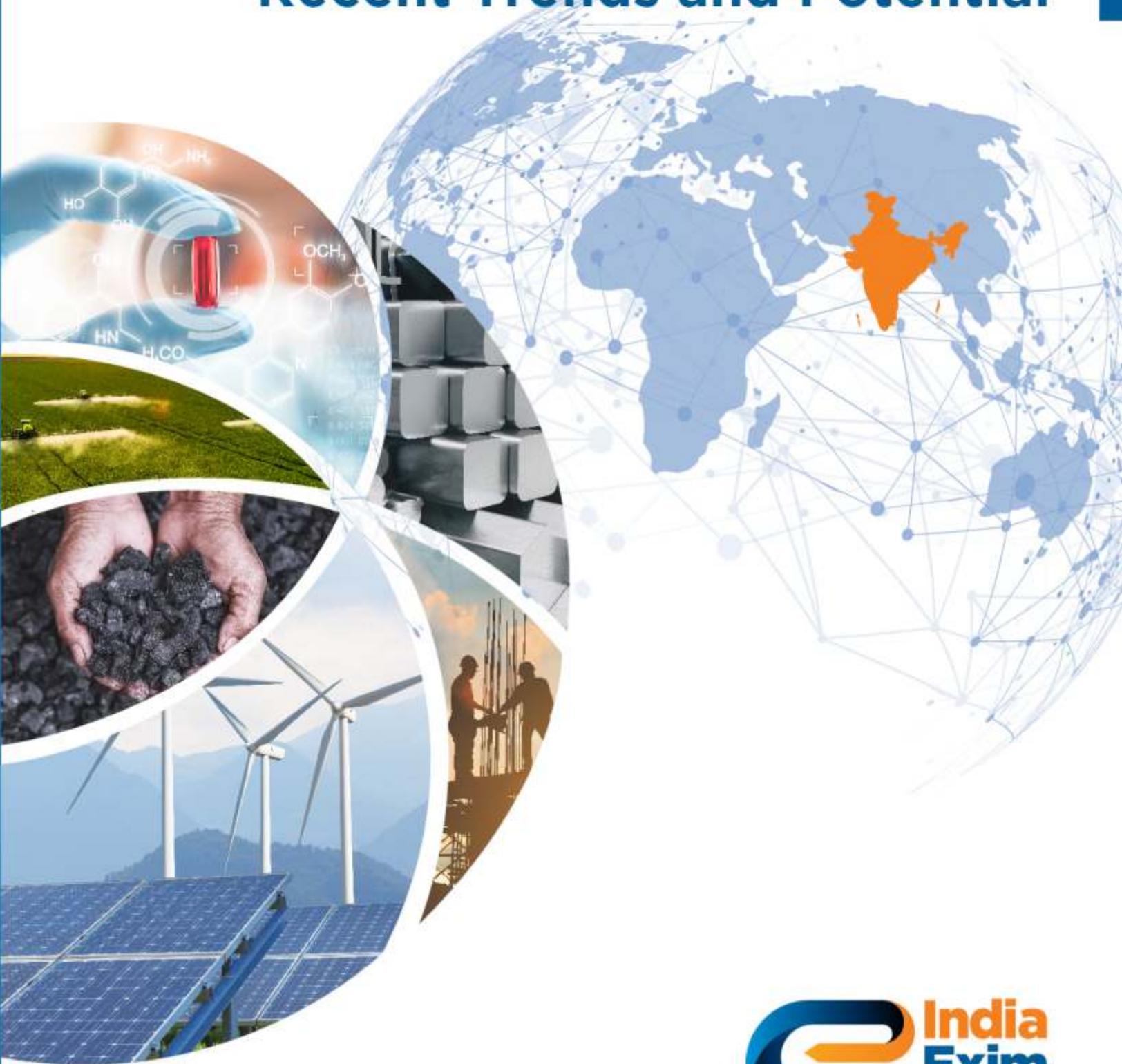


India's Trade and Investment Relations with Australia: Recent Trends and Potential



Working Paper No: 106



EXPORT-IMPORT BANK OF INDIA

WORKING PAPER NO. 106

INDIA'S TRADE AND INVESTMENT RELATIONS WITH AUSTRALIA: RECENT TRENDS AND POTENTIAL

India Exim Bank's Working Paper Series is an attempt to disseminate the findings of research studies carried out in the Bank. The results of research studies can interest exporters, policy makers, industrialists, export promotion agencies as well as researchers. However, views expressed do not necessarily reflect those of the Bank. While reasonable care has been taken to ensure authenticity of information and data, India Exim Bank accepts no responsibility for authenticity, accuracy or completeness of such items.

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EXECUTIVE SUMMARY

Australia is the world's thirteenth largest economy with a nominal GDP of US\$ 1.4 trillion in 2020¹. Australia is a service driven economy with services contributing 75% of the GDP while industry and agriculture contribute 22% and 3% respectively. Australia's growth is driven by robust export expansion, increased contribution of services sector, expansion of mining as a substantial industry and effective governance structure which has resulted in a stable and transparent work environment. Moreover, an advanced research and development infrastructure supports the growing economy through innovation and automation reducing the dependence on labour.

Australia is rich in minerals and is the world's largest producer of lithium and ranks globally among the top five producers of gold, iron ore, lead, zinc, and nickel. It also has the world's largest uranium and fourth largest black coal resources, respectively. Australia is the fourth largest mining country in the world (after China, USA, and Russia), with the mining sector contributing 10.4% of GDP in 2019-2020². Beginning from mid-2000s the global demand for commodities such as iron ore, coal and natural gas increased dramatically, whereas the supply of these commodities fell short. As per the Australia Economic Strategy Report this period starting from 2003 to 2011-12 is termed as the "Mining Boom" era of the Australian economy. However, the end of economic boom resulted in drastic decline in mining investment, while net service exports such as tourism, education and business service exports had expanded over time.

Australia's Trade

In the recent years, Australia's total merchandise trade has increased from US\$ 262.7 billion in 2006 to US\$ 456.8 billion in 2020 (**Figure A**). Merchandise exports increased from US\$ 123.3 billion in 2006 to US\$ 254.5 billion in 2020, on the other hand merchandise

¹ World Bank Global Economic Prospects, 2020

² Australian Bureau of Statistics

imports increased from US\$ 139.4 billion to US\$ 202.3 billion during the same period. After the global economic crisis of 2008 Australia entered the phase of trade surplus since 2010. In 2015, due to fall in exports and a drastic increase in imports, the nation recorded a trade deficit after 5 years. However, post 2016 the exports registered a remarkable growth, and the Australian economy came back to trade surplus stemming from the increased export of metal ores and minerals, coal, coke and briquettes and natural gas and a reduction in imports.

Figure A: Evolution of Australia's Trade in Merchandise Goods (US\$ bn)



Source: ITC Trademap and India Exim Bank Analysis

In 2020, 35.6% of Australia's exports headed to China which amounted to US\$ 90.5 billion. Japan was the second largest destination for Australian exports worth US\$ 19.1 billion (7.5% of total exports). In 2020, Australia's exports to India amounted to US\$ 7 billion, which was 2.8% of Australia's total exports in the same year. India was Australia's sixth most important export destination in 2020.

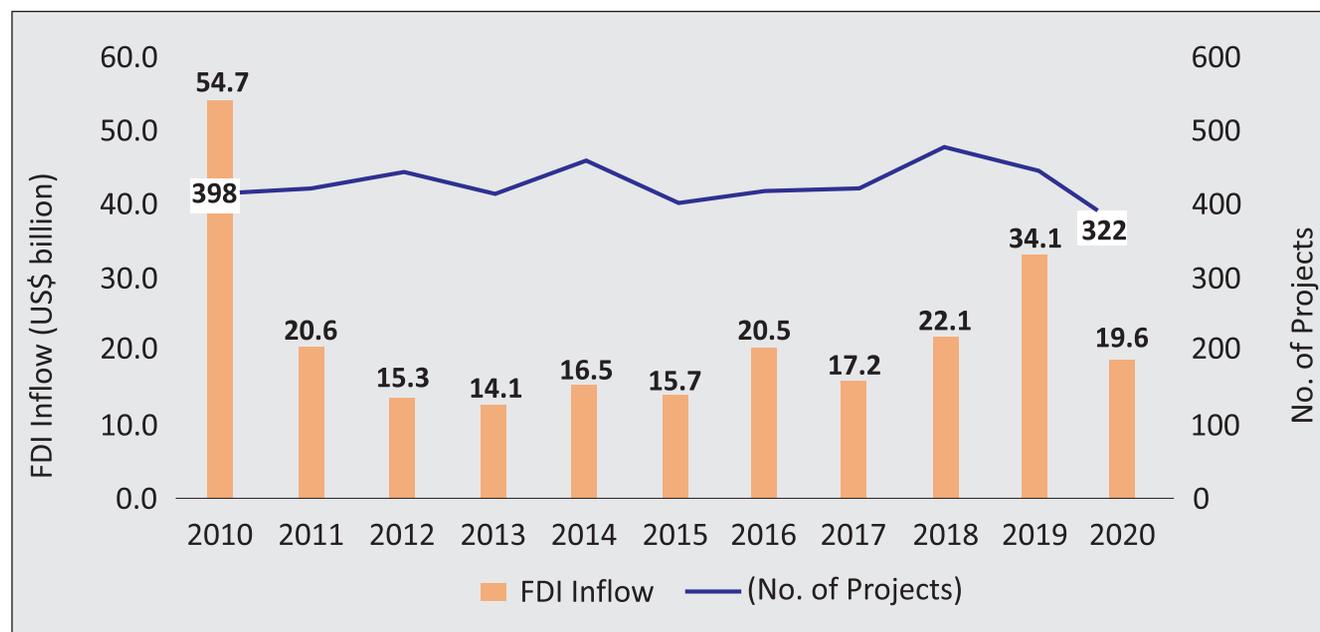
In 2020, China was the most important source of imports for Australia with Australia's merchandise import from China amounting to US\$ 57.6 billion (28.5% of Australia's total imports during the year). The USA followed China as the second largest source of imports for Australia in 2020, with imports amounting to US\$ 23.7 billion and a share of 11.7% in total imports. Australia imported goods worth US\$ 3.7 billion from India with India's share in Australia's global imports accounting for only 1.8% in 2020. Concomitantly, India was the 14th most important source for Australia's import in the same year.

FDI and Investment Climate in Australia

According to United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2021, Australia was the 14th largest Foreign Direct Investment (FDI) recipient globally in 2020. FDI outflows from Australia have been moderate over the years with the country witnessing overall net inflow in terms of FDI.

Australia received a total envisaged investment of US\$ 250.5 billion from 4,614 projects during 2010-2020 (**Figure B**). Having recorded US\$ 54.7 bn in 2010, FDI inflows into Australia have averaged around US\$ 19.6 billion during the period 2011 to 2019. As a result of the global pandemic, FDI inflows witnessed a significant moderation from US\$ 34.1 billion in 2019 to US\$ 19.6 billion in 2020.

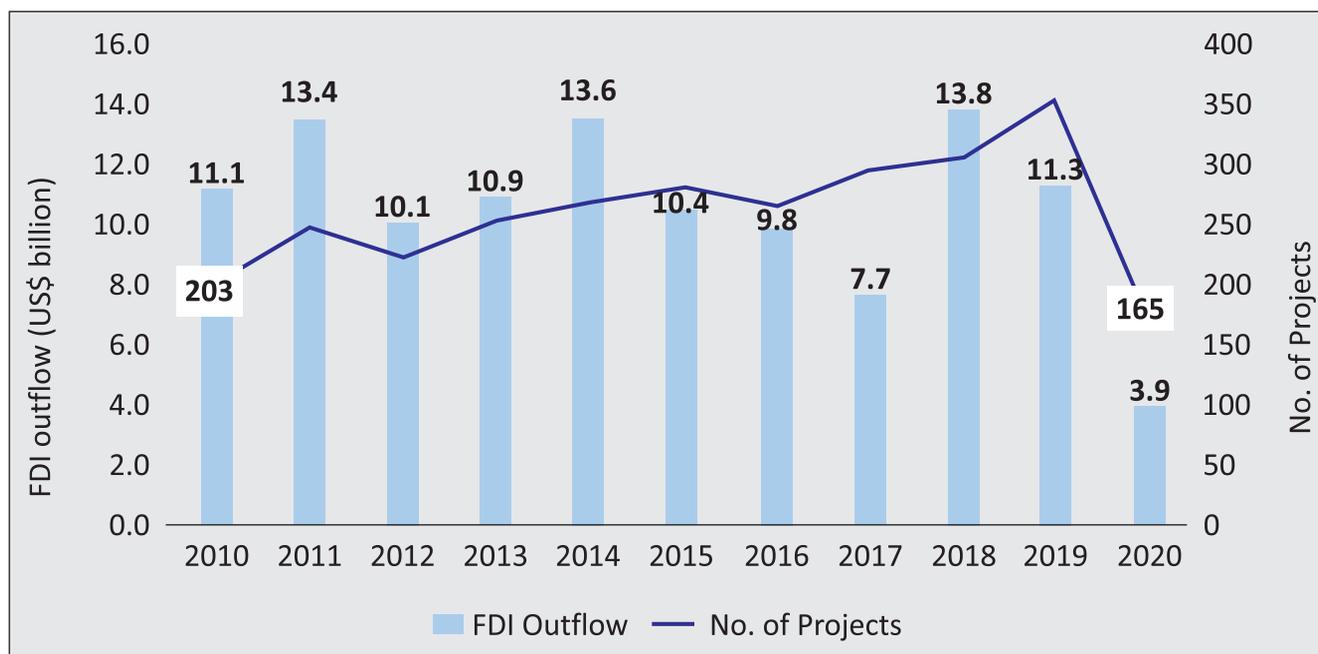
Figure B: Envisaged FDI Inflows in Australia



Source: fDi Markets (Accessed on February 3, 2022)

A total outward direct investment of US\$ 115.9 billion was made by Australian entities from January 2010 to December 2020 (**Figure C**). FDI outflows from Australia, which stood at US\$ 15.5 billion in 2005, increased sharply to US\$ 25.4 billion in 2008. FDI outflows during 2010-2020 averaged US\$ 10.5 billion. As a result of the global pandemic, FDI outflows witnessed a severe blow reducing from US\$ 11.3 billion in 2019 to US\$ 3.9 billion in 2020.

Figure C: Envisaged FDI Outflows from Australia



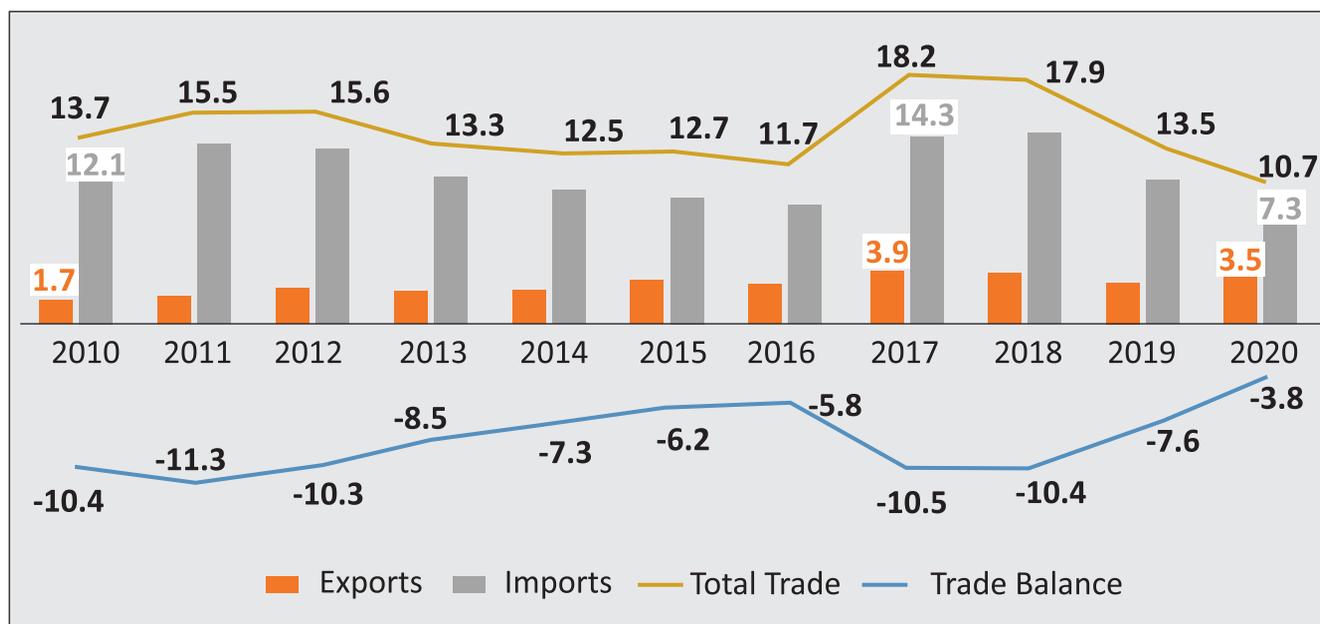
Source: fDi Markets (Accessed on February 3, 2022)

India-Australia Trade Relations

The India-Australia bilateral relationship has undergone evolution in recent years, developing along a positive track, into a strategic partnership. The historical ties between India and Australia started immediately following European settlement in Australia from 1788. With the evolving global scenario, Australia has come to look at India as an important partner in promoting regional security and stability. This led to the upgradation of bilateral relationship to a 'Strategic Partnership', including a Joint Declaration on Security Cooperation in 2009. With the passage of time, the relationship gained momentum towards a strategic relationship, alongside the existing economic engagement.

