

Japan-Russia: The Limits of a Strategic Rapprochement



Céline PAJON

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Ifri

27 rue de la Procession 75740 Paris Cedex 15—FRANCE

Tel.: +33 (0)1 40 61 60 00—Fax : +33 (0)1 40 61 60 60

Email: accueil@ifri.org

Ifri-Brussels

Rue Marie-Thérèse, 21 1000—Brussels—BELGIUM

Tel.: +32 (0)2 238 51 10—Fax: +32 (0)2 238 51 15

Email: bruxelles@ifri.org

Website: ifri.org

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Author

Céline Pajon has been a researcher and Japan specialist at Ifri's Center for Asian Studies since 2008, where she analyses the evolution of Japanese foreign and defence policies, as well as following the major debates of Japanese political life. Her research also covers the international relations and geo-strategy of the Asia Pacific region. She is Associate Researcher at the Canon Institute for Global Studies (CIGS) in Tokyo and has conducted several research trips there in recent years. In 2016, she was a visiting researcher at the Japan Institute of International Affairs (JIIA). Her latest publications include:

- “Japan's Security Policy in Africa: The Dawn of a Strategic Approach?”, *Asia.Visions*, No. 93, Ifri, May 2017;
- “Japan's Coast Guard and Maritime Self-Defense Force in the East China Sea: Can a Black-and-White System Adapt to a Gray-Zone Reality?”, *Asia Policy*, No. 23, January 2017, pp. 111-130;
- “Japan and its Alliance with the US: Structure, Dynamics, Evolution to 2030”, *Études de l'Ifri*, May 2016.

Summary

By reinforcing hostility between Russia and the West, the Ukraine crisis has shone a spotlight on the limits and contradictions of any Russo-Japanese rapprochement. Russia has grown more dependent on China, just as Japan has become more reliant on the United States. Russia's decision to reinvest in the Far East, both politically and militarily, and the renewed prominence of security issues in talks over territory, are symptoms of Russia's hardening stance towards the Western powers, first and foremost the United States. Russia is also sceptical about the economic benefit of an eventual territorial agreement with Japan.

Indeed, the summit between Abe and Putin in December 2016 seemed to herald a new approach: Russia and Japan now favour an improvement in relations that is gradual, pragmatic and wide-ranging. Henceforth, the territorial dispute between Russia and Japan will only be solved once they cooperate better economically, mainly by working together to develop the Southern Kuril Islands. This approach has a number of benefits: it encourages dialogue and regular visits, offers tangible proof, with each "mini-victory", that the partnership is advancing and allows both governments to feed their populations stage-managed stories of diplomatic triumph. In its early stages, it should finally allow Japan to return to the islands, rather than the islands to return to Japan. Nevertheless, working out how such a project would function in practice remains extremely difficult, not least because it would require the islands to be granted a special status.

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Introduction

On 15 December 2016, Shinzo Abe welcomed Vladimir Putin to his home city of Nagato. Putin's visit, the subject of fierce negotiation for over two years, was presented as a historic opportunity to sign an agreement resolving the territorial dispute that has prevented the two countries from concluding a peace treaty since 1945. In the event, no such historic deal was reached: the talks offered no progress on the sovereignty of the Southern Kurils¹ (as the Russians call them) or the Northern Territories (in the Japanese lexicon), merely yielding a plan to promote joint economic development of the islands. This meagre result was seen as a failure for the Japanese diplomats and officials, who, since 2013, have expended considerable effort in trying to resolve the dispute under Prime Minister Abe's leadership.

Driven by converging economic and energy interests, and in the name of achieving a balance of power in Asia, Vladimir Putin and Shinzo Abe had in fact met about fifteen times in an attempt to initiate a strategic rapprochement.² In the hope that a peace treaty with Moscow would bolster its strategy of counterbalancing Beijing, Tokyo had adopted a flexible stance in order to overcome the territorial dispute.³

Despite these positive developments, the question of the Kuril Islands remains unresolved. The summit in December 2016 appears to mark a turning point in the warming of relations between Japan and Russia: the two neighbours have adopted a new approach whereby they will pursue their respective goals through a pragmatic, gradual and wide-ranging

Translated from French by Cameron Johnston.

1. The Southern Kurils (or, to the Japanese, the Northern Territories) are made up of four southerly islands in the Kuril Island chain (Etorofu, Kunashiri, Shikotan and the Habomai for the Japanese, Iturup, Kunashir, Shikotan and the Habomai for the Russians) located to the North of Hokkaido and to the South of Sakhalin. Under Russian control since 18 August 1945, they now contain 16,400 inhabitants. In this paper, their Russian names will be used.

2. See the author's earlier paper on this issue: C. Pajon, "Japan-Russia: Towards a Strategic Rapprochement?", *Russie.Nei.Visions*, Ifri, No. 72, September 2013, www.ifri.org.

3. Tokyo no longer mentions the return of all four islands but compromise solutions including the return of the two smallest islands. The Russian-Japanese declaration of 1956, which brought an end to the state of war between the two countries, made provision for Russia to return the small islands of Habomai and Shikotan to Japan after a peace treaty was signed. Japan also favours economic cooperation as a way of creating the conditions for a territorial settlement.

strengthening of their relationship, but without focusing on resolving their territorial dispute or signing a peace treaty. Tokyo hopes to make Russia more independent of China by offering it economic, political and military cooperation. Moscow is responding to Japan's advances and aims to develop the relationship, but without making concessions over the islands.

