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Free trade deal between Australia and India to create 40,000 jobs annually

A look into how India's second significant trade agreement, following the CEPA deal with the UAE earlier this year will impact banks, businesses, and the global economy

By Soheil Zali

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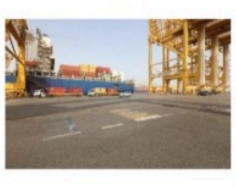
Soheil Zali, Regional Commercial Director at Tradewind Asia. Image: Supplied

After nearly ten years of negotiations, the Modi government ratified a landmark trade agreement between India and Australia on April 2. This is the Modi government's second significant trade agreement, following the UAE agreement earlier this year.

With Australia's long-standing diplomatic problems with Beijing, Morrison has looked to India to help the country trade more freely and reduce its dependency on China.

Over the next decade, the South Pacific nation is set to export items worth $12.6 billion to India.

UAE to reduce tariffs on goods from India by 90 percent as CEPA deal boosts trade: Minister of Economy



The UAE-India CEPA deal is expected to add $9 billion to the UAE's GDP and add 140,000 jobs by 2030

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Hitting the 'GDP' goldmine

According to the most recently available trade figures, India is Australia's sixth-largest trading partner and fifth-largest export market.

Almost 85 percent of Australian items shipped to India, such as sheep meat, wool, lobsters, alumina, and coal, will no longer be subject to tariffs as a result of the deal.

Meanwhile, 96 percent of Indian goods would be allowed duty-free entry into Australia.

Exports totalled to $418 billion, much above the government's expectations. Furthermore, India's GDP is expected to grow to $5 trillion in the following years, as stated by Chief Economic Adviser, V. Anantha Nageswaran during a post-Budget press conference, earlier this year.

India could obtain higher growth chances in line with its economic strategy as a result of more lenient policies implemented by free trade agreements, such as the one with Australia.

Spur influx of textile and apparel production laborers

India exports a substantial amount of textile items to Australia, which are subject to import charges of between 5 percent and 7 percent. All products from labor-intensive industries, such as apparel and leather, are now duty-free for export.

According to the government, in the next three years, India's textile and apparel exports are expected to increase from $392 million to $1.1 billion.

This would primarily benefit domestic textile and apparel production, which will result in the creation of 40,000 jobs each year.

The free trade deal can also help India become a more critical manufacturing base by providing more access to raw material-rich countries like Australia.

Because Australian exports are primarily raw materials and intermediates, Indian sectors such as the textile and garment industries will profit from lower cotton prices than their Bangladeshi counterparts. As a result, the textile industry in India will have a significant competitive edge.

The shift in dependency from banks to financial services

In the past 20 years, the supply chain has adjusted itself to meet the requirements of the diverse global trends.

Companies in the clothing industry to the food and beverage, seafood, electronics, automotive, chemical, and consumer goods industries in the United States, Europe, and Australia, are standing proof of diversification and change in the supply chain industry.


Almost 85 percent of Australian items shipped to India, such as sheep meat, wool, lobsters, alumina, and coal, will no longer be subject to tariffs as a result of the deal

Unfortunately, despite major advancements in the financial field, we still look at it from a worm's vision, robbing us of the multitude of opportunities available to us from financial service providers.

Here, a few opportunities and services that businesses need to start considering to get ahead in the race:

Factoring:

Many banks have been forced to restrict their lines of credit as a result of the current economic climate, placing many businesses in financial distress.

And in times like these, many businesses have realised the critical need for a non-recourse factoring solution that does not demand collateral; non-recourse factoring is essential.

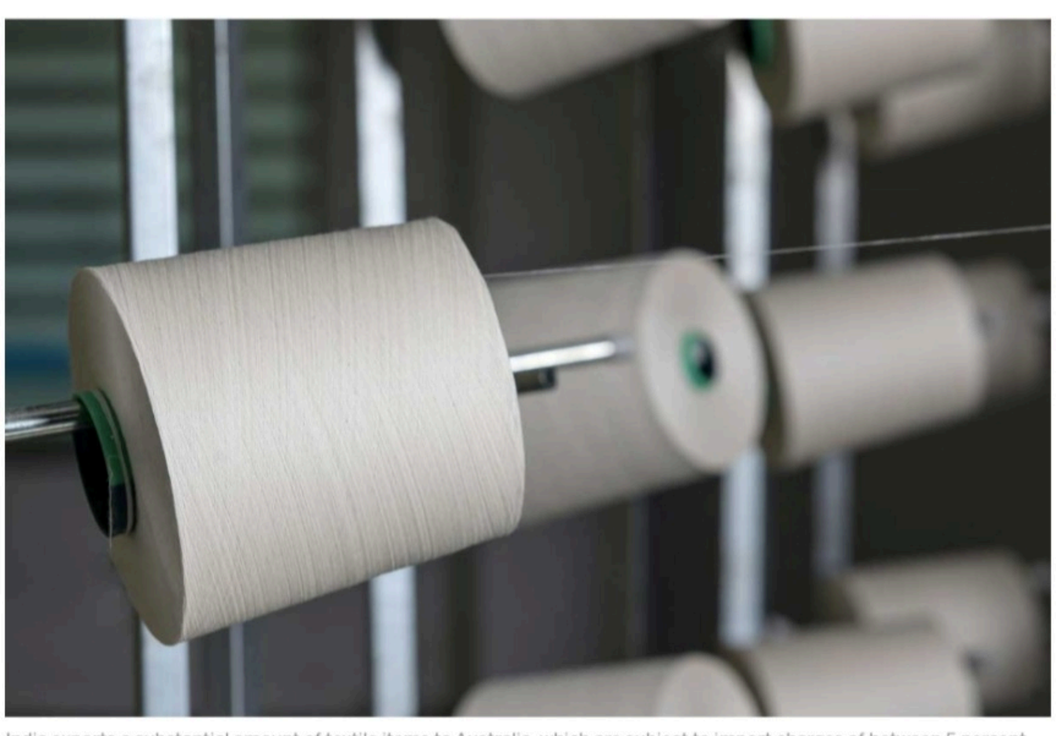
Under this, the financial partner assumes responsibility for any bad debts given the circumstances and predetermined conditions.

Factoring and supply chain finance services are extremely unusual in this section of the region, but they are something that new investors should take advantage of because they assist businesses to enhance cash flow by allowing them to collect payments from consumers sooner rather than later.

Receivables based fund:

Apart from factoring, investors should keep an eye out for receivables-based funding, which allows businesses to receive cash payments based on their accounts receivables.

Multiple products can be used at any time to ensure that transactions go well by giving the importer and exporter access to personalised financial solutions.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Credit protection:

Apart from effective cross-border flow management, it is crucial that services such as credit protection be sought.

For example, if one of their Australian buyers defaults, we may cover the entire payment and ensure that they receive their money.

Enhancing business liquidity:

Furthermore, because of the market's severe volatility, businesses should focus on enhancing liquidity while also lowering trade risks and looking for financial partners that can assist with these two critical variables.

Soheil Zali, Regional Commercial Director at Tradewind Asia

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Dubai Office
ITP Media Group
#14, Dubai Media City
Dubai, United Arab Emirates
Phone: +971 4 444 3000
Email: info@itp.com