

# NORTH EAST ASIA BUSINESS ASSOCIATION: RUSSIAN ENTREPRENEURS TURN EAST



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Trade and economic cooperation with Asia-Pacific Region in general and with North-East Asia in particular is a priority for the Russian foreign policy. The valid Foreign Policy Concept of the Russian Federation approved by the President of the Russian Federation V.Putin on November 30, 2016 says that “today we can see scattered world potential of power and development, its shift to APR”. The document underlines that “Russia considers its stronger position in APR and more active relations with the countries of the region as a strategic area of its foreign policy... Russia is interested in active participation in the integration processes in APR, in taking advantage of its possibilities when implementing the programs of social and economic development of Siberia and the Far East”. With complicated relations with the Western countries the importance of APR for Russia grows.

In 2018 the APEC economies accounted for 32.3% of the Russian foreign trade in comparison to 30.5% in 2017. It’s worth mention-

ing that in 2017 there was trade deficit with APEC economies which amounted to \$5.98 billion while in 2018 the trade surplus reached \$19.289 billion. Six years ago 23% of Russian foreign trade and 17% of export accounted for APEC. However, only 4.14% stocks of the Russian FDI were directed to the APEC countries (\$14.252 billion) as of the beginning of 2019. Whereby half of the Russian investments to the APEC economies accounted for the USA (\$7.227 billion). To put this in perspective: stocks of the Russian FDI in China amounted only to \$254 million. As for the incoming FDI from APEC to our economy in 2018 they have dropped nearly twice: from 6.49% to 3.89% (from \$28.634 billion to \$15.84 billion).

According to the Central Bank of the Russian Federation the largest investor to our country is Singapore with stocks of FDI to Russia amounting to \$3.874 billion as at the beginning of 2019. Considerably lower level of FDI comes from the Republic of Korea –



\$2.677 billion, China – \$2.613 billion and Japan – \$1.917 billion. Investments from Singapore, China and Japan have reduced while from Korea – grown.

Russian investments to Asian countries are even smaller. The key receiver of the Russian FDI is Singapore – \$3.472bn as of the start of 2019. Hong-Kong and China follow Singapore lagging behind considerably: \$325mn and \$254mn correspondingly. Russian investments to Japan and the Republic of Korea find themselves within a statistical spread – \$55mn and \$33mn as of the start of 2019.

A serious gap between trade and investments of our country with Asia makes one think of policy changes of the national governments active in the region of international multilateral institutes and business. In the medium-term and long-term perspective such situation seriously limits a stronger, more complex cooperation. In fact Asian states trading with Russia depend on its investment interaction with the Western countries. In the context of high global turbulence it provokes considerable risks for their interests.

The need to create new institutes and format which would provide for breakthrough opportunities to enhance the Eastern strand of the Russian policy is recognized not only by the governmental bodies but by the Russian business too. On August 22, 2019 within the ministerial Advisory Commission of the Greater Tumen Initiative a Memorandum was signed on the establishment of the North-East Asia Business Association. It has gathered large unions from Russia, China, the Republic of Korea and Mongolia: the Russian Union of Industrialists and Entrepreneurs (RSPP), China Council for the Promotion of the International Trade (CCPIT), Chambers of Commerce and Industry of the Republic of Korea and Mongolia. The Association is open to businesses from other countries of the region such as Japan and DPRK as well as to partners beyond the region.

The new Association has become the first international multilateral union of national businesses in the North-East Asia. Among its focus areas will be active information exchange of project ideas and proposals among the member-unions and their companies, cooperation to reveal and remove together with governmental bodies the barriers for trade and economic collaboration. Its work will be mainly focused on the implementation of the “soft” and “hard” projects. The first type implies the development of human capital and research,

the second one – investment and practical foreign economic activity.

The key working areas of the Association correspond with the priorities of the Greater Tumen Initiative including trade and investments, transport, agriculture, energy, tourism and many others. For example the Association’s priorities are going to involve industry and digitalization. This idea from the Russian side was supported by the partners.

Pending are the basic documents regulating particular aspects of cooperation (such as the procedures and application forms for projects) as well as the polls among national businesses in order to define the targets of the Association more precisely and to work out effective cooperation formats. They will be implemented in pilot projects and form the basis for the Strategic plan of action of the Association expected to be approved in Seoul in 2020.

The Greater Tumen Initiative under which the new Association has been created is the only multilateral intergovernmental platform of international cooperation in the North-East Asia working with the support of the UN Development Program. The importance to enhance cooperation within the Greater Tumen Initiative was reflected in the Joint Statement of the Russian Federation and the People’s Republic of China on the development of cooperation of the overall partnership and strategic interaction entering the new era. The Statement was made on June 5, 2019 and published after the meeting between the President of the Russian Federation V.Putin and the Chairman of PRC Xi Jinping.

The participants of the Greater Tumen Initiative are the Russian Federation, PRC, the Republic of Korea and Mongolia. One of the structures of the Initiative, the Committee of cooperation of regional authorities also involves the Japanese prefecture Tottori. Previously DPRK was also part to the Initiative but in 2009 left the program within the policy of reduction of participation in the UN programs and projects as the reaction to the sanctions introduced towards DPRK due to its missile-nuclear program.

