A New Stage in Russia-Japan Relations: Rapprochement and its Limitations

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A New Stage in Russia-Japan Relations: Rapprochement and its Limitations

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Since May 2016 Russia-Japan relations have entered a new stage characterized by the unprecedented activity aimed at improving relations in a comprehensive way: political and security dialogue, confidence building measures, new economic projects and people-to-people contacts. However, apart from the old problems, new limitations and asymmetries have emerged that hinder the development of bilateral relations against the background of power shift and changing strategic environment in East Asia. The article seeks to assess how deep is Russia-Japan rapprochement, what are the motivations of the two countries, major limitations, both domestic and external, expectation asymmetries and misperception gaps. It discusses the developments after the agreement between Russia’s President Vladimir Putin and Japan’s Prime Minister Shinzo Abe in November 2018 to facilitate negotiations on a peace treaty and territorial issue based on the Soviet-Japanese Declaration of 1956, and how tangible is a breakthrough. The article concludes by providing an argument for forging stronger Russia-Japan partnership and discusses the potential of bilateral relationship.

Introduction

The relationship between Russia and Japan constitutes a drama of unrealized potential and shattered expectations. Russia-Japan relations represent relations between two major powers in East Asia that could be characterized to be wanting vibrant cooperation dynamics, economic interdependence, and satisfactory level of trust. Between the early 2000s and 2016 the relationship generally lacked momentum and there was little if any strategic vision in both countries for how to achieve a qualitatively new level of relationship and make bilateral cooperation an important
Driving factors behind Russia-Japan rapprochement

What are the reasons for Japan’s Prime Minister to pursue rapprochement? Firstly, the key driver behind Shinzo Abe’s approach is his desire to make history by resolving the long-standing territorial dispute while the former islanders are still alive, conclude a peace treaty and thus fully normalize ties with Russia, something that no other prime minister has been capable of accomplishing. Japan’s Prime Minister has repeatedly stated his desire to put an end to this abnormal situation and sign a peace treaty and reach a territorial deal “in his generation.” It has been underpinned by his family history: he is following in his father Shintaro Abe’s footsteps. When he was foreign minister in 1982-1986, Shintaro Abe initiated normalization of bilateral relations with the Soviet Union and prepared Mikhail Gorbachev’s visit to Japan. In addition to that, the centerpiece of Shinzo Abe’s strategy has been...
to draw the line under the diplomacy of the post-World War II period and to construct a different national identity. He stated this goal again in his January 2019 address, one of the major foreign policy tasks being to sign a peace treaty and resolve the territorial issue with Russia.

Secondly, Japan’s Russia policy has been centered on preventing a “nightmare” scenario of Russian-Chinese alliance or a consolidated bloc that would be anti-US and probably anti-Japanese in nature, since both states disapprove of the US hub-and-spokes system. Russia’s stronger cooperation with China after 2014, especially in the security field including arms procurement and military exercises (i.e. in the Sea of Japan and Japan’s exclusive economic zone), became an issue of concern in Japan, as it could further strengthen China’s position and capabilities vis-à-vis the US and Japan as its ally. While Japan started to regard China’s policy in East Asia as challenging the status-quo and regional order in its favor by coercive means, its position towards Russia has become more favorable. Generally, Japan does not perceive Russia as a major potential military threat and judges it first and foremost by its actions in Asia. All Japan’s major conceptual documents, including National Security Strategy (2013), National Defense Program Guidelines (2013, 2018) and Diplomatic Bluebook (2018), emphasize the objective of advancing cooperation with Russia in all spheres including security and energy in order to ensure security of Japan “under the increasingly severe security environment in East Asia.” Thus improving relations with Russia in the security field has been viewed as increasingly important for Japan in terms of balancing China and improving its own security. Japan’s strategy can be characterized as aimed at giving Russia the “strategic space” to reduce its dependence on China over the long term, “complicate the strategic calculus” for Beijing and prevent Moscow from siding with Beijing against Tokyo especially in territorial issues. Japan’s Diplomatic Bluebook in 2018 characterizes the relationship with Russia as possessing the most potential of all bilateral relationships. Against the background of growing strategic competition in Asia-Pacific it emphasizes enhancing partnership with Russia as best suiting Japan’s national interests and contributing to regional peace and development.

Japan has also been interested in cooperating with Russia on a number of regional issues in East Asia, first and foremost on the issue of North Korea’s nuclear and missile program. As Tokyo views it as a major security threat, its interests have been concentrated on ensuring Russia’s support in condemning DPRK’s provocative nuclear and missile launches, exerting maximum pressure, and strengthening UN Security Council sanctions regime. Prime Minister Abe has repeatedly underlined that Russia as a permanent UN SC member plays an important role in resolving this issue. As Russia sustains normal working relations with North Korea, Japan has taken interest in Russia’s potential as an intermediary. Not to be discarded is Japan’s interest in economic cooperation with Russia, particularly
in energy, logistics and automobile production, where Japanese companies make clear-cut revenues.9

Russia’s goals in pursuing rapprochement with Japan are the following. Russia has repeatedly advocated for signing a peace treaty with Japan in order to establish good neighborly relations. President Putin called the absence of a peace treaty an anachronism. The Russian government also believes that the issue of border delimitation with Japan should be settled, respecting Japanese territorial claims to the four southern Kuril Islands. There is a view that Putin would like to see all border issues settled during his presidency. Russia does not perceive Japan as a major security threat as well and believes that robust security and political dialogue with Japan on regional issues in East Asia holds strategic importance. Russia also maintains that the North Korean nuclear and missile issue could be fully settled only by initiating bilateral and multilateral dialogue and creating a common security architecture in Northeast Asia with the participation of all regional states including Japan.10

One of the key motivations of Russia in improving relations with Japan has been its interest in enhancing comprehensive economic cooperation. Russia’s interests lie first and foremost in attracting Japanese investment, acquiring technologies and innovations in order to facilitate the country’s development. It holds particular importance for modernizing Russia’s Far East, which has been indicated by President Vladimir Putin as Russia’s strategic objective for the whole 21st century. Additionally, Japan’s participation in Russia’s energy projects has always been welcomed by the Russian government, as exemplified by the country’s participation in Sakhalin-1 and Sakhalin-2. Russia hopes that Japan could invest into newly established Advanced Special Economic Zones (ASEZ) and Vladivostok under a “free port” regime. After the Ukrainian crisis Moscow attempted to reinforce its relations with Asia to diversify its foreign policy and limit the impact of sanctions. The results of Russia accelerating its pivot to Asia clearly demonstrated the challenges of growing asymmetry and possible economic overdependence on China in the long term. In order to make its Asian policy more balanced and maintain strategic autonomy in Asia, Russia seeks to hedge these risks and facilitate cooperation with other regional powers, first and foremost Japan, which suits Tokyo’s interests.11

