

Palm oil exports to Pakistan, Gulf may get reinsured: Govt

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MALAYSIA is considering asking local insurers to cover additional risk for palm oil bound for Pakistan and the Gulf during the Afghan crisis, a Cabinet minister said yesterday, reversing plans for a subsidy.

"There are a lot of suggestions coming from private sources, insurance associations in Malaysia, about doing a joint reinsurance," Primary Industries Minister Datuk Seri Dr Lim Kenti Yaik said.

"If we can take up the reinsurance, then the Government doesn't have to come out with money but just assume the risk if anything happens," he said.

Malaysia is the world's main palm oil producer and exporter.

Following the conflict in

Afghanistan, insurers and shipping lines had widened the number of international war-risk areas and destinations to 19 from 11 previously and Pakistan was among the latest included, industry officials said.

Dr Lim said last week vessels were charging between US\$1 and US\$5 (US\$1 = RM3.80) more for a tonne of palm oil headed to the war-risk areas and exporters learnt of the exact difference only 48 hours before their cargo reached port.

The minister had initially proposed that the Government subsidise the surcharge.

He said local insurers may instead be asked to assume any additional risks to vessels carrying palm oil to these troubled areas.

Dr Lim, speaking before leaving for Jakarta to seek cooperation in commodity trade with Indonesia, said the Malaysian Finance Ministry is working out details of the proposal.

He could not say when a decision would be made.

Dr Lim had said last week that Prime Minister Datuk Seri Dr Mahathir Mohamad's Cabinet, which meets every Wednesday, may approve the insurance subsidy plan at this week's meeting.

He did not say if the issue was raised yesterday.

The proposed subsidy sent local palm oil futures on a brief rally before players realised it may lead to buyers in the af-

fectured areas seeking more discounts from exporters.

Lim said Pakistan and the West Asian region accounted for about 2.5 million tonnes, or 25 per cent, of Malaysia's total palm oil exports, making them a crucial market.

Demand for edible oil normally picks up in Muslim countries just before the Eid al-Fitr festival and Malaysia did not want its palm oil to lose out.

An insurance executive at a Malaysian shipping firm said the reinsurance plan would work best among local vessel owners and local insurers.

"A local cartel could be easier formed to assume the additional risk," said the executive. Reuters1