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## **Japan-Russia Relations: Can the Northern Territories Issue be Overcome?**

Yoko Hirose<sup>1</sup>

### **Introduction**

Russia and Japan are neighbors, but their relationship is often labeled in Japan as “close (geographically) and distant (politically).” The leading reasons are that a treaty of friendship has not been concluded between Japan and Russia, and the Northern Territories issue has not been resolved.<sup>2</sup> These two issues are interlinked, because it seems impossible that Japan and Russia would conclude a treaty of friendship without resolution of the Northern Territories issue. For Japan, the resolution of the Northern Territories issue means recovering the four disputed islands, but Russia maintains that there is no territorial dispute between the two countries.

Japanese authorities think that now could be the time to resolve the territorial issue. Giving away territory tends to lead to public anger, so such decisions require a strong leader who is broadly supported by the people. Given Vladimir Putin’s political dominance in Russia, Japan hopes that he can resolve the territorial issue and conclude a treaty of friendship. Although Japanese Prime Minister Shinzo Abe has made serious efforts to resolve the issues by proposing new approaches, there have not been any major breakthroughs. In an effort to chart a way ahead, this paper will review the historical background and key issues in Japan-Russia relations, and then propose policy recommendations for leaders in Tokyo.

### **Historical Background**

Japan and Russia (formerly the Union of Soviet Socialist Republics, or USSR) have long been neighbors, but the historical relationship between the two has remained limited. This is mainly because the two countries are separated by the Sea of Japan and the center of Russia has been to the west, far from Japan. Therefore, it is worth reviewing the historical background between Japan and Russia during the 18<sup>th</sup> and 19<sup>th</sup> centuries.<sup>3</sup>

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<sup>1</sup> The author is a Professor in the Faculty of Policy Management of Keio University, Japan, and visiting researcher at Aleksanteri Institute, University of Helsinki, Finland in 2017 and 2018. She expresses her sincere appreciation to Zack Cooper for providing the opportunity to participate in this project and conduct research at CSIS, but the author takes full responsibility for the content of the paper.

<sup>2</sup> The Northern Territories consist of four islands located off the northeast coast of the Nemuro Peninsula of Hokkaido. The four islands are Habomai, Shikotan, Kunashiri, and Etorofu. Russia has had effective control of the Northern Territories, arguing that they are included in the Kuril Islands. Many other foreign countries call the Northern Territories the “Kuril Islands,” but this paper adopts the Northern Territories according to the Japanese point of view.

<sup>3</sup> This paper uses Russia to refer to various governments from the 18<sup>th</sup> century to the present, including the Russian Empire (1721-1917), the USSR (1922-1991), and the Russian Federation (1991-).

In the 18<sup>th</sup> and 19<sup>th</sup> centuries, relations between the Russian Empire and Japan were generally positive. However, Russian expansionism started threatening Japan's security and conflicts of interest over the Korean Peninsula and Manchukuo caused the Russo-Japanese War. Japan's victory against Russia in 1905 solidified Japan's position as a major modern state in East Asia; however, the relationship between Japan and the Union of Soviet Socialist Republics was strained by World War II. At the conclusion of the war, the USSR broke the Soviet–Japanese Neutrality Pact and invaded Japan and some other Asian regions that were under Japanese control. Japan then allied with the United States during the Cold War and became one of the co-called “Western” countries. Meanwhile, the Northern Territories were controlled by the USSR at the close of World War II and although Japan tried to recover them, the negotiations were difficult and the Cold War mood made resolution harder.

The collapse of the USSR at the end of 1991 worsened the Russian situation economically and politically. Moscow's attitude toward countries outside the former Soviet Bloc became confused and disjointed. Japanese authorities thought Russian weakness provided an opportunity for Japan to make a breakthrough on the territorial issue, particularly when President Boris Yeltsin agreed to discuss the disposition of all four islands. In October 1993, Yeltsin and Prime Minister Morihiro Hosokawa signed the Tokyo Declaration, which recognized the Soviet–Japanese Joint Declaration of 1956 that had agreed to return two islands to Japan. Both sides promised to negotiate the territorial dispute in accordance with the prior agreement.<sup>4</sup> This suggested that two of the four islands, Habomai and Shikotan, might be returned. However, Japan ultimately failed to utilize this opportunity of the Russian weakness, mainly because of Japan's own political confusion.

Russian weakness ended when Vladimir Putin was inaugurated President in 2000. Yet, the Tokyo Declaration laid the foundation for the Irkutsk Statement, which was signed by President Vladimir Putin and Prime Minister Yoshiro Mori in March 2001. The two leaders henceforth agreed to continue negotiations based on the 1993 Tokyo Declaration.<sup>5</sup>

Thus, Japan's basic diplomatic policy vis-à-vis Russia has embraced three elements. First, Tokyo has sought to build Japan–Russia relations to foster a suitable partner in the Asia-Pacific region. Second, Japan has attempted to develop Japan–Russia relations in areas such as politics, economics, security and defense, culture, sports, and international society. Third, Japan has tried to conclude a peace treaty with Russia to resolve the Northern Territories issue. To make progress on these issues, Japanese officials think political negotiations and trust-building between the prime minister and president (and foreign ministers) is key. They also believe that improving relations with Russia would be profitable for Japanese interests.<sup>6</sup>

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<sup>4</sup> Japanese Ministry of Foreign Affairs, <http://www8.cao.go.jp/hoppo/shiryuu/pdf/gaikou46.pdf>.

<sup>5</sup> Japanese Ministry of Foreign Affairs, <http://www.mofa.go.jp/region/europe/russia/pmv0103/state.html>.

<sup>6</sup> Japanese Ministry of Foreign Affairs, <http://www.mofa.go.jp/mofaj/files/000044685.pdf>.