Last but not the least, both Japan and Russia have been driven by the desire to improve their positions in the regional balance of power by providing better options and reinforce each other’s quest for greater autonomy amidst the polarization summoned by strategic competition between Washington and Beijing.12

Developments in Russia-Japan relations in 2016-2018

A new stage in Russia-Japan relations was inaugurated following Japan’s Prime Minister Shinzo Abe’s visit to Sochi in May 2016 in spite of American President
Barack Obama urging him not to go. The “new approach” he proclaimed was interpreted as Japan’s readiness to make a compromise under the so called “two plus alpha” formula. This formula was seen during negotiations between President Vladimir Putin and Prime Minister Yoshiro Mori in 2001 as a compromise ground for a solution to the territorial issue. It implies that the two states could resolve the dispute according to the Soviet-Japanese Declaration of 1956, with Japan acquiring the islands of Shikotan and Habomai after the signing of a peace treaty and also getting some other symbolic benefits labeled as “alpha” (i.e. special economic zone on the other two islands of Kunashir and Iturup, fishing rights, exclusive economic deals, etc.). The task of the “alpha” was to explain to the Japanese population what else it received from Russia in exchange for its compromise on the territories.13

Prime Minister Abe also proposed an eight-point economic cooperation plan. As explained during Abe’s speech at the Eastern Economic Forum in Vladivostok in September 2016, eight areas of cooperation are the following: (1) extending length of healthy living; (2) developing comfortable and clean cities that are easy to live in and support active lives; (3) fundamentally expanding exchanges and cooperation among small and medium-sized companies; (4) energy; (5) promoting industrial diversification and enhancing productivity in Russia; (6) developing industries and export bases in the Far East; (7) cooperating on advanced technologies; (8) fundamentally expanding people-to-people exchanges.14 Its major objective was seen to provide incentives for Russia to make compromise by creating positive dynamics in economic cooperation.15

During his visit Abe proposed to make Vladivostok a gateway to Asia-Pacific, jointly develop the Far East and Vladivostok and promised to visit the forum every year. The Prime Minister also called the current situation abnormal due to the absence of a peace treaty and urged President Putin to be brave enough to reach the deal during their terms and unleash the enormous potential of the bilateral relationship. Abe said that cooperation with Japan could help Russia to achieve the status of an advanced manufacturing country. The Japanese leader brought numerous members on the business delegation and about 20 agreements worth $1.3 billion were concluded.16 In the unprecedented move, Prime Minister Abe introduced a special post of a Minister for Economic Cooperation with Russia and conferred this position on Minister of Economy, Trade and Industry Hiroshige Seko.

In December 2016 Russian President Vladimir Putin visited Japan and conducted negotiations with Japan’s Prime Minister Shinzo Abe in Nagato (Yamaguchi Prefecture), his birthplace, and Tokyo. Putin emphasized that in order to conclude a peace treaty and settle the territorial issue it was necessary to establish a completely new atmosphere in bilateral relations characterized by comprehensive cooperation and new level of trust, a position that Abe agreed to. The latter urged to
adopt a new approach to settle the long-standing issue. The major agreement reached was to start talks on joint economic activity on the four southern Kuril Islands that Japan regards as its “northern territories” without compromising on the countries’ respective positions on the territorial issue, with a possibility of signing a special accord. It was interpreted as a step towards deepening trust and creating new conditions in order to solve the long-standing issues, especially taking into account that the Japanese government previously used to turn a blind eye to such proposals. The humanitarian agenda included decisions to allow free visits for ex-inhabitants of the islands to their predecessors’ graves. The leaders also agreed to resume “two plus two” strategic dialogue, which had been put on hold in 2014, upon Russia’s request. At the business forum Russia and Japan signed 1 interstate, 11 intergovernmental and 68 commercial agreements worth $2.54 billion. The deals covered energy, finance, agriculture, pharmaceuticals, medical service, IT, high technologies, education, postal service, transport, and urban infrastructure. JBIC agreed to provide a loan of €200 million for the Yamal LNG project operated by the Russian gas company Novatek targeted by American sanctions. JBIC and Russian Direct Investment Fund agreed to establish Russia-Japan Investment Foundation with a $1 billion capital aimed at enhancing bilateral economic cooperation. The scale of cooperation highlighted the revival of Russian-Japanese relations in both politics and economics.17

Apart from launching negotiations on joint economic activity, 2017 saw the restoration of security cooperation and confidence-building measures. In March 2017 the “two plus two dialogue” between Foreign and Defense Ministers aimed at discussing bilateral and regional strategic issues, took place for the second time since 2013. It was followed by mutual ship visits and port calls, joint search and rescue and humanitarian assistance exercises, establishment of the framework for regular consultations between National Security Councils (NSC) signed by secretaries Nikolai Patrushev and Shotaro Yachi in September 201718 and high-profile visits including December 2017 visit to Japan by Chief of General Staff Valery Gerasimov and his talks with Japanese counterparts. Prime Minister Abe’s visit to Moscow in April 2017 highlighted the focus of the two governments on promoting cooperation. President Putin and Prime Minister Abe emphasized preliminary progress on joint economic activity and agreed on the visits by the Japanese delegation of businessmen and officials to identify specific projects and by ex-residents to the graves by charter flights. The Russian side reciprocated by naming the Minister for Economic Development Maxim Oreshkin a special representative of the President for economic cooperation with Japan and by identifying 80 priority projects. Overall 29 documents were signed on cooperation in agriculture, urban infrastructure, medicine, energy, training of personnel, etc.19

During his speech at the Eastern Economic Forum in Vladivostok in September 2017, Japan’s Prime Minister highlighted the unprecedented activity in
bilateral relations including the eight-point economic plan aimed to build trust through enhanced cooperation. Following the visit to the islands by the delegation of Japanese businesspeople and officials in June-July of the same year, Putin and Abe identified five areas for prospective joint economic activity. They included aquaculture, greenhouse farming, tourism, wind power generation, and elimination of waste. However, no decision emerged as to which law should be its basis. Fifty agreements included professional exchanges on personnel training and improving labor efficiency, digital economy and innovations, medicine, energy including LNG, IT, finance, manufacturing industry (i.e. a gas-chemical plant), elimination of waste, development of SMEs, postal services, agriculture, and urban infrastructure. The two leaders valued Japan’s participation in Russia’s industrial exhibition on innovations in Ekaterinburg in July 2017 as the partner country.

