



# INDIA-AUSTRALIA ECONOMIC COOPERATION

## *A MAGNITUDE TO THE INDO-PACIFIC REGION*

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**Abstract:** This paper briefly focuses on the relationship between the two countries India and Australia in the realm of trade, education, security, and maritime as well as their growing engagement in the INDO-PACIFIC region encompassing the 4A's Asia, Africa, America, and Australia. India and Australia have been strategic partners for a long time now. They are precursors in the Indo-Pacific because of their economic and people-to-people ties and interest in the region. The prime minister of Australia, Scott John Morris, and the prime minister of India, Narendra Modi announced and stated both countries as comprehensive strategic partners in June 2020. Australia sees India as a prime partner in the international arena vis a vis India. For 30 years they have been building strong economic ties and opening up borders for education and employment. Today youth from India is reaching varied areas abroad; one such country is Australia where they are arriving in large numbers. Free trade agreement holds apotheosis and is salient to the relations as it has brought benefits to the countries as well as the region by escalating opportunities.

The two countries are closely knit with an amalgamation of cultures, an idea to upsurge tourism, a shield for the environment, and energy financing which in recent times has become elemental. The paper also discusses the recent trends in India and Australia's relation and how they will be economically valuable to each other.

## 1. INTRODUCTION

Once a colony of the queen of England, India, and Australia in the Indo-Pacific region are gaining more momentum than ever. It is nothing new to state that India and Australia though never talked beyond the region account for a bittersweet relationship since the British era. The two were always sharing ties with each other and have been there in their time of need. The struggle for independence for both states was never easy and building democracy was challenging at the same time. The urge to build a state with multiple cultures, races, and castes free of all biasedness and intolerance was not merely a task but today they prove to be strong sustaining democracy following multiculturalism, secularism, people-to-people ties, and building conducive relations. Both of them have a stern stand on terrorism, immigration, and regional security as they believe such activities would disturb world peace and will create havoc amongst the human race. India is the fastest-growing developing economy in the world and bagged the 5th position in the economic order whereas Australia is the 12th largest developed economy. The 21st century is proving remarkably beneficial for both in the Indo-Pacific region. Australia, rich in minerals and raw materials is the biggest exporter to India, and on the other Indian businesses bloom in Australia as it is the biggest market of finished goods. Though both of them are grappling with a lot of attention to their varied ties it is important to understand on what grounds the two countries have suffered the test of time in the past and today stand strong with diligent diplomacy and state affairs.

## 2. BACKGROUND

The association between India and Australia has suffered a roller coaster of ups and down. The onset of the two coming together started in the pre-independent era itself. It was in 1788 that trade to diplomatic relations were built between them. The pre-independent time plays a key role in the development of their relations with each other today. The establishment of the **Indian Trade Office in Sydney in 1941** and the **High Commission in Canberra in 1945** and consequent visits from Indian and Australian ministers have been a foundational stone to the relations. The end of the cold war blemishes the new trends with their corresponding threats to the global world. The era marks ideological, political, and economic shifts in the paradigm of the association of countries among themselves.

*“The ensuing problem of order stems in large part from the fact that multilateral projects for building alternate orders, undertaken since the early 1990s, have remained far below their potential. We conclude that emerging forms of multilateral cooperation across the enlarged “Indo-Pacific” region have partially filled this void”* (Wirth 2022)<sup>1</sup>

The LPG reforms i.e., liberalization, privatization, and globalization with approaching advancement in technology have boosted the relations between them by opening up borders for trade and development. The reforms have brought significant opportunities and success to the region.

Economic ties are very essential to the law of liberalism i.e., free market has always gained momentum in the past and the present as well. The two countries have been very vital and unavoidable partners in trade and commerce as stated that Australia is the biggest finished goods market and India, the biggest importer of raw materials brings them together for a reason. Australia imports packaged medicines, diamonds, pesticides, rice, car, coffee, spices, etc and India imports wool, wine, lentils, oats, manganese, coal, etc. Then, in the year 2022 signed a free trade agreement that will be beneficial for the Indo-Pacific region. The trade between the two countries has grown significantly in recent years. India's development in the economic front and commercial significance is admired by Australia at both federal and state level. India is the 6 largest exporter and 11th largest importer as in the year 2020.

