



AUSTRALIA - INDIA

ECONOMIC COOPERATION AND TRADE AGREEMENT

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TRADE AGREEMENT

(AI-ECTA)



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OPPORTUNITIES

CURRENT BILATERAL TRADE

India is the world's 6th largest national economy, with GDP projected to grow at nine per cent in 2021-22 and 2022-23 and 7.1 per cent in 2023-24.

As of 2021, Australia was the 13th-largest national economy by nominal GDP, was the 25th-largest goods exporter and 20th-largest goods importer.

At present Australia is the 17th largest trading partner of India, and India is Australia's 9th largest trading partner. India-Australia bilateral trade for both merchandise and services was valued at US\$ 27.5 billion in 2021.

Trade (US \$ Billion)	Goods	Services	Total
India's Exports to Australia	6.9	3.6	10.5
India's Imports from Australia	15.1	1.9	17
Total	22	5.5	27.5
Deficit(-)/Surplus(+)	-8.2	1.7	-6.5

THE AI-ECTA

01

The agreement encompasses cooperation across the entire gamut of bilateral economic and commercial relations between the two friendly countries, and covers areas like Trade in Goods, Rules of Origin, Trade in Services, Technical Barriers to Trade (TBT), Sanitary and Phytosanitary (SPS) measures, Dispute Settlement, Movement of Natural Persons, Telecom, Customs Procedures, Pharmaceutical products, and Cooperation in other Areas.

02

India will benefit from preferential market access provided by Australia on 100 per cent of its tariff lines. This includes all the labour-intensive sectors of export interest to India such as Gems and Jewellery, Textiles, leather, footwear, furniture, food, and agricultural products, engineering products, medical devices, and Automobiles.

03

On the other hand, India will be offering preferential access to Australia on over 70 per cent of its tariff lines, including lines of export interest to Australia which are primarily raw materials and intermediaries such as coal, mineral ores and wines etc.

THE AI-ECTA

04

Both sides have also agreed to a separate annex on Pharmaceutical products under this agreement, which will enable fast track approval for patented, generic and bio-similar medicines.

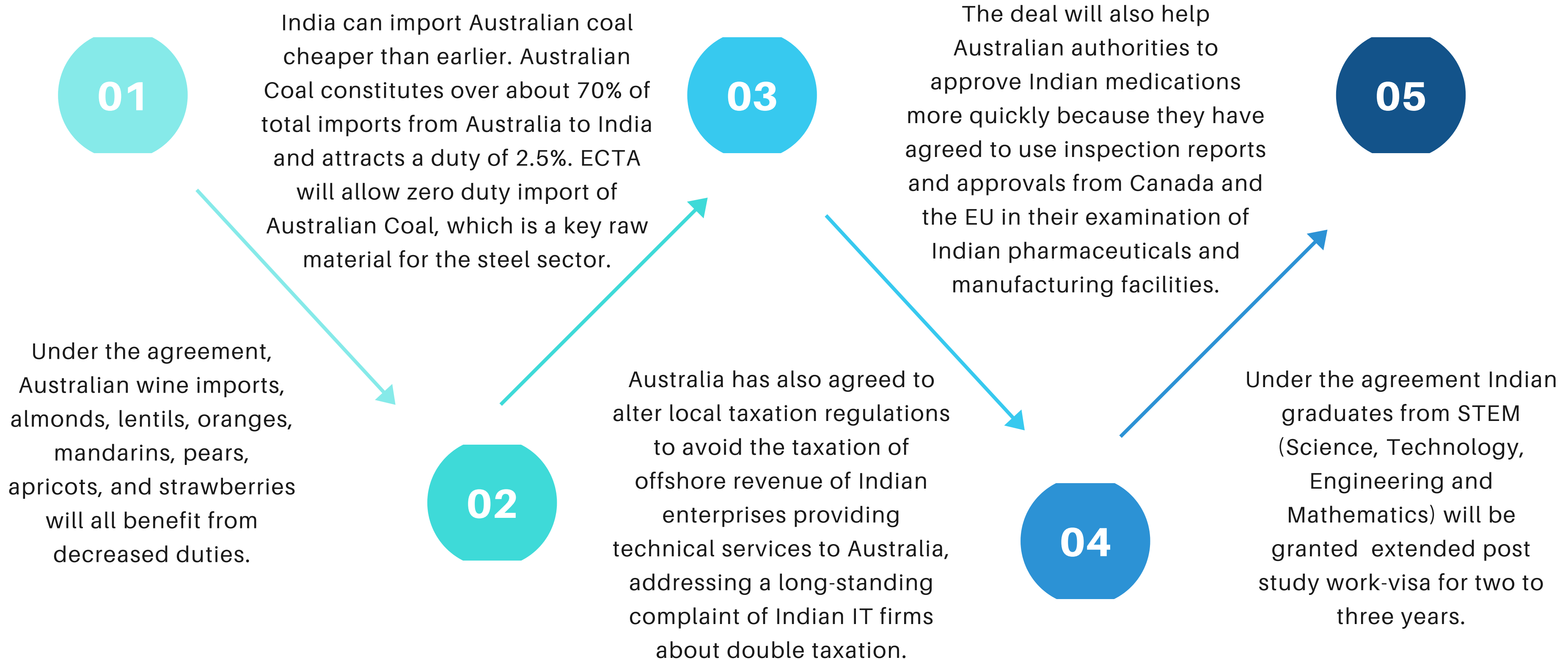
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According to the Commerce ministry, the India-Australia ECTA will further cement the already deep, close and strategic relations between the two countries and will significantly enhance bilateral trade in goods and services, create new employment opportunities, raise living standards, and improve the general welfare of the peoples of the two countries.

