

**SPEECH BY
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AT THE MALAYSIA - RUSSIA BUSINESS FORUM
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H.E Segei Nikolaveich Katyrin,
Vice President of the Chamber of Commerce and Industry of the Russian Federation,

Excellencies,

Ladies and Gentlemen,

I am delighted to be in Russia today, the first stop for my current tour which will also include official visits to two other countries in Europe. I have come to Moscow to reaffirm Malaysia's commitment to the spirit of friendship and cooperation with Russia that has been established over so many years. And I welcome very much this opportunity to share with you my thoughts on how the existing good relations between our two countries can be further enhanced in various areas, especially in trade and investment.

2. Malaysia and Russia share a long history of engagement. 40 years to be exact. We signed the Malaysia-Russia Bilateral Trade Agreement in 1967. More recently, in 2003, we established the Russia-Malaysia Business Council. We must encourage the Business Council to work harder to enhance the volume and value of our bilateral trade. It is still very modest, amounting to only USD 689.5 million in 2006 and which represented only 0.2 per cent of Malaysia's global trade of the same year. These figures for bilateral trade in goods and services do not include purchases of defence equipments made by Malaysia from Russia.

3. I am convinced that there is very much more we can do to improve this situation. Let me illustrate. From a small domestic economy in 1957, Malaysia is the world's 19th largest exporter in 2006, accounting for 1.3 per cent of global merchandise exports. This places Malaysia ahead of some developed countries such as Switzerland, Sweden, and Australia, and of developing countries such as India, Thailand and Brazil. On the other hand, Russia is the 13th leading exporter, 18th largest importer, and accounts for about 2 per cent of global trade. These W.T.O international trade statistics provide sufficient evidence that our two countries are well placed to do more business and enhance economic ties with each other.

4. Russia's main exports to Malaysia are chemicals and chemical products, and manufactures of steel. In fact, these two items accounted for 81.3 per cent of Russia's total exports to Malaysia.

5. Malaysia's main exports to Russia comprised palm oil, electronics and electrical products, and iron and steel products. Together these three categories of products account for 66.2 per cent of Malaysia's exports to Russia.

6. While the items we trade with each other reflect our respective economic strengths, they constitute a very narrow range of products. I would therefore urge the entrepreneurs present here today to explore the potentials for expanding trade between our countries. I am confident that you will find the effort rewarding.

7. Besides working towards expansion of the trade base, I would also like Malaysian business houses to view Russia as an important transshipment hub to other countries in Eastern Europe. You should work together with Russian partners to penetrate those countries. At the same time, Russian companies can look at increasing their sourcing from Malaysia. Our country does produce a wide variety of quality products and services.

Excellencies, Ladies and Gentlemen,

8. The situation seems to be much the same in the realm of investments. Up to the year 2006, approved investments from Russia in Malaysia's manufacturing sector amounted to only about USD10 million. The bulk of the investments are in the food manufacturing and transport equipment sectors. Clearly, the value is very small and the range of products very narrow. We should examine more closely the causes for this unsatisfactory situation.

9. Malaysian investment in Russia of about USD 1 billion is mainly through the involvement of PETRONAS in the oil and gas industry. Collaboration between PETRONAS and Rosneft of Russia is an example of complementarities being used to mutual advantage. Russia is a significant player in the world energy market; Malaysia has vast experience, globally, in joint exploration work with many partners.

10. Another area to explore is the automotive sector. This is one of the fastest growing sectors of the Russian economy, which has generated increased demands for automotive replacement components, accessories and service equipment. Malaysian manufacturers have developed expertise in the sectors of automotive components and parts. They make parts and components not only for our own national cars but they are also able to undertake original equipment manufacturing and produce parts and components for international automotive manufacturers. Surely some synergy between Malaysia and Russia can be found in this area.

11. Beyond oil and gas, and the automotive sectors, I would like to point out that there are other sectors with potentials for cooperation. I have been following with much interest Russia's achievements in the fields of science and technology, heavy engineering, scientific research and development. I believe there is tremendous potential for cooperation in these areas, especially in the fields of Information and Communications Technology and the aerospace industry. Malaysia has considerable experience in the market economy. Infrastructure for the commercial and industrial sector is also well established in the country. Russia is rich in scientific and technological resources. There is clearly much scope for creating smart partnerships and thereby increase investments between our two countries.

Excellencies, Ladies and Gentlemen,

12. Other areas for cooperation and promotion could include construction, education, culture and tourism. Let us keep our relationship multifaceted so that we can maximise the advantages to our mutual benefit. This should not be difficult to achieve considering the broad-based economic expansions which are now being experienced by both Malaysia and Russia.

