Japan’s sanctions policy vis-à-vis Russia

Implications for Western sanctions unity

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Abstract

Showing solidarity with G7 countries, Japan imposed sanctions on Russia, albeit reluctantly. The Ukraine crisis (Russia’s annexation of Crimea and the destabilization of Eastern Ukraine) occurred amidst Japan’s efforts to reinvigorate Japan–Russia relations in hopes of resolving the territorial dispute. As a G7 member, Japan felt obliged to support the international community and to impose sanctions. However, the geopolitical dynamics in Asia-Pacific forced it to take a conciliatory approach towards Russia. Japan’s symbolic sanctions allowed the country to balance between the West and Russia in the short run, but they may be counterproductive for Japan’s territorial negotiations with Russia and the effectiveness of Western sanctions in the long run.

Japan’s symbolic measures

The Ukraine crisis occurred amid Japan’s efforts to reinvigorate its relationship with Russia. In 2012, the Abe administration began a rapprochement with the Kremlin in hopes of resolving the longstanding territorial dispute over a group of islands near Hokkaido which
were occupied by the Soviet Union.\(^1\) Since 1945, Japan has been unsuccessfully trying to reclaim them, and the two countries are still technically at war since no peace treaty was signed. Japan nonetheless considers Russia the main regional security partner which could help it counter geopolitical threats in the Asia-Pacific. In contrast to the West, which treats Russia itself as a geopolitical threat, Tokyo interacts with Moscow as an Asian power with weak power projections and no revisionist intentions. From Tokyo’s point of view, strong sanctions would alienate Moscow and ruin this unique, historical opportunity to settle the territorial issue after decades without progress.\(^2\)

After a wave of pro-Western demonstrations and anti-government protests in 2013-2014 in Ukraine, Japan was initially unwilling to express its support for the new government that came to power in Kiev. However, after Russia annexed Crimea in response to Ukraine’s pro-European Union (EU) geopolitical orientations, the perception in Tokyo changed. On March 18, 2014, the Ministry of Foreign Affairs deplored Russia’s recognition Crimea’s independence and condemned “an attempt to change the status quo by force.”\(^3\) As part of its diplomatic measures, Japan suspended talks on easing visa restrictions on Russian citizens and froze negotiations on various agreements on foreign investment, space cooperation, and the prevention of dangerous military activities.\(^4\) Yet, although Japan condemned Russia’s actions, Tokyo imposed the weakest sanctions among G7 countries.\(^5\)

In a series of restrictive measures, Japan imposed visa bans on 23 individuals “considered to have contributed to the violation of Ukraine’s sovereignty and territorial integrity.”\(^6\) However, the sanctions list was never publicly disclosed, and visa bans were not followed by asset freezes, which the United States and E.U. put into place. There is speculation as to who might be on the list, considering a series of visits to Japan by Russian

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\(^4\) Ibid.

\(^5\) Japan’s sanctions vis-à-vis Russia are the weakest in comparison with the US, EU, Canada, and Australia. See, for example, Jennifer M. Smith, “Ukraine–Russia-Related Sanctions Update and Overview: U.S. and EU Reaffirm Sanctions,” Stewart and Stewart, 8 August 2016, http://www.stewartlaw.com/article/ViewArticle/1078.

high officials—including Sergey Naryshkin, Valery Gerasimov, Viktor Ozerov, and Igor Sechin—who are on the United States’ or the E.U.’s sanctions lists.

Both the United States and the E.U. strengthened their sanctions regimes considerably and imposed sectoral sanctions in response to the downing of Malaysian Airlines flight MH17, which was a game changer for the international community. In contrast, Japan bandwagoned with the United States and the E.U., but with a much weaker response. In August 2014, Tokyo introduced visa bans and restrictions on payment and capital transactions for 40 individuals and 2 entities that were directly involved in the annexation of Crimea and destabilization in Eastern Ukraine. Later, this list was extended to 66 individuals and 16 entities. Despite its condemnation of Russia’s actions in Ukraine, Japan’s sanctions list did not include any Russian high-level officials or military, and was restricted to Ukrainian separatists from Crimea and the self-proclaimed republics only. Even the Crimea sanctions were limited as they did not target investments, technology, the supply of tourism services, or the export of goods.

Only in September 2014, did Japan implement sectoral sanctions which included an arms embargo and financial sanctions. In the banking sector, investments in securities with a 90-day-maturity, including shares and bonds, were prohibited for five Russian banks and their subsidiaries in Japan. The measures proved to be symbolic since Japan barely exports any arms to Russia, and Russian policy-makers have no substantial financial assets in Japanese banks. In contrast to United States’ and the E.U.’s economic sanctions, Japan exempted Russia’s energy sector from sanctions.

Since December 2014, Japan’s sanctions have not been updated or renewed. Instead, Japan’s position continues to follow the line of G7 statements. In March 2017,

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Prime Minister Abe publicly linked sanctions to the full implementation of the Minsk agreements, a package of measures aimed to halt the war in Eastern Ukraine.13

**G7 membership matters**

Keeping the balance between G7 members and Russia became one of the main challenges for the Abe administration. On the one hand, Japan values its prestigious G7 membership and felt obliged to support the international community and respond to Russia’s illegal actions. On the other hand, Japan wanted to avoid sanctions to sustain its relationship with Russia and thus to not jeopardize the territorial negotiations. However, the pressure from the other G7 members, the United States in particular, proved to be crucial for Japan to align itself with the G7’s sanctions.

