# "A GERMANY IN THE PACIFIC:" THE ROLE OF JAPAN IN RUSSIA'S TURN TO ASIA

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**Abstract:**
This paper examines the role of Japan in Russia's recent strategic, economic, and ideational re-orientation towards Asia. It focuses on the current state of bi-lateral relations, in particular developments before and after the 2012 APEC summit held in Vladivostok. The paper draws attention to emerging opportunities between the two countries, in particular in the spheres of energy, security, and the potential for increased Japanese investment in the Russian Far East. It also addresses the issue of the territorial dispute over the Southern Kurils / Northern Territories and its impact on the Russian-Japanese relationship. The paper charts a renewed effort amongst some in the Russian political and intellectual elite to emphasise Japan as a key partner for Russia's national development strategy. It also draws the attention to the various and diverging understandings of national identity amongst this elite; the nature of Russia's integration into the Asia-Pacific Region; and the context of changing regional geopolitics.

**Keywords:** Russia, Japan, APEC, economic development, energy, national identity, Southern Kurils / Northern Territories.

***Resumen:***
*Este artículo analiza el papel de Japón en la re-orientación de Rusia hacia Asia en el plano tanto estratégico, económico como ideacional, fijándose en el estado actual de las relaciones bilaterales, en particular los hechos anteriores y posteriores a la Cumbre APEC del 2012 en Vladivostok. Este artículo fija igualmente su atención en las crecientes oportunidades entre ambos países, en particular en las esferas de energía, seguridad y en el potencial para mayores inversiones en el Lejano Este de Rusia. Igualmente considera el problema de la disputa territorial en torno a las Kuriles del Sur / Territorios del Norte y su impacto en las relaciones Rusia-Japón. Este artículo identifica un renovado esfuerzo entre la élite política e intelectual rusa por poner un mayor énfasis en Japón como socio clave en la estrategia de desarrollo nacional, la cual a su vez está íntimamante ligada a una determinada forma de concebir la identidad nacional, a la naturaleza de la integración rusa en la región Asia-Pacífico y a una geopolítica regional cambiante.*

***Keywords:*** *Rusia, Japón, APEC, desarrollo económico, energía, identidad nacional, Kuriles del Sur / Territorios del Norte.*



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## 1. Introduction

Borders between states are inherently dynamic as they are constituted by fluid political, cultural, economic, social, geopolitical, and historical processes. Since the collapse of the Soviet Union in 1991, there have been in Russia radical shifts in prevailing views towards neighbouring states as well as distinct changes in the nature of borders; and re-conceptualisations of both regional and national identity. These shifts over the last 25 years have been particularly acute in the Russian Far East, which through its changing external relations with surrounding states has demonstrated precisely how "specific boundaries materialize, rematerialize, and dematerialize in different ways, in different contexts, at different scales, and at different times."[2] This paper attempts to provide an overview of Russia's relations with Japan, and in particular how the Russian Far East (RFE) figures in this relationship. It also addresses how the nature of borders and borderlands can be shaped, and even inverted, as a response to rapidly shifting political, economic, and security contexts.

The paper begins by briefly examining the 2012 Asia-Pacific Economic Cooperation (APEC) Summit held in Vladivostok, and how it can be understood as part of Russia's strategic turn towards Asia. Against the background of this summit, it also addresses how Japan has been interpreted as a particularly important player in this process by certain members of the Russian political and intellectual elite. It then discusses the unresolved territorial dispute over the Southern Kurils / Northern Territories, and how this issue has been used as a symbolic device to articulate competing visions of Russia's national identity and destiny. The paper argues that for some amongst the Russian elite, Japan has assumed the role of a vital partner, capable of redefining Russia's place in the region and facilitating its integration into the economic dynamism of the Asia-Pacific. It has also been represented as a state able to assist Russia in consolidating and developing the vast territories of the RFE. However, at precisely the same time as such elite-visions privilege Japan's role in this transformation, they also expose tensions between different understandings of Russia's place in the world; fractures in regional geopolitics; and competing strategies behind Russia's drive for national and regional development. Drawing on events surrounding the 2012 APEC Summit, this paper interrogates the role of Japan in elite discourses over Russia's national development strategy, and the success or failure of these discourses in declaring to the world, and more importantly to a domestic audience, that Russia is both a European *and* Asian power.

## 2. Changing Borderlands: Vladivostok and the Russian Far East

With the implosion of Soviet power in 1991, and the associated withdrawal of central state authority and support, the RFE was acutely affected by worsening social and economic problems.[3] Features of this period were the decline of state-backed industries and services; a reduced military capability; unemployment; the removal of barriers over the movement of goods and people; the weakening of state and law-enforcement institutions, which in turn

[2]Megoran, Nick: "Rethinking the Study of International Boundaries: A Biography of the Kyrgyzstan–Uzbekistan Boundary", *Annals of the Association of American Geographers*, vol. 102, no. 2 (2011), pp. 1-18.p.1.

[3]Lukin, Artyom and Troyakova, Tamara: "The Russian Far East and the Asia-Pacific: State-Managed Integration", in Azizian, Rouben and Lukin, Artyom (eds.) (2012): *From APEC 2011 to APEC 2012: American and Russian Perspectives on Asia-Pacific Security and Cooperation*,Vladivostok, Far Eastern Federal University Press, pp. 189-203; p. 193.

exacerbated overexploitation of the region's natural resources; worsening corruption; and the increasing influence of criminal elements on business and politics.[4] It is therefore hardly surprising that between 1991 and 2012, the RFE lost about one fifth of its population as birth rates collapsed and out-migration increased as people left in order to escape the deteriorating economic conditions and dire employment prospects.[5]

With their standard of living dramatically declining, for those who remained in the Far East, the 1990s could be characterised as a time of neglect and disconnection from Moscow. However, the coming to power of Vladimir Putin in 2000 was to signal a renewed interest in the RFE as the central government began to reassert a degree of influence over the region, most dramatically and immediately with the removal of the controversial Primorskii governor, Yevgeni Nazdratenko in early 2001.[6] By the end of Putin's first Presidency, a massive federal development programme for the RFE and Siberia had been announced with huge state funding provided through to 2013.[7] The symbolic culmination of this trend was, with the announcement by President Putin in September 2007, at the APEC leaders' meeting in Sydney, that Vladivostok would host the 2012 APEC Summit. With this announcement, the city was set to be transformed into a key stage on which to demonstrate the government's ambitions in the RFE and the Asia-Pacific as a whole.