06

The AI-ECTA is a stepping-stone towards a full Australia-India Comprehensive Economic Cooperation Agreement. It provides for competitive tariff elimination or tariff reduction on a wide range of key Australian goods exports and opens new services markets for suppliers in sectors that complement India's domestic reform priorities.

Immediate Benefits of FTA to India



WHAT INDIA IMPORTS FROM AUSTRALIA

Item	Pre Agreement Duty	Post Agreement Duty	Benefit	Total Import by India(\$)	Import from Australia	Present % of Total Import
Sheep Meat	25.00%	0.00%	25.00%	514,000	73,200	14.24%
Wool	30.00%	0.00%	30.00%	179,000,000	98,300,000	54.92%
Wine (Bottles valued over US\$5)	150.00%	50.00%	100.00%	15,000,000	4,410,000	29.40%
Wine (Bottles valued over US\$15)	150.00%	25.00%	125.00%			
Lentils	30.00%	15.00%	15.00%	626,000,000	76,500,000	12.22%
Oats	30.00%	0.00%	30.00%	9,150,000	7,900,000	86.34%
Hides and Skins- Sheep Hides	3.11%	0.00%	3.11%	8,860,000	91,400	1.03%
Hides and Skins- Sheep and Goats	24.50%	0.00%	24.50%	218,000	218,000	100.00%
Hides and Skins- Other Hides and Skins	5.43%	0.00%	5.43%	523,000	98,200	18.78%
Zirconium (Critical Mineral)	2.05%	0.00%	2.05%	75,500,000	21,500,000	28.48%
Manganese (Mettalic Ore)	2.05%	0.00%	2.05%	104,000,000	3,770,000	3.63%
Copper (Mettalic Ore)	2.04%	0.00%	2.04%	1,150,000,000	212,000,000	18.43%
Coal	2.07%	0.00%	2.07%	20,900,000,000	9,120,000,000	43.64%

Immediate Benefits of FTA to Australia

01

The AI-ECTA will secure Australia's foothold in the world's fastest growing major economy and enable Australian businesses to unlock and expand their operations in a market of nearly one and a half billion consumers with an estimated Purchasing Power Parity of \$11.75 Trillion.

India will provide market access for single-brand retailing and franchising, as well as commitments regarding wholesale distribution services with an estimated annual gross merchandise value of \$350 Billion.

02

03

Australia will profit from zero-free access to coal, which now accounts for roughly 74% of Australia's exports to India and is subject to a 2.5 percent charge.

04

India has agreed to lock in 49 per cent foreign equity for a range of Australian banking and insurance services in the AI-ECTA, higher than the foreign equity limit India provided in other significant free trade agreements with Japan, the Republic of Korea and Singapore.

05

Australian internet services businesses in India will also have more opportunities to expand their portfolio with foreign equity limit of 74 per cent for commercial presence.

WHAT AUSTRALIA IMPORTS FROM INDIA

Item	Pre Agreement Duty	Post Agreement Duty	Benefit	Total Import by Australia (\$)	Import from India	Present % of Total Import
Refined Petroleum	10.00%	0.00%	10.00%	10,800,000,000	913,000,000	8.45%
Packaged Medicaments	10.00%	0-5%	10-5%	4,960,000,000	316,000,000	6.37%
Diamonds	10.00%	5.00%	5.00%	279,000,000	145,000,000	51.97%
Pesticides	8.00%	0.00%	8.00%	1,130,000,000	79,000,000	6.99%
Jewellery	20.00%	5.00%	15.00%	748,000,000	113,000,000	15.11%
Rice	80.00%	0.00%	80.00%	262,000,000	75,800,000	28.93%
Electrical transformer	10.00%	5.00%	5.00%	1,240,000,000	22,100,000	1.78%
House linens	17.00%	5.00%	12.00%	583,000,000	70,300,000	12.06%
Non-knit women suit	72.00%	5.00%	67.00%	1,040,000,000	52,000,000	5.00%
Sports Equipments	20.00%	0-5%	20-15%	777,000,000	15,000,000	1.93%
Organo-sulfur compounds	5.00%	0.00%	5.00%	69,700,000	20,100,000	28.84%
Cars	125.00%	5.00%	120.00%	13,700,000,000	46,400,000	0.34%
Coffee	30.00%	0.00%	30.00%	487,000,000	13,200,000	2.71%
Pickled foods	13.00%	0.00%	13.00%	44,000,000	12,700,000	28.86%
Spices	70.00%	0.00%	70.00%	28,100,000	5,800,000	20.64%
Iron and Steel	5.00%	0-5%	0-5%	1,430,000,000	21,500,000	1.50%

