

Japanese Investment in Russia: Far Eastern and Western Russian Regions Compared

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Abstract

Starting from Sakhalin projects and following the production facilities establishment by Japanese companies in manufacturing industries in Russia investment relations between the two countries started expanding rapidly during the recent couple of decades. Today investment cooperation has reached a new development stage, which reveals not only quantitative, but also qualitative changes in the pattern of FDI flows, especially in terms of structure and technological level.

The paper addresses the aspect of regional differences in the approach of Japanese investors toward projects in Russia. The comparison of the major macro-regions that attract Japanese investment (Far-Eastern and Western regions, including Central and North-Western Federal Districts) allows to reveal the critical differences in the industrial distribution that reflect specifics of economic development and investment climate of these territories. However, the Western and Eastern parts of Russia complement each other in terms of investment attraction and contribute to the development of multifaceted and diversified framework for investment cooperation between Russia and Japan.

Keywords: Russia-Japan investment relations, investment projects, regions,
Russian Far East

1. The background of investment cooperation

From the historical perspective Japanese-Russian investment relations have passed several stages of development characterized by different organizational forms and level of intensity, but mostly the same field of cooperation (natural resource development) and predominantly in Far Eastern regions of Russia. The periodization of the investment relations development suggested below reflects the emergence of new cooperation areas and forms. These stages can be shortly described in the following way:

1) Collaboration on the basis of natural resources concessions (1920-1940s) under the Soviet-Japanese Basic Convention signed in 1925 may be considered a “start point” of the inflow of Japanese capital into the Soviet economy (Dijkov 1991). The convention aimed at setting bilateral diplomatic and consular relations between two countries as well as postwar stabilization in the Far East region. It granted Japanese companies a right to engage in concession projects in coal-mining industry and in oil extraction.

2) The peculiarities of the participation of Japan and Russia in the system of international economic relations have led to the investment collaboration in the sphere of natural resource development in Siberia and Far East on the basis of compensation agreements (1960-1980s). Such projects concentrated in forestry and fuel industry (coal mining). According to the terms and conditions of compensation agreements the Japanese side provided equipment under favorable credit terms for the joint enterprise, while the Soviet side took an obligation to supply to Japan a particular volume of the enterprise output. Therefore, Japanese manufacturing industry reached an extensive market for the equipment and a stable source of raw materials and semi-

finished products, while the Soviet side gained access to additional productive capacities and long-term loans as well as high-quality goods for internal market and export.

3) Joint ventures creation and cooperation within Special Economic Zones in the Far East (late 1980-1990s). The issue of decree on joint ventures in the Soviet Union in 1987 became the first step to the creation of regular legal framework for foreign investment. Foreign companies got an opportunity to engage in a wider range of spheres and diversify investment flows. By 1991 49 joint Japan-Soviet enterprises operated in USSR, they represented less than 2% of all joint ventures with foreign capital. Japan took 11th place by the number of joint ventures in Soviet Union among developed capitalist countries in 1991. A half of joint enterprises operated in timber or fishing industry (from 1987 till 1991 17 joint ventures in fishery have been founded in USSR). The aggregate volume of investment equaled to 50 mln. Rubles and the share of Japanese companies in the enterprise equity capital accounted to about 30% (Dijkov 1991), the rest of ventures were in services.

4) Sakhalin projects, which are carried out on the basis of international cooperation with participation of Japanese companies under Production Sharing Agreements, can be regarded as a new stage of investment cooperation development. 30% of Sakhalin 1 project belongs to Japanese SODECO consortium (Sakhalin Oil & Gas Development Co. Ltd) and 22.5% of Sakhalin 2 – to Mitsui Sakhalin Holdings B.V. (subsidiary of Mitsui) and Diamond Gas Sakhalin (subsidiary of Mitsubishi) (12.5 and 10% respectively). Although Sakhalin projects represent the largest share of Japanese-Russian investment cooperation (in the structure of total investment stock by Japanese companies they account to about 86% of about 10 bln USD total invested by December 2013)¹, from statistical point of view they are regarded as “other” type of investment, i.e. they are not included in FDI for the reasons of finance mechanisms that imply funding via operator’s special accounts.

Thus, most of investment projects specialized in resources development (especially timber and fuel). Due to geographical location and compliance with the investment aims the attention of Japanese investors was focused on the Far East of Russia, therefore, this region has always been playing an extremely important role in the development of economic relations between two countries.

