

---

## The Far-East Vector for Russian-Japanese Investment Cooperation

---

Zhanna Valer'yanovna Petrunina<sup>1</sup>, Dar'ya Valer'evna Kiba<sup>2</sup>,  
Galina Alekseevna Shusharina<sup>3</sup>

**Abstract:**

*The article addresses some of the key issues related to the development of Russian-Japanese cooperation in the Far East in the 21<sup>st</sup> century, having in consideration the latest trends in regional development. The authors focus on the areas of cooperation which are of common interest to both nations. This includes their longstanding cooperation in energy development, timber processing, and fisheries and their prospective cooperation in agriculture and in the development of transportation communications, knowledge-intensive manufacturing operations, health care, and tourism.*

*The need to develop new areas for investment cooperation is associated with certain realities of our day, like declines in demand for raw materials in Japan, stagnation in the Japanese market for forest products, and increases in export duties in Russia. The purpose of this work is to identify a set of effective methods and ways of attracting Japanese investors into the Russian Far East. The authors are of the view that galvanizing this investment cooperation will not only drive economic growth in the Russian Far East and facilitate the structural reformation of the Far Eastern economy and renunciation of the region's specialization in raw materials but also to have a benign effect with respect to resolving certain political issues that have been inherent in relations between Russia and Japan for a number of years now.*

*The study's methodological basis is grounded in the systemic approach. To enable a comprehensive examination of the issue in question, the authors employ a set of specific methods, including the comparative-historical, problematic-chronological, and systemic methods. The study has helped to identify several trends in Russia and Japan's investment cooperation in the Far East. The authors have established some of the reasons behind the low investment activity of the Japanese business community in the Russian Far East and proposed a set of solutions to the above issues.*

**Keywords:** *Soviet-Japanese investment cooperation, regional international economic integration, Russian Far East, Japan.*

**JEL Classification:** F20, F21.

---

<sup>1</sup>Komsomolsk-on-Amur State University, [petrunina71@bk.ru](mailto:petrunina71@bk.ru)

<sup>2</sup>Komsomolsk-on-Amur State University

<sup>3</sup>Komsomolsk-on-Amur State University

## **1. Introduction**

In today's climate of globalization and integration, special attention is devoted to regional policy. The Russian Far East is a significant link in the integration of Russia into the Asia-Pacific region (APR). One of the key ways for Russia to achieve a high standing within the APR is its all-round cooperation with the nations of North East Asia. Over the last few years, the Russian government has devoted significant amounts of attention to the economic development of the nation's Far East, which should facilitate the cultivation and expansion of cooperation with the nations of North East Asia in a variety of sectors and formats.

One of Russia's key regional economic partners is Japan, its relations with which have been taken to another level in recent years. The modernization of the Far East has been of interest to many Japanese businesses, with Russia increasingly regarded by the latter as an essential part of the global market. The expansion of cooperation within the economic sphere should help to find ways to resolve many of the issues impeding cooperation between the nations, including territorial interaction.

The authors' analysis has helped to identify some of the major trends in the development of Russian-Japanese investment interaction in the Far East. It has been established that, despite the potential for expanding this investment cooperation, Japanese investments are mainly concentrated in the energy sector. The material presented in this paper may be utilized in developing new areas for cooperation between Russia and Japan in the Far East and galvanizing their regional bilateral cooperation, which has been tested by time.

The study is predicated on a wide range of information-analytical content from international forums and materials from the Russian and Japanese periodical press. To conceptualize the present-day realities, the authors have analyzed an existing body of research by domestic specialists on international economic relations, including L.I. Abalkin (2011), P.D. Dolgorukov (1978), P.J. Buckley (1988), R. Komiya (1990), P. Korhonen (2002), and other scholars. Vectors for trade-and-economic and investment cooperation between the Russian Far East and Japan have been subjected to comprehensive analysis in the works by A.G. Adminin (2017), I.M. Kuranova (2005), Bashmakov, A.I., Popov, V.V., Zhedyaevskii, D.N., Chikichev, D.N. and Voyakin, E.A. (2015), V.N. Pavlyatenko (1995), I.L. Timonina (2016; 2017), T. Akaha (1997; 2014), S. Blank (2017), S. Ichimura (1998), Anikina, I.D., Gukova, A.V., Golodova, A.A. and Chekalkina, A.A. (2016) and others.

