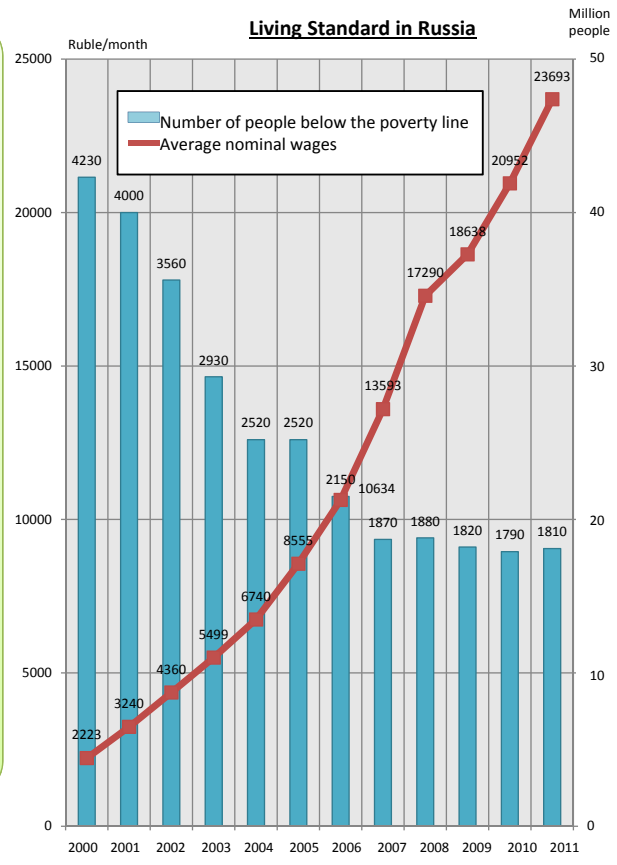


Overview of Russian Economy

- **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)
 - National Debt (2012, Ratio to GDP): 10.9% (JP 238, US 107, CN 23)

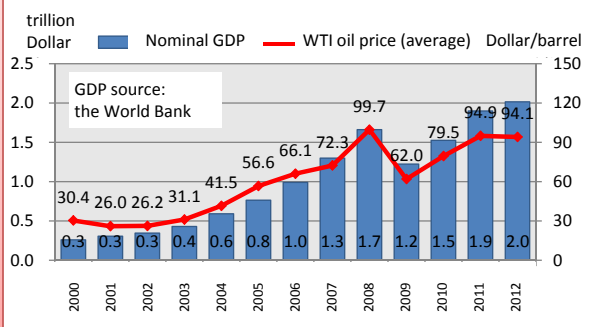
CN: China, DE: Germany, IT: Italy, JP: Japan, NL: Netherlands, UA: Ukraine, US: United States



Challenge & Prospect of Russian Economy

Challenge

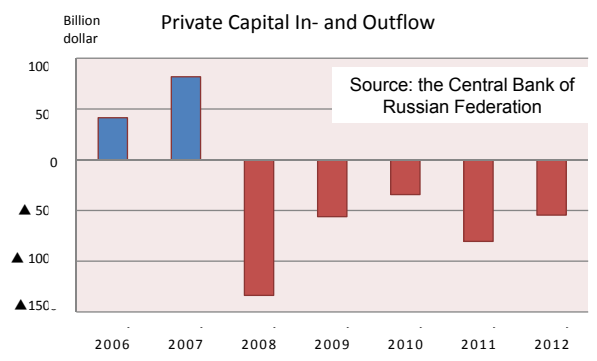
- **Dependance on energy resources**
 - 65% of Export: energy resources (oil, gas, etc.)
 - 50% of Gov. revenue: energy related
 - Vulnerable to fluctuation of the oil prices
- **Inadequate investment environment**
 - Doing Business 2014 (The World Bank) : 92th/189countries
 - Corruption Perceptions 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"

	2012	2013	2014
Real GDP Growth (Annual percent change)	3.4%	1.5%	3.0%
Balance on Current Account (Percent of GDP)	3.7%	2.9%	2.3%
Consumer Prices index(Annual percent change)	5.1%	6.7%	5.7%
Unemployment rate (Annual percent change)	6.0%	5.7%	5.7%
Overall Fiscal Balance (Percent of GDP)	0.4%	-0.3%	-1.0%



Economic Structure of Russian Economy (2012)