Natalya Stapan, the Head of the Russian delegation to the Initiative Advisory Commission, Director of the Department of multilateral economic cooperation and special projects of the Ministry of economic development of the Russian Federation in her speech underlined that the Initiative is a unique institute of international cooperation in the region based on diversity and justice. The establishment of the North-East

Asia Business Association is a major landmark in the development of the Initiative providing for a new level of practice and the implementation of capital-intensive designs coinciding with the needs of member-states.

The establishment of the Association will support the development of the multilateral cooperation of the Russian business with foreign partners in harmony with bilateral ties. Regarding the interaction within the Association RSPB believes that it should focus on the interests of the national business, on the search and implementation of promising projects and the removal of excess barriers for cooperation.

The Russian position is shared by all partners to this new institute. During the inauguration meeting of the Association on August 22, 2019 Mr. Chen Zhou, the Vice-Chairman of CCPIT expressed hope that the work of Association will trigger the cooperation between the businesses of North-East Asia and will allow to make use of its latent potential.

Mr. Duuren Tumenjargal, CEO of the Mongolian National Chamber of Commerce and Industry declared that the Association should focus of digitalization and its advantages for the development of the markets and trade of the North-East Asian countries. Besides he assumed that there are opportunities to create a special brand for the goods produced in the region.

Mr. Kang Homin, Senior Vice President of Korea Chamber of Commerce and Industry underlined that in order to achieve top results the cooperation in the Association should include its close interaction with the export and import banks of the North-East Asia also under the GTI. This will ensure that the introduced project ideas meet the requirements of the financial institutes.

The Association parties are ready to take maximum efforts to develop effective interaction within the Association and to improve business cooperation in the region. The Association work will provide for synergetic effect in raising foreign business from the countries of North-East Asia for accelerated growth of the Russian Far East.

Besides it is worth mentioning that the Memorandum on the establishment of Association is open to business unions from other countries including those beyond North-East Asia, and it can become a basis for a wider cooperation of business unions of the whole APR and EAEU becoming a basis for the developing Greater Eurasian Partnership (GEP).

For the first time the idea of GEP was announced in the Presidential Address

to the Federal Assembly in 2015. In his address the President of the Russian Federation V.Putin stressed the need to form economic partnership among the EAEU, SCO states and the ASEAN. In 2016 at St. Petersburg International Economic Forum (SPIEF) the Russian President stated that Russia and other EAEU countries support the establishment of GEP with the participation of China, India, Pakistan, Iran, CIS and other countries. Extending the idea of GEP Vladimir Putin also said: "Our partners and we believe that the Eurasian Economic Union can become one of the centers to form a wider integration framework..."

We could rely on a whole network of bilateral and multilateral trade agreements of different depth, speed and level of interaction, market openness depending on the readiness of this or that economy for such joint work, on the agreements on joint projects in science, education, advanced technologies".

As a "touchstone" the President of Russia offered an easier unification of regulation in the area of sectoral cooperation and investments, measures of technical, sanitary regulations, customs registration, protection of intellectual property rights. During his speech at the Supreme Eurasian Economic Council on October 1, 2019 Vladimir Putin underlined that the EAEU partners "should continue developing close ties of the

Eurasian Economic Union with the Shanghai Cooperation Organization and ASEAN, working towards the Greater Eurasian Partnership".

Currently the Russian expert community is discussing different ways and approaches to the GEP structure. Vladimir Petrovskiy, Doctor of Politics, Chief Researcher at the Institute of Far Eastern Studies of RAS points out such GEP elements as economic cooperation, mega-projects, integration contingency which should be supported by the "guarantees against outside interference and imposition of the models of public order and other not coming from the society itself. We need precise and clearly estimated common game rules on the international arena followed by all countries without distinction".

According to the experts from the reputable international discussion club "Valdai" the institutional forms of the GEP "should have overall and inclusive character, combine politics and economy, "soft" and "hard" power, should be applicable for the large, medium and small countries. We are holding in our hands great institutes of international cooperation and development with high potential — "Eurasian Integration", financial institutes of the "Silk Way" and Asian Infrastructure Investment Bank, SCO, multilateral formats with the participation of ASEAN and a lot more. We

should improve them and make them complimentary".

It is also worth mentioning that within the GEP business (together with the expert and scientific society) should be involved not only into consultations but also into the decision-making process regarding the development and functioning of the Partnership, equally with the representatives of governmental bodies. In the long run the GEP should have three main characteristics: controllability, sustainability and ability for self-development. Institutional structure of the GEP is still under development but some ideas have already been prepared. The cooperation on the platform of GTI in general and within the NEA Business Association in particular can successfully be used as one of the elements of the developing GEP system.

Russian companies interested in participation in the Association and cooperation development with foreign partners from North East Asian countries can apply to the RSPP Division of international cooperation and integration. Forms and requirements to the project applications will be published in the relevant part of RSPP web site after their approval. Before the approval the applications can be submitted via the service "Red button" available on the website of RSPP Division of international cooperation and integration.