However, until now most domestic and foreign researchers have focused their attention mainly on investment cooperation between Japan and Russia as a whole. It is worth mentioning in this regard that the Russian Far East's economic development has several distinctive characteristics of its own, which may influence the nature of investment interaction between the partners.

---

The issue in question has been the object of keen interest among domestic and foreign scholars amid a changing world and considering the influence of external and internal factors on the development of regional investment policy between Russia and Japan.

## **2. Materials and methods**

The methodological basis for this study is grounded in the theory of scientific cognition and the systemic approach, which implies the integrated study of all aspects of investment cooperation between the 2 nations.

Using the comparative-historical method, the authors explored a set of issues related to the development of investment cooperation between Russia and Japan in the 21<sup>st</sup> century. This helps to identify some of the trends in the nations' cooperation in the area in question over the course of the last 10 years. The use of the problematic-chronological method helped to split the study's topic into a number of narrower and more specific issues and examine each separately. The authors utilized the systemic method to join all of the components of the work's substantive part into a single entity and examine them through the prism of their dynamics and interrelationships.

## **3. Results**

Investment interaction between the 2 economies was listed among top-priority objectives at the APEC summits held in 2012 and 2013. The Russian Far East is currently regarded as a promising region that will ensure Russia's integration into the APR. Sustainable social-economic growth in the Russian Far East is largely dependent on the availability of steady funding and close cooperation between Russian and foreign investors.

It is worth noting that Russia is among the nations that do not possess much investment attractiveness. Based on data from Russia's Federal State Statistics Service, in the 1<sup>st</sup> quarter of 2012 the relative share of investment products in Russia's total imports was 23%, declining to 22.8% in the 1<sup>st</sup> quarter of 2013 and to 22.7% in the 1<sup>st</sup> quarter of 2016, while in the 1<sup>st</sup> quarter of 2017 the situation did not change relative to the same period in 2016. Having said that, the Russian Far East is rich in natural resources, which makes it today attractive for investment from APEC economies. Among the Far Eastern regions, the way in attracting foreign capital is undisputedly led by Sakhalin Oblast, which has been a major venue for oil-and-gas and mineral resource extraction projects. However, there are numerous restraining factors impeding successful interaction between investors in the Russian Far East (its poorly developed infrastructure, its remoteness from Russia's central part, high tariffs, expensive labor, its rigorous climate, etc.). A major concern that remains is that Russian investors will not be able to withstand competition from their foreign counterparts.

Among the largest investors in the economy of the Russian Far East today is Japan, second after China in a number of indicators. The most promising areas for cooperation in the Far East include energy development, transportation, joint investment platforms, and health care.

The above-mentioned key areas for trade-and-economic interaction between Japan and Russia were captured in the Japan-Russia Action Plan adopted in Moscow back in 2003. Economic cooperation between the 2 nations will facilitate restoring and bolstering bilateral relations between them and resuming the talks on resolving the territorial issue. These issues were the subject of discussion at the meetings between President of Russia V.V. Putin and Prime Minister of Japan Shinzō Abe, which took place between 2013 and 2017.

In 2017, Russia and Japan conducted a series of meetings, with a focus on economic development in the southern Kurils. The meetings resulted in over 30 agreements being signed, including agreements on cultivating joint economic activity in the Russian Far East. Of special significance to fostering economic cooperation between Russia and Japan is a final and conclusive resolution of the issue of instituting 3-day visa-free visits for Sakhalin and Hokkaido residents.

At the 3<sup>rd</sup> Eastern Economic Forum, held September 6<sup>th</sup> through 7<sup>th</sup> in Vladivostok, Director General of the Fund for the Development of the Far East and the Baikal Region A.O. Chekunov expressed a conviction that in the next 7 years the volume of Japanese investment in the Far East's economy would total no less than 80 billion rubles. A considerable contribution to resolving the above issue is expected to come from the Russian-Japanese Investment Platform (established in December 2016), which is intended to attract and support Japanese investors willing to invest in the advanced development zones around the Free Port of Vladivostok in the Far East ("Platform for Support of Japanese Investment", 2017).

