

Japan-Russia Action Plan: Prospects for Economic Cooperation

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The proactive role of governments in supporting and promoting economic exchange between Russia and Japan is vital to the development of cooperation in the fields of trade and investment. The bilateral Russia-Japan Intergovernmental Commission is a body that formulates proposals for future activities, identifying problems in bilateral economic exchange, as well as with regard to the specific interests of both sides.

Over the last several years, important steps have been taken by the governments of Russia and Japan, both in the development of policy dialogue and in actual trade and economic relations, including new forms of economic interaction.

The most recent such step is the jointly developed Action Plan adopted by the leaders of Japan and Russia on January 10, 2003. Among other important goals, the Action Plan proposes a set of broader and more efficient measures for promoting trade and economic exchange. The basic principles behind the economic section of the Action Plan are "trust, joint efforts and mutual benefits".

It is worth mentioning that over the last several years, bilateral economic exchange between Russia and Japan has been facilitated by a number of favorable factors, including an improved policy climate and Russia's economic performance. Both Japan and Russia seem to have identified their longer-term policy needs and economic interests vis-à-vis one another, including those relating to their policies in the Asia-Pacific region. In addition to bilateral efforts, regional economic cooperation within the APEC framework provides both Russia and Japan with many opportunities to boost bilateral trade and diversify economic exchange.

The foundations for this new phase in bilateral economic exchange were laid during the informal 1997 summit in Krasnoyarsk, when the Yeltsin-Hashimoto Plan was presented. This plan provided both sides with both immediate and mid-term goals for developing economic links and exchange, including investment cooperation, energy sector development and Japanese support for Russian economic reform.

The two sides expedited the adoption of the Investment Protection Agreement. They also developed an exchange program for government officials and managers of enterprises, which has allowed many groups and individuals from Russia to visit Japan and receive professional training in the areas that interest them. In addition, Japan has extended support and technical assistance relevant to Russia's membership of the Asia-Pacific Economic Cooperation Forum (APEC) and its accession to the World Trade Organization (WTO). Yet another important outcome of the Yeltsin-Hashimoto Plan was the establishment of new links, contacts and exchanges

among government agencies in such areas as the peaceful use of atomic energy, space exploration and space technology. Regular Russo-Japanese consultations on energy issues have begun to take place, responding to both countries' needs and priorities.

However, Russia and Japan are still in the initial stages of developing a comprehensive framework for large-scale economic exchange that fully reflects the economic and technological potential of both Russia and Japan. To get beyond this initial phase, bilateral trade and investment links require consistent support from both governments, as well as efforts at the private sector level.

In this context, Russia and Japan should continue working to implement the bilateral Economic Cooperation Program adopted in September 2000, which supplements the 2003 Action Plan in opening new horizons in Russo-Japanese relations, including opportunities for progress in economic cooperation, such as comprehensive and ever-expanding trade and investment links. It is important to note that the qualitatively new policy environment in Russia-Japan dialogue would greatly facilitate the achievement of new goals in economic cooperation, contributing to progress in other areas, including those where solutions have yet to be found.

The 2003 Action Plan is expected to serve several purposes and goals. The first is the expansion of bilateral trade. The second is the exploration of opportunities for cooperation in new areas, including Russia's involvement in regional cooperation and economic integration in the Asia-Pacific region. The Action Plan stipulates that the governments of Japan and Russia will undertake concrete measures in support of (1) trade and investment cooperation; (2) Russia's integration into the global economic system and its membership of the WTO; (3) technical assistance and intellectual support; (4) energy sector development; (5) peaceful use of nuclear power; (6) environmental protection; (7) bio-resource protection and management; (8) science and technology; (9) space exploration; (10) transportation and tourism; and (11) development of mutually beneficial trade and economic exchange at the provincial and regional level.