Diminishing prospects for resolving the territorial dispute

The Ukraine crisis shakes up the Japanese-Russian relationship

Japan's position on sanctions

Russia's annexation of Crimea in March 2014 and its subsequent interventions in Eastern Ukraine prompted Western countries to adopt sanctions against Russian individuals and entities. Moscow sought to limit the impact of sanctions by reinforcing economic and political ties with its Asian partners, particularly Japan, which as well as being a member of the G7 and a great financial and industrial power, was also extremely keen on improving relations with its Russian neighbour.

Although Tokyo was obliged to denounce Russia's use of force in disregard of international law, just as it criticises China closer to home, Japan imposed sanctions belatedly and most of these were symbolic⁴ (mainly asset freezes and a number of sectoral sanctions that had no real impact on trade between the two countries). While displaying solidarity with its G7 partners, it thus managed to safeguard conditions that were favourable to a high-level political dialogue with Russia.⁵ Tokyo does not want to consider the issue of Ukraine when negotiating a strategic rapprochement with Moscow. In this respect, Japan only takes into account Russia's actions in Asia.⁶ Moscow has taken note: unlike the

4. Y. Koike, "Japan's Russian Dilemma", *The Japan Times*, 4 April 2014, www.japantimes.co.jp.

5. "The sanctions against Russia contribute to, rather than obstruct, the pursuit of several strategic goals, including strengthening (1) the Japan-US alliance, (2) the international order, and (3) relations with various countries, including Russia". See D. Kitade, "Considering the Effects of Japanese Sanctions Against Russia", *Mitsui Global Strategic Studies Institute Monthly Report*, July 2016, www.mitsui.com.

6. M. Tsuruoka, "Strategic Considerations in Japan-Russia Relations: The Rise of China and the US-Japan Alliance", in S. Itoh (et. al.), "Japan and the Sino-Russian Entente: The Future of Major-Power Relations in Northeast Asia", *NBR Special Report*, No. 64, April 2017, p. 14, www.nbr.org.

European Union and the United States, Japan has benefited from conspicuously neutral treatment in Russian media and official speeches, and no embargo has been placed on Japanese products. Japanese sanctions are presented as toothless and imposed at the behest of Washington.⁷

Meanwhile, Russia sees Japan as an intermediary that can relay the Russian point of view to members of the G7, especially as Japan hosted the G7 summit at Ise Shima in May 2016: a spectacular mending of fences with the Japanese would have allowed Russia to break the united front shown by the Western powers.⁸ Shinzo Abe has also positioned himself as a mediator and intensified calls for Russia to be welcomed back into the fold, against the advice of his ally, the United States.⁹

The growing influence of the United States and China on the Russo-Japanese relations

Russian hopes in Japan were soon disappointed, however, when Tokyo failed to prevent the G7 from adopting new sanctions, an outcome that was interpreted in Moscow as proof of Japan's subordination to the United States.

The election of Donald Trump as President of the United States in November 2016 reinforced that state of affairs: the unpredictability of the new President and the positions he took in his campaign, with all their potential to throw old security alliances into doubt, provoked alarm in Tokyo. Japan believes that it is vital to maintain an enduring alliance with the United States given the rise of China and the threat of North Korea, so strengthening relations with the US remains its top priority. It is no accident that Vladimir Putin's visit to Japan was organised for December, after the US elections. In Moscow, very quickly, Donald Trump's election is no longer seen as a guarantee of better relations with Washington. On the contrary, the scandals that have marked the beginning of his term in office have pushed Trump to adopt a hard line towards Russia. If Washington were to decide that a rapprochement between Japan and Russia was not in

7. D. Streltsov, "Russo-Japanese Relations: A Skeptical View", in V. Panova and A. Lukin (Eds.), *Russia and Japan—Looking Together in the Future*, Vladivostok: Far Eastern Federal University, 2016, p. 25.

8. T. Taniguchi, "A One in Sixty-year Opportunity? Shinzo Abe's Approach to Vladimir Putin", in G. Rozman (Ed.), *Japan-Russia Relations. Implications for the US-Japan Alliance*, Sasakawa Peace Foundation USA, 2016, p. 41.

9. L. Barber and R. Harding, "Japan's Abe Calls for Putin to Be Brought In from the Cold", *Financial Times*, 17 January 2016, www.ft.com.

its interests, it would be very difficult for Shinzo Abe to pursue his current course of reconciliation.¹⁰

What is more, the acceleration of Russia's pivot to Asia since 2014 has basically amounted to a strengthening of Russian-Chinese relations, relations which are highly skewed in China's favour.¹¹ At the same time, strategic cooperation between the two countries has really taken off.¹² Russia, which until recently was reluctant to sell its most advanced military hardware to China, has performed a volte-face: in 2015, China was the first country to purchase the S-400 anti-missile air defence system for \$3 billion: it also ordered 24 Sukhoi Su-35 fighters, for \$2 billion. These weapons transfers worry China's neighbours because they allow Beijing to step up its air defence in the East and South China seas.¹³ Russia and China are also conducting more and more joint military exercises, which as well as being increasingly large in scale are also taking place in symbolic areas such as the Mediterranean and the Baltic Seas.

The growing dependence of Russia on China, and of Japan on the United States, makes it more difficult to resolve their territorial dispute. Another factor makes the return of the islands to Japan a yet more distant prospect, namely the political and military importance that Moscow has attached to the Southern Kurils.

