Innovative Course of the Russia-Japan Economic Relations
(in the Context of the Bilateral Year of Cooperation)

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Abstract. The article addresses the issue of innovative development in the light of sanctions confrontation using the example of Russia and Japan. It focuses on economic dimension of Russian-Japanese engagement at the highest level from December 2016 to March 2018 and on innovative cooperation projects of the recent years. Official documents regulating innovative policies in Russia and Japan are analysed and basic principles of innovative activities management are identified. The ongoing economic cooperation between Russia and Japan is examined, in particular in the field of innovations. Promising areas of development planning for Russian regions, in particular those that have close economic ties with Japan, are identified. The goal of Russian innovations policy in the light of sanctions is set.

1. Introduction
Russian-Japanese relations started more than three hundred years ago. In the 17\textsuperscript{th} century, they were limited to sporadic contacts between Russian pioneers from East Siberia and the Far East with Japanese fishermen and hunters, but in the 2010s it is large-scale cooperation projects approved by the governments of the two countries. In recent years, Russian-Japanese relations have been developing particularly well, which results from the need for concentrated joint efforts to address the consequences of Fukushima tsunami and the ensuing tragedy (2011) on the one hand and the potential opportunities opening up for the two countries in case of a transformation in the global trade system after in 2014 a number of countries imposed sanctions on Russia on the other. Immediately after sanctions endorsed, among others, by Japan were enforced, the level of trade and economic cooperation between our countries somewhat decreased; however, as a result of active measures adopted in 2016-2017 aimed at reconstructing economic ties, there has been a new trend in the relations between the Russian Federation and Japan. In recent years, both Russia and Japan have had a productive dialogue on a number of international and regional policy issues. The pertinence of the research results from the active engagement of both countries’ ministries for foreign affairs, statements made by the leadership of Russia and Japan on the prospects of a new era in our relations, the relation between Russian socio-political interests in the Far East and innovative economy sectors development.

As a result of the sanctions policy, the cooperation in the field of innovations now defines the direction of Russia and Japan's economic cooperation development. The scientific merit of the research is determined by the prospects of technological and institutional renewal in Russian economy and the role of the Asia-Pacific region in the global economy.

The issue of innovations has a long historiographical tradition with economic and management dimensions of innovations being researched particularly extensively (for instance, see Vasin V.A. (2018), Samoldin A.N. (2017), Schumpeter J. (1985, 1995), Antonelli C. (2003), Freeman C. and
Soete L. (1997), etc.). The opportunities for innovative cooperation in the development of modern international relations are analysed far less carefully. The correlation between technological and social innovations and geopolitical strategies in the Asia Pacific has not been studied fully enough. This article explores the development of innovative dimension of Russian-Japanese economic cooperation in today's geopolitical environment. The sources used in the research include innovative policy documents of both countries as well as documents covering the current state of the bilateral relations between Russia and Japan in the lead-up to the Bilateral Year of Cooperation.

2. Theory

Strengthening Russia's position in the Asia Pacific is one of its foreign policy's strategic priorities. “Russia endorses broad mutually beneficial economic cooperation in the Asia Pacific region,” [7] says the Foreign Policy Concept of the Russian Federation approved by Vladimir Putin on 30 November 2016. Moreover, in the Concept, Japan is described as one of our country's most important partners in the Far East: “The Russian Federation will continue to build neighbourly relations and encourage mutually beneficial cooperation with Japan, including guarantees stability and security in the Asia Pacific region.” [7] This was confirmed during Putin’s visit to Japan on December 15-16, 2016, and by a number of major agreements between public and private entities of both countries in 2017-2018.

Russian President's visit to Japan in December 2016 was a big success and had important consequences for both countries. As a result, Russia's image in Japanese society has improved, and the number and quality of joint business projects and cooperation programmes in different fields, including innovations have increased. More than 50 agreements were signed as a follow-up to the visit.

During Putin's visit to Japan, Japan Business Federation hosted “Russian-Japanese Business Dialogue” conference with the Russian President and the Japanese Prime Minister as participants. After the conference, Shinzo Abe said, “Putin's visit to Japan was a historic event that helps our relations to reach another level. ... Rich resources, latest technologies and brilliant people in Russia will become a powerful driver for regional development and, in the end, will contribute to the stability in the region. Japan seeks to follow the path of future prosperity with Russia.” [1]

Among cooperation development priorities, those that need to be strengthened in their innovative dimension were identified: energy, health, urban construction, shelf and seabed development.

The decision to launch expert consultations on the preparation for joint business engagement in the Kuril Islands was the most important result of the meeting at the highest level. This decision marks one of the key moments in the further development of not only the Kurils and the Russian Far East, but also of the whole Asia Pacific.