In the recent times, India's total trade with Australia has remained more or less steady from US\$ 13.7 billion in 2010 to US\$ 13.5 bn in 2019. On account of the disruptions caused by the pandemic, bilateral trade witnessed a reduction to US\$ 10.7 billion in 2020 (**Figure D**). While exports have more than doubled from US\$ 1.7 billion in 2010 to US\$ 3.5 billion in 2020, imports have decreased from US\$ 12.1 billion to US\$ 7.3 billion during the same period. The total trade between the two countries peaked at US\$ 18.2 billion in 2017 with India's exports to Australia and imports from Australia amounting to US\$ 3.9 billion and US\$ 14.3 billion, respectively. India has been persistently running trade deficit with Australia, which was the highest in 2011 at US\$ 11.3 billion before reducing to US\$ 3.8 billion in 2020.

Figure D: India's Bilateral Trade with Australia (US\$ bn)



Source: ITC Trademap and India Exim Bank Analysis

India's major exports to Australia in 2020 were petroleum products (accounting 24.2% of total exports in 2020) followed by pharmaceutical products (8.4%). Other major exports include natural or cultured pearls or stones (6.6%), machinery and mechanical appliances (5.1%), electrical machinery and equipment, among others.

As regards imports, India's top import items from Australia in 2020 were petroleum crude (76.5% of total imports), followed by inorganic chemicals and inorganic or organic compounds of precious metals (4.7%), natural or cultured pearls or stones (4.3%), and ores, slag and ash (2.1%).

India thus, runs a trade deficit with Australia, which has reduced in the recent years following trade restrictions due to the COVID-19 pandemic. Trade deficit has decreased from US\$ 10.4 billion in 2010 to US\$ 3.8 billion in 2020, with the drastic change also an account of the change in degree of exports and imports between the two countries.

Opportunities for Enhancing Bilateral Trade between India and Australia

Growth to India's imports from Australia has outpaced growth in India's exports to Australia over time. In order to enhance bilateral trade relations, and in particular to address India's rising trade deficit with Australia, it would be pertinent to identify and focus on potential items of exports from India to Australia.

Among the major items in Australia's import basket, for only three products viz. mineral fuels and mineral oils (HS-27), other made-up textile articles, worn clothing and worn textile articles (HS-63) and miscellaneous chemical products (HS-38), India has achieved a share of more than 4%.

However, in the leading import product categories of Australia, India has achieved only a marginal share. Taking into consideration India's exports capability in all these product categories, there exists immense potential for India to increase exports to Australia, in line with the huge import demand in Australia. These potential commodities include, among others:

- Machinery and mechanical appliances (HS-84)
- Electrical machinery and equipment (HS-85)
- Vehicles other than railway or tramway (HS-87)
- Pharmaceutical products (HS-30)
- Natural or cultured pearls, precious or semi-precious stones (HS-71)
- Plastics and articles thereof (HS-39)
- Articles of iron or steel (HS-73)
- Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)
- Articles of apparel and clothing accessories, knitted or crocheted (HS-61)
- Organic chemicals (HS-29)
- Aluminium and articles thereof (HS-76)

India's Bilateral Investment Relations with Australia

India was the 5th largest FDI recipient across the globe in 2020 with an investment of US\$ 64 billion up by 26.7% from 2019³. India was able to attract direct investments despite the global pandemic stemming from robust investment through acquisitions in ICT (software and hardware) and construction bolstered FDI.

During 2010 to 2020, India has received investment from Australia amounting to US\$ 3.2 billion in 78 FDI projects. Major Australian investor in India are Macquarie Group (real estate sector), Flight Centre, Australia and New Zealand Banking Group, Oilex, Heliostat SA among others.

³ UNCTAD World Investment Report, 2021

On the other hand, Indian FDI outflow to Australia amounted to US\$ 7.9 billion from January 2010 to December 2020 from 87 projects. Several Indian companies have made their presence in Australia across sectors, which include Sterlite Industries, Jindal Steel and Power, Aditya Birla Group, Mahindra Aerospace Private Ltd., Tata Power and Adani Ports and SEZs among others. All the major IT companies have a presence in Australia and have been contributing to enable technological ease in the economy. These include Infosys, Tata Consultancy Services (TCS), HCL, Wipro among others⁴.

Investment Potential in Australia

Australia is an attractive foreign investment destination. It is one of the easiest locations in the globe to start a business. According to Ease of Doing Business Rankings 2020 released by World Bank, Australia improved its position by four places to 14th rank. Australia was ranked 3rd in ease of starting a business and 2nd in ease of getting credit amongst the OECD high income countries. Australia provides simplified business facilitation services in order to provide foreign investors a level playing field for commencement of their entity.

There are enormous opportunities of productive investment, in the key sectors of the Australian economy, which include, among others renewable energy, critical mineral exploration, infrastructure and agri business and technology. These are also sectors promoted by the Government of Australia to attract global investments into Australia. Some of these sectors which present investment opportunities in Australia⁵ are mentioned below:

- Renewable Energy (Wind and Solar Power)
- Critical Mineral Exploration
- Infrastructure Sector
- Agri Business and Technology

Strategies for Closer Collaboration

Enhancing Bilateral Trade

India and Australia are important trade partners, with bilateral trade increasing steadily over the years, while the trade balance has traditionally been in Australia's favour. India recorded

⁴ Ministry of External Affairs, Government of India and Overseas Direct Investment Data, RBI

⁵ Australian Trade and Investment Commission, Australian Government

its highest trade deficit with Australia of US\$ 11.3 billion in 2011. During this year, exports from India were mere US\$ 2.1 billion and imports were at US\$ 13.4 billion. Subsequently the deficit decreased till 2016 when it was recorded as low as US\$ 5.8 billion. Thereafter, the deficit again sharply increased in 2017 amounting to US\$ 10.5 billion before declining to US\$ 7.6 billion in 2019 and further to US\$ 3.8 billion in 2020. In order to address this widening trade gap, items of export potential from India, as identified in the study could be an immediate focus.

Enhancing Maritime Security

Indo-Pacific is one of the major trade regions globally, India and Australia are the two significant players sitting at strategically important positions in the region. There exists huge inter-dependence among the Indo-Pacific economies, which is evident from the large degree of trade that takes place within the region. Being two major economies in the Indo-Pacific region, ensuring peace, security, stability, and prosperity in the Indo-Pacific region, would be a win-win situation for Australia and India who share similar concerns regarding the strategic and security challenges.

Signing of the Comprehensive Economic Cooperation Agreement (CECA)

India and Australia have been negotiating a Free Trade Agreement (FTA) since 2011 with 11 rounds of discussions having taken place. In the last Joint Ministerial Commission (JMC) meeting held on September 2021, both the countries decided to finalize a formal FTA by December 2022. The CECA could help address sensitivities regarding various economic and strategic issues.

Australia is rich in rare earth minerals, which are used in several hi-tech consumer products including mobile phones, flat screen monitors, televisions etc. These minerals are extensively used in production of certain defence applications which further makes them of strategic importance.

Early conclusion of an agreement, which is envisaged to be concluded by early December 2022, could bolster the economic relations between the two countries, while opening up immense opportunities for further closer collaboration in a number of areas. India and Australia are also expected to benefit from the forward linkages of a CECA, with exponential expansion in market size for the countries.

Inclusion in Asia-Pacific Economic Cooperation (APEC)

Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989. The grouping aims at promoting balanced, inclusive, sustainable, innovative, and secure growth and by accelerating regional economic integration. Inclusion of India in APEC will open plethora of opportunities for India and the other member countries. India will have access to APEC methods and schemes which will help in promoting domestic growth and emphasizing on regional integration goals. Subsequently, APEC will help India in participating in the global supply chains and be a part of the future regional and global economic expansion.

Partnership in Renewable Energy

The Renewable Energy Country Attractiveness Index (RECAI) released by Ernst & Young grades world's top 40 markets based on their capability to attract investment in renewable energy sector and the operational prospects. In their 58th edition of RECAI rankings released in October, 2021, India was ranked 3rd and Australia was ranked 7th in the same ranking. Australia is a rich source of critical earth minerals like cobalt, lithium, manganese, gallium, indium etc. which are critical in renewable energy generation. The critical rare earth minerals are key component in manufacturing of batteries, solar panels, wind turbines among others. Taking into consideration Australia's rich natural resources and technical know-how, Indian companies could collaborate with their Australian counterparts in order to establish a forum for the promotion of joint research and investment in the renewable energy sector and for understanding the complementarities of the two countries in an effective manner.



MACROECONOMIC OVERVIEW OF AUSTRALIA

Australia is the world's thirteenth largest economy with a nominal GDP of US\$ 1.4 trillion in 2020⁶. Australia is a service driven economy with services contributing 75% of the GDP while industry and agriculture contribute 22% and 3% respectively. Australia's growth is driven by its robust export expansion, increased contribution of services sector, expansion of mining as a substantial industry and effective governance structure which resulted in a stable and transparent work environment. Moreover, an advanced research and development infrastructure supports the growing economy through innovation and automation reducing the dependence on labour.

Australia has a long and rich cultural history given its multiethnic society. Australia was a British colony until 1901 and remains a Commonwealth nation till date. Australia's economic growth was supported by post-war economic boom and abolition of racial policies preventing most non-whites from immigrating to the country. Until the 1970s, foreign investment in Australia was largely regulated. In 1980s, the Government introduced economic reforms deregulating foreign exchange and reducing tariffs for integrating Australia with the global economy. The tariff rate (import- weighted) applied in Australia has come down from over 7% in 1986 to less than 1% in 2016. The reduction in tariff rates have resulted in increased total merchandise trade from 33.2% of GDP in 1986 to 39.7% of GDP in 2016⁷, furthermore the Australian dollar was floated in 1980s leading to tariff reductions flowing throughout the economy.

The housing bubble crisis of the United States which got transformed into a global financial crisis during 2008, directly affected Australia's real economy. However, the impact was milder compared to most other economies stemming from sizable fiscal and monetary stimulus, the recovery in commodity prices, the exchange rate flexibility of Australian economy and its

⁶ World Bank Global Economic Prospects, 2020

⁷ Australian trade liberalization by the Centre for International Economics, Australian Department of Foreign Trade and Affairs, October 2017

strong financial system⁸. Moreover, the global financial crisis accelerated the shift of global economic gravity towards Asia and reinforced the prediction of a new Asian century.

Australia is rich in minerals, it's the world's largest producer of lithium and globally among the top five producers of gold, iron ore, lead, zinc, and nickel. It also has the world's largest uranium and fourth largest black coal resources, respectively.

Australia is the fourth largest mining country in the world (after China, USA, and Russia), with the mining sector contributing 10.4% of GDP in 2019-20⁹. Beginning from mid-2000s the global demand for commodities such as iron ore, coal and natural gas increased dramatically, whereas the supply of these commodities fell short. As per the Australia Economic Strategy Report this period starting from 2003 to 2011-12 is termed as the "Mining Boom" era of Australian economy. However, the end of economic boom resulted in drastic decline in mining investment, though net service exports such as tourism, education and business service exports had expanded over time.

Mining and quarrying sector is also the highest Foreign Direct Investment (FDI) attracting sector of the economy. Even during the COVID-19 pandemic, in 2020, the sector attracted 35.1% of the total FDI received by Australia, however the amount of FDI was reduced by 4.1% year on year.

The National Innovation and Science Agenda report, released by the Australian Government in 2015, communicated a set of initiatives including assisting through capital and tax incentives to start-ups and increasing collaboration between the research and development sectors in Australia, encouraging women to take up careers in science and technology and tapping into research talent in schools and colleges.

Australia is a one of the most urbanized countries in the world. 80% of the population lives in cities with more than a hundred thousand people, over 60% live in the four largest state capitals. These capitals are also among some of the lowest density metropolitan areas in any developed country¹⁰. All these concerns have made infrastructure a growing concern for the Australian authorities. As a result, the Australian Government has decided to invest US\$ 110 billion over 10 years from 2021-22 in transport infrastructure across Australia through its rolling infrastructure pipeline, of which a substantial component is under the Infrastructure Investment Program.

⁸ Reserve Bank of Australia

⁹ Australian Bureau of Statistics

¹⁰ Australia's economic future an agenda for growth, 2016, report by Committee for Economic Development of Australia (CEDA)

Present Scenario and the Impact of COVID-19

Australia witnessed its first COVID-19 case on January 25, 2020. As a result of the pandemic the Australian economy recorded the first recession since 1991 as the economy contracted by 2.4% in 2020 (**Table 1**). According to the Australian Bureau of Statistics in July 2020, the unemployment rate peaked at 7.5% which is highest in over 20 years. International trade was affected because of various problems in transportation and supply chain disruptions. However, the total value of Australia's merchandise exports hit a record high of US\$ 35.3 billion in March 2020. While merchandise export then moderated to US\$ 31.4 billion in April, these levels are still relatively high by historical standards, indicating a resilient overall performance. Some of this resilience was due to strong exports of iron ore, while the lower Australian dollar helped offset price weaknesses for other exports such as LNG and coal.

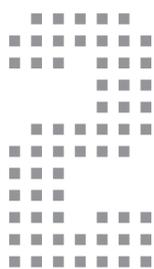
Table 1: Macroeconomic Snapshot of Australia- Select Indicators

Economic Indicators	2017	2018	2019	2020	2021 ^e	2022 ^f	2023 ^f
GDP (US\$ trn)	1.4	1.4	1.4	1.4	1.6	1.7	1.8
Real GDP growth (%)	2.4	2.8	1.9	-2.4	3.5	4.1	2.6
GDP per capita, constant prices (PPP, 2017 US\$)	49,748.5	50,356.3	50,542.1	49,092.1	50,781.1	52,619.1	53,408.8
Consumer price inflation (avg, %)	2.0	1.9	1.6	0.9	2.5	2.1	2.2
Population (mn)	24.8	25.2	25.6	25.7	25.7	25.8	26.1
Merchandise Exports fob (US\$ bn)	231.5	258.0	271.5	251.4	332.9	320.3	333.8
Merchandise Imports fob (US\$ bn)	221.1	237.1	223.4	210.9	258.6	270.4	287.4
Current-account balance (US\$ bn)	-35.8	-29.7	9.9	36.2	57.3	22.2	9.3
Current-account balance (% of GDP)	-2.6	-2.1	0.7	2.7	3.6	1.3	0.5
Total international reserves (US\$ bn)	66.6	53.9	58.7	43.0	53.0	53.9	55.0
Exchange rate (avg; A\$: US\$)	1.3	1.3	1.4	1.4	1.3	1.4	1.4

Note: - e- Estimates; f- Projections

Source: IMF WEO October 2021 Database, EIU, WDI

In order to mitigate the impact of the COVID-19 pandemic, the Government of Australia unveiled a series of economic and health packages, amounting to A\$ 217.1 billion (11% of its GDP) through FY2024. The package was announced in three tranches the first one announced on March 12, 2020 amounted to A\$ 17.6 billion and included a one-off stimulus payment to welfare recipients, accelerated depreciation deductions, expansion of applicable eligibility criteria for instant asset write-offs, cash flow assistance for businesses, and financial support (including tax and fee waivers) to sectors, regions, and communities disproportionately affected by the pandemic. Second, a rescue package of A\$ 66 billion was announced on March 22, 2020, including the Coronavirus Supplement (a top-up payment to JobSeeker unemployment benefits and welfare recipients) and additional economic support for households and businesses. The last tranche was announced on March 30, 2020 which was a JobKeeper wage subsidy program of A\$ 130 billion to help Australians maintain their jobs. **Table 1** presents a macroeconomic snapshot of key indicators of the Australian economy.



INTERNATIONAL TRADE SCENARIO OF AUSTRALIA

Australia became renowned globally after the gold rush that began in 1850s, which in turn attracted people from all over the world to Australia. Australia is rich in natural resources, having heavy deposits of many rare earth elements. These rare earth minerals are used in manufacturing of a number of appliances, from gadgets of routine use to those with futuristic purposes like those helpful in efficiently addressing global warming issues.

