

Japan's Dilemma with Sanctions Policy Towards Russia: *A Delicate Balancing Act*



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Dr. Maria Shagina gives her views on Japan's position when it comes to following international sanctions placed on Russia. Her paper explains how the country's strategic interests have often collided with a sense of obligation to adhere to Western foreign policy actions so it often pursues a delicate balancing act between the push and pull factors.

Showing solidarity with G7 countries, Japan imposed sanctions on Russia, albeit reluctantly. The Ukraine crisis occurred amid Japan's efforts to reinvigorate its relations with Russia in the hope of solving the territorial dispute. While Japan felt obliged to support the international community and bandwagoned on Western sanctions, the geopolitical dynamics in Asia-Pacific forced it to take a conciliatory approach to Russia.

Addressing its strategic interests, domestically the Abe administration was challenged to keep the balance between the West and Russia. Despite its wrongdoings in Ukraine, Russia was perceived as the resolve to Japan's strategic concerns. Tokyo's balancing act resulted in symbolic sanctions to avoid any irritations for Moscow. The evaluation of Russia's role in Japan's strategic concerns in the region, however, questions the country's calculations and the expedience for symbolic sanctions.

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Sanctions on the Sidelines

Historically, Japan has been reluctant in initiating unilateral sanctions and it was only in the 1980s (against Burma/Myanmar) when Tokyo used sanctions for the first time in the postwar period. Because of Japan's imperialist past, the country was not comfortable with using sanctions as a foreign policy tool to interfere in other states' internal affairs. In particular, Japan was cautious of imposing unilateral sanctions without the backing of international organizations such as United Nations (UN).¹ As a result, Japan usually embarked

on a bandwagoning strategy and waited for cues from other main actors before issuing its official position. For instance, during the Falklands islands conflict, when the UK gathered international support to impose economic sanctions on Argentina due to its use of force, Japan was reluctant to join and wanted to preserve friendly relations with Buenos Aires. Only after the U.S. imposed sanctions, did Japan follow suit but it refused to call them economic sanctions, claiming that they were “merely measures designed to support the EC sanctions.”²

After the Soviet invasion of Afghanistan, when the U.S. administration launched economic sanctions, Japan found itself in a dilemma again. As a member of CoCom, Coordinating Committee for Multilateral Export Controls, it was expected to share security concerns expressed by the U.S. and act accordingly. However, Japan also wanted to protect its economic demands for natural resources. In the end, the Japanese government proved to be highly susceptible to U.S. pressure and formally joined sanctions. Tokyo did not want to undermine the CoCom institutional arrangement and was ready to keep sanctions as long as others also did.³

Similarly, when in 1982 the U.S. imposed sanctions against the Soviet Union to stop the construction of a gas pipeline, Japan showed bandwagoning behavior again. It emphasized the fact that its decision was dependent on other states and international organizations. Japan’s implemented measures, however, did not have any direct impact on the reduction of trade with the Soviet Union.⁴

Although Japan claimed to prefer a balanced and non-confrontational approach, its historical record of dealing with undemocratic regimes is mixed. In the past, Japan has been rather reluctant to criticize countries that engage in human rights violations. After the Tiananmen Square riots in 1989, Japan halted its assistance aid to China and froze high-level diplomatic and military contacts, but mitigated the intensity of its sanctions. Driven by its business interests, Japan was the first country among the G7 members to restore high-level relations with China.⁵ Similarly, despite the U.S. embargo on high technology to the Soviet Union, Ja-

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pan intensified its trade relations and investment with Moscow in the 1980s.⁶ This historical record shows that Japan often opted a pragmatic approach towards sanctions when its national interests were affected. Despite being responsive to international pressure, in particular from the U.S., Tokyo found various pretexts to resume relations if there were significant economic interests or special relations with the country.⁷ This proves to be explanatory for Japan’s sanctions policy vis-à-vis Russia as well.