Japan says that it is going to strengthen ties with Russia in a large number of fields.

On January 22, 2018, Shinzo Abe in his policy speech in the Japanese parliament pointed out the crucial importance of Russian-Japanese relations for regional and global policy, the development of which, in his opinion, has a great potential. [10] This said, Russia was only the fourth after the USA, China and Korea on the list of Japan's foreign policy priorities. Earlier Shinzo Abe said that one of the goals of his term as Japanese Prime Minister is a peace agreement with Russia.

In May 2018, Japanese prime minister Shinzo Abe is expected to visit Russia to participate in St. Petersburg International Economic Forum and the formal inaugural ceremony of the Bilateral Year of Cooperation. 2018 will be announced in Japan as the Year of Russia, and in Russia it will be the Year of Japan.

In November 2017, in preparation for the trip, Japanese Foreign Affairs Minister Taro Kono visited Moscow. Trade and economic cooperation between our two countries were priorities on the agenda. [8] At a meeting of the intergovernmental commission on trade and economic cooperation, both sides showed their interest in encouraging trade and investment cooperation between Russia and Japan.

On 21 March, 2018, Russian Minister for Foreign Affairs Sergei Lavrov visited Tokyo. He conducted talks with Taro Kono. Besides general political issues and humanitarian challenges (in the
context of preparations for the Bilateral Year of Cooperation), the development of trade and economic relations was also discussed.

Both sides underline the role of innovations in the development of economic cooperation. Japan is the world leader in development, management, and introduction of innovations. In the middle of the 20th century, the very principles of innovative management were formulated in Japan that form the foundation of both Japanese “economic miracle” and “innovation boom” in the globalization era. [9, 13] Today innovation policy in Japan is set in the “Innovation 25” strategy that was adopted in 2007 and covers the period up until 2025.

The strategy qualifies the following aspects of the current global environment as factors determining the innovative direction of global development:

1) the reduction of population and fast ageing in Japan;
2) the growing number of challenges in Asia;
3) further development of a knowledge-based network society;
4) tremendous progress of globalization;
5) Earth's population growth that threatens the humanity's sustainability;
6) climate change and environmental deterioration;
7) the growing gap between rich and poor peoples, the gap between the North and the South. [20]

The document examines the detailed innovation strategy in three key dimensions: science and technology; social agenda; and human potential development.

In Russia, the principles of innovative policy are laid down in the “Innovative development in Russia Strategy 2020” that was adopted in 2011.

The document identifies seven groups of targeted indicators for implementing the Innovative Development Strategy:

I. formulating innovative activities’ competences (education and development of Internet technologies);
II. innovative business (innovative business activities, innovative goods and services market);
III. effective science (innovation introduction, scientists’ age, quoting system);
IV. innovative State (interstate rating, digital government services, the age and extended learning for government officials);
V. innovations’ infrastructure (innovative companies support, use (including collective use) of scientific equipment by business organizations);
VI. participation in global innovation system (patents, the percentage of high-tech goods in export);
VII. innovation territory (innovative regional testing, innovative clusters);
VIII. funding (research, development, and education costs). [15]

In a couple of years of implementing the strategy Russia managed to considerably develop its innovative component, in particular to create a digital system of government and municipal services and to build the infrastructure foundation for the development of digital economy.

The Russian Innovative Strategy is based on the same principles as the Japanese “Innovation 25” that enables our countries to implement joint policy to increase the efficiency of social and economic development.

As a progressive country with clearly defined innovation policy being under the West's sanctions, Russia seeks to forge new ties with old partners based on cooperation in innovations. Officially, many innovative products and ideas are qualified as goods under sanctions. A broad range of innovative products is forbidden from being sold to Russia. It stimulates the development of national innovative products and innovative industries.

The relations with Japan are an excellent example of the development of innovative industry under sanctions.

Nuclear energy is the most promising area to introduce Russian innovations into Japanese economy. Russia is the world leader in closed nuclear fuel cycle technologies, and right now its
innovative ideas in the field turned out to sell very well in Japan. Surely, in Japan, a country of innovations, there have been research projects in innovative nuclear energy. For instance, the Monju fast fission nuclear reactor became operational, the Rokkasho Nuclear Fuel Reprocessing Facility was under construction. [18] However, as a result of the Fukushima Daiichi nuclear accident and the accident management actions, many projects were closed. After the accident, large-scale experimental research had to be stopped, and the use of construction technologies of innovative “fast reactors” where Russia is the world leader had to be put on halt.