SECTOR-WISE BENEFITS TO INDIA AND AUSTRALIA

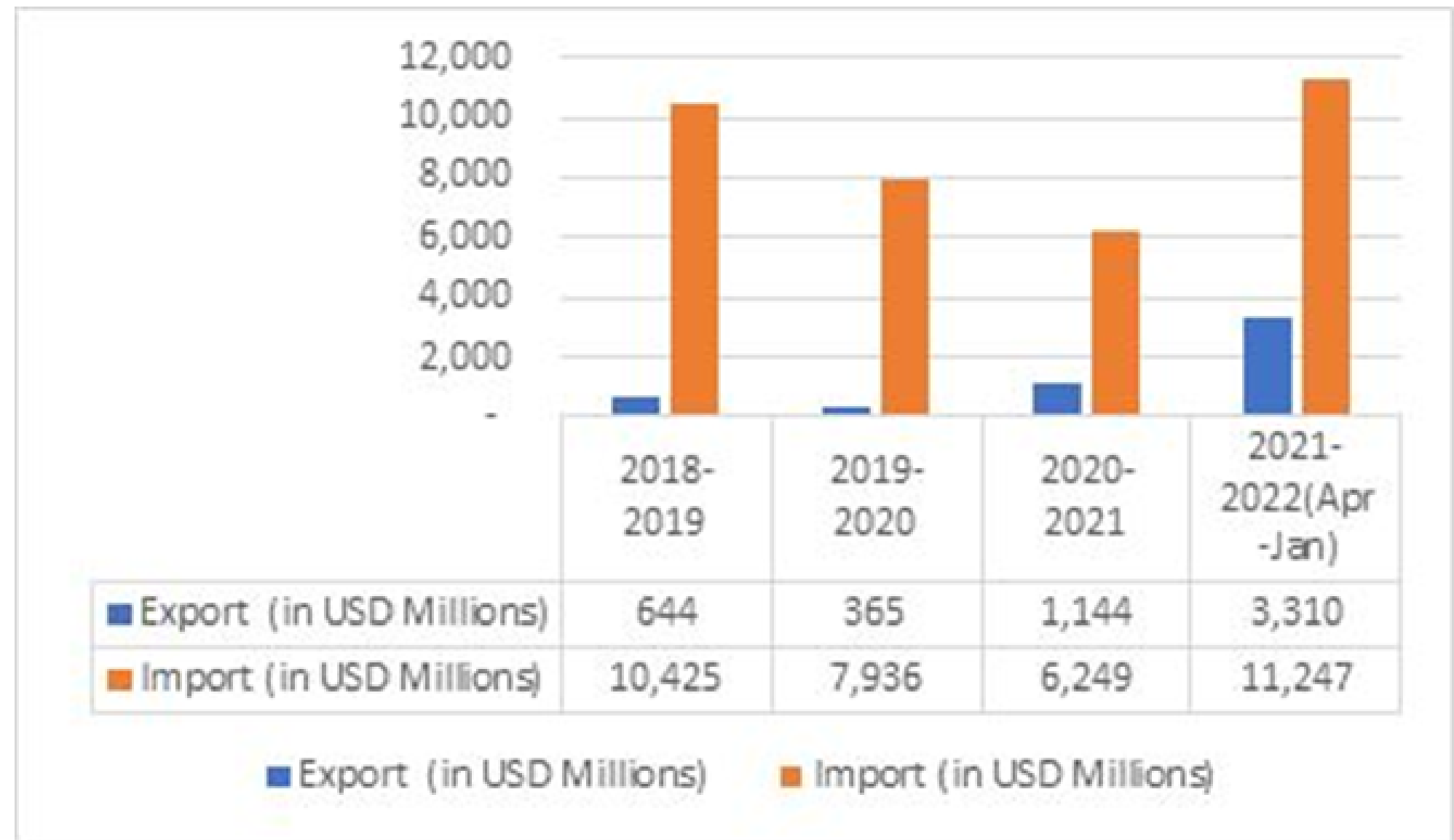


INDIA'S EXPORT TO AUSTRALIA



INDIA'S IMPORT FROM AUSTRALIA

MINERAL AND ORES

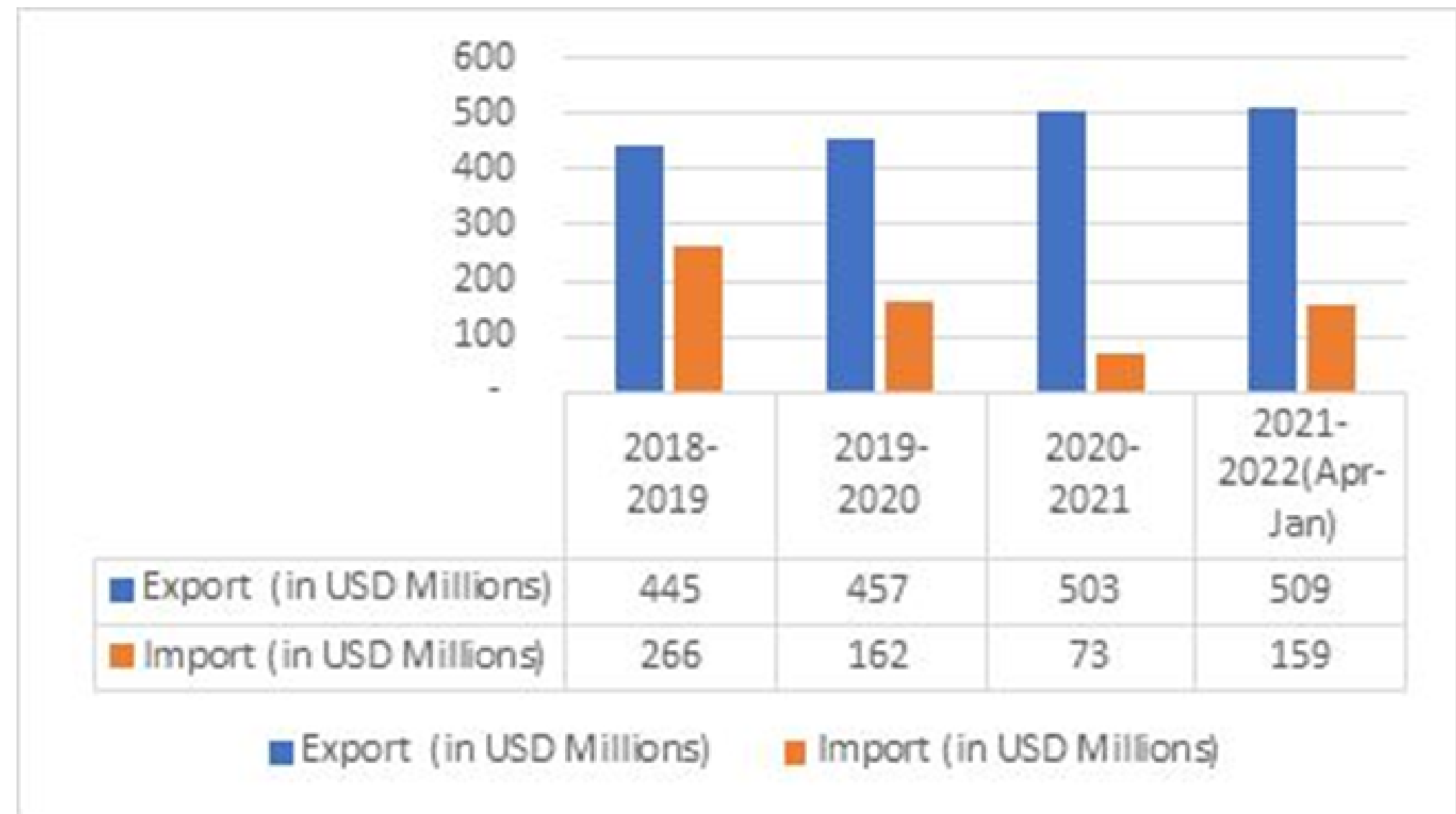


India, which is a net importer of minerals and ores (largely coal), is currently subject to a 10% duty (excluding cesses) in India. The elimination of tariffs is likely to benefit the power and metal sectors where coal is consumed. It will increase the current share of 48% import from Australia to another level.

