



# **DAILY EDITORIAL ANALYSIS**

**TOPIC**

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**INDIA-AUSTRALIA: A TARIFF-FREE ERA &  
FURTHER STRENGTHENING TRADE PACT**

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## INDIA-AUSTRALIA: A TARIFF-FREE ERA & FURTHER STRENGTHENING TRADE PACT

### Context

- India and Australia now stand at a pivotal moment to deepen their strategic and economic partnership with tariffs eliminated under the India-Australia Economic Cooperation and Trade Agreement (ECTA).

### India-Australia: A Tariff-Free Era

- Australia has officially removed all tariffs on Indian goods, marking a historic milestone in bilateral trade relations as of January 1, 2026.
  - It follows the full implementation of the India–Australia Economic Cooperation and Trade Agreement (ECTA) that came into effect in December 2022.
- Now, India can access the A\$2-trillion Australian market tariff-free, marking the full realization of the Australia-India ECTA.
  - In return, many Australian goods now enter India with reduced or zero duties, deepening the spirit of reciprocity and shared prosperity that ECTA was designed to foster.

### Impacts of Tariff-Free Trade

- Trade and Economy: Two-way trade between India and Australia has now crossed A\$50 billion (3 lakh crore) for the first time, nearly doubling over the past five years.
  - Meanwhile, India's exports to Australia have grown 200% in five years, compared to just 40% growth in its global exports.
  - It means India's trade with Australia has expanded five times faster than its trade with the rest of the world.
    - India's exports: refined petroleum, medicaments, gems, textiles.
    - Imports from Australia: coal, copper ore, LNG, metals, and education services.
  - Australian commodity exports have surged, supporting India's 'Make in India' initiative by supplying essential inputs like minerals and raw materials.
- Jobs and Economic Opportunity: In Australia, where one in four jobs is linked to trade, an estimated 200,000 jobs are now tied to commerce with India.
  - In India, ECTA would create 1 million new jobs, a goal that appears to have been achieved ahead of schedule given the current trajectory.
  - These outcomes underscore how open trade directly benefits working families, small businesses, and industries on both sides.
- Natural Economic Partnership: The India-Australia partnership thrives because of its natural complementarity.
  - Australia offers what India needs: critical minerals, rare earths, advanced skilling expertise, and resources that fuel industrial growth.
  - India provides what Australia seeks: quality manufactured goods, competitive agricultural products, and a growing consumer market.

### Overview of India–Australia Relations

- High-Level Engagements:** Key outcomes include agreements on migration and mobility (2023), renewable energy, green hydrogen, and the Centre for Australia-India Relations in Sydney.
  - The Prime Ministers of both nations launched the India-Australia Renewable Energy Partnership (REP) at the G20 Summit in Rio de Janeiro in November 2024.
  - Comprehensive Strategic Partnership (CSP) of 2020, reaffirmed during the Foreign Ministers' Framework Dialogue, 2024.

- **Dialogue & Cooperation Mechanisms:** Numerous institutional dialogues exist, such as:
  - ♦ 2+2 Foreign & Defence Ministerial Dialogue;
  - ♦ Foreign Ministers' Framework Dialogue (FMFD);
  - ♦ Joint Ministerial Commission on Trade;
  - ♦ India–Australia–Japan and India–Australia–Indonesia trilaterals;
  - ♦ Defence Policy & Maritime Dialogues;
- **Economic & Trade Relations:** Bilateral trade crossed USD 31.3 billion in 2023–24, up 12% from 2022–23.
  - ♦ India's key imports: coal, LNG, education services.
  - ♦ Australia's key imports: pharmaceuticals, gems & jewellery, machinery.
- **Defence and Security:** Robust defence cooperation through AUSINDEX, AUSTRAHIND, and participation in MALABAR, TALISMAN SABRE, and MILAN exercises.
  - ♦ Regular defence staff talks, joint R&D, and officer exchange programs (e.g., General Rawat Young Defence Officers' Exchange).
  - ♦ Cooperation extends to maritime security and defence industrial collaboration.
- **Education and Migration:** Over 120,000 Indian students were studying in Australia by late 2024.
  - ♦ Post-study work rights and mutual recognition of qualifications were implemented under the Migration and Mobility Partnership Arrangement (MMPA)
  - ♦ The new Centre for Australia–India Relations promotes institutional collaboration and scholarships.
- **Climate, Technology, and Critical Minerals:** India and Australia cooperate on critical minerals (lithium, cobalt, rare earths).
  - ♦ India-Australia Green Hydrogen Taskforce;
  - ♦ Joint R&D projects in clean energy, AI, and cyber security under the Indo-Australian Innovation and Technology Challenge 2024.
- **Regional and Multilateral Cooperation:** Cooperation continues within:
  - ♦ QUAD (India, Australia, Japan, USA);
  - ♦ Indian Ocean Rim Association (IORA);
  - ♦ East Asia Summit and ASEAN Regional Forum;
  - ♦ Shared commitment to maritime security and supply chain resilience.
- **Science, Technology, and Energy:** India–Australia Strategic Research Fund (AISRF) supports collaborative R&D.
  - ♦ Partnerships in space (ISRO–ASA), agriculture, and critical minerals are active.
  - ♦ Launch of Green Hydrogen Task Force (2023) and Renewable Energy Partnership (2024).

### Building Beyond Tariff-Free Trade

- Finalizing the Comprehensive Economic Cooperation Agreement (CECA): The ECTA was always envisioned as a stepping stone.
  - ♦ A full CECA would address services, investment, digital trade, and regulatory cooperation, areas that are increasingly vital in the 21st-century economy.
- Boosting Services and Skilled Mobility: There is immense potential for collaboration in healthcare, education, and IT services with Australia's aging population and India's young, skilled workforce.
  - ♦ Streamlining visa processes and recognizing qualifications can unlock this potential.
- Strengthening Supply Chains: India and Australia can co-develop resilient supply chains in critical minerals, pharmaceuticals, and semiconductors.
  - ♦ Australia's resource wealth and India's manufacturing prowess are natural complements.
- Collaborating on Clean Energy: Both nations have committed to ambitious climate goals. Joint ventures in green hydrogen, solar energy, and battery storage can position them as leaders in the global energy transition.

### **Towards a Comprehensive Economic Cooperation Agreement (CECA)**

- Both nations are now working to upgrade it to a CECA building on ECTA's success. Its expanded framework aims to deepen cooperation across:
  - ♦ Goods and services trade;
  - ♦ Investment flows;
  - ♦ Critical minerals supply chains;
  - ♦ Skills development and innovation partnerships
- Recently, India and Australia reaffirmed their commitment to concluding CECA as soon as possible, signaling strong political will on both sides.

### **A Roadmap for the Future**

- Australia's recently released strategy, 'A New Roadmap for Australia's Economic Engagement with India', outlines how the nation plans to both contribute to and benefit from India's economic rise.
- It envisions long-term collaboration in technology, education, resources, and clean energy, sectors poised to define the next phase of the bilateral relationship.

### **Daily Mains Practice Question**

**[Q]** Discuss how India and Australia can strategically leverage the Economic Cooperation and Trade Agreement (ECTA) to deepen their bilateral relationship beyond trade.

Source: IE

