Japan-Russia Economic Relations

May, 2010
Ministry of Economy, Trade and Industry JAPAN
Director for Russia, Central Asia and Caucasus Office Kotaro HARA
1. Current situation of Russian Economy

2. Trade and Investment between Japan and Russia

3. Current frameworks to encourage business cooperation between Japan and Russia
1. Current situation of Russian Economy
Russian economy: Recovery from recession

- **Highest value of WTI ($145)**: 11th Jul, 2008
- **Highest value of RTS index (2488)**: 5th May, 2008
- **Lowest value of WTI ($31)**: 12th Nov, 2008

Keynote Address HARA

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2. Trade and Investment between Japan and Russia
Japan-Russia trade relation (1)

Transition of trade between Japan and Russia

Amount of trade by country

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio/Amount($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUSSIA</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>$ 12.1 billion</td>
</tr>
<tr>
<td>CHINA</td>
<td>19.7</td>
</tr>
<tr>
<td></td>
<td>$ 238.4 billion</td>
</tr>
<tr>
<td>US</td>
<td>12.9</td>
</tr>
<tr>
<td></td>
<td>$ 156.1 billion</td>
</tr>
<tr>
<td>EU</td>
<td>11.2</td>
</tr>
<tr>
<td></td>
<td>$ 135.5 billion</td>
</tr>
<tr>
<td>SOUTH KOREA</td>
<td>5.9</td>
</tr>
<tr>
<td></td>
<td>$ 71.39 billion</td>
</tr>
</tbody>
</table>

出典: 財務省貿易統計

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Japan-Russia trade relation (2)

Breakdown of import from Russia (2009)

8.85 billion $ (Δ33.4%)

- Oil: 40.5%
- Natural resources etc.: 13.7%
- Nonferrous metal: 10.8%
- LNG: 10.8%
- Fishery product: 11.6%
- Coal: 12.6%
- Others: 7.4%

Russia→Japan

Reciprocal relation

Breakdown of export to Russia (2009)

3.30 billion $ (Δ79.8%)

- Transport machine etc.: 49.9%
- Machinery: 19.3%
- Electric equipment: 8.1%
- Rubber: 15.3%
- Others: 7.4%

Russia←Japan

Transport machine etc.

出典:財務省貿易統計

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The market on passenger vehicle in Russia expanded. Car Export from Japan to Russia increased rapidly until 2008.

The market shrunk by the financial crisis.
Protectionism (I)

- Russian government raised import tariff of car to protect domestic car in January 2009.

The number of export cars since January 2009, shows sudden decrease when the import tariff of car was raised.
Protectionism (Ⅱ)

- **To raise import tariff of steel product**
  Russian government raised import tariff of steel product from February, 2009.

- **To raise import tariff of LCD TV and plasma TV**
  Russian government raised import tariff of LCD TV and plasma TV from 10% to 15%.

- **Some other articles of import tariff were also raised.**
Protectionism (Ⅲ)

These measures are against the declaration of the G20 summit and the spirit of WTO Russian.

Japanese government has requested Russian government to maintain Free Trade Policy.
Current issues of Japanese companies in Russia

● Inadequate infrastructures
  • Sea port facility: Shortage of abilities
  • Railway system: Damage to freight by coldness in winter season
    High cost of transportation
    Unacceptable charge (ex. Protection fee)

● Inconsistent, inadequate and unclear Economic Policy
  • Inconsistent of promotion-strategy (car parts)
  • Inadequate of PPP (public-private partnership) policy
  • Unclear taxation policy (vehicle, steel, log etc.)

● Inconsistent and inefficient administrative procedure
  • Complex
  • Uncertain
  • Different interpretation
  • Time consuming
Japan’s efforts to improve business environment in Russia

- Negotiation with Russian government
  - Russia applied to join GATT in 1993 and completed negotiation with Japan in 2005.
  - All countries except Georgia achieved mutual agreements on market access negotiation.
  - Japan encouraged Russia to accede to the WTO and to avoid protectionism.
  - Establishment of one-stop investment service is encouraged.

- Japan-Russia Investment Forum
  (Japanese Government: Ministry of Economy, Trade and Industry,
   Russian Government: Ministry for Economic Development etc.)
  ① the 1st forum: September 2006 Saint Petersburg (700 participants)
  ② the 2nd forum: February 2007 Tokyo (500 participants)
  ③ the 3rd forum: September 2008 Saint Petersburg (500 participants)

- Holding of intergovernmental working group on Japan-Russia transportation cooperation
3. Current frameworks to encourage business cooperation between Japan and Russia
Japan Association for Trade with Russia & NIS (ROTOBO)

● Outline of ROTOBO’s activities
  ① Research, analyses & disseminating information. (Lecture meetings, seminars etc.)
  ② Networking. (Missions, invitations etc.)
  ③ Business support. (Secretariat of the Japan-Russian Trade and Investment Promotion Organization, Business-matching etc.)
  ④ Support for development of Russia & NIS countries. (Trainings etc.)

● Moscow Office
  (ul. Akademika Pilyugina 24, Moscow)

Source: ROTOBO
Japan External Trade Organization (JETRO)

Outline of JETRO’s activities

① Business supports of the Japanese enterprises in Russia
② Dispatching missions for investment
③ Consultation by experienced advisers
④ Exhibitions (J-messe etc.)
⑤ Business-matching through TTPP (Trade Tie-up Promotion Program)
⑥ Support center for investment

Moscow Office

8th Floor, Europe-Building 5, Bryanskaya St., Moscow

Saint Petersburg Office

5th Floor, International Business Cooperation Center Building 6,
Proletarskoy Diktatury St., St. Petersburg

http://www.jetro.go.jp/
Thank you for your attention!!