Putin had committed Russia to hosting a major international summit in a city with basically non-existent infrastructure for such a purpose at the time. Justifying the decision to bring APEC to Vladivostok, Putin and other members of the leadership emphasised that it was aimed at giving impetus to the RFE and showcasing it to the international community.[8] It was equally a chance for a symbolic demonstration to a domestic audience, especially to the residents of the RFE, that the Russian state now had a renewed desire to develop the region and provide the necessary services and infrastructure for its citizens. Crucially, it also demonstrated that the state now had the resources to make good on its promises and in total $21 billion was spent on making Vladivostok capable of hosting this summit.[9]

APEC and the infrastructure projects associated with it were endorsed by both Dmitri Medvedev and Putin as part their own political legacy. While still President, Medvedev made high-profile visits to the city in the run-up to the summit in order to supervise construction and ensure timely progress was being made. Putin, President at the time of the summit in September 2012, enthusiastically hosted the event and continues to emphasise precisely what integration into the Asia-Pacific region means for Russia's national development. At an address to the Federal Assembly on Russia's economic outlook at the end of 2012 he reaffirmed that "Siberia and the Far East - it is our enormous potential...This is an opportunity to take a rightfulplace in the Asia-Pacific region."[10]

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[4] *Ibid*. p. 194.

[5] "Programma razvitiya Dal'nego Vostoka otoslana na dorabotku - raskhody okazalis' 'neadekvatnymi'", at http://newsru.com/finance/20feb2013/fareast.html.

[6] See: Fish, Steven: "Putin's Path", *Journal of Democracy*, vol. 12, no.4 (2001), pp. 71-78.

[7] "Programma 'Eknomicheskoe i sotsial'noe razvitie Dal'nego Vostoka i Zaibaikal'ya na period do 2013 goda', Ministry of Economic Development of the Russian Federation, 21 November 2007, at http://www.economy.gov.ru/minec/activity/sections/econreg/investproject/doc2010011212.

[8] Lukin and Troyakova, *op. cit.*, p.195.

[9] "A pleasure too costly", 07 September 2012, at http://en.gazeta.ru/opinions/2012/09/07/a_4758569.shtml.

[10] Rogov, Yurii: "Prezident napravil vektor razvitiya v dal'nevostochnye zemli", *Dal'nevostochnyi kapital*, vol. 20 (December 2012), at http://www.zrpress.ru/politics/dalnij-vostok_20.12.2012_58486_prezident-napravil-vektor-razvitija-v-dalnevostochnye-zemli.html.

The summit itself passed without any major problems or issues. However, the huge state expenditure on APEC 2012 raised some inevitable questions about Russia's development strategy in the region. As a number of commentators noted, the current approach almost entirely relies on vast state resources, and the region has become bound to the fickle budgetary conditions of the Russian state.[11] Questions remain over to what degree the region will be burdened with the long-term upkeep of these projects? What is the sustainability and prospects for future funding of such costly programmes, in Vladivostok or elsewhere? And, do such projects merely encourage corruption and dampen the competiveness of Russian business in the region? These and other critical questions have a serious potential to undermine the Putin / Medvedev legacy, and with such questions have come suggestions of a different model of developing the Russian Far East with Japan at its centre.

## 3. The Role of Japan in Russia's Turn to Asia

Any visitor to Vladivostok will immediately notice the presence of South Korean businesses – from Korean Air and Asiana at the airport,[12] to the hotel Hyundai (still Vladivostok's premier hotel at the time of the summit), to the range of Korean food products in the supermarkets. As for relations with China, they have developed to such a level that Putin declared in the run-up to APEC that they have achieved "an unprecedented level" with "not a single irritating element."[13] As Russian Foreign Minister, Sergei Lavrov, recently reiterated, "the amount of our trade with China, our main trading partner, has reached the all-time high of $83.5 billion, and it looks more than feasible that the figure of $100 billion, a target for 2015, will become reality."[14] He also noted that the amount of trade with the Republic of Korea has increased to $25 billion, and the trade turnover between Russia and Japan is today nearly $30 billion.[15] However, for an economy of its size, there is a lingering feeling in Russia that both economic and political relations with Japan have not yet reached their potential. As one leading Russian expert on Japan, VyacheslavAmirov of the Institute of World Economy and International Relations, has put it, Russian-Japanese relations "look almost the same as they did six to seven years ago."[16]

Amirov suggests that Russia and Japan have not managed to achieve the significant potential of their bilateral economic ties, nor cooperation within the Asia-Pacific multilateral institutions of which they are members.[17] This is despite the presence of those on the Russian side who have advocated further developing economic interaction with Japan as it has the potential to balance Russia's growing ties with China. As Andrey Borodaevskiy has explained: "Japan represents a natural counterweight to mighty and rapidly growing China, a fact which may turn out to be of major importance in the context of future economic rivalry in

[11]Lukin, Artyom: "The Russian Far East: developmental and geopolitical challenges", *ISA Annual Convention*, San Francisco, 3-6 April (2013).
[12]However, no Japanese airlines currently serve the RFE.
[13]"Putin Praises 'Unprecedented' Russian Ties With China", *RFERL*, 27 April 2012, at http://www.rferl.org/content/putin_praises_china_relations/24562817.html.
[14] Lavrov, Sergei: "Russia in APEC: toward New Horizons of Asia-Pacific Integration", *Mezhdunarodnaya Zhizn'*, Special Edition APEC 2012 (2012), pp. 8-18. p. 13. [Available in English at en.interaffairs.ru/i/2012_eng.pdf].
[15] *Ibid.*
[16]Amirov, Viacheslav: "Russia, Japan, and the Asia-Pacific", in Azizian, Rouben and Lukin, Artyom (eds.) (2012): *From APEC 2011 to APEC 2012: American and Russian Perspectives on Asia-Pacific Security and Cooperation*,Vladivostok, Far Eastern Federal University Press, pp. 127-137. p.128
[17]*Ibid.* p.129.