In May 2018 Prime Minister Shinzo Abe visited St. Petersburg and took part in the St. Petersburg International Economic Forum. In his speech Abe envisioned a thriving future after the signing of a peace treaty between the countries: a new maritime area of peace and prosperity with a rule of law based on the new logistical water highway connecting the Arctic Ocean, the Bering Sea, northern Pacific Ocean, and the Sea of Japan. Prime Minister urged his Russian counterpart to conclude a peace treaty “within our generation.” Putin and Abe discussed joint economic activity following the second business mission in October 2017 and agreed to have one more mission and charter flights to the graves by ex-residents. Economic agenda and Russia-Japan business dialogue were in the foreground of Abe’s visit. He emphasized the results of the eight-point economic cooperation plan that set a goal to demonstrate to the Russian population what fruit the citizens could bear in case of cooperation with Japan. Abe asserted that it was Japan’s desire to become a catalyst of socio-economic transformation in Russia, with many elements of his economic cooperation plan matching Russia’s development goals put forward by President Putin to be attained by 2024. The Russia-Japan Investment Foundation was reported to have provided financing for three projects already and to be considering a number of others. Eleven agreements were signed on increasing productivity, digital economy, petro-chemical and industrial production, urban infrastructure, transport, finance, biotechnologies and medical equipment. Finally, President Putin and Prime Minister Abe opened the year of Russia in Japan and the year of Japan in Russia aimed at promoting professional and cultural exchanges and people-to-people contacts with an ultimate goal of deepening trust between the two nations. Special focus is set on cross-regional exchanges between the Far East and Hokkaido. The scale of exchanges with more than 400 events has no precedent in bilateral relationship.

In August 2018 the third business mission visited the four southern Kuril Islands that Japan claims to be its “northern territories,” but there was no progress
achieved on clarifying the conditions of joint economic activity. The year 2018 also witnessed continuing security dialogue including the first “two plus two” meeting in Moscow in August, the meeting of secretaries of NSCs and the first-ever visit by the Head of Joint Staff of Japan’s Self-Defense Forces Katsutoshi Kavano to Russia and his talks with Russia’s Minister of Defense Sergey Shoigu and Chief of General Staff Valery Gerasimov in October. Kavano appreciated that large-scale military exercises “Vostok-2018” in September took place in the Far East but excluded the territory of the disputed islands.22

Prime Minister Abe’s visit to the Eastern Economic Forum in September 2018 brought about new developments but was instrumental in highlighting asymmetrical expectations and pitfalls of the current stage in Russia-Japan relations. Abe repeatedly emphasized the potential of bilateral economic cooperation including turning the Sea of Japan into a logistical maritime highway in case of signing a peace treaty and even asked the audience to support the steps towards concluding the peace treaty based on a new approach. He mentioned that more than one half of about 150 economic projects agreed in the previous two years had started to take shape. Surprisingly, answering a question from the moderator on whether the issue of a possible relocation of American troops on the Kuril Islands in case of transfer to Japan is being considered, President Putin admitted that it was an issue of concern, but proposed to make a step forward and conclude a peace treaty with Japan until the end of the year. In his view it meant that the two sides were still to continue negotiations on the territorial issue but in the new atmosphere of better trust because of the peace treaty, which in turn could contribute to an easier territorial settlement.23

At this point it is fruitful to assess the limitations of Russia-Japan rapprochement and in this context to analyze further developments in the bilateral relationship starting from November 2018.

Highlighting the limitations and asymmetries

The major obstacles towards rapprochement in Russia-Japan relations lie in domestic factors. There is little to no support within both Russian and Japanese elites and societies except for the leaders. To the contrary, powerful groups exist in Japan that want to keep the problem alive. For Japan the resolution of the territorial dispute has been prioritized compared to the objective of signing a peace treaty and has been put to the foreground as the primary issue of political dimension of its relations with Russia. The reason is that Japan’s identity has been closely connected with the territorial dispute over the islands of Shikotan, Habomai, Iturup and Kunashir24 that Japan traditionally claims to be its “inherent northern territories” and part of Hokkaido but not the Kuril Islands, the sovereignty over which it denounced under the San Francisco Peace Treaty in 1951. According to Japan’s position,
the islands were illegally occupied by the Soviet Union in breach of the Neutrality Pact and should be returned to Japan.\textsuperscript{25} The issue of the return of four islands has become an important national symbol in Japan, with an institutionalized governmental and civic activity such as “Northern Territories Day” held annually on February 7 since 1981 with rallies and public events with the participation of prime minister and top Japanese politicians. This issue has helped politicians to raise political capital, with officials becoming hostages to public opinion. The return of the islands has been seen as a major step to revise the injustice of post-war settlement for Japan.\textsuperscript{26}

Despite the popularity of Russia’s classical culture among the Japanese population, public sentiment towards Russia remains mostly negative, to a large extent influenced by negative perception over the “northern territories” issue. According to official polls, in 2018 only about 17.7\% of the Japanese population answered that they feel affinity towards Russia, while 78.8\% feel no affinity. Similarly, 22.2\% of the respondents described the relations as good and 71.9\% as not good.\textsuperscript{27} Additionally, there exists fairly strong opposition to a conciliatory stance towards Russia among the conservative and nationalist spectrum including Abe’s own support base and his Liberal Democratic Party, with MOFA being less inclined to deepen cooperation if it may harm Japan’s traditional stance on the territorial issue.\textsuperscript{28}

Japan’s population has generally become more flexible in terms of “return of the northern territories” as the issue has not been settled for more than 70 years. According to the opinion poll conducted in November 2016, about 60\% of the Japanese population deem it necessary to continue negotiations even if it leads to the return of only part of the islands, while only 29\% believe that it should be the case only to return all four islands.\textsuperscript{29} However, it rather implies more flexibility about the terms rather than about the final goal. The November 2018 opinion poll indicates that 33\% of respondents are in favor of returning “four islands in one batch,” 46\% advocate the return of Shikotan and Habomai as soon as possible and continuation of talks on the other two islands, and only 5\% agree to the return of only two islands. Of the people asked, 43\% were supportive of signing a peace treaty before settling the territorial issue, while 45\% were against that (the figure was 66\% in September 2018). These figures demonstrate that reaching a compromise with Moscow on the basis of the 1956 Declaration with the transfer of only two of the islands is a very difficult line for Japan’s leader in terms of public opinion.\textsuperscript{30} At the same time, the Japanese population strongly supports their leaders taking energetic efforts to address this issue in contacts with Moscow.

In contrast with other territorial disputes in Northeast Asia, Russia acknowledges Japan’s claims and recognizes the necessity to continue a dialogue on the territorial issue. In Russia’s perspective, this issue is closely connected with the results of the World War II and post-war settlement. Russia states that it enjoys undispu-
table sovereignty over all Kuril Islands including the four southern ones that Japan claims. According to the Yalta agreement signed in February of 1945 between the USSR, the US, and Great Britain, the Soviet Union agreed to enter the war with Japan after two or three months following the surrender of Germany and termination of war in Europe on a number of conditions including the return of the southern part of the Sakhalin Island and handover of the Kuril Islands. According to Article 107 of the United Nations Charter, signed in June 1945 by 52 countries and ratified by the USSR in July of the same year, all states had the right to take any actions including military ones against enemy states such as Japan. Additionally, Article 103 stipulates that in case there is a conflict between the obligations under the Charter and obligations under any other international agreement, the obligations under the Charter shall prevail. Thus, the Soviet Union’s obligations towards allies took precedence over the Neutrality Pact with Japan. The fact that Japan signed and ratified the UN Charter meant that it had agreed to these articles and should therefore agree to the Soviet Union’s/Russia’s sovereignty over them.

