

# Australia-India Economic Cooperation and Trade Agreement

## REGULATION IMPACT STATEMENT

FINAL PASS ASSESSMENT

28 March 2022

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## INTRODUCTION

1. This Regulation Impact Statement (RIS) relates to an Australia-India Comprehensive Economic Cooperation Agreement (CECA) Interim Agreement (known as the Australia-India Economic Cooperation and Trade Agreement (AI ECTA)) to be concluded prior to the finalisation of the full CECA. The proposed AI ECTA is focussed on an 'early harvest' of market access outcomes that delivers balanced wins, including access for Australian agriculture, in advance of a comprehensive CECA being finalised by the end of 2022.
2. In accordance with the Australian Government's Guide to Regulatory Impact Analysis, the Department of Foreign Affairs and Trade (DFAT) has completed this RIS to analyse the impact of the decision to sign the proposed AI ECTA with India.
3. India and Australia launched CECA negotiations in May 2011. There were nine rounds of negotiations before both countries decided to suspend negotiations in September 2015, pending the outcome of negotiations on a Regional Comprehensive Economic Partnership (RCEP), in which both Australia and India were participating. However, India withdrew from RCEP in November 2019.
4. At the India-Australia Leaders' Virtual Summit on 4 June 2020, the Prime Minister of India, Narendra Modi, and the Prime Minister of Australia, Scott Morrison, committed to a Comprehensive Strategic Partnership (CSP) between India and Australia. Both Prime Ministers also decided to re-engage on a bilateral CECA. The Joint Statement on a CSP is at **Attachment A**.
5. At the 17<sup>th</sup> Australia-India Joint Ministerial Commission meeting on 30 September 2021, Australia's Minister for Trade, Tourism and Investment, Dan Tehan, and India's Minister of Commerce and Industry, Consumer Affairs and Food, and Public Distribution and Textiles, Piyush Goyal, formally re-launched CECA negotiations and reaffirmed their commitment to conclude a bilateral CECA. This included reaching an AI ECTA by December 2021 to liberalise and deepen bilateral trade in goods and services, and to conclude the negotiations on a full CECA by the end of 2022. The joint media release following the Joint Ministerial Commission on the Australia and India trade deal is in **Attachment B**. On 11 February 2022, Minister Tehan and Minister Goyal committed to concluding the AI ECTA agreement in March 2022.
6. The proposed treaty-level AI ECTA will have 14 chapters, including on trade in goods, trade in services, entry and temporary stay of natural persons for business purposes, customs procedures and trade facilitation, rules of origin and origin procedures, sanitary and phytosanitary measures and technical barriers to trade.

## PROBLEM IDENTIFICATION – WHAT POLICY PROBLEM ARE YOU TRYING TO SOLVE?

7. Australia's prosperity has been, and will continue to be, underpinned by trade and foreign investment. Australia has been a major beneficiary of the open rules-based global trading system and its future growth will continue to depend on having open economic settings.
8. In recent decades, Australia's exports have been driven by growth in demand from East Asia.<sup>1</sup> However, the COVID-19 pandemic, US-China trade tensions and recent bilateral trade challenges have highlighted the risks of market concentration. It has also renewed public debate about how Australia could diversify its export markets to make Australia's economy more resilient and less susceptible to economic shocks and trade disruptions.<sup>2</sup>

### The need for trade diversification

9. In February 2020, the Joint Standing Committee on Trade and Investment Growth (the Committee) resolved to inquire into the 2018-19 annual reports of DFAT and the Australian Trade and Investment Commission. The focus of the inquiry was to understand whether there was a need for Australia to diversify its trade markets and foreign investment profile.<sup>3</sup>
10. As outlined in the Committee's report of February 2021, a large proportion of Australia's exports were concentrated towards high demand and high profit markets, the largest of which was China. The Committee acknowledged that market concentration could bring benefits to Australian exporters. For example, stable trading relationships allowed exporters to lower overheads by reducing costs in areas like regulatory compliance and often offer a price premium.<sup>4</sup>
11. However, the Committee also acknowledged that market concentration carries an element of risk. Specifically, the Committee was concerned that Australia's reliance on a small number of markets had left it exposed to economic, political and security risks. This had tangible impacts for Australian exporters and suppliers, as it made them more vulnerable, particularly if there were challenges in the bilateral relationship. Therefore, taking greater steps to diversify markets for Australia's exports will help to mitigate this risk, as well as opening new opportunities for business.<sup>5</sup>
12. The Committee also heard that a large proportion of Australia's exports come from a small range of sectors. For example, Australia's goods exports to India is dominated by coal, which

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<sup>1</sup> Joint Standing Committee on Trade and Investment Growth, *Pivot: Diversifying Australia's Trade and Investment Portfolio* - [Pivot \(aph.gov.au\)](https://aph.gov.au)

<sup>2</sup> DFAT Submission to the Joint Standing Committee on Trade and Investment Growth, *Pivot: Diversifying Australia's Trade and Investment Portfolio* - [Sub043 - DFAT.pdf](#)

<sup>3</sup> Joint Standing Committee on Trade and Investment Growth, *Pivot: Diversifying Australia's Trade and Investment Portfolio* - [Pivot \(aph.gov.au\)](https://aph.gov.au)

<sup>4</sup> Ibid, page 41.

<sup>5</sup> Ibid.

comprises of approximately 70 per cent. Like market concentration, export concentration may reduce Australia's economic resilience in the case of market disruptions or shocks. Accordingly, identifying opportunities for diversifying our export goods and services will help Australian exporters and suppliers to withstand disruptions in a particular market or economy.<sup>6</sup>

13. The Committee recommended the Government develop and release a plan for trade diversification, which focussed on: maintaining existing relationships with existing close trading partners as well as expanding trade with other countries; and diversifying Australia's range of goods and services exports.<sup>7</sup>
14. The Committee also recommended the Government continue to plan for greater trade opportunities for Australian exporters, including through delivering on its India Economic Strategy.
15. As part of the Government's formal response, the Government noted that it was delivering a comprehensive suite of measures to support Australian exporters to diversify their markets, including through new Free Trade Agreements (FTAs). The Government also agreed to continue delivering on its India Economic Strategy.<sup>8</sup>

#### Challenges for Australian exporters and suppliers in the Indian market

16. Diversifying Australia's trade relationship through the proposed the AI ECTA is strategic. India is the world's largest democracy and is a market of 1.3 billion people.<sup>9</sup> India's economy is recovering from COVID-19 and rapid mass vaccination is restoring confidence. The International Monetary Fund (IMF) has forecasted that India's GDP would grow at 9.5 per cent for the current Indian financial year (ending March 2022), which if achieved, would make India the fastest recovering major economy.<sup>10</sup> Growth over the longer term is underpinned by India's sound fundamentals and a continued economic reform agenda. To 2026, the IMF forecasts GDP growth of 53 per cent on 2019 levels.
17. India's growth will be driven by a young demographic, burgeoning consumer class, more people employed in formal work, mass technology uptake, significant infrastructure investment and rapid urbanisation.<sup>11</sup> India's ambitious economic reform agenda and cooperation under the CSP provides significant potential to create stronger opportunities in education, agriculture, energy, resources, tourism, healthcare, financial services,

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<sup>6</sup> Joint Standing Committee on Trade and Investment Growth, *Pivot: Diversifying Australia's Trade and Investment Portfolio*, page 42 - [Pivot \(aph.gov.au\)](https://aph.gov.au)

<sup>7</sup> Ibid, page xvii

<sup>8</sup> Australian Government response to the Joint Standing Committee on Growth report, *Pivot*, - [Govt response - Pivot 6 August 2021 \(1\).pdf](#)

<sup>9</sup> DFAT, Australia-India Comprehensive Economic Cooperation Agreement - [Australia-India Comprehensive Economic Cooperation Agreement \(AI-CECA\) | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](#)

<sup>10</sup> IMF, *India: 2021 Article IV Consultation*, October 2021 - [1INDEA2021001.pdf](#); Aljazeera, *India's economic recovery gathers pace as Omicron looms*, November 2021 - [India's economic recovery gathers pace as Omicron looms | Business and Economy News | Al Jazeera](#)

<sup>11</sup> DFAT, *India: Market Insights*, page 2 - [India Market Insights 2021 \(dfat.gov.au\)](#)

infrastructure, science and innovation, as well as in prospective sectors such as critical minerals, health and critical technology. This makes India an attractive market for Australian goods and services exports.

18. Under the current trade arrangements, Australia's trade with India will continue to be hampered by India's exceptionally high tariffs, especially for imported food and agricultural products, which prevents Australian products from entering and competing in the Indian market. For example, of the nearly 12,000 lines in India's tariff schedule, Australia only trades on 1,628 (approximately 14 per cent) of India's tariff lines largely due to the high tariff barriers to entry.
19. Further, from time to time, measures such as higher tariffs, quantitative restrictions and changes to non-tariff barriers are imposed by the Indian Government at little or no notice. This creates uncertainty and disrupts trade for Australian and other suppliers.<sup>12</sup>
20. Feedback from stakeholder consultations have also indicated that due to high market barriers, there would be limited opportunities for Australian producers to broaden their product exports to India – especially in the agriculture and horticulture sectors. For example, imports of Australian wine to India attracts a standard import duty of 150%, which the Australian wine sector has identified as a major disincentive to market development.<sup>13</sup> Similarly, associations representing the horticulture and grain sectors have also identified high import duties as a significant impediment for Australian producers to export the Indian market.<sup>14</sup>
21. India has continued its rise in the World Bank's Doing Business ranking from 142 in 2015 to 63 in 2020. However, India still remains a challenging place to invest and do business.<sup>15</sup> In particular, stakeholders have indicated that regulatory barriers, the lack of transparency and difficulties in accessing information, a complex visa system and the absence of a mutual recognition system for professional qualifications have made it difficult to do business and engage in services trade in India.
22. Under the existing trade framework, Australian exporters and suppliers will continue to be subject to significantly high tariffs, trade uncertainties and will not be in a competitive position to tap into one of the world's largest and fastest growing economies. This is why signing the proposed AI ECTA is important for Australian exporters and suppliers, as it will allow Australia entry into the Indian market on par with India's other FTA partners.

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<sup>12</sup> Ibid, page 6.

<sup>13</sup> Submission from Wine Australia (2011) - [Microsoft Word - wine-australia.doc \(dfat.gov.au\)](#)

<sup>14</sup> Submissions from Grain Growers (2021) - [GrainGrowers - CECA Submission \(dfat.gov.au\)](#); Grain Trade Australia (2021) - [ceca-submission-grain-trade-australia.pdf \(dfat.gov.au\)](#); Australian Horticultural Exporters' and Importers' Association (2022) - [Australian Horticultural Exporters' & Importers' Association \(AHEIA\) - CECA Submission \(dfat.gov.au\)](#)

<sup>15</sup> DFAT, *India: Market Insights*, page 2 - [India Market Insights 2021 \(dfat.gov.au\)](#)

## Trends in Australia and India's trading relationship

23. Since 2007, two-way trade in goods and services between Australia and India has grown in value from \$16.2 billion in 2014 to \$24.3 billion in 2020, driven largely by metallurgical coal and education-related travel services<sup>16</sup> (as illustrated in **Graphs 1 and 4**), accounting for 3 per cent of Australia's two-way trade.<sup>17</sup> In 2020, India was Australia's seventh largest trading partner and sixth largest export destination. Goods exports were concentrated in resource commodities (metallurgical coal, natural gas, copper and gold) while services exports were primarily in education, recreational and business travel.
24. While the overall trajectory of Australia's goods and services trade with India is increasing, the value of Australian goods exported to India has decreased since 2018 (as illustrated in **Graph 2**). In 2020, Australia's trade and investment relationship with India has reflected the fall in global trade amid the COVID-19 pandemic and associated restrictions on international travel. During India's nationwide lockdown, which began in March 2020, there was a significant reduction in manufacturing and steel production, which resulted in a decline in India's metallurgical coal imports.<sup>18</sup>
25. There has also been a slight decrease in the value of Australian services exported to India from 2019 to 2020 (as illustrated in the table of **Graph 3**). COVID-19 has hit Australian education exports hard, especially in the Indian market, where education-related travel was Australia's largest service export to India valued at \$6 billion in 2020. Feedback from stakeholder consultations have reiterated the importance of Australia's education exports. Against the backdrop of Australia's international borders opening (21 February 2021), being able to offer post-study work visas for international students from India through the proposed AI ECTA could make Australia a more attractive destination. This would be important in rebuilding Australia's higher education sector following the COVID-19 pandemic.

### The risks of becoming uncompetitive

26. India recently announced a review of its ASEAN Free Trade Agreement (FTA), is currently in negotiations with the UK on a new FTA, has relaunched negotiations with Canada and has unfinished bilateral trade negotiations with the European Union, United States and New Zealand.<sup>19</sup> If one of these countries or associations agrees an FTA with India, this will put Australian exporters, investors and service suppliers at a competitive disadvantage.
27. Submissions received during the stakeholder consultations have indicated that some Australian goods, including minerals and metal products, are already struggling to compete

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<sup>16</sup> Effective January 2020, there has been a compositional shift in where some student fees are located in services data due to COVID-19; students have continued to study and pay fees to Australian universities, but as they are no longer located in Australia due to travel interruptions, this spend is now captured under Personal, cultural & recreational services.

<sup>17</sup> Office of the Chief Economist, DFAT based on ABS data catalogue 5368.0

<sup>18</sup> DFAT, *India: Market Insights*, page 3 - [India Market Insights 2021 \(dfat.gov.au\)](https://dfat.gov.au/india-market-insights-2021)

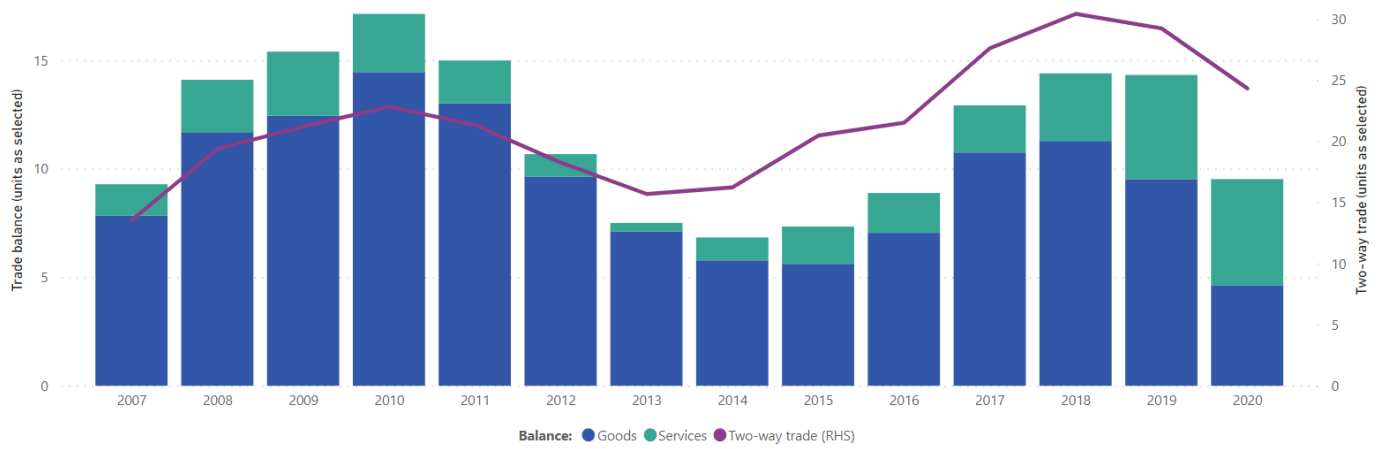
<sup>19</sup> *Ibid*, page 6.

in the Indian market which also imports these goods from countries that have a preferential trade agreement in place with India.<sup>20</sup> Therefore, further delays in securing market access with India would mean that Australian exporters and suppliers would not be in a position to capitalise on India’s economic strength, including its market size and growing middle class.

28. Further, with continued trade tensions globally, the lack of new market access opportunities could hamper Australia’s post COVID-19 economic recovery efforts, especially if other trading partners are making concerted efforts to diversify and expand their trading relationships.

### **Graph 1: Goods and Services Trade between Australia and India**

Source: Office of the Chief Economist, DFAT based on ABS data catalogue 5368.0



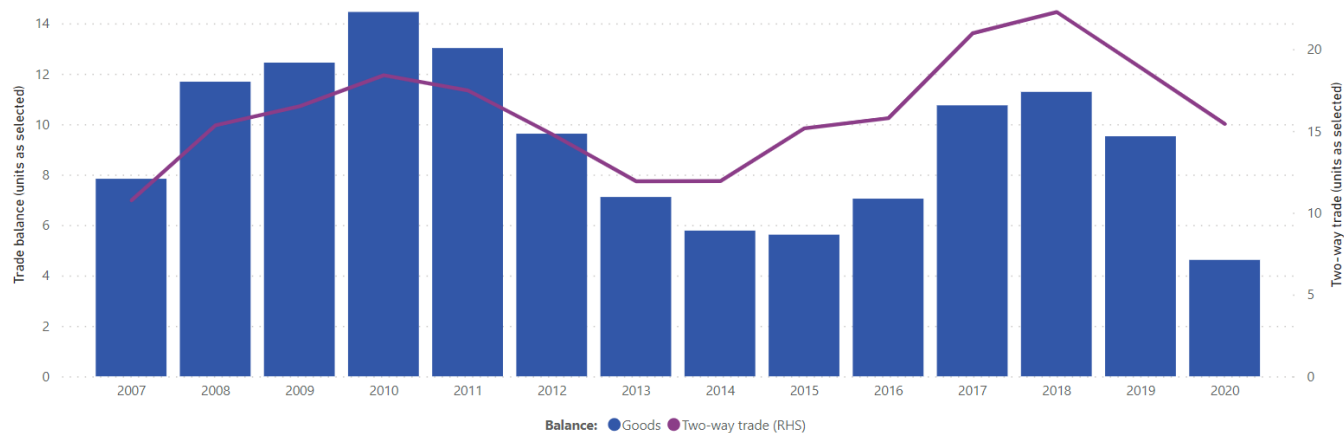
Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Trade type	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b
Total Exports	11.4	16.7	18.3	20.0	18.2	14.5	11.6	11.5	13.9	15.2	20.3	22.4	21.8	16.9
Total Imports	2.1	2.6	2.9	2.8	3.2	3.8	4.1	4.7	6.6	6.3	7.4	8.0	7.5	7.4
<b>Total</b>	<b>13.6</b>	<b>19.4</b>	<b>21.2</b>	<b>22.8</b>	<b>21.3</b>	<b>18.3</b>	<b>15.7</b>	<b>16.2</b>	<b>20.5</b>	<b>21.5</b>	<b>27.6</b>	<b>30.4</b>	<b>29.2</b>	<b>24.3</b>

<sup>20</sup> Submission from the South Australian Government (2010), page 15 - [Microsoft Word - South Australian Government submission AICECA.docx \(dfat.gov.au\)](#)



## Graph 2: Goods Trade between Australia and India

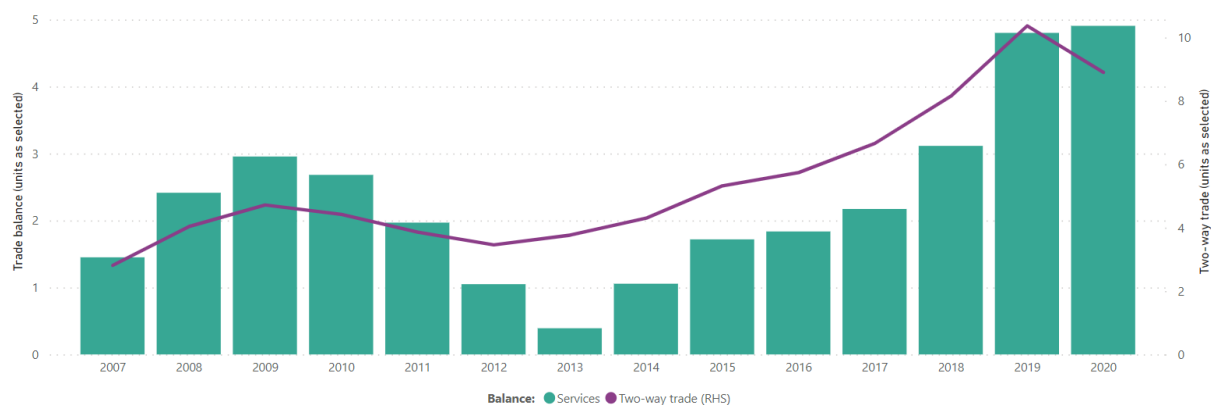
Source: Office of the Chief Economist, DFAT based on ABS data catalogue 5368.0



Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Trade type	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b
Total Exports	9.3	13.5	14.5	16.4	15.2	12.2	9.5	8.9	10.4	11.4	15.9	16.8	14.2	10.0
Total Imports	1.5	1.8	2.0	2.0	2.2	2.6	2.4	3.1	4.8	4.4	5.1	5.5	4.7	5.4
<b>Total</b>	<b>10.8</b>	<b>15.3</b>	<b>16.5</b>	<b>18.4</b>	<b>17.5</b>	<b>14.8</b>	<b>11.9</b>	<b>11.9</b>	<b>15.2</b>	<b>15.8</b>	<b>21.0</b>	<b>22.3</b>	<b>18.9</b>	<b>15.4</b>

## Graph 3: Services Trade between Australia and India

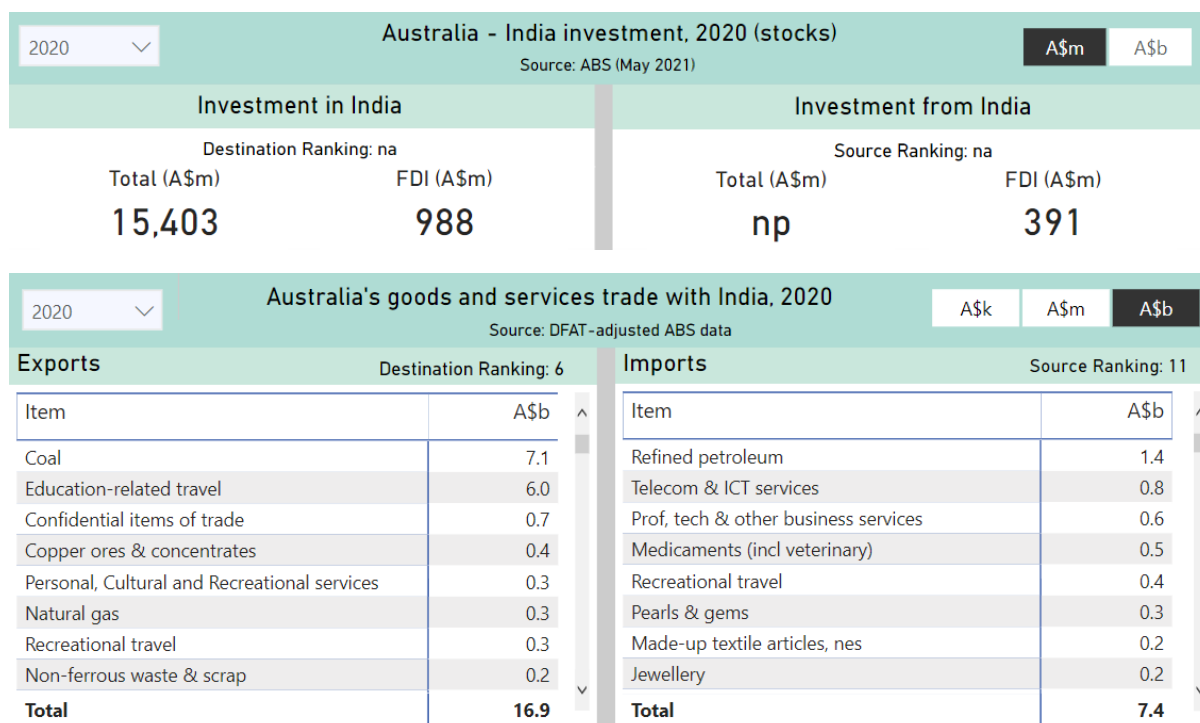
Source: Office of the Chief Economist, DFAT based on ABS data catalogue 5368.0



Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Trade type	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b	A\$b
Total Exports	2.1	3.2	3.8	3.5	2.9	2.3	2.1	2.7	3.5	3.8	4.4	5.6	7.6	6.9
Total Imports	0.7	0.8	0.9	0.9	0.9	1.2	1.7	1.6	1.8	2.0	2.2	2.5	2.8	2.0
<b>Total</b>	<b>2.8</b>	<b>4.0</b>	<b>4.7</b>	<b>4.4</b>	<b>3.9</b>	<b>3.5</b>	<b>3.8</b>	<b>4.3</b>	<b>5.3</b>	<b>5.7</b>	<b>6.7</b>	<b>8.2</b>	<b>10.4</b>	<b>8.9</b>

## Graph 4: Australia-India investment relationship

Source: Office of the Chief Economist, DFAT based on ABS data catalogue 5368.0



## WHAT ARE THE PURPOSE AND THE OBJECTIVES OF GOVERNMENT ACTION?

The purpose of government action

29. Access to global markets allows Australian businesses to secure economies of scale, which is simply not possible given Australia's relatively small population and domestic market. Australian businesses will export to markets where Australian products and services are in demand and where profits are highest relative to risks. While Australian businesses have opportunities to expand the markets they trade with, they will only do so where the benefits justify the costs.
30. Through FTAs, the Australian Government can play a role in helping Australian exporters, suppliers and investors to tap into a new market by negotiating for greater market access, including through the elimination or reduction of certain barriers to trade in goods, services and investment. FTAs are negotiated by governments and constitute an international legal agreement, which generally includes specific commitments to make trade and investment between the parties more open. FTAs could include commitments amongst trading partners to improve market access for trade in goods and services, provide concessions for direct investment and to facilitate access to government procurement contracts. Given the nature of FTAs, it is not possible for Australian industry or businesses to individually negotiate, with a trading partner, for an elimination or reduction in barriers to international trade.