The growing strategic importance of the Southern Kuril Islands

Modernisation of Russian military equipment

In recent years, Russia has reinvested militarily in its Far East, including in the Kuril archipelago, which encloses the Sea of Okhotsk, a traditional sanctuary for Russia's strategic naval forces.¹⁴ A very modest contingent of soldiers—the 3,500 men of the 18th artillery division—is deployed on the

10. Interview with a Russian academic, expert on Asia, Moscow, April 2017.

11. See A. Gabuev, "Friends with Benefits? Russian-Chinese Relations after the Ukraine Crisis", Carnegie Moscow Centre, June 2016, <http://carnegie.ru>.

12. M. Yahuda, "Japan and the Sino-Russian Strategic Partnership", in S. Itoh (et. al.), *op. cit.* [6], pp. 1-10.

13. T. R. Heath, "How China's New Russian Air Defense System Could Change Asia", War on the Rocks, 21 January 2016, <https://warontherocks.com>.

14. The Borei-class nuclear-powered submarine Alexander Nevsky was deployed to the Vilyuchinsk base on the Kamchatka peninsula in September 2015, followed by another submarine of the same class, Vladimir Monomakh, in September 2016.

four Southern islands.¹⁵ For a long time this force was poorly equipped and it was not until 2015 that Moscow installed modern weapon systems. In November 2016, Russia deployed the latest coastal defence systems and new-generation drones to the islands. Bal and Bastion anti-ship missile systems were installed on the two largest islands of Kunashir and Iturup respectively. The Bal system allows submarine targets to be destroyed at a range of over 180km, while the Bastion system uses P-800 Oniks anti-ship missiles with a maximum range of 300km to establish a protective circle with a diameter of 600km around the launch site.¹⁶ In February 2017, the Russian Minister of Defence Sergei Shoigu announced that a new army division would be deployed to the Kurils before the end of the year. It is not clear, however, whether this simply implies a reinforcement—of the order of 1,500 men—to the 18th division which is already in place.¹⁷

These steps are part of a broader modernisation of Russian military equipment and a wider effort to install a protection and anti-access system along Russia's northern coast and around the Arctic, from the Kola Peninsula to the Kuril Islands.¹⁸ To make sure that its Pacific fleet is present in the area over the long term, Moscow is also conducting preparatory studies with a view to building a new air and naval base on Matua, an island in the middle of the Kuril chain which hosted a Japanese airbase until 1945.¹⁹ Matua allows Russia to control access to the Sea of Okhotsk and will serve as a refuelling point for long-range aircraft, allowing them to patrol the area more easily.²⁰

Lastly, Russian military manoeuvres and exercises around the Kuril Islands have intensified. In 2014, 100,000 men mustered in Russia's Far East for the largest military exercise (*Vostok—East*) since the Soviet era, while in March 2015, a simulated counter-attack against an enemy assault took place on the Kurils. Furthermore, Russian patrols around Japan have

15. V. Kashin, "Russian Views on Security and Foreign Policy in the Asia-Pacific and Prospects for Cooperation with Japan", in G. Rozman (Ed.), *op. cit.* [8].

16. "Russia Deploys Coastal Missiles to the Kurils", Sputnik, 22 November 2016, <https://fr.sputniknews.com>.

17. F.-S. Gady, "Is Russia's Military Deploying 10,000 Additional Troops on the Kuril Islands?", *The Diplomat*, 1 March 2017, <http://thediplomat.com>.

18. "Coastal Defense Division to Appear in Russia's Chukotka in 2018—Defense Minister", TASS, 23 August 2016, <http://tass.com>.

19. H. Yamazoe and S. Akimoto, "Russia: President Putin's Visit to Japan", *East Asia Strategic Review 2017*, National Institute for Defense Studies, Tokyo, May 2017, pp. 188-189, www.nids.mod.go.jp.

20. "New Russian Base on Kuril Island to 'Change Military Balance' in Pacific", Sputnik, 1 July 2016, <https://sputniknews.com>.

also increased, prompting the Japanese to scramble aircraft with increasing frequency (301 times in 2016, 4.5% more than in 2015).²¹

The Japanese military does not believe that this growing Russian military activity around its borders is aimed at Tokyo. Instead, they see it more as a way of sending a message, both to China, which is showing increasing interest in the Arctic, and to the United States, which continues to deploy its missile-defence system in East Asia.

The Kuril Islands and the US-Japan alliance

In view of the US-Japan alliance, the future of the Southern Kurils raises two major questions: first, if they were returned to Japan, would they be placed under American protection? And second, would the United States then be allowed to install military bases or hardware on the islands?

It would be difficult for Japan to exclude part of its territory from American protection but it might conceivably oppose the installation of US military bases on the islands. In this regard, Russia could demand that Japan sign a legally binding agreement, not simply make a political declaration.²² Vladimir Putin is thought to have raised this very question during the leaders' summit in December 2016. In June 2017, Putin stated publicly at the St Petersburg economic forum that if the islands were returned to Japan, the installation of American bases there would be 'absolutely unacceptable to Russia'.²³

According to several Russian experts, however, this demand is symbolic, perhaps serving two purposes: to hinder the negotiations over the return of the islands and to send a message to the United States.²⁴ In Russian military circles, it is believed that the THAAD system, which has started to be deployed close to Seoul and which Japan also considered acquiring at one time, before opting for the Aegis Ashore system, is the latest part of the US missile defence system and that it has the potential to

21. An increase in the number of flights by *Tupolev* Tu-95 and Tu-160 long distance bombers, accompanied by A-50 reconnaissance aircraft and Su-27 fighters. "Statistics on Scrambles through Fiscal Year 2016", Joint Staff Press Release, Ministry of Defense, Japan, 13 avril 2017, www.mod.go.jp.

