

# **RUSSIA-JAPAN RELATIONS FROM 1991 TO 2004**

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## DECLARATION

I declare that the dissertation entitled, "**RUSSIA-JAPAN RELATIONS FROM 1991 TO 2004**", submitted by me for the award of the degree of **Master of Philosophy (M. Phil.)** of Jawaharlal Nehru University, is my own original work. This has not been published or submitted to any other university for any other degree.

Ratnesh Kumar Singh

## CERTIFICATE

We recommend that this dissertation may be placed before the examiners for evaluation.

Prof. Tulsi Ram  
(Chairperson)

Dr. Sanjay Kumar Pandey  
(Supervisor)

*Dedicated*

*To*

*Amma & Pitaji*

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## PREFACE

This dissertation is a case study of the bilateral relations between Russia and Japan during the period from 1991 to 2004. The territorial dispute over Kurile Island, the issue of the politics of economic cooperation and the presence of the United States as a factor in their relations are the major determinants of the bilateral ties. It examines and tests the hypothesis that the bilateral relations between Russia and Japan are largely governed by their territorial claim over the Kurile Islands. Secondly, Russia's natural wealth and Japan's technological – industrial capabilities are creating ground for Russia – Japan economic co-operation. Finally, the closer relation of U.S. with Japan also determines the direction of Russian policy towards Japan. In nutshell, these are the main determining factors in the relations between the two countries.

The rationale of selecting this case study is that both the countries occupy an important place - economically, militarily and politically - in the present international order. The relation between Russia and Japan, cordial or otherwise, has all the potential to influence the behavior of other states, and to shape the future course of world politics. The period of 1991-2004 has been chosen particularly because it was the initial phase of the post-Cold War world order when all major states, especially the states like Russia, had to rearrange the basics of their foreign policy. Independent Russian federation became the official successor of former USSR, but without the luxury of being a superpower. The world has attained the structures of a unipolar system with US as the sole superpower. Japan was an active supporter of U.S. in the post-Cold War world order, while Russia is trying hard to regain its lost place. The economic factors became more important than other factors in a world guided by the principles of globalization and liberalisation. Russia was seeking to reform its economy and for this purpose it was heavily dependent on the financial and technological assistance from advanced countries like Japan. The economies both countries are getting integrated with each other in the era of globalization that no country can ignore the other merely because of issues like Kuriles. Russia and Japan are the two fastest growing power centers in the 21<sup>st</sup> century,

but their relations have been rather fluctuating. And economy can really prove to be the key in galvanizing the rapprochement between the two.

The study addresses the following research questions: What were the major issues in Russia – Japan relations before the cold war?, Whether the ideological rivalry of the cold war between the USSR and the U.S. led block to further deterioration in bilateral relations?, How did cold war influence Russia's relation with Japan?, What changes occurred in bilateral relations between Russia and Japan after end of cold war when Soviet Union got dissolved?, What factors contributed towards better Russia – Japan relations from 1991 to 2004?

The work based on primary as well as secondary sources, analyses the origin and evolution of Russia-Japan relationship from a historical perspective and interrogates the role of U.S. in shaping the course of their bilateral relations. Above all, it examines the major determinants of foreign policies of Russia and Japan towards each other during the said period.

This study consists of five chapters. First chapter introduces the background, determinants, basic trends, and controversial issues in Russia – Japan relations. Second chapter deals with the political relations, mainly the Kuriles Islands issue which is the core problem in the relations between the two countries. Third chapter discusses the economic relations, particularly issues like trade, energy and technology exchange and also aid politics between the two countries. Chapter four focuses on U.S. policies towards both countries and analyses the way U.S. influences the bilateral relations between Russia and Japan. In the end, the future prospects of the Russia – Japan bilateral relationship has been discussed.



# CHAPTER I

## INTRODUCTION

This chapter discusses the historical background of Russia-Japan relations. In this chapter political and economic relations between both countries have been analysed, mainly with a theoretical perspective. Since Mackinder advanced his theory of Eurasian Heartland, Japan's relationship with Russia has been trapped in mutual animosity and mistrust (Green 2001: 145). This chapter also deals United States of America as a factor between Russia-Japan relations and finds that U.S. plays a key role in the bilateral relations between the two.

The definition of foreign policy to a large degree depends on the self-definition of a country itself, Russia had to find itself and come to terms with its evolving national identity before any coherent foreign policy based 'national interest' could be defined (Sakwa 2002: 349). Bilateral relations are means for any country to fulfill its national interests through the diplomatic endeavors of its foreign policy. Since the Treaty of Westphalia in 1648, nation-states have sought to maintain peace and security mainly through bilateral alliances (Fukushima 1999: 1). Bilateral relation depends on various factors, such as geographical and strategic location of the country, its economic health, and its historical and cultural heritage. Among the basic determinants of foreign policy, geography of the country, level of its economic development, political tradition, the international milieu, the domestic milieu, and military strength constitute the core of decision making which no rational foreign policy maker can ignore. Political institutions such as public opinion, party organizations, pressure groups, parliament, and the cabinet must similarly be regarded as the other important parameters of the decision-making system. The personalities of the ultimate decision makers, their ideological predilections, and above all their need for personal, political survival and growth, inevitably condition the final choice of ends and means (Duncan et al 2001 and Richard et al 1962).

One of the most important goals of the foreign policy of any country is to protect its territorial integrity and safeguard the interests of its citizens. both within and outside

the country. The politics of geo-strategy strongly determines the bilateral relations of the countries. In the second half of the 19<sup>th</sup> and the first half of the 20<sup>th</sup> century, several leading theorists, like Friedrich Ratzel in Germany; Captain Alfred Mahan, E.C. Semple, and Samuel Huntington in the USA; Rudolf Kjellen in Sweden and Halford Mackinder in England highlighted the role of the geographical factor in the international relations. (Bandyopadhyaya 2003: 30). In Russia-Japan relationship also, various factors have shaped the present state of bilateral relations. Geography creates the basic framework of Russo-Japanese relations as both countries are the closest neighbour (Stephan quoted in Ellison 1987: 137).

Few bilateral relationships in the world have a greater unrealized potential than the Russian-Japanese relationship. Russia and Japan are the two important poles in the world politics. Japan is an economic superpower and Russia is the largest country in terms of territory and also controls nuclear arsenal as big as that of the United States, even after the break up of the Soviet Union. Both countries are the members of the Group of Eight Western industrial democracies and are also neighbours on the Asian-Pacific rim. Their economies are complementary with Siberia's natural wealth and Japan's technological-industrial capabilities holding out the prospect of large scale cooperation (Stephan quoted in Ellison 1987: 135). Despite these positive factors since the 18<sup>th</sup> Century the relationship has been held hostage to a territorial dispute between the two countries over the small Kurile Islands in the Pacific. This persistence territorial problem has been the most deciding factor in shaping their bilateral relations in other areas: economic, military and political.

The demarcation of national boundary is one of the major causes leading to conflict between nations. The claim over a group of islands lying between Russia and Japan is the major hurdle in the improvement of their bilateral relations. It is the long standing dispute over a number of small islands lying between the northern Japanese island of Hokkaido and the USSR's Kamchatka Peninsula, known as the Kurile Island. The impasse centers on the four southernmost islands of the Kuril chain – Kunashir(Kunashiri), Iturup(Etorofu), Shikotan, and the Habomai islets - seized by the

Soviet Union in the closing stages of world war II (Abelsky 2006: 35). Etorofu and Kunashiri islands are situated in the south of Kuriles a chain of islands that stretches for around a thousand kilometers between Hokkaido and the Kamchatka Peninsula and are sometimes known as southern Kuriles, while Shikotan and a cluster of small islands are known as the Habomai, are situated in the north eastern coast of Hokkaido. Japan claims its rights over these islands and insists that return of these islands is the precondition for the development of good relations with Russia. Japan relinquished its claims to the Kuriles under the 1951 San Francisco Peace Treaty, but has maintained that the islands under dispute are not actually part of the chain (Abelsky 2006: 35).

Location of Kurile Islands is strategically and economically very important for both the countries as the waters around the Northern territories are one of the three largest fishing grounds. The confluence of warm and cold sea waters generates ideal conditions for the growth of fish eggs. Simultaneously they are rich in crabs, salmon, cods, sharks, and help, thus tremendously enhancing their economic significance. At the same time fishing and whaling in the waters off their coasts is an extremely profitable undertaking (Jain 1981: 54). Geographically they are located in the Asia-Pacific region and the country having control over them will have strategic advantage. Hence both countries want to own them.

### Soviet -Japan Political Relations

Sakhalin and the Kuriles first became an area of dispute in the seventeenth century as explorers from both nations advanced into what was then little-known territory. Russia established permanent settlement in Kamchatka about the end of the northern Kuriles in 1711, and made several attempts to open trade with the secluded Japanese in the first half of the nineteenth century (Jain 1981: 1).

Legal arguments over the islands started with the beginning of official relations between Russia and Japan in 1855 when they signed "the Simoda Treaty", a treaty of commerce, navigation and delimitation, which fix the order between Etorofu and Urup in the Kurile island and a condominium over Sakhalin island (Clark 1991 and Miller quoted

in Shearman (ed.) 1995: 142). The agreement recognized the southern Kuriles (The Northern Territories) as Japanese possessions. The Kuriles north of this line remained Russian property while the large island of Sakhalin continued to be an area of dispute. Towards the end of the nineteenth century, another area of dispute came up: the struggle over the Liaotung peninsula – a portion of Southern Manchuria (Jain 1981: 2).

Some progress was made towards the resolution of the territorial dispute in 1875 when Russia and Japan signed the Treaty of St. Petersburg. According to the provision of this treaty, Japan gave up its rights to joint possession of Sakhalin and in return received territorial rights over Kurile Islands. Japan claimed that Etorofu and Kunashiri i.e. the southern Kuriles along with Shikotan and the Habomai have never belonged to any country other than Japan (Miller quoted in Shearman eds. 1995: 142 and Jain 1981: 5).

For over two centuries, Russia and Japan have faced each other across a shifting Kurile Frontier. Historians identify the victory of Japan over Russia in the Russo-Japanese war of 1904-05 as the beginning of their poor relations. With the revival of Russia's interest in the Far East, as evidenced by the Trans-Siberian Railway during 1891 – 1902, the conflict of interests between Russia and Japan over Manchuria came to the force. Japanese statesmen viewed Russian construction of the Siberian railroad as a potential threat to their national security and plans of expansion.

The status of the disputed territories did not change to any satisfactory status even by the Treaty of Portsmouth that followed the Russo-Japanese war of 1904-05. This war made two impacts. Firstly it provided Japan an advantageous terms of the Portsmouth Treaty (5 September 1905), expelled Russian influence from Korea and acquired a strong foothold on the Asiatic continent (Jain 1981: 5). The southern half of Sakhalin also came under the Japanese control. Secondly, this war weakened the position of Russia militarily and financially. For Japan the question was motivated neither by economic nor security concerns but by the very principle of territorial integrity; similar feelings informed Russia's refusal to give up territory (Sakwa 2002: 372).

Russia and Japan tried to improve the bilateral political relations during the period 1905–1917. Both countries sought to demarcate their respective spheres of interest in Northeast Asia in order to remove a major source of trouble. They desired to work together to prevent the influence of any third power, especially the United States, from penetrating the region.

However, the relation was never cordial and status-quo remained till the First World War. After World War I, Japan took Vladivostok and held the key port for four years, initially as a member of the allied interventionist forces that occupied parts of Russia after the new Bolshevik government proclaimed neutrality in 1917. The First World War gave an opportunity to Japan to increase its influence while after October Revolution of 1917 Russia got a similar chance. The new communist political regime had broken all earlier treaties entered into by the Tsarist regime. This started new battle between two countries that was continuing directly or indirectly till beginning of Second World War. In April 1941 the Soviet Union signed 'a neutrality pact' with Japan for five years. Both agreed to maintain peaceful and friendly relations and to respect each other's territorial integrity. But in November 1943 the 'Cairo declaration' enunciated the principle of territorial non-expansion and stipulated that Japan would "be expelled from all the territories which she has been taken by violence and greed" (Jain 1981: 212).

Further due to Tokyo's entry into world war, there was pressure on the Soviet Union to join the allies in the war against Japan. Under these circumstances the Soviet Union declared war against Japan on August 9, 1945, six days before Japan's surrender, attacked Manchuria, and occupied the Kuriles (Stephan quoted in Ellison eds. 1987: 138). The Japanese view is that the Soviet declaration of war against Japan in World War II was a violation of the five year neutrality pact of 1942. They also argue that the northern territories have always been under Japanese control and cannot be included as territories "taken by violence and greed" as set out in the 1943 Cairo declaration (Jain 1981: 212). Further the principle of territorial non expression articulated in Cairo precludes Japan's own territory being usurped. However, after World War II Japan adopted a low cost, low risk, benefit maximizing policy.

At the end of World War II, Stalin broke the 'neutrality pact' that had existed throughout the war in order to occupy vast areas of East Asia formerly held by Japan. His action resulted in the incorporation of the entire Kurile Islands chain and the southern half of Sakhalin Island into the Soviet Union, and it created an issue that blocked the signing of a peace treaty and forging closer relations between the two. World War II demonstrated that the Kurile marked the intersection of Russian, Japanese and American power spheres in the North Pacific. As the entry point between Kamchatka and Hokkaido peninsula, the Kurile formed a natural meeting ground for Russians and Japanese and as such has played an enduring role in Russo-Japanese relations. After initial contacts developed into more complex interactions in the 19<sup>th</sup> century, the Kurile's posed a frontier problem that has yet to be solved (Stephan 1974). In February 1947 the territories were incorporated into the Russian Soviet Federated Socialist Republic and by 1949 there were no Japanese left on the islands (Mendle 1989: 9-10).

