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New dynamics in Japan–Russia energy relations 2011–2017 ☆

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ABSTRACT

Since the triple disaster in Japan in 2011, the energy dimension of Japan–Russia relations in the Russian Far East (RFE) has developed at a more rapid pace. The integration of the energy markets of the world's top liquefied natural gas (LNG) importer, Japan, and major energy exporter, Russia, has paralleled a warmer bilateral political climate and been accelerated by Russia's turn to the East. In the aftermath of the Ukraine crisis, the globe's energy landscape has been significantly altered and both Russia and Japan have faced constraints economically and in terms of bilateral cooperation. Questions remain about how bilateral energy relations will develop in the face of competition from Japan's traditional energy suppliers and ongoing Japanese government efforts to diversify energy sources. Is energy prompting a stronger bilateral political bond or just fostering a limited partnership in this area? In considering the consequences of the Fukushima and Ukraine crises on Japan–Russia energy relations and the energy dimension of Russia's pivot to Asia, the topic is placed in a wider context of new dynamics in Japan–Russia relations.

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1. Introduction

Japan–Russia relations have undergone notable developments over the past few years, despite the two nations never signing a formal peace treaty ending World War II and an ongoing territorial dispute over the *Hoppō Ryōdo* (Northern Territories, *Spor o prindlezhnosti Kuril'skikh ostrovov* in Russian), which has been a major obstacle to improved bilateral relations. Russia's aspirations to establish itself as a Euro-Pacific power have met Japanese ambitions to secure its energy market to make for a promising dialogue on various security issues of mutual interest. Changing domestic and regional contexts have also accommodated for an upgraded Russia–Japan trade partnership, particularly on energy issues. Total trade between the countries reached

\$37 billion in 2013, six times the amount recorded a decade earlier (Bloomberg, 2014) and Russian energy exports to Japan have grown substantially since 2011 and Japan's Fukushima Daiichi nuclear disaster, which underscored the growing question of Japan's energy vulnerability (Brown, 2013; Klein, 2014). In 2013, President Vladimir Putin announced his country's intention to pivot toward the Asia-Pacific region by turning to eastern markets and by developing the Siberian and the Far Eastern districts, recognizing East Asia as a hub of global economic growth.¹ Although underdeveloped, the Far Eastern and Siberian districts are rich sources of energy resources and raw materials, thus how the development of these districts will affect the region's governance and security is a timely topic of regional and international interest.

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¹ For in-depth accounts of the domestic planning around and regional reception of Russia's pivot to Asia, refer to the volume Helge Blakkisrud and Elana Wilson Rowe (Eds.), *Russia's Turn to the East*, Palgrave Macmillan: Cham, 2018.

In the wake of the Crimean conflict and ongoing fighting in the Donbas region of eastern Ukraine since 2014, two crises which were blamed on Moscow by the international community, Russia's approach to its "Go East" policy has been facing new constraints. Moscow no longer has the option of accommodating both the United States (and its Western European Allies) and China while maintaining non-alignment and is now more limited when it comes to managing its competing interests with China, for instance in Central Asia. At the same time, scholars have argued that the pivot has been given a push by the strain in Russia–Europe ties and that the Ukraine crisis has been a major catalyst for certain relationships, namely enhanced Sino–Russian strategic and bilateral cooperation (Brown, 2015, 2016b; Itoh, Ken, Michito, & Yahuda, 2017; Lo, 2015; Mankoff, 2015; Rozman, 2014a). While the details of Russia's turn to the East have been relatively well-studied, the international community still has limited knowledge about how the Ukraine crisis has influenced this multifaceted endeavor.

Specifically, a clear picture of how this development has affected Japan–Russia energy relations has not appeared, since both sides have not been revealing about how the Ukraine crisis has affected the bilateral relationship. Thus, how has bilateral energy cooperation developed in light of two notable crisis points since 2011? Has Japan's participation in the sanctions regime (including the U.S. and many European states) affected the energy dimension of Russia's "Go East" strategy in Japan? How have recent bilateral political developments, such as Putin's visit to Japan in 2016, influenced the energy relationship? One wonders if energy is prompting a stronger bilateral political bond or just fostering a limited partnership in this area.

