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in-depth critical analysis of the forces shaping the Asia-Pacific...and the world.

Could Oil Help Japan and Russia Resolve a Six Decade Territorial Fight?

by James Brooke

NOSAPPU, Japan -- Wearing a white windbreaker to protect him from the Siberian wind, Prime Minister Junichiro Koizumi stood on the bridge of a Japanese coast guard patrol boat on Thursday, scanning the treeless shores of islands occupied by Russia since September 1945. Following close behind was an uninvited escort: a Russian coast guard patrol boat.

The moment on the Sea of Okhotsk seemed frozen in time. Nearly six decades after Soviet troops swept down the Kuriles seizing the Japanese islands, there is no peace treaty between Russia and Japan.

But the rapidly changing geopolitics of Asia's energy industry could break a logjam that has endured since World War II.

About 350 miles northeast of here, offshore of Sakhalin Island, part of Russia, Japanese companies are participating in the first \$10 billion slice of what could be a \$100 billion development of oil and gas reserves believed to rival the North Slope of Alaska.

About 700 miles east of here, at Vladivostok, Japanese and Russian officials met this summer to outline a plan for a 2,500-mile, \$12 billion pipeline to bring Siberian oil to the Sea of Japan. A decision on the pipeline is expected this fall.

Behind Japan's drive to lock in access to Russian oil and gas are forecasts that over the next 15 years China's oil imports will double and its gas imports will increase fivefold. Japan's energy use, meanwhile, is far from stagnant. In July, Japan, which imports 88 percent of its oil from the Middle East, experienced a 9 percent jump in the volume of its oil imports.

"Japan finds itself very much like before World War II," Alexander Losyukov, Russia's ambassador to Japan, said in a recent interview. "It needs resources and markets, and those two things can combine to lead to a very dangerous situation."

Japan has quietly become the largest foreign investor in Russia's energy-rich Far East region. With Russia's president, Vladimir V. Putin, expected to visit Tokyo in six months, many analysts feel the time is nearing for both sides to negotiate a truce over the four disputed islands. Both sides have said they would like to announce a formula for a bilateral peace treaty during Putin's visit, which will coincide with the 150th anniversary of the first trade treaty signed by the countries, in 1855.

"Prime Minister Koizumi is very much interested in getting this bilateral relationship to move," Takashi Inoguchi, professor of international politics at the University of Tokyo, said. "Something has to be done to get the two countries closer."

The Toyota Motor Corp., Japan's largest carmaker, is expected to take advantage of Putin's visit to announce the opening of its first assembly plant in Russia, probably in the Volga region east of Moscow. Last year, Toyota tripled its new car sales in the country to 25,000, making it the most popular imported brand in Russia.

Despite the signs of a thawing relationship, however, Moscow frowned on Koizumi's boat trip around the islands -- the first by a Japanese prime minister.

"Such actions, let alone their demonstrative timing with the anniversary of the end of World War II, not only fail to give a positive impetus to the peace treaty negotiations, but will only complicate the negotiations once again," Russia's foreign ministry warned Monday after Koizumi announced he would take the trip. "As far as we understand, these plans are primarily based on internal political considerations."

Indeed, Koizumi's tour here on Thursday might have been calculated to neutralize conservative opposition before serious talks start.

That would fit a pattern of such steps by his administration. On Aug. 15, the anniversary of Japan's World War II surrender, Shoichi Nakagawa, Japan's powerful minister of economy, trade and industry, was one of four members of Koizumi's Cabinet to visit a Tokyo war memorial shrine venerated by conservatives. The next day, Nakagawa flew to Sakhalin, becoming the first Japanese minister to visit the island, which was partly controlled by Japan until the end of World War II.

During a five-day tour, he visited the site of the construction of Russia's first plant to liquefy natural gas. Several of Japan's largest utilities have signed long-term contracts to import the Sakhalin gas.

With Japan expected to win rights to the Siberian oil pipeline, Russia is moving to mollify China. On a visit to Beijing last week, Russia's energy minister, Viktor Khristenko, told journalists that Russian oil sales to China would increase fivefold by 2010. Russia is China's fifth-largest source of oil.

With gas emerging as an equally valuable energy source, China and Japan are shadowing each other in the East China Sea. With China laying a 300-mile gas line to offshore deposits, Japan has complained that China will tap into a 246 billion cubic meter gas field that is partly Japanese. With each country's exclusive economic zone in dispute, China's moves to develop the gas have been met by a Japanese survey ship, exploring the contested area in the southern tip of Okinawa Prefecture.

Americans restored Okinawa to Japanese rule in 1972. Now, people here say that the time has come for Russia to give up its war booty as well -- the four disputed islands, which the Japanese call the Northern Territories and the Russians call the Southern Kuriles. The islands' total landmass is larger than Okinawa's.

"Without restoration of the four islands, we will not have a Japan-Russia peace treaty," Koizumi said here in a meeting with representatives of the 8,000 former inhabitants of the islands who are still alive. "Restoration of the four islands will not only benefit Japan, but it will benefit Russia."

With billions of dollars of Japanese investments about to start flowing, Losyukov, the Russian ambassador, fretted that Japan might link the island issue with the rate of investment. "Every time we talk about that, we hear from the Japanese side, 'We want simultaneous action on economic and territorial issues; if you take this approach you are braking everything,'" Losyukov said. "Blocking everything by that way, unfortunately, is linkage."

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