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## Japan-Russia: Toward a Strategic Partnership?

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Céline Pajon

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- "Crossing the Line – A New Status Quo in the East China Sea? ", *Ifri-CIGS Op-Ed Series*, 22 October 2012;
- "Les relations nippono-russes : derrière la recrudescence des tensions, *business as usual?* ", *Monde chinois-nouvelle Asie*, No. 28, Winter 2011-2012, p. 70-77.

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## Summary

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Do the peace talks between Japan and Russia, reopened in March 2013 by Shinzo Abe and Vladimir Putin, have any chance of success? A window of opportunity has indeed opened for an historic rapprochement between Russia and Japan. The two countries have converging strategies and interests with regard to the key issues surrounding energy cooperation and the balance of power in Asia. Tokyo sees Moscow as a key player in its post-Fukushima energy policy, while Japan is an essential partner for the development and integration of Russia's Far East. In addition, the two countries share concerns over the increasing power of China, which could threaten the multipolarity of the region. By forging closer ties, Moscow and Tokyo can diversify their diplomatic relations and provide a counterweight to Beijing.

In this new geopolitical climate, strengthening of shared strategic interests should enable the territorial issue to be relegated to a position of secondary importance. There are signs of flexibility, particularly from Tokyo, which realizes that prolonging the status quo is detrimental to its interests. However, the issue remains hostage to a prestige-driven approach that ignores the true national interests at stake. If the return of strong leadership in Russia and Japan is a *sine qua non* for any reconciliation, the resolution of the dispute remains severely hampered by conservative domestic forces on the one hand and by renewed frictions regarding contested borders in the region on the other. This is why Tokyo and Moscow must focus first on building a fully fledged economic and political relationship as a way to reduce the internal and external barriers to a peace treaty.

# Introduction

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After nearly seventy years of procrastination, have Tokyo and Moscow finally decided to sign a peace treaty? At the very least, Vladimir Putin and Shinzo Abe agreed to formally reopen negotiations during the Japanese prime minister's historic visit to Moscow in March 2013. Technically, Russia and Japan are still at war; the dispute over the Northern Territories (or the Southern Kurils, as they are known in Russia)<sup>1</sup> has so far prevented a definitive end to the conflict that briefly set the two countries in opposition in the final days of the Pacific War.

Since 1989, the territorial dispute no longer prevents the development of economic relations, at least officially.<sup>2</sup> However, bilateral investment and the volume of trade exchanges remain well below their potential. The political mistrust born out of the Cold War may have diminished, but the two countries remain 'distant' neighbors rather than close friends.<sup>3</sup> Cordial Russo-Japanese relations are rooted in pragmatism, primarily with a view to developing energy cooperation. However, the two neighbors have not yet felt the need to settle their dispute in order to forge a closer partnership.

Changes to the geopolitical climate and the balance of power in the region could shake things up by offering Tokyo and Moscow a window of opportunity to perform what could be described as a strategic rapprochement. Russia and Japan indeed share common interests in energy security (securing export markets for Russia and securing post-Fukushima sources of supply for Japan), in their economic development and integration into Asia, and, more generally, in terms of regional geostrategy, in ensuring the continuation of a multipolar Asia. The concerns over China's increasing power and the

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<sup>1</sup> The Northern Territories (or Southern Kurils, as they are known in Russia) are the four southern islands of the Kuril chain (Etorofu, Kunashiri, Shikotan and Habomai to the Japanese; Iturup, Kunashir, Shikotan and Habomai to the Russians) located to the north of Hokkaido and the south of Sakhalin. The islands, under Russian administration since 18 August 1945, have a population of 16,400. The Japanese names for the islands will be used for the purpose of this study.

<sup>2</sup> Under the so-called "expanded equilibrium" (*kakudai kinkō*) approach put forward by Prime Minister Takeshita in 1989, the development of economic relations should no longer be dependent upon progress made on the territorial dispute. H. Kimura, *The Kurilian Knot, A History of Japanese-Russian Border Negotiations*, Stanford, Stanford University Press, 2008, p. 105.

<sup>3</sup> T. Akaha, "A Distant Neighbor: Russia's Search to Find its Place in East Asia," *Global Asia*, Vol. 7, No. 2, Summer 2012.

importance of the energy issue for both Russia and Japan make the benefits of closer cooperation self-evident. Against this background, the return to power of charismatic leaders could facilitate a political trade-off and ensure that the territorial dispute gradually becomes a secondary concern in the relationship.

Having said that, major obstacles remain. The territorial dispute resulted in heightened tensions in 2010 and 2012, and it remains a sensitive issue. There are also a number of external (the China factor) and domestic (hostile public opinion) hurdles that complicate the question and form a barrier to the signing of a peace treaty between the two countries.



# Energy Cooperation and Balance of Power

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## ***Energy cooperation: the driving force behind the relationship***

### **Russia on Japan's energy radar**

The Fukushima disaster abruptly re-raised the question of Japan's energy security. The shutdown of almost every nuclear reactor was offset by imports of oil and gas. In particular, Japan's liquefied natural gas (LNG) imports have risen by 25% and the cost of LNG to Tokyo has increased by more than 55% (around \$800 per ton).<sup>4</sup> Soaring energy costs, which have been accentuated since the end of 2012 by the considerable weakening of the yen, have contributed to Japan's first trade deficit since 1980. Alongside the reorientation of the country's energy strategy, which is still under discussion, reducing the cost of energy imports has become a matter of political urgency.

