

## **Japan-Russia Relation after the Summit Meeting in Japan**

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On December 15 and 16, Japanese Prime Minister Shinzo Abe and Russian President Vladimir Putin held a bilateral summit. In Abe's home town in Yamaguchi Prefecture on December 15 and in Tokyo on December 16, they held talks, including a meeting where the two leaders had deep discussions on bilateral problems only with interpreters being present. On December 16, Abe and Putin held a joint press conference, announcing the achievements of their talks.

Through the summit, Tokyo-Moscow talks and business-sector negotiations, Japan and Russia agreed on (1) the launch of detailed talks on joint economic activities on the four northern islands under a "special regime," (2) bilateral economic cooperation projects worth 300 billion yen for an eight-point economic cooperation plan and (3) the resumption of talks between Japanese and Russian foreign and defense ministers. The summit thus led to various important agreements that have potential to break through the long stalemate in bilateral relations.

Before the summit, however, Abe and Putin were seemingly expected to make some important progress on the Northern Territories and peace treaty problems, even though falling short of resolving them. The actual agreements this time failed to meet the expectations. They are positioned by some people as the first step for efforts to resolve the territorial and peace treaty problems. At the same time, however, the summit provided an opportunity for Japan to recognize anew how difficult the resolution of these problems is.

It has traditionally been difficult for the two countries to coordinate and conclude their respective domestic discussions on the problems linked directly to their sovereignty. Even the current Japanese and Russian leaders boasting their high domestic popularity ratings have difficulties in making any easy compromise or finding an agreement. They are required to appropriately respond to great changes in the two countries' domestic conditions and the international situation.

The Japan-Russia summit led me to feel anew that relations with the United States are important for each of Japan and Russia. Current U.S. President Barack Obama has taken the initiative in imposing sanctions on Russia over the Ukraine problem and maintained a hardline policy against Russia. However, he will soon be replaced by Donald Trump who is expected by

some people to revise the U.S. policy on Russia. The coming change might have some influences on how Japan and Russia would position their relations and proceed with talks.

Regarding the Northern Territories problem, the framework and presence of the Japan-U.S. security alliance might pose a matter of concern to Russia from the viewpoint of Russian security policy. Japan and Russia will have to proceed with bilateral talks under the changing international situation including the emergence of the new U.S. administration. In the future, Japan will be required to take deliberate, strategic initiatives to resolve the difficult problems.

As well as the abovementioned point, how to implement the latest agreements will become important in the future. The following focuses on economic cooperation related to the eight-point plan among the latest agreements.

Through Japan-Russia talks toward the latest summit, agreements were signed for a total of 82 economic cooperation projects (including 68 private sector projects) worth 300 billion yen for the eight-point economic cooperation plan. They include health care improvement, small and medium-sized enterprise exchange, Russian industrial diversification, Far Eastern industry promotion, personnel exchange and other projects in which Japanese companies will participate. It is significant that these project agreements indicate the path and potential for widening Japan-Russia economic cooperation.

However, the talks through the summit highlighted the importance of energy in Japan-Russia economic cooperation. Large energy cooperation projects include joint resources exploration using Japan's "Shigen (resources)" research vessel in waters around Russia, resources development off Sakhalin between such Japanese firms as Marubeni Corp. and INPEX Corp., and Russian oil giant Rosneft, loans from the Japan Bank for International Cooperation and others for Arctic liquefied natural gas development, loans from Mizuho Bank, Sumitomo Mitsui Banking Corp. and others to Gazprom, LNG production capacity expansion for the Sakhalin 2 project, and Arctic LNG development between Mitsubishi Corp., Mitsui & Co. and Marubeni from Japan and Novatek from Russia.

What was agreed on through the talks is economic cooperation instead of economic assistance. Particularly, private sector projects are required to have economic rationality and advantages for Japanese participants. As a matter of course, the successful implementation of private sector projects is expected to further advance Japan-Russia relations to help pave the way for enhancing the bilateral relationship and building confidence to resolve the abovementioned political problems. Energy projects are significant for Japan to enhance energy security and for Russia to diversify export destinations now concentrating in Europe and strengthen demand security.

However, private sector projects must be of economic significance for participating

companies under the fast-changing Japanese and foreign economic situations and energy landscape. Another significant matter for consideration is that the Japanese energy market will grow more competitive through the deregulation of electricity and gas markets. It is also important that the international oil and gas market is expected to remain a buyer's market with oversupply for the immediate future due to progress in the shale revolution and the launch of energy supply projects subjected to investment decisions made amid higher energy prices. Given these conditions, Japanese and Russian stakeholders are expected to promote talks and consideration to implement their win-win economic cooperation projects.

I would like to pay attention to government and private sector efforts in Japan and Russia to make the latest summit and its achievements a full-fledged first step for advancing Japan-Russia relations in the future.

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