Economic Cooperation and Trade Agreement

Why in news?

After 11 years, India and Australia have signed a historic trade deal — the Australia-India Economic Cooperation and Trade Agreement (Ind-Aus ECTA).

What is the Ind-Aus ECTA about?

- Ind-Aus ECTA is envisaged as an 'early-harvest' agreement that targets a goal of doubling bilateral trade to about 50 billion dollars in 5 years.
- The India-Australia FTA negotiations first began in 2011 but they were suspended in 2015 as the talks were stuck over issues such as market access for dairy products and visa liberalisation.
- The negotiations were resumed in 2021, and the pact was signed in just over six months.
- The best feature of the ECTA is the incorporation of a compulsory review mechanism at the end of 15 years.
- **Australia's offer**- Under the agreement, Australia would offer zero duty access to India for about 96.4 % of exports (by value).
- This covers many products which currently attract 4-5 % customs duty in Australia.
- Australia has agreed to resolve the double taxation issue being faced by domestic IT companies in that market.
- The agreement will allow for faster approval of Indian medicines by Australian regulators as they have agreed to use inspection reports and approvals from Canada and the EU in the evaluation process for India pharmaceuticals and manufacturing facilities.
- The ECTA will allow for granting extended post-study work visas to Indian graduates from STEM (Science, Technology, Engineering and Mathematics).

Australia accounts for over a third of India's coal imports.

- **India's offer**- India will be offering zero duty access for over 85 % of its tariff lines for Australia which will include products like coal, sheep meat, wool, LNG, coal, alumina, metallic ores, including manganese, copper and nickel; titanium and zirconium.
- India has also agreed to reduce duties on Australian wine.
- **Exclusions**- New Delhi has managed to completely shield its dairy sector from any tariff reduction.
- The products which are exempted includes milk and dairy, chickpeas, walnuts, pistachio nuts, wheat, rice, bajra, apples, sunflower seed oil, sugar, oil cake, gold, silver, platinum, jewellery, iron ore and most medical devices.

What is the significance of ECTA?

- **Bilateral trade**- The pact is expected to boost bilateral trade in goods and services to 45-50 billion dollars over five years.
- **Trade barriers**- The pact will not only lower tariffs on a large number of goods but also address the non-tariff barriers such as technical barriers to trade, apart from sanitary and phytosanitary restrictions.
- **CECA**- Both sides want to deepen the engagement and work towards a Comprehensive Economic Cooperation Agreement (CECA).
- It has been agreed that within 75 days of the signing of the pact, a negotiating subcommittee will start negotiations on other areas for market access for goods and services, a digital trade chapter, and a government procurement chapter .

Significance for India

- **Employment**- The pact will generate over 1 million jobs in India.
- **Raw materials**- As Australian exports are more concentrated in raw materials and intermediates, many industries in India will get cheaper raw materials which will make them competitive in sectors like steel, aluminium and garments.
- **Market access**- As the ECTA allows for zero duty access to India, it will enjoy greater market access, pushing India's export momentum higher.
- **Access to pharma sector**- The easing of regulatory processes in the pharmaceutical sector will give India access to Australia's attractive 12 billion dollar sector.
- **Global position**- It would increase investor interest and boost India's position in global supply chains.

Significance for Australia

- **Market access**- The pact is beneficial for Australia which is looking for a new market for its exports after its old friend China took offence to Australia's actions.
- **Political gains**- A deal like this would boost Australian Prime Minister Scott Morrison's chances at the upcoming elections.

Other developed countries such as the UK, Canada and the EU are already on the negotiating table for similar pacts with New Delhi.

References

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