

# *The Initiatives of the Japan-Russia Business Cooperation Committee, Aimed at Expanding Russo-Japanese Economic Exchange*

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For some time, I have had the deepest respect for the research conducted by the Economic Research Institute for Northeast Asia regarding the construction of a broad economic subregion, as well as the proposals that it has made. Accordingly, I would like to thank ERINA for providing me with the opportunity to give the readers of the *ERINA Report* an overview of the activities of the Japan-Russia Business Cooperation Committee, which functions under the auspices of the Japan Federation of Economic Organizations (Nippon Keidanren).

The Japan-Russia Business Cooperation Committee was established in 1992 as a reorganized form of the Japan-USSR Business Cooperation Committee that had existed hitherto (established in 1965), with the aim of building on the results achieved by the latter. Founded with the aim of promoting economic exchange between Japan and Russia, it implements multifaceted initiatives in collaboration with the Japanese government, such as pressing for improvements to the investment environment in Russia, holding joint conferences with the committee's counterparts the Russian Federation of Industrialists and Entrepreneurs (President: Arkady Volsky) and the Russia-Japan Business Council (President: Sergei Stepashin), promoting cooperation in the fields of energy, transport and tourism, and science and technology, and promoting economic exchange with Russia's Far Eastern region.

## **Russo-Japanese Cooperation in Major Fields**

In the energy field, as you are doubtless aware, the Sakhalin projects are contributing greatly to the expansion of Russo-Japanese trade and investment. Furthermore, the Pacific pipeline plan has considerable significance in terms of the energy strategy not only of Japan and Russia, but also of Asia as a whole, and it is a project that I hope will be translated into reality, for the sake of the revitalization of the economies of Russia and Japan. Similarly, there is a great deal of interest in the development of the upper reaches of rivers in Siberia and we will explore the potential for cooperation with the support of the Japanese government.

Recently, growing concern has been expressed regarding the effects on various economies of the surge in energy demand in Asia and soaring crude oil prices, so energy cooperation in Northeast Asia (including Russia) is becoming an issue. The Nippon Keidanren has just begun to consider this issue in collaboration with representatives of the business world in China and the ROK, through the Japan-China-ROK Business Forum, and our committee will contribute to discussion of this issue from a broad-based standpoint as well.

In the transport field, as representatives of Japan's

business world, we have told our Russian counterparts that we will give specific consideration to the potential for cooperation in the development of new rail networks in Russia and the upgrading of port facilities in Russia's Far Eastern region. In the field of tourism, we have dispatched delegations to the Far Eastern region and put together proposals concerning cooperation in tourism, which we have submitted to the Russian government, as well as to the regional administrations of the areas concerned. Since then, we have continued to hold talks with the Federal Bureau of Tourism and we have heard that the regional administrations are promoting the development of tourism infrastructure in line with our proposals.

In the field of science and technology, in collaboration with the International Science and Technology Center, we are holding ongoing committee meetings aimed at the practical application of new technology in each technological field, with the aim of matching the seeds of Russia's cutting-edge science and technology with the product needs of Japan's companies.

In addition, the number of fields in which Russia and Japan could join forces and cooperate is too numerous to mention. I hope that, in the future, we will be able to provide the spark for cooperation in these fields, while also boosting the continuing growth in economic exchange between Japan and Russia by expanding the scope of such cooperation.

## **Economic Cooperation With Russia's Major Regions**

In addition, the promotion of exchange with major regions within Russia's vast territory, as well, of course, as with the extensive markets in the European part of Russia, is a pressing issue.

Accordingly, in order to increase interest among Russian companies in doing business with Japan, our committee is developing steady activities, such as the Japan-Russia Business Promotion Seminars and business talks that have already been held five times in Moscow, St Petersburg, Ekaterinburg and Khabarovsk. At these seminars led by business executives who are members of our committee, as well as publicizing the attractions of doing business with Japan and the effects of initiatives relating to government finance in Japan among Russian businesspeople, we are trying to gain a grasp of problems involved in doing business with Russia through the frank exchange of views with those on the Russian side.

In particular, in Far Eastern Russia, which is geographically close to Japan, as well as continuing to hold the Joint Japan-Russia Far Eastern Economic Conference and Japan-Russia Far Eastern Economic Cooperation Workshops, we have recently dispatched delegations to

Khabarovskiy and Primorskiy territories to examine the concrete potential for business, in addition to cooperation in the field of tourism.

