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Indonesia abolishes up to 30 import duties on Pakistani products

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KARACHI: Indonesia abolished import duties of up to 30 percent on 20 Pakistani products in a trade deal to secure future of more than one billion dollars of palm oil exports to the south Asian economy that is shifting to a new supplier on long-awaited tariff concessions, industry officials said on Friday.

“The renegotiated trade deal is a step towards securing future of Indonesian palm oil exports to Pakistan,” Ehsan Malik, chief executive officer of a pan-industry advocacy group Pakistan Business Council (PBC) told The News.

Malik said Pakistani government is to announce the breakthrough in day or two.

The Indonesian government has long been mulling import duty concessions for 20 tariff lines, including rice, mangoes and value-added textiles, under the revised preferential trade agreement (PTA) originally signed with Pakistan in February 2012.

“The latest move is a preemptive move to shift of Pakistani palm oil buying orders to Malaysia,” Malik said.

Indonesia is the dominant palm oil exporter to Pakistan, exporting worth \$1.5 billion of commodity in a year.

“(But) Indonesia is losing market share to the world’s No. 2 producer, Malaysia,” Abdul Rasheed Jan Mohammed, chairman of the Pakistan Edible Oil Refiners Association told Jakarta Globe.

Indonesia withdrew import duties in the range from 7.5 to 30 percent.

The PBC estimates an incremental export potential arising from the duty relaxation of \$320 million, subject to capacity and quality competitiveness of the offerings.

In 2017, Pakistan imported goods, mainly vegetable oil, worth \$2.4 billion from Indonesia. The country’s exports, however, stood at \$241 million, leaving a trade deficit of \$2.2 billion.

“On an annualised basis the relaxation of tariffs will enhance exports from Pakistan to Indonesia by 133 percent and reduce the deficit by 15 percent,” the PBC said in a statement.

In January, Indonesia and Pakistan finalised the review process for the PTA and the former agreed to grant tariff concessions on major exports from the latter, including zero percent tariff on tobacco, textile fabric, rice, ethanol, citrus (kinnow), woven fabric, t-shirts, apparel and mangoes. Indonesia’s global imports under these tariff lines are around \$600 million.

Previously, Pakistan provides preferential tariffs to 313 imports from Indonesia that allows 232 imports from Pakistan under reduced duty structure.

Analysts said Pakistani exporters have been unable to benefit from around 200 tariff lines, reflecting in decline in exports.