

A Comparative Analysis of Tariff Reduction Schedules Under the Australia-India Economic Cooperation and Trade Agreement (ECTA) and their Impact on Bilateral Trade Volumes

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Abstract

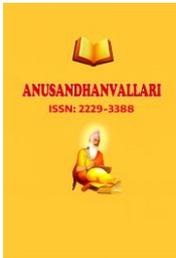
Tariff Reductions: The agreement allows Australian businesses to export over 85% of goods to India tariff-free, with the figure rising to 90% by January 2026. Conversely, 96% of imports from India are now tariff-free, with this number increasing to 100% by 2026. This tariff liberalization is expected to benefit both nations by providing cheaper raw materials, enhancing global competitiveness, and reducing costs for consumers. The Australia-India Economic Cooperation and Trade Agreement (ECTA) secures preferential market access for India to Australia's fast-growing market, which has over 1.4 billion people. For Australia, the agreement offers opportunities in India's labor-intensive sectors, including gems and jewelry, textiles, leather, furniture, food, and agriculture. **Services:** The agreement includes commitments in 135 sub-sectors in services, benefiting industries like business services, communication, construction, and engineering. India's contribution includes market access to Australia in 103 sub-sectors and Most Favoured Nation (MFN) status in 31 sub-sector. Under the ECTA, the annex on professional services mentioned about encouraging MRAs in professional services. Recently, India and UK signed an agreement for mutual recognition of educational qualifications, as part of the UK-India Enhanced Trade Partnership (ETP). It will allow Indian students who graduate from British universities to apply for postgraduate qualifications, or embark on government careers that require university qualifications, when they return back to India.

Key words: Features of the IAECTA, Exports, Imports, Tariff on imports, and etc.,

Introduction

The Australia-India Economic Cooperation and Trade Agreement (ECTA) has completed two years, marking a period of significant growth in bilateral trade and economic cooperation. Both countries aim to build on this success with strengthened collaboration and ambitious targets, including reaching AUD 100 billion in trade by 2030.

Australia-India Economic Cooperation and Trade Agreement (ECTA) is a landmark trade deal between India and Australia, signed in April 2022, and ratified by both nations in November 2022. The agreement aims to



foster deeper economic integration and enhance trade relations by reducing tariffs, promoting services exchange, and boosting investment flows between the two countries.

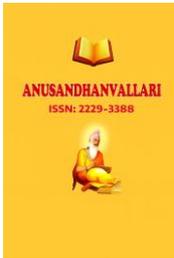
Key Features of the ECTA

Tariff Reductions: The agreement allows Australian businesses to export over 85% of goods to India tariff-free, with the figure rising to 90% by January 2026. Conversely, 96% of imports from India are now tariff-free, with this number increasing to 100% by 2026. This tariff liberalization is expected to benefit both nations by providing cheaper raw materials, enhancing global competitiveness, and reducing costs for consumers. The ECTA secures preferential market access for India to Australia's fast-growing market, which has over 1.4 billion people. For Australia, the agreement offers opportunities in India's labor-intensive sectors, including gems and jewelry, textiles, leather, furniture, food, and agriculture. **Services:** The agreement includes commitments in 135 sub-sectors in services, benefiting industries like business services, communication, construction, and engineering. India's contribution includes market access to Australia in 103 sub-sectors and Most Favoured Nation (MFN) status in 31 sub-sectors.

Pharmaceutical and IT Benefits: The agreement fast-tracks approval of medicines and eliminates double taxation in the IT sector, giving India's IT companies a competitive edge and saving millions. **Job Creation and Skill Exchange:** The ECTA is expected to create 1 million jobs in India, with benefits for Indian yoga teachers, chefs, and 100,000 students through post-study work visas. This fosters skill exchange and employment opportunities in both countries. **Geopolitical Importance:** The ECTA strengthens India-Australia relations, deepening collaboration in strategic groups like the Quad, Indo-Pacific Economic Framework for Prosperity (IPEF), and the Supply Chain Resilience Initiative (SCRI), aligning economic and geopolitical interests.