The institutional embeddedness of Western sanctions in G7 shaped Japan’s response and affected its bandwagoning behavior. Each batch of sanctions was backed by G7 decisions, and Abe constantly emphasized Japan’s intention to maintain G7 solidarity.14 Playing a co-adjustment game with the West, Japan implemented each batch of sanctions only after the United States and E.U. had made their own official decisions. By delaying sanctions, Tokyo could recalibrate its measures according to U.S. and E.U. decisions and react based on any progress that had been made in its Russia policy.

Desperate for a quick settlement on the territorial dispute, Japan was the only G7 country to refrain from a direct criticism of Russia. Following Russia’s purported attempt to murder a former Russian spy, Sergei Skripal, and his daughter, Yulia, in the United Kingdom this March, Japan opted against supporting the British government in condemning the incident, claiming that there was a lack of evidence of Russian involvement.15 On other occasions, Tokyo did not provide direct support for airstrikes on the Russia-backed regime of Bashar Assad in Syria in April,16 and it also remained silent amid the Netherlands’ and Australia’s calls to hold Russia legally responsible for shooting down Malaysian Airlines flight MH17. However, as international pressure on Russia

continued to grow, the position of G7 was ultimately decisive when Japan joined the G7 statements on all three occasions to avoid its international isolation.  

Implications for Western Sanctions Unity

Japan’s weak response has several implications for Western sanctions unity. Firstly, Japan’s deviation from G7’s coordinated position undermines the purpose and effectiveness of sanctions. Sanctions unity signals political willpower and constrains the target’s future actions, thus predetermining the effectiveness of sanctions. Paradoxically, it is not sanctions alone, but a comprehensive strategy of united sanctions that is decisive in achieving foreign policy goals. However, the strategic interests of Washington and Tokyo behind their sanctions policies seem to be different. As the United States pursued a policy of diplomatic isolation of Russia, Japan aimed to avoid it and to serve as a bridge between the West and Russia. While former U.S. President Barack Obama’s administration voiced dissatisfaction with Japan’s soft approach to Russia, U.S. President Donald J. Trump’s administration has distanced itself from the region, giving Japan room to conduct its Russia-friendly policy. Although Japan would never abandon its alliance with the United States, Tokyo’s economic ties with Russia undermine the credibility of economic sanctions.

Secondly, economic sanctions are particularly limited in their effectiveness if targets can find alternative sources and markets to sustain their economy. Thus, unity of action among G7 members is crucial to avoid loopholes in sanctions regimes and to exert maximum financial and economic leverage over the target. As Tokyo did not impose any sanctions on Russia’s energy sector, Russian and Japanese companies are able to carefully navigate through the sanctions regime. For example, the government-backed Japan Bank for International Cooperation (JBIC) was crucial in supporting Russia’s various energy projects. In 2015, JBIC was considering direct rouble-yen currency swaps with Gazprombank, VTB and VEB – all of which are under United States and EU sanctions – to avoid reliance on U.S. dollar transactions. In 2016, JBIC provided a $39 million loan

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to sanctioned Sberbank for a construction project in the Far East and invested $400 million in Yamal LNG, owned by US-sanctioned Novatek. Another JBIC project included a $170 million investment in Transneft, Russia’s oil pipeline monopoly, sanctioned by the US and EU.

Thirdly, Japan’s symbolic sanctions create a useful leverage for Russia. As the weakest link among the Western sanctions chain, Japan’s deviation from G7 is often used by Russia in its information war. Similar to its dividing tactics in Europe, Russian state-owned media instrumentalize Japan’s dovish position and questions G7 solidarity. The Russian media often questions the legitimacy and the effectiveness of sanctions by skewing the coverage towards those who are against sanctions. For instance, Japan’s Former Prime Minister Yukio Hatoyama was cited by numerous Russian media when he acknowledged the legitimacy of the Crimea referendum and supported lifting sanctions.

Paradoxically, Japan’s weak sanctions are detrimental to its own national interests. Moscow often uses Japan’s sanctions as a hedge in their territorial negotiations. Interested in delaying progress on peace treaty talks as much as possible, Russia employs a “carrot-and-stick” strategy. First, it indicates an interest in resolving the territorial dispute, then later it uses different pretexts to criticize Japan, such as support for Western sanctions and the U.S.-Japan alliance. At the beginning, Russia praised Japan for opting out of sanctions and referred to Japan’s foreign policy as independent from Washington. Later, however, when Japan was compelled to introduce sectoral sanctions, the Russian Foreign Ministry criticized Tokyo for its inability “to go beyond the framework of their usual course behind Washington, and draw their own line, which would correspond to the indigenous national interests of their country.” Russia considered it an “unfriendly and short-sighted step” which could jeopardize Russia-Japan bilateral relations.

25 MFA, “Comment by the Russian Ministry of Foreign Affairs regarding the introduction of additional sanctions against Russia by Japan,” 29 July 2014, www.mid.ru/web/guest/maps/jp/-/asset_publisher/zMUqsV9NDU/content/id/676467?p_p_id=101_INSTANCE_zMUqsV9NDU&_101_INSTANCE_zMUqsV9NDU_languageId=en_GB.
26 Ibid.
sanctions against Russia by Tokyo, no matter what they are, inevitably harms the entire complex of our bilateral relations and rolls them back,” concluded the statement.27

Despite stagnated territorial negotiations, Japan has opted to continue its rapprochement with Russia. Although in the short run Tokyo’s balancing act seems to be working, in the long run its wedged position between the West and Russia will be detrimental to Japan’s territorial negotiations and to the overall effectiveness of Western sanctions.

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27 Ibid.