Recent decade has seen several new trends in the development of Japanese-Russian investment relations. First of all they included fast and continuous growth of direct investment inflow volume: 31-fold increase of stock from 2004 to 2012; diversification of industrial structure: increase of FDI in manufacturing; diversification of Japanese direct investment regional distribution. However, despite all qualitative changes in Japanese direct investment trends, they still represent quite a modest share of total Japanese investment in Russia – only about 10% (in 2012)². The major volume of Japanese investment in Russian economy is represented by indirect investment into the extracting sector of the Far Eastern region of Russia. The prevalence of indirect investment causes huge difference in the regional and sectorial structure of total and direct investment flow from Japan to Russia and makes it impossible to analyze Japan-Russia investment relations without referring to the investment type.

2. Regional and structural trends Japanese investment

2.1. Total investment of Japanese companies

Keeping this in mind let's address first to the overall trends of investment activities of Japanese companies in Russia in recent years. The Japanese investment stock in Russia almost approached 10.8 bln USD in 2012³, with the share of Far Eastern Federal District (FEFD) accounting for 87% of that volume. Central Federal District (CFD) that attracts more than a half of total inward investment in Russia accounted for only 10% of Japanese investment stock (Table 1). North-Western Federal District (NWFD) ranked third with less than 2%. Other districts didn't reach a 1% share, therefore it would be reasonable to consider these 3 districts for further analysis.

Table 1 : Japanese Investment Stock Distribution by Federal Districts, 2012

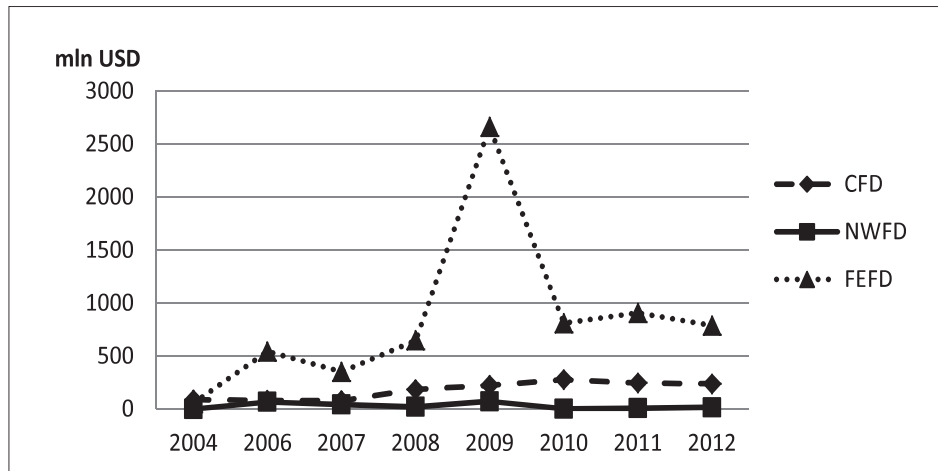
	Japan		All countries		Share of Japanese investment stock in total by regions (2012, %)
	Investment stock (2012, mln USD)	Share of Federal Districts in total volume (2012, %)	Investment stock (2012, bln USD)	Share of Federal Districts in total volume (2012, %)	
Russian Federation	10,778.90	100	362.366	100	2.98
Central Federal District	1,097.30	10.18	200.538	55.34	0.55
Moscow*	681.8	62,13*	149.7247	74,66*	0.46
North-Western Federal District	181.5	1.68	38.5717	10.64	0.47
Saint-Petersburg*	181.5	100,00*	20.9136	54,22*	0.87
Southern Federal District	5.8	0.05	15.1071	4.17	0.04
North-Caucasian Federal District	0	0	1.5047	0.42	0
Volga Federal District	30.2	0.28	15.8006	4.36	0.19
Ural Federal District	0.5	0	26.1243	7.21	0
Siberian Federal District	47.8	0.44	11.9888	3.31	0.4
Far Eastern Federal District	9,415.90	87.35	53	14.55	17.86

*Moscow - percentage of CFD volume, St.Petersburg - from NWFD volume

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

It is also worth noting that Japan accounts for about 3% of the total foreign investment stock in Russia while in FEFD its share increases to almost 18% (Table 1). Underlying this trend are multiple Japanese investment projects and trade developed in the region during decades, neighboring location and the abundance of resources that attract investors.

In 2010-2012 the annual inflow of Japanese capital to the regions of FEFD equaled to 700-800 mln USD following a peak of 2.7 bln USD in 2009, while the central regions of Russia received 3-times less (200-250 mln USD) annually (Figure 1).