The Soviets thus became the de-facto masters of what the Japanese have never ceased to call the northern territories (Mack and Hare 1990: 383). In the treaty of peace signed in San Francisco in 1951, Japan renounced, "all rights, title and claim to the Kurile islands, and to that portion of Sakhalin and the islands adjacent to it over which Japan acquired sovereignty as a consequence of the treaty of Portsmouth of September 5, 1905" (Stephan 1974: 245).

Thus it is clear that the Soviet Union's claim was based on various agreements signed at Cairo, Yalta and Potsdam, and the 1951 peace treaty. The Potsdam declaration, states that the terms of the Cairo declaration shall be implemented and confines Japanese territory to the four main islands of Japan and such minor islands as the signatories should determine. Although the Potsdam proclamation does not mention the Yalta agreement, the Soviets claim that the Yalta agreement and Potsdam proclamation are indivisible. Japan renounced all claim to the Kurile Islands in the 1951 peace treaty. But this is also fact that Stalin did not sign the San Francisco accord (Abelsky 2006: 35). So

the Soviets consider Etorofu and Kunashiri as part of the Kuriles and argue that no distinction was made at Yalta or San Francisco between the northern southern Kuriles.

However, a new chapter in bilateral relations was opened in October 1956, when Soviet Premier Nikita Khrushchev signed a Joint Declaration that re-established diplomatic relations between the two countries. It postulated that following the signing of peace treaty, two of the disputed islands - Shikotan and Habomai - would be transferred to Japan (Hasegawa quoted in Chufrin eds. 1999: 334-335 and Miller quoted in Shearman eds. 1995: 142). But in response to the revision of Japan's security treaty with the United States in 1960 the USSR reneged and denied the very existence of a territorial problem with Japan the Soviet Union backed away from this declaration and said that there were no remaining territorial issues between the two countries (Sakwa 2002: 372 and Abelsky 2006: 35). In the Brezhnev era, a unidimensional concept of power was in large measure responsible for Soviet indifference and inflexibility towards Japan (Ziegler 1993: 86)

Since the late 1980's Russia and Japan sought a normalization of their relations. When in the late 1980s Mikhail Gorbachev introduced perestroika and 'New Foreign Policy Thinking', the initial declared purpose was to prevent the Soviet Union from lagging behind the developed West in the economic and technological spheres in order to maintain its international status (Jonson, quoted in Rabo and Utas 2004: 5). It was clear to Gorbachev that an improvement in relations with Japan was a key to any feasible strategy for enhancing Soviet power and influence in the Asia Pacific Region (Miller quoted in Shearman eds. 1995: 136)

In 1986, Gorbachev agreed to permit Japanese to visit the graves of their relatives in the disputed northern territories (Legvold 1991: 131-134). Japan's self defense agency estimated in January 1988 that the USSR had about 40 MIG 23 fighters and some 10000 troops stationed on the disputed islands and moreover in December 1988 a Japanese defense official claimed that the Soviet had added 3,000 more troops ten petrol

boats, M I-24 helicopters, and many additional aircraft to the island garrisons (Neilan 1988: 7).

A further change in the foreign policy of Mikhail Gorbachev raised Japanese hopes for a favourable resolution of the southern Kuriles problem. Mikhail Gorbachev's main goal was to enlist Japanese capital and technology to supplement his much hyped Perestroika. At that stage the Soviet – Japanese dialogue focused on a single-issue policy. For Japan, the only relevant goal was the return of the islands claimed, while for Russia the most important concern was economic cooperation with Japan to tap its unutilized natural resources with the help of Japanese expertise (Zagorsky quoted in Chufirin eds. 1999: 340). In his Krasnoyarsk speech, Gorbachev said, "The Japanese seem to have proved that in today's world the status of a great power can be attained without relying on militarism."<sup>1</sup>

It can be said that first serious attempt to normalize the bilateral relations was taken by Mikhail Gorbachev. Beginning in the mid 1980's he took several initiatives, both at the bilateral level and at the domestic level to positively change the direction of Russia-Japan relations. Gorbachev introduced a revision of foreign policy and also of the goals of foreign policy because he realized that the Soviet Union was losing its capacity to wield international influence. Gorbachev's major contribution was to de-ideologize foreign policy and reduce commitments in order to concentrate on domestic reform. He abandoned the concept of the Soviet Union as a superpower and started a process of adaptation to the more modest role of a great power. Gorbachev was, however overtaken by events and the process of revision he initiated resulted in the break up of the Soviet block and the Soviet Union itself (Jonson quoted in Rabo and Utas 2004: 5).

Gorbachev's new thinking reversed the one sided concept of power which prevailed during Brezhnev era (Ziegler 1993: 87). Japan's technological powers and its position as the world's second most powerful economy generated new respect from the Soviet Union. Mikhail Gorbachev's main goal in policy towards Japan during his

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<sup>1</sup> Pravda. 18 September 1988. p. 2



leadership of the Soviet Union (1985-1991) was to enlist Japanese capital and technology to supplement Perestroika. But Japan had always linked up economic issues with political issues and was firm enough not to give any aid unless territorial concession was made. Japan's Russia policy was dominated by the country's passion for the northern territories. Additional goals during this period include weakening Japanese support for the American military presence in the western Pacific and convincing the Japanese to refrain from lending their technical expertise to the American strategic defense initiative (Ziegler 1993: 104-105)

Though Japan was ready to respond to the Soviet overtures, it was unrelenting in its demand for the return of the islands in dispute. When Japan's Foreign Minister, Sosuke Uno, visited Moscow in May 1989 he talked about the new policy of "expanded equilibrium" in Japan's relationship with the Soviet Union. Uno expressed the optimism that the conclusion of a peace treaty and resolving the territorial dispute would be Japan's most important objective (Naidu 1992: 269.). Soviet Foreign Minister Shevardnadze's second visit in December 1989 resulted in the establishment of a working group at the vice-ministerial level which could meet periodically to discuss regional problems.<sup>2</sup>

During the Cold War period, Russo-Japanese relations were largely based on the Cold War paradigm where the United States and the Soviet Union competed with each other to enlarge their spheres of influence. However, the end of the Cold War enormously changed the nature of the international system. Igor Rogachev, the then deputy minister for foreign affairs, (1990), argued that, renunciation of the Kurile islands by Japan is of an absolute character, and its legal consequences go beyond the range of the parties to the San Francisco treaty (Rogachev 1989)<sup>3</sup> The Soviets argued that the nineteenth century treaties on which Japan places such great emphasis ceased to be binding on Russia when they were violated by Japan in the Russo-Japanese war of 1904-05 (Kim 1974: 31-32.).

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<sup>2</sup> The Hindu, April 20, 1998

<sup>3</sup> Igor Rogachev, "Unwarrented Claims", *Isvestia*, April 24, 1989

By the end of 1990s, Russia's decline and retreat were such enduring features of the international landscape that the closest observers of the country and its evolution had begun to contemplate 'a world without Russia' Russia was becoming 'less and less an actor in world affairs, while running the risk of becoming an object of competition among more advanced and dynamic powers' (Graham 1999).

Thus the arrival of Gorbachev in USSR started new phase in the relation between USSR and Japan. This period can be called as period of the normalization of relations between the twos. It was a result of the end of Cold war. President Gorbachev's visit to Japan in April 1991 was the first visit by any head of state to Japan throughout Russian and Soviet history. But due to changing domestic situations in both countries, no progress was made on the islands dispute.<sup>4</sup>

The disintegration of the Soviet Union raised the hopes for a compromise between both the countries. Japanese expected a favorable resolution of the islands dispute from an economically and politically weak Russian government, while the pro-Atlanticist Russian establishment hoped for a significant Japanese economic aid and investment in return (Chenoy 2001: 262). But the return of the islands to Japan remained politically inadvisable for Soviet and Russian leaders throughout the first half of the 1990s. In the Gorbachev era, relations thawed somewhat as high officials exchanged visits and the Soviet Union reduced its Far East nuclear forces and troops, but fundamental differences remained unchanged when the Soviet Union dissolved.

### Soviet-Japan Economic Relations

The promise of large scale Japanese participation in the development of Siberia's natural resources and a record of steadily growing Japanese-Soviet trade, which has included a series of successful Japanese-Soviet joint economic projects, are important factors which changed the complexion of Japanese-Soviet relation (Stephan quoted in Ellison eds. 1987: 141 and Zagorsky quoted in Chufirin ed. 1999 : 344)

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<sup>4</sup> New York Times, 19th April 1991

If territorial problem is kept aside, there are other areas too where the cooperation between Japan and Russia is worth mentioning. Russian-Japanese economic cooperation has come a long way since the 1950s. This is despite the fact that both sides have had to contend with differences in their socio-economic systems, and hard bargaining over credit terms and interest rates. Russia receives capital, technology, and equipment from Japan that helps to accelerate the pace of Siberian development and sends ripple effects throughout the entire Russian economy. The scale of Russo-Japanese economic activity has been largely defined by Siberia's capacity to export products needed in Japan and by the Russia's ability to absorb Japanese imports. Siberia has the potential to be a major supplier of energy for Japan. Proven reserves of oil, natural gas, timber, coal, and ores are plentiful (Stephan quoted in Ellison eds. 1987: 142). Thus, a mutually advantageous economic cooperation has been taking place between the two countries for a long time. .

Fisheries also make up the area of economic interaction between Japan and the Soviet Union—perhaps the one with the oldest tradition. Russo-Japanese competition over access to and the division of marine resources along the Northern Asian littoral began in the 19<sup>th</sup> century. From 1905 – when the Portsmouth Treaty awarded Japan extensive fishing rights off the Maritime Province and Kamchatka - until 1945, Japanese fishing interests backed by the Imperial Japanese navy dominated the exploitation of marine resources of Siberia's Okhotsk and Pacific coasts. After 1945, the combined effect of Japan's defeat in the World War II, the Soviet acquisition of Southern Sakhalin and the growth of a major Soviet declaration of a 100-mile offshore economic zone in 1977 precipitated some trying moments for Japan's fishing interests, but pragmatic considerations prevailed after some tough negotiations and a new fisheries treaty was signed (Langdon 1977: 46–58 and Kimura 1982: 43–49).

Soviet Union was granted the most favored nation status in 1957 by Japan after a joint declaration between the two countries in 1956. Interest in trade with the Soviet Union on the pact of big business was stimulated later in the mid 1960s (Carlisle 1994: 413).

The first successful model for Soviet–Japanese cooperation was based on the rapid economic development of Japan in the 1960’s and early 1970’s with its ever-increasing demand for raw materials. The USSR served as a subsidiary source for the diversification of Japanese imports in exchange for Japanese exports to Siberia and the Soviet far-east. Under this structure, economic priorities proved to be important enough to cool political disagreements, including the territorial dispute, although the claim was still in existence (Zagorsky quoted in Chufirin eds. 1999: 339).

A Japan-Soviet Economic Committee (JSEC) was set up in 1965 to coordinate trade and investment. The committee finally agreed on the joint development of 17 projects throughout the Soviet Union. Between 1968 to 1976, seven of the seventeen projects worth \$ 1.5 billion, were signed, targeting mainly on Siberia and the Far East. But from 1968 to 1973, both countries had signed only nine relatively small scale agreements. Between 1987 and 1990, Japan’s corporations invested in only 33 projects, worth \$ 46.4 million of the \$ 3.15 billion in cumulative foreign investments.<sup>5</sup>

Due to the increasing weight of Japanese economic involvement throughout the region in the 1980s and the diplomatic influence, it was clear in Moscow that an improvement in relations with Japan was a key to any feasible strategy for enhancing Soviet power and influence in the Asia Pacific Region (Miller quoted in Shearman ed. 1995: 136)

The policy of “perestroika” and “new thinking” introduced by Gorbachev signaled an improvement in economic relations with Japan. The Soviet Government expressed its strong desire to initiate technological exchange and host Japanese investment as a way of furthering reforms. There were also indications of willingness on the part of the Gorbachev leadership to make concessions on the northern territories issues in order to attain this. As for assistance to the economic reforms in the Soviet

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<sup>5</sup> New York Times, 20<sup>th</sup> august 1991

Union, Japan supported the Perestroika, including democratization, liberalization and transformation to a market economy. Thus Gorbachev launched Perestroika with the assumption that the economy could be reformed within the framework of the centrally controlled economic system. Notwithstanding the support of opposition, Gorbachev had to compete with increasingly independent Japanese demands for a return of the northern territories - the southern Kurile islands of Iturup, Kunashir, Shikotan, and the Habomai group, all seized by Stalin at the close of World War II (Miller quoted in Shearman eds. 1995: 136)

Soviet Union was in desperate need of Japanese assistance in the form of foreign capital, technology, equipments and managerial expertise. Moscow passed new laws in January 1987 allowing foreigners to hold up to 49% of a joint venture and granted 21 ministries and 67 state companies the right to deal directly with foreigners rather than receive higher approval (Nester 1993: 728). However, the Japanese did not show any eagerness to take advantage of the new opportunities. At the beginning of 1989 only two of the 45 new joint ventures were Japanese.<sup>6</sup> Japan-Soviet trade totaled \$ 6.086 billion at the end of 1989, up 3.2% from the previous year, reaching the \$ 6 billion level for the first time. The bilateral trade was virtually balanced as Japan registered a meager surplus of \$ 77 million during the year (Diplomatic Blue Book, 1990: 229).