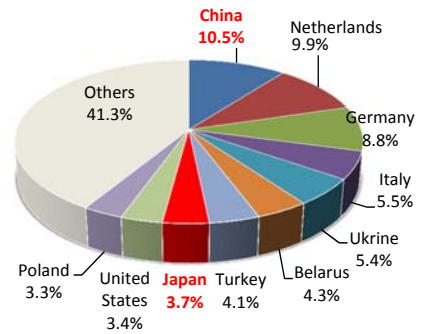
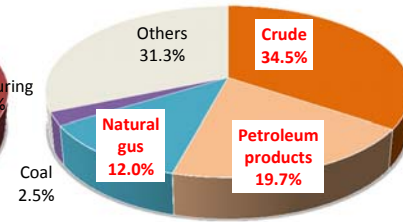
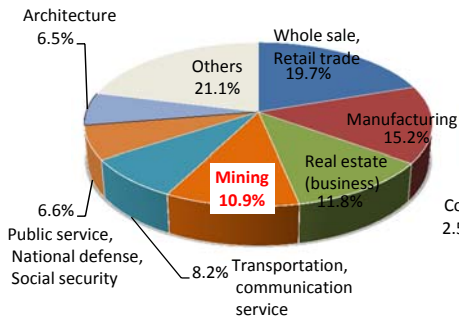
Economy and finance is dependent on oil and natural gas

Trade is dependent on Europe

GDP

Export Figures

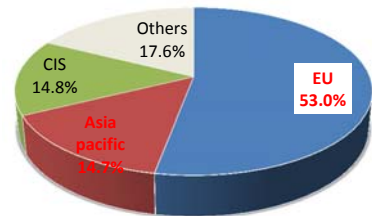
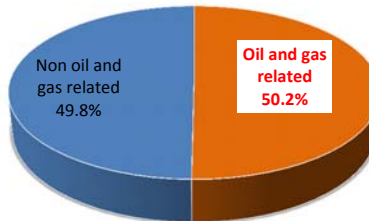
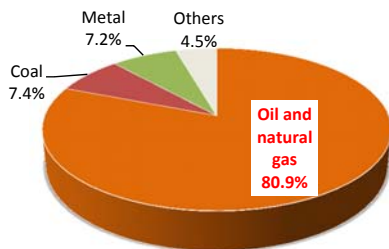
Trade Partners



Mining

Federal Budget Revenue

Regional Export Destination

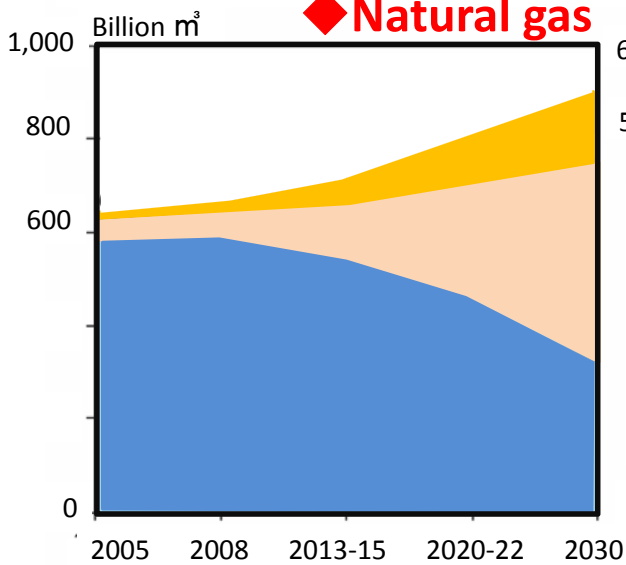


※Turkey and India are in others

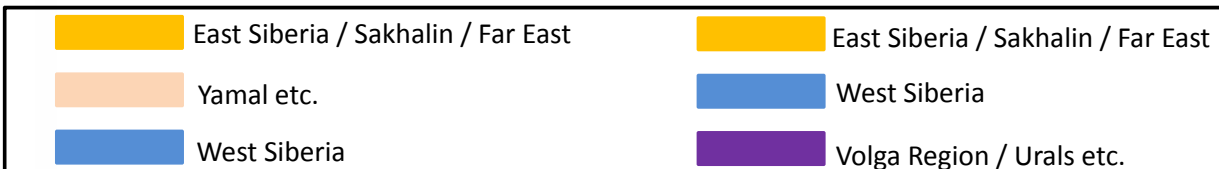
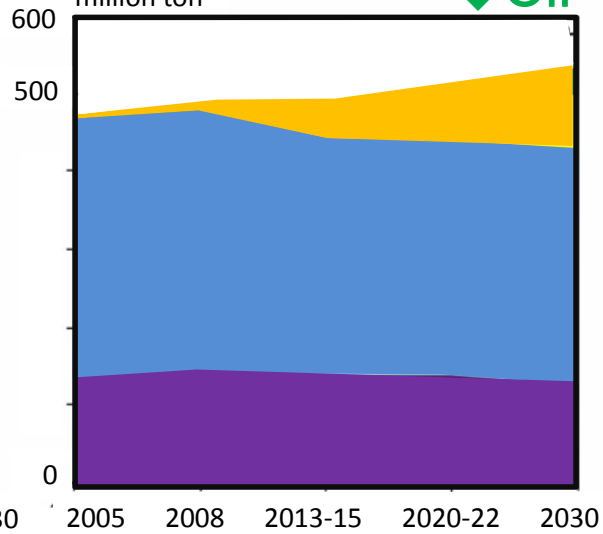
Source: Federal State Statistics Service of Russia, Federal Tax Service of Russia, Ministry of Finance of the Russian Federation