In 2020, before the onset of COVID-19 pandemic, Australia witnessed 28 years of annual economic growth. Mining is one of the significant sectors of the Australian economy with more than one-tenth of the GDP in 2019-20 generating out of the mining sector. The resources and energy exports during the same period were recorded at US\$ 221.2 billion registering mining as a prominent industry both from domestic and international perspective¹¹. Mining established itself as a promising sector even during the pandemic period which saw a number of restrictions, yet the sector fared well and registered positive growth.

Australia is a highly free and open economy, with every one out of five jobs originating out of trade. Ensuring free trade, Australia has signed fifteen Free Trade Agreements (FTAs) with 26 countries. Recently in 2020 Australia signed FTAs with Indonesia, Peru, Hong Kong and a FTA with New Zealand and several Pacific Island countries¹².

In the recent years, Australia's total merchandise trade has increased from US\$ 262.7 billion in 2006 to US\$ 456.8 billion in 2020 (**Figure 1**). Merchandise exports increased from US\$ 123.3 billion in 2006 to US\$ 254.5 billion in 2020, on the other hand merchandise imports increased from US\$ 139.4 to US\$ 202.3 billion during the same period. After the global economic crisis of 2008, Australia entered the phase of trade surplus since 2010. In 2015, due to fall in exports and a drastic increase in imports the nation recorded a trade deficit after 5 years. However, post 2016 the exports registered a remarkable growth and Australian economy came back to trade surplus stemming from the increased export of metal ores and minerals, coal, coke and briquettes and natural gas and a reduction in imports.

¹¹ Australian Industry, Australian Bureau of Statistics, May 2021

¹² Department of Foreign Affairs and Trade, Australian Government

Figure 1: Evolution of Australia's Trade in Merchandise Goods (US\$ bn)



Source: ITC Trademap and India Exim Bank Analysis

Australia's Share in International Trade

In 2020, Australia was the 25th largest importer and 22nd largest exporter of merchandise goods. Merchandise trade accounted for 34.5% of GDP in 2020. Over the years Australia's share in international merchandise trade has increased from 1.2% in 2006 to 1.3% in 2020, with share in exports increasing from 1.0% in 2006 to 1.5% in 2020 and share in imports also increasing from 1.1% in 2006 to 1.2% in 2020 (Figure 2).

Figure 2: Share of Australia's Trade in Global Merchandise Trade (%)



Source: ITC Trademap and India Exim Bank Analysis

Australia's Top Traded Items

Australia's exports have been historically dominated by iron ore and concentrates and coal, briquettes, ovoids and similar solid fuels manufactured from coal, these two items accounted for 43.7% of total exports in 2020. The other major products of export are petroleum gas (10.7% of total exports) and gold including gold plated with platinum (6.9%) (Table 2).

Table 2: Australia's Major Export items (US\$ bn)

HS Code	Product label	2018	2019	2020	Share in Exports (% 2020)
Total	All products	254.5	272.6	254.5	100%
2601	Iron ores and concentrates, incl. roasted iron pyrites	46.8	65.8	78.4	30.8%
2701	Coal, briquettes, ovoids and similar solid fuels manufactured from coal	47.2	44.4	32.7	12.9%
2711	Petroleum gas and other gaseous hydrocarbons	32.7	36.2	27.3	10.7%
7108	Gold, inclusive of gold plated with platinum	14.1	16.2	17.4	6.9%
2818	Artificial corundum, whether or not chemically defined	7.7	5.9	4.8	1.9%
2603	Copper ores and concentrates	4.5	4.3	4.6	1.8%
2709	Petroleum oils and oils obtained from bituminous minerals, crude	5.9	6.5	4.4	1.7%
0202	Meat of bovine animals	4.0	4.9	4.1	1.6%

Source: ITC Trademap and India Exim Bank Analysis

On the other hand, motor cars, petroleum oils and oils obtained from bituminous minerals, telephone sets including wireless network phones and automatic data-processing machines combinedly accounted for 19.4% of total imports of Australia (Table 3).

Table 3: Australia's Major Import items (US\$ bn)

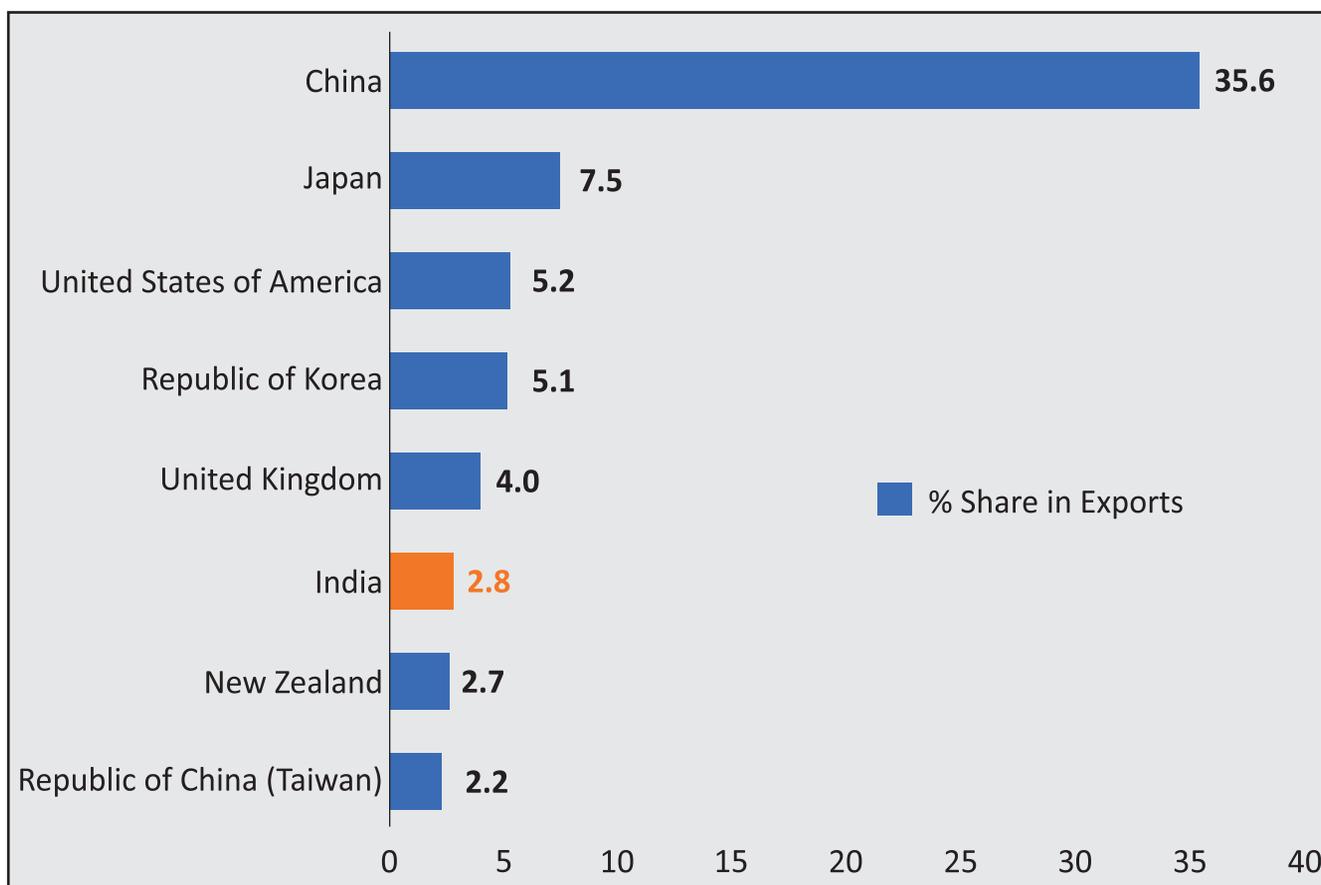
HS Code	Product label	2018	2019	2020	Share in Exports (% 2020)
Total	All products	227.7	214.3	202.3	100%
2601	Motor cars and other motor vehicles principally designed for the transport of persons	16.8	14.9	12.8	6.4%
2710	Petroleum oils and oils obtained from bituminous minerals (excluding crude)	19.0	17.6	11.4	5.6%
8517	Telephone sets, incl. telephones for cellular networks or for other wireless networks	8.6	8.2	7.8	3.9%
8471	Automatic data-processing machines and units thereof; magnetic or optical readers	7.3	6.7	7.2	3.5%
7108	Gold, incl. gold plated with platinum, unwrought or not further worked than semi-manufactured	4.6	4.7	6.3	3.1%
8704	Motor vehicles for the transport of goods, incl. chassis with engine	7.5	6.4	5.9	2.9%
3004	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses	5.3	5.3	5.6	2.8%
2709	Petroleum oils and oils obtained from bituminous minerals, crude	10.3	8.6	4.8	2.4%

Source: ITC Trademap and India Exim Bank Analysis

Australia's Top Trade Partners

In 2020, 35.6% of Australia's exports headed to China which amounted to US\$ 90.5 billion, Japan was the second largest destination for Australian exports worth US\$ 19.1 billion (7.5% of total exports). In 2020, Australia's exports to India amounted to US\$ 7 billion, which was 2.8% of Australia's total exports in the same year. India was Australia's sixth most important export destination in 2020 (Figure 3).

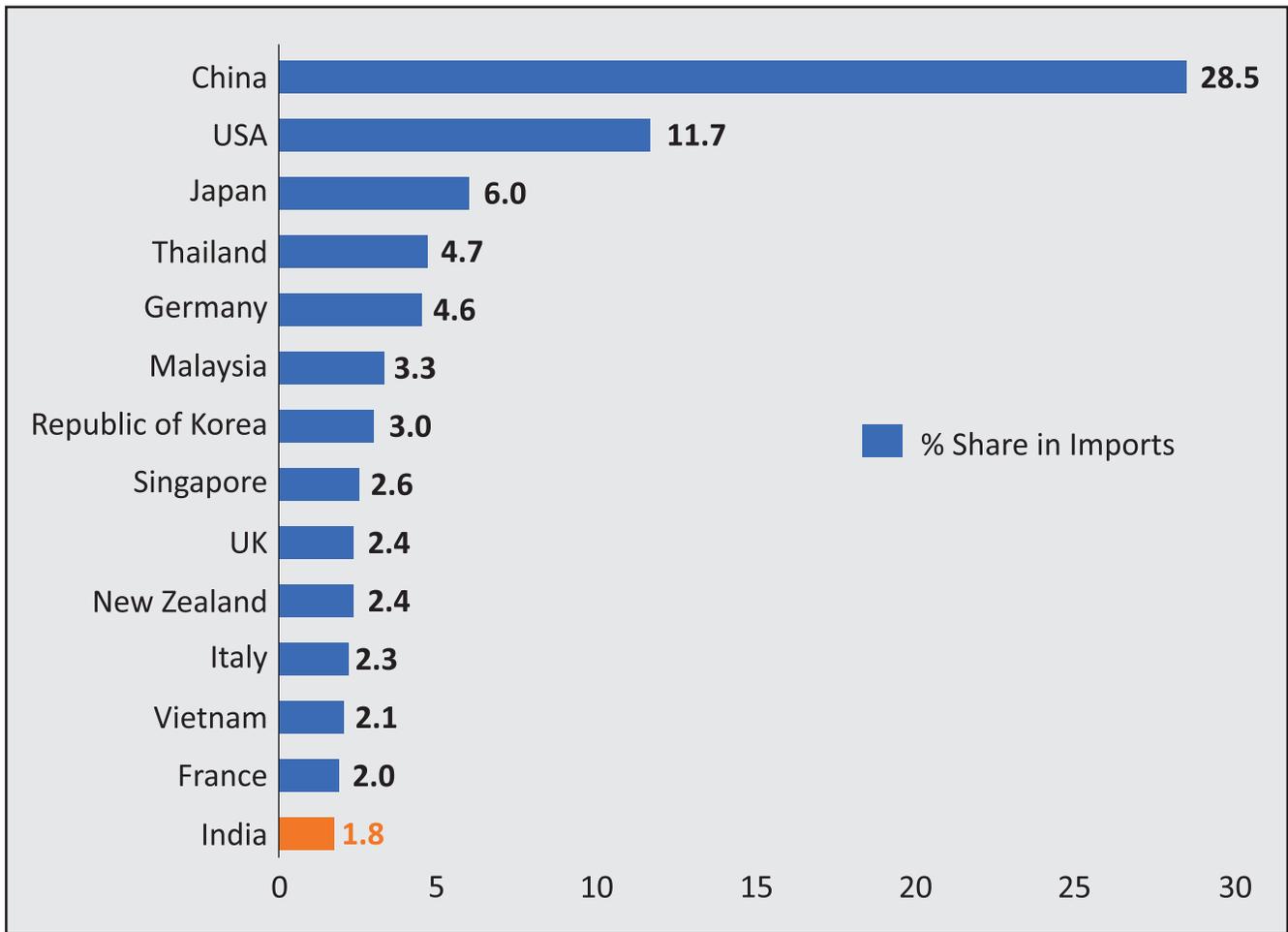
Figure 3: Australia's Top Export Destinations in 2020



Source: ITC Trademap and India Exim Bank Analysis

In 2020, China was the most important source of imports for Australia, Australia's merchandise import from China amounted to US\$ 57.6 billion (28.5% of Australia's total imports in 2020). USA followed China as the second largest source of imports for Australia in 2020, with imports amounting to US\$ 23.7 billion and a share of 11.7% in total imports in 2020. Australia imported goods worth US\$ 3.7 billion from India. India's share in Australia's global imports accounted for only 1.8% in 2020. Concomitantly, India was 14th most important source for Australian import in the same year (Figure 4).

Figure 4: Australia's Top Import Sources in 2020



Source: ITC Trademap and India Exim Bank Analysis



FDI AND INVESTMENT CLIMATE IN AUSTRALIA

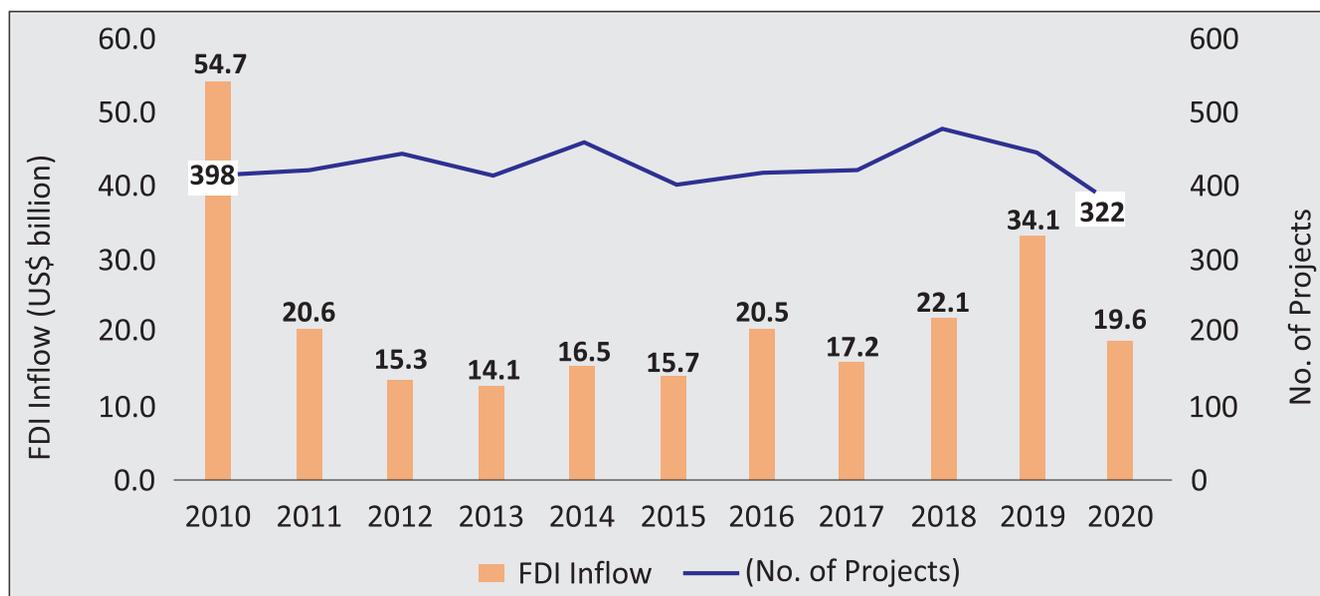
According to United Nations Conference on Trade and Development (UNCTAD) *World Investment Report 2021* Australia was the 14th largest Foreign Direct Investment (FDI) recipient in 2020. FDI outflows from Australia have been moderate over the years with the country witnessing overall net inflow in terms of FDI. Australia remains among the top FDI destinations in the world mainly on account of the following salient features:

- It has witnessed an uninterrupted annual growth since 1991, until when the COVID-19 pandemic struck the globe.
- It is rich in natural resources; it has huge reserves of rare earth minerals which are critical in high-end technologies.
- Australia's greatest asset is its skilled and innovative workforce. The education system of Australia offers great degree of cultural and linguistic freedom.
- It ranks 14th in *Ease of Doing Business Rankings 2020* released by World Bank. Subsequently according to the ranking, Australia ranked 4th in gaining credit and 7th in commencement of a business.