During Gorbachev's visit to Japan in April 1991, both the countries took several measures to establish the legal framework of economic relations. It included the signing of the agreement on Japan's technical assistance for the Soviet market reform efforts, the trade payment agreement covering 1991 to 1995, the exchange of notes concerning trade in consumer goods with the Soviet Far East and the issuance of the joint statement concerning the mutual holding of exhibitions and fairs (Diplomatic Blue Book, 1991: 322)

A new trend is visible in the economic relations of the two countries. Very interestingly, Moscow and Tokyo have introduced political concerns into their bilateral economic relationship. Moscow sees the lure of Siberian resources as a means to distract

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<sup>6</sup> Far Eastern Economic Review. 23 June 1988:12

Japanese attention from territorial issues to economic issues; to reduce the American profile in Japan's economic life. Japan, on the other hand, is pursuing its Eurasia diplomacy, keeping in mind the energy and geo-strategic considerations, which are an inseparable part of its strategy. This is not simply because Japan's strategy is to secure its energy from Russia, but more importantly because energy development in Russia can be a tool for Japan to reinforce regional cooperation and stability and its own diplomatic weight. Japan was also compelled to improve relations with Russia because US-Russian relations in the mid-1990s warmed so quickly that a tough stance toward Russia no longer reinforced US-Japan security ties, indeed it only increased the dangers of abandonment. .

After above discussion, it can be said that geography, mainly the territorial problem, history, the economic dimension, political concerns, the strategic dimension, cultural prism etc. create the basic framework of Russo-Japanese relations. The prospects for change in Russian –Japanese relations, whether towards the fulfillment of economic potentials, or towards a limited potential rapprochement or towards further estrangement, are linked to a multitude of factors. These factors involve not only bilateral issues, but also the domestic conditions within each nation. Beyond this shades and legacy of the history of Soviet Union color the common Japanese perceptions towards Russia (Stephan quoted in Ellison ed. 1987: 138-141). In Khrushchev period, there were signs of improvement in relations as both countries signed the joint Declaration of 1956, but again in the Brezhnev Era, Russia's policy was dominated by power factor (Miller quoted in Shearman ed. 1995:142). During the Gorbachev period, Russia was facing serious domestic consequences and bilateral relation was comparatively in low profile. After the dissolution of Soviet Union, Russia had to face an entirely changed world scenario, with leading American power and Japan as its main ally. In such circumstances, Russia focused more on its economic recovery than territorial problem. Thus the prospect for change in Japanese–Soviet relations – whether towards the fulfillment of economic potentials, or towards a limited political rapprochement, or towards further estrangement – are linked to a multitude of factors, involving not only bilateral issues, but also the domestic condition within each nation (Stephan 1974: 137).

## CHAPTER-II

### POLITICAL RELATIONS BETWEEN RUSSIA AND JAPAN

#### End of Soviet Period and Russia-Japan Relations

After disintegration of USSR, international situation changed. Russia came as a new incarnation of USSR. The new circumstances came with new challenges for Moscow, which did not match with the Soviet era. The Communist ideology was no more the foundation of state and for propagation in world affairs (Shearman 1995). With the end of the Cold War and break up of the Soviet Union, international politics has changed profoundly. In the post Cold War period most countries reshaped their foreign policies to suit the international situation. These twin events transformed the global and regional strategic environment. Now ideologies matter less, political democratization and economic relations became the growing trend of the post Cold War order.

In the new world order, issues related to trade, ecology, transfer of technology, investment, resource mobilization and human rights assumed high significance and Russia was no exception to this change; its foreign policy was reshaped under the influence of the Atlanticists who favored a Western inclined foreign policy (Chenoy 2001). Russia was in dire need of foreign capital and economic assistance to overcome its devastated economic condition. Japan multilateralised its entire diplomacy toward Russia, including negotiations over bilateral political issues and all of its economic assistance, after the collapse of East Europe and the Berlin wall in 1989. Diversification, politicization and multilateralisation at work could be seen in Japan's aid policy towards the former Soviet Union (Yasutomo 1995). Japan saw the hopes of an amicable solution to their persisting territorial dispute. They thought of pursuing a pragmatic economic and political diplomacy to force Russia to exploit this opportunity.

#### Russia's Relation with Japan during Yeltsin's Presidency

The changes in the post Soviet foreign policy did not mean that Russia has totally broken away from the Soviet tradition. The foreign policy of Russia continued to be influenced

by the legacy of USSR. As the 'continuer' state, Russia assumed not only the treaty, financial and other responsibilities of the USSR, but also many of the attitudes and ambiguities of the former superpower. Russia inherited the institutions of the Soviet Union together with uncertainty about its proper place and role in the world. Andrei Kozyrev stressed the distinction between 'the normalization of relations with other countries and normal relations with them', noting that Gorbachev had begun the first task but it was up to Russia to complete the second (Sakwa 2002: 373-374)

Russian foreign policy during the Yeltsin period placed a very high value on creative illusion and mythmaking. The 'de-ideolization' of Russian foreign policy has been greatly exaggerated. It can be said that one of the most notable phenomena of the Yeltsin years was the pronounced politicization of foreign policy. The Russian political class continued to view foreign policy in predominantly geopolitical terms. The overall approach of Russian foreign policy during the Yeltsin years was reactive and ad hoc (Lo 2002: 5-8)

Yeltsin, just before he became the de facto President of Russia in 1990, had advanced a bold, five-point plan to deal with the territorial issue, consisting of a two to three year period of conditioning Soviet public opinion, declaration of the islands as a free enterprise zone open to Japanese business, demilitarization of the islands, and long-term negotiations towards a peace treaty (Ziegler 1993: 101; Sakwa 2002: 372-373). The plan envisioned several steps leading to a full peace treaty, without a firm Russian commitment to return the islands. Like Gorbachev, Yeltsin understood that increased trade and investment ties with Japan could complement his much controversial economic reform by offsetting the concomitant pains with some visible gains. Like Gorbachev, Yeltsin knew that there would be no new chapter in relations with Japan unless headway was made on the territorial dispute. Addressing the Russian Ministry of Foreign Affairs on 27 October 1991, Yeltsin set two main aims for Russian policy: to secure favorable external conditions for domestic political and economic reforms: and to overcome the legacy of the Cold War and to dismantle confrontational structures (Sakwa 2002: 352).



Japan, on the other hand, had always been taking a strong stance towards Russia through the forums like G-7 meetings. It had even tried to globalize territorial question by seeking the help of G-7 nations. But with the collapse of the Soviet Union and due to persistent pressure from Japan's other G-7 partners, who were simply more concerned about the need to rehabilitate Russia's economy and to keep it on the path to reform and liberalization, Japan slowly changed its attitude. However, Japan refused to increase commercial activity with Russia until the countries resolves the territorial issue (by which Japan meant that Russia would recognize its sovereignty) and signs a peace treaty. On the other hand Russia offered only to return two islands after a peace treaty was signed.

In the post Soviet period Russia, advocated a democratic state based on "law and justice," and based its diplomacy on cooperation with the industrialized countries which share common values of democracy and a market economy. The major task for Russia in this regard was to implement economic reforms toward a market economy and overcome its domestic crisis. Along this line; diplomatic efforts were directed toward obtaining economic cooperation and assistance from the industrialized countries. Meanwhile, Japan expressed the view that it strongly supports the various reforms being introduced by President Boris Yeltsin.

Since 1992 Japan had abandoned the notion of a potential Russian military threat in its Annual Defense White Paper. Now its main security concerns with regard to Russia is the dumping of nuclear waste in the Sea of Japan, possible weak control over troops in the Far East and potential incidents (Zagorsky quoted in Chufirin (ed.) 1999: 341).

Besides, echoing a theme that had first emerged during the late Soviet Era, the country's first post-Soviet foreign minister, Andrey Kozyrev, envisioned Russia becoming a 'normal' country. He stated that while Russia would not 'cease to be a great power', it would be a 'normal' great power (Kozyrev 1992: 10). He added that as a 'normal great power'. Russia would pursue national interests that would be 'understandable to democratic countries'. Kozyrev left no doubt that foreign policy

would be wholly subordinated to the task of political and economic reconstruction. In 1992, the Russian foreign policy was guided by domestic politics (Rumer 2007: 15).

President Boris Yeltsin also showed considerable interest in normalizing relations between the two countries. In a meeting with Japanese Prime Minister Kiichi Miyazawa in New York in January 1992, Yeltsin referred to the necessity of concluding a peace treaty. After the meeting, Yeltsin sent an official letter to Miyazawa in which he wrote, "Russia regards Japan as a partner and a potential ally ... Russia has a strong intention to develop the Russo-Japanese relations. We continue to make efforts for conclusion of a peace treaty based on law and justice"<sup>1</sup>

In the meantime, Yeltsin's efforts to improve bilateral relations faced increased domestic criticism from hard-line legislators, regional officials in Russia's Far East, and elements within the military establishment (Hasegawa quoted in Chufirin (ed.) 1999). Yeltsin's weak domestic position and the strong emotions aroused by the Russo-Japanese territorial dispute made it difficult for the Russian president to make any concession to Japan in this regard. The interdependence of foreign and domestic policy under Yeltsin was closer than ever before as Russia sought a favorable international climate to assist economic reform and to facilitate its reintegration into the international system (Sakwa 2002: 349).

International organizations also greatly influence the foreign policy of any country. While formulating its foreign policy, every country has to take note of the international law, treaties and contracts. No country can ignore these factors without jeopardising its own interests (Bandyopadhyaya 2003). By the end of 1992, Japan became increasingly uncomfortable with its relationship with fellow G-7 members, especially the Europeans, and with its bilateral relationship with Russia, Yeltsin in particular. Germany and France began expressing their disappointment with Japan's cautious and hesitant attitude towards large – scale aid to Russia (Yasutomo 1995: 158).

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<sup>1</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp)

Japan also found the G-7 useful in multilateralising its bilateral impasse with Russia over the Northern Territories.

In 1992, Yeltsin's last minute postponement of the visit to Japan was seen in Japan as a sign of Russia's continued lack of respect. This historical mistrust was reinforced in the late Gorbachev and early Yeltsin periods when Russians felt that the Japanese were trying to take advantage of Russia's weakness to make territorial gains at its expense. Russia's January 1993 foreign policy concept approached the problem only obliquely. It made an improved Russian role in Asian geopolitics a top general priority and improving relations with Japan a primary specific goal in that process.

A new basis for the future development of relations between Russia and Japan was established when Yeltsin's twice postponed visit to Japan was finally materialized in mid- October 1993. As a result of the meeting with Prime Minister Hosokawa, the Tokyo Declaration was signed, thereby establishing a newly advanced basis for negotiations toward the solution of the territorial issue. It also said that Japan will not begin negotiations on the premise of a 1956 document which suggested that only two islands would be returned to Japan.<sup>2</sup> It also set down clear negotiation guidelines, namely that the Northern Territories issue will be resolved on the basis of: (a) historical and legal facts; (b) documents produced with the two countries' agreement; and (c) on the principle of law and justice (Diplomatic Blue Book, 2006: 96).

During this visit Yeltsin apologized for the Stalinist USSR's harsh treatment of Japanese prisoners after World War II, which was an important emotional issue in Japan. He promised to complete the demilitarization of the disputed northern islands but gave no deadline for the removal of the remaining troops. Yeltsin pointed out that a territorial problem existed which was related not only to the two islands of Habomai and Shikotan but also to Kunashiri and Etorofu. A joint communiqué was issued by Yeltsin and the Japanese Prime Minister Morihiro Hosakawa whereby the two countries agreed to

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<sup>2</sup> The Hindu. April 20. 1998.

continue talks towards concluding a peace treaty through resolution of the territorial dispute on the basis of the principles of “Law and Justice”<sup>3</sup>

The highly publicized visit of Boris Yeltsin to Japan in 1993 was a significant improvement in mutual relations. Thereafter, military-to-military exchanges were initiated, consultation among law enforcement agencies began, and cooperation in the fisheries area continued. Russian interests in improved relations now had a decidedly economic basis as the liberalizing Yeltsin regime sought expanded trade and investment. Yet the question of the islands remained unresolved. Meanwhile, anti-Russian sentiments have been inflamed in Japan by Russia’s dumping of nuclear waste in the Sea of Japan and by Russian attacks on Japanese fishing vessels operating in disputed waters. There have been numerous incidents in which the Russian coast guard has fired on Japanese fishing vessels, at times wounding or even killing their captains and crew. These attacks became more frequent starting in 1994, when Russia for the first time launched what it called Operation Putin (Fishing season). It was an annual effort to stop large-scale poaching and protect fisheries resources along its coast. As a result, there has been a marked decrease in Japanese illegal fishing in the waters near the disputed northern territories.<sup>4</sup> However, these incidents in which Japanese fishing vessels are attacked by the Russian coast guard continued to take place.

Both countries also faced domestic problems in reaching at any agreement regarding territorial dispute, economic aid or any other important issue, as these agreements should also be ratified at domestic level and should have the general consent of the people of both countries. Due to this reason, when Yeltsin finally went to Tokyo in October 1993, he was able to make only limited concessions (Hasegawa quoted in Chufirin (ed.) 1999).

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<sup>3</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp).

