

Asia-Pacific Economic Integration & Cooperation: Is Russia Ready to Join?

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Outline

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1. Introduction

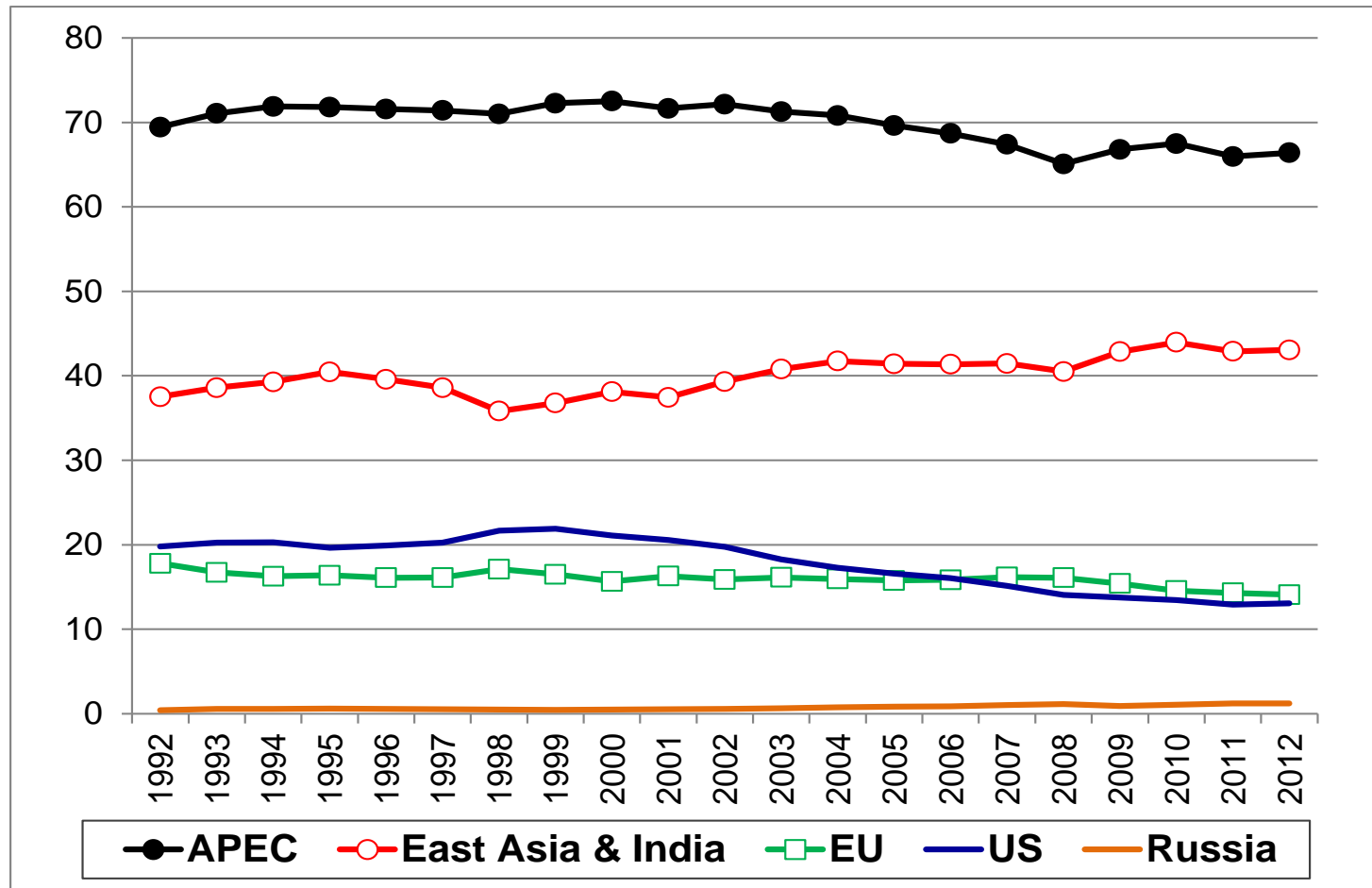
- Shift of global economic gravity to Asia due in particular to the rise of China, ASEAN and India
- The expanding middle class in emerging Asia as a driver of economic, social and political transformation and an “Asian century”
- Asia’s need for a strategy to continue growth in a sustainable, inclusive and harmonious way
- Global and regional economic integration & cooperation key to success
- Is Russia ready to join Asia-Pacific economic integration & cooperation processes?
- What are the challenges for Russia?

2. Deepening Economic Integration in the Asia-Pacific Region

- East Asia (ASEAN+3, Hong Kong & Taiwan), India and the Asia-Pacific region characterized by the expanding Asian production networks and supply chains
- Russia's trade with the industrial nations of East Asia—particularly China, Japan and Korea—has expanded rapidly over the last 10 years; and Russia plans to increase its trade share with the APEC economies to 50% from the 24% level (2012)
- But Russia remains a minor trading partner from the East Asian and Asia-Pacific perspectives
- How can Russia strengthen economic ties with East Asia and the Asia-Pacific?
 - More export of natural resources (oil and natural gas)?
 - More import of manufactured products?