TEXTILES AND RELATED PRODUCTS

SECTOR-WISE BENEFITS TO INDIA AND AUSTRALIA

- INDIA'S EXPORT TO AUSTRALIA
- INDIA'S IMPORT FROM AUSTRALIA

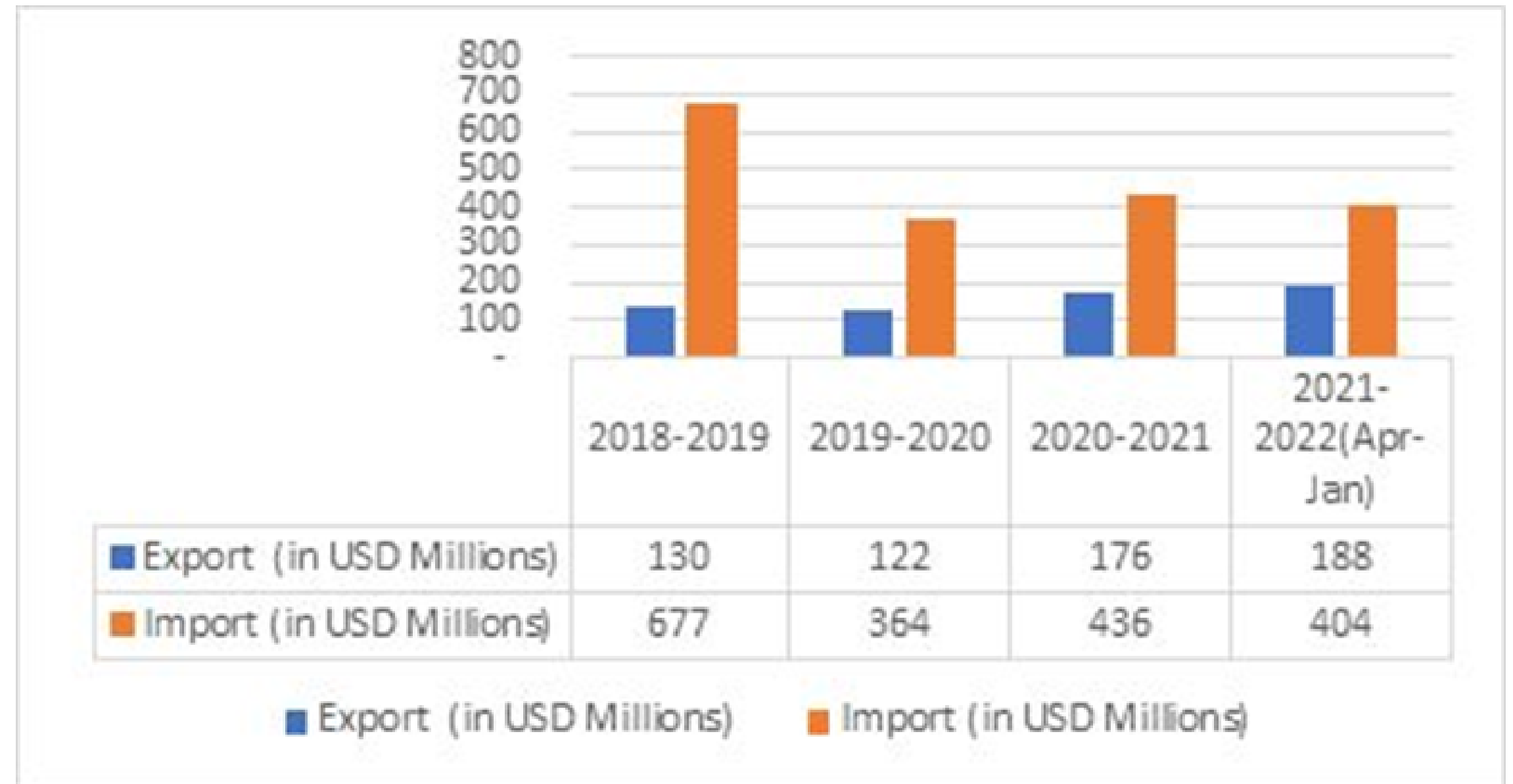


India is present as a net exporter of textile and related articles. The agreement proposes to eliminate tariffs on textile products which are presently subject to 0 to 5%. Accordingly, the Indian textile sector can take over the trade volume of \$1.15B in Australia which is currently being imported from China.