Figure 1 : Japanese investment inflow to Russia for CFD, NWFD and FEFD, 2012

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

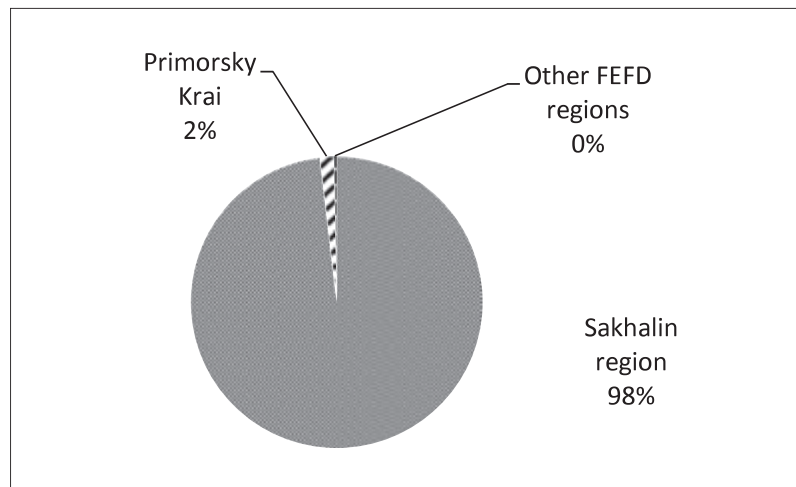
The sectorial structure analysis of inward Japanese investment in 3 Federal districts reveals significant difference in the approach of Japanese investors towards regions and reflects the specific features of economic activities prevalent and typical for these territories. Almost all (98%) investment in FEFD is stocked in extraction and mining industries, forestry and agriculture are also worth mentioning with 1.11% and only 0.5% goes to manufacturing in the Far Eastern regions (Table 2). The structure of Japanese investment in the Central Federal District is completely different: manufacturing and wholesale and retail trade represent about 84% of total volume. Investment in real estate and lease and Finance follow with 6.4 and 4% respectively. In North-Western Federal district Japanese capital is highly concentrated in manufacturing (99.7%), the rest is invested to wholesale and retail trade sector.

Table 2: Japan stock investment structure for RF, FEFD, CFD, NWFD (2012, %)

	Russian Federation	FEFD	CFD	NWFD
Total	100	100	100	100
Manufacturing	6.09	0.47	36.25	99.71
Construction	0.032	0	0.29	0
Wholesale and retail trade	5.38	0.09	47.52	0.27
Transportation and communication	0.15	0.11	0.5	0
Finance	0.41	0	4.04	0
Real estate and lease	0.81	0.17	6.4	0
Forestry and agriculture	1.48	1.11	5	0
Fishery	0.03	0.04	0	0
Extraction and mining	85.62	98	0	0

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

Within Far Eastern Federal District the distribution pattern of Japanese investment looked the following way: Sakhalin region with its shelf gas and oil extraction projects and gas liquefaction facilities where Japanese companies are largely engaged, accounts for about 98% of total investment stock volume or 9.24 bln USD (Figure 2).

Figure 2: Regional distribution of Japanese investment stock in FEFD, 2012

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

Primorsky Krai with 2% (145 mln USD) is ranked second, although actually it is the FEFD region with the widest range of sectors represented in investment relations with Japan: almost equal share of total (8-6%) is distributed between timber processing, transportation and communication and wholesale and retail trade (Table 3). Investment in agricultural sector accounts for the biggest share – 72%, also chemical production and real estate operations attract a noticeable volume – 3.5 and 3.2% respectively.

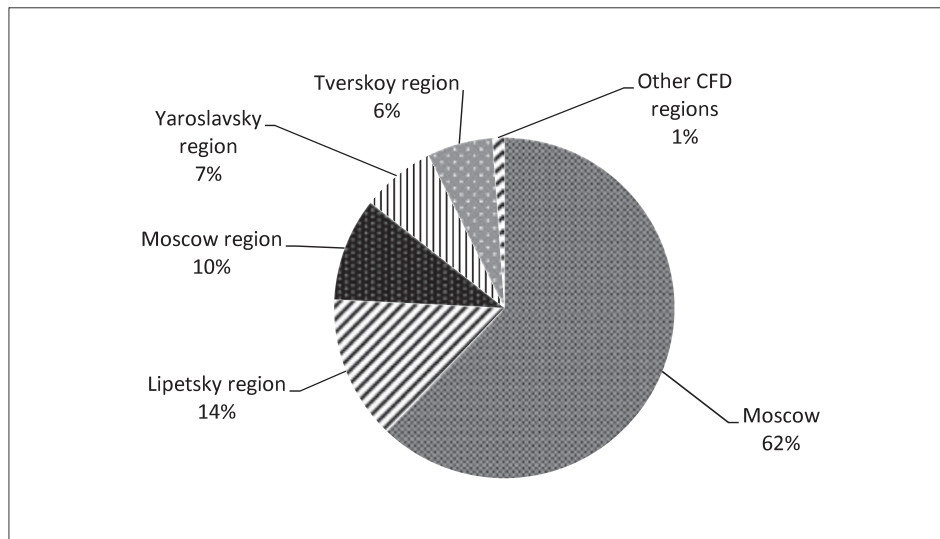
Table 3: The structure of Japanese investment stock in some regions of FEFD, 2012, %