Bilateral Trade Evolved Under ECTA

1. **Trade Surge:** Bilateral merchandise trade has more than doubled since the agreement came into effect. From USD 12.2 billion in 2020-21, trade surged to USD 26 billion in 2022-23.
 - a. Trade momentum remains strong, with India's exports to Australia growing by 14%.
 - b. In the first eight months of 2024, total merchandise bilateral trade reached USD 16.3 billion, reflecting a robust trade partnership.
2. **Export and Import Utilization:** The preferential import data exchange between the two countries commenced in 2023, showcasing effective implementation.
 - a. Export utilization stands at 79%, while import utilization is slightly higher at 84%.
3. **Sectoral Growth:** Key sectors such as textiles, chemicals, and agriculture have benefited significantly from the agreement.
 - a. There has been diversification in exports, with new products like gold studded with diamonds and turbojets gaining prominence.
4. **Raw Materials:** India's imports of raw materials such as metalliferous ores, cotton, and wood have fueled its industries, highlighting the complementary nature of the trade partnership.



Vision for the Future of India-Australia Economic Relations

1. Comprehensive Economic Cooperation Agreement (CECA): Building upon the success of the ECTA, the Australia-India Comprehensive Economic Cooperation Agreement (CECA) is now in progress.
2. With 10 formal rounds and multiple inter-sessional discussions completed, CECA aims to advance the trade relationship even further.
3. Trade Target: Both nations have set an ambitious target to increase trade to AUD 100 billion by 2030. This goal demonstrates the shared commitment to deepening bilateral trade ties and fostering mutual prosperity.
4. Global Economic Impact: With a focus on deeper economic integration, India and Australia are poised to strengthen their partnership and contribute to a more resilient, dynamic global economy.

Other Trade Agreements between India and Australia

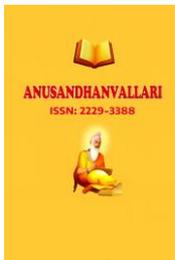
1. Double Taxation Avoidance Agreement (DTAA): Enforced in 1991 to prevent double taxation of income earned in both countries, reducing tax burdens and facilitating smoother business operations.
2. Bilateral Investment Treaty (BIT): The 1994 BIT was terminated by India in 2017. Both nations are exploring a new investment treaty to safeguard and promote bilateral investments.
3. Sector-Specific Agreements: Multiple MoUs exist in areas like education, science and technology, defense, and agriculture, fostering collaboration and knowledge exchange.

India's Merchandise Exports to Australia

India-Australia trade relations have fared well after the coronavirus pandemic. In 2021, Australia was the 17th largest export destination of India, with a share of 1.8% in India's total exports. India's exports to Australia increased to US\$ 6.9 billion in 2021 from US\$ 3.5 billion in 2020. India's exports to Australia have traditionally been dominated by mineral fuels and oils, which constituted almost half of the total exports from India to Australia in 2021. This was followed by natural or cultured pearls and stones (accounting for 5.3% of India's total exports to Australia), pharmaceutical products (5%), machinery and mechanical appliances (3.5%), articles of iron or steel (3.2%) and electrical machinery and equipment (2.8%).

India's Merchandise Imports from Australia

In 2021, Australia was the 11th largest import source of India, with a share of 2.6% in India's total imports. In product terms, mineral fuels and oils (HS-27) were the largest imported commodity, with a massive share of 75.6% in India's total imports from Australia in 2021. Under HS-27 at 6-digit level, the highest imported commodity was coal, with imports amounting to US\$ 11.2 billion in 2021. Other major imports include natural or cultured pearls or stones (7.6% of India's total imports from Australia), ores, slag and ash (5.3%) and inorganic chemicals (2.9%).