## The Northern Territories

For many years, Japan's Russia policy has focused primarily on negotiations regarding the Northern Territories while trying to keep a distance from other issues, such as Russia's foreign affairs, internal matters, democratic problems, and human rights concerns. The Japanese government's policy options for negotiating the territorial dispute are limited because Tokyo maintains that the Northern Territories were illegally occupied by Russia and remain the inherent territory of Japan, so all four islands must be returned to Japan.<sup>7</sup> This basic stance has never changed, although Japanese officials sometimes talk about the option to return two islands and the Abe government has embraced a new approach that is discussed below.

Putin has seemed favorably disposed toward a resolution of the territorial dispute, although he sometimes appears critical, saying for example that he cannot talk with a country that is actively sanctioning Russia. Though resolutions involving the reduction of territory would be controversial in Russian domestic politics, Putin has enough political power to ensure support for such an action. Putin has suggested that the territorial resolution should be done on "Hikiwake" or a 50-50 basis splitting the disputed territory such that both sides gain equally.<sup>8</sup> Russia has previously resolved other territorial disputes with neighboring countries, including China and Norway, in this way.<sup>9</sup> The details of a 50-50 split, however, are not simple, and there are at least three options. The first idea is to divide the islands evenly numerically, so Habomai and Shikotan islands would be taken by Japan, and others would be taken by Russia. However, Habomai and Shikotan islands are small, so a second idea is that three islands (Habomai, Shikotan, and Kunashiri) could be returned to Japan.<sup>10</sup> A third option is to divide the four islands by their square mileage, which would mean that Japan would recover more than three ( $3 + \alpha$ ) islands.

The concept of returning two islands is based on the Soviet–Japanese Joint Declaration of 1956 and was also studied by the Yoshiro Mori administration.<sup>11</sup> Yet, this would not represent a 50-50 split in the view of the Japanese government because the two islands are much smaller than the rest of the Northern Territories; nevertheless, some former diplomats and researchers see this

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<sup>7</sup> The demand for the return of all four islands is old and has long been shared by the Japanese people. It is not clear when the Japanese government adopted its official position, but the first occasion that the idea appeared officially was when it was put forward by Nemuro mayor Ando in 1945. Japanese Ministry of Foreign Affairs, <http://www.mofa.go.jp/region/europe/russia/territory/overview.html>.

<sup>8</sup> *Hikiwake* means "draw" in Japanese. Putin has previously explained, "A *Judo-ka* [Judo player] must take a brave step forward not only to win, but also to avoid losing. We don't have to achieve victory. In this situation, we have to reach an acceptable compromise."

<sup>9</sup> On the resolution of the territorial dispute between China and Russia, see Akihiro Iwashita, "A 4,000 Kilometer Journey Along the Sino-Russian Border," 21st Century COE Program, Slavic Eurasian Studies, No. 3, SRC: Sapporo (original in Japanese).

<sup>10</sup> Akihiro Iwashita, *Hoppou Ryodo Mondai [The Northern Territories Problem]*, Chuokoron-shinsho, 2005.

<sup>11</sup> Such as the Russo-Japanese summit meeting in 2000.

as a realistic solution. As a result, some people—including Taro Aso—argue that returning three islands would be required for a 50-50 deal.<sup>12</sup>

The Japanese government expected to recover at least some of the Northern Territories during Putin's time in power. Japan tried to find a solution with the Russian side for years, but this proved difficult in part because Japanese governments tend to be short-lived. Only ex-Prime Minister Junichiro Koizumi (in office 1979 days) and Prime Minister Shinzo Abe (already in office over 5 years) were able to stay in power for long, which is necessary for lengthy negotiations. Therefore, negotiations on the territorial issue proved difficult during Putin's initial time in power. On November 14, 2004, Putin and Russian Foreign Minister Sergei Lavrov visited Japan and Lavrov stated that Russia, as successor to the Soviet Union, recognized the Declaration of 1956 and was ready to negotiate with Japan on this basis. This statement fueled domestic Japanese expectations that the Northern Territories would be recovered, a goal that the Japanese government pursued.

### **Economic Cooperation**

Japan and Russia have long cooperated on various trade, business, economic, and technical efforts. Russia's economic situation was dire after the collapse of the USSR and it became worse after the Russian financial crisis of 1998. Despite its devastated domestic industry, the Russian economy partially recovered due to the rise in crude oil prices and the devaluation of the ruble, which led to ten consecutive years of positive growth in the early 2000s. The trade volume between Japan and Russia increased by five times from 2003 to 2008, reaching \$30 billion. The number of Japanese companies working in Russia also grew from 231 companies in 2003, to 373 in 2008, and to 450 in 2016. During this time, Japanese companies expanded their work from the traditional energy and trade sectors into manufacturing. Direct investment from Japan to Russia also increased, multiplying by nearly seven times from 2004 to 2009.

The Russian economy suffered following the Lehman Brothers bankruptcy in 2008. Russia's economic growth rate collapsed to -7.8% and trade volume between Japan and Russia fell below half of the previous year's trade due to falling domestic demand in Russia, rising tariffs on automobiles, and decreasing direct investment (which fell by nearly ¥10 billion in 2009). In the years that followed, the Russian economy recovered. Yet it turned negative again in 2015, because of the economic sanctions imposed following the Ukraine crisis, the rapid decline of the ruble, the fall in the price of oil, the centralization of wealth in a small number of Russians, and speculative actions such as capital flight. Trade and direct investment between Japan and Russia also declined.

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<sup>12</sup> Iwashita, 2005; "Putin proposes starting over in negotiations over Northern Territories," *Asahi Shimbun*, March 2, 2012 (in Japanese).

