

Malaysian Petrochemical Producers to Seize Opportunities of China's Suspension of ECFA Preferential Tariff of Selected Petrochemical Products on Taiwan

On December 21st 2023, the Ministry of Finance of the People's Republic of China (Mainland China) announced that it will suspend tariff relief on the importation of the 12 Taiwanese petrochemical products into China under the Economic Cooperation Framework Agreement (ECFA).

Taiwan No Longer Enjoy Preferential Tariff on Petrochemical Products Under ECFA

Both Taiwan and Mainland China signed the ECFA in June 2010 in China and functioned as a free trade agreement between Taiwan and Mainland China. Under the Agreement, both sides offered list of manufactured goods that allowed to enjoy preferential import tariff for the products ranging from agriculture, petrochemical, machinery, textile, logistics and transportation, and other industrial produce such as iron & steel, cement, color die, aluminum & copper, compressor, mini home appliance, and optical device such as cameras.

Under the ECFA, Taiwan used to enjoy preferential tariff for exportation of products to China with less than 2% import duty for the 12 items under petrochemical categories, and these include 1) Propene, 2) Buta-1, 3-diene, 3) Isoprene, 4) O-xylene, 5) M-xylene, 6) P-xylene, 7) Mixed xylene isomers, 8) Dodecylbenzene, 9), Chloroform 10) Vinyl chloride, 11) Ethylene-propylene copolymers in primary forms, and 12) Polymers of other olefins, in primary forms. For the detailed list of suspended petrochemical products, please refer to Appendix I.

The 12 mentioned products are petrochemical raw materials and widely used as upstream materials to produce plastic products, rubber products, and fibre materials. Once the semi-finished products are made, it can be further manufactured into apparels, shoes, plastic casing for electronic devices and products, acrylic board and panel, parts & components for electrical motor vehicles, and tyres.

With the fact that Taiwan is no longer benefit from the preferential tariff on petrochemical products under the ECFA, it is estimated that the Taiwanese petrochemical companies will have to bear extra cost of USD 529 million on the petrochemical produces exportation to

Mainland China since the import tariff for the mentioned 12 items are now taxable between 2%-10%, from the previous preferential rate of 1% to 2%.

Export Opportunities for Malaysian Petrochemical Companies to Mainland China

According to the General Administration of Customs of the People's Republic of China trade statistics, Mainland China's total import for these aforementioned photochemical products was USD 13.56 billion for the period from January to November 2023. Korea, Japan, Taiwan, Brunei, Singapore were Mainland China's top 5 import sources with the total import shares at 88.86%.

Malaysia ranked its 6th supplier with total import value at USD 463 million, accounted for 3.41% of Mainland China's total import for the products consist of p-Xylene (HS 29024300), propene (HS 29024300), polymers of other olefins, in primary forms (HS 29029000), Buta-1,3-diene (HS 29012410) and ethylene-propylene copolymers, in primary forms (HS 29023010).

Malaysia has a well-developed petrochemical ecosystem, with over 100 companies producing a wide range of petrochemical products, such as olefins, polymers, and aromatics, and to expand beyond the commodity products as industry players develop more complex, specialty downstream chemicals.

Observation

The petroleum and petrochemicals industry are one of the leading industries in Malaysia. From being an importer of petrochemicals, Malaysia today is in the top 10 list of sourcing countries of major petrochemical products. A wide range of petrochemicals are produced in Malaysia, such as olefins, polyolefins, aromatics, ethylene oxides, glycols, oxo-alcohols, ethoxylates, acrylic acids, phthalic anhydride, acetic acid, styrene monomer, polystyrene, ethylbenzene, vinyl chloride monomer and polyvinyl chloride, proofing Malaysia have the strengths and capacity in supporting global petrochemical demand supply chain.

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Appendix I - Detailed List of Suspended Petrochemical Products

No.	HS Code	Description (English)	Description (Chinese)	Imposed Tariff on Taiwan starting January 1 st 2024 (Applied Tariff under Most-Favored Nation after Mainland China Suspension on ECFA Tariff)
1	29012200	Propene(propylene)	丙烯	2%
2	29012410	Buta-1,3-diene	1,3-丁二烯	2%
3	29012420	Isoprene	異戊二烯	2%
4	29024100	O-Xylene	鄰二甲苯	2%
5	29024200	M-Xylene	間二甲苯	2%
6	29024300	P-Xylene	對二甲苯	2%
7	29024400	Mixed xylene isomers	混合二甲苯異構體	2%
8	29029030	Dodecylbenzene	十二烷基苯	2%
9	29031300	Chloroform (trichloromethane)	三氯甲烷	10%
10	29032100	Vinyl chloride (chloroethylene)	氯乙烯	5.5%
11	39023010	Ethylene-propylene copolymers (propylene monomer unit by weight is over ethylene monomer unit), in primary forms	乙烯-丙烯共聚物(乙丙橡膠)	6.5%
12	39029000	Polymers of other olefins, in primary forms	其他初級形狀的烯烴聚合物	6.5%

Source: General Administration of Customs of the People's Republic of China

Appendix II - Mainland China's Imports on Petrochemical from Malaysia and Other Countries in 2023 (Jan - Nov)

HS Code	Description	Malaysia's Export to Mainland China 2023 (Jan - Nov)	Mainland China's Total Imports from the world in 2023 (Jan - Nov)	Malaysia's Market share of Mainland China's Imports in 2023 (Jan - Nov)	Competitors by Rank
		USD Mil	USD Mil	Share %	Ranking (%)
29024300	P-Xylene	315.76	8,764.32	3.60	1. Korea (42.92) 2. Japan (18.32) 3. Taiwan (14.03) 6. Malaysia (3.60)
29012200	Propene	62.34	1,937.79	3.22	1. Korea (59.31) 2. Japan (18.86) 3. Taiwan (13.89) 4. Malaysia (3.22)
39029000	Polymers of other olefins, in primary forms	46.39	592.58	7.83	1. Japan (30.03) 2. U.S. (23.31) 3. Korea (11.36) 7. Malaysia (7.83)
29012410	Buta-1,3-diene	33.69	336.85	10.00	1. Korea (31.31) 2. Iran (11.96) 3. Malaysia (10.00)
39023010	Ethylene-propylene copolymers, in primary form	4.82	1,297.26	0.37	1. Singapore (30.80) 2. Taiwan (18.91) 3. Korea (17.01) 18. Malaysia (0.37)

Source: General Administration of Customs of the People's Republic of China