

Submission to Department of Foreign Affairs and Trade: India Comprehensive Economic Corporation Agreement (AI-CECA) - Industry Consultation

An early harvest agreement is a critical trust building exercise for AI-CECA negotiations

Early harvest agreements (EHAs) are a common feature of bilateral FTA negotiations. They are used to build trust and reciprocity between negotiating parties, particularly in cases where policy asymmetries mean one party will be required to make larger market access offers. An EHA is a useful political tool for a party to telegraph to the other (and its domestic stakeholders) that it intends to make tangible and concrete market access offers, smoothing the way for more productive subsequent talks. It also helps demonstrate the value of a trade partner in comparison to others that might be negotiating at the same time.

India is particularly fond of EHAs, and has used them in the past as a trust building measure along the path to the negotiation of an FTA. They are particularly common for India due to domestic sensitivities over bilateral trade imbalances, as they allow the partner to demonstrate concrete market access gains to Indian stakeholders. For example, the Indian EHA with Thailand, helped ease the negotiation of a bilateral FTA through its elimination of tariff duties for 83 different goods. India has telegraphed it intends to include EHAs in its current bilateral negotiations with Australia, the UK and UAE.

For Australia, the utility of an EHA with India therefore lies less in securing Australian market access concessions, and more in its ability build confidence with the Government of India and its domestic stakeholders that a high-quality AI-CECA will provide tangible benefits.

Australia can build this confidence by including a tangible and politically attractive liberalisation measure in the Indian EHA. China successfully employed this strategy during bilateral FTA negotiations with ASEAN in the early 2000s. The EHA significantly reduced China's tariffs on key ASEAN agricultural products, given Southeast Asian agricultural exporters access to China's huge domestic market prior to the establishment of the FTA. This helped smooth concerns in ASEAN regarding the impact of the FTA on farm incomes. The concessions in the EHA also distinguished the value of China as a trade partner from Japan, which was also negotiating with ASEAN at the time.

Australia's EHA with India must achieve the same objectives. It will need to assuage Indian concerns around adverse effects on the farm sector, and burnish Australia's value proposition given India is concurrently negotiating with the UK, the EU and UAE. Potential Australian offers that are front of mind for Indian negotiators such include market access in automobiles, textiles, readymade garments and pharmaceuticals; and movement of natural persons (MNP) regulations for skilled workers.

The EHA could offer technical assistance in sensitive sectors to build confidence in India

Agricultural trade liberalisation will be a central, but sensitive, topic within AI-CECA negotiations. Enhancing agricultural productivity, competitiveness, and rural growth is a strategic priority for the Indian government and Australia is uniquely placed to be a trusted partner in productivity improvements. The EHA could therefore help reduce sensitivities by including provisions that promote technical assistance or development cooperation in agriculture. These measures would

- Showcase Australia's ag-tech capabilities and value to the Indian agricultural market,
- Position Australia as a supportive technology partner, rather than threatening source of imports, to India's agricultural sector
- Serve as a starting point for subsequent negotiations in services, consulting and technology beyond the agricultural sector
- Establishing Australia as a food security partner to drive stronger outcomes in negotiations over agricultural market access

Sectors of future importance to the bilateral should be prioritised over traditional sectors

Despite periodic fluctuations, Australia's services exports to India have been growing steadily. While traditionally driven by education, interruptions due to the COVID pandemic create a need to build a more diverse base of services exports. The EHA should prioritise the development of future-oriented services, such as the financial and professional services sectors. As market access in services will be central in India-UK FTA negotiations, Australia should use the EHA as an opportunity to demonstrate our comparative value as a services trade partner.

Given the recently announced India-Australia MOU on Cyber Cooperation and Bengaluru Centre for Critical Technology and Cyber, technical cooperation in cyber and critical technology should also be prioritised in the EHA. This could comprise sector-specific intellectual property measures necessary to encourage joint research and commercialisation. This may pave the way of the larger AI-CECA project of ensuring Australia and India's digital economies are interoperable in areas such as data standards and security.

An EHA should encourage Australian businesses to build their commercial presence in India

Growing the Australia-India economic relationship – in both trade and investment – will require a greater commercial presence of Australian businesses in the Indian market. The EHA should therefore target provisions that will attract a broader range of Australian businesses to opportunities in India. This could include ease of doing business measures (particularly in aforementioned services and technology sectors). This could also address non-tariff barriers to trade, through joint reforms to customs and other regulatory procedures. By building interest amongst Australian businesses in India market opportunities early, these provisions will aid quicker uptake and utilisation of AI-CECA upon entry-into-force.

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