, and other professions.

- **Double Taxation Avoidance Agreement**

- The Australian government has agreed to change its domestic taxation law to eliminate the taxation of offshore income earned by Indian companies that provide technical services to Australia.
- The issue raised by the Indian government regarding the [Double Taxation Avoidance Agreement](#) would be resolved as a result of this agreement.

- **Provisions to safeguard the interest of the domestic industry**

- With any free trade agreement, the question of the safeguard of the domestic industry remains, due to the concessions allowed for imports.
- Several provisions in the Indo-Australian agreement protect domestic industry and prevent the agreement from being abused.

- To prevent the routing of products from a third country, the IndAus ECTA includes strict rules of origin for goods. It will necessitate extensive processing on the Parties' respective territories.

• **Sector Specific Benefits**

Sector	Benefits
Pharmaceuticals:	<ul style="list-style-type: none"> • The Australian government has agreed to the Annex on Pharmaceutical Products, which will benefit Indian pharmaceutical exports. • This will benefit all Indian pharmaceutical companies and medicines that have received FDA approval in the EU or Canada.
Textiles:	<ul style="list-style-type: none"> • Exports of home textiles to Australia have lot of potential. In Australia, around 70% of Indian textile exports and 90% of Indian apparel exports are currently subject to a 5% duty. • This disadvantage will be eliminated with the IndAus ECTA, and India's textile and apparel exports are expected to increase in the next three years.
Engineering Products:	<ul style="list-style-type: none"> • Currently, most Indian engineering exports to Australia are subject to a 5% customs tariff. • With tariffs eliminated under the agreement, engineering product exports are expected to grow at a rate of around 15% per year, increasing by around 1.5 billion in five years to reach 2.7 billion.
Gems and Jewellery:	<ul style="list-style-type: none"> • Jewellery items also attract a customs duty of 5% in Australia. • With the elimination of this duty, there is likely to be an increase in Indian exports of jewellery to Australia.

Know more about the [India-Australia Economic Cooperation and Trade Agreement \(ECTA\)](#) in CNA dated April 3, 2022.

Conclusion:

The trading relationship between India and Australia has grown significantly in recent years, owing to numerous complementarities between the two economies. The India-Australia Economic Cooperation and Trade Agreement (IndAus ECTA) will send a message to other developed countries, such as the United Kingdom, Canada, and the European Union, with whom India is currently negotiating a free trade agreement.

