

Oz to others: India's growing heft demands confidently leapfrogging from Australia FTA to bigger trade deals

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India's wrapping up of the free trade agreement with Australia soon after a deal with UAE sends global signals that its trade policy is moving into higher gear. By showcasing Indian readiness to lower import duties on a range of goods and Australia's willingness to ease mobility for professionals, this deal could give greater impetus to other FTA negotiations. It is a win-win for both sides. Indian industry gets cheaper access to raw materials like coal, aluminium and metallic ores while Indian professionals secure liberal visa concessions. Australian wines, wool, sheep meat, onions, almonds and other horticultural products will benefit from tariff reductions.

Notably, India will reportedly highlight the mobility concessions for Indian professionals by Australia in its ongoing UK FTA negotiations. This had also hindered an EU FTA deal, which the commerce ministry is targeting for a mid-2023 inking, and will be an issue in any India-US deal. There is no alternative to realistic give-and-take on market access. The Australia FTA removes tariff disadvantages India suffered in merchandise exports of labour-intensive goods vis-à-vis China and Asean countries because of RCEP. Leaning towards import substitution will blunt India's export competitiveness over time. It denies India cheaper components that reduce product manufacturing costs.

Dairy products, rice, wheat, sugar, apples and iron ore have been excluded by Oz, evidently due to Indian political and industry sensitivities. Hopefully, these won't be dealbusters for FTAs with other key countries/trade blocs. Russia's invasion of Ukraine with its impact on energy and farm supply chains and altering of geopolitics calls for India to firm up trade agreements faster. The India-Australia FTA may belong to the realm of trade, but it's hard to miss the strategic considerations. As bilateral trade and thereby mutual trust grow, it will be easier for both sides to get on the same page in countering China's dominance in the Indo-Pacific region. FTAs offer India another shot at boarding the manufacturing bandwagon. Don't lose this momentum.