APEC economies' trade shares with major trading partners and Russia

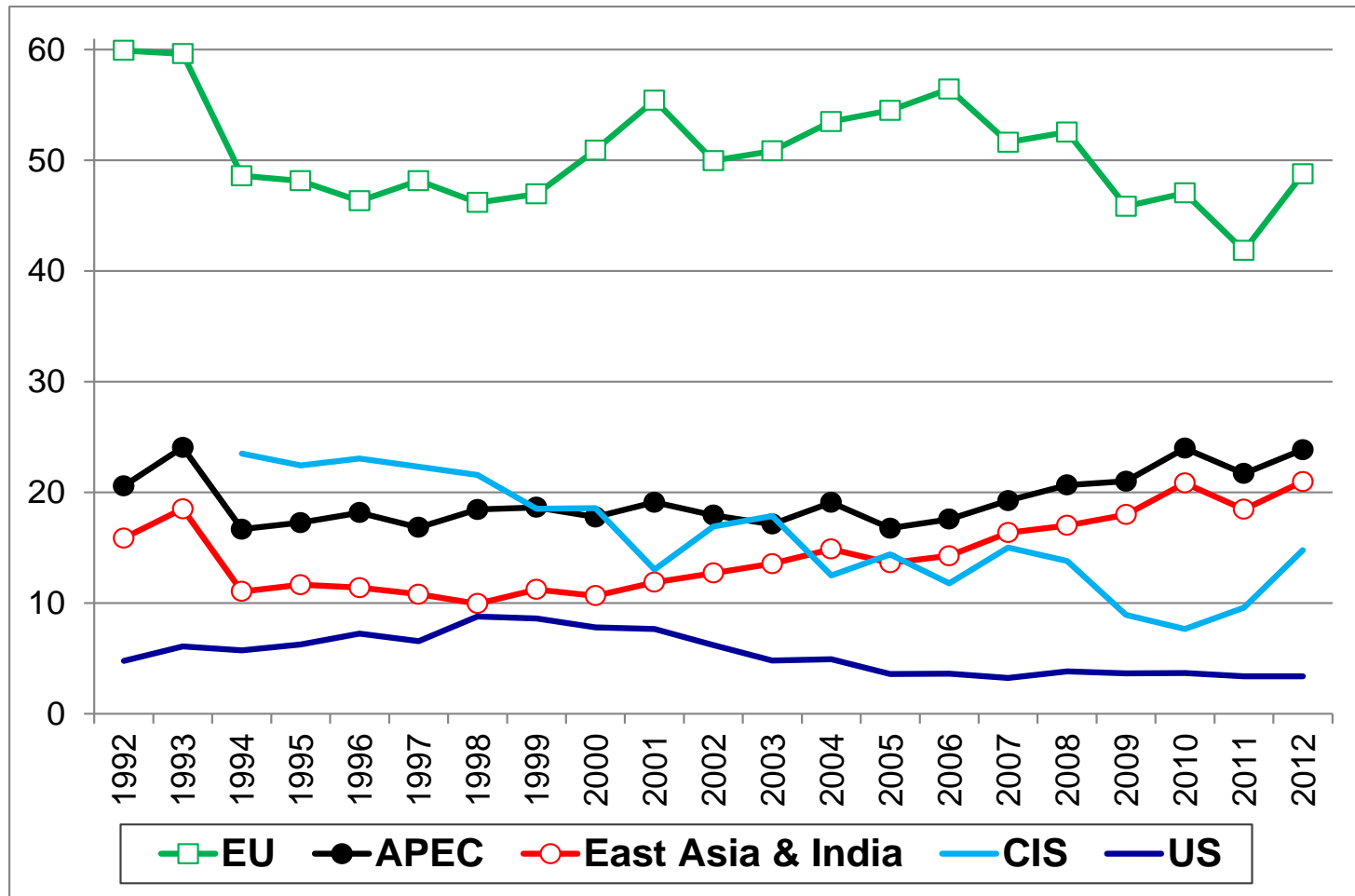
(% of total trade)



Source: IMF, *Direction of Trade Statistics*

Russia's trade shares with major trading partners

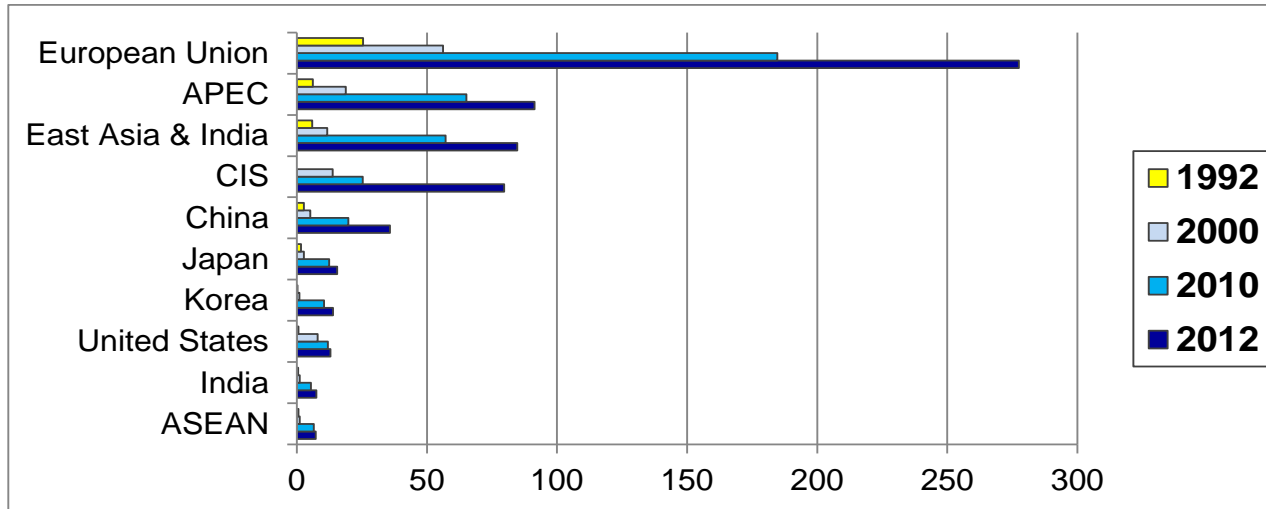
(% of total trade)



