

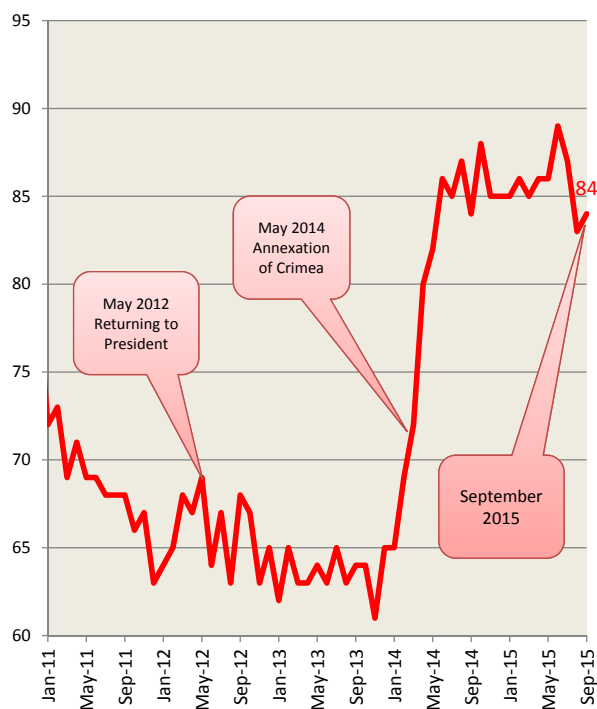
Russian Situation & Japan–Russia Relations

4 November 2015

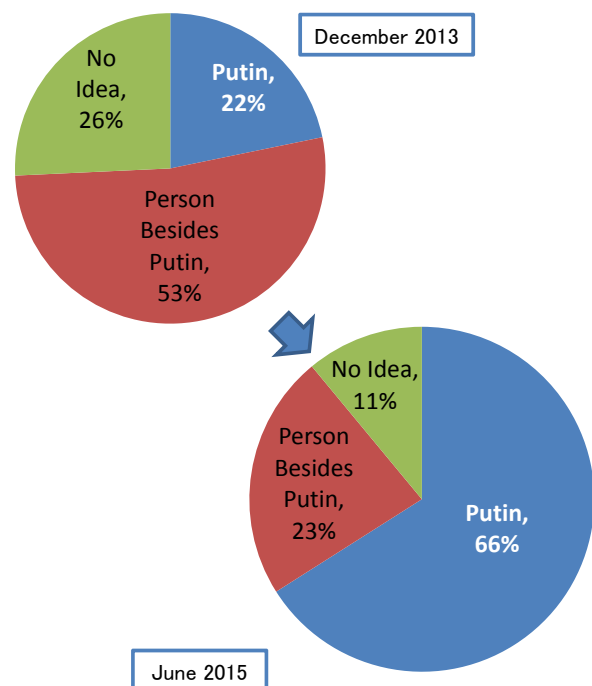
Masaki Ishikawa
Director,
Japan–Russia Economic Affairs Division,
European Affairs Bureau,
Ministry of Foreign Affairs

Russian domestic politics

Approval rating for the President. Putin



Who do you want to be the next President ?

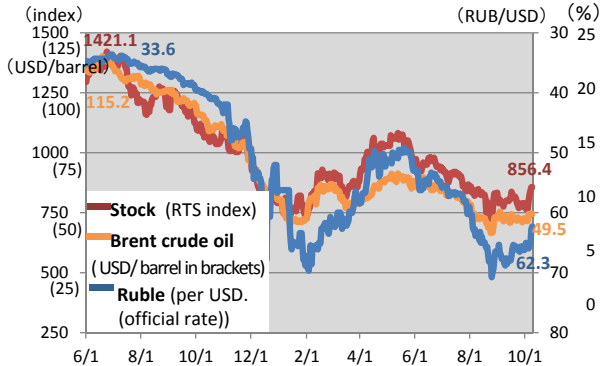


(Source: Levada center)

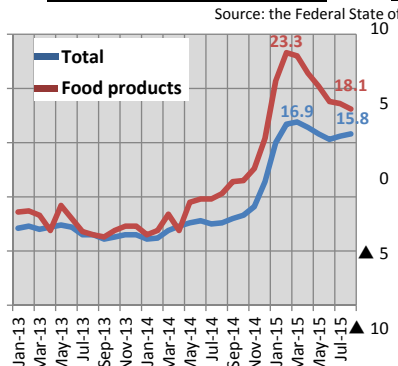
Current Russian Economy

- Russian stock prices and ruble exchange rates significantly affected by the plunge in crude oil prior, Ex. 33.6 RUB/USD (28 June 2014) ⇒ 62.3RUB/USD (9 October 2015)
- Inflation rate in Russia in 2014 reached 11.4% (6.5% in 2013). Inflation on food products accelerated since August 2014, after introduction of the retaliatory measures against the US and EU.