The return to power in December 2012 of the Liberal Democratic Party (LDP) brought about a change in energy policy, paving the way for the restarting of those nuclear reactors that comply with new safety regulations. However, the "resources diplomacy"<sup>5</sup> (*shigen gaikō*) initiated by the Democratic government of Yoshihiko Noda (September 2011–December 2012) has not been abandoned by his successor, Shinzo Abe. The importance of Russia in this context was highlighted during the Japanese prime minister's "energy tour" in March and April 2013, the first destination of which was Moscow.<sup>6</sup> There are two main benefits for Japan in getting access to Russian oil and gas: first, it can diversify its supply sources (at present, Russia provides only 3% and 9.3% of Japan's oil and LNG imports,

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<sup>4</sup> S. Itoh, "Energy Security in Northeast Asia: A Pivotal Moment for the US-Japan Alliance," *Brookings Northeast Asia Commentary*, March 2013, <[www.brookings.edu/research/opinions/2013/03/12-energy-security-ito](http://www.brookings.edu/research/opinions/2013/03/12-energy-security-ito)>.

<sup>5</sup> With almost no natural resources of its own, Japan has become familiar with this resources diplomacy since the first oil crisis, aiming to secure stable and affordable sources of energy and commodities.

<sup>6</sup> After Russia, Shinzo Abe went to Saudi Arabia and the United Arab Emirates in an attempt to sell Japanese technology and secure oil supplies. R. Yoshida, "Globetrotting Abe has Energy on the Brain," *The Japan Times*, 27 April 2013.

respectively);<sup>7</sup> second, it can reduce the costs and risks associated with transportation.

In order to secure its supplies, Japan decided to invest in upstream oil and gas infrastructure (exploration and development of fields). In June 2013, state-owned company JOGMEC (Japan Oil, Gas and Metals National Corporation) announced that it had acquired a 49% stake in the development of oil and gas fields in Chonsk, in eastern Siberia, in partnership with Gazprom Neft.<sup>8</sup> There could be further agreements involving private Japanese firms, with interest in exploiting the oil fields of eastern Siberia having spiked since the opening at the end of December 2012 of the eastern section of the ESPO oil pipeline terminating at the port of Kozmino.

The flagship Russo-Japanese energy cooperation project in the gas sector is the joint construction by Japan Far East Gas Co. (a consortium of Japanese businesses) and Gazprom of a gas liquefaction plant in Vladivostok.<sup>9</sup> A memorandum of understanding (MoU) signed by the two groups in June 2013 provides for the station producing 15 million tons of LNG per year as of 2018, of which 70% will go to Japan. This investment should allow Japan to negotiate cheaper gas while it tries to find a new way to set market gas prices, which have hitherto been linked to the price of crude oil.

Russo-Japanese cooperation on the island of Sakhalin should also continue to expand. Since 2008, Japan has received LNG from Russia's only liquefaction plant at Sakhalin II, in which Japanese companies have a 22.5% stake. Long-term supply contracts are in place for more than one-third of the production from the gas field. In April, Rosneft announced an agreement with Japanese firm Marubeni for the joint development of a new liquefaction plant on the fields of Sakhalin III, including a preliminary purchase agreement.<sup>10</sup>

### **Russia's eastern energy pivot and the tough Chinese partner**

Closer ties with Japan are also a priority for Moscow, which is keen to diversify its partnerships in eastern Asia. Moscow is looking to expand its Asian export markets and to develop its oil and gas fields in eastern Siberia and Sakhalin. This oriental shift has become more urgent now that European demand, particularly for Russian gas, has dried up, and the exploitation of new or unconventional sources (e.g. east Africa, US shale gas) is prompting fears of a structural fall in prices. Russia must therefore secure fresh investment and new markets that enable it to exploit its eastern fields before its negotiating position is weakened any further. Thus, Russia's energy strategy demands that 25% of its oil

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<sup>7</sup> US Energy Information Administration, Independent Statistics and Analysis, Japan, <[www.eia.doe.gov/cabs/Japan.html](http://www.eia.doe.gov/cabs/Japan.html)>.

<sup>8</sup> The gas will come from fields in eastern Siberia and Sakhalin. "Gazprom Neft, Japan to Start Siberia Oil Output in 2016," *Reuters*, 7 June 2013.

<sup>9</sup> "ITOCHU Announces Signing of Memorandum of Understanding for Vladivostok LNG Project," 24 June 2013, <[www.itochu.co.jp/en/news/2013/130624.html](http://www.itochu.co.jp/en/news/2013/130624.html)>.

<sup>10</sup> "Rosneft Took Part in the St Petersburg International Economic Forum on June 20-22, 2013," Press release, <[www.rosneft.com/news/today/22062013.html](http://www.rosneft.com/news/today/22062013.html)>.

exports and nearly 20% of its gas exports be sold to Asian countries by 2030.<sup>11</sup>

China, where demand for energy is growing rapidly, is a priority partner for Russia. Despite a few glitches resulting from the occasionally differing approaches of Russian and Chinese operators,<sup>12</sup> cooperation in the oil sector is developing steadily. In June 2013, Rosneft announced it was doubling its annual oil exports to China in a record \$270 billion agreement between the two countries.<sup>13</sup>

The real challenge now for Russia is to strike a major gas deal with China, which is vital if it wants to anchor itself in the Asian market.<sup>14</sup>

Negotiations that have been led by Gazprom since 2006 continue to fall down on the issue of price.<sup>15</sup> Although an "historic" memorandum of understanding was announced in March during Xi Jinping's visit to Moscow, experts do not expect a contract to be finalized any time soon. First, there are still significant hurdles that need to be overcome (including the price), and second, China is now able to draw out the process until it reaches a compromise that satisfies its interests.<sup>16</sup> Recourse to Chinese capital often plays a key role in ensuring the successful conclusion of negotiations, but it also fuels concerns about growing dependency on China in the energy sector.<sup>17</sup>

Although China remains a priority partner for Russia in terms of market size and capacity, the increasingly complex negotiations with Beijing (which has other supply options) make Japan seem an attractive partner.