The North Korean case, however, shows how the imminent national security threat changed Japan’s relationship with sanctions. From being a reluctant follower, Japan became an engaged initiator. In 1990-2003, Japan preferred to deploy predominantly positive sanctions, by cutting development aid. Tokyo’s sanctions policy towards Pyongyang was significantly constrained by the trilateral dialogue with the U.S.

and South Korea, and Japan committed itself to coordination with its allies.⁸ By 2003, the North Korean issue became deeply rooted in national security concerns and public sentiments. The abduction issue became an overwhelming concern for the public.⁹ Advocacy groups heavily lobbied the imposition of economic sanctions, thus limiting the dialogue options for the Japanese politicians. Internationally, Tokyo felt pressured from Washington to abstain from unilateral sanctions in order to engage Pyongyang in the six-party talks.¹⁰ By 2006, the pressure faction within the Liberal Democratic Party gained popularity and Shinzo Abe, the then Chief of Cabinet Secretary, advocated sanctions of any kind. As the abduction issue did not subside and the missile and nuclear testing intensified, Japan employed more unilateral and more negative sanctions.¹¹ In September 2006, under Japan's initiative, the UN Security Council adopted Resolution 1695 which prevented the transfer and procurements of any missile-related goods and technology. Since 2010, the trilateral dialogue between South Korea, the U.S. and Japan repeatedly agreed to tighten up UN sanctions to “maximize pressure” on North Korea, culminating in March 2016 with the toughest sanctions ever imposed. At the same time, Japan expanded its own unilateral sanctions and recently initiated the patrolling of North Korea's illegal maritime activity in the Asia-Pacific with other allies.

Japan's Delicate Balance

The Ukraine crisis became one of the main challenges for the Abe administration as it put the country in the dilemma once again. On the one hand, Japan, as a G7 member, was expected to follow the international community in condemnation of Russia's wrongdoings in Ukraine. On the other hand, Japan perceived Russia as a strategic partner in the region – both economically and geopolitically. Due to this dilemma, the Abe government decided to keep a delicate balance between the West and Russia and to take a conciliatory approach towards Moscow.

After the illegal referendum, Japan's Ministry of Foreign Affairs deplored Russia's recognition of the independence of Crimea and condemned “an attempt to change the status quo by force.”¹² On March 18, 2014, Japan launched diplomatic sanctions, suspending the

talks on easing visa restrictions and freezing agreements on new investment, an outer space cooperation and for prevention of dangerous military activities.¹³ Russia's further involvement in the destabilization in Eastern Ukraine forced Japan to introduce restrictive measures, banning entry for 23 Russian high officials. They are believed to be the individuals who “have contributed to the violation of Ukraine's sovereignty and territorial integrity.”¹⁴ However, as the sanctions list was never made public, there are only speculations as to who have been targeted, considering a number of high-level Russian officials who visited Tokyo recently.

In contrast to the U.S. and EU, the downing of the Malaysian MH17 has not been a game changer for the Abe government. While the U.S., EU and their allies imposed sweeping sectoral sanctions, Japan limited its response to another sanctions list, targeting Russia-backed separatists from Eastern Ukraine and self-proclaimed officials from Crimea. Only in September 2014, did Japan belatedly impose sectoral sanctions against Russia. Export restrictions on arms and dual-use goods for military use were introduced. Investments in securities, including shares and bonds, with a 90-day-maturity were prohibited for five Russian banks and its subsidiaries in Japan – Sberbank, Vnesheconombank, Gazprombank, VTB, and Rosselkhozbank.¹⁵ However, none of the Russian companies in the defense and energy sectors were targeted. Since December 2014, Japan has not renewed or updated its sanctions. Instead, Tokyo closely follows the position of the G7 countries.

Positions of Other Allies

Among the G7 members and some of the U.S.' close allies, Japan imposed the softest sanctions. The sanctions regimes of Canada and Australia mirror the content and the timing of U.S. and EU sanctions. Under the Stephen Harper government, Canada imposed one of the toughest sanction regimes against Russia. In response to the violation of Ukraine's sovereignty and territorial integrity, several types of sanctions were imposed. These included visa bans for Russian and Ukrainian high officials, asset freezes of Russian state-owned entities, export and import restrictions from/to Crimea, financial prohibitions for Russian banks, energy and defense companies as well as ban on tech-