13. The Malaysian economy grew by 5.9 per cent in 2006. For the first quarter of 2007, Malaysia recorded a G.D.P growth of 5.3 per cent. The projected G.D.P growth for 2007 is 6.0 per cent against a global growth rate of 4.5 per cent. Likewise, I note

that Russia is doing well economically. Russia's 2006 growth of 6.7% was the 7th consecutive year of economic expansion.

14. While both the Government and the private sector have their respective responsibilities for expanding trade and investment, the enabling environment for business to thrive can only be provided by the Government. In this regard, I am happy to know that discussions have commenced towards establishing an Investment Guarantee Agreement between our two countries. I must ask that we make haste in this matter. We need the agreement to provide a certain level of comfort for our investors to deal with each other. My hope is that we can finalise this Agreement quickly so as to encourage greater cross flows of investment between Malaysia and Russia.

Excellencies, Ladies and Gentlemen,

15. Entrepreneurs should also take note that our country's strategic geographical location in the ASEAN region of Southeast Asia is additional strength for Malaysia as a trading partner. As a member of the ASEAN Free Trade Area, Malaysia has access to the nine other ASEAN countries. ASEAN as a whole has a population of more than 560 million people and a combined G.D.P of over USD1 billion. The ASEAN region is indeed a large market.

16. Malaysia's trade with her ASEAN neighbours will grow correspondingly as trade and investment barriers are dismantled increasingly. This has already been proven. In 2006, Malaysia's trade with ASEAN amounted to USD 75.3 billion, which is an increase of 14.4 per cent over the 2005 total of USD 65.8 billion.

17. We expect even more growth in intra-ASEAN trade and investment when the ASEAN Free Trade Area is fully realised in 2010, when practically all tariffs are scheduled to be removed. ASEAN is working towards becoming an Economic Community by 2015. This would result in a single market which will allow for the free flow of goods, services, investment and labour, as well as a freer flow of capital.

18. In addition, ASEAN is also integrating with other major economies through Closer Economic Partnership Agreements. The ASEAN-China and ASEAN-Korea Free Trade Agreements in Goods are already in place. Negotiations are on-going with India, Australia and New Zealand. ASEAN has also agreed to begin F.T.A negotiations with the European Union.

19. Clearly, all these developments mean that the time is right for Malaysia and Russia to raise our relationship to a higher level. I am referring not only to our bilateral relations but also in the context of our engagements within ASEAN. In fact, ASEAN and Russia have already established a Working Group on Trade and Economic Cooperation in 2003. Regrettably nothing really substantive has ensued. I would certainly wish to see this engagement move forward in the interest of expanding trade and investment between ASEAN and Russia.

Excellencies, Ladies and Gentlemen,

20. I am confident that there is much that our entrepreneurs can achieve by working together. They can collaborate in various ways. They can form strategic alliances. They can enter into joint ventures. Perhaps, there has been insufficient exposure to each other thus far. It is for this reason that I have brought with me on this visit a

business delegation of Malaysian entrepreneurs who are keen on doing business in Russia. Their interests are diverse, ranging from infrastructure and real estate development to Information Technology, precision electronics and engineering. They need Russian partners who can help them navigate their way in this huge country.

21. You should know that Malaysia is a very cost-competitive destination for business and investment. It is also a very affordable venue for tourism and for hosting international conventions and exhibitions. Let me cite a few international recognitions which Malaysia has received. For example:

- The International Institute for Management Development (IMD) ranked Malaysia as the 23rd most competitive country in 2007 for overall performance out of 61 economies.
- A.T. Kearney ranked Malaysia, in 2007, for the third consecutive year, as the third most attractive destination for offshore services (Business Process Outsourcing), after India and China;
- Milken Institute's Capital Access Index of the U.S.A, which ranks the ability of entrepreneurs to gain access to financial capital in countries around the world, placed Malaysia at 12th position in 2006, ahead of countries such as Germany, Denmark and Japan;
- The King Sturge's 2006 "Global Industrial and Office Rents Survey" of rentals for prime office space rated Kuala Lumpur the 3rd cheapest, out of 75 major cities in the world.

22. As the saying goes, we will not really know each other until we meet, and you do not believe until you actually see. Therefore, do come and visit us in Malaysia, especially this year because 2007 is Visit Malaysia Year. Furthermore, Malaysia is celebrating 50 years of independence with many special events. In the meantime, let me conclude by wishing all participants in this Malaysia-Russia Business Forum much success in your respective endeavours.

Excellencies, Ladies and Gentlemen,

23. I thank you for your attention.