

Sansad TV Perspective: India-Australia Free Trade Agreement

In the series Sansad TV Perspective, we bring you an analysis of the discussion featured on the insightful programme 'Perspective' on Sansad TV, on various important topics affecting India and also the world. This analysis will help you immensely for the [IAS exam](#), especially the mains exam, where a well-rounded understanding of topics is a prerequisite for writing answers that fetch good marks.

In this article, we feature the discussion on the topic: *'India-Australia Free Trade Agreement'*

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Participants:

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3. Dr. Sreeram Chaulia, Foreign Affairs Expert

Context: Australian parliament recently approved a free trade agreement with India.

Highlights of the discussion:

1. Introduction
2. Objectives of FTA
3. Key Benefits
4. Potential Benefits in Service Sector
5. Strategic Importance
6. Dispute Settlement Mechanism

Introduction:

- The India-Australia Economic Cooperation and Trade Agreement (AI-ECTA) was recently approved by the Australian parliament. In India, such pacts are approved by the Union Cabinet.
- India and Australia will soon implement the FTA on a mutually agreed date. The agreement was signed by both sides in April 2022.
- This will further strengthen the India-Australia Comprehensive Strategic Partnership.
- The ECTA will enter into force 30 days (or another mutually agreed time) after the respective parties have confirmed in writing that they have completed their domestic requirements.

Objectives of this Agreement:

- The Objectives of this Agreement are to:
 - Establish a framework for strengthening and enhancing the economic, trade and investment relationship between the Parties;
 - Liberalise and promote trade in goods in accordance with Article XXIV of the [GATT](#).
 - Liberalise and promote trade in services in accordance with Article V of The General Agreement on Trade in Services(GATS).
 - Improve the efficiency and competitiveness of their manufacturing and services sectors and to expand trade and investment between the Parties; and
 - Facilitate, enhance and explore new areas of economic cooperation and develop appropriate measures for closer economic cooperation between the Parties.

Key Benefits:

- It is the first FTA that India has signed with a major developed country in over a decade.
- Under the pact, Australia is offering zero-duty access to India for about 96.4% of exports (by value) from day one. This covers many products that currently attract 4-5% customs duty in Australia.
- Once implemented, the trade agreement will provide duty-free access to the Australian market for over 6,000 broad sectors of India, including textiles, leather, furniture, jewellery and machinery.
- Labour-intensive sectors would gain immensely include textiles and apparel, few agricultural and fish products, leather, footwear, furniture, sports goods, jewellery, machinery, electrical goods and railway wagons.
- 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.
- The agreement will benefit the Indian pharmaceutical industry in particular because of simplified regulatory processes in Australia.
- An estimated 10 lakh jobs is expected to be created as a result of the ECTA.
 - Additional employment of 40,000 people per year is expected to be created as a result of increased capacity and investment in textile export.

Potential Benefits in Service Sector:

- Australia has offered wide ranging commitments in around 135 sub sectors regarding trade in services including in key areas of India's interest like IT, ITES, Business services, Health, Education, and Audio visual.
- Some of the key offers from Australia in the services space include:

- Annual Visa quota of 1800 is to be instituted for India Yoga teachers and Chefs
- Under the FTA, Indian graduates from STEM (Science, Technology, Engineering and Mathematics) will be granted extended post-study work visas of 2-4 years on reciprocal basis.
- Australia will also set up a programme to grant visas to young Indians looking to pursue working holidays in Australia.
- Mutual recognition of Professional Services and Other licensed/regulated Occupations; and Work & Holiday visa arrangement for young professionals.
- Long pending issue under Double taxation related to IT/ITES has been resolved under this Agreement which will provide a financial savings of more than US\$ 200 million per year as per the estimates received from the Industry Associations.
- 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.

Bilateral Trade between India and Australia:

- 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.
- As a result of the FTA, India's market share of goods and services in Australia will grow, as will India's exports.
- In the next five years, trade between India and Australia is expected to nearly double, from \$27 billion to \$45-50 billion.
- The agreement will also allow products and services not currently exported to Australia to enter the Australian market.
- Similarly, the FTA will allow Indian companies to obtain materials from Australia, providing a viable sourcing option.

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.

Dispute settlement mechanism:

- The Agreement provides for State-to-State resolution of the disputes arising out of the provisions of this Agreement.
- The mechanism provides that the Parties will consult to resolve their differences, and if the consultations fail, the Parties can resolve the dispute through establishment of a panel.
- At any time, the Parties can reach a mutually agreed solution or opt for alternate resolution methods such as good offices, mediation or conciliation to resolve the dispute.
- The Panel shall consist of three members. Each party to the dispute shall appoint a member and the third member who would be the Chair of the panel, shall be appointed by mutual agreement.
- The Panel hearings will be conducted in closed session and will be confidential.

Conclusion:

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 people of the two countries.