the world, in general, and in East Asia, in particular."[18] It is also worth noting that the actual threat perception of Russia from the Japanese side, and vice versa, is relatively low. In terms of security, Japan is today focussed on reducing Cold War era equipment and organization from ground units in the north (where a Soviet invasion was once expected) towards bolstering maritime and air units in the southwest (where the expanding military of China is now the concern).[19]

In the economic sphere, and against the background of APEC 2012, as well as Russia's recent accession to the WTO, it has been argued that attracting Japanese technological resources and investment would correspond with Russia's declared priorities of further liberalization of trade and investment in the Asia-Pacific; deeper economic integration; joint efforts to encourage "innovative growth;" and improvement of transport and logistics.[20] These rather vague and ambitious long-term goals also come at the same time as Japan strives to compensate for its reduced nuclear energy capacity in the wake of the Fukushima disaster. Immediately prior to the devastating tsunami and nuclear disaster, the share of atomic power in Japan's production of electricity was 30.8 per cent.[21] The inevitable short-fall caused by shutting-down Japan's nuclear plants and uncertainty about the industry's future have made finding alternative energy sources to nuclear power a political and economic priority.

Geoffrey Hornung of the Asia-Pacific Center for Security Studies in Honolulu, notes that energy holds a promising future for Russian-Japanese relations, as Japan ranks first globally as a natural gas and coal importer, while Russia ranks third globally as a coal exporter and first as a natural gas exporter.[22] In a recent special "APEC 2012" edition of the Russian journal *Mezhdunarodnaya Zhizn'*, Vladimir Likhachev of the Russian Energy Research Institute, emphasises that gas exports from the RFE will continue growing as a result of the recent agreement on joint construction of a third unit of the LNG plant on Sakhalin to produce around 5 million tons of LNG, as weel as a proposed new plant in Vladivostok.[23]Alexei Miller, CEO of Russia's state controlled Gazprom, has stated that the Vladivostok plant will have a capacity of at least 10 million tons of LNG a year, with output scheduled to reach full capacity before the end of 2016, of which 70 per cent will go to Japan and 30 per cent to South Korea.[24] A Japanese consortium of Itochu, Japex, Marubeni, Inpex and Cieco signed an agreement with Gazprom in April 2011 to prepare a joint feasibility study on construction of the LNG plant and other gas-chemical facilities in Vladivostok.[25] Likhachev suggests that such projects are absolutely desirable for both sides: "Russia shows

[18]Borodaevskiy, Andrei: "Democracy and Growth: Russia's Great Challenge", *The Japan Times*,17 January 2012, cited in Amirov, *op. cit.*, p. 130.
[19]Hornung, Jeffrey: "Japan and the Asia-Pacific", in Azizian, Rouben and Lukin, Artyom (eds.) (2012): *From APEC 2011 to APEC 2012: American and Russian Perspectives on Asia-Pacific Security and Cooperation*,Vladivostok, Far Eastern Federal University Press, pp. 138-150.p. 147.
[19]*Ibid.*
[20]"Interview by Deputy Foreign Minister A. Borodavkin", *Kommersant*, 29 November 2011, at http://www.mid.ru/brp_4.nsf/0/D8E7F804D6E48_D1A4425795700280D74-29-11-2011, cited in Amirov, *op. cit.*, p.133.
[21]Tabata, Shinichiro: "The Booming Russo-Japanese Economic Relations: Causes and Prospects", *Eurasian Geography and Economics*,vol. 53, no. 4 (2012), pp. 422-441; p. 438.
[22]Hornung, *op. cit.*, p. 145-146; International Energy Agency: "Key World Energy Statistics" no. 13 (2011), available at www.iea.org.
[23]Likhachev, Vladimir: "The Asia-Pacific Component of the Russian Energy Strategy 2030", *Mezhdunarodnaya Zhizn'*, Special Edition APEC 2012 (2012), pp. 104-114; p. 109 (Available in English at en.interaffairs.ru/i/2012_eng.pdf).
[24]"Russia Ready to Boost Energy Supplies to Japan – Putin", at http://en.ria.ru/business/20130429/180908611/Russia-Ready-to-Boost-Energy-Supplies-to-Japan--Putin.html.
[25]*Ibid.*

interest toward the LNG plant project in Vladivostok because it hopes to gain access to new industrial construction technologies, while Japan stakes on diversifying its gas import."[26]

Russia has also invited Japan to jointly develop gas fields in Eastern Russia - in Irkutsk Region (a gas condensate field at Kovyktino), and Yakutia (the Chayanda gas field). However, while Japan has declared an interest in being involved in the Sakhalin-3 project, it has been reported that Gazprom has stated that no foreign companies will be eligible.[27] Likhachev also points out that regardless of what potential for cooperation exists, the lack of infrastructure (or guarantees of its eventual construction) for direct delivery of gas to Japan, will constrain progress on any joint projects.[28] Nevertheless, Sakhalin's off-shore oil and gas is a critical element of Russia-Japan trade, and in 2012, foreign trade turnover between Sakhalin and Japan amounted to $7 billion, which is almost 40 per cent of Sakhalin region's foreign trade, and more than 20 per cent of the total foreign trade of Russia and Japan.[29]

However this burgeoning energy relationship, a number of Russian experts are concerned about an over-reliance on energy exports in both the Russian-Japanese relationship, and the export-profile of the RFE as a whole. They advocate widening the bi-lateral relationship with Japan across all sectors in order to capture Japan's huge economic, investment and technological potential.[30] One of the strongest supporters of Japan's critical role in developing the RFE is Director of the Moscow Carnegie Centre, Dmitri Trenin, who is convinced that Japan can be a "Germany in the Pacific" for Russia.[31] He reasons that:

