28/09/2001

Palm oil shipments to Pakistan disrupted

Zaidi Isham Ismail

MALAYSIA'S palm oil shipments to Pakistan have taken a back seat, now that shippers are refusing to take unnecessary risks in transporting the commodity there due to the possible US retaliation against neighbouring Afghanistan.

Primary Industries Minister Datuk Seri Dr Lim Keng Yaik said many shippers are reluctant to go to the area until insurance companies agree to provide coverage for shipowners in case war breaks out.

"Transportation is a problem right now and shippers dare not go beyond India and have problems in getting insurance coverage for their ships," Dr Lim told reporters in Kuala Lumpur yesterday.

Dr Lim had earlier given a preview on Parti Gerakan's national delegates conference 2001 scheduled to be held tomorrow.

Dr Lim is Gerakan president and Prime Minister Datuk Seri Dr Mahathir Mohamad is expected to officiate at the conference.

"It may become a problem later on and Malaysia will have to come up with other means to deal with it which may not be that easy."

Dr Lim said an average of 100,000 tonnes of processed palm oil are shipped to Pakistan every month by some 10 ships.

Pakistan is Malaysia's fourth largest buyer of palm oil, consistently buying around one million tonnes annually.

Malaysia is the world's largest producer of palm oil with India as its biggest buyer followed by China and the European Union.

The Indian Ocean and Arabic Sea are the only accessible route by sea to Pakistan, other parts of West Asia and West India.

Around 90 per cent of Malaysia's trade is via sea and US forces have begun to build up a presence near the oceans after the September 11 attacks in New York and Washington.

The US has accused Afghanistan's ruling Taliban for harbouring its prime suspect Saudi-born Osama bin Laden.

"What Malaysia can do now is to intensify efforts in penetrating new markets and boost our efforts to replant and continue burning crude palm oil (CPO) to generate energy," Dr Lim said.

It is also not immediately known whether the Government will extend assistance to Malaysia's shipping companies similar to the US$1.95 billion (US$1 = RM3.80) insurance cover announced for Malaysian Airline System Bhd (MAS).

Traders and analysts when contacted said the disruptions in palm oil shipments to Pakistan will have bad implications on prices in the short term.

"If the possibility of war prolongs, it will depress prices further," said one analyst.

"The sight of a stockpile at ports will push prices lower and will result in poor exports," said the analyst.

A trader said what is important right now is for the shippers to get insurance coverage as soon as possible or hope for the war to be over with.

"It is better for them to make a small amount of profit rather than risk their ships being caught or destroyed in the war," said the trader.

He said if the possibility of war lingers, Malaysia will have to find other markets to sell its palm oil.

"Pakistan may be able to sustain for the moment but not for long. They would have stocked oil from previous purchases and have their own cotton seed oil estimated at 1.4 million tonnes but that will soon be exhausted," said the trader.

On another note, Dr Lim said Myanmar has expressed interest in buying more palm oil from Malaysia under the Palm Oil Credit Payment Arrangement (Pocpa).

Under Pocpa, which was introduced in 1992, credit is offered to long-term buyers of Malaysian palm oil in which the Government has allocated US$500 million (US$1 = RM3.80) for the scheme.

Myanmar is one of the signatory countries under the scheme. The others are Algeria, Sudan, Pakistan, Iraq, Iran, Myanmar, Bosnia-Herzegovina, Cuba and North Korea.

Myanmar's State Peace and Development Council chairman Senior General Than Shwe concluded his two-day official visit to Malaysia yesterday.

"And Romania has also expressed interest in signing up," he said.

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

(END)