<sup>4</sup> Segodnya (11 July 1995). Transl. in Foreign Broadcast Information Service: Daily Report: Central Eurasia (FBIS:DR:Central Eurasia) 132. 11 July 1995. 22

On the other side, Tokyo has had a succession of short-lived prime ministers of relatively weak coalition governments. Japanese political leaders have been preoccupied with domestic problems caused by the bursting of Japan's bubble economy. They also have been concerned about the future of the U.S.-Japan alliance, and to define a new international role for Japan in the post Cold War era. Those preoccupations have left them with very little time to think about Russia. The limited economic ties between Japan and Russia have reduced the influence that Japan's Ministry of International Trade and Industry (MITI) has been able to wield over Russian policy, strengthening the influence of hard-line Russian specialists in Japan's Ministry of Foreign Affairs.

In October 1994 a large earthquake struck the eastern part of Hokkaido, including the Northern Territories, and Japan provided humanitarian relief goods to residents of the Northern Territories twice in accordance with its basic policy of supplying appropriate assistance from a humanitarian perspective (Diplomatic Blue Book, 1995). During 1995 Russian national border guard vessels continued enforcing restrictions on the waters around the four northern islands, and in late September, there occurred an incident of seizure and shooting in the Soya Strait. The Governments of both countries began negotiations on a framework for Japanese fishing vessels to operate in the waters around the four northern islands, and conducted four negotiating sessions (Diplomatic Blue Book, 1996).

Thus it is clear that period from 1993 to 1996 showed signs of improvement in the relations between the two countries, although there were also the repeated setbacks as both sides proposed and then withdrew from their positions. Boris Yeltsin's visit to Japan in 1993 finally resulted in a bilateral Tokyo Declaration which showed some improvement from both the sides, but Russia's dumping of nuclear waste in the Sea of Japan and the issue of Japanese fishing rights off the Kurile Islands marred relations in the ensuing years. In 1995, the two sides came very close to agreements on two important issues: first, the Japanese aid to build much needed nuclear waste processing facilities in Russia's Maritime Primorskiy Territory; and reaching on to an agreement on fishing by the Japanese. But unfortunately both the issues were marred by the lack of commitment

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on both the sides. The construction of the treatment plant remained mired in controversy while continued Japanese violations obstructed the fishing agreement to take place in 1995. But after the October 1993 Summit, not much could be done regarding the strengthening of ties, owing to factors such as the rise of nationalistic and conservative forces in the Russian Parliamentary elections at the end of 1993 and 1995; the turmoil surrounding the Russian presidential election of June 1996 and Yeltsin's health problem (Shigeki 1997: 29).

Since the spring of 1996, Russo-Japanese relations have shown remarkable improvement. At the beginning of 1997, the Japanese Ministry of Foreign Affairs initiated a 'multi-layered' approach to Russia. This approach forwarded expansion of cooperation in the economic and security areas and abandoning the policy of 'balanced expansion,' which linked the level of economic cooperation with progress on the issue of the southern Kuril Islands. In July, the then Prime Minister Ryutaro Hashimoto delivered a historic speech at the Keizai Doyukai (the Japanese Association of Corporate Executives), proclaiming Japan's Eurasian foreign policy and enunciating three principles – trust, mutual interest and long-term perspective – as the guiding principles of Japan's Russia policy.<sup>5</sup> This was followed by two 'no-necktie' meetings between Hashimoto and Russian President Boris Yeltsin, first in November 1997 at Krasnoyarsk and later in April 1998 at Kawana in Japan. At Krasnoyarsk Hashimoto and Yeltsin signed the Hashimoto-Yeltsin plan for economic cooperation and pledged to conclude a peace treaty by the year 2000, resolving the question of the Kurile islands on the basis of the 1993 Tokyo Declaration, which stated that the issue of the Kurile islands 'must be overcome' on the basis of the 'principles of law and justice'.<sup>6</sup>

At the June 1997 G-8 summit in Denver, Hashimoto and Yeltsin met again. They agreed to arrange regular Russo-Japanese summits and to hold an informal summit later that year (Ovchinnikov 1997). Russian First Deputy Prime Minister Boris Nemtsov's

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<sup>5</sup> The Ministry of Foreign Affairs, 'Address by Prime Minister Ryutaro Hashimoto to the Japan Association of Corporate Executives, 24 July 1997' at [www.mofa.go.jp](http://www.mofa.go.jp).

<sup>6</sup> 'Declaration on Japan – Russia relations'. British Broadcasting Corporation. Summary of World Broadcasts. Far East. FE/1819. 14 October 1993, pp.D/6 – D/8)

June, 1997 visit to Tokyo brought further progress. Nemtsov and Japanese Foreign Minister Ikeda Yukihiko signed a fifteen-point memorandum on boosting bilateral trade and an agreement on a \$95 million loan to Russia to finance projects in the Far East).<sup>7</sup> These funds were part of a \$500 million Japanese loan promised to the former USSR in October 1991 for humanitarian projects. In 1994, Moscow asked Tokyo for permission to reallocate these funds and to use them for investment in industrial and commercial projects. Tokyo agreed but it took several years to work out the details.<sup>8</sup> Nemtsov also proposed to his Japanese hosts the joint development of oil and gas resources in Siberia and Japanese participation in the modernization of the Trans- Siberian Railroad.

In January 1997, Japan adopted a new policy called a ‘multilayered approach’.<sup>9</sup> Japan’s new multi – layered approach emerged as a reaction to the new configuration of international relations (Hasegawa quoted in Chufirin (eds.) 1999: 329). Yeltsin also proposed that the bilateral peace treaty talks with Japan be expanded so that the two nations can sign a more comprehensive pact that covers economic co-operation.<sup>10</sup> These developments certainly created a favorable environment to shed off all the apprehensions of their bitter past and to move ahead with a positive frame of mind

The new paradigm offered by Hashimoto assumed that preserving the logic of a single – issue, zero – sum game in relations with Russia would not be productive in settling the dispute. In Japan the new approach formally adopted after the G7 summit meeting at Denver in July 1997 came to be known as the multi – layered relationship (Zagorsky quoted in Chufirin (eds.) 1999: 346).

A Press release of the Krasnoyarsk summit meeting as presented by the Japanese Foreign Ministry stresses six basic points that were agreed. In essence they may be summarized as Japanese pledge to extend economic cooperation with Russia and promote Russian integration into the international economy, including support for Russian

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<sup>7</sup> *Radio Free Europe/Radio Liberty (RFE/RL) Newslines*, 9 June 1997

<sup>8</sup> *Mainichi Daily News*, 27 November 1994

<sup>9</sup> It is an approach which focuses on various areas like economic, political, cultural etc. along with territorial problem

<sup>10</sup> *Japan Times*, April 19, 1998

membership of the Asia-Pacific Economic Co-operation Forum (APEC) (Zagorsky quoted in Chufrin (eds.) 1999: 346).

Further progress was made during Foreign Minister Primakov's mid-November 1997 visit to Tokyo. Primakov and Japanese Foreign Minister Obuchi Keizo reaffirmed their governments' pledge to sign a peace treaty and agreed to hold high level talks on this issue before Yeltsin's April 1998 visit to Tokyo. The Japanese and Russian foreign ministers agreed to head a new structure for peace treaty negotiations. Primakov and Obuchi promised to arrange regular, informal meetings of the leaders of the two countries. They also discussed Japanese investment in Russia and agreed that Russia will establish a center in Japan to promote investment.<sup>11</sup>

In late December 1997, Russia and Japan concluded an agreement on safe fishing operations in the waters around the disputed islands. In a concession to Tokyo, Russia agreed to allow Japanese, rather than Russian, authorities to monitor and punish Japanese poaching in the area.<sup>12</sup>

To strengthen relations Prime Minister Sergei Kiriyenko also visited Japan in July 1998. It was the first time in Japan-Russia bilateral relations that a Russian prime minister had visited Japan. To further boost the attempt of improving relations in November, Prime Minister Obuchi made an official visit to Russia, the first Japanese prime minister to do so in 25 years. A summit meeting with President Yeltsin resulted in both leaders signing the Moscow Declaration on Establishing a Creative Partnership between Japan and the Russian Federation. This Declaration stated both countries' commitment to further strengthening Japan-Russia cooperation in all areas, including politics, economy, security, culture and international cooperation, toward the 21<sup>st</sup> century, developing the bilateral relationship into an era of "agreement" by strengthening "trust." (Diplomatic Blue Book, 1999; Sakwa 2002: 372-373)

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<sup>11</sup> Napsnet Daily Report. 14 November 1997: RFE/RL News line. 13-14 November 1997.

<sup>12</sup> RIA-Novosti Daily Review. 30 December 1997.



The most important outcome of the Moscow talks was the formal answer of president Yeltsin to the proposal at Kawna. He accepted Hashimoto's notion of border delimitation but rejected the idea of formal recognition of Japanese sovereignty over the four islands to keep under Russian administrative control. He advocated the development of joint economic activities and a special legal status for Japanese arriving on the southern Kuriles. Finally, he proposed a broader peace and cooperation treaty by the year 2000 with a clause stating that the territorial dispute will be settled later by special agreement.<sup>13</sup>

In talks on 22<sup>nd</sup> Jan 1998 in Moscow between Japanese deputy foreign minister Minoru Tanba and his counterpart, Grigorii Karashin, Russia asked Japan to begin joint economic activities on the disputed islands.<sup>14</sup> A new round of negotiations in Moscow in November 1998 during Prime Minister Obuchi's visit failed to produce a new impetus. Russia's negative reaction to Hashimoto's proposal at Kawna was obvious. Russia's economic turmoil since 17 August 1998 combined with Yeltsin's illness and an increasing loss of presidential power ruled out any chance for a search for further steps forward (Zagorsky quoted in Chufrin (eds.) 1999: 350).

Thus it is clear that in 1998, Russia continued to regard as the basis of its diplomacy an emphasis on national interest and the promotion of foreign policy with a balanced focus in all directions, aimed at building a multipolar world, in addition to promoting relations with the Japan. In a May speech at the Ministry of Foreign Affairs, President Yeltsin noted the necessity of developing a dynamic foreign policy in all directions toward the protection of territorial integrity, security, the democratization of Russian society, the implementation of reforms and integration of the Russian economy into the world market economy (Diplomatic Blue Book, 1999).

The strategic aspect of Russia-Japan relations has been closely linked to the U.S.-Russia global rivalry and the U.S.-Japan greater cooperation (Stephan quoted in Ellison

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<sup>13</sup> Ashahi Shimbun, 15 November 1998

<sup>14</sup> Japan Times, 24<sup>th</sup> January, 1998

eds.1987). Japan's political crisis in July and Russia's economic and political collapse in August did not slow down the pace of interlocking bilateral summit meetings. On 1st September 1998, President Clinton visited Moscow and on 22nd September he held a summit meeting with Obuchi in New York. From November 11 – 13, Obuchi and Yeltsin held a summit meeting and signed a joint communique defining Russo – Japanese relations as a 'creative partnership'.<sup>15</sup>

In November 1998, when Japanese Prime Minister Obuchi made an official visit to Russia, he announced a policy of drastic expansion of technical and intellectual co-operation. The two leaders also issued the Moscow declaration which contained a number of proposals and agreements to further boost up the bilateral ties. In this way, satisfactory developments took place on several issues throughout these years. But the sequence of summits in 1997-2000 had clearly demonstrated that the basic point of dispute was the irreconcilable claim by both nations for nominal sovereignty over the Southern Kuriles.

Close political dialogue was maintained by Japan and Russia throughout 1999. Prime Minister Obuchi held talks with Prime Minister Vladimir Putin of Russia on the occasion of the Asia-Pacific Economic Forum (APEC) Summit Meeting. At the Japan-Russia Summit Meeting held on the occasion of the G8 Cologne Summit in June, Prime Minister Obuchi expressed the hope to perform the historical work of realizing the Krasnoyarsk Agreement, demarcating national boundaries and concluding a peace treaty. In response, President Yeltsin expressed overall support for this, demonstrating a positive stance by stating that "Border demarcation was my proposal" (Diplomatic Blue Book, 2000).

### Russia-Japan Relations during Putin's first Presidency

Russian foreign policy took a pragmatic turn under the new President Vladimir Putin. Putin became the President of Russia in May 2000. He, as the Prime Minister, had already endorsed the idea of a peace treaty with Japan, although, after assuming the presidency, very little developments were made in this regard by him that moved beyond Yeltsin's formula (Green 2001: 156).

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<sup>15</sup>Diplomaticheskii Vestnik. December 1998. p.11

The new concept of Russian foreign policy of July 2000 stressed the role of foreign policy in effectively assisting in finding solution to internal problems. The new concept committed Russia to work for a stable, fair and democratic world order based on international law and goal and principles of the UN charter and gave priority to the development of multilateral and bilateral cooperation (Kaushik 2003: 17). In this policy of pragmatism, Putin focused on improving and strengthening Russia's relation with traditional rival countries like Japan and also sought to focus on Russia's economic revival strategy to further national interest. Putin urged that Russian diplomacy had to focus more on promoting the country's economic interests abroad, while at the same time improving its image. He engaged in a round of high-profile visits (some thirty in his first year as president) as he took the management of foreign affairs into his own hands (Sakwa 2002: 355-356).

