



Banking on Russian connection

By [Adrian David](#) - April 10, 2019 @ 2:59pm

KUALA LUMPUR: Malaysia is banking on its Russian connection to boost the sale of its main commodity – palm oil!

The New Straits Times (NST) reliably learnt that Malaysia was especially keen to engage in billion-dollar trade-offs on defence and security procurement, including military aircraft, armaments and software.

This, the NST was made to understand, was to check the declining global demand and price for Malaysian palm oil, which was affecting national coffers and causing a trade imbalance.

In an attempt to spur palm oil sales, Defence Minister Mohamad Sabu is scheduled for a crucial, high-profile visit to Moscow on April 20.



Russia is already assisting in refurbishing the ageing fleet of 18 Sukhoi Su-30MKM Flankers, via its local partner ATSC Corp, reportedly for RM2.2 billion – thus expanding its serviceability for another 15 years. NSTP/DANIAL SAAD

Mohamad is believed to hold face-to-face talks with his Russian counterpart Sergei Shoigu and president Vladimir Putin.

Confirming his forthcoming visit to the Kremlin, Mohamad said that Malaysian palm oil was facing sagging prices and something drastic had to be done to arrest the situation.

He said that he had received favourable interest from several European and Asian countries who were keen to engage in trade-offs on defence and security procurement.

But of particular interest was the Russo-Malaysian connection, which had spurred defence and aerospace trade-offs via palm oil four decades ago, during Tun Dr Mahathir Mohamad's first 22-year tenure as prime minister.

“Yes, the meeting with the Russian top brass and executives is on.

“We hope to come up with a win-win solution,” he said.

Although he declined to reveal details of the visit, the NST understands that it concerns the future of the RMAF's existing fleet of 18 Sukhoi Su-30MKM Flankers and the grounded MiG-29N Fulcrums.

Mohamad is also learnt to be considering Russia's offer of the Yak 130 as a trade-in for the RMAF's ageing lead-in fighter trainer, the Italian-made Aermacchi MB339.

Also on the cards are believed to be offset programmes, transfer of technology and job spin-offs.

Mohamad said he was also planning to seek trade-off deals with Norway, Turkey, Iran, Pakistan, China and France, who were prospective customers.

“I have had encouraging discussions with the ambassadors, defence ministers and military top brass during the just concluded international exhibition in Langkawi.

“And from what I gather, there is a strong possibility that Malaysia can modernise, refurbish or upgrade its defence assets via a barter with palm oil,” he said, referring to the biennial Langkawi International Maritime and Aerospace (LIMA) 2019 which ended last Saturday.

Mohamad added that should such procurement deals be clinched, it would augur well for the sale of palm oil which was facing a European ban for biofuels.

“The Defence Ministry is also collaborating with the relevant ministries involved with promoting and marketing palm oil (such as the Primary Industries Ministry; Ministry of International Trade and Industry; and Malaysian External Trade Development Corporation).

“Just imagine, that countries like France, for instance, accepted 70 per cent of defence procurement trade-offs for Airbus aircraft and Scorpene submarines via barter trade of palm oil,” he said.



Russia was willing to buy Malaysian palm oil in substantial amounts to improve the bilateral trade balance, with the possibility of trade-offs for arms and defence procurement. NSTP/ABDULLAH YUSOF

Mohamad was responding to NST's exclusive interview with Russia's top defence procurement official, Viktor Kladov during LIMA 2019.

Kladov, who is Rostec State Corp's international cooperation and regional policy director, had revealed that Russia was committed to drastically increase its purchase of palm oil from Malaysia.

He said he had conveyed the message to Dr Mahathir Mohamad during LIMA 2019.

Kladov had said that Russia was willing to buy Malaysian palm oil in substantial amounts to improve the bilateral trade balance, with the possibility of trade-offs for arms and defence procurement.

At present, 90 per cent of Russia's palm oil is imported from Indonesia and Russia intended to change that in Malaysia's favour.

Europe is the largest buyer of Malaysian palm oil after India and now even China has reduced imports of the commodity.

Russia is already assisting in refurbishing the ageing fleet of 18 Sukhoi Su-30MKM Flankers, via its local partner ATSC Corp, reportedly for RM2.2 billion — thus expanding its serviceability for another 15 years.

And it is now even looking at offering the RMAF the fourth-generation Su-35 or even its latest Su-57E (the equivalent of the United States' F-22) if it wants to upgrade.

The NST learnt that the increased palm oil purchase would entail an offset deal leading to the RMAF disposing of its two squadrons of 18 decommissioned MiG-29N Fulcrum jets.

Kladov was a prime mover in enhancing Russo-Malaysia defence relations during Dr Mahathir's earlier premiership.

It culminated with a several billion-ringgit offset deal, involving palm oil, with Malaysia initially procuring 18 MiG-29N Fulcrum air superiority fighters in 1995.

The MiG-29N — two of which crashed in 1998 and 2005, respectively — was decommissioned in 2017 owing to high maintenance costs of RM262 million a year.

Several countries, including Bangladesh and India, are keen to buy the MiG-29N.

Subsequently, in 2003, Malaysia purchased 18 Flankers from Russia's Irkut Corp for US\$900 million (RM3.67 billion), also involving palm oil purchase.

The offset deal led to the country's first space programme with Malaysia's first astronaut to the International Space Station in 2007.

Owing to budgetary constraints, the RMAF has deferred its multi-role combat aircraft (MRCA) programme to 2025.

Instead, it is looking at improving on its lead-in fighter jet fleet, which is made up of the Italian Aermacchi MB339.

Kladov said Russia's Yak 130 was similarly designed after the Aermacchi and they were prepared to trade in RMAF's ageing fleet.

Russia is also offering the Fire and Rescue Department and the Malaysian Maritime Enforcement Agency with up to eight units of Ansat, Mil Mi-8/17 and Kamov Ka-32A11DC from Russian Helicopters, a division of Rostec State Corp.

These helicopter models, which can be traded in for the older fleet of the agencies, are ideal for fire-fighting, emergency medical services, as well as search and rescue missions, Kladov said.