CHEMICALS AND FERTILIZERS

SECTOR-WISE BENEFITS TO INDIA AND AUSTRALIA

- INDIA'S EXPORT TO AUSTRALIA
- INDIA'S IMPORT FROM AUSTRALIA

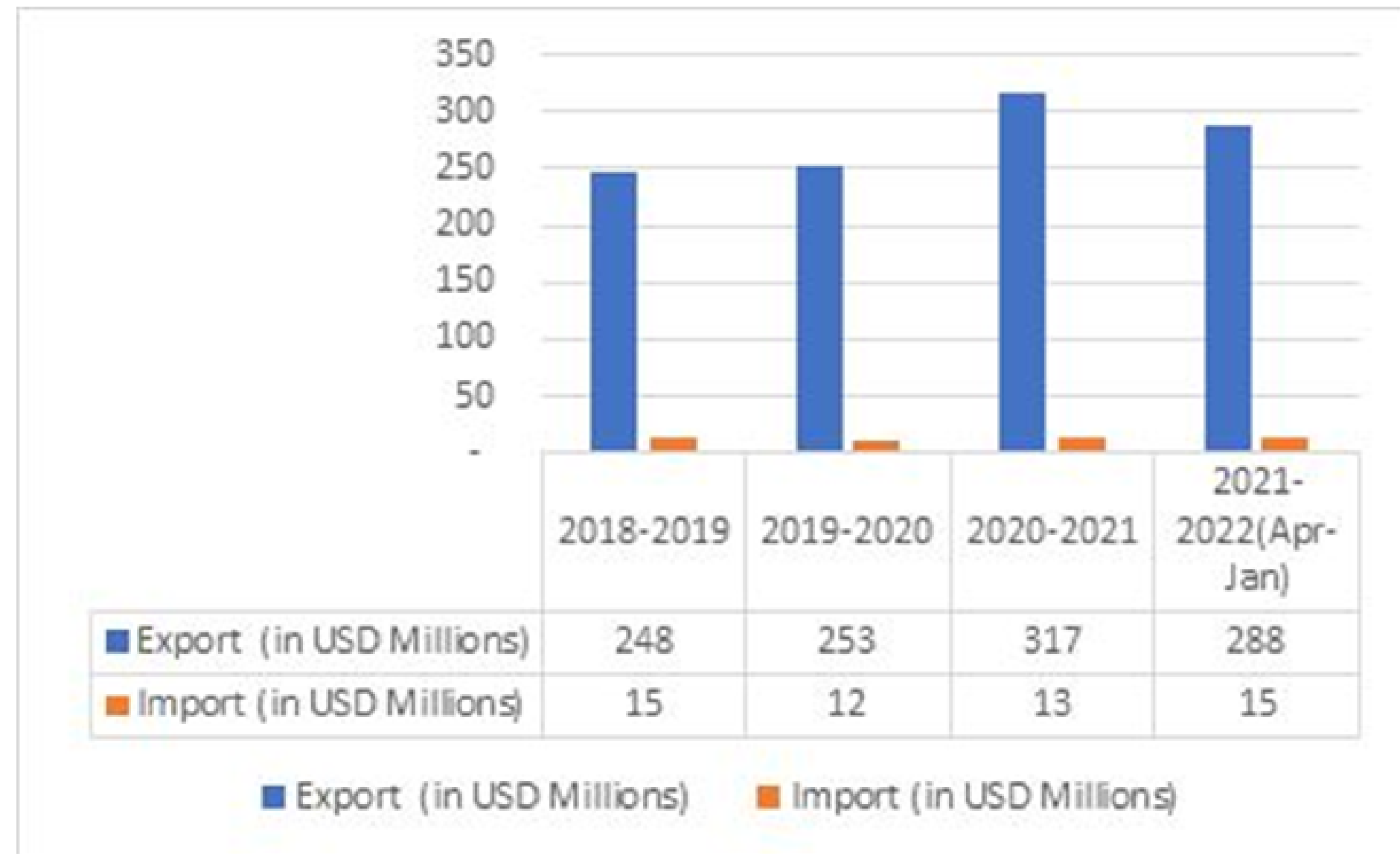


India is a net importer of products in the chemicals and fertilizers sector from Australia. Tariff concessions on some of these products under the chemicals and fertilizers sectors. For eg., Urea is likely to be in short supply in India. The tariff concessions are likely to benefit the agriculture sector in India reducing the costs.