The bulk of Japanese investment in the Russian Far Eastern region is directed toward the oil-and-gas sector (the projects Sakhalin-1 and Sakhalin-2), projects on extracting and processing gas (the Chayanda field, the Yakutia gas production center and Primorsky Krai), energy development (Khabarovsk Krai, Sakhalin, and Yakutia), the diamond-cutting sector (Yakutia), the mining and metallurgical sector (Yakutia), and the wood processing sector (Primorsky Krai and Khabarovsk Krai).

Most Japanese investment attracted into the economy of the Russian Far East has a narrow orientation. Prior to 2012, 97% of investment was concentrated only in sectors associated with the extraction of oil and natural gas ("Common Ground Found", 2013). Japan is trying to minimize its dependence on Middle Eastern oil, with Russia being the more advantageous supplier for geographic reasons, as well as based on considerations of shipment flexibility and reliability. Japan's share is currently 30% in the Sakhalin-1 project and 22.5% in the Sakhalin-2 project. Members of the Japanese business elite are interested in further development of

these projects, as these are with major advantageous source of oil and gas reserves for Japan (it takes 5 days to ship resources from the Sakhalin island to Japan), and look forward to new Sakhalin projects being implemented.

Japan has been experiencing a shortage of electric power. Russian-Japanese cooperation in energy development gained some momentum following a 5-year framework agreement being entered by Gazprom and Japan's Agency for Natural Resources and Energy in November 2005. In January 2011, the above parties entered into an agreement on cooperation in implementing a joint technical-economic exploration project aimed at studying the possibility of making use of natural gas near the city of Vladivostok and shipping natural gas and natural gas chemical utilization products from Vladivostok to APR nations. The previously concluded agreements served as the basis for an agreement being entered into in April 2011 by Gazprom and the Japan Far East Gas Co. consortium – the agreement on the joint technical-economic exploration of the possibility of constructing a liquefied natural gas plant and a gas-chemical complex near the city of Vladivostok. The project is full of promise, as there is currently just 1 liquefied natural gas plant in Russia – the one operating on the island of Sakhalin.

The production of liquefied natural gas in Vladivostok will make it possible to ship gas from Yakutia. The enterprise is expected to be launched by 2020, while there are plans to finish up the construction and launch of the Yakutsk – Khabarovsk – Vladivostok gas pipeline (The Power of Siberia) in 2017. This gas-transmission system should provide significant reductions in gas transportation costs and help supply resources to not just the areas within the Russian Far East but APR nations as well (including Japan), which will be able to obtain resources all year round by way of the unfreezing port of Vladivostok. After the Fukushima earthquake (March 2011), Japan started consuming more liquefied gas, which is signaling the need for the Russians to galvanize the construction of that kind of plant in Vladivostok. To enable building on what had been achieved up to that point, Chairman of the Management Committee at Gazprom A.B. Miller and Chief Operating Officer of the Japan Far East Gas Co. consortium M. Toyoshima met at the Saint Petersburg International Economic Forum in 2013 to discuss the state of and prospects for bilateral cooperation in the gas sphere and signed the Memorandum of Understanding on the Vladivostok-LNG project.

In the view of Russian experts, it could also be possible to resolve the issue of power shortages via transit shipments of power by way of the Asian Super Ring. The project is intended to integrate the power systems of Russia, Mongolia, China, South Korea, and Japan. The idea goes back as early as 1998, but it is not materialized yet. Following the Fukushima accident, the Japanese wished to resume the consideration of implementing the project. Despite some major difficulties impeding the implementation of said project (political differences between the parties involved, a lack of funding, etc.), the Asian Super Ring is expected to facilitate the development

of the Russian Far East through foreign (including Japanese) investment in the region's power complex.