Besides the energy question, another key issue for Russia is the development of its Far East, in which Japan could play an important role.

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<sup>11</sup> N. Poussenkova, "Russia's Eastern Energy Policy: A Chinese Puzzle for Rosneft," *Russie.Nei.Visions*, No. 70, Ifri, April 2013, pg. 7.

<sup>12</sup> See B. Lo, *Axis of Convenience. Moscow, Beijing and the New Geopolitics*, Washington DC, Brookings Institution Press, 2008, p. 132-153.

<sup>13</sup> The deal was signed after China agreed to pay \$60 to \$70 billion upfront, secured against future deliveries. C. Weaver and N. Buckley, "Russia and China Agree \$270bn Oil Deal," *Financial Times*, 21 June 2013.

<sup>14</sup> Between 38 billion and 60 billion cubic metres of gas would be delivered annually over a 30-year period (2018-2048). See K.-W. Paik, with G. Lahn and J. Hein, "Through the Dragon Gate? A Window of Opportunity for Northeast Asian Gas Security," *Chatham House briefing paper*, December 2012.

<sup>15</sup> Th. Gustafson and X. Zhou, "Beyond *déjà vu* this Time? The Outlook for a Russian-Chinese Deal," *HIS CERA Insight*, 3 May 2013.

<sup>16</sup> In particular, see the interview with Qinhua Xu, executive director of the Center for International Energy and Environment Strategies and deputy director of the Institute of Russian, Eastern European and Central Asian Studies at the Renmin University of China, Paris, 28 June 2013.

<sup>17</sup> In the case of Rosneft, see N. Poussenkova, 2013, *op. cit.* [11].

## The huge potential of developing and integrating Russia's Far East for Russian-Japanese economic cooperation

Developing the Siberian and Far Eastern Federal Districts of Russia, a vast, sparsely populated and underexploited region rich in raw materials, is one of President Putin's priorities.<sup>18</sup> Vladivostok was intended to showcase the rebirth of the Russian Far East when it hosted the APEC (Asia-Pacific Economic Cooperation) summit in September 2012. More than \$20 billion – 60 times the annual budget of the city – was invested: primarily in prestigious infrastructure projects that look spectacular yet are ill-suited to local economic development.<sup>19</sup> An ambitious Far East Development Program was adopted in April 2013, with a view to attracting investment from bordering countries.<sup>20</sup>

China, which shares a long border with Russia, is a natural and essential partner for the development of the region. However, there are still concerns about “creeping colonization” by China resulting from mass migration of workers and an influx of investment.<sup>21</sup> With Russia keen to involve other parties, Japan appears to be one of the few countries that may be interested in the project while being capable of contributing the money and technology that the region needs.

However, for the time being, Japanese investment in Russia remains extremely limited (\$757 million in 2012, compared with more than \$40 billion invested by China).<sup>22</sup> Above all, Japanese companies are put off venturing into the Russian Far East by the difficult investment conditions in the region.<sup>23</sup> Russia is attempting to reverse this trend by offering favorable terms to Japanese firms. It has already succeeded in attracting car manufacturing plants to Vladivostok.<sup>24</sup>

During his visit to Moscow in April 2013, Shinzo Abe was accompanied by a record delegation of more than 120 business leaders in order to show his Russian counterpart the range of possible partnerships in Russia's priority sectors. An investment platform of \$1 billion has been set up and should strengthen cooperation in the fields of infrastructure, advanced medical technology, smart cities and renewable energy. Despite Moscow's best efforts, the Japanese private sector remains cautious, especially given that the incentives and investment assurances traditionally provided by public bodies remain limited. This raises the question of the ongoing territorial

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<sup>18</sup> A. C. Kuchins, “Russia Hosting the APEC Summit in Vladivostok: Putin's ‘tilt to Asia’,” CSIS, 5 September 2012.

<sup>19</sup> It remains to be seen whether this initial investment will be followed by a reasoned programme of development. T. Akaha, *op. cit.* [3].

<sup>20</sup> Y. Kravtsova, “Business Climate Hindering Far East Investment,” *The Moscow Times*, 21 June 2013.

<sup>21</sup> V. Ryzhkov, V. Inozemtsev, I. Ponomarev, “Continent Siberia”, *Russia in Global Affairs*, No. 4, October/December 2012. A. Kireeva, “Russia's East Asia Policy: New Opportunities and Challenges,” *Perceptions*, Vol. 17, No. 4, Winter 2012, p. 60.

<sup>22</sup> Source: JETRO – JETRO FDI Flows at <[www.jetro.go.jp/en/reports/statistics](http://www.jetro.go.jp/en/reports/statistics)>.