PHARMACEUTICAL

SECTOR-WISE BENEFITS TO INDIA AND AUSTRALIA

- INDIA'S EXPORT TO AUSTRALIA
- INDIA'S IMPORT FROM AUSTRALIA

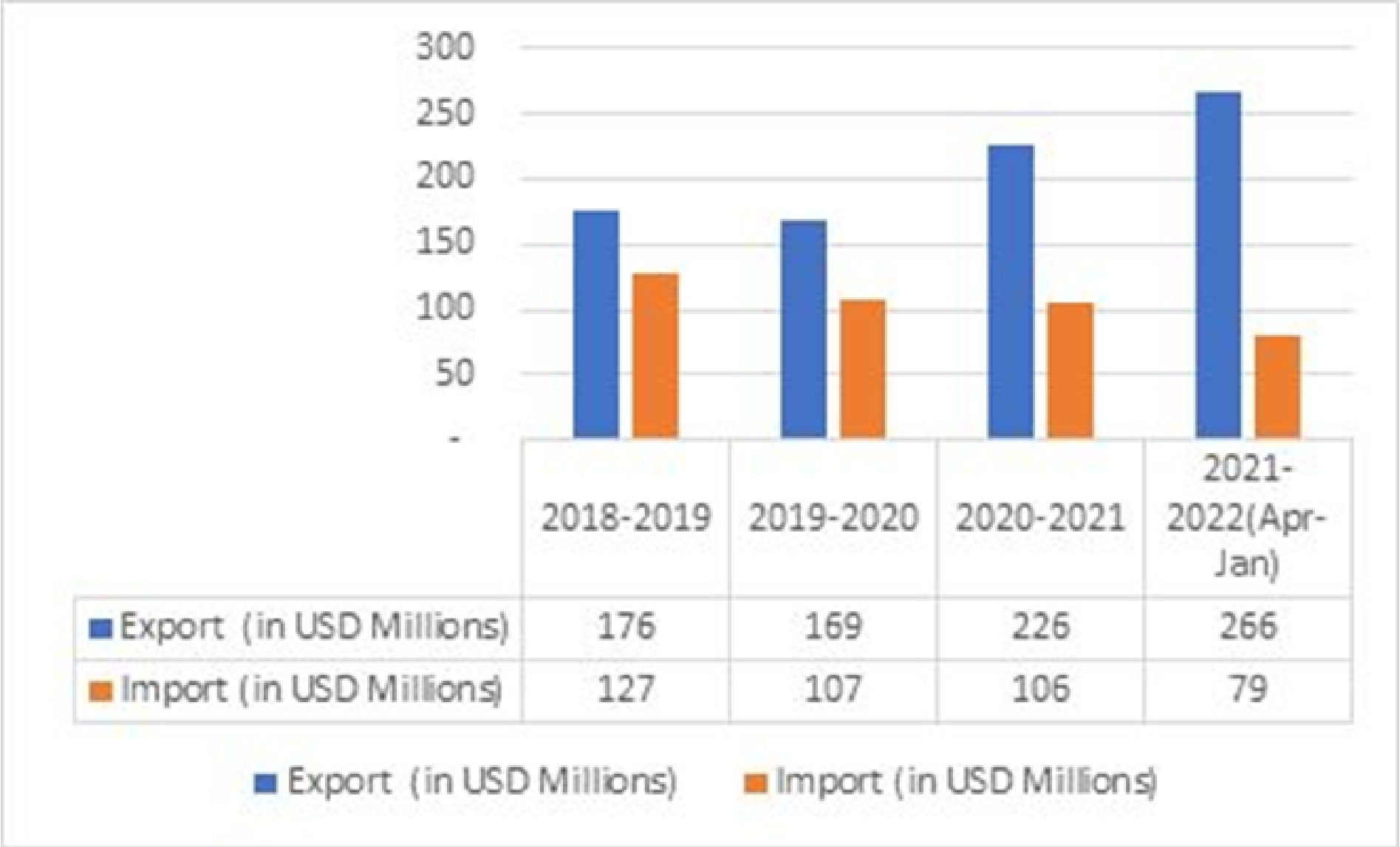


The agreement has provided a path for mutual recognition of pharmaceutical products. This paves a way for the Indian pharma sector to increase its exports to Australia which currently imports a trade volume of \$8.14B.

STEEL AND IRON

SECTOR-WISE BENEFITS TO INDIA AND AUSTRALIA

- INDIA'S EXPORT TO AUSTRALIA
- INDIA'S IMPORT FROM AUSTRALIA



Certain tariff eliminations for steel have been provided under the agreement. The Indian steel industry is likely to benefit from the proposed reduction of tariffs. Australia currently imports \$21.5 million worth of iron and steel from India which is currently just 1.5% of what Australia imports from rest of the world.



OPPORTUNITIES

The ECTA is expected to increase trade between the two sides to \$45-50 billion over five years, from the current estimate of \$27 billion, and create over 10 lakh additional jobs. It is a win-win for both partners because it will ensure uninterrupted supply of key raw material to Indian industries, while Australia will get access to a more reliable alternative to China, which has been resorting to sanctions on Australian exports including coal, beef, seafood, wine and barley.

Access to best in class consumer services like health, education, tourism, hospitality and audio-visual services will enable greater consumer welfare for both the sides. It will strengthen further cooperation in the new service sectors of mutual interest.

TECHNOLOGY & IT SERVICES

Australia requires skilled tech staff, while India has a large tech resource pool. The Australian start-up environment requires specialized talent and India has the advantage of offering skilled personnel that can meet this requirement.

India/ Australia collaboration can develop niche skill sets, provide global digital solutions, further develop Fintech capabilities. Large Indian IT companies can increase their involvement in Australian Govt. projects.

India has several low-cost product-based Software as a Service (SaaS) offerings that can be offered to Australian SMEs. Australia can also serve as the ideal market for Indian start-ups to scale up before launch in USA.

LEATHER & FOOTWEAR

Around 94% of India's exports of leather products to Australia attract the duty of 5%. With the elimination of duty, Indian exports will show further growth and likely to reach US\$ 100 million in next 2 years.

India's Leather and Footwear exports to Australia was US\$ 62.2 million in 2020-21 which is likely to be US\$ 71.6 million 2021-22, thereby showing a growth of 15%.

TEXTILES

The Australian market has good potential for exports of home textiles like bed & bath linen, toilet & kitchen linen, curtains, pillow covers, quilts & comforters, cotton bags; Readymade Garments; Carpets & Floorings etc. At present, Indian exports of around 70% textile products and 90% apparel products attract 5% duty in Australia. As a result, Indian exports face disadvantage compared to exports from other countries having FTA with Australia.

With the IndAus ECTA, this disadvantage will be eliminated, and India's exports of textiles and apparels are expected to go up from US\$ 392 million to US\$ 1100 million in the next 3 years. Due to additional capacity creation and investment for this increased export, additional employment of 40,000 persons per year is expected to be created.

Moreover, many of the new manufacturing units are likely to be set up in Tier 2 & Tier 3 cities & rural areas, creating an industrial eco system in these areas and generating employment.

