

# CPO REGULATORY TARIFF AND FTA – EFFICACY AND WORKING



**MINISTRY OF PLANTATION INDUSTRIES  
AND COMMODITIES MALAYSIA**

# Outline of Presentation

- Malaysia's FTA Involvement
- Malaysia – Pakistan CEPA
  - Signed Agreement
  - Concessions Given under MPCEPA
  - MPCEPA Entry Into Force
- Impact of MPCEPA (Increase in PO Trade Volume)
- FTA Developments in 2013
  - Pakistan – Indonesia FTA
  - Revision in Malaysian CPO Export Duty Structure
- Way Forward

# Malaysia's FTA Involvement

| CONCLUDED FTAs                    |            | EFFECTIVE IMPLEMENTATION |
|-----------------------------------|------------|--------------------------|
| ASEAN FTA (AFTA) (R)              | AFTA&ATIGA | 28 January 1992          |
| ASEAN - China, P.R (R)            | ACFTA      | 1 July 2005              |
| Malaysia – Japan (B)              | MJEPA      | 13 July 2006             |
| ASEAN – Korea (R)                 | AKFTA      | 1 July 2006              |
| Malaysia – Pakistan (B)           | MPCEPA     | 1 January 2008           |
| ASEAN – Japan (R)                 | AJFTA      | 1 February 2009          |
| ASEAN – India (R)                 | AIFTA      | 1 January 2010           |
| ASEAN – Australia & N/Zealand (R) | AANZFTA    | 1 January 2010           |
| Malaysia – New Zealand (B)        | MNZFTA     | 1 August 2010            |
| Malaysia – India (B)              | MICECA     | 1 July 2011              |
| Malaysia – Chile (B)              | MCFTA      | 25 February 2012         |
| Malaysia – Australia (B)          | MAFTA      | 1 January 2013           |

Note: R – Regional, B - Bilateral

**Concluded FTAs accounted for 60% of Malaysia's global trade under preferential treatment.**

# MALAYSIA – PAKISTAN CEPA

➤ Agreement signed in November 2007

Malaysia – Pakistan



Eff. Date: 1 Jan 2008

- Import tariff on 7 palm-based products (PPO & PPKO) reduced by 15% Margin of Preference (MoP), down from Rs8,100-RS9,720 to Rs7,650-Rs9,180.
- 5 products, with margarine & vanaspati reduced by 20% MoP, down from Rs10,260 to Rs9,180 & 19% to 17% respectively.

# Pakistan's Import Duty Structure for palm oil products (2013)

| No. | HS Code  | Product                                    | MFN Tariff<br>Rs/MT | - FTA      |            |            |
|-----|----------|--|---------------------|------------|------------|------------|
|     |          |  |                     | 1 Jan 2008 | 1 Jan 2009 | 1 Jan 2010 |
| 1   | 15111000 | CPO  | 8000                | 8100       | 8100       | 6800       |
| 2   | 15119010 | Palm Stearin                               | 9050                | 8145       | 8145       | 7692.50    |
| 3   | 15119020 | RBD  | 10800               | 9180       | 9180       | 9180       |
| 4   | 15119030 | Palm Olein                                 | 9050                | 8145       | 8145       | 7692.50    |
| 5   | 15119090 | Others (Other Form<br>of Products)         | 10800               | 9720       | 9720       | 9180       |
| 6   | 15132100 | Crude Oil (CPKO)                           | 9050                | 8145       | 8145       | 8145       |
| 7   | 15132900 | Other (Processed<br>PKO)                   | 10800               | 9720       | 9720       | 9180       |
| 8   | 15171000 | Margarine<br>excluding liquid<br>margarine | 10800               | 10260      | 9720       | 9180       |
| 9   | 15179000 | Other (CBS, CBE<br>etc)                    | 10800               | 10260      | 9720       | 9180       |

Cont.

