

22/09/1999

A new and 'alternative' market

Hardev Kaur

HE had expressed a desire "to see for himself" some "far off" places, some with names hard to pronounce.

It was also a way of getting to know the people there first hand in his own ground-breaking way.

Far away though places like Khabarovsk in Eastern Russia and Buryatia in Eastern Siberia are, they are especially rich in natural and mineral resources as well as home to some sophisticated maritime, aviation and defence industries.

The Governor of Khabarovsk, Victor Ishaev, points out that his area is host to 60 per cent of Russia's defence industry and 50 per cent of the machinery manufacturing sector.

It has great tourism potential. It is located along the banks of the Amur River and on the Trans-Siberian Railway and is the last major stop on this world famous railway which runs all the way from Moscow to Vladivostock on the Russian eastern seaboard.

Describing the working visit as "very successful", Dr Mahathir, while acknowledging that there is potential for greater cooperation and trade, urged entrepreneurs and businessmen to seek local partners and understand the local rules, regulations and customs.

It's a point stressed by the locals and those who know the domestic situation.

Brandon Oh, a South Korean who is the economic adviser to Leonid V. Potapov, the President of the Republic of Buryatia, while admitting that there is great economic potential in the region, stressed the need to have local contacts and partners.

He pointed out that the laws, regulations and local culture and practices are vastly different in Eastern Russia and Siberia from those in the West.

Malaysia's ambassador to Moscow, Datuk Yahya Baba, advised Malaysian investors and entrepreneurs to take a long-term view of business opportunities in Russia.

He said understandably the environment is different from that prevailing in Malaysia but there are business opportunities.

Presently there is only one major Malaysian investment in Khabarovsk, namely Rimbunan Hijau which has a 600-hectare timber concession.

In Buryatia, Airod is working on cooperating with the Ulan Ude Aviation Plant (UUAP) in establishing a regional marketing centre and an engineering/product support facility in Malaysia.

Malaysia, which has plans to develop its own aviation industry, could work with UUAP to expand its existing aircraft modification and upgrade capability.

The President of the Aerospace Industries Malaysia (AIM), Lt General (Rtd) Datuk Seri Mohd Yunus Mohd Tasi, said the UUAP products and related technology presented an opportunity for the Malaysian aerospace industry to enhance the country's current technological base and R&D activities.

The Russian-made aircraft and ships do not have the aesthetics and finishing like those from the west but according to some experts, their capability is on par if not better than those in the same category.

This is an opportunity for Malaysian entrepreneurs to work together with the Russians to improve on the "looks".

In fact AIM, whose chairman Tan Sri Ahmad Johan and Yunus, who have made

several trips to Ulan Ude earlier and accompanied the Prime Minister on the trip, said AIM is keen to work with UUAP to enhance the "look" and modify the avionics and the door systems.

The cooperation will be beneficial to both parties as it will help improve the marketability of Russian aircraft and assist in the development of the Malaysian aviation industry.

Bilateral trade is small and has been in Russia's favour. Total trade rose from US\$127.5 million in 1994 to US\$476.9 million in 1997 when Malaysia purchased 12 MIG fighter jets. In 1998 total trade fell to US\$235.4 million.

Among the major exports from Russia to Malaysia are steel, chemicals, fertiliser and machinery while Malaysian exports to Russia are mainly electrical and electronic products, palm oil, natural rubber and rubber products, furniture and foodstuffs.

The Russian Territory of Khabarovsk and the Buryatia Republic in Eastern Siberia offer opportunities that can be jointly worked on.

Dr Mahathir, who visited the central market and department store in Ulan Ude, noted that most of the fruits were imported from Morocco. There is certainly room for increasing bilateral trade and cooperation.

But the transportation, which can be a major cost factor as the two regions are land-locked and do not have direct communication links with the outside world, needs to be taken into account.

Dr Mahathir told a Press conference at the end of his visit to Ulan Ude that the two - Khabarovsk and the Republic of Buryatia - were different and each offers different potential such as in timber, tourism and aviation sectors.

The Republic and Russian Territory are eager to cooperate with Malaysia. The Governor of Khabarovsk Victor Ishaev said efforts will be made to improve the investment climate in the region.

Among the incentives will be a three-year tax holiday in addition to removal of some local taxes to attract foreign investments. The administration is also looking into procedures to help ensure stability for businesses at least in the first five years of their operations.

"Personally I think the unstable economic and political situation is only for the short term as there will be elections for the Presidency (in June next year) and the Duma (Russian Parliament in December this year) following which there will be a stable development phase."

But the two - Khabarovsk and the Republic of Buryatia - are no ordinary regions. They were part of the former Soviet Union and mere mention of the name Siberia brings about vision of deep freeze and banishment. What would Dr Mahathir and Malaysia want from this "forbidden" region?

But they are not as forbidden, barren and uninviting as they have been portrayed.

Undeniably they are not as developed as many other regions. But a start has to be made somewhere. The people are friendly, hardworking and eager to learn. The region offers an "alternative" and new market for trade and investment as well as a source for technology and travel.

(END)