



**RUSSIAN INTERNATIONAL  
AFFAIRS COUNCIL**

**CURRENT STATE  
OF RUSSIA'S RELATIONS  
WITH JAPAN AND PROSPECTS  
FOR THEIR DEVELOPMENT**



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The report presents the results of a comprehensive analysis of contemporary Russian-Japanese relations made by a team of Russian Japanologists within a framework of the Russian International Affairs Council's research program. Political, trade and economic, scientific, technological and cultural cooperation and also the approaches to the resolution of "the northern territories' problem" are among the key issues considered by the authors.

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## CONTENTS

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INTRODUCTION .....	5
POLITICAL RELATIONS .....	7
TRADE AND ECONOMIC, SCIENTIFIC AND TECHNOLOGICAL RELATIONS .....	11
THE ROLE OF PUBLIC OPINION IN SHAPING THE VECTOR OF RUSSIAN-JAPANESE RELATIONS.....	19
ON THE ISSUE OF A PEACE TREATY BETWEEN RUSSIA AND JAPAN.....	23
SUMMARY .....	26
CONCLUSION.....	29

## INTRODUCTION

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Asia-Pacific region is slowly but steadily becoming the leader of global political, economic and military-strategic processes.

Against this backdrop the relations between Russia and Japan – the two major states of the region – can be described as having an average level and suffering from the lack of momentum in their development. Neither Moscow nor Tokyo has its own strategic vision of the prospects for achieving a qualitatively new level of interaction and cooperation in line with new realities both in Asia-Pacific region and in the world.

A team of Russian experts in Japanese studies having done an all-round analysis of the current state of Russian-Japanese relations set the aim of giving an objective picture of achievements and setbacks in the process of the establishment and the development of these relations in the aftermath of the Soviet Union disintegration and also identifying main obstacles preventing from building multifaceted and mutually beneficial partnership.

Special importance was given to the consideration of the whole set of issues related to the unresolved problem of a peaceful agreement resulting from the differences of the sides in the territorial dispute over the Kuril Islands, with the main focus laid not on the search of “a magic formula” for the solution of the problem but on the study of whether (and to what extent) in reality it is “the major obstacle” on the way to a breakthrough in bilateral relations in all spheres.

The present report is the result of the joint analysis and the discussions held by the scientists – specialists in the Japanese studies.

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## POLITICAL RELATIONS

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Russian-Japanese relations (after the disintegration of the Soviet Union) are two decades old. However, their development is heavily impacted by the two century-long history of bilateral relations, with the first Russian-Japanese agreement signed in 1855.

That said, “a new” Russia and “an old” Japan have so far failed to realize a significant potential of interaction and embark on the building of a trustful and partnership cooperation albeit the objective of achieving “a constructive partnership” has been set out in official documents signed at the highest level.

The reason for such a situation is that while understanding in general the importance of bilateral relations for each country neither Moscow nor Tokyo has yet determined the strategic significance of these relations for them.

Political and economic mutual interest of both states is in place but its level is pretty low, let alone the interdependence.

Negative pages in the history book of bilateral relations, especially those related to territorial dispute, also play a certain role. There have been made numerous attempts to resolve it, they all ended in partial or complete failure. Very often the frustration of the Japanese side at the lack of progress in the resolution of the territorial problem on Japan’s conditions led to the deterioration of bilateral relations thus seriously impeding their development.

At the same time, with the exception of territorial problem there aren’t any other obstacles preventing Russia and Japan from the establishment of truly partnership relations between them.

The objective reality is such that neither at present nor in the future will national interests of Russia and Japan come into conflict over any principal aspect of their relations – be it politics, economy or security issues. Russia doesn't pose a threat to Japan, and equally there doesn't exist a Japanese threat to Russia.<sup>1</sup> On the contrary, there is mutual desire to ensure stability in Asia-Pacific region and above all in North-Eastern Asia.

It is indicative that during the visit to Moscow of Japan's Foreign Minister Sejdzhi Maehara in 2011 amidst the sharpening of the territorial dispute the sides confirmed their readiness to continue interaction and cooperation on the most pressing international issues.<sup>2</sup> It was noted that the sides are mutually determined to coordinate their positions in AP multilateral structures and cooperate in the reconstruction of Afghanistan. The decision was made to more closely cooperate in denuclearization of the Korean peninsula and in counteracting international terrorism and WMD proliferation.

It is beyond dispute that the economies of Russia and Japan are complementary. Russia enjoys mineral resources which Japan is deprived of while the access to the Russian market is practically unlimited for Japanese products and capital. It's essential that Russian and Japanese economies neither currently nor in the future will ever compete with each other for markets. The emergence of even insignificant economic conflicts between the two countries can hardly be prognosticated.

On the whole, if not to seek dramatic improvement of bilateral interaction and cooperation, one can come to the conclusion that Russian-Japanese relations are currently at "an average level of development". The relevant set of contacts and exchanges is in place – in political, economic and cultural spheres, even there are contacts between the military, border guarding agencies and law-enforcement structures of the two countries.

Of course, the territorial dispute complicates the normal flow of "bilateral life" but each time the countries come to a mutual conclusion that it shouldn't damage the maintenance of a certain level of practical contacts and mutually beneficial cooperation.