India's Revealed Comparative Advantage Analysis and Trade Potential

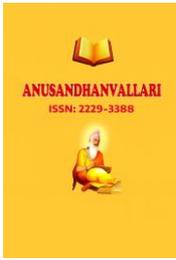
Analysing the key products where India has comparative advantage and matching it with Australia's import demand for these products is necessary for an India-Australia trade agreement to be successful. Revealed Comparative Advantage (RCA) is a measure which have been used extensively to help assess a country's export potential/competitiveness. To identify the products based on their export competitiveness in Australia, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level, whilst calculating their Normalized Revealed Comparative Advantage (NRCA) and mapping them against the Average Annual Growth Rate (AAGR) of global imports of Australia. The quadrants are drawn by comparing the overall AAGR of global imports of Australia for all products during 2011-2021 (which was 2.5%), to the NRCA of India's exports to Australia of these products during the same period. This exercise aims to identify products whose imports in Australia over the period 2011-2021 have performed better than the overall average of Australia for all products during this period, implying that the share of such products in Australia's import basket has witnessed an increase, a reflection of their rising demand and dynamism. At 6-digit HS Code, with minimum exports of US\$ 1 million from India to Australia, 467 products have been identified, with the total exports from India to Australia amounting to US\$ 6.5 billion while the total world imports by Australia in the same products stood at US\$ 105.7 billion in 2021. Out of the 467 items at the HS 6-digit level, 225 items fell into the category of product champions. The combined exports of these items from India to Australia were US\$ 5.2 billion in 2021, representing approximately 75.4% of India's exports to Australia in 2021.

Need for the study

In the recent years, waves of trade liberalisation episodes have gained momentum around the world, despite challenges from the recent global financial crisis in 2008. Australia is no exception to this proliferating trend as there have been or are currently under negotiations for bilateral free trade agreements (FTAs). Dating back to 1983, with its first FTA with New Zealand, Australia has liberalized trade with Singapore (2003), Thailand and the United States (2005), Chile and Malaysia (2009), and more recently with Brunei, Burma, the Philippines and Vietnam (2010). More potential FTAs are under negotiation including China, India, Indonesia, Japan and South Korea. In this paper, we study the impact of a potential FTA between Australia and India with specific attention to different production and consumption sectors of the Australian economy. The wide consensus among economists is that free trade generates aggregate welfare gains through efficient reallocation of resources, and production, reduction of prices and exposure to foreign competition. In aggregate terms, economies open benefit from doing so. Numerous studies in the literature have addressed this issue, assessing the qualitative and quantitative impact of trade liberalisation at the aggregate level.

Statement of the Problem

Recent Developments between India and Australia India was Australia's sixth-largest export market and seventh- largest trade partner in 2020, driven by coal and global education. But Australia is also becoming a more significant market for Indian goods. Recently both nations upgraded their bilateral Strategic Partnership, which they had established in 2009, to a Comprehensive Strategic Partnership (CSP) in 2020. In order to encourage partnership in a number of sectors, including key minerals, health, critical technology, research, and agriculture, both nations formally agreed to reengage on CECA in September 2021. On September 30, 2021, the 17th India- Australia Joint Ministerial Commission officially started talks on the Comprehensive Economic Cooperation Agreement (CECA) between the two countries. Both parties committed at the conference to reach



an interim agreement or early harvest trade deal by December 2021; however, that deadline was advanced to the end of March 2022.

The simple average of the effectively applied tariff (AHS) imposed by India on its imports from Australia is the tariff that the Australian exporters face while exporting to India. There are 143 tariff lines (at 6-digit HS code) that has effectively applied tariff rate of 0%, which amounted to the total imports of US\$ 183.5 million in 2021. The duty-free products correspond to a meagre 1.2% of the total imports of India from Australia in 2021. There are 77 tariff lines under 01%-03% effectively applied tariff rates, which correspond to the highest share of 80.6% of India's total imports from Australia in 2021, amounting to US\$ 12.2 billion. Cumulatively, 98.1% of Indian imports from Australia face an effectively applied tariff rate of less than or equal to 15% when exported to India. 672 tariff lines face effectively applied tariff ranging between 15% - 150%, with the total import share of 1.1% in 2021. There were 69 tariff lines, majorly belonging to coffee, tea and spices (HS-09), beverages (HS-22) and automobiles (HS-87), with an effectively applied tariff of 100% and above.