31. A 2018 FTA Utilisation Study, which focussed on the experience of Australian businesses on using FTAs, particularly with the three North Asian countries, found that 62 per cent of Australian exporters use at least one FTA to get their product into export markets while 78 per cent of Australian importers use at least one FTA to source products offshore.<sup>21</sup> The study found that market engagement has improved between Australian businesses and their trading partners in FTA countries following the entry into force of Australia's FTAs.<sup>22</sup>
32. As of 31 December 2020, 71.3 per cent of Australia's two-way trade was with economies covered by FTAs, with Australia partially on track to meeting its goal of having 90 per cent of trade covered by FTAs by 2022.<sup>23</sup>
33. In 2020, the Regional Comprehensive Economic Partnership (RCEP) being the world's largest FTA, was signed by 15 countries. RCEP was designed to enhance regional cooperation to facilitate a strong economic recovery from COVID-19. It will also provide Australian exporters and investors with guaranteed levels of access and treatment in a market covering around 30 per cent of the world's population.<sup>24</sup> While it was disappointing that India elected to leave the RCEP negotiations, the proposed AI ECTA would be an opportunity for Australia to capitalise on India's growing economic strength, including its market size and growing middle class.

## The objectives of the proposed AI ECTA

### ***Advancing the Joint Statement between Australia and India***

34. As outlined in the Joint Statement between Prime Minister Morrison and Prime Minister Modi, Australia and India are committed to expanding trade and investment flows to the benefit of both economies.<sup>25</sup> Deeper economic links between like-minded partners is a central element of the Australian Government's broader strategy to shape our region. It will signal to the world Australia and India's ongoing commitment to work together to strengthen the rules-based, transparent, non-discriminatory, open, and inclusive multilateral trading system, which is also consistent with the joint commitments made by Minister Tehan and Minister Goyal following the Joint Ministerial Commission and Australia's [2017 Foreign Policy White Paper](#).<sup>26</sup>
35. India is a pivotal geopolitical player in the Indo-Pacific and at a time of sharpening strategic competition, the importance of our CSP with India continues to grow. The proposed AI ECTA followed by a full CECA will support Australia and India's implementation of the CSP and Australia's implementation India Economic Strategy Update. This will also align with the

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<sup>21</sup> PricewaterhouseCoopers, *Free Trade Agreement Utilisation Study*, 2018 - [free-trade-agreement-utilisation-study-pwc-report.pdf \(dfat.gov.au\)](#)

<sup>22</sup> Ibid, page 13.

<sup>23</sup> DFAT Annual Report 2020-21, page 44 - [DFAT Annual Report 2020-21](#)

<sup>24</sup> Ibid.

<sup>25</sup> [Joint Statement on a Comprehensive Strategic Partnership between Republic of India and Australia | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](#)

<sup>26</sup> [Home | Foreign Policy White Paper \(dfat.gov.au\)](#)

recommendations of the Committee, as outlined in the *Pivot* report, that Australia should create new opportunities by negotiating new trade agreements to diversify its trade.

36. The proposed AI ECTA followed by a full CECA will sit alongside our existing FTAs with other Indo-Pacific strategic partners, including Japan, Korea and Indonesia, which will strengthen our regional economic architecture, and will send an important strategic message to the region that Australia and India are working together as trusted partners to promote resilience in the Indo-Pacific region. The signing of new FTAs will help to counter economic coercion during a period of geopolitical uncertainty and trade tensions.

#### ***Expanding market opportunities for Australian businesses***

37. Further, the 2018 India Economic Strategy observed that there is no single market with more growth opportunities for Australian business to 2035 than India.<sup>27</sup> The proposed AI ECTA will play a vital role in helping Australian businesses to unlock or expand their operations in the Indian market, while a full CECA is being negotiated. This includes by securing India's commitment on tariff reduction or elimination to enhance market access and providing increased certainty to service suppliers already doing business in India through additional bound commitments on a range of commercially meaningful sectors.

#### ***Limitations of the proposed AI ECTA***

38. At the Joint Ministerial Commission in September 2021, Minister Tehan and Minister Goyal agreed a number of areas that should be in the proposed AI ECTA, including liberalising trade in goods, services, investment, energy and resources, logistics and transport, standards, rules of origin and sanitary and phytosanitary measures.<sup>28</sup> While the majority of areas are captured in the proposed AI ECTA, there are outstanding areas, including in the areas of digital trade and investment that remain outside the scope of the proposed AI ECTA. Australia and India will continue discussions on these issues, including on more sensitive areas such as government procurement, as part of negotiating a full CECA. However, the difference in objectives means that commitments on potential market access for these areas will not be in the proposed AI ECTA.
39. Nonetheless, agreeing to the AI ECTA will provide a solid platform for ongoing dialogue between Australia and India on a full CECA. It will also allow us to further enhance cooperation in other areas which are not traditionally in an FTA, through side-track initiatives such as transport and logistics and energy and resources.

## WHAT ARE THE OPTIONS TO ACHIEVE THESE OBJECTIVES?

40. The RIS considers two options: to sign or not to sign the proposed AI ECTA.

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<sup>27</sup> [An India Economic Strategy To 2035 - Department of Foreign Affairs and Trade \(dfat.gov.au\)](https://dfat.gov.au)

<sup>28</sup> [Australia and India trade deal | Minister for Trade Tourism and Investment \(trademinister.gov.au\)](https://trademinister.gov.au)

## Option 1: sign the proposed AI ECTA

### **Alignment with Australian Government objectives**

41. Signing the proposed AI ECTA will deliver on Prime Minister Morrison and Prime Minister Modi's Joint Statement, as the proposed interim agreement followed by a full CECA, will expand trade and investment flows between Australia and India. It will also deliver on Minister Tehan and Minister Goyal's commitment to conclude a CECA, including an interim agreement to liberalise and deepen bilateral trade in goods and services.
42. The proposed AI ECTA will contribute to strengthening the CSP between Australia and India, as Prime Minister Morrison and Prime Minister Modi agreed to in June 2020 and will support Australia in its implementation of the India Economic Strategy update, which the Australian Government agreed to in its response to the Joint Committee's recommendations following release of the *Pivot* report.<sup>29</sup>
43. As outlined above, it will not be possible for the Australian Government to achieve these objectives, including expand trade and investment flows, as well as liberalise and deepen bilateral trade in goods with India without the proposed AI ECTA followed by a full CECA. This is because under the existing trade framework, India's exceptionally high tariffs are a significant barrier for Australian products, and these barriers will not be removed in the absence of the proposed AI ECTA and a full CECA.

### **Benefits for Australian exporters and suppliers**

44. In addition to delivering on the Australian Government's objectives, signing the proposed AI ECTA will provide first mover advantages for Australia, especially if Australia was able to secure preferential market access before India agrees FTAs with other trading partners. This will provide Australian exporters and producers with expanded market opportunities, which will bring about several benefits, including:
  - a. it will enable Australian suppliers to obtain guaranteed access to the enormous untapped Indian market. For example, this will result in:
    - (i) an elimination of tariffs at entry into force for a wide range of mining and resource products (alumina, coal, coke and semi-coke of coal, most metallic ores such as copper and manganese ores, titanium dioxide, certain non-ferrous metals), as well as agricultural products, such as wool, sheep meat, and fresh rock lobsters
    - (ii) tariffs bound at zero on entry into force for barley, oats, hides and skins, , and liquified natural gas (LNG)

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<sup>29</sup> Australian Government response to the Joint Standing Committee on Growth report, *Pivot*, - [Govt response - Pivot 6 August 2021 \(1\).pdf](#)

- (iii) an elimination of tariffs over 3, 5, 7 or 10 years for crude petroleum, certain waste and scraps, petroleum oils, certain medical devices, certain fruit and vegetables, such as cherries, berries and avocados, certain nuts, sandalwood chips and dust, certain oilseeds, seafood, food preparations, certain wood and paper products and pharmaceutical products
- (iv) preferential tariff reductions for wine and certain fruit such as apricots and strawberries, and
- (v) duty-free quota for cotton and preferential tariffs in-quota for lentils, almonds, oranges, mandarins and pears.

This will help to broaden and diversify Australia's export profile to India.

- b. It will address some of the current restrictions that are placed on the movement of professionals and their ability to invest in India and supply a service, which was an issue raised by a number of stakeholders during the consultation process. Please refer to the 'Benefits and impacts analysis' section and the 'Consultation' section for further details.
  - c. It will lower the price of imported products from India and potentially increase the variety of goods available to Australian consumers.
45. In the context of trade in services, the Most-Favoured-Nation (MFN) provisions in the proposed AI ECTA will also enable Australia to reap any future liberalisation that India might offer to a future trading partner. As MFN only applies on a prospective basis (and not retrospectively), India will be bound to provide the same treatment to Australian exporters that it provides to an exporter of a future FTA partner. Therefore, signing the proposed AI ECTA now, followed by a full CECA, will ensure Australia is in prime position to benefit from future FTAs that India may agree on – especially as India appears to be embarking on FTA negotiations with a range of trading partners. A side letter on wine would have the same effect for that product. In the long-term, this will enable Australian products to remain competitive in the Indian market.
46. The proposed AI ECTA will provide regulatory certainty for Australian businesses, while a full CECA is still being negotiated. This certainty will support exporters and support mobility for businesspeople and professionals, which is important in a post COVID-19 recovery environment.
47. Signing of the proposed AI ECTA will also signal our commitment and pave the way for further discussions on a full CECA, which will have the potential to address some of the areas not currently in the interim agreement. This could potentially facilitate more opportunities in relation to government procurement, enhance investments and other measures, including around digital trade to foster closer economic links between Australia and India.

## Option 2: not sign the proposed AI ECTA

### ***Inconsistent with Australia Government objectives***

48. Not signing the proposed AI ECTA will mean that the Australian Government will not be able to achieve the objectives of trade liberalisation and strengthened economic ties with India, as outlined in the Joint Statement between Prime Minister Morrison and Prime Minister Modi. It will also mean that the commitment between Minister Tehan and Minister Goyal made during the Joint Ministerial Commission to deepen bilateral trade in goods and services will not be met. This will be counterintuitive to Australia's trade diversification efforts, which is a key aspect of Australia's post pandemic recovery.
49. Further, if we do not sign the proposed AI ECTA and a full CECA, we would not bring our strategic relationship up to par with other key Quadrilateral partners in the region, such as Japan. It could also bring into question Australia's reputation as a trading partner, particularly in terms of its ability to uphold and deliver on its commitments – for example, the commitment made between Minister Tehan and Minister Goyal to conclude a CECA, including to reach an interim agreement.

### ***Disadvantages for Australian exporters and suppliers***

50. As outlined in the 'Problem Identification' section, the IMF has forecasted that India's GDP would grow at 9.5 per cent for the current Indian financial year (ending March 2022), which if achieved, would make India the fastest recovering major economy. Not signing the proposed AI ECTA means that Australian businesses would be in a less favourable position to capitalise on this growth, which would bring about significant benefits not only for Australian businesses themselves but also for the Australian economy, more broadly.
51. In the absence of the proposed AI ECTA, Australia will continue to be trading with India under the current conditions and many of the key products of interest to Australia will continue to face very high and variable tariff rates, which as outlined above, is a barrier for Australian businesses trying to tap into the Indian market, especially in the agriculture sectors. They will also see market share decrease as key competitors stand to benefit from prospective FTAs between India and the UK, Canada and the EU. This will mean Australian exports to India will likely remain concentrated on a few limited sectors with limited opportunities for diversification.

## BENEFITS AND IMPACT ANALYSIS

52. There are multiple influences on international trade and investment flows, such as current economic conditions, exchange rate fluctuations, supply and demand factors, and environmental issues such as natural disasters. This has an impact on determining a causal relationship between an FTA and trade and investment outcomes.

53. Measuring what would have happened if a trade agreement had not entered into force is complex. Data considered in isolation may not always reveal the full picture. Comparisons between Australian and partner-country trade data can be difficult, reflecting valuation differences, transshipments through third-party countries, and timing issues. The impact of recent disruptions to trade due to COVID-19 and the effects of trade tensions also add to the complexity. If we do not sign the proposed AI ECTA, and then CECA, trade will likely continue on its current growth trajectory, but the opportunity cost may be significant, especially as India continues to negotiate and enter into preferential trade agreements with other trading partners and tracks as the fastest growing large economy. Accordingly, DFAT considers that the benefits to Australia in signing the AI ECTA, while negotiating a full CECA, as explored in detail below, are greater than not signing.
54. DFAT's qualitative assessment is that signing the proposed AI ECTA would result in a net benefit for Australia. This is due to the likelihood of increased business activity and confidence, a greater range of competitively priced goods imported from India for consumers, and improved access and competitiveness of Australian goods and services into India, which is good for Australian jobs and business.
55. This assessment is supported by recent studies. In 2018, DFAT commissioned an independent study on business utilisation of Australia's FTAs. PricewaterhouseCoopers (PwC) found that Australia's FTAs with China, Japan and Korea are being widely used and have a positive impact on business confidence, activity, strategy, expansion planning, and international investment, including in services sectors.<sup>30</sup>
56. The PwC research highlighted the 'head turning' effect of Australia's trade agreements with China, Japan and Korea, contributing to the positive perception of Australia as a place to invest and do business. It also noted businesses reporting increases in domestic demand for goods and services from businesses trading internationally.
57. DFAT estimates that the proposed AI ECTA will have a similar effect on Australian markets resulting in an overall net benefit for Australian businesses and consumers in advance of any further openings secured in CECA. More detailed evidence supporting this proposition is provided below.

### Economic modelling

58. Independent economic modelling was commissioned in both India and Australia for the Australia-India Joint Feasibility Study in 2009.<sup>31</sup> Economic modelling is necessarily based on certain assumptions and the results of the modelling should be regarded as indicative. While a new feasibility study has not been commissioned since the Australia-India CECA negotiations recommenced, the results from the 2009 study indicated that the welfare of the two countries would increase with the conclusion of an FTA, or an Interim Agreement.

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<sup>30</sup> [Free Trade Agreement Utilisation Study | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](#)

<sup>31</sup> [Australia-India Joint Free Trade Agreement Feasibility Study \(dfat.gov.au\)](#)



59. The 2009 Joint Feasibility Study found that welfare gains for both the countries could be in the range of 0.15 and 1.14 per cent of Gross Domestic Product (GDP) for India (with the upper range in 2010 being valued at US\$12.53 billion) and 0.23 and 1.17 per cent of GDP for Australia (with the upper range in 2010 being valued at US\$10.65 billion). Over a period of 20 years (from 2010), an FTA could lead to Indian GDP gaining in net terms an additional US\$34.4 billion in (2009 prices) net present value terms, compared to US\$32.4 billion in Australia. The proposed AI ECTA or a full CECA could result in a modest positive impact on total global economic output.
60. In the absence of a more up-to-date feasibility study, it is not possible to provide more current figures for this RIS in terms of welfare gains that are anticipated to flow from the proposed AI ECTA.

### The impact of liberalising trade in goods with India

61. India's economy is globally significant – estimated to be the third largest economy in the world (in purchasing power parity terms), accounting for around 7 per cent of global gross domestic product in recent estimates.<sup>32</sup> It has the world's second largest population and on track to surpass China within the next decade.<sup>33</sup> Yet, India's economic development is far from its potential – with one sixth of the global population, its productivity remains 82 per cent lower than OECD best performers.<sup>34</sup> However, India's gradual recovery from the pandemic could herald a return to improved performance. In its most recent World Economic Outlook update for January 2022, the International Monetary Fund revised India's prospects up for 2023, citing better-than-expected improvements in the financial sector, with credit growth leading to greater investment and consumption.<sup>35</sup>
62. India's strong fundamentals, including its youthful demographics, burgeoning consumer class, steady urbanisation and formalisation of the economy will fuel a growing demand for Australian goods and services in the long-term. Having an established framework to enhance two-way trade in goods would ensure Australian businesses are in a prime position to capitalise on India's enormous and growing market. It would also likely result in a greater variety of goods from India being imported into Australia at a lower cost.
63. In the India Economic Strategy, India's economic growth was assumed to be 6-8 per cent, which would result in India's economy doubling between 2017 and 2035 and its share of

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<sup>32</sup> World Bank (2020), *Purchasing Power Parities and the Size of World Economies Results from the 2017 International Comparison Program*, <https://openknowledge.worldbank.org/bitstream/handle/10986/33623/9781464815300.pdf?sequence=4&isAllowed=y>

<sup>33</sup> United Nations Department of Economic and Social Affairs, Population Division (2019), *World Population Prospects 2019*, [https://population.un.org/wpp/Publications/Files/WPP2019\\_Highlights.pdf](https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf)

<sup>34</sup> OECD (2021), *India Economic Policy Reforms: Going for Growth*, <https://www.oecd.org/economy/growth/India-country-note-going-for-growth-2021.pdf>

<sup>35</sup> International Monetary Fund (2022), *World Economic Outlook International Monetary Fund Rising Caseloads, A Disrupted Recovery, And Higher Inflation*, <https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022>

global economic activity increasing from 6 per cent to 13 per cent. However, in order to meet this economic growth potential, India will need to undertake a wide range of economic reforms that require greater integration with the global economy.

64. India is traditionally a highly protected economy with high tariff and non-tariff barriers, particularly in agriculture. The trade liberalisation measures included in the proposed AI ECTA will have economic benefits for Australia. The binding, elimination or reduction in tariffs would bring significant benefits for Australian businesses, including opening the doors for Australian goods to enter the Indian market (where this was previously not economically feasible for businesses due to high and variable tariffs) and ensuring Australian goods are more competitively priced.
65. In 2020, India was Australia's sixth largest exports market for goods and services and fourth largest goods export market, with coal being Australia's single largest goods export to India. However, if coal were excluded (it accounted for 42 per cent of exports in 2020), India drops to Australia's 10<sup>th</sup> largest export market. The proposed AI ECTA and a full CECA will provide an important mechanism to further diversify Australia's exports to India.
66. In 2020, India was Australia's 11<sup>th</sup> largest source for goods and services imports. Australia's largest imports by value between 2016-2020 (prior to the pandemic, which affected international travel) were recreational travel (worth around AU\$1,094 million); refined petroleum (worth around AU\$1,042 million on average); professional, technology and other business services (AU\$612 million); and telecommunications and ICT services (AU\$500 million).
67. Liberalising Australia's trade in goods with India would likely have a quantifiable impact, which has been considered in the context of specific goods, as per below:

#### The impact of key goods market access outcomes

68. Under the proposed AI ECTA, more than 85 percent of Australian goods exports (valued at AU\$12.6 billion on average over the period 2018 to 2020) will enter India duty-free on Entry into Force (EIF). This will include key Australian goods such as coal, LNG, alumina, wool, sheep meat, barley, oats, fresh rock lobsters, hides and skins, certain metallic ores and non-ferrous metals. Cotton will be able to access a sizable duty-free quota.
69. Tariff barriers that have been in place on Australian exports will also be progressively removed over a number of years across a range of key products including certain medical devices, certain fruit and vegetables, certain nuts, seafood, sandalwood, and food preparation.
70. Tariffs will also be reduced on certain products, including fruits such as apricots and strawberries. Almonds, oranges, mandarins, and pears will be able to access preferential quotas. Tariffs on wine will be reduced for bottles whose import price is above a certain

minimum value. In total we estimate tariff savings of roughly AU\$500 million on imports of Australian goods into India.<sup>36</sup>

**Table 1** summarises the agreed tariff elimination schedule that will apply to Australia’s major goods exports to India under the proposed AI ECTA. **Tables 2 and 3** outlines the key Australian exports to India and key Australian exports to receive tariff preferences under the proposed AI ECTA. The section, below, also examines the benefits and impacts for key Australian goods that currently experience high barriers to entry and will benefit considerably from the proposed AI ECTA.

**Table 1: Agreed tariff elimination schedule**

	No. of tariff lines	% (all lines)	India’s imports from Australia (2018-20 average) AUDm	% India’s total imports from Australia
Total	11,908		14,772	
EIF	4,760	40.0%	12,597	85.3%
3 years	196	1.6%	2	0.0%
5 years	813	6.8%	502	3.4%
7 years	2,484	20.9%	60	0.4%
10 years	6	0.1%	-	0.0%
Tariff reduction only	102	0.9%	16	0.1%
TRQs	7	0.1%	206	1.4%
Subtotal in offer	8,368	70.3%	13,382	90.6%
Excluded	3,540	29.7%	1,390	9.4%

**Table 2: Key Australian exports to India**

Commodity	HS code	Current tariff	WTO Bound tariffs	IN imports from AU/World (2018-20, A\$m)	Tariff Treatment – Elimination in years
<b>INDUSTRIAL PRODUCTS</b>					
Coal	2701	2.5	25	10,322 / 28,894	EIF 5 years bituminous coal
LNG	271111 00	2.5	Unbound	674 / 13,098	EIF
Alumina	281820 10	5	40	650 / 1,275	EIF
Non monetary Gold	710811/ 12/13	7.5	40	559 / 39,381	Excluded
Copper ores	2603	2.5	40	237 / 2,227	EIF
Iron ores	2601	2.5-10	25	196 / 627	Excluded
Manganese ores	2602	2.5	25	129 / 904	EIF

<sup>36</sup> Based on tariff rates and import data provided by India for 2018-2020.

