

Client : **Russia-Singapore Business Forum**
Publication : The Business Times
Heading : Good momentum in S'pore-Russia links
Date : September 22, 2010
Circulation : 35,800

THE BUSINESS TIMES

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Good momentum in S'pore-Russia links

AMONG the emerging economies touted as the most promising – the so-called BRIC grouping, comprising Brazil, Russia, India and China – the focus of Singapore businesses has been overwhelmingly on the latter two. This is understandable, given the legacy of historical and cultural links, as well as geographical proximity.

However, it would be short-sighted of companies to ignore the vast and lucrative opportunities in the other two nations. Some of these, at least in relation to Russia, will no doubt become clearer at the Russia-Singapore Business Forum to be held here next week.

The forum, which attracted some 200 companies when it was launched in 2006, is now expected to bring together more than 600. This, plus the rising profile of Singapore-Russia bilateral trade, which is expected to cross S\$4 billion this year – more than triple what it was in 2005 – testifies to rising interest in the US\$1.3 trillion Russian economy, which is expected to resume growing 4-5 per cent this year, after shrinking close to 8 per cent in the recession of 2009.

To be sure, doing business in Russia has its complications: the climate, the language, the mafia, red tape and corruption have been cited as among the problems. The line between the state and the private sector is also sometimes fuzzy. While these are valid concerns, many of them are typical of emerging economies; companies op-

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erating in China, India, Brazil and Indonesia, among various countries, have encountered – and overcome – similar issues. Nor indeed should business practitioners set too much store by rankings, such as those in the World Bank's *Ease of Doing Business* report, which do not take into account market size, opportunity and growth potential.

Most emerging economies rank poorly in these lists. In the 2010 report, for instance, Russia is ranked 120th out of 183 countries, China is ranked 89th, while Brazil and India are 129th and 133rd, respectively. However, in some respects, Russia fares relatively well. For in-

stance, in terms of investor protection, it is comparable to China. Its corporate tax rates, at 20 per cent, are lower than China's or India's; and in ease of enforcement of contracts, it is ahead of India and Brazil.

Some Singapore companies have already entered the Russian market, including the healthcare company SourceLink, the digital lifestyle product manufacturer Gajah International and the long-established, diversified Amel Group. They have met with success, as indeed have scores of companies that trade with Russia.

Russian companies are also showing increasing interest in Singapore. Energy giants Gazprom and Lukoil have set up operations here – a reflection of the natural synergies that exist between companies of both countries in the energy sector. Several Russian start-ups in other sectors have also established themselves in Singapore, and the Singapore Exchange (SGX) has sent a mission to Russia to scout for possible listings. There is thus a healthy momentum in Singapore-Russia business links to build on.

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