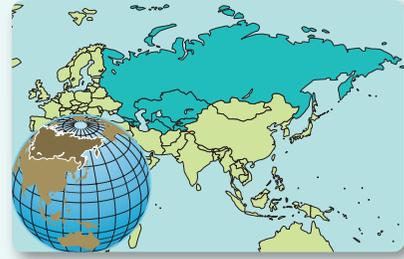


Section 5

Russia, Central Asia and Caucasasia



Overview

Given the rapidly changing strategic environment of the Asia-Pacific region, developing relations with Russia as Japan's appropriate partner in the region contributes to Japan's national interest and regional peace and prosperity. With such understanding, there were dialogues at various levels in 2015, including two Summit Meetings, and Foreign Minister Kishida's visit to Russia (for the Japan-Russia Foreign Ministers' Meeting and the 11th Meeting of the Japan-Russia Intergovernmental Committee on Trade and Economic Issues). In the field of security, the discussions were held over regional and international issues. On the economic front, there was progress in cooperation on energy (including energy saving), healthcare, agriculture and urban environment fields. As for the field of culture and human exchange, there was progress in a wide range of areas, including the Japan-Russia Youth Exchange Program and events to introduce Japanese culture.

Regarding the Northern Territories Issue, which is the greatest concern between Japan and Russia, vice-ministerial negotiations for the conclusion of a peace treaty were conducted for the first time in about one year and nine months, where both sides engaged in frank and detailed discussion on a variety of aspects of the issue including historical

and legal ones.

Japan and Russia have confirmed to proceed with preparation on president Putin's visit to Japan at the most appropriate time and continue their summit-level dialogues. While having further political dialogues and promoting overall Japan-Russia cooperation in every related field, Japan will energetically continue negotiations with Russia with a view to concluding a peace treaty, through the resolution of the Northern Territories issue.

Countries in Central Asia and the Caucasus are situated in a strategic geopolitical location that bridges Asia, Europe, Russia, and the Middle East, and have abundant natural resources such as oil, natural gas and minerals. Also, the region remains important in the context of efforts to address key issues the international community faces such as the stability of the whole region, the fight against terrorism, and measures to counter illicit drugs.

In October 2015, Prime Minister Abe visited five countries in Central Asia. The Prime Minister had summit meetings with leaders of the countries, confirming the fundamentally strengthening of bilateral ties, Japan's proactive involvement in the common issues in the Central Asia region, and cooperation in the global arena.

1 Russia

(1) Situation of Russia

A Internal situation in Russia

After the “annexation” of Crimea in March 2014, President Putin won the overwhelming backing of public opinion. President Putin maintained high approval ratings throughout the year 2015 even when the Russian economy was in predicament. However, as a result of the local and regional elections throughout the country, the ruling party “United Russia” had less votes than in the previous election, and some candidates from the “United Russia” were defeated in some constituent entities.

B Russian Economy

In 2015, the economic and financial situation of Russia which depends on natural resources such as oil and natural gas deteriorated due to international slump in crude oil price and also the sanction against Russia by the U.S., the EU and other nations over Ukrainian situation. The ruble which dropped against the US dollar in the latter half of 2014 and slightly improved in the first half of 2015. However, it again weakened due to a slump in the crude oil prices in the latter half of 2015, amounting to around 50% drop from June 2014. Inflation, particularly for food, remains high as well and reached 12.9% in 2015.

In this situation, domestic investment and consumption declined and growth rate was minus 3.7% in 2015. The budget deficit of 2015 swelled to 1.95 trillion rubles (2.6% in the GDP ratio), and the reserve fund which was spent to cover budget deficit also dropped by approximately 40% year-to-date on a dollar basis.

C Russian Diplomacy

By the exchanges of sanctions and countermeasures over the Ukrainian situation, as well as the confrontation in the fields of missile defense, the relation between Russia and Europe/U.S. is regarded as being at the worst level after the Cold War. Although limited cooperation has proceeded in international security field including the Iranian nuclear issue and the situation in Syria, there is no sign of fundamental improvement of the relationship.

On the other hand, regarding China, Russia highlighted close relationship by frequent mutual visits between the leaders (including participation in the war victory ceremonies of both countries). In the field of military, Russia also deepened cooperation with China by conducting joint military exercises two times annually for the first time in 2015 and by concluding the contract of exporting latest weapon. In the international arena, Russia also cooperated with China in multinational frameworks, such as the UN, BRICS and the Shanghai Cooperation Organization (SCO).

Russia established the Eurasian Economic Union (EAEU) in January for promoting economic integration with the Commonwealth of Independent States (CIS), which is a top priority area for its foreign policies. At the same time Russia also coordinates to realize association of EAEU and the Silk Road Economic Belt which has been promoted by China in Central Asia.