Russia’s position since President Putin’s coming to power in 2000 has been that the Soviet-Japanese Joint Declaration of 1956, being an international agreement ratified by both states, should be the basis for the settlement of the territorial issue. According to the Declaration that ended the state of war and established diplomatic relations between the states, the Soviet Union agreed after the signing of a peace treaty as an act of a good will, showing respect for Japan’s claims and interests, to transfer the islands of Habomai and Shikotan to Japan. This in turn means the final resolution of the territorial issue.

Most Russians have no understanding of the essence of the territorial dispute and 1956 Declaration, believe that the issue is solely based on Japan’s “groundless territorial claims,” and perceive “trading” of any Kuril Islands as the betrayal of their grandfathers many of whom gave their lives in the Second World War. Moreover, Russian hardliners believe that the Soviet-Japanese Declaration of 1956 could be implemented only in case of withdrawal of US military bases as the Soviet Union demanded in 1960, as failure to do so means that Japan cannot take fully independent foreign policy decisions and the American military bases will put on the transferred islands in an instant. According to the opinion polls conducted in November 2018, about 79% of respondents are aware of Japan’s claims to the southern Kuril Islands and 77% are against any transfer, with 51% arguing for continuing negotiations as long as necessary in order to reach the decision that would meet Russia’s interests.

Prime Minister Abe’s new approach and the process of Russia-Japan rapprochement highlighted a number of misperception gaps and asymmetrical expectations. Firstly, they exist about the time framework. Japan’s Prime Minister repeatedly stated his desire to settle the issue during his term, namely by 2021. In contrast, President Putin emphasized that the two countries should carefully
search for a feasible solution and illustrated it by the example of Russia-China border delimitation that took more than ten years against the background of comprehensive development of bilateral relations.\textsuperscript{37}

Secondly, Prime Minister Abe prioritizes personal ties with the Russian leader and “Shinzo-Vladimir” bond basing on the belief that two strong leaders are in a position to make compromises unlike weaker ones, with frank one-on-one discussions necessary in order to achieve a breakthrough, and that the Russian President is the top figure in decision-making process.\textsuperscript{38} However, while paying attention to the personal ties forged with Japan’s leader, President Putin has always emphasized that the decision should correspond to the strategic interests of both Russia and Japan and be acceptable to the citizens. The Russian government, controlling all Kuril Islands, sees no urgency in settling this dispute if the terms of the resolution are out of line with its national interests and is ready to discuss the issue with the Japanese counterparts until an acceptable solution is reached. It is hard to imagine that it will bow to Japan’s pressure and the Russian President made it clear that a solution can be reached only in the context of qualitatively improved relations.\textsuperscript{39}

Thirdly, the issue of linking politics and economics remains a point of concern for the Russian side. Russia saw Shinzo Abe’s “new approach” as Japan’s readiness to delink politics and economics, build robust economic and political cooperation based on mutual trust that would help create the atmosphere of friendship and good neighborly relationship, with returning to the border delimitation issue on the later stage.\textsuperscript{40} However, the fact that the eight-point economic cooperation plan was seen in Japan as an incentive for Russia to take a more conciliatory position and make concessions regarding the disputed territories was perceived by the Russian government as unacceptable in principle and, thus, bound to fail by its design. Russian leaders have repeatedly stated that it is unthinkable to “sell” Russian territory.\textsuperscript{41} There is a healthy skepticism on the Russian side that after the signing of a peace treaty there will be a massive inflow of Japan’s investment as Prime Minister Abe portrays, as Japan’s business was generally not enthusiastic about being pushed to pursue new projects in Russia because of a not very attractive business climate.\textsuperscript{42}

Japanese media frequently heighten expectations about a possible breakthrough at the summits that sometimes resemble feelings without any reasons for doing so if one takes into account Russia’s position. This was witnessed during President Vladimir Putin’s visit to Japan in December 2016 as well as in later summits in 2017, 2018, and 2019. As a result, when the expectations are unrealistically heightened and there is no breakthrough in the end, Russia’s negative image is constantly recreated in the Japanese media space.\textsuperscript{43} Additionally, Japanese media often provide the Western perspective on Russia’s foreign policy steps (i.e. in Ukraine, Syria, the Kerch Strait, etc.).

The negotiations over the joint economic activity on the four southern Kuril Islands that Japan claims to be its “northern territories” have stalled over the
legal framework. From the very beginning, this project had little allure only to local business, bearing mostly political significance. The Russian government maintains that it should be conducted according to the Russian laws as the Kuril Islands are the part of its sovereign territory. Japan’s proposal favors a “special regime” which would not confirm Russia’s jurisdiction and could be formulated under a condominium model with both sides establishing joint administration, something that Russia would never agree to. To complicate matters even more, in August 2017 the Advanced Special Economic Zone (ASEZ) was introduced on the south Kuril Islands with a headquarters in Kunashir aimed at creating a special economic regime to attract both domestic and foreign investment in order to contribute to the economic development of the area. Japan’s concerns that Chinese or South Korean business could come to the islands may have adverse effect on bilateral cooperation. Russia may well continue to develop the islands on its own, but in case there is no success in joint economic activity it will lose a chance to cooperate with Japan on this issue.\textsuperscript{44} Unfortunately, since December 2016 it has become clear that the project that was supposed to move the two countries forward to resolving the key problem has turned into another deadlock.

