



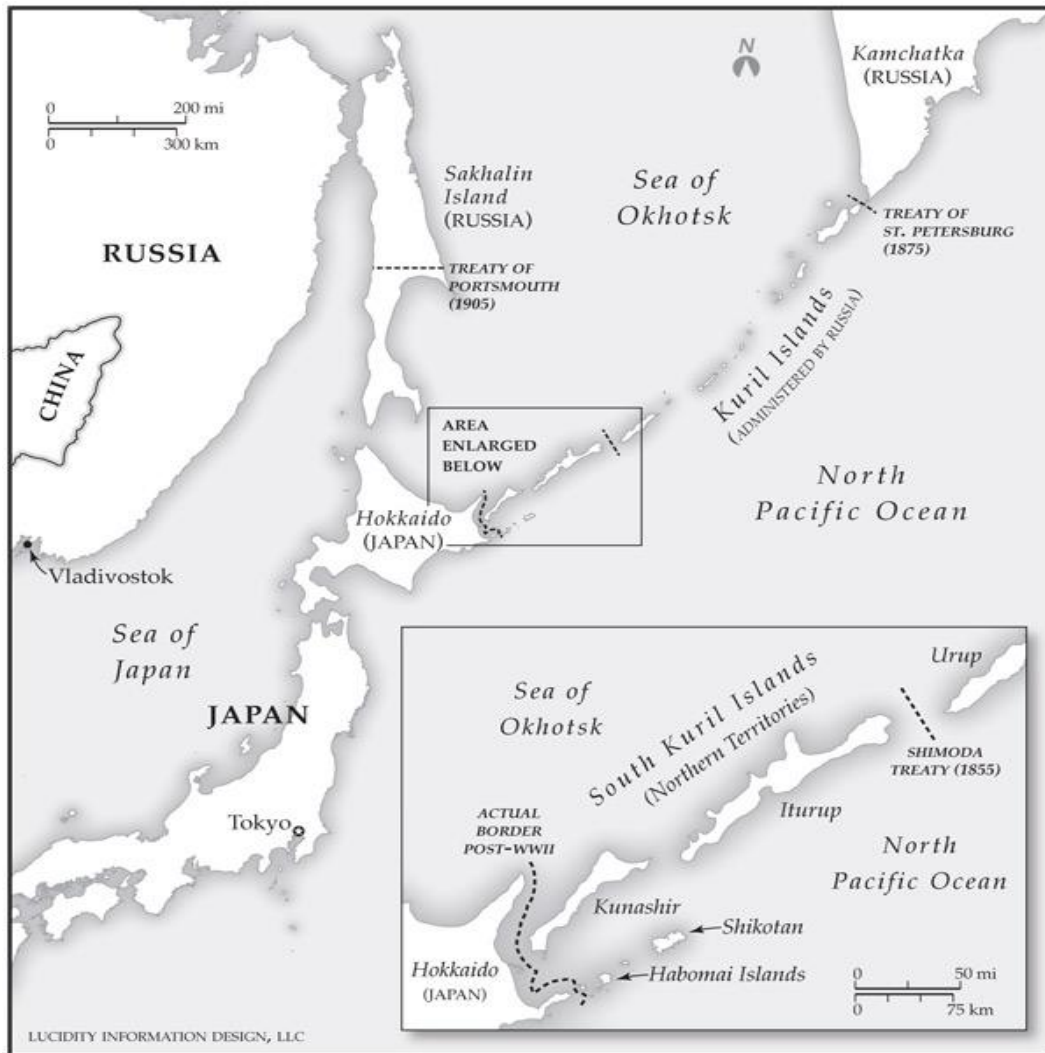
Putin-Abe Meeting: Incremental steps towards a breakthrough?

