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**Report Name:** The Australia-India Comprehensive Economic Cooperation Agreement - Raises Challenges for US-India Food and Agricultural Products Trade

**Country:** India

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**Report Highlights:**

The Australia-India Economic Cooperation and Trade Agreement (AI-ECTA) (signed on April 2, 2022) is a partnership agreement that aims to boost bilateral trade and investment between the two Indo-Pacific countries. The agreement must now be approved by Australia's and India's parliaments, but little opposition is expected for the ratification agreement in either country. Through its phased-in tariff reductions, the AI-ECTA will raise challenges for U.S. food and agricultural products in the Indian market. Commodity areas of concern include wines and spirits, cotton, pulses and beans, forest products, and tree nuts (almonds and pistachios). At the same time, India is seeking to establish a number of additional free trade agreements and or comprehensive economic partnership agreements - including with the United Kingdom, Canada, and Israel, among others.

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## GENERAL INFORMATION

An interim agreement, the Australia-India Economic Cooperation and Trade Agreement (AI-ECTA) was signed (virtually) by Australia's Minister of Trade, Tourism, and Investment Dan Tehan and India's Minister of Commerce and Industry Piyush Goyal on April 2, 2022, in the presence of Prime Ministers Scott Morrison and Narendra Modi.<sup>1</sup> The agreement must now be approved by the Australian and Indian parliaments, but little opposition is expected for the ratification agreement in either country.

This enhanced partnership agreement between Australia and India will boost bilateral trade and investment between the two Indo-Pacific countries. Australia is to provide duty-free access for about 96 percent of Indian goods entering the country upon the agreement's entry into force. Regarding agriculture and food, India is set to reciprocate with tariff reductions on a select number of Australian food and agricultural products. However, dairy products, wheat, rice, corn, other coarse grains, sugar, and *bajra* (pearl millet) are not included in this agreement.

## BACKGROUND

Over a decade in the making, the Australia-India Economic Cooperation and Trade Agreement, is a comprehensive partnership agreement geared to boosting trade and investment ties between the two Indo-Pacific countries.<sup>2</sup> Two-way trade between Australia and India in 2020 reportedly totaled about Australian dollars (AUD) 24.3 billion (U.S. dollars – USD 18.7 billion), a significant jump from the 2007 figure of AUD 13.6 billion (USD 9.7 billion).<sup>3</sup> In 2020, India was Australia's seventh largest trading partner and its sixth largest goods and services market with a value of AUD 16.9 billion (USD 13 billion).<sup>4</sup> This interim agreement serves as a steppingstone to the second phase of the agreement, a

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<sup>1</sup> At the 17<sup>th</sup> India-Australia Joint Ministerial Commission meeting on September 30, 2021, Ministers Tehan and Goyal re-launched the Comprehensive Economic Cooperation Agreement (CECA) negotiations, reaffirming commitment to conclude a CECA, including to reach an interim agreement by December 2021. They agreed to liberalize and deepen bilateral trade in goods and services, as well as to conclude the negotiations on a full CECA by the end of 2022. See, [Australia-India Comprehensive Economic Cooperation Agreement \(AI-CECA\) | Australian Government Department of Foreign Affairs and Trade \(dfat.gov.au\)](https://dfat.gov.au/australia-india-comprehensive-economic-cooperation-agreement-ai-ceca).

<sup>2</sup> In May 2011, Australia and India launched negotiations for a Comprehensive Economic Cooperation Agreement. Nine rounds of negotiations followed before the countries decided to suspend negotiations in September 2015, pending the outcome of other multilateral regional negotiations. In June 2020, Prime Ministers Morrison and Modi opted to re-engage on the bilateral CECA, considering earlier bilateral discussions.

<sup>3</sup> Australian Government, Department of Foreign Affairs and Trade. Historical foreign exchange (FOREX) rates: AUD 1.394 to USD 1.00 (December 31, 2007); AUD 1.297 to USD 1.00 (December 31, 2020), [www.xe.com](https://www.xe.com).

<sup>4</sup> Ibid.

full Australia-India Comprehensive Economic Cooperation Agreement (CECA), that will cover among other contentious sectors, investments, procurement, and digital trade.

This agreement is the first for India with a developed economy (albeit a largely services- focused one with key interests in minerals, wines, oranges, and agricultural products). The agreement links Australia now to the world's largest democracy with its youthful market of nearly 1.4 billion people.<sup>5</sup> A key point for Australia has been that India is the world's fastest growing major economy, with its gross domestic product (GDP) projected to grow at nine percent in 2022/23 and about seven percent in 2023/24. This foreshadows the possibility of increased exports to India of Australian products.

**Why all the Hype:** About 96 percent of India's exports (by value) to Australia will benefit from zero-duty access from the agreement's inception. This reportedly will cover products that until the AI-ECTA's entry into force have faced Australian four-to-five percent customs duties. India's 2021 exports to Australia were USD 6.8 billion, up 99 percent from the 2020 export value of USD 3.4 billion. India's exports to Australia of food and agricultural products at USD 345 million were down four percent from the 2020's value of USD 359 million, but up 18 percent compared to 2019's value of USD 293 million.<sup>6</sup>

India is eliminating tariffs on more than 85 percent of Australian goods' exports to India (valued at more than AUD 12.6 billion a year (USD 9.7 billion), rising to 91 percent and valued at AUD 13.4 billion (USD 10.3 billion) over the next 10 years.<sup>7</sup> Australia seeks to make India one of its top three export destinations by 2035, as well as making it the third largest Asian destination for outward investment.

