

# Business Standard

## Russia-Ukraine war: India eyes Mercosur deal to import crude sunflower oil

May have to reduce import duty, scrap strict requirements for S. American bloc

### Topics

Russia Ukraine Conflict | Europe | trade



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# Background

- India consumes around **2.5 mt of sunflower oil annually**.
- Sunflower oil is fourth most consumed **edible oil**, after palm (8-8.5 mt), soyabean (4.5 mt) and mustard (3 mt).
- However, India hardly produces 50,000 tonnes of sunflower oil itself and imports the rest - much of it from Ukraine.



# Background

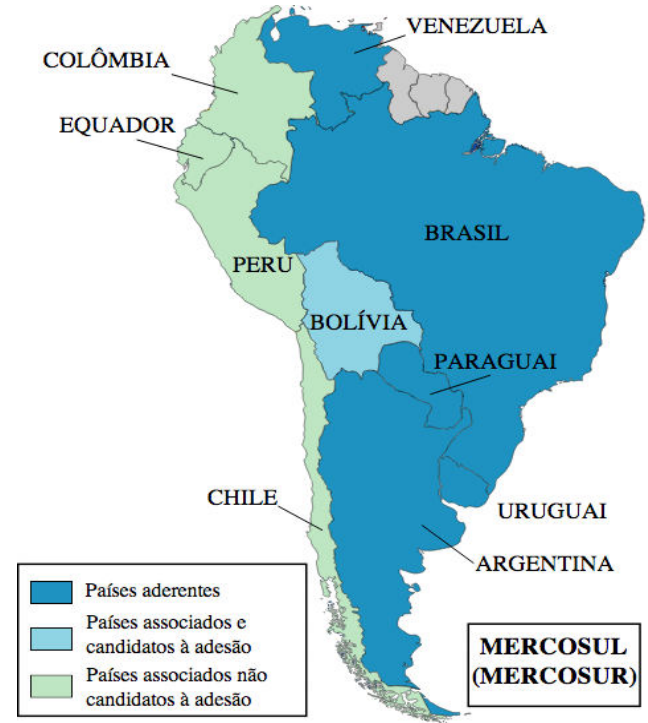
- India's sunflower oil imports totaled 2.5 mt in 2019-20 (April-March) and 2.2 mt in 2020-21, valued at \$1.89 billion and \$1.96 billion, respectively.
- Out of the total imports, **Ukraine** accounted for 1.93 mt (worth \$1.47 billion) in 2019-20 and 1.74 mt (\$1.6 billion) in 2020-21.
- **Russia** also sent 0.38 mt (\$287 million) and 0.28 mt (\$235.89 mt) during same periods.
- Other major supplier being **Argentina** - 0.17 mt in 2019-20 and 0.14 mt in 2020-21.

## India eyes deal with Mercosur to import crude sunflower oil: Report

*Russia's invasion of Ukraine has disrupted imports from Europe's second-largest nation, spiking edible oil prices*

# What is Mercosur?

- The Southern Common Market (MERCOSUR for its Spanish initials) is a regional integration process, initially established by **Argentina, Brazil, Paraguay and Uruguay**, and subsequently joined by **Venezuela** and **Bolivia\*** -the latter still complying with the accession procedure.
- Its official working languages are Spanish and Portuguese.



# What is Mercosur?

- **MERCOSUR** is an open and dynamic process. Since its creation, its main objective has been to promote a common space that generates business and investment opportunities through the competitive integration of national economies into the international market.
- As a result, it has established multiple agreements with countries or groups of countries. **MERCOSUR** has also signed commercial, political or cooperation agreements with a diverse number of nations and organizations on all five continents.



# India - MERCOSUR PTA

## India - MERCOSUR Preferential Trade Agreement

7. The negotiations on the Preferential Trade Agreement (PTA) were concluded in March 2005 and the agreement has become operational since June 2009. The India-MERCOSUR PTA provides for five Annexes or important features:

- Annex I to the PTA - Offer List of MERCOSUR for tariff concession on Indian products in MERCOSUR. It contains 452 products.
- Annex II to the PTA - Offer List of India for tariff concession on MERCOSUR's products in India. It contains 450 products.
- Annex III to the PTA - Rules of Origin
- Annex IV to the PTA - Safeguard Measures
- Annex V to the PTA - Dispute Settlement Procedure (DSP)

8. Preferential duty (10-20 % in most cases) is given to 450 Indian products entering MERCOSUR and reciprocal concession to 450 products of MERCOSUR entering India. Duty discounts offered for 452 Indian exports are:

- For 394 products: 10%
- For 45 products: 20 %
- For 13 products: 100%

Duty discounts offered on 450 MERCOSUR exports:

- For 93 products: 10%
- For 336 products: 20%
- For 21 products: 100%



# New Negotiations

- According to Govt sources, We have had a two-three rounds of discussions with Mercosur countries. **We need to sign long-term contracts because in agriculture, you need to plan well ahead to meet demands. So far, Mercosur was targeting only China for sunflower oil exports since India has export restrictions.** We have tariff quota restrictions as well as plant quarantine restrictions.
- Now, **India may need to slash the import duty on sunflower oil originating from Mercosur countries and relax testing requirements under the existing preferential tariff agreement (PTA).**

# *New Negotiations*

## **Argentina is responsible for 90% of the sunflower crushing in Mercosur**

### **Argentina is responsible for 90% of the sunflower crushing in Mercosur**

Argentina maintains its clear leadership in South America as the main sunflower processing powerhouse. Forecast for the oilseed industry in Mercosur, with emphasis on sunflower.

The Argentine sunflower production chain begins its 2021/22 campaign in hopes of regaining lost ground. With a jump of more than 26% in the sown area, crop expectations are optimal, considering that an improvement in the production yield is also expected.

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