### **The Expansion of Economic Relations Between Japan and Russia**

The Russian economy is doing well, recording a growth rate of 7.1% last year, against the backdrop of high prices for mineral resources. Due to the improvement in purchasing power resulting from the sustained economic boom, as well as the intensification of exchange between Japan and Russia at the regional level, the number of Japanese companies positioning Russia as a strategic market and investment destination is growing annually and there are signs that business in Russia on the part of Japanese companies is growing significantly.

In September last year, we conducted a survey of 1,700 member companies regarding business with Russia. As a result, it was clear that about 80% of the companies that responded were “about to begin the specific process of doing business with Russia” or “interested in doing business with Russia”. Moreover, the forms of business undertaken by Japanese companies are becoming more diverse, moving away from the development of resources and energy, towards the local production of generators and engines, timber processing, and the sale of electrical appliances and motor vehicles. As well as bearing witness to the economic might of both Japan and Russia, these developments demonstrate that there is still more than enough potential for growth in the volume of trade between the two countries.

### **Improvement in the Investment Environment**

As a general rule, Japanese companies take a long time to decide upon expansion into a foreign country, but once they have established a base there, they develop their business in earnest and strive to contribute to economic development and social stability in the investment destination. However, what is vital in seeking to expand economic exchange between Japan and Russia in each field and region is the improvement of the investment environment by the Russian side.

Thanks to the leadership demonstrated by President Vladimir Putin, a broad range of institutional reforms have been implemented in such areas as the easing of regulations, taxation, companies, land, labor and the judicial system; in addition, steady progress has been made in reducing Russia's country risk, developing its social infrastructure, and eliminating capital shortfalls among Russian companies, as well as diversifying industry, with the aim of breaking free of the country's dependence on resources exports. Accordingly, Japan's business community has great hopes for a positive response on the part of Russia's government.

At the same time, in order to facilitate business with Russia, our committee maintains close contacts with Japanese companies that have established bases in Russia and companies currently contemplating a move into that country; some of these companies active in the field say

that they want transparency and stability to be ensured in the actual operation of the legal system, as well as progress in nurturing priority industrial fields.

With regard to this matter, examples of pending issues that were pointed out include the levying of additional taxes on JT, the moves to take over Igirma-Tairiku and problems relating to the collection of debts relating to marine produce that were experienced by Sojitz and Yokohama Commerce; it is feared that these cases will lead to the atrophying of investment in Russia by Japanese companies.

Our committee is making direct approaches to top Russian government officials who visit Japan, with the aim of resolving these outstanding issues that have arisen between Japan and Russia. Furthermore, in November last year, we sent a delegation consisting of 22 business executives to Moscow and Nizhny Novgorod, where they exchanged opinions with Deputy Prime Minister Alexander Zhukov, Minister of Industry and Energy Viktor Khristenko, and Presidential Plenipotentiary to the Volga Federal District Sergei Kirienko, with the aim of achieving new developments relating to business undertaken in Russia by Japanese companies.

Moreover, the Nippon Keidanren participates in the Japan-Russia Eminent Persons' Council, undertaking constructive discussions from a broad perspective with regard to the medium- to long-term prospects for strengthening Russo-Japanese economic relations.

### **Towards the Strengthening of Russo-Japanese Economic Relations**

In 2000, when President Putin visited Japan, I had the opportunity to explain to him directly the problems that Japanese businesses were facing in Russia. He commented that, “I would like to promote reforms with regard to those areas. I hope that you will come and see the new Russia.” Accordingly, an economic mission organized by the Russian government visited Russia the following year.

This year, both Mr. Volsky and Yevgeny Primakov, President of the Russian Chamber of Commerce and Industry, have visited Japan and visits by such dignitaries as Mr. Stepashin and President Putin are scheduled to take place later this year. I would like to tell them how the Japanese business world feels, in order to give further momentum to economic relations between Japan and Russia, which are already developing steadily.

Now is the time when the business communities of both countries should join hands and achieve great developments in economic relations between Japan and Russia that reflect the economic might of both countries; furthermore, both countries should take leading roles in promoting prosperity and development in Northeast Asia and Far Eastern Russia. Our committee wishes to look at Russo-Japanese economic relations afresh, from a global standpoint, with the aim of expanding and deepening cooperation between the two countries, and to do our utmost to contribute to the development of the relationship between them.

(Translated by ERINA)