Promotion of Trade and Investment

The Action Plan stipulates that the Japan-Russia Intergovernmental Committee, which forms the core of the bilateral cooperation mechanism, will carry out this role, which is important for the furthering of Russo-Japanese economic relations. Moreover, in order to seek new forms of constructive cooperation, improve the business environment and eliminate obstacles to economic exchange, the active utilization of both the Japan-Russia Intergovernmental Committee on Trade and Economic Affairs

and the Subcommittee on Trade and Investment is emphasized.

Improvements to financial support mechanisms will continue to be implemented, including the diversification of forms of loans and guarantees for joint projects and visible trade. Economic mechanisms should be used in providing finance and guarantees for export and import trade of mechanical equipment, and a framework for risk management by banks, businesses and regions should be constructed. In addition, the conditions for granting Japanese trade insurance for Russia-related projects should be eased, as this would be an effective means of developing bilateral trade.

Whether it is possible to implement joint Russo-Japanese projects successfully depends greatly on whether investor-friendly economic and legal conditions are put in place. Moreover, with the Russian economy growing steadily, the provision of information to the Japanese business world regarding the state of progress with economic reforms in Russia is an extremely important issue.

In order to strengthen frameworks for exchange at the private sector level, it is essential to continue efforts aimed at the establishment of a Japan-Russia Trade and Investment Promotion Organization as soon as possible, as well as expanding cooperative relationships between companies, associations and research institutions by actively dispatching missions to both countries and supporting trade fairs, exhibitions and seminars in the fields of trade and the economy, and science and technology.

Integration of the Russian Federation into the International Economic System

Japan asserted that it would support Russia's integration into the international economic system, i.e. supporting Russia as it seeks to join the WTO. It is possible for Japan to share with Russia the knowledge and experience necessary for joining the organization, with the aim of ensuring that Russia's laws conform to WTO standards and rules. It is hoped that talks and negotiations between Japan and Russia regarding the latter's accession to the WTO will also involve consideration of the conditions of its entry and of its access to product/service markets that would be acceptable for both.

Technical and Intellectual Assistance for the Russian Federation

In order to support the development of a market economy in Russia, Japan confirmed its intention to advance its technical and intellectual assistance to Russia through the Japan Centers in certain priority fields, including the promotion of small and medium-sized enterprises. At the same time, there are plans to draw up a new memorandum regarding the activities of the Japan Centers in the field of Russo-Japanese trade and economic exchange. Furthermore, cooperation in the training of business managers and civil servants will continue as part of the program of technical and intellectual assistance.

Energy

Taking an interest in the development of energy

resources in Russia's Far East and Siberia regions and bearing in mind various promising projects that have been implemented over a long period of time, both sides have decided to support economic cooperation in this field, formulating a document on energy cooperation. Both Japan and Russia are willing to cooperate actively with regard to energy security in the Asia-Pacific region and to consider the potential for the development of infrastructure for supplying fossil fuel resources to the countries of Northeast Asia, including Japan. The creation of a Russo-Japanese Long-term Energy Development Program is thought likely to become possible as a result of such cooperative activities.

The main issue in constructing a large-scale long-term cooperative framework in the field of energy is the development of an environment favorable to securing the success of the Sakhalin I and II projects, in which Japanese companies are also participating.

Within the framework of the Japan-Russia Energy Consultations, both sides will continue to exchange opinions on the expansion of energy cooperation and specific measures, based on mutual interests and experiences of cooperation between the two countries. This will make possible the coordination of the Asian energy policies of both countries and contribute to the stability of energy resource markets.

Studies will also continue with regard to the possibilities and necessary conditions for implementing projects under the joint implementation framework, based on the trading of greenhouse gas emissions. In order to construct this kind of framework, both countries must calculate their emission volumes and consider the potential for a mechanism that allows the transfer of emission credits.

