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Push for trade with Russians

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THE Prime Minister's visit to Russia, the first since the break up of the Soviet Union, is being dubbed as "ground breaking" by the Russians. The visit is expected to mark a new chapter in Malaysia-Russian bilateral relations.

The Soviet Union that Dr Mahathir visited in 1987 has been transformed by the opening up of the country to the West and it offers greater trade and investment opportunities for businessmen and entrepreneurs from the two countries.

Investors from developed countries have wasted no time in moving into the once superpower to carve out opportunities for themselves. The Russians, just like many others, have many of the same wants and desires and look to imported goods, dine in fine restaurants and holiday abroad and entrepreneurs are keen to capitalise on the new opportunities made available.

MacDonalds, Pizza Hut, famous designer labels and imported furniture high on the list of "must visit" by the nouveau riche and the young Russian professionals. Ikea from Sweden which set up its first outlet in Moscow about 2 1/2 years ago is set to open another outlet in Moscow.

But Malaysian entrepreneurs have been slow off the starting blocks. Malaysia's bilateral relations and trade have continued to be based on a narrow range of products and areas - defence and primary products. There are tremendous opportunities to expand and extend the relations to other areas.

Russian trade with Malaysia, which was affected by the 1998 crisis in Russia, has started to pick up and has in fact reached the levels of the Soviet era. But even so bilateral trade in the region of US\$400 million (RM1.52 billion) is mainly in primary commodities, electrical and electronic goods and furniture.

There are investment opportunities for Malaysian entrepreneurs in the construction and renovation sectors. Moscow now appears to be one large construction site - which offers opportunities in the reconstruction, repaid and refurbishing areas.

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.

But Russia is in transition and in addition to the pain of changing from the old Soviet-style economy, the new Russia also faced a crisis in 1998.

But in recent years, the OECD says, the Russian economy has experienced a number of favourable trends and developments

"Output, employment, consumption, and investment have grown significantly in the two year period of 2000-2001," the OECD says, adding that GDP and fixed investment capital grew by close to 15 and 25 per cent, respectively.

Unemployment fell from 13 per cent at the end of 1999 to an estimated eight per cent in mid-2001.

Real incomes have recovered more slowly from the 1998 crisis than output and employment, but began to increase significantly in 2000 and 2001. The recent growth has reversed years of economic decline, bringing GDP in 2001

almost back to the recorded level of 1993, the OECD says in its assessment of the Russian economy.

Russia, which has embraced the market economy, nevertheless faces a number of challenges. The bureaucracy and the population, which has known the command and control administration for a long time needs to adjust to the cut-throat market-based system.

But Alexander P. Losyukov, Russia's Deputy Minister of Foreign Affairs, said despite the pain "there is no turning back".

In an interview in Moscow he pointed out that there was still a lot that needs to be done in terms of adopting and adjusting to the new system.

Losyukov expressed confidence that the changes taking place in market-oriented Russia will be even more dramatic in the next decade compared with those in the last 10 years.

Under the leadership of President Vladimir Putin, Russia is emerging more confident and preparing to retain and perhaps regain its rightful place on the world stage. Funds have been allocated to implement changes and improve the infrastructure to move the economy forward.

Even though the Russian economy is still adjusting and there undoubtedly are "growing pains" and adjustment pains from the command and control system, its rules and regulations and indeed the mindset of many in government

But Russia is rich in resources and talent. Combining Russian resources and Malaysian expertise can yield handsome results. Foreign investors are in fact knocking on Russian doors.

General Motors is investing some US\$300 million in a car plant in Russia. The demand for cars is on the rise, including imported models. Gone are the uniform black standard cars. Moscow streets are jammed with many Western made cars including BMWs, Mercedeses and Volvos.

The largest foreign investor in Russia in the first six months of last year, according to the English-language Moscow Times was Germany with US\$6.086 billion followed by the US with US\$5.365 billion.

Losyukov said Malaysia and its businessmen and entrepreneurs are "very welcome partners".

With vast opportunities for joint ventures the Russians hope Malaysia would be able to lead them into the regional and international markets.

"That is why we are looking forward to the Prime Minister's visit," one Russian businessman in Moscow said adding that the strong views and unorthodox policy initiatives by Malaysia could offer Moscow different lessons in approaching its development goals.

The Deputy Foreign Minister said Russian technology combined with Malaysian and foreign financial resources could help develop new technologies for use in various industries. Currently Moscow lacks the market know-how and marketing skills to maximise its skills and capabilities.

Russian and Malaysian businessmen will have an opportunity to seek out new areas for co-operation and strengthen and broaden existing ones during the Prime Minister's three-day official visit to Russia beginning today.

The visit is at the invitation of President Putin.

A Malaysia-Russia Business Forum, in conjunction with the visit, will focus on strengthening bilateral business co-operation and showcase Malaysia's investment potential to Russian businessmen and companies. Dr Mahathir will address the 400 businessmen from the two countries attending the seminar. He is expected to speak on "Globalisation - Towards a Fair and Prosperous World".

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