<sup>23</sup> Y. Nishimura, “Russia's Far East and Japan: Obstacles to Cooperation,” *AJISS-Commentary*, No. 98, 24 August 2010.

<sup>24</sup> K. Sekine, “Vladivostok becoming a Production Base for Japanese Autos,” *Asahi Shimbun*, 12 September 2011.

dispute. Tokyo is trying to persuade Moscow that concessions over the islands could lead to a genuine policy of investment in the region.<sup>25</sup>

## ***Strategic cooperation driven by the shifting balance of power in Asia-Pacific***

### **Adaptation of national strategies to China's rising power**

Despite progress in the Sino-Russian strategic partnership – the grandeur of the visit of the new Chinese president, Xi Jinping, to Moscow in March 2013 was an attempt to prove the "special nature" of the relationship – the two countries remain wary of each other over several issues. Russia is keen to ensure that its Asian strategy does not depend entirely on China. First, Moscow is not willing to assume the role of junior partner dictated by the rapidly expanding power of China. Secondly, Moscow is wary of Beijing's intentions: China has come into opposition with its Asian neighbors with increasing frequency in recent years, citing "core interests" that apparently have an ever broader definition.<sup>26</sup> Thirdly, as well as fears over its Far East being swallowed up, Russia is concerned about becoming gradually marginalized in Central Asia in the face of growing Chinese influence. Finally, Moscow has a new source of concern: Beijing's keen interest in the opening of Arctic shipping routes, and the implications for energy and geostrategic matters.<sup>27</sup>

Russia's analysis of the situation is thus getting closer to that of Japan, which sees China as both an economic opportunity and a multi-pronged threat to its interests. The threat posed by the rapid modernization of China's armed forces and the opacity of Beijing's objectives became much more concrete in September 2012 as tensions escalated over the Senkaku Islands (known as the Diaoyu Islands in China). The Japanese government's purchase of three of the islands from their private owner led to unprecedented frictions between the two countries, giving rise to fears of military conflict.<sup>28</sup> Tokyo believes that this episode demonstrates the Chinese resolve to shift the status quo in the region in its favor.

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<sup>25</sup> Interview with H. Asari, deputy director, and H. Fushita, research fellow, Japan Institute for International Affairs (JIIA), Tokyo, 17 April 2013.

<sup>26</sup> V. Kashin, "The Sum Total of All Fears – The Chinese Threat Factor in Russian Politics," *Global Affairs*, 15 April 2013.

<sup>27</sup> L. Jakobson and J. Peng, "China's Arctic aspirations," *SIPRI Policy Paper*, No. 34, November 2012.

<sup>28</sup> In January 2013, a Chinese frigate locked its weapons radar onto a Japanese naval destroyer, which did not respond to what was deemed to be a hostile act. C. Pajon, "Crossing the Line. A New Status Quo in the East China Sea?" *Ifri-CIGS Op-Ed Series*, 22 October 2012.

Japan is adopting a multi-layered approach toward China, mixing politics of integration, balancing and deterrence.<sup>29</sup> With Asia becoming increasingly polarized between Chinese power and the American “pivot”, building a network of partners that share its interests has become a key part of Japanese strategy. This network should allow it to strengthen its hand against China and maintain the current balance of power in Asia.<sup>30</sup>

In this context, closer ties with Russia would be seen as a considerable asset.<sup>31</sup> Japanese diplomatic and strategic circles consider the current Sino-Russian relationship to be unbalanced and plagued by an ever-growing number of glitches, which seem to make it increasingly problematic for the Kremlin.<sup>32</sup> Tokyo sees this as an opportunity to forge closer ties with Moscow. As they try to form a quasi-coalition of democracies to counterbalance Beijing, advocates of a “value-oriented diplomacy” are now tempted to co-opt Russia to their cause.<sup>33</sup> Those who favor a more cooperative approach to China (now in the minority)<sup>34</sup> stress that a rapprochement with Moscow is possible only on the basis of functional cooperation. More generally, Russia’s integration into Asia is seen as positive for the security of the region. Moscow is a key energy supplier that could ease regional competition for energy resources. It could also help to protect maritime routes and fight against the proliferation of weapons of mass destruction. Finally, the Kremlin has channels of communication and influence with key players such as China and North Korea.<sup>35</sup>

This Japanese démarche is in tune with Russia’s desire to diversify its partnerships in Asia in order to alleviate its dependence on China. “Westernizers” in Moscow, although they are now in a minority (see below), continue to promote Japan’s liberal democracy as the best candidate to be Russia’s strategic partner in Asia: Japan could make a big contribution to the development of the Russian Far East,

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<sup>29</sup> “Japan’s Security Strategy toward China – Integration, Balancing and Deterrence in the Era of Power Shift”, The Tokyo Foundation, Policy Proposal, October 2011, p. 30.

<sup>30</sup> R. Sahashi, “Security Partnerships in Japan’s Asia Strategy – Creating Order, Building Capacity and Sharing Burden,” *Asie. Visions*, No. 61, February 2013.

<sup>31</sup> Interviews with Japanese diplomats and strategists, Tokyo, April 2013, including “B” from the Japanese Ministry of Foreign Affairs, Tokyo, 19 April 2013.

<sup>32</sup> Chapter 7: “The Second Putin Administration’s Stance toward China and Focus on Asia,” in *East Asia Strategic Review (EASR) 2013*, The National Institute for Defense Studies (NIDS), Tokyo, *The Japan Times*, May 2013, p. 243-297. Interviews with several Japanese diplomats and strategists, Tokyo, April 2013.