Oil and gas production potential in Russia

◆ Natural gas



◆ Oil

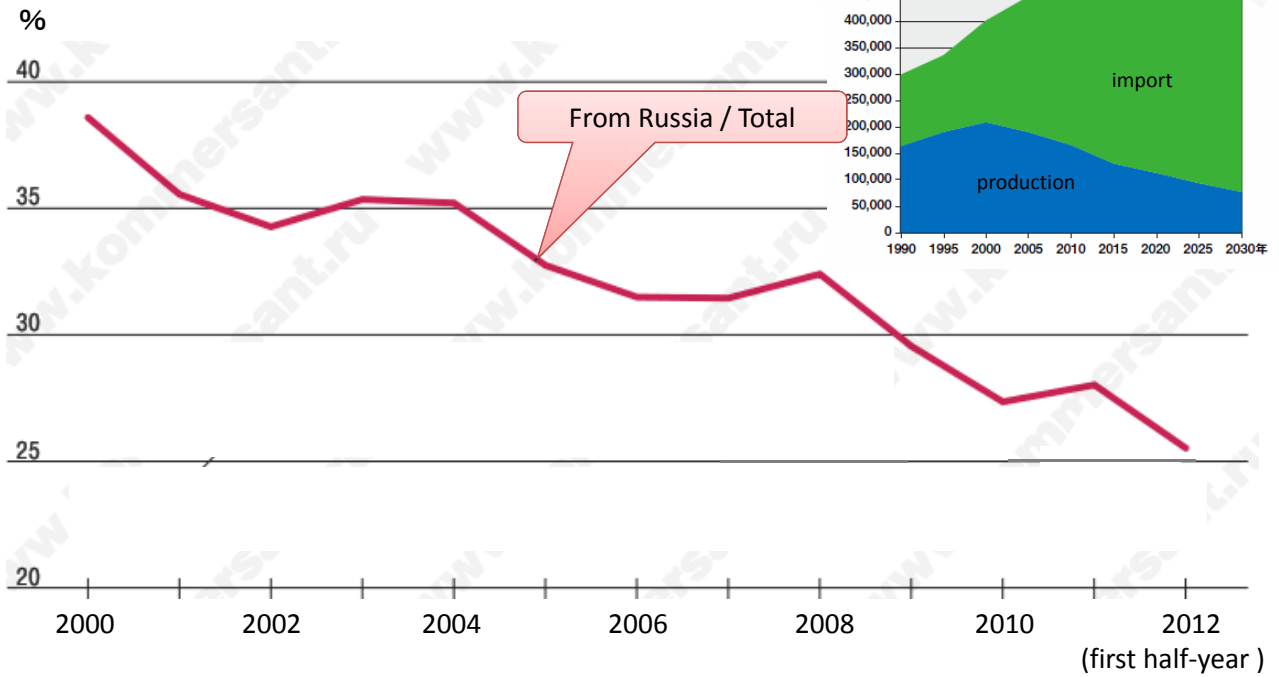


Source: ENERGY STRATEGY OF RUSSIA for the period up to 2030, JOGMEC

Natural Gas Imported from Russia to Europe

Sources: JOGMEC etc.

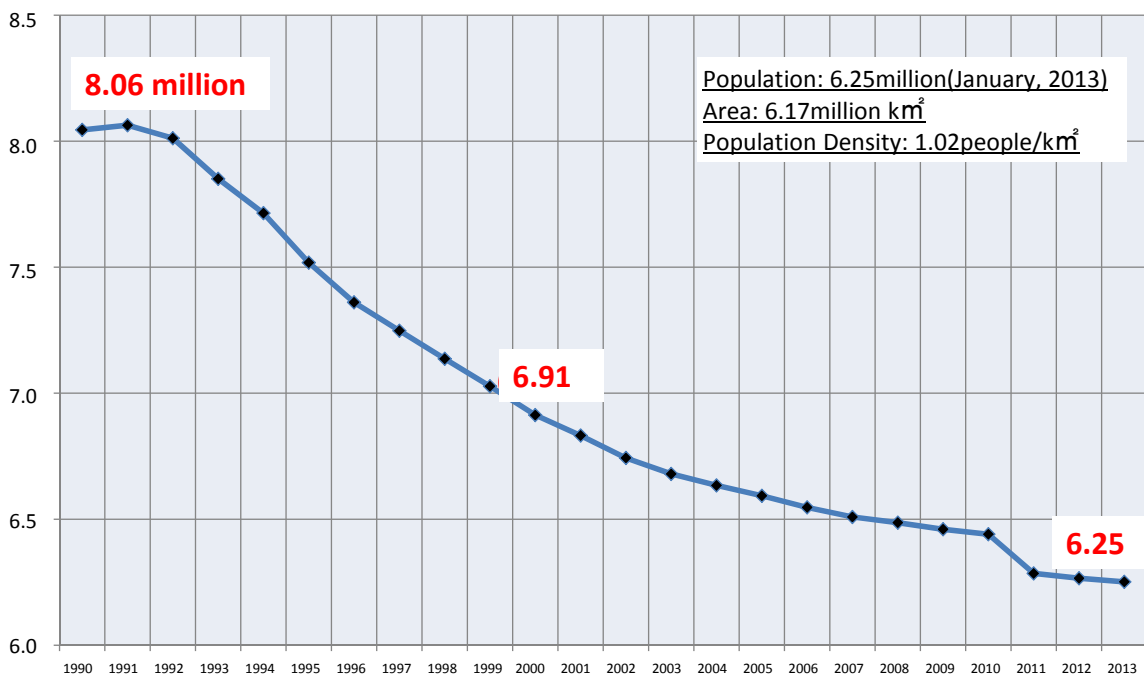
Amount of Natural Gas Production and Import Volume of Europe