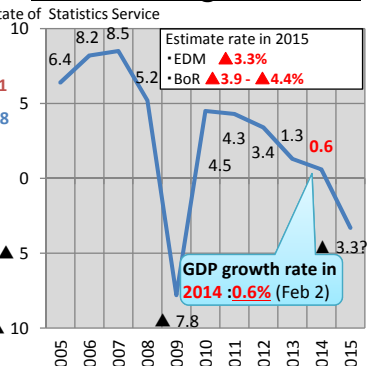
Recent Stock, Ruble and Crude oil



Recent Inflation rate



Recent GDP growth rate

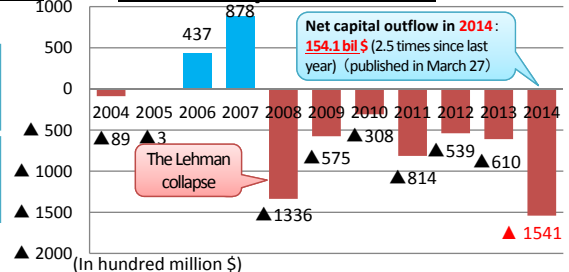


Russian External debt, Foreign currency reserve, Reserve fund

External debt (as of March 2015)				(In hundred million \$)	
	Upto 1 year	1-2 year(s)	Over 2 years	Foreign Reserve (as of the end of Sep.)	3685
Gov & BoR	55	14	384	Reserve fund (as of the end of Sep.)	705
Bank section	410	185	947		
Non-bank	706	507	2352		
Total	1170	706	3683		

Source: Bank of Russia (BoR), the Ministry of Finance

Recent Capital Outflow



Normandy format Meetings on Ukraine crisis

- ◆ “Normandy format meeting” (France, Germany, Russia and Ukraine) was first held in June 2014 on the margin of the 70th anniversary ceremony of Operation Overload at Normandy. Four summit meetings have been held. Minister’s level early November.

First Summit

(6 June, 2014, on the margin of the 70th anniversary ceremony of Operation Overload)

- **The first contact of the leaders of Russia and Ukraine after the Ukraine crisis in February** : realized upon initiative of French President.

Second Summit (17 October, 2014, on the margin of the ACEM Summit at Millan)

- Bilateral meeting between Russia and Ukraine was also held. Moderate progress on gas transaction and the borderline control between Ukrainian army and the separatist armed forces achieved.

Third Summit (11-12 February, 2015, at Minsk)