### **Any Room for Agriculture Among Sectors Where Australian Exports Benefit from the AI-ECTA?**

A major irritant throughout the negotiation process has been agriculture, with Australia desiring greater access to the Indian food and agricultural products marketplace. The Modi government has been reluctant to put domestic farmers (a major voting bloc) at risk, especially with certain Indian state elections in late 2022 and in 2023 and the national elections following just over the horizon in 2024.

India is agreeing to reduce duties on Australian wine. Yet, Australian dairy and dairy products are not included in the agreement. For India, dairy is a sensitive issue. Indian officials have been quoted in the local press affirming that "we have tried to preserve the sensitivities (dairy sector) of India." Apart from milk and dairy products, other items such as iron ore, most medical devices, agricultural products including wheat, rice, corn, other coarse grains, sugar, chickpeas, walnut, sunflower seed oil, pistachios in-shell, oil cake, and *bajra* (pearl millet) will not receive any duty concession.

Benefits of the AI-ECTA for Australian food and agricultural product exports:

- Sheep meat tariffs of 30 percent will be eliminated on entry into force, providing a boost for Australian exports that already command nearly 20 percent of India's market.

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<sup>5</sup> In terms of age groups, 44 percent of India's population is 24-years of age or younger along with 42 percent of the population in the 25-54 years age group. Central Intelligence Agency (2022 estimate).

<sup>6</sup> Data sourced from Trade Data Monitor (product grouping, BICO – Agricultural and Related Products).

<sup>7</sup> Australian Government, Department of Foreign Affairs and Trade. FOREX conversion rates based on the 2020 (December 31) AUD 1.297 to USD 1.00 rate. [www.xe.com](http://www.xe.com).

- Wool will have the current 2.5 percent tariff eliminated upon entry into force, supporting Australia’s second-largest market for wool products.
- Tariffs on wine with a minimum import price of USD 5 per bottle will be reduced from 150 per cent to 100 percent upon entry into force and subsequently to 50 percent over 10 years (based on Indian wholesale price index for wine).
- Tariffs on wine bottles with minimum import price of USD 15 will be reduced from 150 percent to 75 percent upon entry into force and subsequently to 25 percent over 10 years (based on Indian wholesale price index for wine).
- Tariffs up to 30 percent on avocados, onions, broad, kidney, adzuki (i.e., red mung beans), and fava beans, cherries, shelled pistachios, macadamias, cashews in-shell, blueberries, raspberries, blackberries, currants will be eliminated over seven years.
- Tariffs on almonds, lentils, oranges, mandarins, pears, apricots, and strawberries will be reduced, improving opportunities for Australia’s to supply India’s growing food demand.

Australia’s 2021 exports to India of unprocessed and processed food and agricultural products were AUD 622 million (USD 452 million), up 65 percent from AUD 377 million (USD 290 million) in 2020.

**Table 1: Australia, Exports of Food and Agricultural Product Exports to India, 2019-20**

AUD/USD, 000	2019		2020		2021	
	AUD	USD	AUD	USD	AUD	USD
<b>Primary Products, Unprocessed – Food &amp; Live Animals</b>	<b>161,640</b>	<b>113,672</b>	<b>218,739</b>	<b>168,649</b>	<b>276,367</b>	<b>200,993</b>
- Live Animals Chiefly for Food	490	345	317	244	0	0
- Seafood Fresh, Chilled, Dried, Smoked, Salted	0	0	0	0	0	0
- Vegetables Fruits & Nuts Fresh, Chilled, Provisionally Preserved	158,122	111,197	206,065	158,878	258,942	188,321
- Cereal Grains	2,505	1,762	10,874	8,384	16,928	12,311
- Unprocessed Food NES	523	368	1,483	1,143	497	361
<b>Primary Products – Unprocessed - Other</b>	<b>266,641</b>	<b>187,511</b>	<b>135,083</b>	<b>104,150</b>	<b>304,727</b>	<b>221,620</b>
- Hides & Skins & Fur Skins Raw	546	384	410	316	470	342
- Cork & Wood	33,752	23,736	27,560	21,249	87,829	63,876
- Textile Fibers Unprocessed & Waste	223,364	157,077	102,383	78,938	206,404	150,112
- Crude Materials NES	8,979	6,314	4,730	3,647	10,024	7,290
<b>Primary Products – Processed - Food</b>	<b>26,335</b>	<b>18,528</b>	<b>21,866</b>	<b>16,858</b>	<b>38,062</b>	<b>27,725</b>
- Meat & Meat Preparations	473	333	603	465	154	112
- Seafood Frozen or Processed	0	0	184	142	260	189
- Dairy Products Processed	232	163	182	140	242	176
- Vegetable Fruit & Nuts Preparations	2,681	1,885	1,251	965	2,356	1,713
- Cereal Preparations	12,527	8,809	8,821	6,801	16,533	12,024
- Animal Fats, Vegetable Oils, Fats & Waxes	177	124	439	338	1,522	1,107
- Sugar, Honey, Coffee, Cocoas & Confectionary	542	381	870	671	206	150
- Preparations of Food Beverages & Tobacco NES	9,703	6,833	9,516	7,336	16,789	12,254
<b>Primary Products – Processed - Other</b>	<b>2,716</b>	<b>1,910</b>	<b>1,251</b>	<b>965</b>	<b>2,855</b>	<b>2,076</b>
- Rubber Natural, Synthetic & Reclaimed	2,424	1,705	1,237	954	2,833	2,060
- Wood Simply Worked & Pulp	292	205	14	11	22	16
- Textile Fibers Processed	0	0	0	0	0	0