5

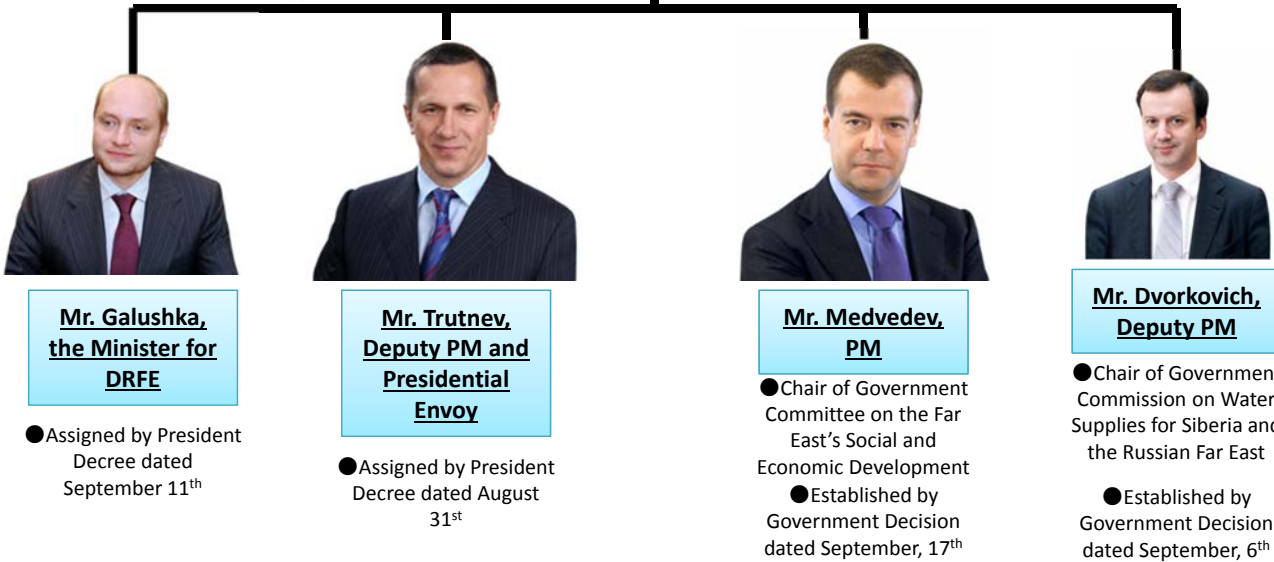
Trend of Population in Russian Far East District

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



6

Key Persons for Development of Russian Far East (DREF)



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

2013

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

Nov. 1st -2nd Foreign Minister Lavrov and Defense Minister Shoigu visit to Japan, holding "2+2"

2014

Jan.[end]-Feb.[early] Japan-Russia Deputy Ministerial Consultations

Spring-time Foreign Minister Kishida's visit to Russia(Japan-Russia Foreign Ministers Meeting)

9

Recent Events in Japan-Russia Economic Relations

2012

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 Gamba 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

(The Russian delegation consisted of 90 people, First Deputy Prime Minister Shuvalov, the Minister of Healthcare, 7 vice ministers, and governors of the Far East and Siberia region.)

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)