Trends in Foreign Direct Investment Flows in Australia

Australia received a total envisaged investment of US\$ 250.5 billion from 4,614 projects during 2010-2020 (**Figure 5**). Having recorded US\$ 54.7 billion in 2010, FDI inflows into Australia have averaged around US\$ 19.6 billion during the period 2011 to 2019. As a result of the global pandemic, FDI inflows witnessed a significant moderation from US\$ 34.1 billion in 2019 to US\$ 19.6 billion in 2020.

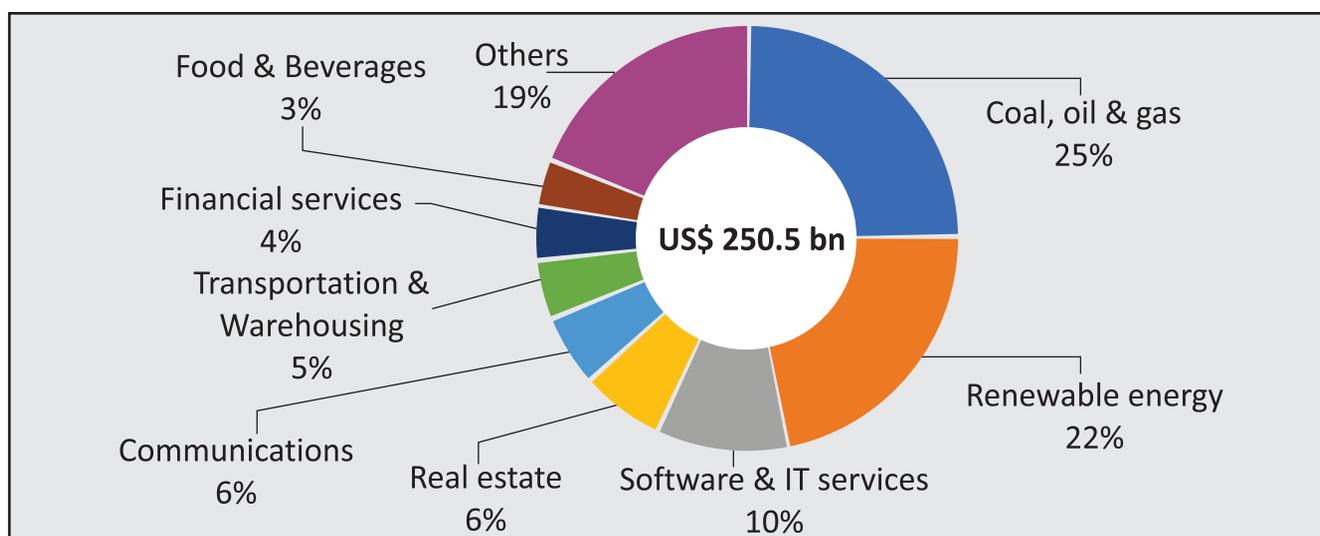
Figure 5: Envisaged FDI Inflows in Australia



Source: fDi Markets (accessed on February 3, 2022)

‘Coal, oil & gas’ sector received the maximum investment of US\$ 62.9 billion, accounting for one-fourth of the total FDI inflow received during 2010-2020 (Figure 6). This was followed by investments in renewable energy (US\$ 54.9 billion), software & IT services (US\$ 24.8 billion), real estate (US\$ 15.7 billion), communications (US\$ 13.8 billion), transportation & warehousing (US\$ 11.4 billion), financial services (US\$ 10.1 billion) and food & beverages (US\$ 8.8 billion), among others. Maximum number of projects were in software & IT services sector (1,110 projects), followed by business services sector (614 projects), electric components sector (340 projects) and communications sector (327 projects).

Figure 6: Major Sectors Attracting FDI in Australia 2010-2020



Source: fDi Markets (accessed on February 3, 2022)

As shown in **Table 4**, maximum investments in Australia were recorded from USA, accounting for 19.8% of total capex invested in the country, during January 2010 to December 2020. USA was followed by UK (11.3% of total investment), Netherlands (9.8%), and Singapore (8.8%). India accounted for inflows amounting to US\$ 7.9 billion (3.1% of total investment) in Australia during the same time period.

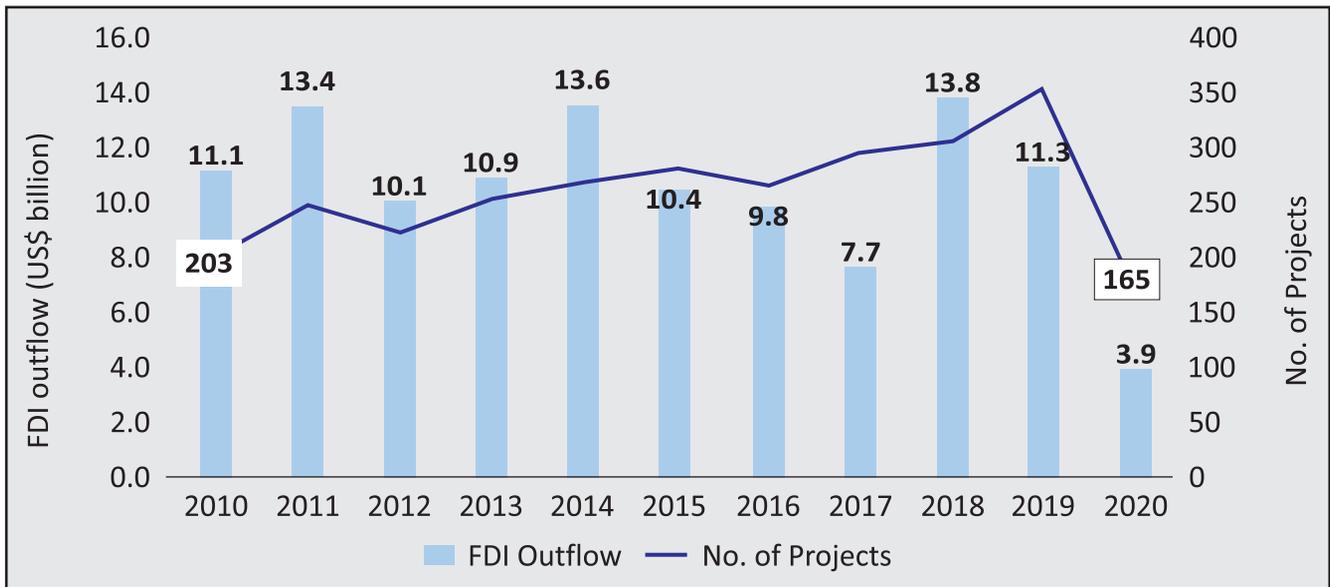
Table 4: Major Investors in Australia 2010-2020

Source Country	FDI Flow (US\$ bn)	No. of Projects
USA	49.5	1,457
United Kingdom	28.4	824
Netherlands	24.5	135
Singapore	22.1	99
Malaysia	21.6	29
China	14.1	158
Japan	11.8	207
Germany	11.1	258
France	8.7	227
India	7.9	87
Switzerland	7.0	120
New Zealand	6.5	150
Canada	6.0	131
Spain	6.0	78

Source: fDi Markets (accessed on February 3, 2022)

A total outward direct investment of US\$ 115.9 billion was made by Australian entities from January 2010 to December 2020 (**Figure 7**). FDI outflows from Australia which stood at US\$ 15.5 billion in 2005, increased sharply to US\$ 25.4 billion in 2008. Thereafter, FDI outflows witnessed a moderation to reach US\$ 11.3 billion in 2019, before suffering a severe blow from the COVID-19 pandemic and settling at US\$ 3.9 billion in 2020.

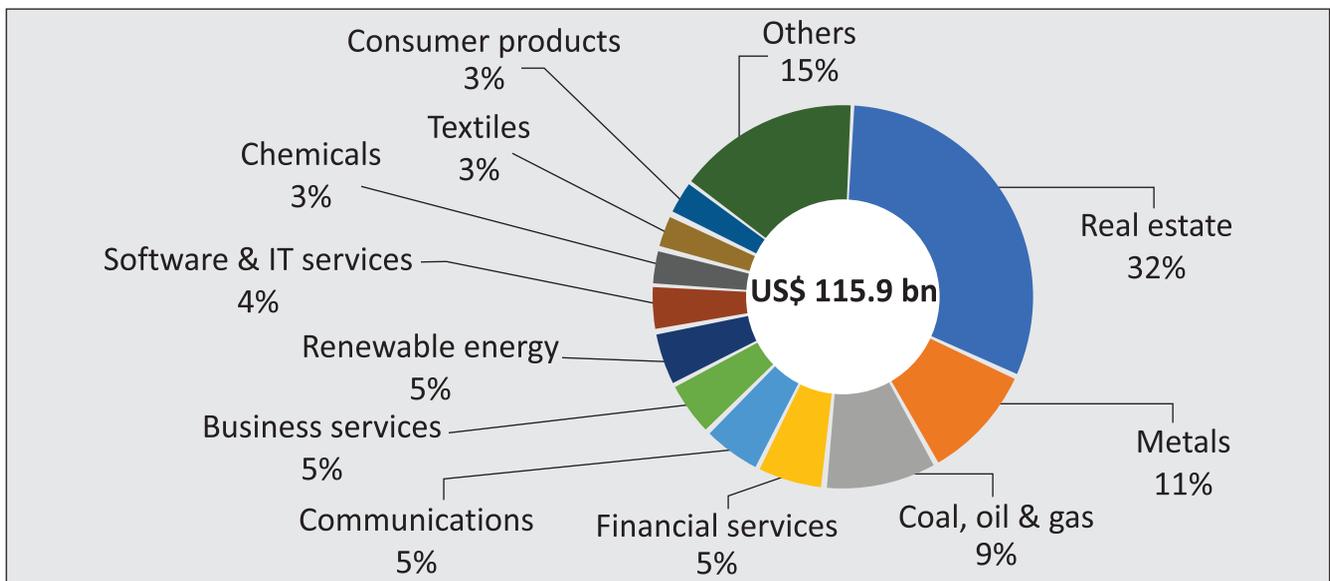
Figure 7 : Envisaged FDI Outflows from Australia



Source: fDi Markets (accessed on February 3, 2022)

Real estate sector received the maximum FDI flowing out of Australia from January 2010 to December 2020, amounting to US\$ 37.2 billion constituting 32% of the total outflow from Australia (**Figure 8**). The other sectors receiving FDI from Australia are metals (US\$ 12.4 billion), coal, oil & gas (US\$ 11 billion), financial services (US\$ 6.4 billion), communications (US\$ 5.7 billion), business services and renewable energy (US\$ 5.6 billion each), software & IT services (US\$ 4.6 billion), textiles (US\$ 3.6 billion), chemicals (US\$ 3.4 billion) and consumer products (US\$ 3.3 billion).

Figure 8: Major Sectors Attracting FDI from Australia 2010-2020



Source: fDi Markets (accessed on February 3, 2022)

USA was also the biggest recipient of FDI from Australia (US\$ 20.8 billion) accounting for 17.9% of the total FDI outflow from January 2010 to December 2020 (**Table 5**). USA was followed by UK (9.9% of total investments), China (9.6%), Singapore (5.5%) and New Zealand (3.9%). India received direct investment amounting to US\$ 3.2 billion (2.8% of total investment) from Australia during the same period.

Table 5: Major Destinations of Australia’s Outward FDI (2010-2020)

Destination Country	FDI Flow (US\$ bn)	No. of Projects
USA	20.8	719
United Kingdom	11.4	401
China	11.1	171
Singapore	6.3	174
New Zealand	4.6	195
Indonesia	4.1	46
Malaysia	3.9	56
Germany	3.8	116
Chile	3.7	18
India	3.2	78
Brazil	2.8	34
Poland	2.6	28
South Africa	2.4	41
Hong Kong	2.3	82

Source: fDi Markets (accessed on February 3, 2022)

Highlights of Investment Regimes in Australia¹³

The Australian government has always welcomed foreign investments. The government recognizes the importance played by FDI in catering to various needs of the economy. Foreign investment to Australia were majorly controlled through the foreign exchange control mechanism till 1970s. The first formalized foreign investment policy was announced by the

¹³ Australia’s Foreign Investment Policy, Australian Government, January 2021

government in 1975. It acknowledged that foreign investments are to be encouraged keeping in mind the needs and ambitions of the Australians. The foreign investment policy was further liberalized from mid- 1980 through early 1990s opening up the economy for the foreign investors.

Today Australia has a well-defined structured Investment Review Framework. The investment proposals are reviewed on a case-by-case basis for ensuring that none of the potential proposals are rejected as a result of generalization. One major benchmark which acts as a key in proposal review is that whether the proposal is in national interest of the country or not. In case a proposal is found to be contrary to national interest either it will be rejected, or certain conditions will be applied to protect national interest.

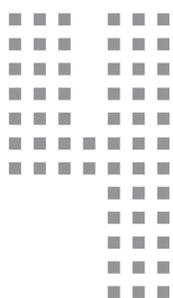
The foreign investment approval is governed by the Foreign Investment Review Framework (FIRF) which defines the screening process for any proposal. The *Foreign Acquisitions and Takeover Act 1975* demands that the foreign investor must report to the Treasurer about the proposed investment if it qualifies the eligibility criteria. The Treasurer then ensures that the proposal is in line with the national interest and in case it's not, certain conditions are applied for the implementation of the project. The *Foreign Acquisitions and Takeovers Fees Impositions Act 2015* requires that the interested foreign investor should pay an application fee to the Treasurer for getting the proposal reviewed, this guarantees that Australian taxpayer's money is not wasted in the reviewing framework. Foreign Investment Review Board (FIRB) is a statutory body which advice the Treasurer on the national interest dimension of any investment proposal.

Other than national interest, the government also considers other factors like consistency with the environmental protection goal of the government, the government also assesses the impact on general economy and that the interests of the fellow Australians are protected. Investments in the agriculture sector are examined to evaluate the impact of the proposal on natural resources (land, water, soil etc), agriculture productivity, biodiversity etc. of the country. Subsequently, investment proposals by foreign government investors are scrutinized to ensure that they should not involve any broader political agenda which goes against the national interest of Australia.

The approval of any investment proposal is communicated to the investor within 10 days of the decision being made by the Treasurer. The Treasurer has 30 days to evaluate the application, this period may extend up to 90 days with a written intimidation to the investor and by another 90 days by publishing an interim order.

More recently, in order to attract foreign investments into Australia, the government announced certain incentives during the 2021-22 budget. The government introduced a 'patent box' scheme with the aim of promoting investment in Australian medical and biotech technologies. This scheme would offer tax reduction on income from innovative research to encourage businesses to undertake their R&D in Australia and register their patents. The Australian Taxation Office (ATO) introduced an early engagement service to attract new investments into Australia. The service will provide the investors with solution to their initial questions regarding the application of Australian tax regime on their prospective businesses, providing them with a clearer picture about the federal law system. The Government also introduced a new Global Talent Visa, for highly skilled professionals to work and live in Australia permanently, thus encouraging relocation to Australia¹⁴.

¹⁴ Australian Trade and Investment Commission, Australian Government



EVOLUTION OF INDIA-AUSTRALIA TRADE RELATIONS

The India-Australia bilateral relationship has undergone evolution in recent years, developing along a positive track, into a strategic partnership. The historical ties between India and Australia started immediately following European settlement in Australia from 1788. India and Australia established diplomatic relations in the pre-Independence period, with the establishment of India Trade Office in Sydney in 1941. The end of the Cold War and simultaneously India's decision to launch major economic reforms in 1991, provided the first positive move towards development of closer ties between the two nations¹⁵.

With the evolving global scenario, Australia has come to look at India as an important partner in promoting regional security and stability. This led to the upgradation of bilateral relationship to a 'Strategic Partnership', including a Joint Declaration on Security Cooperation in 2009. With the passage of time, the relationship gained momentum towards a strategic relationship, alongside the existing economic engagement. Subsequently, Australia came up with a White Paper on Foreign Policy in November 2017. About India, the white paper states "Beyond an increasingly important economic relationship, our security interests are congruent, particularly in relation to the stability and openness of the Indian Ocean. Both the countries have common interests in upholding international law, especially in relation to freedom of navigation and maritime security"¹⁶.