### 3. GEO-STRATEGIC SIGNIFICANCE OF INDO-PACIFIC

*“The Indo-Pacific Four countries promoting the ‘free and open Indo-Pacific’ (FOIP) concept share many principles, including freedom of navigation and overflight, connectivity and economic growth, and respect for the rule of law” (Choong 2019)<sup>2</sup>*

Indo-pacific a term coined and prodigiously used in contemporary times has gained profound momentum with organizations like QUAD and AEAN with south, west, and east Asian countries to America and Africa. The region comprises for 4As i.e., Asia, Africa, America, and Australia. It can be understood under three dimensions.

**Geographically** indo-pacific is a concoction of the Indian and Pacific Oceans stretching from the west coast of America to African shores connecting the Indian peninsula to sharing waters with the South China Sea and Australia being covered with both Indo-Pacific waters. It demonstrates great relevance to the geo-strategic relationship between the 4As as interest from each stakeholder is high in the region.

**Politically** the region has eminent contenders such as China, Japan, India, and Australia. South Korea along with ASEAN also plays a pivotal role. With USA’s falling role in the region India and Australia have made political stability and Balance of Power with centrifugal engrossment to free trade and obstruction of non-traditional issues in the region a highlight. QUAD is the pinnacle in the region with India, Australia, Japan, and America in force for a diplomatic network aiming for free trade, geo-strategic security, and peace, building bilateral relations in varied domains.

**Economically** the statistics put forward that the region accounts for around 63% of the world’s GDP with 50% of maritime trade and is home to 60% of the World population with 53% largely being youth.

The area is a hub of trade as the continents are rich in natural resources, workforce, culture, and acceptance of each other. It has helped each player in building and developing its economy and reaching the scale to compete with big brothers in the economic forum. Today on the economic front the region has grown to a promising level with tech connectivity as well as maritime connectivity proving it to be a non-ignorant region in the world. The nexus is itself fruitful in its natural composition with its leaders making the maximum use of it.

### 4. WHY INDO-PACIFIC?

A densely populated region that accounts for 60% of the world population and makes 2/3rd of the global economic output. It is therefore clear that Indo-Pacific is a considerably economically rich region. For any country's GDP growth foreign direct Investment i.e., FDI plays a vital role, and the Indo-Pacific region is a pedigree to such investments.

The country's major supply chains revolve in and around the region creating a fruitful environment for FDI. The region is filled with vital natural minerals and ores which are beneficial. The expansive reserves are rich with marine resources such as offshore hydrocarbons, methane hydrates, seabed minerals, and rare earth metals. It is also coined as the Exclusive Economic Zone (EEZs) as the largest and biggest economies of the world are built in this region and sustained for a long time and are also responsible for exhausting the resources. They include the USA - once a hegemony, Japan - a tech advanced state, China -the largest manufacturer, India- a big consumer market and Australia - rich in natural resources.

Geopolitically China's aggression has been a major area of concern for which the Quad Countries have chosen to combat the single power dominance in the region. The monopoly building over the South China Sea and connecting rivers is something unavoidable for the princely countries in the region.

## 5. AREAS OF COOPERATION

### 5.1. Strategic Ties

India and Australia since a decade old time have shown interest in building relations with each other, however, both of them have certain points in the past have been reluctant but it seems that today they have grown closer with their growing engagement in the Indo-Pacific region. The geopolitical apropos highlights how both countries are well aware of the maritime politics in the area whether it is the south china sea, Indian Ocean, and Pacific waters. INDAUS partnership lies in the QUAD, ASEAN, and Indian Ocean Rim Association. Strategic relations among themselves made mutually accepted agreements a stance for growth and development in the region itself.

### 5.2. Defence cooperation

Security is any country's foundation stone. Securing borders is essential to the state for maintaining its peace and prosperity and safeguarding its citizens from non-traditional issues as well as traditional ones. INDAUS defense cooperation has been boosted since the year 2021.