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The two-day visit of Vladimir Putin to Japan on December 15-16, 2016 assumed significance from the point of view of the fact that it was the Russian President's first official visit to the Asian country in more than a decade. The two parties agreed to restore "2+2" consultations of foreign and defence ministers, executed several bilateral documents, signed 68 business deals and held talks on the possibility of joint economic activity on the disputed Southern Kuril Islands. The islands, known in Japan as the Northern Territories and in Russia as the Southern Kurils, were taken over by the Soviet forces in the final days of the Second World War, which forced its 17,000 Japanese inhabitants to flee. Despite Shinzo Abe's earlier indication in the summit held on the sidelines of a Pacific Rim Summit with Putin in Lima in November 2016, in which he sought a breakthrough in negotiations on the peace treaty issue, no substantial outcome or decision was arrived on this.ⁱ

A big stumbling block in the relations between Russia and Japan is the tension between them regarding the disputed Kuril Islands. The island chain known as Kurils stretches north across the Pacific Ocean from the Japanese island of Hokkaido to the southern tip of Russia's Kamchatka Peninsula. Four islands namely Kunashir, Iturup, Shikotan and the rocky Habomai islets have been the subject of contention between Russia and Japan. Because of this dispute, the two countries have not yet signed a peace treaty to formally end World War II. In the 1951 San Francisco Treaty, Japan renounced 'all right, title and claim to the Kuril islands', however, the treaty could not resolve anything as Russia did not sign the treaty and the Japanese government never recognised the four islands as part of the Kuril chain. The 1956 Joint Declaration signed between Russia and Japan restored diplomatic ties between them and Russia agreed to transfer the Hobomai and the Shikotan Islands to Japan. However, Japan rejected the deal because the two islands represented only 7 per cent of the land in question. Since then, the territorial issue has remained unresolved.

Map 1: Map Showing the Kuril Islands



Source: Carnegie, Moscow Centre, <http://carnegie.ru/2012/12/11/russia-s-pacific-future-solving-south-kuril-islands-dispute-pub-50325> accessed December 22, 2016.

Given the importance of the issue, it is pertinent to examine the strategic relevance of the Kurils or Northern territories. The islands of Kunashir and Iturup are resource-rich and are believed to be a storehouse of rare earth metals and offshore reserves of oil and gas. The islands, with their virgin forests, volcanoes and waterfalls, also hold immense potential for tourism. The geographical location of the islands at the meeting of warm and cool water currents proves to be favourable for both pisciculture and for the movement of the Russian navy. But apart from that, for Russia, the Kurils which were once part of the Russian empire, are an access point to the Pacific Fleet, one of Russia's two most powerful naval forces. Understanding the importance of these islands, Russia, over the years, has strengthened its military presence in the islands speeding up construction of military facilities on the Southern Kurils. Its importance is featured in Putin's policy of Far Eastern Region (RFE), which covers almost 40 per cent of its territory and for the

development of which Putin has embarked on extensive policies. The Kuril Islands serve as a defence system for Russia, protecting the eastern frontiers of the country.

For Russia, the Kuril islands are a part of its national territory and hence it does not consider it to be a matter of territorial dispute with Japan.ⁱⁱ Thus, despite the peace treaty issue being reemphasized from time to time, yet no tangible and mutually acceptable decision could be reached.ⁱⁱⁱ

For Japan, the Northern Territories are firstly of historical significance as the ownership of the islands goes back over a century to the signing of the Treaty of Shimoda in 1855. This treaty granted Japan possession of the four islands and Russia all territory to the north. The Japanese people who settled in these islands were deported following Japan's defeat in World War II. However, Japan considers these deportations as an illegal act and that Japan never truly relinquished the Northern Territories.^{iv} The islands currently are inhabited by a Japanese population numbering approximately 17, 291, based on the 2014 Nationwide Prefectural and Municipalities Area Survey by the Geospatial Information Authority of Japan.^v The islands also act as a strategic space to respond to Chinese naval activity in the South China Sea and the East China Sea, where Beijing and Tokyo have competing claims to the Senyaku/Diaoyu islands. Japan, hence, considers the Northern Territories as its integral part linked through historical, demographic and strategic reasons, apart from the interest which arises out of the rich resources available in the islands. It is on the basis of these strategic rationales considered by the Japanese who still commemorate the signing of the Shimoda Treaty on February 7 each year as "Northern Territories Day".