Commodity	HS code	Current tariff	WTO Bound tariffs	IN imports from AU/World (2018-20, A\$m)	Tariff Treatment – Elimination in years
Titanium dioxide	320611	10	40	111 / 905	EIF
Coke and semi-coke of coal	270400	5	25	108 / 1,617	EIF
Crude petroleum	2709	5	Unbound	74 / 130,901	5 years
Zirconium ores	261510	2.5	25	52 / 135	EIF
Non-ferrous metals - Nickel	7501, 7502	5	25/40/Unbound	48 / 658	EIF nickel, not alloyed Otherwise excluded
Petroleum oils	2710	0-5	Unbound	9 / 3,639	5 years
Pharma products	300212, 3003, 3004	10	40/Unbound	7 / 1,889	5 years
Medical devices	9018 - 9023	5-7.5	40	45 / 4,281	5 and 7 years for cochlear implants Otherwise excluded
<b>AGRICULTURAL PRODUCTS</b>					
Wool	5101	25	25/40/100	184 / 321	EIF
Almonds	080211 00 (in shell), 080212 00 (shelled)	Rs35kg	Rs35/kg (in shell) Rs100/kg (shelled)	99 / 1,120 0.3 / 71	TRQ at 50% of existing MFN duty on 34,000 tonnes annually
Lentils	071340 00	30	100	56 / 457	TRQ at 50% existing MFN duty on 150,000 tonnes annually
Cotton	5201	5	100	46 (52010020) / 1,073.0	Duty-free TRQ of 300,000 bales per annum for ELS cotton of Minimum 28 mm length
Oats	1004	0	100	10 / 12	EIF
Wine	2204	150	150	7 / 29	Tariffs reduced from 150 to 50 per cent over 10 years for bottles valued over US\$5 and tariffs reduced to 25 per cent over ten years for bottles valued over US\$15.
Hides and skins	41	0-10	25/40/100	6 / 669	EIF
Beans	071331 to 071339	0/	100	5 / 591	7 years Excluded for 071331 - Beans Of The Spp Vigna Mungo and Radiata
Wheat	1001	40-100	80/100	4 / 10 – mainly Wheat (excl. seed for sowing, and durum wheat)	Excluded
Oranges	080510 00	30	40	4 / 54	

Commodity	HS code	Current tariff	WTO Bound tariffs	IN imports from AU/World (2018-20, A\$m)	Tariff Treatment – Elimination in years
Mandarins	08052100	30	100	1 / 3	TRQ at 50% of existing MFN duty on combined 13,700 tonnes per annum
Chickpeas	07132020	60	100	2 / 120	Excluded
Sandalwood chips and dust	12119050	15	100	0.8 / 2	7 years
Pears	08083000	30	35	0.5 / 30	TRQ at 50% of existing MFN duty on 3,700 tonnes per annum
Dairy	0401 - 0406	30-60	40/60/150	0.5 / 45	Excluded
Sheep meat	0204	30	35/100	0.3 / 2	EIF
Cherries	08092900	30	100	0.3 / 3	7 years
Wool grease	1505	30	25/40/100	0.2 / 2	7 years
Seafood	03	30	Unbound	0.05 / 166	Mainly 7 years Fresh rock lobsters - EIF
Barley	1003	0	100	0.01 / 48	EIF
Berries	081010, 081020, 081030, 081040	30	100	0.01 / 0.5	7 years Strawberries (081010) – 7 years with Duty Reduction - Final duty 15%
Canola oil	15141120, 15141920	35	75	0.1 / 114	7 years

**Table 3: Key Australian exports to India to receive tariff preferences under the proposed AI ECTA**

	Value (\$A) (average, 2018- 2020)	Tariff outcomes (as % of value)						
		Excluded	Eliminated with conditions	Eliminated without conditions	Reduction	Reduction involving quotas	Reduction with conditions	Elimination involving quotas
CH2 Sheepmeat	342,912	-	100.0%	-	-	-	-	-
CH3 Fish	58,118	-	-	100.0%	-	-	-	-
CH4 Dairy	490,591	100.0%	-	-	-	-	-	-
CH7 Dried leguminous veg.	68,894,783	12.6%	-	2.7%	-	84.6%	-	-
CH8 Veg., fruit, nuts etc.	107,710,561	3.1%	-	0.2%	-	96.7%	-	-
CH10 Cereals	14,133,329	26.0%	-	74.0%	-	-	-	-
CH11 Products milling industry	15,788,622	100.0%	-	-	-	-	-	-
CH12 Rape or colza seed	0	-	-	-	-	-	-	-
CH15 Animal or vegetable fats	373,561	9.9%	-	90.1%	-	-	-	-
CH19 Food prep.	369,707	20.1%	-	79.9%	-	-	-	-
CH20 Prep. veg., fruit, nuts, etc.	2,153,446	4.3%	-	95.7%	-	-	-	-
CH21 Misc. edible prep.	1,126,186	73.3%	-	26.7%	-	-	-	-
CH22 Wine	7,343,450	-	-	-	-	-	100.0%	-
CH26 Metallic ores	601,298,647	30.8%	-	69.2%	-	-	-	-
CH27 Coal, oil and gas	11,221,538,893	-	-	100.0%	-	-	-	-
CH28 Alumina	643,978,201	-	-	100.0%	-	-	-	-
CH30 Pharma products	6,366,542	-	-	100.0%	-	-	-	-
CH32 Titanium dioxide	111,718,265	-	-	100.0%	-	-	-	-
CH41 Hides and skins	5,734,585	-	-	100.0%	-	-	-	-
CH51 Greasy wool	183,844,203	-	-	100.0%	-	-	-	-
CH52 Cotton	45,132,342	-	-	-	-	-	-	100.0%
CH71 Non Monetary Gold	554,656,042	100.0%	-	-	-	-	-	-
CH74 Non-Ferrous Metals - Copper	4,276	100.0%	-	-	-	-	-	-
CH75 Non-Ferrous Metals - Nickel	46,805,483	-	-	100.0%	-	-	-	-
CH76 Non-Ferrous Metals - Aluminium	14,061,631	100.0%	-	-	-	-	-	-
CH78 Non-Ferrous Metals - Lead	87,690,364	100.0%	-	-	-	-	-	-
CH79 Non-Ferrous Metals - Zinc	28,672,359	100.0%	-	-	-	-	-	-
CH90 Medical devices	45,598,916	45.9%	-	54.1%	-	-	-	-
Tariffed commodities n.e.c	975,442,370	47.0%	-	52.1%	0.8%	0.1%	-	-
<b>Total</b>	<b>14,791,328,384</b>	<b>9.3%</b>	<b>0.0%</b>	<b>89.1%</b>	<b>0.1%</b>	<b>1.1%</b>	<b>0.0%</b>	<b>0.3%</b>

Source: Trade Data Monitors, DFAT

Notes: Value of trade estimates use annual average data of Indian imports of merchandise goods from Australia between 2018 and 2020, at the Indian HS 2017 8-digit commodity code level. Aggregation of data into broad categories is estimated by DFAT based on Australia's 'exports of interest'

71. Locking in the elimination and reduction of customs duties, as well as tariff rate quotas for Australian products on signing of the proposed AI ECTA will provide certainty for Australian

exporters looking to expand or enter the Indian market. This is important, as stakeholders have indicated that one of the risks they manage is the unpredictable way in which India imposes and lifts tariffs.<sup>37</sup> Therefore, having clear rules around when and how customs duties will be eliminated or reduced would better support businesses to manage this risk and improve market confidence.

## Industrial products

### ***Mining and heavy industry products***

72. Coal is Australia's largest goods export to India representing around 70 per cent of our exports to India over the period 2018-2020. The current 2.5 per cent tariff (effective customs rate of 1 per cent plus 1.5 per cent coming from CESS) applied to Australia's coal exports to India will be eliminated on implementation, or after 5 years in the case of bituminous coal. This will improve the competitiveness of Australia's coal exports and allow greater access to a diversified market. India is the world's second largest import market for metallurgical and thermal coal imports after China, and India's imports are forecast to grow with ongoing urbanisation and higher energy demand. India's coal imports from Australia averaged almost AU\$10.4 billion per annum over 2018-2020, mostly comprising metallurgical coal exports. This represented almost 36 per cent of India's total coal imports and almost 18 per cent of Australia's total coal exports.

## Liquified natural gas

73. Liquified natural gas (LNG) was one of Australia's largest exports to India over the period 2018-2020, averaging AU\$674 million annually over that period. The 2.5 per cent will be locked in to zero on implementation, improving the competitiveness of Australia's exports and allowing greater access to the Indian market. India imported more than AU\$13 billion (annual average, 2018-2020) worth of LNG over the same period. This demonstrates the considerable opportunity for Australian exporters.
74. Alumina exports will have the 5 per cent tariff eliminated on entry into force. Australia is India's largest import partner, accounting for 51 per cent of India's imports (averaging AU\$650 million per annum over 2018-2020), while alumina exports to India accounted for almost 8 per cent of Australia's global alumina exports. The tariff reduction will be important to maintain Australia's competitiveness in the Indian market, as India's domestic alumina production is expected to increase over the next five years.

## Metallic ores and non-ferrous metals

75. Most of metallic ores and certain non-ferrous metals including copper and nickel, will have the 2.5 per cent tariff reduced to zero on implementation. This will improve the

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<sup>37</sup> Grain Growers Submission, page 5 - [GrainGrowers - CECA Submission \(dfat.gov.au\)](https://www.dfat.gov.au/ceca/submissions/grain-growers)

competitiveness of Australia's exports and provide greater access to a growing and diversified market. Australian exports of these ores and metals to India between 2018-2020 averaged AU\$742 million per year, accounting for 8 per cent of India's total imports of these commodities and 5 per cent of Australia's total exports to India. Copper ores and concentrates are the largest commodity in this category, averaging AU\$226 million per annum over 2018-2020. India is heavily dependent on imported copper concentrates and import demand is forecast to grow. Iron ore remains excluded from India's offer.

76. Critical minerals including manganese ores, tungsten ores and concentrates, rare earth oxides and zirconium concentrates will have the 2.5 per cent tariff reduced to zero on implementation. India's growing role in the energy transition (battery and EV manufacturing) are expected to see import demand increase, particularly for lithium and cobalt exports. India provides a diversified export market that can assist in the development of Australia's critical mineral industry. Greater integration also aligns with the Australia India MOU on Cooperation in the Field of Mining and Processing of Critical and Strategic Minerals.
77. Removal or reductions in applied tariffs benefit several industrial products, including cement copper, which will see a tariff reduction from 5 per cent to 2.5 per cent over 7 years. Australia is India's primary import partner for this product and exports were worth AU\$0.21 million in 2021 (with no exports prior to 2021).

**Table 4** provides a summary of Australia's mining, oil, gas and related heavy industry products trade with India and the tariff outcomes from the proposed AI ECTA.



**Table 4: Summary of mining, oil, gas and related heavy industry products trade and proposed AI ECTA tariff outcomes**

Commodity items (aggregated)		India's imports of Australian goods (average, 2018-2020)	Base rate (%)	Tariff reduction outcome	Tariff amount (average, 2018-2020)* (\$A)	
Description	Value (\$A)	% of India's global imports				
<b>Mineral ore, metal, oil, gas products</b>						
CH26	Metallic ores	601,298,647	12.7%	-	39,335,411	
CH27	Coal	10,364,406,670	35.6%	-	1,036,440,667	
CH27	Coke and semi-coke of coal	104,866,605	6.5%	-	10,486,661	
CH27	Petroleum oils	80,282,360	0.1%	-	4,490,919	
CH27	LNG	671,983,258	5.1%	-	67,198,326	
CH28	Alumina	643,998,769	46.0%	-	64,399,877	
CH71	Non Monetary Gold	554,656,042	1.4%	-	69,332,005	
CH74	Non-Ferrous Metals - Copper	4,276	0.0%	-	214	
CH75	Non-Ferrous Metals - Nickel	46,805,483	7.0%	-	2,340,274	
CH76	Non-Ferrous Metals - Aluminium	14,061,631	1.7%	-	1,054,622	
CH78	Non-Ferrous Metals - Lead	87,690,364	11.5%	-	4,384,518	
CH79	Non-Ferrous Metals - Zinc	28,672,359	4.4%	-	1,585,883	
	Remaining industry n.e.c	503,027,937	0.7%	-	47,171,179	
<b>All commodities</b>						
		12,042,969,406	15.6%	5-40	Eliminated on entry-into-force without conditions	1,181,789,662
		404,757	0.1%	10	Eliminated by the 3rd year without conditions	40,476
		476,822,971	0.3%	5-15	Eliminated by the 5th year without conditions	48,231,207
		1,203,019	0.2%	10-40	Eliminated by the 7th year without conditions	184,060
		27,319	0.0%	7.5-10	Reduction by 5th year without conditions	2,049
		16,054,726	3.4%	5-10	Reduction by 7th year without conditions	1,213,284
		1,164,272,203	2.0%	5-40	Excluded	116,759,818
<b>Total</b>		<b>13,701,754,401</b>	<b>4.5%</b>	<b>-</b>	<b>-</b>	<b>1,348,220,556</b>

Source: Trade Data Monitors, DFAT

Notes: Value of trade estimates use annual average data of Indian imports of merchandise between 2018 and 2020.

Tariff estimates are based on the value of average annual trade between 2018 and 2020 and the tariff rates paid.

Aggregate commodity groupings were determined by DFAT. Remaining industry not-elsewhere-categorised (n.e.c) captures the remaining export activity for 'Coal Mining', 'Oil and Gas Extraction', 'Metal Ore Mining', 'Non-Metallic Mineral Mining and Quarrying', 'Exploration', 'Petroleum and Coal Product Manufacturing', 'Industrial Gas Manufacturing', 'Non-Metallic Mineral Product Manufacturing', 'Primary Metal and Metal Product Manufacturing', 'Iron and Steel Forging', and the 'Structural Metal Product Manufacturing' industry sectors (ABS ANZSIC codes 06, 07, 08, 09, 101, 17, 1811, 20, 21, 2210, and 222 respectively)

## Wine

78. Despite Australia being one the world's leading exporters of wine products – exporting an average of AU\$2.9 billion per annum between 2018-2020 globally – exports to India only accounted for some 0.2 per cent of that trade, worth an average of AU\$7.4 million during this period.

79. Most Indian imports of wine attract an effective customs duty of some 150 per cent. As a result, India imports very little wine from overseas. Between 2018 and 2020, for example, India's total wine imports averaged AU\$29 million per annum (or around 1.7 million litres). Instead, India relies heavily on domestic production, which, according to Wine Australia, accounted for 85 per cent of India's wine market by volume in 2010.<sup>38</sup>
80. The implementation of the AI ECTA will reduce India's effective import duties on Australian wine from the current 150 per cent: for 750ml bottles at a minimum import price of US \$5 to 100 per cent on entry into force and subsequently to 50 per cent over a ten-year period; and for 750ml bottle equivalents at a minimum import price of AU\$15, to 75 per cent on entry into force and subsequently to 25 per cent over a ten-year period. The minimum import price will be indexed every 10 years based on the Indian wholesale price index for wine. India has also offered to provide Australia MFN treatment on wine, such that if India provides more favourable market access to another future FTA partner it must provide the same to Australia.
81. The significant reduction of import tariffs on Australian wine under the AI ECTA provides Australian wine producers with a substantial advantage over their global competitors in the Indian market and provides unparalleled opportunities for expansion and diversification in one of the world's most populous and growth economies. With reduced demand from China and other disruptions to the wine industry from the 2020 bushfires (smoke taint) and the global pandemic, the Indian market offers potential long-term growth for the Australian wine industry.

#### Sheep meat and wool

82. Tariffs on Australian wool, sheep meat, and sheepskin exports to India will be eliminated and bound at zero upon entry into force, equivalent to around AU\$184 million per annum worth of wool and sheep skin products and AU\$1.96 million worth of sheep meat per annum, based on 2018-2020 average Indian imports of Australian goods.<sup>39</sup>
83. Between 2018-2020, India imports from Australia, represented 56 per cent of their average global sheep meat imports over this period. Although India represents only a small proportion of our global sheep meat exports (less than 0.05 per cent on average between 2018-2020), our position as one of the world's leading exporters of sheep meat and one of the few countries servicing India, means further exporting opportunities under the AI ECTA could lead to stronger relationships between Australian sheep meat producers and Indian consumers.
84. Between 2018-2020, India imported an annual average of around AU\$184 million worth of wool from Australia, worth almost 6 per cent of our average global wool exports over this period. This makes India our second-largest export market for wool behind China, which takes the vast majority of our exports (worth around AU\$2.7 billion or 78 per cent of our

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<sup>38</sup> Wine Australia's 'Australia – India Free Trade Agreement' (2011) submission to DFAT, see <https://www.dfat.gov.au/sites/default/files/wine-australia.pdf>

<sup>39</sup> Using TDM data of Indian commodity imports

total wool exports on average from 2018-2020). Australia is India's largest import source for wool, accounting for almost 50 per cent of total imports, far exceeding imports from their second-largest import market, New Zealand. **Table 5** outlines the value of Australia's export of wool and sheep meat to India and the outcomes negotiated in the proposed AI ECTA. With trade diversification an important aim for Australia, the AI ECTA with India provides further opportunities for our wool producers to build on their existing trade with India

**Table 5: Summary of sheep meat, wool, and sheepskin trade and proposed AI ECTA tariff outcomes**

Commodity items (HS 6-digit)		India's imports of Australian goods (average, 2018-2020)	Base rate tariff (%)	Tariff reduction outcome	Tariff amount (average, 2018-2020)* (\$A)		
Code	Description	Value (\$A)	% of India's global imports				
<b>Sheep meat</b>							
	010410	sheep, live	1,614,412	100.0%	30	Excluded	484,324
CH2	020410	carcasses and half-carcasses of lamb, fresh or chilled	0	-	30	Eliminated on entry-into-force with conditions	0
CH2	020421	carcasses and half-carcasses of sheep, fresh or chilled	0	-	30	Eliminated on entry-into-force with conditions	0
CH2	020422	meat of sheep, cuts with bone in, nesoi, fresh or chilled	0	0.0%	30	Eliminated on entry-into-force with conditions	0
CH2	020423	meat of sheep, boneless, fresh or chilled	12,206	76.5%	30	Eliminated on entry-into-force with conditions	3,662
CH2	020430	carcasses and half-carcasses of lamb, frozen	7,536	47.9%	30	Eliminated on entry-into-force with conditions	2,261
CH2	020441	carcasses and half-carcasses of sheep, frozen	0	0.0%	30	Eliminated on entry-into-force with conditions	0
CH2	020442	meat of sheep, cuts with bone in, nesoi, frozen	230,693	17.0%	30	Eliminated on entry-into-force with conditions	69,208
CH2	020443	meat of sheep, boneless, frozen	92,477	25.8%	30	Eliminated on entry-into-force with conditions	27,743
CH2	020450	meat of goats, fresh, chilled or frozen	0	-	30	Excluded	0
		<b>Subtotal</b>	<b>1,957,324</b>	<b>56.0%</b>			<b>587,197</b>
<b>Sheep wool and skin products</b>							
CH15	150500	wool grease and fatty substances derived therefrom (including lanolin) sheep or lamb skins with wool on, fresh, salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared	222,104	4.8%	30	Eliminated by the 7th year without conditions	66,631
CH41	410210	sheep or lamb skins, without wool on, pickled, whether or not split	21,091	1.5%	0	Eliminated on entry-into-force without conditions	0
CH41	410221	sheep or lamb skins, without wool on, fresh, salted, dried, limed or otherwise preserved, not tanned, parchment-dressed or further prepared	6,199	0.1%	0	Eliminated on entry-into-force without conditions	0
CH41	410229	sheep or lamb skins, without wool on, fresh, salted, dried, limed or otherwise preserved, not tanned, parchment-dressed or further prepared	171,367	2.1%	0	Eliminated on entry-into-force without conditions	0
CH51	510111	wool, not carded or combed, greasy (including fleece-washed), shorn	5,212,857	94.2%	25	Eliminated on entry-into-force without conditions	1,303,214
CH51	510119	wool, not carded or combed, greasy (including fleece-washed), nesoi	160,287,706	75.8%	25	Eliminated on entry-into-force without conditions	40,071,927
CH51	510121	wool, not carded or combed, degreased, not carbonized, shorn	1,344,548	10.6%	30	Eliminated on entry-into-force without conditions	403,364
CH51	510129	wool, not carded or combed, degreased, not carbonized, nesoi	16,356,801	17.9%	25	Eliminated on entry-into-force without conditions	4,089,200
CH51	510130	wool, not carded or combed, carbonized	642,291	76.6%	30	Eliminated on entry-into-force without conditions	192,687
	510400	garnetted stock of wool or of fine or coarse animal hair	0	-	20	Eliminated by the 7th year without conditions	0
	510510	wool, carded	0	0.0%	20	Eliminated by the 7th year without conditions	0
	510521	wool, combed, in fragments	0	-	20	Eliminated by the 7th year without conditions	0
	510529	wool tops and other combed wool, nesoi	324	0.0%	20	Eliminated by the 7th year without conditions	65

510610	yarn of carded wool, not put up for retail sale, containing 85% or more by weight of wool	0	0.0%	20	Eliminated by the 7th year without conditions	0
510620	yarn of carded wool, not put up for retail sale, containing less than 85% by weight of wool	0	0.0%	20	Eliminated by the 7th year without conditions	0
510710	yarn of combed wool, not put up for retail sale, containing 85% or more by weight of wool	0	0.0%	20	Eliminated by the 7th year without conditions	0
510720	yarn of combed wool, not put up for retail sale, containing less than 85% by weight of wool	0	0.0%	20	Eliminated by the 7th year without conditions	0
911390	watch straps, watch bands and watch bracelets, and parts there of, of materials nesoi, including leather, plastics or textile material	1,667	0.0%	10	Eliminated on entry-into-force without conditions	167
<b>Subtotal</b>		<b>184,266,955</b>	<b>48.9%</b>			<b>46,127,255</b>
<b>All sheep products</b>						
	all sheep products	184,044,527	53.2%	0-30	Eliminated on entry-into-force without conditions	46,060,559
	all sheep products	342,912	18.2%	30	Eliminated on entry-into-force with conditions	102,874
	all sheep products	222,428	0.7%	20-30	Eliminated by the 7th year without conditions	66,696
	all sheep products	1,614,412	100.0%	30	Excluded	484,324
<b>Total</b>		<b>186,224,279</b>	<b>49.0%</b>			<b>46,714,452</b>

Source: Trade Data Monitors, DFAT

Notes: Tariff estimates are based on the value of average annual trade between 2018 and 2020 and the tariff rates paid.