Russian political and business circles are somewhat interested in the development of relations with Tokyo but it's obvious that they are of a less priority than the relations with other big states. It's especially noticeable in the

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<sup>1</sup> Japan boasts modern and well-equipped Armed forces but the 250 thousand-strong Self-Defense Force of Japan doesn't have strategic offensive arms such as bombers, mid- and long-range missiles, large amphibious assault ships, airborne carriers with the exception of two helicopter carriers, cruisers and nuclear submarines, it has only the diesel ones. At the same time Japan possesses the most numerous in Asia-Pacific region fleet of destroyers – 67. Lately, Japan has been reducing its military grouping in Hokkaido and redeploys it to the southern parts in order "to deter the Chinese threat".

<sup>2</sup> The minutes of S. Lavrov's, Russian Foreign Minister, and S. Maehara's, Japan's Foreign Minister, joint press conference on the outcomes of the bilateral negotiations, Moscow, February 11, 2011.

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Eastern direction of Russia's foreign policy where the orientation towards Beijing dominates.

At present there exists an opinion (which has some grounds) that the political situation in Japan brought to life, among other things, by following one after another fast change of the heads of the government continues to be unstable. As a result, there are no long-term partners for serious negotiations and no important agreements achieved.

At the same time it's clear that for the Russian interests, and not only in Asia-Pacific, it would be extremely important to upgrade the level of relations with Japan to a strategic partnership. It would also allow Russia to deal with the challenge of establishment balanced relations with China and Japan and at the same time gain stronger position in its relations with the USA. It's well known how nervously does Washington react to any positive changes in Russian-Japanese relations and sometimes takes measures to hamper their significant improvement (the most recent example – negative reaction of the White House to the intentions of Japan's Prime Minister Yukio Hatoyama to settle the territorial problem with Russia).

From its side, Tokyo is increasingly concerned about the build-up of China's military capability and the possibility of its application in the maritime regions in the proximity to the Japanese islands. Besides, amid fast growing "eminence" of Beijing the voice of Tokyo is less and less heard. Lately, the Chinese have been continuously overriding the Japanese not only in the world economic arena but above all in AP, patently demonstrating "who the master is" in the region.

In the situation the Japanese leadership invents nothing better than keep the beaten track – to strengthen strategic relations with the USA. It a priori limits the possibility of independent actions but doesn't add certainty in the future insofar as Tokyo doesn't have clear understanding of Washington's policy towards China.

Moreover, the Japanese political elite apparently doesn't feel like being involved in the American strategy of China's containment because the deterioration of relations with the great neighbor may lead to numerous political and economic losses. On the other hand, Tokyo is not happy about the prospect of becoming "a junior partner of Beijing", hence different speculations about the necessity of more advanced relations with Russia meaning, predominantly, Chinese and Korean factors. There exists an opinion among Japanese analysts of the desirability to follow the suit of Seoul. They make the conclusion that only after having dramatically improved the relations with Moscow the South Koreans got Russia to toughen its position towards Pyongyang on nuclear issue and incidents with the application of military force on the Korean peninsula.

Japan hopes through the upgrading of the interaction with Russia to try if not break “the Moscow-Beijing axis” but at least to a little separate Russia from China. According to the publications of WikiLeaks,<sup>3</sup> in 2007 Japanese diplomats had plans to forget about the territorial dispute and create an anti-China oriented Japanese-Russian partnership.

The aforesaid allows us to make the conclusion about the possibility for Russia, provided the diplomatic efforts are skillfully applied, to pursue a balanced policy towards China and Japan using it for strengthening Russia’s own position and gaining more free room for the maneuver.

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<sup>3</sup> Cable 07TOKYO2690, ABE-PUTIN G-8 SUMMIT: RUSSIA AGREES TO / WikiLeaks // <http://www.wikileaks.ch/cable/2007/06/07TOKYO2690.html#>

## TRADE AND ECONOMIC, SCIENTIFIC AND TECHNOLOGICAL RELATIONS

Economic ties between Russia and Japan during the first decade of the 21st century demonstrated steady although uneven dynamics. In 2011 the bilateral trade turnover reached a record high notch of \$30.8 billion, with Russian export to Japan amounting to \$19 billion and import – to \$11.8 billion. Thus, Russia had surplus of \$7.2 billion in trade with Japan.<sup>4</sup>

That said, the share of Japan in overall Russian trade turnover is only about 4%.<sup>5</sup> In other words, the role of Japan in Russia's foreign trade is really insignificant. The share of Russia in Japan's foreign trade is even smaller. It amounts to slightly more than 1.8%.<sup>6</sup>

Analyzing the structure of trade it can be said that over many years it has remained unchanged. Japan imports from Russia mostly energy resources, non-ferrous metals, seafood and timber. These product categories account for 90% of Russia's export value to Japan.<sup>7</sup> Moreover, its share is continuously growing to finally approach 100%.<sup>8</sup>

Fast growth of oil and oil derivatives export to Japan has become the dominant trend lately.<sup>9</sup> In 2010 the share of Russian oil in overall Japanese

<sup>4</sup> Value of Exports and Imports by Area and Country / Japan External Trade Organization, 2011 // <http://www.jetro.go.jp/en/reports/statistics/data/gaikyo2011e.xls>

<sup>5</sup> Russian Federation's foreign trade turnover with major states and groups of states / Federal Customs Service of the Russian Federation.

<sup>6</sup> Estimations are based on the Value of Exports and Imports by Area and Country / Japan External Trade Organization.

