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Palm oil part payment for Russian jets in the works

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PRIMARY Industries Ministry is attempting to squeeze palm oil into 20 per cent of the payment in Malaysia's proposed purchase of between 10 and 16 Russian fighter jets.

Its minister Datuk Seri Dr Lim Keng Yaik said he will make recommendations to the Cabinet, Defence Ministry and Finance Ministry that at least 20 per cent of the total value of the purchase be paid in the commodity.

"I hope that part of the total contract estimated at between US\$350 million (US\$1 = RM3.80) and US\$560 million to be paid partly in palm oil," he told Business Times in Kuala Lumpur last week.

It is understood that the Government is eyeing the Sukhoi Su-30MK multi-role long-range twin-seater fighter bomber which is priced at an estimated US\$35 million a piece.

The Royal Malaysian Air Force is currently evaluating two multi-role combat aircraft, Boeing Military and Missile Systems' F/A-18E/F strike fighters dubbed the "Super Hornets" and the Sukhoi Su-30.

The Sukhoi is expected to participate at the October 6-14 Langkawi International Maritime and Aerospace Exhibition.

The plan was first mooted in 1997 but had to be shelved due to the Asian regional currency crisis and talks of the deal being revived resurfaced last month.

This is the second arms deal which is believed to cost at least US\$35 million each.

Malaysia had bought 18 MiG-29 Fulcrum fighter jets in 1994 for a total of US\$600 billion (then RM1.56 billion) under an offset programme which took 24 months to negotiate.

It involved a cash payment of US\$450 million of which, US\$95 million was in palm oil and palm oil products and supply of other Malaysian products worth US\$55 million.

The palm oil was to be delivered to Russia over a period of five years, which incidentally ends this year.

Malaysia, as part of its efforts to promote the commodity, has entered into several billion-ringggit counter trade arrangements with several countries notably India, China and the US which include palm oil for double-tracking works and locomotives.

It is also understood that negotiations were to have been carried out in Russia last month during an agreement to extend Russia a US\$50 million credit to buy about 200,000 tonnes of Malaysian palm oil.

The two countries were to have formalised the pact during a visit by Prime Minister Datuk Seri Dr Mahathir Mohamad to Russia but the trip was cancelled following the terrorist attacks in the US on September 11.

"We hope to conclude the counter-trade as soon as possible and Malaysia has already invited Russia to come which may take place some time next year," Dr Lim said.

Malaysia was exporting 350,000 tonnes to 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 tonnes to 60,000 tonnes a year.

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