

The Third Japan-Russia Conference to Promote Interregional Economic Cooperation

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The Third Japan-Russia Conference to Promote Interregional Economic Cooperation was held on 27 January 2010 at Toki Messe in Niigata City.

At the 2006 summit between Shinzo Abe and Vladimir Putin, the necessity was confirmed of promoting interregional economic cooperation between the two countries of Japan and Russia. A conference by the bilateral initiative group, based upon this, was held in Khabarovsk in 2007 (the first), 2008 (the second) and 2009 (executive meeting). This conference was effected with the Interregional Association of Economic Interaction "Far East and Transbaikalia" for the Russian side and ERINA for the Japanese side taking the executive role, and immediate issues between Japan and Russia in the Far Eastern region of Russia were deliberated upon.

The third conference was held at the same time as the "2010 Northeast Asia International Conference for Economic Development (NICE) in Niigata."

From the Russian side 20 people participated, including Anatoly Bury, Deputy Director General, Interregional Association of Economic Interaction "Far East and Transbaikalia", and from Sakhalin Oblast, Amur Oblast, the Jewish Autonomous Oblast, Sakha Republic (Yakutia), Primorsky Krai, Khabarovsk Krai, and the Trade Delegation of the Embassy of the Russian Federation in Japan; and from the Japanese side approximately 100 representatives of prefectures—including Akita, Miyagi, Niigata, Toyama, and Shimane prefectures—Akita City, Sakata City, Niigata City, Chiba City, trading companies, small and medium-sized enterprises, and business groups, etc.

The Japan Association for Trade with Russia & the NIS participated as a supporter and the Japan-Russia Society gave its active cooperation at the conference.

At the conference the Japanese side carried out announcements and presentation of problems with the following content:

1. While each prefecture, oblast and krai has been undertaking its own activities, they have set up an arena for a parallel regional conference, and have raised common problem points in trade there; the deepening of discussions is of great significance.
2. As factors impeding the development of Japan-Russia economic cooperation there are the following, and it is necessary for both Japan and Russia to cooperate and tackle their elimination: for example, the adjustment of monopolistic, high-priced air fares; the simplification of plant quarantine and customs clearance systems in Russia; the development and upgrading of distribution infrastructure on the Russian side; and the complete equipping, etc., of warehousing for perishable foodstuffs in particular.
3. It is possible to widen the conduit for distribution via the realization of consolidated containers to Russia with each Japanese region cooperating, in order to make the transportation of small-lot cargo smooth.
4. In order to resolve the problems in trade transactions, the revamping and making good use of the "Japan-Russia Trade and Investment Promotion Organization" is necessary. As stressed at the Conference of the Mayors of the Cities of Siberia, the Russian Far East and the Western Coast of Japan in August 2009, it is hoped in particular that they will demonstrate its capabilities in the Russian Far East. For the strengthening of activities in the Russian Far East, how about Moscow delegating authority to the Interregional Association of Economic Interaction "Far East and Transbaikalia", the Russian regional chambers of commerce and industry cooperating with the association, and the Ministry of Regional Development of the Russian Federation creating a system to support that?
5. Cooperate in the promotion policy of the Russian government to build up timber processing within Russia—in order to promote exports to Japan of timber products from Russia, which are sharply declining, establish centers for timber-processing and to foster polishing technicians by a Japanese group of companies. Regarding this matter, the participants from the Russian side also indicated their approval, and both sides agreed on investigation in the direction of establishing a center to nurture polishing technicians and a small-scale timber-processing center in the environs of Khabarovsk during this financial year.
6. Cooperation relating to IT (service-oriented business applications) has been realized between a Russian venture company and a Japanese company, and in May last year they conducted teleconferencing between Khabarovsk and Tokyo. From the Russian side the hope was expressed of wanting to develop youth exchange between Japan and Russia making use of IT.
7. The Japan Association for Trade with Russia & the

NIS made a report on focusing on the expansion of interregional economic cooperation. Its content included business-matching, the conducting of seminars, and consultancy work. Furthermore, exchange between Nizhny Novgorod and Miyagi, Saint Petersburg and Gifu, Khabarovsk and Hyogo, and Chelyabinsk and Kitakyushu, and the staging of seminars at the joint business group of four prefectures in Tohoku, in Asahikawa and in Hiroshima, were realized.

8. Medical and personnel exchanges with the Russian Far East have been activated. Last year medical personnel, centered on a Khabarovsk cancer research center, visited Japan.
9. The execution of collaborative projects in the logistics sector with the ports of Vanino and Sovetskaya Gavan is hoped for.