> Germany is Russia's closest partner and perhaps its best friend among the bigger countries of the West. Gaining a similar partner in the east would produce clear benefits in all relevant areas: trade […], investment, science and technology, education, healthcare, transportation, and human relations…a Germany in the Pacific would make Russia's global position much more sustainable[32]

Trenin suggests that Japan would also achieve significant benefits, arguing that: "When China's northern neighbor and strategic partner warms up to Japan, the Japanese people will have every reason to feel more secure."[33] Rather than the Russian government's current economic plan for Siberia and the Far East of state funding and more centralized control, Trenin believes that Russia should instead fully utilise the economic potential of the neighbouring Pacific region to develop its eastern territories, and Japan should be at the vanguard of this strategy. His idea is that Russia and Japan will move toward a relationship

[26] Likhachev, *op. cit.*, p. 112.
[27] *Ibid.*, p. 109.
[28] *Ibid.*, p. 110.
[29] "Podpisana novaya programma ekonomicheskogo sotrudnichestva mezhdu dal'ne vostochnymi regionami Rossii i Hokkaido (Yaponiya)", *Pravitel'stvo Sakhalinskoi' Oblasti*, at http://www.admsakhalin.ru/index.php?id=105&no_cache=1&tx_ttnews%5Byear%5D=2013&tx_ttnews%5Bmonth%5D=02&tx_ttnews%5Bday%5D=18&tx_ttnews%5Btt_news%5D=5436&cHash=a41c0b4ec9ab4a2d24ce40eb3c8deefc.
[30] Amirov, *op. cit.*, p. 132.
[31] Trenin, Dmitri and Weber, Yuval (2012): *Russia's Pacific Future: Solving the South Kuril Island Dispute*, Moscow, Carnegie Endowment for International Peace.p.4.
[32] *Ibid.*, p. 9.
[33] *Ibid.*, p. 10.

"that thrives on information technology, space technology, and education…A new relationship…that ensures Japanese companies invest in Russia beyond natural resources."[34]

Similarly, some commentators in Japan have recognised both the economic benefits of engaging with the RFE, and the potential welcome that Japan would receive for playing a role in developing the region – a factor that may not always be present in Japan's relations with other states in northeast Asia. For instance, Hironori Fushita of the Japan Institute of International Affairs, has highlighted that: "With the Russian government now 'pivoting' toward the Far East region, the time has come for Japan to boost its presence, increase its influence with Russia, and expand its economic cooperation with Russia through coordinated public- and private-sector efforts…serious consideration should be given to ways in which Japan can participate in the development of Siberia and the Far East region."[35] Therefore, with indicators of economic synergy, and a new will towards cooperation being articulated on both sides, what is holding up the drive towards a new Russian-Japanese partnership?

## 4. Unlocking Russia's "Germany in the East"

A 2012 report on Russia-Japan relations by leading experts of the Russian International Affairs Council noted that, with the exception of oil and gas projects in Sakhalin, Japanese capital does not play a significant role in Russia's economy,[36] and investment flows between the two countries seem unlikely to shoot up in the near- or mid-term future.[37] Japanese banks and other financial structures are also underrepresented in the Russian stock market, and aside from the proposed construction of an oil refinery and the recently announced Toyota and Mazda car-assembling facilities near Vladivostok, there are no joint mega-projects on the horizon with Japanese business.[38]

Even at the most recent meeting in April 2013 between President Putin and Prime Minister Shinzo Abe - the first top-level Russian-Japanese summit in almost a decade - only modest agreements were announced. Putin and Abe oversaw the signing of an intergovernmental agreement on establishing and running cultural centres, and a number of cooperation agreements in the transport and energy sectors, on exchanging financial intelligence information on money laundering and financing terrorism, and on establishing a Russian-Japanese investment platform. These were accompanied by a memorandum of

[34] *Ibid.*, p. 9.

[35] Fushita, Hironori: "Russia's Eastward Pivot: Circumstances in Russia Following Putin's Comeback and Japan's Reaction", *AJISS-Commentary: The Association of Japanese Institutes of Strategic Studies*, vol. 149, no. 23 (2012), pp.1-4.p.4.

[36] At the end of 2010, Japanese accumulated direct investment in Russia stood at $1.2 billion (0.1 percent of all Japanese outward direct investment). Russia's investment in the Japanese economy is even less than statistical discrepancy, JETRO Global Trade and Investment Report (2011), p. 117 & 122, cited in Amirov, *op. cit.*, p. 131;

In a 2012 report on Russia-Japan relations, the Russian International Affairs Council, cited statistics that in 2010

the volume of Russia's FDI in Japan amounted to $283.8 million. See: Panov, A.N., Kazakov, O.I., Kistanov, V.O., Kuzminkov, V.V., Pavlyatenko, V.N., Streltsov, D.V. and Chugrov, S.V. (2012): *Current State of Russia's Relations with Japan and Prospects for their Development*, Moscow, Russian International Affairs Council. p. 12-13.

[37] Amirov, *op. cit.*, p. 131.

[38] Panov, et al., *op. cit.*, p.14 & 15.

understanding between Rosneft Oil Company and Mitsui & Co Ltd, and a memorandum of cooperation between the Amur Region government and Hokkaido Bank.[39] However, these are small steps rather than a giant leap forward in the Russian-Japanese economic relationship. Putin was nevertheless keen to emphasise Russia's willingness to invest in large-scale infrastructure projects in order to help meet Japan's growing need for hydrocarbon resources. He even suggested that Gazprom could be prepared to invest its resources in gas pipeline systems within Japan, and the possibility of building additional electric power capacity in Russia for subsequent supply to Japan.[40]

However, such projects are still focussed on the energy sector, and as Artyom Lukin of the Far Eastern Federal University has noted, there remains a prevalent feeling that wider Russian-Japanese economic relations are hampered by the unresolved territorial dispute. While Lukin recognises that Japan may be interested in helping to reduce Russia's growing dependence on China, this is unlikely to do much to assist Russia's regional development aspirations, which is "of course, mainly because of the ill-fated dispute over [the] South Kuriles/Northern Territories still poisoning relations between Moscow and Tokyo."[41]

The contested islands in this dispute are Shikotan, Kunashir/Kunashiri, Iturup/Etorofu, and the islets and rocks constituting the Habomai group. These islands have been under Russian control since September 1945 and the Japanese who remained on the islands at the end of the War were subsequently deported by Soviet authorities. Today, the Japanese government claims all these islands and the issue over their ownership has been partly responsible for the lack of a post-War Peace Treaty between the two sides. To break the deadlock over the islands' status, various ideas have been proposed over the years. A dominant trend on the Russian side is exemplified by the Russian International Affairs Council's report, which suggests that the problem of not signing a peace treaty should not be allowed "to prevent […] or contain the development of bilateral relations. On the contrary, only by achieving [a] high level of the relations [will it] be possible to create the right atmosphere for devising its solution."[42] In other words, developing economic relations should come before any concessions over territory.