The recent meeting between Putin and Abe hence could not provide any major 'breakthrough' regarding the territorial row, though there were some minor indications, as stated earlier, from the Japanese side that it wanted to resolve the 'issue'. However, on the same occasion, the Japanese leader also acknowledged the reality saying that the two sides have not been able to resolve the issue for 70 years and hence any action should be nothing but cautious.^{vi} On this note of circumspection, the leaders agreed to revive security talks and launch discussions on joint economic activities on the islands as a step towards concluding a peace treaty formally ending World War II, the two sides said in a joint statement. The decision for conducting joint economic activities, from this perspective can be said to be a guarded move by both parties to assuage respective national concerns. Among the areas of cooperation would be fishing, tourism, medicine, ecology and others. The Russian Direct Investment Fund (RDIF) and Japan Bank for International Cooperation (JBIC) have agreed to set up an investment fund for a total of 1 billion dollars for financing Russian-Japanese investment projects. The decision on economic cooperation is expected to serve both purposes as Russia wants to attract Japanese investment, particularly for the development of its far east and Japan hopes that stronger ties through joint economic projects will show a way to resolve the territorial row between the two countries in near future.

It is interesting to note how the two countries view different dimensions of their economic cooperation. While Russia maintains that it does not link economic partnership with Japan and the existing territorial disputes between the countries, Japan sought to use economic interaction as a leverage to motivate Russia to compromise on the territorial dispute.^{vii} It must be mentioned here that since 2006, bilateral trade between Moscow and Tokyo has increased on a considerable scale.^{viii} Compared to 2006, in 2007 both exports and imports of Japan with Russia increased by 54.1 per cent and 60.3 per cent respectively.^{ix} However, bilateral trade has decreased since 2014. For instance, Japan-Russia trade volume in 2015 amounted to approximately 20.9 billion US dollars, declining for the second straight year since the record high in 2013 (about 34.8 billion dollars) (38.8% decrease over the previous year, according to Japanese statistics).^x The causes for this may be cited as falling oil prices and the sanctions imposed by the US, European Union and several other countries including Japan on Russia after it annexed Crimea in March 2014.

Along with bilateral trade, the volumes of Foreign Direct Investment (FDI) between 2008 and 2012, from Japanese companies into the Russian economy showed a record high (Table 1), which then declined from a high of 26.33 billion yen in 2013 to 20.26 billion yen in 2014.^{xi}

Table 1: Japanese FDI flow and stock in Russia 2004 – 2012 (USD million)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
FDI Inflow	49	95	160	99	306	391	350	339	757
FDI Stock	87	157	258	373	668	954	1220	1725	2734

Source: Japan External Trade Organization (JETRO) – Japanese Trade and Investment Statistics – FDI Flow and FDI Stock (based on Balance of Payments, net), <https://www.jetro.go.jp/en/reports/statistics/>

It can be seen from the above that bilateral economic cooperation has not been commensurate with the available potential on both sides. Despite differences on the requirements for economic cooperation, both Russia and Japan seek to enhance their bilateral economic cooperation for accruing mutual benefits. In this case, the decision to work jointly on economic projects in the disputed islands can be a window of opportunity to expand economic cooperation. However, an area where both the parties have still to agree and come to terms with is the legal conditions of operations. Whereas Japan says that it should be operated under a special legal status, Russia, which governs the islands wants them to be under its laws. The issue of legal conditions of operation would have to be agreed upon by both parties in order to ensure successful implementation of projects.

Apart from the bilateral issues, the two leaders also talked about the situation in Syria. Prime Minister Abe expressed concerns over the deteriorating humanitarian situation, and stressed the “importance of returning to the halt of hostile conduct and implementing humanitarian aid,” Japanese Deputy Chief Cabinet Secretary Kotaro Nogami said.^{xii} On the other

hand, Putin expressed his willingness to work with other countries in the region to work towards the resolution of the Syrian conflict. The Russian President also expressed concern over the deployment of US missile defence systems in Japan, calling them an overreaction to North Korea's missile programs, as reported by the Japanese media. Abe assured him that they are limited to self-defence and do not pose a threat to neighbouring countries, while stressing the importance of discussing defence issues amid growing security concerns in the region.^{xiii}