<sup>7</sup> Russian Federation's foreign trade turnover with major countries and groups of countries / Federal Customs Service of the Russian Federation // Go to: [http://www.customs.ru/attachments/article/15604/WEB\\_UTSA\\_09.xls](http://www.customs.ru/attachments/article/15604/WEB_UTSA_09.xls)

<sup>8</sup> Russian-Japanese trade and economic relations / Ministry for Economic Development of the Russian Federation // Go to: [http://www.economy.gov.ru/minec/activity/sections/foreigneconomicactivity/cooperation/economicaa/doc091225\\_1712?presentationtemplate=docHTMLTemplate1&presentationtemplateid=2dd7bc8044687de796f0f7af753c8a7e&WCM\\_Page](http://www.economy.gov.ru/minec/activity/sections/foreigneconomicactivity/cooperation/economicaa/doc091225_1712?presentationtemplate=docHTMLTemplate1&presentationtemplateid=2dd7bc8044687de796f0f7af753c8a7e&WCM_Page)

<sup>9</sup> Trade and economic cooperation between the Russian Federation and Japan / Ministry for Economic Development of the Russian Federation // Go to: <http://www.economy.gov.ru/wps/wcm/connect/da7d768048aa1c1999d9fb74abf22fc8/tes.doc?MOD=AJPERES&CACHEID=da7d768048aa1c1999d9fb74abf22fc8>

oil import was 7.1%.<sup>10</sup> The share of LNG in Japan's import is also growing and amounted to 8.8% in the same year.<sup>11</sup>

In the structure of Russian import from Japan the main item is motor vehicles, with cars accounting for more than a half of the import.<sup>12</sup>

From this data it becomes clear that the main peculiarity of Russian trade with Japan is the exchange of fuel, raw materials and seafood for mostly ready-made industrial consumer goods.

There exist some problems in bilateral investment cooperation. According to the statistics as of the end of 2010 the value of Japanese investments in Russian economy was at the level of \$9.0 billion,<sup>13</sup> with the lion's share belonging to the so-called investment loans, i.e. tied commercial loans. For them Russia as a rule buys products from Japanese companies.

In 2010 the volume of Russia's FDI in Japan amounted \$283.8 million only. That said, these are the most effective capital investments because they result in the development of new technologies and innovative methods of management. Japan occupies the 8th place among foreign investors into Russian economy in terms of investment volumes.<sup>14</sup>

The value of cumulative investments from Japan remains at a rather low level as compared with the overall volume of foreign investments into Russian economy. As of the end of 2010 the value of cumulative investments from Japan (\$9,022 billion<sup>15</sup>) made 3% of all cumulative foreign investments in Russia's economy (\$114.746 billion<sup>16</sup>), with the share of Japanese FDI only 0,8%.<sup>17</sup>

Sectoral makeup of the Japanese cumulative investments is indicative of the limited number of industries they are made into. For example, in 2010 86.7% of the investments were made into oil production and downstream refining. The rest were made into manufacturing industry (5.1%), wholesale trade (4.4%) and the

<sup>10</sup> Cooperation between Russia and AP countries in energy sphere: current state of affairs and the outlook / Russian APEC Research Center // Go to: <http://www.apec-center.ru/trends/39/168/604/print/>

<sup>11</sup> On the prospects of Russian oil and LNG supplies to Japan / Russian APEC Research Center // Go to: <http://www.apec-center.ru/trends/39/168/598/print/>

<sup>12</sup> N. Takafumi "Japan-Russia economic cooperation: business prospects for the Russian Far East" / Russian APEC Research Center // Go to: [http://spatial-economics.com/eng/images/spatial-economics/4\\_2011/takafumi.pdf](http://spatial-economics.com/eng/images/spatial-economics/4_2011/takafumi.pdf)

<sup>13</sup> Trade and economic cooperation between Russia and Japan / Ministry for Economic Development of the Russian Federation.

<sup>14</sup> Russian-Japanese trade and economic relations / Reference material of the Ministry for Foreign Affairs of Russia, 13.10.2011 // Go to: <http://www.mid.ru/bdcomp/ns-rasia.nsf/1083b7937ae580ae432569e7004199c2/432569d80021985fc325757d0051424a!OpenDocument>

<sup>15</sup> Trade and economic cooperation between Russia and Japan / Ministry for Economic Development of the Russian Federation.

<sup>16</sup> FDI into Russian economy fell in 2010 by 13,2% / Forbes, 25.02.2011 // Go to: <http://www.forbes.ru/news/63995-pryamyenostrannye-investitsii-v-rf-v-2010-godu-upali-na-132-do-138-mlrd>

<sup>17</sup> Calculations are made on the basis of the memo "Trade and economic cooperation between Russia and Japan" by the Ministry for Economic Development of the Russian Federation.

production of transport vehicles and spare parts for them (1.1%). The most part of Japanese FDI was accumulated in wholesale trade – 47.4%.<sup>18</sup>

This statistics suggests that today Japanese capital doesn't play significant role in Russia's economy with the exception of oil and gas projects in Sakhalin. The share of Japanese investments in Sakhalin-1 project is 30%<sup>19</sup> and Sakhalin-2 – 22.5%.<sup>20</sup>

Regarding the cooperation in monetary and financial sphere it has only just started. Japanese banks and other financial structures are underrepresented in the Russian stock market. In its turn Russian venture capital is formally present in Japan.

Consequently, now Russia and Japan hardly depend on each other in economic sphere.

From the above there can be drawn the following conclusions:

Bilateral trade turnover is growing or shrinking following the rules of the economic situation development both in Russia, Japan and world economy, not the instructions of governmental bodies of the two countries.