The Eastern Gas Program, adopted in September 2007, is intended to boost the potential for Japan's participation in the modernization of Russia's Far Eastern enterprises operating within the energy development sector. An example of cooperation within the fuel-and-power sphere is the partnership between the Japanese trading corporation Sojitz and the Russian Center for Strategic Research into the Development of the Far East's Fuel-and-Power Sector, which in April 2010 signed a memorandum whereby the Russian Far Eastern region was to receive by 2015 30 gas turbine units manufactured by Kawasaki Heavy Industries to enable the combined production of thermal and electric power. With a view to implementing the project, Sojitz, Kawasaki, and RAO Energy Systems of the East signed the Memorandum of Understanding on Cooperation on June 6, 2012, at the 5<sup>th</sup> Japan-Russia Investment Forum (Trade-and-Economic Cooperation, n.d.). The project's total cost was around 20 billion yen ("Sojitz to Implement", 2010).

To help resolve Japan's power shortage issue, the Russians suggested that Japanese investors take part in the construction of 2 power stations: 1 in the town of Sovetskaya Gavan and 1 on the island of Sakhalin, with a capacity of 1,000 MW each. In this regard, to enable their development Russia may engage coal from the Elginsky coal mine and Sakhalin's coal deposits. Going forward, these stations could be connected using a cable, which could be laid at the bottom of the sea all the way to the Hokkaido and Honshu islands.

Russia has suggested Japan undertaking joint projects in the Far East in other sectors as well (i.e., in addition to those dealing with power generation). Currently, Russia's Ministry for the Development of the Russian Far East is actively engaged in cooperation with major Japanese investment-and-trading corporations, including Mitsui, Mitsubishi, Sumitomo, Sojitz, Itochu, Marubeni, and the Toyota trading corporation. The parties have entered as many as 10 memorandums on trade and investment cooperation. Going forward, active economic cooperation between the parties should help mitigate the acute political differences and may provide a basis for resolving the issues between the 2 nations. Russia's intentions as to obtaining direct investment from Japan for the development of the non-resource sector of the Far East's economy were confirmed by Minister for the Development of the Russian Far East A.S. Galushka at his Moscow meeting with Japan's then-Minister for Economy, Trade and Industry T. Motegi on December 26, 2013 ("Japan Ready to Invest", 2013). At the 3<sup>rd</sup> annual Russian-Japanese Forum on Cooperation in Business, Investment and Sport, held in Tokyo on May 25, 2015, the next Chairman of the Federation of Economic Organizations of Japan (Nippon Keidanren) Norio Sasaki noted that 58% of Japanese companies viewed the Russian Far East as a promising region to invest in, with 140 companies working in the region at the time already (Kuchma, 2015; Veselovsky, Pilipenko, Savenko, Glebova and Shmeleva 2017). According to Minister for the Development of the Russian Far East A.S.

---

Galushka, direct investment by Japanese businessmen in projects and enterprises in the Far East totaled nearly \$1 billion in 2016 (“Japan’s Direct Investment”, 2016).

There is significant promise in the idea of industrial parks being created by Japanese companies in the Russian Far East, something Japan is already doing in Vietnam, Malaysia, and at home.

Another promising area for investment interaction between the Russian Far East and Japan is the forest sector. Japan is interested in obtaining veneer from larch, whose unique properties make it possible to withstand pressure in areas subject to seismic activity. The Russian Far East’s present-day forest complex is mainly oriented toward China. The Russian economy is currently missing out on significant revenue due to smuggling activity, a worsening of the structure of production in the sector, and dependence on the Chinese market, while Japan cannot compete with cheap wood materials made from Russian timber that are supplied by China. The Japanese government has been highly supportive of the idea of Japanese companies doing business in the Russian Far East. In the event Japanese businesses take part in modernizing the forest sector of the Russian Far East, Japan will be able to obtain wood and wood processing products straight from Russia, bypassing China, which will significantly reduce the prime cost of many of the goods it manufactures. The system of supply of lumber from Russia to Japan is an area that should feature not only Russian enterprises but also wood-working enterprises from Japan, which are not just consumers of wood-working products but are known to maintain high quality standards as well. The Japanese have spoken of the need to set up a special facility, the Japanese-Russian Center for Wood-Working Technology, which will link the activities of enterprises within the sector and will also train Russian Far Eastern specialists to use cutting-edge, high-tech equipment.