The US was very guarded about the Putin-Abe meeting. Despite Washington's indication of anxiousness that the Putin-Abe meeting might mean relaxing pressure on Moscow by the G7 economies, Japan went ahead with the meeting citing before the meeting, that Putin's visit should not be seen as according Putin special favours as he would not be granted a meeting with Emperor Akhito.^{xiv} Whereas Obama administration had expressed concerns over the Putin-Abe meeting, President-elect Donald Trump, who will assume office from January 2017, has indicated development of cordial relations with Russia and intensifying cooperation with Japan. Trump's meeting with Abe on November 16, 2016 and the recent nomination of supposedly Russia-friendly Rex Tillerson to the Office of the Secretary of State have created the possibility of emergence of new dynamics involving the three countries – US, Russia and Japan, though it is too early to speculate now as to what kind and nature of geopolitical equations might emerge from the new political developments.

An observation of the reactions given by the ruling coalition in Japan highlighted the fact that the Putin-Abe meeting failed to gain much support from within the ruling coalition as expectations of a 'breakthrough' in the territorial dispute matter were not met with. Only a handful of ruling coalition members like Masahiko Komura, Vice-President of the Liberal Democratic Party (LDP) and Natsuo Yamaguchi, leader of LDP's junior coalition partner Komeito referred to the consensus formed around the development of economic projects.^{xv} The public opinion in Russia was overall indicative of the fact that it was opposed to territorial concessions.

The Putin-Abe meeting did not lead to any quantum leap with regard to Russia-Japan relations. However, the very fact that Shinzo Abe had so far not invited anyone to his home town in Yamaguchi Prefecture and his 'pledge' to resolve the decades-old conflict through the establishment of a special economic regime in the disputed islands indicates a level of commitment to reset Russia-Japan relations.^{xvi} It was also during Abe's rule that the trade volume between the two countries increased by 6.6 per cent in 2013, and a number of high-level agreements and new Russian-Japanese economic projects were signed, which were aimed at furthering the development of bilateral cooperation.^{xvii} Around 80 agreements were signed during the recent meetings on areas ranging from dialogue between foreign ministries, cooperation in energy sector including oil and gas, peaceful use of nuclear power, cooperation in promoting industry in the Russian Far East and turning it into a base for exports to the Asia-Pacific and cooperation in agriculture and fisheries. Through these developments, Japan has implicitly stated its intentions of rebooting its ties with Moscow. However, at the same time, it also considers the US as an indispensable power for maintaining peace and security in Japan as well as stability in the Asia-Pacific region.^{xviii} In this connection, the policies that President-elect Trump adopts

towards Russia, with whom he has signalled warming up of ties, would help to explain the making or unmaking of future course of events.

In the current context, both Moscow and Tokyo are looking forward to establishing joint economic activities on the disputed islands as a step towards reaching a peace agreement.^{xix} Nonetheless, it remains to be seen whether the two parties can actually come to a mutually acceptable solution on the 70-year old territorial dispute and whether the proposed economic cooperation on the islands can create conducive conditions for the genuine rapprochement in relations.

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Disclaimer: The views expressed are that of the Researcher and not of the Council.

Endnotes

ⁱ “Abe, Putin hold preliminary isle talks in Lima”, *The Japan Times*, December 20, 2016, <http://www.japantimes.co.jp/news/2016/11/20/national/politics-diplomacy/abe-eyes-talks-putin-dec-16-tokyo/#.WFjLyVN94dU> accessed December 19, 2016.

ⁱⁱ On several occasions, Putin has said that he does not consider the Kuril Islands as a matter of territorial dispute.

ⁱⁱⁱ In his annual address to Russian lawmakers on December 1, 2016 Putin said he wanted relations with Japan to improve, both in the economic and energy spheres. Abe also said recently that he hopes for progress in peace treaty talks to formally end the dispute over the Kuril Islands, Reuters reported.