There is a certain category of products, predominantly raw materials, that Japan will be importing from Russia regardless the political climate in bilateral relations and irrespective of the attitude of its own government.

But the list of these products is short enough.

On the other hand, those products and equipment that the Russian market is interested in lose out in terms of price value to similar products and equipment from China, the Republic of Korea and even a number of European countries and the USA.

In any case, for Japan and to a certain extent for Russia bilateral trade is not so much important factor especially in comparison with trade volumes between Japan and the USA and also China.

The situation is different in economic and investment cooperation. It depends on political factors, for Japanese business structures, especially small and mid-size, strictly correlate their activity in this sphere with the position of state bodies.

Nonetheless, the Russian market remains attractive for Japanese business. Japanese companies have repeatedly reaffirmed their preparedness for a full-scale cooperation in Siberia and the Far East. Besides, they enjoy strong support of the government. Back in June 2007 Japan's Prime Minister S. Abe while meeting

<sup>18</sup> Russian-Japanese trade and economic relations / Reference material of the Ministry for Foreign Affairs of the Russian Federation.

<sup>19</sup> Official website of the Sakhalin-1 project operator "Exxon Neftegaz Limited" Go to: [http://www.sakhalin-1.ru/Sakhalin/Russia-Russian/Upstream/about\\_consortium.aspx](http://www.sakhalin-1.ru/Sakhalin/Russia-Russian/Upstream/about_consortium.aspx)

<sup>20</sup> Official website of the Sakhalin-2 project operator "Sakhalin Energy Investment Company Ltd." // Go to: <http://www.sakhalinenergy.ru/ru/aboutus.asp>

President V. Putin referred to the Russian side the proposals “on the promotion and stimulation of mutually beneficial cooperation between the two sides both at the governmental and private levels” in eight economic spheres<sup>21</sup> including energy sphere (the application of Japanese advanced technologies for the production of oil and gas and peaceful use of nuclear energy); transport (the establishment of the logistical route for AP countries to Russia and Europe via Trans-Siberian Railway); information and communications (the cooperation in the development of information and communication technologies); environmental protection; security (cooperation in countering drug-, arms- and seafood- smuggling); healthcare (cooperation in the field of raising medical services’ quality in the Far East and Eastern Siberia; in the field of stepped up efforts for the improvement of trade and investment climate and finally in the sphere of inter-regional exchange development. The Japanese side expressed its readiness for cooperation in the future in such top-priority for the modernization of Russian economy fields as the reconstruction of port infrastructure in the Far East, the building of car-assembling plants in St. Petersburg, Vladivostok and Kaluga, the building of a factory for the production of construction hardware in Yaroslavl, etc.

At present, in the wake of the accident at Fukushima-1 nuclear plant a number of Japanese governmental agencies and private companies believe it possible to increase the share of Russian energy resources supplies to Japan to 35-40% of overall Japanese consumption (currently it’s about 10%).<sup>22</sup>

Being genuinely interested in certain joint projects with Russia that are significantly important for both the Japanese business and Japan’s economy on the whole the captains of the Japanese business circles are capable of urging the government not only to refrain from impeding their activities in Russia but instead to support their efforts. The activities of Japanese companies in the implementation of joint Russian-Japanese large-scale projects in Siberia and the Far East in the 70-s of the last century can serve as a convincing example of such cooperation success. Multi-billion Sakhalin projects were launched in the 70-s – 80-s of the previous century. At that time the Soviet leadership categorically denied the very existence of “the unresolved territorial problem” on the bilateral agenda.

It should be admitted that all accomplished over last 30 years in the Far East and Siberia big projects are related to collaboration with Japan, these are Sakhalin-1, Sakhalin-2, LNG plant in Sakhalin, the port of “Vostochny”, the development of the Yakut coal fields, etc.

<sup>21</sup> The Initiative on strengthening Russian-Japanese cooperation in the Far East and East Siberia, G8 Summit in Heiligendamm (Germany), June 7, 2007 // Go to: <http://www.ru.emb-japan.go.jp/RELATIONSHIP/MAINDOCS/heiligendamm.html>

<sup>22</sup> Global Insider: Russia-Japan Energy Cooperation / World Politics Review, 31 Jan 2011 // Go to: <http://www.worldpoliticsreview.com/trend-lines/7730/global-insider-russia-japan-energy-cooperation>

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At this stage the Japanese business community is contained rather by absence of favorable conditions for business activity in Russia but not by the territorial problem, and namely – excessive administrative regulation, lax legislation, arbitrary interpretation of legislative and administrative acts, complicated political and immigration procedures, costly and unreliable infrastructure.

Unfortunately, the Russian side doesn't demonstrate any determination to return to the Soviet-time best practices in its cooperation with Japan on big projects.

It's important to remember that in the Far East and Siberia Russian business structures firmly established in main sectors of economy and resistant to any change hamper the arrival of foreign, including the Japanese, capital because they are afraid of competition and not prepared to work in accordance with fair and non-corruption rules.

In their turn Russian entrepreneurs don't display any interest in starting business in Japan. The difficulties of entering the Japanese market due to its regulation peculiarities and tough competition are well known. But the main reason lies in something different, rather in the passivity and inability of Russian business circles to find prospective Japanese partners and explore the peculiarities of running business in Japan.

The hopes that China will soon and heavily invest into the projects of the Far East and Eastern Siberia's development including the exploration of fossil mineral resources and infrastructure projects may turn out unfounded. The history of Russia's relations with China shows that in words the Chinese assert themselves as "the main hope" of Russia regarding the development of Siberian and Far-Eastern regions but in practice they are tough and sometimes bullish in upholding their interests believing that there is no need to be too much in a hurry to invest into these projects because without competitors around there exists the possibility to gain access to Russian mineral resources on much more favorable conditions for them.