	Primorsky Krai	Sakhalin region
Forestry and timber processing	7.84	
Chemical production	3.21	
Wholesale and retail trade	5.83	
Transportation and communication	7.09	
Real estate and lease	3.54	0.12
Agriculture	72	
Extraction and mining		99.86
Other industries	0.52	0.02

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

Within FEFD Republic of Sakha (Yakutia) is also worth mentioning: although its share doesn't exceed 0.3%, the whole investment volume (27.6 mln USD) is accumulated in diamond extraction and geological exploration and engineering.

The investments of Japan in CFD are mainly directed to Moscow (62%, 681 mln USD), where they distribute mostly between such sectors as wholesale and retail trade (73%), real estate and lease (10.3%), agricultural (mainly food) production (8%) and finance (6.4%) (Figure 3).

Figure 3: Regional distribution of Japanese investment stock in CFD, 2012

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

Actually the CFD investment inward stock from Japan is the most diversified in terms of regional distribution: except from Moscow there are 4 more big recipient region such as Lipetsky region (14 %, 150 mln USD), Moscow region (10%, 108 mln USD), Yaroslavsky (7%, 77 mln USD) and Tverskoy regions (6%, 68 mln USD) (Table 4). However the sectorial structure within the 3 of them is not diversified at all as the Japanese investments are engaged only in particular projects for each region: rubber production on Yokohama plant in Lipetsky region, Hitachi Kenki excavators and large construction vehicles production in Tverskoy region, Komatsu (excavators and other construction vehicles) and Mitsui (equipment for oil-processing plants) in Yaroslavsky region.

Table 4: The structure of Japanese investment stock in some regions of CFD, 2012, %

	Moscow	Lipetsky region	Moscow region	Tverskoy region	Yaroslavsky region
Rubber production		99.99			
Non-metal mineral production			36.63		
Other manufacturing			41.5	100	100
Wholesale and retail trade	73.02		21.03		
Finance	6.37		0.84		
Real estate and lease	10.3				
Agriculture	8.06				
Other industries	1.93	0.01	0.01		

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

Other regions of CFD are not represented with large volumes.

In NWFD almost all Japanese capital is concentrated in Saint-Petersburg, therefore the sectorial distribution pattern is the same as for the whole federal district.

To sum it up, the investment activity of Japanese companies is concentrated in 2 macro

regions of Russia – the Far East (FEFD), and the Western regions (namely CFD and NWFD). These territories account for about 99% of Japanese investment stock in Russia (including direct, portfolio and other (the prevalent) types of investment). Japanese investment effectively specialize in particular industries depending on the investment environment and production potential of Russian regions. The resources availability, infrastructural development, market conditions and requirements play a critical role in formation of the final pattern of capital distribution between regions and industries. In FEFD the investment project are carried out in extraction and mining sector, forestry and timber, some manufacturing. Quite different pattern is shown by CFD: investment is concentrated in wholesale and retail trade, manufacturing, real estate and finance sectors, while NWFD is dealing almost with manufacturing projects only.

2.2. Direct investment of Japanese companies

The most large-scale investment projects involving Japanese capital are the Sakhalin shelf oil and gas extraction projects and Sakhalin LNG plant. They account for more than 85% of all inward investment stock. However, almost all investment in Sakhalin projects is indirect capital of “other” type from statistical viewpoint. It is administered through loans and via project operating company’s special accounts. If we take a look at the trends in direct investment from Japan that exclude Sakhalin projects, the picture is absolutely different.

As far as the current Japanese FDI inflow to Russia is concerned, there are 2 major tendencies to be pointed out: significant growth of FDI volume in the recent years and important changes in its sectorial distribution structure.

During the period of 2008-2012 the volumes of FDI by Japanese companies into Russian economy showed a record high: for instance, the flow of Japanese investments in 2012 exceeded the stock accumulated-by 2008 (Table 5). According to JETRO data the FDI stock experienced more than 31-fold growth during the past 8 years starting from 2004.