22. According to a Japanese expert, Russia would seek stronger guarantees than those negotiated with NATO, which made a political commitment in 1997 not to deploy substantial forces along Russia's borders. See M. Tsuruoka, "Strategic Considerations in Japan-Russia Relations: The Rise of China and the U.S.-Japan Alliance", in S. Itoh (et. al.), *op. cit.* [6], pp. 17-18.

23. "Putin Not Ruling Out US Troop Presence on Kurils if Islands Controlled by Japan", Sputnik, 1 June 2017, <https://sputniknews.com>.

24. Interview with Russian experts, a specialist in international questions close to the Ministry of Foreign Affairs, and an academic with expertise in Asia, Moscow, April 2017.

alter the strategic balance between the world's two great nuclear powers.²⁵ Russia, rhetorically linking the contexts in Europe and Asia, argues that the militarisation of the Kuril Islands is nothing more than a necessary response to efforts by the United States and its allies to encircle Russia.²⁶ Russia even tried to raise Japan's awareness of its concerns by organising a meeting at the Russian embassy dedicated to the US missile defence system, which highlighted the "serious threat" that it presents to Russia.²⁷

Both the broader international environment and the geo-strategic situation in East Asia make it difficult to resolve the territorial dispute. A third factor makes facing up to the issue even more complex: the political cost of making concessions for Japan and Russia.

The high political cost of reaching an agreement over the islands

In 2013, Vladimir Putin chose a judo-related word to describe the ideal solution to the territorial dispute, *hikiwake*: a compromise that would see neither country lose the bout. Such a solution would require meaningful concessions from both sides, however: Japan would have to renounce all claims to reintegrate the four islands,²⁸ while Russia would, at the very least, have to agree to abide by the Joint Declaration of 1956, which foresaw a "return" of the two smallest islands to Japan (without being precise about the legal conditions). And yet, for both sides, making concessions over territory could be seen as a sign of weakness, both by their respective populations and by their neighbours.

In Russia, there are few advocates of a rapprochement with Japan besides Vladimir Putin himself. The Minister of Defence, in particular, is fiercely opposed to the idea of ceding land to the Japanese, for strategic but also for symbolic reasons, as possession of the Southern Kurils is part of Russia's identity as a victor in the Second World War. What is more, in the process of trying to up the ante in recent years, the Russians have come to realise that an agreement over the islands would not necessarily entail a

25. A. Gabuev and L. Aixin, "Can Russia and China Join Efforts to Counter THAAD?", *Global Times*, 27 March 2017, www.globaltimes.cn.

26. "As for the build-up of our military potentials in the Russian Far East and on the islands [the Kuril Islands] in particular, this is not Russia's initiative, like in the other part of the world, in Europe": Vladimir Putin, quoted in "Putin Says Russia Has to Respond to Other Countries' Military Potential Build-up", TASS, 1 June 2017, <http://tass.com>.

27. "Russia Hardens its Stance in Negotiations for the Northern Territories" [in Japanese], *Nikkei Shimbun*, 23 June 2017.

28. See J. D. J. Brown, *Japan, Russia and Their Territorial Dispute. The Northern Delusion*, Routledge Contemporary Japan Series, 2016.

large influx of investment from Japan, whose private sector shows scant interest in the Russian market.²⁹ Russian leaders have also stated on several occasions that it would be unthinkable to “sell” Russian territory. On the contrary, there are numerous interest groups in Russia – political, economic and administrative – that argue in favour of closer relations with China.³⁰

Japan, for its part, appears to be more supportive of a rapprochement, even if its proponents remain in a minority. Even in the heart of government, one can find contrasting positions. Until December 2016, it was officials in the Ministry for Economy and Trade (METI) who handled the Russian question on behalf of Shinzo Abe. For METI, the goal is to push forward with economic and energy-related cooperation without necessarily linking it to the territorial dispute. The Ministry of Foreign Affairs (MOFA), by contrast, is less willing to deepen a relationship that might harm Japanese interests over the territorial question, and which places Tokyo in an awkward position with its American ally. Ever since the disappointing summit of December 2016, METI has kept a lower profile and MOFA is now at the heart of the legal negotiations concerning the joint development project. Japanese business, meanwhile, though it officially supports the government’s attempts to kick-start economic cooperation with Russia, has little inclination to invest in Russia, in view of the administrative hurdles and the lack of infrastructure in the Russian Far East.³¹ Lastly, Japanese defence circles distrust Moscow and do not believe that any agreement would cause Russia to cease military activity around Japan.

The public is not in favour of a territorial agreement in either Japan or Russia. The islands are intimately connected to both Japan and Russia’s sense of national identity and conservative die-hards in both countries have taken up entrenched and incompatible positions. Over the medium term, however, public opinion need not serve as an insurmountable impediment to a deal: in Japan, polls have shown that the population is not holding out for a return of all four islands, while Russian experts believe that a deal involving the return of the two smallest islands would not provoke strong opposition from the public.

29. A point of view generally shared by Russian academics and researchers at think tanks. Interviews with the author in Moscow, April 2017.

