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Fact sheet

Exclusion of products from free trade agreements: Palm oil – facts and figures

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Position of scienceindustries

For fundamental reasons, scienceindustries rejects the exclusion of products from negotiations for free trade agreements. Such exclusions not only contradict the spirit of free trade, but they are also diametrically opposed to the policy of comprehensive mutual market access for all trading partners.

Palm oil can at present already be imported free of duty to Switzerland under the Generalised System of Preferences (GSP), which provides developing countries with easier access to markets. The exclusion of palm oil from free trade agreements will therefore bring no added value, but will generate substantial additional import costs for users in the secondary and tertiary sectors because APS status will necessarily be lost under a free trade agreement.

On the other hand, scienceindustries sees the conclusion of free trade agreements with Malaysia and Indonesia as an opportunity for the EFTA countries to establish closer ties with these two countries, which will allow them to campaign even more effectively for the environmentally and socially responsible cultivation of palm oil.

Background

On 28 February 2018, the National Council adopted the motion of Jean-Pierre Grin[1], who wishes to exclude palm oil from negotiations for free trade agreements.

Indonesia (market share 56.1%) and Malaysia (market share 34.7%) are the **biggest producers of palm oil in the world**.

In 2016, **exports of palm oil** from **Indonesia** accounted for **8%** of its total exports, and in 2017 palm oil accounted for **4.9%** of **Malaysia's** total exports.[2]

Applied to **Switzerland**, this would be the same as a negotiating partner demanding that Swiss **watches** (9% of Switzerland's total exports) or **food and beverages** (3.9% of Switzerland's total exports) should be **excluded from a free trade agreement**.[3]

Around **one-third of Switzerland's demand for vegetable oils** is met by the **domestic production** of oil seeds (rapeseed, sunflower and, to a lesser extent, soya). The **rest** has to be **imported**.

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[1] 16.3332; The Federal Council must exclude palm oil from the free trade agreement in the negotiations with Malaysia

[2] (Malaysia: http://www.matrade.gov.my/en/28-malaysian-exporters/trade-statistics/3789-top-10-major-export-products-2017 ; Indonesia: https://wits.worldbank.org/countrysnapshot/en/IDN)

[3] Basis: FCA, Foreign trade statistics 2017

Use of palm oil

Worldwide, palm oil is used in the production of **food and feed (68%)**, the production of **cosmetics, detergents, cleaning agents and other industrial products (27%)** and as a source of **energy (biodiesel; 5%)**.

During the **2017/2018** harvest year, some **62.6 million tonnes** of palm oil were **used** worldwide.[4]

Production and sustainability

The WWF already carried out a study[5] on palm oil in 2016 (title: *Auf der Ölspur* (Following the Oil Trail)). This study concluded that **boycotting palm oil is not a solution**:

Quote:
*... Worldwide, around 60 million tonnes of palm oil and palm kernel oil are produced every year on more than 17 million hectares of land – this is almost half the size of Germany. The **uncritical replacement of palm oil by other vegetable oils will in particular not solve the problems**, but will only shift and worsen them. This applies specifically to the replacement of palm oil by coconut or soya oil. **More land** will be needed for planting, **more greenhouse gases** will be emitted, and the **threat to animal and plant species worldwide will increase** ...*

*... **rapeseed, coconut and sunflower** only produce around **0.7 tonnes of oil per hectare** on average. Soya even less. For comparison: **Oil palms** yield **3.3 tonnes per hectare** on average.*

*...there is no choice but to make the **cultivation of oil plants more environmentally and socially responsible**. At the same time, our demand has to be drastically curtailed.*

Against the background of a growing world population, economic growth in the consumer countries – in particular China and India – and a growing demand for food, the high output per hectare is an important requirement in meeting the worldwide demand for vegetable oils. The promotion of other vegetable oils, however, would simply have a displacement effect and thus lead to similar problems in other countries in the world, for example the clearing of the rainforest for soya cultivation in Brazil.[6]

There are already different **certification systems** (e.g. Roundtable on Sustainable Palm Oil (RSPO), International Sustainability and Carbon Certification (ISCC) Standard; Rainforest Alliance / Sustainable Agriculture Network (SAN) Standard; Roundtable on Sustainable Biomaterials (RSB)) that promote the **sustainable production and manufacture** of palm (kernel) oil.