Therefore it's necessary to have an alternative to "the Chinese vector" and to attract Japanese investments.

However, at present there are no (with the exception of the projects for the construction of an oil refinery plant and the Toyota and Mazda car-assembling facilities near Vladivostok) more or less big projects jointly with the Japanese on the horizon. Russian governmental structures and private companies are hostile to the readiness of Japanese companies to participate in the Sakhalin-3, Elga and Eleget coal fields' development projects and facilitate the development of the accompanying infrastructure projects.

In the foreseeable future energy (including nuclear energy) will remain the main sphere of economic cooperation between Russia and Japan in Siberia and the Far East.

Woodworking and fish/seafood processing are viewed as important and promising domains of the investment cooperation. Russia is interested in exporting to Japan the production with higher added value. Therefore, we should seek to set up joint stock companies with the participation of the Japanese capital in these fields. Besides, Japanese investments can be made into such manufacturing industries of the Far East as shipbuilding, aircraft engineering, etc.

But for that, as it has already been pointed out, it's necessary to create favorable climate for attracting Japanese direct investments and also from Japanese SMEs. Special economic zones that should be established not only in the European part of the Russian Federation but also in the Far East can significantly contribute to it (for example, about 30 thousand Japanese companies including 26 thousand SMEs operate in China only).

Interaction in the sphere of infrastructure development and organization of navigation along the Northern Sea Route can open up new opportunities for Russian-Japanese cooperation. Some years ago Japanese companies completed a full-scale study of the prospects for using this route in the economic interests of Japan.

Putting it into regular operation would reduce the seaway from Europe to Japan to 7 thousand kilometers in comparison with the current 23 thousand via the Suez Canal and the Indian Ocean. According to available information the Ministry for Education, Culture, Sport, Science and Technologies of Japan plans to launch in 2012 a four-year long program of the Arctic ice situation monitoring with a view to taking the opportunity of using the Northern Sea Route for regular navigation in the near future.

The construction of the space launch site "Vostochny" and the commissioning of the Far East Federal University campus in Vladivostok also open up new horizons for scientific and technical cooperation between the two countries.

In sum, despite persisting difficulties and obstacles trade and investment cooperation between Russia and Japan has big potential but in order to realize it both sides have to take great efforts.

Currently there is no close integration interdependence, when the countries have not only commercial but rather investment, logistical and other ties, between Russia and Japan, let alone strategic partnership.

In the context of the program for Russia's economy modernization it's essential to build firm and long-standing relations with Japan.

For example, it would make sense to put on the agenda of a political dialogue the conclusion of a bilateral Agreement on Economic Partnership (AEP) – the

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format which is widely used by Tokyo in its relations with key trade and investment partners. One of the major reasons why Russia could benefit from the participation in such kind of formats is the possibility to use them as an instrument of making corrections in the structure of economic ties that presently don't meet the requirements of innovative development.

The AEP with Japan will allow Russia "to be included" into the system of intra-industry division of labor in the East-Asian region and get integrated into logistical and technological chains of production processes. Having concluded such an agreement Russia could be able, in particular, to enhance its positions not only in the Japanese energy market but beyond it and lay the foundation for expanding its export to Japan.

One of the cases for such kind of format is the fact that in the development of economic cooperation Japan has recently prioritized those countries which have a good record of free trade and economic partnership agreements with the widest range of participants using them as an instrument of entering the third-countries' markets. For example, the countries that have already signed or enacted the agreements on economic partnership with Japan account for about one-third of its foreign trade volume.

As the experience suggests, such an agreement would allow legal institutionalization of the existing business relations and have a positive effect in terms of "tying the partners down to each other". The signing of the AEP will ease the concerns of the Japanese business about the insufficient development of the investment climate in Russia. With legal mechanisms of investors' rights protection being ensured in accordance with such an agreement, the concerns of the Japanese business about the investment risks in the Russian market could be to a certain extent removed, and it would spur up the process of Japanese economic penetration into the Russian regions of East Siberia and the Far East. Perhaps, within the framework of the agreement it would make sense to envisage a certain mechanism of governmental or other guarantees for Japanese investors.

The AEP with Japan will contribute to a higher level of Russia's economic presence in the Japanese markets.

New opportunities open up with regard to, for example, export of Russian wheat, soya, seafood and other food in diversification of supply of which Japan is interested in the first place. The benefits for Russia from the conclusion of such an agreement are obvious because not only import tariffs will be removed but also it will have a multiplicative effect connected with the reorientation of export flows towards more demanding Japanese market and the adaptation of Russian products to very strict Japanese standards.

Insofar as Russia is interested in exporting to Japan the goods with high added value an optimal regime of most favorable treatment of Russian exporters and

Japanese investors in those industries the production of which will be in demand in the Japanese market, such as woodworking, preserves' and other food production, pulp industry, should be established. In the Far East, for example, it's vital to embark on the advanced timber processing and widen the assortment of timber production supplied to Japan and other Asia-Pacific countries.

In this regard, an effective mechanism of state support for incentivizing Japanese investments into the realization of large wood-processing complexes' construction projects in Siberia and the Far East should be found. Apart from that, the agreement would contribute to dealing with the problem of "brain drain" from Russia, in particular, the emigration of programmers, scientists, specialists in applied technologies, etc. from the country.