Throughout 2001 close and high-level political dialogue was maintained by Japan and Russia. In March, Prime Minister Yoshiro Mori visited Irkutsk for talks with President Vladimir Putin. As a result of those talks, the leaders signed the Irkutsk Statement, which summarizes the results of both sides' utmost efforts toward the conclusion of a peace treaty on the basis of the Krasnoyarsk Agreement, which established a new foundation for future peace treaty negotiations. Japan-Russia summit talks were also held at the time of the Asia-Pacific Economic Cooperation (APEC), Economic Leaders' Meeting in Shanghai in October, where the leaders exchanged views regarding peace treaty negotiations and agreed to maintain exchanges of information and other close contact in responding to the terrorist attacks on the United States (Diplomatic Blue Book, 2002: 64)

Russia and Japan continued their efforts throughout 2002 for the conclusion of a peace treaty so that the issue of the attribution of the Four Northern Islands could be resolved; thereby achieving the much sought full normalization of relations. In this direction, Japan sought to further advance Japan-Russia relations through frequent high-level dialogue. It pursued a basic diplomatic policy of supporting reform efforts in Russia while seeking to strengthen the relationship in a wide range of areas. As a result, Japan-

Russia cooperation steadily developed in the areas such as politics, economy, security, people-to people exchange and other international issues. Intensive and regular high level political dialogues were another characteristic feature of Russia-Japan diplomatic maneuvering throughout 2002. First of all, at the summit level, Japanese Prime Minister Junichiro Koizumi held a Summit meeting with President Putin during the G-8 Kananaskis Summit in June. At the Summit meeting, the leaders agreed on an official visit by Prime Minister Koizumi to Russia at the end of 2002 or the beginning of 2003, and that a number of Japanese cultural events would be held in Russia during 2003. Prime Minister Koizumi visited Russia in January 2003 as per the schedule, announcing the Japan-Russia Action Plan which summarizes bilateral cooperation to date and offers directions for cooperation in the future, thus providing a navigational chart for Japan-Russia bilateral relations in a variety of fields.

Japan and Russia also maintained frequent foreign ministerial-level dialogue throughout 2002, with a total of six talks held. These began with the visit of Foreign Minister Igor Ivanov to Japan in February for a Japan- Russian foreign ministers' meeting, and it resulted in the announcement of a joint statement on combating international terrorism. Minister for Foreign Affairs Yoriko Kawaguchi made an official visit to Russia in October, where she attended a Japan-Russia foreign ministers' meeting and the Sixth Meeting of the Japan- Russia Intergovernmental Commission on Trade and Economic Issues. Foreign Minister Ivanov visited Japan in December to work on finalizing arrangements for Prime Minister Koizumi's visit to Russia in January 2003 (Diplomatic Blue Book, 2002: 86).

At the time of Prime Minister Koizumi's visit to Russia in January 2003, both leaders expressed their strong political determination, with both countries confirming their intention to resolve the issue of the attribution of the Four Islands and conclude a peace treaty as soon as possible, thus fully normalizing the relationship.<sup>16</sup> Close political dialogue was carried out between Japan and Russia in 2003. At the summit level, Prime

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<sup>16</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp)

Minister Koizumi visited Russia in January and held a summit meeting with President Putin, and the two leaders adopted the Japan-Russia Action Plan outlining previous cooperation and the future direction for cooperation between Japan and Russia in a wide range of fields. Prime Minister Mikhail Mikhaylovich Kasyanov of Russia visited Japan in December, the first Russian prime minister to do so in five years, and held talks with Prime Minister Koizumi, Minister for Foreign Affairs Yoriko Kawaguchi and others (Diplomatic Blue Book, 2004: 104 – 105).

The Japan–Russia Action plan was adopted during Prime Minister Koizumi’s visit to Russia in January 2003.<sup>17</sup> It consists of the “six pillars” to deepen political dialogue, peace treaty negotiations, cooperation in the international arena, trade and economic cooperation, development of relations in the areas of defense and security, and enhancement of cultural and people to people exchange (Diplomatic Blue Book, 2006, p.96). It was also agreed that the foundation of future peace treaty negotiations would be the three specific texts mentioned in the Japan-Russia Action Plan, the 1956 Japan-Soviet Joint Declaration, 1993 Tokyo Declaration and the 2001 Irkutsk Statement. (Diplomatic Blue Book, 2002: 89).

In a summit meeting on the occasion of the Sea Island G8 Summit, on June 9, 2004, Prime Minister Junichiro Koizumi and President Vladimir Putin decided that both countries would host commemorative events in 2005, which marks a historically important and memorable year for Japan-Russia relations.<sup>18</sup>

In relations with Russia, Japan has continued frequent political dialogues and has seen progress in cooperation in a wide range of fields. With regard to the Northern Territories issue, in September 2004 Prime Minister Koizumi became the first incumbent prime minister of Japan to observe the Northern Territories from a ship. He stressed the importance of the issue and stated that concluding a peace treaty would be of mutual

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<sup>17</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp).

<sup>18</sup> Declaration on 150th Anniversary of the Establishment of Diplomatic Relations between Japan and Russia. The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp).

benefit to Japan and Russia. Russia alluded to a final settlement based on the transfer of Shikotan and Habomai islands, while noting that transferring these islands is its obligation. This statement can be taken to be an indication of Russia's earnest interest in the negotiations, but Japan cannot accept a final settlement with the transfer of just Shikotan and Habomai islands. At the foreign ministerial meeting in January 2005, for which Foreign Minister Machimura visited Moscow, both sides concurred that while there is a gap between the two countries' positions on the Northern Territories issue, they would continue to make efforts to bridge their respective positions (Diplomatic Blue Book, 2005: 14).

In May 2000, Putin became the President of Russia and forwarded a pragmatic foreign policy based on reality of 21<sup>st</sup> century. Putin's policies got ratification at domestic level when on March 14, 2004 Putin won re-election for the Presidency for the second term. Because of this, he became even stronger than the earlier period and could put forward his pragmatic policies with even more commitment. It can be said that the Russia-Japan relations have discovered a new direction to proceed, which is more positive, pragmatic and foresighted.

Thus in the light of the above discussion it is clear that since the late 1980's Russia and Japan has sought a normalization of their relations. The issue of the Southern Kurile Islands is no longer considered solely based on the power struggle during the Cold War period. Therefore, a different approach that de-emphasizes security factor in Russia – Japan relations should be applied to solve the territorial dispute in the post-Cold War period. Three periods of active effort can be distinguished. The first came in the late Gorbachev era, with its culmination in the summit meeting between Soviet President Mikhail Gorbachev and Prime Minister Toshiki Kaifu in 1991. The second was initiated after the collapse of the USSR in 1991 and the emergence of a democratic Russian state. Briefly jeopardised by the sudden postponement of President Boris Yeltsin's visit to Tokyo in September 1992, the efforts of this period bore fruit when Yeltsin finally visited

Tokyo in October 1993 and Tokyo Declaration was issued.<sup>19</sup> The third period has seen the rapid activation of Russian – Japanese diplomatic contacts since 1996 with the Yeltsin – Hashimoto ‘no – necktie’ summit meeting. The Yeltsin - Keizo Obuchi meeting in November 1998 followed the same line but seems to have added nothing of substance (Zagorsky quoted in Chufrin (eds.) 1999: 337). Putin shaped Russia’s foreign policy according to the circumstances of the 21<sup>st</sup> century. Because of his policies of pragmatism, Putin is focusing more on economic ties than settlement of territorial dispute, but territorial problem still exist. The island factor is continuing to be the main reasons for bitter relations. Since 21<sup>st</sup> century is the era of globalization and democratization, so there are very few chances for any country to jump into a war. After World War II, a country has to get ratification of its policies not only at domestic level but international level also, which includes various international organizations including United Nations. So it can be said that in new circumstances the relation between Russia and Japan has good future because the process of normalization is on.

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<sup>19</sup> Declaration on Japan – Russia relations’. Summary of World Broadcasts. Asia – Pacific. FE/1819. 14 October 1993. pp.D 6 – D:7

## CHAPTER - III

### ECONOMIC RELATIONS BETWEEN RUSSIA AND JAPAN

Foreign policy of a country is shaped by a large number of factors - some of which are relatively stable in nature - which affect the formulation of policy in different ways in different circumstances. These stable factors are considered as basic or unchangeable determinants of policy. The geographical location of a country, its economic development, political tradition, domestic milieu, international milieu, and military strength etc. may be regarded as the basic determinants of its foreign policy. As Bandyopadhyaya puts it:

There is practically no country in the modern world which did not depend to a greater or lesser extent on foreign capital and technology in the early stages of its economic growth. The early economic development of the USA involved heavy dependence on both foreign capital and technology. Japan depended considerably on foreign technology, although not so much on foreign capital. Russia, which before the Revolution was the fifth industrial state in the world, had already borrowed foreign capital and know how on an extensive scale. The borrowing of capital and technology continued for many years after the Communist Revolution (Bandyopadhyaya 2003: 48).

The stage of economic development which a country has attained also has its impact on its foreign policy. Generally the industrially advanced countries feel more deeply involved in relations with other countries because they have to import different kinds of raw materials and commodities from other countries. Industrially backward countries are not able to actively involve themselves in external affairs. In recent times United States has been able to pursue a more vigorous foreign policy and secure its national objectives, mainly on account of its high degree of economic development. An economically strong country can make liberal use of foreign aid as an instrument for the promotion of its foreign policy goals. It is also natural that economically developed countries possess greater military capability than the less developed countries, and can exert greater influence on international relations (Bandyopadhyaya 2003).

Russia and Japan are neighbours in the Asia-Pacific rim, which has witnessed comparatively high rates of economic growth and integrationist trends in the past



decades. The economies of Russia and Japan are complementary - Siberia's natural wealth and Japan's technological-industrial capabilities – and they have the prospect of large scale cooperation. Yet, despite a respectable level of trade and investment and an absence of confrontation, Russia–Japan relations have developed neither to Moscow's nor to Tokyo's satisfaction.

The stagnation and decline in Russia-Japan economic relations coincided with the Russian economic crisis in the post-cold war period. As the world's second largest economy and with great economic clout internationally, Japan has been urged to play a more constructive role in international and regional affairs. Russia obviously desires Japanese assistance for the development of its neglected maritime province and Eastern Siberia. On the other hand, many Russians also fear becoming too heavily dependent on Japanese assistance. They are seeking to involve other regional investors in the development of the region.

The promise of large scale Japanese participation in the development of Siberia's natural resources and a record of steadily growing Russia - Japan trade, which has included a series of successful Japanese-Soviet Union joint economic projects, are important factors affecting the complexion of Japanese-Russian relations after dissolution of Soviet Union. Russia–Japan economic relations have been shaped by geography as much as by politics. Physical closeness between Japan and Siberia has offered the possibility of trade.

The national capacity of a state also exercises profound influence on the foreign policy of a state. National capacity of a state depends on its military preparedness, its technological advancement and economic development (Duncan et al. 2001). It is well known that United States, which continued to pursue policy of isolation till the beginning of the 20<sup>th</sup> century, got deeply involved in the international arena towards the end of the century, mainly due to tremendous increase in her national capacity due to rapid economic development (Bandyopadhyaya 2003). In this line Siberia has the potential to be a major supplier of energy for Japan. There are huge resources of oil and natural gas,

timber, coal and ores etc. Moscow and Tokyo can introduce political concerns into their bilateral economic relationship. Moscow almost certainly sees the lure of Siberian resources as a means to distract Japanese attention from territorial issues to reduce the American profile in Japan's economic life (Stephan 1974: 142).

After dissolution of Soviet Union in 1991, the major topic among western nations was economic aid to the former republics of Soviet Union to support stable transition to a market economy. In December 1990, the World Bank, IMF, Organization for Economic Cooperation and Development (OECD) and the European Bank for reconstruction and development had released a joint report on the economic state of the Soviet Union, arguing that because of the disintegrating economy, financial aid, in the form of capital loans would not be of any use.<sup>1</sup> But in its efforts to get the islands back, Japan denied any major investment or financial assistance to the Soviet Union as well as opposed Soviet entry into GATT. Japan openly expressed its unhappiness over ASEAN'S decision (at Malaysia's instances) to invite the Soviet foreign minister with the status of an observer to ASEAN foreign ministers meeting in 1991. The conflict over Kurile Islands, called by Japan the Northern Territories (Habomai Islands, Iturup, Kunashiri and Shikotan Islands), occupied by the USSR since 1945, weakened Japan's participation in international funding for Russia's reforms, though Japan remained Russia's third largest trading partner (Sakwa 2002: 372).

After the dissolution of the Soviet Union, Russia was recognized as successor to the Soviet Union and occupied a leading position. Russian President Boris Yeltsin launched a series of bold initiatives towards democratization and economic reforms: he proceeded to dismantle the Communist Party organizations and set out drastic economic reforms in January 1992, including price deregulation. In order to join the International Monetary Fund (IMF), Russia submitted to the IMF in March the "Memorandum of Economic Policy" spelling out its radical reforms, and was officially admitted to the IMF in June 1992. It also formulated the "Programme for Deepening the Economic Reforms" in June. All of these developments were a symbol of strong commitment of Russian

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<sup>1</sup> Asian Security, 1992-93:129

leaders to economic reform (Diplomatic Blue Book, 1992). Now Russia stopped to see Japan as a potential enemy.

Advancement in technology, which affects the military and economic capabilities of a state, also exercises profound influence on the foreign policy, though in an indirect manner (Bandyopadhyaya 2003). It has been observed that countries which possess advanced technology are able to provide technical know-how to less developed and developing nations and thus exert necessary influence on their foreign policies. Economic collaboration with Japan enables Russia not only to gain access to advanced technology but also to involve Japan in its own economy more closely, more formally, and on a more durable basis.