Note: FOREX (2019) AUD 1.42 to USD 1.00; (2020) AUD 1.297 to USD 1.00; and (2021) rate of AUD 1.37 to USD 1.00.

Source: Australian Government, Department of Foreign Affairs and Trade, FAS New Delhi office research.

**Table 2: Australia, Food and Agricultural Products Exports to India, 2017-21 (AUD/USD, 000)**

AUD/USD, 000	2017		2018		2019		2020		2021	
	AUD	USD	AUD	USD	AUD	USD	AUD	USD	AUD	USD
Live animals (excl seafood)	0.0	0.0	2,140.7	1,508.6	490.0	345.1	316.5	244.0	0.0	0.0
Beef, Fresh/Chilled/Frozen (F/C/F)	78.6	61.5	0.0	0.0	0.0	0.0	409.9	316.1	38.0	27.7
Meat (excl beef), F/C/F	497.5	389.0	488.5	344.3	473.2	333.3	193.5	149.2	116.3	84.9
Meat, salted or dried	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Meat, prepared or preserved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Milk, cream, whey & yoghurt	293.7	229.7	492.0	346.7	201.2	141.7	196.2	151.3	232.2	169.5
Butter	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cheese & curd	359.9	281.4	446.6	314.7	121.4	85.5	17.8	13.7	9.7	7.1
Fish, F/C/F	0.0	0.0	0.0	0.0	0.0	0.0	184.3	142.1	260.2	190.0
Fish, salted or dried	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Crustaceans, F/C/F	0.0	0.0	93.8	66.1	0.0	0.0	0.0	0.0	0.0	0.0
Seafood, prepared or preserved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wheat	491,341.0	384,160.3	8,888.2	6,263.7	863.4	608.0	29.1	22.4	0.0	0.0
Rice	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Barley	0.0	0.0	23.0	16.2	0.0	0.0	0.0	0.0	474.6	346.4
Maize	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other cereals	2,547.2	1,991.6	1,266.4	892.5	1,641.5	1,156.0	10,844.4	8,361.2	16,453.6	12,009.9
Wheat flour	0.0	0.0	0.0	0.0	0.0	0.0	5.8	4.5	37.1	27.1
Other cereal flours	21.0	16.4	13.2	9.3	172.2	121.3	381.9	294.4	1,257.6	918.0
Cereal preparations	11,991.0	9,375.3	18,047.2	12,718.3	12,592.7	8,868.1	8,629.0	6,653.0	15,567.4	11,363.1
Vegetables, F/C/F	1,376,999.8	1,076,622.2	30,781.1	21,692.1	59,850.6	42,148.3	126,316.9	97,391.6	124,665.3	90,996.5
Vegetables, prepared or preserved	53.4	41.8	1.2	0.8	29.3	20.6	35.3	27.2	39.8	29.1
Fruit & nuts	169,662.6	132,652.5	146,684.3	103,371.6	98,251.1	69,190.9	79,781.8	61,512.6	134,269.1	98,006.7
Fruit, prepared or preserved	1,266.1	989.9	2,518.0	1,774.5	2,695.0	1,897.9	1,224.3	943.9	2,321.7	1,694.7
Fruit juices	135.0	105.6	11.7	8.2	35.6	25.1	0.0	0.0	2.4	1.7
Sugars, molasses & honey	534.9	418.2	244.9	172.6	363.5	256.0	802.5	618.8	199.5	145.7
Sugar confectionery	0.0	0.0	136.9	96.5	85.8	60.5	0.0	0.0	0.0	0.0
Coffee & substitutes	0.0	0.0	0.0	0.0	0.0	0.0	6.0	4.6	37.7	27.5
Cocoa	2.3	1.8	5.0	3.5	0.0	0.0	0.0	0.0	0.0	0.0
Chocolate & preparations of cocoa	64.9	50.7	3.3	2.3	92.6	65.2	67.3	51.9	6.8	5.0
Tea & mate	8.4	6.5	26.2	18.5	19.5	13.7	25.0	19.3	205.9	150.3
Spices	25.0	19.5	35.8	25.2	118.7	83.6	1,066.6	822.3	62.7	45.8
Animal feed	779.3	609.3	1,759.8	1,240.2	1,212.6	853.9	1,147.1	884.4	1,931.4	1,409.8
Margarine	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Edible products & preps, NES	1,592.3	1,245.0	1,264.3	891.0	1,351.7	951.9	1,119.5	863.2	2,302.3	1,680.5