nology transfer in the oil sector.¹⁶

Similarly, Australia synchronized its sanctions with the U.S. and EU to a great extent. Following the U.S.' lead, Julie Bishop, the then Foreign Affairs Minister, announced autonomous sanctions against Russia "in solidarity and support for rule-based international order."¹⁷ The restrictive measures introduced travel bans and asset freezes targeting Russian and Ukrainian individuals and entities.¹⁸ The strengthening of Australia's sanctions regime occurred after the downing of MH17, which cost the lives of 38 Australian citizens. Both Tony Abbott, the then Prime Minister, and Julie Bishop took a hard line on Russia, criticizing its veto in the UN Security Council to block the establishment of a tribunal.¹⁹ In September 2014, Australia imposed sectoral sanctions against Russia, including an arms embargo and financial restrictions for Russian banks, defense and energy companies. Similar to the U.S. and EU measures, the Australian regulations prohibited oil exploration in deepwater, Arctic offshore and shale and supply or transfer of energy-related equipment and technology.²⁰ In September 2017, Australia decided to extend its measures for another three years or until Russia fulfills its obligations of the Minsk Agreement II.²¹

In contrast, New Zealand faced a similar dilemma to Japan and was reluctant to impose sanctions. On March 23, 2014, Wellington was the latest among the countries who joined to impose personal sanctions. Murray McCully, the then Foreign Affairs Minister, admitted that sanctions were largely symbolic and modest.²² New Zealand sanctioned about 30 individuals from entering the country, but no asset freezes were imposed. The list is believed to target Ukrainian and Russian state officials; however, similar to the Japanese case, it was never made public.²³ Wellington was considering joining Western sectoral sanctions but abstained from it in the end.

Similar to Japan, the Ukraine crisis was bad timing for New Zealand. At that time, New Zealand, Russia and the Customs Union (now the Eurasian Economic Union) have been negotiating the free trade agreement for four years. The agreement expected to bring mutual

benefits: while Russia is the world's second largest importer of dairy products, New Zealand belongs to the world's largest exporters of dairy products. In 2014, however, prior to the finalization, New Zealand had to suspend the Russia talks due to the Ukraine crisis.²⁴ Since then, the bilateral relations had been frozen, but in 2016 a reset of cooperation was in sight. Winston Peters, Foreign Affairs Minister, issued a controversial statement, saying that New Zealand should trade more with Russia.²⁵

While Japan's sanctions are the softest among G7 members, in Asia, Japan is the only country that imposed sanctions vis-à-vis Russia. China and India abstained from voting on a resolution condemning Crimea's annexation at the UN Security Council and the General Assembly; meanwhile, South Korea and Singapore criticized Russia's actions, but refrained from imposing sanctions. Among these Asian voices, Japan's position on Russia indeed looks the strongest.

Strategic Interests

Japan's symbolic sanctions reveal the country's strategic interests and reflect the geopolitical dynamics in the Asia-Pacific region. The geographical distance from the Ukraine crisis and low economic dependence on Russia only superficially explain Japan's lukewarm response to Russia's wrongdoings in Ukraine. The territorial dispute with Russia, China's rising economic and military power, and the North Korean nuclear and missile crisis are the core concerns that shaped Japan's soft response to Russia. The rapprochement with Russia was perceived as the resolve to Japan's geopolitical concerns. Instead of diplomatic isolation, Japan aimed to function as a bridge between Russia and the West. By delaying and limiting the scope of sanctions, the Abe government wanted to recalibrate its measures according to the progress of its rapprochement with Russia.

Firstly, Japan's soft response to Russia was triggered by Abe's personal desire to continue the rapprochement with Russia in the hope of solving the territorial dispute. Seen as Japan's longstanding "abnormality", the negotiations over a group of islands off the coast of Hokkaido have lasted for over 70 years. In 1945, the

Soviet Union occupied the territories and since then Japan has unsuccessfully tried to reclaim them. After the failed negotiations in 2001, the new Abe administration re-opened a dialogue in 2013. It was Abe's personal devotion to the resolution of the territorial dispute and the desire to leave a historical legacy behind that has led him to this stance.