However, in order to unlock the potential of Japan for developing its eastern provinces, there have also been suggestions of bold territorial concessions from some on the Russian side. In the early 1990s these were most often associated with former Russian Deputy Minister of Foreign Affairs, Georgii Kudnadze. More recently, and in order for Japan to become his "Germany in the Pacific," Trenin has suggested that the only way for Russia to benefit from a qualitative and quantitative improvement of relations with Japan is by resolving the territorial issue once and for all. He is convinced that as long as the dispute over the South Kuril Islands remains, then "Moscow will not be able to transform its relationship with Tokyo into one resembling the current Russian-German partnership. This makes it more difficult for Russia to embrace its Euro-Pacific future."[43]

[39] "Russian-Japanese talks", at http://eng.kremlin.ru/news/5337.
[40] "Russia Ready to Boost Energy Supplies to Japan – Putin", at http://en.ria.ru/business/20130429/180908611/Russia-Ready-to-Boost-Energy-Supplies-to-Japan--Putin.html.
[41] Lukin, Artyom: "The Emerging Institutional Order in the Asia-Pacific: Opportunities for Russia and Russia-US Relations", in Azizian, Rouben and Lukin, Artyom (eds.) (2012): *From APEC 2011 to APEC 2012: American and Russian Perspectives on Asia-Pacific Security and Cooperation*,Vladivostok, Far Eastern Federal University, pp. 225-236; p. 234.
[42] Panov, et al., *op. cit.*, p. 27.
[43] Trenin and Weber, *op. cit.*, p. 10.

With so much at stake for Russia, Trenin points to the recent precedent of pragmatic territorial concessions from the Russian side towards China in 2004 (when 50 per cent of the territory of disputed islands in the Amur River near Khabarovsk were transferred to China), and Norway in 2010 (over a maritime area in the Barents Sea). Both these deals involved concessions of territory / maritime areas that resulted in Russia giving up part of its administered territory or its long-standing legal position.[44] However, Trenin endorses these precedents and states that any deal with Japan would "make Russia feel safer, just like the 2004 deal with China, and help Russian economic development, bolstering security in the most vulnerable part of the country."[45]

Trenin outlines a specific process for achieving this in his most recent co-authored article on the issue in December 2012, which goes significantly beyond a fifty-fifty formula. In his proposal, Trenin suggests that Russia should immediately give up Shikotan and the Habomai, which account for 7 per cent of the territory claimed by Japan. This would be followed by Japan supporting economic activity both on the Southern Kuril Islands and across Russia through direct public sector investment and positive economic incentives to its own private sector. A joint economic zone covering all four Southern Kuril Islands would be established and run by a Russian-Japanese authority administering a distinct economic and legal regime. Alongside the economic agreements, the entire area would be demilitarized, with Russia continuing to exercise sovereignty over Iturup and Kunashir for a further fifty years, with the transition to Japanese law and sovereignty after the end of this period. The joint economic regime would be allowed to continue for another fifty years and Russian permanent residents offered dual citizenship of Japan and Russia.[46]

It is an expansive and controversial move, however, Trenin suggests that: "Russia is not so much giving up the islands as gaining a Hong Kong and the long-term beneficiary would be the entire Pacific coast of Russia. Vladivostok would become a Russian Shanghai."[47] Trenin is optimistic in the extreme in his vision of a Hong-Kong on the Southern Kurils / Northern Territories, yet he is convinced that with Putin having long burnished a strong patriotic image, the President is the political leader in Russia who can be seriously engaged with, and who will deliver once the deal is struck. In Trenin's view such a deal is "in the national interests of both countries and efforts should be made by Russian and Japanese leaders immediately so the opportunity is not wasted."[48]

However, Trenin's proposal is far from universally accepted. Public opinion is largely against such a move and according to a 2009 LevadaCenter poll, an overwhelming majority (82 per cent) are opposed to territorial concessions to Japan, even though 78 per cent of the respondents showed favourable attitudes toward Japan, and 55 per cent believed that it was necessary to conclude a peace treaty.[49]Also, in a direct response to Trenin's proposal, former Sakhalin Governor (1990-1993), Valentin Fedorov, declared that "Russia needs to clearly declare – there is no territorial problem over the Kuril Islands…The post-war boundaries of the country cannot be revised under any circumstances."[50] Fedorov, long a vocal opponent of

[44] *Ibid.*, p. 11.
[45] *Ibid.*, p. 11.
[46] *Ibid.*, p. 12.
[47] *Ibid.*, p. 13.
[48] *Ibid.*, p. 15.
[49] *Russian Public Opinion Poll, 2009, Moscow Levada Analytical Center*, at www.levada.ru/sites/en.d7154.agava.net/files/Levada2009Eng.pdf, p. 167, cited in Akaha, Tsuneo: "A Distant Neighbor: Russia's Search to Find Its Place in East Asia", *Global Asia*, vol. 7, no. 2 (2012), pp. 8-22.p. 17.
[50] "Yuzhnye Kurily pora ostavit' v pokoe – eks-gubernator Sakhalinskoi oblasti", *Sakhalin Media*, at

any territorial concession, was at pains to stress that: "In Russia there is a minority that supports the transfer of the Kuril Islands to Japan, but this minority is doomed to failure. Changing the borders of the country requires the consent of the population, and our people will never agree to give away their own native lands."[51]

