

Section 4 Russia

< Future policy >

The Russia/CIS region is rich in mineral and energy resources, including oil, coal, natural gas, uranium, rare metals and rare earth. On the other hand, the infrastructure built in the former Soviet era has been aging, so there are many projects to build new infrastructure and renew existing infrastructure. To promote such projects, there are growing needs from Japanese companies for the improvement of the investment environment.

As power is concentrated in the hands of presidents and senior government officials in many countries, using an exchange of visits by important officials between Japan and the region as an opportunity to make top-level sales pitches is important. In particular, in Russia, activities to put into practice the eight-point cooperation plan (see the note below) have been accelerating since the Japan-Russia summit meeting in May 2016. Japan will deepen its economic relationship with Russia by further accelerating the plan in the future.

(Note) (1) Extending healthy life expectancies, (2) developing comfortable and clean cities that are easy to reside and live in, (3) fundamentally expanding medium-sized and small companies exchange and cooperation, (4) energy, (5) promoting industrial diversification and enhancing productivity in Russia, (6) developing industries and export bases in the Far East, (7) cooperation on cutting-edge technologies and (8) fundamentally expanding people-to-people interaction.

< Progress status >

On May 6, 2016, Prime Minister Shinzo Abe presented an eight-point cooperation plan to President Putin in Sochi, the Russian Federation. In September of the same year, Minister of Economy, Trade and Industry Hiroshige Seko was appointed to concurrently serve as Minister for Economic Cooperation with Russia, and in November of the same year, the Japan-Russia High-Level Working Group for Realizing the Cooperation Plan was established.

In December 2016, Russian President Vladimir Putin visited Japan, his first visit to Japan as the Russian president in 11 years. In the economic field, Japan and Russia signed around 80 documents, including memoranda of understanding on cooperation, marking steady progress in cooperation concerning economic matters, including infrastructure projects.

In April 2017, a Japan-Russian summit meeting was held in Moscow, and on that occasion, 28 documents, including a memorandum of understanding on Japan-Russia cooperation, were signed. The two leaders welcomed the signing of those documents and the substantive agreement reached on a new Japan-Russia tax convention.

In June of the same year, Minister of Economy, Trade and Industry Seko participated in the St. Petersburg International Economic Forum, becoming the first Japanese minister to do so. He attended the Japan-Russia Business Roundtable meeting and explained the progress in efforts concerning the eight-point cooperation plan and Japan's policy for future efforts. He also held a meeting with Minister of Economic Development Maxim Oreshkin and exchanged views on how to implement specific projects, among other matters.

In July of the same year, Japan participated in the Innoprom International Industrial Trade Fair 2017 as a partner country, and opened the Japan Pavilion, in which around 170 companies, including 80 small

and medium-sized enterprises (SMEs) and second-tiers, participated. President Putin visited the Japan Pavilion, and Minister Seko lectured him on Japanese companies' high-level technology and knowhow.

At the Japan-Russia summit held in Vladivostok in September of the same year, 56 documents, such as a memorandum of understanding on Japan-Russia cooperation and the Japan-Russia new tax convention on which a substantive agreement was reached in April of the same year, were signed. Minister of Economy, Trade and Industry Seko held the fourth Japan-Russia Energy Initiative Council with Minister of Energy Aleksandr Novak. With Minister of Economic Development Maksim Oreshkin, Minister Seko signed a Joint Statement regarding Cooperation in Digital Economy, and a Memorandum of Understanding regarding experience on Exchange in Productivity Improvement. With Minister of Industry and Trade Denis Valentinovich Manturov, he signed a Memorandum of Mutual Cooperation on Productivity Diagnosis of Russian Companies and Human Resource Development in the Supporting Industry and reaffirmed cooperation in new fields.