Preferential trade and economic agreement with Japan would bring positive results thus facilitating the shifting of the public opinion focus from the territorial issue to economic cooperation, promoting better image of Russia in Japan and improving the climate in bilateral relations.

# THE ROLE OF PUBLIC OPINION IN SHAPING THE VECTOR OF RUSSIAN-JAPANESE RELATIONS

Public opinion in Russia and Japan exercises strong influence on shaping the policy towards the partner country.

According to public opinion polls, in the period from 1995 to 2011 the level of sympathy towards Japan in Russia decreased from 69% to 44% while the level of antipathy rose sharply from 19% to 31%.<sup>23</sup> About 90% of the polled are against the transfer of the “disputed Kuril Islands” to Japan. On the whole, in the eyes of the Russian people Japan is neither a friend nor an enemy of Russia, and this trend is both worrying and alarming.<sup>24</sup>

Alongside, the growth of negative attitude to Japan has become prominent lately. Especially worryingly it manifested itself in the wake of the natural disaster in Japan in March 2011. Such eminent representatives of Russian political and public elite as Liberal Democratic Party leader V. Zhirinovsky, film director N. Mikhalkov, an orthodox priest A. Shumsky made statements insulting Japan and the Japanese people while interpreting the earthquake and the tsunami that hit Japan as “the visitation of God” and “the punishment for atheism and humiliation of Russia”.

Fortunately, such an attitude did not prevail, with many Russians being sincerely sympathetic to the Japanese who got into trouble but it demonstrated that in Russia’s public opinion there exist deeply rooted negative sentiments towards Japan.

<sup>23</sup> Analytical report “Two decades of Russia’s reforms. The results of many years-long sociological surveys.” Moscow, The Institute of Sociology of the Russian Academy of Sciences, 2011, pp. 192-195. See also: VCIOM poll [http://vcc.su/amic\\_ru/23737-vciom-issledoval-otnoshenie-rossiyan-k-yaponcam.html](http://vcc.su/amic_ru/23737-vciom-issledoval-otnoshenie-rossiyan-k-yaponcam.html). Available: 20-04-2012.

<sup>24</sup> The poll “The Russians don’t want to hand the Kurils over to Japan” conducted by Russian Information Agency RIA NOVOSTI, 24.07.2009 // Go to: <http://ria.ru/society/20090724/178505726.html#ixzz23PJ9NUzG>

Public opinion polls conducted in Japan in 2011 showed that of all the largest countries in the world the Japanese are least friendly to Russia (13%) and most friendly towards USA (82%), with those antipathetic to Russia - 83%.<sup>25</sup>

The causes of such an attitude of the Japanese to Russia can be explained by a sustainable negative image of Russia conjured up during the post-war, mainly the Cold War, period of purposeful implanting of the image of a neighboring country set against Japan into the minds of the Japanese (the war of the USSR with Japan in defiance of the Agreement on Neutrality, death of more than 60 thousand Japanese prisoners of war in Soviet camps, “the seizure of originally Japanese territories” and the attempts to extend Communist ideology to Japan).

After the disintegration of the Soviet Union the majority of stereotypes of perceiving already a new Russia not only persisted but even were complemented by such negative views as the lack of democracy in Russian political system, endemic criminality and corruption, absence of appropriate conditions for normal business activity, the assertiveness of the Russian military – the deployment of state-of-the art armaments on the disputed islands, the flights of Russia’s long-range aircrafts in the proximity of Japan’s borders with the simulation of missile attack and the unwillingness to resolve the territorial dispute in line with “Japan’s fair claims”.

Among those who shape public opinion in Japan are mass media, think tanks, prominent historians and political scientists, but all of them are not only infected with “an anti-Russian virus” but also use Russia’s negative image for the purpose of reinforcing the political course of Japan’s ruling circles aimed at exercising pressure on Moscow with the view to achieving the principal goal – “to get back the “Northern territories” without which the Second World War for Japan will not be ended”.

It should be noted that Japan through the activities of different funds (the Japanese Fund, above all) and state structures (Japanese centers in Russia) financed from the state budget and by using grants, the system of exchanges, by holding conferences and “roundtables”, on the one hand, carries out a well-thought long-term strategy of creating a positive image of Japan among the Russians and, on the other, implants the idea of “Russia’s guilt for the post-war transgressions” and, consequently, the idea of “necessity to return the territories to Japan” into the minds of Russian people and, above all, of those who shape public opinion in Russia.

Russia is far behind Japan in using “soft power” instruments for the promotion of true information about Russian realities and Russian stance on the issue of peace treaty with Japan.

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<sup>25</sup> Public opinion poll on the foreign policy issues conducted by the Information Desk at the Cabinet of Ministers Office, 2011 // Go to: <http://www8.cao.go.jp/survey/h23/h23-gaiko/2-1.html>

There isn't a single Russian Center for cultural and scientific ties existing in Japan. The activities of the "Russian World" fund are confined to providing some financial support to a small number of Russian language chairs.

Rare and irregular conferences and symposiums with held with the participation of experts and mass media representatives of the two countries are financed as a rule by the Japanese side. Russian think tanks and educational institutions do not have the opportunity to fund such kind of events.

The "Russia-Japan" Society, understaffed and deprived of the state financial support, conducts very limited activity and focuses mainly on the promotion of cultural events in Japan.

