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Dr Lim: Cuba offered palm oil credit in yen

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MALAYSIA has offered Cuba a credit facility denominated in yen to buy palm oil under the Palm Oil Credit and Payment Arrangement (Pocpa), said Primary Industries Minister Datuk Seri Dr Lim Keng Yaik.

The use of yen, he said, is agreed upon by both parties as Cuba, under an existing arrangement with the US, is not allowed to have its foreign trade dealt in the US dollar.

Malaysia is scheduled to sign the Pocpa with Cuba this Thursday, which would enable the country to buy Malaysian palm oil through a line of credit.

"An agreement will be signed between Bank Negara and the Central Bank of Cuba to provide the mechanism to utilise the credit given to Cuba," Dr Lim told reporters after welcoming Cuba's Central Bank president Francisco Soberon Valdes at his office in Kuala Lumpur yesterday.

The hour-long meeting was followed by the signing of a memorandum of understanding (MOU) between Dr Lim and Valdes on behalf of Malaysia and Cuba respectively, on the implementation of the Pocpa scheme.

Under the MOU, Malaysia will provide a credit facility of 1.298 billion yen (100 yen = RM2.91) to cover the purchase of about 15,800 tonnes of Malaysian palm oil by Alimport, a Cuban company.

The move, he said, is in line with Prime Minister Datuk Seri Dr Mahathir Mohamad's call to move away from dependency on the US dollar in the international market.

To date, countries that have signed Pocpa agreements with Malaysia are Pakistan, Algeria, Iran, Iraq, Myanmar and Bosnia-Herzegovina.

The Pocpa scheme is offered to selected third world countries which are experiencing shortage of foreign exchange.

"Under this scheme, the Government will offer a two-year credit to recipient countries in return for their commitment to buy Malaysian palm oil by means of long term contracts, Dr Lim said.

Valdes said it will be more convenient for Cuba to have the Pocpa payment facility denominated in Japanese yen to avoid foreign exchange risk.

"Also, based on the economic rules of the US against Cuba, we are not allowed to make payments in the US dollar," he said.

Valdes added that it is good for the world that trading be done in various currencies. "We don't feel it is good for the world that there is a supremacy of one currency for trading and business."

On the MOU, he said it will open a new potential for more trade between Cuba and Malaysia.

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