Non-alcoholic beverages, NES	143.6	112.3	26.0	18.3	116.2	81.8	268.9	207.3	206.2	150.5
Alcoholic beverages	5,887.1	4,602.9	9,668.5	6,813.6	6,986.9	4,920.4	6,862.5	5,291.0	12,075.7	8,814.4
Tobacco, manufactured	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hides & skins, raw (excl fur skins)	2,466.8	1,928.7	1,399.6	986.4	545.6	384.3	410.2	316.2	470.2	343.2
Oilseeds & oleaginous fruits, soft	31.4	24.6	1.1	0.8	2.0	1.4	149.0	114.8	124.1	90.6
Oilseeds & oleaginous fruits, hard	1,155.0	903.0	1,212.7	854.6	0.8	0.5	84.2	64.9	0.0	0.0
Natural rubber	7.2	5.6	0.0	0.0	0.0	0.0	0.0	0.0	184.4	134.6
Synthetic rubber	757.8	592.5	1,684.3	1,187.0	2,424.3	1,707.3	1,260.7	972.0	2,648.2	1,933.0
Fuel wood	0.0	0.0	6.2	4.4	0.0	0.0	0.0	0.0	1,821.6	1,329.6
Wood in chips or particles	4,517.4	3,532.0	165.8	116.9	581.2	409.3	1,279.1	986.2	3,637.7	2,655.2
Wood, rough	1,601.0	1,251.7	1,289.2	908.6	1,205.1	848.6	4,628.6	3,568.7	65,919.5	48,116.4
Wood, simply worked	28.0	21.9	102.9	72.5	27.7	19.5	14.1	10.9	14.1	10.3
Pulp & wastepaper	16,473.4	12,879.9	28,439.1	20,041.6	32,229.8	22,697.0	21,652.5	16,694.3	16,458.3	12,013.4
Silk	0.0	0.0	20.0	14.1	0.0	0.0	0.0	0.0	0.0	0.0
Cotton	174,852.0	136,710.0	76,176.7	53,683.4	44,931.0	31,641.5	14,060.1	10,840.5	84,020.9	61,329.1
Other vegetable textile fibers	17.0	13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Synthetic fibers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other man-made fibers	0.0	0.0	2.9	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Wool & other animal hair (tops)	219,772.8	171,831.8	263,307.7	185,558.6	177,712.0	125,149.3	87,413.6	67,396.8	121,063.7	88,367.6
Worn clothing & rags	92.2	72.1	223.0	157.2	720.8	507.6	909.4	701.1	1,319.7	963.3
Crude animal matter, NES	9.1	7.1	3.3	2.3	26.7	18.8	25.6	19.8	567.7	414.4
Crude vegetable matter, NES	7,427.0	5,806.9	10,985.9	7,742.0	8,982.4	6,325.7	4,704.7	3,627.4	9,467.4	6,910.5
Animal oils & fats	717.4	560.9	359.2	253.1	81.5	57.4	256.2	197.5	842.5	614.9
Fixed vegetable oils & fats, soft	76.0	59.4	34.9	24.6	38.9	27.4	183.3	141.3	520.6	380.0
Fixed vegetable oils & fats, hard	0.0	0.0	3.5	2.5	57.1	40.2	0.0	0.0	144.4	105.4
Other animal or veg oils, fats, waxes	90.7	70.9	23.0	16.2	0.0	0.0	0.0	0.0	15.1	11.0
<b>Total</b>	<b>2,494,376.9</b>	<b>1,950,255.6</b>	<b>610,507.6</b>	<b>430,237.9</b>	<b>457,331.5</b>	<b>322,064.4</b>	<b>376,963.5</b>	<b>290,642.7</b>	<b>622,013.4</b>	<b>454,024.4</b>

Note: FOREX (2017) AUD 1.27 to USD 1.00; (2018) AUD 1.419 to USD 1.00; (2019) AUD 1.422 to USD 1.00; (2020) AUD 1.29 to USD 1.00; and (2021) AUD 1.37 to USD 1.00.

Source: Australian Government/Department of Foreign Affairs and Trade, FAS New Delhi office research.



Australian food and agricultural products exports to India since 2018 have ranged from AUD 377 million to 622 million (some USD 266 million to USD 454 million) (table 2). From 2011 to 2021, Australia’s food and agricultural exports to India have grown at a compound annual growth rate (CAGR) of 1.4 percent, but with significant recorded spikes in the range of AUD 1 billion to AUD 2 billion (USD 1 billion to 1.9 billion) in the 2015-17 period (table 3).