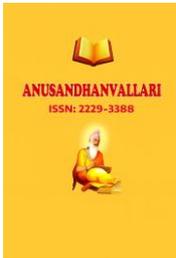
Australia, being a developed region, has low MFN and effectively applied tariffs, thus promoting free and easy trade with its partners. There are 1,098 tariff lines (at 6-digit HS Code), with Australian imports of US\$ 3.8 billion from India in 2021, on which Australia imposes the effectively applied tariff of 0%. These products constitute more than half (59.6%) of Australia's imports from India in 2021. There are 427 tariff lines, with imports amounting to US\$ 425 million under the 1%-3% effectively applied tariff level category, which corresponds to 6.7% of Australia's imports from India in 2021. Subsequently, there are 2,017 tariff lines, with Australia's imports from India amounting to US\$ 2.1 billion, facing effectively applied tariff between 3% to 5%. Hence the researcher conducted the present study.

Scope of the study

India-Australia bilateral relationship has undergone evolution in recent years, developing along a positive track, into a strategic partnership. Developing a strong economic relationship with India, the Australian government accepted a number of recommendations of the India Economic Strategy (IES), prepared by Australian Think Tank, to define a pathway for Australia to unlock opportunities offered by Indian economic growth. The Strategy aims for a clear exposition of the kind of relationship Australia should aspire to have with India till 2035. India formally launched negotiations for India-Australia Economic Cooperation and Trade Agreement (ECTA) on September 30, 2021 and concluded on a fast-track basis by the end of March 2022. India signed ECTA with Australia on April 2, 2022. The ECTA is the first trade agreement of India with a developed country after more than a decade. The Agreement came into force on December 29, 2022. The total trade between India and Australia doubled in 2021 to US\$ 22 billion from US\$ 10.7 billion in 2020, registering a growth of 107% in imports and 97% in exports compared to 2020. In 2021, exports rose majorly from an increased demand for mineral oils and India exporting light petroleum distillates to Australia. India's primary import item from Australia remains coal, with India's import from Australia under this category encompassing 45.8% of India's global imports of coal. India's imports of coal from Australia ballooned from US\$ 5.1 billion in 2020 to US\$ 11.1 billion in 2021. India has been persistently running trade deficit with Australia, which was the highest in 2011 at US\$ 11.3 billion before narrowing down to US\$ 8.2 billion in 2021.

Objectives of the study

1. To examine the Challenges for Australian exporters and supplies in the Indian Market under the Australia-India Economic Cooperation and Trade Agreement (ECTA) regime.



2. To analyze the Australian - India bilateral trade under the Australia-India Economic Cooperation and Trade Agreement (ECTA) regime.
3. To give suggestions for the analysis from data.

Data Collection and Methodology

In this paper, revealed comparative advantage (RCA), trade intensity index (TII) and trade potential index (TPI) have been calculated. The data is supplied from the “UNCOMTRADE database.” For calculation of trade intensity index (TII), data is taken from 2001 to 2023 and trade potential has been calculated for the year 2023 (on the basis of latest available data).

Tools of analysis

The revealed comparative advantage (RCA) index (developed by Balassa in 1965) assumes that a nation’s export volume to the world is an important consideration when determining its comparative advantage. RCA index highlights “how competitive is a product in countries” export compared to the products share in world trade. A product with a high RCA is deemed competitive and can be exported to nations with a low RCA (Sarath Chandran, 2010). Similar RCA features between two countries indicate that there are limited chances to develop productive trade relations between the two.

$$RCA_{ij} = (X_{ij} / X_{it}) / (X_{wj} / X_{wt})$$

Where,

X_{ij} - Country i’s exports of product j

X_{wj} -world exports of product j

X_{it} -Country i’s total exports

X_{wt} -world total exports.

