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BPA only needs Thai Cabinet nod now: Rafidah

MALAYSIA expects to sign a bilateral payments arrangement (BPA) with Thailand soon, making it the second such deal to be concluded within Asean in an effort to reduce the use of the US dollar.

International Trade and Industry Minister Datuk Seri Rafidah Aziz said the Cabinet has given the go-ahead to put in place the BPA which will promote the use of ringgit and baht for bilateral trade.

It is now up to the Thai Cabinet, she told reporters after meeting visiting Thai Commerce Deputy Minister Pothipong Lamsam in Kuala Lumpur yesterday.

"Our Cabinet has approved it. There are still some technicalities but they are not difficult to settle."

Rafidah said the Export-Import (Exim) Bank and Bank Negara are working with their Thai counterparts to iron out the details, like the exchange rates and settlement period.

"Once that has been agreed, it will go to their Cabinet. It is a very small matter... It should be done very soon," she added.

Padi Beras Nasional Bhd (Bernas), however, is not waiting for the BPA with Thailand to be established as it has come up with its own arrangement to use the ringgit when buying rice from Thailand.

Under the agreement, Asia Peninsula Corp, which is a joint venture company between Bernas and two Thai companies, has established a banking account to accept payments for rice imports from Thailand.

"The payments will be made in ringgit into this account and any currency conversion will be subsequently done locally. This will help reduce the amount of ringgit flowing offshore.

"In this case, the imports of rice from Thailand will also not be subjected to the effects of ringgit/US dollar fluctuation," Bernas chief operating officer Ahmad Ilham Abd Samad said yesterday.

Bernas imports 660,000 tonnes, or RM750 million worth, of rice a year, 70 per cent of which are from Thailand.

The company has since September last year been using the ringgit to pay for rice imports from Thailand. The company is making similar arrangements with trading partners from other countries.

It is also negotiating with China to barter Chinese rice for Malaysian palm oil.

The idea of using trading partners' currencies was mooted by Prime Minister Datuk Seri Dr Mahathir Mohamad as a means to help countries affected by the South-East Asian turmoil reduce their reliance on hard currencies, especially the US dollar.

Regional currencies - including the baht, rupiah, peso and ringgit - have depreciated substantially against the US dollar since July last year.

In the first five months of the year, Malaysian-Thai trade amounted to RM7.58 billion, with Malaysian exports totalling RM3.73 billion and imports RM3.85 billion.

Last year, bilateral trade reached RM15.56 billion; exports to Thailand were worth RM7.16 billion and imports RM8.4 billion.

The main export items to Thailand are parts and accessories, petroleum, integrated circuits, telecommunications equipment, copper, wood and railway sleepers, and musical instruments.

Imports from Thailand are mainly natural rubber, rice, sugar, petroleum products, fish, and telecommunications equipment.

Malaysia signed its first Asean BPA with the Philippines last month.  
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