Japanese studies in Russia find themselves in a pretty difficult situation. The scientists doing the study of modern Japan are for the most part enthusiasts whose efforts are very often wasted. It's notable that a substantial part of publications about contemporary Japan are made for the money provided by the Japanese Fund.

By the present time many organizations set up late in the 90-s – early in the 2000-s such as "The Russian Committee of the 21st Century" cooperating with Japan's "Forum of the Japanese-Russian Friendship 21" which united a number of civil organizations and famous political and public figures, representatives of business circles and cultural workers and also the Russian-Japanese Council of Bigwigs consisting of prominent representatives of the public and scientific communities of the two countries have ceased to exist.

At the same time, the failure of the Council of Bigwigs can be explained mostly by its make-up because both sides, primarily the Russian side, delegated to participate in the Council the representatives who didn't have profound knowledge about political peculiarities and other realities of a partner-country, considerable differences in the traditions of interpreting historical events in the relations between Russia and Japan.

On the whole, Russia exercises little influence on shaping the positive image of the country with the Japanese political elite and public at large.

Regularly held in Japan "Festivals of Russian Culture" have their value but the history of cultural exchanges testifies to the fact that while evoking huge interest in the Japanese they do not contribute to any progress in attempts to refuse from the entrenched negative stereotypes in the attitude towards Russia.

Members of Japan's parliament enjoy great influence on shaping the Japanese public opinion. There is an inter-partisan League of MPs for the development of the Japanese-Russian relations in Japan's parliament. A similar association of Russian MPs, albeit rather inactive, used to exist in the Russian State Duma of previous convocations. After general elections of 2011 such an association hasn't been created so far.

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At the same time, over the last two or three years there have been few inter-parliamentarian contacts. Political parties of the two countries also sporadically get in touch with each other.

As a result, Japanese political circles responsible for shaping the country's political course are poorly informed about the real situation in Russia, the attitude of Russian politicians towards Japan and the development of relations between the two states.

## ON THE ISSUE OF A PEACE TREATY BETWEEN RUSSIA AND JAPAN

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The experience of long negotiations with Japan on concluding a peace treaty but, in fact, on the settlement of the territorial dispute because the Joint Declaration of 1956 performs the function of a peace treaty between the two countries with the exception of the unrealized so-called “territorial article”<sup>9</sup> suggests that to achieve a mutually acceptable agreement is extremely difficult if not impossible in the near future.

The controversy between the sides is not only big but is a matter of principle. Both the Japanese ruling elite and public at large are inclined to believe that the policy of returning to Japan the islands of Habomai, Shikotan, Kunashir and Iturup “illegitimately alienated from Japan after the Second World War justified, fair and uncompromising”.

For any head of the Japanese government, political figure or diplomat the deviation from the official position is fraught with broken political career and public ostracism.

That said, there exists in Japan rather influential group of politicians, businessmen, scientists and journalists who understand that in the national interests of Japan its necessary to discard the pursuance of the USA-pegged policy, confrontation with China but instead establish constructive and diverse relations with Russia.

They set special hopes for the improvement of bilateral relations and the settlement of the territorial problem on the election of Vladimir Putin as President of the Russian Federation.

The advocates of “the principled position” led by the heads of the Russian direction in the Ministry of Foreign Affairs of Japan, experts in Russia known for their critical attitude to this country and conservative-nationalistic mass-media (for example, Fuji Sankei Communications Group) are in opposition to this group.

Their position is based on the premise that there won't be devised any new approaches to the territorial problem with President Putin in the office. At best

there might be proposed to again revisit Article 9 of the Joint Declaration signed in 1956. Besides, they assume that the Russian side might agree to the transfer of the islands of Habomai and Shikotan to Japan under the condition that Russia's sovereignty over them is retained.

It replicates the reaction in Japan to the statement made by President Putin in March 2001 in Irkutsk in which he proposed to start discussing Article 9 of the 1956 Joint Declaration that resulted in the reinforcement of Japan's "simultaneous return of the four islands" stance and the punishment of the politicians and diplomats advocating the holding of negotiations in a "two plus two" format.

However, unlike the situation that was more than a decade ago the current state of affairs is the following:

- The number of the realistic approach supporters and their activity is growing and they are supported by mass media ("The Asahi", "The Mainichi", "The Yomiuri" and "Nihon Keizai" newspapers, for example), punditry and business community.
- The opinion of the hopelessness of asserting the claim to the return of the four islands, let alone simultaneous, is heard more often now.

The understanding that the only reasonable and actually the best way for Japan to the resolution of the islands' problem is through the deepening of cooperation with Russia in security and economic sphere is emerging. What is proposed is to set new agenda for Japan's diplomacy against the backdrop of relative weakening of the USA, rising of China, growing weight of Asian states, the creation by Russia of the Euro-Asian Union for the purpose of Moscow's expansion to the East. One of the main objectives of Japan's diplomacy should be the establishment of "multiple relations" with Russia and the facilitation of its promotion in Asia-Pacific region. As a result of it, Japan will be able to count on benefiting from the compromise with Russia on the territorial problem. In other words, there should be created an environment in which the Russian side would easier compromise on the territorial issue.

At the same time, it is emphasized that through improving the relations with Russia "a window of opportunities" is thus being opened which meets the national interests of Japan allowing it to advance in the resolution of "the northern territories" problem. If this chance is missed, Japan will forever lose the hope of returning the islands.

Certainly, such approaches are not prevailing, let alone determinant.