30. Interviews with Russian experts, academics and think tank researchers, Moscow, April 2017.

31. “Chairman Sakakibara’s Statements and Comments at his Press Conference”, *Keidanren*, 19 December 2016. www.keidanren.or.jp.

On both sides, the process by which decisions are made is opaque on the question of bilateral rapprochement. Decision-making power rests with the two heads of state and little information leaks out into the open. Consequently, we cannot rule out the possibility of a surprise, with a peace treaty eventually being signed, particularly since the two leaders are personally invested in the process. Shinzo Abe, in particular, approaches the issue from an emotional, even “romantic”, point of view. Striking a historic deal with Russia would allow him to mark out his premiership, while finishing the work that was begun by his father Shintaro, who died in 1991 without being able to carry his rapprochement with Moscow through to its conclusion. To the extent that reaching an agreement depends on the two strong, popular heads of state, the window of opportunity will surely close when Shinzo Abe departs the scene, in 2021, at the latest. With Abe gone, Japan’s approach will be thrown into uncertainty. That is why President Putin apparently wants to receive a number of guarantees from Japan about the future of Russo-Japanese relations after Abe’s departure,³² particularly on the pursuit of economic cooperation which ought to remain separate from the territorial issue.

These diverse factors help to explain why the summit held in Japan in December 2016 did not generate decisive progress on the territorial issue, as had been anticipated and indeed proclaimed by several media outlets, but instead represented a disappointment, even a “failure”, for Tokyo, which had thrown its weight behind economic cooperation with Moscow without receiving any tangible concessions in return. Rather than making dramatic progress, the two countries agreed to work towards the joint economic development of the islands, the precise mechanisms of which remain to be defined.

32. Interview with a Japanese expert, Paris, March 2017.

Means and goals of the strategy of “small steps”

The joint programme for the economic development of the Southern Kurils, first proposed by Tokyo in November 2016, is meant to form the centrepiece of a “new approach” aimed at endowing the bilateral relationship with more tangible advantages. This approach has a number of benefits: it encourages dialogue and regular visits, offers clear proof that the partnership is advancing with each “mini-victory” and allows both governments to feed their populations stage-managed stories of diplomatic triumph. In its early stages, it should also allow *Japan to return to the islands*, rather than *the islands to return to Japan*, and should help Tokyo to win over the Russian inhabitants of the Southern Kurils. Nevertheless, drawing up this programme, which requires a special status for the islands, is a complicated and highly technical task.³³ Moscow, for whom the question of the sovereignty of the islands is non-negotiable at present,³⁴ insists that the joint development programme must be implemented in accordance with Russian law. Meanwhile, the Russian decision to grant the islands “special economic zone” status in order to attract foreign investment (from outside Japan), announced unilaterally in July 2017, complicates matters further for the Japanese government.³⁵ In Tokyo’s view, a special system must be designed to protect Japanese interests. Approximately twenty projects were identified when the first consultation was held in March 2017, in sectors like fishing, sea products, transport infrastructure and tourism.

33. Russia put forward a similar development plan in 1996 which resulted in an agreement on fishing zones in 1998 and visa-free visits for former Japanese inhabitants of the islands. See Y. Zinberg, “The Kuril Islands Dispute: Towards Dual Sovereignty”, *IBRU-Boundary and Security Bulletin*, winter 1997, www.dur.ac.uk.

34. Interviews with Russian researchers who are close to the government and a Russian academic with expertise in Asia, Moscow, April 2017.

35. M. Hata, “Russia Plans Special Zones for Northern Islands”, *The Yomiuri Shimbun*, 7 July 2017, <http://the-japan-news.com>.

Besides the joint development plan, Russia and Japan are seeking to strengthen economic, political and military ties. Yet strategic goals have been revised downwards and the chances of improved relations remain slim.

A change of strategy: separating the territorial and economic issues

Since the end of 2016, Moscow and Tokyo have lowered their expectations of what a bilateral rapprochement can achieve. Japan no longer expects the rapprochement to break up the Sino-Russian entente, setting its sights instead on “thwarting a united Sino-Russian front against Japan on questions of territory and history”.³⁶ Indeed, despite the pressure exerted repeatedly by Beijing, Moscow has so far managed to stay neutral over sensitive strategic issues in Asia, such as the territorial disputes in the East and South China Seas, even if it has been seen to incline towards China of late. Moscow is seeking to build new partnerships in the region (with India and ASEAN countries) so as to guard against the risks associated with excessive dependence on Beijing.³⁷ Nevertheless, the growing imbalance of the relationship leads one to suspect that Moscow will eventually have no choice but to cater to China’s fundamental interests. In this regard, Vladimir Putin’s decision to take part in the ceremonies of 3 September 2015 in Beijing, commemorating the end of the war against “fascisms” and regarded by the Japanese government as “anti-Japanese”, could have been interpreted as a warning. Japan’s strategy should therefore consist of giving Russia the “strategic space” to reduce its dependence on China over the long term, and to “complicate the strategic calculus” for Beijing.³⁸ To do so, Tokyo must concentrate on stepping up economic cooperation with Russia with a view to representing an alternative to China, and tone down talk of the territorial question lest it draws a counter-productive reaction from Russia.³⁹ Abe’s visit to Sochi at the beginning of May 2016 was an opportunity for Japan to showcase its “new approach”, which is aimed at improving economic relations without tying this improvement to the territorial question, as it did in the past. An eight-point investment plan was put forward with the aim of satisfying

36. Interview with a Japanese expert, Paris, March 2017.

37. Russia is also seeking to maintain its independence by continuing to sell military equipment to Vietnam and India (project to jointly develop a fifth generation fighter aircraft).