## Pakistan's Import Duty Structure for palm oil products (2013)

|    |          |   |     |      |     |      |
|----|----------|---|-----|------|-----|------|
| 10 | 15200000 | Glycerine/Crude/<br>Lyes                                      | 20% | 9.5% | 9%  | 8.5% |
| 11 | 23066000 | Palm Kernel Cake  | 10% | -    | -   | 5%   |
| 12 | 34011900 | Soap Noodles  | 50% | -    | -   | 25%  |
| 13 | 38231100 | Stearin Acid  | 20% | 25%  | 25% | 20%  |
| 14 | 38231200 | Oleic Acid  | 5%  | 0%   | 0%  | 0%   |
| 15 | 38231920 | Palm Acid Oil   | 10% | 5%   | 0%  | 0%   |
| 16 | 38231990 | Others (Palm Kernel<br>Acid Oil except<br>Distill Fatty Acid) | 15% | 15%  | 10% | 10%  |

Source: MPOB Karachi 2013

# MPCEPA - Exports Of M'sian Palm Products To Pakistan (Before & After FTA) - Tonnes

| PALM PRODUCTS         | 2007             | 2008             | 2010             | 2011             | 2012             | +/- (%)<br>(2012<br>Vs<br>2007) |
|-----------------------|------------------|------------------|------------------|------------------|------------------|---------------------------------|
| PALM OIL              | 1,070,067        | 1,257,396        | 2,134,604        | 1,821,009        | 1,343,254        | 25.5                            |
| PALM KERNEL OIL       | 7,255            | 8,760            | 10,584           | 8,377            | 10,354           | 42.7                            |
| PALM KERNEL CAKE      | 76               | 30,008           | 19,871           | 72,510           | 54,116           | 712<br>Folds                    |
| OLEOCHEMICAL PRODUCTS | 16,670           | 11,980           | 11,274           | 12,835           | 17,208           | 3.2                             |
| FINISHED PRODUCTS     | 25,531           | 27,435           | 16,428           | 10,242           | 11,350           | (55.5)                          |
| OTHERS                | 8,907            | 6,465            | 8,920            | 5,655            | 3,239            | (63.6)                          |
| <b>TOTAL</b>          | <b>1,128,507</b> | <b>1,342,044</b> | <b>2,201,681</b> | <b>1,930,628</b> | <b>1,439,521</b> | <b>27.6</b>                     |

# MPCEPA - Exports Of M'sian Palm Products To Pakistan (After FTA 2012/2013) - Tonnes

| <b>PALM PRODUCTS</b>         | <b>Jan – Nov 2012</b> | <b>Jan – Nov 2013</b> | <b>(+/-)</b>  |
|------------------------------|-----------------------|-----------------------|---------------|
| <b>PALM OIL</b>              | <b>1,186,280</b>      | <b>1,362,678</b>      | <b>14.9</b>   |
| <b>PALM KERNEL OIL</b>       | <b>9,594</b>          | <b>3,645</b>          | <b>(62.0)</b> |
| <b>PALM KERNEL CAKE</b>      | <b>46,461</b>         | <b>52,280</b>         | <b>12.5</b>   |
| <b>OLEOCHEMICAL PRODUCTS</b> | <b>14,350</b>         | <b>22,242</b>         | <b>55.0</b>   |
| <b>FINISHED PRODUCTS</b>     | <b>9,430</b>          | <b>15,343</b>         | <b>62.7</b>   |
| <b>OTHERS</b>                | <b>3,020</b>          | <b>4,521</b>          | <b>49.7</b>   |
| <b>TOTAL</b>                 | <b>1,269,135</b>      | <b>1,460,708</b>      | <b>15.1</b>   |



# Malaysian Palm Oil Export To FTA Partner Countries (Tonnes)

| Country     | 2010    | 2011    | 2012    | % Diff<br>2012 vs<br>2011 |
|-------------|---------|---------|---------|---------------------------|
| China, P.R  | 3,483.8 | 3,982.1 | 3,501.7 | (12.06)                   |
| Japan       | 551.6   | 541.4   | 559.5   | 3.34                      |
| South Korea | 318.5   | 355.6   | 365.9   | 2.90                      |
| Pakistan    | 2,134.6 | 1,821.0 | 1,343.2 | (26.24)                   |
| India       | 1,170.0 | 1,667.9 | 2,631.4 | 57.77                     |
| Australia   | 126.0   | 118.1   | 93.5    | (20.83)                   |
| New Zealand | 20.6    | 25.5    | 22.7    | (10.98)                   |
| Chile       | 1.1     | 1.8     | 1.7     | (5.6)                     |
| EU          | 2,064.2 | 2006.1  | 2,220.8 | 10.70                     |
| Turkey      | 17.6    | 106.6   | 35.6    | (66.60)                   |