In the Middle East, Russia launched airstrikes in Syria to response the request from the Assad Administration in September. Although tensions were heightened between Russia and Turkey by crashing a Russian fighter jet, Russia is working together with the U.S. and UN in leading the International Syria Support Group (ISSG).

(2) Japan-Russia Relations

A Japan-Russia Relations in the Asia-Pacific Region

In recent years, Russia places importance on the development of the Russian Far East and the East Siberia and has been proactively enhancing relations with the states in the Asia-Pacific region that is a center of the growth of global economy. The development of the relations with Russia as a partner in the Asia-Pacific region contributes not only to Japan's national interests but also to peace and prosperity of the region. Japan and Russia have developed cooperative relations in various fields including security, economy and human exchange; whereas, the Northern Territories Issue restricts development of Japan-Russia relations. While placing importance on close relations between the leaders and foreign ministers, the Government of Japan is strenuously working to resolve the issue and conclude a peace treaty with Russia.

B The Northern territories and Negotiations for a Peace treaty

The Northern Territories Issue is the greatest concern between Japan and Russia. Japan's position is that the four Northern Islands belong to Japan. The Government of Japan has been energetically continuing negotiations with Russia under its consistent policy of concluding a peace treaty with Russia through the resolution of the issue of the attribution of the four Northern Islands on the basis of the agreements and documents made by the two sides so far, such as the Japan-Soviet Joint Declaration of 1956,



Japan-Russia Summit Meeting (November 15, Antalya, Turkey; Photo: Cabinet Public Relations Office)

the Tokyo Declaration of 1993, the Irkutsk Statement of 2001, and the principles of law and justice.¹

While international situation surrounding Russia has been complicated, negotiations for the conclusion of a peace treaty also face difficulties. In summer of 2015, in addition to Prime Minister Medvedev's visit to Etorofu Island, Russia repeatedly made unilateral actions and comments regarding the Northern Territories Issue, against which the Government of Japan made strong protests at various levels. Russia also continues its activities in the Northern Territories, for example, improving military facilities and updating its equipment. Amidst all of this, Foreign Minister Kishida visited Moscow in September and held the Japan-Russia Foreign Ministers Meeting. He provided a clear explanation of Japan's position on the Northern Territories Issue and reiterated the protest against Russian unilateral actions and comments in connection with the Northern Territories. An in-depth discussion took place between the foreign ministers, and the negotiations for the conclusion of a

¹ Way back when the Soviet Union continued denying the presence of a territorial issue itself, Foreign Minister Ohira proposed to refer the Northern Territories Issue to the International Court of Justice in October 1972, which Foreign Minister Gromyko of the Soviet Union turned down. At present, the Russian side admits the necessity to conclude a peace pact through bilateral negotiations with Japan, engaging in negotiations for the solution of the issue.

peace treaty which had been temporarily-suspended, were resumed. At the Japan-Russia Summit Meeting held during the UN General Assembly session in the same month, the two leaders agreed to advance negotiations. Following these meetings, in October, for the first time in about one year and nine months, vice-ministerial peace treaty negotiations were conducted in Moscow. Both sides engaged in frank and detailed discussion on a variety of aspects of the issue including historical and legal ones. At the Japan-Russia Summit Meeting which was held during the G20 Summit Meeting in Turkey in November, the leaders had a candid exchange of views toward achieving a solution acceptable to both sides based on the agreement concluded when Prime Minister Abe visited Russia in April 2013. Regarding future political dialogue, they also affirmed that they will advance preparation toward President Putin's visit to Japan at the most appropriate time, and that they will continue to engage in dialogue at the summit level.

Japan is actively working on projects contributing to improvement of atmosphere for resolution of the Northern Territories Issue, such as the four-islands exchange program, free visits and visit to graves. Japan is also promoting cooperation such as disaster prevention and ecosystem conservation in adjacent areas of the two countries including the four Northern Islands.

In spite of approaches by Japan in advance, a law to prohibit driftnet fishery in the waters of Russia came into force on January 1, 2016. Following this, the Government of Japan is approaching the Russian side in order that Japanese fishermen can continue to operate their fishery of salmon using an alternative fishing method.

C Japan-Russia Economic Relations

Japan-Russia trade volume in 2015 amounted to approximately 20.9 billion US dollars, declining for the second straight year since the record high in 2013 (about 34.8 billion dollars) (38.8% decrease over the previous year, according to Japanese statistics). This was because the whole Russian trade volume significantly shrank throughout the year 2015 due to the Russian stagnant economy and the declining prices of oil/natural gas which account for the largest share of its exports (33.0% decrease over the previous year, according to Russian statistics). The volume of Japanese direct investment to Russia also decreased from the record-high 26.33 billion yen in 2013 to 20.26 billion yen in 2014. The Government of Japan intends to promote development of Japan-Russia economic relations in such a way to contribute to the interest of Japanese companies.