If RCA value is <1 , it means the country has a revealed comparative disadvantage in that product. Similarly, if value is more than one, it implies country has a competitive advantage in that product.

The changing trends in Australia-India bilateral trade relations can be understood by the Trade intensity index (TII). TII is the ratio of a trading partner’s share to a country/region’s total trade and the share of world trade with the same trading partner. TII also highlights the relative importance of low levels of trade (in absolute terms) between countries. The value TII always varies between zero and infinity. An index greater than one implies that trade between two countries is greater than expected considering how significant they are to global trade. This index is based on importance of trade value at global level. TII was explained by Kojima (1964) and Drysdale (1969).

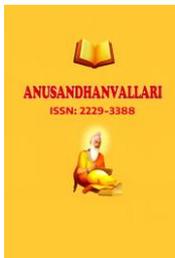
Export intensity Index (EII) of Australia and India:

$$EII = (XIG / XI) / (MG / (MW - MI))$$

Where XIG = India’s export to Australia

XI = India’s total export

MG = Total import of Australia



MW = Total world imports

MI = Total imports of India

Import intensity index (III) of Australia and India:

$$III = (X / M) / (X / (X - X))$$

Where,

XIG = Import of India from Australia

MI = Total import of India

XG = Total export of Australia

XW = Total world export

XI = Total export of India.

When two nations decide to have a free trade relation, this decision involves widespread benefits for both. This is done by calculating the trade potentials of both countries. For a given commodity, if import is compared with its export, then after excluding the existing trade in that commodity, the trade potentials could be estimated under the most favourable conditions of competition (Bano et al., 2013).

Trade potential can be calculated as: Trade Potential = [minimum (XE YM) -BE]

Where,

XE =Country X's total export.

YM = Country Y's total import

BE= Bilateral exports from one country to another

Barriers in India-Australia Merchandise Trade

In the current study, tariffs at 6-digit HS Code is taken into consideration, using TRAINS based WITS data for the year 2021. Since ECTA came into force on December 29, 2022, the effectively applied tariff on Australia remained the same as the MFN tariffs. **Tariffs on India's Imports from Australia**

The simple average of the effectively applied tariff (AHS) imposed by India on its imports from Australia is the tariff that the Australian exporters face while exporting to India. There are 143 tariff lines (at 6-digit HS code) that has effectively applied tariff rate of 0%, which amounted to the total imports of US\$ 183.5 million in 2021. The duty-free products correspond to a meagre 1.2% of the total imports of India from Australia in 2021. There are 77 tariff lines under 01%-03% effectively applied tariff rates, which correspond to the highest share of 80.6% of India's total imports from Australia in 2021, amounting to US\$ 12.2 billion. Cumulatively, 98.1% of Indian imports from Australia face an effectively applied tariff rate of less than or equal to 15% when exported to India. 672 tariff lines face effectively applied tariff ranging between 15% - 150%, with the total import share of 1.1% in 2021. There were 69 tariff lines, majorly belonging to coffee, tea and spices (HS-09), beverages (HS-22) and automobiles (HS-87), with an effectively applied tariff of 100% and above.

Tariffs on Australia's Imports from India

Australia, being a developed region, has low MFN and effectively applied tariffs, thus promoting free and easy trade with its partners. There are 1,098 tariff lines (at 6-digit HS Code), with Australian imports of



US\$ 3.8 billion from India in 2021, on which Australia imposes the effectively applied tariff of 0%. products constitute more than half (59.6%) of Australia's imports from India in 2021. There are 427 tariff lines, with imports amounting to US\$ 425 million under the 1%-3% effectively applied tariff level category, which corresponds to 6.7% of Australia's imports from India in 2021. Subsequently, there are 2,017 tariff lines, with Australia's imports from India amounting to US\$ 2.1 billion, facing effectively applied tariff between 3% to 5%.