In efforts of developing strong economic relationship with India, the Australian government accepted some recommendations of the India Economic Strategy, 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.

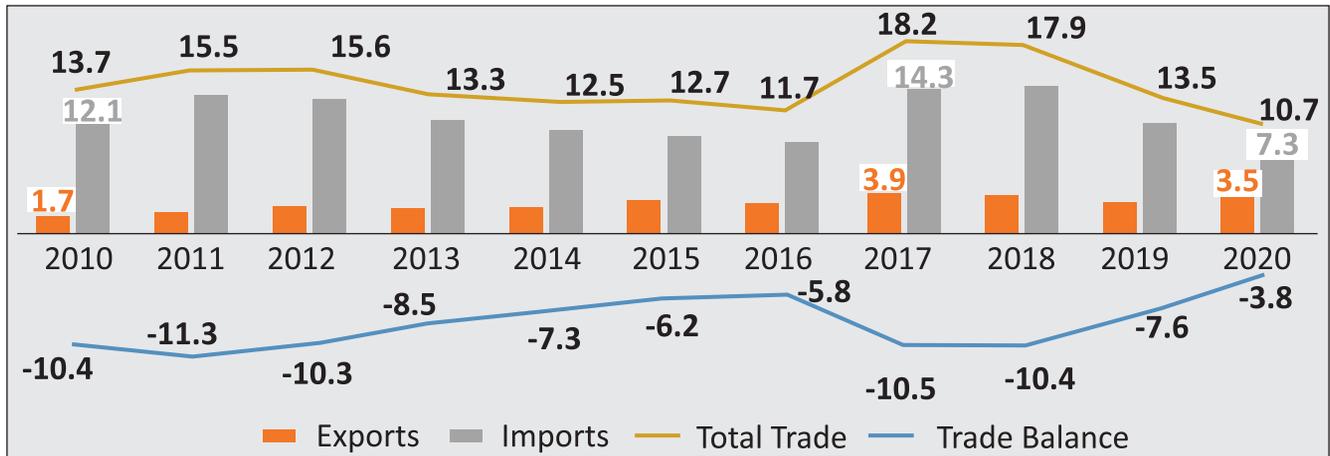
In the recent times, India's total trade with Australia has remained more or less steady from US\$ 13.7 billion in 2010 to US\$ 13.5 bn in 2019. On account of the disruptions caused by the pandemic, bilateral trade witnessed a reduction to US\$ 10.7 billion in 2020 (**Figure 9**). While

¹⁵ India-Australia Bilateral Relations, Ministry of External Affairs of India

¹⁶ 2017 Foreign Policy White Paper, Australian Government

exports have more than doubled from US\$ 1.7 billion in 2010 to US\$ 3.5 billion in 2020, imports have decreased from US\$ 12.1 billion to US\$ 7.3 billion during the same period. The total trade between the two countries peaked at US\$ 18.2 billion in 2017 with India's exports to Australia and imports from Australia amounting to US\$ 3.9 billion and US\$ 14.3 billion, respectively. India has been persistently running trade deficit with Australia, which was the highest in 2011 at US\$ 11.3 billion before reducing to US\$ 3.8 billion in 2020.

Figure 9: India's Bilateral Trade with Australia (US\$ bn)



Source: ITC Trademap and India Exim Bank Analysis

Moreover, it is pertinent to note that India's share in Australia's global imports doubled from 0.9% in 2010 to 1.8% in 2020. Similarly, Australia's share in India's global exports increased from 0.7% in 2010 to 1.3% in 2020 (Figure 10), signaling stronger trade ties and closer engagement.

Figure 10: Trade with Australia vis-à-vis Global Trade (% share)



Source: ITC Trademap and India Exim Bank Analysis

India's Exports to Australia: Product Wise

India's major exports to Australia in 2020 were petroleum products (24.2% of total exports in 2020) followed by pharmaceutical products (8.4%). Other major exports include natural or cultured pearls or stones (6.6%), machinery and mechanical appliances (5.1%), electrical machinery and equipment, among others (Table 6).

Table 6: India's Major Export Items to Australia (US\$ mn)

HS Code	Product label	2018	2019	2020	Share in Exports (% 2020)
TOTAL	All products	3,741.9	2,973.9	3,471.1	100
27	Mineral fuels and oils	821.0	353.4	839.3	24.2
30	Pharmaceutical products	248.0	251.9	292.3	8.4
71	Natural or cultured pearls	291.4	268.9	229.9	6.6
84	Machinery and mechanical appliances	160.0	157.7	177.0	5.1
85	Electrical machinery and equipment	185.0	137.2	155.8	4.5
73	Articles of iron or steel	138.7	139.9	145.0	4.2
63	Other made-up textile articles	131.7	128.0	129.2	3.7
87	Vehicles other than railway or tramway	112.1	73.11	111.8	3.2
62	Articles of apparel and clothing accessories, not knitted or crocheted	107.8	128.8	108.5	3.1
38	Miscellaneous chemical products	59.1	54.6	98.6	2.8
61	Articles of apparel and clothing accessories, knitted or crocheted	77.9	88.9	82.5	2.4
57	Carpets and other textile floor coverings	68.7	69.0	79.7	2.3
10	Cereals	53.1	60.1	77.5	2.2

Source: ITC Trademap and India Exim Bank Analysis

India's Imports from Australia: Product Wise

As regards imports, India's top import items from Australia in 2020 were petroleum crude (76.5% of total imports), followed by inorganic chemicals and inorganic or organic compounds of precious metals (4.7%), natural or cultured pearls or stones (4.3%), and ores, slag and ash (2.1%) (Table 7).

Table 7: India's Major Import Items from Australia (US\$ mn)

HS Code	Product label	2018	2019	2020	Share in Imports (% 2020)
TOTAL	All products	14,126.3	10,569.4	7,263.3	100%
27	Mineral fuels and oils	10,333.0	8,224.2	5,556.7	76.5
28	Inorganic chemicals, organic or inorganic compounds	655.1	403.0	341.1	4.7
71	Natural or cultured pearls	619.2	529.9	312.9	4.3
26	Ores, slag, and ash	908.5	258.2	155.3	2.1
76	Aluminium and articles thereof	201.5	137.7	108.6	1.5
72	Iron and steel	116.2	99.7	97.4	1.3
07	Edible vegetables and certain roots	93.4	41.1	72.9	1.0

Source: ITC Trademap and India Exim Bank Analysis

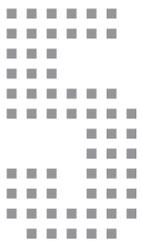
India's Trade Balance with Australia

India runs a trade deficit with Australia, which has reduced in the recent years following trade restrictions due to the global pandemic. Trade deficit has decreased from US\$ 10.4 billion in 2010 to US\$ 3.8 billion in 2020, with the drastic change also an account of the change in degree of exports and imports between the two countries (Table 8). In 2010 the imports were as high as US\$ 12.1 billion, and exports were mere US\$ 1.7 billion leading to a huge trade deficit in 2010. Subsequently, in 2020 the exports increased to US\$ 3.5 billion, and the imports decreased to US\$ 7.3 billion leading to a deficit of US\$ 3.8 bn. India runs a huge trade deficit in mineral fuels and oils (US\$ 4.7 billion) as these account for 76.5% of total imports from Australia.

Table 8: India's Trade Balance with Australia (US\$ mn)

HS Code	Product Label	2010	2020
TOTAL	All products	-10,410.4	-3,792.2
27	Mineral fuels and oils	-5,170.9	-4,717.3
28	Inorganic chemicals; organic or inorganic compounds	-116.6	-3,20.8
26	Ores, slag, and ash	-1,261.3	-153.7
71	Natural or cultured pearls	-3,874.4	-83.0
76	Aluminium and articles thereof	-50.1	-78.6
51	Wool, fine or coarse animal hair	-147.2	-63.9
07	Edible vegetables and certain roots and tubers	-129.8	-63.0
08	Edible fruit and nuts; peel of citrus fruit or melons	-23.2	-54.0
72	Iron and steel	-26.9	-51.3
78	Lead and articles thereof	-83.5	-50.0
32	Tanning or dyeing extracts; tannins and their derivatives	-15.7	-45.3
47	Pulp of wood or of other fibrous cellulosic material	-9.2	-21.9
75	Nickel and articles thereof	-133.6	-19.7
31	Fertilisers	-110.3	-17.3
74	Copper and articles thereof	-98.8	-14.5
79	Zinc and articles thereof	-24.0	-7.4
29	Organic chemicals	36.5	37.7
40	Rubber and articles thereof	37.0	47.3
09	Coffee, tea, maté and spices	45.6	60.4
42	Articles of leather, saddlery and harness, travel goods, handbags and similar containers	40.7	60.7
10	Cereals	-75.1	67.8
57	Carpets and other textile floor coverings	31.0	79.5
62	Articles of apparel and clothing accessories, not knitted or crocheted	41.2	108.2
87	Vehicles other than railway or tramway	179.4	108.9
63	Other made-up textile articles	65.6	126.8
85	Electrical machinery and equipment	101.1	129.9
73	Articles of iron or steel	46.6	139.8
30	Pharmaceutical products	71.2	280.0

Source: ITC Trademap and India Exim Bank Analysis



OPPORTUNITIES FOR ENHANCING BILATERAL TRADE BETWEEN INDIA AND AUSTRALIA

India's trade with Australia has increased steadily over the years. The total trade between the two countries which stood at US\$ 1.6 billion in 2001, increased nearly fivefold to reach US\$ 6 billion in 2007, thereafter the trade more than doubled to reach a figure of US\$ 15.5 billion in 2011. The total bilateral trade peaked at US\$ 18.2 billion in 2017, before declining to US\$ 10.7 billion in 2020, amid various trade restrictions due to the global pandemic. However, it is important to note India's trade deficit with Australia which stood at US\$ 0.8 billion in 2001 ballooned to US\$ 3.8 billion in 2007, before peaking in 2011 at US\$ 11.3 billion and settling at US\$ 3.8 billion in 2020. Growth in India's imports from Australia has outpaced growth in India's exports to Australia during this time.

India as a Trading Partner for Australia

In 2001 India was the 13th most important market for Australia's exports. The importance of Indian market for Australia's exports has risen steadily and it is reflected in the increased ranking of India in Australia's export markets. While in 2007, India was 6th largest destination for Australia's exports, in 2020, India's position remains the same. As regards imports, India was ranked 28th among Australia's import sources in 2001, improving to 25th position in 2007. Thereafter, India showed a remarkable progress and ranks 14th amongst the important sources of import for Australia, with a huge potential still for India to emerge as a leading import partner for Australia.

Enhancing Bilateral Trade Relations

To enhance bilateral trade relations, and to address India's trade deficit with Australia, it would be pertinent to identify and focus on potential items of exports from India to Australia. In order to identify the potential items, the strategy could entail:

- Identification of major items in Australia’s import basket, and share of India in each product line (based on 2-digit HS Commodity code)
- Selection of potential export items, based on low share of India in Australia’s import basket of major commodities and keeping in view India’s global export capabilities.

This would involve identification of potential export items under each product category, up to the 6-digit HS code. The following table (**Table 9**) presents Australia’s major import items, in terms of 2-digit HS code, and India’s share in Australia’s global imports of these items in 2020.

Table 9: Australia’s Major Import Items and India’s Share in Australia’s Imports (2020)

HS Code	Product label	Australia’s Imports from World (US\$ mn)	India’s Exports to Australia (US\$ mn)	India’s Share in Australia’s Global imports (% Share)	India’s Exports to World (US\$ mn)	RCA ¹⁷
	All products	2,02,277.0	3,471.1	1.8	2,75,488.7	
84	Machinery and mechanical appliances	30,554.9	177.0	0.6	17,970.9	0.5
85	Electrical machinery and equipment	24,017.5	155.8	0.6	13,465.0	0.3
87	Vehicles other than railway or tramway	23,768.5	111.8	0.5	12,996.8	0.6
27	Mineral fuels and mineral oils	17,015.4	839.3	4.9	27,634.4	1.1
30	Pharmaceutical products	8,742.4	292.3	3.3	18,426.7	1.7
71	Natural or cultured pearls, precious or semi-precious stones	8,685.1	229.9	2.6	24,455.5	2.2

¹⁷ Revealed Comparative Advantage (RCA) is defined as the ratio of two shares. The numerator is the share of a country’s total exports of the commodity of interest in its total exports. The denominator is share of world exports of the same commodity in total world exports. When a country has a revealed comparative advantage for a given product (RCA >1), it is inferred to be a competitive producer and exporter of that product relative to a country producing and exporting that good at or below the world average.

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's Share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)	RCA ¹⁷
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical equipment	8,019.5	36.0	0.4	3,103.4	0.3
39	Plastics and articles thereof	6,158.9	53.6	0.9	6,598.4	0.7
94	Furniture: bedding, mattresses, mattress supports, cushions	4,678.0	49.4	1.1	1,813.4	0.4
73	Articles of iron or steel	4,455.3	145.0	3.3	6,251.3	1.4
62	Articles of apparel and clothing accessories, not knitted or crocheted	3,320.6	108.5	3.3	6,104.6	1.9
40	Rubber and articles thereof	3,145.9	52.5	1.7	2,976.0	1.1
61	Articles of apparel and clothing accessories, knitted or crocheted	2,990.1	82.5	2.8	6,120.3	1.8
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	2,720.6	129.2	4.7	4,771.0	2.4
88	Aircraft, spacecraft, and parts thereof	2,452.5	1.4	0.1	1,219.7	0.4
29	Organic chemicals	2,365.1	44.2	1.9	17,426.9	2.8

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's Share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)	RCA ¹⁷
38	Miscellaneous chemical products	2,358.8	98.6	4.2	4,888.9	1.4
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	1,958.3	13.0	0.7	1,750.6	0.7
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	1,892.7	35.1	1.9	1,841.5	0.8
76	Aluminium and articles thereof	1,787.8	30.0	1.7	5,285.1	2.0

Source: ITC Trademap and India Exim Bank Analysis

As can be seen from the table above, India's share in Australia's overall global imports is just 1.8%. For most of Australia's import items, India's share is marginal. For the following product categories India's share in Australia's imports is more than the overall country share of 1.8%:

- Mineral fuels and mineral oils (HS-27)
- Pharmaceutical products (HS-30)
- Natural or cultured pearls, precious or semi-precious stones (HS-71)
- Articles of iron or steel (HS-73)
- Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)
- Articles of apparel and clothing accessories, knitted or crocheted (HS-61)
- Other made-up textile articles; sets; worn clothing and worn textile articles; rags (HS-63)
- Organic chemicals (HS-29)
- Miscellaneous chemical products (HS-38)
- Essential oils and resinoids; perfumery, cosmetic or toilet preparations (HS-33)

Among the above listed categories three products viz. mineral fuels and mineral oils (HS-27), other made-up textile articles, worn clothing and worn textile articles (HS-63) and miscellaneous chemical products (HS-38) have achieved a share of more than 4%. However, in the leading import product categories of Australia, India has achieved only a marginal share. Taking into consideration India's export capability in all these product categories, there exists potential for India to increase exports to Australia, in line with the huge import demand in Australia. At the same time some of these items are amongst India's leading export items in the global market, highlighting India's global export capability.

Potential Items of India's Exports to Australia

Based on the analysis conducted in the table above (**Table 9**) potential product categories have been identified for which there is huge import demand in Australia and India has the export capability. The product categories are as under:

- Machinery and mechanical appliances (HS-84)
- Electrical machinery and equipment (HS-85)
- Vehicles other than railway or tramway (HS-87)
- Pharmaceutical products (HS-30)
- Natural or cultured pearls, precious or semi-precious stones (HS-71)
- Plastics and articles thereof (HS-39)
- Articles of iron or steel (HS-73)
- Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)
- Articles of apparel and clothing accessories, knitted or crocheted (HS-61)
- Organic chemicals (HS-29)
- Aluminium and articles thereof (HS-76)

For all the above identified products, India's global exports were more than US\$ 5 billion in 2020.

Brief Analysis of Australia's Major Import Items and India's Potential Export Items

Potential items of exports to Australia under each category have been identified up to 6-digit HS commodity classification and have been presented below.

Machinery and Mechanical Appliances (HS-84)

China is the largest import source for Australia of machinery and mechanical appliances. China's contribution in Australia's import of this product category increased from 26.5% in 2011 to 36.1% in 2020. On the other hand, the contribution of USA, being the second largest exporting country for machinery and mechanical appliances to Australia decreased from 21.8% in 2011 to 15.5% in 2020. Australia imported US\$ 30.6 billion of these products in 2020 in which India's share was 0.6%. **Table 10** presents the list of products categories where an export potential exists for India under machinery and mechanical appliances.