In addition to that, foreign policy priorities of both Russia and Japan favor countries that have become more openly opposed to each other and less inclined to welcome improving relations between the two. While Japan has been wary of strengthening Russia-China strategic partnership, Russia has been critical of the US-Japan alliance and US involvement in East Asia in general.\textsuperscript{45} Similarly, Russia has been apprehensive of the Indo-Pacific concept due to its explicit anti-Chinese character as well as the potential to undermine ASEAN centrality in the regional cooperation architecture that Russia supports, being a weaker party. For Russia its relationship with China has become a priority based on close positions on many international issues, respect for principles of non-interference into internal affairs, territorial integrity, sovereignty, the multipolar/polycentric world order and reform of global governance. A situation when Russia takes any anti-Chinese actions is hardly imaginable. By the same token, the US-Japan alliance has been characterized as the cornerstone of Japan’s foreign and security policy. US security guarantees are critical for Japan’s security, and if the threats of North Korea or China become more pronounced, Japan would be much more inclined to attach more importance to its relationship with Washington rather than Moscow. Currently, under the Trump administration the US allies are suggested to take more responsibility for their own security, thus presenting them with more autonomy to pursue their security policy. It makes it possible for Japan to pursue rapprochement with Russia, but the next US administration or policy changes may lead for the reversal of this trend and significantly hinder the autonomy of Japan’s foreign policy decision-making.\textsuperscript{46}

Pursuing a course to mend fences with Russia amidst deteriorating Russia-US relations, Japan frequently finds itself between a rock and a hard place. Japan is to
demonstrate solidarity with G7 countries and its ally in particular in order to stay aligned with the West, which was the key reason for Japan to comply with anti-Russian sanctions in case of the crisis over Ukraine and Crimea. Japan’s mild course, softer sanctions (three packages of visa bans and the fourth one introducing financial restrictions), subsequent de-facto partial violation of financial sanctions solidarity with JBIC credit lines for Russian companies targeted by the US and visits by top government officials sanctioned by the US and EU drew criticism from its ally and some of its European partners. Japan’s mild criticism or lack of thereof in the cases of Syria in 2017-2018 and the Skripal affair in 2018 were viewed in a negative light by many in Great Britain and the United States.47

At the same time, Russia’s Foreign Ministry interpreted sanctions and Japan’s condemnation of the “annexation of Crimea” as an unfriendly and short-sighted step and issued a comment on July 2014 that these steps demonstrate Japan’s inability not to follow Washington’s policy and conduct independent foreign policy that would correspond to the country’s national interests. However, generally Moscow’s criticism towards Japan was much more silent comparing to the US and EU, taking into account its softer approach.48 Similarly, the fact that Japan at first refrained from criticizing Russia over the alleged chemical attacks by the Syrian government and the Skripal case and was the only G7 country not to expel Russian diplomats was appreciated, but its accedence with the G7 statement joining Great Britain in condemning Russia’s poisoning of Skripals caused dissatisfaction.49 Japan’s strengthened cooperation with NATO, including the establishment of a Mission in July 2018, cannot help but arouse concerns of Moscow due to NATO’s antagonistic stance. At the same time, there seems to be little if any understanding on Russia’s part about the difficult position that Japan has found itself in. All these developments are predominantly viewed through the lens of Tokyo’s subordination to Washington.50

Re-established security dialogue also demonstrated that the two countries have a number of issues where their positions differ considerably. Japan regularly expresses its protest to Russia’s military build-up or military exercises as well as intensified patrols over the four disputed islands. Recent examples include protests to Russia’s deployment of anti-ship missile systems “Bal” and “Bastion” on the islands of Iturup and Kunashir in November 2016 as part of Russia’s military modernization program and to the military exercise in June 2018 and firing exercises in October 2018, with Prime Minister Abe objecting to them at the Diet session. The Russian Ministry of Foreign Affairs stated that it is entitled to any defensive activity on its territory.51 In fact, the 18th artillery division consisting of 3,500 manpower and stationed on the island of Iturup used to be underequipped. Its modernization has been the part of regional Far East military build-up program and efforts to increase anti-access and area-denial potential starting from the Sea of Okhotsk towards the Russian North including the Arctic. In the view of Japan’s military
experts these steps are not directed at Japan per se but rather reflect Moscow’s intention to prevent the US from accessing maritime domains on its periphery, with the Okhotsk Sea crucially important to Russia due to the deployment of strategic submarines critical for maintaining its retaliatory strike capability, and to send a signal to China which has recently stepped up its activity in the Arctic.\textsuperscript{52}

The major irritant for the Russian side has been Japan’s increased cooperation with the US such as its plans to deploy the Aegis Ashore ballistic missile defense system produced by the United States, rather than Japan’s own military build-up. The issue of Aegis Ashore deployment was one of the key areas of disagreement during the talks between Foreign Ministers in March 2018 and between them and Ministers of Defense (“two plus two”) in August 2018. Despite the fact that the Japanese side mentioned that the system was directed against North Korea, was defensive in nature, and posed no danger to Russia, the Russian side expressed its disapproval about Japan becoming a part of the US global BMD system believed to be undermining strategic stability and triggering a dangerous arms race, as it is created on a unilateral but not a collective basis. Foreign Minister Lavrov mentioned that the deployment of Aegis Ashore affects Russia’s security directly as it needs to ensure global parity and that regional security issues are important in the context of negotiations over a peace treaty.\textsuperscript{53}

**November 2018 and beyond: towards a breakthrough?**

Understanding that positions of Russia and Japan are still miles apart, the legal basis for joint economic activity is extremely difficult if at all possible to define, building a new level of cooperation will take considerable time, and answering to Japan’s Prime Minister constant pledges to sign a peace treaty without mentioning of the territorial issue, President Putin apparently decided in September 2018 to make a proposal on a peace treaty and check the flexibility of the Japanese government. However, it became clear very soon that for Japan the territorial settlement should precede the peace treaty and thus President Putin’s proposal cannot be agreed to, a position Abe referred to at the opening of the Diet plenary session in October 2018.\textsuperscript{54} Japan’s government reasonably interpreted this move as Putin’s desire to move forward with protracted negotiations. As demonstrated above, by that time it was evident that Abe’s “new approach” was unlikely to lead to a breakthrough.

In November 2018 at the meeting on the sidelines of the APEC summit Russia’s and Japan’s leaders agreed to add momentum to the talks on the peace treaty by returning to the negotiations based on the 1956 Soviet-Japanese Declaration. It demonstrated Japan’s Prime Minister’s readiness to make compromises in order to achieve a breakthrough according to the “two plus alpha” formula. This
could mean that, for instance, apart from the transfer of Shikotan and Habomai, joint economic activity on the two bigger islands of Iturup and Kunashir could be agreed upon. The two leaders also reached an agreement to facilitate security cooperation including combating non-traditional threats. President Putin noticed that the Declaration does not stipulate a number of issues: what is the basis of transfer, what transfer means and whose sovereignty it falls within. \(^{55}\) Prime Minister Abe reportedly promised that there would be no American military bases on the islands in case of transfer. \(^ {56}\) Foreign Ministers Sergey Lavrov and Taro Kono were charged with overseeing negotiations, with Deputy Ministers Igor Margulov and Takeo Mori designated as special representatives of the two leaders to conduct peace talks. According to opinion polls, about 67% of Japanese population supported Abe’s approach taken in November 2018, while only 21% did not. \(^ {57}\)