Table 5: Japanese FDI flow and stock in Russia 2004-2010 (mln USD)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
FDI inflow	49	95	160	99	306	391	350	339	757
FDI stock	87	157	258	373	668	954	1220	1725	2734

Source: Japan External Trade Organization (JETRO) – Japanese Trade and Investment Statistics – FDI Flow and FDI Stock (based on Balance of Payments, net)

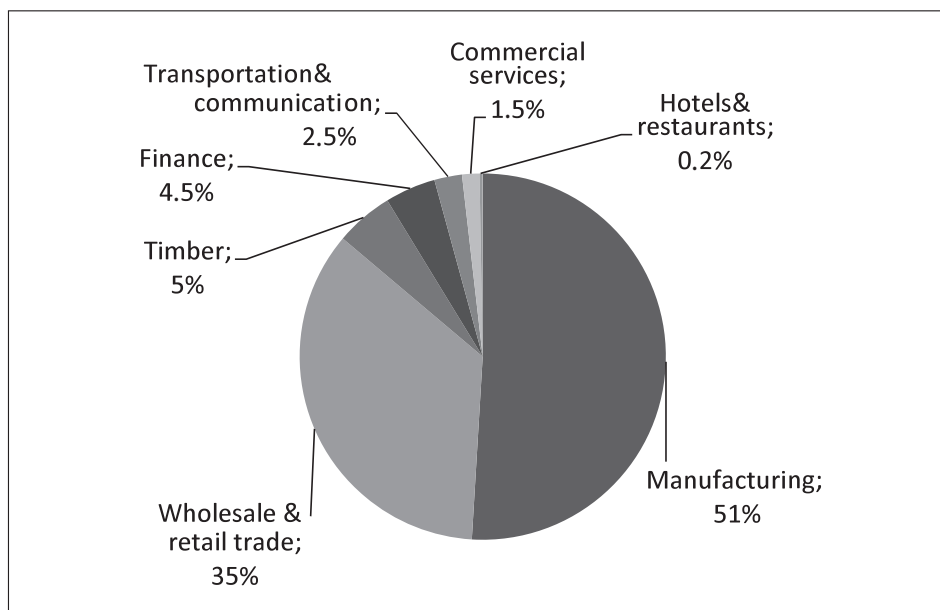
Such an upturn is to a certain extent a result of low initial level of Japanese FDI in Russian economy. This fact becomes obvious from the position of Japan as a foreign investor in Russia in comparison to other countries. Despite the high growth rates, Japanese investment account for quite a small proportion of FDI in Russia. For instance, in 2012 Japan was the 10th country in terms of direct investment in equity capital accounting for 2.05% of total⁴. However, the indicator of share in total is strongly affected by the fact that the top investors in equity capital are mainly represented by offshore territories (Bahama, Bermuda and Virgin Islands, Netherlands etc.).

Despite the relatively stable and dynamic growth of Japanese company’s presence in Russia it is still obvious that even now the scale of real activities is still much below the potential of investment relations between two countries.⁵ While the share of Japanese companies in cumulative FDI in Russia is less than 1%, Russia accounts for about 0.22% of total investment

in the regional distribution of Japanese companies' direct equity capital investment structure.⁶ On the other hand, as in case of Sakhalin projects, official statistics do not always reflect the real situation. The errors often occur due to the complexity of funding schemes and statistical methodology weakness that do not allow registering FDI as direct type of investment in some cases. For instance, in case of Japan Tobacco International the financing is carried out through European branches. As a result statistically these investments are not regarded as Japanese FDI. And this case is far from being unique. According to the Ministry of Economic Development of Russia estimations the volume of Japanese FDI in fact accounts to about 5 bln USD.⁷ But even in this case the improvement of investment indices for both countries would be insignificant.

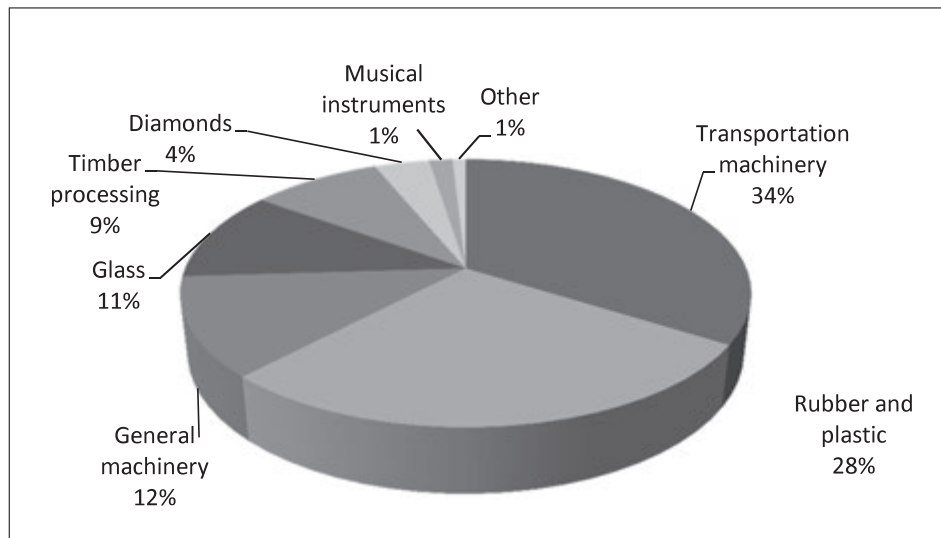
A major shift in investment pattern concerns industrial distribution structure. The direct capital is mostly concentrated in two sectors – manufacturing and trade (retail and wholesale) – 51 and 35% respectively (Figure 4). Given the dynamic growth of capital inflow into manufacturing sector (on average about 2-fold inflow volume increase annually for the past 5 years) we can conclude that the technological level of Japanese FDI inflow in Russian economy is gradually rising. For instance, in 2013 manufacturing accounted for more than 60% of the whole Japanese FDI inflow into Russian economy.⁸