38. Interview with Japanese diplomats in Paris and Moscow, February-April 2017.

39. Interview with a Russian academic expert in Asian matters, Moscow, April 2017.

Russian efforts to pivot towards Asia.⁴⁰ Henceforth, economic diplomacy will be the priority. In September 2016, the Minister of Economy Hiroshige Seko officially took charge of economic cooperation with Russia. The return of the islands to Japan is no longer central to the relationship, contrary to what one might think from media coverage, which is overly focused on just that. Japan's strategy now consists of fleshing out the relationship in every possible direction.

In Russia, the advocates of a rapprochement with Japan are aiming to achieve two goals: first, to promote a Russian version of the pivot towards Asia involving the cultivation of new partnerships and the development of the Russian Far East and, second, to demonstrate that Russia is not isolated on the international stage. To achieve this, Moscow is striving to secure long-term economic cooperation with Japan, with economic and territorial questions continuing to be separated. These goals are to be achieved via a gradual rapprochement rather than a peace treaty, particularly since President Putin is in no position to make territorial concessions in the run-up to the Russian presidential elections in March 2018.⁴¹ Economic recovery and an end to diplomatic isolation are the priorities for Russia.

Limited prospects for economic cooperation

Trade and investment between Russia and Japan remain meagre, despite their economies complementing one another.⁴² Hydrocarbons made up three quarters of Japanese imports from Russia between 2014 and 2016, with Russia supplying 6% of Japan's oil and 9% of its liquefied natural gas (LNG). Nevertheless, energy cooperation⁴³ has suffered from the fall in the price of energy, which has inhibited investment in the infrastructure required to extract and transport Siberian gas. In addition, Japan has diversified its supply of gas in recent years: it now also receives American and Australian LNG, with American LNG making up 14% of its total LNG imports in 2016. The plan for the construction of an LNG plant in Vladivostok, which had been the flagship project in Russian-Japanese energy cooperation since 2009, now seems almost defunct.⁴⁴ It became less

40. "Abe Meets Putin, Agrees to 'New Approach' in Bid to Resolve Festering Territorial Dispute", *The Japan Times*, 7 May 2016, www.japantimes.co.jp.

41. H. Yamazoe and S. Akimoto, "Russia: President Putin's Visit to Japan", *op. cit.* [19], pp. 167-169.

42. Russia was Japan's 23rd largest export market and the 13th largest source of imports in 2016.

43. H. Arai, "Japan-Russia Economic Relations with Emphasis on Energy Cooperation", in G. Rozman (Ed.), *op. cit.* [8], p. 104.

44. *Ibid.* p. 108.

relevant following the signing of a gas contract between Russia and China in 2014 and its abandonment now symbolises the stalling of Japanese-Russian cooperation over energy. For the project to be reborn, there would have to be strong political will, combined with a rebound in energy prices. Other projects under review, such as a pipeline between Sakhalin and Japan, also appear to be difficult to implement.

To deepen the relationship, economic cooperation must be extended to other sectors which are less vulnerable to price volatility. During negotiations over the last few months, Japan has put forward more proposals and gestures of goodwill. Nevertheless, Japan's economic "offer" to Russia since 2016, resting as it does on the eight-point programme⁴⁵ (including energy, ⁴⁶industry and agriculture), could be described as illusory: it consists mainly of repackaging pre-existing projects or relaunching them.⁴⁷ Thus, Japan has already factored in the risks associated with wider economic cooperation.⁴⁸ Moreover, the economic package offered to Russia is not an aid package: the projects must be economically profitable and attract investment from the Japanese private sector. So far, the programme has fallen short of expectations: it was originally anticipated that Japanese investment would amount to around \$9 billion, but when the programme began to be implemented in December 2016 with the signing of sixty agreements, only \$2.6 billion in public and private investment was forthcoming.⁴⁹

In the face of US sanctions against Russia, which have seriously constrained Japanese economic and financial activity (no dollars to be used in transactions, difficulties in working with sanctioned companies),⁵⁰ the Japanese government has sought to encourage investment in Russia by circumventing sanctions, thereby opening up possible future avenues of cooperation. It was clearly for political reasons that in October 2016, the Japan Bank for International Cooperation (JBIC) announced that it had

45. M. Satô, "Signs of Progress in Sochi?", Nippon.com, 12 May 2016, www.nippon.com.

46. In December 2016, JBIC announced a symbolic €2 million loan to the Yamal LNG project. Tokyo has not got involved in other projects around the Arctic, notably Arctic 2.

47. For example, the agreement on the joint exploration of hydrocarbon fields in eastern Siberia, involving JOGMEC, and signed at the end of April 2017, is simply an extension of cooperation that has been ongoing since 2007. The medical centre in Khabarovsk has been discussed since 2015.

48. Interview with Japanese diplomats, Paris and Moscow, February-April 2017.

49. R. Yoshida, "Abe-Putin Summit Economic Deal but No Isles Steps", *The Japan Times*, 16 December 2016, www.japantimes.co.jp.

