

UNDER PRESSURE:

RUSSIAN ENERGY COOPERATION WITH JAPAN AND SOUTH KOREA SINCE WESTERN SANCTIONS

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EXECUTIVE SUMMARY

Maintaining the fragile balance in the Asia-Pacific?

Western sanctions on Russia limited the country's access to funds and technology for energy projects. To reduce dependence on the West, Russian energy firms are trying to pivot to the Asian market. Russia says that countries such as the China, the Korea, Japan, the India, and Vietnam are replacing the West. But how has its business with these countries developed amid sanctions?

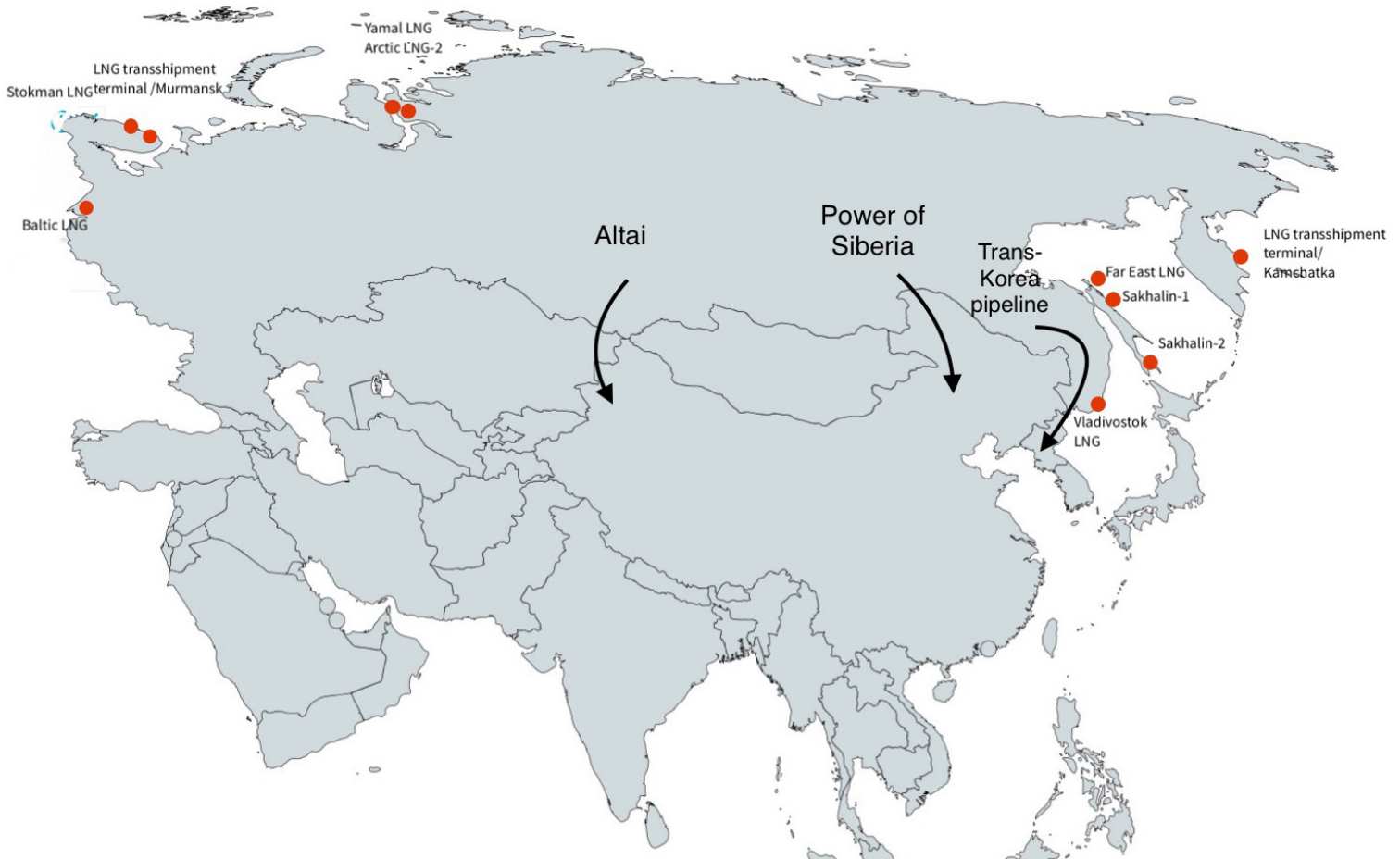
KEY INSIGHTS

- Japan implemented symbolic sanctions against Russia but declined to target the Russian oil and gas sector. South Korea criticized the annexation of Crimea, but refrained from any sanctions against Moscow.
- For both countries, energy cooperation with Russia was useful for economic and political reasons.
- Russia provides an alternative to energy imports from the Middle East.
- There are also geopolitical concerns: Japan wants to soften Russia's stance on the Kuril Islands, while Seoul hopes Russia can help promote North Korean denuclearization.
- Plus, both countries fear China and want to prevent Russia from moving any closer to Beijing.
- Keeping a low profile, Japan and South Korea provided a financial lifeline for Russian energy firms and have supplied high tech and expertise.

Yet Japanese and South Korean businesses find themselves in a difficult balancing act. Both the South Korean and Japanese governments are pushing their firms to cooperate with Russia. But with U.S. sanctions intensifying, Japanese and South Korean companies will struggle to sustain energy cooperation with Russia.

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RUSSIAN SHARES IN JAPAN AND SOUTH KOREA'S TOTAL OIL AND LNG IMPORTS, 2005-2017 (%)