Japanese companies have already started investing in timber processing in the Russian Far East. The 1<sup>st</sup> Japanese-Russian project in this respect was the construction of a veneer manufacturing plant. In accordance with an agreement entered in 2006 by Japan’s Sojitz and Russia’s Flora, a joint enterprise was established in the city of Komsomolsk-on-Amur. The Japanese were investing 280 million yen, with the plant’s production capacity expected to total 120,000 m<sup>3</sup> per year. Technical support was provided by the Japanese firm Seihoku Corporation (“Sojitz to Construct”, 2006). In 2008, Japanese investors invested \$150 million in the construction of plants for the Terneiles company specializing in the production of lumber and veneer. In 2010, Sojitz teamed up with Russian specialists at a plant in the town of Amursk to start manufacturing plywood sheets based on Japanese standards.

There is an enterprise in the town of Sovetskaya Gavan operating on 100% Japanese capital – Vanino-Tairiku. The company’s current product mix features as many as 10 items. The primary market for the sale of the company’s products (floorboard and

wallboard, variable-section bars, etc.) is Japan, with China and South Korea also buying from it.

The Japanese are also exploring the prospects for investing in the construction of the Far Eastern grain terminal Zarubino at the Bay of Troitsa in the south of Primorsky Krai, which will handle export shipments of grain to nations within the Asia-Pacific region. At the 6<sup>th</sup> Japan-Russia Investment Forum, the Japanese firm Marubeni Corporation and the Russian group Summa signed a memorandum on cooperation in boosting grain exports from the ports of Russia's Far Eastern region.

Another promising area for Russia is cultivating cooperation with Japan in the Russian Far East's agrarian sector. In 2015, the Rakitnoe advanced social and economic development zone (Khabarovsk Krai) became the venue for the launch of a greenhouse complex for growing tomatoes and cucumbers all year round. Using cutting-edge Japanese technology, agrarian specialists in the Russian Far East, which has special climatic conditions for the development of agriculture, are now able to reap up to 70 kg of harvest from 1 m<sup>2</sup> annually ("Japanese Company JGC Evergreen", 2015). According to Japan's Consul General in Khabarovsk Hideaki Noguchi, the way the greenhouse complex project works out will in large part determine the interest in Khabarovsk Krai among Japanese investors ("The Japanese company plans", 2017).

Japanese specialists have expressed willingness to cooperate in the agrarian sphere as well, with a focus on creating in Khabarovsk Krai and Primorsky Krai special agricultural zones for growing buckwheat, soybeans, and fodder corn.

One of the most vivid examples of Japanese businesses operating in the Far East is the renovation and development of an international airport in Khabarovsk. The project, estimated to cost around \$70 million, has been worked on by a large Japanese consortium incorporating Sojitz Corporation, Japan Airport Terminal Co., and Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development, the investment fund run by Japan's Ministry of Land, Infrastructure, Transport and Tourism.

Japan is demonstrating a special interest in, mainly, large-scale resource-related projects, while the Russian Far East is experiencing a need for investment in smaller projects as well.

The Far Eastern region is, above all, in need of highly qualified specialists across the various sectors of the economy. Cutting-edge technology and machinery will be of little use without well-trained human resources. In 1994, Japan's Ministry of Foreign Affairs started to set up in Russia special "Japanese centers", which offer language courses, as well as courses for preparing professionals in various areas of expertise. Even though centers of this kind were opened up in Khabarovsk (November 1994), Vladivostok (April 1996), and Yuzhno-Sakhalinsk (September 1996), their activity



in the Russian Far East is not very salient to the public at the moment. A significant role in resolving the issue of enhancing the qualification of Russian Far Easterners could be played by having in place an accessible system of traineeships at Japanese colleges and companies for instructors at colleges in the Russian Far East and personnel employed by the region's small and medium-sized businesses. Japanese businesses investing in improvements in the qualification of Far East professionals would help take the region's economic development to a whole new level, which would help galvanize the dialogue between the 2 nations, in a climate of globalization. There is no less promise in investment projects related to the use of novel technology, the need for which is felt by many sectors of the Russian economy.