Table 10: Machinery and mechanical appliances (HS-84) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
841112	Turbojets of a thrust > 25 kN	221.3	0.0	0.0	2,593.7
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves)	886.8	10.3	1.2	762.9
840999	Parts suitable for use solely or principally with compression-ignition internal combustion	269.0	1.6	0.6	609.7
840890	Compression-ignition internal combustion piston engine "diesel or semi- diesel engine"	151.8	1.0	0.6	554.7
848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission)	298.0	2.1	0.7	484.3

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
848190	Parts of valves and similar articles for pipes, boiler shells, tanks, vats	171.7	6.6	3.8	415.2
847989	Machines and mechanical appliances	605.9	2.6	0.4	376.7
841490	Parts of air or vacuum pumps, air or other gas compressors, fans	84.1	0.8	0.9	309.2
841391	Parts of pumps for liquids	175.9	3.7	2.1	304.8
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston	100.4	0.2	0.2	283.5
848310	Transmission shafts, incl. cam shafts and crank shafts, and cranks	90.0	0.1	0.1	278.2
843149	Parts of machinery of heading 8426, 8429 and 8430, n.e.s.	932.4	1.7	0.2	275.9
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods	242.0	2.6	1.1	273.1
841370	Centrifugal pumps, power- driven (excluding those of subheading 8413.11 and 8413.19)	182.8	2.9	1.6	255.4

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
840820	Compression-ignition internal combustion piston engine "diesel or semi- diesel engine"	169.2	0.1	0.1	255.0
841290	Parts of non-electrical engines and motors	248.9	6.1	2.4	237.2
840710	Spark-ignition reciprocating or rotary internal combustion piston engine for aircraft	78.1	0.0	0.0	216.9
841989	Machinery, plant, or laboratory equipment, whether or not electrically heated	74.0	0.3	0.4	189.1
847990	Parts of machines and mechanical appliances, n.e.s.	148.3	1.4	0.9	168.0
42199	Parts of machinery and apparatus for filtering or purifying liquids or gases, n.e.s.	162.0	3.2	2.0	166.7
841950	Heat-exchange units (excluding instantaneous heaters, storage water heaters, boilers and equipment	154.0	0.2	0.2	159.7

Source: ITC Trademap and India Exim Bank Analysis

Electrical Machinery and Equipment (HS-85)

China is the biggest exporter of electrical machinery and equipment to Australia with a share of 52.9% in Australia's import of the product category. Australia imported US\$ 24 billion of these products in 2020 in which India's share was a meager 0.6%. In 2020, India's exports of the same product category amounted to US\$ 13.5 billion globally reflecting the export capability of India. **Table 11** below lists down potential items of exports from India to Australia under the category electrical machinery and equipment.

Table 11: Electrical machinery and equipment (HS-85) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	3,816.7	0.0	0.0	2,988.8
850440	Static converters	1,043.9	11.0	1.1	1,057.9
850300	Parts suitable for use solely or principally with electric motors and generators	98.4	2.0	2.0	794.2
853710	Boards, cabinets, and similar combinations of apparatus for electric control or the distribution	486.3	2.7	0.6	429.9
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537	145.8	3.1	2.1	394.7

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	444.5	0.7	0.2	338.0
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	415.2	4.6	1.1	304.0
850490	Parts of electrical transformers and inductors	45.7	2.0	4.4	268.5
853690	Electrical apparatus for switching electrical circuits	120.5	6.6	5.5	266.9
850231	Generating sets, wind-powered	144.4	0.0	0.0	195.4
854430	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	87.8	0.3	0.4	182.5
850710	Lead-acid accumulators of a kind used for starting piston engine "starter batteries"	241.5	1.6	0.6	159.9
850720	Lead acid accumulators (excluding spent and starter batteries)	172.9	3.1	1.8	154.1
852990	Parts suitable for use solely or principally with transmission and reception	141.0	0.2	0.1	152.0

Source: ITC Trademap and India Exim Bank Analysis

Vehicles other than Railway or Tramway (HS-87)

Australia imported vehicles other than railway or tramway amounting to US\$ 23.8 billion in 2020. The top source for imports in the product category HS-87 for Australia is Japan. Japan's share in Australia's imports decreased from 35.5% in 2010 to 30% in 2020. Countries like Thailand and China have grown their exports to Australia during the last decade. Thailand's share in Australia's imports of HS-87 increased from 11.5% in 2011 to 17.2% in 2020 while China's share increased from 3.3% in 2011 to 6.9% in 2020. Given India's large scale global exports of vehicles other than railway or tramway, **Table 12** highlights the potential items in this product category.

Table 12: Vehicles other than railway or tramway (HS-87) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	387.2	7.3	1.9	2,128.3
870322	Motor cars and other motor vehicles principally designed for the transport of persons	1,109.4	23.2	2.1	1,947.2
871120	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder	61.8	0.8	1.4	1581.1
870323	Motor cars and other motor vehicles principally designed for the transport of persons	129.9	24.0	0.4	1413.9

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
870321	Motor cars and other motor vehicles principally designed for the transport of persons	227.3	0.0	0.0	1,118.2
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles	214.8	0.9	0.4	413.9
871410	Parts and accessories of motorcycles, incl. mopeds	58.5	0.3	0.5	381.6
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more	132.0	0.3	0.2	353.1
870850	Drive-axles with differential, whether or not provided with other transmission components	96.3	0.7	0.8	340.2
871130	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder	70.4	7.1	10.1	192.1
870422	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	368.8	0.0	0.0	188.7

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
870421	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	4,071.9	2.3	0.1	178.7
870600	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more	195.5	0.0	0.0	171.8
870894	Steering wheels, steering columns and steering boxes, and parts thereof, for tractors, motor	49.5	0.1	0.1	149.4
870410	Dumpers for off-highway use	838.0	0.6	0.1	148.5
870880	Suspension systems and parts thereof, incl. shock-absorbers, for tractors	148.7	2.8	1.9	141.7
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more	349.9	0.2	0.1	140.5
870892	Silencers "mufflers" and exhaust pipes, and parts thereof, for tractors, motor vehicles	47.7	0.2	0.3	127.7

Source: ITC Trademap and India Exim Bank Analysis

Pharmaceutical Products (HS-30)

USA is the largest exporter of pharmaceutical products to Australia with a share of 21.7% in Australia's imports in 2020. USA was followed by Germany (15.9%), Switzerland (9.3%)

and Ireland (8.2%). India's exports to Australia in this category have been stagnated around 3.3% despite of having a Revealed Comparative Advantage (RCA) of 1.7 with Australia in the production of the commodity. **Table 13** presents select potential export items in the pharmaceutical products category.

Table 13: Pharmaceutical products (HS-30) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	4,624.2	249.2	5.4	14,059.4
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal	142.8	9.7	6.8	1,213.6
300220	Vaccines for human medicine	289.7	0.1	0.0	744.9
300450	Medicaments containing provitamins, vitamins, incl. natural concentrates and derivatives thereof	87.3	0.7	0.8	252.5
300660	Chemical contraceptive preparations based on hormones, prostag, thromboxane, leukotrienes	42.6	1.2	2.8	180.1
300431	Medicaments containing insulin but not antibiotics	106.2	0.8	0.7	108.5

Source: ITC Trademap and India Exim Bank Analysis

Natural or Cultured Pearls, Precious or Semi-Precious Stones (HS-71)

Australia's import of natural or cultured pearls, precious or semi-precious stones account for 4.3% of its total imports. Papua New Guinea is the largest exporter of this product category to Australia with a share of 25.6% in Australia's total imports of natural or cultured pearls, precious or semi- precious stones. India's share in Australia's import of this product category is 2.6%. India possesses a tremendous trade potential in the product category with 8.9% of its total exports to the world coming under this product category. Moreover, India has a RCA of 2.2 against Australia in the production of the commodity, which further makes natural or cultured pearls, precious or semi- precious stones a potential commodity of export. **Table 14** lists the select potential export items to Australia in the HS-71 category.

Table 14: Natural or cultured pearls, precious or semi-precious stones (HS-71) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
711311	Articles of jewellery and parts thereof, of silver, whether or not plated or clad	169.1	11.2	6.6	1979.4
710399	Precious and semi-precious stones, worked, whether or not graded, but not strung, mounted	18.3	0.5	2.9	109.0
711790	Imitation jewellery (excluding jewellery, of base metal, whether or not clad with silver, gold	30.0	1.5	4.9	84.9

Source: ITC Trademap and India Exim Bank Analysis

Plastics and Article Thereof (HS-39)

China with a share of 40.8% was the largest source of imports for Australia in the product category plastics and article thereof in 2020. Australia imported plastics and its articles amounting to US\$ 6.2 billion in 2020 with, India's share in Australia's overall import of HS-39 remaining 0.9%. China's share increased from 24.9% in 2011 to 40.8% in 2020. **Table 15** presents select commodities where there exists an export potential for India under plastics and its articles.

Table 15: Plastic and articles thereof (HS-39) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
390210	Polypropylene, in primary forms	44.7	0.0	0.0	672.8
390761	Polyethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	80.3	0.2	0.2	541.2
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	903.0	4.8	0.5	525.9
392329	Sacks and bags, incl. cones, of plastics (excluding those of polymers of ethylene)	111.3	5.3	4.8	352.4
390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	209.4	0.0	0.0	327.8

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
392062	Plates, sheets, film, foil and strip, of non-cellular polyethylene terephthalate", not reinforced	79.3	2.5	3.1	318.6
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated	168.9	3.0	1.8	292.1
390110	Polyethylene with a specific gravity of < 0,94, in primary forms	62.3	0.0	0.1	291.9
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced	87.7	4.2	4.8	291.0
390140	Ethylene-alpha-olefins copolymers, having a specific gravity of < 0,94, in primary forms	30.6	0.0	0.0	199.4
392321	Sacks and bags, incl. cones, of polymers of ethylene	336.2	0.7	0.2	148.3
392390	Articles for the conveyance or packaging of goods, of plastics (excluding boxes, cases, crates)	151.2	2.2	1.5	140.9
392410	Tableware and kitchenware, of plastics	217.1	1.6	0.7	134.2

Source: ITC Trademap and India Exim Bank Analysis

Articles of Iron or Steel (HS-73)

Australia imported articles of iron or steel amounting to US\$ 4.5 billion in 2020, which was 2.2% of its total imports in the same year. India's share in Australia's global imports of articles of iron or steel was 3.3% in 2020, although India holds a RCA of over 1.4 in the production of the commodity. China with a share of 49.7% was the leading exporter of articles of iron or steel to Australia in 2020. USA was the second largest exporter of articles of iron or steel to Australia followed by Japan with a share of 4.3%. However, from 2011 to 2020 China's share in Australia's import of articles of iron or steel increased from 32.5% to 49.7%, on the other hand in the same time period Japan's share in Australia's imports of articles of iron or steel decreased from 10.4% to 4.3% respectively. **Table 16** below lists select potential items of exports from India to Australia under articles of iron or steel.

Table 16: Articles of Iron or Steel (HS-73) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
730820	Towers and lattice masts, of iron or steel	48.8	0.0	0.0	351.2
732393	Table, kitchen or other household articles & parts thereof, of stainless steel	106.9	6.8	6.3	321.5
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	224.5	3.0	1.3	240.4
730441	Tubes, pipes and hollow profiles, seamless, of circular cross-section, of stainless steel	14.3	0.0	0.0	110.4
731819	Threaded articles, of iron or steel	54.9	1.1	2.0	88.5

Source: ITC Trademap and India Exim Bank Analysis

Articles of Apparel and Clothing Accessories, not Knitted or Crocheted (HS-62)

China is the biggest exporter of articles of apparel and clothing accessories, not knitted or crocheted to Australia with a share of 67.7% in Australia's import in the product category. Australia imported US\$ 3.3 billion of these products in 2020 in which India's share was a meager 3.3%. India exported the same product category amounting to US\$ 6.1 billion around the world which reflects the export capability of India. Furthermore, India has a RCA of 1.9 in production of these products which complements the capability of India in exporting the commodity **Table 17** below lists down potential items of exports from India to Australia under the category articles of apparel and clothing accessories, not knitted or crocheted.

Table 17: Articles of apparel and clothing accessories, not knitted or crocheted (HS-62) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts)	157.5	5.3	0.0	508.5
620443	Women's or girls' dresses of synthetic fibres (excluding knitted or crocheted and petticoats)	125.9	7.0	0.1	484.3
620442	Women's or girls' dresses of cotton (excluding knitted or crocheted and petticoats)	71.9	12.8	0.2	461.8
621143	Women's or girls' tracksuits and other garments of man-made fiber	100.8	6.4	0.1	377.4
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	297.5	2.7	0.0	373.6

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
620630	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted)	52.6	4.8	0.1	355.1
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibers	88.0	4.1	0.0	311.1
621142	Women's or girls' tracksuits and other garments of cotton (excluding knitted or crocheted)	30.2	7.2	0.2	248.2
620444	Women's or girls' dresses of artificial fibers (excluding knitted or crocheted and petticoats)	79.1	3.3	0.0	196.1
620349	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials	17.6	1.2	0.1	182.2
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton	245.8	4.8	0.0	161.9
620920	Babies' garments and clothing accessories of cotton (excluding knitted or crocheted and hats)	21.5	4.3	0.2	129.1

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
620449	Women's or girls' dresses of textile materials (excluding of wool, fine animal hair)	68.3	6.8	0.1	121.7
620590	Men's or boys' shirts of textile materials (excluding of cotton or man-made fibers)	26.7	1.1	0.0	114.9

Source: ITC Trademap and India Exim Bank Analysis

Articles of Apparel and Clothing Accessories, Knitted or Crocheted (HS-61)

India's share in Australia's global imports of articles of apparel and clothing accessories, knitted or crocheted stand at 2.8% in 2020 amounting to just US\$ 82.5 million. India has a RCA value of 1.8 in production articles of apparel and clothing accessories, knitted or crocheted. China is the largest exporter of articles of apparel and clothing accessories, knitted or crocheted with a contribution of % in the total imports made in this product category in 2020 **Table 18** below shows the select potential export items to Australia from India.

Table 18: Articles of apparel and clothing accessories, knitted or crocheted (HS-61) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
610910	T-shirts, singlets, and other vests of cotton, knitted or crocheted	460.8	29.6	6.4	1,440.7
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	127.7	11.2	8.8	624.4

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
610990	T-shirts, singlets, and other vests of textile materials, knitted or crocheted (excluding cotton)	168.5	3.4	2.0	474.0
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets)	62.8	5.0	7.9	355.4
610831	Women's or girls' nightdresses and pyjamas of cotton, knitted or crocheted	29.7	2.4	7.9	236.2
610711	Men's or boys' underpants and briefs of cotton, knitted or crocheted	67.8	1.4	2.1	163.8
610821	Women's or girls' briefs and panties of cotton, knitted or crocheted	56.2	0.3	0.5	128.8
610342	Men's or boys' trousers, bib and brace overalls, breeches, and shorts of cotton	69.9	1.0	1.5	123.4
610442	Women's or girls' dresses of cotton, knitted or crocheted (excluding petticoats)	39.2	1.4	3.7	103.5

Source: ITC Trademap and India Exim Bank Analysis

Organic Chemicals (HS-29)

China with a share of 36.4% was the largest source of imports for Australia in this product category in 2020. China's share more than doubled from 13.2% in 2011 to 36.4% in 2020. India has a RCA value of 2.8 signifying the export potential enjoyed by India in the production of organic chemicals. **Table 19** presents the select commodities where there exists an export potential for India under organic chemicals.

Table 19: Organic Chemicals (HS-29) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
293399	Heterocyclic compounds with nitrogen hetero atom[s]	64.7	1.1	1.7	879.6
293339	Heterocyclic compounds with nitrogen hetero atom[s] only, containing an unfused pyridine ring	95.7	1.8	1.9	759.1
293499	Nucleic acids and their salts, whether or not chemically defined; heterocyclic compounds	73.8	0.1	0.2	561.0
294190	Antibiotics (excluding penicillin and their derivatives with a penicillanic acid structure)	67.0	0.5	0.7	543.6
292429	Cyclic amides, incl. cyclic carbamates, and their derivatives; salts thereof	72.8	0.1	0.1	378.1

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
291899	Carboxylic acids with additional oxygen function and their anhydrides, halides, peroxides	64.6	0.5	0.8	226.1
293090	Organo-sulphur compounds (excluding thiocarbamates and dithiocarbonates)	65.7	0.0	0.1	191.0
292249	Amino-acids and their esters; salts thereof (excluding those with > one kind of oxygen function)	27.5	0.1	0.5	189.8
293299	Heterocyclic compounds with oxygen heteroatom [s] only	25.3	1.5	6.0	151.3

Source: ITC Trademap and India Exim Bank Analysis

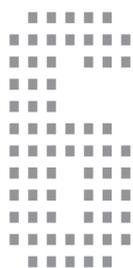
Aluminium and Articles Thereof (HS-76)

The top source for imports in the product category HS-76 for Australia is China. China's share in Australia's imports increased from 47.7% in 2011 to 57.6% in 2020. Countries like Korea, Thailand, Malaysia and Qatar have grown their exports to Australia during the last decade. Korea's share in Australia's imports of HS-76 increased from 3.2% in 2011 to 6.8% in 2020; Thailand's share increased from 3.6% in 2011 to 4% in 2020. Similarly, Malaysia's and Qatar's share also increased from 3.5% and 0% in 2011 to 3.9% and 3.3% respectively. **Table 20** lists potential items in this product category.