85. Australia is a competitive sheep meat and wool producer, with large farming areas and low farming costs (such as more ewes managed per full-time labour unit, and lower costs for machinery and buildings).<sup>40</sup> However, the COVID-19 pandemic affected sheep meat and wool industries through supply chain disruptions and other global economic effects on demand. Additionally, drought in 2018 and 2019 led to a diminished flock, which remained an issue into 2021, and with China's domestic sheep meat production on the rise in coming years, Australian producers are facing increased global competition.<sup>41</sup> As with other agricultural commodities, the AI ECTA with India could go some way to helping Australian farmers diversify and expand their export markets over time.

## Seafood

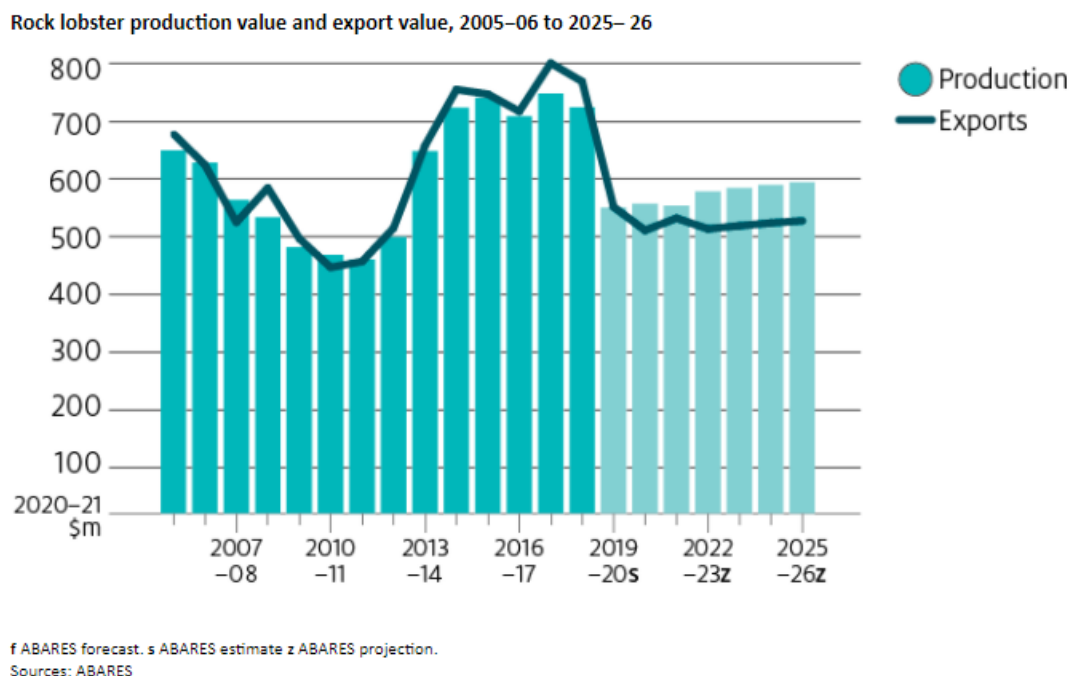
86. A large number of Indian tariffs on Australian fresh, frozen and processed seafood goods will be phased out over seven years following implementation, including current tariff rates of 30 per cent for Atlantic salmon, tuna and albacore and frozen rock lobster. The fresh rock lobster tariff will be eliminated on entry into force.
87. Fresh, frozen and processed seafood goods are an important export for Australia, with an annual average of AU\$1.4 billion per annum exported globally between 2018 and 2020. Of this, fresh rock lobster items accounted for almost half of Australia's seafood exports – some AU\$664 million per annum on average.

<sup>40</sup> Ibid.

<sup>41</sup> Meat and Livestock Australia, February 2021, *Global sheepmeat industry and trade report*

88. As **Graph 5** illustrates, Australian producers of fresh and frozen rock lobster experienced a sudden drop in exports in 2020, primarily attributed to a reduction in export trade with China and freight disruptions due to the global pandemic.<sup>42</sup> Prior to this, China accounted for around 91 per cent of Australia’s rock lobster exports in 2019 and 2020.<sup>43</sup>

**Graph 5: Outlook for rock lobster exports**<sup>44</sup>



89. Currently, India is a relatively small importer of global seafood products, however, averaging AU\$217 million between 2018 and 2020, of which, Australian producers, accounted for almost zero.

90. As Australian fisheries exports are dominated by high-value products, such as rock lobster<sup>45</sup>, the gradual elimination of tariffs on seafood items represents an opportunity for Australian producers to establish a new market to expand and grow as the numbers of wealthy individuals in India increase and consumer preferences shift over the longer-term.<sup>46</sup>

91. **Table 6** provides a summary of Australia’s seafood products trade with India and the tariff outcomes from the proposed AI ECTA.

<sup>42</sup> [Australian fisheries and aquaculture outlook 2021 - Department of Agriculture](#)

<sup>43</sup> Ibid.

<sup>44</sup> [Australian fisheries and aquaculture outlook 2021 - Department of Agriculture](#)

<sup>45</sup> [Australia's seafood trade - Department of Agriculture](#)

<sup>46</sup> [Australia's seafood trade - Department of Agriculture](#)

**Table 6: Summary of seafood products trade and proposed AI ECTA tariff outcomes**

Commodity items		India's imports of Australian goods (average, 2018-2020)	Base rate (%)	Tariff reduction outcome	Tariff amount (average, 2018-2020)* (\$A)	
Code	Description	Value (\$A)	% of India's global imports			
<b>All seafood products</b>						
	all seafood commodities	0	-	30	Eliminated on entry-into-force without conditions	0
	all seafood commodities	0	0.0%	10	Eliminated by the 5th year without conditions	0
	all seafood commodities	69,240	0.0%	30	Eliminated by the 7th year without conditions	20,772
	all seafood commodities	0	0.0%	30	Excluded	0
<b>Total</b>	<b>-</b>	<b>69,240</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>20,772</b>

Source: Trade Data Monitors, DFAT

Notes: Value of trade estimates use annual average data of Indian imports of merchandise between 2018 and 2020. Tariff estimates are based on the value of average annual trade between 2018 and 2020 and the tariff rates paid.

## Horticulture

92. India will eliminate or reduce tariffs on a selection of Australian fruits and vegetables after either 5 or 7 years. Tariffs which will be phased-out or reduced include those on:
- almonds (preferential tariff rate quota)
  - oranges (preferential tariff rate quota)
  - mandarins (preferential tariff rate quota)
  - pears (preferential tariff rate quota)
  - apricots (reduced over 7 years)
  - cherries (eliminated after 7 years)
  - macadamia nuts (eliminated after 7 years)
  - avocados (eliminated after 7 years)
  - strawberries (reduced over 7 years)
  - blueberries, raspberries, blackberries, currants (eliminated after 7 years),
  - shelled pistachios (eliminate after 7 years)
  - onions (eliminate after 7 years)
  - kiwifruit (reduced over 7 years)
93. In 2020-2021 Australia's total horticulture production was valued at AU\$11.9 billion and employed over 60,000 people. Averaged over the years 2018 through 2020, around AU\$4.15 billion of Australia's annual horticultural production was exported. Of these exports, China was the largest market with a value of AU\$884 million (21 per cent), followed by Japan (AU\$301 million, 7 per cent), and New Zealand (AU\$214 million, 5 per cent).<sup>47</sup>

<sup>47</sup> Extracted from TDM using data for Australian commodity exports that correspond with commodities produced by Australia's 'Nursery and Floriculture Production', 'Mushroom and Vegetable Growing', 'Fruit and Tree Nut Growing', 'Fruit and Vegetable Processing' industry sectors (ABS ANZSIC codes 011, 012, 013 and 1140, respectively)

94. Australia's horticultural exports to India over this period averaged almost AU\$181 million (4 per cent of Australia's horticultural exports).<sup>48</sup> Of the select horticultural goods covered by the AI ECTA (listed above), our exports to India of these goods were worth over AU\$167 million on average (or 92 per cent of our horticultural exports to India) between 2018-2020.
95. The reduction in tariffs as set out by the proposed AI ECTA will enable the Australian horticulture industry to supply India's growing food demand. For example, India's demand for fruits and vegetables is expected to grow at 5–7 per cent by 2025.<sup>49</sup> Demand for nuts is also anticipated to grow given their nutritional benefits and consumer preferences.
96. Beyond 2025, increasing income levels in India are likely to lead to increasingly sophisticated tastes associated with rising per person consumption of fruit, vegetables and other food products. Removal of Indian tariffs on Australian horticultural goods, such as those in the proposed AI ECTA will benefit Indian consumers as they will enjoy greater access to a wider variety of horticultural products, at lower cost. Australian products also have a reputation for being high-quality, reliable, and safe and will benefit Indian consumer health.
97. For some products (e.g. almonds) Australia is already a significant exporter to India. Australia will become more competitive in the Indian market. For other products (e.g., oranges, mandarins, macadamias, cherries, berries, avocados) in which Australian exporters are already active globally, there is significant potential for Australian exporters to expand into the Indian market.
98. The key outcomes under the proposed AI ECTA in horticulture (see **Table 7**) are also consistent with what industry has called for. The Australian Horticultural Exporters Association (AHEA) has noted that Australian fresh produce trade to India is currently small, primarily due to Australia's lack of competitiveness on price. Reducing high tariffs will provide Australia with a competitive advantage, or at the very least, equal access to other countries with preferential access to the Indian market. Advance Cairns (representing Tropical North Queensland) has highlighted the opportunities associated with tropical fruit in that region.
99. In its submission, the Australian Nut Industry Council was supportive of lower tariffs being sought in the AI ECTA. The Council described the nut industry as being 'ready to go for export to India with the elimination of the high tariffs that currently inhibit trade'. The Council also noted Australia's nut exports would increase from around AU\$1 billion in 2020-21 to AU\$2.4 billion in 2030. While the nut industry had a history of developing its own export markets, a reduction in tariffs in a country like India would be a huge benefit.

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<sup>48</sup>Using TDM data of Indian commodity imports that similarly correspond with commodities produced by Australia's 'Nursery and Floriculture Production', 'Mushroom and Vegetable Growing', 'Fruit and Tree Nut Growing', 'Fruit and Vegetable Processing' industry sectors (ABS ANZSIC codes 011, 012, 013 and 1140, respectively).

<sup>49</sup> Ibid.

## Pulses

100. India will eliminate or reduce tariffs on certain pulses. This includes:
  - a) certain beans (eliminated after 7 years)
  - b) lentils (annual tariff rate quota)
  
101. Australian pulse production has increased significantly since the 1990s. Total production amounted to only 1.3 million tonnes in 1990 and has since increased to more than 2 million tonnes annually. Over the same period Australian lentil production has similarly increased from less than 100,000 tonnes annually in the 1990s to more than 600,000 tonnes annually in 2020. In 2019-20 Australia exported AU\$1,263 million worth of pulses.<sup>50</sup>
  
102. Despite growth in the Australian pulse industry, Australia remains a relatively small import source for India. Over the years 2018-20 India imported more than AU\$1.2 billion worth of pulses (including peas, chickpeas, beans and lentils) from all countries, of which only around AU\$68.9 million (or 4.1 per cent) was imported from Australia. By contrast, Australia's average global exports of these items amounted to almost \$1.064 billion per annum between 2018-2020.
  
103. There is therefore significant potential for Australian pulse producers to expand into the Indian market. While peas and chickpeas are excluded from the AI ECTA offer, the reduced barriers to Australian exporters of beans and lentils creates significant opportunities.
  
104. **Table 7** provides a summary of Australia's horticultural products (including pulses) with India and the tariff outcomes from the proposed AI ECTA.

### **Table 7: Summary of horticultural products trade (including pulses) and proposed AI ECTA tariff outcomes**

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<sup>50</sup> ABARES, Agricultural commodities March 2022



Commodity items (aggregated)		India's imports of Australian goods (average, 2018-2020)	Base rate (%)	Tariff reduction outcome	Tariff amount (average, 2018-2020)* (\$A)	
Description	Value (\$A)	% of India's global imports				
<b>Legumes, Almonds, Avocados, Macadamias, , and other nuts</b>						
CH7	Dried leguminous veg.	68,894,783	4.1%	-	22,148,763	
CH8	Almonds	99,692,193	8.2%	-	0	
CH8	Walnuts	1,322,183	1.6%	-	1,586,620	
CH8	Pistachios	963,606	0.4%	-	289,082	
CH8	Macadamias	1,935	3.3%	-	580	
CH8	Avocados	11	0.0%	-	3	
	Remaining industry n.e.c	174,528	0.0%	-	57,293	
	<b>Subtotal</b>	<b>171,049,239</b>	<b>3.0%</b>	-	<b>24,082,341</b>	
<b>Oranges and other citrus, Grapes, Apples and Pears, Cherries, Peach, Plums and other stone fruit</b>						
CH8	Oranges	3,975,773	7.3%	-	1,590,309	
CH8	Grapes	715,512	0.5%	-	286,205	
CH8	Apples	102,145	0.0%	-	51,073	
CH8	Pears	464,418	1.5%	-	162,546	
CH8	Cherries	254,029	9.2%	-	76,209	
CH8	Peaches	125,098	29.0%	-	37,529	
CH8	Plums	93,657	1.2%	-	23,414	
	Remaining industry n.e.c	1,118,765	17.2%	-	335,852	
	<b>Subtotal</b>	<b>6,849,398</b>	<b>1.1%</b>	-	<b>2,563,138</b>	
<b>Processed horticultural products</b>						
CH11	Products Milling industry	0	0.0%	-	0	
CH20	Prep Veg., fruit, nuts ...	2,153,446	1.4%	-	650,418	
CH21	Misc. Edible Prep	95,694	0.4%	-	28,708	
	<b>Subtotal</b>	<b>2,249,140</b>	<b>1.3%</b>	-	<b>679,126</b>	
<b>Other horticultural (incl. Nursery and Floriculture products, Mushroom and Vegetables, Kiwifruit, Berries, and Olives)</b>						
	<b>Subtotal</b>	<b>461,551</b>	<b>0.1%</b>	-	<b>65,738</b>	
<b>All horticultural products</b>						
	all horticultural commodities	4,662,447	0.2%	10-45	Eliminated by the 7th year without conditions	1,325,353
	all horticultural commodities	47,009	0.0%	30-100	Reduction by 7th year without conditions	14,103
	all horticultural commodities	163,408,359	9.2%	30-40	Reduction involving quotas	19,535,648
	all horticultural commodities	12,491,512	0.6%	10-120	Excluded	6,515,239
	<b>Total</b>	<b>180,609,327</b>	<b>2.6%</b>	-	-	<b>27,390,343</b>

Source: Trade Data Monitors, DFAT

Notes: Value of trade estimates use annual average data of Indian imports of merchandise between 2018 and 2020.

Tariff estimates are based on the value of average annual trade between 2018 and 2020 and the tariff rates paid.

Aggregate commodity groupings were determined by DFAT. Remaining industry not-elsewhere-categorised (n.e.c)

captures the remaining export activity for 'Nursery and Floriculture Production', 'Mushroom and Vegetable Growing', 'Fruit and Tree Nut Growing', 'Fruit and Vegetable Processing' industry sectors (ABS ANZSIC codes 011, 012, 013 and 1140, respectively).

## Cereals

105. Australia is one of the world's largest grains and cereal producers, exporting an average of AU\$9 billion per annum between 2018-2020.

106. Australian exports of barley and oats to India will have tariffs bound at zero on entry into force providing predictability and confidence for growers. Wheat and other cereals are excluded from the AI ECTA offer, however tariffs of up to 30 per cent on a number of seed, oil and processed wheat, cereal, and grain products will be eliminated by year seven of implementation.

107. For those wheat products with tariffs that are set to be eliminated under AI-ECTA, Australia exported an average of AU\$2.5 billion per annum between 2018-2020. Of this, India accounted for less than 0.01 per cent (AU\$0.23 million per annum) of Australia's exports. India's global imports of these products averaged AU\$70.5 million per annum, however, indicating an opportunity for Australian exporters to capture a larger market share.

108. **Table 8** provides a summary of Australia's cereal products trade with India and the tariff outcomes from the proposed AI ECTA.

**Table 8: Summary of wheats, grains, cereals, cotton, sugar cane and other crop grown commodities and proposed AI ECTA tariff outcomes**

Commodity items (aggregated)		India's imports of Australian goods (average, 2018-2020)	Base rate (%)	Tariff reduction outcome	Tariff amount (average, 2018-2020)* (\$A)	
Description	Value (\$A)	% of India's global imports				
<b>Cereals, wheats, grains, seeds and rice</b>						
CH10	Cereals - Wheat	3,677,433	42.7%		3,677,433	
CH10	Cereals - Barley	7,906	0.0%		0	
CH10	Cereals - Oats	10,447,989	82.5%		0	
CH11	Products Milling industry	15,788,622	17.6%		4,736,732	
CH12	Rape or colza seed	0	0.0%		0	
CH19	Food Prep - Infant Formula	0	0.0%		0	
CH19	Food Prep	239,267	0.7%		71,780	
CH21	Misc. Edible Prep	0	0.0%		0	
	Remaining industry n.e.c	105,556	0.1%		63,038	
	<b>Subtotal</b>	<b>30,266,774</b>	<b>9.4%</b>		<b>8,548,983</b>	
<b>Cotton, sugar cane, &amp; other crop growing</b>						
CH52	Cotton	45,132,342	4.2%		11,283,086	
	Remaining industry n.e.c	9,559,081	0.4%		2,865,246	
	<b>Subtotal</b>	<b>54,691,424</b>	<b>1.5%</b>		<b>14,148,331</b>	
<b>All commodities</b>						
	all crop grown commodities	10,455,963	16.9%	0-30	Eliminated on entry-into-force without conditions	0
	all crop grown commodities	0	-	30	Eliminated by the 3rd year without conditions	0
	all crop grown commodities	9,793,353	1.2%	10-70	Eliminated by the 7th year without conditions	2,935,482
	all crop grown commodities	0	0.0%	30	Reduction by 7th year without conditions	0
	all crop grown commodities	64,708,882	2.1%	0-100	Excluded	19,761,833
	<b>Total</b>	<b>84,958,198</b>	<b>2.2%</b>			<b>22,697,315</b>

Source: Trade Data Monitors, DFAT

Notes: Value of trade estimates use annual average data of Indian imports of merchandise between 2018 and 2020.

Tariff estimates are based on the value of average annual trade between 2018 and 2020 and the tariff rates paid.

Aggregate commodity groupings were determined by DFAT. Remaining industry not-elsewhere-categorised (n.e.c) for 'cereals, wheats, grains, seeds and rice' captures the remaining export activity for 'Rice Growing', 'Other Grain Growing', 'Grain Mill Product Manufacturing', 'Cereal, Pasta and Baking Mix Manufacturing' industry sectors (ABS ANZSIC codes 0416, 0419, 1161 and 1162, respectively). Remaining industry not-elsewhere-categorised (n.e.c) for 'cotton, sugar cane, & other crop growing' captures the remaining export activity for 'Other Crop Growing' and 'Cotton Ginning' industry sectors (ABS ANZSIC codes 015 and 0521, respectively).

Cotton

109. The Australian cotton industry employs over 12,000 people. Australia is one of the world's largest cotton exporters and between 2018 and 2020 exported an average of AU\$1.51 billion worth of cotton a year. The value of exports varies significantly from year to year in line with growing conditions. Significant importers of Australian cotton include China, Vietnam, Indonesia, Turkey, and Thailand.<sup>51</sup>
110. Cotton is an important commodity in the Indian economy. India has a large textile industry which is predominantly cotton-based. India is also a significant producer and exporter of cotton. Cotton yarn and fabrics account for about 23 percent of India's total textiles and apparel export.<sup>52</sup>
111. The proposed tariff rate quotas in the AI ECTA will create opportunities for Australian cotton producers and exporters to benefit from the significant Indian market. Between 2018-2020, India imported around AU\$45 million worth (annual average) of Australian cotton, which accounted for some 4.2 per cent of India's AU\$1.09 billion global cotton imports.

#### Processed Dairy

112. Tariffs of 50 per cent on Australian milk powder for infant use and 40 per cent on protein concentrates will be removed after seven years following implementation.
113. In 2018, Australia's export of infant formula products and toddler milk drinks (ingredient and retailed products) was valued at over \$785 million, which comprised 22 per cent of Australia's total dairy exports. This represented an increase of over 57 per cent from 2017, with the then top five export markets being China, Hong Kong, Taiwan, Vietnam and Korea.
114. While Australia does not currently export milk powder for infant use and only a small amount of protein concentrates, the Indian market represents a potential growth market, with India importing AU\$34 million, on average, of milk powder for infant use for the period 2018-20. Urbanisation has been an important determinant of the quantity and type of food demanded by final consumers and with a growing urban population in India, demand for dairy products, including infant formula has been and will continue to increase.<sup>53</sup> Supporting Australia's infant milk powder producers to expand their exporting opportunities through the proposed AI ECTA with India will help them to tap into a large and growing market.

#### Processed foods

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<sup>51</sup> Department of Agriculture, Water and the Environment, Cotton Export snapshot, December 2021

<sup>52</sup> Government of India, Department of Commerce ([indiantradeportal.in](http://indiantradeportal.in))

<sup>53</sup> Department of Agriculture, Water and the Environment, *ABARES: Insights*, Issue 2, 2020 - [0 \(sirsidynix.net.au\)](http://0.sirsidynix.net.au)

115. Several processed food exports will have tariff rates reduced to zero in seven years, from a current effective rate of 30 per cent, including pasta, some roasted corn products, bulgur wheat and crispbread.
116. Removal of these tariffs will assist in improving the competitiveness and export potential for Australia's processed food companies. This provides options for Australia's processed food exporters and reduces the concentration risk of supplying to a single market or region. This has been reported as an issue in the past including in a Parliament of Australia publication entitled "The Future of the Australian Processed Food sector".<sup>54</sup> This publication suggests that in order for the sector to flourish, it must become more internationally competitive in a variety of markets.
117. The proposed AI ECTA outcome of removing tariffs on processed foods relevant to Australia, contributes to fulfilling that recommendation. It is consistent with recommendations by a Senate Inquiry into Australia's food processing sector including resolution of factors that inhibit export market access, growth and development and that the government continue to lobby for the reduction of tariff, non-tariff barriers and subsidies in export destinations.<sup>55</sup>

#### Key goods market access outcomes for India

118. Australia's merchandise imports from India averaged AU\$5.15 billion a year over 2018-2020, with around half of this subject to import duties not exceeding 5 per cent.
119. The most significant Australian merchandise imports from India included (average annual value over the 2018-2020 period):
- a. Petroleum oils and oils from bituminous minerals (AU\$974 million),
  - b. Medicaments (AU\$426 million),
  - c. Diamonds (AU\$258 million),
  - d. Articles of jewellery and parts thereof (AU\$187 million),
  - e. Railway or tramway passenger coaches, luggage vans, post office coaches etc (AU\$178 million),
  - f. Bed linen, table linen, toilet linen and kitchen linen (AU\$108 million), and
  - g. Rice (AU\$91 million)
120. On entry into force of the FTA, almost 98 per cent of Australian merchandise imports from India will be permitted to enter Australia duty-free on EIF. **Table 9** summarises the market access outcomes Australia will grant India under the proposed AI ECTA.
121. Tariffs on all remaining imports from India in longstanding industries that have been sensitive for Australia, including articles of iron or steel and aluminium will be eliminated after a period of four years.