However, signs of recovery are beginning to appear and trade volume increased by 29% in the first nine months of 2017 compared to the same period in the previous year.<sup>13</sup>

## Diplomatic Ties

Since returning to office in December 2012, Prime Minister Abe has intensified his efforts to improve ties with Russia by building a personal relationship with Putin. From 2012 to 2017, Abe and Putin met 20 times. Although the Ukraine crisis occurred during this period, Abe still hoped to strengthen his relationship with Putin enough to leverage it to resolve the Northern Territories issue during his time in office. Meanwhile, both Japan and Russia softened their attitudes toward the dispute. They agreed to accelerate negotiations of territorial issues at a summit meeting in April 2013. The Japanese government demonstrated its willingness to accept the return of Habomai and Shikotan before the other islands if Russia recognized that all four islands were part of Japanese territory.

In November 2013, at their first-ever “two-plus-two” ministerial meeting, Japanese and Russian officials agreed on a framework for a comprehensive partnership on security affairs. This framework is significant because Russia is only the third country with which Japan has concluded such a framework. Furthermore, Russia has never had such an arrangement with other U.S. allies. This framework is expected to expand and deepen cooperation between Japan and Russia.

However, recent close relations between Russia and China are preventing Japan from deepening its relationship with Russia. China maintains a tough stance on Japan, but China and Russia share an anti-U.S. view and oppose the unipolar order. They also share perceptions of history since World War II, believing that they kept the peace in Asia after the war. Even at the joint ceremonies in 2015 that marked the 70<sup>th</sup> anniversary of the end of World War II, their anti-Japan stance was clear.

In addition, poor U.S.-Russia relations have created a dilemma for Japan. The U.S.-Japan alliance is Japan’s first priority, but Russia opposes the U.S. presence in Japan and hopes that Japan will act independently. This dilemma worsened after the Russian invasion of Ukraine. Since the Ukraine crisis became serious in 2014, the United States and the European Union (EU) have put in place sanctions against Russia and gradually strengthened these sanctions. The Japanese government has been reluctant to follow suit, hoping instead to maintain positive relations with Russia. As a G7 member, however, the Japanese government could not entirely avoid putting sanctions on Russia. Initially, following Russia’s annexation of Crimea, Japan only applied light sanctions against Russia, such that Putin even noted his admiration for Japan’s policies. Yet, the Japanese government strengthened these sanctions following U.S. President Barack Obama’s visit to Japan. Although the new sanctions were also limited, Russian leaders were angered and

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<sup>13</sup> Japanese Ministry of Foreign Affairs, <http://www.mofa.go.jp/mofaj/area/russia/keizai/gaikan.html>.

criticized Japan for following the United States. Foreign Minister Fumio Kishida's visit to Russia and Putin's visit to Japan were cancelled. Although the personal relationship between Abe and Putin remained positive (they continued to talk frequently and meet at international conferences), Japan-Russia relations stagnated and delayed Putin's visit to Japan.

Although there was no major progress in 2015, Prime Minister Abe launched new initiatives. Abe ignored criticism from Washington and visited Sochi, Russia in May 2016, where he had an informal meeting with Putin. Abe proposed a "new approach" to Japan-Russia bilateral relations that aimed to expand areas of cooperation through economic engagement. This new approach was intended to facilitate a qualitative shift in bilateral talks by essentially bypassing the territorial dispute. Instead, Abe hoped to promote a strategic partnership with Russia and Putin accepted this proposal.<sup>14</sup> Abe then presented an eight-point economic cooperation plan to Putin to incentivize a breakthrough on the territorial issue in May 2016. The contents of the eight-point economic cooperation proposal included the following: (1) Extending the 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 aiming to the develop the Russian Far East, including the Northern Territories.<sup>15</sup> This cooperation was predicated on progress toward a deal on the Northern Territories.

To facilitate this effort, Abe established a new ministerial post to oversee Japan's economic cooperation with Russia and Hiroshige Seko, Minister of Economy, Trade and Industry, was concurrently appointed to the new post in September 2016. This was the first ministerial post to specify the name of a foreign country and demonstrated Abe's degree of seriousness. Abe and Putin met in September and November 2016, but Putin's attitude worsened as evidenced by the deployment of the Bal and Bastion missile systems to two of the Northern Territories islands.<sup>16</sup> From around the middle of November 2016, the Russian attitude to Japan became gradually tougher. Putin expressed his concern that U.S. forces might be placed in the Northern Territories if the islands were returned to Japan. He also criticized Japan for putting in place (albeit limited) sanctions against Russia, indicating that he would not negotiate as long as Japan was applying sanctions.<sup>17</sup>

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<sup>14</sup> Joshua W. Walker, "Russia–Japan Relations in the Era of Trump," *GMF Policy Brief*, April 3, 2017, <http://www.gmfus.org/publications/russia-japan-relations-era-trump>.

<sup>15</sup> Japanese Ministry of Economy, Trade and Industry, <http://www.meti.go.jp/english/mobile/2016/20160921001en.html>.

<sup>16</sup> The first announcement was in March 2017.

<sup>17</sup> James D.J. Brown, "Japan woos Russia for its own security," *Asian Review*, December 11, 2017.

In December 2016, Putin formally visited Japan, making good on his postponed 2014 trip. The meetings were held in Nagato, Yamaguchi—Abe’s hometown—and Tokyo. The summit disappointed many Japanese because it did not resolve the Northern Territories issue, only allowing former residents to visit the Northern Territories. Instead, Abe and Putin agreed to “joint economic activities” and insisted that this was a very important first step toward resolving the territorial issue. They also announced the development of economic cooperation comprising about 80 business deals between companies and government bodies from both sides. Japan’s combined investments, loans, and credit to Russia are estimated to total ¥300 billion under the deals. In addition, they agreed to start joint economic activities focusing on the eight-point plan, which was first proposed by Abe in May at Sochi. Abe suggested that “joint economic activities” be conducted under a special legal system, but the Russian side insisted that they be conducted under Russian law, because the Northern Territories are Russian territory. These negotiations were carried into 2017, when the suspended “two-plus-two” ministerial meetings resumed.<sup>18</sup>

Japan and Russia achieved results on the economic issue during Putin’s visit to Japan. However, there was almost no progress on the Northern Territories issue, although the Japanese side strongly believed that Putin’s visit would be a breakthrough for Russia-Japan relations. Japanese leaders had hoped to make some kind of resolution on the Northern Territories problem before the middle of November 2016.