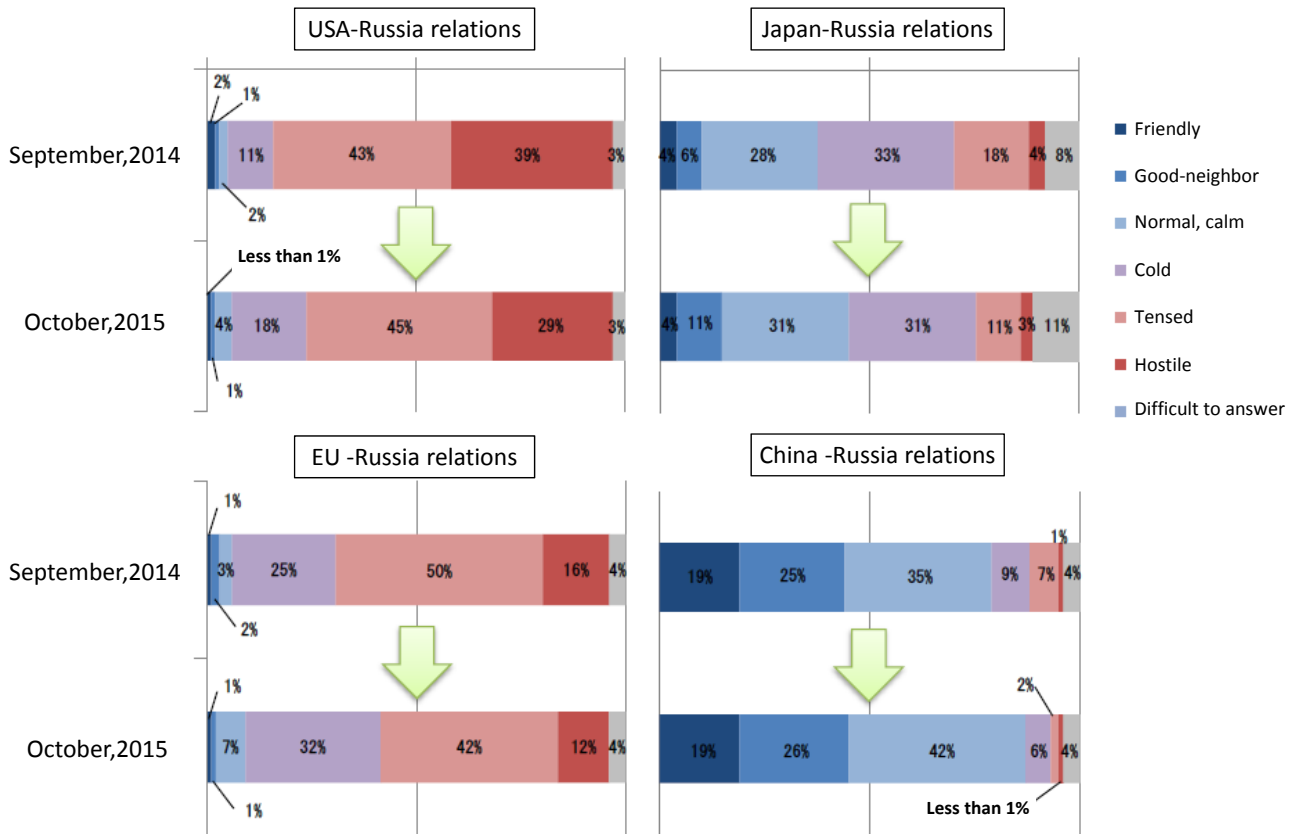
- Agreement achieved on **the package of measures for implementation of the Minsk Agreement** including ceasefire and withdrawal of heavy weapons, starting on 15 February.
- **The four leaders published announcement on their approval of the agreement.**

Fourth Summit (2 October, 2015, at Paris)

- Agreement Reached on the start of withdrawal of light weapons and others.
- Total elections discussed separatists later announced on the postponement of the elections.
- Possible extension of implementation deadline of the Minsk Agreement discussed.



Relationship between Russia and main countries (Russian public opinion)



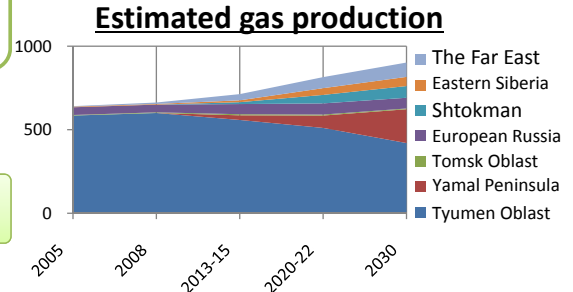
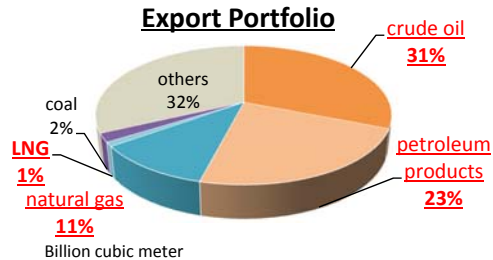
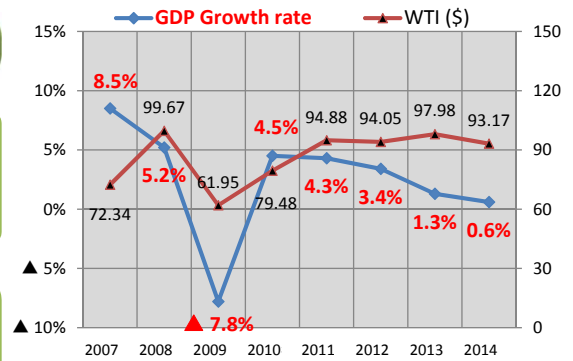
(Source : Levada center)