#### 5.2.1. 2+2 Ministerial dialogue

It's a comprehensive strategic partnership to elevate the partnership of QUAD members in the region and support India's vision of peace and stability in the Indo-Pacific waters safeguarding it from unitary domination. It focuses on the open and free movement of goods and services across maritime channels keeping in mind the guidelines of the United Nations Convention on the Law of the Sea. this dialogue will prove to be a fruitful building relationship amongst the members of the QUAD and specifically India which has been striving for such opportunities in the region. Respect for India's vision will automatically help the nation for a more

#### 5.2.2. Malabar Exercises 2021

A naval exercise that started to combat Chinese dominance in the north Pacific Ocean on Guam Island, a territory of the US. it started in the year 1992 between India and America. Later, after 2005 Australia and Japan under the QUAD framework also joined. India and Australia in August 2023 will hold the exercise for geopolitical security and relevance in the Indo-Pacific and as always mentioned the geostrategic security in the upcoming era of the world is so important that such exercises would create the feeling of harmony and securing borders while also respecting each other's position in the world. The exercises open up community building and provide a better understanding of the defence structure of each other.

### 5.3. Educational cooperation

Education is a key to success one such quote that is known to all and admired by many. Indian students opt for higher studies abroad and they are migrating in large numbers. Australia is a country where interest in education amongst Indian students is very high but at the same time, it is also challenging to be accepted in a new country. Today in the year 2023 such a problem is solved with the signing of the Australia-India educational qualification recognition mechanism. This will ensure recognition of the degrees obtained from Australia in India and vis a vis Australia. The Deakin University and the University of Wollongong, two of the most prestigious government institutions in Australia will set up campuses in GIFT City, Gujrat. Such an initiative is vital for building a more meaningful relations as education brings not only the people together but building a mindset of commonality with various subjects. India with its upcoming New Education Policy (NEP) in 2024 will also uplift such cooperation.

### 5.4. Energy cooperation

India and Australia in 2014 signed A Civil Nuclear Cooperation Agreement between the two countries providing substantial trade. Energy connectivity is a source of volatile economic cooperation and trade assessment. It enhances the socio-economic relations and environmental conventions. It also contributes to the vision of sustainability with projects lined up in SDGs. recently in 2022 both of them signed a Letter of Intent on New and Renewable Energy for the cooperation which ensures the reduction in the cost of renewable energy such as solar and clean hydrogen. Australia also announced a 10 million Australian dollar investment under the International Solar Alliance.

### 5.5. Multilateral cooperation

India and Australia are stern believers of multilateralism which can also be seen in their diplomatic nature of the state. They both acquire a significant place in QUAD, Commonwealth, Indian Ocean Rim Association, and

Asia Pacific Partnership on Climate and Clean Development. They continue to cooperate in the World Trade Organisation as members of Five Interested Parties (FIPs).

Australia supports India's partnership in the Asia Pacific Economic Cooperation and Supply Chain Resilience Initiative between Australia, India, and Japan to strengthen ties in the Indo-Pacific region.

### 5.6. Science and technology

Australia-India Strategic Research Fund is a backbone of ties in the field of science and technology. The world has taken a technological shift and with them in the most discussed area of the 21st century i.e., Indo-Pacific, both the countries were successful in carrying out India Australia Circular Economy Hackathon in 2021 and India also procure support from Australia in its Gaganyaan Space Program.

### 5.7. Culture and sports

India and Australia's weather culture or sports are the most vibrant countries in the region. Australia has the largest population of Indian Australian and students moving for higher education. Cricket one of the most celebrated sports amongst the countries has recently grabbed attention when both the Prime Minister of India Shri. Narendra Modi and Prime Minister of Australia Anthony Albanese went to see the match.

## 6. AREAS OF CONFLICT

### 6.1. Hesitancy towards Delhi

Though Australia has been in close diaspora relations with India but somewhere still finds the capabilities and capacities of the nation in doubt. This hesitant nature of Australia generates from the lack of understanding of Indian markets and gaps in building a strong relationship.

### 6.2. Coal Mine Conflict

The coal mine controversy in India regarding the Adani group is a matter of concern in the growing relations between India and Australia.

### 6.3. China's discontent

Australia has always opted for a diplomatic hold in the matter of China and India however times have changed and China's discomfort with security and defence ties between Indo-Pacific countries is immensely increasing. China also recently came forward with diplomatic protest recognizing the region as "Asia-Nato."