In many respects, Trenin and Fedorov symbolise the extreme poles of the debate over the Southern Kurils in Russia, and there is also a certain schizophrenia evident in the Russian leadership over this issue. During 2010, and early 2011, the direction espoused by Fedorov seemed to be in the ascendency. In summer 2010, the Russian Duma passed new legislation establishing September 2 as a date to commemorate the end of the Soviet Union's Great Patriotic War (the date in 1945 when Japan signed the instrument of surrender). This was followed by then Russian President Medvedev's visit to Kunashir on November 1, the first by a serving Russian or Soviet leader. His visit prompted Japanese Prime Minister, Naoto Kan, to call it "an unforgivable outrage," and Japanese ultranationalists desecrated the Russian flag in a demonstration near the Russian embassy in Tokyo.[52]

The "Day of the Northern Territories," which takes place in Japan on the 7th February each year, is also a periodic source of tension with political speeches, and demonstrations outside the Russian embassy and consulates in Japan. After Japanese Prime Minister, Yoshihiko Noda, restated the importance of the Northern Territories for Japan on 7th September last year, the Russian Ministry of Foreign Affairs swiftly issued an official announcement, stating: "We regret that Tokyo again found it necessary to resort to a public accentuation of its official position in favour of the "return" to Japan of the Southern Kuril Islands, which belong, as we know, to the Russian Federation…Such actions are not the optimal method for the cultivation of positive tendencies in Russian-Japanese relations, and strengthening the atmosphere of mutual understanding and trust between the two countries."[53]

However, Trenin's understanding of the issue seems to have come to the fore in the most recent meeting between Putin and Abe in April 2013, when they issued a joint statement at the end of their meeting declaring that: "The leaders of both countries agreed that the situation where, 67 years after the conclusion of [World War II], we have still been unable to conclude a bilateral peace treaty, looks *abnormal*."[54] This in itself represents a stark contrast within the leadership, as on yet another visit to Kunashir in July 2012, Russian Prime Minister, Dmitri Medvedev declared that: "As for the reaction of our Japanese partners, I do not care about it. I do not care about it so much that I will not be wasting my time answering this question…What do we have to discuss with them? The issue of the Russian prime minister's presence on the Russian territory?[55] In response to such antics, Trenin argues that this posturing is part of a Kremlin orchestrated routine: the Russian leadership have at times been frustrated by the lack of interest in their proposals and the nationalist rhetoric of Japanese politicians, so they have resorted to showing toughness with Medvedev and government ministers visiting the islands. In an unusual reversal of roles for the Russian

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http://sakhalinmedia.ru/news/kurily/01.03.2013/260251/yuzhnie-kurili-pora-ostavit-v-pokoe-eks-gubernator-sahalinskoy-oblasti.html.

[51] *Ibid.*

[52] Akaha, *op. cit.*, p. 11

[53] "Kommentarii Departmenta informatsii i pechati MID Rossii o t.n "dnesevernykhterritorii" v Yaponii", at http://orenburg.mid.ru/news_371.html#10.

[54] "Japan and Russia want to finally end World War II, agree it is 'abnormal' not to", at http://www.csmonitor.com/World/Europe/2013/0429/Japan-and-Russia-want-to-finally-end-World-War-II-agree-it-is-abnormal-not-to [emphasis added].

[55] "Medvedev Indifferent to Japan's Reaction to Kurils Visit", at http://en.rian.ru/russia/20120705/174409452.html.

leadership "tandem," it has created the impression of Putin, the "good cop," flanked by Medvedev, the "bad one."[56]

## 5. The Red-Herring of the Northern Territories?

Yet despite a certain fixation on the Southern Kurils / Northern Territories issue in political relations, there is an increasing realisation, both on the Russian and the Japanese side, that economic relations are developing at pace, even while the territorial dispute remains. One of Japan's leading experts on the Russian economy, Shinichiro Tabata of Hokkaido University, has stated in a recent paper that with trade volumes at a record $30 billion in 2011: "It is safe to say that at present Russo-Japanese economic relations have reached their most developed stage ever, despite the limited progress in political relations, marred by the unresolved disagreement on the resolution of the so-called northern territorial issues."[57]

Economic interests appear to have outweighed political ones, and Tabata argues that one of the major factors promoting Russian-Japanese trade relations in recent years has been the eastward shift in the Russian economy.[58] Firstly, Russian oil and gas development strategy has increasingly been focussed toward the East and, in the case of Japan, this has seen the share of Russia in Japan's oil imports grow from 0.7 per cent in 2005, to 7.2 per cent in 2010. Similarly the share of Russia in Japan's imports of LNG amounted to approximately 9 per cent in 2010 and 2011, which is particularly notable as Japan only started LNG imports from Russia in 2009.[59] The second trend is that Russia's imports from Asia have increased, and in 2008, and again in 2011, Japan was Russia's third largest import partner.[60] Much of this was from imports of Japanese automobiles. Although down from a pre-financial crisis peak of $11.5 billion in 2008, Russia's imports of passenger cars from Japan had still recovered to around $7 billion in 2011.[61] These imports have also been supplemented in recent years by the supply from Japan of auto components for Toyota (2007), Nissan (2009), and Mitsubishi (2010) factories in the European part of Russia.[62] Even though this trade relationship is concentrated on just a few commodities, Tabata notes that "the demand and supply of the Russo-Japanese trade tend to correspond so perfectly that one can foresee its advancement at least into the near future."[63]

It is also worth noting some of the other significant cross-border links between the Russian Far East and Japan. During the 1990s, Russian exports of fish and marine bio-resources were a major component of inter-regional trade and constituted up to 30 per cent of the share of all imports to Japan from Russia.[64] With the recent boom of oil and gas exports, fish and other marine bio-resources from Russia now contribute a smaller share of Japan's imports, though it remains an important market for the fishing industry in the RFE. However, this cross-border trade with Japan has not been without its problems, and cases of large-scale poaching and smuggling have been periodically exposed.[65] As recently as July 2010, the Presidential Envoy to the Russian Far Eastern Region, Viktor Ishaev, stated in a well-