Joint research and capital would help actively to implement the latest technology in road construction, repairs, and maintenance in the Far East. Representatives of road construction enterprises in the Russian Far East are regularly engaged in discussing potential joint projects with their Japanese counterparts. Among the regions of the Russian Far East, Japanese road construction and repairs technology has been in the widest use in Sakhalin, given that the island's natural-climatic conditions are like those of the Japanese island Hokkaido. Sakhalin Oblast's major construction firms Vostokdorstroj, Avtodorproekt, and Eksprompt have been employing Japanese best practices in the sector for several years now. Unfortunately, there remain many issues impeding the cooperation. These include the cost of materials employed, as well as the durability and reliability thereof.

Road construction firms based in other regions within the Far Eastern Federal District (Chukotka Autonomous Okrug, the Sakha Republic (Yakutia), Kamchatka Krai, Magadan Oblast, Khabarovsk Krai, Amur Oblast, Jewish Autonomous Oblast, and Primorsky Krai), characterized by distinctive natural characteristics, are interested as well in getting investment for the development of highways. Automobile roads will ensure year-round linkage between industrial and extracting centers and centers of cultural life, which should facilitate significant boosts in economic growth across the Russian Far East and help galvanize Russia's economic integration into the APR.

Of special significance to Japan is the fisheries sector. Russia and Japan share a sea border, and there are fishing quotas in place. Specialists from both countries are keeping a careful watch over the ecological condition of the region's waters, fish catch volumes, and the quality of fish processing activities in the region.

Despite considerable fish catch volumes posted by Russian fishers across the Far Eastern marine environment and the attractiveness of fish as an international trade commodity, the fisheries sector of the Russian Far East is gradually declining in competitiveness on an international regional scale. The material-technical base of many Far Eastern enterprises within the fisheries sector was poor by the start of the 21<sup>st</sup> century, and that of many of them is currently out of keeping with present-day

conditions. This may lead to the region's fish processing enterprises going into decline and its fish farmers turning into suppliers of resources for the fisheries sector of nations within the APR. The operation of the Russian Far East's fish processing industry can be enhanced through the attraction of investment into it (including from Japan). Among the areas that are most promising for Japanese projects is the area of advanced processing of fish products. Further, apart from processing fish itself, it could also be worth focusing on processing fish waste, which could be sought after in medicine or the pet food production industry. The development of the fish processing industry will help to create new jobs at fish processing plants in the Far East and, thus, facilitate the preservation of the population in the lower reaches of the Amur River (Khabarovsk Krai), Magadan Oblast, Kamchatka, and Sakhalin.

Of special interest to residents of the northern areas of the Russian Far East could be Japanese technology dealing with the use of liquefied natural gas to supply residential buildings with gas. In the view of Deputy Minister for the Development of the Russian Far East Yu.I. Onoprienko, the Russian Far East "has low indicators of gas infrastructure development. Now, gas supply to the district's populated localities is 6.6%, including 3% to rural areas, the average Russian figures being 63% and 47% respectively. Just 29% of the district's total housing stock has been provided with gas, as opposed to an average of 70% nationally" ("Gas Infrastructure Development", 2013). Switching industrial and communal facilities to natural gas should help develop the resource base of gas-fields in Yakutia, as well as derive an economic effect via reductions in costs associated with the use of electric power and maintenance of gas supply facilities. A no less important objective is also reducing hazardous emissions to the environment.

The Far Easterners may find it useful to explore some of the best practices and technology related to waste processing and recycling employed in Japan. It is important that the Far East (as well as Russia as a whole) not only implement these technologies but carry out awareness-raising work with the population. Russian Far East residents are standing up for a healthy ecology in the region, with China seen as a major threat in this respect, although the condition of the Far East's nature will depend, to a considerable degree, on the local population as well.