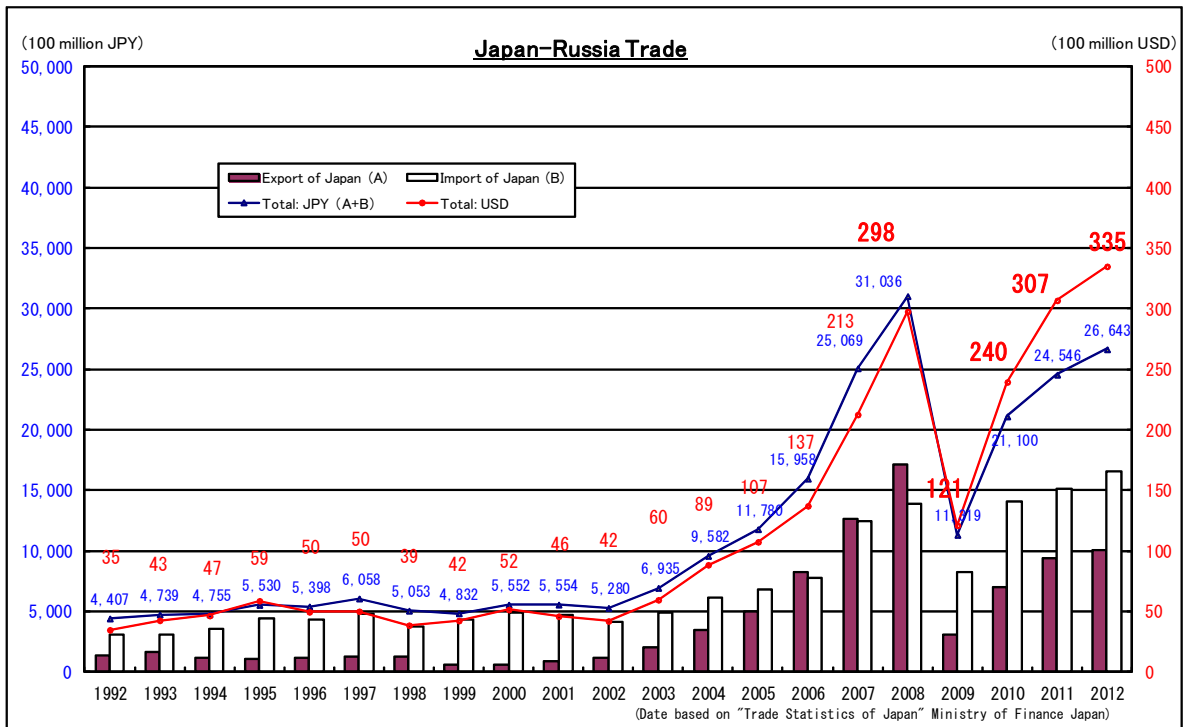
Sep. 6th The Parliamentary Senior Vice-Minister for Foreign Affairs, Mr. Matsuyama attended Far Eastern Investment Congress in Vladivostok

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

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



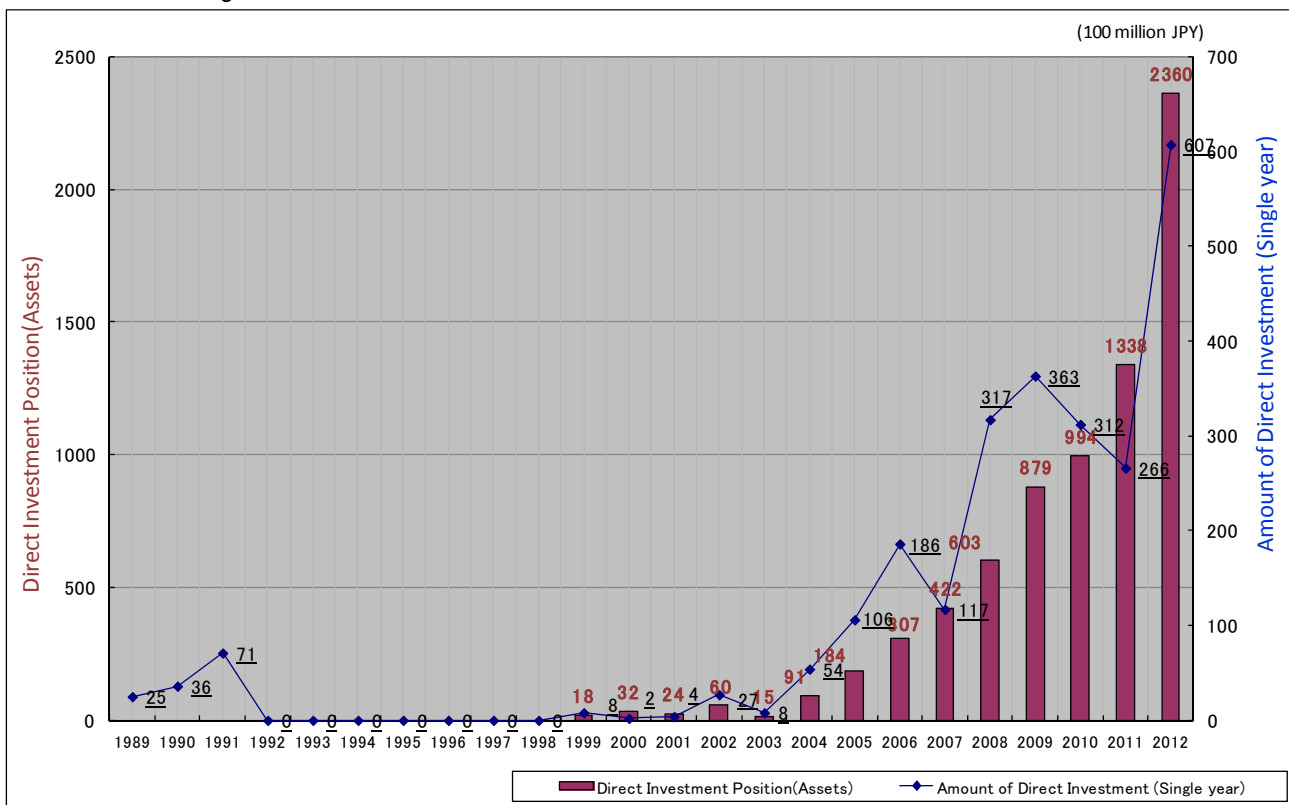
The Number of Japanese Companies Advancing to Russia