The certification of the palm (kernel) oil chain from cultivation to consumption of the final product is a **powerful lever** for tackling the **environmental and social problems** caused by the expansion of oil palm plantations. What is also needed is **support from politicians and legislation in the producing countries**, the **enforcement of existing laws**, and **responsible producers and traders**.

[4] https://de.statista.com/statistik/daten/studie/443033/umfrage/konsum-von-palmoel-weltweit/
[5] Title: *Auf der Ölspur;* http://www.wwf.de/themen-projekte/landwirtschaft/produkte-aus-der-landwirtschaft/palmoel/auf-der-oelspur/
[6] https://www.forumpalmoel.org/unser-service/faq

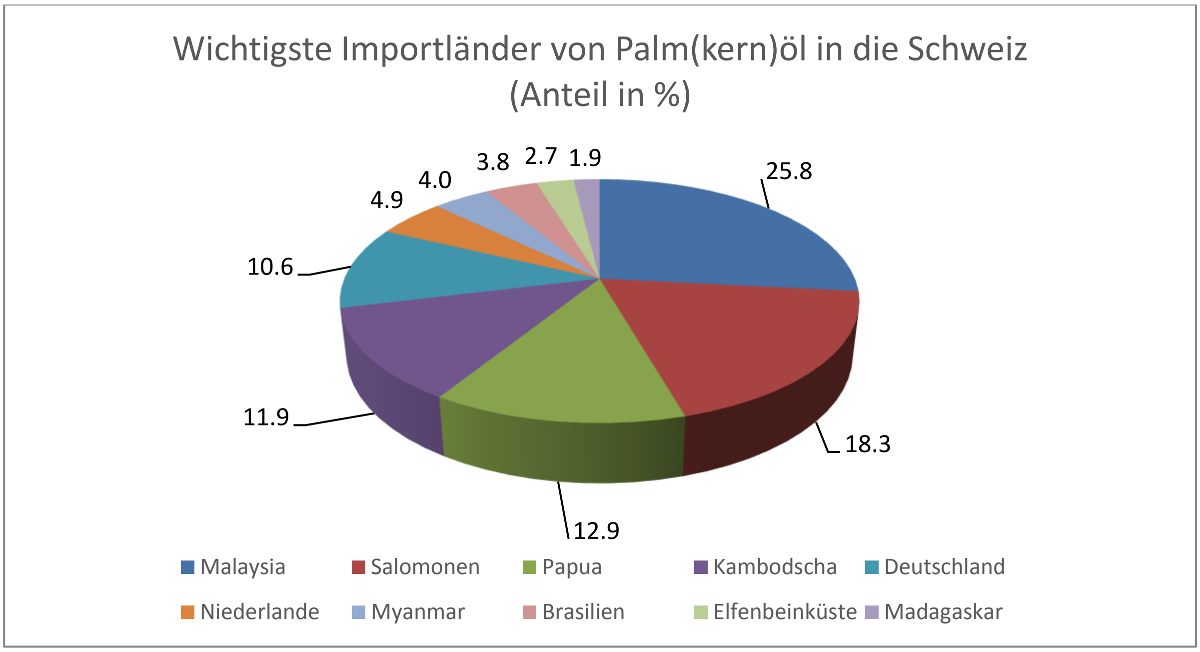
World trade – exporters – importers

91% of all palm oil exports are produced in **Indonesia (56.1%)** and **Malaysia (34.7%)**.

