**India Australia Economic Cooperation and Trade Agreement (ECTA)**

**Salient Features**

The India Australia Economic Cooperation and Trade Agreement (ECTA) was signed on 2nd April 2022. This interim pact is expected to come into force after four months after due approvals by both Governments. The salient features of the ECTA are given below:

**Tariff Concessions:**

*Market Access for India in Australia:*

Texprocil had made strong representations to the government for getting duty free access in Australia especially for all made-ups including home textiles. We are happy to inform that the Council’s suggestions have been taken into account and in the ECTA, Australia has given duty free access to all the T&C HS lines from HS Chapters 50 to 63. The duty free access has also been given to Shopping Bags (HS 4202) and Quilts/comforters (HS 9404) exported from India.

*Market Access for Australia in India:*

India has given restricted market access to Australia in some items, as mentioned below.
All other HS Lines not mentioned below have duty free entry into India. (*Items in* *Exclusion List will not be considered for tariff reduction and the base duty rate applies)*

* In Chapter 63 (Madeups) there are a  few HS lines in 6302, 6304 and 6309 (worn clothing) which are placed in the Exclusion List (EL) at 10% while items in HS 6310 (Other Rags) are in EL at 20%.
* The list of HS lines under India’s tariff schedule commitments in Chapter 63 are enclosed
* HS lines of 9404 (Bedding/ Quilts) are duty free when imported from Australia
* As regards Raw Cotton under HS 52010020, (Cotton, other than Indian, of all staple lengths) – there is an Annual Tariff Related Quota (TRQ) of **3 lakh bales approx. 51 mn kgs (1 Bale = 170 kg)** for ELS cotton of Minimum 28 mm length at zero duty.
* Other cotton HS lines of HS 5201 are in EL at 5%.
* Some fabric lines of HS Chapter 54; few staple fibre / fabrics of staple fibre lines n HS Chapter 55; few HS lines in Garments in Chapter 61 and 62; Chapter 58 and Chapter 59 in Exclusion List (EL).

**Rules of Origin:**

Under the India Australia CECA, a good shall be considered originating if all non-originating materials have undergone at least a change in tariff sub-heading (CTSH) level of the Harmonized System, and the Qualifying Value Content (QVC) of the good is not less than 35 per cent of the FOB (value as per build-up formula) or 45 per cent of the FOB (value calculated as per build-down formula),provided that the final production process of the manufacture of the good is performed within the territory of the exporting Party.

## Calculation of Qualifying Value Content

The qualifying value content (QVC) shall be calculated using one of the following methods:

(a) **Build-Down Formula** based on the value of non-originating materials

[$QVC=\frac{FOB Value - Value of Non Originating materials}{FOB Value}x 100]$

(b) **Build-up Formula:** based on the value of originating materials

$[QVC=\frac{Value of Originating materials}{FOB Value}x 100]$

**Product Specific Rule:**

*Chapter Note for HS 52*: For the purposes of this HS Chapter, if a claim for origin is based on dyeing, printing and at least two subsequent finishing processes, washing or drying shall not be considered to be finishing processes.

**De Minimis Rule:**

A good classified in Chapters 50 through 63 of the Harmonized System that does not qualify as originating good because certain non-originating materials used in the production of the good do not fulfil the requirements set out in Product Specific Rules of Origin, shall nonetheless be an originating good if the total weight of all such material does not exceed 10 per cent of the total weight of that good.

**Expanding Interim Pact into CECA:**

The interim trade agreement between India and Australia was signed on 2nd April 2022. For transforming this interim pact into a full-fledged Comprehensive Economic Cooperation Agreement (CECA), a sub-committee is being formed by the two nations which will start talks within two-and-a-half months.

The sub-committee shall commence negotiations on amendments to the ECTA, on a without prejudice basis, on areas including inter alia market access for goods and services, a complete product-specific rules schedule, a digital trade chapter, and a government procurement chapter, to transform this agreement into a Comprehensive Economic Cooperation Agreement (CECA).