President Yeltsin declared the end of Communism, and laid a path to be taken by the new Russia on the basis of respect for democracy, rule of law, basic freedom and human rights. He advocated transformation of Russia from a centrally-planned economic system to a market economy. He also set forth such slogans as "values common to all mankind", "respecting rules of the civilized world," and "law and justice" in the field of foreign policy.<sup>2</sup>

Public opinion in the islands themselves suggested that at least a third would be willing to come under Japanese sovereignty if the terms were right, but public opinion in Russia opposed any territorial concessions. In 1991, Yeltsin proposed a five stage approach to the question: a recognition that the problem existed: then Russia would declare the islands a free economic zone, where the Japanese would be given preferential treatment: the demilitarization of the islands, entailing the closure of the many Russian bases: and, fourth, agreements would be reached between Japan and Russia on economic, trade, social and cultural issues (Sakwa 2002: 372-373).

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<sup>2</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp)

Yeltsin strengthened Russia's diplomatic ties with the industrialized democracies. Subsequent to his U.S. visit of February 1992, Yeltsin again visited the United States in June, when the "Charter for American-Russian Partnership and Friendship" was issued. In this charter, the two countries, sharing fundamental values, committed themselves to further cultivating of cooperative relations. While the relations between Russia and industrialized democracies were strengthening, efforts were made towards creating improved bilateral relations between Russia and Japan in the aftermath of the abrupt postponement of President Yeltsin's visit in September 1992, due to the unresolved Northern Territories issue (Diplomatic Blue Book, 1992)

Russia and Japan are equally responsible for the collapse of the 1992 Russo-Japanese negotiations. It is perhaps not difficult to empathize with Russia's ambivalence toward the emerging transition of Japan from an economic to a diplomatic and possibly military superpower. On the one hand, Russia obviously desires Japanese assistance for the development of its neglected Maritime Province and Eastern Siberia. On the other hand many Russians fear becoming too heavily dependent on Japanese assistance. In their view, other regional investors should also be involved in the development of the region (Miller quoted in Shearman eds. 1995: 144-145).

In June 1992, Russia gave fishing rights to South Korea in the territory around the disputed Kurile Islands. The Japanese protested to both Russia and South Korea over the deal, which they characterized as prejudicial to their interests in the area. Just after the cancellation of the Yeltsin visit in September 1992, it was announced that Russia had granted a Hong Kong development company a fifty-year lease to build a resort and casino complex on 278 hectares of Shikotan Island. The Japanese warned that they would annul the deal when they recovered the island and demolish the complex at the expense of the Hong Kong firm (Miller quoted in Shearman eds. 1995: 147-148). On December 8, 1992, Yeltsin issued a long awaited decree setting up a special economic zone for the Kuriles and permitting the leasing of land to foreign investors for up to ninety nine years. Not

surprisingly, there were strong Japanese protests.<sup>3</sup> Japan opposed all these activities of Russia as these activities were the symbols that Russia would continue exercising sovereign control over the Kuriles, irrespective of Japanese claim. In 1993, there was an encouraging speech by the foreign minister of Japan, Muto Kabun, in which he announced that Japan would end its linkage of aid with the territorial issue.<sup>4</sup>

Japan was significantly weakened by the decline in the Japanese economy during 1993. It was beset by a series of political scandals that resulted in the downfall of the long ruling LDP and its replacement by a weak, seven party coalition of reputed "clean skins." Since then, they have shown slightly more tactical flexibility on the Kuriles and have bowed to G-7 pressure to offer limited amounts of aid to the troubled Russian economy. They have, however, sought to target specific parts of the former USSR for most of this aid; assistance to Russia is being directed mainly at the Far East. Curiously, Tokyo started to explore the possibilities of negotiations with potential Russian alternatives to Yeltsin-hard liners who would presumably let the Japanese know precisely what they can expect in the form of trade-offs for improved relations.<sup>5</sup>

Further in connection with the development of its Siberian and Far East regions, Russia showed great interest in the countries of East Asia, particularly in developing economic links with Japan, China and the Republic of Korea. This was an inevitable consequence of Russia's foreign policy, as its priority shifted from conventional political and military aspects to the economic one.

With a view to assist the reforms of the countries of the former Soviet Union including Russia, Japan had been formulating aid policies. In technical assistance, to promote a smooth transformation of the countries of the former Soviet Union into market economies, Japan actively accepted trainees from and sending experts to these countries.

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<sup>3</sup> "Yeltsin Signs Decree on Developing Kurile Islands." Reuters Textline, December 9, 1992.

<sup>4</sup> Asian Security, 1993-94.

<sup>5</sup> Izvestiia, February 2, 1993, p. 3.

Japan's exports to Soviet Union decreased by 17.5 percent from the previous year in 1991. It came down to \$2,114 million. This can be mainly attributed to the delayed settlement of import payments to Japanese corporations by the then Soviet Union, and its economic confusion in transition to a market economy such as a decrease in oil production, the major source of foreign currency earnings, and the deterioration of external debts. Further, the Japan-Russia 200-nautical mile negotiations to determine the amount of fishing allowed in the respective 200-nautical mile fishing zones for 1992 were held in Moscow from December 1991, and those for 1993 took place in Tokyo in December 1992. In February 1992, the Convention for the Conservation of Anadromous Stocks in the North Pacific Ocean was signed by Japan, the United States, Canada and Russia, which came into effect in February, 1993. The Convention banned fishing of Anadromous fish in the high seas outside the 200-nautical mile zones, and a long history of Japan's fishing of Anadromous fish in the high seas of the North Pacific Ocean ended (Diplomatic Blue Book, 1992).

Notwithstanding sporadic delegations and their ambitious statements, insubstantial economic relationship between Russia and Japan marked initial Yeltsin era. Table below presents Russia-Japan trade from 1991 which shows not an ascending curve, rather a zig zag pattern involving small sums.

**Table: Monthly average Japanese Exports and Imports to the Former Soviet Union (\$ USm)**

Year	1991	1992	1993	1994
Exports	176.3	99.4	138.5	112.4
Imports	276.0	208.6	248.3	305.3

Source: 'OECD Trade with the Former Soviet Union', 1995 *Economic Intelligence Unit: Country Report*, 29 May 1995.

Ever since the end of the cold war and the disintegration of Soviet Union, the concern shown by the other G-7 partners for the cause of Japan had diminished. In the

changed global scenario they were simply more concerned about the need to rehabilitate Russia's economy and to keep it on the road to reform and liberalization. They now considered the territorial question as an essential bilateral issue between Tokyo and Moscow. At the G-7 meeting in July 1992 at Munich, Japan was least supportive of aid to Russia. Stability of the ruble was necessary to fight the tough conditions set by the International Monetary Fund (IMF). Due to pressure from United States, Germany and other powerful nations, Japan slowly changed its stance towards Russia.

But the progress of Russian economic reforms was very slow, therefore the debt problem worsened. At the Munich G-7 summit in July, the leaders decided to defer repayment of the Russian debt and provided \$2 billion in financial assistance.<sup>6</sup> Meanwhile Russia granted South Korea fishing rights off the islands, in July 1992. The Russian government announced the creation of special economic zone on the islands with long term bases to entire foreign investors (Miller 1995: 147-148).

In the area of economic relations, both countries agreed to establish the Japan-Russian Federation Inter-Governmental Committee on Trade and Economy. Subsequently, three sub-committee meetings were held in Moscow in November 1995 (Diplomatic Blue Book, 1996).

In 1996 Japanese and Russian naval ships began exchanging port calls. In May 1997 Japan announced that it would establish a diplomatic office in Luzhno-Sophalinsk, on the island of Sakhalin (Shigepi 1997:23). A team led by Japanese foreign minister Keizo Olechi and comprising around 60 representatives of the political world was dispatched in the mid of 1997 to Russia and central Asian Republics. In late July 1997, Prime Minister Hashimoto's speech to the Japan Association of Corporate Executives, later dubbed the Hashimoto Doctrine, heralded a new approach to Russia. In his speech, he announced a new Russia policy before a group of Japanese business executives in which he pledged to

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<sup>6</sup> *Asian Security*, 1993-94: 130

base future relations with Russia on three principles: mutual trust, mutual benefit, and a long-term perspective.

Then in a summit meeting with Russian President Boris Yeltsin in the Siberian city of Krasnoyarsk in November, they agreed on a Hashimoto-Yeltsin plan of economic cooperation initiatives which had to be implemented by 2000 in six-point priority areas, including an economic cooperation initiative to promote investment, Russia's integration into international economic organizations and expanded support for Moscow's economic reforms. The other three measures included training of Russian business executives, strengthening of bilateral dialogue on energy matters, and cooperation in promoting the peaceful use of nuclear energy. The warmth of this summit reflected the inclusion of Russia into the group of seven (G-7) industrialized nations, mapping it a group of eight (G-8) from next year. Hashimoto also pledged that Japan would actively support Russian membership of the Asia Pacific Economic Cooperation (APEC) and the world trade organization (WTO). Later they spoke separately of completing a peace treaty by 2000 to address the unresolved issues from World War II (Green 2001: 146).

In contrast to Japan's behavior in the Gorbachev and Yeltsin periods, when it appeared that it was trying to take advantage of Russia's weakness to obtain territorial concessions, Hashimoto rejected an approach in which one side makes unilateral gains at the expense of the other. Hashimoto made it clear that the principle of mutual benefit was to apply to any resolution of the territorial dispute.

The Japanese prime minister stated that the territorial dispute should be discussed "calmly, based on a long-term perspective" and called for Japan and Russia "to create a solid foundation for the twenty-first century." These remarks suggested that Tokyo was abandoning its previous policy of expanded equilibrium, which had limited progress in other areas of Russo-Japanese relations to the degree of progress achieved toward resolving the territorial dispute.<sup>7</sup>

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<sup>7</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp) and Diplomatic Blue Book, 1998.



The Japanese prime minister announced a new Eurasian policy in which he called for expanded economic relations with Russia, China, Central Asia, and the Caucasus to develop new sources of energy. With Russia, he called for enhanced cooperation to develop energy in Siberia and the Russian Far East. Hashimoto made clear his belief that growing economic interdependence with the nations of the former Soviet Union would contribute to peace. He also confirmed his support for Yeltsin's plan to send young Russian managers overseas as executive trainees. The fact that Hashimoto chose corporate executives as the audience for his speech suggested that the Japanese government wanted its business community to expand relations with Russia.<sup>8</sup>

Russia and Japan signed a memorandum of understanding on 30<sup>th</sup> December, 1997, regarding safe Japanese fishing in the waters around the disputed islands of Hokkaido. The pact would enable Japanese fishing boats to operate safely within 12 nautical miles of the disputed islands, with the particular aim of keeping the vessels from being shot at or captured by Russian patrol boats.<sup>9</sup> In July 1997 Russia and Japan also agreed on matters relating to their jurisdiction in the waters at various points like control on illegal fishing activities and thus cleared the biggest hurdle for a successful end to the tasks.

Meanwhile, Japan has begun small-scale aid to the Kuriles. Breaking its self-imposed ban on contributing to infrastructure, it extended 100 million yens for the construction of a modern clinic and a school on Shikotan. After lengthy negotiations, an agreement to allow Japanese fisherman to fish around the disputed islands was finally signed in February 1998. After the Kawana meeting, Japan provided the islands with diesel generators to alleviate their chronic power shortage and undertook repairs to a pier in Yuzhno – Kurilsk on Kunashiri.<sup>10</sup>

During Yeltsin's April 18-19, 1998 informal summit meeting with Japanese Prime Minister Hashimoto in the Kawana Shizuka prefecture, Yeltsin called for greater

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<sup>8</sup> *ibid*

<sup>9</sup> Japan Times, 30 December 1997

<sup>10</sup> Hokkaido Shimbun, 23, 24 June 1998, and Sankei Shimbun, 11 July 1998.

participation of Japanese companies in energy development projects in the Russian far east and Siberia Both the premiers agreed that Japan and Russia would jointly set up a company to promote Japanese investment in Russia.<sup>11</sup>

Economic weakness undermined Russia's aspirations to become a great power. While Moscow was invited as a guest to G7 meetings and was later invited to become part of what became G8. In matters concerning the management of the global economy the group operated as 'seven-plus-one'. The financial collapse of August 1998 fundamentally weakened Russia's weight in international politics, although its own perception of its proper role did not commensurately diminish (Sakwa 2002: 365-367)

In Nov. 1998, the Japanese Prime Minister visited Russia, which was the first ever visit by any Japanese PM in 25 years, and signed the Moscow declaration making commitment to establish a creative Russia-Japan partnership and cooperation in major areas of politics, economy, security, culture and international cooperation. However, Russia accepted the peace treaty negotiations only at Kawana declaration of April 1999. Agreeing to further step up negotiations, leaders of both the countries reaffirmed their commitment to wind up a peace treaty by the year 2002 following the Tokyo declaration, Krasnoyarsk and Kawana declaration. Also there were agreements on the establishment of a Sub-committee on Border Demarcation and a Sub-committee on Joint Economic Activities within the framework of the Japanese-Russian Joint Committee on the conclusion of a Peace Treaty, as well as the implementation of free visits to the Four Islands by ex-residents and their families. Prime Minister Obuchi also announced the following new measures in regard to Japan-Russia cooperation, which were warmly received by President Yeltsin:

1. Extension of loans to the amount of US\$800 million within the framework of untied loans from the Exim Bank to the amount of US\$1.5 billion provided as co-financing with the World Bank

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<sup>11</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp).

