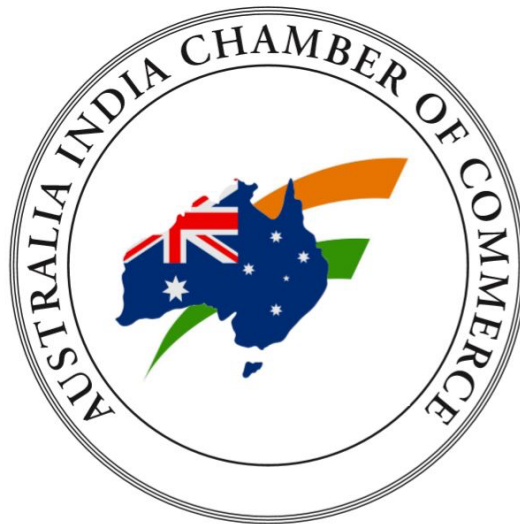


# Submission for the Comprehensive Economic Partnership Agreement



THE UNIVERSITY  
*of* ADELAIDE

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# Round Table Discussion on the Australia-India Comprehensive Economic Cooperation Agreement (CECA)

The Australia India Chamber of Commerce Limited (“AICC”) is the peak bilateral chamber of commerce promoting trade and commerce between Australia and India. The AICC with the assistance of the University of Adelaide is pleased to put forward this submission for the current CECA negotiations. The AICC is establishing national working groups in the key sectors identified as part of the India Australia Economic Strategy and will continue to provide inputs towards the development of a Free Trade Agreement.

The Australia-India relationship is on an upward trajectory owing to both countries’ growing geopolitical tension with China and the trade complementarities between the two economies. The two-way trade in goods and services has grown in value from \$13.6 billion in 2007 to \$24.3 billion in 2020. Further liberalization and deepening of the trade and investment relationship between the two countries will help India to boost its export capability, attract foreign investment and foster domestic industrial competitiveness. For Australia, the improved economic relationship will give access to one of the most rapidly growing markets and the biggest populated economy by 2050.

Accordingly, in a recent [ministerial meeting](#) the two countries relaunched the Australia-India Comprehensive Economic Cooperation Agreement (CECA) negotiations, and they have [agreed](#) to exchange market access offers by the end of October.

On 29<sup>th</sup> of September 2021, the AICC organized a Round Table on the CECA negotiations with Mr. Tony Abbott (former Australian Prime Minister and Special Trade Envoy to India), also featuring Mr Ted Baillieu (former Premier of Victoria), High Commissioners Barry O’Farrell (Australia) and Manpreet Vohra (India), and key business stakeholders. This report illustrates the key points raised in the round table discussion. In particular, we provide the roundtable participants views on what the CECA should cover, as well as comments and questions about its potential contents.

## Why Economic Partnership with India?

Participants stressed that CECA is not a substitute for the damaged Australia relationship with China. For instance, **Mr. Maurice Newman** noted that the India-Australia relationship is a relationship in its own right. Nonetheless, owing to their growing mutual defence interests, the paramount need to diversify their supply chains, and the continued and increasing links that bind Australia and India, CECA will be the best possible agreement to establish an easy, normal, trusting and productive relationship between the two countries.

**Mr. Abbott** concurred, describing the Australia and India economic relationship as one between two natural partners, for five main reasons. First, the two countries are substantially like-minded in a way that so many of the countries in the region are not. Second, both countries have a shared commitment to democracy and the rule of law. Third, they both speak English as a common language. Fourth, Australia is home to a large Indian diaspora, there being close to a million Australians of Indian origin. Fifth, Australia and India have very complementary economies. Australia is an agricultural commodity producer, substantial resource economy and significantly competitive service economy. For instance, Australia can be a reliable source of strategic minerals that India needs for its manufacturing and electrified economy. India has the capability to manufacture on a scale that Australia needs. Furthermore, Mr. Abbott explained that India is currently in a stage of economic take off comparable to China 20 years ago. Contrary to many people’s underestimation, he noted that the extraordinarily massive scale of infrastructure building will significantly transform India’s economy in about five years.