Peaceful Use of Nuclear Power

By continuing cooperation in researching the peaceful use of nuclear energy through joint participation in the most promising projects (such as fast breeder reactors), it is expected that the scale of Russo-Japanese cooperation in the development of advanced nuclear power-related technologies will increase remarkably. Japan, which is actively promoting the development of nuclear power, could become the biggest partner for Russia, which has new nuclear power technologies and the ability to enrich and supply uranium. In order to expand cooperation in this field, Russia is proposing to improve the legal foundations for it, by formulating an inter-governmental treaty on the peaceful use of nuclear power.

Environment

Strengthening cooperation aimed at solving global warming and constructing common rules for all countries with regard to protecting the environment are priority issues that are in the interests of both countries. It is planned to intensify the activities of the Japan-Russia Joint Committee on Environmental Conservation and steadily implement bilateral environmental conservation projects.

In addition, within the framework of existing agreements, both sides will continue cooperation in such areas as preventing the pollution of the Japan Sea, the Sea

of Okhotsk, and the Northwest Pacific Ocean and with regard to the Acid Deposition Monitoring Network in East Asia.

Preservation and Utilization of Biological Resources

It is extremely important for both sides to develop cooperative relations in the fishing industry, such as the joint construction of cooperative mechanisms and effective measures aimed at the normalization of visible trade relating to the supply to Japan of biological resources in Russia's exclusive economic zone (EEZ).

With regard to sustainable forestry management, both sides will strengthen cooperation within the framework of the Asian Forest Partnership and other such organizations with regard to the prevention of illegal logging.

Science and Technology

Bearing in mind the scientific potential of Japan and Russia, in order to strengthen cooperation in the field of science and technology, both sides should seek forms of cooperation that make it possible to achieve aims relating to the development of the field in both countries. Moreover, the active participation of private companies in this must be encouraged. The foundations for expanding cooperation in this field could be laid by deepening dialogue in the Japan-Russia Science and Technology Cooperation Committee.

IT and communications is one promising field for cooperation. Furthermore, discussions relating to the International Thermonuclear Experimental Reactor plan will allow considerable expansion of cooperation and the coordination of activities by both countries.

Space

Both sides will continue to consider the possibilities for expanding bilateral cooperation within the framework of the Japan-Russia Joint Committee on Cooperation in Space. One aspect of this is international cooperation in the use of the international space station.

Transport and Tourism

The swift conclusion of a new Russo-Japanese aviation agreement is one aim in this area. Moreover, continuing to study the possibilities for using the capacity of the Trans-Siberian Railway for the transport of Japanese

freight and transit freight between Europe and Asia is deemed to be an important issue. As the Trans-Siberian Railway has an advantageous geographical location and a large transport capacity, Japan and Russia can play an important role in developing the transport service market in the Asia-Pacific Region and transport corridors, including the Trans-Korean Railway.

By means of active exchange and initiatives in the private sector, excellent prospects have appeared with regard to the promotion of tourism, the improvement of tourism in the Russian Far East, the development of tours in provincial areas and the exchange of information relating to tourism.

Cooperation at the Regional Level

The Far East Subcommittee of the Inter-governmental Committee will contribute greatly to strengthening economic links between Japan and the Far East and Siberia regions of Russia. The next meeting of the Far East Subcommittee is due to be held in the Russian Far East at the same time as the private sector-oriented Russo-Japanese Economic Conference.

Moreover, in order to expand dialogue between Japanese prefectures and the regional entities of the Russian Federation, it is necessary to organize the exchange of missions with the aim of studying the business environment and finding new partners. Both sides will provide the support necessary for promoting small and medium-scale business and implementing small-scale projects in the Russian Far East.

It is obvious that the potential for expanding Russia-Japan economic ties is huge and numerous opportunities have yet to be explored and utilized. In this context, the Action Plan appears to be the most important bilateral agreement for guiding Russo-Japanese economic relations in the foreseeable future. Both the governments and the business communities of Japan and Russia should join forces in designing and undertaking concrete projects and initiatives that will lead to the successful implementation of the Action Plan.

(Translated by ERINA.)