Figure 4: Japanese FDI stock structure by industry, 2012



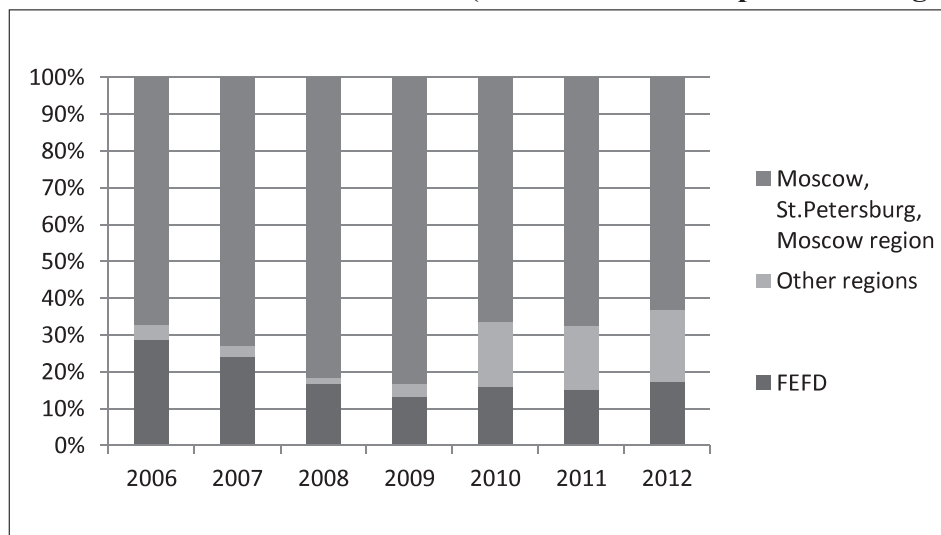
Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

As far as the distribution within the manufacturing sector is concerned in 2012 about 1/3 of FDI stock was concentrated in transportation equipment production, 28% - in rubber and plastic products manufacturing, 12% in general machinery and 11% in glass production (Figure 5). Also timber processing, diamonds cutting and musical instruments production spheres are quite representative in terms of Japanese direct investment stock.

Figure 5: Japanese manufacturing FDI stock structure by industry, 2012

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

In terms of regional distribution of Japanese direct investment to Russia a trend of investment directions diversification becomes obvious starting from 2010. While in 2006 the share of FEFD and 3 regions of CFD, namely Moscow, Saint Petersburg and Moscow region accounted for 96% of total, by 2012 the share of other regions increase to almost 20% (Figure 6). The share of the Far Eastern Federal District regions reduced from 29 to 17% regardless of 70% growth of investment stock on average within the period mentioned. The main recipients were Primorsky and Khabarovsk Krai as well as the Republic of Sakha (Yakutia).

**Figure 6: Japanese FDI stock regional distribution trend
(FDI stock share of particular regions, %)**

Source: Unified Interdepartmental Statistical Information System, Federal State Statistic Service

The leading regions attracting Japanese FDI in 2012 included Moscow and St. Petersburg (47 and 17% respectively), but Lipetsky region replaced Moscow region as №3 top recipient (11.3 vs. 10.1%). Together with Tverskoy, Nizhegorodsky and Yaroslavsky regions this region contributed to the distribution diversification greatly due to the dramatic FDI inflow increase. The share of manufacturing investment in Moscow region reaches 98% while in Moscow 86% of total Japanese direct capital is stocked in the wholesale trade.

Almost each of the leading regions attract Japanese FDI to a narrow range of (or even single) particular industries which reflects the region's specialization and market conditions. For example, St. Petersburg attracts 93% of total Japanese investment stock in transportation equipment production in Russia, Primorsky Krai and Khabarovsk Krai attract 90% of FDI in wood processing and 80% of investment in transportation and communication.

Following are some examples of investment projects underlying the figures of statistics for the two macro-regions.