**Table 3: Australia, Food and Agricultural Product Exports to India, 2006-21 (AUD/USD, 000)**

2006		2007		2008		2009	
AUD	USD	AUD	USD	AUD	USD	AUD	USD
382,516	301,668	334,195	293,410	333,140	232,639	461,226	414,398
2010		2011		2012		2013	
AUD	USD	AUD	USD	AUD	USD	AUD	USD
547,771	561,240	539,289	550,856	706,544	735,983	539,216	481,442
2014		2015		2016		2017	
AUD	USD	AUD	USD	AUD	USD	AUD	USD
613,732	502,235	1,424,106	1,039,493	1,913,293	1,378,453	2,494,377	1,950,255
2018		2019		2020		2021	
AUD	USD	AUD	USD	AUD	USD	AUD	USD
610,508	430,238	457,332	322,064	376,965	290,643	622,013	454,024

Note: FOREX (2006) AUD 1.268 to USD 1.00; (2007) AUD 1.139 to USD 1.00; (2008) AUD 1.432 = USD 1.00; (2009) AUD 1.113 to USD 1.00; (2010) AUD 0.976 to USD 1.00; (2011) AUD 0.979 to USD 1.00; (2012) AUD 0.96 to USD 1.00; (2013) AUD 1.12 to USD 1.00; (2014) AUD 1.22 to USD 1.00; (2015) AUD 1.37 to USD 1.00; (2016) AUD 1.38 to USD 1.00; (2017) AUD 1.27 to USD 1.00; (2018) AUD 1.419 to USD 1.00; (2019) AUD 1.422 to USD 1.00; (2020) AUD 1.29 to USD 1.00; and (2021) AUD 1.37 to USD 1.00.

Source: Australian Government/Department of Foreign Affairs and Trade, FAS New Delhi office research.

## WHY SHOULD U.S.-ORIGIN FOOD AND AGRICULTURAL PRODUCT EXPORTERS CARE

In 2021, U.S. food and agricultural product export to India totaled over USD 1.9 billion, up 5.5 percent from 2020’s exports of USD 1.8 billion. Previously U.S. consignments had reached a record high of USD 2.2 billion in 2019 (see, Appendix I). In 2021, exports of U.S.-origin cotton, soybean oil, tree nuts, forest, and seafood products drove food and agricultural product growth to India upwards. A number of these U.S. products overlap with Australian ones that will benefit from AI-ECTA’s phased- in tariff reductions. The AI-ECTA can potentially erode hard-won U.S. product market share in the Indian market.

**Australia-India Trade Deal Could Deliver Tariff Reductions for Australian Wine:** Local media reports that the India-Australia Economic Cooperation and Trade Agreement may reduce import duties for Australian wine from 150 percent to 25 percent over ten years. This will provide a significant advantage for Australia, the world’s sixth-largest wine producer and the fourth-largest wine exporter. In 2021, Australian wine exports to India totaled USD 9.5 million, making it the largest supplier of foreign wine to India with a market share of 41 percent. India’s concession over time will put wine exports from the United States and other suppliers at a significant disadvantage.

**Wood and Paper Products:** Australia is a small supplier to India of softwoods, notably radiata pine (*Pinus radiata*). In 2021, Australia shipped roughly USD 112 million in wood and paper products, achieving a 5.4 percent market share. India’s logs and lumber market is very price sensitive, and a tariff reduction coupled with lower freight costs (due to Australia’s relative proximity) would likely increase

Australian forest product exports. The value of U.S. exports of wood and paper products to India in 2021 reached USD 53.7 million, commanding a 2.6 percent market share.

**Cotton:** The United States is the largest supplier of raw cotton to India, including extra-long staple (ELS) and Upland (long staple) cotton varieties. The value of U.S.-origin cotton exports exceeded USD 222 million in 2021 (commanding a market share of nearly 43 percent). Australia is a supplier of long staple cotton to India, directly competing with U.S. supplies. In 2021 Australia-origin cotton exports reached USD 66 million, gaining almost a 13 percent market share. Australia's access to a duty-free quota of 300,000 bales will likely negatively affect U.S. upland cotton sales. At present, imported cotton in India faces a 10 percent tariff and duty-free access will provide Australian cotton a strong competitive advantage.<sup>8</sup>

**Lucky Number Seven:** Tariff reductions to be implemented over the next seven years.

**Sheep Meat and Wool:** India will phase in a 30 percent tariff reduction for Australian sheep meat along with a 2.5 percent tariff reduction on wool.

**Pulses (Including Lentils):** Through the interim agreement, India will phase in a 30 percent tariff reduction for Australian lentils. However, since July 2021, the Indian government has already reduced in two phases the import duty on lentils from all origins (excluding the United States) from 30 percent to zero-duty effective until September 2022. U.S.-origin lentil exports currently continue to face a basic import duty of 20 percent levied by the Indian government in retaliation for U.S. duties imposed on India-origin steel and aluminum.<sup>9</sup>

**Beans:** India will phase in a 30 percent tariff reduction for Australia's broad, kidney, adzuki (i.e., red mung beans), and fava beans, as well as (conventional) soybeans.