The new expectations of a potential breakthrough were raised after Putin referred to a *hikiwake*-decision, a judo term which relates to a compromise when neither parties lose. The Abe government considered it as a strong signal from Russia to be ready to concede. Moving away from a “four islands in a batch” approach, the Abe administration expressed its willingness to find a flexible solution.²⁶ From Tokyo's point of view, strong sanctions would be detrimental to the negotiations and would ruin this unique historical opportunity of settling the territorial issue and officially ending World War II. It is widely believed in Tokyo that only such strong leaders as Abe and Putin can solve the issue despite the negative public sentiments in both countries.²⁷

Soon after the Ukraine crisis, Japan re-kindled its strategic partnership with Russia by resuming “2+2” meetings between foreign and defense ministries and by initiating an eight-point economic cooperation plan. Russia relations were kept separate from the ongoing conflict in Ukraine, while the symbolic nature of sanctions was emphasized. Navigating through sanctions regime, the government-backed Japan Bank for International Cooperation, for example, is reported to have invested \$400 million in Novatek's Yamal LNG, provided a \$39-million loan to Sberbank and a \$170-million investment in Transneft—all of which are under U.S. and EU sanctions.²⁸

The Abe government wanted to avoid any irritations for Moscow. By imposing symbolic sanctions, it signaled to the Kremlin its unwillingness and reluctance to introduce any punitive measures. Keeping the sanctions list undisclosed, Japan avoided any public shaming of Russian high officials. The delayed timing and limited scope of sanctions underlined the amount of international pressure the Abe government was under.

Each round of Japanese sanctions was backed by the G7 statements indirectly pointing to peer-pressure and fear of political isolation. The emphasis on the G7 statements allowed Japan to shift the responsibility and to mitigate its tone. In response, Russia signaled back that the message was well-understood: Japan was excluded from Russia's agricultural ban, while Russia's list of Japanese targets remained closed. For the same reason, avoiding criticism of Russia, Japan opted out of the UK's call to expel Russian diplomats over the Skripal case, out of the direct support of the airstrikes in Syria and out of the Netherlands' and Australia's call to hold Russia accountable for shooting down MH17. In all cases, Tokyo claimed that there is a lack of evidence that Russia was involved.²⁹

Secondly, China's growing economic and military dominance in the region and its assertive behavior in the East and South China Sea became a second factor that influenced Japan's decision to impose symbolic sanctions. It was driven by the idea to avoid Russia's international isolation and to prevent the emergence of a strong Sino-Russian axis. After 2004, Russia-China relations started to grow and with Western sanctions, Russia's relations with China quickly intensified. Tight on Western capital and over-reliant on European supply markets, Russia pivoted to China for investments, technology and export market. Japan feared it would be isolated by this new economic alliance. By imposing weaker sanctions, Japan's strategic goal was to avoid the international isolation of Russia and prevent the formation of a united Russia-China front. Showing its commitments to economic cooperation, Japan signaled to Russia that it could be an alternative regional partner to China. In this way, Japan tried to counterbalance its geopolitical position in the region vis-à-vis China.³⁰

Although Japan's sanctions had a symbolic effect on Russia's economy, they sent a power signal to China. The Russia sanctions were used by Japan as a tool of deterrence. The annexation of Crimea was a wake-up call for Japan due to China's maritime activity in the East and South China Sea. Drawing strategic parallels, Japanese leadership saw security risks in the way NATO and the EU mishandled the Ukraine crisis. To-

kyo feared that the annexation of Crimea and NATO's unsatisfactory response to Russia could embolden China. It could serve as a historical precedent for a territory-hungry neighbor to change the status-quo over the disputed Senkaku (Diaoyu) Islands. Given that China is a permanent member of the UN Security Council, Japan became alert of potential consequences in the region and sent a clear message of deterrence to China, not Russia.³¹

Finally, North Korea is another reason why Japan cautiously responded to Russia's wrongdoings in Ukraine. The nuclear and missile threat is the second security threat after China and thus is more urgent for Japan than the Ukraine crisis. From the Japanese viewpoint, after the economic impact of Chinese sanctions, North Korea is increasingly turning to Russia. Therefore, Moscow could play a diplomatic role in the resolution of the nuclear and missile crisis.³² Recently, Kono and Lavrov, Japan's and Russia's Foreign Ministers, conducted a series of "2+2" meetings to discuss the denuclearization of North Korea.³³ With Russia's involvement, Japan hoped that Moscow could play a positive role as a mediator in the peace talks.³⁴

Evaluating Japan's Motivations for Symbolic Sanctions

Although Japan's regional security concerns are understandable, the reasons for mitigated sanctions are rather questionable. Symbolic sanctions against Russia could hardly be a panacea for Japan's strategic concerns.

