

Ind-Aus ECTA: Pathway to Mutual Prosperity

Posted at: 01/01/2025

Ind-Aus ECTA: Pathway to Mutual Prosperity

Introduction:

The **India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA)** is a landmark trade pact that has significantly bolstered economic relations between India and Australia. Envisioned as a strategic partnership, the agreement aims to foster mutual growth, create employment opportunities, and strengthen both nations' positions in the global economy. Since its implementation on **December 29, 2022**, ECTA has opened new avenues for trade, investment, and collaboration, setting the stage for achieving long-term economic goals.

Key Features of Ind-Aus ECTA

- **Tariff Reductions:**

- Over **90% of Australian goods exports to India** now benefit from tariff reductions.
- As of December 2022, **85% of Australian exports by value** are tariff-free, with this figure set to rise to **90% within six years**.
- **96% of Indian imports to Australia** are tariff-free, increasing to **100% by 2026**.

- **Comprehensive Economic Cooperation Agreement (CECA):**

- ECTA is a precursor to a full-fledged **Australia-India CECA**, aimed at deeper economic integration.
- Both nations aim to achieve a bilateral trade target of **AUD 100 billion by 2030**.

Background of Ind-Aus ECTA

- Signed in **April 2022**, the agreement came into effect in **December of the same year**.
 - It represents a landmark in India's trade diplomacy, particularly with a **strategic partner like Australia**.
-

Significance of ECTA for India

1. Boost to Labour-Intensive Sectors:

- Immediate **duty-free access** to Australia for products in **textiles, apparel, leather, footwear**, and more.
- These sectors, which previously faced **import duties of 4-5%**, now have a competitive advantage.

2. Manufacturing Sector Growth:

- Top beneficiaries include **furniture, sports goods, machinery, jewellery, railway wagons, and agriculture products**.
- **Australia's status as the largest importer of garments** in the Southern Hemisphere offers immense opportunities for Indian exports.

3. Power Sector Benefits:

- India's energy imports, especially **coal**, form **three-fourths of its Australian imports**.
- Access to **cheaper coal**, along with **LNG, alumina, and manganese**, will enhance India's power sector efficiency.

4. Service Sector Gains:

- Australia has committed to facilitating Indian services in **IT, business, health, education**, and other areas.
- Provisions include:
 - **Post-study work visas** of 2-4 years for Indian students.
 - **Work and holiday visas** for Indian youth.
 - A quota for **1,800 Indian chefs and yoga teachers**.

Achievements After Two Years of ECTA

1. Growth in Bilateral Trade:

- Bilateral merchandise trade grew from **USD 12.2 billion in 2020-21** to **USD 26 billion in 2022-23**.
- From **April to November 2024**, trade reached **USD 16.3 billion**, demonstrating sustained growth.

2. Effective Implementation:

- In **2023**, **79% of export preferences** and **84% of import preferences** were utilized, reflecting ECTA's success.

3. Sectoral Growth:

- Key sectors like **textiles, chemicals, and agriculture** experienced significant growth.

- Emerging growth areas include **electronics and engineering**.

4. Diversification of Trade:

- New export products: **gold studded with diamonds, turbojets**.
- Key imports: **metalliferous ores, cotton, wood products**.

Vision for 2030 and Beyond

- With the ongoing negotiations for the **Comprehensive Economic Cooperation Agreement (CECA)**, India and Australia aim to build on ECTA's success.
- The bilateral trade target of **AUD 100 billion by 2030** is a shared goal, promoting **economic resilience and mutual prosperity**.
- These efforts align with India's **Vision 2047**, aspiring to establish the nation as a **developed economy** by its centenary of independence.

Conclusion:

The **India-Australia Economic Cooperation and Trade Agreement (Ind-Aus ECTA)** is a cornerstone of the growing partnership between two dynamic economies. By reducing trade barriers and fostering collaboration across sectors, ECTA has laid a robust foundation for mutual prosperity. With ambitious goals for 2030 and beyond, this agreement not only strengthens bilateral ties but also positions India and Australia as pivotal players in driving global economic growth.