<sup>33</sup> “Value-oriented diplomacy” was unveiled in 2006 by the then minister for foreign affairs, Taro Aso, who is now Deputy Prime Minister. The initial version of the “arc of freedom and prosperity” that Japan wanted to form did not include Russia. The theorists behind this approach (Shotaro Yachi, Nobukatsu Kanehara and Tomohiko Taniguchi) are now advisers to Prime Minister Abe.

<sup>34</sup> The main advocate of this approach is Hitoshi Tanaka, a former diplomat who is now a research fellow at the Japan Center for International Exchange and chairman of the Institute for International Strategy at the Japan Research Institute. Interview with the author, Tokyo, 19 April 2013.

<sup>35</sup> H. Asari, “A Case for Japan-US-Russia Trilateral Cooperation,” *AJISS-Commentary* No. 156, 5 September 2012.

and it would not threaten Russian interests, unlike China's authoritarian regime.<sup>36</sup>

### **Russian military activity in the Far East and the opportunity to expand security cooperation**

As Moscow sets about the vital task of modernizing and restructuring its armed forces, the Russian Far East is a priority. Since 2010, the eastern unified strategic command has been responsible for the Pacific Fleet and for the Siberian and Far Eastern Federal Districts, that should benefit from the majority of the new weapons and equipment procured by the Russian army.<sup>37</sup> For example, the two Mistral helicopter carriers ordered from France should be based near Vladivostok.<sup>38</sup> In the Kurils, the aim is to modernize the 3,500-strong 18<sup>th</sup> artillery division located on Etorofu and Kunashiri and charged with defending Russia's eastern border. When he visited the Kurils in November 2010, the Russian president noticed that the unit's military equipment was outdated and announced a plan to upgrade it.<sup>39</sup>

The resurgence of Russian military activity near Japan, which has been accompanied by repeated incursions into Japanese air space, is being monitored closely by Tokyo but is not seen as hostile. Japanese strategists understand the need for Moscow to "conduct regular exercises" aimed at testing the equipment and the efficiency of the new chain of command.<sup>40</sup> Russia's reinforced military presence in its Far East is also seen as a response to Chinese maneuvers, particularly in the Arctic.<sup>41</sup>

Therefore, rather than being seen as a challenge to Japan, Russia's strategic reinvestment in eastern Asia is perceived as a chance to forge closer military ties with Moscow.<sup>42</sup> Since September 2011, when it became apparent that Vladimir Putin would return to the presidency, Russia has stepped up its calls for stronger security cooperation, particularly at sea.<sup>43</sup> Nikolai Patrushev, Secretary of the Security Council of Russia since 2008 and a member of President

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<sup>36</sup> D. Trenin (director of the Carnegie Moscow Center), "Euro-Pacific Region," *Russia in Global Affairs*, 24 March 2003. See also V. Ryzhkov, V. Inozemtsev, I. Ponomarev, 2012, *op. cit.* [21], and D. Trenin and Y. Weber, "Russia's Pacific Future. Solving the South Kuril Islands Dispute," *The Carnegie Papers*, Carnegie Moscow Center, December 2012.

<sup>37</sup> V. Kashin, *op. cit.* [26].

<sup>38</sup> "Russia to Base French-made Assault Ships in Far East Ports", RIA Novosti, 16 April 2013.

<sup>39</sup> K. Mizokami, "Why is Russia in a Mad Scramble to Fortify the Kurils?" *Japan Security Watch*, 10 February 2011.

<sup>40</sup> *Defense of Japan 2012*, Tokyo, Ministry of Defence, July 2012, p. 55, and interview with Hiroshi Yamazoe, research fellow at the National Institute for Defense Studies (NIDS), Tokyo, 16 April 2013.

<sup>41</sup> EASR, *op. cit.* [32], p. 275-280.

<sup>42</sup> Security cooperation is modest and since 1999 has been based on consultation between the ministries for foreign affairs and defence, dialogue between military chiefs and basic search and rescue naval exercises. *Defense of Japan 2012*, *op. cit.* [40], p. 289.

<sup>43</sup> EASR, *op. cit.* [32], p. 280-281.

Putin's inner circle, travelled to Tokyo in October 2012 to formalize cooperation between the Russian Security Council and the Japanese Ministry of Foreign Affairs. Finally, at the April 2013 summit, the 2+2 dialogue (between the ministries for foreign affairs and defense) was elevated to ministerial level. This development was notable because the only other states with which Tokyo maintains that level of dialogue are the US and Australia.

Despite this convergence of interests, several obstacles to a truly strategic partnership remain.