50. Bilateral trade fell by 25% between 2015 and 2016 and Japanese FDI collapsed by 80% in the first three quarters of 2016, "Russia-Japan Trade Drops Almost 25% in 2016", TASS, 24 March 2017, <http://tass.com>.

loaned \$38.5 million to the sanctioned Russian bank, Sberbank.⁵¹ The JBIC is also cooperating with the Russian Direct Investment Fund to set up a joint investment fund (by September 2017) which should reduce the impact of sanctions on Japanese investment. In addition, a law was passed in November 2016 allowing the Japan Oil, Gas and Metals National Corporation (JOGMEC) to invest in foreign oil companies or to participate in the purchase of shares in foreign oil and gas companies by Japanese firms. Whether or not this amendment was designed to allow JOGMEC to buy 10% of Rosneft's stock,⁵² the deal never came off. Instead, a less grandiose plan for Japan's JOGMEC, Inpex and Marubeni and Russia's Rosneft to conduct joint exploration work off the coast of Sakhalin was unveiled at the summit in December 2016. A joint venture should finally be established to facilitate investment in Russia's Far-Eastern special economic zone.⁵³

Since 2015, Moscow has put in place measures to attract investment into the Russian Far East. December 2014 saw the creation of special economic zones, which give tax breaks to residents ("Territories of Advanced Socio-Economic Development" – TORs), while the status of a "free port" – such as the free port of Vladivostok – was established in the summer of 2015.⁵⁴ For now, only three Japanese food-processing firms have set up business in these zones.⁵⁵ The Russian business climate remains too risky for Japanese tastes: Japan insists on scrutinising the market and weighing up the risks (the complexities of Russian tax and administration and the lack of clarity surrounding Russian law) before committing itself. Volatility in the political and economic climate since Russia's annexation of Crimea, together with the imposition of sanctions, are yet further reasons for Japanese investors to hesitate. In the absence of structural reform to the Russian economy, therefore, political encouragement may be of only limited benefit in reviving Japanese investment.

51. "Japan to Lend to Sanctions-Hit Russian Bank", *Nikkei Asian Review*, 22 October 2016, <http://asia.nikkei.com>.

52. "Japan's 1 Trillion Yen Economic Assistance to Russia, a Foolhardy Ploy to Regain Northern Territories", *Sentakū*, 11 October 2016, <https://sentaku-en.com>.

53. T. Maeda, CEO, JBIC, in "Russia-Japan: Smaller Steps for Bigger Results", *Russian International Affairs Council*, 28 April 2017, <http://russiancouncil.ru>.

54. H. Arai, "Prospects for Japan-Russia Cooperation in the Far East of Russia", in V. Panova and A. Lukin (Eds.), *op. cit.* [7], pp. 61-62.

55. Y. Yokoyama, "Japanese Company Eyes Vegetable Factory in World's Coldest City", *Nikkei Asian Review*, 8 December 2016, <http://asia.nikkei.com>.

A strategic relationship lacking in trust

Political and military cooperation between Japan and Russia serves a number of goals: for each country, it inspires confidence in the other; for Russia, it is an opportunity to diversify its Asian partners; for Japan, to prevent a Sino-Russian front from developing. Nevertheless, such cooperation remains minimal because the two countries have different interests and hold different positions on important issues.

In 2013, Japan seized the initiative by proposing a 2+2 dialogue that would bring together the two countries' defence and foreign ministers, with a second dialogue being organised in March 2017.⁵⁶ It was important for Tokyo to include the Russian Minister of Defence, who is fiercely opposed to the idea of ceding territory to Japan. The dialogue was also about encouraging Russia to develop a long-term strategy in Asia that is not centred on China.

The 2+2 summit was presented by both the Russians and the Japanese as a forum for dialogue in which the deep gulf in perceptions between the two countries could be bridged. It was designed therefore as a confidence-building measure that would precede more substantive strategic cooperation. Currently, there is more that divides Japan and Russia than unites them.

The first bone of contention concerns the two countries' views of the system of alliances and their relationships with the United States. Russia criticises Japan for its dependence on Washington: the distrust was palpable when, in June 2017, Vladimir Putin announced that the Japanese-American alliance represented a hurdle, not only to resolving the territorial dispute, but also to implementing the joint development programme on the Kuril Islands.⁵⁷ Hardliners in Russia argue that a peace treaty with Japan is not on the cards so long as the alliance persists. Tokyo, meanwhile, remains dependent on Washington for its defence and will continue to prioritise its relationship with the USA above all others.

The latest 2+2 dialogue has also shown that Russia and Japan have different perspectives on the North Korean problem and different approaches to dealing with it.⁵⁸ Russia's strategy towards North Korea is

56. Japan was the first country to organise a 2+2 with Russia following the Ukraine crisis.

57. "Putin: Too Early to Talk about Joint Work with Japan on Russia's Kuril Islands", Sputnik, 15 June 2017, <https://sputniknews.com>.

58. "Japan-Russia Talks Expose Differences", *Yomiuri Shimbun*, 21 March 2017.

based on close coordination with Beijing.⁵⁹ Moscow is appealing for dialogue, and argues that the pressure being exerted on Pyongyang is counter-productive. So whereas this year China has started to impose tougher sanctions on North Korea by halting its imports of North Korean coal, trade flows between Pyongyang and Moscow have increased considerably.⁶⁰ Russia also announced in May 2017 that it would open up a ferry-crossing between Vladivostok and Rajin in North Korea, which will go some way towards realising Russia's goal of achieving a ten-fold increase in trade (which, for now, remains small) with its neighbour by 2020. This approach contrasts with the hard line adopted by Japan and reduces the chance of bilateral cooperation on this issue.