# Malaysia Vs Indonesia Palm Oil Export Share In Malaysia FTA Partners Countries ('000 Tonnes)

| FTA Countries  | 2010    |         |         |         | 2012    |         |         |         |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|
|                | M'sia   | % share | Indon   | % share | M'sia   | % share | Indon   | % share |
| China, P.R     | 3,483.8 | 20.9    | 2,365.4 | 14.4    | 3,501.7 | 19.9    | 3,132.4 | 16.4    |
| European Union | 2,064.3 | 12.4    | 2,725.4 | 16.6    | 2,220.8 | 12.6    | 2,735.7 | 14.3    |
| Pakistan       | 2,134.6 | 12.8    | 90.3    | 0.5     | 1,343.3 | 7.6     | 749.4   | 3.9     |
| India          | 1,169.9 | 7.0     | 5,292.0 | 32.2    | 2,639.9 | 15.0    | 5,303.9 | 27.8    |
| U.S.A          | 1,028.0 | 6.2     | 37.0    | 0.2     | 1,029.4 | 5.9     | 41.2    | 0.2     |
| Turkey         | 187.6   | 1.1     | 130.4   | 0.8     | 35.6    | 0.2     | 229.7   | 1.2     |
| Japan          | 551.6   | 3.3     | 36.4    | 0.2     | 559.5   | 3.2     | 46.3    | 0.2     |
| South Korea    | 318.5   | 1.9     | 9.0     | 0.1     | 365.9   | 2.1     | 46.0    | 0.2     |
| Australia      | 126.0   | 0.8     | 0.0     | 0.0     | 93.5    | 0.5     | 0.1     | 0.0     |
| New Zealand    | 20.6    | 0.1     | 19.3    | 0.1     | 22.8    | 0.1     | 0.3     | 0.0     |
| Chile          | 1.1     | 0.0     | 0.0     | 0.0     | 1.7     | 0.0     | 1.7     | 0.0     |

Source: Oil World

## Benefits of Malaysia – Pakistan FTA

Based on economic regression analysis conducted, it was evident that with respect to the Malaysia – Pakistan Closer Economic Partnership Agreement (MPCEPA), there was a strong relationship (Coefficient = 0.32) between the increase in export of MPO to that of the signing of the MPCEPA FTA Agreement.

# FTA Developments in 2013

## 1. Pakistan – Indonesia FTA

- Indonesia - Pakistan Preferential Trade Agreement (PTA) signed in February 2012.
- Came into force only in 2013.
- Preferential treatment (concessions) for palm products given similar to those provided to Malaysia under MPCEPA.

## 2. Revise Malaysian CPO Export Duty Structure

- Malaysia implemented revised CPO Export Duty Structure beginning January 2013.
- This is to address competitiveness of the downstream sector as well as negative impact of Indonesian Export Duty Structure on palm products.

# CPO New Export Duty - After Partial Reduction

| CPO Price (RM/Tonne) | Export Duty |
|----------------------|-------------|
| 2,250 – 2,400        | 4.5         |
| 2,400 – 2,550        | 5.0         |
| 2,550 – 2,700        | 5.5         |
| 2,700 – 2,850        | 6.0         |
| 2,850 – 3,000        | 6.5         |
| 3,000 – 3,150        | 7.0         |
| 3,150 – 3,300        | 7.5         |
| 3,300 – 3,450        | 8.0         |
| 3,450 – 3,600        | 8.5         |

# Way Forward

- A. Request Pakistan to revise downwards import duty on palm products
  - concessions to be viewed in broader frameworks
- B. Continued strengthening bilateral private sector linkages
- C. Explore other measures for mutual benefits including making Pakistan as the hub for neighboring countries:
  - Iran: potential market 600,000 annually;
  - Central Asia Republics: potential market 300,000 – 400,000 annually
- D. Malaysian Government will continue to facilitate bilateral palm oil trade

**THANK YOU**