Therefore, in his view every Australian business should have an India strategy, as we need a reliable supply chain partner and a larger middle-class household (as large as China) that has a significantly growing potential to buy Australian goods. “If we can pull this deal off it will actually be the most important trade deal that we have done,” he said.

The **Hon. Lisa Singh** stated that the Australia-India economic partnership, cemented through a full free trade agreement, is very important since India is changing from an informal to a formal economy. Some of the structural drivers for India’s economic change are increased urbanization, infrastructural growth and the outbreak of the Covid-19 pandemic. She further reiterated that Australia wants to establish the CECA economic partnership since India is one of the rapidly growing economies in the world and because of the two countries’ growing alignment in economics and geo-economics.

### **What are the low hanging fruit sectors in CECA?**

The low hanging fruit sectors are the areas of [immediate interest](#) that both parties have very positive interest in. These sectors will be covered by the interim Early Harvest Agreement (EHA) to help industries and consumers in the two countries to start reaping the benefit of the agreement. The Indian commerce and industry minister Piyush Goyal and the Australian minister for trade, tourism and investment Dan Tehan have agreed to conclude the EHA by the end of this year and CECA by the end of 2022. In the press address to the media, Minister Piyush Goyal stressed that the interim agreement will have a great demonstration effect to look at other sectors and expand the contours of the full free trade agreement (CECA).

During the roundtable discussion some of the key sectors with high economic complementarity potential for the Australia-India trade cooperation were identified, as follows.

### **Minerals and Resources**

Increasing urbanization, rising household incomes, and recent industrial policy reforms in India will drive greater demand for Australian mineral resources, such as metallurgical coal, copper, gold and, to a lesser extent, iron ore. In particular, these will provide inputs into India’s [production linked incentives](#) (PLI) scheme, a program designed to nurture domestic manufacturing capabilities through subsidies. On February 2021, the Indian Finance Minister [announced](#) that around \$270 billion is allocated to support 13 strategic industries<sup>1</sup> to create national manufacturing champions and to create employment opportunities for the young labour force. Given Australia’s rich resource wealth, it could be a good resource supplier into India’s manufacturing revival.

India is heavily dependent on China to source different critical minerals. Australia has moderate to high reserves of [24 critical minerals](#). India’s transition to industry 4.0 including key industries such as telecommunications, electronics, energy, healthcare, defence, aerospace, and transportation requires Australia’s reliable critical mineral and rare earth elements supply. The Australian government has released a ‘critical minerals strategy’ to position the country as the ‘world powerhouse’ in critical minerals, which India needs to power its new energy economy. In particular, a [recent ISAS study](#) identified that Australia could be a reliable supplier of 11 critical minerals to India.<sup>2</sup> Economic

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<sup>1</sup> Some of the strategic sectors covered by the PLI scheme are electronic/technology products, pharmaceuticals drugs, telecom and networking products, food products, white goods, high efficiency solar PV modules, automobiles & auto components, advance chemistry cell (ACC) battery, textile products, semiconductors, and specialty steel.

<sup>2</sup> These critical minerals are Antimony, Chromium, Cobalt, Gallium, Germanium, Lithium, Rare earth elements, Rhenium, Tantalum, Vanadium, and Zirconium.

collaboration in this sector will pave the way to establish stable, secure, and resilient supply chains in critical and strategic minerals.

Based on their earlier work on critical minerals supply chain opportunities, in separate correspondence the Australia and India Chamber of Commerce (AICC), Austrade, Minter Ellison and Monash University have suggested the following to be incorporated into the CECA agreement:

