

India-Australia ECTA utilisation rate at 77%

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The utilisation of the India-Australia Economic Cooperation and Trade Agreement (ECTA) by Indian exporters has reached 77 per cent during the first nine months since the implementation of the interim deal, according to official data.

This means that during the January-September period, of the total value of trade eligible for concessional tariffs under the trade agreement, 77 per cent of the value of Indian goods is being exported using the preferential or ECTA route.

For Indian exporters, sectors that have benefited from the deal include iron and steel products, linens, agri products, and electrical conductors.

Through the deal — kicked in on December 29, 2022 — India hopes to benefit from preferential market access provided by Australia on 100 per cent of its tariff lines.

While 51 per cent of Australia's approximately 6,500 tariff lines attracted zero import duty even before ECTA kicked in, as part of the deal, duty for 3,185 tariff lines was brought down to zero with effect from December 2022. However, in the case of some products, the duty reduction will take place over five years.

In a free trade agreement (FTA), the utilisation rate is one of the key parameters to assess how a deal is faring or the real gains from it.

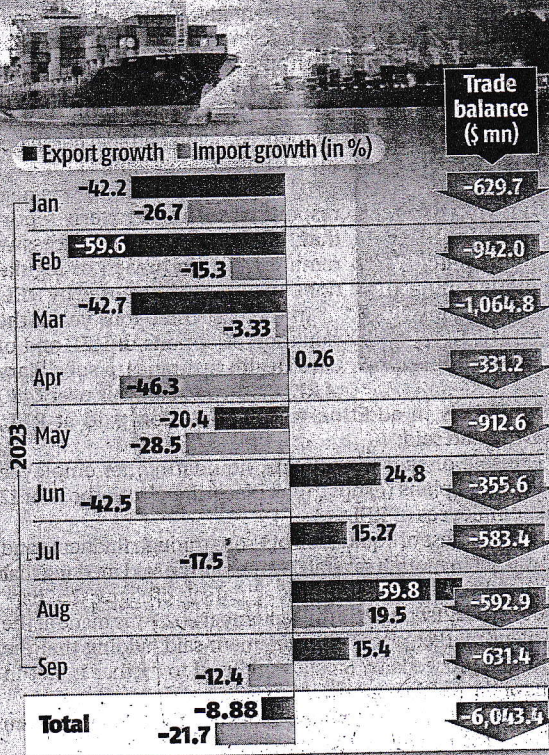
Utilisation for some tariff lines is even higher. For instance, the utilisation for some iron and steel products exported to Australia is 100 per cent, with the value of such products totalling \$109.4 million, according to official data.

Similarly, the utilisation was nearly 90 per cent for some linen exports to Australia, totalling \$54.39 million, and almost 100 per cent in the case of electrical conductors valued at \$43.9 million.

FTA utilisation has been one of the key challenges with trade deals that India signed more than 10 years ago. The utilisation has been poor due to the cumbersome process of

TAKING THE ECTA ROUTE

India-Australia trade



Source: Department of Commerce of India

India, Australia hold 2+2 ministerial dialogue to step up strategic ties

India and Australia on Monday held 2+2 Ministerial Dialogue in New Delhi to step up defence cooperation and deepen the strategic relationship in sectors such as critical minerals and trade and investment. Defence Minister Rajnath Singh and External Affairs Minister S Jaishankar met Australian Deputy Prime Minister and Defence Minister Richard Marles and Foreign Minister Penny Wong as part of the second India-Australia 2+2 Ministerial Dialogue. PTI

getting a certificate of origin and related verification since the process was manual, low awareness about FTAs in the industry, as well as few non-tariff barriers. According to a Delhi-based Global Trade Research Initiative (GTRI), on average, the FTA use for exports is estimated in the range of only 20-30 per cent.

On the other hand, the use is much higher for imports and ranges between 60 per cent and 70 per cent, though India has never officially released any utilisation data with its

FTA partners such as the Association of Southeast Asian Nations, Japan, or South Korea. "FTAs lower the import duty, but if it is already zero, FTAs offer no benefit. This is the biggest reason for Indian firms not using FTAs for exports.... On the contrary, India's most-favoured nation duties are high. When these come down to zero under an FTA, importers get high margins leading to higher utilisation of India's FTAs," GTRI said in a report released in November last year.