2. Substantial expansion of technical and intellectual cooperation in the form of the Japan-Russia Partnership for Reform
3. Establishment of the Japan-Russia Youth Exchange Center to dramatically expand exchanges on the personnel level
4. Provision of medicines and medical supplies worth around US\$10 million as emergency medical cooperation. (Diplomatic Blue Book, 1999).

Moreover, in the economic sector, there was an agreement on the importance of steadily developing bilateral economic relations, and formulation of the Hashimoto-Yeltsin Plan as the platform for promoting bilateral economic cooperation, with the basic philosophy of balanced open-economic development, market economy transition and promotion of cooperation in the energy area. The six measures to be taken under this plan are: (1) investment cooperation initiatives; (2) promotion of integration of the Russian economy into the international economic system; (3) expansion of reform support; (4) cooperation for a training program for Russian business managers; (5) strengthened dialogue on energy; and (6) cooperation in the peaceful use of nuclear power.<sup>12</sup>

At Kawn, Yeltsin requested Japan's participation in large-scale development of the canning industry in the Kuriles, including the construction of airports, roads and harbours. Since a project such as this involves complicated questions of property rights, legal jurisdiction over criminal and civil cases, and taxation, Japan intended to consider this request in conjunction with the territorial question.<sup>13</sup> Hashimoto was also quoted as saying that 57 joint implementation projects have been offered by Japanese companies to improve Russian energy efficiency and help reduce carbon dioxide emissions; this was to give effect to the agreement reached between them at the December, 1997, United Nations global warming conference in Kyoto. It was said that this would help Japan achieve its policy of promoting environmentally harmonious development by achieving a six percent cut in its greenhouse gas emission from 1990 level by 2012.<sup>14</sup> During the

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<sup>12</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp).

<sup>13</sup> Yomiuri Shimbun, 20 April 1998, evening edn., and Hokkaido Shimbun, 20 April 1998

<sup>14</sup> Ibid.

talks Yeltsin proposed building facilities on the disputed islands for the joint processing of marine products with Japan, and said that such a project should be added to an economic cooperation programme agreed in Krasnoyarsk.<sup>15</sup>

Contrary to predictions of the August 1998 financial crisis, sparking the re-emergence of hyper-inflation, the crash of the ruble, and other economic deterioration, the Russian economy remained generally robust in 1999. More specifically, inflation calmed to around 40% compared to 84% in 1998, while the ruble came back from the crash prompted by the previous year's financial crisis to hold at a stable 20-27 rubles to the U.S. dollar in 1999. Manufacturing production began to record positive growth as of March, and the trade surplus rose to more than US\$30 billion (Diplomatic Blue Book, 2000).

Inside Russia, the country's economic and political stabilization, and return to the firmament of major powers have been widely acknowledged as key accomplishments of President Vladimir Putin's term in office. Most Russian observers agree that on Putin's watch, Russia has been restored to a place in the world appropriate to its history, its stature as a nuclear superpower, its seat in all the most important councils of war and peace (the United Nations Security Council, the G-8 and the NATO-Russia Council), its wealth, and the geographic expanse and unique position on the Eurasian continent that makes it both a major European and Asian power (Rumer 2007: 7-8).

Economic relations between Russia and Japan in 21<sup>st</sup> Century are continuing to expand due to favorable conditions, including the strong performance of the Russian economy and increased interest in business with Russia on the part of Japan's private sector. At the beginning of the 21<sup>st</sup> century Japan is the second largest contributor to all major international organizations that favours U.S. foreign policy at large scale (Green 2001: 9). Japan is economically very strong, which is clear from its financial contribution to the U.S. and to various other organizations like IMF (international monetary fund), the World Bank and the Asian Development Bank (ADB). Russia's economy in comparison

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<sup>15</sup> Ibid.

to that of the Japanese is very weak and the former is struggling to keep its policy of liberalization going. Russia is facing serious internal problems like shortage of food stuff and also frequent turmoil in the Duma. Russian President Boris Yeltsin's April 1998 visit to Tokyo got delayed by a week due to the rejection of his prime ministerial candidate in the Duma.

The gulf between Russian aspirations and capabilities yawned ever larger, and would get wider if Russian economic power declined further. Russian foreign policy is determined by the tension between its ambition to remain a major regional and world power and its economic weakness. The ambition itself became the driving force for policy, but as long as the gulf between Russia's aspirations and capacities Russia's role in the world would remain characterized by 'essential ambiguity' (Sakwa 2002: 365-367). Thus, there was a need to temporarily curtail Russia's ambitions in order to achieve a better fit between resources and what was actually possible (Jonson quoted in Rabo and Utas eds. 2004: 6)

In a summit held in Japan in 2000, "Putin-Mori Plan" was signed without commitment to any concrete action. Heads of both the countries emphasized on enhanced role that private sector could play in developing bilateral relations in the area of economic cooperation. Japan pointed out problems in their bilateral relations from Russian side over Santa Resort hotel in Sakhalin – a joint venture that Russians hijacked from their Japanese counterparts. However, Putin's visit to Japan has had great impact on Japanese people.<sup>16</sup>

On the economic front, when President Putin made an official visit to Japan in September, a new cooperation program was adopted in the trade and economic fields to develop the Hashimoto-Yeltsin Plan a step further. The program outlined the basic direction for future cooperation in eight key areas, among them establishment of a good investment climate and reform assistance. In addition, when Foreign Minister Kono

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<sup>16</sup> Mainichi Shimbun. 5 September 2000.

visited Russia in November, he jointly chaired the fourth meeting of the Japan-Russia Inter-Governmental Committee on Trade and Economic Affairs together with Deputy Prime Minister Viktor Khristenko (Diplomatic Blue Book, 2000).

It is very clear that Japan has a long-term interest in accessing Russia's vast gas and oil resources, but the obstacles to investment in Russia are considerable and Japanese industry is cautious about advancing too far or too fast. Indeed, Japan needed Russia just as Russia needed Japan, to reinforce its own geostrategic presence and weight in East Asia at a time of uncertain economic power and regional influence (Green 2001: 146).

Moreover, since Japan is dependent upon foreign sources for its energy - which provides the basis for the country's economic activities and the daily lives of its citizens - securing a stable supply of energy (energy security) is one of the key challenges in Japan's foreign policy. Accordingly, Japan is endeavoring, in coordination with other developed countries, to prepare countermeasures for dealing with oil supply disruptions and other emergencies and to improve the global energy supply-demand structure. Apart from this, Japan is also working to maintain and strengthen good relations with energy producing countries, to advance energy cooperation with nearby Asian countries, and to otherwise reinforce the country's overall energy security

Russia's growing economic and political problem and the re-emergence of tension between Moscow and Washington have greatly complicated Japan's efforts to strengthen ties with Russia. Ironically, in 2000 Japan stood as the only provider of new major economic assistance to Russia, just as in the early 1990's it once stood alone resisting economic aid to Moscow (Green 2001: 146).

There is a wide scope of cooperation between Russia and Japan in energy sector as Russia has huge energy resources. To advance energy cooperation with other countries along with Russia, Japan signed the Energy Charter Treaty in 1995, which aims for the liberalization of trade, the promotion of investment, and the protection of the energy

sector, and Japan has been actively participating in the Energy Charter process (Diplomatic Blue Book, 2002: 120).

Further in the field of energy co-operation, the Sakhalin Project which is one of the largest oil and gas development projects in Russia, in which Japanese companies are participating, is being stepped up with the aim of achieving the start of grade oil production from 2005 for the Sakhalin-I project and natural gas production for the Sakhalin-II project, which began in 1999, with the start of 2006. As a measure to support to economic reforms undertaken in Russia, Japan has implemented various kinds of technical assistance such as organizing business management seminars in the Japan Centers and providing an opportunity for a training program in Japan. They are also aimed at developing a market economy in Russia and enhancing trade and economic relations between the two countries. Moreover, on the occasion of Prime Minister Koizumi's visit to Russia in January 2003, both countries agreed to develop economic cooperation under the principles of reciprocity, including cooperation in the energy sectors, such as the development and transportation of energy resources in the Russian Far East and Siberian regions. Concerning the Pacific Pipeline Project, consultations are under way between Japanese and Russian experts for exploration and development of deposits in the three fields in east Siberia (Diplomatic Blue Book, 2003: 89).

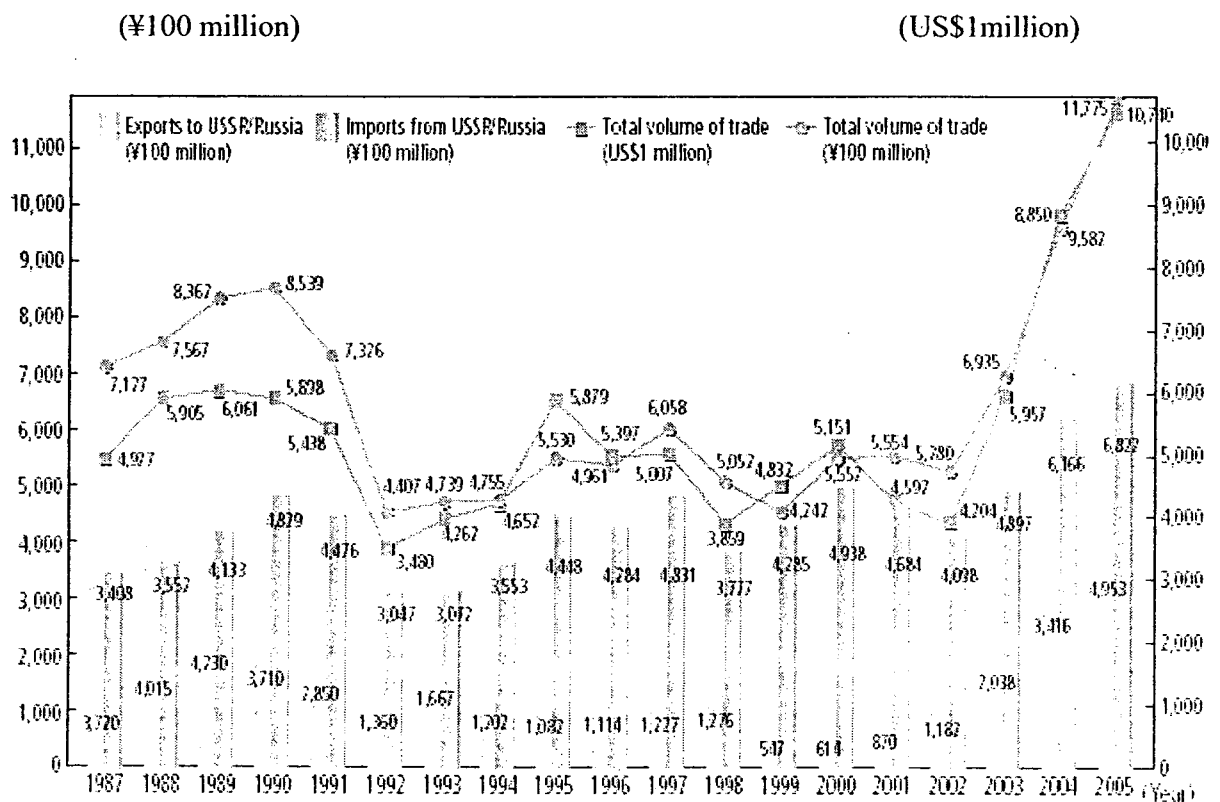
Economic relations between Japan and Russia are improving along with the strongly performing Russian economy, in particular with the development of cooperation in the energy sector in the background. For example, the trade volume in 2003 increased 31.3% over the previous year (the value of exports to Russia increased 72% over the previous year) and direct investment in Russia was 2.7 billion yen in 2002, much higher than the previous year (400 million yen) (Diplomatic Blue Book, 2004: 106).

Bilateral trade in 2004 increased by some 50% from the previous year in US dollar terms, reaching nearly US\$9 billion, which marked the highest volume ever, including the Soviet Union era (Diplomatic Blue Book, 2005: 88). By 2003, Japanese investment in the Russian Far East and Zabaikal regions had grown almost eight times from \$103.61 million in 2000 to \$820.8 million (Bury 2004: 12). In the same year, the

overall trade volume reached \$6 billion, an increase of 41.8% from the previous year (Hattori 2004: 41-42). In the following year, it reached \$8.8 billion dollars for the first time ever and was expected to reach \$10 billion in 2005 (Lavrentiev 2005: 5). Also in 2004, reflecting the recovery of the Japanese economy and appreciation of the Japanese yen, Japanese cumulative investment in Russia totaled \$1.9 billion and direct investment was at \$1.35 billion, putting Japan in sixth place among the nations investing in Russia (Bury 2004: 12). In the same year, Japan's imports from Russia almost doubled from 108 billion yen in 1998 to 204 billion yen (Japan Statistics Bureau Database).

From late Soviet period to the beginning of 21<sup>st</sup> century trade relations between both countries was very fluctuating, depending on various policies and circumstances of the two. Chart below shows cyclical trend in Russia-Japan trade.

### Trends in the USSR/Russia – Japan Trade



Note: Figures for the total volume of trade are rounded off, due to which they may not necessarily match with the total figures for export and import.

Source: Ministry of Finance, Trade Statistics.