Domestic and Geopolitical Factors

Russia lacks the incentives to settle the territorial dispute and weak sanctions could barely change the status quo. Russia has an upper hand in the negotiations and does not have any reason to return the islands. Domestically, an overwhelming majority of Russians (78 percent) reject the idea of ceding the territories to Japan. More importantly, 55 percent of the respondents said they would trust the president less if he decides to return the territories.³⁵ It is hard to imagine that after Crimea, that Putin, who portrays himself as a reuniter of Russian lands, would cede the territories to another nation. This ties the hands of Russia's leader and supersedes Japan's argument that only such strong leaders as

Abe and Putin could make this unpopular decision.³⁶

From a geopolitical perspective, the islands have strategic importance for Russia. While the Sea of Okhotsk is a bastion of Russia's nuclear-armed submarines, the Northern Sea Route became an important trade gate to Asia. Since 2012, there has been a considerable military build-up in the Northern Territories, including the reinforcement of Russian troops, the building of military objects and an increasing number of flights over Japan.³⁷ Due to the U.S.-Japan alliance, Moscow traditionally views Japan's foreign policy in close coordination with Washington's. With Japan's placement of Aegis Ashore, U.S. ballistic missile defense system, and without any progress on the legal framework for the islands, the returning of the islands would mean having another NATO's partner right on the Russian border. In times when old Cold War stereotypes are revived, it is hard to imagine that Russia would return strategically-important islands to Japan. Without any improvement in U.S.-Russia relations and Washington's active participation in the negotiations, hoping for a settlement of the territorial dispute seems futile.³⁸

Via economic cooperation, Abe hoped to soften Russia's stance on the territorial issue and to use investments as political leverage in the negotiations. Moving away from the stagnant territorial talks, an eight-point cooperation plan aimed to bring investments to Russia's Far East and to nurture mutual trust between the two countries.³⁹ In December 2016, however, a much-anticipated grand bargain on the territorial issue failed to bring any results. The summit revealed different interpretations of the possible territorial resolution and distrust on both sides.⁴⁰ Russia did not connect joint economic activities with the progress in resolving the border issue.⁴¹ The eight-point economic cooperation plan failed to attract enough investments, despite the pressure from the Abe government. The administrative hurdles and opaque legal system are major problems for Japanese business. Even with the creation of special economic zones in the Far East, Japanese business has little inclination to invest there due to the lack of infrastructure and low population rate.⁴² Currently, Japanese investments amount to marginal 5 percent of total investments in Russia's far east and the Japanese Business Federation Keidanren is pessimistic about

finding “win-win” projects.⁴³ Having the upper hand in the negotiations, Moscow is interested in delaying the progress as much as possible in order to get more investments in its underdeveloped eastern territories.

Over-reliance and Distrust with China

Japan's fears of a strong Sino-Russian alliance are miscalculated and somewhat exaggerated. Despite the fact that Russia-China cooperation has intensified in the wake of the Ukraine crisis, Moscow and Beijing are not forming a united front.⁴⁴ Bound by authoritarian trends, China and Russia are rather strategic partners that share similar positions on many international issues and have complimentary economic structures.⁴⁵

In fact, it could be argued that the relations between Russia and China are increasingly unbalanced and distrustful. There are a number of limitations in Russia-China relations that prevent the formation of a strong alliance between them. Although both Russia and China oppose the U.S. global influence and its liberal international order, the countries' approaches differ substantially. While Russia is ready to take risks to actively undermine and disrupt the U.S.-supported international order, China prefers a more strategic and steady approach which more or less maintains the status-quo. China, as one of the largest winners of globalization, is interested in preserving the existing order and avoiding any ruptures of their relations with Washington.⁴⁶