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
The number of the companies	105	185	192	211	231	269	296	302	349	373	406	427	444
Over the previous year	—	+80	+7	+19	+20	+38	+27	+6	+47	+24	+33	+21	+17

(source: "Annual Report of Statistics on Japanese Nationals Overseas" Ministry of Foreign Affairs Japan)

11

Trend of Direct Investment from Japan to Russia

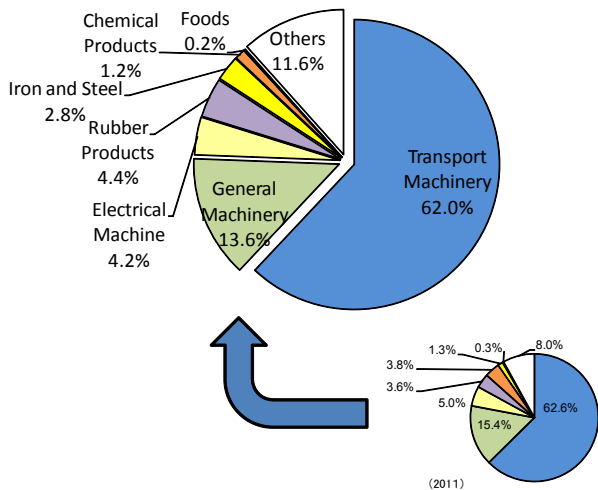


Source: Bank of Japan "Balance of Payments"

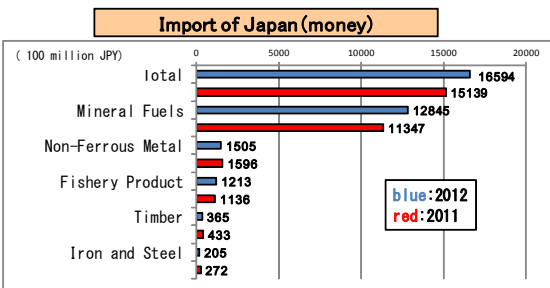
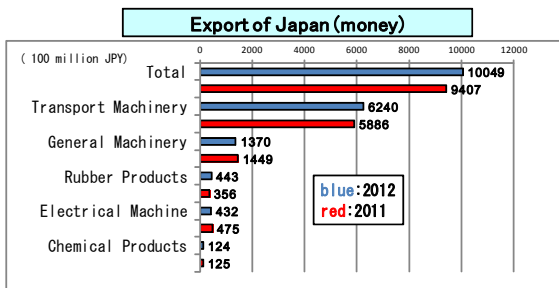
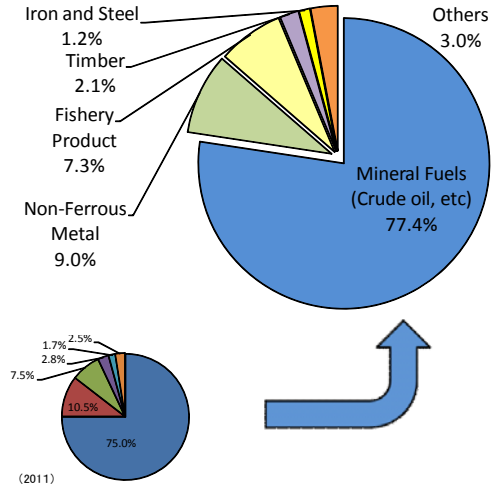
12

Major Items in Japan-Russia Trade (2012)

Export of Japan to Russia (Share)



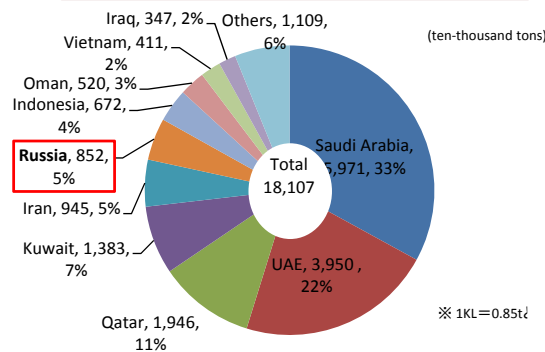
Import of Japan from Russia (Share)