What is more, certain questions remain off limits: Moscow is thought to have rejected repeated Japanese requests to discuss the rise of China and the economic and security challenges that it entails.⁶¹ If trust were to develop, Russia might accede to Japan's requests, which would be an essential step in allowing Japan to use its relationship with Russia to counteract China. In effect, Japan is trying to prevent China and Russia from coordinating in the future over the territorial disputes, which, perhaps, could consist of Russia staging a "diversion" while China attacks the Senkaku islands.⁶² For now, Tokyo does not believe that China and Russia are conniving with one another: when three Russian warships passed through waters close to the Senkaku islands in June 2016, followed a few hours later by a Chinese naval ship, Japanese defence circles did not see it as a coordinated mission but more as an "opportunity" seized by Beijing.⁶³

Despite these disagreements, Russia sees the value of this 2+2 dialogue with Japan in allowing it to advance its own interests and to demonstrate that Russia is not diplomatically isolated. Developing its strategic relationship with Tokyo also allows Moscow to deepen and widen its foothold in Asia. Indeed, despite the growing strength of its partnership with Beijing, many in Moscow believe that cooperation with China has

59. V. Kashin, "Russian Views on Security and Foreign Policy in the Asia-Pacific and Prospects for Cooperation with Japan", *op. cit.* [15], p. 81. Confirmed by interviews with Chinese experts and officials in Beijing in June 2017.

60. According to the Russian Ministry of Economic Development, trade between Russia and North Korea leaped by 73% in January-February 2017 compared to the previous year, thanks, in particular, to a large increase in Russian coal exports. See "Unexpected? Russia-North Korea Trade Nearly Doubles in January-February 2017", Sputnik, 5 May 2017, <https://sputniknews.com>.

61. Interviews with Russian experts from various different research institutes and universities, and Japanese experts, Moscow, April 2017.

62. K. Jimbo, "Sino-Russian Military Cooperation and Japanese Defense Policy", in S. Itoh (et. al.), *op. cit.* [6], p. 26.

63. H. Yamazoe and S. Akimoto, "Russia: President Putin's Visit to Japan", *op. cit.* [19], pp. 170-171.

reached its limits⁶⁴, whether one is talking about room for improvement in the economic and security domains or the potential for political coordination on the international stage. There is also a lingering distrust in Russia about the ultimate aims of China's rise to power and its knock-on effects on Russian interests.

Although interest in bilateral dialogue is still alive, in practice there is little political and military cooperation. In 2013, the two countries agreed to conduct exchanges between their ground forces, to send observers regularly to the other's military exercises, and for counter-piracy units in the Gulf of Aden to conduct joint manoeuvres. Search and Rescue (SAR) exercises have already taken place and could be repeated in strategic areas. Security cooperation is therefore mainly taking place in an operational framework in the areas of SAR, humanitarian aid and assistance following natural disasters.

64. Interview with Russian experts, Moscow, April 2017.

Conclusion

Since the outbreak of the conflict in Ukraine, Japan's relations with Russia have not changed for the better. Tokyo has found itself caught in a vice, between its G7 partners and American ally on the one hand and its Russian friend on the other. This delicate balancing act has not paid off in the eyes of Moscow, which continues to believe that Japan is a "vassal" of Washington. The resurgence of security issues in territorial talks is also symptomatic of the hardening of Russia's defensive posture with respect to the Western powers in general and to the United States in particular. By upping the ante, Russia has also come to realise that any economic windfall from an eventual agreement would be small. At the same time, Russia's economic and strategic dependence on China has grown. Vladimir Putin therefore made no concessions on the return of the Kuril Islands in the course of the December 2016 summit in Japan.

Yet Russia's interest in pursuing a pragmatic rapprochement with Japan is certainly real, even if it does seek to sidestep the issue of territory. Japan remains a technological and financial powerhouse, whose cooperation is crucial for the development of the Russian Far East, as well as being an ally of the United States. For both reasons, securing its friendship is gratifying for Russia. Finally, continuation of the status quo with regard to sovereignty of the Southern Kurils is beneficial to Russia and implementing a joint economic development plan does not pose a threat to its interests. Russia is therefore "prepared to play with Japan so long as Tokyo stays in the game", according to one Russian expert.⁶⁵

After the disappointment of the December 2016 summit, it appears that Tokyo has decided to abandon any "romantic" vision of its relationship with Russia and pursue a more realistic approach. Flagging up progress, dampening expectations, using the bilateral relationship as a source of leverage or pressure over other countries, such as China or the United States: the Japanese-Russian relationship seems to be evolving along the lines of the "utilitarian" partnership between China and Russia.⁶⁶ The idea is therefore for the two neighbours to notch up gradual gains in a pragmatic manner. As such, it is the journey that matters more than the

65. Interview with a Russian academic with expertise in Asian matters, Moscow, April 2017.

66. B. Lo, "New Order for Old Triangles? The Russia-China-India Matrix", *Russie.Nei.Visions*, No. 100, Ifri, April 2017, p. 29, www.ifri.org.

destination (which officially remains a peace treaty). Japan and Russia, having lowered their goals, should now be able to achieve them by adopting this approach.

Nevertheless, it is unlikely that such a Japanese-Russian rapprochement would be a game changer, whether for Russian diplomacy, which continues to be extremely “Western-centric”, for Japanese foreign policy, which cannot really take its own path, independently of the US, or for the balance of geopolitical forces in Asia, which revolves around the rivalry between China and the United States.

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