Barriers in India-Australia Trade

There is wide consensus that liberalization of trade and FDI can lead to improved resource allocation across firms and sectors, boosting productivity and output. The most common barrier to trade is a tariff, which are customs duties on merchandise imports. Tariffs give a price advantage to locally produced goods over similar goods which are imported, and they raise revenues for governments. The different types of tariff terminology and data used in the present analysis are as follows.

Most Favoured Nation Tariff

The most favoured nation (MFN) tariffs are what countries promise to impose on imports from other members of the WTO, unless the country is part of a preferential trade agreement (such as a free trade area or customs union). Thus, in practice, MFN rates are the highest (most restrictive) tariffs that WTO members charge one another. Some countries impose higher tariffs on countries that are not part of the WTO. In some rare cases, WTO members/GATT contracting parties have invoked the "Non-Application Clause" of WTO/GATT agreements and chosen not to extend MFN treatment to certain other countries.

Bound Tariff

Bound tariffs (BND) are specific commitments made by individual WTO member governments. The bound tariff is the maximum MFN tariff level for a given commodity line. When countries join the WTO or when WTO members negotiate tariff levels with each other during trade rounds, they make agreements about bound tariff rates, rather than actually applied rates. Bound tariffs are not necessarily the rate that a WTO member applies in practice to other WTO members' products. Members have the flexibility to increase or decrease their tariffs (on a non-discriminatory basis) so long as they do not raise them above their bound levels. If one WTO member raises applied tariffs above their bound level, other WTO members can take the country to dispute settlement. If the country does not reduce applied tariffs below their bound levels, other countries could request compensation in the form of higher tariffs of their own. In other words, the applied tariff (actual tariff) is less than or equal to the bound tariff in practice for any product. The gap between the bound (committed and difficult to increase) and applied MFN rates is called the binding overhang. It is argued that a large binding overhang makes a country's trade policies less predictable. This gap tends to be small on average in industrial countries and often large in developing countries.

Tariff on India's Imports from Australia

In the current analysis, tariffs at 6-digit HS Code is taken into consideration, using TRAINS based WITS data for the year 2021. Since ECTA come into force only in December 2022, the effectively applied tariffs on Australia remained the same as the MFN tariffs.

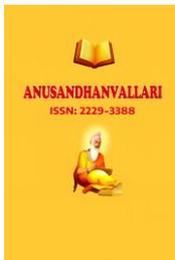
Table .1

Effectively Applied Tariff on India's Imports from Australia in 2021

Effectively Applied Tariff Rates (%)	No. of Tariff Lines (at 6-digit HS Code)	Total Imports (US\$ million)	Share in Total Imports (%)
0	143	183.5	1.2
1-3	77	12178.30	80.6
3-6	217	517.5	3.4
6-9	1274	560.4	3.7
9-11	1472	214	1.4
11-15	334	1172.56	7.8
15-20	340	18.23	0.1
20-25	24	1.6	0.01
25-30	156	127.89	0.8
30-35	43	1.9	0.01
35-80	30	2.7	0.02
80-100	15	0.3	0.002
125	4	0.6	0.004
150	50	10	0.1
Rate Not Specified	239	113.5	0.8
Total	4428	15103.0	100.00

Source: WITS Database and India Exim Bank Research

In table 1 explains the disintegrates the simple average of the effectively applied tariff (AHS) imposed by India on its imports from Australia, which is the tariff that the Australian exporters face while exporting to India. There are 143 tariff lines (at 6-digit HS Code) that has effectively applied tariff rate of 0%, which amounted to the total imports of US\$ 183.5 million in 2021. The duty-free products correspond to a meagre 1.2% of the total imports of India from Australia in 2021. There are 77 tariff lines under 01%-03% effectively applied tariff rates, which correspond to the highest share of 80.6% of India's total imports from Australia in 2021, amounting to US\$ 12.2 billion. Cumulatively, 98.1% of Indian imports from Australia face an effectively applied tariff rate of less than or equal to 15% when exported to India. 672 tariff lines face effectively applied tariff ranging between 15% - 150%, with the total import share of 1.1% in 2021. There were 69 tariff lines, majorly belonging to coffee, tea and spices (HS-09), beverages (HS-22) and automobiles (HS-87), with an effectively applied tariff of 100% and above.



