

AJISS-Commentary

The Association of Japanese Institutes of Strategic Studies

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Institute for International
Policy Studies

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International Affairs

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Research Institute for
Peace and Security

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No.149. 23 May 2012

RUSSIA'S EASTWARD PIVOT

Circumstances in Russia Following Putin's Comeback and Japan's Reaction

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On May 7, 2012 Vladimir Putin was sworn in for a third term as president. Utilizing the "All-Russian People's Front" formed in May of last year as his base of support, he has been striving to act as a populist leader by gathering broad-ranging support from every strata of society. On the day of his inauguration ceremony as well as the day before, however, anti-Putin demonstrations organized in Moscow led to clashes with police and the detention of numerous protestors, quashing the hopes of the new Putin administration to benefit from a celebratory mood at the outset.

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The successive demonstrations that took place following the lower house elections last December stemmed directly from the dissatisfaction of minority factions excluded theretofore from opportunities for political participation by Russia's highly restrictive laws governing political parties and elections, but they can also be attributed to a vague sense of anxiety about Russia's future. As if in response to the public's anxiety, Putin published seven articles prior to the presidential election that outlined his views on the economy, political reform, security, foreign policy, ethnic issues, social welfare and other topics. He is said to be working now on a "road map" to realize the ideas presented in these articles. Certain political reforms, such as the reinstatement of direct gubernatorial elections, have already been implemented under former president Medvedev.


Putin as the incoming president has been stressing his commitment to prioritizing the interests of the people and alleviating their discontent and unease, even as he has also been focusing on policies designed to boost national prestige, such as the expansion of the arms industry and the development of space and Siberia /the Far East. In conjunction with the APEC Summit to be held in Vladivostok this coming September, Putin has accorded his highest priority to development of Siberia and the Far East.

In his article on foreign policy, Putin expressed his wish to leverage the growth potential of the Asia-Pacific region, above all that of China, to invigorate Siberia and the Far East. In keeping with this idea, the Ministry of Economic Development has prepared a draft bill to establish a public corporation directly answerable to the President to undertake development of Siberia and the Far East; this bill is currently under consideration within the government. The draft bill would allow the public corporation to utilize the mineral, forestry and land resources in Siberia east of the Urals and in the Russian Far East (nearly 60% of the nation's territory by area!) free of federal restrictions and would grant it very significant tax benefits. Neither federal nor local agencies would be able to interfere in the activities of this public corporation, which would be subject to scrutiny only by the president and the Audit Chamber.

Strong opposition to plans for such a development corporation has been voiced both inside and outside the government. The Ministry of Finance has objected from the perspective of securing revenues, while the mass media has warned that the public corporation will become a new wellspring of corruption, that the birth of a powerful state-run monopoly will exert undue pressure on the activities of private companies, and that creating an “offshore” enterprise inside Russia will undermine the country’s political and economic coherence. Putin himself is said to be positively inclined toward the creation of this public corporation, but it is unclear at the moment whether he will be able to overcome these criticisms and succeed in founding this public corporation. However, there is no doubt that the new administration will be dedicating its full efforts to developing Siberia and the Far East.

Despite the various risks in Russia noted above, the Putin administration’s eastward orientation presents Japan with opportunities. Japan’s need to secure energy resources has taken on particular urgency following the nuclear power plant accident in Fukushima, making the Russian Far East all the more important for Japan as a supplier of resources. There are undoubtedly numerous other venues outside the energy sector— infrastructure improvement, corporate network formation, environmental conservation, human resources development, etc. – that offer Japanese companies active roles to play. Fortunately, Japan has been interested in Far East development since the Soviet era, even participating in joint Japan-Soviet projects involving public-private collaboration. Japan should be able to make full use of this experience.

Nevertheless, there are some causes for concern. Rapid growth in China and South Korea has spurred the view among Russians that they no longer need depend on Japanese funding and technology. Indeed, Putin’s foreign policy article touched on earlier repeatedly cited the importance of the Asia-Pacific region as well as China and India but made no mention whatsoever of Japan. Japan’s diminished presence could prove a factor in discouraging opportunities to resolve the Northern Territories issue and other matters of concern between the two countries.

With the Russian government now ‘pivoting’ toward the Far East region, the time has come for Japan to boost its presence, increase its influence with Russia, and expand its economic cooperation with Russia through coordinated public- and private-sector efforts. In parallel with talks to resolve the Northern Territories issue, serious consideration should be given to ways in which Japan can participate in the development of Siberia and the Far East region. Needless to say, this will require that Japan bring to the fore the unique advantages from its Asian competitors China and South Korea. It must never be forgotten that Japan’s strengths lie not only in its outstanding technology but also in such “software” facets as corporate networks, human resources development, and industrial finance systems constituting the infrastructure that gave rise to this technology. 

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