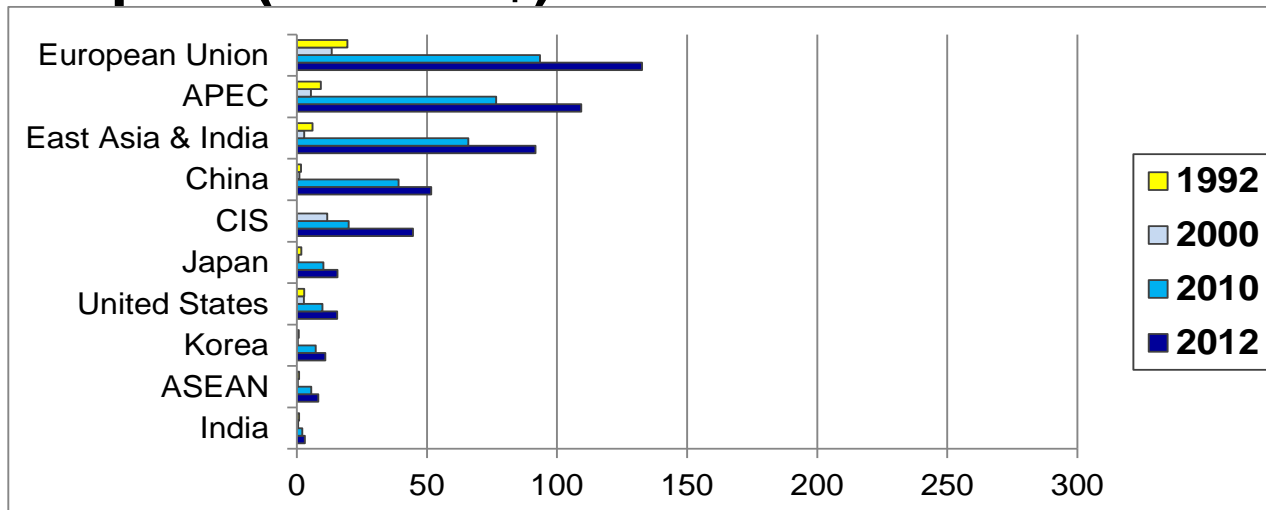
Source: IMF, Direction of Trade Statistics

Russia's trade with major trading partners

Export (Bill. US\$)

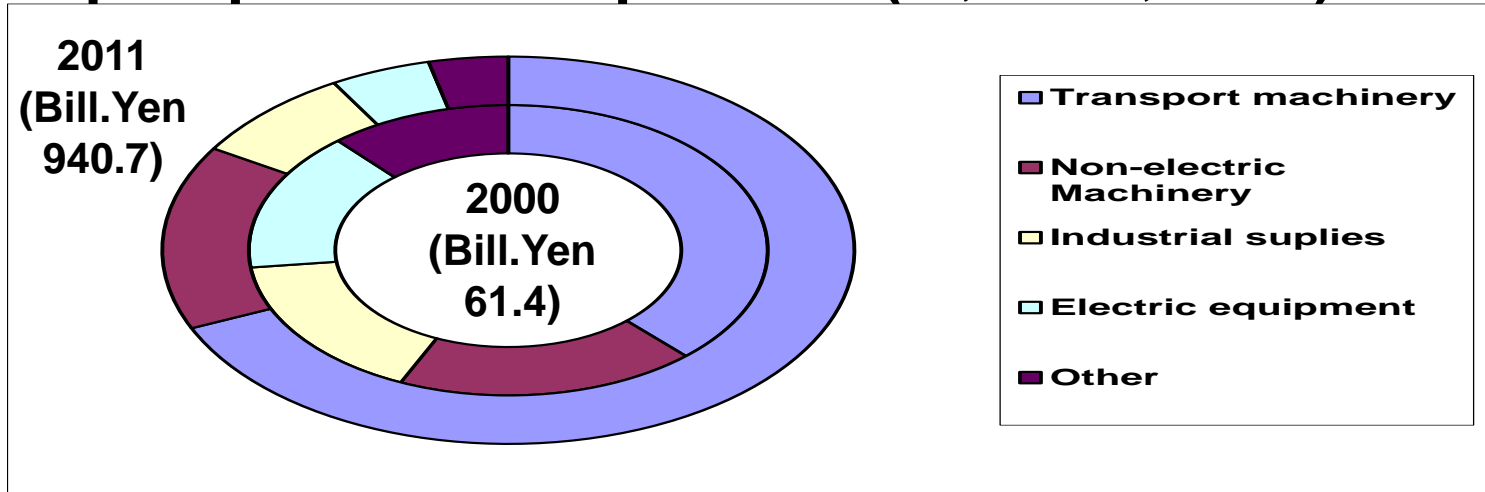


Import (Bill. US\$)