Economy & Energy resources

- Slowing down of economic growth
2007 : 8.5% → 2011 : 4.3% → 2012 : 3.4%
→ 2013 : 1.3% → 2014 : 0.6%
- Heavy dependence on energy
2/3 of exports half the federal revenue
- Oil & Gas production in Western Siberia has reached its peak
- Oil & Gas fields in the Arctic Ocean & Eastern Siberia still undeveloped.
- Dwindling population in the Far East
1991 : 8.06 mill.
→ 2014 : 6.23 mill.

President Putin eager to work on development of the Far East & Eastern Siberia “ National and private business resources should be utilized for achieving strategic goals, such as development of Siberia & the Far East. This is our national priority in the 21st century” Presidential Address to the Federal Assembly in December 2013 .

➤ Russia expects cooperation with Japan



First Eastern Economic Forum in Vladivostok (September 3-5, 2015)

1 Overview of the forum

- (1) Participants:** 2,500 participants from Russia and 32 countries including Japan, China and South Korea.
- (2) Main participants:** Russia : President Putin, First Deputy Prime Minister Shuvalov, Deputy Prime Minister Trutnev, other Ministers, Chief of Staff of the Presidential Executive Office Ivanov, Head of Gazprom Miller, CEO of Rosneft Igor Sechin
China : Vice Premier Wang Yang and 10 Ministers, Korea : Minister of Trade, Industry and Energy Yoon Sang-jick, Cambodia and Vietnam : Vice Prime Ministers and others
- (3) Purpose of the Forum:** Russia made a public appeal on attracting measures of the territory of preceding development and the free port of Vladivostok, as well as potential of the Far East region. Russia called for domestic and foreign investment in the region on energy, transport infrastructure, urban development, agriculture and others. Over 80 business contracts, amounts 1.3 trillion rubles, was signed at the forum.
- (4) Etc.:** Over 50 Japanese businessmen, (Chairman of Mitsui & Co., Ltd Ijima, Chairman of Mitsubishi Corporation Kojima, and President of Marubeni Corporation Kokubun, and others) attended.

2 Points for the President Putin's speech (September 4)

The Asia-Pacific region remains an engine of the world economy. It is strategically meaningful for Russia to strengthen its relationship with the countries in the region. Constructing Energy Bridge with those countries is a common strategic issue.

Russia will pursue coordination between the Eurasian Economic Union (EEU) and the Silk Road Economic Belt. It will modernize and expand its transporting infrastructure including infrastructure via Kazakhstan, Trans-Siberian Railway and Baikal-Amur Railway. It will also pursue to utilize the Northern Sea Route.

Preferential treatment of the free port of Vladivostok will apply to all the main ports in the southern area of Maritime region, with providing simplified immigration and visa procedures, special benefit under the taxation system.

3 Country dialogue: RUSSIA-JAPAN (September 4)

(1) Hosted by ROTOBO and Business Russia. About 200 participants attended.

Japan : Ambassador Extraordinary and Plenipotentiary Harada, Special Adviser to the Minister of METI Ishiguro, Vice-Minister for International Affairs of MAFF Matsushima, President of ROTOBO Murayama (Chairman of the Board of Directors of Kawasaki Heavy Industries, Ltd.), Chairman Emeritus of JGC Group Shigehisa, President of The Hokkaido Bank, Ltd. Sekihachi, Senior Managing Director of JBIC Maeda and others.

Russia : Deputy Minister of Economic Development of the Russian Federation Voskresensky, Deputy Minister of Foreign Affairs Morgulov, President of Business Russia Repik and others.