Therefore, Japan has been annoyed with the toughening Russian attitude. Japan has also been shocked so by the limited achievements of the Russia-Japan summit, particularly in contrast with the high expectations. The Russian change has been a mystery, with no clear cause for the transition in Russia’s stance. In response, the Japanese government tried to escape responsibility by blaming scapegoats,<sup>19</sup> but this made it more difficult to make clear the reality of the failed negotiations.<sup>20</sup>

In 2017, Japan and Russia held two Foreign Ministers’ meetings, one “two-plus-two” meeting, and two Abe-Putin meetings. The Japanese side tried to start the “joint economic activities” as soon as possible, but the legal dispute remained. The Russian side submitted many plans for economic cooperation, eventually narrowing down the initiatives to five points: aquaculture, wind power, waste processing, tourism, and greenhouse projects. Meanwhile, Japan pursued other economic proposals for the Northern Territories. Through the end of 2017, Japan-Russia relations remain stagnated, but Japan keeps hoping for a breakthrough.

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<sup>18</sup> Sergey Sevastyanov, “Hopes and Realities in Relations Between Russia and Japan: Is a Breakthrough Possible?” *East Asia*, 34; Gilbert Rozman, “Unanswered Questions about Japan-Russia Relations in 2017,” *Asia-Pacific Review*, 24.

<sup>19</sup> Rozman, “Unanswered Questions.”

<sup>20</sup> The author is thankful to Gilbert Rozman for noting this point.



## **Key Issues**

As mentioned above, it will be difficult to build good diplomatic relations between Japan and Russia without a Treaty of Friendship. The territorial issue remains a serious obstacle, but there are various other difficulties in the relationship as well. These challenges are discussed below.

### **The Northern Territories**

The resolution of the Northern Territories dispute is the most important issue in Japan-Russia relations. If it is not resolved, it will be almost impossible to conclude a Japan-Russia Friendship Treaty and improve bilateral relations. However, the two countries' perceptions of this issue differ greatly. Japan insists that the Northern Territories are Japanese territory and that Tokyo must recover all four islands. Russia's position is that there is no territorial dispute at all. Sometimes Russia has shown a softer attitude and suggested that Japan should compromise by negotiating for two islands. Yet, even returning two islands has never been realistic.

Other challenges to negotiations have included the bipolar Cold War system, international criticism of Russia, and the Ukraine crisis. For example, the so-called "Dulles Threat Incident" of 1956 shows the effect of the Cold War mood on the territorial dispute. At the time, Secretary of State John Foster Dulles told Japanese Foreign Minister Mamoru Shigemitsu that if Japan gave up its claim to the southern Kuril Islands, then the United States might feel obliged to retain Okinawa in perpetuity. Many academics, especially Soviet scholars, insist that Dulles's statement was intended to prevent a Treaty of Friendship between Japan and the USSR. However, newly declassified documents make clear that Dulles was trying to help Japan in the negotiations and that the U.S. government had already recognized the Northern Territories as Japanese territory.<sup>21</sup> Nevertheless, Dulles's "threat" has had a big impact, which is why Putin mentioned that Japan should consider the implications of U.S. military bases in Japan.

There are many obstacles to Russia's return of the Northern Territories to Japan. Most critically, Russia insists that the Northern Territories were the fruit of USSR's victory against Japan at the end of World War II and that Japan abandoned all the Chishima Islands under the San Francisco Peace Treaty in 1951. Japan disagrees with these Russian arguments for three reasons. First, Japan insists that the Northern Territories were not included in the Chishima Islands, although some Japanese academics say that the Northern Territories were called "South Chishima." Second, Japanese citizens see the USSR's violation of the Soviet-Japanese Neutrality Pact as illegal, given that the USSR denounced the pact on April 5 and then invaded Manchuria and attacked Japan on August 9, less than the one year required to withdraw from the Pact. Third, Japan insists that the USSR did not participate in the San Francisco Peace Treaty, so it has no rights to territory under that agreement.

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<sup>21</sup> Vlad M. Kaczynski, "The Kuril Islands Dispute Between Russia and Japan," *Russian Analytical Digest*.

In addition, territory is important for the Russian people and Moscow has emphasized the importance of defending its territory. It is difficult for the general public to accept the transfer of territory, so strong leaders are needed to overcome this obstacle. Yet, it is also true that strong leaders cannot easily abandon territory. Furthermore, the Soviet victory in the “Great Patriotic War” is significant to the Russian people and they remember the lives lost to attain that victory. This makes some of the people value the land just as they value Russian lives, so abandoning the Northern Territories would undermine the historical meaning of the “Great Patriotic War.”

Moreover, the Northern Territories are important to Russian security. Moscow sees the United States military and the North Atlantic Treaty Organization (NATO) as its most serious security threats. Due to the Japan-U.S. alliance, U.S. troops could be deployed to the Northern Territories if Russia returns them to Japan. Putin has warned about this repeatedly.

Recently, Russia has been militarizing the Northern Territories, although some experts say that this is directed against China. Russia has also been cautious about Chinese movements, although Beijing is Moscow’s most important partner. Russian leaders do not trust their Chinese counterparts, but they have few other options in the current international situation. Although Russia and China have been tightening their relationship, these ties are mainly global in nature (opposing the unipolar U.S.-led order, cooperating on Eurasian initiatives, coordinating energy projects, etc.) and Russia has always been cautious of Chinese regional movements.

