

Will Japan and Russia tensions over contested Pacific Islands spill over into war?

written by Vijay Prashad
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Location of the Kuril Islands in the Western Pacific between Japan and the

Kamchatka Peninsula of Russia. Note: The area named “The Sea of Japan” is contested by Korea, which uses the name “East Sea”. Source: Wikipedia Commons.

Each year, Japan’s Foreign Ministry [releases](#) a Diplomatic Bluebook, a guide to the government’s views on the world. Kyodo News, a reputed Japanese wire service, [reports](#) that the 2022 Bluebook will have strong language against Russia. This Bluebook will be released to the public before the end of April, but Kyodo News’ reporters have seen a leaked text. The text that the news agency has seen has not been finally vetted by the government of Japan’s Prime Minister Fumio Kishida.

Two startling changes appear in this draft text. First, the Bluebook refers to the Russian control over some islands north of Hokkaido as an “illegal occupation.” The last time the annual Bluebooks used this phrase was in 2003. Then, the Bluebook pointed out that Japan “[renounced its right to the Kuril Islands](#)  ” in the 1951 [Treaty of Peace with Japan](#)  , signed in San Francisco (Chapter II, Article 2[c]); these islands were then part of the USSR. Nonetheless, the 2003 Bluebook [said](#)  , “In the Four Northern Islands, the illegal occupation by the Soviet Union and Russia continues today.” Japan calls these “Four Northern Islands” Etorofu, Habomai, Kunashiri, and Shikotan (Russia calls the “Southern Kurils” Iturup, Khabomai, Kunashir, and Shikotan, respectively). Second, the 2006 Bluebook [called](#)  the islands “inherently Japanese.” This phrase has not been used since then but has reappeared in the 2022 draft Bluebook. Phrases such as “illegal occupation” and “inherently Japanese” in the Bluebook suggest that the tensions between Japan and Russia will certainly increase.

Japan’s Sanctions on Russia

On February 24, 2022, as Russian forces entered Ukraine, Japanese Foreign Minister Hayashi Yoshimasa released a [statement](#) to condemn the action and to demand that Russian military forces return to their territory. The next day, Japan, in

line with its fellow G-7 countries, [announced](#) measures against Russia. These included the freezing of Japan-based assets of three Russian banks, Bank Rossiya, Promsvyazbank, and VEB (Russia's development bank). Not long afterward, Japan [agreed](#) with the European Union position to exclude seven major Russian banks (including the three already sanctioned by Japan) from the SWIFT system. These four other banks are Bank Otkritie, Novikombank, Sovcombank, and VTB.

In addition, Japan's finance ministry [said](#) that it would prevent the major Japanese banks from doing business with Russia's largest financial institution, Sberbank. Three of Japan's principal banks—Mizuho Bank, MUFG, and Sumitomo Mitsui Banking Corporation—have considerable [exposure](#) inside Russia since these banks have provided long-term financing for oil and natural gas projects; they are set to lose \$4.69 billion, 20 percent of these banks' expected net annual profits. The government's [Japan Bank for International Cooperation](#) has large investments in Russian gas fields and gas pipelines ([including](#)  with Russia's sovereign wealth fund, the Russian Direct Investment Fund). This exposure will pose problems for its balance sheets.

Russia retaliated by placing Japan on its [list](#) of “unfriendly countries,” whose diplomatic staff must be reduced and whose citizens will have a difficult time getting a visa into Russia.

Japan's Energy Dependence

On March 31, 2022, as his government pledged to sanction Russian banks, Japanese Prime Minister Kishida [told](#) Japan's parliament, the Diet, that his government would remain involved with Russia's Sakhalin 2 natural gas and oil project. This project, Kishida said, will provide Japan with “long-term, inexpensive, and stable LNG [liquefied natural gas] supplies.” “It is an extremely important project in terms of our energy security,” he said. “Our plan is not to withdraw.”

Japan's government [owns](#) a significant part of Sakhalin Oil and Gas Development Co (SODECO), which has built and manages the Sakhalin 1 and Sakhalin 2 projects. Four of the investors in Sakhalin 2 are Gazprom (the Russian energy company), Shell, and two Japanese firms (Mitsubishi and Mitsui). About 60 percent of the 9.6 million tons of LNG produced by Sakhalin 2, located on Sakhalin Island (about 28 miles off the coast of Japan), is [delivered](#) to Japan. Japanese investment in the oil fields of Sakhalin 1 had been [intended](#)  to reduce its crude oil reliance on the Middle East (now 80 percent of Japan's oil comes from the Gulf).

Last December, the Japan Bank for International Cooperation [partnered](#) with banks from China (China Development Bank and Export-Import Bank of China) as well as from Russia (Gazprombank, Sberbank, and VEB) to finance the Arctic LNG 2 Project in Russia's Gydan Peninsula on the Kara Sea (Arctic Ocean). When this plant comes online, it will provide 19.8 million tons of LNG, twice the current production from Sakhalin 2.

Prime Minister Kishida's hesitancy to walk away from Russian energy imports requires explanation. Japan imports most of its energy from countries other than Russia. In 2019, Japan [imported](#)  88 percent of its energy needs, mostly fossil fuels. These fuels [come](#)  from a range of countries, which includes Saudi Arabia and the United Arab Emirates for 58 percent of its crude oil, Australia for 65 percent of its coal, and Australia and Malaysia for 40 percent of its liquefied natural gas. Russia is a small, but important provider of crude oil (9 percent), coal (8.7 percent) and LNG (9 percent). Due to the proximity of Russia's fuels, and to the [price](#) of Russian gas on the spot market, the overall cost of Russian energy is much less than that of energy from the Gulf States. If Japan stopped importing LNG from Sakhalin 2, its bills would immediately go up by between [\\$15](#) and [\\$25](#) billion. That is the reason why Prime Minister Kishida has refused to cease energy imports from Russia. Whether Russia will stop exports to Japan or whether it will insist on the trade being

denominated in rubles is to be seen (thus far, Russia has only [insisted](#) that payment for the gaseous form of national gas be made in rubles).

Tensions in the Sea of Okhotsk

In 1956, the USSR and Japan signed a [declaration](#)  that promised to settle outstanding issues between the two countries. The USSR agreed that it would hand over two of the four islands (Habomai and Shikotan) “after the conclusion of a Peace Treaty” between the two countries. No such treaty was completed. Each Bluebook over the past decades [notes](#)  that these small islands form “the most outstanding issue in Japan-Russia relations.” The previous prime minister of Japan, Shinzo Abe, met with Russia’s President Vladimir Putin more than 20 times, but they were not able to make a breakthrough.

These small islands in the Sea of Okhotsk allow Russia to extend its territorial waters into the Pacific Ocean. It is from these passages that Russia’s Pacific and Northern Fleets—based in Fokino and Severomorsk, respectively—traverse the increasingly important Arctic waters and the northern waters of the Pacific (where Russia rubs shoulders with an [increased](#) NATO presence). The loss of these islands will be an issue not merely of prestige, but also of Russian commercial ambitions in its northern waters.

It is unlikely that these islands will draw these two countries into any kind of conflict beyond the sanctions that Japan has placed upon Russian banks. But these are dangerous times, and it is impossible to guess exactly what comes next. Any accidental clash between Japan and Russia would trigger Article V of the 1960 [treaty](#) that Japan signed with the United States; if that were to happen, it would be a catastrophe.

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