On January 1, 2019 Shinzo Abe made a statement that the possible transfer of the islands should be conducted with the full consent of the local population and could be realized without their relocation. During his visit to Yamaguchi Prefecture on January 5 he swore on his father’s grave that he would make every possible effort to settle the issue. He expressed hope that the year of 2019 would become a landmark in this direction. On January 8 *Yomiuri Shimbun* newspaper reported that the government was to suggest abandoning compensation claims at negotiations with Russia, with a possibility of signing a special agreement. The Japanese government used to have compensation claims to the benefit of the state and ex-residents who lost their land because of “illegal occupation” of the “northern territories,” but now started considering paying compensations to the ex-residents, whose number is estimated at about 6,000 people, by itself. Following these statements, Russia’s Foreign Ministry on January 9 summoned Japan’s Ambassador in Russia to express its protest as the statements distorted the agreements between the leaders and disoriented the public about the content of negotiations. This was perceived as an attempt to heat up the atmosphere about a breakthrough and force Japan’s position on Russia before the agreement between the governments was fully achieved. \(^ {58}\)

A public outcry began in the Russian media and social networks against any transfer of the Kuril Islands. Although the protests organized on Sakhalin in December 2018 and in Moscow in January 2019 were not numerous, the vast majority of Russian population strongly opposed this idea, including those living on the Kuril Islands. More than that, many Russians were afraid of being betrayed by their government. Following that, Russian leadership took a harder line. Foreign Policy Advisor to the President Yuri Ushakov asserted that Abe’s recent statements significantly hindered negotiations. President’s spokesman Dmitry Peskov had to make an announcement that the interests of Russian citizens would not suffer because of a peace agreement. During the talks with his counterpart Taro Kono on January 14, 2019 and a press-conference on January 16, 2019 Russian
Foreign Minister Sergey Lavrov stated that Japan’s demands about the “return of northern territories” run counter to the UN Charter that Japan had signed and it needs to take actions in order to comply with its obligations. Lavrov said that it would be impossible to sign a peace treaty based on the 1956 Declaration until Japan fully accepted the results of World War II including Russia’s sovereignty over the Kuril Islands. Moreover, he added that Moscow and Tokyo were still miles apart from becoming full-fledged partners in international affairs and had a long way to go to build qualitatively different relations. Quite to the contrary, Japan acceded to sanctions, albeit not all, joined anti-Russian statements by G7 and voted counter to Russia on all major UN resolutions. Lavrov noticed that the five projects negotiated in terms of joint economic activity on the four islands were small-scale and not impressive and thus there was a need for further negotiations on larger ones.59

Ahead of Prime Minister Abe’s visit to Moscow on January 22, 2019 Japan’s Kyodo Agency reported that he started considering signing a peace treaty with the guarantees of transfer of only Shikotan and Habomai, with the transfer of Iturup and Kunashir deemed unrealistic. This in turn could signify that Japan could possibly agree to the dispute resolution with a border settled between Shikotan and Kunashir, thus abandoning claims to the two larger islands60 and being a major step towards a compromise. Since that time Prime Minister Abe has faced strong domestic criticism, especially in the National Diet, for de-facto giving up Japan’s traditional position, even despite the fact that it has no chances to succeed.

Against such background the summit between President Putin and Prime Minister Abe resulted in talks without any breakthrough. Putin highlighted progress in economic cooperation but mentioned that a qualitatively new stage had not emerged yet. As for the peace treaty, he emphasized the need of creating conditions to reach mutually acceptable decisions and the task to ensure long-term comprehensive development of bilateral relations so that they could enter a new stage. He stressed that the pattern of the resolution should be acceptable for both Japan and Russia and supported by both societies. Abe highlighted enhanced people-to-people contacts thanks to the year of Japan in Russia and Russia in Japan with more than 500 events, cross-regional ties, parliament exchanges, economic cooperation with more than 170 new projects and security ties. He emphasized the desire of both leaders to make progress and search for a mutually acceptable decision.61

Unfortunately, despite Japan taking a more conciliatory stance its actions invoked a harsh reaction from Russia. What was the reason for yet another drama in Russia-Japan relations? The two countries again encountered a perception gap. Japan’s government’s miscalculation was that the formula of the resolution of the territorial issue based upon the 1956 Declaration had already been agreed upon and thus the parameters of a peace treaty and border delimitation were set clear.62 In
essence, Japan was to get the two smaller islands without additional conditions and may negotiate for the “alpha” and technical issues of transfer. The Prime Minister started to prepare Japan’s population for this scenario. Japan’s statements were apparently not agreed upon with the Russian side. Japan’s Cabinet Office that had been de-facto in charge of defining the governmental position was evidently not as well aware of Russia’s attitude and public opinion as the MOFA was. The fundamental miscalculation in Tokyo was that it underestimated the strength of Russia’s public opinion against the transfer of any islands, which had been dormant for a long time.

It became clear that from Russia’s standpoint the transfer according to the 1956 Declaration is not automatic as the international environment has changed dramatically. Hence, a number of conditions should be met for it to occur: (1) recognition of Russia’s sovereignty as the result of World War II, (2) no US bases or troops should be stationed or the islands should be demilitarized, (3) agreement should be acceptable to the public opinion, (4) Japan should eliminate its unfriendly policy towards Russia, sanctions in particular, and a qualitatively new stage of comprehensive cooperation should be reached.

The first condition is unacceptable to Japan in principle. One explanation could be that Russia proposes such conditions understanding that Japan would never agree to them as it is unwilling to transfer any islands in practice but would not state that publicly in order to sustain the dialogue. Alternatively, it could be suggested that the first point is mainly a bargaining position and an acceptable solution can be found as exemplified by the 1956 Soviet-Japanese Declaration that does not touch upon the issue of sovereignty in case of transfer at all. It is also often highlighted that Japan accepted this issue de-facto, as a state cannot transfer something it does not possess.

On the second point the Japanese Prime Minister reportedly provided his guarantees, and the main argument is that the US is not entitled to any deployment of troops on Japanese soil without its consent. In the context of improved bilateral relations such a scenario is unlikely in Japan’s eyes. Moreover, from the military point of view, in case of need a base can be deployed close nearby on the island of Hokkaido without any difficulties, but it has not been the case up to now. The islands of Shikotan and Habomai from a geographic standpoint threaten no major straits into the Okhotsk Sea and delimitation of the maritime border can be carried out in a way that would not turn it into international waters. However, from Russia’s point of view there are doubts if Japan is capable of taking independent foreign policy decisions if its ally begins to insist on the deployment, as Japan is in most cases perceived as a junior alliance partner. For Japan, exclusion of the islands from the US-Japan treaty is not permissible as it is considered unacceptable to allow a lower level of security for a particular area and it could set a precedent for its territorial dispute with China. Hence, Russia would like to see a legally binding
clause that would guarantee that no US bases or troops can be stationed or that the islands are demilitarized. Any such agreement in practice would be dependent on the consent and full support of the United States for Japan.65

On January 6, 2019 Abe made a statement that a peace treaty with Russia is to contribute to regional stability and consequently will be beneficial for its ally. The Commander of U.S. Forces in Japan Lt. Gen. Jerry P. Martinez on January 9 stated that the United States has no plans to deploy its forces in case of transfer right now.66 Overall, a scenario of a legally binding agreement excluding it from the US-Japan treaty or demilitarizing seems to be very challenging from Japan’s security standpoint, if possible at all. Resolving the issue without one could be realistic only if Russia chooses to perceive Japan as capable of independent foreign policy decisions (or if Russia-US relations get better which is hard to imagine in the short- to medium-term).