(2) Overview of the session

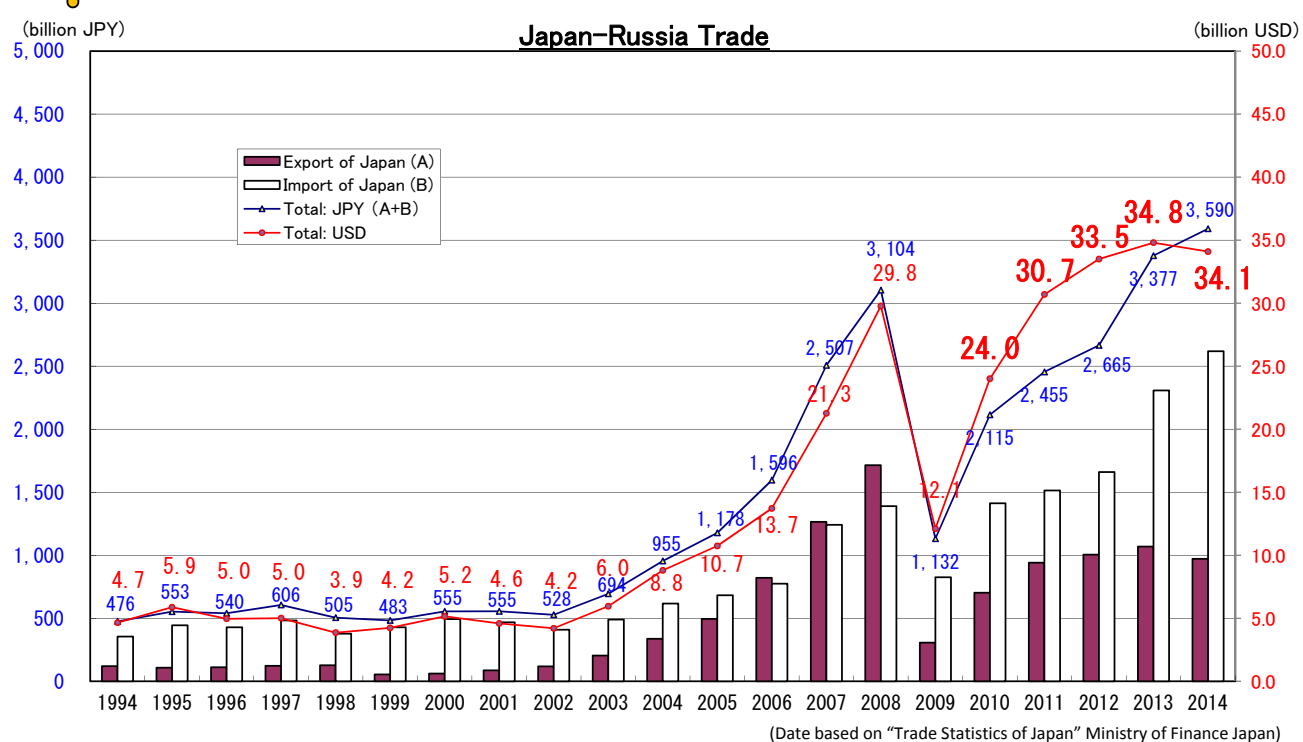
The Japanese side pointed out Russia's necessity to improve complicated and non-transparent custom and license procedures as well as transportation infrastructure. Some participants made forward-looking remarks to promote cooperation on areas including energy, transportation, and agriculture.

Russian side explained its legal and other actions aimed at attracting investment from Japan, expressing its intention further to promote its cooperation.

The session was held in very friendly atmosphere throughout the meeting, which bring people to have reasonable expectation for Japan-Russian future economic cooperation.