**Tree Nuts:** India will phase in a 30 percent tariff reduction for Australian shelled pistachios, macadamias, almonds, and cashews in-shell. This represents a significant threat for U.S.-origin tree nut exports, which are already facing Indian retaliatory tariff duties.<sup>10</sup>

**Fruits and Horticulture:** As part of the AI-ECTA, India will phase in a 30 percent tariff reduction on avocados, onions, cherries, blueberries, raspberries, blackberries, and currants. The United States shipped over USD 606,000 in cherries (harmonized tariff system - HS code 0809.29) in 2021, up from USD 258,000 in 2020. Shipment of U.S.-origin blueberries (HS 0810.40) in 2021 stood at USD 12,000, down USD 167,000 in 2020.

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<sup>8</sup> The duty is being waived through September 2022.

<sup>9</sup> See, [GAIN-INDIA \(IN2021-0113\) – India Raises Basic Import Duty on U.S.-Origin Lentils](#).

<sup>10</sup> U.S.-origin almonds face retaliatory tariffs of USD 0.56 per kilogram (kg) (INR 41/kg) for in-shell and USD 1.64 per kg (INR 120/kg) for shelled. India levies a 10 percent basic customs duty on raw pistachios (in-shell and shelled), and a 30 percent duty on roasted pistachios.

## WHY STOP JUST WITH AUSTRALIA? OTHER TRADE AGREEMENTS BEING PURSUED BY INDIA

India is pursuing several free trade agreements with partners around the world. Its negotiations are part of a broader strategy seeking to balance trade agreements with key economies and revamp existing pacts to boost trade. A common theme throughout these FTA and or comprehensive economic partnership agreement negotiations is India's desire to gain better access to its partners' service markets. India hopes to gain tariff reduction relief in labor-intensive sectors such as for textiles, leather, jewelry, cereals, and pharmaceutical products.

**India-United Kingdom FTA:** India and the United Kingdom (UK) aim to conclude a comprehensive and balanced free trade agreement by the October 2022 Diwali holiday.<sup>11</sup> It is estimated that such an FTA would double two-way trade between the two countries to USD 100 billion by 2030. Prime Minister Modi and UK Prime Minister Boris Johnson seek an early resolution of all pending market access issues between the two countries.

India and the United Kingdom in January 2022 formally launched FTA negotiations seeking to complete an interim agreement by mid-April 2022, followed by a comprehensive deal by the end of 2022. The two countries concluded the second round of FTA negotiations on March 17, 2022, with discussions held in 64 separate sessions covering 26 policy areas.<sup>12</sup> The interim agreement includes tariff liberalization for 60-65 percent of traded goods; the final agreement reaches 90 percent of traded goods.

For the United Kingdom, a trade agreement with India will ease trade between the two countries. In 2019, India imported British pounds (GBP) 5.35 billion in goods of which GBP 5.24 billion were subject to tariffs. The FTA conclusion, with the elimination of tariffs, will help secure comprehensive access for British industrial and agricultural goods into the Indian market. It will also enhance access for British agri-food products by seeking enhanced commitments for dialogue, cooperation, and transparency on sanitary and phytosanitary measures.<sup>13</sup>

India is the world's largest market for whisky, and an India-UK FTA could bring huge benefits for Scotch whisky producers, as the UK government is looking to cut tariffs of up to 150 percent (India is already the United Kingdom's third largest Scotch whisky export destination). Whisky may prove to be a sticky point in the India-UK free trade agreement negotiations since the United Kingdom is asking for a three-year maturation period for whisky. Under India's climatic conditions, the spirit could evaporate during the maturation process, causing losses. India will call for the withdrawal of the maturation requirement.

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<sup>11</sup> India and the United Kingdom concluded the first round of FTA negotiations on March 2022, with discussions held in 64 separate sessions covering 26 policy areas. India and the United Kingdom in January 2022 formally launched FTA negotiations with the aim of completing an interim agreement by mid-April 2022 followed by a comprehensive deal by the end of 2022.

<sup>12</sup> See, Government of the United Kingdom/Department for International Trade, at <https://www.gov.uk/government/news/joint-outcome-statement-india-uk-round-two-fta-negotiations#:~:text=On%20Thursday%2017%20March%202022,undertook%20technical%20talks%20in%20London>.

<sup>13</sup> See, UK-India Free Trade Agreement: The UK's Strategic Approach at <https://www.gov.uk/government/publications/uk-approach-to-negotiating-a-free-trade-agreement-with-india>.



**India-Canada FTA:** India and Canada resumed FTA negotiations in April 2022, following a five-year hiatus. Reportedly, both sides are seeking an interim trade deal aimed initially at bolstering bilateral commerce and investment within the next six-to-nine months.<sup>14</sup> Renewed efforts toward ensuring market access for Indian horticultural products such as baby corn, sweet corn, and bananas are being pursued. Canada, for its part, is requesting a systems approach to pest risk management for pulses, while seeking market access for cherries and lumber. Additionally, India is requesting conformity verification body status for the Agricultural and Processed Products Export Development Authority (APEDA), its apex export trade promotion body, for the certification of Indian organic agricultural and food products, with Canada agreeing to examine the request.