ENGINEERING PRODUCTS

India's engineering export to Australia was US\$ 801 million in 2020-21 which is likely to be US\$ 1215 million 2021-22, thereby showing a growth of 51%. At present, most of Indian exports of engineering goods to Australia suffer from 5% customs tariff disadvantage. These products include flat and value-added iron and steel products, scientific and medical instruments, parts, transport equipment, non-electrical and electrical machinery etc.

With the elimination of tariffs under the agreement, it is expected that Engineering products exports may grow by around 15% per year, increasing by around 1.5 billion in 5 years to reach at 2.7 billion in 5 years.

HEALTHCARE

Australians can access Indian secondary and tertiary care facilities at highly competitive rates, benefiting the Indian medical tourism sector. Apart from tertiary care, other procedures such as dental surgery, knee replacement, cataract, etc. can also be carried out economically in India.

Indian doctors can provide second opinions or expert consultation on medical through telemedicine, and India IT expertise can assist Australian healthcare providers with medical coding/ data analytics. Medical manufacturing partnerships between the two countries can leverage Australian medical technologies while providing low cost manufacturing solutions to their Australian counterparts.

MUTUAL RECOGNITION AGREEMENTS

Both countries have agreed for mutual recognition of Professional Services and Other licensed/regulated Occupations under the agreement. These obligations include elements such as coverage of all licenses and regulated occupations, allow for temporary/project specific license where feasible and establish a mechanism of Working Group to pursue on obligations related to this.

This will pave the way for initiating dialogues on Mutual Recognition Agreements in Nursing, Architecture and other professional services between the professional bodies of India and Australia, which in turn will facilitate the movement of professionals in each other's territory.

DOUBLE TAXATION AVOIDANCE AGREEMENT

The Government of Australia has agreed to amend Australian domestic taxation law to stop the taxation of offshore income of Indian firms providing technical services to Australia. This would resolve the issue that the Indian Government has raised about the Double Taxation Avoidance Agreement between India and Australia for the avoidance of double taxation, and the prevention of fiscal evasion with respect to taxes on income.

This was a long pending request of Indian IT industry. Once the relevant amendment is made, the Indian Tech Companies would no longer be required to pay taxes on offshore revenues in Australia, thereby enhancing their competitiveness in the international market.

EDUCATION

The agreement will help in increasing research collaboration between Indian and Australian universities. Under dual degree programs between India and Australia, students will be allowed to study in Australia for 2 years and in India for 2 years, subject to regulations discussed by both countries.

WORK & HOLIDAY VISA

Work and Holiday visa with multiple entry has been offered by Australia to 1000 young Indians, in the age group of 18-30 years, for a period of one year. Under this, they can undertake study or training for up to four months (17 weeks) or undertake paid or unpaid employment for the entire duration of their stay in Australia, generally for up to six months with any one employer.

INDIA AUSTRALIA TRADE PROSPECTS

INDIA						
India's Top 10 Imports	Total Import by India	Imported from Australia	Import %	Tariff in India	Tariff for Australia	
Mineral fuels including Oil	102,000,000,000	9,410,000,000	9.23%	16.5%-19.25%	1%-5%	
Electrical Machinery, Equipments	43,100,000,000	35,000,000	0.08%	7%-16%	5%-10%	
Gems, Precious Metals	40,800,000,000	450,000,000	1.10%	11.00%	2.5%-10%	
Computers	63,900,000,000	213,000,000	0.33%	20%-30%	10.00%	
Organic Chemicals	18,300,000,000	641,000,000	3.50%	25.00%	2.5%-5%	
Plastic Products	14,500,000,000	18,400,000	0.13%	10.00%	5%-10%	
Animal/Vegetable fats, Oils, Waxes	10,900,000,000	253,000,000	2.32%	10%-12%	7.5%-40%	
Optical, technical, medical apparatus	8,810,000,000	2,430,000,000	27.58%	10%-12%	5%-10%	
Iron and Steel	7,250,000,000	95,840,000	1.32%	7.5%-12.5%	2.5%-5%	
Fertilizers	6,500,000,000	137,000	0.00%	7.50%	2.5%-5%	

AUSTRALIA						
Australia's Top 10 Imports	Total Import by Australia	Imported from India	Import %	Tariff in Australia	Tariff for India	
Machinery: Capital Goods	3,350,000,000	239,000,000	7.13%	11.6-14.5%	0-5%	
Processed Petroleum Oils	4,190,000,000	30,000,000	0.72%	12.50%	0-5%	
Cars	13,700,000,000	161,000,000	1.18%	14.00%	0-5%	
Electro Medical Equipments (X Ray machines, etc)	2,250,000,000	48,000,000	2.13%	11.60%	0-5%	
Pharmaceuticals	8,140,000,000	343,000,000	4.21%	5-10%	0-5%	
Plastic and Plastic Articles	9,680,000,000	85,000,000	0.88%	12.80%	0-5%	
Iron and Steel Articles	1,430,000,000	21,500,000	1.50%	5%-8%	0-5%	
Home Furnishing	7,000,000,000	66,000,000	0.94%	5.00%	0-5%	



Let's work together.

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