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<sup>54</sup> [The future of the Australian processed food sector – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)

<sup>55</sup> [Inquiry into Australia's food processing sector – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)

122. Australian consumers will benefit from increased competition, greater variety of choice in products, and lower prices, because of tariff elimination. While the removal of tariffs on Australian merchandise imports will result in initial reductions in tariff revenue, this will likely be offset, over time, by the effects of increased economic activity due to enhanced two-way trade.
123. Reduced costs and improved access to these products will benefit sectors of Australia's manufacturing industries. For example, the Australian construction industry (with revenue valued at AU\$424.1 billion from 2017-2022), which draws on the iron and steel manufacturing industry, is expected to continue growing as the economy recovers from the global pandemic and demand for non-residential construction returns to pre-pandemic levels.<sup>56</sup> Providing greater access to a wider variety of steel products as a result of the AI ECTA could help support large industries in Australia that have the potential to drive a strong economic recovery.
124. Some Australian producers will face increased competition from Indian exports, though this is expected to be small, as most of our current imports from India across these goods are sufficiently low compared to those from our largest import markets for each commodity. Even with an increase in Indian goods, Australian producers already competing with China and Japan across each of these industries are unlikely to be substantially impacted by a potential increase in Indian imports based on average import value from India in recent years:
- a. Australia imported around AU\$6.6 billion worth of articles of iron and steel on average in 2018-2020, most of which came from China (AU\$3.2 billion or 49 per cent of total imports). Our imports of iron and steel articles from India in this period were small, around AU\$170 million or 3 per cent of total imports. Although the Australian iron and steel manufacturing industry has grown over the last five years, this has been driven largely by world steel prices, which are in turn driven by China's regulation of its supply.<sup>57</sup> Increasing Australian access to a greater diversity of iron and steel products such as those from India, may help other industries in Australia, such as the construction industry, manage volatile steel prices.
  - b. Australia imported around AU\$8.6 billion worth of articles of plastics on average in 2018-2020, most of which came from China (AU\$3.2 billion or 37.5 per cent of total imports). Our imports of articles of plastics from India in this period were small, around AU\$82 million or 0.9 per cent of total imports.
  - c. Australia imported around AU\$37 billion worth of vehicles (automotive, parts and accessories thereof) on average in 2018-2020, most of which came from Japan (AU\$10.5 million or 28 per cent of total imports). Our imports of vehicles (automotive,

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<sup>56</sup> Kelly, A. (2022) "Construction in Australia", *Australia Industry (ANZSIC) Report E / Construction*, <https://my.ibisworld.com/au/en/industry/e/about>

<sup>57</sup>Baikie, V (2021), "Iron Smelting and Steel Manufacturing in Australia", *Australia Industry (ANZSIC) Report C2110 / Manufacturing*, <https://my.ibisworld.com/au/en/industry/c2110/industry-at-a-glance>

parts and accessories thereof) from India in this period were small, around AU\$145 million or 0.4 per cent of total imports.

- d. Australia imported around AU\$13.7 billion worth of textiles products on average in 2018-2020, most of which came from China (AU\$8.5 billion or 62 per cent of total imports). India was our third-largest import market for textiles, worth an average of AU\$668,274 million or 5 per cent of our total imports of textiles in 2018-2020.

**Table 9: Summary table of Australian tariffs on imports of Indian goods**

Overall coverage of duty elimination	No. of tariff lines	% (all lines)	Australia's imports from India (2018-2020 average) (AUD m)	% (all imports)
<i>Total</i>	6,480	100.0%	5,151	100.0%
<i>A - EIF - MFN duty-free and dutiable</i>	6,367	98.3%	4,966	96.4%
<i>A - EIF - MFN duty-free</i>	3,209	49.5%	2,706	52.5%
<i>A - EIF - MFN dutiable</i>	3,158	48.7%	2,260	43.9%
<i>B5</i>	113	1.7%	185	3.6%

125. The Regulatory Burden Estimate is at **Attachment C**.

#### Trade in Goods Chapter Outcomes

126. Australia and India's commitments under the proposed AI ECTA reflect the intentions of the parties to liberalise the goods sector, which would provide a useful platform to inform negotiations for a full CECA.
127. The Trade in Goods Chapter in the proposed AI ECTA secures Australia and India's commitment to eliminate or reduce customs duties for a range of goods, as outlined in Annex 2A (Tariff Commitments). This improves on the status quo and directly responds to one of the key issues raised by stakeholders during the consultations (please see the 'Who did you consult' section for a more detailed discussion).
128. Through the MFN discipline, the Trade in Goods Chapter also guarantees that Australian exporters would receive the MFN customs duty rate provided by India, if that rate is lower than the customs duty rate calculated under this Chapter. With India engaging in FTA discussions with a number of other trading partners, including the UK, and having unfinished trade bilateral trade negotiations with the EU and the US, securing India's commitment on the MFN discipline would be beneficial for Australian businesses in the future – especially if India agrees an FTA with these trading partners in advance of a full CECA.

#### ***Broader commitments and transparency***

129. The Trade in Goods Chapter affirms Australia and India's commitment with respect to the application of import and export restrictions. Both parties have agreed not to impose import and export restrictions other than for the very limited exceptions provided for under Article XI of GATT 1994 such as to prevent or relieve critical shortages of foodstuffs. This commitment is important for enhancing business confidence, as India has previously imposed quantitative restrictions on imports of mung beans and yellow peas and introduced export quotas, which had impacted on the volume of Australia's exports to India.<sup>58</sup>
130. Australia and India have also agreed to ensure transparency in the application of any non-tariff measures and to ensure that any such measures are not applied with a view to, or have the effect of, creating unnecessary obstacles to trade. Non-tariff measures can include any kind of 'red tape' or trade rules that unjustifiably restrict the flow of goods and services.
131. Australia and India's commitment on non-tariff barriers is useful in strengthening our trading relationship, as non-tariff measures had previously impacted on Australian exports India. For example, India had previously had restrictive technical plant health requirements for the treatment of barley entering India. While these measures were intended to protect local plant health, India's specific requirements limited flexibility and, in effect, acted as a barrier to Australian barley.<sup>59</sup>
132. India and Australia's commitment to make publicly available its laws, regulations, decisions and rulings with regards to the Trade in Goods chapter will also help to improve transparency and support Australian businesses to do business with India.
133. A Committee on Trade in Goods (the Goods Committee) will be established under the proposed AI ECTA. The Goods Committee will facilitate consultations between Australia and India on accelerating tariff elimination and addressing non-tariff barriers to trade, with a view to enhancing two-way trade in goods. It will also address any issues relating to the administration and operation of tariff rate quotas. Overall, the Goods Committee will strengthen communication and provide an avenue for Australia and India to discuss and address issues that may be impeding trade in goods.

### The impact of liberalising trade in services with India

134. India is Australia's third largest services export market; our services exports to India have nearly doubled over the past decade to reach AU\$6.9 billion in 2020. India's services market is growing rapidly, and the country has developed a leading role providing a range of support services to business in other countries including back-office functions and call-centres, which Australian companies are increasingly seeking to offshore. Imports of Indian services totalled AU\$2 billion in 2020. India's services market is one of the world's largest and its growing middle class presents enormous opportunities for Australian service suppliers able to tailor products to suit the Indian market. As services constitutes the bulk of Australia's economy, contributing 79 per cent of value added and 88 per cent of

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<sup>58</sup> DFAT, *Market Insights: India*, 2021, page 6 - [India Market Insights 2021 \(dfat.gov.au\)](https://dfat.gov.au)

<sup>59</sup> Australian Government, *Non-Tariff Barriers Explained* - [Non-Tariff Measures and Trade Barriers | Trade Barriers](#)

employment,<sup>60</sup> the impact of liberalising trade in services with a market the size of India would be significant.

### ***The challenge in monetising progressive liberalisation in services trade and the movement of natural persons***

135. While it is understood that there is significant advantage to liberalising trade in services, it can be difficult to quantify. This been noted in a recent Productivity Commission report where it is acknowledged that productivity in services is more difficult to measure than in goods mainly because it is difficult to define a standard ‘unit’ for many services.<sup>61</sup> It is known though that advantages to services liberalisation can include greater services productivity due to a stimulation in the market. That can also have the flow on effect of consumer benefit due to a likelihood of an increased range of products, including new technologies, and lower prices that result from increased competition.
136. It is difficult to quantify the benefit of a guarantee for non-discriminatory treatment for example (National Treatment discipline) and the benefit of efficiency gains for business from transparency provisions or addressing behind the border barriers through strong domestic regulation disciplines. Progressive liberalisation of trade in services can stimulate economic growth due to increased consumer demand and expertise from increased movement of professionals but these aspects can take time to realise. A recent joint OECD, WTO study provides analysis on the benefits to services trade in reducing red tape and increasing transparency, as the Trade in Services Chapter and related Annexes in this AI ECTA are designed to do, stating that it could amount to an annual global cost savings for business of US\$150 billion.<sup>62</sup>

#### The impact of key services market access outcomes

137. The proposed AI ECTA provides increased certainty for Australian service suppliers already doing business in India, or wanting to do business there, by binding existing market access, and providing guarantees on access broadly equivalent to those India has provided in its other preferential trade agreements (e.g. with Japan, Korea, Singapore and Mauritius).
138. These outcomes reflect an improvement on the current guaranteed market access that Australia has with India. Australia’s guaranteed access is provided through India’s existing services market access commitments in the WTO, which are limited to 37 services sub-sectors. Many of Australia’s key services exports including higher education and other professional services such as architectural and urban planning services are not included.
139. India will bind 85 subsectors for Australia in the proposed AI ECTA, a 43 per cent improvement on the current bound market access that Australia receives through the WTO

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<sup>60</sup> [Things You Can’t Drop on Your Feet: An overview of Australia’s services sector productivity - PC Productivity Insights Productivity Commission](#)

<sup>61</sup> Ibid

<sup>62</sup> [WTO | 2021 News items - OECD, WTO issue joint study on economic benefits of new services domestic regulation deal](#)



GATS agreement. This will provide additional certainty across a range of commercially meaningful services sectors, including business services (accounting, tax, architectural and urban planning), research and development, communication, construction and engineering, insurance, banking, education, hospital, recreation, sports, tourism and transport services. These binding market access commitments for Australian service suppliers go beyond the current bound market access that Australian service suppliers can rely upon.

140. These outcomes give Australian service suppliers confidence that access into the Indian market will continue on terms at least as good as those described in the market access schedule, so it is worthwhile to develop business activities. This effect will be enhanced after six years, when India is obliged to “transition” its market access commitments to a more modern approach that will leave less (and in some cases, no) space to reduce its market access. Furthermore, under this approach, any additional liberalisation India introduces over time will become irreversible in many sectors. There may also be a ‘head-turning effect’, encouraging Australian services suppliers to take notice of opportunities in India and therefore increase economic activity.
141. India’s services market has significant opportunities for Australian service suppliers. A recent OECD report<sup>63</sup> highlighted that Indian business services have helped manufacturers all over the world become more efficient and productive but also highlighted the importance of streamlining sector-level regulatory frameworks in all sectors to encourage foreign entry and competition. In addition, the report reflects that currently, India could benefit from more open markets for services trade in key sectors such as insurance, accounting and architecture where services trade barriers are at present very high. <sup>64</sup> The size of the services export market in India is reflected in **Table 10**.

**Table 10: value of India’s key services export markets**

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<sup>63</sup> [Services and Performance of the Indian Economy: Analysis and Policy Options | OECD Trade Policy Papers | OECD iLibrary \(oecd-ilibrary.org\)](#)

<sup>64</sup> [\[STRI 2021: India\] \(oecd.org\)](#).

(USD billion)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Total credit</b>	<b>158.1</b>	<b>154.3</b>	<b>164.2</b>	<b>195.1</b>	<b>208.0</b>	<b>213.2</b>
	(% of total credit)					
Manufacturing services on physical inputs owned by others	0.1	0.1	0.1	0.1	0.1	0.1
Maintenance and repair services n.i.e.	0.1	0.1	0.1	0.1	0.1	0.1
Transportation	11.1	9.1	9.7	8.9	9.4	9.8
Travel	12.9	13.8	14.2	14.5	13.7	14.1
Construction	1.0	1.0	1.3	1.2	1.6	1.5
Insurance and pension	1.4	1.3	1.3	1.3	1.3	1.1
Financial	3.6	3.2	3.1	2.6	2.3	2.2
Charges for use of intellectual property	0.3	0.3	0.3	0.4	0.3	0.4
Computer, information, and telecommunication	47.6	49.6	46.9	40.9	41.5	45.1
Other business	18.0	18.8	20.1	19.1	18.8	21.4
Personal, cultural, and recreational	0.8	0.9	0.8	0.8	0.9	1.0
Government goods and services, n.e.s.	0.3	0.4	0.4	0.3	0.3	0.3
Other	2.9	1.5	1.7	9.6	9.7	2.8
<b>Total debit</b>	<b>81.6</b>	<b>84.6</b>	<b>95.9</b>	<b>117.5</b>	<b>126.1</b>	<b>128.3</b>
	(% of total debit)					
Manufacturing services on physical inputs owned by others	0.04	0.05	0.04	0.04	0.03	0.05
Maintenance and repair services n.i.e.	0.3	0.4	0.4	0.5	1.0	0.9
Transportation	19.8	17.8	14.7	15.0	16.3	18.9
Travel	18.8	17.5	17.2	16.6	17.2	17.2
Construction	1.4	1.1	0.9	1.3	2.0	2.1
Insurance and pension	1.4	1.4	1.6	1.4	1.4	1.4
Financial	4.4	3.7	6.1	4.7	2.8	2.3
Charges for use of intellectual property	5.9	5.8	6.0	5.9	6.4	6.0
Computer, information, and telecommunication	5.0	4.8	5.0	5.5	5.9	8.0
Other business	33.9	36.7	33.7	31.2	32.1	36.5
Personal, cultural, and recreational	1.8	1.4	2.3	2.0	2.0	2.4
Government goods and services, n.e.s.	1.2	1.0	0.6	0.7	0.9	0.9
Other	6.2	8.3	11.5	15.2	12.1	3.3

Source: RBI, *Handbook of Statistics on Indian Economy*. Viewed at: <https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook%20of%20Statistics%20on%20Indian%20Economy>; and *Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2019-20*. Viewed at: [https://www.rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=50020](https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=50020).

142. The value to liberalising trade in services is regularly considered by the OECD. In a recent OECD report<sup>65</sup> on the effect of services liberalisation, it is highlighted that efforts to ease barriers to trade in services can yield substantial benefits. **Table 11** provides a reflection of this benefit on a sectoral basis in percentage terms.

**Table 11: trade cost effects of services liberalisation by sector**

<sup>65</sup> OECD Services Trade Restrictiveness Index: Policy Trends up to 2022 by OECD - Issuu

Trade cost implications of policy reforms in the STRI, 2021 (% of export values)

STRI Sector	Lower estimate (%)	Higher estimate (%)
Commercial banking	16	32
Air transport	9	25
Accounting services	7	24
Insurance services	10	18
Legal services	6	20
Courier services	5	17
Architecture services	7	13
Logistics (storage)	5	13
Maritime transport	4	14
Engineering services	5	13
Telecommunications	6	12
Logistics (cargo handling)	4	12
Computer services	5	11
Rail freight transport	4	11
Logistics (freight forwarding)	4	11
Logistics (customs brokerage)	4	11
Road freight transport	4	10
Average	6	16

Note: The table presents the trade cost implications of closing 50% of the gap to the best performing countries. All estimates correspond to the median among all countries. The following sectors were not covered in the estimations due to lack of data: broadcasting services, construction services, distribution services, motion pictures and sound recording services.

Source: Calculations based on methodology in Benz and Jaax (2020<sup>[2]</sup>)

143. Some of the new market access guarantees that Australia is securing through the Interim Agreement align with India's recent domestic reforms. The timing is important here, capitalising on recent reforms and binding them in a treaty means that India cannot adversely modify these commitments in the future. Examples include architectural services, telecommunications services and distribution services. Under distribution services, India has committed to market access for single-brand retailing and franchising, as well as commitments regarding wholesale distribution. India has also agreed to provide a commercial presence commitment in architectural services through incorporation in a partnership firm. This outcome binds India to this aspect of its current reformed regime enabling Australian architectural firms to invest with more confidence and fulsomely in the Indian market and collaborate professionally with greater ease. Increasing investor confidence through commercial presence commitments was a key request from the Australian professional services sector, which has an annual revenue of AU\$258 billion.<sup>66</sup>

144. Australia's architectural services industry annual revenue was AU\$6.3 billion in 2021.<sup>67</sup> Architectural service suppliers have faced several challenges in recent years. In response to

<sup>66</sup> Ibid

<sup>67</sup> [IBISWorld - Industry Market Research, Reports, & Statistics](#)

uncertain economic conditions brought on by the COVID-19 pandemic, many downstream clients postponed or cancelled projects, reducing demand for industry services. According to IBIS World<sup>68</sup>, industry revenue was expected to fall by 2.1 per cent over the five years through 2021-22, to AU\$6.3 billion. This trend includes an anticipated decline of 6.3 per cent in the current year, largely due to low construction activity limiting the number of new projects. As a result, the impact of opening up new opportunities in construction in India will likely have a positive impact and help Australia's architectural services market bounce back from COVID-19 impacts.

145. In telecommunications services, India has agreed to commitments on electronic data interchange, as well as on internet and infrastructure services (with a foreign equity allowance of 74 per cent for commercial presence.) Major telecommunications companies in Australia have indicated a strong interest in India and some are present in the Indian market. This additional certainty will allow existing market participants to expand their portfolio of services while also encouraging new market entrants to enter the Indian market. In distribution services, India has expanded its sectoral offering significantly to include agricultural raw products, food products, furniture and household goods, wholesale trade services including machinery, equipment and suppliers. This is another major win for our distribution service suppliers, who now have predictability on the products they can distribute and under what conditions. Lack of predictability around rules relating to distribution services was reported to be challenging from Australian stakeholders.
146. There were some areas of commercial interest for Australia where India was unable to make commitments including legal, other health, vocational education, insurance and multi-brand retailing. Australian negotiators will try and obtain further commercially meaningful outcomes in these sectors in the full CECA negotiation.
147. Australia's market access offer to India is consistent with the approach that Australia has taken in the A-UKFTA, including scheduling Services Market Access commitments (in a 'negative list') at the state and territory level. As part of negotiations with India, Australia scheduled using the same approach with services (including commercial presence) market access outcomes and has not reduced the policy space that is available to states and territories. Except for mobility, the services market access offer that we provide to India binds Australia to our existing regulation in services sectors where commitments are made, while also reserving policy space in areas that are sensitive, such as broadcasting and audio-visual services and Indigenous traditional cultural expression and the creative arts.

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<sup>68</sup> Ibid

## Trade in Services Chapter outcomes

148. The Trade in Services Chapter contains modern commitments that guarantee that Australian service suppliers in a broad range of sectors will receive non-discriminatory treatment when entering the Indian market. The Trade in Services Chapter also provides transparency and predictability for service suppliers on the domestic regulations that they can expect to be exposed to when entering the Indian or Australian markets. There are also separate Annexes on Financial services, Professional services and Telecommunications services, consistent with the economic value that is placed on these sectors.
149. The proposed AI ECTA will not create additional obligations for businesses, community organisations or individuals that relate to the import or export of services. The agreement will instead impose obligations on the Australian and Indian Governments to ‘lock-in’ a certain level of openness in services sectors where commitments are made.
150. The Trade in Services Chapter establishes rules for the supply of services between the Parties, including the MFN discipline, the market access discipline and the local presence discipline. These disciplines are designed to liberalise services sectors by confirming the settings that enable trade in services across borders. The disciplines also improve transparency and predictability for service suppliers to incentivise them to do business with India and subsequently stimulate economic growth. All of the services disciplines that Australia is committing to are consistent with the regulatory framework and practice that exists across Australia’s jurisdictions and does not require regulatory change for Australia.

### ***A built-in agenda to improve outcomes over time***

151. Importantly, India has agreed in the Interim Agreement to 31 commercially meaningful services sectors and subsectors where it will apply the MFN discipline. This “future-proofs” the FTA as it guarantees, in those 31 sectors and subsectors, that Australian service suppliers will receive the same treatment that India accords to like services and service suppliers of a future FTA partner of India. As India is currently participating in many FTA negotiations, including with significant trading partners and global competitors of Australia, such as the UK Canada and the EU, Australia will be able to reap the benefits of these future FTAs and upgrades in those sectors. This is the first time India has committed to MFN in a bilateral trade agreement, and consequently constitutes the best MFN outcomes that India has given to any trading partner. It also provides the first-mover advantage giving Australia a significant competitive edge over our existing trading partners.
152. Australia is also offering best FTA practice on MFN. Australia’s MFN commitment to India is prospective, not retrospective, so it means that Australia will provide India with the same treatment as it provides to a future trading partner. The MFN commitment does not extend to the treatment that Australia has provided to existing trading partners. Australia and India have agreed upon a limited preferential Foreign Investment Review Board screening threshold of \$500m, indexed, for incoming Indian investment in non-sensitive services sectors in Australia, increased from \$289m, indexed. This limited preferential threshold will

not apply to Indian investment in non-services sectors (mining and quarrying, forestry, manufacturing, fisheries and agriculture) or to sectors classified as sensitive under Australia's Foreign Investment Framework,<sup>69</sup> for which the existing non-preferential thresholds will continue to apply.

153. Examples of commercially meaningful sectors where India is applying the MFN discipline include higher education and adult education. Higher and adult education are Australia's largest overall services export and largest services export to India. India's current higher education market access commitment contains limitations and, due to domestic sensitivities in adult education, India is not making commitments at all. Through the MFN provision though, Australia can bank a future commitment now and reap the benefit later when India is ready to liberalise.
154. Tourism and travel-related services is Australia's second largest overall services export. It includes services provided by hotels and restaurants (including catering), travel agencies and tour operator services, tour guide services and other related services. The COVID-19 pandemic has disrupted the industry by significantly reducing tourism activity in Australia and potential hotel investments outside Australia due to the difficulties in travelling internationally. As a result of significantly constrained tourism activity during the COVID-19 pandemic, industry revenue declined heavily over the two years through 2020-21. Overall, industry revenue is expected to decline at an annualised 8.9 per cent over the five years through 2021-22, to AU\$8.0 billion. However, this includes an anticipated revenue rise of 50.5 per cent in 2022, as domestic travel volumes increase.<sup>70</sup>
155. Capitalising on India's commitments in tourism services through the Interim Agreement has the potential to contribute significantly to the sector's bounce-back. India's market access offer for hotel and other lodging services, and for travel agency and tour operator services, has no restrictions on market access via cross-border supply and via commercial presence. This improves upon India's commitment under the GATs, which does not include such broad sectoral coverage. In addition, Australia has gained a new sector – tour guide services. This benefit will take place on entry into force of the Interim Agreement. The commercial presence commitment is an improvement on the status quo as, under GATS, India's commitment is limited to 51 per cent foreign equity in a commercial presence. When India is able to liberalise this sector in relation to mode 4 (presence of natural persons), because of the MFN commitment that India is making, Australia will also be able to capitalise on this market gain.
156. Insurance is an exciting sector where Australia has obtained new market access. Insurance penetration in India is currently at 3.7 per cent of GDP compared to the world average of 6.31 per cent. Due to the COVID-19 pandemic, growth in the life insurance sector has slowed to 11-12 per cent, down from 15-20 per cent in 2020, as the pandemic pushed customers to

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<sup>69</sup> "Sensitive sectors" includes media, telecommunications, transport, defence and military related industries and activities, encryption and securities technologies and communications systems, and the extraction of uranium or plutonium, or the operation of nuclear facilities. See further: *Foreign Investment Review Board – General Guidance | Monetary Thresholds* at <https://firb.gov.au/general-guidance/monetary-thresholds>.

