

Japan-Russia Relations: Back to the Drawing Board?

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Russian President Vladimir Putin and Japanese Prime Minister Mori Yoshiro met twice this summer in Japan. The first meeting took place at the G-8 Summit on Okinawa in late July. Not much was expected of this meeting and results bore out the predictions. The second meeting was an official summit in Tokyo in early September. The atmospherics were perfect. Putin dined with the Emperor, lunched at the *Keidanren*, and even had time to tumble on the judo mat. Not had a Russian leader been so warmly welcomed in Japan since Soviet Premier Mikhail Gorbachev visited in 1991. Unfortunately, the results of his talks with Mori were mediocre at best and a spy scandal threatened to damage relations even more. Meanwhile, economic relations are as stagnant as ever; trade statistics for the first six months of the year amounted to a mere \$2 billion. Though the Japanese Ministry of Foreign Affairs assessed the summit and overall Russo-Japanese relations positively, it is difficult to escape the feeling that relations have only moved backward since early 1998.

Pre-summit Maneuvering

Vladimir Putin emerged as the star of the Okinawa summit. Fresh from a visit to North Korea, Putin held a captive audience of G-8 leaders. German Chancellor Gerhard Schroeder described his report on the situation in North Korea as “brilliant.” Other leaders crowded Putin’s schedule, and Mori was only able to meet with him for about an hour. They talked about the agenda for their upcoming summit. Neither side was prepared to enter into a lengthy discussion on bilateral matters. This actually may have been the best time to catch Putin in a generous mood. These were the halcyon days before Russia’s “Black August,” when the terrorist bombing in central Moscow, the sinking of the nuclear attack submarine Kursk, and the Ostankino television tower fire fell upon Russia and Putin in rapid succession. His response to the latter two tragedies left many Russians questioning his leadership skills. This was to have a profound influence on Putin’s behavior in Tokyo.

Several days after the Putin-Mori meeting on Okinawa, Nonaka Hiromu, Secretary-General of the Liberal Democratic Party (LDP), shocked the Japanese public and the Ministry of Foreign Affairs by stating that the territorial dispute should not stand in the way of a peace treaty between Japan and Russia. This has been Russia’s position all along. Foreign Minister Kono Yohei was quick to dismiss this idea and soon MOFA had

the prime minister toeing this line as well. But this was apparently no mere slip of the tongue for which Japanese politicians are so famous. Nor were Nonaka's remarks necessarily directed toward Moscow. In fact, Nonaka seemed to be embroiled in an inter-governmental spat involving both the LDP and MOFA. Several LDP leaders (including deputy chief cabinet minister Suzuki Muneo, who acted as one of former Prime Minister Obuchi's special envoys to Russia), and a few members of the Foreign Ministry, unhappy with the direction of Russia policy, floated a trial balloon. MOFA's Russia school, led by ambassador Tamba Minoru, were quick to quash this experiment, engaging the services of the prime minister. However, it appears that within the ranks of the Russia school there is a debate under way. The question is, how much clout can a conciliatory group amass in Tokyo? Members of MOFA's Russia school, once the most dedicated of cold warriors, have steered Soviet and Russia policy for over five decades. They appear unwilling to relinquish the helm.

Another event prior to the September summit that could be seen as a pre-summit gesture was Putin's stopover in Sakhalin, prior to his arrival in Tokyo. This should obviously have been seen as a signal to Tokyo that Putin was in no mood to bargain, especially after the *Kursk* and Ostantkino incidents. The Sakhalin administration of Governor Igor Farkhutdinov is most adamant about not handing over the southern Kurile Islands to the Japanese. Putin's visit was designed to demonstrate to all Russians that he had no intention of handing over territory. In a similar vein, the head of the Russian State Fishery Committee Yuri Sinel'nik published a lengthy piece in the *Nezavisimaya Gazeta*, claiming that the waters of the seas around the southern Kuriles can yield up to \$1 billion annually in fishing revenues. The message from Russia was clear: no to territorial concessions.

The Tokyo Summit

Given these signposts, it is no surprise that Putin's visit to Tokyo produced negligible results. Fifteen documents encompassing trade and investment, security, the environment, and military cooperation were signed by the two leaders, but both sides came away from the summit rather disappointed. The Japanese expected some sort of new initiative to emerge. In fact, they rolled out the red carpet for Putin. Mori went all the way to the airport to meet Putin, and the emperor came to greet the Russian President at the door of his residence in Akasaka Palace, a gesture rarely extended to foreign guests. How they could not read the signs in the wake of the *Kursk* disaster is beyond the comprehension of many observers in Moscow. Similarly, Putin hoped that the recent signs of economic growth in Russia would be a stimulus to renewed Japanese interest in Russian investment. Putin had announced in Sakhalin that liberal Russian Minister of Trade and Economic Development German Gref would gain control over the portfolio containing production-sharing agreements (PSAs). This is seen as a boost to investment protection in the energy field. But both Mori and business executives at the *Keidanren* pointed out to Putin that until the poor investment climate in Russia and the Russian Far East is rectified, no large-scale Japanese investment can be expected.