In 2015 the 11th Meeting of the Japan-Russia Intergovernmental Committee on Trade and Economic Issues was held in Moscow in September, and the 5th Meeting of the Japan-Russia Advisory Council on Modernization of the Russian Economy was held in Tokyo in October. Representatives of Japanese companies also participated in them, and the Government of Russia was encouraged to solve problems that those companies face in their business in Russia. The Japan-Russia Business Roundtable meetings were held by business participants from the two countries at the 19th St. Petersburg International Economic Forum in St. Petersburg in June and the 1st Eastern Economic Forum in Vladivostok in September. They had vigorous discussions for the development of Japan-Russia economic relations.

In respect of individual fields, there is a

range of ongoing projects involving Japanese companies. In the energy field, the Sakhalin projects, in which Japanese companies participate, produce oil and natural gas to be exported to Japan. LNG projects involving Japanese companies are also currently in progress in the Russian Far East and the Yamal Peninsula. In Kamchatskiy Krai and the Sakha Republic in Russia, demonstration experiments on small-scale wind electric system projects have been conducted. In the healthcare field, there is a movement to promote Japan's medical technology export. For example a training center equipped with Japan's advanced medical equipment opened in Moscow. In the agricultural field, projects utilizing Japan's agricultural technologies, including the construction of vegetable factories, are in progress. As for the urban environment, the Government of Japan is promoting cooperation for joint projects by Japanese and Russian companies, including urban development, wooden buildings, and waste disposal treatment, through exchange of opinions in government-level working group.

In addition, Japan Centers in six cities in Russia support the business activities of the companies of both countries and inter-regional economic exchanges. They offer training programs, such as management courses, Japanese language classes, and training in Japan for the people who are expected to play a significant role in Japan-Russia economic relations. A total of some 73,000 Russian people have taken the courses and about 4,700 of them have visited Japan for training.

D Cooperation between Japan and Russia in Various Fields

Japan and Russia aim at ensuring communication between authorities in a

range of fields. In 2015, the discussions held between diplomatic authorities from the two countries covered such areas as cyberspace, terrorism, consular services, the Middle East, disarmament and non-proliferation, and the UN. A training project for drug control officers from Afghanistan was also implemented with participation of experts from Japan and Russia. In the security field, Secretary General Yachi of the National Security Secretariat met with Secretary Patrushev of the Security Council in July and September. Cooperation in the security field also continued. For example, a Japan-Russia joint search and rescue exercise by the Japan Maritime Self-Defense Force and Russian Navy and a joint exercise by Japan Coast Guard patrol ships and Russian sea rescue authorities. As for human exchange, in the framework of the Japan-Russia Youth Exchange Program, exchange programs were actively conducted at student level, including the Japan-Russia Student Forum 2015, as well as in the field of sports and culture. In September the projects implemented numbered 300, exceeding 5,000 participants in total. From the viewpoint of culture, a lot of events introducing Japanese traditional and contemporary culture were held in many cities in Russia, including tea ceremony demonstration by Urasenke Grand Tea Master, Sen Soshitsu.



Japan-Russia Student Forum 2015 (December 4, Tsukuba University; Photo: Japan Russia Youth Exchange Center)

2 Central Asian and Caucasian Countries

(1) Central Asian Countries

As a part of Japan's foreign policy that takes a panoramic perspective of the world map, Prime Minister Abe visited five countries in Central Asia from October 22 to 28, 2015. Prime Minister Abe visited Uzbekistan and Kazakhstan for the first time in nine years, and the visits to Turkmenistan, Tajikistan, and Kyrgyzstan were the first visits ever as a Prime Minister of Japan. The visits included summit meetings with the presidents of the countries, the announcement of joint bilateral statements, and the offering of flowers to the cemetery of Japanese detainees. Through these events, the leaders confirmed the bond between Japan and Central Asia.

To conclude the visits, Prime Minister Abe made a policy speech in Kazakhstan, the last destination, regarding Japan's basic policy on diplomacy towards Central Asia. There, he presented a three-point message as regards Japan's foreign policy toward Central Asia, consisting of (1) strengthening relations dramatically with nations of Central Asia, (2) Japan's active involvement to resolve the challenges faced universally by the Central Asia region, and (3) deepening the partnership between Japan and Central Asia on the global stage. Also, all of the five states welcomed Japan's foreign policy that helps Central Asia achieve an "open, stable, and autonomous development" and contributes to the peace and stability of the region and world. In particular, Uzbekistan President Islam Karimov stated that he highly valued Japan's diplomacy based on Proactive Contribution to Peace.

