The Sixth Japan–Russia Energy and Environment Dialogue in Niigata
K-ISHIKAWA

Overview of Russian Economy

Economic Scale (2012)
- Nominal GDP: 2 trillion dollars (JP 6.0, US 15.7, CN 8.2)
- GDP per Capita: 14 thousand dollars (JP 47, US 50, CN 6)

Production of Oil and Natural Gas (2012)
- 2nd PI in the World respectively

Trade → Export: 50% to Europe, 65% of Export: energy resources
- Main Trading Countries: ①CN, ②NL, ③DE, ④IT, ⑤UA
- Main Export Item: petroleum, petroleum products, natural gas, metal
- Main Import Item: mechanical equipment, rubber & chemical product, foodstuffs, agricultural products
- Current Balance (2012, Percent of GDP): 4.0% (JP 1.0, US -3.0, CN 2.6)
- Foreign Exchange Reserves (End of 2012): 487 billion dollars
  (JP 1227, US 139, CN 3331)

Finance → 50% of Revenue from Oil and Natural
- Revenue (2012, Ratio to GDP): 37.0% (JP 31, US 32, CN 23)

Challenge & Prospect of Russian Economy

Challenge

Dependence on energy resources
- 65% of Export: energy resources (oil, gas, etc.)
- 50% of Gov. revenue: energy related
  → Vulnerable to fluctuation of the oil prices

Inadequate investment environment
- Doing Business 2014 (The World Bank) : 92th/189countries
- Corruption Perceptions Index 2012 (Transparency International) : 133th/176countries
- The 2011 bribe payers index (Transparency International) : 28th/28countries
- Private capital outflows : 54.6 billion dollars flown out in 2012
  → Efforts : Accession to the WTO (Aug 2012), Under Negotiation for accession to the OECD

Prospect

"IMF World Economic Outlook, October 2013"

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<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Real GDP Growth</td>
<td>3.4%</td>
<td>1.5%</td>
<td>3.0%</td>
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<td>Balance on Current Account (Percent of GDP)</td>
<td>3.7%</td>
<td>2.9%</td>
<td>2.3%</td>
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<td>Consumer Prices index (Annual percent change)</td>
<td>5.1%</td>
<td>6.7%</td>
<td>5.7%</td>
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<td>Unemployment rate (Annual percent change)</td>
<td>6.0%</td>
<td>5.7%</td>
<td>5.7%</td>
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<tr>
<td>Overall Fiscal Balance (Percent of GDP)</td>
<td>0.4%</td>
<td>-0.3%</td>
<td>-1.0%</td>
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GDP source: the World Bank

Private Capital In- and Outflow

Source: the Central Bank of Russian Federation
Economy and finance is dependent on oil and natural gas

Trade is dependent on Europe

Economic Structure of Russian Economy (2012)

GDP

Export Figures

Trade Partners

Mining

Federal Budget Revenue

Regional Export Destination

Oil and gas production potential in Russia

Source: Federal State Statistics Service of Russia, Federal Tax Service of Russia, Ministry of Finance of the Russian Federation

Source: ENERGY STRATEGY OF RUSSIA for the period up to 2030, JOGMEC
Natural Gas Imported from Russia to Europe

Sources: JOGMEC etc.

From Russia / Total


(first half-year)

Trend of Population in Russian Far East District

Source: Federal State Statistics Service of Russia
※Estimated number at every January 1st

Area: 6.17 million km²
Population Density: 1.02 people/km²

8.06 million
6.91
6.25
Key Persons for Development of Russian Far East (DREF)

- Mr. Galushka, the Minister for DRFE
  - Assigned by President Decree dated September 11th

- Mr. Trutnev, Deputy PM and Presidential Envoys
  - Assigned by President Decree dated August 31st

- Mr. Medvedev, PM
  - Chair of Government Committee on the Far East’s Social and Economic Development
  - Established by Government Decision dated September, 17th