- ✓ Consider a free and more open trading and investment arrangement for critical minerals and bring Japan and Korea into this partnership as they have tremendous capabilities and technical knowhow in downstream processing.
- ✓ Set up seed funding to encourage Business to Business (specifically SMEs) collaboration that supports transformative investments in technologies and processes around critical minerals.
- ✓ Provide a dedicated funding mechanism, similar to that of the Australia-India Cyber and Critical Technology Partnership Grant, to engage in joint R&D projects and foster strategic collaborations that will look at critical minerals extraction, processing and supply chain supports.
- ✓ Set up a joint 'Supply Chain Resilience Initiative Taskforce (this was identified by A-J-I ministerial dialogue)', involving representatives from Government, Industry, Academia and Professional bodies that will have time bound deliverables.
- ✓ Establish an Australia-India-Japan-Korea joint 'Conference on Critical Minerals Exploration, Production and Processing' (once every two years) that is supported by an Annual quadrilateral meeting with invitees from the UK and US.
- ✓ Development of a 'critical minerals Indo-Pacific hub' led by industry and government stakeholders across regions that supports and connects partnerships and investors with shareholder, IP, technology, finance and off-take agreements. It could also act as a consortium of buyers/commodity traders.

## Education Sector

According to [Peter Varghese](#), there is no sector with greater promise than Australian education to increase exports to India. Australia exports high quality international education, and Australia's future growth and prosperity will be driven by the success of this sector. Education services imports are also critical for India, as it cannot meet its education demand on its own. As a world-class education provider, Australia is well placed to fill India's education deficit. Therefore, Australia can educate high calibre Indian university students. Collaboration in the sector between the two countries can also be strengthened by increasing research links, and Australia providing secondary, vocational and online education to Indian students.

In the AICC roundtable discussion, the prospects for the education sector were flagged. For example, **Indu Shahani** asked Mr Abbott and the other panellists if two-way mobility of skilled and specialist workers in the technology sector is under consideration in CECA. **Professor Paul Wellings** also asked about the prospects for university-to-university collaboration to deliver online education for the 400 million Indians that need technical skills such as those provided by TAFE in the Australian system. **Professor Jane Drake-Brockman** commented that both online education and people-to-people mobility are very important. Australian companies are outsourcing services such as IT services, technical R&D, computer services, back and front office services, and management services to India.

Professor Drake-Brockman noted that CECA should further deepen these links, but that this depends on **cross-border transfer of data** and noted further that the India regulatory environment is very volatile with respect to data protection, digital tax, custom duties on e-transmission, etc. Therefore, she advised that CECA should offer the scope to improve regulatory cooperation in people mobility and digital aspects of trade. **Mr Ben Vella** mentioned the increasingly important role of digital in cyber security,

data sovereignty and digital customs for movement of goods. The recently concluded Singapore-Australia digital economy agreement has started to address some of these areas and promoting trade flow by creating certainty for small and large companies about how they operate in the digital environment. Mr Vella asked if CECA will explore such an agreement and how we will learn from the Singapore-Australia digital economy agreement.

**Mr. Abbott** commented that he thinks the EHA will have some labour mobility component. In particular, he encouraged Australian negotiators to allow suitably qualified Indian professionals to come to, live, and work in Australia to deepen the economic partnership. **Mr. Michael Moignard** also suggested building an online trade and investment service infrastructure that will allow easier connections between the two economies.

### **Pharmaceuticals and health sector**

India has a very competitive and vibrant pharmaceutical sector and CECA will enable India to access a very reliable market in Australia. India also significantly depends on China to source raw materials for the pharmaceutical sector. Given India's deteriorating bilateral relationship with China, its economic partnership with Australia may create a conducive environment for Australia to provide pharmaceutical raw materials.

While India's health sector is growing and modernizing, it will also not keep pace with the rising demand. Therefore, a range of opportunities exist for cooperation between the two countries. [Peter Varghese](#) identified co-development of products (for example joint production of medical devices), value chain integration, digital health and R&D collaboration as prospective opportunities. The AICC roundtable participants also indicated a vaccine production partnership as a potential area for consideration in CECA.

### **The Energy Sector**

Driven by economic growth, urbanization, rising income and industrial activity, India's energy demand will continue to increase significantly providing a growing opportunity for Australia. In particular, Australia's comparative advantage in the hydrogen industry could [align well](#) with India's National Hydrogen Mission. The [CSIRO lead two-year](#) \$5M international hydrogen Research, Development and Demonstration collaboration program could also support collaboration between Australian and Indian research organizations to boost hydrogen capabilities.