The most important importing countries are India (23.5%), the EU (14.4%), China (10.6%), Pakistan (6.9%) and Bangladesh (3.6%). **At 30,000 tonnes (0.07% of the world share), Switzerland ranks number 56.**

Switzerland imports palm oil from 40 countries in total.

The most important countries from where Switzerland imports palm (kernel) oil:

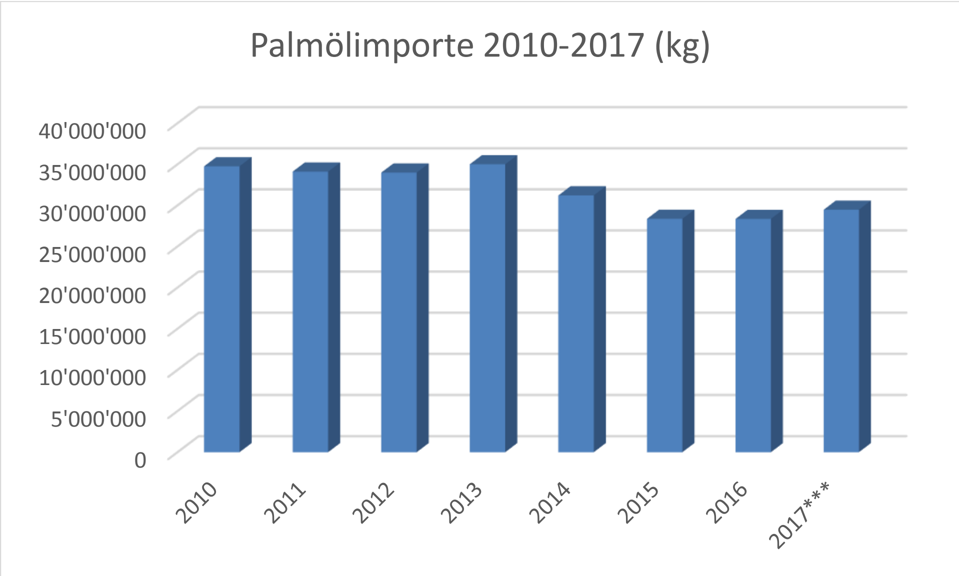


Swiss oil market

Around **one-third of the demand** for vegetable oils is met by the **domestic production** of oil seeds (rapeseed, sunflower and, to a lesser extent, soya). **70% of the demand has to be imported.**[7]

Sunflower's market share was 33.7% in 2016. This oil is mostly imported. The market share of rapeseed oil was 25.5% in 2016. With a market share of less than 1%, soya oil is unimportant. Among the imported oils, palm oil (15.8%) and olive oil (10.5%) account for a considerable share of the market.[8]

[7] http://www.fial.ch/branchenverbaende/swissolio/
[8] Agriculatural Report 2017



Source: Foreign trade statistics, FCA, Swiss-Impex (HS code: 1511.10 and 1511.90)

Palm oil imports to Switzerland **generally trended downwards from 2010 to 2017**.

Customs duties

Switzerland grants developing countries unilateral tariff preferences via its Generalised System of Preferences (GSP). Under the Swiss GSP, the least developed countries (LDC) can export their goods free of duty and quotas to Switzerland.

Indonesia as well as Malaysia, the **biggest exporters of palm oil** in the world, qualify as **developing countries** under Annex 1 to the Ordinance on Preferential Tariff Rates for Developing Countries (SR 632.911).

Therefore, **51.5% of all palm oil imported** to Switzerland in 2017 was already **exempt from duty**.

Crude palm oil (tariff number 1511.10) from Indonesia was imported fully exempt from duty to Switzerland, while half of the oil from Malaysia (47.8%) could be imported duty-free.

93.1% of the refined but not chemically modified palm oil and its fractions (tariff number 1511.90) from Indonesia could be imported duty-free, while duty-free imports of the same products from Malaysia accounted for a share of 46.6%.

At the end of 2017, the EU extended the tariff suspensions for palm oil by another year.[9]

[9] (EU) No 1387/2013, Annex II