[56] Trenin and Weber, *op.cit.*, p. 15.
[57] Tabata, *op. cit.*, p. 422.
[58] *Ibid.*, p. 431.
[59] *Ibid.*, p. 436-437.
[60] *Ibid.*, p. 432.
[61] *Ibid.*, p.433-434.
[62] *Ibid.*, p. 435.
[63] *Ibid.*, p. 432.
[64] *Ibid.*, p. 427.
[65] See: Williams, Brad: "The Criminalisation of Russo-Japanese Border Trade: Causes and Consequences", *Europe-Asia Studies*, vol. 55, no. 5 (2003), pp. 711-728.

publicised interview that, if the export data for marine bio-resources of the Federal Customs Service of Russia is compared with the customs statistics of the Ministry of Finance in Japan, then it is obvious that "the numbers just do not match, and there are catastrophic losses."[66] From this data, Ishaev revealed that there was an "unacceptable" 3.7 times discrepancy in these figures in the first quarter of 2010, and in 2007 and 2008 the Japanese import figures were more than five times the Russian export ones, and Ishaev claimed that because of this the state lost customs revenues of $900 million in 2007, $1.2 billion in 2008, and $800 million in 2009.[67] While it is likely that such figures are inflated,[68] even a fraction of the difference between Russian export figures and Japanese import figures would point towards systematic poaching and corruption. In recognition of the problem, Russia and Japan signed an agreement on the conservation, management, and prevention of illegal trade in the marine bio-resources in the north-western Pacific at the APEC 2012 summit with Putin personally thanking his Japanese counterparts for their support in the fight against poaching.[69]

Alongside more effective cooperation between local authorities on managing fisheries, there have also been renewed efforts in promoting cross-border cultural, educational, and scientific links. In July 2011, the inaugural Festival of Russian Culture was held in Hakodate (on Hokkaido), which was followed by touring exhibitions of Russian art and culture promoted by the state-supported organisations *Rossotrudnichestvo* and *Russkiy Mir*.[70] The year 2013 also represents the 15th anniversary of the signing of a bi-lateral agreement on friendship and economic cooperation between Sakhalin and Hokkaido, through which have developed economic exchanges, humanitarian and cultural relations, and public meetings.[71]Joint activities in 2013 to commemorate the anniversary were planned to include the adoption a new five-year plan of cooperation between the two regions, as well as organized performance art groups, and an exhibition-fair.[72] In the realm of scientific and educational exchange between Russia and Japan, the Far Eastern Federal University (FEFU), which in 2013 will completely occupy the APEC 2012 site, continues to support a branch-campus in Hakodate, and hosts a Japan Centre, supported by the Ministry of Foreign Affairs of Japan.[73] The university has also been especially active in recent years in creating partnership agreements and exchange programmes with dozens of Japanese universities, the majority of which are located in Japan's western and northern regions, (such as Akita, Kanazawa, Komatsu, Niigata, Otaru, Sapporo, Sendai, and Toyama.[74]

Therefore, while the territorial issue at times dominates media coverage of Russian-Japanese relations, economic and inter-regional cooperation are today seemingly closer than ever. It is notable that even when the territorial issue has dominated the agenda, political and security cooperation has still been maintained. The experts of the Russian International Affairs Council suggest that indicative of this is the fact that when Seiji Maehara, Japan´s Foreign Minister, visited Moscow in 2011, at a moment of heightened rhetoric on the territorial dispute, the two sides were nevertheless still able to continue interaction and

[66]"Viktor Ishaev o rybolovstve na Dal'nem Vostoke: ponimayu, chtovoruyut, no ne v takikh zhe masshatabkh!", *NewsVl*, 21 July 2010, at http://www.newsvl.ru/vlad/2010/07/21/vorujut/.
[67]*Ibid.*
[68]"Mikhail Terskii: Dlya chego gosudarstvu nuzhny mify o brakon'erstve", *Fish News*, 7 November 2012, at http://www.fishnews.ru/rubric/brakonerstvo/6152.
[69]"Soglashenie zakroet dlya brakon'erov yaponskii rynok", *Fish News*, 10 September 2012, at http://www.fishnews.ru/news/19450.
[70]"Cultural Exchange", at http://russia-emb.jp/english/embassy/culture.html.
[71]"Podpisana novaya programma…", *op. cit.*
[72] *Ibid.*
[73]"Cooperation with Japan", at http://www.dvfu.ru/web/fefu/japancoop.
[74]"International Partnerships", at http://www.dvfu.ru/web/fefu/institutional-agreements.

cooperation on the most pressing international issues, including rebuilding Afghanistan, de-nuclearisation on the Korean peninsula, and anti-terrorism cooperation.[75] As these experts note, while the territorial dispute can at times complicate the normal flow of "bilateral life," each time the two countries still manage to reach a mutual conclusion that the issue should not damage the maintenance of a certain level of practical contacts and mutually beneficial cooperation.[76] They are similarly convinced that there is "a certain category of products, predominantly raw materials, that Japan will be importing from Russia regardless [of] the political climate in bilateral relations and irrespective of the attitude of its own government."[77] This seemingly "nudges [Japan] into closer cooperation with Russia, no matter what."[78]

Although the territorial issue is a factor that "can worsen the atmosphere of bilateral relations at any time,"[79] the experience of the past twenty years suggests that when, and where there are mutual interests, "no political problem seems able to obstruct the natural need for cooperation."[80] Rather than the territorial issue constraining the Japanese business community, it is perhaps instead, as the Russian International Affairs Council experts have suggested, the absence of favourable conditions for business activity in Russia: "namely – excessive administrative regulation, lax legislation, arbitrary interpretation of legislative and administrative acts, complicated political and immigration procedures, costly and unreliable infrastructure."[81] These experts also emphasise that in the RFE, Russian business structures remain entrenched in the main sectors of the economy and resistant to any change. They resent the arrival of foreign capital, "including the Japanese…because they are afraid of competition and not prepared to work in accordance with fair and non-[corrupt] rules."[82]