It was reported that Putin invoked the 1956 joint declaration during his discussions with Mori. It called for Japanese control of the two southernmost and smallest of the disputed islands in exchange for a peace treaty. It was unclear at the time whether the two remaining islands would remain on the table for discussion. The *Asahi Shimbun* reported that there were some in the Japanese government who still support a treaty based on the 1956 joint declaration. Apart from the disagreements on interpretations and starting points, many Japanese officials expressed optimism about Putin and his ability to deliver. In private talks with this author in Tokyo after the summit, several government officials and advisors expressed appreciation that between the two visits to Japan, Putin seemed to have done his homework, demonstrating a good grasp of the historical details and legal technicalities of the territorial dispute. They feel that Putin could possibly be the leader to make territorial concessions. However, they stressed that rapid progress is essential, and that a policy of inaction by Russia over the next few months could damage relations to an even greater extent.

In spite of the relatively sanguine mood at the governmental level, the mood among the respective publics was not positive. Russian editorials published prior to the summit warned Putin that he should not give in. The respectable centrist paper *Kommersant* exhorted Putin not to “sell-out the Motherland.” Two other centrist papers, *Vremya* and *Nezavisimaya Gazeta* published pieces on the 55th anniversary of the Japanese surrender (September 2), asserting essentially that, “to the victors the spoils.” Japanese editorials decried the meager results of the summit after the fact. The *Sankei Shimbun* warned that anti-Russian sentiment in Japan was bound to grow given a continued stalemate over the territorial issue. The *Yomiuri Shimbun* argued that no more large-scale economic assistance should be extended to Russia until a peace treaty is signed. Even the normally placid *Nihon Keizai Shimbun* scolded Putin for being too concerned about short-term domestic political considerations. Some Japanese commentators and Putin himself pointed to the general positive trend in Russo-Japanese relations over the past several years. But this seemed to be putting a brave face on what was an utterly unspectacular summit. In the end, both leaders agreed to continue discussions in the future. There is talk of a Mori visit to Moscow before the end of the year, but it seems that this would serve little purpose at the present.

Just days after Putin’s visit to Tokyo, a Maritime Self Defense Forces (MSDF) officer, Lt. Cmdr. Hagsaki Shigehiro, was arrested on suspicion of having divulged classified information to a Russian naval attaché. The Russian press was quick to latch on to the event as Japanese posturing after the unsuccessful conclusion to the summit. But Russian Foreign Minister Ivanov was quick to deny that there was any significance to the arrest. He said that it would have no bearing whatsoever on the relationship. Mori and Putin were both quick to second this. It now appears that the materials passed on included information on shipboard defense systems. Of concern to many is that the U.S. Navy and the MSDF deploy similar systems. Whatever the nature or sensitivity of the information, the Japanese public came away with a further negative image of Russia after the disappointing summit.

An Energy Bridge

Russian energy monopoly Unified Energy Systems (UES) has been making earnest efforts to find investment for the construction of a proposed Sakhalin-Hokkaido “Energy Bridge.” On July 21, UES and the Sakhalin regional government signed an agreement to coordinate efforts to construct a 4,000-megawatt gas-fired power station in an effort to export electricity to Japan by the year 2012. Initial estimates for such a project stand at \$9.6 billion. But analysts in Moscow are rather pessimistic about such a plan, especially given the reluctance of Japanese investors to finance such a grand project. However, the Sakhalin Energy Consortium (Sakhalin-2 – the only Sakhalin project that is actually producing at the moment) is considering assisting the project, by selling some of its production to UES. Japan’s Mitsui and Mitsubishi Corporation are participants in the Sakhalin 2 consortium. In addition, UES is reportedly in negotiation with the Japanese trading company Marubeni. Accompanying Putin to Tokyo was UES chief Anatoly Chubais, who was there to discuss his plans with potential Japanese investors. He was given a lukewarm reception. Though plans for energy bridges and petroleum pipelines look good on paper, the infrastructure and funding needed to realize such ambitious projects are enough to scare away the boldest of investors. Nevertheless, price spikes such as the recent rise in crude prices can provide the financial incentives to get such projects off the ground. Meanwhile, the Sakhalin-2 project continues to grow; during the first year it produced one million tons of crude oil. This should give impetus to the other five Sakhalin offshore projects that are due to start producing in 2-3 years. Japanese firms have invested in two of these projects, and expect interest in Japan to grow over the next few years.