<sup>70</sup> [IBISWorld - Industry Market Research, Reports, & Statistics](#)

not take out insurance policies. Due to this, since 2021 there has been a dramatic liberalisation in this sector, and the agreement captures some of this, for example the liberalisation of capitalization requirements for Australian life insurance suppliers.

157. Annual revenue of the Australian general insurance industry is valued at A\$70.2 billion<sup>71</sup>. Declining investment returns over most of the 2019-21 period have limited revenue growth. The increase in natural disasters has increased the number of claims insurers incur, forcing industry operators to raise premiums. The 2019-20 bushfire season and the COVID-19 outbreak have constrained revenue growth. Additionally, the COVID-19 pandemic has caused significant volatility in the financial market, negatively affecting investment income in 2019-20. Given these challenges, expanding into new and growing markets like India will likely be of benefit to the insurance industry.
158. India has also applied the MFN discipline to insurance and insurance-related services and banking and other financial services. India is making some commitments in insurance services, such as non-life insurance, where market access has not previously been provided. Current treaty-level access for Australian suppliers is guaranteed through India's GATS commitment, but this is limited to mode 1 insurance of freight. In the Interim Agreement, India has offered new market access in commercial presence with 49 per cent foreign equity. The commitment will allow Australian insurance brokers to have resident representatives and representative offices who can procure reinsurance business from Indian insurance companies, including while abroad. As this sector is only partially open though, the MFN discipline is important and an improvement on the status quo as Australian financial services stakeholders will be able to capitalise on this improved treatment once India provides this market access, including in other modes of supply.

#### Impact on financial services

159. Australian financial service suppliers have reported that a lack of transparency associated with government regulations and decision-making processes, negatively affects the ability to supply financial services to India. The Financial Services Annex will include specific rules giving financial service suppliers greater certainty and transparency regarding the rules that will apply to them when providing services in both Australia and India. These rules principally concern a guarantee of non-discriminatory treatment and transparency for service supplies. In addition, India and Australia are committed to publish regulatory changes and promptly administrative decisions within 180 days. These disciplines are designed to remove the opaqueness that Australian financial service suppliers currently experience when trying to work out how to operate in India.
160. The Annex also includes provisions that promote regulatory transparency in the authorisation procedures that are necessary to supply financial services. It also provides details of the access requirements for self-regulatory organisations, where access is necessary to supply a financial service in India. This transparency is highly valuable as Australian suppliers indicate that they struggle to navigate the Indian authorisation system.

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<sup>71</sup> [Ibid](#)

The obligations in the Chapter around transparency should ease this burden and provide more predictability than there is at present.

161. For a long time, foreign equity restrictions on commercial presence in banking and insurance sectors has acted as a disincentive to Australian investment in financial services in India. Australia has been able to capitalise on India's recent liberalisation in this sector where India has increased foreign participation in commercial banks, insurance and fund managers. For insurance, in March 2021 India increased the foreign equity limit from 49 to 74 per cent. India has agreed to lock in 49 per cent foreign equity for Australia in the Interim Agreement, better treatment than the 26 per cent provided to Japan Korea and Singapore. For banking, Australia has been provided the ability to now invest in a private sector bank with an FDI ceiling of 74 per cent. This is covered in India's mode 3 (commercial presence) services market access offer. The proposed AI ECTA does not include commitments on investment outside of services sectors.
162. The AI ECTA provides an avenue for a commercial advantage for Australian businesses that need to move data from India to Australia as a function of ordinary business, subject to domestic regulatory requirements. The agreement contains confirmation that Australia provides adequate data protection. This means that when the proposed *Personal Data Protection Bill 2019* legislation (currently in Parliament) comes into force to replace the *Personal Data Protection Bill 2018*, Australian companies will be able to point to confirmation in AI ECTA that India recognises Australia's adequacy, which will be a prerequisite for moving copies of sensitive and critical data. This declaratory language has never before been included in an FTA with India.
163. Australians will also gain additional market access by being able to provide Actuarial and Advisory Services (after attaining formal certification by Actuarial Society of India).
164. As the disciplines in the Financial Services Annex are consistent with Australia's financial services regulatory framework, it is unlikely that there will be a significant impact on the Australia's financial services market. Indian financial services service suppliers already have access to Australia's market on a non-discriminatory basis.

#### Impact on telecommunications services

165. The Telecommunications Annex contains rules that guarantee service suppliers from India and Australia access to and use of public telecommunications networks and services. While this commitment does not result in a change in the access that Australian suppliers currently have into India, nor Indian suppliers into Australia (we maintain a non-discriminatory regime) it does promote greater predictability and transparency for Australian service suppliers, which can have the knock-on effect of increasing trade in services and stimulating economic growth.
166. The Telecommunications Annex also includes a guarantee for non-discriminatory access to interconnection, including for new market entrants. The benefits of these outcomes include



increased certainty for Australian and Indian businesses, providing encouragement to engage in services trade, for example via commercial presence, and therefore stimulating economic growth. There are no costs or concessions for Australia to meet this commitment as it reflects Australia's domestic regime. There may be benefits for consumers due to the potential increase in competition that could lower prices and improve service supply.

167. The transparency provisions that relate to public availability of regulations, licensing requirements and options for dispute resolution directly respond to stakeholder concerns regarding a current lack of transparency around licensing requirements and dispute resolution options in India. The Telecommunications Annex improves upon the status quo as it clarifies the market conditions for Australia's telecommunications service suppliers in India. While it is challenging to anticipate the magnitude of the benefit that this commitment will provide, the effect of this language will likely be an increase in trade in telecommunications services between India and Australia and resultant positive impact on economic growth.
168. Additional obligations in the Telecommunications Annex relate to India and Australia guaranteeing advance notice on regulatory decisions. This commitment will support market confidence and stimulate economic growth as opaque rules and regulations and a lack of understanding regarding the legal process can disincentivise industry to trade internationally. As there are only a few Australian telecommunications companies in India, this provision may incentivise more Australian companies to move into the lucrative Indian market. Given that India is currently the world's second-largest telecommunications market with a subscriber base of 1.16 billion and a strong growth trajectory<sup>72</sup>, these rules will likely facilitate trade and have an overall positive impact for telecommunications consumers due to the likelihood that increased competition would result in improved service provision.
169. The obligation in the Telecommunications Annex for licensing criteria and procedures to be publicly available, and to provide reasons when a licence is refused, revoked or not renewed is particularly pertinent. Australian stakeholders requested stronger transparency provisions around regulation and licencing across voice, data transmission and private leased services. The Telecommunications Annex does not address stakeholder requests in relation to non-voice growth areas such as enterprise data provision as this request would require regulatory reform in India so goes beyond what is possible in this Interim Agreement. It may be that these provisions can be addressed in the full CECA.
170. As the disciplines in the Telecommunications Annex are consistent with Australia's telecommunications regulatory framework, the impact that this Annex will have on Australia's telecommunications market is expected to be minimal. The 'head turning effect' of the Interim Agreement might attract more Indian telecommunications service suppliers to the Australian market but the impact is likely to be minimal. If Indian telecommunications suppliers do increase their presence in Australia, this would likely have a positive impact,

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<sup>72</sup> [Telecom Industry in India \(ibef.org\)](http://ibef.org)

stimulating economic growth and improving competition, with the knock-on effect of improving services and choices for consumers.

171. The potential increase in service suppliers in Australia is unlikely to have a negative displacement effect due to the number of mature suppliers in Australia already and because Australia's market is already regulated on a non-discriminatory basis, so India's telecommunications service supplier market access is unchanged. It will still likely result in a positive impact for consumers though, given the impact that improved competition can have on consumer savings.

#### Impact on professional services

172. The Interim Agreement includes a framework to improve the two-way movement of professionals. It will establish a Professional Services Working Group for the future facilitation of the mutual recognition of qualifications, licensing and registration procedures between professional services bodies. Australia and India have agreed to engage their respective professional services bodies to negotiate mutual recognition arrangements for qualifications, licensing and registration procedures across professional services and services in regulated or licensed occupations. This provides a useful platform to encourage professional bodies to negotiate mutual recognition agreements and provides a hook for the bodies to reach out to their counterparts. From consultations with stakeholders, it is understood that currently there are only a limited number of mutual recognition agreements (MRAs) between Australia and India, including in the engineering, accountancy and architecture professions.
173. The framework established through the Interim Agreement may provide the necessary impetus to increase the number of MRAs, and therefore two-way mobility of professionals and trade in professional services. A 2015 Productivity Commission report on barriers to services exports recommends that the Australian Government put in place a framework to support the development of MRAs and that that would likely improve trade in professional services. The report suggests that a framework, such as the one that has been agreed in the AI ECTA, should be part of a trade agreement. The report goes on to suggest that the framework should include clear actions and timeframes for an implementation working group (that is adequately resourced and involves relevant regulators and government bodies) to report on its progress to the committee responsible for overseeing implementation of the trade agreement. The framework should also include a process for consulting with industry stakeholders. This is exactly what DFAT has delivered for our professional services stakeholders and the report suggests that this would ultimately improve trade in professional services and therefore is an improvement on the status quo.<sup>73</sup>

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<sup>73</sup> [Research report - Service Exports Productivity Commission \(pc.gov.au\)](#)

## Clarity regarding domestic regulations

174. Stakeholder consultations also reveal that currently there is considerable red tape in India's domestic regulatory system when seeking to provide a professional service in India. For example, stakeholders have reported that currently the process for obtaining a business visa and/or a license to work in India is complicated and difficult for Australian businesses and professionals to navigate. The domestic regulation provisions in the Trade in Services Chapter look to address these challenges by setting disciplines on a range of aspects surround authorisation requirements, including by mandating transparent and reasonable fees, reasonable timeframes, status updates upon request, acceptance of electronic and authenticated applications, not original copies, and not requiring physical presence to take forward an application. Lack of access to these processes, when accumulated in terms of time lost and person power, are considerable, particularly on SMEs. These outcomes, while difficult to quantify, are likely to be beneficial to service suppliers seeking to obtain authorisation to supply a service in India.

## Impact on taxation of services

175. Australia and India have agreed to resolve an issue concerning the application of taxing powers under the *Double Taxation Avoidance Agreement between the Government of the Republic of India and the Government of Australia for the avoidance of double taxation and the prevention of fiscal evasion* ("the DTAA") through a side letter to the AI ECTA. Presently, due to the interaction of the DTAA and Australian taxation legislation, the Australian Taxation Office is required to tax the offshore income of Indian firms providing technical services into Australia, although Australia does not generally tax such services. Under the terms of the side letter, Australia will make amendments to taxation legislation (the *International Tax Agreement Act 1953 and/or the Income Tax Assessment Act 1997 and/or the Income Tax Assessment Act 1936*) to provide an outcome which would stop the taxation of offshore income of Indian firms providing technical services into Australia, to be implemented in a similar time period to the implementation of the AI ECTA. The cost to revenue on this outcome, once implemented, is estimated at \$145 million over the forward estimates.
176. The rules that have been agreed in the Domestic Regulation article in the Trade in Services Chapter seek to address these challenges as they ensure that laws and regulations that affect trade in services will be administered in a reasonable, objective, and impartial manner and will not be more burdensome than necessary to ensure the quality of the service. While this outcome does not necessarily result in a change in the market access that Australian professionals currently have, it provides greater transparency and predictability on the experience a professional might be expected to have in order to provide a service in India.
177. In addition, the Interim Agreement guarantees that a licensing process will not, in itself, be a restriction on the supply of a service. This domestic regulation discipline, among others, may improve upon the status quo as it specifies, in legally binding text, the baseline treatment that Australian service suppliers can expect to receive when applying for a license in India.

Ensuring that licensing requirements are reasonable and objective is likely to contribute to addressing the current concerns of Australian stakeholders regarding burdensome red tape in their attempts to provide a professional service in India.

178. Australian legal professionals also indicated that it is currently not possible for Australian lawyers to practice in India and that they would like to see legal services liberalised. This request had come from the Law Council of Australia, which represents approximately 65,000 Australian legal professionals,<sup>74</sup> which gives a flavour of the size of the interest in accessing the Indian market. The restriction that India maintains includes the inability to provide all legal services on a fly in, fly out basis in India and also does not offer 'registered foreign legal consultant' rules, which would enable restricted practice of foreign and international law by Australian lawyers in India. This request will not be addressed in the Interim Agreement as it will require regulatory reform in India that is not possible at this time. It may be that this issue can be addressed in the full CECA.

#### Impact of key mobility (temporary entry) market access outcomes

179. Australia is providing India with mobility outcomes that are consistent with its existing visa settings and previous FTAs including A-UKFTA and the Australia-China FTA (ChAFTA), and in a form which ensures the integrity of our visa system. This includes equivalent commitments on categories of entrant, length of stay, spouses and dependants. The agreement extends a new commitment for Indians undertaking Post-Study Work, consistent with existing settings except permitting an additional year for STEM graduates with First Class honours. The FTA also establishes a Work and Holiday Maker Program for Indians coming to Australia, with a thousand places available, to be implemented within two years. An important difference from the A-UKFTA is that the Interim Agreement does not include the waiving of Labour Market Testing (LMT). What this means is that an employer will still need to provide evidence that they have tested the local labour market first before looking to recruit from overseas. With or without an LMT waiver, the current sponsorship requirements for an Australian employer will remain in place, including wage and qualification requirements, and costs associated with relocating employees from overseas.
180. Australia is obtaining commitments from India that reflect the best of its existing FTAs, including additional commitments on access for Australian Contractual Service Suppliers in a wider range of sectors (for stays up to a year) beyond any of its pretexts. India will make commitments on access for Australian spouses and dependents of primary visa holders, balancing Australia's similar commitments. Australia has secured Temporary Movement of Natural Persons Chapter text that addresses visa and related concerns faced by Australian businesses in India, such as clarity on application procedures including periods of stay and other conditions. The Chapter text also includes a commitment that the processing of an application is reasonable, in that it does not impair or delay the supply of a service or trade in goods and it also include rules around the granting of temporary entry.

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<sup>74</sup> [Our Constituent Bodies and Directors - Law Council of Australia](#)

181. Some of the key outcomes in the temporary entry package are in a number of mobility side letters. The side letters expand access to FTA outcomes to a broader demographic than is traditionally covered by FTAs, with the goals of fostering people-to-people links, supporting trade and business, and contributing to cultural exchanges between Australia and India. The Post-Study Work visa outcome commits Australia to maintain opportunities for former Indian students to live, study and work in Australia temporarily upon completion of a diploma or trade qualification (stays of up to 18 months); a bachelor degree (stays of up to two years), a masters degree (stays of up to three years); and a doctoral degree (stays of up to four years). In addition, the length of stay for a bachelor degree graduate with first class honours is extended from two to three years post-study in Science, Technology, Engineering or Mathematics (STEM), including information and communications technology (ICT) sectors.
182. As the world changes and digital technology becomes central to everything we do, the Australian government is looking to match the skills that are required.<sup>75</sup> There is now a priority focus on STEM, including the development of workplace skills in STEM. Due to the economic trend toward a more technology focused economy, retaining exceptional Indian graduates in ICT and STEM is consistent with the need to increase the number of graduates with these skill sets.<sup>76</sup>
183. Current data on visa grants for Indian citizens graduating from Australian universities with first class honours degrees (across all fields) is low (see **Table 12**). The impact on the Australian labour market will therefore be small, but will target key skill areas the Australian Government is seeking.

**Table 12: Visa grants for Indian students graduating with first class honours**

Citizenship Country	Qualification Level	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 to 31/01/2022
India	Honours Degree (1st Class)	<5	8	7	16	10	24	19	13	31

Source: Department of Home Affairs (2022).

184. India will also provide a new work-based immigration route with reciprocal eligibility and duration for Australian nationals who successfully complete their studies and who wish to supplement their training with professional experience in India. This will expand Australia and India's people-to-people links and improve exchange of knowledge, a key factor in enhancing an innovative and dynamic economy.
185. The FTA also includes a side letter establishing a Work and Holiday Maker outcome. This is new for India, and will need to be established in Australia's system, and so have been given a two-year implementation window. Australia will commit to extend the Work and Holiday (subclass 462) visa to Indian citizens who meet the eligibility requirements under Australian legislation. The maximum number of visas that Australia may grant in each program year (1

<sup>75</sup> [SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS: AUSTRALIA'S FUTURE | Chief Scientist](#)

<sup>76</sup> [Why is STEM important? - Department of Education, Skills and Employment, Australian Government \(dese.gov.au\)](#)

July to 30 June) to Indian citizens who have not previously participated in the Work and Holiday (subclass 462) visa program is 1,000 per year. As this is a targeted outcome that will entail a cap on temporary entry under the Work and Holiday Maker, it will make a modest contribution to the Australian workforce. Importantly, this outcome will also make a new contribution to the Australian economy through the holidays undertaken by Indian participants, supporting the post-COVID recovery of Australia's tourism sector. India currently does not have a similar visa category but has undertaken to extend similar arrangements to Australia if it puts in place such a program with any country in the future.

186. To support trade and investment, the Chapter on Temporary Movement of Natural Persons will include provisions that enhance opportunities for business travel and encourage people to travel and provide services in each other's territory. These provisions provide certainty on visa pathways for businesses and professionals working across our countries. These commitments build upon those made by both countries in the WTO and are designed to encourage skilled professional temporary mobility, to facilitate the trade that we are promoting in this Interim Agreement. The Chapter text includes a Temporary Movement of Natural Persons Working Group, which will meet annually, and will provide the opportunity to review implementation and discuss commitments, including progress on additional outcomes covered in mobility side letters.
187. As in a number of our previous FTAs, Australia has provided India with additional certainty on market access to nationals working in culturally significant occupations. The commitment confirms possible access for a combined total of 1,800 per year of qualified professional traditional chefs and yoga instructors entering as contractual service suppliers of India. This is a targeted commitment, and subject to market demand and sponsorship requirements associated with the Temporary Skills Shortage (TSS) visa. It is not expected to displace the existing Australian workforce of traditional Indian cuisine chefs or yoga instructors, but may support the development of these traditional Indian occupations in Australia (a strong priority for India globally). There are currently over 94,000 chefs in Australia.<sup>77</sup> Data on specific cuisine chefs, such as Indian cuisine, is unavailable. Permanent employment data for yoga instructors is also unavailable but if considered part of the Fitness Instructors occupation, there are currently 24,000 instructors<sup>78</sup> or part of the Other Sports Coaches and Instructors sector, currently there are 7,700 instructors.<sup>79</sup> Because of the size and nature of the workforce, a cap of 1,800 is not expected to have a displacement effect on the existing markets. It could instead be predicted to benefit the Australian market by increasing the number of skilled yoga instructors and Indian chefs for Australian consumers to enjoy and increase the diversity and development of these skills and professions in Australia. Current visa entry data for Indian nationals working in these occupations is provided in **Table 13** and suggests that there will be an increase based on current low numbers.

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<sup>77</sup> [Chefs | JobOutlook](#)

<sup>78</sup> [Fitness Instructors | JobOutlook](#)

<sup>79</sup> [Other Sports Coaches and Instructors | JobOutlook](#)

**Table 13: Indian national TSS visa grant for the occupations of Chef and Other Sports Coach or Instructor**

<b>Primary TSS/457 Visa Grant</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b> <b>(to 31-Dec-21)</b>
<b>Chef</b>						
Indian Nationals	83	100	140	111	109	188*
All Countries/Nationalities	1,109	1,129	1,594	715	896	1,370
Indian % of visa grant for occ <sup>n</sup>	7.5	8.9	8.8	15.5	12.2	13.7
<b>Other Sports Coach or Instructor</b>						
Indian Nationals	0	0	0	0	0	0
All Countries/Nationalities	66	28	50	36	21	11
Indian % of visa grant for occ <sup>n</sup>	0.0	0.0	0.0	0.0	0.0	0.0

\*follows inclusion of Chef on PMSOL from 22 June 2022

188. The net benefit for Australia from the mobility commitments includes greater certainty on mobility pathways and, red tape including for Australian Contractual Service Suppliers and Independent Professionals to India in addition to, for India, a new Work and Holiday maker program and increased lengths of stay for students of STEM and ICT courses, priority growth sectors for Australia.
189. These increased opportunities are designed to build stronger people-to-people links and improve collaboration and skills transfer in important sectors between our countries for many years to come. Without these arrangements, mobility between the India and Australia, including in STEM, ICT and culturally significant areas, may not grow as strongly and would be subject to more uncertainty. Together, the enhanced certainty and increased opportunities are likely to increase mobility and professional collaboration between our countries and therefore stimulate economic growth.

## WHO DID YOU CONSULT AND HOW DID YOU INCORPORATE THEIR FEEDBACK?

190. DFAT is committed to transparency and maintains a highly consultative approach throughout trade negotiations. We lead Australia’s whole-of-government negotiations, and our positions rely on input provided by stakeholders. Stakeholders are invited to express their views throughout the negotiations in public meetings, industry specific consultations, or written submissions. Feedback is fed directly to the leads of the relevant Chapter or market access negotiation and forms part of the negotiation strategy for the Australian negotiating team.

### The stakeholder engagement process in the CECA negotiations

191. During both the earlier CECA negotiations and those which led to the AI ECTA, the Australian negotiating team held numerous direct stakeholder consultations. These have included industry and worker representatives, such as peak bodies and trade unions, as well as businesses, individuals and other entities. Stakeholders were also invited to consider and

comment on the commercial, economic, regional and other impacts that could be expected to arise from the proposed AI ECTA and a full CECA, via written submissions.

192. DFAT provided regular updates on CECA, including the proposed AI ECTA through established DFAT consultative groups such as the Ministerial Advisory Council, the fortnightly Economic Diplomacy Peak Body Consultative Group and Peak Bodies meetings.
193. The Australian negotiating team also contacted key industry stakeholders after the December 2021 and February 2022 negotiating round in India. These consultations play an important role in nuancing our negotiating positions and making sure we are getting the right outcomes for Australians to diversify our trade and drive an export-led recovery.

### Business, Industry and Civil Society

194. Over the course of CECA negotiations since 2011, DFAT communicated with over 70 entities, including private organisations, individuals, consumer groups and peak bodies. Engagement was through meetings with individual entities and numerous stakeholder forums.
195. Before negotiations were suspended, DFAT received 51 formal submissions (including three from the Australian Chamber of Commerce and Industry) from the following entities (**Table 14**). Public submissions from these entities are available on the DFAT website [here](#).

