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Switch to BPA-based counter trade, Dr M suggests

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KHARTOUM, Thurs: Malaysia has suggested that developing countries use bilateral payments arrangements (BPA), an instrument that has helped boost South-South trade, to conduct barter or counter trade.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in making the suggestion, said countries will have to go back to basics to ease the impact of currency depreciation on their economic development.

One of the ways to do this is to conduct barter or counter-trade via the BPA instead of using currencies as the mode of payment, he said.

This is crucial if these countries are to remain independent and rebuild their economies, the Prime Minister told a group of Sudanese investors here tonight.

The BPA, which was devised by the Group of 15 (G-15), enables importers to pay for the goods in the local currency.

For barter or counter trade using BPA to be successful, Dr Mahathir said participating countries will have to tally their imports and exports.

"If the total export is bigger than the local import, then the balance will be paid in the currency of the country with the trade surplus. This way, not much foreign currency would be needed even when the volume of trade is huge," he said.

Dr Mahathir is on a three-day visit to Sudan. He arrived here yesterday from Cairo after an official visit to Egypt followed by the three-day G-15 Summit.

The Prime Minister said to effect the BPA, clearing houses will have to be set up in each country.

With the use of computers, it is a simple matter to monitor every deal that takes place in real-time and balance the trading amount at the end of each day. Payments will be settled daily at the going exchange rate to avoid currency fluctuations.

"By not using the currency of a third country, we will actually be able to reduce the cost of hedging on the exchange rate. With this, we can also overcome the shortage of foreign exchange that we frequently face... (and) trade will increase."

Dr Mahathir said since using the BPA, Malaysia has posted a 300-per cent increase in its trade with Latin America and some countries in Southern Africa.

"It is not unlikely that trade with Sudan will also increase if we adopt this method of payment. We will be able to actually maximise our profits while being able to obtain the goods and services which we need."

Dr Mahathir believes that it is opportune for Malaysia and Sudan to work closely to increase bilateral trade which is on a decline.

Bilateral trade last year reached US\$16.8 million (US\$1 = RM3.85), down from US\$33.21 million in 1996 and US\$36.77 million in 1995.

He said the present level of trade and the narrow range of products involved do not reflect the true economic potentials of the two countries.

While Malaysia can be a competitive source for a large number of products for Sudan, the country can also sell many more products to Malaysia.

Malaysia exports, among other things, palm oil-related products, natural rubber, timber and television receivers to Sudan, and imports aluminium, iron and steel products, and watches and clocks.

"I do not foresee any great hindrance to developing bigger bilateral

trade and economic activities.

"Joint efforts are definitely needed on the part of our private sectors as well as government agencies to spearhead programmes and formulate strategies towards heightened economic relations," he added.

In terms of investments, Petronas has made inroads into Sudan in the petroleum and gas sector, Advance Synergy Bhd in the mining and the hotel sectors, and Tabung Haji in plantations.

Dr Mahathir said in line with Malaysia's policy, exports of both merchandise and services are being promoted.

Malaysia currently offers and promotes services in the areas of education, healthcare, port and airport management, engineering, construction and consultancy.

The Government also welcomes more students from Sudan to pursue higher education in Malaysia. There are currently some 90 Sudanese students and 60 lecturers in various Malaysian universities. In turn, there are 59 Malaysians studying in Sudan.

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