# The Territorial Dispute: A Major Obstacle

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## *A complex, but not insurmountable, issue*

### **Japan loses ground in territorial dispute**

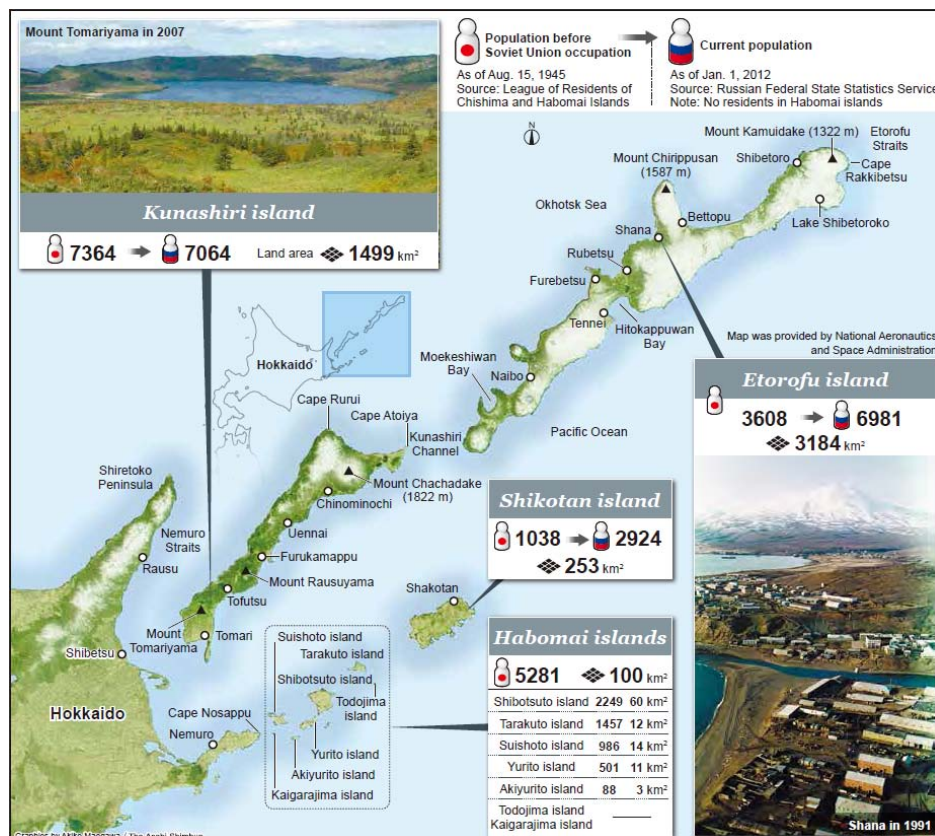
As mentioned earlier, the territorial dispute between Japan and Russia concerns the four southern islands of the Kurils (Etorofu, Kunashiri, Shikotan, Habomai), which stretch from the Kamchatka Peninsula to the north of Hokkaido. In 1855, the Treaty of Shimoda allocated these four islands to Japan, with Russia retaining sovereignty over the North Kurils. In 1875, Tokyo ceded Sakhalin to the Russians in exchange for control of the entire chain of the Kurils. After the Soviet Union declared war on Japan on 8 August 1945, Red Army troops retook all the Kurils, which have since remained under Soviet, and then Russian, control. The Joint Declaration of 1956 ended the state of war between the two countries and re-established diplomatic relations. As part of this declaration, Moscow agreed to cede to Japan, following the signature of a peace treaty, the small islands of Habomai and Shikotan, the two islands closest to the Japanese coast.

The Russian and Japanese positions appear to be irreconcilable. While Russia is willing to hand over the two small islands, as specified in the Declaration of 1956, Tokyo insists on the handover of all four islands before any peace talks can take place. Despite various opportunities to negotiate (1993, 2001 and 2006), the two sides have failed to make progress on the issue, Moscow seeing no harm in maintaining the status quo. Rather than working to its advantage, Japan's inflexible stance has actually caused it to lose ground.

In recent years, Russia's interest in the islands has indeed increased and Moscow has attempted to tighten its grip on the territory. The federal government is now investing more heavily in the Kurils. The Program for the Social and Economic Development of the Kurils (2007-2015), which is worth more than €500 million, has modernized transport infrastructure on Etorofu (road surfacing, construction of a port and an airport) and will soon see a fish

processing factory built on Shikotan.<sup>44</sup> Japan, which has refused on several occasions to contribute to the economic development of the islands, is therefore finding itself gradually marginalized.

### Location, surface area and population of the Northern Territories / Southern Kurils



Source: *The Asahi Shimbun*, 2013.

In addition, the recent opening of Arctic shipping routes has reinforced the strategic value of the Kurils to Russia. The islands can help to control passage through the Sea of Okhotsk, which is traditionally seen as a safe haven for Russia's strategic forces. For this reason, Russian strategists are particularly opposed to ceding the islands to Japan.<sup>45</sup>

Russia's renewed interest in the islands has been accompanied by a notably tougher stance on the issue, as shown by the historic visit of President Medvedev in November 2010. On 27 September, before his trip, a joint Sino-Russian declaration was implicitly critical of Japan when it condemned "attempts to falsify the history of the Second World War." Tokyo saw this "united front" between China and Russia as

<sup>44</sup> D. Nishimura, "Corporate Empire Winning Loyalties in Northern Territories", *The Asahi Shimbun*, 30 January 2013 and "La Russie investit dans les Kouriles," *Izvestia*, 22 January 2013.