Tariffs on Australia’s Imports from India

The tariffs imposed by Australia on India’s exports at 6-digit HS Code level using TRAINS based WITS data is analysed in the current section. Australia, being a developed region, has low MFN and effectively applied tariffs, thus promoting free and easy trade with its partners.

Table 2

Effectively Applied Tariff on Australia’s Imports from India in 2021

Effectively Applied Tariff Rates (%)	No. of Tariff Lines (at 6-digit HS Code)	Total Imports (US\$ million)	Share in Total Imports (%)
0	1098	3798.71	59.6
1-3	427	425.0	6.7
3-5	2017	2145.6	33.7
Total	3542	6369.10	100.0

Source: WITS Database and India EXIM Bank Research

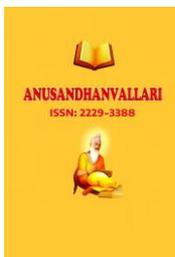
In table 2 explains the disintegrates the simple average of the effectively applied tariff by Australia on Indian exports. There are 1,098 tariff lines (at 6-digit HS Code), imports for which amounts to US\$ 3.8 billion in 2021, on which Australia imposes the effectively applied tariff of 0%. These products constitute more than half (59.6%) of Australia’s imports from India in 2021. There are 427 tariff lines, with imports amounting to US\$ 425 million under the 1%-3% effectively applied tariff level category, which corresponds to 6.7% of Australia’s imports from India in 2021. Subsequently, there are 2,017 tariff lines, with Australia’s imports from India amounting to US\$ 2.1 billion, facing effectively applied tariff between 3% to 5%

Table.3

Tariff Intensity index between Australia and India Trade Relation

Year	India’s trade intensity index with Australia		Australia’s trade intensity index with India	
	Export intensity index (EII)	Import intensity index (III)	Export intensity index (EII)	Import intensity index (III)
2014-2015	0.97	2.04	1.74	1.08
2015-2016	0.92	1.99	1.83	1.02
2016-2017	0.99	2.38	1.85	1.02
2017-2018	0.92	2.09	1.51	1.05
2018-2019	0.95	1.49	1.41	1.01
2019-2020	1.02	1.35	1.32	1.12
2020-2021	1.26	1.43	1.35	1.14
2021-2022	1.19	1.23	1.23	1.07
2022-2023	1.13	1.331	1.45	1.17

Source: Calculated value



The above Table 3 shows trends in the trade intensity of Australia and India with respect to each other. The value of export intensity index (EII) of India remains below 1 initially but has been rising since 2015 and after 2020, India's EII value reached one and is rising. On the other hand, the value of trade intensity for Australia's exports to India constantly remains above 1 although the values fluctuate each year. As of 2011, TII of Australia shows a continued decline. In 2004, EII of Australia is 4.27, which shows a very intense relation with India in that year. The reason behind declining trade trend after 2005 could be attributed to the economic crisis which affected both Australia and India. Export and import intensity indices show the ratio of the share of country i's trade with country j's relative to the share of world trade destined for country.

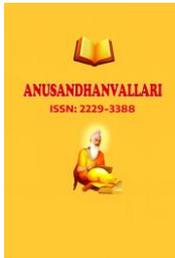
The value of export and import trade indices above/below than one is a sign of larger/smaller than expected trade flows between two countries engaged in trade (Wu and Zhou, 2006). The above table shows that India's EII was $<$ till 2020 but is steadily rising. This indicates that the export level of India to Australia is less than that of Australia in the world market share but that India is doing better now. Also, the import intensity index (III) of India with Australia is above one which means that the import level of India with Australia is less than Australia's import share in the world market.

