India Australia Economic Cooperation and Trade Agreement (IndAusECTA)

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Context- Recently, the IndAusECTA Agreement, has come into force after Ratification and Exchange of Written Instruments.

Major Areas of IndAusECTA

- Trade in Goods
- Trade in Services
- Rules of Origin
- Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) measures
- Customs Procedures and Trade Facilitation
- Trade Remedies
- Legal & institutional Issues
- Movement of Natural Persons
- Current Trade trends between India and Australia

Imports:

- India's imports from Australia amount to 17 billion US $ India's imports from Australia are primarily (96%) raw materials and intermediate goods.
- Imports are highly concentrated in Coal (74% of Australia's exports to India) out of

which 71.4% is coking coal.

Exports:

- India's exports to Australia amount to about 10.5 US $ billion.
- India's exports to Australia are broad-based and dominated by finished products (consumer goods).
- India also spends $ 4 bn approx. each year on education of students in Australia.

Benefits for India

- **Benefits under Trade in Goods:**
    - Indian goods on all tariff lines in order to get access to the Australian market with zero customs duty (currently subjected to 5% import duty by Australia).
    - Immediate duty-free access covers all labour-intensive sectors like Textiles and Apparel, Agricultural and Fish products, Leather, Footwear, Furniture, many Engineering Products, Jewelry and select Pharmaceuticals.
    - Availability of cheaper Raw Materials and Faster Approval for Medicines
    - Immediate Duty-Free Access is projected to potentially create 10 lakh jobs in India and additional exports of $ 10 billion from India to Australia in the next five years.
    - India has also offered concessions on Tariff lines of export interest to Australia like Coking coal and Thermal coal, Wines, Agricultural products – 7 of them with TRQ (Cotton, Almonds shelled and in shell, Mandarin, Oranges, Lentils, Pear), Metals (Aluminium, Copper, Nickel, Iron & Steel) and Minerals (Manganese Ore, Calcined Alumina).
  - **Exceptions**:
    - Many sensitive products such as milk and other dairy products, wheat, sugar, iron ore, apple, walnuts and others, have been placed in India's Exclusion list.
- **Benefits under Trade in Services:**
    - Australia has committed its schedule in the negative list and has made wide-ranging commitments in around 135 sub-sectors with Most Favoured Nation (MFN) status in around 120 sub-sectors.
    - India has for the first time agreed to Negative listing after 5 years of coming into force of such Agreement.
    - India is making a commitment to Australia in around 103 Service Sub-Sectors with Most Favoured Nation status in around 31 Service Sub-sectors for the very first time.
    - The Agreement opens avenues for investment in computer related services, telecom, construction, health and environmental services.
    - More than 1 lakh Indian students in Australia will benefit from post-study work visas i.e. 18 months to 4 years.
    - The Agreement provides for an Annual Quota of 1,800 for Yoga teachers and forIndian Chefs.

    - It also makes an arrangement for Work and Holiday Visas for young professionals.
    - Commitments have also been made to pursue Mutual Recognition Agreements (MRAs) in professional services in 12 Months.

- **Protective Features to guard against Unintended Consequences:**
    - The IndAusECTA has certain 'protective features' aimed at guarding both countries against unintended consequences on trade.
  - **Stringent Rules of Origin –**
    - Value Addition of 35% + Change in Tariff Subheading (CTSH)
    - In calculation of Value Addition, 2 different values agreed to i.e. 35% or 45% depending on method of calculation based on whether profit is excluded or included
    - Product Specific Rules has been negotiated for 807 products
    - Requirement of 'melt and pour' for iron and steel products included in the Product Specific Rules for these products.

- **Strict Operational Customs Procedures**
    - A specific clause included to ensure only items made in Australia count for value addition
    - A Bilateral Safeguard Mechanism will be available for 14 years in case of surge in imports
    - A special clause on Review has also been agreed upon to enable either country to request a Review for parts of the Agreement which may be a cause of concern, after 15 years
    - Review is compulsory if requested (it shall happen)
    - And it must be completed in 6 months

- **End to Double Taxation:**
    - A provision in the Double Taxation Avoidance Agreement (DTAA) was used to tax the remittance.
    - However, the Agreement has removed the discrepancies with reference to use of DTAA for taxation of Indian firm royalties, fees and charges.
    - Australia has no domestic provision for charging tax on royalties, fees and charges by firms sending them to parent companies.

- **Boost to Economy:**
  - Exports are also expected to increase by 10 billion by 2026-27 with a creation of approximately 10 lakh jobs.
  - The total bilateral trade is expected to cross US $ 45-50 billion by the year 2035.
  - The coming into force of the India Australia ECTA is expected to consolidate and help in the progressive growth of market share of Indian products and services.

Way Ahead

- There is a lot of potential for exporting finished goods to Australia, since they hardly manufacture anything, as it is largely a raw material and intermediate producing country.

- India can get cheaper raw materials which will not only make India more competitive globally but will also enable it to serve Indian consumers better; enabling it to provide more quality goods at more affordable prices
- Ind – Aus ECTA brings together two significant economies of the world, – India the 5th largest economy and Australia the 14th largest economy.
- The trade between the two countries is largely complementary, this offers opportunities on both sides and will pave the way for a win-win solution for both India and Australia.