Source: "Trade Statistics of Japan" Ministry of Finance Japan
13

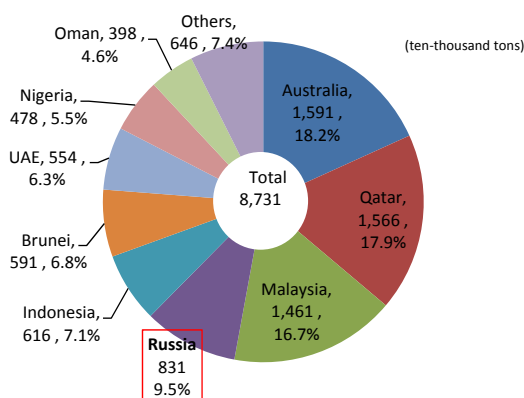
Japan's Import "Oil, Natural Gas, Coal"

Import of Oil and Raw Oil (2012)

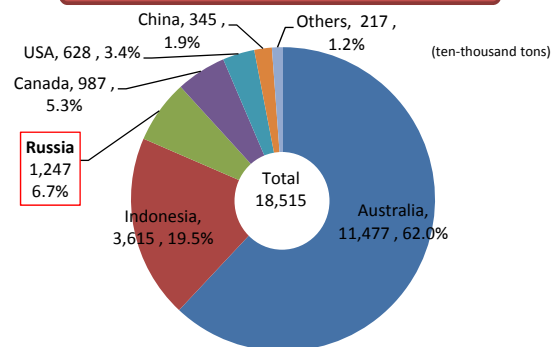


Source: Ministry of Finance Japan
"Trade Statistics of Japan"

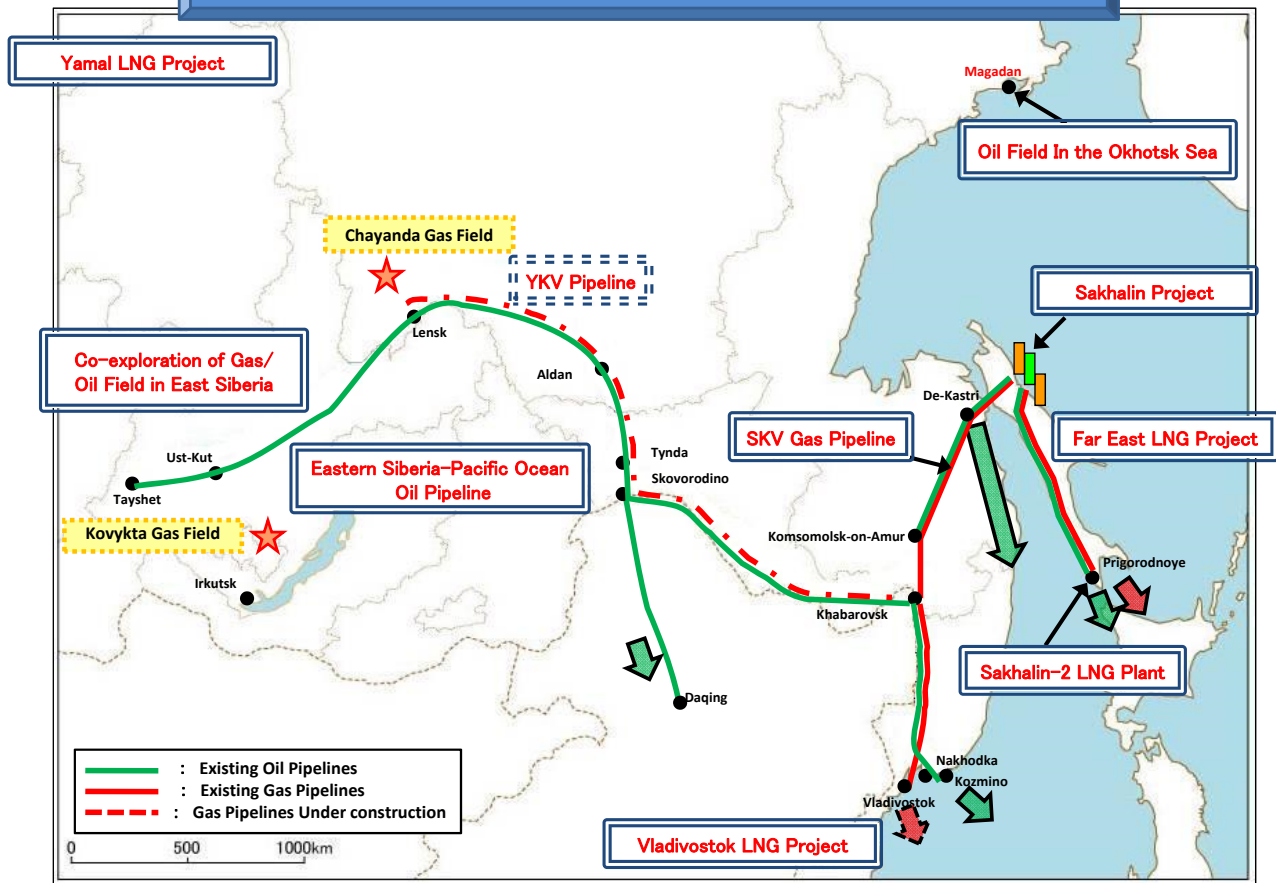
Import of LNG (2012)



Import of Coal (2012)

