

primer

How Indian firms stand to gain from the Australia deal

BY RAVI DUTTA MISHRA

After 10 years of negotiations, India and Australia have agreed on an interim free trade deal. The India-Australia Economic Cooperation and Trade Agreement (ECTA) is expected to double trade between the two countries in the next five years. *Mint* lists the benefits:

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1 How will Indian IT firms benefit from the deal?

Along with ECTA, the Australian parliament has also approved an amendment to the Double Taxation Avoidance Agreement (DTAA)—a long-standing tax issue for Indian companies operating in Australia. As per industry estimates, Indian IT firms lost more than \$1 billion in taxes due to the existing provisions in DTAA. Most IT firms take up projects where they do some portion of work on-site, and some from India. However, Australian courts had ruled that even the work done from India can be taxed as per local Australian laws. The same income was subject to taxes in India, too.

2 What's in it for pharmaceutical cos?

Plenty. ECTA says Indian drugs that have already been approved in the UK and US will get faster approval in Australia too. Export council Pharmexcil's Director General Ravi Uday Bhaskar said India has the highest number of USFDA-approved sites and other stringent regulatory agencies approvals, too—which will yield results once ECTA comes into effect. India exported \$387 million worth of pharma products to Australia, registering a growth of 11.58% in FY22. FIEO also expects India's share in Australia's \$13 billion pharma market to go up.



4 What's on offer from Australian winemakers?

A major demand by Australia, the world's fifth largest wine exporter, in the negotiations was duty cuts on wine. And for the first time ever, India lowered its stiff duty on foreign wines. After ECTA comes into effect, Australia will allow duty-free imports of Indian wine. In turn, India will cut the duty on Australian wines from 150% to 100% for bottles priced at \$5, down to 50% in 10 years. The duty on bottles priced at \$15 or more will be cut from 150% to 75% and this will then be brought down to 25% in 10 years.

3 Will ECTA give a push to labour intensive industries?

Getting easier access for apparel, textiles, leather, footwear, gems & jewellery, furniture, machinery and electrical goods in western markets is India's key aim in trade deals. ECTA will see India getting zero duty on 98.3% of tariff lines from the day the agreement comes into force and on 100% of tariff lines within five years.

5 Can India cut its trade deficit with Australia?

At the moment, Australia exports much more to India than it imports. During the last financial year, India had a trade deficit of \$8.5 billion with Australia with \$8.3 billion worth of exports and \$16.8 billion worth of imports. Biswajit Dhar, professor at JNU, said entering the Australian market is not just about lower tariffs as Australia is already a very open economy. There already are firmly established players in Australia and displacing them would need cutting trade costs and signing a comprehensive deal.