

# India's Grand Slam entry into the Aussie markets!



After concerted efforts since 2011, an Economic Cooperation and Trade Agreement (ECTA) was signed in April 2022 between India and Australia, thus paving the way for exponential growth and diversification in the bilateral trade relations between the two nations. This is the second trade agreement India has signed this year, after inking a similar deal with the United Arab Emirates in February 2022.

The India-Australia ECTA is likely to help increase bilateral trade from USD 27 billion to USD 45-50 billion in the next five years. With this agreement, the Australian Government's goal is to lift India into their top three export markets by 2035 and make India the third-largest destination in Asia for outward Australian investment.

The key highlights of the ECTA are given below:

## Benefits via tariff reductions

1. Australia will provide duty-free access in its market for more than 95% of Indian goods. Previously, India had been facing a tariff disadvantage of 4-5% (customs duty) in many labor-intensive sectors vis-à-vis competitors in the Australian market such as China, Vietnam, Japan, etc.  
Largely, India imports key raw materials and intermediaries from Australia and exports finished products. The agreement would now benefit industries such as textiles and apparel, agricultural and fish products, leather, footwear, furniture, sports goods, jewelry, machinery, electrical goods, and railway wagons.
2. India would immediately eliminate customs duty on 40% of its tariff lines, which comprise 85% of Australia's exports to India. Thereafter, the tariffs on another 30% of import items from Australia would be gradually eliminated/reduced over a span of 10 years.
3. India will provide market access for single-brand retailing and franchising, as well as commitments regarding wholesale distribution services. Australian internet-based services providers in India will also have more opportunities to expand their portfolio with the foreign equity limit of 74% for commercial presence.
4. On the services front, both countries would establish a new framework to support the recognition of professional qualifications, licensing, and registration procedures between professional services bodies.
5. Australia has offered concessions in services from India in IT, business services, health, education, and audio-visual sectors. In turn, India would accord preferential treatment in 31 sectors and sub-sectors, including business services, communication services, construction, and related engineering services.
6. However, to safeguard its domestic players, India has excluded sensitive products such as milk and dairy, walnut, pistachio nuts, wheat, rice, apple, sunflowers seed oil, sugar, oil cake, and most medical devices from tariff concessions, constituting around 30% of the tariff lines.

### Relaxations aimed at ease of doing business

Both countries will adopt simplified customs procedures for the efficient clearance/release of goods. Facilities for pre-arrival electronic filing and processing of documentation shall be provided to expedite clearances.

### Acknowledging India's talent

1. Australia has also provided new market access for culturally significant occupations. The key gain for the Indian service sector would include the introduction of an annual quota of 1,800 Indian traditional chefs and yoga teachers entering Australia as contractual service suppliers.
2. Australia will also facilitate post-study work visas for Indian students, help establish a mutual recognition agreement on professional qualifications, and provide enhanced commitment on the movement of professionals as intra-corporate transferees.

### Key points to note before claiming benefits under ECTA

While consolidation and growth of the market share of Indian products and services are largely expected, Indian companies that intend to make the most out of the ECTA should consider the following:

- A. Adherence to the stringent Product Specific Rules of origin (PSRs) to prevent any routing of products of a third country. This would require substantial processing in India.
- B. The exports from India should be accompanied by a valid Certificate of Origin issued as per the terms agreed under the ECTA.
- C. Similarly, imports from Australia should comply with the Indian Customs (Administration of Rules of Origin under Trade Agreements) Rules (CAROTAR) to avoid any delays in the clearance of goods.

Companies will need to carry out a detailed study on the aspects mentioned above before they proceed under the ECTA.

### Conclusion

With the doors being opened to a developed market with this deal, it would be imperative for the Indian industry to utilize this opportunity judiciously by importing the requisite raw materials at concessional rates, which in turn would help boost exports and bolster economic growth.

It would be worthwhile to witness another 'turn of the tide' this year, with the conclusion of long-pending pacts with countries such as Israel, Canada, and the UK.

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