Table 20: Aluminium and articles thereof (HS-76) - Select Potential Export Items to Australia

HS Code	Product label	Australia's Imports from World (US\$ mn)	India's Exports to Australia (US\$ mn)	India's share in Australia's Global imports (% Share)	India's Exports to World (US\$ mn)
760120	Unwrought aluminium alloys	99.5	18.3	18.4	617.2
761699	Articles of aluminium, Wire of non-alloy aluminium	230.8	3.9	1.7	301.5

Source: ITC Trademap and India Exim Bank Analysis



INDIA'S BILATERAL INVESTMENT RELATIONS WITH AUSTRALIA

India was the 5th largest FDI recipient across the globe in 2020 with an investment of US\$ 64 billion up by 26.7% from 2019¹⁸. India was able to attract direct investments despite the global pandemic stemming from robust investment through acquisitions in ICT (software and hardware) and construction bolstered FDI.

To analyze trends in investment flows, this study has drawn upon the data collated by the Financial Times through its online database tracking cross-border green field investment, viz. fDi Markets, which provides real-time monitoring of investment projects and capital investment to track and profile companies investing overseas.

During 2010 to 2020, India has received investment from Australia amounting to US\$ 3.2 billion in 78 FDI projects (**Table 21**). Major Australian investor in India are Macquarie Group (real estate sector), Flight Centre, Australia and New Zealand Banking Group, Oilex, Heliostat SA among others.

Table 21: Australia's Foreign Direct Investment (FDI) in India

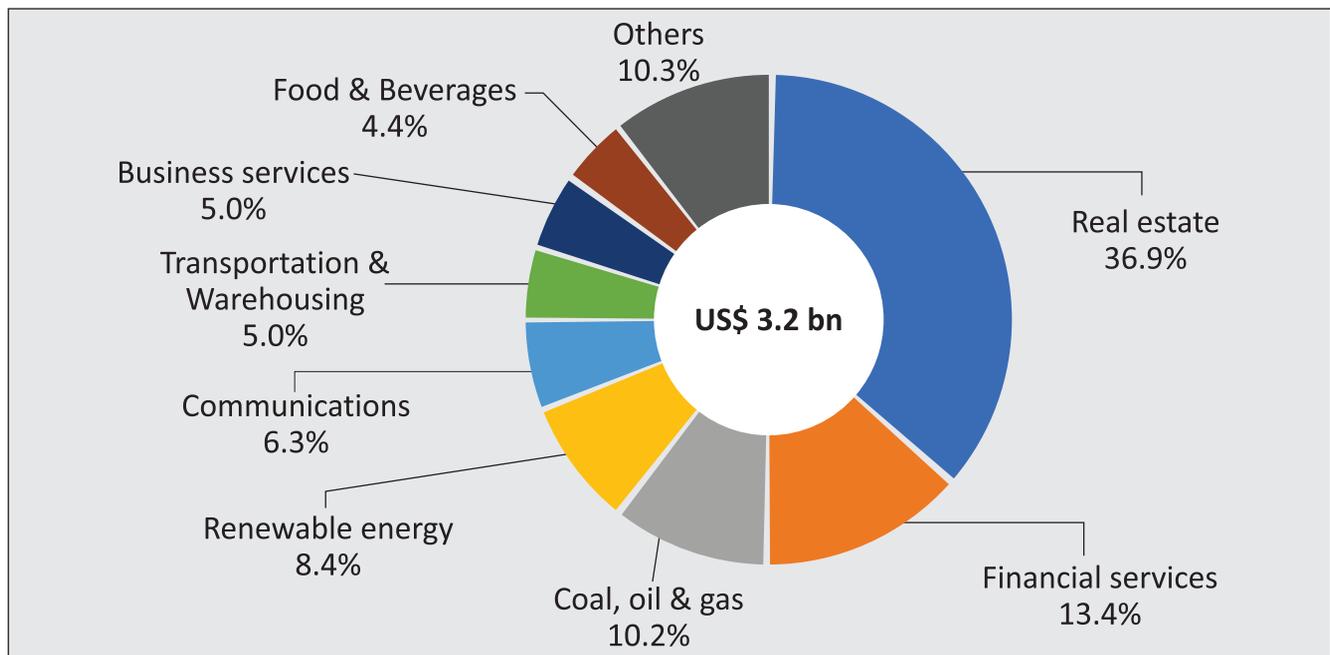
Year	FDI Flow (US\$ mn)	Projects
2010	185.0	8
2011	469.4	19
2012	11.9	2
2013	62.3	8
2014	30.6	2
2015	373.0	6
2016	436.9	10
2017	1,350.5	8
2018	124.7	6
2019	107.8	4
2020	37.6	5
Total	3,189.70	78

Source: fDi Markets (accessed on February 3, 2022)

¹⁸ UNCTAD World Investment Report, 2021

The major sectors receiving investment from Australia into India during 2010-2020, are real estate (US\$ 1.2 billion), financial services (US\$ 428 million), coal, oil and gas (US\$ 324 million), renewable energy (US\$ 270 million), communications (US\$ 201 million), transportation & warehousing (US\$ 160 million), business services (US\$ 160 million) and food and beverages (US\$ 142 million), as shown in **Figure 11**.

Figure 11: Major Sectors Attracting Australian Investment in India (2010-2020)



Source: fDi Markets (accessed on February 3, 2022)

On the other hand, Indian FDI outflow to Australia amounted to US\$ 7.9 billion from January 2010 to December 2020 from 87 projects **Table 22**.

Table 22: India's Foreign Direct Investment (FDI) in Australia

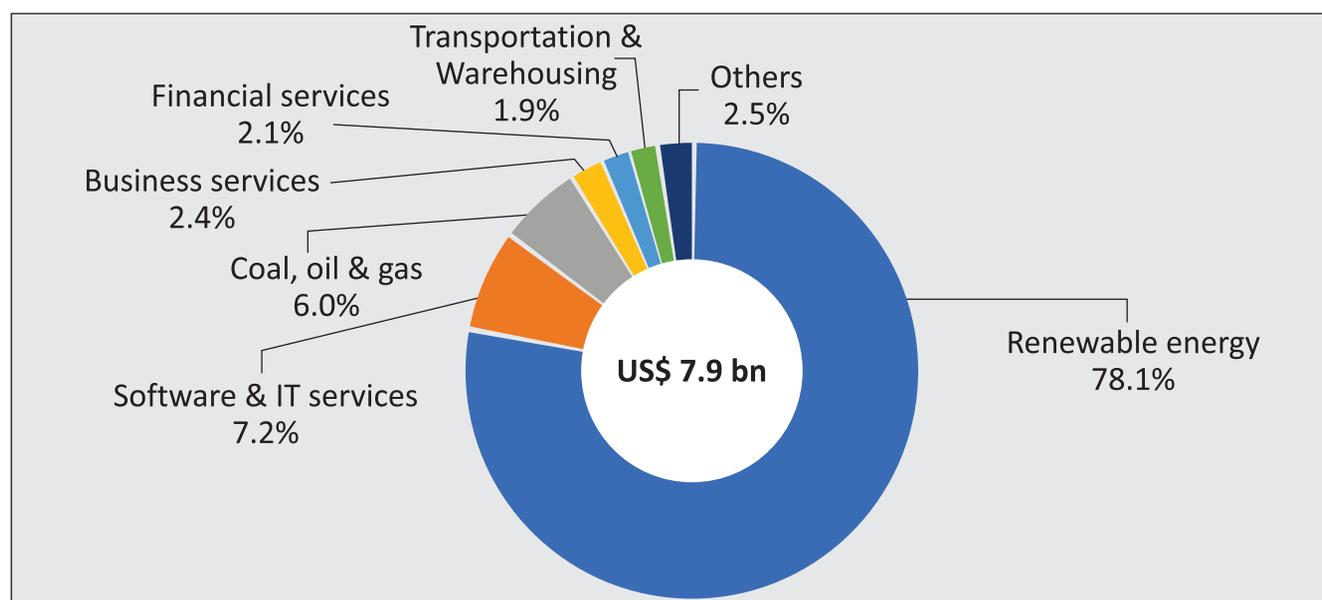
Year	FDI Flow (US\$ mn)	Projects
2010	185.0	8
2010	749.0	10
2011	1,628.2	7
2012	60.0	6
2013	5.0	25
2014	169.6	11
2015	60.2	6

Year	FDI Flow (US\$ mn)	Projects
2016	4,193.9	10
2017	580.0	10
2018	265.6	10
2019	68.4	8
2020	35.5	4
Total	7,862.4	87

Source: fDi Markets (accessed on February 3, 2022)

Figure 12 shows that the majority of Indian investment in Australia is in the renewable energy sector (78% of the total investment). Other major sectors attracting investment from India are software & IT services (7.2%), coal, oil & gas (6%), business services (2.4%), financial services (2.1%) and transportation & warehousing (1.9%).

Figure 12: Major Sectors Attracting Indian Investment in Australia (2010-2020)



Source: fDi Markets (accessed on February 3, 2022)

Several Indian companies have made their presence in Australia across sectors, which include Sterlite Industries, Aditya Birla Group, Jindal Steel and Power, Mahindra Aerospace Private Ltd., Tata Power and Adani Ports and SEZs among others. All the major IT companies have a presence in Australia and have been contributing to enable technological ease in the economy. These include Infosys, Tata Consultancy Services (TCS), HCL, Wipro among others¹⁹.

¹⁹Ministry of External Affairs, Government of India and Overseas Direct Investment Data, RBI

Investment Potential in Australia

Australia is an attractive foreign investment destination, it's one of the easiest locations in the globe to start a business. According to *Ease of Doing Business Rankings 2020* released by World Bank, Australia improved its position by four places to 14th rank. Subsequently, Australia was ranked 3rd in ease of starting a business and 2nd in ease of getting credit amongst the OECD high income countries. Australia provides simplified business facilitation services in order to provide foreign investors a level playing field for commencement of their entity. Australian financial market is approximately five times the value of Australia's GDP and has grown at an average of 9% annually over the last 20 years²⁰.

Based on Financial times FDI database India's FDI into Australia stood at mere US\$ 35.5 million in 2020. India should aim at exploring investment opportunities across sectors in Australia in order to develop Australia as a hub for exporting goods across the world while catering to the export needs of domestic Indian consumption. There are enormous opportunities of productive investment in key sectors of the Australian economy, sectors that hold potential for investment which include, among others, renewable energy, critical mineral exploration, construction and agri business and technology. These are also sectors promoted by the Government of Australia to attract global investments into Australia. Some of these sectors which present investment opportunities in Australia²¹ are briefly discussed below:

Renewable Energy (Wind and Solar Power)

The Renewable Energy Target (RET) policy adopted by the Government of Australia aims at encouraging investment in renewable power generation units and the establishment of small-scale systems. RET entitles renewable power plants to create large-scale generation certificates (LGCs) for each megawatt hour (MWh) of renewable electricity generated, these LGCs can then be sold in open market and acts as an additional revenue stream other than sale of electricity. The Clean Energy Finance Corporation (CEFC) and Australian Renewable Energy Agency (ARENA) act as catalysts by ensuring availability of required finance for the renewable sector projects.

A recent report by Australian Energy Market Operator (AEMO) forecasted that a majority two-third of the coal-fired power plants in Australia will close by 2030. The report further predicts a future increase in demand for solar panels, batteries and other equipment used for renewable energy generation. The future potential in the renewable energy sector, opens up investment opportunities for Indian companies into Australia.

²⁰ Austrade Benchmark Report, 2021

²¹ Australian Trade and Investment Commission, Australian Government

Critical Mineral Exploration

Australia is rich in critical minerals, these metals and non-metals are used extensively in manufacturing of mobiles, computers, solar panels, batteries, electric vehicles etc. Australia has the world's 3rd largest reserve of lithium and is also the largest producer of lithium in the world. Although majority of the rare earth mineral deposits still remain untapped, Australia ranks 6th in the world in terms of their reserves and 2nd in terms of rare earth element production. Subsequently, Australia has large deposits of cobalt, tantalum, tungsten, zirconium, and manganese, which are critical in production of many high-end products.

Australia has adopted a number of regulations for smooth approval of investment projects in the critical mineral sector. *Australia's Critical Minerals Strategy* published in March 2019, aims at promoting investment in Australia's critical mineral sector, providing incentives for innovation and connecting critical mineral projects with infrastructure development. There has been use of many world first techniques by Australia in mineral exploration, the *Exploring for the Future Initiative* (2016-2020) assist pioneers by imaging the roots of mineral deposits straight to the surface.

Stemming from limited availability of reserves and lack of advance exploration processes, India is heavily reliant on imports of many critical minerals like lithium, cobalt, nickel, tantalum, germanium etc. Investment by Indian companies in critical minerals in Australia could provide import support to India on one hand and could lead to technology transfer, which will play a key role in mineral exploration by India. This could be a win-win situation for both the countries.

Infrastructure Sector

Australia's technologically advanced, developing economy comes with plethora of investment opportunities in the infrastructure sector. Given the evolving population and increasing burden on the existing health and education framework, social infrastructure has abundant possibilities. There is a short-term requirement of developing assets in these sectors. Subsequently, with the pandemic in picture significance of telecommunication assets has increased substantially, being one of the largest FDI attracting sector after renewable energy. It has a lot to offer to the investors. There has been increased emphasis on Environmental, Social and Governance (ESG) factors reflecting the sustainable development targets and a shift towards a better tomorrow, a large number of infrastructure projects are expected to be based on the ESG factors in the coming future.

The Australia and New Zealand Infrastructure Pipeline (ANZIP) is established by Governments of Australia and New Zealand with the view of providing insights about major infrastructure projects and contracts in both the countries. ANZIP provides real time information on infrastructure projects as they move through the pipeline enabling the investors in getting an unbiased source of information. Investors can avail information regarding the available projects and contracts. This will further amplify their access to markets like that of New Zealand and other countries.

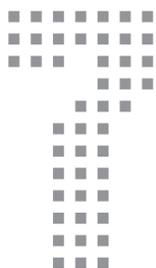
According to Australian Infrastructure Investment Report, 2021 a survey conducted by Infrastructure Partnerships Australia, revealed that 84% of the respondents (investors) are highly likely to invest in Australian infrastructure. However, the investors felt that cost and complexity of bidding, policy instability and lack of opportunities is leading to risks.

Agri Business and Technology

Australia has a strong research and development network in the agriculture sector, Australian research houses and companies are world renowned for their superiority in agriculture and food R&D. There are opportunities for investors in agro-tech and food-tech projects including research partnerships and trials. Investors in Australia can join forces with Commonwealth Scientific and Industrial Research Organization (CSIRO), which is the research innovation national agency with agriculture and food as its largest division. CSIRO is world recognized for its strong fundamental research and for its effective conversion of research into universally adopted industrial solutions.

Australia's geographical location and cordial trade link with partner countries benefit investors in accessing fast growing global markets. Moreover, Australia's strategic and cultural links with the quickly evolving Asia-Pacific region, offers a lucrative gateway to the countries in the region compared to competitors in Europe and North America. Asia's increasing population with increased demand for safe and high-standard food and ready ingredient products, further supports Australia's strengths as a 'clean and green' food manufacturer.

Given its evolving economy and immense investment potential, India could emerge as an ideal investment partner for Australia. A strong partnership driven by robust investment links between Australia and India, which is an emerging superpower and growth driver in the Asian region, could auger well as a win-win proposition with immense opportunities for further collaboration in various fields of mutual interest.



INDIA-AUSTRALIA ECONOMIC COOPERATION

India and Australia GDP together account for US\$ 4.1 trillion of the world economy, accounting for 4.7% of the world GDP²². India and Australia are two of the most prominent economies in the Indo-Pacific region, both have similar interests and concerns. The bilateral ties between India and Australia transformed into a 'strategic partnership' including a Joint Declaration on Security Cooperation in 2009²³. With the changing global scenario Australia has come to look at India as a significant ally in promoting regional security and stability.

