

## RUSSIA'S PACIFIC FUTURE: SOLVING THE SOUTH KURIL ISLANDS DISPUTE

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The dispute over the South Kuril Islands continues to plague Russia-Japan relations. Though Russia administers the four islands, Japan claims them as its own. A new strategic approach to the issue will finally settle the border between the two Pacific neighbors and help Moscow and Tokyo enhance their standing in the changing Asia-Pacific region. Solving the dispute is in the interest of both countries—Russia will gain a valuable partner to build up its underdeveloped eastern provinces and Japan will gain a new ally that will improve its security in Asia.

### Key Lessons

- The South Kuril Islands issue will not resolve itself or become increasingly irrelevant over time.
- Solving the dispute over the islands requires addressing economic, political, and strategic affairs. But qualitative improvement of relations between Russia and Japan in these areas requires resolving the island problem.
- The only conceivable solution is a compromise between the official Japanese position of transferring all four islands to Japan and the offer made by Moscow in 1956 to hand over two islands equivalent to 7 percent of the territory.
- Leaders in both countries must have enough support to make the necessary compromises. Russia must give up more than many Russians think and Japan needs to receive less than most Japanese believe it ought to.

### The Compromise Solution

**Russia should give up Shikotan and Habomai.** These two islands cover only 7 percent of the territory claimed by Japan, and Moscow already agreed to hand them over under a joint declaration in 1956.

**Japan should support economic activity in the islands and in Russia.** Direct public sector investment and positive economic incentives for Japan's private sector will foster economic growth in the islands and Russia's Far East and Siberia.

**Russia and Japan should establish a joint economic zone.** Run by a Russian-Japanese authority administering a distinct economic and legal regime, a joint economic zone covering all four islands will help develop the area.

**Russia and Japan must reach a political agreement.** The entire area needs to be demilitarized, and Russia should initially continue to exercise sovereignty over the other two islands, Iturup and Kunashir. Eventually, all of the islands should be integrated into Japan. After fifty years, Iturup and Kunashir will transition to Japanese law and sovereignty. The joint economic regime will continue for another fifty years, and Russian permanent residents will be free to stay on the islands.

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