

The Australia-India Free Trade Agreement

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Summary

India and Australia have ratified the Economic Cooperation and Trade Agreement, which will come into force on 29 December 2022. This paper examines the key provisions of the agreement and highlights its value in further enhancing the India-Australia comprehensive strategic partnership.

Signed on 2 April 2022, the India-Australia Economic Cooperation and Trade Agreement will come into force on 29 December 2022. The agreement will provide duty-free access to Indian exporters in over 6,000 broad sectors, including textiles, leather, furniture, jewellery and machinery in the Australian market. Australia is offering zero-duty access to India for about 96.4 per cent of exports (by value) or 98 per cent of the traded tariff lines from the start. Around 113 remaining tariff lines – amounting to three per cent of Indian exports – will be phased out over the next five years. India has successfully negotiated protection terms for its dairy sector and sensitive agricultural items like chickpeas, wheat, rice, *bajra*, sunflower oil and sugar. In the non-agricultural sector, there is an exclusion list of items like silver, platinum, jewellery and iron ore.

Conversely, the agreement will give about 85 per cent of Australia's exports zero-duty access to the Indian market, including coal, sheep meat and wool and lower duty access on Australian almonds, lentils and certain fruits like oranges, mandarins, pears, apricots and strawberries. Zero duty access for Australia is set to increase to cover 91 per cent of its exports by value and over 70 per cent of India's tariff lines over 10 years. Australian liquefied natural gas, alumina and metallic ores will also not attract any tariff while tariffs on Australian avocados, onions, pistachios, macadamia nuts, cashews in shell, blueberries, raspberries and blackberries will see tariffs eliminated over seven years. Import duties on Australian wines will be significantly slashed, but not fully eliminated, and gradually brought down over 10 years as per price per bottle.

The agreement will facilitate student exchange, professionals and tourists. Indian graduates from STEM (Science, Technology, Engineering and Mathematics) will be granted extended post-study work visas with a bonus year of stay. Australia will also set up a programme to grant visas to 1,000 young Indians to pursue working holidays in Australia. At the same time, 1,800 Indian traditional chefs and yoga teachers will be able to enter Australia as contractual service providers.

Mutual recognition of professional services and other licenced/regaled occupations comprises elements such as the coverage of all licenses and regulated occupations, allowing for temporary/project specific license where feasible and establishing a mechanism of working groups to pursue obligations related to this issue. This has paved the way for the initiation of dialogues on mutual recognition arrangements in nursing, architecture and

other professional services between the professional bodies of India and Australia. Australian service suppliers will benefit from full or partial access across more than 85 Indian service sectors and sub-sectors. Australian suppliers across 32 sectors and subsectors will be guaranteed the highest standard of treatment that India grants to any future free trade agreement partner.

India will grant access to Australian single brand retailing franchises and internet service providers. There is movement on increasing research collaboration between Indian and Australian universities, and dual degree programmes between universities are subject to regulations being discussed by both countries which will be finalised by the end of the year. In addition, there has been an agreement on an enhanced commitment on the movement of professionals as intra-corporate transferees.

Australia is a major exporter of key resources, some of which India needs to import to sustain its economic growth. For example, coal accounts for 74 per cent of Australia's exports to India and attracts a duty of 2.5 per cent. The elimination of duties on coking coal is expected to boost the competitiveness of Indian steel exports. India imports 54 per cent of its natural gas and Australian companies have an opportunity there.

India's market of 1.3 billion, a diversified economy and growth trajectory presents a significant opportunity for Australian businesses, including in education, agriculture, energy, resources, tourism, healthcare, financial services, infrastructure, science, innovation and sports. The agreement could create enormous trade diversification opportunities for Australian producers and service providers bound for India, valued at up to US\$15 billion (S\$20.3 billion) each year.

The Scott Morrison government had already unveiled plans to invest US\$280 million (S\$379.4 million) to further the growing economic ties and support jobs and businesses in both countries. The funding would support cooperation on research, production and commercialisation of clean technologies, critical minerals and energy, deepen space cooperation with India and launch a centre for Australia-India relations. On 3 September 2022, the current Anthony Albanese government announced that Australia will increase its permanent immigration numbers by 35,000 to 195,000 in the current financial year to mitigate skill shortages.

A memorandum of understanding between the two partners envisages US\$6 million (S\$8.1 million) as initial funding to be shared equally by both towards an ambition to develop secure, robust and commercially viable critical minerals supply chains. Australian commitment to AU\$8 million (S\$7.3 million) to a three-year bilateral critical mineral investment partnership with the aim of lowering emissions and boosting the use of renewable energy has also materialised.

Investments are bound to play a big role in the Australia-India relationship. Opportunities for Australian businesses are available under India's national monetisation plan pipeline, which plans to monetise about US\$81 billion (S\$109.7 billion) worth of brownfield assets over the period of 2022-2025. Some interesting sectors for Australia are roads and railways, power, public warehouses, civil aviation and port infrastructure, sports stadia and mining

assets. Australia has AU\$2.3 trillion (S\$2.1 trillion) pension fund sector that could be a regular source of investments in the Indian infrastructure and disinvestment story. Besides the defence and space sectors, the Production Linked Incentive schemes, unveiled by the Indian government in 17 sectors, has a number of areas for manufacturing incentives for Australian companies.

Under the full Comprehensive Economic Partnership Agreement, negotiations for which got underway in New Delhi on 26 September 2022, the two sides are looking at several other key areas, such as government procurement, investment, energy and resources, intellectual property rights, trade and gender, sustainability and digital trade. There is little doubt that the momentum in ties between the two countries is unstoppable. Businesses on both sides need to get on this train in larger numbers.

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