### 6.4. Lack of uranium supply

The supply of uranium has been considerably low since 2017 despite rigorous efforts from both sides. In 2017, when the shipment was made to India from Australia was very low regarded as "purely for testing purposes".

## 7. ECONOMIC COOPERATION AND TRADE AGREEMENT

Free trade agreements are those treaties that bring two countries together indulging in powerfully built bilateral or multilateral relations annihilating certain barriers to trade and investments. Such agreements bring benefits for the participants as it creates room for maneuvering, a competitive market with immense choices by building purchasing power and braces service sector as well. It not only enhances the economy but brings the communities together sharing culture, room for acceptance, and working for a common good by sowing the seeds of brotherhood and development at the same time. Such profoundly discussed example in recent times is the free trade agreement signed between the two most prominent yet powerful countries of the Indo-Pacific region i.e., India and Australia. The two long-lasting sustaining democracies have yet once again come together in the light of solidarity in the region after a decade or so putting forward the centrifugal goal of peace and prosperity among the people and world. India and Australia are the key players and are profoundly discussed for their free trade agreement in the region. Today both countries are moving forward in building a peaceful yet strategic bilateral relationship by channelizing many humanitarian projects and building soft diplomacy in the waters of the Indian and Pacific oceans. Both look forward to more developed, productive, constructive, and positive conducive relations. Development, global community outreach, regional cooperation, and free and rule-based approach are some of the key pillars stated by India and Australia. They look forward to strengthening comprehensive strategic partnerships in the area of trade and commerce. As the Raksha Mantri of India, Mr. Rajnath Singh states that India's approach to the Indo-Pacific region is inclusive, upholding the responsibility of disentangling disagreements and disputes. India and Australia are one

of the biggest economies in the world with India standing at 5th and Australia at 14th. G20 and quad missions have brought both countries together in the economic forum strengthening bilateral ties. The major focus of both countries lies in boosting economies, increasing purchasing power, and building more service and business opportunities in the region.

Today indo-pacific proves to be a more geopolitically, strategically, and economically powerful region bringing many big countries' focus on to the developing countries who have time and again tested the challenges with their share of ups and down, a common history of colonialism and fighting the major economic depression of the world where such economies have found themselves difficult to survive but today they come out to be as highly discussed and self-sufficient economies. Indian exports of 5,440 commodities to Australia and 1,968 imports from Australia were done in the financial year 2021.<sup>3</sup>

In 2021, the exports from India to Australia were \$6.54 billion which included Refined Petroleum at \$2.62 billion, packaged medicaments at \$392 million, and diamonds at \$222 million. In the last 26 years of trade between India and Australia, the annual rise is 10.8% from \$455 million in 1995 to \$6.54 billion in 2021. Australian exports to India have also increased by 10.9% from 1.38 billion in 1995 to 20.5 billion in 2021.<sup>4</sup>

## 8. WHAT ECTA STANDS FOR?

Australia-India Economic Cooperation and Trade Agreement (ECTA), which was signed on April 2, 2022, by the two eminent ministers of both countries, Dan Tehan, Ministry of Trade, Tourism and Investment of Australia, and Piyush Goyal, Ministry of Commerce and Industry, Consumer Affairs and Food and Public Distribution and Textiles of India.

The ECTA came into force on December 29, 2022, with the goal of a comprehensive strategic partnership. It has gained approvals from the Australian parliament and is welcomed by the Indian economy. After a decade INDAUS relations have reached the heights that this free trade agreement is a paradigm for fortunate opportunities. It showcases the shift in the relationship between two countries from divergence to convergence and is futuristic. Today both democracies see the world through some lenses however the sudden shift in regional politics of Australia from John Scott to Albanese the situation for Indians remains unchanged. It is a well-assessed document that came into force which will ensure the boost in economies and strengthening geopolitical aspects of the Indo-Pacific region. They are seeing problems as opportunities and make the best of them. Today the emphasis also shifts from geopolitics to geoeconomics. A stepping stone towards comprehensive economic cooperation. The FTA brings 85% of Australian goods exported tariff-free and 90% of imports from India tariff-free.