3. Japanese investment projects in Russia

3.1. Projects in the Western part of Russia

Following the “pioneers” Toyota and Nissan who decided to set up production plants near St. Petersburg other Japanese automobile producer such as Isuzu (light trucks), Mitsubishi Motors (in cooperation with Peugeot-Citroen), Mitsubishi Fuso (trucks) and Komatsu (road-construction equipment and machines) have opened their plants in Russia too. It caused intensive inflow of investment into related industries. For instance, “Asahi Glass” started its second sheet glass production plant in Nizhny Novgorod (the first one operates in Klin), “Yokohama Rubber” is producing automobile tires in Lipetsky region from 2011. Automobile industry is pulling together a set of related production companies that are focused on supplying details and components to the assembly plants. Among these companies can be mentioned the following: “Toyota Boshoku” (car seats), “Ishikawajima-Harima Heavy Industries” (details of passenger and truck body), “Daido Metal” (bearings), “Sakura Kogyo” (details of breaking and fuel systems) and others. In 2014 Hitachi Kenki started the production of excavators in Tver'. Therefore automobile production becomes a core industry for Japanese direct capital: it implies increase of FDI inflow in related industries (cluster development), growth of technological level of investment thus contributing to the development of balanced industrial structure of Russian economy.

Not only automobile, but also chemical industry attracts Japanese investors (Sojitz and Mitsubishi have plants processing ammonia and methanol in Tatarstan, Marubeni invests in chemical plants modernization projects in Tatarstan, Novosibirskiy region and Krasnodarsky Krai). Panasonic and Sony run assembly plants in Kaliningradsky region, Ajinomoto is engaged in foods production and Fujikura – in fiber-optic materials production in Moscow. And the list is far from over.

In trade sector FDI are mostly concentrated in retail and wholesale trade in machinery, equipment (55%) and automobile parts (34%). The FDI distribution pattern in trade is largely connected to the structure of import and reflects the development of sales network, after-sale services, technical support chains. It is especially common for producers of household and office equipment, as well as construction and special equipment.

In the sphere of finance and banking the largest Japanese banks such as Tokyo-Mitsubishi

UFJ, Mitsui Sumitomo, Mizuho Corporate Bank as well as Toyota Bank opened representative offices in Russia mainly in order to support local activities of Japanese companies. Obviously, banking attracts Japanese investment in the Far Eastern regions too.

3.2. Projects in the Far Eastern region

Except Sakhalin projects and LNG plant that were mentioned already there are several large extraction projects carried out in the FEFD or Siberian Federal District (SFD) with Japanese capital participation: for example, gold field in Chukotsky region explored by Mitsubishi, uranium field in Yakutia with Mitsui Bussan participation.

Two plants jointly established by Sumitomo and Terneiles in Primorsky Krai can be mentioned among the latest timber processing investment projects in the Far East region and the largest ventures in communication are the projects by KDDI-Rostelecom (fiber-optic communication line between Nakhodka and Joetsu) and NTTCom-Transtelecom (fiber-optic cable between Nevelsk and Ishikari).

Recently Japanese automobile producers started exploring not only the Western part of the country, but also the Far East: in 2012 Mazda has opened a joint plant with Sollers in Vladivostok, while Toyota started assembly of LandCruiser Prado on the line of Sollers-Mitsui&Co joint production platform in 2013. An interesting fact worth mentioning concerning the types of automobiles produced in the Western and Eastern parts of Russia: as the markets of these two macro regions actually are logistically separated from each other and differ, the producers have to develop individual market strategies for those. So the market of the Far East region demands crossovers to cope with different road types and severe conditions. At the same time in the Western regions the preferences are more differentiated: so called “family” type cars are almost as popular as crossovers or even more. On the other hand regions with high income (Moscow, St Petersburg and some Southern regions of Russian Caucasus) create demand for cars of luxury category. Therefore Japanese producers adapt their local production facilities to be in line with the market trends.

4. Investment cooperation prospects

Current trends of Japanese-Russian investment relations development and mutual interests of both countries makes it logical to assume that energy sector is going to continue being the priority cooperation sphere. There are plans for another gas liquefaction plant to be built in Vladivostok, development of cooperation in potential hydrocarbon deposits in East Siberia and in the Far East region. Actually energy is an area of high interest for both countries: Japan is seeking for stable resource supplies and energy balance optimization, while Russia is interested in developing energy cooperation in the Asian direction. Cooperation project will thus be stimulated and pushed by mutual interest.