The private companies and university officials accompanying this visit numbered fifty groups. Business forums took place in

Turkmenistan, Uzbekistan and Kazakhstan. Total of 87 public and private documents were signed and each of the forums were attended by Prime Minister Abe and his counterparts, thus backing Japanese companies to develop their business in Central Asia.

In March, before the Prime Minister Abe's visit to Central Asia, a symposium titled "Chance and Challenge: Looking for the future in Central Asia" had been held to raise public awareness of Central Asia among Japanese citizens.

Japan's relations with each of the countries in Central Asia have been generally favorable. The following visits were made from Japan to Central Asia; Parliamentary Vice-Minister for Foreign Affairs Sonoura visited Kyrgyzstan and Kazakhstan (April), Uzbekistan (July) and Turkmenistan (August); State Minister of Economy, Trade and Industry Daishiro Yamagiwa visited Turkmenistan (June); Parliamentary Secretary for Ministry of Land, Infrastructure, Transport and Tourism Keisuke Suzuki visited Uzbekistan (September); Deputy Chief Cabinet Secretary Hiroshige Seko visited Turkmenistan (December) to attend the 20th anniversary ceremony of the Neutrality of Turkmenistan. From Central Asia, President



Prime Minister Abe giving a policy speech (October 27, Kazakhstan; Photo: Cabinet Public Relations Office)

of Turkmenistan Berdimuhamedov visited Japan to participate in the meeting of the 3rd World Conference on Disaster Risk Reduction (Sendai, March). In addition, there were active high-level visits including the visits to Japan by the following persons: Uzbekistan First Deputy Prime Minister and Finance Minister Azimov (January), Turkmenistan Deputy Prime Minister Hojamuhamedov (July), Uzbekistan Foreign Economic Relations, Investments and Trade Minister Ganiev (October), and Turkmenistan Railways and Transportation Minister Anna Meredev (December).

(2) Caucasian countries

The relations with Caucasian countries were further strengthened as well. As for Georgia which shares values of liberty and democracy with Japan and seeks integration with Europe, Japan began to call the country “Georgia” in place of “Gruzia” last April. In May, Parliamentary Vice-Minister for Foreign Affairs Sonoura visited Georgia, and formally exchanged verbal notes regarding the measures to exempt diplomatic visas between the two countries. In November, Georgian Defense Minister Tinatin Khidasheli visited Japan.

With abundant natural resources, Azerbaijan leads the economy of the Caucasus area. State Minister for Foreign Affairs Minoru Kiuchi (January), Deputy Prime Minister and Minister of Finance Taro Aso (May) (attending the general meeting of the Asian Development Bank (ADB)), and Minister in charge of Economic Revitalization Akira Amari (October) visited the country. From



Deputy Prime Minister and Minister of Finance Aso's meeting with Azerbaijan President Aliyev (May 4, Azerbaijan; Photo: Finance Ministry)

Azerbaijan, Speaker of the National Assembly Ogtay Asadov (April) and Vice Prime Minister Ali Shamil Oglu Hasanov (August) visited Japan. The bilateral relations were enhanced through these increasingly active high-level mutual visits.

Armenia enjoys rich human resource, particularly in the IT field. In January, at the opening of the Embassy of Japan in Armenia, State Minister for Foreign Affairs Kiuchi visited the country. A variety of related events took place both in Tokyo and Yerevan to commemorate the opening of the Embassy enhancing momentum for bilateral relations.

Meanwhile, Caucasian countries are burdened with disputes over territories including South Ossetia and Abkhazia² in Georgia, and the Nagorno-Karabakh Problems³ between Azerbaijan and Armenia, which still cause tensions among the countries involved. Although efforts toward resolution have been made, any progresses are still invisible.

² In August 2008, an armed conflict took place between Georgia and South Ossetia; the latter was aiming for separation and independence from the former. Russia intervened in the dispute, which led to a military conflict between Georgia and Russia. About one week after the conflict occurred, France, which was then EU president, and other states acted as mediators and brought about a ceasefire. Based on the agreement reached at that time, international conferences have been held in Geneva to discuss security and humanitarian issues among parties concerned.

³ Most of the residents living in the disputed Nagorno-Karabakh area, who requested belonging to Armenia rather than Azerbaijan. This led to a dispute between the two countries following the dissolution of the Soviet Union in 1991. Armenia had occupied almost the entire region of Nagorno-Karabakh and the surrounding seven areas by 1993. In 1994, the two countries agreed to a ceasefire through the intermediation of Russia and the OSCE; however, conflict with casualties has been repeated until now. Since 1999, an intermediation of the OSCE Minsk group has allowed direct talks between Armenia and Azerbaijan at various levels, including their leaders and foreign ministers.