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Malaysia, Russia to sign US\$50m palm oil deal

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MALAYSIA and Russia are expected to sign a US\$50 million (US\$1 = RM3.80) Palm Oil Credit Payment Arrangement, Pocpa, on March 10.

Government officials said under the agreement, about 200,000 tonnes of palm oil will be delivered to Russia over two years on a credit basis.

Prime Minister Datuk Seri Dr Mahathir Mohamad is expected to sign the Pocpa agreement with Russian Federation President Vladimir Putin.

The two countries were supposed to have formalised the pact last September but the Prime Minister's trip was cancelled following the terrorist attacks on the US on September 11. Dr Mahathir was to have visited Russia from September 12 to 15 and Germany from September 18 to 20 last year.

During his three-day official visit to Russia next month, Dr Mahathir will be accompanied by Primary Industries Minister Datuk Seri Dr Lim Keng Yaik and officials from the Malaysian Palm Oil Board and the Malaysian Palm Oil Promotion Council. Dr Mahathir is also expected to be accompanied by several Cabinet ministers and a trade delegation from the private sector.

The Prime Minister will discuss several bilateral issues with Putin.

Under Pocpa, which was introduced by the Government in 1992, credit is offered to long-term buyers of Malaysia's 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.

The bilateral payments arrangement scheme promotes counter trade involving the exchange of palm oil for a host of products, while expanding the global market for the Malay-sian commodity.

Products include the exchange of palm oil for machinery, rice, groundnut oil, sesame seed, beef and others.

Pocpa also encourages research and development on palm oil between signatory countries.

Of the US\$500 million allocated for the scheme, Malaysia as of March 21 last year has 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 other countries in Africa and South America.

Malaysia was exporting between 350,000 tonnes and 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 between 40,000 tonnes and 60,000 tonnes a year.

According to the Malaysian Palm Oil Board, Russia bought 47,802 tonnes of the commodity valued at RM62 million in 1999 and 64,229 tonnes valued at RM67.5 million in 2000.

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