The Northern Territories have become more strategically important because of the Arctic. The melting of Arctic ice has accelerated in recent years, opening up the Northern Sea Route, which connects the Arctic region to Asia via Hokkaido. Although the Northern Sea Route is not yet commercially viable, many countries—including Russia, China, and Japan—are interested in this possibility. The Northern Territories are situated at the end of the route, so Russia has incentive to retain the islands.

Japan is also concerned about the recent Russian militarization of the Northern Territories. Russia has been upgrading its weapons and has deployed new military systems to the Northern Territories. The 18<sup>th</sup> Mechanized Artillery Division is currently deployed on the islands. It includes 3,500 personnel and will receive modern defensive systems to protect against attacks from the air and sea. Japanese concerns about the militarization of the Northern Territories have led Russian Defense Minister Sergei Shoigu to assure Tokyo that the deployment is “not aimed against any country, but only to protect the territory of the Russian Federation, its borders, both from the sea and from the air.”<sup>22</sup> Moscow insists that these units and formations will be protected from airstrikes by the Tor-M2 and Buk-M2 anti-aircraft missile systems. Russian leaders say that offensive weapons will not be deployed on the islands, implying that the only change in that respect will be

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<sup>22</sup> Nikolai Litovkin, “What does Russia’s militarization of the Kuril Islands consist of?” *Russia Beyond*, March 21, 2017, <https://www.rbth.com/international/2017/03/21/militarization-of-the-kuril-islands-723823>.

the replacement of the outdated BM-21 Grad rocket launchers with the 9A52-4 Tornado.<sup>23</sup> Yet, Japanese leaders remain skeptical of whether these Russian military moves are only for defensive purposes.

Meanwhile, substantial economic cooperation has not occurred. Even after the agreement on joint economic activities, Russia has continued to invite Chinese and Korean companies and factories to the Northern Territories and the Russian Far East. In addition, Russian Prime Minister Dmitri Medvedev signed a document that approved the establishment of a special economic zone in Shikotan Island (one of the Northern Territories) in August 2017. Russia is planning to build a marine products processing factory there. Russia assumes that the plan will attract about 7.4 billion rubles in both domestic and foreign investment and create more than 700 jobs. However, this plan conflicts with the joint economic activities plan. Furthermore, Russia has opposed making special rules for joint economic activities and instead insists that they be conducted under Russian law. In short, Putin has been insisting that Russia cannot negotiate with Japan without trust, while he stresses that Russia and China can build strong relations over the long term. The Japanese proposal for joint economic activities was intended to answer Putin's argument, but it is now in crisis.

Therefore, Russia's return of the entire Northern Territories to Japan is extremely unlikely. Prime Minister Abe has started a new approach, but the new initiative's likelihood of success seems low. In addition, the Japanese government has to hurry to resolve the issue because most of the former Japanese residents of the Northern Territories have already died, so only a small number of older residents remain alive. On the other hand, the Russification and militarization of the islands are proceeding rapidly.

### **The Japan-U.S. Alliance**

For Tokyo, the Japan-U.S. alliance is its most important diplomatic relationship, but Russia has often criticized the alliance, calling Japan a vassal of the United States and questioning its sovereignty.<sup>24</sup> This places Japan in a serious dilemma. After World War II, Japan has not had a traditional military and it usually keeps the same foreign policy orientation as the United States.<sup>25</sup> The Japan-U.S. alliance is at the core of Japan's foreign and security policy, but Russia cannot trust Japan as long as it remains a U.S. ally. Russia fears the U.S. military presence in Japan and a U.S. troop presence in the Northern Territories would be a severe threat to Russia.

Russia has been sensitive to U.S. missile defense systems in Europe, thinking that they are directed against Russia, despite the U.S. insistence that they are against Iran. Russia is also

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<sup>23</sup> Ibid.

<sup>24</sup> On this issue, see Gilbert Rozman, ed., *Japan-Russia Relations: Implications for the U.S.–Japan Alliance* (Washington, D.C.: Sasakawa USA: 2016).

<sup>25</sup> Japan has its "Self-Defense Force," but this force is strictly limited to defensive actions.

sensitive to missile defense systems in Asia, especially after March 2017, when the United States deployed the Terminal High Altitude Area Defense (THAAD) missile defense system to South Korea.<sup>26</sup> In addition, Russia was provoked by the news that Japan decided to buy two Aegis Ashore systems to add to Japan's current two-layer missile defenses consisting of Patriot batteries and Aegis-equipped destroyers.<sup>27</sup> This decision was meant to address North Korea's nuclear and missile developments, but Russia saw it as part of the U.S. missile defense system in Asia.<sup>28</sup>

Therefore, Japan is in a difficult position. Japan cannot break the Japan-U.S. alliance because it needs this relationship to deter China and North Korea. Yet, the alliance itself is also one of the most serious obstacles for Japan-Russia relations.

### The Ukraine Crisis

After 2014, when the Ukraine crisis peaked, Japan had to pause Japan-Russia initiatives because Japan, as a member of the G7, could not avoid placing sanctions on Russia. Even though the sanctions were minor, they effectively stopped many important bilateral efforts, including Putin's visit to Japan. Fortunately, relations between Abe and Putin stayed favorable, but Putin sometimes adopted a tough approach, especially regarding Japanese sanctions. For example, in an interview with Japan's *Yomiuri Shimbun* just before Putin's visit to Japan in December 2016, he questioned whether it was possible for Russia to remain the target of Japanese sanctions.<sup>29</sup> He even said that he could not negotiate with a country that had placed sanctions on Russia. The Japanese sanctions against Russia have been minor compared to those from the United States and Europe, yet Russia took a tough stance against Japan. Thus, the Ukraine crisis has been a serious obstacle for Japan-Russia relations, even effecting bilateral ties today.

### Regional Cooperation Difficulties

Due to the Russian "Pivot to Asia," Japan's significance to Moscow has grown.<sup>30</sup> Tokyo may have an opportunity to improve relations with Russia through regional cooperation, but there are some negative factors limiting regional cooperation.

