



## India-Australia Interim Trade Agreement

**For Prelims:** Location of Australia and the Neighbourhood, Early Harvest Agreements, Free Trade Agreements, Supply Chain Resilience Initiative, World Trade Organisation, CECA, CEPA.

**For Mains:** International Treaties & Agreements, Government Policies & Interventions, Groupings & Agreements Involving India and/or Affecting India's Interests, India-Australia Relation, Significance of Trade Agreements.

### Why in News

Recently, India and Australia have announced that they are set to **conclude an Interim Trade Agreement** in March 2022 and a [Comprehensive Economic Cooperation Agreement \(CECA\)](#) 12-18 months thereafter.

- The agreement **will cover “most areas of interest for both countries”** including goods, services, rules of origin, sanitary and phytosanitary measures and customs procedures.
- Earlier, India, Japan and Australia have formally launched the [Supply Chain Resilience Initiative \(SCRI\)](#).

//



## What is an Interim Trade Agreement?

- An interim or **early harvest trade agreement** is used to liberalise tariffs on the trade of certain goods between two countries or trading blocs before a comprehensive **FTA (Free Trade Agreement)** is concluded.
- Government's emphasis on interim agreements may be **tactical so that a deal may be achieved with minimum commitments** and would allow for contentious issues to be resolved later.
- The problem, though, is that these **early harvest schemes potentially target the low-hanging fruits**, leaving the tougher goods and services for later.
- This strategy **can lead to significant delays in wrapping up the more broad-based FTAs**, which could potentially lead to impediments.
  - India had concluded an early harvest agreement with **Thailand in 2004** but has not been able to conclude a comprehensive FTA with the country.
  - India also has a trade agreement with **Sri Lanka** dealing with goods but was not able to conclude an agreement on services and investments.
- Early harvest agreements that do not graduate into full-scale FTAs are **exposed to legal challenges from other countries** that are members of the **World Trade Organisation (WTO)**.
- It is often beneficial to negotiate the entire deal together, as an **early harvest deal may reduce the incentive for one side to work towards a full FTA**.

## What are Free Trade Agreements?

- It is a **pact between two or more nations to reduce barriers** to imports and exports among them.
- Under a free trade policy, goods and services can be bought and sold across international borders

with **little or no government tariffs, quotas, subsidies, or prohibitions to inhibit their exchange.**

- The concept of free trade is the **opposite of trade protectionism or economic isolationism.**
- FTAs can be categorised as Preferential Trade Agreement, **CECA** , [Comprehensive Economic Partnership Agreement \(CEPA\)](#).

## What is India's Current Trade Relation with Australia?

- Bilateral trade between the two countries stood at about **USD 12.5 billion in Financial Year (FY) 21** and has already surpassed USD 17.7 billion in the first 10 months of FY22.
- India has **imported merchandise worth about USD 12.1 billion from Australia** in the first 10 months of the fiscal and has exported merchandise worth USD 5.6 billion in the same period.
- **Key imports from Australia** include coal, gold and [Liquified Natural Gas](#) while **key exports to the country from India** include diesel, petrol and gems and jewellery.

## What Opportunities does the Agreement Brings?

- The agreement with Australia is set to **bring opportunities across sectors** including mining, pharmaceuticals, health, education, renewables, railways, gems and jewellery, tourism, defence and textiles.
  - India is also likely to **seek easier visa access for both students and professionals** visiting Australia.
  - **Australia is likely to seek market access** for wines and agricultural products which are not produced on a large scale in India.
- Both countries are also **looking at mutual recognition of educational qualifications** to boost the number of Indian students seeking education in Australia and vice versa and boost tourism in both countries.
  - India and Australia have also **signed an MoU to boost tourism between the two countries.**
- The agreement would lead to **deeper cooperation between the two countries in critical minerals and [rare earth elements](#)** which are critical to future industries including renewable energy and electric vehicles.
  - As Australia has plentiful supplies of rare earths and critical minerals in but it needs places for them to be processed.

## What is QUAD's Impact on Trade Relations between India and Australia?

- India and Australia are both members of the [QUAD \(Quadrilateral Security Dialogue\)](#) along with the US and Japan.
  - Recently, the [fourth meeting of the foreign ministers of the QUAD](#) grouping (India, the US, Australia and Japan) was held in Melbourne, Australia.
- Both countries have noted that **the coalition has given impetus to increasing trade relations** between all members of the QUAD.
- Australia noted that **it already had FTAs with both the US and Japan and that all four countries could start building a framework for economic cooperation** within the countries of the QUAD after they announced a deal with India.

## What Other Free Trade Agreements is India Currently Negotiating?

- India is currently in the process of negotiating **FTAs with the UAE, the UK, Canada, the [European Union](#) and [Israel](#),** besides Australia.
- India is also looking to complete an **early harvest agreement with the UAE and the UK in the first half of 2022.**

[Source: IE](#)