^{iv} “Northern Territories Day ad accused of promoting excessive nationalism”, *Japan Today*, February 13, 2015, <https://www.japantoday.com/category/politics/view/northern-territories-day-ad-accused-of-promoting-excessive-nationalism> accessed December 20, 2016.

^v “Information about Northern Territories”, *Ministry of Foreign Affairs of Japan*, March 6, 2015, http://www.mofa.go.jp/erp/rss/northern/page1we_000017.html accessed December 20, 2016.

^{vi} “Abe Putin hold preliminary isle talks in Lima”, *The Japan Times*, November 20, 2016, <http://www.japantimes.co.jp/news/2016/11/20/national/politics-diplomacy/abe-eyes-talks-putin-dec-16-tokyo/#.WFjLyVN94dU> accessed December 20, 2016.

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^{viii} “Russia-Japan trade quadruples in last decade – minister”, *RT*, February 29, 2016, <https://www.rt.com/business/333971-russia-japan-trade-increase/> accessed December 23, 2016.

^{ix} “Trade Policy Review Report by Japan”, *WTO*, January 14, 2009, https://www.wto.org/english/tratop_e/tpr_e/tp311_e.htm accessed January 2, 2017.

^x Diplomatic Bluebook 2016, *Ministry of Foreign Affairs*, Japan, <http://www.mofa.go.jp/files/000177707.pdf> accessed January 3, 2017.

^{xi} Ershova, Nina, “Japanese Investment in Russia: Far Eastern and Western Russian Regions Compared”, National Research University- Higher School of Economics”, 2014, <https://www.hse.ru/data/2014/11/26/1101751795/07IR2014.pdf> accessed December 29, 2016.

Diplomatic Bluebook 2016, *Ministry of Foreign Affairs*, Japan, <http://www.mofa.go.jp/files/000177707.pdf> accessed January 3, 2017.

^{xii} Takenaka, Kiyoshi and Katya Golubkova, “Abe Putin agree to revive Japan-Russia security talks, discuss Syria”, *Reuters*, December 15, 2016, <http://www.reuters.com/article/us-japan-russia-idUSKBN143332?il=0> accessed December 20, 2016.

^{xiii} “Putin Abe hold talks on Japan-Russia territorial dispute”, *The Asahi Shimbun*, December 16, 2016, <http://www.asahi.com/ajw/articles/AJ201612160007.html> accessed December 20, 2016.

^{xiv} “Japan brushes off US opposition to upcoming Abe-Putin Summit in Tokyo”, *The Japan Times*, December 11, 2016, <http://www.japantimes.co.jp/news/2016/12/11/national/politics-diplomacy/japan-brushes-off-u-s-opposition-upcoming-abe-putin-summit-tokyo/#.WFFeAYFN94dU> accessed December 19, 2016.

^{xv} “Most in ruling bloc disappointed over Abe-Putin talks”, *The Mainichi*, December 17, 2016, <http://mainichi.jp/english/articles/20161217/p2a/oom/ona/007000c> accessed December 20, 2016.

^{xvi} “Our prime Minister has never invited anyone to his home before” – Hiroshige Seko, Japan’s Minister of economy, trade and industry in an interview with a Russian journalist, “Abe awaits Putin with an ‘open soul’ – Japan’s trade minister”, *RBTH*, November 9, 2016, http://rbth.com/international/2016/11/09/abe-awaits-putin-with-an-open-soul-japans-trade-minister_646251 accessed December 23, 2016.

Both the Russian and the Japanese media recognise the fact that Abe seeks to resolve the territorial dispute.

^{xvii} “Economic Relations between Russia and Japan”, *The Embassy of the Russian Federation to Japan*, <http://www.russia-emb.jp/english/embassy/economic.html> accessed December 21, 2016.

^{xviii} “National Security Strategy”, December 17, 2013, <http://www.cas.go.jp/jp/siryoku/131217anzenhoshou/nss-e.pdf> accessed December 21, 2016.

^{xix} “Putin: Kuril Islands may become unifying element, help Moscow and Tokyo finally sign peace treaty”, *RT*, December 16, 2016, <https://www.rt.com/news/370512-putin-abe-peace-treaty/> accessed December 21, 2016.