

The Russian Economy Today and the Direction of Business between Japan and Russia

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The prevailing view in Japan is that Russia has been disturbing world peace and order, using brute force to annex the Crimean Peninsula and supporting separatist, anti-government elements in eastern Ukraine. Furthermore, economic sanctions against Russia are regarded as being inevitable, given its lack of compliance with the Minsk Protocol. However, in conflict between states – just like in any quarrel – one must listen to both sides of the story to get the full picture.

If one visits Russia and asks a Russian, “What do you think about the Western sanctions against Russia?,” the most common reply is, “It’s just Russia-bashing by the U.S., which is trying to expand NATO eastward.” The next most-common view is, “The Russian economy was too strong and had become a threat (to the U.S.A.), so the U.S. has used this as an excuse to slap Russia down before it’s too late, as it is with China.” They regard the U.S.A. as being the primary instigator, with Europe compelled to go along with it.

Whatever the reality, the Ukraine issue has triggered a further deterioration in relations between Russia and the West, and the subsequent problems in the Middle East mean that the situation is actually unstable, in contrast to the stability of the Cold War years.

The Russian economy now faces a much harsher situation for a much longer period than initially anticipated, due to the blow dealt by plummeting international oil prices, which began to fall around the same time that sanctions were imposed.

As well as outlining the impact on the Russian economy and making some predictions about its future prospects, this report examines the direction of the Russian economy going forward, in light of trends in consumer markets identified over the course of several studies carried out by the author. In particular, it looks at the path that the Russian economy should take from the perspective of structural reforms of the economy (innovation), once it has broken free of its present over-reliance on sub-soil resources.

Moreover, this report summarizes the steps that Japanese companies seeking to pursue business with Russia should take, given recent changes and trends in the Russian economy.

Furthermore, if time allows, the author wishes to examine the kind of relationships that should be pursued in light of recent changes in the nature of Russian businesspeople themselves, to assist Japanese companies in doing business with them in the future.

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