- Mr. Dvorkovich, Deputy PM
  - Chair of Government Commission on Water Supplies for Siberia and the Russian Far East
  - Established by Government Decision dated September, 6th

Personnel Change on the DRFE

- Mr. Ishaev, EX-Minister and Presidential Envoy
  - 1948 ~ born in Kemerovo Oblast (65)
  - 1991 ~ Chief Executive of Khabarovsk Krai
  - 1996 ~ the Governor of Khabarovsk Krai
  - 2009 ~ Presidential Envoy to the Far Eastern Federal District
  - 2012 ~ the Minister for DRFE

- Mr. Trutnev, Presidential Envoy
  - 1956 ~ Born in Perm Oblast (47)
  - 1996 ~ Mayor of Perm Oblast
  - 2000 ~ the Governor of Perm Oblast
  - 2004 ~ the Minister for Natural Resource
  - 2012 ~ Assistant to the President
  - Aug. 2013 ~ Deputy Prime Minister and Presidential Envoy to the Far Eastern Federal District

- Mr. Galushka, the Minister for DRFE
  - 1975 ~ Born in Moscow Oblast (38)
  - 1995 ~ Chairman of the Management Board of “Center for evaluation and management consulting”
  - 2010 ~ President of “Business Russia”
  - 2012 ~ Member of the Russian Board of Appraisers
  - 2013 ~ Co-Chairman of “the Central Headquarters of the People’s Front for Russia”
  - Sep. 2013 ~ the Minister for DRFE
### Recent Events in Japan-Russia Relations

#### 2012
- Dec. 28th: Telephone talks between Prime Minister Abe and President Putin
- Feb. 21st: Meeting between former Prime Minister Mori and President Putin
- Apr. 10th: Japan-Russia Foreign Minister’s Meeting on the occasion of G8 Foreign Ministers’ Meeting
- Apr. 29th: Prime Minister Abe’s visit to Russia (Japan-Russia Summit Meeting with President Putin)
- Jun. 17th: Japan-Russia Summit Meeting on the occasion of G8 Summit in Lough Erne
- Jun. 27th-30th: Former Prime Minister Mori’s visit to Russia (Meeting with Chairman of State Duma Naryshkin)
- Aug. 19th: Japan-Russia Deputy Ministerial Consultations
- Sep. 5th: Japan-Russia Summit Meeting on the occasion of G20 Summit in Saint-Petersburg
- Sep. 10th: Telephone talks between Prime Minister Abe and President Putin
- Oct. 7th: Japan-Russia Summit Meeting on the occasion of Bali APEC

#### 2013
- Jun. 5th: First Deputy Prime Minister Shuvalov took the chair of the Russian side for the Japan-Russia Intergovernmental Committee on Trade and Economic Issues
- Sep. 5th: Meeting between Foreign Minister Gemba and First Deputy Prime Minister Shuvalov on the occasion of APEC in Vladivostok
- Nov. 20th: Meeting of the Japan-Russia Intergovernmental Committee on Trade and Economic Issues in Tokyo

#### 2014
- Jan.-Feb.: Japan-Russia Deputy Ministerial Consultations
- Spring-time: Foreign Minister Kishida’s visit to Russia (Japan-Russia Foreign Ministers Meeting)

### Recent Events in Japan-Russia Economic Relations

#### 2012
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- Sep. 5th: Meeting between Foreign Minister Gemba and First Deputy Prime Minister Shuvalov on the occasion of APEC in Vladivostok
- Nov. 20th: Meeting of the Japan-Russia Intergovernmental Committee on Trade and Economic Issues in Tokyo

