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KL, Bangkok close to signing trade pact

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MALAYSIA and Thailand are close to finalising a pact to use each other's currencies, instead of the US dollar, for a portion of their bilateral trade transactions.

They are said to have agreed on a list of items under the pact, which includes computers, cars, farm produce and petroleum products.

An agreement on the Malaysia-Thai bilateral payments arrangement (BPA) will be signed once the two countries tie up some loose ends.

"Negotiations between Bank Negara and the Thai authorities are at an advanced stage. The agreement will be signed as soon as the remaining issues are resolved," the central bank said in a statement in response to Business Times' queries yesterday.

It however did not disclose what the outstanding issues are.

Thai Prime Minister Thaksin Shinawatra, who was in Kuala Lumpur last Saturday, had requested that negotiations on the use of each other's currencies in trade be wrapped up as soon as possible.

Under a memorandum of understanding (MOU) signed by the two countries in Kuala Lumpur on July 27, the two central banks were directed to pursue negotiations with a view to signing a BPA by the end of August.

The decision to enter into the arrangement was made by Prime Minister Datuk Seri Dr Mahathir Mohamad and Thaksin when they met in March, also in Kuala Lumpur.

The MOU listed 14 Malaysian and 20 Thai products, the trading in which will be conducted in ringgit or baht by end-September.

Bank Negara said details regarding the trading items are now being finalised by the International Trade and Industry Ministry.

It is understood that the Malaysian products involved are computers and parts; video players; motor vehicles and parts; furniture; polymers; lubricating oil and chemical products; electrical machinery; television picture tubes; tape recorders; petroleum and petroleum products; plastic products; scientific products; raw hides and leather; and glass and glass products.

The Thai products include rice and rice products; fresh and frozen fruits; canned fruits; chilled or frozen poultry cuts; chilled or frozen fish; sugar; computer and parts; air conditioners; refrigerators; video players; motor vehicles and parts; electrical circuits; furniture and accessories; television picture tubes; and chemical products.

The BPA agreement entails the provision of credit facilities in both currencies by the two central banks.

Commercial banks in each other's countries will be designated to issue and negotiate letters of credit for trading in the agreed products.

They will settle their import and export transactions in the respective currencies, following which the central banks will tally up the amounts and settle the balance between them.

Last year, two-way trade between the two countries totalled RM25.56 billion. Malaysia sold RM13.49 billion to and bought RM12.07 billion worth of goods from Thailand.

Malaysia has signed BPA agreements with 27 countries so far. They are Albania, Algeria, Argentina, Bosnia-Herzegovina, Botswana, Chile, Cuba, North Korea, Fiji, Iran, Iraq, Laos, Mexico, Mozambique, Myanmar, Pakistan, Peru, the Philippines, Romania, Seychelles, Sudan, Tunisia, Turkmenistan, Uzbekistan, Venezuela, Vietnam and Zimbabwe.

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