Russia possesses huge potential for the development of medicine in the Far East, including nuclear medicine, medical equipment, and pharmaceuticals. At the 3<sup>rd</sup> Eastern Economic Forum, held September 6<sup>th</sup> through 7<sup>th</sup>, 2017, in Vladivostok, the Japanese companies Hokuto Social Medical Corporation and JGC Corporation announced they were ready to invest over 150 million rubles in the development of a rehabilitation center in Vladivostok.

Japan is currently considering the possibility of manufacturing components for the Japanese automotive industry at plants based in the Russian Far East. A resolute step in this direction was taken in 2011, when the Japanese corporation Mazda and Russia's Ministry of Economic Development entered into an agreement for the

construction of a car assembly plant in the city of Vladivostok. The Japanese manufacturer was planning on assembling between 25,000 and 50,000 units per year (“The Japanese car manufacturer”, 2016). Production was launched between September and October 2012. Going forward, the manufacture of Japanese cars in the Russian Far East should help reduce the number of cars that have been in use in Japan for a long time.

Now, there is major promise in domestic research and development in the area of machine-tool building, shipbuilding, and metallurgy. Under optimal conditions, these sectors stand a good chance of enlisting the support from Japanese businesses.

A potentially crucial step in promoting the cooperation between Russia and Japan is tourism. The 2 nations share long-standing relations. Their dialogue should not be limited to economic cooperation solely, and a solid foundation should be laid for their robust interaction in culture as well. Expanding their tourism ties will enable the 2 nations to get to know each other better and to enhance their dialogue on many issues, including the economy.

#### **4. Discussion**

Russian-Japanese investment cooperation is expected to work out in sectors other than just those dealing with energy resources. In addition to the nations’ above-mentioned interaction in the agrarian, forest, and fishing industries and expansion of transportation communications, there is also promise in cultivating joint activity in sports, education, scientific research, youth policy, and some other areas. However, proposals from Japanese businesses often stumble at bureaucratic hurdles, complex customs procedures, and poorly regulated legislation in Russia. These are viewed as restraining factors by Japanese investors willing to invest in the economy of the Russian Far East. Below are some of the possible ways to attract Japanese investors.

- 1) Russian authorities cooperating with different-level Japanese business entities, including small and medium-sized businesses.
- 2) Ensuring the transparent conduct of business and guaranteeing its security and stability. The current taxation system ought to make it possible for Russia’s Far Eastern region to generate revenue, i.e. funds needed for further economic growth.
- 3) Minimizing the number of bureaucratic procedures for Japanese enterprises investing in the Far Eastern region. There is promise in promoting special economic zones.
- 4) Disseminating knowledge about the characteristics of Russia’s Far Eastern region among Japanese businesses.
- 5) Russian authorities treating the nation’s Far Eastern region in a caring manner, with a focus on improving the quality of life in the area, which should reduce the outflow of youth, entrepreneurs, efficient managers, and professional specialists, while attracting Japanese investors and ramping up investment should only facilitate this.

## **5. Conclusion**

To conclude, the authors view Russia and Japan's investment cooperation in the Far East as vital to the region's economic growth. This is underscored by the 2 nations' historical traditions and common interests.

A major objective for the Russian government to resolve is diversifying Russian exports to Japanese markets and enhancing the commodity structure of the 2 nations' trade. There is value in studying best practices in the operation of the Japan External Trade Organization.

Active cooperation between Russia's Pacific region and Japan should facilitate economic and sociocultural growth in the nation's Far East and help resolve issues related to preserving the region's population and improving its residents' quality of life. This cooperation will produce the desired results only if the 2 nations abide by principles of mutual respect and sovereignty, taking into consideration each other's history, mentality, and culture.

### **Acknowledgements:**

The research reported in this study was conducted with financial support from the Government of Khabarovsk Krai (Agreement No. 148/2017 D of June 5, 2017, On Extending a Grant for the Conduct of Research in the Area of the Humanities and Social Sciences). The authors wish to express sincere gratitude to the Government of Khabarovsk Krai for its support of the project.