Northeast Asia in Flux

The decision by U.S. President Bill Clinton to hold off on the development of a national missile defense system (NMD) could ironically have adverse consequences for Japanese policy toward Russia and China. Now that the United States has indefinitely put off the development of an NMD system (at least for a year, perhaps longer), Washington will likely decide to proceed with the development of a theater missile defense (TMD) system. Such a system will probably include Japanese involvement, given Tokyo’s ambiguous relationship with China and North Korea’s continued penchant for antics. Russia has already announced its opposition to both a NMD system and, in line with strategic partner China, a TMD system in Northeast Asia. China sees both the NMD and the TMD system as threats to its strategic nuclear arm. Russia sees TMD as a springboard to the development of a NMD system. There could be more pressure on the Japanese from the Russian side to *not* help the U.S. to develop TMD. Already it seems to be working. The *Sankei Shimbun* reported that the Japanese government has “gone cold” on missile defense. Japan continues to insist that, “the TMD system purely aims at defense” (in the words of Chief Cabinet Secretary Nakagawa). But Russian and Chinese pressure will continue. Sino-Japanese relations have not improved since Premier Jiang Zemin’s controversial visit to Tokyo in 1999. As long as issues such as nuclear testing, Official Development Assistance, TMD, spy ships, Taiwan, and the history question

continue to plague relations between Beijing and Tokyo, Japanese leaders will have the option of developing a “Russia card.”

President Putin appeared to have a new card in his vest after his visit to North Korea. It was expected that he would use this as the key to a Russian re-emergence in Northeast Asian affairs. Putin had reportedly discussed with DPRK leader Kim Jong-il a North Korean offer to desist from the development of ballistic missiles, in return for economic assistance in the form of free satellite launches. Putin hoped he had the key to disarming one of the American rationales for building an NMD or TMD system. But no sooner had “Black August” begun than Kim Jong-il announced that his comment to Putin had been made jokingly. Although Kim Jong-il did not completely deny the validity of the offer, messages coming from Pyongyang were ambiguous at best. It seems that Putin needs to go back to the drawing board and reengineer Russia’s relations not only with Japan, but also with North Korea.

Japan and Russia find themselves again at crossroads in bilateral relations, and in relations with the other nations of Northeast Asia. Many seasoned observers in Moscow and Tokyo are confident, however, that the two nations will eventually recognize their need for one another in an arena that seems permanently in flux.

Chronology of Japan-Russia Relations July-September 2000

July 7, 2000: A group of 42 elderly Japanese citizens visit the Southern Kurile island of Iturup/Etorofu where they lived before being expelled at the end of World War II.

July 12, 2000: Russian Foreign Minister Igor Ivanov and Japanese Foreign Minister Kono Yohei meet in the Japanese city of Miyazaki, on Kyushu, and discuss the upcoming G-8 Summit. Ivanov and Kono also discuss Russo-Japanese political and economic relations.

July 12, 2000: The U.S. government asks Japan to help foot bills totaling about \$400 million to help pay for processing plutonium from dismantled Russian nuclear weapons. This is about 20 percent of the \$2 billion that Washington and Moscow agreed to provide for processing 34 tons of plutonium in Russia.

July 18, 2000: Fuji Bank announces final plans to go ahead with an investment of over \$600 million in Russian energy giant Gazprom’s trans-Black Sea gas and oil pipeline project, “Blue Stream.” Fuji is to team with 10 other Japanese banks and financial institutions, including Sumitomo and Sanwa Banks.

July 19, 2000: Anatoly Chubais, Chief of United Energy Systems of Russia, the national electric utility, announces his plan to construct two power stations on the Russian island of Sakhalin with the aim of linking Japan and Russia via a \$10 billion energy bridge project.

July 23, 2000: Prime Minister Mori and President Putin hold an hour-long meeting at the G-8 Summit in Okinawa. They discuss Putin's upcoming visit to Tokyo and his recent visit to Pyongyang.

July 26, 2000: During a visit to Tokyo, Russian Communications Minister Leonid Reiman announces the signing of a major contract for the purchase of Japanese satellite equipment by a Russian state-owned company, Kosmicheskaya Sviaz (Space Telecom). Japan's NEC Corporation and Sumitomo Shoji trading company, together with Mitsui Corp., are going to supply the Russian company with satellite electronics for a total sum of \$102 million.

July 27, 2000: In a departure from Tokyo's traditional stance that the two issues not be separated, Nonaka Hiromu, Secretary-General of the Liberal Democratic Party (LDP), opines that the territorial dispute should not stand in the way of a peace treaty between the two nations.

Aug. 14, 2000: The World Bank announces a \$250 million loan payment to Russia. Japan plans to add a matching \$150 million.

Sept. 3-5, 2000: President Putin visits Japan, meeting with Japanese Prime Minister Mori, Emperor Akihito, and a delegation of Japanese business executives from the *Keidanren*. While in Tokyo, Putin and Mori sign over 15 joint documents on foreign policy, bilateral relations, economy and security.

Sept. 8, 2000: A Maritime Self Defense Force officer, Lt. Cmdr. Hagsaki Shigehiro, is arrested on suspicion of having divulged classified information to Captain Viktor Bogatenkov, a Russian naval attaché serving at the Russian embassy in Tokyo.

Sept. 10, 2000: Russian and Japanese naval ships take part in a joint exercise off of Kamchatka. Taking part on the Russian side are two anti-submarine ships of the Pacific Fleet and on the Japanese side the destroyers Hiei and Hamagiri.