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India to review duties (HL)

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PUTRAJAYA, Mon. - India, the largest buyer of Malaysian palm oil, has promised to review the high duties it has imposed on imports of the commodity.

Prime Minister Datuk Seri Dr Mahathir Mohamad said today the undertaking was given by Indian Prime Minister Atal Bihari Vajpayee at a delegation meeting between both countries held in the morning.

"They have given an undertaking that they will look into the problem," Dr Mahathir told reporters this evening after attending a gathering with ex-servicemen.

The meeting, held at the Prime Minister's Office, had followed a 40-minute private meeting between Dr Mahathir and Vajpayee.

This sticky issue was brought to the table by Malaysia which asked India to be balanced in its treatment of edible oil imports. India buys about 2.5 million tonnes of palm oil from Malaysia every year.

In February, it imposed its heaviest-ever import duty of 75 per cent on crude palm oil and 85 per cent on refined palm oil to stem imports and protect the local industry. This compares with 45 per cent on soya bean oil.

Foreign Minister Datuk Seri Syed Hamid Albar, who briefed reporters after the delegation meeting, described the undertaking as a "positive answer".

He added that while they understood that India had to consider its internal constraints, it had given a firm commitment to consider reducing the duties.

Besides this breakthrough, Malaysia and India also discussed the balance of trade which is heavily in Malaysia's favour.

India is Malaysia's largest trading partner in South Asia, and bilateral trade amounts to almost RM10 billion a year.

Syed Hamid said Malaysia has offered a RM6 billion railway project to Indian company Ircon International Ltd, on a counter-trade basis. India has agreed to accept payment in palm oil.

The details were being worked out for the contract for Ircon to put in dual tracking and electrifying rail lines from Ipoh to Padang Besar.

"We hope that this project will assist in redressing the imbalance in the trade between India and Malaysia," he said.

The railway project was one of the five memoranda of understanding signed between India and Malaysia today to take bilateral co-operation a step forward.

The Governments also signed two bilateral agreements - on visa exemptions for diplomatic and official passports, and avoidance of double taxation (see page 2).

Vajpayee arrived yesterday for a four-day visit, the first by an Indian Prime Minister in six years, and leads a large delegation which includes 75 businessmen.

He had originally planned to visit Malaysia in February but the devastating earthquake in Gujarat forced him to postpone the trip. Malaysia today presented donations for the earthquake victims.

Dr Mahathir handed over RM220,000 from the Malaysian Palm Oil Promotion Council and RM1,207,138 collected by the Tamil Nesan. Tamil Nesan had earlier donated RM380,000.

Syed Hamid said Dr Mahathir has accepted Vajpayee's invitation for a

reciprocal visit to India.

He said Malaysia and India also agreed to work together to coordinate their positions on various issues for the World Trade Organisation meeting in Doha.

"There are positions which Malaysia and India could coordinate to see that the interests of developing countries are protected ... in the areas of investment, labour and environment,"

They also discussed the need to keep pushing for a new financial architecture even though the Asian economic crisis is over.

"India is positive to it (the idea), they have always been supportive in international forums," he said.

On defence exchanges, Syed Hamid said both countries had kick-started efforts for joint training and exercises.

He said the Indian delegation briefed Malaysia on its nuclear defence system. Malaysia's position is that there should be a total ban on nuclear weapons.

Dr Mahathir told reporters that they had also discussed the need to enhance co-operation in the information technology field.

"They give priority to software (development) while we have plenty of hardware manufacturing. We also need to have other IT-related businesses which we can do together," he said.

Earlier, Bernama reports, Vajpayee received an official welcome in Dataran Putra. Upon his arrival, he was received by Dr Mahathir and other dignitaries. The ceremony included a guard-of-honour mounted by 106 officers and men of the First Battalion Royal Malay Regiment. The Royal Malaysian Navy band was also in attendance.