#### 2013
- Apr. 28th – 30th: Prime Minister Abe’s visit to Russia (Japan-Russia Summit Meeting with President Putin)
  
  (120 businessmen accompanied, including 30 presidents and CEO.)
- Aug. 15th: Establishment of Coordination Meeting for Promoting Japan-Russia Economic relationship (Chair: Deputy Chief Cabinet Secretary Seko)
- Sep. 6th: The Parliamentary Senior Vice-Minister for Foreign Affairs, Mr. Matsuyama attended Far Eastern Investment Congress in Vladivostok
- Sep. 24th-28th: Senior Vice-Minister, Mr. Matsuyama attended the 17th Sakhalin Oil and Gas Conference and the XII International Investment Forum Sochi 2013
- Oct. 4th: Establishment of the Public-Private Coordination Meeting for Promoting Japan-Russia Relationship (Chief Organizer: Mr. Sakane, Councilor. Komatsu Ltd.)
- Oct. 5th: The 3rd meeting Japan-Russia Economic Advisory Board for Modernization of Russian Economy
### Japan-Russia Trade

Trend of Japan-Russia Trade / Numbers of Japanese Companies in Russia

*Source:* Bank of Japan “Balance of Payments”

**The Number of Japanese Companies Advancing to Russia**

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<tr>
<td>Companies</td>
<td>105</td>
<td>185</td>
<td>192</td>
<td>211</td>
<td>231</td>
<td>269</td>
<td>296</td>
<td>302</td>
<td>349</td>
<td>373</td>
<td>406</td>
<td>427</td>
<td>444</td>
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<td>Over the previous year</td>
<td>+80</td>
<td>+7</td>
<td>+19</td>
<td>+20</td>
<td>+38</td>
<td>+27</td>
<td>+6</td>
<td>+47</td>
<td>+24</td>
<td>+33</td>
<td>+21</td>
<td>+17</td>
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### Trend of Direct Investment from Japan to Russia

*Source:* Bank of Japan “Balance of Payments”
### Major Items in Japan-Russia Trade (2012)

#### Export of Japan to Russia (Share)
- Chemical Products: 1.2%
- Iron and Steel: 2.8%
- Rubber Products: 4.4%
- Electrical Machine: 4.2%
- General Machinery: 13.6%
- Transport Machinery: 62.0%
- Others: 11.6%

#### Import of Japan from Russia (Share)
- Iron and Steel: 1.2%
- Timber: 2.1%
- Fishery Product: 7.3%
- Non-Ferrous Metal: 9.0%
- Mineral Fuels (Crude oil, etc): 77.4%
- Others: 3.0%

#### Export of Japan (money)
- Transport Machinery: ¥10,446
- General Machinery: ¥1,449
- Rubber Products: ¥443
- Electrical Machine: ¥475
- Chemical Products: ¥528

#### Import of Japan (money)
- Transport Machinery: ¥10,677
- General Machinery: ¥1,068
- Rubber Products: ¥358
- Electrical Machine: ¥376
- Chemical Products: ¥428

### Japan’s Import “Oil, Natural Gas, Coal”

#### Import of Oil and Raw Oil (2012)
- Saudi Arabia, 1,971, 33%
- UAE, 3,950, 22%
- Iraq, 347, 2%
- Vietnam, 411, 2%
- Iran, 945, 5%
- Kuwait, 1,383, 7%
- Qatar, 1,346, 11%
- Others, 1,109, 6%

#### Import of LNG (2012)
- Qatar, 1,566, 17.9%
- Australia, 1,591, 18.2%
- Malaysia, 1,461, 16.7%
- Indonesia, 616, 7.1%
- Brunei, 591, 6.8%
- UAE, 554, 6.3%
- Nigeria, 478, 5.5%
- Others, 646, 7.4%

#### Import of Coal (2012)
- Russia, 831, 9.5%
- Australia, 1,591, 18.2%
- Indonesia, 3,615, 19.5%
- Malaysia, 1,461, 16.7%
- China, 345, 3.9%
- USA, 628, 3.4%
- Canada, 987, 5.3%

Source: "Trade Statistics of Japan" Ministry of Finance Japan
Cooperation Between Japan–Russia in Oil and Natural Gas

- Map of oil and gas pipelines in Eastern Siberia and the Pacific Ocean region.
- Key locations include Kovykta Gas Field, Chayanda Gas Field, and Magadan.
- Projects mentioned: Yamal LNG, Sakhalin Project, Sakhalin-2 LNG Plant, Oil Field in the Okhotsk Sea, Eastern Siberia–Pacific Ocean Oil Pipeline.