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



The Number of Japanese Companies Advancing to Russia

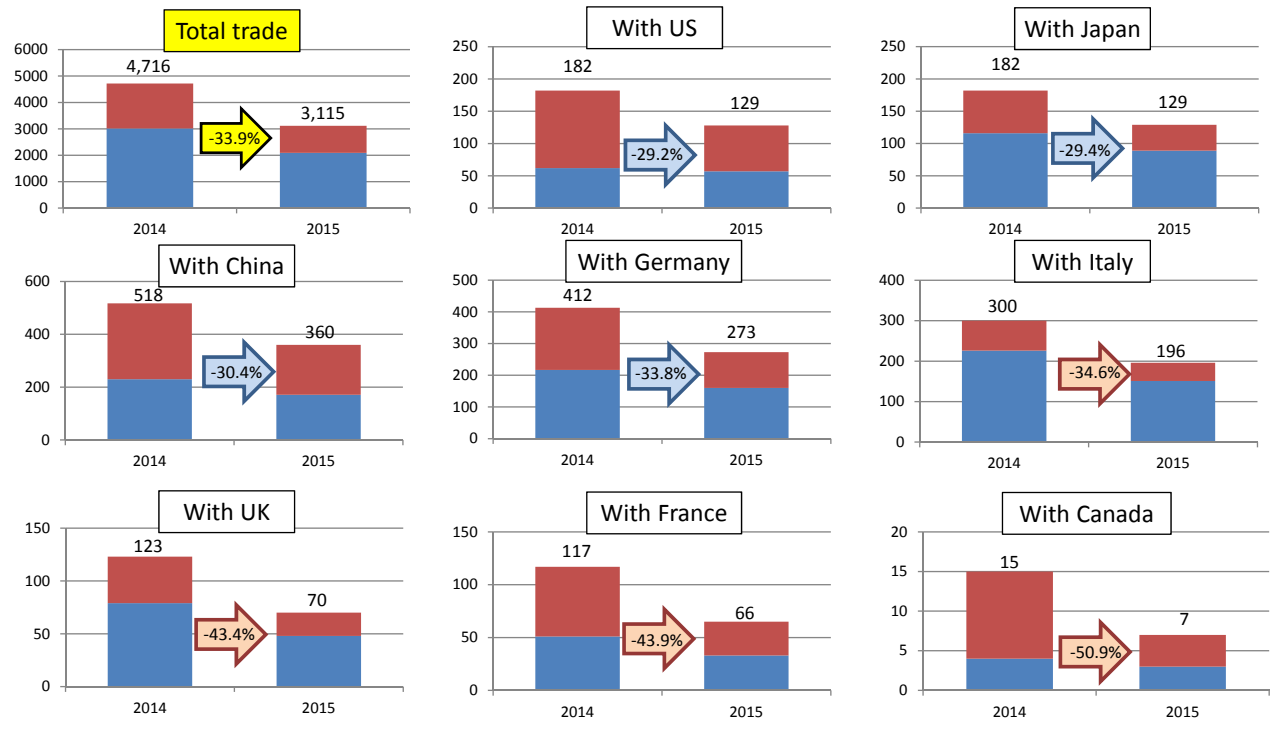
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013	2014
The number of the companies	105	185	192	211	231	269	296	302	349	373	406	427	444	447	425	425	466
Over the previous year	-	+80	+7	+19	+20	+38	+27	+6	+47	+24	+33	+21	+17	+3	-22	-22	+41

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

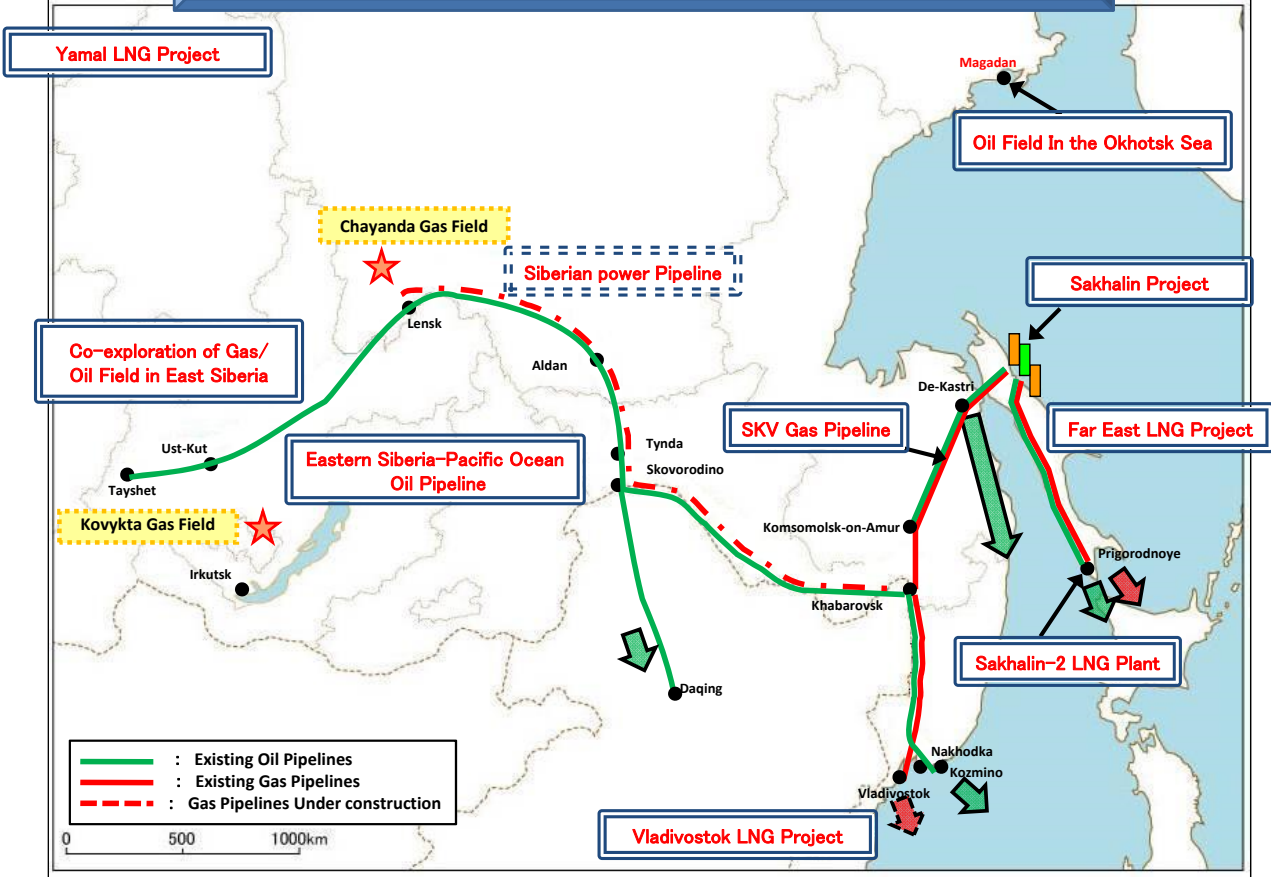
Russia's trade with major countries (Jan-Jul 2015)

