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Businessmen should take advantage of PM's visit to Russia

Hardev Kaur in Moscow

PRIME Minister Datuk Seri Dr Mahathir Mohamad's visit to Moscow this week will boost bilateral relations between Russia and Malaysia. The new Government in Moscow, under President Vladimir Putin, is determined to move the new Russia forward into the market economy.

While the changes in Moscow are visible to the visitor, there nevertheless are challenges in dealing with a market economy for a country that has been under central planning and command and control mode for a long time.

Even so Malaysia's ambassador to the Russian Federation Datuk Yahya Baba, in an interview with the New Straits Times in Moscow, says the Putin Government is keen to see bilateral relations strengthened and the relations broadened to cover more areas and activities.

The Prime Minister's visit is at the President's invitation and Dr Mahathir will be the second Asean leader after the Vietnamese vice-premier to visit Moscow since Putin took over.

It is the first visit for Dr Mahathir to Russia. However, he had made an official visit to the former Soviet Union in 1987.

The situation in Russia has changed since the last visit. Not only has Russia embraced the market economy but the vibrancy and energy evident in Moscow is a far cry from the drab, gloomy atmosphere in the city of the Soviet era.

Construction and renovation activity is evident almost everywhere in the city which celebrated its 854th anniversary last week.

Bilateral trade with Malaysia, which was affected by the 1998 crisis in Russia, has started to pick up and in fact has reached the levels of the Soviet era.

Bilateral trade in the region of US\$400 million (RM1.5 billion) is mainly in primary commodities, electrical and electronic goods and furniture.

Malaysia-made electrical appliances are in great demand in Russia but these are imported through third countries. In addition to developing direct trading relations with their Russian counterparts, there are numerous other areas of possible co-operation.

Since the crisis three years ago, Russians have shifted their focus and mentality from buying foreign-made to buying made-in-Russia goods. Yahya points out that there are growing opportunities in the furniture business, in which Malaysians have substantial expertise, as there is tremendous demand for household items among the Russians.

Ikea from Sweden, which set up its first outlet in Moscow just two years ago soon after the crisis, has done so well that it is set to open its second outlet in Moscow.

Russia's vast natural resources can be combined with Malaysian expertise in various areas of co-operation and joint ventures. There are growing opportunities in the knock-down and do-it yourself areas. Russia has large reserves of oil and gas and is the world's second largest exporter of oil.

In addition, it has gold, diamonds, various other precious and semi-precious stones and timber.

In fact, the Asian part of Russia, which has substantial natural resources including minerals, oil and gas, is sparsely populated and offers greater opportunities, according to Alexander P. Losyulov, the Russian Deputy Minister of Foreign Affairs.

While undoubtedly there are risks for businessmen and entrepreneurs, there are also benefits "which can be very rewarding". And Western businessmen are beginning to take advantage of the "opening up" of Russia and the availability of its resources.

General Motors is investing some US\$300 million into a car plant in Russia. The demand for cars is on the rise, including imported models.

The largest foreign investors in the first six months of this year, according to the English language Moscow Times, is Germany with US\$6.085 billion followed by the US with US\$5.365 billion.

The only Asian country with substantial investments in Russia is Japan with US\$553 million invested in the first half of this year.

There are visible changes in Moscow and in various other parts of the country, but even so there are challenges in dealing with the new market-oriented environment. Adjustments are also needed on the part of the population to meet demands of this new system.

The leadership in Moscow under Putin is committed to moving ahead with the necessary changes. It has instituted amendments in a number of areas.

These include re-organising the structure for federal and regional relationship with the re-organisation of the country into seven super regions.

At the same time, legislation and other procedures are being looked at to ensure proper co-ordination of projects and programmes from the Federal to the regional level.

The legal and banking systems are being revamped, Yahya says, and for the first time "new Russia has a clear view of where it wants to be in the years to come".

The institutions and numerous practices of the Soviet era are being amended to cater to the market economy.

Even as there are problems of adjustments into the market economy from the other extreme of a centrally-planned and command economy, there is certainly no turning back to a Soviet-style system and economy.

Those who say they are worse off than they were under the Soviet era are not prepared to revert to the old system after having tasted freedom.

Losyukov, in an interview, admits that much still needs to be done in terms of adopting and adjusting to the new system but hastens to add that there is no turning back.

This is a message not well understood outside of Russia, Yahaya adds.

This attitude and the forward-looking leadership offers even greater opportunities to businessmen from around the world.

Malaysians with their knowledge of the market economy and expertise and skills in a number of industries can extend a hand of friendship to the Russians. There is much to be gained from mutual co-operation.

Losyukov expressed confidence that the changes will be even more dramatic in the next decade as compared with those in the last 10 years since the fall of the Soviet Union and the emergence of a market-oriented Russia.

Yahaya agreed changes have been set in motion, but admits that there is a "long way to go and even so the situation gives me optimism that the situation is getting better compared with any time in the past".

Putin has put in more money to implement changes and to move the economy forward. The leadership that is emerging in the country and in its 89 regions is outward-looking and, in many ways, more confident.

Even those who belonged to the old Soviet regime consider themselves as "social democrats".

In addition, Putin with his popularity estimated at between 60 and 70 per cent, high by any standards, is putting the necessary infrastructure in place.

Under such circumstances and environment, Malaysian businessmen should "take advantage of the timing and establish networks and seek out niche markets in which Malaysians are good at," Yahaya added.

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