On the other hand, Australia's export intensity index (EII) shows declining trend that states that Australia's exports to India is greater than India to the world. Australia's import intensity index (III) also shows a decline along with the export intensity index (EII) which means that Australia's imports from India are declining than that of India's share in world market. Further comparing, Australia's export intensity index (EII) with India's export intensity index (EII), it shows that India's export intensity index (EII) is smaller than UK's. Thus, India's dependence on Australian exports is much stronger than that of Australia on India's export market. While Australia's import intensity index (III) is greater than India's import intensity index (III), showing that Australia's dependence on Indian market is much less than that of India's dependence on Australia.

Suggestions for the study

India and Australia could also work towards drawing up 'Mutual Recognition Agreements' (MRAs). MRAs are bilateral agreements focusing on benefitting industries through reduction of technical barriers, by providing easier access to conformity assessment, thereby facilitating wider market access and promoting trade. Mutual recognition agreements lay down the conditions under which one Party will accept conformity assessment results performed by the other Party's designated conformity assessment bodies (CABs) to show compliance with the first Party's requirements and vice versa. Conformity assessment (i.e., product safety and standard testing) may take various forms, including inspection, testing, certification and licensing according to technical regulations and standards which are aimed at preventing safety, environmental and health risks. Broadly, MRAs include relevant lists of designated laboratories, inspection bodies and conformity assessment bodies in both India and its trading partners. Entering into MRAs could significantly expand the market access of India's exports (both goods and services) and lead to better price discovery in partner countries, especially the ones that are also the co-signatories to trade agreements. The MRAs with Australia could be focussed on areas like regulatory standards, conformity assessment, accreditation procedures, qualifications, visas and social security. MRAs could be part of India Australia CECA, which will facilitate the freer movement of people between the countries. MRAs are not expected to override local laws. Instead, the agreements are applicable only in accordance with prevailing laws and regulations of the host country.

Some of India's existing MRAs in Services include: • MRA between the Institute of Chartered Accounts of India (ICAI) and the Certified Practising Accountant (CPA), Australia.



1. MRA between the Institute of Chartered Accounts of India (ICAI) and the Malaysian Institute of Certified Public Accountants (MICPA) to enable appropriately qualified Chartered Accountants of either Institute to join the other Institute by receiving appropriate credit for their existing accountancy qualification.
2. Indian Customs has signed MRAs with the Customs Administrations of South Korea, Hongkong and the US for the recognition of Authorised Economic Operators (AEOs), for faster export clearance.
3. India has signed MRA in Nursing with Singapore, where Singapore recognised seven Indian nursing institutions.

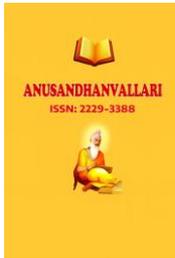
Under the ECTA, the annex on professional services mentioned about encouraging MRAs in professional services. Recently, India and UK signed an agreement for mutual recognition of educational qualifications, as part of the UK-India Enhanced Trade Partnership (ETP). It will allow Indian students who graduate from British universities to apply for postgraduate qualifications, or embark on government careers that require university qualifications, when they return back to India.

Conclusion

India's trade with Australia has increased remarkably over the past years. However, India's exports are still lacking compared to Australia and there is a deficit in the trade balance of the country. Even though India's trade balance with Australia is deficient, India still has comparative advantage in multiple goods over Australia. Thus, to balance the trade, India should focus to export products and services which have a comparative advantage over Australia. Both countries also have the potential to trade higher in several commodities as shown by their trade potentials. Thus, the actual trade can grow in comparison to the potential between the two countries. India's trade Intensity Index has also been steadily rising since 2015. This is significant indication for the India's growing trade capability with Australia. There are several potential areas of interest to both countries. For these reasons, the recently signed FTA between Australia and India will give both countries new prospects for growth as well. This Free Trade Agreement will reduce tariffs on various goods and services create opportunities for businesses of both countries to expand in each other's markets and boost economic growth strengthening the strategic partnership between Australia and India.

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