**Table 14: submissions from stakeholders**

1. Australia-India Business Council	2. Australian Business Solutions (ABS Group) Pty Ltd
3. Australian Chamber of Commerce and Industry ( <i>provided three submissions</i> )	4. Australian Pharmacy Council
5. ADInstruments	6. Advance Cairns
7. Andrew Godwin	8. Australian Dairy Industry Council
9. Australian Fair Trade and Investment Network (AFTINET)	10. Australian Horticultural Exporters Association
11. Australasian Performing Right Association Limited and Australasian Mechanical Copyright Owners Society (APRA/AMCOS)	12. Australian Forest Products Association (AFPA)
13. Australia India Business Council (AIBC)	14. Australian Industry Group
15. ANZ Banking Group Limited	16. Australian Nursing and Midwifery Accreditation Council
17. Australian Tea Tree Industry Association Ltd	18. Australian Wool Innovation Limited
19. Baker & McKenzie	20. BBX Barter Services Pvt Ltd
21. Cassegrain Tea Tree Oil Pty Ltd	22. Copper Mines of Tasmania
23. CPSU ( <i>multiple submissions</i> )	24. Federation of Automotives Products Manufacturers
25. Financial Services Council	26. Indo Australia Design Research Alliance
27. The Institute of Chartered Accountants of India	28. Insurance Australia Group
29. Insurance Council of Australia	30. International Trademark Association
31. Law Council of Australia	32. Meat & Livestock Australia



33. Molina Asthana	34. Music Council of Australia
35. Natio Cosmetics	36. National Australia Bank
37. NSW Department of Trade and Investment	38. Office of Horticultural Market Access
39. OZ Minerals Ltd	40. Pioma Chemicals – Tea Tree Oil
41. RayGen Resources	42. Seafood Services Australia
43. South Australian Education	44. South Australian Government
45. TFS Corporation Ltd (TFS)	46. VicRoads
47. Wine Australia	48. Winemakers Federation of Australia

196. Since the re-launch of CECA negotiations in 2020, DFAT has received a further 23 formal submissions from organisations and individuals (**Table 15**). Public submissions from these entities are available on the DFAT website [here](#).

**Table 15: submissions received after the re-launch of CECA negotiations**

1. ABS Group	2. Apple & Pear Australia Ltd (APAL)
3. Australian Berries Industry	4. Australian Food and Grocery Council
5. Australian Grape and Wine	6. Australian Horticultural Exporters and Importers Association (AHEIA)
7. Australia India Chamber of Commerce and University of Adelaide ( <i>joint submission</i> )	8. Australian Nut Industry Council
9. Beyond Wines Australia	10. Dairy Australia
11. Femeconomy	12. Grain Growers Australia
13. Grain Trade Australia	14. Meat & Livestock Australia
15. National Farmers Federation	16. Pernod Ricard
17. Perth USAsia	18. Quintis Sandalwood
19. Sheep Producers Australia	20. Swisse Wellness
21. The Tahbilk Group	22. Vibe Ayurveda
23. K-Mart	24. Cherry Growers Australia
25. Australia-India Institute	26. Citrus Australia
27. Summerfruit Australia	

197. Regarding **goods exports**, the outcomes sought by stakeholders, which were compiled from submissions, are summarised as follows:

- a. reduce or eliminate or reduce tariffs for Australian exports, including fruit (apples, stone fruit, blueberries, dates, citrus, table grapes, kiwifruit and pears), wine, nuts, grains, dairy, wool, cotton, malt, sandalwood, seafood, tea tree oil, computer products, solar products and processed foods,
- b. seek tariff reduced quotas for certain citrus products,
- c. reduce tariffs in a phased approach for sensitive products,
- d. reduce tariff on goods from India being imported into Australia,

- e. reduce non-tariff barriers, including by simplifying complex regulatory frameworks and improving access to information about regulations, customs procedures, tender processes and state/federal taxes in India,
- f. reduce tariffs for coal and copper concentrates,
- g. seek same preferential tariff treatment as those afforded to other trading partners, including for sandalwood, as well as mineral and metal products,
- h. duty free treatment of wood, paper and forestry products from Australia,
- i. duty free trade of automobiles,
- j. acknowledgement of Australia's internationally recognised food and safety regime,
- k. seek more streamlined rules of origin,
- l. support action on simplification and harmonisation of customs procedures,
- m. consider using the most appropriate HS code when classifying products to determine duties that should be applied, and
- n. have provisions in the agreement on anti-dumping, countervailing measures and safeguards.

198. The proposed AI ECTA addresses the submissions received from 26 stakeholders regarding the reduction in tariffs for a range of Australian products (please see a summary of key outcomes in paragraph 164, below, as well as in the 'Benefits and Impacts Analysis' section on trade in goods).

199. However, as with all negotiations, it was not possible to incorporate the outcomes sought by stakeholders with respect to the reduction in tariffs for all the different goods identified. For example, the types of goods raised in 11 submissions, including tea tree oil, automobiles, dairy, goat meat, computer products, and solar products, have not been afforded market access opportunities under the proposed AI ECTA. Australia and India will continue discussions on trade in goods in advance of negotiations for a full CECA and there may be a possibility for some of these goods to be incorporated.

200. Please find below a summary of the key outcomes for goods exports, including:

- a. elimination of tariffs at entry into force for sheep meat, rock lobsters, wool and coal, metallic ores such as manganese ores, coal, coke and semi-coke of coal, LNG, titanium dioxide, certain non-ferrous metals (copper and nickel),
- b. elimination of tariffs over 3, 5, 7 or 10 years for, certain fruit and vegetables, certain nuts, fish, sandalwood, cotton, food preparation, and alumina,
- c. elimination and reduction of tariffs in-quota over 4-10 years for lentils, cotton, almonds, oranges, mandarins and pears, and
- d. India will bind itself to maintain existing duty-free entry for barley and oats and hides and skins.

201. The outcomes, as outlined above, mean that Australia will be on the same level playing field on a number of goods as other trading partners that have preferential trade agreements with India. The proposed AI ECTA has secured greater market access for a range of Australian goods that stakeholders had identified were subject to high tariffs. Further analysis of the outcomes for goods exports is contained in the Benefits and Impact Analysis section, above.
202. The outcomes sought by **financial services** stakeholders, compiled from submissions, are summarised as follows:
- a. mutual recognition by securities regulators of financial services licences,
  - b. set benchmarks for “behind the border” regulatory barriers, including in relation to data protection, privacy and storage, as well as regulator and prudential supervision,
  - c. reduce regulatory burden and more streamlined processes to allow greater market access in the financial services sector, and
  - d. in the insurance sector: (i) raise the foreign direct investment cap from 26 per cent to 49 per cent; and (ii) have in place a social security agreement.
203. Australia has been able to capitalise on India’s recent liberalisation in the financial services sector. For example, in March 2021, India increased the foreign equity limit from 49 to 74 per cent and India has agreed to lock in 49 per cent foreign equity for Australia in the proposed AI ECTA. This is higher than the foreign equity limit India offered to Japan, Korea and Singapore in their FTA.
204. The Financial Services Annex will promote regulatory transparency in authorisation procedures that are necessary to supply financial services, may assist to streamline processes by increasing transparency. Particularly, as stakeholders have indicated that they struggle to navigate the authorisation system.
205. The proposed AI ECTA will also provide a basis for ongoing discussions between India and Australia on some of the issues identified. For example, a dedicated Financial Services Working Group will enhance the relationship between our financial services government representatives to continue to discuss issues that could be included in a full CECA. This will include increased cooperation on emerging issues in the sector and continuing to discuss the barriers facing financial services suppliers in each country. In addition to ongoing consultation on the implementation of the MFN discipline with respect to insurance and insurance-related services, banking and other financial services.
206. The outcomes sought by **professional services** stakeholders, compiled from submissions, are summarised as follows:
- a. mutual recognition of professional qualifications, including for lawyers, engineers, accountants and architects,
  - b. liberalise legal services in India, including allow foreign firms to establish and operate representative offices, allow domestic firms to employ foreign lawyers, permit Australian and Indian law firms to formally enter into commercial associations and

permit the restricted practice of foreign and international law by Australian lawyers, and

- c. maintain existing processes for the relevant professional bodies, including for pharmacists, nurses and midwives to assess the competencies of individuals trained overseas prior to their registration or commencement of employment in Australia.

207. The proposed AI ECTA will provide a solid platform for Australia and India to continue discussions and to look at ways to further liberalise professional services. For example, establishment of a Professional Services Working Group will help to facilitate the mutual recognition of qualifications, licensing and registration procedures between professional services bodies.
208. While stakeholders have raised the challenges of not being able to practice in India, including on a fly-in / fly-out basis or as a 'registered foreign legal consultant', these issues would not be addressed in the proposed AI ECTA. This is given such liberalisations will require regulatory reform in India. Nonetheless, establishment of the Professional Services Working Group will ensure discussions on these issues continue and could perhaps be addressed in a full CECA.
209. The proposed AI ECTA will not change existing processes that are in place for relevant professional bodies to assess the competencies of pharmacists, nurses and midwives trained overseas.
210. On **telecommunications**, a stakeholder requested a specific telecommunications services Chapter being included in the CECA to strengthen transparency. A stakeholder also suggested the CECA reflect other international agreements that encourage cross-border services for data.
211. The proposed AI ECTA incorporates stakeholder views through inclusion of a specific telecommunications annex, which includes stronger transparency provisions around regulation and licencing across voice, data transmission and private leased services. Strong provisions guaranteeing non-discriminatory interconnection should also assist in facilitating new market opportunities, such as enterprise data services, which was an issue raised by stakeholders during consultations. Matters relating to data localisation are being considered in the financial services Chapter.
212. On **temporary entry**, the outcomes sought by stakeholders, compiled from submissions, are summarised as follows:
  - a. more streamlined visa processes that allow for greater movement of people between Australia and India, including academics,
  - b. better link between education outcomes and skilled migration opportunities, as international students can help address some of Australia's skills shortages,
  - c. introduction of work rights post study to make Australia a more attractive international study destination,

- d. sustainable growth in student mobility,
- e. free trade agreements should not include agreements on movement of natural persons and/or migration policy, and
- f. reference to ILO and UN standards on labour rights and the environment.

213. The proposed AI ECTA includes a Chapter on Temporary Movement of Natural Person and side letters, providing a framework on rules that would better facilitate the movement of professionals, businesspeople, students and individuals would enhance our trade relationship and strengthen our people-to-people links.
214. The Chapter on 'Entry and Temporary Movement of Natural Persons will include provisions that will enhance opportunities for business travel. It will provide certainty on visa pathways for businesses and professionals working across India and Australia. This will address the key concern that has been raised by stakeholders, which was around the lack of clarity and the long period of time required to obtain a business visa.
215. The outcome on post-work study work commits Australia to maintain opportunities for Indian students to live, study and work in Australia temporarily upon completion of their studies, including for a diploma or trade qualification, bachelor degree, masters degree or doctoral degree. This may help to alleviate the skill shortages in particular sectors and make studying in Australia more attractive for Indian students, noting education is our largest services export to India. The extension of such access to Australians in India will provide greater awareness of the Indian market for Australian business, supporting future growth in trade and investment between our two countries.
216. On **mining, resources and energy and infrastructure**, the outcomes sought by stakeholders, which were compiled from submissions, are summarised as follows:
- a. transparency and certainty for businesses, including around contracts, dispute resolutions and mineral leases
  - b. streamlined approvals for significant investments
  - c. investment opportunities for infrastructure
  - d. expand cooperation in mining services, expertise and technology
  - e. local policies and practices do not limit opportunities for investment in the mining, energy and engineering sectors
217. The issues raised and outcomes sought by stakeholders have not been addressed in the proposed AI ECTA, as they relate largely to domestic practices.
218. Eight stakeholders also sought outcomes in relation to **intellectual property, investments, government procurement and digital trade**. The proposed AI ECTA does not include any agreement on these issues. However, the full CECA Agreement will include government procurement and digital trade.

219. Seven stakeholders identified challenges and sought outcomes in relation to **ease of doing business** and **taxation for foreign organisations**, while five stakeholders sought **greater collaboration opportunities** in a range of fields between Australian and Indian entities, and one stakeholder suggested **gender-based analysis of trade policy** be applied in FTAs. These issues were not addressed, as they were outside the scope of the proposed AI ECTA.

### Australian Government agencies

220. Australian Government departments were extensively consulted throughout the CECA negotiations that have led to the AI ECTA. Regular inter-departmental meetings were held, updates on the status of negotiations were provided and relevant agencies were invited to participate in negotiations.

### State and territory governments

221. State and territory governments have been engaged and consulted throughout the negotiations, including through emails and meetings. DFAT met with state and territory governments in January, February and March 2022.

### WHAT IS THE BEST OPTION FROM THOSE YOU HAVE CONSIDERED?

222. As outlined in the ‘Options to achieve these objectives’ section, this RIS considers two options: Option 1 – sign the proposed AI ECTA and Option 2 – not sign the proposed AI ECTA. Based on these two options, the **best option is to sign the proposed AI ECTA** for the reasons set out below.

223. In reaching this conclusion, DFAT relied on a range of qualitative and quantitative evidence, with a greater weight placed on qualitative analysis given DFAT has not had the opportunity to undertake a feasibility study to determine, in detail, the quantitative effects of the proposed AI ECTA. Nonetheless, a high-level quantitative analysis of the existing tariff lines, a quantitative and qualitative assessment of the benefits and impacts of the proposed elimination or reduction in tariffs, alongside a qualitative analysis of outcomes stakeholders have requested and a qualitative consideration of the benefits and impacts for the Australian services sectors and the temporary movement of natural persons, indicates that it would be in Australia’s interests to sign the proposed AI ECTA. **Table 16** provides a summary of the advantages and disadvantages of Options 1 and 2.

**Table 16: summary of the advantages and disadvantages of Options 1 and 2**

Category	Benefit or cost	Method of assessment	Option 1 – sign the proposed AI ECTA	Option 2 – not sign the proposed AI ECTA
<b>Strategic benefits to Australia</b>	Increased diversification of export markets	Qualitative	Increased diversification relative to status quo	Status quo

Category	Benefit or cost	Method of assessment	Option 1 – sign the proposed AI ECTA	Option 2 – not sign the proposed AI ECTA
	Strengthened regional economic architecture during a period of geopolitical uncertainty and trade tensions	Qualitative	Strengthened relative to status quo	Status quo
	Foundation for future full CECA which could address issues such as procurement	Qualitative	Stronger foundation for future CECA	Weaker foundation for future CECA
	Welfare gains for both Australia and India	Independent economic modelling (2009)	Gains of between 0.15 and 1.14 per cent of GDP (India) and between 0.23 and 1.17 per cent of GDP (Australia) relative to baseline	Baseline
<b>Benefits to Australian businesses and consumers</b>	Reduced tariff barriers for wide variety of goods exports	DFAT analysis of tariff lines and average imports (2018-2020)	Elimination and binding at zero or reduction of tariffs for 70.3% of tariff lines, covering 90.6% of trade by value	No clear pathway to tariff elimination
	Potential to build export markets where there currently are limited exports to India	DFAT analysis of key Australian exports and potential for growth in Indian market (measured by Indian imports from Australia compared to Indian imports from World)	Stronger potential for growth in exports of many commodities with a zero tariff binding	Weaker potential for growth in exports of many commodities
	Reduced tariff barriers on Australian merchandise imports from India	DFAT analysis of Australian imports from India	Almost 98 per cent of Australian imports from India will enter duty-free on EIF	Around half of Australian imports from India by value are currently subject to import duties not exceeding 5 percent
	Increased economic activity due to enhanced two-way trade	Productivity Commission report “Rising Protectionism: Challenges, threats and opportunities for Australia”	Greater economic activity	Less economic activity
	Increased certainty for Australian services suppliers	Qualitative assessment	Existing market access regulations will be “locked in”	No obligation to “lock in” existing regulations
	Telecommunications sector	Qualitative assessment	Enhanced transparency	Baseline
<b>Regulatory burden</b>	Regulatory burden, comprising:  costs incurred by all businesses to learn about the CECA rules  costs incurred by exporting businesses	DFAT quantitative assessment	Approximately AU\$17 million over 10 years	Baseline

Category	Benefit or cost	Method of assessment	Option 1 – sign the proposed AI ECTA	Option 2 – not sign the proposed AI ECTA
	in to understand requirements;  costs of COO over 10 years			
<b>Tariff foregone</b>	Australian consumers will benefit from increased competition, greater variety of choice in products and lower prices.  Reduced costs and improved access to goods will also benefit sectors of Australia’s manufacturing industries.	Treasury costing	AU\$335 million over the forward estimates (following entry into force of the proposed AI ECTA)	Opportunity cost of \$335 million forgone over the forward estimates
<b>Double Taxation Avoidance Agreement</b>	Cost to revenue of \$145 million over the forward estimates	Treasury costing	This would mean that Australia would not tax Indian technical service firms supplying services to Australia remotely. It would result in a cost to revenue of \$145 million over the forward estimates.	Indian technical services firms providing services to Australia remotely would continue to be taxed in Australia. There would be no impact on revenue
<b>Net benefit or cost</b>			Significant strategic benefits  Significant benefits to Australian businesses and consumers  Revenue and expenditure impacts of \$482 million over the forward estimates	No benefits relative to the status quo  No regulatory burden relative to the status quo

### Assessment of Option 1 – signing the proposed AI ECTA

#### Advantages of Option 1

#### *It advances the Australian Government’s objectives*

224. Signing the proposed AI ECTA will further the Australian Government’s objectives, which are set out in the ‘What are the option to achieve these objectives’ section, in the following ways:

- a. it will advance the Australian Government’s trade diversification agenda by opening new markets for Australian exporters and suppliers. This will help to mitigate the risks associated with market concentration and it is also an important pillar in supporting Australian businesses to recover in a post COVID-19 environment,



- b. it will deepen Australia’s economic links with likeminded trading partners in the region and demonstrate Australia and India’s commitment to trade liberalisation, which is important in a global environment where protectionist sentiments are growing.

***It will bring benefits to Australian exporters, suppliers and consumers***

225. Signing the proposed AI ECTA will bring benefits to Australian exporters, suppliers and consumers in the following ways:

- a. it will provide early market access, which Australian businesses and consumers can benefit from, while a full CECA is still being negotiated. This will allow Australian exporters and suppliers to secure preferential market access into one of the world’s largest and growing economies, ahead of other trading partners – many of whom are still in negotiations with India,
- b. the proposed AI ECTA will eliminate, bind at zero or reduce the high tariffs currently imposed on wide range of goods, which will make Australian goods more competitive and enable them to compete with goods from other countries that have existing FTAs with India,
- c. it will assist Australian businesses to diversify the markets for their products, which is important in an era where bilateral uncertainties could have a detrimental impact on trade.

***It aligns with feedback received from stakeholders during consultations***

226. In the context of trade in goods and trade in services, stakeholders have sought several key outcomes, as set out in the ‘Who did you consult and how did you incorporate their feedback’ section. The proposed AI ECTA will deliver on stakeholder outcomes in several ways, including:

- a. facilitate greater market access for Australian goods into the Indian market through the elimination or gradual reduction in tariffs. This would make Australian goods more competitive, which would be beneficial for Australian exporters,
- b. provide increased certainty for Australian service suppliers already doing business in India by binding existing market access,
- c. enhance transparency in the telecommunications sector, which would better clarify the market conditions for Australia’s telecommunications service suppliers in India,
- d. establish a framework to improve the two-way movement of professionals,

- e. promote opportunities for business travel, including by providing certainty on visa pathways for businesses and professionals working across India and Australia.

### **Disadvantages of Option 1**

- 227. The proposed AI ECTA does not address all the issues outlined in Minister Tehan and Minister Goyal's joint media release following the Joint Ministerial Commission. For example, investment and digital trade are not included in the proposed AI ECTA.
- 228. Nonetheless, the proposed AI ECTA will provide a solid platform for ongoing discussions between Australia and India on these issues and on more sensitive matters such as government procurement, as part of negotiations for a full CECA.

### Assessment of Option 2 – not signing the proposed AI ECTA

#### **Advantages**

- 229. There are no advantages to not signing the proposed AI ECTA.

#### **Disadvantages**

- 230. There are many disadvantages of not signing the proposed AI ECTA.
- 231. As outlined in the 'Problem identification', the 'Purpose and objectives' and 'Options to achieve these objectives' sections, Australia's trade with India is predominantly inhibited by significantly high tariffs. Not signing the proposed AI ECTA means that India will remain an unattractive and inaccessible market for a number of key Australian exports, especially in the agriculture and horticulture sectors. Australian exports to India will continue to be dominated by coal and other products will not be able to enter or be competitive in the Indian market. This would have adverse impacts on Australian businesses trying to diversify their export markets as part of their post pandemic recovery efforts.
- 232. Not signing the proposed AI ECTA could potentially stall negotiations for a full CECA, as Minister Tehan and Minister Goyal had committed to reach an interim agreement ahead of a full CECA. This would be detrimental to Australia's longer-term economic interests, as it will impede Australia's trade diversification agenda and Australian businesses will continue to have difficulties tapping into one of the largest and growing markets in the world. Should India agree on FTAs with other trading partners, Australian goods and services will become less competitive in the Indian market, which may result in a greater market concentration of Australian products in India, which as outlined in the 'Problem identification' section carries risks.

## HOW WILL YOU IMPLEMENT AND EVALUATE YOUR CHOSEN OPTION?

## Implementing the proposed AI ECTA

### **Australian domestic laws**

233. In line with Australia's treaty making processes, once agreed, the text of the proposed AI ECTA will be tabled in Parliament. The Joint Standing Committee on Treaties (JSCOT) will then conduct an inquiry into the proposed AI ECTA and report back to the Parliament. Following consideration by the JSCOT, Parliament will consider any legislation or amendments to existing legislation that may be necessary to implement the proposed AI ECTA prior to treaty action being taken.

234. To give effect to commitments in the proposed AI ECTA, Australia will need to make the following changes:

- a. amend the *Customs Tariff Act 1995* to incorporate preferential tariff rates that will apply to goods imported from India under the proposed AI ECTA; and the *Customs (International Obligations) Regulation 2015* and *Customs Tariff Regulations 2004* to allow for refunds of excess customs duty paid,
- b. amend the *Customs Act 1901* and create a Customs (Australia-India AI ECTA Rules of Origin) Regulation to establish the rules for determining the originating status of goods imported from India for the purpose of determining eligibility for preferential tariff treatment, and
- c. update Australia's visa system to include new categories for post-work study and culturally significant occupations such as traditional chefs and yoga instructors, as well as revise the Work and Holiday (subclass 462) visa to include Indian citizens who meet the eligibility requirements.

235. DFAT has worked closely with the Department of Home Affairs throughout the negotiations and Home Affairs is aware of the legislative amendments, as outlined in the above paragraph, that would need to be made to give effect to the proposed AI ECTA. From the date of signing, Home Affairs will have 12 months to make the necessary legislative amendments and implement the outcomes for post-study work, which is an adequate amount of time to make the changes required. Home Affairs will have two years to make legislative amendments and implement the Work and Holiday Maker program with India, which was considered adequate time to extend this program for the first time to India.

### **Proposed AI ECTA Committees**

236. The proposed AI ECTA includes legal and institutional provisions that establish the administrative provisions necessary for its operation. This includes the processes by which the agreement will enter into force, and provisions detailing how the agreement may be subsequently amended or terminated.

