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# Abe's Rubicon Crossing over the Kuril Territorial Talk with Russia

By KODAMA Katsuya

We had some expectation that there would be some progress in the Kuril Islands problem when Russian President Vladimir Putin visited Japan. Putin's approval rate at home is quite high, and he is a "strong" leader both from positive and negative perspectives. Abe is also a strong leader, as he still boasts high approval rate. It is necessary for both sides to make a compromise to resolve the Kuril Islands problem, and that needs strong leadership. If we miss this opportunity, the Northern Territories shall not be returned forever to Japan.

The Russian economy boomed before 2014, thanks to rising oil prices, but since 2015, Russia has fallen into severe situations due to falling prices of oil and gas, and sanctions imposed by the United States and the EU over the Ukrainian problem. Therefore, it was expected that both sides had common interests in settling the territorial clash, since Russia wanted Japanese investment, and Japan wanted the Northern territories returned. However, since oil price is recovering, and Donald Trump won the presidential election in the United States, the Kremlin may have changed their mind, and they can withdraw the carrot of returning disputed Kuril Islands in the negotiation with Japan.

It is reported that Prime Minister Abe and President Putin talked very friendly at the bilateral meeting, but there was hardly any progress in the Kuril Island territorial negotiation. Regarding the peace treaty including the settlement of the Kuril Island problem, both sides said there were many problems that needed to be resolved, and mutual efforts for confidence building were necessary. It is quite doubtful whether the Russian side takes the Kuril issue into consideration seriously to conclude the peace treaty with Japan.

As to the economic cooperation plan, Japan agreed to invest 300 billion yen in total, including those from private sector. Among private businesses, more than 60 agreements had been reached between Japan and Russia, including a joint venture of coal

mining in East Siberia, loans to liquefied natural gas development projects in the Arctic region, and so forth. Natural resources in Siberia are valuable to Japan. Economic activities bring benefits on both sides, and it is wrong to see that Japan shares the burden unilaterally. Confidence building through economic cooperation and economic activities is the vital core of building a friendly relationship. This is the royal road of diplomacy.

However, both Japan and Russia are hesitant to develop mutual relations. The Russo-Japanese relationship falls into turbulence occasionally, depending on their relationship with the United States. Actually, US President Barack Obama is taking retaliatory measures to Russia now, as they launched cyber-attacks to help Donald Trump win in the US presidential election. Also, European nations agreed to prolong current sanctions on Russia over the Ukrainian problem until the end of July, at the EU summit last time. These trends are completely at odds with Japan's hope to develop economic cooperation with Russia.

At this stage, things are totally unpredictable. Putin and Trump are seemingly cooperative each other, but we have to be prepared for a scenario that something can trigger tensions between both leaders suddenly. In other words, even if Japan makes a huge investment in Russia, that may end up in failure. Also, our Northern territories have not been returned yet. Therefore, if diplomatic relations turn worse, there is a risk that such a huge investment inflicts terrible a loss, without making any profit. I am afraid that Japan has taken a dangerous risk without a solid prospect of success. Putin's diplomatic technique is incredibly consummate.

Nevertheless, in view of current situation, Japan hardly has any alternative but taking the risk, in order to provoke progresses in the Kuril territorial talk. I believe that Prime Minister Abe was well aware of the risk when he made the decision. It is necessary to send strong messages to Russia continually so that the Kremlin will not understand that the Kuril Island dispute has been settled as both countries reached an agreement for economic cooperation. Regarding the territorial issue, I believe that the return of Kunashir is indispensable, even it is partial. If Japan is dedicated to make investments, Kunashir is essential, in terms of fishery and tourism.

Therefore, I would suggest a 2 and half return of the Northern territories, including Habomai, Shikotan, and western half of Kunashir. That makes a favorable environment for a full-fledged Japanese investment in the region, which will ultimately

help Russia. Above all, we must be enduring and steadfast. It is tough to make a successful deal with a strong leader like President Putin. This economic cooperation agreement is very risky for Japan. Can we win a bet? We need to watch the Russo-Japanese diplomatic tug of war for several years to see the final outcome.

**(This is an English translation of the article written by Dr. KODAMA Katsuya, President of the Socially Responsible Investment, which originally appeared on the e-forum "Hyakka-Somei (Hundred Ducks in Full Voice)" of CEAC on December 23, 2016.)**