**Energy Intensity (2011)**

Total primary energy supply / GDP

- Index: Japan = 1

Graph showing energy intensity for Japan, USA, China, Russia, and the world.

Sources:
- IEA Energy Balances of OECD Countries 2013
- IEA Energy Balances of non-OECD Countries 2013
Japan-Russia Cooperation in Energy Efficiency

- City and Housing Plan through use of technology for energy efficiency
- Co-generation Project
- Power Generation System Using Waste Disposal

Development of Japan–Russia Economic Relation since the Summit Meeting in April 2013 (example)

**Energy**
- Exploration in Magadan mining area
- Vladivostok LNG Project
- Far East LNG Project
- Nakhodka petrochemical project etc.

**Medical Care**
- Construction of facility for radiotherapy for cancer
- Vladivostok city diagnostic imaging center
- Advanced medical center etc.

**Agriculture • Food**
- Agricultural cooperation in Amur state
- Agricultural cooperation in Primorsky Krai
- Cooperation for constructing snow ice storehouse in Sakhalin Oblast etc.

**City Environment**
- Waste disposal power generation facilities in Sverdlovsk Oblast
- Moscow city development of public transport-oriented city
- Saint-Petersburg new city development
- Rehabilitation of water and wastewater in Samara Oblast etc.

**Far East Development**
- Development of cogeneration gas turbine
- Hydrogen production • shipping project in Magadan
- Establishment of “Far East and Baikal Infrastructure Development Partnership” etc.
Reasons for Japan’s National Interests in developing Japan-Russia Relations

**Basic View:**
- Promotion of Japan-Russia cooperation and strengthened bilateral the relations meet Japan’s national interests in the shift of the strategic environment in the Asia-Pacific region.
- Utmost efforts to resolve the issue of the Northern Territories and conclude peace treaty.

### 1 Security
- Maritime security is extremely important for Japan.
  
  Promotion for cooperation between Defense ministries and (self-defense) forces (ex. search and rescue training), as well as between coast-guard authorities.

- Improved transparency and confidence building through enhanced communication in the field of security and defense.

- Establishing common rules for security in Asia-Pacific region (freedom of navigation etc.).

### 2 Energy
- Russia is a main energy supplier in the world (13% of the oil production, 18% of natural gas production).

**Oil Amount of Production (2012)**

- Russia, 526, 13%
- Saudi Arabia, 547, 13%
- America, 395, 10%

**Natural Gas Amount of Production (2012)**

- Russia, 552, 18%
- America, 4,814, 20%
- Indonesia, 711, 2%
- Norway, 1,149, 3%

- Energy Supply from Russia
  - Diversification of sources of energy supply
  - Expected decrease in procurement price by competition among suppliers.

Better energy security for Japan
3 Attractive market for Japanese companies

- Market scale of 1,400 million people. Growing economy as one of the BRICS (nominal GDP 2 trillion U.S. dollars in 2012, top 9th in the world).
- Seeking to reduce resource dependence and attaching importance to innovation and modernization.
- Enhanced purchasing power in the expansion of the middle class (average wage has increased by 10 times for the last decade).
- Growing interests among Japanese companies (the number of Japanese companies in Russia: 105 in 1999 → 444 in 2011).
- Expansion of export of automobiles and local production (450,000 Japanese car is also sold in 2011, approx. 17%).
- 70,000 Japanese cars locally produced in 2011.
- New business chances for Japanese companies: environment, energy saving, urban development, agriculture, advanced medical devices.

4 Transportation

- Land bridge between Europe and East Asia
  → Transit time could be reduced by half in the use of upgraded Siberia Railway.
- Northern Sea Route (NSR)
  → NSR is shorter by 40% than Suez canal route.

![Map and diagram showing transportation routes and comparisons between different sea routes.]