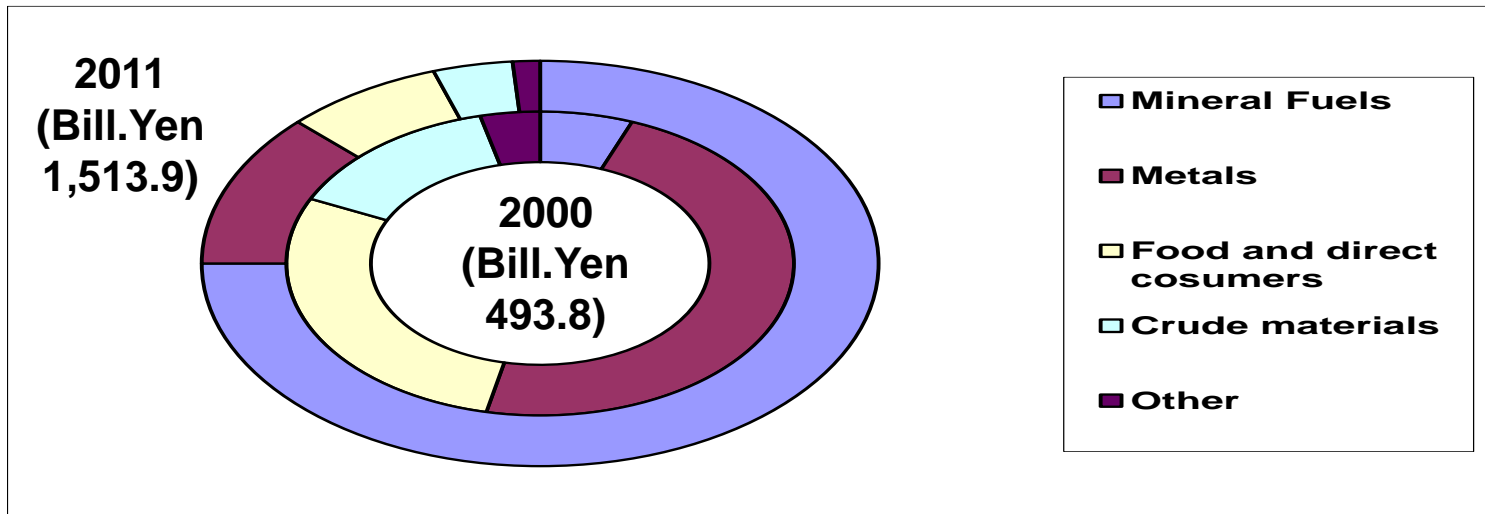


Japan's trade with Russia

Export product composition (%; 2000, 2011)

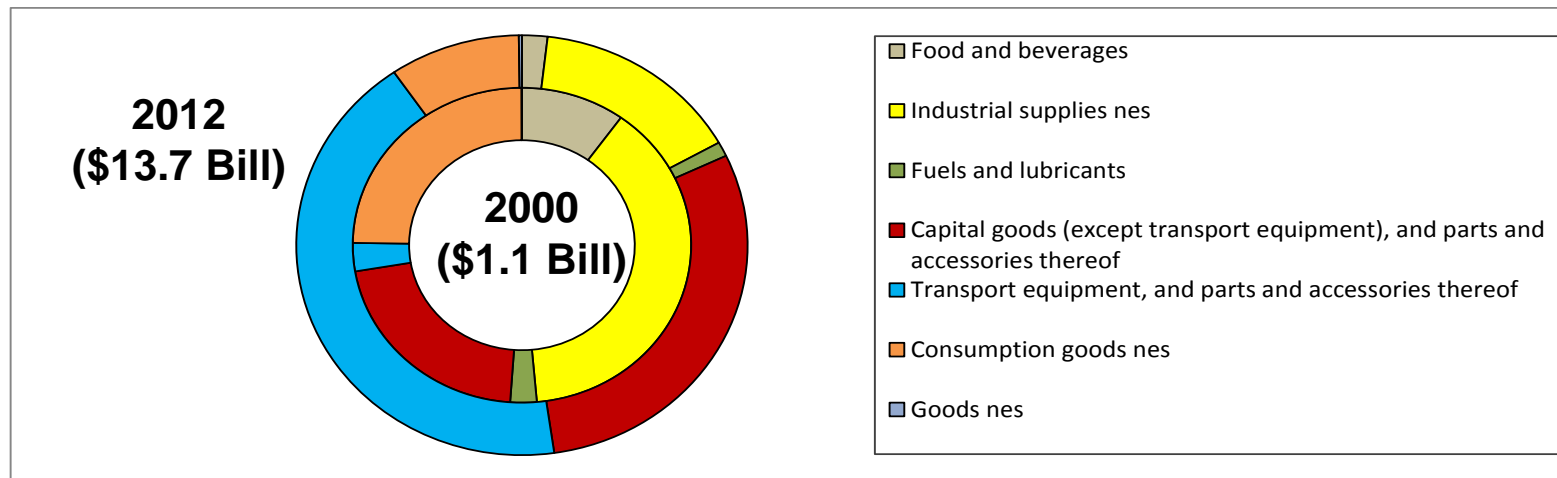


Import product composition (%; 2000, 2011)