From the Russian side, the following announcements were made:

1. The outcome of Japan's cooperating in Siberian development projects, such as the construction of Vostochny Port and the development of the Neryungri coal field in the 1970s and 1980s, was that the Russian Far East basked in their benefits. The Russian side would like to construct new systems of cooperation, drawing on the systems of Japan-Russia cooperation of those times. The Russian government is currently advancing projects that evoke memories of the development in the 1970s. They are: the completion of phase one of the Eastern Siberia-Pacific Ocean (ESPO) pipeline, of the Kozmino Bay export terminal, and of the Vanino Port coal terminal; and the construction of roads in the Russian Far East, the Sakhalin-Khabarovsk-Vladivostok natural gas pipeline, and the Kuznetsovsky Tunnel. Despite the financial crisis, the construction of two shipyards (for ocean oil-exploration and drilling rigs and large shipping vessels) in the Russian Far East will be advanced via the cooperation of China, Singapore and the ROK.
2. The strategy for the development of the Russian Far East to 2025 was created anew. A total of US\$110 billion will be invested in more than 20 projects. For energy-related projects alone this amounts to US\$39 billion.

The Japanese business world holds that it can't obtain guarantees from the Russian government as one reason why Japan-Russia economic cooperation is not progressing, but both the President and Prime Minister have high expectations for the development of the Russian Far East and from the top down are bringing about tectonic changes in the development of the Russian Far East. In order to resolve the lack of Russia-related information for Japanese economic circles the closer cooperation of Japan and Russia is necessary.

3. The Russian side considers the modernization of three ports in the Russian Far East extremely important for the future development of Japan-Russia cooperation. As a special economic zone, the port of Sovetskaya Gavan will in 2010 begin the construction of a ship-

building yard, ship-repair yard and a freight-handling terminal. In addition there is the port of Troitsa and Vostochny Port. The constructing of a grain terminal in the Russian Far East is a pressing issue. There is export capacity for wheat in Siberia, and they would like to export 2 million tonnes from Russian Far East ports.

4. The South Yakut Comprehensive Development will be carried on in the future as well. The representative from the Sakha Republic (Yakutia) emphasized the commencing of transportation of oil to East Asia from the republic in 2009, and stated that they view Japan-Russia cooperation in the energy sector—including natural gas, coal and uranium—as the development and deepening of their cooperative relations which have a past tradition.
5. The representative from the Jewish Autonomous Oblast explained the potential for the joint development of its subterranean resources, and called for Japan's participation.
6. From the representative from Amur Oblast, cooperation with Japan has stayed in the timber processing sector to date, but in the future they would like to advance it in related sectors, including food, processing of agricultural products and a space center. Moreover, they hoped to strengthen exchange at the parliamentary level.
7. The representative from Khabarovsk Krai hoped for cooperation making the most of Japan's start-of-the-art technology in the environmental-monitoring sector. In the waste-disposal sector, Khabarovsk, uniquely in the Russian Far East, is carrying out the disposal of mercury, and as 30 firms are involved, cooperation in this sector is also possible. Furthermore, in Khabarovsk Krai there are national parks and nature reserves of 6.3 million hectares, and they are suitable for ecotourism.
8. In the automotive sector, the Governor of Khabarovsk Krai, Vyacheslav Shport, announced the Russian federal government's decision to construct an automobile assembly plant in Khabarovsk City. He said they definitely wanted to have Japanese firms participate.
9. The Rector of the Postgraduate Institute for Public Health Workers, Salavat Suleymanov, presented the introducing of German and French medical equipment to the recently completed Khabarovsk medical center (cardiac surgery) and the cancer research center created prior to that, and stated that they would welcome the introduction of Japanese-manufactured machinery. He announced that the medical organs of the Russian Far East, in order to cultivate specialists in the areas of oncology, cardiac surgery, obstetrics and gynecology, pediatrics and geriatric medicine, etc., hope for exchange with Japanese universities and hospitals.
10. Regarding relations between Japan and Russia, the representative from VTB Bank stated that the ranking of the importance of Japan-Russia diplomatic exchange is low for both countries, and the basis for economic cooperation is small.

While large-scale projects are going ahead—with JBIC (Japan Bank for International Cooperation) funding being offered for the construction of the third terminal for Sheremetyevo International Airport (Moscow), etc.—for the development of interregional cooperation between Japan and Russia the cooperation of small and medium-sized enterprises is necessary. The foundation for this has not been readied, however.

The development of the economy of the Russian Far East is dependent on the development of small and medium-scale business. In cooperation between the central banks of Russia and China, they have agreed to settle accounts reciprocally in their own currencies

(the ruble and the yuan), and through this the potential to reduce exchange-rate risk has emerged. He stated that between Japan and Russia too, the demand for settlement of accounts in each other's currency has been increasing, and that cooperation between banks may be necessary.

A protocol was signed at the conference.

Japan and Russia evaluated the outcomes of this conference, and agreed on the holding of the next conference in Russia in 2011. The time and venue will be determined after separate discussion.

[Translated by ERINA]