By tracing key developments in the energy sphere after the Fukushima nuclear crisis and prior to and after Russia's annexation of Crimea, we develop a better understanding of how two notable crisis points have affected Japan–Russia energy relations and the energy piece of Russia's pivot to Asia. It is argued that energy relations are not just a case of a "marriage of convenience" (as is often the framing of the China–Russia energy relationship) but rather provide impetus for frequent high-level political dialogue on issues that have long plagued the bilateral relationship, namely the unsigned peace treaty and dispute over the Northern Territories.

This article proceeds as follows. First, in Section 2, a brief overview of Russia and Japan's respective energy situations and approaches is given. This section provides context for a more in-depth analysis of bilateral energy relations in Section 3 on post-Fukushima (2011) and pre-Ukraine and in Section 4 on post-Ukraine (2014 on). In Section 5, developments in Japan–Russia political relations, largely propelled by energy relations, are discussed. The article concludes in Section 6 with a reflection on the broader implications of bilateral political and energy relations.

This article's methodological approach involved a review of primary sources, (public documents, speeches and press releases), as well as academic journals, books, policy papers and newspaper articles. This review was complemented with ten in-person, semi-structured expert interviews with diplomats, ministry officials, policy experts and academics

working on Japan–Russia relations and Japanese energy policy, (see Appendix 1 for overview of interview subjects). Interviewees provided insight into how Japan's energy relationship with Russia developed between 2011 and 2015 and into changes in Japan's domestic energy strategy formulation and outlook since the Fukushima crisis (2011). These conversations also allowed for a more detailed contextualization of Japan–Russia energy relations and how they have propelled broader bilateral political dialogue and cooperation on contentious issues.

2. Russia's energetic pivot to the East

The Putin administration has acknowledged the global power shift toward the Asia-Pacific region and has made developing the RFE a top policy priority. A core piece of Russia's pivot to Asia involves the development of its energy market and the securement of the role of raw energy supplier for energy-hungry East Asian markets (Rozman, 2014b; Tabata, 2013). The RFE plays a large role in this endeavor given its comparative advantage in energy production and proximity to East Asia. Russia's energy strategy for 2030 forecasts produced an estimate that the Asia-Pacific market will consume 22%–25% of Russian oil exports and 19%–20% of Russian gas exports (Ministry of Energy of the Russian Federation, 2010). Accordingly, Russia has worked to broaden its energy outreach to various Asian partners, including Vietnam, Laos, South Korea, China and Japan (Shadrina & Bradshaw, 2013; Weitz, 2015).

The need for Moscow to develop energy cooperation has become critical in the post-crisis environment. Accounting for half of the state's revenues, Russia's energy sector is a crucial market for the national economy as well as for establishing political clout. Russia knows that it is a competitive energy provider in East Asia and has taken advantage of various opportunities to step in and step up energy cooperation with states of the region. China was notably absent as a Russian gas customer until 2013 when the countries signed significant oil and gas deals. In May 2014, the two countries finalized a landmark, \$400 billion, 33-year gas agreement, following years of negotiations over prices (Koch-Weser & Murray, 2014). The timing and stipulations of the long-anticipated deal naturally led to questions about the influence of Western sanctions on Russia's energy market. Analysts suggest Beijing was able to leverage the economic difficulties brought about by the sanctions by offering Russia new markets for its energy supply at prices lower than what Russia would have been able to get from the European market. However, Russian sources suggest that China offered a very generous price.² The initial up-front payment on part of the megadeal is allegedly welcome security for Russia's dwindling cash supply, which has been hit hard by the sanctions regime and the global drop in energy prices after 2015. Russia reportedly has a 60%–70% reliance on energy in its economy and only a cash supply for 30 days (Interview 2). Further, Russia's invitation of Chinese involvement in the upstream projects in the Arctic,

² Personal communication with an informed Russian expert, December 2014.

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