In December of the same year, Minister of Economy, Trade and Industry Seko participated in an event called "Japan Investor's Day," which was held for the first time under the sponsorship of Deputy Prime Minister Yuriy Trutnev, who concurrently serves as Presidential Plenipotentiary Envoy to the Far Eastern Federal District, and the Ministry of the Development of the Russian Far East. In a meeting with Deputy Prime Minister Trutnev, Minister Seko agreed with him on further development of Japan-Russia cooperation in the Far East region.

In February 2018, the Second Meeting of the Japan-Russia High-Level Working Group for Realizing the Eight-Point Cooperation Plan and the Fifth Meeting of Japan-Russia Energy Initiative Council were held in Tokyo, indicating continuing progress in the development of the Japan-Russia economic relationship.

Concerning "(3) fundamentally expanding medium-sized and small companies exchange and cooperation" among the specific fields of the eight-point cooperation plan, the Japanese Ministry of Economy, Trade and Industry and the Russian Ministry of Economic Development signed a memorandum of understanding (MOU) concerning the establishment of platforms for cooperation in the field of SMEs on the occasion of the Eastern Economic Forum held in Vladivostok in September in 2016. Based on this MOU, Japan launched a Japanese platform, comprised of organizations supporting overseas business expansion, local governments and financial institutions. In addition, Japan has assigned experts on doing business in Russia to work for JETRO, a member of this platform, and is providing comprehensive support after developing a system to support individual companies in the processes of overseas business expansion, including formulating strategy, opening new sales channels, looking for partners, assisting business negotiations and concluding contracts.

Figure III-2-4-1 Scene of the Japan-Russia Summit Meeting in Vladivostok in September 2017



Source: Ministry of Foreign Affairs.

Concerning “(4) energy,” Minister Seko held the first meeting of the Japan-Russia Energy Initiative Council with Minister of Energy Aleksandr Novak in November 2016 and established working groups regarding the fields of hydrocarbon, nuclear power, and energy efficiency and renewable energy. In the second meeting of the council in January 2017, it was confirmed that the two countries should cooperate toward putting into practice cooperation projects in these fields at an early time. Subsequently, the third and fourth meetings were held in April and September, respectively, of the same year, and the fifth meeting was held in February 2018, indicating progress in the effort to put the projects into practice.

Among examples of the results are the framework agreement on the establishment of a joint venture for implementation of a joint exploration project in East Siberia that was reached in September 2017 between Japan Oil, Gas and Metals National Corporation (JOGMEC) and Irkutsk Oil Company, the start of a geological survey in the mining area covered by the agreement in November of the same year, the implementation of energy conservation examination and seminars in the Kamchatka region in January 2018 jointly by the Energy Conservation Center, Japan and the Kamchatka Energy Center, and the start of an energy infrastructure demonstration project including wind power generation systems in the Sakha Republic in February 2018 through cooperation between the New Energy and Industrial Technology Development Organization (NEDO), RusHydro, and the Sakha Republic. These projects are expected to lead to the diversification of energy supply sources and the securing of stable energy supply for Japan, the introduction of Japanese energy technologies in Russia and the enhancement of the two countries’ economic relationship.

Concerning “(5) promoting industrial diversification and enhancing productivity in Russia,” it was agreed in August 2016 that a subcommittee on cooperation in the industrial field would be established under the Japan-Russia Intergovernmental Committee on Trade and Economic Issues. Based on the discussions held at this subcommittee, (A) Japanese experts possessing a high level of technical expertise and productivity management skills have evaluated the productivity of Russian companies, including in terms of introduction of IT, and provided guidance on how to make improvements, and (B) line managers working in supporting industries in Russia have been invited to Japan to visit

manufacturing factories and receive training concerning Japanese management skills and equipment, introduction of IT, among other matters. Through these programs, Japan aims to introduce cutting-edge Japanese equipment into Russian companies and hopes that the terms of procurement of parts and other products by Japanese companies operating in Russia from Russian companies will be improved, leading to an increase in Japanese companies' market shares.

At a meeting of the subcommittee on cooperation in the industrial field held in November 2017, it was confirmed that those projects would be continued in fiscal 2018 and new companies eligible for the projects were selected.