

## Is Dependence on Russian Natural Resources Risky or not? : Increasing Presence of Russia's Energy Diplomacy

The Slavic Research Center at Hokkaido University and the Sasagawa Peace Foundation co-organized the symposium “Is Dependence on Russian Natural Resources Risky or not?: Increasing Presence of Russia's Energy Diplomacy” on July 22, 2009, at the Nippon Foundation Building in Tokyo. Enjoying the benefit of high oil prices, Russia has restored its position in the global economy. However, the Kremlin's heavy-handed attitude toward the Ukraine over natural gas price negotiations has augmented European distrust of Russia as a stable supplier. Until recently, Japan was an unconcerned observer, but the energy flow from Sakhalin Oblast has rapidly increased over the last three years. Under the present circumstances, this symposium was planned to discuss how Japan should decide its own stance on the importation of natural resources from Russia.

Three panelists took different positions on Russia's energy diplomacy. The first panelist was Motomura Masumi, a senior fellow at Japan Oil, Gas and Metals National Corporation (JOGMEC) and a top specialist on Russia's energy issues in Japan. The second panelist was Keio University Professor Yokote Shinji, a historian and authority on Russian diplomacy. He supports the position that Russian foreign policy elites strive to utilize gas and oil for diplomatic means. The last panelist was Kaya Toshihiko, a senior staff writer in the international news department for the editorial news bureau Nihon Keizai Shimbun. He has resided in Moscow several times since 1993 and is well-versed in the policies and the realities of the Russian economy.

In September 2006, the media reported that the Russian government had suspended part of the Sakhalin-2 project over “environmental concerns.” However, many believed Russia had done so in order to increase its interests in the project. This is the background of the Sakhalin-2 issue. Mr. Motomura explained Moscow's policy toward the Sakhalin-2 issue

and the conflict over natural gas prices with the Ukraine as actions based on the principles of the market economy. According to his argument, in the former case, Russia's state-owned Gazprom and the Anglo-Dutch oil company Royal Dutch Shell PLC already agreed to exchange equity stakes in July 2005, a full year before Russia's halt of the Sakhalin-2 project. As problems with cost overrun emerged, a landslide at sites near the pipelines in August 2006 added to project's problems. Following this event, the effects of the Sakhalin-2 project on the local environment were put in focus. He regarded Gazprom's acquiring a 50 percent stake plus one share in Sakhalin Energy Investment Co. as a mutual-beneficial solution for all four companies including Japan-based trading houses Mitsui and Mitsubishi. In the latter case, he argued that Russia's suspension of oil and natural gas supplies to post-Soviet countries, especially to Ukraine, was adopted according to global standards, that is, the abolition of subsidies for post-Soviet countries and charging international rates for oil and natural gas. He concluded that considering the reality that Russia suspended the energy flow to Ukraine even under the pro-Russian administration in the 1990s, Russia's energy policy toward Ukraine can be explained by economic incentives.

In contrast, Prof. Yokote pointed out that although the interdependence of the world economy is the key premise of economists' arguments, judging from Russian media reports, this concept hasn't taken root among Russian foreign policy elites. Furthermore, it is necessary to consider oil and gas separately; with the exception of exporting liquefied natural gas, the supply-demand relationship of gas tends to be fixed by gas pipelines. Paying attention to this point that the tension between supplier and consumer is apt to grow under the pressure of high gas prices, he argued that Russia seemed to have downplayed her responsibility as a sustainable gas supplier for post-Soviet and European countries. In a critical response to Prof. Yokote's view, the moderator, Prof. Tabata Shinichiro of the Slavic Research Center and Mr. Motomura noted that if he concluded that the Kremlin used Russia's

natural resources as a diplomatic weapon, he had to demonstrate a national scenario of the Kremlin utilizing this “weapon” and its concrete outcome. In response, Prof. Yokote responded that it is important for the Russian government to simply possess and show this weapon, especially in the presence of a negotiating partner. The aim of the Russian government, by showing its “weapon,” is not necessarily to get a visible outcome but to make a negotiating partner take an action beneficial to Russia. In this manner Russia has utilized its diplomatic “weapon” effectively against the post-Soviet countries.

Finally, focusing on Gazprom and Rosneft, Mr. Kaya talked about the relations between the state and the company from a journalistic perspective. He asserted that there is no consistent national strategy in Russian energy diplomacy, so the situation has tended to develop by “chance.” The first “chance” came with the privatization of state-owned companies in 1993. This was followed by the rise of the Russian “oligarchs.” As a result, a battle over national assets intensified. In this context, the “Yukos case” is interpreted as the Putin administration’s rollback of past policies. Afterwards, a considerable order of controlling national resources was established by the government internally, and this led to the second “chance,” that is, an assertive energy policy toward foreign countries, which involved neighboring countries and the United States. However, as there is no constant scenario among Russian foreign policy elites, the current foreign policy orientation, which has had a negative effect on Russia’s external relations, is not fixed. So, we can have both expectations that Russia will be more cooperative and assume a more challenging attitude.

It is difficult to draw a clear line between political and economic incentives in Russian diplomacy. If Japan faces Russia with the assumption that Russia will act venomously, then the chances are Russia’s approach to Japan will be harder. At the same time, it is a fact that Russia has regained a sense of self-confidence in her position in East Asia by developing her natural resources, which is Russia’s only trump card in this region. Thus we should not

minimize the strong connection between the national leadership and the head of the major oil and gas companies in Russia.

Through the substantial discussion, we confirmed that Japan has to formulate a national strategy toward Russia immediately, including the necessity of reexamining the contradictions of energy policies between Russia and its trade partners. This seminar was made possible by the support of the scientific project (Scientific Research on Innovative Areas) “Comparative Research on Major Regional Powers in Eurasia.”

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