Source: FSSS
Unit: 100 million USD

■ Russian import
■ Russian export



Cooperation Between Japan–Russia in Oil and Natural Gas



Japan-Russia Cooperation in Energy Efficiency

City and Housing Plan
through use of technology for energy efficiency

Source: Nikken Sekkei Ltd.

Co-generation Project

Source: Kawasaki heavy Industries Ltd.

Wind energy for Micro-grid
in isolated communities

Source: MITSUI & Co., Ltd. KOMAI HALTEC Inc.

Recent Events in Japan-Russia Relations

2013

- 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
- Sep. 5th Japan-Russia Summit Meeting on the occasion of G20 Summit in Saint-Petersburg
- Oct. 7th Japan-Russia Summit Meeting on the occasion of Bali APEC
- Nov. 1st-2nd Visit of Foreign Minister Lavrov and Defense Minister Shoigu to Japan, holding "2+2"

2014

- Jan. 31st Japan-Russia Deputy Ministerial Negotiation on a Peace Treaty (Tokyo)
- Feb. 7th-8th Prime Minister Abe's attendance at the opening ceremony of the Sochi 2014 XXII Olympic winter games.
- Oct. 17th Japan-Russia Summit Meeting on the occasion of the Asia-Europe Meeting (ASEM) 10 Summit Meeting
- Nov. 9th Japan-Russia Summit Meeting on the occasion of Beijing APEC

2015

- Feb. 1nd Japan-Russia Deputy Ministerial Consultations (Moscow)
- May. 18th Co.Chairs' meeting of the Trade and Investment Subcommittee (Deputy Ministerial Consultations on economy)
- May. 21st Prime Minister Abe receives courtesy call from Chairman of State Duma Naryshikin
- Jun. 24th Telephone talks between Prime Minister Abe and President Putin
- Jul. 3rd Japan-Russia Director-General Consultations (Moscow)
- Jul. 6th Secretary General of National Security Secretariat Yachi's visit to Russia
- Sep. 21st-22nd Foreign Minister Kishida's visit to Russia (Moscow)
Japan-Russia Foreign Ministers' Meeting and Japan-Russia Intergovernmental Committee on Trade and Economy .
- Sep. 24th Secretary of the Security Council Patrushev's visit to Japan
- Sep. 28th Japan-Russia Summit Meeting on the occasion of the United Nations General Assembly (New York)
- Oct. 5th Japan-Russia Advisory Council on modernization of Russian Economy with Deputy Prime Minister Dvorkovich (Tokyo)