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Pact to extend Russia palm oil credit on hold

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AN AGREEMENT to extend Russia a US\$50 million (US\$1 = RM3.80) credit to buy about 200,000 tonnes of Malaysian palm oil has been put on hold.

The two countries were to have formalised the pact last week during a visit by Prime Minister Datuk Seri Dr Mahathir Mohamad's to Russia. But the trip was cancelled following the terrorist attacks on the US last Tuesday, an industry source said.

Dr Mahathir had planned to visit Russia on September 12-15 and Germany September 18-20. He was slated to sign the Palm Oil Credit Payment Arrangement (Pocpa) deal in Moscow with Russian Federation President Vladimir Putin.

"The signing of the pact will be rescheduled... but a new date has not been set," the source told Business Times.

Under Pocpa, which was introduced in 1992, credit is offered to long-term buyers of Malaysian palm oil. The countries, in particular those which face a shortage of foreign exchange, are normally granted a two-year credit line to buy the commodity from Malaysia.

A bilateral payments arrangement scheme, it promotes counter trade involving the exchange of palm oil for a host of products, while expanding the global market for the Malaysian commodity.

Of the US\$500 million allocated for the scheme, Malaysia has so far extended US\$227.4 million in credit to nine countries.

The recipients are Algeria, Sudan, Pakistan, Iraq, Iran, Myanmar, Bosnia-Herzegovina, Cuba and North Korea.

New deals in the works include those with Egypt, Bangladesh, Ukraine, Djibouti, Hungary, the Czech Republic, and various other countries in Africa and South America.

Malaysia was exporting 350,000-400,000 tonnes of palm oil a year to the former Soviet Union before its collapse, of which 80 per cent was consumed by Russia.

Since 1993, Russia has been buying 40,000-60,000 tonnes a year.

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