**Mr. Vikram Singh** stated that the key role of hydrogen is to contribute to decarbonizing both the Indian and Australian economies. According to Mr. Singh, more than 20GW of electrolysis is required in Australia alone. So large-scale hydrogen production technology will be required to supply this growing market. With its solar resources India is also well placed to deploy renewable hydrogen for mobility and industry and reduce its reliance on oil imports. He suggested that this is an area where India can take a leadership position and deploy manufacturing at scale in India and in Australia.

### **Agriculture, Agri-business and agro-processing**

India processes only 6-7% of the fruits and vegetables produced domestically. Therefore, CECA will create a good opportunity for Australian investors to engage in Indian agri-business and agro-processing sectors. However, **Mr. Abbott** highlighted that agriculture is a sensitive sector in India. Because of that, it is unrealistic for Australia to expect zero tariffs for some Indian agricultural import

products anytime soon. Therefore, he suggested “Australia will reduce the tariff for all products coming from India to zero” but should also expect a reasonable tariff on some Australian export products, for example, zero tariff on high quality Australian Coal and Wool and reduction of the 150% Indian tariff on Australian Wine to some reasonable level.

### Other potential sectors and areas

In another recent webinar organized by the Institute for International Trade (IIT), Mr. Pranav Kumar from the Confederation of Indian Industry (CII) pointed out that besides the above key sectors, there are potential opportunities in digital transformation, tourism, and the automobile industry. For instance, Australia has a big potential to be a destination for Indian tourists. Furthermore, Australia can be a good supplier of resources for electric vehicle production in India. In the AICC roundtable meeting, **Mr. Ambuj Agarwal** indicated the big potential role of Australian superannuation funds to actively participate in the Indian infrastructure sector, similar to how Canadian and British super funds are participating. He also encouraged the formation of a working group comprising the governments and institutional investors to address any contractual issues.

### Additional comments and suggestions from businesses

**Mr Rajesh Kotak** commented on the need to consider **machinery** for the manufacturing industry in the CECA. According to Mr. Kotak the infrastructure industry in Australia uses best quality products manufactured overseas (such as China) from the same suppliers established in the local market for long periods of time. However, at times we end up procuring the most expensive items that not only affect project costs but also transfer costs to the community users. There are many global manufacturers who manufacture machinery locally in India, which are identical to those made in Europe, Japan, the USA and other developed countries. However, it is difficult for the Australian market to use these bases owing to trade barriers, particularly tariffs. In his view CECA should remove the tariff barriers on machinery imported from India.

**Mr. Mahadevan Shankar** from Arzuh International asked that given the recently signed MOU on 23 September 2021 between Australian Industry & Defence Networks (AIDN) and Society of Indian Defence Manufacturers (SIDM), can we see serious traction with Government support to move these \$100bn+ opportunities for **Defence cooperation** between the Armies, navies, space agencies, cybersecurity agencies and manufacturing companies in both countries? Similarly, **Dr. Zaffar Sadiq Mohamed-Ghouse** also stated the potential opportunity of the **Space and Spatial Industry** for both India and Australia, particularly for Small and Medium Enterprises. Given the recent announcement of India's Space Sector privatization, there is an opportunity to cement Australian investment in India via the CECA.

In a media article Ms. Natasha Jha Bhaskar from Newland Global Group noted that Australia will need to look at **India as a partner first, and a market later**. She further indicated investment and technology as key focus areas of India's post COVID economic diplomacy. In her view Australia's economic relationship with India should focus on creating a 'development anchor model' with India, where building capacities and doing business is seen as a singular goal. For instance, Japan is regarded as India's trusted partner in India's infrastructure and economic transformation goals. Germany's development cooperation with India focuses on energy and energy efficiency, sustainable urban development, and environmental and resource protection etc. The nature of these bilateral ties is led by capacity building, development cooperation and creating an enabling ecosystem that builds interest, and awareness for stakeholders to engage. All these bilateral ties are informed by a very in-depth policy and economic

understanding of the dynamic Indian growth story that sits at the intersection of policy, finance, and technology.

