India – Australia Agriculture Trade Issues

Mains: *GS-III – Economy*

Why in News?

With the Australian Foreign Minister in India for the Quad Foreign Ministers' meeting, India is likely to expand its 2022 Economic Cooperation and Trade Agreement (ECTA) with Australia into a Comprehensive Economic Cooperation Agreement (CECA).

What about the 2022 Economic Cooperation and Trade Agreement (ECTA)?

- **Ind-Aus ECTA** – It was signed in 2022, a landmark free trade deal between the two nations.
- **Features of ECTA**
- **Zero-Duty Access** – India granted preferential market access on *70.3% of its tariff lines*, covering 90.6% of trade value.
- In return, Australia granted preferential market access on *100% of its tariff lines*, corresponding to 100% of imports from India.
- **Sectoral Boost** – Key industries—including textiles, pharmaceuticals, chemicals, and agriculture—have seen significant growth.
- India also benefits from reduced tariffs on vital raw materials from Australia, such as base metals, raw cotton, chemicals, fertilisers, and pulses
- **Exclusions** – To protect domestic industries, India excluded sensitive *agricultural and dairy products* from the tariff cuts.
- **Trade Goals** – The agreement set an ambitious target to double bilateral trade to *$100 billion by 2030*.
- **CECA** – Trade negotiators have been *actively working* to build upon the ECTA to finalise the more ambitious Australia-India Comprehensive Economic Cooperation Agreement (CECA).
- **Aim** – To *broaden the scope* of the agreement to cover digital trade, government procurement, and deeper investment ties.

What is the current state of India-Australia trade relations?

- **Bilateral Merchandise Trade** – Since ECTA, the trade doubled from $12.2 billion in FY 2020-21 to $24.1 billion in FY 2024-25.
- The benefits have not been evenly distributed, with Australian exports to India accounting for *nearly two-thirds of the bilateral trade*.
- **Services Trade** – Even in services, where bilateral trade has crossed $10 billion, Australia's higher education sector alone accounts for close to 60%.

- **Investment Trends** – In contrast, investment trends show the reverse pattern — India's investments in Australia stood at $32 billion in 2024, while Australia's FDI in India was only around $18 billion.
- **Market Access Dilemma** – Australia seeks parity in market access, but for India, the issue is not simply about granting more access.
- The real question is whether India can trade some market access for a more balanced overall relationship.
- **Economic Engagement Roadmap, 2025** – Australia has identified four bilateral 'superhighways' for India –
    - Clean energy,
    - Education,
    - Tourism, and
    - Agribusiness.
- On the first three, there appears to be broad alignment, but not on the fourth - Agriculture is where this bargain becomes most difficult.

What are the issues with respect to agriculture between the two countries?

- **Agricultural Market Access** – India has restricted access to its agricultural market in nearly all its major trade agreements.
- Under ECTA, India kept its most vulnerable sectors (dairy, wheat, rice, sugar, chickpeas) outside the deal.
- Despite this, Australian farm exports to India have risen by nearly 90%, while Indian agricultural exports to Australia have grown more modestly by 35%.
- **Structural Asymmetry** – This asymmetry reflects two very different agricultural realities.
- **Farm Size** – The average Indian farm is about 0.73 hectares; the average Australian farm exceeds 1,400 hectares.
- **GDP Share** – Agriculture contributes around 16% to India's GDP and 2.5% to Australia's.
- For Australia, agriculture is an *export industry*, whereas for India, it is a *livelihood* that supports more than half of its population and remains the bedrock of its food security.
- **Mis-framing of "Level Playing Field"** – A "level playing field" ignores structural differences.
- Indian farmers, even with subsidised inputs, remain structurally exposed to monsoon variability, fragmented landholdings and thin margins.
- Protecting the Indian market from cheap Australian imports, particularly wheat, is not a negotiating position; it is a political necessity.
- **Negotiation Challenge** – Yet, given the industrial scale of Australia's farming, Australia will continue to push India to open its farm market fully.

What needs to be done to overcome the challenges?

- **Moving Beyond Zero-Sum Game** – Agricultural trade talks between the two countries need not be adversarial.
- Agriculture can become the sector through which India converts Australia's demand for market access into a broader opportunity for institutional cooperation and

investment.

- **Biosecurity & Standards Cooperation** – The future of India-Australia agricultural trade must *depend less on tariff concessions and more on mutual recognition* of biosecurity and phytosanitary standards.
- Building on the 2025 organic products arrangement, both countries can expand cooperation in
    - Digital certification,
    - Quarantine protocols and
    - Regulatory alignment.
- This would give Indian farmers a fairer shot at the Australian market even as India considers reciprocal access for Australian farmers.
- **Exporting Agricultural Systems** – Australia's strategic opportunity in India may lie not just in commodities but in systems and technologies that make modern agriculture possible -
    - Precision farming technologies,
    - Cold-chain infrastructure,
    - Water management expertise and
    - Climate adaptation practices.
- India loses anywhere from 15% to 35% of its agricultural output to pests, disease and post-harvest inefficiencies every year.
- Australia's extensive experience in dealing with drought cycles, heat extremes and water scarcity is knowledge that would interest India.
- **Investment Imperative** – This experience sharing must go hand-in-hand with real investments.
- Australian capital, technology and know-how must register a deeper presence inside India's agricultural sector — in
    - Storage facilities,
    - Logistics networks,
    - Farm-level tools and
    - Agri-technology partnerships between firms, universities and local governments.
- The recently launched *India-Australia Smart Farm Network Initiative* points in the right direction.

What lies ahead?

- Agriculture is too politically important in India to be treated as just another line item in a trade schedule; equally, it is too economically important to be left outside the bilateral partnership altogether.
- Rather than making the new FTA one of absolute symmetry in market access alone, India and Australia should make it an agreement based on complementarity across trade and investment.

References

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