

ECTA: The dawn of a new era in Indo-Aus relations

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India and Australia are the two most vibrant democracies in the world. Our mutual understanding, trust and common interest underpin our strategic relationship. The two countries have signed the Economic Trade and Cooperation Agreement (ECTA), which unlocks a new era of trade between them. The ECTA originates from the Hindi word "ekta", which means unity. The trade agreement signifies unity for mutual benefits for both the countries, resulting in a win-win situation for both partners. India's exports to Australia grew by over 100 per cent to reach \$6.9 billion in 2021 while imports also reached \$15.1 billion with import growth exceeding 100 per cent. The ECTA thus provides a take-off opportunity on an already built solid base.

India will be getting concessions on 6,367 tariff lines accounting for 98.3 per cent of the total tariff lines in Australia, on the day the agreement comes into force. The balance 113 tariff lines, contributing to 1.7 per cent, will get the concession in five years. Australia has provided concessions on 100 per cent tariff lines without any exclusion. Therefore, all Indian exports will enjoy tariff advantage in Australia. Sectors such as gems and jewellery, apparel and textiles, leather and footwear, furniture, sports goods, electrical goods, machinery, railway wagons and specified pharma products will gain zero-duty benefits with immediate effect. They should help the Indian exports to expand in the Australian market as our share in overall imports of Australia is relatively modest (see chart).

Indian exports and manufacturing will be equally benefited with the duty-free import of raw materials from Australia for their competitiveness. The duty-free import of coal, alumina, copper, nickel, cobalt, bauxite, raw hides and skin, wool and cotton (up to 300,000 bales) will benefit a large number of manufacturing sectors including steel and engineering, leather, cotton and woollen textiles. The Indian pharma industry is a major gainer with fast-track approval for patented, generic and biosimilar medicines using the comparable overseas regulator pathway and fast-track quality assessment/inspection of manufacturing facilities. Pharma companies having FDA and

AUSTRALIA'S IMPORTS IN 2021 (In \$mn)

Products	Import from India	Import from world
• Gems and jewellery	447	7,638
• Knitted apparels	130	3,897
• Woven apparels	159	3,495
• Textiles made-ups	190	6,677
• Furniture & mattress	69	2,786
• Footwear	27	1,812
• Pharmaceuticals	432	10,758
• Machinery & mechanical appliances	292	24,166
• Electrical machinery & electronics	216	18,836
• Articles of iron & steel	196	8,361

Source: ITC Trade Map

similar approval in the US/EU/UK/Canada will get faster approval. We expect pharma exports to Australia to cross the \$1-billion milestone by 2025.

Services exports will get a further boost as services contribute to over 74 per cent of Australia's GDP. The Indian IT sector will be in a position to provide skilled technical staff for Australian IT companies as well as start-ups with specialised talents. The collaboration can help to develop global digital solutions and further augment fintech capabilities. Australia can be a springboard for our start-ups to scale up before launching in the US and other markets.

The education sector will gain from increasing research collaboration between universities of two sides and the provision for dual degree programs between India & Australia to allow students to study in both the countries for two years each. The post study visa ranging from 6 months to 48 months will immensely help the Indian middle-class to get overseas exposure and earn enough to settle educational loans.

The healthcare sector can look for opportunities through telemedicine to provide second opinion or expert consultation to Australian patients. Medical tourism will get a boost as the cost of surgery in India is a fraction of the cost applicable in Australia. The health sector can access Australian medical technologies to provide low cost solutions.

Australia will be getting zero duty access on 70 per cent of our tariff lines which will cover 90 per cent value of their exports. This includes zero duty

on 85.3 per cent value of their exports immediately and 3.6 per cent value of their exports over a 10-year phase-out period. Looking into the sensitivity of Indian agriculture sector and few manufacturing segments dominated by MSME, milk and dairy products, wheat, rice, bajra, chickpea, sugar, oil cakes, walnuts, pistachio, gold, silver, platinum, jewellery, toys, etc. have been put under the exclusion list, which will not be given any tariff cut.

Australia's services exports to India are growing rapidly. The ECTA will further facilitate the same. India has committed to extend to Australia any future services market access improvement, which India agrees to give any future FTA partner in 31 sectors and sub-sectors. This will provide Australian service providers a treatment on a par with new international competitors in India. Higher education, research and development, insurance and banking, travel and tourism, and business services like architectural and urban planning will gain from the agreement.

The ECTA will be operational this year and will pave the way for negotiation of a Comprehensive Economic Cooperation Agreement (CECA). We are aiming to increase our exports to Australia to \$25 billion by 2025 including \$15 billion of goods and \$10 billion of services. The governments of both countries have done their job. The ball is in the court of industry to respond to the opportunities offered by better market access. My recent visit to Melbourne amply assures me that the businesses will exceed the expectation.

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