Both the countries have been negotiating a bilateral free trade agreement termed as Comprehensive Economic Cooperation Agreement (CECA) since 2011. India and Australia were also part of the Regional Comprehensive Economic Partnership (RCEP) negotiations since 2011, the agreement was finally signed off in November 2020 with Leaders of ASEAN member states, Australia, China, Japan, Republic of Korea and New Zealand being the signatories. India withdrew its candidature stating that it did not want to participate in the RCEP in the manner it was designed. This further necessitates the need for India to sign bilateral trade agreements with partner countries such as Australia and other countries in order capture the immense economic opportunities.

India-Australia Joint Ministerial Commission

India-Australia Joint Ministerial Commission (JMC) was established in 1989 to initiate interaction regarding trade and investment issues at a government and business level. The Indian Minister of Commerce and Australian Minister of Trade co-chair the Commission. JMC includes consideration of measures to strengthen relations between the two countries in all areas, particularly in the fields of commercial, economic, scientific and technological cooperation; raise issues of major importance to the relationship and discuss approaches to significant issues of common concern; indicate priority areas for further cooperation

²² World Economic Outlook, October 2021

²³ India-Australia Bilateral Relations, Ministry of External Affairs of India

and examine the working of the various bilateral agreements in force between the two countries²⁴. JMC have been an important tool in making important mutual strategic decisions including the negotiations for a Comprehensive Economic Cooperation Agreement (CECA).

The foundation stone for CECA talks was laid down through the recommendations presented by Joint Study Group (JSG) in 2010. The Joint feasibility report between India and Australia concluded that a substantial increase in bilateral trade in goods is possible through a comprehensive FTA, including coverage of resources (mining), agricultural and manufactured goods trade. The study evaluated that welfare gains for both the countries could be in the range of 0.15% and 1.14% of GDP for India and 0.23% and 1.17% of GDP for Australia²⁵.

The negotiations for a CECA were launched in May 2011, there were nine rounds of negotiations before both the countries decided to suspend negotiations in September 2015, pending the outcome of other multilateral regional negotiations. In the 16th session of the JMC India and Australia agreed to enhance bilateral trade through revival of the CECA negotiations. Thereafter in June 2020 during the India-Australia Leaders' Virtual Summit, both the sides endorsed to engage on a bilateral CECA. Subsequently, emphasizing the significance of India-Australia ties both the sides decided to upgrade the bilateral Strategic Partnership concluded in 2009 to a Comprehensive Strategic Partnership (CSP). In order to pursue CSP it was decided that the Foreign and Defence Ministers of both the countries will meet in a '2+2' format to discuss strategic issues at least every two years.

In the 17th JMC both India and Australia reiterated their commitment to conclude a CECA and on concluding the negotiations on a full CECA by the end of 2022. The JMC came up with the areas that will be covered by the interim agreement consistent with Article XXIV of the General Agreement on Tariffs and Trade, including goods, services, investment, energy and resources, logistics and transport, standards, rules of origin, and sanitary and phytosanitary measures.

India Economic Strategy to 2035

India Economic Strategy to 2035 (IES) is a study report prepared by Mr. Peter N Varghese AO, Chancellor, University of Queensland for the Australian government in 2018. The study report targets translating Australia's relationship with India and advancing India's trajectory out to 2035. The report emphasizes on plenty of the trade opportunities available in India

²⁴ Ministry of Commerce and Industry, Government of India

²⁵ Joint Free Trade Agreement (FTA) Feasibility Study, Ministry of Commerce & Industry, Department of Commerce, GoI and Department of Foreign Affairs and Trade, Australian Government

stemming from its massive scale. It highlights that by 2025 one-fifth of the world's working age population will be Indian. By 2030 there will be over 850 million internet users in India. By 2035 India's five largest cities will have economies of comparable size to middle income countries today. The study highlights the importance of Indian market and its future benefit to Australia.

The study suggests a three-pillar strategy concentrating on economics, geopolitics and people. Subsequently, the study comes up with 90 specific recommendations and highlights 10 recommendations each to be implemented immediately and that could make the biggest difference respectively. Subsequently, the study identifies 10 sectors in Indian market where Australia has competitive advantage, these sectors are further divided into:

- Flagship sector (Education)
- Three Lead Sectors (Agribusiness, Resources and Tourism)
- Six Promising Sectors (Energy, Health, Financial Services, Infrastructure, Sport, Science and Innovation)

Furthermore, the report stresses upon the economic diversity that exists among the various states of India and suggests concentrating upon 10 key states for development of trade between India and Australia. The report served as a starting point in the development of academic reports between the two countries.

The Minister for Trade, Tourism and Investment, Government of Australia released the update to India Economic Strategy to 2035 prepared by Department of Foreign Affairs and Trade, Government of Australia on March 22, 2022. The update sets out where the Australian Government will focus over the next five years to realise the IES's ambition for India as a top tier economic partner. The updated report reinforces the traditional identified sectors that will continue being central to bilateral relations of India and Australia. Subsequently, the update recommends expanding investment and cooperation in emerging sectors, such as low emissions technologies, cyber and critical technologies, and space, that will underpin both countries future prosperity.

Australia Economic Strategy

The Australia Economic Strategy was prepared by Confederation of Indian Industry (CII) team, led by Ambassador Anil Wadhwa, Former Secretary (East), Ministry of External Affairs, India with contribution from KPMG India. The report was prepared in response to the India Economic

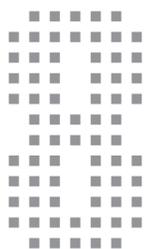
Strategy to 2035 released by Australia in July 2018, it was launched in December 2020 by India's Minister of Commerce & Industry and Railways, Consumer Affairs, Food and Public Distribution.

The report emphasizes on the strategic importance of Australian market for India, it underscores the resource rich economy of Australia and its position as a key resource supplier in the world. Subsequently, Australia has been able in successful optimization of natural resources through extensive research and development by its research agency Commonwealth Scientific and Industrial Research Organization (CSIRO) across various sectors of strategic importance to India such as mining, agribusiness etc.²⁶

The strategy suggests that India can take advantage of the existing economic opportunities and increase its share in Australia's import basket, the sectors to be concentrated on are refined petroleum products, pharmaceuticals and bio-similar, passenger or commercial vehicles, agricultural commodities such as rice and fruits, renewable energy, railway equipment and gems and jewellery etc.

These documents could help in understanding the association between India and Australia in a robust manner and will further help in outlining the way forward.

²⁶ Australia Economic Strategy, 2020



KEY OBSERVATIONS AND RECOMMENDATIONS

The relationship between India and Australia is growing swiftly over the years, with India being identified as one of the major strategic partners for Australia. The India Economic Strategy to 2035 recommends raising “India to top three export markets, to make India the third largest destination in Asia for Australian outward investment, and to bring India into the inner circle of Australia’s strategic partnerships, and with people-to-people ties as close as any in Asia²⁷.” India and Australia both share similar interests and concerns which in turn binds them more firmly. However, in order to enrich the partnership, concentrated efforts are needed to address persisting issues that could take the relation to a new level altogether.

Enhancing Trade and Addressing Mounting Trade Deficit

India and Australia are important trade partners, with bilateral trade increasing steadily over the years, while the trade balance has traditionally been in Australia’s favour. India recorded its highest trade deficit with Australia of US\$ 11.3 billion in 2011. During this year, exports from India were mere US\$ 2.1 billion and imports were at US\$ 13.4 billion. Subsequently the deficit decreased till 2016 when it was recorded as low as US\$ 5.8 billion. Thereafter, the deficit again sharply increased in 2017 amounting to US\$ 10.5 billion before declining to US\$ 7.6 billion in 2019 and further to US\$ 3.8 billion in 2020. In order to address this widening trade gap, items of export potential from India, as identified in the study could be an immediate focus.

Over years the total trade between India and Australia has remained stagnated with the total trade even decreasing from US\$ 13.7 billion in 2010 to US\$ 10.7 billion in 2020. If 2020 is to be taken as an exceptional year as a result of the various trade restrictions due to the global pandemic, comparing with 2019 when the total trade was US\$ 13.5 billion, it can be observed that it has almost remained stagnant. Efforts must be made to harness the existing potential to enhance the level of bilateral trade between the two countries, with due consideration to the trade gap.

²⁷ India Economic Strategy to 2035

In order to address the problem, trade should be promoted in goods, where India not only has potential but also has comparative advantage so as to ensure an efficient outcome. Trade in goods should be promoted as listed in the trade potential chapter earlier to deal with the mounting deficit.

Enhancing Maritime Security

Indo-Pacific is one of the major trade regions globally with India and Australia being two significant players sitting at strategically important positions in the region. Being two major economies in the region, ensuring peace, security, stability, and prosperity in the Indo-Pacific region, would be a win-win situation for Australia and India who share similar concerns regarding the strategic and security challenges. India and Australia are members of the QUAD grouping, which also consists of the US and Japan, which share common maritime goals in the Indo-Pacific region.

The access to Indo-Pacific region comes with a plenty of economic opportunities for both India and Australia. There exists huge inter-dependence among the Indo-Pacific economies, this is evident from the large degree of trade that takes place within the region. A smooth movement in the region will surely increase trade for both the countries. Moreover, the upkeep of the Indo-Pacific region is not only important for developing commerce but also for geopolitical and geo-strategic reasons.

Signing of Comprehensive Economic Cooperation Agreement (CECA)

India and Australia having been negotiating a Free Trade Agreement (FTA) since 2011 with 11 rounds of discussions have taken place. In the last Joint Ministerial Commission (JMC) meeting held on September 2021 both the countries decided to finalize a formal FTA by December 2022.

The CECA could help address sensitivities regarding various economic and strategic issues. Australia is rich in rare earth minerals, these are used in several hi-tech consumer products including mobile phones, flat screen monitors, televisions etc. These minerals are extensively used in production of certain defence applications which further makes them of strategic importance. A FTA will act as a catalyst for emphasizing joint exploration and development of rare earth minerals. Moreover, India itself has some of the rare earth minerals and is working on their exploration, this presents an opportunity for both the countries to come together and collaborate for mutual benefit.

A mutually agreed trade agreement involving goods, services and investments, which addresses certain existing concerns in areas such as agricultural subsidies and product standards etc, is very important for enhancement of trade between India and Australia.

Inclusion in Asia-Pacific Economic Cooperation (APEC)

Asia-Pacific Economic Cooperation (APEC) is a regional economic forum established in 1989. The grouping aims at promoting balanced, inclusive, sustainable, innovative, and secure growth and accelerating regional economic integration. APEC is one of the most significant regional forums in the Asia-Pacific region. It currently has 21 members including Australia which accounted for approximately 60% of world GDP and 48% of world trade in 2018²⁸.

Inclusion of India in APEC will open plethora of opportunities for India and the other member countries. India will have access to APEC methods and schemes which will help in promoting domestic growth and emphasizing on regional integration goals. Subsequently, APEC could help India in participating in the global supply chains and be a part of the future regional and global economic expansion.

APEC works on the principle of unanimity, with non-binding commitments on part of the members joining the forum. After joining APEC, India would have full flexibility in policy deliberations and conclusions and India could determine its own methodology for the implementation of APEC initiatives.

Partnership in Renewable Energy

The Renewable Energy Country Attractiveness Index (RECAI) released by Ernst & Young grades world's top 40 markets based on their capability to attract investment in renewable energy sector and the operational prospects. In their 58th edition of RECAI rankings released in October, 2021, India was ranked 3rd and Australia was ranked 7th in the same ranking. India aims to achieve renewable energy capacity of 175 GW by the end of 2022 and a further expansion to 450 GW by 2030. As of November, 2021 installed renewable energy capacity (including large hydro) of India is 150.54 GW which increased by about 97% as compared to 76.37 GW in March, 2014. Australia is also a member of International Solar Alliance (ISA) initiated by India and France aimed at catalyzing solar energy growth while assisting to reduce cost of funding and technology. In India's Union Budget 2022-23 speech,

²⁸ Asia-Pacific Economic Cooperation, 2021

the Finance Minister communicated the significance of energy transition and clean energy missions through different schemes and initiatives. The Finance Minister announced that India aims at achieving 280 GW of installed solar capacity by 2030 and declared a supplementary budgetary commitment of INR 19,500 crore for the solar Production Linked Incentive (PLI) scheme.

Australia is a rich source of critical earth minerals like cobalt, lithium, manganese, gallium, indium etc. Which are critical in renewable energy generation. The critical rare earth minerals are key component in manufacturing of batteries, solar panels, wind turbines among others. Commonwealth Scientific and Industrial Research Organization (CSIRO) is a statutory authority established by Australian Government for carrying out scientific research for the welfare of the Australian economy. CSIRO has transformed many research innovations into products of commercial use. Their extensive research concentrating specifically in the solar energy sector involves efforts to develop more effective and efficient solar panels. Taking into consideration

Australia's rich natural resources and technical know-how, Indian companies could collaborate with their Australian counterparts in order to establish a forum for the promotion of joint research and investment in the renewable energy sector and for understanding the complementarities of the two countries in an effective manner.

A strong partnership driven by robust trade and investment links between Australia and India, which is an emerging superpower and growth driver in the Asian region, could auger well as a win- win proposition for both economies with immense opportunities for further collaboration in various fields of mutual interest.

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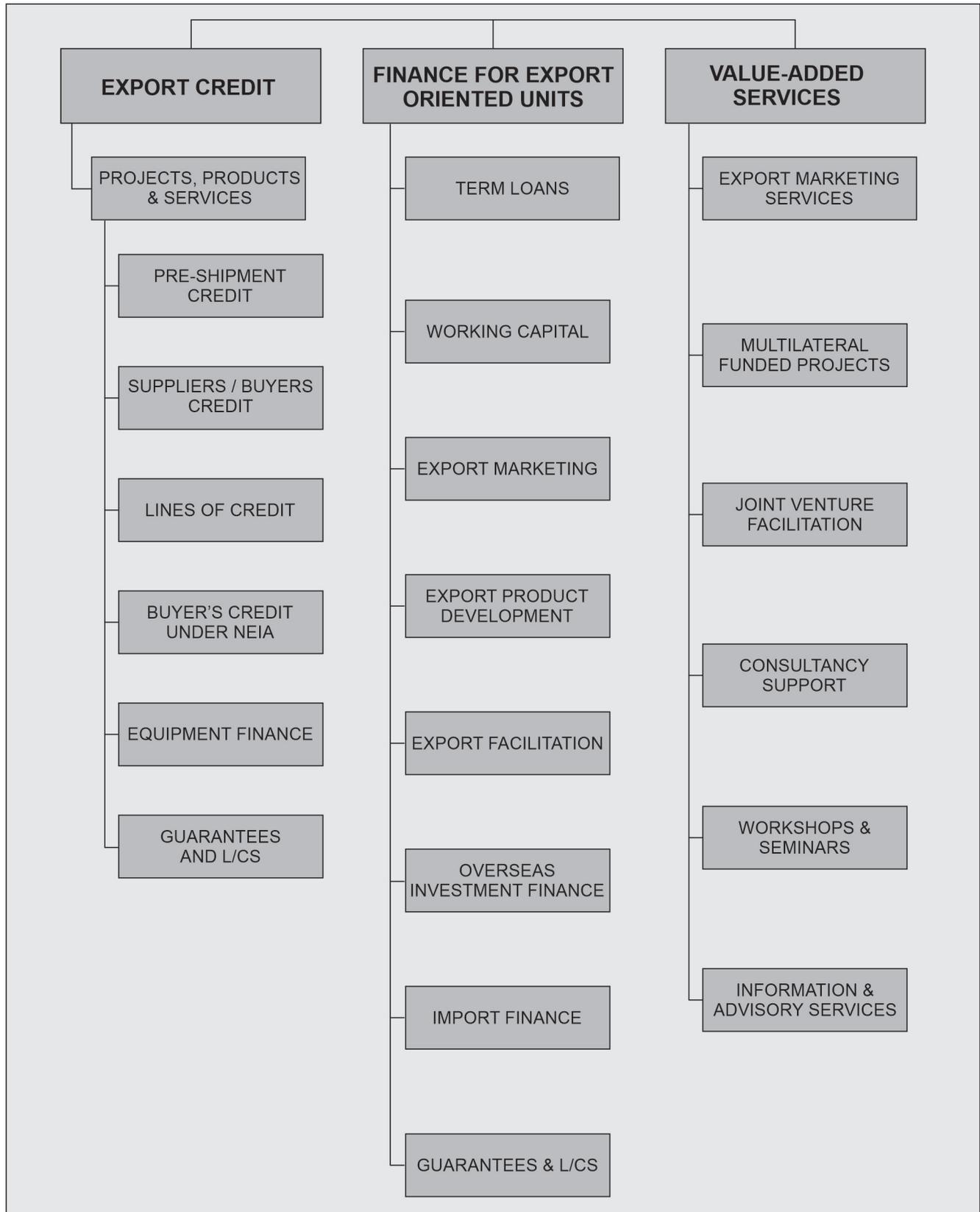
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