237. The proposed AI ECTA includes a structure of regular committee meetings intended to create an ongoing dialogue between Australia and India.
238. The Joint Committee is the overarching committee under the proposed AI ECTA and will play a key role in assessing, reviewing and monitoring the implantation and operations of the proposed agreement.
239. The Joint Committee will also be responsible for supervising and coordinate the work of the subcommittees and working groups listed in the table, below, which will be established to monitor implementation and enable technical consultation provisions in the relevant Chapters of the proposed AI ECTA.
240. The Committee architecture in the proposed AI ECTA is provided below:

<b>COMMITTEE ARCHITECTURE IN THE PROPOSED AI ECTA</b>
Joint Committee
Committee on Trade in Goods
Services Sub-Committee
Professional Services Working Group
Working Group on Temporary Movement of Natural Persons
Financial Services Working Group
Joint Technical Committee on Rules of Origin and Origin Procedures
Committee on Sanitary and Phytosanitary Measures
Sub-Committee on Standards, Technical Regulations and Conformity Assessment Procedures
Working Group on Rules of Origin and Customs and Trade Facilitation
Implementation and Negotiation Subcommittee

### Implementation risks

241. Delays in any aspects of the treaty making process could result in delays in the proposed AI ECTA coming into effect. This could result in reputational risks for Australia, as depending on the reasons for the delays, it could be perceived as Australia stalling on its commitments. DFAT is working closely with the Treaties Secretariat to mitigate this risk by ensuring the Secretariat is aware of the proposed timeframes and is able to factor this into their work plan to ensure the proposed AI ECTA can be tabled on time.
242. Delays on implementation of the proposed AI ECTA on either Australia or India's side could impede liberalisation measures, which would bring about delays for Australian businesses

and suppliers. Australia and India will work closely to mitigate this risk, including through engagement in the committees, subcommittees and working groups established under the proposed AI ECTA.

243. Lack of industry awareness about the proposed AI ECTA could also impede implementation, as businesses that do not have knowledge about the interim agreement and how they could use the outcomes negotiated will not be using the interim agreement to expand or tap into the Indian market. This is why DFAT, in collaboration with Austrade, will be undertaking outreach activities with industry and a range of stakeholders, as outlined in the section, below.

### Engaging with stakeholders to promote the proposed AI ECTA

244. Engagement with stakeholders will continue after the conclusion of the proposed AI ECTA negotiations to raise awareness of its opportunities it provides and ensure that businesses and consumers are well placed to access the benefits of the agreement. DFAT and Austrade will undertake proactive advocacy to lift awareness and uptake of the proposed AI ECTA benefits from Australian business.
245. Following signing of the proposed AI ECTA, DFAT will ensure its published webpages offer a range of practical resources that will help Australian importers and exporters take advantage of the proposed AI ECTA. These will include:
- the full text of the proposed AI ECTA, plus side letters/initiatives and tariff schedules,
  - outcomes documents, background documents and Chapter summaries that provide plain-English descriptions relating to elements of the proposed AI ECTA, and
  - a news section that provides updates on developments relating to the proposed AI ECTA and frequently asked questions.
246. DFAT will also publish additional resources for importers and exporters which will include a guide for business wanting to use the proposed AI ECTA to export and import goods, including information about complying with origin documentation requirements.
247. DFAT's social media accounts (such as Twitter, Facebook and the DFAT blog) will be platforms for promoting increased understanding and utilisation of the proposed AI ECTA. Once the proposed AI ECTA has entered into force, DFAT will use social media posts to draw tariff outcomes and other benefits of the proposed AI ECTA to the attention of the wider public.

### Evaluating the proposed AI ECTA

248. Australia's FTAs are not static. They are implemented over time and are subject to regular review to maximise the benefits they deliver.

249. Australia and India, through the Joint Committee, will undertake a general review of the proposed AI ECTA at ministerial level within one year following the entry into force of the interim agreement. Following the initial review, it is anticipated that the Joint Committee will then undertake a general review every two years, or at such times as agreed between Australia and India.
250. As this proposed AI ECTA is an 'early harvest' agreement, the interim agreement will include a mechanism to support transition to a full CECA, which will be supported by the Implementation and Negotiation Subcommittee.
251. It is anticipated that a Post Implementation Review (PIR) will be undertaken of a full CECA, which will also include a review of the proposed AI ECTA. This is on the basis that a full CECA will build on the interim agreement and the PIR will be an opportunity to consider the effectiveness of CECA, as a whole, including the impacts the interim agreement and a full CECA has had on businesses or other groups in the community.

#### Potential metrics for success

252. As part of the general review referred to in the section above on 'Evaluating the proposed AI ECTA', potential metrics for success, includes the extent to which:
- a. the proposed AI ECTA has facilitated bilateral trade for goods and services,
  - b. balanced outcomes are being achieved, as a result of the implementation and operation of the proposed AI ECTA,
  - c. the disciplines contained in the proposed AI ECTA remain relevant to the trade issues and challenges between Australia and India,
  - d. the relevant committees, subsidiary bodies or working groups are working effectively.
253. More broadly, other potential metrics for success that the department may use to evaluate the effectiveness of the proposed AI ECTA may include:
- a. whether opportunities for Australian businesses have improved under the proposed AI ECTA,
  - b. whether the outcomes of the proposed AI ECTA have met business and other stakeholder expectations,
  - c. whether the proposed AI ECTA has reduced any administrative or regulatory costs for business.

## ATTACHMENT A: JOINT STATEMENT ON A COMPREHENSIVE STRATEGIC PARTNERSHIP BETWEEN REPUBLIC OF INDIA AND AUSTRALIA

1. Hon'ble Prime Minister of India Shri Narendra Modi and the Hon Scott Morrison MP, Prime Minister of Australia jointly participated in an India-Australia Leaders' Virtual Summit on 04 June 2020.

### **I. Comprehensive Strategic Partnership**

2. The meeting between the two Prime Ministers took place in a cordial atmosphere and was highly productive. During the meeting, both Prime Ministers noted the progress in the relationship across many fields, as well as the importance of a globally coordinated response to COVID-19 and working to build a prosperous, open and stable post-COVID-19 world. Affirming their commitment to strengthening India-Australia ties for the long term, they committed to elevate the bilateral Strategic Partnership concluded in 2009 to a Comprehensive Strategic Partnership (CSP).

3. The CSP is based on mutual understanding, trust, common interests and the shared values of democracy and rule of law. It reflects India and Australia's strong commitment to practical global cooperation to address major challenges like COVID-19. It is in line with India's increasing engagement in the Indo-Pacific region through her Indo-Pacific vision and Australia's Indo-Pacific approach and its Pacific Step-Up for the South Pacific. Both countries share the vision of an open, free, rules-based Indo-Pacific region supported by inclusive global and regional institutions that promote prosperous, stable and sovereign states on the basis of shared interests. Under the CSP, both countries decided to work together in the areas of mutual cooperation as per the following:

### **II. Enhancing science, technology and research collaboration**

4. India and Australia recognise the importance of global cooperation for saving lives and managing the economic impacts of COVID-19, and future global challenges. We will share the benefits of scientific and medical research and development, strengthen healthcare systems, and reflect on the recommendations of the independent and comprehensive evaluation of the international health response to COVID-19 to improve capacity for global pandemic prevention, preparedness, and response.

5. India and Australia resolve to boost collaboration on science, technology and research to support their national COVID-19 responses. We have committed to a new phase of the Australia – India Strategic Research Fund to promote innovative solutions for responding to and treating COVID-19, as well as other jointly determined priorities, to be preceded by a one-off Special COVID-19 Collaboration Round in 2020.

6. India and Australia jointly decided to work cooperatively through multilateral, regional and plurilateral mechanisms to strengthen and diversify supply chains for critical health, technology and other goods and services. We will work together to strengthen international institutions to ensure they are inclusive and rules based.

7. Both countries jointly decided to work together in the areas of digital economy, cyber security and critical and emerging technologies as identified by the **Framework Arrangement on Cyber and Cyber-Enabled Critical Technology Cooperation**.

8. Australia conveyed that India could consider it as a stable, reliable and trusted supplier of high-quality mineral resources to India. Both sides jointly decided to diversify and expand the existing resources partnership. The **MOU on cooperation in the field of mining and processing of Critical and Strategic minerals** identifies specific areas where both sides will work together to meet the technological demands of the future economy. Both countries jointly decided to cooperate on new technologies for exploration and extraction of other minerals.

### III. Maritime cooperation for an Open and Inclusive Indo-Pacific

9. Both countries share a view that many of the future challenges are likely to occur in, and emanate from, the maritime domain. We agreed to boost cooperation in the maritime domain as encapsulated in our **Joint Declaration on a Shared Vision for Maritime Cooperation in the Indo-Pacific**. Our enhanced arrangements will facilitate deeper engagement between our two countries including maritime domain awareness, and expanded linkages between our maritime agencies.

10. Both India and Australia are committed to work together with partners and relevant regional organisations across the Indo-Pacific, including ASEAN, to enhance capacity for sustainable management of marine resources and challenge in maritime domains. In this regard, Australia expressed support for India's Indo-Pacific Oceans Initiative (IPOI) which will promote better coordination and cooperation among the countries in the region on maritime related issues.

11. Both sides agreed to share technologies and resources to support the health and sustainability of oceans and water resources, including through regional institutions. They also concurred to build on existing commitments to combat marine litter and single-use plastic waste, and target Illegal, Unreported and Unregulated (IUU) fishing.

### IV. Defence Cooperation

12. Both sides agreed to continue to deepen and broaden defence cooperation by enhancing the scope and complexity of their military exercises and engagement activities to develop new ways to address shared security challenges. Both sides agreed to increase military inter-operability through defence exercises through their **Arrangement concerning Mutual Logistics Support (MLSA)**. It was agreed that the Implementing Arrangement concerning cooperation in Defence Science and Technology to the **MoU on Defence Cooperation** provides a framework for growing collaboration between the defence science and technology research organisations of both countries.

### V. Regional and Multilateral cooperation

13. Both India and Australia share a vision of a free, open, inclusive and rules-based Indo-Pacific region to support the freedom of navigation, over-flight and peaceful and cooperative use



of the seas by adherence of all nations to international law including the United Nations Convention on the Law of the Sea (UNCLOS) and peaceful resolution of disputes rather than through unilateral or coercive actions.

**14.** Both sides share a commitment to supporting a strong and resilient regional architecture, with ASEAN at its centre. Both countries agreed to continue to work with the East Asia Summit (EAS) and other ASEAN-led institutions; the ASEAN Defence Ministers' Meeting (ADMM Plus), Indian Ocean Naval Symposium (IONS) and Indian Ocean Rim Association (IORA) to realise our long-term objectives for the region. Both sides committed to continue to work through plurilateral and trilateral mechanisms as mutually agreed.

**15.** Both sides commit to continue to work together through various plurilateral mechanisms, including trilateral meetings with Japan, trilateral meetings with Indonesia and consultations on COVID-19 with Japan, New Zealand, the Republic of Korea, Vietnam, and the United States. They welcomed the inaugural Quad ministerial meeting with Japan and the United States in September 2019, and reaffirmed their commitment to ongoing Quad consultations.

**16.** Both sides recognised the importance of the prosperity and security of the South Pacific and will exchange views on their respective approaches to the South Pacific region under Australia's Pacific Step Up and India's Forum for India-Pacific Islands Cooperation (FIPIC), with a view to cooperate in the region.

**17.** Both sides reiterated their support for continued bilateral civil nuclear cooperation and their commitment to further strengthen global non-proliferation. Australia expressed its strong support for India's membership of the Nuclear Suppliers Group (NSG).

## **VI. Terrorism**

**18.** Recognising that terrorism remains a threat to peace and stability in our region, both sides strongly condemned terrorism in all its forms and manifestations, and stressed that there can be no justification for acts of terror on any grounds whatsoever. Consistent with resolutions of the United Nations and the 2015 G20 Statement on the Fight against Terrorism, both sides support a comprehensive approach in combating terrorism, including by countering violent extremism, preventing radicalisation to terrorism, stemming recruitment, preventing the movement of terrorists including Foreign Terrorist Fighters, disruption of financial support to terrorists, countering incitement to commit terrorist acts and facilitating the investigation and prosecution of terrorist acts. Both sides reiterate our resolve to work with internet companies to strengthen transparency to prevent online terrorist activity consistent with the G20 Osaka Leaders agreement on Preventing Exploitation of the Internet for Terrorism and Violent Extremism Conducive to Terrorism.

**19.** Both sides will also assess and address potential risks associated with virtual assets and new financial technologies that may be abused for the purpose of money laundering and terrorist financing and take steps to ensure that such virtual assets service providers are subject to Anti-Money Laundering/Countering Financing for Terrorism (AML/CFT) regulations. Both sides called for early adoption of a Comprehensive Convention on International Terrorism (CCIT).

## **VII. Economic cooperation: A More Prosperous Shared Future**

**20.** The two sides committed to encourage expanded trade and investment flows to the benefit of both the economies. In view of the remarkable growth in the trading relationship between India and Australia, both sides decided to re-engage on a bilateral Comprehensive Economic Cooperation Agreement (CECA), while suitably considering earlier bilateral discussions, where a mutually agreed way forward can be found.

**21.** Both countries committed to work closely together on our approach to international economic issues through the G20 and in that context, Australia welcomed India's hosting of the G20 in 2022.

**22.** Both sides share a common commitment to the rules-based multilateral trading system and committed to work together to protect and shape the rules that promote economic growth, development, trade liberalisation and open markets in accordance with the Preamble of the Marrakesh Agreement establishing the World Trade Organization (WTO). This includes reforming and strengthening the WTO, while preserving its fundamental principles so that it continues to remain relevant to the needs of all WTO Members.

**23.** Both sides expressed their interest in ensuring that Australian businesses are aware of opportunities through India's "Make in India" program and the Smart Cities initiatives, and that Indian companies are aware of investment projects in Australia.

**24.** Both countries also jointly decided to continue to raise awareness among Australian investors and Superannuation Funds of opportunities in India's infrastructure sector under the National Investment and Infrastructure Fund (NIIF).

**25.** India and Australia jointly decided to explore the possibility of launching the Indian RuPay Card in Australia.

## **VIII. Innovation & Entrepreneurship**

**26.** In this context, both sides committed to continue fostering collaboration between entrepreneurs, developing innovative products and promoting start-ups and incubation centres. Both sides committed to enhance cooperation in the Micro, Small and Medium Enterprises (MSME) sector and decided that major industries of both countries should endeavour to integrate the SME/MSMEs of the other country into their supply chains, thereby diversifying bilateral trade. Both countries jointly decided to take forward SME/MSME cooperation including through the Australia India Business Exchange program.

## **IX. Agriculture Cooperation and Water Resources Management**

**27.** Agriculture is an important pillar of the Australian and Indian economies with shared challenges and climactic conditions. Recognising the long history of collaboration in agricultural research, education, development and capacity building, it was jointly decided to continue building on our mutually beneficial agriculture relationship including through exploring the development of a partnership on grains management and logistics to reduce post-harvest losses,

rationalise costs and ensure farmer income is not affected by supply chain disruptions (particularly in light of the COVID-19 pandemic).

**28.** Both countries noted that on market access issues, some progress has been made and they demonstrated their strong commitment to continue the negotiations.

**29.** Water security is a critical challenge for both countries and it was jointly decided to deepen policy and technical cooperation on mutually agreed activities to improve water management and sustainable economic development through the **Memorandum of Understanding on cooperation in the field of Water Resources Management**.

## **X. Education, Culture, Tourism and People-to-people ties**

**30.** Education, research and skills are a central component of the relationship. Both sides noted they underpin the progress and growth trajectories of our nations, and the exchange of students and academics between our countries generates valuable people-to-people links. We agree to continue efforts to expand our partnership in these areas, including to deepen research collaboration. We will work together to support the development of education campuses in each other's countries.

**31.** As India continues its ambitious skills reform agenda, we have concluded a new **Memorandum of Understanding on Cooperation in Vocational Education and Training** to forge new bonds of cooperation in policy development, program delivery and information exchange.

### **Tourism**

**32.** Building on the 2014 bilateral MOU on cooperation in the field of tourism, both sides jointly decided to renew the MOU in order to identify opportunities to strengthen, deepen and broaden cooperation in the travel, tourism and aviation sector.

### **Parliamentary Cooperation**

**33.** Both sides noted the importance of inter-parliamentary interaction as a valuable component of their bilateral relations.

### **People to People Connections**

**34.** The expanding linkages between our people are enriching all aspects of bilateral ties. The Indian diaspora in Australia is now the fastest-growing large diaspora. In recognition of the growing contribution of Indian-Australians to the bilateral relationship, we will continue to work to deepen diaspora and community-level contact.

**35.** Both countries agreed to hold a senior-level Dialogue to discuss India's proposed draft Migration and Mobility Partnership Arrangement, which outlines ways to cooperate on the prevention of illegal migration, people smuggling and trafficking in human beings and is also designed to facilitate mobility of students, academics and researchers and migration for professional and economic reasons.

## **XI. Support in UN and international bodies**

### **Reformed Multilateralism**

**36.** Australia reiterated its support for India's candidacy for permanent membership of a reformed UN Security Council (UNSC) and India's candidature for a non-permanent seat at the United Nations Security Council for the 2021-22 term.

**37.** Australia welcomes the International Energy Agency (IEA)'s strategic partnership with India, and looks forward to continuing to work closely on building stronger ties between India and the IEA community.

### **Energy and Environment**

**38.** India and Australia jointly decided to progress their Energy Dialogue, which will further cooperation in areas such as pumped hydro storage, cost-effective battery technologies, hydrogen and coal gasification, adoption of clean energy technology, fly ash management technologies, and solar forecasting and scheduling. Both countries committed to continue to collaborate on climate change, energy security and other issues of importance to the region and wider world, especially through the International Solar Alliance (ISA) and Coalition for Disaster Resilient Infrastructure (CDRI). Australia is proud to be a founding member of both organisations.

## **XII. Public Administration and Governance**

**39.** India and Australia are proud, diverse and multicultural democracies. Both nations have similar systems of governance founded on robust and accountable public institutions. In this regard, both sides committed to work together in the field of public administration to exchange knowledge in areas of mutual interest through an **Memorandum of Understanding on Co-operation in the field of Public Administration and Governance Reforms**.

**40.** Recalling the celebrations of his 150th anniversary, both leaders paid tribute to the lasting legacy of Mahatma Gandhi and his philosophy of non-violence and harmony.

## **XIII. Implementation**

**41.** To provide oversight of the CSP and to deepen economic and strategic cooperation into the future, India and Australia affirm their desire to increase the frequency of Prime Ministerial contact through reciprocal bilateral visits and annual meetings in the margins of international events.

**42.** To pursue CSP, our Foreign and Defence Ministers will meet in a '2+2' format to discuss strategic issues at least every two years.

**43.** Both countries also jointly decided to continue their regular interactions under the **Foreign Ministers Framework Dialogue (FMFD)**.

44. Both sides jointly decided to continue regular meetings of the annual Australia-India Joint Ministerial Commission to enhance trade and investment relations between the two countries.
45. India and Australia reiterated their commitment to enhance cooperation under the annual **Australia-India 'Energy Dialogue.'**
46. Both countries also jointly decided to use the existing '**Consular Dialogue**' Mechanism to address the entire gamut of consular matters.
47. Both sides jointly decided to enhance their partnership in the domain of education through the **Australia-India Education Council.**
48. The Virtual Summit is yet another milestone in furthering the longstanding, deep and cooperative ties between India and Australia. The list of the Joint declarations announced and MoUs/Arrangements signed, during the Virtual Summit is enclosed at the Annexure.

**New Delhi and Canberra, 04 June 2020**

## **Annexure**

1. Joint Statement on a Comprehensive Strategic Partnership between Republic of India and Australia
2. Joint Declaration on a Shared Vision for Maritime Cooperation in the Indo-Pacific.
3. Framework Arrangement on Cyber and Cyber-Enabled Critical Technology Cooperation.
4. MOU on cooperation in the field of mining and processing of Critical and Strategic minerals.
5. Arrangement concerning Mutual Logistics Support (MLSA).
6. Implementing Arrangement concerning cooperation in Defence Science and Technology to the MoU on Defence Cooperation.
7. Memorandum of Understanding on Co-operation in the field of Public Administration and Governance Reforms-
8. Memorandum of Understanding on Cooperation in Vocational Education and Training.
9. Memorandum of Understanding on Water Resources Management.

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## ATTACHMENT B: 17th AUSTRALIA-INDIA JOINT MINISTERIAL COMMISSION STATEMENT

Mr Piyush Goyal, India's Minister of Commerce and Industry, Consumer Affairs and Food, and Public Distribution and Textiles, and Mr Dan Tehan MP, Minister for Trade, Tourism and Investment, Government of Australia, have formally launched the resumption of negotiations on the India-Australia Comprehensive Economic Cooperation Agreement (CECA).

Both Ministers discussed a range of issues during the 17th India-Australia Joint Ministerial Commission meeting yesterday. Key issues included the expeditious negotiation of a bilateral CECA, resolution of tax-related issues faced by Indian software firms in Australia, ensuring increased two-way trade and the 12th Ministerial Conference of the WTO scheduled to be held at the end of this year.

Both India and Australia reaffirmed their commitment to conclude a CECA, including to reach an interim agreement by December 2021 to liberalise and deepen bilateral trade in goods and services, and to conclude the negotiations on a full CECA by the end of 2022.

The Joint Ministerial Commission detailed the areas that will be covered by the interim agreement consistent with Article XXIV of the General Agreement on Tariffs and Trade, including goods, services, investment, energy and resources, logistics and transport, standards, rules of origin, and sanitary and phytosanitary measures. Ministers also agreed to explore government procurement. It was agreed that there would be an exchange of offers by the end of October 2021.

Looking to build on the progress made by both countries on earlier bilateral negotiations, both Ministers agreed the need for a balanced trade agreement that encourages expanded trade and investment flows to the benefit of both of our economies, and that reflects a shared commitment to the rules-based international trading system.

Reaffirming their commitment to working together, both ministers agreed to strengthen the rules-based, transparent, non-discriminatory, open, and inclusive multilateral trading system embodied by the World Trade Organization. They also agreed to work towards an ambitious and balanced outcome at the 12th WTO Ministerial Conference (MC12) in Geneva, Switzerland.

Australia and India are important trading partners. India-Australia bilateral trade exceeded AUD\$24 billion last year. Major Indian exports to Australia are petroleum products, medicines, polished diamonds, gold jewellery, apparels etc, while key Australian exports to India include coal, LNG, alumina and non-monetary gold. In services, major Indian exports relate to travel, telecom and computer, government and financial services, while Australian services exports were principally in education and personal related travel. In 2020, India was Australia's seventh-largest trading partner and sixth largest export destination, driven by coal and international education.

## ATTACHMENT C: REGULATORY BURDEN ESTIMATE

### **Estimate of Regulatory Burden**

- Some costs will be incurred by traders to understand the requirements and benefits of the FTA. It is estimated that all exporters to India will undertake a once off administrative cost of around two hours of time to understand the CECA FTA rules. The average number of exporters to India from 2016-17 to 2018-19 was **2,177**. At a scaled-up labour cost of AU\$68.79 per hour, this would result in costs of **AU\$299,511.66 for the first year only**.
- The average number of annual exports to India from 2016-2017 to 2018-2019 was **31,203**. The average price of a COO for non-members is A\$55.10. Thus, it is estimated that exporters in Australia would at most, pay **AU\$1,719,285.30 per annum**.
- Once off costs are **AU\$299,511.66 in the first year**, with additional ongoing costs of not more than **AU\$1,719,285 per annum**. This results in an estimate of total administrative costs of not more than **AU\$17,492,361.66 over 10 years**.
- Additionally, Issuing Body staff will undertake a one-hour training session to understand CECA.