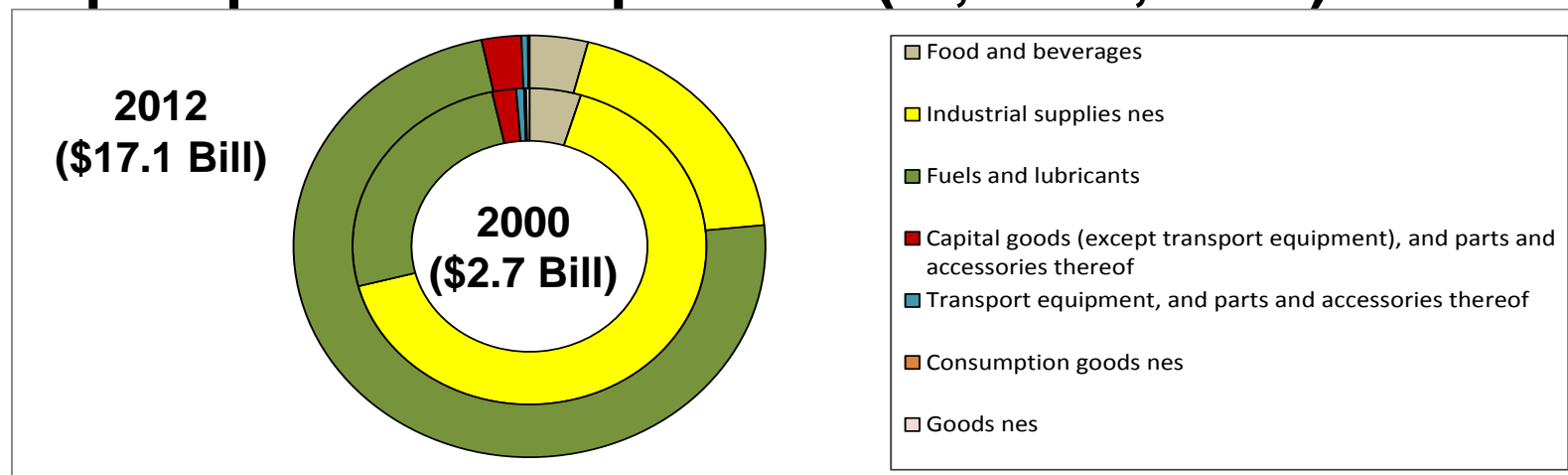


Asian NIEs' trade with Russia

Export product composition (%; 2000, 2012)



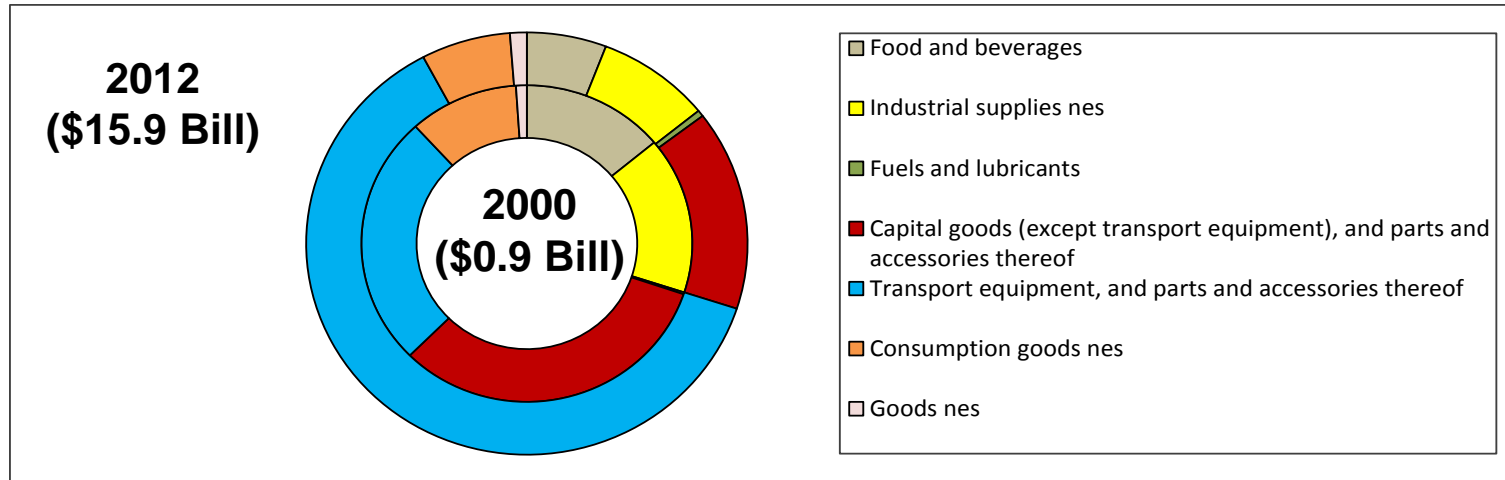
Import product composition (%; 2000, 2012)