The third condition seems to be one of the greatest obstacles. For Japan it will be difficult to agree only to the two smaller islands under the “two plus alpha” formula, as most of the population favor the return of two islands and continuation of negotiations on the other two. Many Japanese politicians oppose rather than support such scenario. For the Russian population the issue is even more uncompromising as it is connected with the identity of a victor-state in WWII and according to the hardline position—any concessions would undermine its great-power status.67 For Japanese leadership it is necessary to explain why the transfer of only two islands that comprise 7% of the territory that Japan claims is the only realistic option. The Russian government also needs to come to terms with its population, the three fourths of which object to any territorial transfers, and provide arguments why adhering to the 1956 Declaration corresponds with its long-term strategic national interests.68 There has been no indication that the Russian government has been publicly addressing this issue.

As for the fourth condition, it is based on the agreement between the leaders proposed by President Putin that there should be qualitative improvements in every sphere of Russia-Japan relations: politics, security, and economics. From the Russian perspective political differences are still significant (e.g. in terms of the results of WWII and sovereignty over the islands), in international relations Japan mostly sides with the US which declared Russia its strategic rival, in security Japan prioritizes its relations with Washington and takes steps such as deployment of Aegis Ashore, in the economic sphere despite positive improvements there has been no massive investments and new projects are mostly small in scale, with anti-Russian sanctions still in place despite their small impact in practice. Bilateral trade saw gradual restoration from the lowest point of $16 billion in 2016 to $18.26 billion in 2017 (13.7% increase) and $21.27 billion in 2018 (16.49% increase). In 2018 Japan ranked as Russia’s 10th trading partner with a share of 3% but it should be noted that bilateral trade even failed to restore to the level of 2013 esti-
mated at $33.2 billion and 4% share, a contrast to Russia’s trade with China. Underpinning the unparalleled trend, Japan became the Russia’s 3rd Asian trading partner losing the 2nd place to South Korea for the second year in a row.69

Overall, in Russia’s perspective it is too early for the new quality of good neighborly relationship. Realistically speaking, Russia should not expect Japan to abandon its alliance with the US that is likely to become even more integrated in future or the deployment of Aegis Ashore. Japan may lift sanctions targeting Russia but the extraterritorial character of American sanctions predetermines that Japan’s business is likely to avoid restricted sectors due to the prospects of fines or even losing access to the American market.70 As a result, it remains an open question if the Russian government can be satisfied by the steps that Japan is likely to take.

There have been apparent signs that Prime Minister Abe has been altering Japan’s stance so as to gradually eliminate factors irritating Russian leadership and inhibiting negotiations. At the annual National Congress in support of the “return of northern territories” on the “northern territories day” on February 7, 2019 Abe pledged to exert every effort in order to sign a peace treaty and settle a territorial issue but stated that it was not going to be easy. In an unprecedented way, the term “illegally occupied”, present in line with the official position, was omitted in the congress appeal.71 On February 12 at the Diet Prime Minister Abe used not the term “return of the northern territories” but “border delimitation” and since November 2018 he repeatedly avoided calling them “inherent territories,” together with Foreign Minister Taro Kono on his insistence,72 which brings Japan closer on terms with Russia. However, official position as posted on the web-sites of the Cabinet and MOFA has not been altered.

Despite these developments and several rounds of talks between the Foreign Ministries, no substantial progress was achieved at the meeting between President Putin and Prime Minister Abe in June 2019 in Osaka following the G-20 Summit. Although the Japanese side had reportedly hoped to sign a framework peace treaty in June, later this idea was aborted due to the differences in historical and legal positions as well as security issues such as Russia’s concern over the Aegis Ashore deployment.73 With the deadlock over the peace treaty and territorial dispute, the governments of Russia and Japan decided to facilitate the development of joint economic activity. The leaders announced that the ministries agreed on the business models of the two projects in tourism and recycling of waste.74 However, the issue of the legal framework being not settled, the project in tourism is much more likely to see the light than any project “on the ground.”

However, the deadlock over the major issue of Russia-Japan relations in practice has not hindered the development of bilateral relations in other spheres. In 2019 defense exchanges between high-profile officials continued, which highlighted the unique level of relationship that has no precedence with other G7 states for Russia.
In addition, the ties between the parliaments of the two countries were reinvigorated. In June and September 2019, when Prime Minister Abe together with a business delegation visited the Eastern Economic Forum in Vladivostok, new business deals were signed in energy, energy saving technologies, chemical industry, medical equipment production, medical hospitals, logistics and infrastructure, services, innovative technologies, etc. The largest project was the acquisition by Mitsui and Japan Oil, Gas and Metals National Corp. (JOGMEC) of a 10% share in the “Arctic LNG-2” operated by Novatek worth $3 billion. All in all, as the Japanese Prime Minister announced, more than 200 economic projects have been initiated in the last three years. During the Year of Russia in Japan and Year of Japan in Russia held in 2018-2019 in order to facilitate people-to-people contacts about 700 events were held with more than 1.5 million participants. In January 2019 the two leaders set the goal to double tourism and people-to-people ties to 400,000 people a year. The Year of regional exchanges is scheduled to start in 2020 with the same goal in mind. For sure, it does not mean that the problems have been solved. To illustrate, the “two plus two” dialogue in May 2019 emphasized the same differences as in previous years and even added the issue of the Indo-Pacific. While the concept of free, open and rule-based order in the Indo-Pacific plays an important role in Japan’s foreign policy, the Russian MOFA has been critical of the American version and the attempts to exchange a broad regional security system with a narrow one based on blocs. However, it is apparent that both Russian and Japanese governments take steps to upgrade bilateral relations in a comprehensive way.