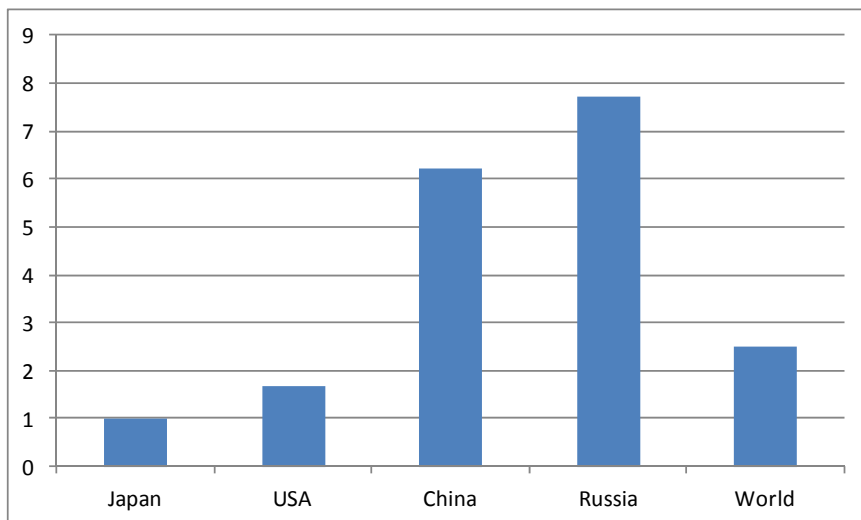


Cooperation Between Japan–Russia in Oil and Natural Gas



Energy Intensity (2011)

total primary energy supply / GDP
Index: Japan = 1



Sources: IEA Energy Balances of OECD Countries 2013

IEA Energy Balances of non-OECD Countries 2013

Japan-Russia Cooperation in Energy Efficiency



17

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

Energy	<ul style="list-style-type: none"> • Exploration in Magadan mining area • Vladivostok LNG Project • Far East LNG Project • Nakhodka petrochemical project etc.
Medical Care	<ul style="list-style-type: none"> • Construction of facility for radiotherapy for cancer • Vladivostok city diagnostic imaging center • Advanced medical center etc.
Agriculture • Food	<ul style="list-style-type: none"> • Agricultural cooperation in Amur state • Agricultural cooperation in Primorsky Krai • Cooperation for constructing snow ice storehouse in Sakhalin Oblast etc.
City Environment	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Development of cogeneration gas turbine • Hydrogen production • shipping project in Magadan • Establishment of “Far East and Baikal Infrastructure Development Partnership” etc.

18

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.) .

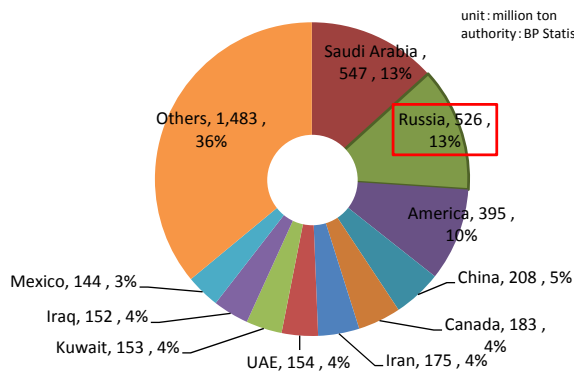


日露捜索・救助共同訓練に参加している 海自ヘリコプター (SH-60J)

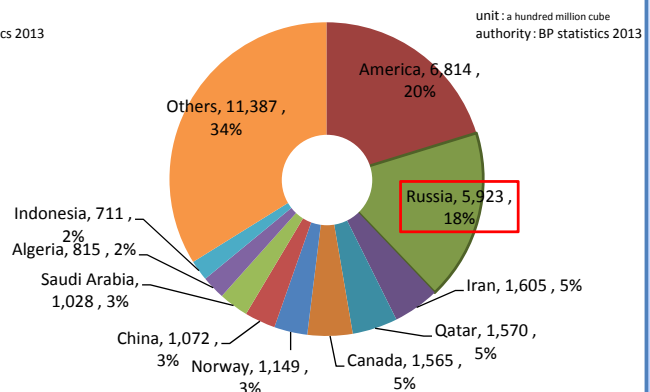
2 Energy

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

Oil Amount of Production (2012)



Natural Gas Amount of Production (2012)



- Energy Supply from Russia

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



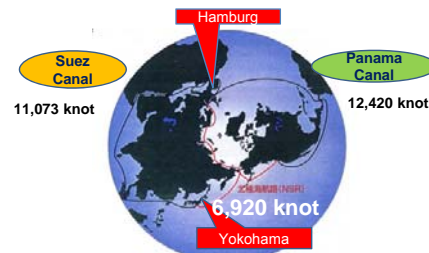
Better energy security for Japan

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 (450000 Japanese car is also sold in 2011 (approx. 17%). 70000 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.



[made based on Ocean Policy Research Foundation Newsletter 177th(Dec. 2007)]