First, North Korea is now one of the most dangerous threats to Japan, but there are concerns about Russia's influence on Pyongyang. Japan and the United States have been cooperating against

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<sup>26</sup> The decision about the deployment was made in 2016.

<sup>27</sup> The Japanese government hopes the systems are ready for operation by 2023.

<sup>28</sup> Céline Pajon, "Japan-Russia: The Limits of a Strategic Rapprochement," *Russie Nei Visions 104*, IFRI Russia/NIS Center, October 2017.

<sup>29</sup> *Yomiuri Shimbun*, December 14, 2016 (in Japanese).

<sup>30</sup> Gilbert Rozman, "The Russian Pivot to Asia," 13-26 in Gilbert Rozman and Sergey Radchenko, eds., *International Relations and Asia's Northern Tier: Sino-Russia Relations, North Korea, and Mongolia*, (Palgrave Macmillan: 2018).

North Korea, trying to exert maximum pressure using all possible means, while China and Russia have impeded some pressure against North Korea. Recently, Russian influence over North Korea has increased after China took a more negative approach toward North Korea. Moscow has chosen not to abandon Pyongyang because it has profited from North Korea, benefiting from its cheap labor force and their special historic and strategic relationship.<sup>31</sup> Russian cooperation would be necessary for Japan and the United States to put in place more effective sanctions against North Korea, and this factor is therefore an obstacle to improved Japan-Russia ties.

Second, close relations between Russia and China are also an obstacle to Japan-Russia relations. As mentioned above, Russia and China have had good relations in recent years, but Russian leaders do not trust China. Moscow has been hoping to avoid Beijing being the sole winner in Eurasia, which could lead to Chinese hegemony in Asia. Therefore, Russia-China ties may prove a challenge to Japan, but Russia also has an incentive to cooperate with Japan to restrain China.

Third, Japan can contribute to Russian efforts to develop the Russian Far East, the Northern Territories, and the Arctic region, including Northern Sea Route. Russia needs foreign participation to develop the Russian Far East, Siberia, and the Northern Territories.<sup>32</sup> Japanese technology and investments could be very helpful for the development of these regions.<sup>33</sup> If Japan can contribute to such projects, it would improve Japan-Russia relations and also help to strengthen Japan's position in Northeast Asia and the Arctic region. Thus, Japan can find new openings if it thinks not only about narrow bilateral relations with Russia, but also about their broader regional cooperation.

### **Policy Recommendations**

It is difficult for Japan to develop good strategic relations with Russia, particularly given that Japan has never succeeded in concluding a treaty of friendship with Russia. However, Russia is an important neighbor and Tokyo should seek not only to improve relations with Moscow, but also to establish a strategically beneficial partnership. To attain this objective, Japan should adopt the following policies.

First, Japan should maintain its diplomatic policies over multiple administrations. Japanese diplomacy has never been stable in the post-Cold War period, since Japanese prime ministers and governments tended to be short-lived. Changing the top leadership tends to confuse diplomatic efforts, because different leaders favor different policies. Diplomatic negotiations and concluded

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<sup>31</sup> Yoko Hirose, "Russia's North Korea Policy: The Logic and Dilemma of Assisting North Korea," *ASAN Open Forum*, <http://www.theasanforum.org/russias-north-korea-policy-the-logic-and-dilemma-of-assisting-north-korea/>.

<sup>32</sup> Valdai Discussion Club, "Toward the Great Ocean-5: From the turn to the East to Greater Eurasia," September 2017.

<sup>33</sup> Chris Miller, "Japan-Russia Relations: The View from Moscow," *GMF Policy Brief*, April 2017.

agreements may be canceled, leading foreign leaders to want to avoid negotiations with short-term governments.

In addition, Japanese diplomacy has never been monolithic in opposition to Russia, especially because the government has its own logic and policies regarding the Northern Territories. The Japanese government has been trying to recover all four islands at once, although the return of two islands first has also been discussed at times. This was true of the 1956 Japan-Soviet Joint Declaration, which sought the return of two islands after the conclusion of a peace treaty. However, Japanese policy on the Northern Territories has tended to come under the purview of the Prime Minister's office, especially after 2016. Since then, Tokyo has been much more flexible than before, which many Japanese prefer. On the other hand, many Japanese still support the recovery of all four islands at once.

Former diplomat Masaru Sato suggests the reason that Putin gave up trying to resolve the Northern Territories issue was that Japan put on sanctions against Russia while trying to keep good relations with Russia.<sup>34</sup> From the Japanese point of view, Tokyo had to put on sanctions after the Ukraine crisis because Japan is a member of the G7 and Japan needs a strong alliance with the United States. On the other hand, Prime Minister Abe has been trying to improve Japan-Russia relations by building trust with Putin, so Japan was placed in a serious diplomatic dilemma. Japan is not able to escape this situation, creating distrust of Japan as a diplomatic partner. Moscow does not trust Tokyo because Japan maintains a strong alliance with the United States and Washington has never felt good about Tokyo's efforts to improve relation with Moscow. Therefore, an unstable diplomatic attitude makes Japan's image worse, so Japan must fix its diplomatic policy.

Second, Japan should make use of Russia's "Pivot to Asia" to improve bilateral ties. As mentioned previously, the Russian government tried to increase its influence in Asia after 2014, when the Ukraine crisis worsened. Putin has been embracing an Asia-oriented foreign policy and Japan is one Asian country that has an interest in cooperating with Russia. China is Russia's best current partner not only in Asia, but also around the world. Yet, Russia has never been able to trust China because Russia fears that Chinese power could permit it to interfere in the Russian sphere of influence. That is why cooperation with Japan in Asia can be profitable to Russia. However, Japan has not made use of its strategic position in its diplomacy with Russia. To do so, Japan should demonstrate its potential as a long-term partner in Russia's "Pivot to Asia." The present Japanese approach to Russia tends to focus on the bilateral relationship, but Japan should think more about the regional and international aspects of its diplomacy with Russia.