Conclusion

The article has demonstrated that Russia-Japan relations have entered a new stage with the unprecedented level of activity aimed at comprehensive improvement of relations: frequent political discussions equaling China for Russia and the United States for Japan, restoration of security dialogue and confidence building measures, efforts to facilitate economic contacts with about 200 new potential projects and about a third to half of them entering implementation, and enhanced people-to-people contacts. All in all, such momentum has no precedent in the bilateral relationship. However, a new stage of qualitatively different relations and deep trust still remains a potential rather than a reality. Russia-Japan rapprochement is significantly hindered by deterioration of Russia’s relations with the West. Despite the two countries’ engagement into negotiations on a peace treaty and territorial issue based on the 1956 Declaration, Japan signalizing a possibility of taking a compromising line with agreeing to the two islands for the first time in 60 years and identified parameters of the deal (transfer of the islands of Shikotan and Habomai possibly plus alpha i.e. in the form of joint economic activity on
the larger two islands), multiple obstacles and challenges to genuine rapprochement are still in place. Although a breakthrough under Abe’s tenure is not impossible, it seems unlikely as the conditions are difficult to meet. Recent events have demonstrated that we are likely to see difficult and protracted negotiations. Seeing territorial concessions as a sign of weakness by populations of both countries makes a situation look more like a lose-lose rather than a win-win.

Of utmost importance to both Russia and Japan is what could be the benefits of a peace treaty and final border delimitation for the two countries bilaterally (apart from the islands per se), on the regional level and strategically. They are likely to bring the two countries closer to the character of good-neighborly relations with the help of an improved overall climate and the removal of barriers that are acute for the Japanese side. Although more stable political relations are unlikely to cause a massive inflow of Japanese investment to Russia per se, as improvement in business conditions is necessary to attain this aim, they could provide a more stable regional environment with fewer risks for Japan’s business including SMEs. They could also pave the way for enhanced cross-border cooperation between the Far East, especially Sakhalin and the Kuril Islands, and Hokkaido, the regions that badly need stimuli for development. Joint projects in advanced manufacturing and innovations could help both countries achieve their development goals. A breakthrough in Russia-Japan relations is likely to have long-term strategic repercussions. It has a potential to dramatically enhance both countries’ respective positions in the regional and global balance of power and international relations, thus broadening their foreign policy choices. Russia could ensure that the US-Japan alliance is not targeted against it and Japan’s policy remains much friendlier than of other G7 states, while Japan could enhance its foreign policy autonomy. Although taking anti-Chinese steps is unimaginable to the Russian government and it would not develop relations with Tokyo in the way that could cause damage to its close links with Beijing, its pivot to Asia could become a more balanced one with stronger ties with Japan. It could make Russia-Japan relations an independent factor in international relations in Asia that plays a stabilizing role, with a view to a strategic partnership in future.

However, it is worth mentioning that a peace treaty and territorial issue do not hinder most of the above mentioned developments. Economic cooperation, including cross-regional exchanges between the Far East and Hokkaido, depends in a much greater way on a favorable business climate in Russia. Russia-Japan cooperation on a wide range of political and security issues in East Asia and Indo-Pacific can be based on strategic calculations with the aim to improve their regional posture, increase room for maneuver and foreign policy autonomy and thus correspond to their national interests. Multilateral and trilateral cooperation with India and Vietnam, close partners of both countries, is an opportunity that Russia and Japan could explore. These goals are attainable even without a peace
treaty if the negotiations over it and the territorial dispute become one of the issues in bilateral relations, important but nonetheless not defining their overall development. In addition to both countries not perceiving each other as a major security threat, Russia is the only Northeast Asian country which public opinion is positively disposed towards Japan. The key factors that make strategic rapprochement difficult are rather the importance of its alliance with the US for Japan and strategic partnership with China based on shared strategic interests for Russia. Varying strategies predetermine that there are many regional issues where the two countries disagree. Moscow and Tokyo need to carefully adjust their strategies if they want to benefit from better ties while retaining focal alignments and to move from the dialogue to practical cooperation and coordination. According to Russian scholars, Russia-Japan relations saw a development without a peace treaty and may carry on in the present state for years if not decades to come. As the quest of signing a peace treaty is facing so many obstacles, the two countries could agree to a basic friendship and good-neighborliness treaty that would establish the foundation for bilateral interaction but avoid the deadlock over the territorial issue.

In order to achieve tangible rapprochement, the two countries need to address the current asymmetries and misperception gaps in earnest. In particular, sustaining the status-quo is beneficial to Moscow and many in Russia believe that the presence of a territorial dispute and Japan’s desire to resolve it are major driving factors for Japan to facilitate dialogue and economic projects with Russia. As a result, when Russia agrees to the transfer of any territories, Japan will quickly lose interest in improving relations and its promises of economic deals will prove false. It is important that Russia understands that from Japan’s perspective vis-à-vis the resolution of bilateral issues is likely to bring about more vigorous cooperation in politics and security, with Japan viewing Russia in a friendlier way that will foster stronger partnership. In Japan’s perspective, only a peace treaty and territorial resolution will bring about full normalization of bilateral relations that will make strategic rapprochement possible. That said, both sides need to address the issue of realistic prospects of economic cooperation based on the attractiveness of Russia’s market to Japan’s private sector. Moreover, Russia needs to overcome the perception of Japan as not capable of independent foreign policy decision making and understand that US-Japan alliance albeit being asymmetric is not about one side obeying the other. If anything, Russia’s inability to perceive Japan’s foreign policy autonomy and national interests in a realistic way is more likely to alienate Japan and make it less inclined to pursue foreign policy decisions different from its ally.

For Japan, it is important to stop viewing Russia primarily through the lens of the territorial issue, come to a more realistic understanding of Russia’s foreign policy and Japan’s place in it not only regionally but also globally. Recent years have witnessed a more pragmatic, gradual and wide-ranging approach including security dialogues, confidence-building measures and new economic projects.
but the territorial issue still remains the core for Tokyo. Even despite the deteriora-
tion of its relations with the West and economic sanctions, its leadership per-
ceives Russia as a great power, capable of independent decisions, enjoying many
international partnerships and being far from being isolated either in international
relations or in economic interactions. In Russia’s perspective, economic
cooperation with Japan is important and desirable but it is only one of a number
of its Asian partnerships that falls behind China in terms of the cooperation scale. Russia’s government is sure that it is capable of developing the Far East
in cooperation with other countries even if connections with Japan remain
limited. With Russia’s economy having adapted to western sanctions, Japan’s lea-
dership has been exaggerating its economic appeal. The approach highlighting
economic incentives in exchange for territorial concessions has proved to be unreal-
istic. In terms of strategic benefits, it is China and India that are viewed as major
strategic partners in Asia with a common goal of establishing a polycentric world
order, and strategic significance of Japan is arguably less pronounced and falling
short of being a great power in Russia’s eyes.84

In order to overcome the burden of a toxic legacy, the leaders of Russia and
Japan need to demonstrate a strategic long-term approach and consistent efforts
aimed at improving bilateral relations in a realistic way. Bringing Russia-Japan
relations to a new stage requires a bold and strategic vision from both sides,
either through resolving the long-standing issues or through making sure that
they do not hinder multidimensional cooperation with different spheres delinked
from each other. Under this scenario, improved relations in different spheres can
gradually pave the way for qualitatively better relations and heightened trust
between the nations.

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