The localization of existing production and new facilities construction will ensure high level of investment inflow in mid- and high-tech manufacturing industries such as oil and gas, chemistry (gas- and petrochemical industry), machinery, primarily automobile and details and components production. For example, Toshiba is planning to start automobile electric transformers production in Saint Petersburg in 2014. Another interesting project is a car utilizing plant by Toyota to be built in Moscow region⁹. This project is both timely and relevant

considering the size of outdated car fleet in Russia and it opens a new and very promising sphere of cooperation for the two countries.

The cooperation in high-tech innovation sectors may include medicine and pharmacy industry. For example in 2007 Kanazawa Medical University in cooperation with Yaroslavskaia Medical Academy founded Russian endoscopic training center, that allows to train doctors who conduct the latest endoscopic surgery. In 2014 Takeda-Nycomed has finished the construction of a plant that started pharmacy production for oncological and nephrological treatment.¹⁰

Finally, one of the most promising spheres of cooperation between Russia and Japan is power efficiency technologies application, especially on production premises. "If we take an energy unit used to produce 1 conventional GDP unit in Japan for 1, the same indicator would be 16.8 for Russia, while in China it equals 8.3, in the US – 2.1 EU – 1.8" (Ide 2012). That's why application of Japanese energy efficiency boosting technologies and experience seems extremely promising. Renewable power, combined energy generation technologies and intellectual power networks is another example of cooperation development sphere.

Conclusions

The scale of investment cooperation between Russia and Japan is reaching a new stage nowadays both in terms of qualitative and quantitative aspects. Japanese business in Russia is living an unprecedented growth period and the recent decade without exaggeration may be referred to as a new historical stage in Russia-Japanese investment cooperation. During the previous 10 years Japan moved from third to the first ten of investors in terms of capital stock in Russia.

The driving factors for Japanese companies for foreign market penetration and overseas investment increase are quite numerous and diversified. They include resource access, market access, trade barriers and yen appreciation effect avoidance, use of relatively cheap local resources to explore the local market or increase sales and even to export to third countries or re-export. The Russian direction provides opportunities to address almost all possible investment stimulating factors that differ depending on the recipient region or industry.

Historically investment cooperation of Japanese companies with Russia was almost limited to resource exploration projects, however, current stage of relations development shows a shift from the one-way perception of investment opportunities. The changes of market potential and trends contribute to the structural shifts in Russia-Japan investment cooperation: particularly to the increase of the investment technological level and the creation of basis for production clusters development primarily in automotive industry.

The strategies and motivation factors for Japanese investors largely depend on opportunities underlying it. Russian market can be divided into two large parts without clear borders, but showing discrepant trends: Western (European) part and Far Eastern and Siberian part. The former attracts investors with its capacious promising market, fast economic growth, opportunities for cluster production development. The Far Eastern and Siberian regions are extremely important for investment cooperation: they are promising for resource development projects and have a huge logistic advantage of its close location to Japan. Therefore the strategies both for production and market exploration should be adapted to local and regional conditions.

It is quite difficult to determine which region is more important for investment cooperation because the structure of relations differs dramatically. Actually the Western and Eastern parts

of Russia complement each other in terms of investment attraction, therefore, they contribute to the development of multifaceted and diversified framework for investment cooperation between Russia and Japan.

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- ¹ Unified Interdepartmental Statistical Information System, Federal State Statistic Service
<http://www.fedstat.ru/indicators/start.do>
- ² Ibid.
- ³ Unfortunately due to the gaps in the Federal State Statistic Service database for foreign investment in 2013 in most cases we have to refer to 2012 data.
- ⁴ Bank of Russia, Statistics, Macroeconomic statistics, External sector statistics, Direct investment in Russian Federation http://www.cbr.ru/Eng/statistics/?PrtId=macro_itm
(Extracted in Russian http://www.cbr.ru/statistics/?PrtId=svs&ch=PAR_30241#CheckedItem)
- ⁵ According to Motoyuki Oka, the chairman of Japan-Russia economic cooperation committee, in the near future Japanese investment in Russia even could possibly reach 30 bln. doll. – Rosbalt Business *Rossija teryaet 9/10 japonskih investitsij [Russia loses 9/10 of Japanese investment]* 08.09.2008 14:18
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- ⁷ Doklad Ministerstva ekonomicheskogo razvitiya Rossijskoj Federatsii “Rossijsko-Japonskoe vzaimodejstvie v investitsionnoj sfere” [Ministry of Economic Development Report “Russia-Japan cooperation in the investment sphere”] 12.10.2009 [In Russian]
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- ⁸ Unified Interdepartmental Statistical Information System, Federal State Statistic Service
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- ⁹ Autonews.ru News portal Toyota planiruet postroit’ v Podmoskov’e utilizatsionnyj zavod [Toyota is planning to build a utilization plant in the Moscow region] 19.10.2012 [In Russian]
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