It has been estimated that an India-Canada FTA could help Canada expand its exports to India by 39 to 47 percent. Key Canadian exports to India would encompass pulses, fertilizers, coal, and crude petroleum. India would see its exports (e.g., drugs and pharmaceuticals, iron and steel, marine products, cotton fabrics and ready-made garments, and chemicals) to Canada increase by 32 to 60 percent by some estimates.

**India-European Union FTA:** India and the European Union (EU) are set to resume negotiations for a prospective FTA in June 2022. Trade negotiations will likely be a long-drawn out process due to persistent market access issues, coupled with the complexities arising from negotiating with a 27-member bloc. The EU aims to have India relax import duties on alcoholic beverages and dairy products. The EU's negotiators will seek import duty reductions. India, as in the case with the FTA with Australia, may agree to duty reductions but capping these at certain volumes. Already as of April 25, 2022, India and the EU decided to set up a trade and technology council to help boost bilateral ties.

On April 26, 2022, India's Minister of Commerce and Industry Piyush Goyal met with the Netherland's Second Deputy Prime Minister and Minister of Foreign Affairs Wopke Hoekstra to discuss expanding trade opportunities. The Dutch are asking for market access for alcoholic beverages and dairy products. The Netherlands will support a broader FTA between India and the EU, which would allow India greater opportunities on the European continent.

**India-Israel FTA:** India and Israel have been discussing the possibilities of an FTA for over a decade. Talks between both countries are set to resume in May 2022. Over the course of the past six months, India and Israel have sought to expand bilateral ties. In doing so, they have ramped up the exchange of items of interest, trade, and tariff data. An India-Israel FTA would broaden the basket of trade that is currently dominated by defense, high-technology, and agriculture collaboration.

**India-United Arab Emirates FTA:** India signed with the United Arab Emirates (UAE) on February 18, 2022, its first new FTA in a decade. The Comprehensive Economic Partnership Agreement with the UAE is set to reduce tariffs for 80 percent of goods and provide duty-free access to 90 percent of India's exports to the UAE. The agreement is expected to boost annual two-way trade between the FTA partners to USD 100 billion within five-years of its adoption, up from the current USD 60 billion. The agreement covers areas including goods, services, rules of origin, customs procedures, government procurement,

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<sup>14</sup> India and Canada launched Comprehensive Economic Partnership Agreement (CEPA) negotiations in 2010, holding the last round of formal talks in August 2017. During the period, negotiations on a broad range of issues, including sanitary and phytosanitary measures and technical barriers to trade.

intellectual property rights, and e-commerce. Reportedly, additional tariff concessions are expected over the next five years that would lead to lower tariffs for 98 percent of exports and 90 percent of imports from the UAE. Indian exports are set to get zero-duty access in 5-to-10 years.