Since the Ukraine crisis, Chinese-Russian economic relations, in which China plays a dominant role, have become increasingly asymmetric. Due to Western sanctions, Russia became overly dependent on Chinese funding and equipment to revive its growth and to develop its ambitious energy projects. This increasing economic asymmetry began to show telling strains in their relations. As China dictates its own conditions on prices, supply routes and amount of funding, Russia is getting less satisfied with its junior partner status. It contradicts Moscow's desire to revive its great power status. Conversely, due to corruption and legal uncertainty, Beijing remains cautious over investment in Russia.⁴⁷ As the last failed Russia-China agreements showed, there is a clear limit to Chinese political willingness to develop bilateral relations

at any cost. Despite Beijing's vocal opposition to sanctions, Chinese banks are reluctant to lend money in much-needed U.S.-dollars and Euros to Russia. The main source of Chinese funding comes from government-backed channels disconnected from Western financial institutions.⁴⁸

To avoid over-reliance on China, Russia started engaging in proactive diplomacy with other Asian countries such as India and Vietnam.⁴⁹ Despite the Russia-China military partnership, including Vostok 2018,⁵⁰ in 2010-2015 Russia provided more large-scale military equipment to China's main regional rivals than to Beijing.⁵¹ Despite their fraternal rhetoric, Russia takes a neutral stance on China's territorial claims in the South China Sea and Taiwan. Central Asia, which is traditionally seen as Russia's backyard, became a testing ground for the countries' future relations. With no power to stop Beijing's Belt and Road Initiative, Moscow decided to align it with its Eurasian Economic Union and to remain the security provider. However, if China gains security influence in the region, the relations could shift from the current discomfort to an open source of tension.⁵²

These limitations create distrust between the two countries and put the brakes on their strategic partnership. It is in Russia's strategic interests to look for other potential regional partners to hedge its bargaining position vis-à-vis China. Being isolated from the West and overly dependent on China, Russia needs engagement with other Asian countries more than ever.⁵³ In this situation, Japan could have become an alternative. Keeping the joint projects low-profile, Tokyo could increase its leverage vis-à-vis Moscow. Instead of exploiting Russia's weakened bargaining position, however, Japan catered to Russia with various economic and political initiatives with no promise on the territorial issue in return.

Divergent Positions on North Korea

Russia's role in the resolution of North Korea's crisis is limited and controversial. Russia-North Korea economic relations are insignificant; it is China who maintains North Korea's economy and they remain the key player to have a potential leverage over Pyongyang. But most importantly, the views on the settle-

ment vary between Moscow and Tokyo. While Japan supports the strengthening of sanctions to increase pressure on Pyongyang, Russia favors a more moderate stance, believing that power diplomacy should be combined with attempts to establish a constructive dialogue with Pyongyang.⁵⁴ Recently, Russia has been advocating the lifting of sanctions, calling them counterproductive.⁵⁵ In contrast to Japan's motivations to undermine the North Korean regime economically, Russia is reluctant to do so. Despite implemented UN sanctions, Russian companies and ships were reportedly engaged in the sanctions-busting schemes to deliver an illegal amount of oil to North Korea and to cover up the financial transactions on behalf of the regime.⁵⁶

Conclusion

Due to international pressure and its prestigious G7 membership, Japan took a bandwagoning approach and joined Western sanctions on Russia. Because of its strategic concerns, however, Japan tried to strike a balancing act between the West and Russia. Japan took a conciliatory approach towards Russia and imposed symbolic sanctions. It allowed Tokyo to avoid strong criticism of Moscow and to leave an opportunity for their strategic partnership open. In Japan's views, the rapprochement with Russia was a solution to Tokyo's geopolitical concerns in the Asia-Pacific. The territorial negotiations over the Northern Territories, the rise of China and the North Korean crisis, all required Russia's engagement, not isolation through sanctions. However, the evaluation of Russia's role in the framework of Japan's strategic concerns is questionable. Japanese leadership overestimated Russia's desire to solve the territorial issue and the North Korean crisis but also overreacted to Russia-China partnership. As international pressure against Russia continues to rise and the territorial negotiations stay stagnated, Tokyo will find it more difficult to maintain its delicate balance between the G7 and Moscow.

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