### **References:**

- Abalkin, L.I. 2011. *The economy of civilizations in global terms: A monograph*. Moscow, Russia, TEIS (in Russian).
- Adminin, A.G. 2017. Economic cooperation between East Asia and the Russian Federation. In V.S. Losev (Ed.), *Proceedings of Present-Day Issues in the Economic Development of Enterprises, Sectors, Complexes, and Territories: International research-to-practice conference in 2 volumes 5-14*, Khabarovsk, Russia, Pacific National University (in Russian).
- Akaha, T. 1997. *Politics and Economics in the Russian Far East: Changing Ties with Asia-Pacific*. New York, Routledge, 256.
- Akaha, T. 2014. *Russia and East Asia: Informal and Gradual Integration*. New York, Routledge, 293.
- Anikina, I.D., Gukova, A.V., Golodova, A.A. and Chekalkina, A.A. 2016. Methodological Aspects of Prioritization of Financial Tools for Stimulation of Innovative Activities. *European Research Studies Journal*, 19(2), 100-112.
- Bashmakov, A.I., Popov, V.V., Zhedyayevskii, D.N., Chikichev, D.N. and Voyakin, E.A. 2015. Generic Heurorithm of Innovation Management from Generating Ideas to Commercialization. *European Research Studies Journal*, 18(4), 47-56.

- Blank, S. 2017. The illusions of Moscow-Tokyo rapprochement.  
<http://intersectionproject.eu/article/russia-world/illusions-moscow-tokyo-rapprochement>
- Buckley, P.J. 1988. The limits of explanation: Testing the internalization theory of the multinational enterprise. *Journal of International Business Studies*, 19(2), 181-193.
- Dolgorukov, P.D. 1978. Trade-and-economic relations between the USSR and Japan. In S.I. Verbitskii and I.I. Kovalenko (Eds.), *USSR–Japan: Celebrating the 50<sup>th</sup> anniversary of the establishment of diplomatic relations between the Soviet Union and Japan, 1925-1975*, 104-131, Moscow, USSR, Nauka (in Russian).
- Ichimura, S. 1998. *Political economy of Japanese and Asian development*. Tokyo, Japan, Springer.
- Komiya, R. 1990. *The Japanese economy: Trade, industry and government*. Tokyo, Japan, University of Tokyo Press.
- Korhonen, P. 2002. *Japan and the Pacific Free Trade Area*. Abingdon, UK, Taylor & Francis.
- Kuchma, A. 2015. Russian-Japanese forum offers new ideas for investment.  
[https://www.rbth.com/economics/2015/05/29/russian-japanese\\_forum\\_offers\\_new\\_ideas\\_for\\_investment\\_43397](https://www.rbth.com/economics/2015/05/29/russian-japanese_forum_offers_new_ideas_for_investment_43397)
- Kuranova, I.M. 2005. Investment cooperation between Russia and Japan. *Problemy Dal'nego Vostoka*, 5, 120-131 (in Russian).
- Liapis, K., Rovolis, A., Galanos, C. and Thalassinos, I.E. 2013. The Clusters of Economic Similarities between EU Countries: A View Under Recent Financial and Debt Crisis. *European Research Studies Journal*, 16(1), 41-66.
- Pavlyatenko, V.N. 1995. Russian Far East within the system of relations in North East Asia. *Problemy Dal'nego Vostoka*, 4, 11-20 (in Russian).
- Sekiguchi, T. 2014. Awkward timing for Japan-Russia Investment Forum (in Russian),  
<http://blogs.wsj.com/japanrealtime/2014/03/19/awkward-timing-for-japan-russia-investment-forum/>.
- Timonina, I.L. 2016. Russia and Japan: A real potential for economic cooperation. *Yaponskie Issledovaniya*, 1, 20-31 (in Russian).
- Timonina, I.L. 2017. Strategy for innovation-driven growth in Japan: En route to the 4<sup>th</sup> Industrial Revolution. *Vostok. Afro-Aziatskie Obshchestva: Istoriya i Sovremennost'*, 4, 128-142 (in Russian).
- Veselovsky, M.Y., Pilipenko, P.P., Savenko, V.G., Glebova, A.G. and Shmeleva, L.A. (2017). The Organization of the Innovation Transfer in the Agroindustrial Complex of Russia. *European Research Studies Journal*, 20(3A), 484-499.