Third, Japan should seek to prevent the Russia-China relationship from growing closer. In recent years, Russia and China have deepened their relationship and this strategic cooperation

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<sup>34</sup> Masaru Sato, "Japan-Russo Diplomacy: Northern Territories and Intelligence," Kadokawa-shinsho, 2017 (in Japanese).

works against Japanese interests. Russia and China share common interests in global strategy, ideology, economy, historical perspective, and Eurasian projects. Both have argued that they are responsible for the Asian peace after World War II. They also assert that the Northern Territories are Russian and the Senkaku Islands are Chinese. Such arguments are serious for Japan, and Japan wants to avoid Russia and China cooperating on territorial issues. In addition, both Russia and China have been critical of the Japan-U.S. alliance. These tensions are now evident, creating two opposed groups: Japan and the United States vs. Russia and China.<sup>35</sup> Tokyo should attempt to keep good bilateral relations with China and Russia, and improve regional cooperation with them. Thus, Japan should expand its regional presence and influence.

Fourth, the Japanese government should deepen national education about the history of territorial problems and support academic research on the subject. Such education serves as the basis for Japan's stance and influences Japanese perceptions on the Northern Territories issue. To date, Japanese education on history and the Northern Territories issue has not been sufficient; many young people do not understand the issue. For example, the Japanese government has called the Northern Territories inherent Japanese territory, but this view is not shared internationally and is not understood even by the Japanese public. Additionally, the definitions of the territories and treaties should also be made clear in educational programs. It is very difficult to understand the detailed facts about Japan giving up the Chishima Islands in the San Francisco peace treaty and the USSR absorbing territories Japan abandoned.<sup>36</sup> The different views of the definitions and understandings about the Chishima Islands, the Northern Territories, the San Francisco Peace Treaty, the Soviet-Japanese Neutrality Pact, and other issues should be made clear in Japanese education.

Japanese people's lack of awareness about the territorial issue weakens Japanese interest in recovering the Northern Territories. Lack of interest in recovering lost territory also undermines the Japanese people's understanding of the nation state, national sovereignty, and territorial integrity. The Japanese government has called the Northern Territories inherent Japanese territory, but this view is not shared internationally and is not understood even by the Japanese public. Therefore, Japanese authorities should better explain the history to the Japanese people and the international public.

In addition, academic research on the Northern Territories has been largely taboo in Japan. For example, an academic who presents a unique idea to resolve the dispute or who uncovers new historical information is typically criticized if they do not suggest recovering all four islands at once. The official Japanese stance on the Northern Territories is not shared internationally and one

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<sup>35</sup> Although the tone of Japanese press and academic arguments is very sensitive to Chinese influence, foreign researchers tend not to regard the Chinese factor as important for analyzing Japan-Russia relations.

<sup>36</sup> The Japanese official stance is that Northern Territories have never been included to the Chishima Islands, however, many international actors think that Kunasiri and Etrofu were part of the Chishima Islands.

of the reasons is that Russia has historic reasons to keep the territory. This Russian argument is supported by some foreign diplomatic documents. Thus, the Japanese people should know all the arguments about not only the Japanese stance, but also internationally accepted views. Japan should make clear the history, such as the illegality of Russia's invasion of Japan, which is the starting point of Japan's loss of the Northern Territories. To break this deadlock, realistic new proposals are necessary and research on the previous attempts would also be helpful.<sup>37</sup> Such knowledge will help Japan to negotiate with Russia and to win support abroad.

Fifth, Japan should embrace a strategic, stable, and flexible strategy regarding Russia. This strategy must be profitable not only for Japan and Russia, but also for the region and the world, including the United States. Such a policy would not be opposed by other countries but would rather win broad support. To accomplish this aim, Japan should propose win-win projects with Russia. In addition, Japan should hurry because it has little time to resolve the Northern Territories issue. Most former Japanese residents of the Northern Territories have died and only a small number of previous resident remain alive. Meanwhile, the Russification of the Northern Territories is moving ahead.

For Japan, recovering all the Northern Territories is certainly important, however, Japan should also think about alternative scenarios. This is important not only for both governments, but also for the current and former residents of the Northern Territories, because Russian authorities are keeping a tough stance on giving back the islands and forcing the joint economic activity under Russian law. Although some Russian experts support the return of two islands as the realistic and reasonable resolution, there are still many roadblocks.<sup>38</sup>

The Japanese former residents and descendants seem to be becoming more practical. According to an opinion survey, former residents—and especially their descendants—on the Northern Territories became more pessimistic about the recovery of the Northern Territories in recent decades and many of them are not willing to live there.<sup>39</sup> In addition, the most important condition for the former residents and descendants seem be free access to the Northern Territories, since they want to visit their ancestors' graves.

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<sup>37</sup> For example, the author thinks that the cases of Svalbard Island in Norway and Åland Islands in Finland are good cases to help think about joint economic activity in the Northern Territories.

<sup>38</sup> Interviews with Russian academics, former diplomats, and journalists suggest that they support the two island resolution, although they answered on condition of anonymity. Supporting the two island return scenario seems to be risky. For example, former Japanese diplomat Kazuhiko Togo, who is working at Kyoto Sangyo University, and Russian Ambassador to Japan Alexander Panov proposed “2 islands +  $\alpha$ ” in the influential Russian paper *Nezavisimaya gazeta* on July 18, 2013, but their proposal has been criticized in both countries.

<sup>39</sup> NHK, “The Northern Territory Project: The dispute with Russia over the Kurile Islands,” [http://www.nhk.or.jp/kushiro/island/database/questionnaire\\_compare.html](http://www.nhk.or.jp/kushiro/island/database/questionnaire_compare.html) (in Japanese).