## Appendix I – BICO - U.S. Exports of Agricultural and Related Products to India, 2017-21

Product	Calendar Years (Jan-Dec)					January - February Comparisons		
	2017	2018	2019	2020	2021	2021	2022	% Chg.
<b>Bulk Total.....</b>	<b>491.0</b>	<b>358.1</b>	<b>638.8</b>	<b>223.0</b>	<b>230.0</b>	<b>29.2</b>	<b>56.7</b>	<b>93.9</b>
Wheat.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Com.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Coarse Grains (ex. com).....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Rice.....	1.0	3.1	1.4	0.5	1.1	0.2	0.0	-
Soybeans.....	1.0	0.9	6.3	44.7*	3.8	0.6	3.7	491.2
Oilseeds (ex. soybean).....	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-
Cotton.....	435.0	332.7	585.6*	147.1	214.0	26.0	52.1	100.6
Pulses.....	53.0	14.2	37.1	19.3	2.9	1.1	0.0	-
Tobacco.....	0.0	0.9	0.2	0.2	0.1	0.0	0.0	-
Other Bulk Commodities.....	2.0	6.2	8.1	11.1*	8.0	1.4	1.0	-30.3
<b>Intermediate Total.....</b>	<b>431.0</b>	<b>436.5</b>	<b>444.8</b>	<b>474.6</b>	<b>544.6*</b>	<b>122.3</b>	<b>216.3</b>	<b>76.9</b>
Milled Grains & Products.....	1.0	1.9	1.7	1.2	0.8	0.2	1.0	516.9
Soybean Meal.....	1.0	2.3	4.1	2.5	8.3*	1.8	2.9	62.9
Soybean Oil.....	0.0	0.2	0.2	34.0	109.2	0.0	78.9	64193
Vegetable Oils (ex. soybean).....	4.0	5.9	3.7	3.3	4.2	0.9	0.5	-37.4
Animal Fats.....	0.0	0.1	0.0	0.5	0.2	0.0	0.0	-
Live Animals.....	2.0	3.4	3.8*	3.2	2.7	0.4	0.7	62.0
Hides & Skins.....	2.0	2.5	2.7	0.4	0.9	0.1	0.5	423.9
Hay.....	0.0	0.0	0.0	0.0	0.2	0.0	0.0	-
Distillers Grains.....	0.0	0.4	0.7	0.9*	0.3	0.2	0.0	-78.6
Other Feeds, Meals & Fodders.....	13.0	20.2	12.9	16.8	24.6*	2.5	4.5	80.8
Ethanol (non-bev.).....	281.0	257.9	286.6	293.0*	267.1	94.7	104.9	10.8
Planting Seeds.....	21.0	8.0	11.4	9.0	10.0	1.3	1.1	-13.8
Sugar, Sweeteners, Bev. Bases..	3.0	2.6	3.4	4.7	3.7	0.3	0.7	110.8
Dextrins, Peptones, & Proteins.....	41.0	54.0*	39.9	25.3	29.2	5.4	4.6	-15.6
Essential Oils.....	27.0	32.0	29.0	30.7	32.9*	7.2	7.9	10.0
Other Intermediate Products.....	34.0	45.1	44.7	49.1	50.3	7.3	8.1	9.9
<b>Consumer Oriented Total.....</b>	<b>976.0</b>	<b>970.8</b>	<b>1,043.5</b>	<b>1,046.2*</b>	<b>1,027.9</b>	<b>138.0</b>	<b>153.4</b>	<b>11.2</b>
Beef & Beef Products.....	0.0	0.2	0.2	0.1	0.8*	0.4	0.0	-
Pork & Pork Products.....	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-
Poultry Meat & Prods. (ex. eggs)...	0.0	0.2	0.6	0.2	1.0*	0.0	0.1	-
Meat Products NESOI.....	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-
Eggs & Products.....	0.0	0.9	1.0	0.8	0.9	0.0	0.2	399.7
Dairy Products.....	43.0	47.9	60.4*	33.8	33.3	4.2	6.0	41.4
Fresh Fruit.....	104.0	162.3*	62.2	40.7	24.2	3.8	1.2	-69.3
Processed Fruit.....	6.0	6.5	9.7	8.3	12.4*	1.5	2.7	80.3
Fresh Vegetables.....	1.0	0.1	0.1	0.0	0.1	0.0	0.0	-
Processed Vegetables.....	3.0	3.5	4.2	4.2	5.2	0.9	1.1	26.0
Fruit & Vegetable Juices.....	2.0	0.3	0.3	0.1	0.2	0.1	0.0	-60.2
Tree Nuts.....	738.0	662.5	823.2	913.3*	889.2	116.4	135.6	16.4
Confectionery.....	0.0	0.1	0.1	0.1	0.2	0.0	0.1	1698.0
Chocolate & Cocoa Products.....	26.0	28.7*	21.6	3.2	6.6	1.3	0.5	-61.3
Bakery Goods, Cereals, & Pasta...	1.0	1.1	1.4	1.8	2.0	0.1	0.2	23.6
Food Preparations.....	30.0	32.7	33.9*	21.6	28.9	4.1	3.0	-27.8
Condiments & Sauces.....	5.0	5.8*	5.6	4.4	4.3	0.7	0.8	6.5
Non-Alcoholic Bev. (ex. juices)....	1.0	3.6	3.7	2.8	3.3	1.3	0.4	-70.4
Beer.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Wine & Related Products.....	1.0	0.9	0.6	0.6	1.1	0.0	0.1	161.8
Distilled Spirits.....	6.0	7.0*	7.0	2.6	5.8	0.8	1.1	43.5
Nursery Products & Cut Flowers..	0.0	0.4	0.6	0.9	2.6*	1.2	0.1	-92.4
Dog & Cat Food.....	0.0	1.5	1.3	1.4	2.1*	0.1	0.2	263.0
Other Consumer Oriented.....	6.0	4.5	5.8	4.9	3.6	1.0	0.1	-89.2
<b>Agricultural Related Products.....</b>	<b>84.0</b>	<b>88.8</b>	<b>85.7</b>	<b>75.4</b>	<b>103.9*</b>	<b>17.6</b>	<b>15.4</b>	<b>-12.3</b>
Biodiesel & Blends > B30.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Forest Products.....	46.0	49.4	54.0	40.1	51.9	7.2	9.6	33.7
Seafood Products.....	38.0	39.3	31.6	35.2	52.0*	10.4	5.8	-44.2
<b>Agricultural Products.....</b>	<b>1,898.0</b>	<b>1,765.3</b>	<b>2,127.1*</b>	<b>1,743.8</b>	<b>1,802.4</b>	<b>289.5</b>	<b>426.4</b>	<b>47.3</b>
<b>Agricultural &amp; Related Products.....</b>	<b>1,982.0</b>	<b>1,854.1</b>	<b>2,212.8*</b>	<b>1,819.1</b>	<b>1,906.3</b>	<b>307.1</b>	<b>441.8</b>	<b>43.9</b>

Prepared By: Trade & Economic Analysis Division/GMA/FAS/USDA      \* Denote Highest Export Levels Since at [www.fas.usda.gov/GATS](http://www.fas.usda.gov/GATS)  
Source: U.S. Census Bureau Trade Data      Least CY 1970      [GATSHelp@fas.usda.gov](mailto:GATSHelp@fas.usda.gov)  
Biodiesel aggregate includes only higher-level and pure biodiesel HTS chapter 38 codes; biodiesel blends below 30% by volume (aka. petroleum oils containing biodiesel) found in chapter 27 are excluded.

Attachments:

No Attachments.