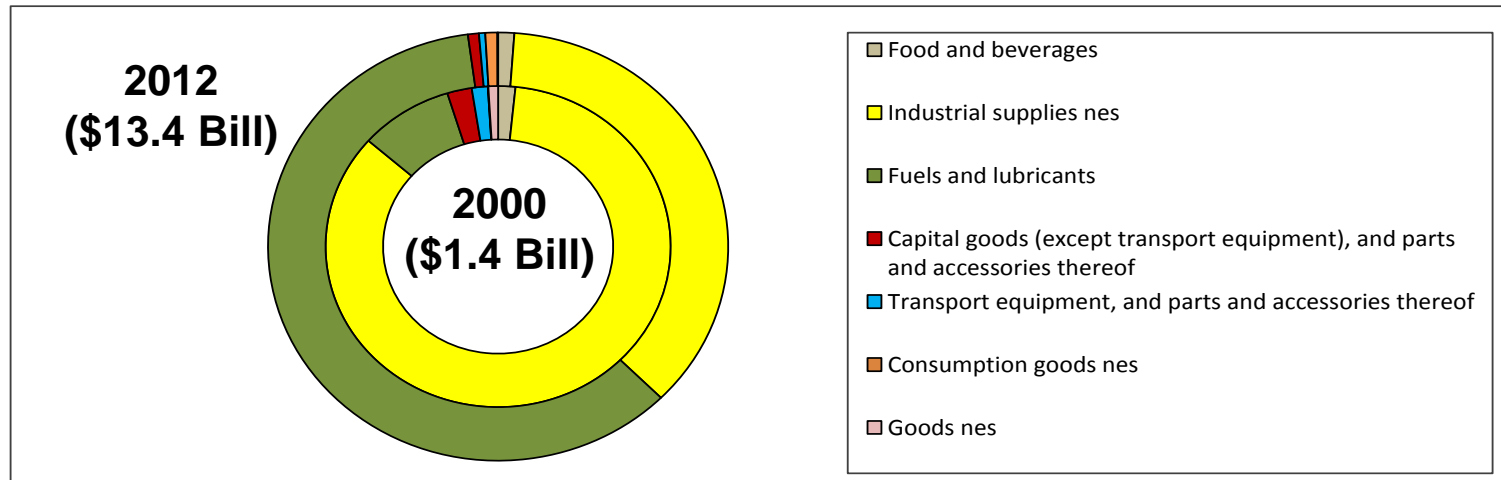
Note: Data are Obtained from the Russian side. Data do not include Russia's trade with Taiwan.
Source: UN Comtrade.

ASEAN's trade with Russia

Export product composition (%; 2000, 2012)



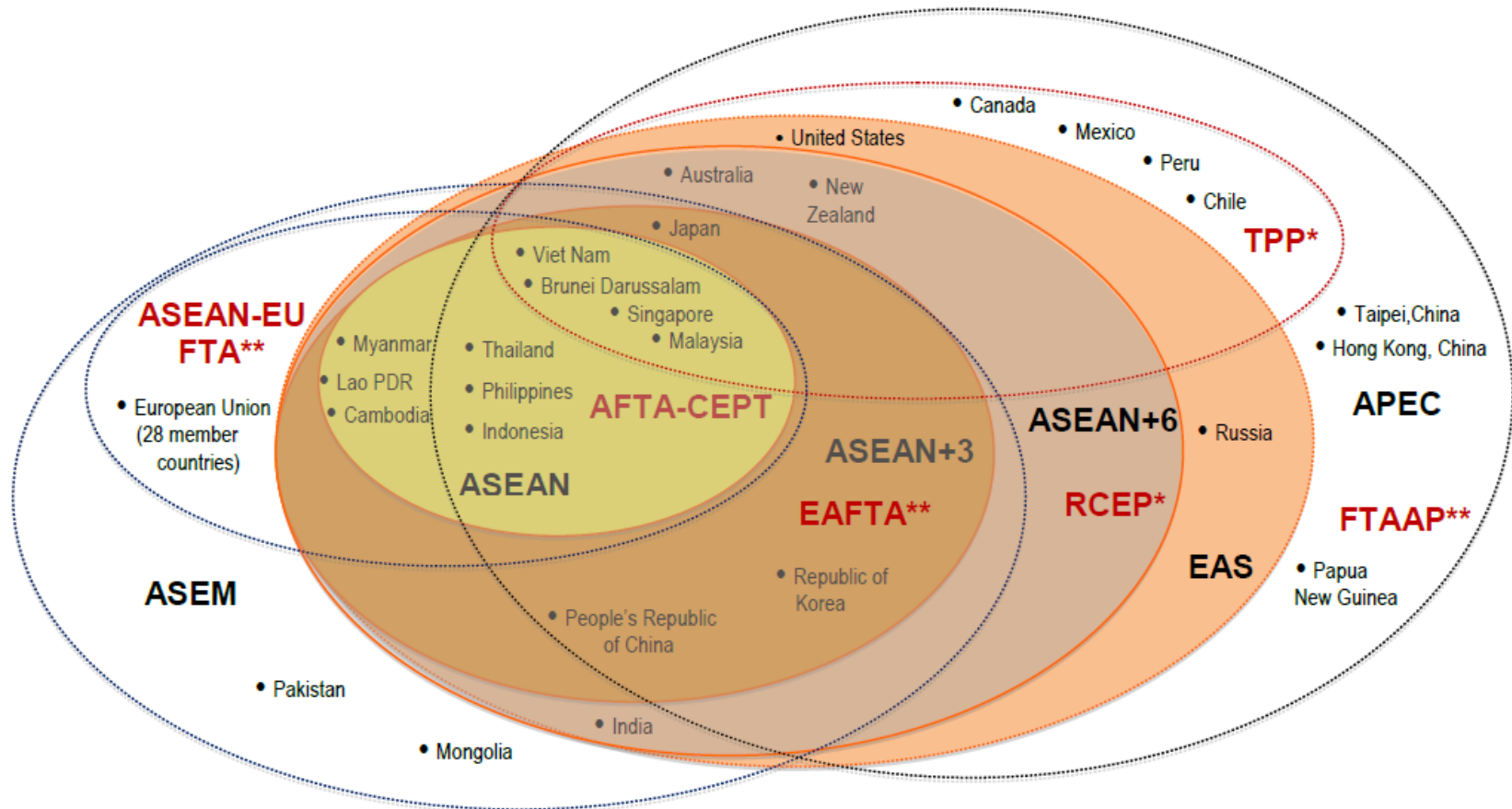
Import product composition (%; 2000, 2012)