Even after APEC 2012, and the impressive state-led investment, construction, and redevelopment of Vladivostok, there has been growing consternation among the academic and political elite at the modest returns achieved in attracting foreign investment to the region.[83] Within the leadership this has led to a realisation that the region still needs a comprehensive institutional, financial, and social programme for creating appropriate conditions and incentives for business and investment, as well as for improving standards of living.[84] In November 2012, at a meeting of the Presidium of the Russian State Council, Putin declared that "the development of such large territories requires long-term strategic and sustained activity". All of these approaches should be reflected in the state programme of socio-economic development of the Far East and the Baikal region, and it should be budgeted up to 2025."[85] Therefore, the Russian leadership has declared its continued commitment to developing this region and for providing the massive resources to achieve it. Indeed, this development programme will be crucial for determining Russia's place in the Asia-Pacific region, as well as for defining the Putin legacy in the RFE. However, with many of the construction projects commissioned by the state for APEC 2012 mired in allegations of

[75] Panov, et al., *op. cit.*, p. 8.
[76] *Ibid.*, p. 8.
[77] *Ibid.*, p. 13.
[78] Likhachev, *op. cit.*, p. 112.
[79] Amirov, *op. cit.*, p. 132.
[80] *Ibid.*, p. 137.
[81] Panov, et al., *op. cit.*, p. 15.
[82] *Ibid*,. p. 15.
[83] Sevast'yanov, Sergey: "Problemy i perspektivy razvitiya Dal'nego Vostoka Rossii posle Vladivostokskogo sammita ATEC", *Oikumena*, vol. 24, no. 1 (2013), pp. 7-16.p. 9.
[84] *Ibid.*, p. 9.
[85] "Vystuplenie na zasedanii Prezidiuma Gossoveta po voprosam razvitiya Dal'nego vostoka i Zaibaikal'ya", at http://www.kremlin.ru/news/16990, cited in *ibid.*, p. 9.

corruption and embezzlement,[86] there is a risk that the Russian leadership will again find itself as much associated with the successes of these high-profile, state-led programmes, as with their failures.

## 6. Conclusion

As this paper has outlined, for some in the Russian political and intellectual elite improving relations with Japan is the key to unlocking the potential of Russia´s Far Eastern territories, and the realisation of Russia becoming a modernising and Great Power in the Asia-Pacific. As we have seen, certain members of this elite emphasise how a new level of relationship with Japan could provide access to advanced technologies, investment opportunities, and enhance Russia's security. For Japan, the gains are presented as privileged access to Russian energy resources, and a region where Japanese influence is welcomed, devoid of the geopolitical and historical baggage that at times colours Japan's relations with other states in northeast Asia.

It seems that with this mutual compatibility, Japan's role in Russia's current "turn to Asia" is unlikely to diminish. With two national economies seeking the resources that the other lacks, the present upwards trajectory of economic relations looks set to continue. It also seems that the unresolved territorial issue is unlikely to seriously affect this relationship, even if it periodically casts a shadow over wider political relations. With both Japan and Russia harbouring insecurities over shifts in global and regional geopolitics, now may even be an opportune moment for a resolution of the territorial issue and the signing of a Peace Treaty. However, much still depends on the strength of both leaders and the inevitable political cost that would come with any concession. Putin no longer seems as invulnerable to criticism as he did during his first tenure as President and the hold on the Japanese Premiership is notoriously tenuous. Even if the territorial issue was successfully resolved, it is unlikely that there would be any dramatic transformation in Russian-Japanese relations, particularly as economic relations are already at an unprecedented level in the post-Soviet period. Nevertheless, it could serve to improve the overall atmosphere of bi-lateral relations and enhance opportunities for multilateral cooperation.

Whether Japan actually comes to play a significant role in reconfiguring and developing the Russian Far East could depend less on a Peace Treaty and more on creating a business and investment climate acceptable for the Japanese. APEC 2012 was an impressive declaration of intent for Russia but it remains precisely that: a beginning. The necessary political and legislative reforms, progress on enforcing the rule of the law, and the restructuring of visa and tax regimes, as well as essential infrastructure upgrades, are long term projects requiring many years of persistence, consultation with local and regional actors, and crucially investment from public, private, and foreign sources. Without broad, deep, and convincing reforms, it is doubtful that Japanese businesses will be attracted to the region outside of energy projects and subsidised car production.

Ever since the announcement of the 2012 APEC summit, Vladivostok and the Russian Far East have assumed the status of a key site on to which visions of Russia's national identity, and national development strategies have been projected. However, at the same time, it has also revealed how these visions are contested and fractured by competing

[86] For examples see: "Pristroitel'stvamostanasammit ATES pokhitilina 96 millionov", *Lenta*, 17 January 2013, at http://lenta.ru/news/2013/01/17/stealing; "Summa narusheniipripodgotovkeforuma ATES sostavila 8.1 mlrd. rub", *RIA Novosti*, 21 January 2013, at http://ria.ru/economy/20130121/919128276.html.

understandings of Russia's place in the world. While this paper has focussed on the issues in Russia's relationship with Japan, it has also hinted at wider questions over what exactly *is* Asia for Russia? What is this relationship with Asia based on - regional integration, state-led development, geopolitical influence, or energy security? Which state does Russia prioritise in the region - China, Japan, South Korea, or even the United States? And, through which institutions does Russia want to primarily engage with Asia – the Shanghai Cooperation Organisation, ASEAN, APEC, the Eurasian Union, East Asia Summit? These questions have not always been convincingly answered, and they in turn raise an awkward question over the lack of a coherent strategy from the leadership regarding Russia's engagement with the Asia-Pacific, a process which is complicated still further by a renewed Russian interest in a parallel integration project in the form of the Eurasian Union.[87] There is no doubt that hosting APEC 2012 in Vladivostok was a powerful message that Russia was once again ready and willing to engage with the Asia-Pacific region. However, what this actually means in practice remains to be seen, and Russia's relationship with Japan, and its relationship with the wider region, hinges on its political leaders adding the appropriate content to this message.

[87] The Eurasian Union is proposed to start functioning in 2015, with the inaugural members of Belarus, Kazakhstan, and Russia.