<sup>45</sup> S. Hyodo, "Russia's Strategic Approach towards Asia," in S. Hyodo and C. Vendil Pallin (eds.), "Neighbourhood Watch. Japan and Swedish perspectives on Russian security," NIDS-FOI, October 2012.

largely opportunistic.<sup>46</sup> Moreover, testimony from Russia has confirmed that the main aim of Mr Medvedev's visit was to show the Russian people and the international community that "Russia is an Asian power and has no intention of leaving Asia."<sup>47</sup> Despite considerable protests from Tokyo, Mr Medvedev returned to the Kurils in July 2012 when he was once again Russian prime minister. Japan has interpreted this reaffirmation of Russian sovereignty as a way of raising the stakes before adopting a conciliatory negotiating stance.<sup>48</sup>

### **Rise of a new positive dynamic for solving the dispute**

In light of the geopolitical changes in Asia, the Russian and Japanese leaders seem to have realized that their dispute is something of an anachronism. All that remains is to find a solution that is acceptable to both parties and allows them both to save face. Suddenly remembering his passion for judo, Vladimir Putin has expressed a desire for a *hikiwake*, i.e. a mutually acceptable solution that declares neither party the winner. He believes this objective can be achieved if the two countries develop their general cooperation to such an extent that the dispute becomes secondary.<sup>49</sup> This classic approach was initially met with caution from Japan, which is fearful of yet another delaying tactic. However, in the current climate of tensions with China, the leadership in Tokyo may positively reassess this proposal.

Indeed, an increasing number of proposals for "flexible and innovative solutions" based on the return of at least two islands to Japan have been aired recently. Some of these proposals have come from conservative politicians<sup>50</sup> and from within the Japanese Ministry of Foreign Affairs, which has traditionally advocated a hard line on the issue. Therefore it seems that the supporters of a pragmatic compromise with Russia are in a stronger position. Some advisers to Shinzo Abe even consider the normalization of diplomatic relations with Russia to be one of the final frontiers of Japanese diplomacy, and believe that the territorial dispute "should not pose a problem" if the need to sign a peace treaty with Russia arises.<sup>51</sup> Furthermore, the Japanese public is more open than its government on the issue: according to a survey conducted in March 2013, two-thirds of Japanese would support a "flexible solution" (i.e. something other than

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<sup>46</sup> *East Asian Strategic Review* 2011, NIDS, Tokyo, *The Japan Times*, 2011, p. 188.

<sup>47</sup> F. Loukianov, "Pourquoi Dmitri Medvedev est-il retourné aux Kouriles?" RIA Novosti, 5 July 2012.

<sup>48</sup> In particular, interview with "B" from the Japanese Ministry of Foreign Affairs, Tokyo, 19 April 2013.

<sup>49</sup> Y. Suzuki, "Putin and the Northern Territories – A Reality Check," *Nippon.com*, 8 June 2012.

<sup>50</sup> In January 2013, the conservative former prime minister Yoshiro Mori suggested that three islands be returned to Japan; in 2009 and 2010, adviser Shotaro Yachi (special adviser to Shinzo Abe) proposed the return to Japan of three islands plus half of Etorofu; in 2006, Taro Aso (now deputy Prime Minister and Finance Minister) suggested that the islands be split equally in terms of surface area between Russia and Japan.

<sup>51</sup> Interview with "A", an adviser to the prime minister's cabinet, Tokyo, 17 April 2013; interview with "B" from the Japanese Ministry of Foreign Affairs, Tokyo, 19 April 2013.

the unconditional return of all four islands) with Russia.<sup>52</sup> For the moment, however, the Japanese debate on the islands is hostage to the question of national prestige, which ignores the true national interests at stake.<sup>53</sup>

Even assuming that a political compromise could be reached on the Kurils, its actual implementation would depend on domestic political factors in Russia and Japan and on the geopolitical situation in Asia-Pacific.<sup>54</sup>

## ***Additional impediments: Domestic politics and regional tensions***

### **Russia's lack of an Asian strategy and its dependency on China**

Despite its interest in the area, Russia does not yet have a proper strategy for Asia. Its actions are designed either for a domestic audience (e.g. Mr Medvedev's visit to the Kuril Islands in 2012) or to demonstrate Russia's presence and influence (e.g. participation in the multilateral Rim of the Pacific Exercise (RIMPAC) led by the US in 2012).<sup>55</sup>

Russian foreign policy in Asia remains focused on China and is struggling to deal with the region's multipolarity. Although Russia's elite and the general public remain wary of the Chinese threat, more Realist, statist thinkers – who support a strategic partnership with an irresistibly powerful China – now dominate the debate.<sup>56</sup>

Indeed, with the exception of the European Union, China is now Russia's biggest trading partner.<sup>57</sup> Security cooperation between Russia and China has increased in recent years through many military exercises performed as part of the Shanghai Cooperation Organization. Naval exercises of unprecedented scale have been carried out in the Yellow Sea (April 2012) and in the Sea of Japan (July 2013), and the biggest sale of Russian arms to China in a decade

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<sup>52</sup> "Hoppô ryôdo mondai no yoronchôsa de sannin ni futariga jûnan na kaiketsuwo nozomu to kaitô !" [2/3 of people surveyed on the Northern Territories question favour a flexible solution!], *Yûrashia! [Eurasia!]*, 18 March 2013. Blog by Iijima Kazutaka, professor and former head of the Russia desk at newspaper *Mainichi Shimbun*.

<sup>53</sup> A. Bukh, "Constructing Japan's 'Northern Territories': Domestic actors, Interests, and the Symbolism of the Disputed Islands," *International Relations of the Asia-Pacific*, Vol. 12, no. 3, 2012, p. 502.

<sup>54</sup> F. Loukianov, *op. cit.* [47].

<sup>55</sup> P. Salin, "Russia's Three Roads to Asia", *Russia in Global Affairs*, 27 December 2012.

<sup>56</sup> I. Zevelev, "A New Realism for the 21<sup>st</sup> Century," *Russia in Global Affairs*, 27 December 2012; L. Shevtsova, "Russia's 'Pivot' to China," *East Asia Forum*, 19 April 2013.