3. Evolving Economic Architecture in the Asia-Pacific

- ASEAN (particularly ASEAN Economic Community) and the ASEAN-centered processes (ASEAN+1, ASEAN+3, ASEAN+6, East Asia Summit [EAS] = ASEAN+8)
- APEC (Chair rotation: Japan 2010, US 2011, Russia 2012, Indonesia 2013, China 2014): The premier economic and trade organization in the Asia-Pacific region (US view)
- ASEM: Connecting Asia and Europe (Russia is an Asian member now)
- CAREC (Central Asian Regional Economic Cooperation): Linking Russia with Asia through CAREC transport corridors
- Northeast Asia cooperation (China, Japan, N. & S. Korea, Mongolia, Russia), including the Greater Tumen Initiative
- Russia has yet to find a solid position in the East Asian or Asia-Pacific economic architecture:
 - President Vladimir Putin's plan to transform the Eurasian Economic Community (EAEC) Customs Union, among Russia, Belarus and Kazakhstan, into a larger Eurasian Economic Union by 2015; EEU to connect Europe and Asia-Pacific

Asia-Pacific's evolving economic architecture



AFTA=ASEAN Free Trade Area; APEC=Asia-Pacific Economic Cooperation; ASEM=Asia-Europe Meeting; ASEAN=Association of Southeast Asian Nations; CEPT=Common External Preferential Tariff; EAS=East Asia Summit; EU=European Union; FTA= Free Trade Agreement; FTAAP=Free Trade Area of Asia and the Pacific; Lao PDR=Lao People's Democratic Republic; RCEP=Regional Economic Comprehensive Partnership; TPP=Trans-Pacific Partnership.

Source: Author

4. Asia-Pacific Cooperation Agenda

- Despite political rivalries and recent territorial disputes among the Northeast Asian countries, economic integration has deepened
- Several functional cooperation initiatives are underway
 - Trade and investment: The Asian track (Regional Comprehensive Economic Partnership [RCEP]) and the Trans-Pacific Partnership (TPP) track within APEC+India
 - Financial cooperation: CMIM, AMRO, Asian bond market development, CGIF, bilateral currency swaps
 - Infrastructure cooperation: Subregional cooperation such as GMS and the ASEAN Infrastructure Fund; CAREC also underway
 - Other: Energy security; Food security; Environmental cooperation; Disaster risk management

Is Russia ready to join Asia-Pacific integration & cooperation processes?

- Russia is not a member of RCEP nor TPP, and has been a cautious participant in various types of functional cooperation
- How can Russia work with Asia?
 - Trade, infrastructure, energy, and food security in the early stage
 - Infrastructure & energy cooperation in Northeast Asia is practical
- What role can the Russian government play?
 - Commitment to the development of the Russian Far East together with Asia (particularly Japan, China, and Korea) beyond 2012
 - Domestic economic reform to create an open, transparent market and to improve the investment climate
- Russia has huge potential in cooperating with Asia on the development of resource sectors (particularly oil & natural gas) due to strong complementarity between supply capacity of Russia and rising demand by Asia