Strategic Japan

Table 1: Do you think the Northern Territory will be returned? (1991 vs 2015)

	<i>Yes, they will be returned</i>	<i>No, they will not be returned</i>	<i>Do not know</i>	<i>No answer</i>
<i>Former residents (1991)</i>	63.3%	13.4%	20.6%	2.7%
<i>Former residents (2015)</i>	13.9%	51.4%	30.6%	4.2%
<i>Descendants (1991)</i>	53.6%	18.4%	25.2%	2.7%
<i>Descendants (2015)</i>	14.4%	46.3%	35.6%	3.7%
<i>1991 Total</i>	58.9%	15.7%	22.7%	2.7%
<i>2015 Total</i>	14.1%	49.0%	32.9%	4.0%

Table 2: Do you want Russia to return the Northern Territories to Japan? (1991 vs 2015)

	<i>Yes, should be returned</i>	<i>No, should not be returned</i>	<i>Do not know</i>	<i>No answer</i>
<i>Former residents (1991)</i>	89.8%	2.1%	7.3%	0.8%
<i>Former residents (2015)</i>	75.9%	3.7%	16.7%	3.7%
<i>Descendants (1991)</i>	75.3%	4.7%	19.4%	0.6%
<i>Descendants (2015)</i>	78.2%	2.1%	19.7%	0.0%
<i>1991 Total</i>	83.2%	3.3%	12.8%	0.7%
<i>2015 Total</i>	77.0%	3.0%	18.1%	2.0%

Table 3: Do you want to live in the Northern Territories if they are returned? (1991 vs 2015)

	<i>Yes, I want to live there</i>	<i>No, I don't want to live there</i>	<i>Do not know</i>	<i>No answer</i>
<i>Former residents (1991)</i>	30.0%	41.5%	26.7%	1.8%
<i>Former residents (2015)</i>	16.7%	54.2%	26.4%	2.8%
<i>Descendants (1991)</i>	7.8%	60.8%	30.5%	0.9%
<i>Descendants (2015)</i>	4.3%	68.6%	26.6%	0.5%
<i>1991 Total</i>	20.0%	50.2%	28.5%	1.4%
<i>2015 Total</i>	10.9%	60.9%	26.5%	1.7%

Table 4: What is the best solution for the Northern Territory issue? (1991 vs 2015)

	<i>Only Japanese people should live there</i>	<i>Japanese and Russians should live together</i>	<i>Japanese should visit freely even without living rights</i>	<i>Other idea</i>	<i>No answer</i>
<i>Former residents (1991)</i>	35.8%	41.3%	15.1%	1.4%	6.4%
<i>Former residents (2015)</i>	24.5%	28.7%	35.2%	0.9%	10.6%
<i>Descendants (1991)</i>	14.7%	53.4%	22.8%	2.1%	7.0%
<i>Descendants (2015)</i>	22.9%	38.3%	31.4%	2.1%	5.3%
<i>1991 Total</i>	26.3%	46.8%	18.6%	1.7%	6.6%
<i>2015 Total</i>	23.8%	33.2%	33.4%	1.5%	8.2%

Source: Created by the author from survey information from NHK.

In addition, according to Japanese opinion surveys by *Mainichi Shimbun* in 2016, 57% answered that “Japan should respond flexibly without regard to the return of four islands.” This answer exceeded the 25% who supported aiming to return four islands, with 9% answering “I am not interested.” Although the survey questions do not permit comparison, a March 2013 poll found that 67% answered “Japan should be flexible” and 29% answered “Japan should aim for return of four islands.” At the same time, the Japanese government argues that the Japanese and Russian people can live together in the Northern Territories.<sup>40</sup> So from the Japanese domestic perspective, it is possible to find another way other than the return of all four islands, if the right to visit the Northern Territories is secured.<sup>41</sup>

On the other hand, the Russian people’s attitude on the Northern Territories also seems to be becoming more flexible. For example, according to a Russian public opinion survey on returning the Northern Territories, 78% oppose the return. This was down 12% from 90% in the previous survey conducted in 2011, when the Medvedev administration took a hardline attitude toward Japan.<sup>42</sup> Therefore, Japan should try to make a compromise that can be accepted by both governments, as well as current and former residents and their relatives, to overcome the current status quo.

## **Conclusion**

There are many difficult issues preventing Japan from improving relations with Russia. Therefore, concluding a Treaty of Friendship will continue to be a heavy task. Japanese authorities have been thinking that they must solve the Northern Territories issues with Russia during Putin’s time in office. Fortunately for those purposes, Putin was reelected in March 2018, giving Putin another six years, as long as no accident or revolution occurs in Russia. However, it will still be very hard to resolve the Northern Territories issue, since it would be necessary for both Japan and Russia to find a solution through mutual compromise.

How will Putin deal with Japan? His ultimate aim is to break the U.S.-led unipolar order while keeping good relations with China, Iran, and countries in Southeast Asia, the Middle East, and Latin America that embrace an anti-U.S. stance. Putin’s global position will impact his policy on Japan. For example, at a press conference after the November 2017 Japan-Russia summit in Vietnam, Putin said that Japan should determine the security obligation it owes to the United States. He also suggested that Japan cannot escape consideration of the effects of the Japan-U.S. alliance if it wants Russia to proceed in negotiations. In addition, Russia has frequently warned Japan not to deploy Aegis Ashore. On the other hand, Japan may have an opportunity in Russia’s “Pivot to

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<sup>40</sup> *Mainichi Shimbun*, November 7, 2016 (in Japanese).

<sup>41</sup> Hanna Smith suggests that demilitarization would also be important to resolve the Northern Territories issue without all four islands returning.

<sup>42</sup> *Mainichi Shimbun*, August 5, 2016 (in Japanese).

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Asia” and Putin has said that he wants to make the Kuril Islands the place to bring Japan and Russia together. Japan should enthusiastically embrace this opportunity to develop favorable relations with Russia.