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Vajpayee undertakes to review duties on Malaysian palm oil

MALAYSIA'S largest palm oil importer India has given strong signals that the current disparity in import duty between the commodity and rival soyabean oil is up for a revision.

This came about after a meeting between Prime Minister Datuk Seri Dr Mahathir Mohamad and visiting Indian Premier Atal Bihari Vajpayee in Putrajaya yesterday.

India currently sets import duty for palm oil at about 92.4 per cent, while that for soyabean oil is 50.8 per cent. This huge difference affects Malaysia as it makes palm oil more expensive in the subcontinent.

Speaking to reporters after meeting about 500 ex-servicemen at the Prime Minister's Department yesterday, Dr Mahathir said the commitment to review the tax structure was given by Vajpayee at bilateral talks held earlier.

Vajpayee arrived on Sunday for a four-day official visit to Malaysia.

"They (the Indian Government) gave an undertaking that it would look into the problem of import duty," Dr Mahathir said.

Malaysia and Indonesia had asked the Indian Government to cut its import duty on crude palm oil (CPO) to 45 per cent from the current high level so that the commodity could compete on a level playing field against soyabean oil.

India imported 3.55 million tonnes of palm oil last year, of which 60 per cent came from Malaysia.

The composition of India's total oils and fats imports last year consisted of 67 per cent palm oil, 17 per cent soyabean oil and 12 per cent sunflower oil, making Malaysia the biggest supplier of edible oil to India.

Meanwhile, Primary Industries Minister Datuk Seri Dr Lim Keng Yaik paid a courtesy call to Vajpayee and expressed confidence that the revision will take place soon.

"India has promised to review the current import duties and will give an immediate answer as soon as possible," Dr Lim told reporters after a two-hour meeting with the Indian Premier.

Dr Lim also said that Vajpayee had promised to look into better market access for Malaysia's palm oil in the spirit of good trade relations between the two countries.

He noted that the current tax structure makes palm oil more expensive by US\$80 (US\$1 = RM3.80) a tonne against soyabean oil, putting the former at a disadvantage in terms of market penetration.

"We have asked India to put Malaysia's palm oil on a level playing field with soyabean oil.

"Malaysia has also proposed for India to implement a special development levy as a domestic measure to encourage its local farmers to plant more edible oils," he added.

Dr Lim said the development levy is one way of providing a level playing field for Indian farmers to push up domestic prices of oils to the same level as imported oils.

He added that Vajpayee had said he (Vajpayee) would look into Malaysia's proposal and would consult the World Trade Organisation (WTO) to determine whether the move is consistent with WTO regulations.

India increased import tax on palm oil three times last year, with the last increase occurring on February 28 this year at its budget session.

Dr Lim said Malaysia is glad that India has agreed to participate in the

country's electrification and double-tracking railway project, whereby the mode of payment is in the form of palm oil.

"It is one of the methods to alleviate Malaysia's palm oil stock. It is hoped that at least 1.5 million tonnes of Malaysia's palm oil will go to India as a result of the project."

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