5. Challenges for Russia

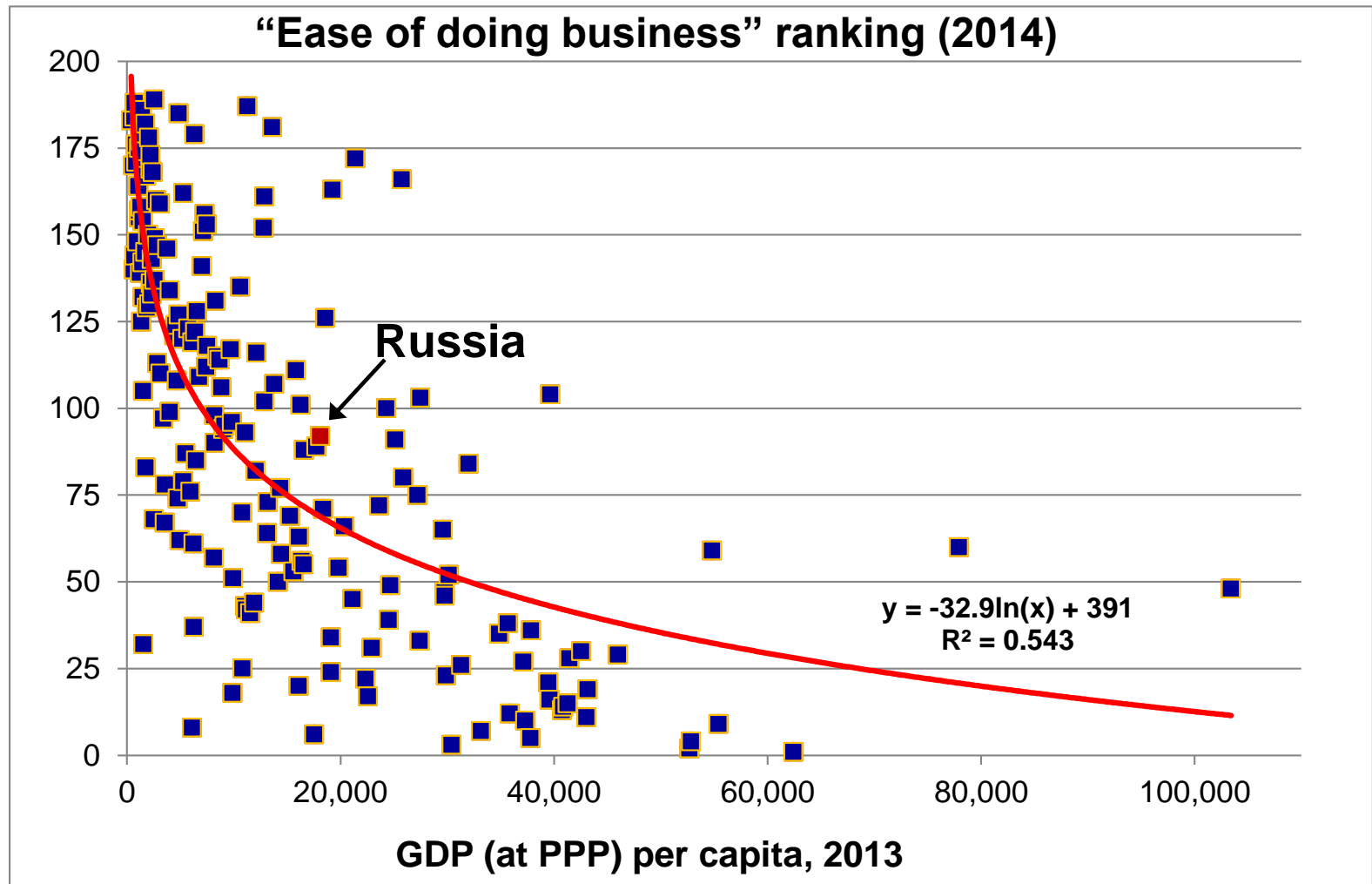
- Accession to WTO (August 2012) allows Russia to further integrate with the global economy, particularly the Asia-Pacific economy
- Russia is already a member of APEC, EAS, and ASEM, with potential to further strengthen economic integration with the East Asian and other Asia-Pacific economies
- Fundamentally, Russia needs to modernize its economy and diversify its industrial sector, overcoming the over-dependence on natural resources
- Major challenges include improving the business & investment climate and creating an open, transparent economy with an established rule of law: Ranked as no.120 among the 183 countries surveyed by the World Bank
- Russia needs to invest more political capital—in addition to financial—in the Russian Far East, particularly in the natural resource sectors (oil and natural gas) and supporting transport infrastructure so that it can be connected with the East Asian and Asia-Pacific economies and benefit from such integration

“Ease of doing business” ranking of the Asia-Pacific economies, etc., 2014

Economies	Ease of Doing Business	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
Singapore	1	3	3	6	28	3	2	5	1	12	4
Hong Kong	2	5	1	5	89	3	3	4	2	9	19
New Zealand	3	1	12	45	2	3	1	23	21	18	12
Malaysia	6	16	43	21	35	1	4	36	5	30	42
Korea	7	34	18	2	75	13	52	25	3	2	15
Australia	11	4	10	34	40	3	68	44	46	14	18
Taiwan	16	17	7	7	31	73	34	58	18	84	16
Thailand	18	91	14	12	29	73	12	70	24	22	58
Japan	27	120	91	26	66	28	16	140	23	36	1
Brunei Darussalam	59	137	46	29	116	55	115	20	39	161	48
Mongolia	76	25	107	162	27	55	22	74	181	30	133
Russia	92	88	178	117	17	109	115	56	157	10	55
China	96	158	185	119	48	73	98	120	74	19	78
Vietnam	99	109	29	156	51	42	157	149	65	46	149
Philippines	108	170	99	33	121	86	128	131	42	114	100
Papua New Guinea	113	101	165	24	87	86	68	116	134	168	128
Indonesia	120	175	88	121	101	86	52	137	54	147	144
India	134	179	182	111	92	28	34	158	132	186	121
United States	4	20	34	13	25	3	6	64	22	11	17
United Kingdom	10	28	27	74	68	1	10	14	16	56	7
Canada	19	2	116	145	55	28	4	8	45	58	9
Germany	21	111	12	3	81	28	98	89	14	5	13
South Africa	41	64	26	150	99	28	10	24	106	80	82
Brazil	116	123	130	14	107	109	80	159	124	121	135

Source: IFC and World Bank, *Doing Business 2014*, October 2013

“Ease of doing business” in 2014 and GDP (at PPP) per capita in 2013



Source: IFC and World Bank, *Doing Business 2012*, October 2011; World Bank, WDI

6. Conclusion

- Asia needs to promote intraregional, Asia-Pacific, and global integration for sustained growth and for peace and stability
- Economic cooperation in many functional areas (trade, investment, finance, infrastructure, energy, food, and environment) is underway in the Asia-Pacific
- Asia's interest in balancing the economic and geopolitical considerations
- The role of the US in the Asia-Pacific as a major geopolitical and security stabilizer
- Russia can become a truly Asia-Pacific country if it can create an open market economy, improve the business climate, invest more in the Russian Far East, and transform it into an active platform for Asian cooperation

Thank you

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