Political instability persists in Japan, with the prospects for the current government and the Democratic Party of Japan to remain in power being unclear. The leadership of Japan's Ministry of Foreign Affairs which largely moulds the tactics and strategy of negotiations with Moscow is against the changes in the stance on the territorial issue.

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Therefore, we can proceed from the assumption that the Japanese side is unlikely to give up its principled position on the territorial problem in the near future.

## SUMMARY

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It is in the national interests of Russia to maintain friendly relations with Japan at the highest possible level.

There is a consensus, in general, among the Japanese political elite despite unstable political situation and certain anti-Russian sentiments mostly brought to life by territorial issue on the necessity of the development of multiple relations with Russia.

There exist good possibilities to build rather advanced, multiple and constructive relations with Japan. The practice of our relations with Tokyo in the late 90-s of the last century is an encouraging example of it. At that time Japan was the only country out of G-7 members that took the most favorable position towards Russia (on such issues as counter-terrorist operation in the Caucasus, human rights, provision of economic aid after the default, Russia's membership in APEC, etc.).

In order to realize these opportunities an on-going, hard and pro-active work with the Japanese political elite, business circles and public-at-large is needed. It's necessary to have in place a clear and well-thought over strategy and to act on all fronts taking into account all interrelated factors.

In political sphere it's essential to establish and maintain regular contacts and the dialogue not only at the highest level but also between foreign policy agencies and with the whole spectrum of Japan's political elite.

At present there are practically no contacts with parliamentarians, public figures and mass-media leadership of Japan. As a result, they are badly informed in Japan about the current developments in Russia. On the other hand, we exercise very little influence on the shaping of the positive image of Russia among the Japanese political elite and public-at-large.

It would be prudent to create a bilateral public structure – “The Committee for the Development of Russia-Japan Relations” – consisting of prominent Russian and Japanese political and public figures and scientists that will become the

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platform for discussing the ways of improving the relations, predominantly the atmosphere for their development, and devising relevant recommendations to the leadership of both countries.

In parallel with this, it would also make sense to launch a joint project for studying the most complicated problems in the history of bilateral relations. Apart from its academic value, the realization of the project would contribute to overcoming the entrenched stereotype of the inability in principle of Russia and Japan to resolve their differences on the interpretation of the historical past. Besides, the publication with a large circulation and in the Russian and Japanese languages of the final report prepared by a group of historians would provide the possibility to promote the positions of both sides. This will help remove the reproaches of the Japanese side that here in Russia we are poorly informed about Japan's approach to events in the history of bilateral relations and simultaneously acquaint the Japanese public with the line of argument of the Russian side with the reference to concrete historical and legal documents.

In the field of economic cooperation it's necessary to promptly and with practical steps respond to Japan's proposals and projects and in our turn put forward well-grounded and realistic projects, moreover, in the nearest possible time embark on the implementation of one or two big joint projects in Siberia and the Far East.

In the field of strengthening confidence building measures and security cooperation it would be reasonable to pro-actively develop the dialogue with Japan on security issues in Asia-Pacific and especially in North-East Asia. It's necessary to intensify the dialogue filling up its agenda with practical deeds.

Regarding the issue of a peaceful treaty it will be expedient to keep on working to this end and do everything not to allow this problem to prevent from or contain the development of bilateral relations. On the contrary, only by achieving high level of the relations it will be possible to create the right atmosphere for devising its solution.

Despite the negative attitude of Japan to the idea of starting economic activities on the Kuril islands in compliance with the current Russian legislation, it would be desirable to continue to put forward the initiatives on the implementation of The Program of the Russian-Japanese Cooperation for Joint Economic Development of Iturup, Kunashir, Shikotan and Habomai islands<sup>26</sup> adopted in September 2000, as well as the agreements within the framework of the Joint Action Plan of 2003. Among them are: the promotion of youth and children contacts of the two countries within the framework of a visa-free exchange program,

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<sup>26</sup> The program of the Russia-Japan cooperation on the development of joint economic activity on the islands of Iturup, Kunashir, Shikotan and Habomai was adopted on September 4, 2000 // Go to: <http://archive.kremlin.ru/events/articles/2000/09/127245/132202.shtml>

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language trainings and exchange of opinions on environmental issues including joint surveys of the environmental situation in the area of the islands. Remembering recent natural disaster in Japan joint study of seismic situation in the region is becoming extremely relevant.

## CONCLUSION

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The report contains a long list of proposals the realization of which is able to change for the better the nature of Russia-Japan relations, to add momentum to their development and outline their prospects.

Yet, we should proceed from the premise that these proposals should be implemented simultaneously but not partially or selectively. Only then they can produce the necessary effect.

At the same time, there is an understanding that making the ruling elites of Russia and Japan realize the urgent necessity of embarking on the formulation, agreeing and sustainable implementation of the strategy of taking the relations between the two largest countries of the world to a qualitatively new level remains the main task.

Historical experience including that of the late 90-s of the 20th century suggests that there is every possibility to continue going along this path even if the problem of the unresolved territorial dispute remains.

Cardinal restructuring of bilateral relations accompanied by breeding in political, economic, scientific communities and the society the feeling of mutual benevolence and trust will be concerned with the only controversy in the relations between Russia and Japan, and at the end of the day will lead to working out of a mutually acceptable solution to the problem.

In the long-term perspective, there can be seen no reasons for possible serious contradictions between Russia and Japan, let alone confrontation.

On the contrary, by consistently stepping up bilateral relations and upgrading their interaction Moscow and Tokyo can strengthen their positions both in Asia-Pacific region and the relations with their major partners – the USA and China.

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