In separate correspondence Dr Bryan Callahan, from World Mosquito Program, has also suggested CECA consider facilitating the technology and knowledge transfer of Wolbachia, a novel **disease prevention** method that the Australian government and DFAT have supported implementation of in 11 countries. Dr Callahan requested the Australian government to include the technology and knowledge transfer of Wolbachia to India as one of the provisions of the forthcoming CECA negotiations (see the annex).

## **Conclusion**

Finally, **Mr. Abbott** expressed his confidence in Australian trade negotiators to put in their best effort on data protection as they did in other recent FTAs. He was also impressed by the 'excellent' government report on unlocking Australia-India critical mineral partnership, which came out in August. The report provides granular detail about India's critical mineral demand and Australia's critical mineral supply potential, implying the significance of the document for CECA negotiators. Mr. Abbott concluded by recommending Australian negotiators be prepared to be generous to secure a substantial stake in India's economic future and there should not be strict reciprocity on everything in this trade deal.

For further information regarding this submission please contact the National Office of the AICC on [aicc@aicc.com.au](mailto:aicc@aicc.com.au).

## Annex: Dr Bryan Callahan, World Mosquito Program, on *Wolbachia*

- Dengue is the world's fastest-growing mosquito-borne disease, and the World Health Organization (WHO) identified dengue as one of the top-10 threats to global health because of the absence – until recently – of any safe and effective interventions against the disease.
- Dengue is a serious health risk in 129 countries, it affects up to 400 million people each year, and its global incidence has multiplied by a factor of 30 since 1960.
- Dengue also exacts a terrible socio-economic toll by draining billions of dollars from national healthcare budgets each year, stealing billions of productive hours from workplaces and schools, and devastating low-income families with lost wages and medical costs.
- Like COVID-19, dengue outbreaks strain national health systems to their breaking points, which means that effective dengue prevention is essential to strengthening the resilience of national health systems and enhancing global pandemic preparedness.
- In June 2021, the World Mosquito Program (WMP) released the results of a gold-standard randomized controlled trial that demonstrated that the release of *Wolbachia*-carrying mosquitoes dramatically reduces dengue incidence and dengue-related hospitalisations.
- *Wolbachia* is also effective in dramatically reducing the transmission of many other deadly and debilitating mosquito-borne viruses, including Zika, chikungunya, yellow fever, and Mayaro, and *Wolbachia*'s broad effectiveness against arboviruses makes it a potentially effective barrier against emerging infectious diseases caused by novel zoonoses.
- Based on these findings, the WHO is poised to recognize *Wolbachia* as the first proven safe and effective intervention against dengue and other mosquito-borne viruses, and the WHO is expected to soon publish guidance for dengue-affected countries on how they can deploy *Wolbachia* as an effective disease prevention method.
- The development of *Wolbachia* was pioneered by Australian research scientists working for WMP in close collaboration with a multinational network of researchers.
- With support from major philanthropic foundations and Australia's Department of Foreign Affairs and Trade (DFAT), WMP has already launched efforts in 11 countries across Americas, Asia, and Oceania to help these countries implement *Wolbachia* as a safe and effective disease prevention tool.
- The Australia-India Chamber of Commerce urges the Government of Australia and the Department of Foreign Affairs and Trade to help facilitate the successful transfer of the knowledge and tools required to deploy *Wolbachia* to national, state, and municipal governments across the Republic of India.
- We believe that *Wolbachia*, as a made-in-Australia technology, can play an important role in helping Australia forge strong ties of scientific cooperation across the Indo-Pacific region while strengthening Australia's strategic partnership with India.
- We ask, therefore, that the Government of Australia make facilitation of the technology and knowledge transfer of *Wolbachia* a provision of its framework for the Australia-India Comprehensive Economic Cooperation Agreement.