In December 2016 during Vladimir Putin’s visit to Japan, a memorandum on cooperation in nuclear energy was signed between the two countries. The memorandum also covers the Tokyo-Moscow cooperation in innovative nuclear technologies. Experts believe that closed cycle technologies that reuse nuclear fuel (both in water-cooled reactors on thermal neutrons and fast reactors) are the most promising. Russia and Japan also agreed about establishing a joint platform “for examining opportunities for staff and ideas exchanges with a view to encourage nuclear innovative technologies using both countries’ knowledge and experience.” [12]

Urban construction programmes are interesting innovative projects introducing Japanese best practices to Russian cities. “Smart City” is one of them, and it has already received a positive response from Russian citizens. In Voronezh and Vladivostok, innovative pilot projects aimed at using latest Japanese technologies in road traffic management were launched. [5]

A programme is being developed that will help to use Japanese innovative ideas in Russian public health sector. With the use of Japanese technologies, a hospital in Khabarovsk was re-equipped, a medical centre in Irkutsk was opened, and two hospitals in Moscow are soon to be opened.

Direct contacts between the citizens of our two countries offer exciting prospects for increased cooperation. Youth exchanges are particularly important. The regime of sanctions did not weaken, but on the contrary, fueled young people from Russia and Japan’s desire to visit the neighbouring country. Student exchanges and student forums are important platforms to encourage future innovations.

As for innovation financing, in August 2017 The Russian Direct Investment Fund (RDIF), in collaboration with The Japan Bank for International Cooperation (JBIC), established a Russian-Japanese investment fund aimed at supporting promising mutually beneficial projects of economic cooperation.

In February 2018, the establishment of a joint Russian-Japanese Fund for investment projects implementation in the Far East was announced at the Russian Investment Forum in Sochi. The Japan Bank for International Cooperation (JBIC), the Far East Agency for Investment Stimulation and Export Support, and the Far East Development Fund (FEDF) were its founders. [11]

The Primorye region is a natural platform to implement Russian-Japanese joint innovative projects. Japan is the leader in foreign investments in the region.

In December 2017 in Vladivostok, the “Day of Japanese Investor” was organized, with 15 major Japanese companies participating in it, for instance, Hokkaido Corporation, Iida Group Holdings, Itochu Corporation, JGC Corporation, Marubeni Corporation, Mitsubishi Corporation, Mitsui, Nipponham Group, etc. Many of them are ready to share their innovative ideas in return for Russian market opportunities.

Moscow University's scientists conduct a most interesting research in seabed development in the coastal area of the Pacific Ocean. Sea Research Centre in Lomonosov Moscow State University conducts comprehensive engineering sea research on the sea shelf and in the transit zone. MSU’s hydrometeorological and ecological research as well as the results of geological and geophysical studies are of a considerable interest for both Russian economy and Japan. [6]

Forestry is another area to introduce innovations. Wood processing is one of the key areas for Russian-Japanese technological cooperation. Japanese innovative technologies significantly increase timber use efficiency and reduce the damage to the national and regional ecosystems. [13]

The four islands of the Kurils are to become a special zone of innovation introduction; the decision on their joint business development was made on the highest level in December 2016. Joint economic activity projects are to be implemented in Kunashir, Shikotan, Iturup, and Khabomai. Joint Russian-

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Japanese projects on waste reprocessing, windmills installment, seafood production, island tourism, and year-round vegetables production were among those that received the support within the cooperation programme. Economic effect of Japanese innovations introduced to the Russian islands may have an important geopolitical impact. For instance, the Japanese Minister for Foreign Affairs Taro Kono often said that the economic success of the joint island development programme would become the foundation for a new approach to the solution of the main problem in the relations between Russia and Japan, namely the absence of a peace treaty: “The fact that the Japanese and Russians create an image of the future of the four islands together helps to advance mutual understanding and trust. I firmly believe that it will be a huge advantage in signing a peace treaty. Within the ‘new approach’ that expresses forward-looking ideas, I would like to find a ground-breaking solution to conclude a peace treaty.” [4]

Russia should use innovative ideas of foreign countries, including Japan, in order to address burning social and economic challenges in its regions. The transformation of Primorye into a prospering region on the west coast of the Pacific Ocean is in the interest of Russia and its people. Nevertheless, only innovative technologies, human resources, and infrastructural elements can create a momentum for a long-term social and economic growth.

This must be taken into account in formulating programmes aimed at future planning of the development of regions, especially those that have close economic ties with foreign countries, including Japan.

**Conclusion**

Thus, both Russia and Japan see practical benefits in introducing innovations, even given the sanctions. The cooperation with Japan opens up attractive prospects for Russia in the domain of development of latest technologies, innovative management, and new institutional forms. As a whole, the enhancement of ties in innovations is a mutually beneficial cooperation area for Russia and Japan. The goal of Russia’s innovation policy in the context of the sanctions confrontation is to develop cutting-edge technologies and industries with a view to promote economic prosperity of the country in the long term.

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