

SIX MONTHS AFTER IMPLEMENTATION...

India-Australia trade pact utilisation at average 90%

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The utilisation rate of the India-Australia trade pact is estimated at an average of 90 per cent during the first six months since implementation of the interim trade deal, even as exports, in terms of value, witnessed 25 per cent year-on-year (Y-o-Y) contraction during the same time period.

According to initial estimates compiled and analysed by the department of commerce, most of the labour-intensive sectors that received immediate duty concessions — from 5 per cent to zero duty — have been utilising the duty-free access while exporting goods to Australia.

The key beneficiaries of the duty concessions include exporters of items such as readymade garments, engineering products such as electrical transmission lines and marine products, people aware of the matter said.

“There has been a trend of rising exports (during January-June) in the areas where India received tariff concessions. For instance, this has been true in the case of textiles.

The commerce department has been analysing if exports (to Australia) are happening using the duty concession under ECTA (Economic Cooperation and Trade Agreement) or if the exporter is simply exporting the product without using the duty concession benefit,” the person cited above told *Business Standard*.

India-Australia ECTA kicked in from December 29, 2022.

India hopes to benefit from preferential market access provided by Australia on 100 per cent of its tariff lines.

As much as 51 per cent of the nearly 6,500 tariff lines in Australia were already attracting zero import duty.

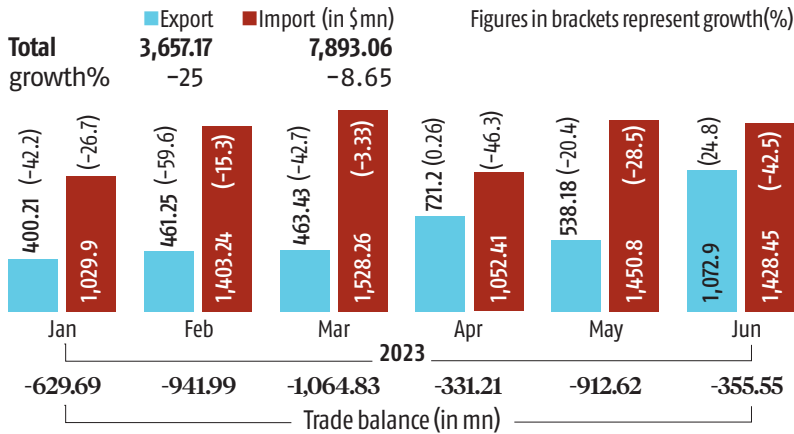
Duty for the remaining 49 per cent — 3,185 tariff lines — were brought down to zero, as part of the trade deal.

Out of the 3,185 tariff lines, for 113, duty elimination will take place in five years. The phasing out to zero duty on the 113 tariff lines has already started.

“In case of other FTAs (free-trade agreements), the utilisation rate has been 50-60 per cent. However, in the case of Australia, the average utilisation



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rate is 90 per cent,” the person said.

While utilisation rate is one of the parameters to measure how a FTA is faring, the analysis is incomplete without delving into the growth of exports, in terms of volume.

During the January-June period, exports to Australia contracted to a fourth to \$3.65 billion.

The contraction in exports is mirroring the larger trend in India’s exports to the rest of the world that has been affected by tepid demand.

This is due to high inflation and geopolitical tensions.

During January-May, there has been

a sharp contraction in exports (barring 0.26 per cent growth in April).

However, June witnessed a 24.8 per cent growth in outbound shipments to Australia at \$1.07 billion, according to the department’s data. Imports also witnessed contraction during the six-month period ending June to \$7.89 billion from \$8.6 billion a year ago.

As a part of ECTA, India has offered preferential access to Australia on over 70 per cent of its tariff lines. These include lines of export interest to Australia, which are primarily raw materials and intermediaries such as coal, mineral ores and wines.