<sup>57</sup> In 2012, China represented 10.5% and the EU 49.9% of Russia's international trade. Source: Federal Customs Service of Russia, 2013.

was agreed in March 2013.<sup>58</sup> On the diplomatic front, Russia and China have similar positions on several issues (e.g. Syria, Iran and North Korea), notably at the United Nations Security Council. The partnership with China enables Russia to pursue a major objective: to resist the supremacy of US liberalism on the international scene.

With China's power increasing, Russian autonomy could be weakened in areas that Beijing deems to be in its core interests.

### **Domestic political factors in Japan and Russia**

The resolution of an eminently political territorial dispute (the Kurils) requires an agreement between two strong leaders who may decide to go against public opinion and make unpopular concessions.

From the Japanese point of view, Vladimir Putin is now a weaker leader than he appears. His attempts to impose a more hardline authoritarian system demonstrate this fact. Some analysts, therefore, feel that – as the majority of Russians remain opposed to handing the Kurils back to Japan – he is too dependent on nationalist support and too vulnerable domestically to yield on such a symbolic issue.<sup>59</sup> Moreover, Mr Putin's fairly open stance on the Kurils is understood as not representing the more hardline approach of Russian diplomats. Finally, Moscow has experienced a few diplomatic setbacks in the West, making it less likely to give ground on an issue that affects its sovereignty, prestige and territorial integrity.

In Japan, Shinzo Abe's current popularity stems from the assertive economic reforms he has implemented since coming to power. However, the country's economic recovery remains fragile, and the prime minister's popularity could diminish rapidly at the first sign of economic trouble. As a result, there is no guarantee of a true return to political stability in Japan. Moreover, Mr Abe's nationalist sympathies could make it difficult for him to make any concession to Russia that would provoke the ire of the ultra-conservative circles, which are currently relatively powerful.<sup>60</sup> Lastly, although the Japanese public supports a flexible solution to the territorial dispute, a sizeable majority (76.5%) is somewhat hostile toward Russia.<sup>61</sup>

The Kurils dispute is hugely symbolic for both countries. For Russia, it is a question of national pride associated with its status as a victor in the Second World War. For Japan, it is about recognizing the illegality of Russia's entry into war on 8 August 1945, which violated their non-aggression pact, and remembering the 600,000 Japanese prisoners of war held for many years in Siberian labor camps.<sup>62</sup>

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<sup>58</sup> Yu Bin, "China-Russia Relations: Pivot to Eurasia and Africa: Xi's Style," in *Comparative Connections*, CSIS Pacific Forum, May 2013.

<sup>59</sup> S. Hakamada, "The Limits of Putin's Leadership," *Nippon.com*, 17 April 2012.

T. Akaha, *op. cit.* [3].

<sup>60</sup> Interviews with Japanese diplomats and strategists, Tokyo, April 2013.

<sup>61</sup> Gaikō nikansuru yoronchōsa (Survey on diplomatic issues), cabinet of the prime minister, October 2012, <[www8.cao.go.jp/survey/h24/h24-gaiko/index.html](http://www8.cao.go.jp/survey/h24/h24-gaiko/index.html)>.

<sup>62</sup> Interviews with Hiroshi Yamazoe, research fellow at NIDS, Tokyo, 14 April 2013 and other Japanese diplomats and strategists.

The risk of exacerbating problems inherited from the Second World War in Northeast Asia also represents a significant constraint. Respect for sovereignty, territorial integrity and non-interference remains a norm firmly anchored in Asia. It would be unacceptable to appear weak in a region where Realist ideas of the balance of power predominate.

## Conclusion

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Confronted with the rising influence of China and the consequences of the Fukushima disaster, Russo-Japanese relations are entering a new era. Russia is making overtures to Japan in order to facilitate the development of its Far East and its integration into East Asia. For its part, Japan is improving its energy security by investing in Russian oil and gas. The deepening of their relationship also allows the two countries to diversify their diplomatic partnerships, in an attempt to provide a counterweight to China.

Within the framework of a more advanced partnership, the strengthening of common strategic interests should enable the global partnership to develop and the territorial issue to be gradually marginalized. The signing of a peace treaty would, on the one hand, signal Russia's desire to establish itself firmly in Asia, and, on the other, Japan's desire to settle the territorial disputes, which would invalidate some of the arguments put forward by the Chinese authorities.

Some researchers, such as Edward Luttwak, believe that rapprochement between Japan and Russia would revolutionize the balance of power between strategic rivals China and the US. Luttwak believes that Japan is capable of "shifting" Russia into the "anti-China camp."<sup>63</sup> There are, however, several caveats to this theory. For the moment, Russia does not appear ready to take sides; it is pursuing its primary objective of establishing itself, on its own, as a major global power. Moreover, while Japan would certainly be pleased to draw Russia into closer cooperation with the US and itself, it is well aware of the limitations of its soft power.

Despite these limitations, a window of opportunity has certainly opened for an historic rapprochement between Russia and Japan. Tokyo and Moscow will focus first on building a full-fledged economic and political relationship before clearing the domestic and international hurdles to a peace treaty.

Short of unexpected developments, it is therefore highly likely that the status quo in the Kuril Islands will be maintained for a while yet.

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<sup>63</sup> E. N. Luttwak, *La montée en puissance de la Chine et la logique de la stratégie*, Paris, Odile Jacob, 2012, p. 138.