### 8.1. Key features

- 8.1.1 ECTA encloses the two countries on strategic friendship in trade in goods and services, dispute settlement, movement of natural persons, telecom, and pharmaceutical. Within the pharmaceutical trade, there is a separate annexure that enables the fast-track movement of patent and biosimilar medicines.
- 8.1.2 ECTA will benefit both countries in such a way that will help them upgrade their economies vis a vis opening up new avenues for businesses. Australia will provide India with preferential market access on a 100% tariff line and India will provide market access on a 70% tariff line.
- 8.1.3 ECTA will ensure an ecosystem of jobs by creating 10 lakh jobs, an increase in private sector investment, better quality education, student exchange programs, defense partnership, open borders, a free market, living standards, sustainable development, and the general welfare of the people.
- 8.1.4 ECTA in the next five years is expected to increase the trade by 45-50 billion dollars which are currently estimated at 27 billion dollars.

- 8.1.5 ECTA will prove a better alternative partner for Australia in terms of trade and commerce, strategic ties, and defence cooperation than China.
- 8.1.6 ECTA has opened avenues for Mutual Recognition Agreements which will ensure licensing of professional services between India and Australia in the field of Nursing, Architecture, etc.

## 8.2. BENEFITS TO INDIA

There will be decreased duties on imports of wine, lentils, strawberries, oranges, mandarins, pears, apricots, and almonds. India can now import coal at cheaper rates as it constitutes 70% of the import from Australia. ECTA ensures zero percent duty on the imports of coal. Avoiding double taxation for the natives who are working overseas providing technical services. The service class will now be freed from the policy of double taxation. Annual visa quota for Indian yoga teachers. India is a labour-intensive economy and with ECTA into practice, it will increase the opportunities for middle and lower-wage workers as work capacity will eventually rise. ECTA will bring Cheaper raw materials into the Indian Economy making the cost of essential goods at reasonable and affordable prices suitable to the average spending capacity of the country.

The rise in trade comes in handy with ECTA, with all the parameters set in the agreement it will lead to the free movement of goods and services contributing to the GDP of the country. With ECTA in regulation, the glooming vision of India becoming Atma Nirbhar i.e., self-reliant and self-sufficient on its own will be having a positive impact on the economy. India has been facing backlash in the industry of textiles as there is currently a 5% duty on Indian imports which is 70% of textile products and 90% of apparel products because of which Australia looks for better alternatives. ECTA will solve the problem as India's exports are likely to rise from US\$392 million to US\$1100 million in the next three years.

In the Leather Industry, 90% of exports account for Australia with a 5% duty on it. With the removal of duty, the industry is likely to rise from US\$ 62.2 million in 2020-21 to US\$ 71.6 million in the upcoming year with a 15% growth.

Access to Australians within the secondary and tertiary sectors of the country at a highly competitive rate will increase India's medical tourism.

## 8.3. BENEFITS TO AUSTRALIA

ECTA here will ensure an increase in purchasing power of Australians with one and a half billion consumers with an estimated purchasing power parity of \$11.75 trillion. Australians will benefit from 0% free access to coal exports which is at a 2.5% rate. Australia is in need of highly skilled tech staff and the environment of start-ups in Australia requires such skilled personnel which India can provide in large numbers. India can offer low-cost software as a service that will help in boosting Australia's SMEs.

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In the healthcare field, doctors from India can provide a second opinion or consultation on medical through telemedicine. It will leverage Australian medical technologies providing low-cost solutions to the problems.

## CONCLUSION

The policy of multilateralism is what Indo-Pacific stands for. The countries that are part of this region form a basis for soft diplomacy and cooperation on the principles of peace and security. The defence ties and cultural upliftment helped India and Australia grow closer to each other in building successful bilateral cooperation. In the year 2022,

the two signed the economic cooperation and trade agreement also known as the free trade agreement between them is a stepping stone towards open and rule-based boundaries. In the upcoming years' India's vision of self-reliance and building an economy which will not only help in the growth of GDP but lifestyle as a whole. India's vision for Atma Nirbhar Bharat is what ECTA will ensure.

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