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***INDIA AND AUSTRALIA: BRIDGING THE  
TRADE & TRUST BARRIER***

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## INDIA AND AUSTRALIA: BRIDGING THE TRADE & TRUST BARRIER

### Context

- Australian Foreign Minister Penny Wong's visit to India for the QUAD Foreign Ministers' meeting has revived discussions on a comprehensive **India-Australia Comprehensive Economic Cooperation Agreement (CECA)**.

### About India-Australia Relations

- India and Australia share ties rooted in the Commonwealth, democratic values, cricket diplomacy, and people-to-people exchanges.
  - ◆ However, for decades, bilateral engagement remained limited due to Cold War alignments and differing strategic priorities.
- Relations began **improving significantly after the early 2000s** because of India's economic liberalisation, growing Indo-Pacific strategic convergence, shared concerns over China's assertiveness, and increasing cooperation under the Quad grouping.
- A major breakthrough came with:
  - ◆ **Civil Nuclear Agreement (2014)** allowing uranium exports to India
  - ◆ **Comprehensive Strategic Partnership (2020)**
  - ◆ **Economic Cooperation and Trade Agreement (ECTA), 2022**
- Currently, negotiations are underway for a broader **Comprehensive Economic Cooperation Agreement (CECA)**.

### Present Status of Relations

- **Trade and Economic Relations:** Bilateral merchandise trade increased from **\$12.2 billion (FY21)** to **\$24.1 billion (FY25)** after ECTA.
  - ◆ Services trade crossed **\$10 billion**.
  - ◆ Australia provides nearly **100% market access** to Indian exports **under ECTA**.
  - ◆ India offered around **70% tariff concessions** covering nearly 91% trade value.
- **Investment Relations:** Indian investment in Australia is around **\$32 billion**; and Australian FDI in India around **\$18 billion**.
- **Strategic and Defence Cooperation:** Both countries are members of QUAD, Indo-Pacific Economic Framework (IPEF), and East Asia Summit.
  - ◆ Defence cooperation includes AUSINDEX naval exercises, and Maritime domain awareness.
  - ◆ Logistics support agreement.
- **Education and Diaspora:** Indian students form one of the largest foreign student groups in Australia.
  - ◆ Education contributes significantly to Australia's services exports.

### Key Dimensions in India-Australia Relations

- **Trade and Economic Cooperation:** ECTA has expanded bilateral trade significantly. CECA aims to broaden market access, enhance investment flows, reduce non-tariff barriers, and promote resilient supply chains.
  - ◆ India views Australia as a trusted Indo-Pacific partner, a source of critical minerals, and a gateway for technology and clean energy cooperation.
- **Strategic and Indo-Pacific Cooperation:** Both countries support a free, open and inclusive Indo-Pacific, rules-based maritime order, and freedom of navigation.
  - ◆ Cooperation has deepened through QUAD initiatives, cybersecurity collaboration, and counter-terrorism efforts.
- **Clean Energy and Critical Minerals:** Australia possesses large reserves of Lithium, Cobalt, and Rare earth minerals.
  - ◆ These are crucial for India's energy transition, electric vehicle ecosystem, and renewable energy ambitions.

- ◆ The two countries are increasingly cooperating on green hydrogen, solar energy, and supply chain resilience.
- **Agriculture and Food Security:** Agriculture remains the most sensitive sector in CECA negotiations. India has traditionally protected vulnerable agricultural sectors in all major FTAs.
  - ◆ **India's Concerns:** Small and fragmented landholdings, dependence on monsoons, livelihood security of millions of farmers, and food security concerns.
  - ◆ **Australia's Interests:** Australia seeks greater access for wheat, dairy products, pulses, and agricultural commodities.

### What are the Core Issues and Concerns?

- **Trade Imbalance:** Australian exports account for nearly two-thirds of bilateral merchandise trade, creating concerns regarding unequal gains from ECTA, and limited diversification of Indian exports.
- **Agricultural Sensitivities:** The structural differences between Indian and Australian agriculture are immense.
  - ◆ **India:** Average farm size: 0.73 hectares; agriculture supports over half the population; and livelihood-based farming
  - ◆ **Australia:** Over 1,400 hectares; export-oriented sector; and industrial-scale farming
- **Demand for Market Access:** Australia seeks parity in market access under CECA, especially in agriculture, dairy, and agri-processing.
  - ◆ India remains cautious due to political and social implications.
- **Non-Tariff and Regulatory Barriers:** Issues persist regarding biosecurity norms, phytosanitary standards, and certification requirements.
  - ◆ Indian agricultural exports often face regulatory hurdles in developed markets.
- **Limited Australian Investment in India:** Australian investment in India remains relatively modest compared to Indian investments in Australia, despite growing trade.

### Way Forward: Strengthening India-Australia Relations

- **Shift from Market Access to Complementarity:** Instead of focusing solely on tariff reduction, CECA should promote technology sharing, investment partnerships, and supply chain integration.
- **Agricultural Cooperation beyond Tariffs:** Both countries should develop mutual recognition of standards, expand digital certification systems, and strengthen quarantine cooperation.
  - ◆ It can improve agricultural trade without harming vulnerable farmers.
- **Promote Agri-Technology and Infrastructure Investments:** Australia can contribute through precision farming technologies, cold-chain infrastructure, water management systems, and climate-resilient agriculture.
  - ◆ Initiatives like the **India-Australia Smart Farm Network** are positive steps.
- **Expand Cooperation in Critical Minerals and Energy:** Long-term partnerships in lithium supply chains, renewable energy, and green hydrogen can strengthen economic security for both nations.
- **Enhance People-to-People and Educational Ties:** Greater collaboration among universities, research institutions, and skill development centres can deepen societal and economic integration.

#### Daily Mains Practice Question

[Q] Examine the opportunities and challenges in the proposed India-Australia Comprehensive Economic Cooperation Agreement (CECA). How can both countries bridge the 'trade and trust barrier' while safeguarding their respective national interests?

Source: TH

