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India Resumes Purchase of Malaysian Palm Oil

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Why in News

Recently, India has **resumed purchases of Malaysian palm oil after** a gap of four-month following a diplomatic row between the two countries.

Background

- The former Prime Minister had criticised India's **Citizenship Amendment Act (CAA)** which was considered as an interference in the internal matter of India.
- Subsequently, the **diplomatic row** emerged between the two countries.
- Following the incident, India **imposed a ban on imports of palm oil** from Malaysia. India's total palm oil imports from Malaysia for the first four months of 2020 **fell by more than 50% from the same period in 2019.**
- The renewed purchases come amid improving trade relations between India and Malaysia after the formation of a new government in Malaysia.

Key Points

- **India's Palm Oil import:**
 - India is the **world's biggest buyer of edible oils.**
 - India buys **more than two-thirds** of its total edible oil imports as **palm oil.**
- **Malaysian Import over Indonesia:**
 - **Malaysia** is the **world's second** largest producer of palm oil **after Indonesia.**
 - Malaysia's palm oil inventories **production has surged** and **coronavirus lockdowns** led to a slump in demand.
 - Thus, Malaysian palm oil is available at a **discount price** compared to supplies from Indonesia. On the other hand, Indonesia has also raised its **palm oil export levy.**
 - Additionally, Malaysia has also signed a deal to **buy 100,000 tonnes of Indian rice.**

India-Malaysia Relation

- India established diplomatic relations with Malaysia in 1957.
- **Economic Relation:** India and Malaysia have signed **Comprehensive Economic Cooperation Agreement (CECA)**. CECA is a kind of **Free Trade Agreement (FTA)**.
 - India has also signed the Free Trade Agreement (FTA) in services and investments with the 10-member **Association of Southeast Asian Nations (ASEAN)**.
 - Malaysia is the third largest trading partner in ASEAN.
 - Bilateral trade between India and Malaysia is significantly biased in favour of Malaysia.
- **Defence & Security Cooperation:** Joint military exercises “**Harimau Shakti**” are held annually between the two countries.
- **Traditional medicine:** India and Malaysia have signed a MoU on cooperation in the field of Traditional Medicine in October 2010.
 - The Government of Malaysia has been working to popularize AYUSH (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy) systems in Malaysia.
 - AYUSH systems are practiced in Malaysia.



Source: ET