Therefore, after the dissolution of USSR, economic ties and trade between Russia and Japan followed a zig-zag path. In initial years after dissolution, Russia was in very bad economic condition. It was in a great need of economic aid and other help for its economic recovery as well as to maintain a proper pace of development. But this time Japan followed its Aid Policy in which it linked economic aid to Russia with the solution of the continuing territorial problem with Russia. But later due to pressure of its other G-7 partners, which later became as G-8 when Russia got its membership, Japan changed its policy. In late 20<sup>th</sup> century Japan multilayered its policy and started cooperation with Russia in other fields including economy. It was the time when both countries were avoided taking any decision on the territorial problem. Putin also focused on Russia's economic recovery economic so that Russia could fulfill its need and could play an important role in the 21<sup>st</sup> century.

## CHAPTER IV

### U.S. AS A FACTOR IN RUSSIA–JAPAN RELATIONS

United States of America has been an important factor in the bilateral relations between Russia and Japan since the early 20<sup>th</sup> century. One of the most important pillars of Japanese foreign policy in the post Second World War period has been its strong international alliance with the United States. Amongst all nations, the United States has been Japan's principal ally, trade partner, and defender.

Japan's bilateral relationship with the United States, its counterpart across the Pacific Ocean and a country which shares such values and systems as freedom, democracy and a market economy and maintains an undisputed lead in national strength, is the axis of Japan's foreign policy. Japan and the United States are linked by tight bonds in the areas of political and security affairs and have strong interdependence in the economic area. The two countries had been cooperating on global issues through a partnership called the Common Agenda. In the world of globalisation due to deepening interdependence, it is impossible for any country to pursue its own security and prosperity, separate from the stability and prosperity of the entire world. This was the reason why Russia and Japan both were trying to fulfil their national interest by getting support of U.S. and other nations.

During the war between Russia and Japan in 1904, the sympathies of the American people were very much with Japan, partly because her resources were more limited, and partly because the underhand methods of Russian diplomacy had created an unfavorable impression. The services of President Roosevelt to the cause of peace in bringing Russia and Japan to a conference within the United States in 1905 received wide recognition (Holladay 1914: 583–601).

The growth of the Japanese naval power was a matter of vital interest to the United States since both of them were the two leading powers of the Pacific. The great

transformation that Japan has undergone also includes the fact that she has drawn more largely on the United States than on any other nation. This is so because the United States has been a pre-eminently successful nation and Japan worships success. Many of Japan's leading men were educated in the U.S. Furthermore, the United States played a major role in freeing Japan from the burden and humiliation of ex-territoriality and welcoming her into the family of nations with full international status (Holladay 1914:583 – 601).

History also shows that the US has at various points of time figured in the Russo-Japanese rivalry. Lenin, convinced of the inevitability of a Japanese-American war, tried to avoid this prospect in the early 1920s by giving generous oil and gas concessions to American enterprises in the far eastern part of Russia, occupied by the imperial Japanese army (Eithian 1970: 205-222; Parry 1948: 312). Lenin mixed no words in explaining the rationale of what to some comrades must have seemed to be a curious twist in the struggle against capitalism. He said, "An intense hostility is now developing between America and Japan. We are making use of this and offering a lease of Kamchatka. Through this treaty we have aggravated the differences between our enemies."<sup>1</sup>

The experience of the atomic bombings of Hiroshima (6<sup>th</sup> of August, 1945) and Nagasaki (9<sup>th</sup> of August, 1945), followed by the surrender and defeat of Japan on 15<sup>th</sup> of August, 1945, effectively eliminated any post-War ambition for relationship with Japan (Hook 2001: 8). Japan avoided playing a prominent role in international affairs after suffering defeat in World War II. Japan's relations with other nations were guided by the principle of "omni-directional" foreign policy, a risk free formula that suggested no national strategy at all. It went to the extent that their international security strategy was directed from Washington rather than from Tokyo (Green 2001:1). In such circumstances, a bilateral relationship with the US was the indispensable core of Japan's position in the world.

In several ways, until recently, the relationship between Tokyo and Moscow was governed by their relationship with the United States, which in turn was shaped by the

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<sup>1</sup>V.I.Lenin: collected works. 4<sup>th</sup> ed. Vol.3. Moscow: progress publishers. 1968 p.43

cold war. One of Washington's fears during the early cold war era was that Moscow would bring Tokyo into its camp by supporting socialist forces within Japan and promising access to Siberia's vast riches. To counter this, Washington, in 1947, shifted its occupation policy towards Japan from that of demilitarization and democratization to economic revitalization, and it embarked on rearmament following the out break of the Korean War in 1950.

Japan has attained its national security, and at the same time contributed to the peace and stability in the Asia-Pacific region, by possessing only the minimum defense capabilities and also by maintaining the Japan-US security arrangements. The bilateral security arrangements have been at the core of Japan-US relations, which is viewed by both countries as the world's most important bilateral relationship in all the political, economic, and security aspects.<sup>2</sup> It can be said that Japan's choice for foreign policy direction is also circumscribed in a "set menu" of alternatives provided by the US. Japan has very few options to choose from other than those offered by Washington. Japan may have some limited leeway in deciding who, when, where, what or how it will engage internationally but the essential choices are often predetermined by Washington, leaving very little scope for initiative or innovation from Tokyo. Thus, it is clear that the degree of Japan's compliance with and dependence on the US leadership is very high (Inoguchi and Jain 2000: xv)

In terms of security, there has been a consensus on the need for the US-Japan alliance in the Post War Japanese history, though there have been certain disagreements on specific issues, like the presence of US bases etc. Japan remains dependent on American hegemony for its own security in East Asia while pressing for greater influence and recognition in international organizations and its regional influence. It is not challenging US primacy in these settings. Indeed, much of Japanese diplomacy is aimed at reinforcement US leadership in the UN and the international financial institutions.

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<sup>2</sup> Rusi Journal. April. 1998. 143(2). pp. 5-9

For over three decades, the strategic aspect of Japanese – Soviet relations had been closely linked to the US–Soviet global rivalry. As early as September 1947 – during the U.S. occupation of Japan – the conservative politician Ashida Hitoshi articulated Japan’s commitment to the United States in the Cold War in a memorandum addressed to the American occupation authorities (Weinstein 1971: 24–25). ‘Security’ for Japan in the early 1950’s meant assurances of American assistance against internal communist subversion and domestic violence as much as it did reflect a nuclear umbrella against the possibility of Soviet atomic blackmail.

After the Second World War, the historical struggle between USSR and Japan for political dominance in East Asia was replaced by US–Soviet rivalry. The United States firmly rejected the Soviet suggestion that it should be allowed to occupy the northern half of Hokkaido. The whole of Japan thus came under US occupation. The Soviet Union then sought to minimize the US influence in Japan by controlling the occupation policy. During 1948–49, there were changes in the US policy towards Japan: the United States began to treat Japan as a potential ally in its worldwide confrontation with the Soviet Union.

The signing of the US – Japan security treaty, along with the Treaty of Peace with the Allied Powers (commonly referred to as the San Francisco peace treaty), in September 1951 (came in force from April 1952) provided the US with the right to use bases in Japan. These documents formalized Japan’s integration into the Cold War order on the US side. They also ensured the need for close bilateral, political and economic cooperation, and opened the ways for the defeated country’s political and economic rehabilitation in the world order. Above all, security issues have been fraught with many of the same difficulties as the other two dimensions of the bilateral relationship (Hook et al 2001: 14). The original bilateral security pact, signed in September 1951 and put into effect in April 1952, was superseded in 1960 by the treaty of mutual co-operation and security, which committed the US to “act to meet the common danger” in the case of an armed attack on Japan.<sup>3</sup>

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<sup>3</sup> Japan times. 1 May. 1995

Soviet Union had agreed to transfer the Habomai islands and Shikotan to Japan in the peace treaty of 1956. Japan also brought up the issue of southern Sakhalin and the northern Kuriles, under pressure from the US. But in 1960, Soviet Union refused to return the two islands because of the revision of the Japan-US Security Treaty, which was basically aimed at containing Soviet Union in the Pacific, and later demanded the removal of the foreign troops from Japan as a condition for the return of Shikotan and the Habomai. Japan was unwilling to abrogate its security alliance with the United States for the sake of the islands in question and, therefore, the Soviet declared the issue closed (Sakwa 2002: 372; Abelsky 2006: 35).

The 1970's brought unprecedented pressure on Japan to reassess its security policies. The most important of these were the rise of regional and global Soviet military power; the post-Vietnam decline of US power in Northeast Asia, which was partly the result of America's new commitments in the Indian Ocean and in the Middle East; mounting American impatience, fueled by trade grievances and protectionist impulses; Japan's reluctance to assume increased security responsibilities in the Western Pacific; and the exposure of Japan's vulnerability to interruptions of vital energy supplies during the 1973 and 1979 oil crises (Stephan quoted in Ellison (eds.) 1987: 147)

Historians that take a slightly critical position towards Japan's official quest for the return of "inherent territory" note that the territorial dispute was to a large extent a product of the Cold War rivalry, in which Japan found herself firmly located within the Western camp. To a large extent, the creation of the territorial problem was a successful attempt on behalf of the American policy makers to prevent Soviet-Japanese rapprochement and to direct Japanese nationalism away from the US, which continued its occupation of Okinawa until 1972 and maintained military bases in Japan proper. This strategy was also very convenient for Japan's conservative government, which needed an enemy to consolidate the nation in order to recover from the political and economic defeat of the Pacific War (Hasegawa 2000: 302-303; Wada 1999: 9)

Some important incidents, like Vietnamese troops marching into Cambodia in late 1978 and the Soviet military intervention in Afghanistan in late 1979, had a profound impact on shaping Japan's security policy as well as its relations with the Soviets. As a result, Japan named the Soviet Union as its main adversary for the first time in 1981, something that Japan had scrupulously avoided till then.

Given the increasing weight of Japanese economic involvement throughout the region in the 1980s and the diplomatic influence it conferred, it was clear to the "new political thinkers" in Moscow that an improvement in relations with Japan was a key to any feasible strategy for enhancing Soviet power and influence in the Asia Pacific Region. However, it was equally clear that rapprochement with Japan depended on convincing Washington that the nature of superpower conflict in the region should no longer be viewed as a zero-sum game (Miller quoted in Shearman (eds.) 1995: 136).

As Japan and the Soviet Union moved into the mid-1980's, each nation saw itself as responding to an escalating challenge from the other or from a group of states. Each took measures in the security field that were compounding their mutual distrust. By resorting to demonstrations of power, Moscow betrayed that it did not adequately understand that the Japanese were, in the words of Kimura Hiroshi, "extraordinarily insensitive to bluff with military might" (Kimura, 1982: 16). Conversely, by more closely coordinating its security policies with those of the United States, Tokyo might be reinforcing the very aspects of the Soviet behaviour that caused disquiet among so many Japanese (Stephan quoted in Ellison (eds.) 1987: 148).

In September 1989, the director of the institute for the study of the USA and Canada, Georgia Arhartov stated in Tokyo that Moscow could not make any territorial concession since even the return of "one half of the small islands" would open up the whole Pandora's box of territorial question.<sup>4</sup> In Dec 1988, Soviet diplomat stated that "Moscow almost certainly could not move on the islands issue while internal minority problems remained unresolved" (Smith 1988: 28).

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<sup>4</sup> Daily Yomiuri, September 19, 1989

For a conservative and pro-American Japanese government, the continued Soviet refusal to give up territories was a disadvantage. Moscow's negative attitude towards a solution to the military occupation of the islands has all served to maintain the salience of the Soviet threat in the public domain. This helped to reduce public opposition to incremental increases in the defense budget of Japan. US also became soft at this increase. This increased defense expenditure involving the purchase of large amount of US military hardware has helped to reduce the huge US trade deficient with Japan.

Washington struck a bargain with Tokyo whereby the United States would provide Japan open American markets, reintegration into the global economy, a nuclear umbrella and tolerance of Tokyo's neo-mercantilism in return for a security treaty that converted Japan into a stronghold of America's 'free world' in north east Asia. Therefore, Tokyo joined Washington's containment policy towards the Soviet Union because it was in Japan's geo-economic and geopolitical interests to do so.

The original goals of Soviet policy towards Japan under Gorbachev included enlisting Japanese technology and capital investment to help modernize the Soviet economy; enhancing Soviet security by undermining US-Japanese military cooperation; and slowing or halting Japan's military build-up, in part a response to American demands for burden sharing. Additional goals during this period included weakening of Japanese support for the American military presence in the western Pacific, and convincing Japan to refrain from lending their technical expertise to the American strategic defense initiative (Ziegler 1993: 104-105)

Mikhail Gorbachev ceased to look at Japan as an appendage of the US. Instead, generous economic assistance was sought from Japan. Former Prime minister Yasuhiro Nakasone was of view to sign a peace treaty with the Soviet Union (Falkenleyn 1990) However Japan could not take any major initiative in defense of Washington.



The United States and Soviet Union maintained cooperative relations during the later half of 1990s, for instance, the joint action on the Iraqi invasion of Kuwait and the signing of the CFE Treaty in November 1991. Also the pending issues on START were finally settled at the end of July 1991, which was finally signed in Moscow summit meeting (Diplomatic Blue Book, 1991: 312)

The August 1991 coup against Gorbachev showed implications of the break up of the Soviet Union. Various advanced, industrialized countries of the west began acknowledging the need for substantial economic assistance. Such demands were strongly supported by European countries (most notably Germany) as they were most directly affected as a consequence of their geographic proximity and close economic ties. The US was cool towards such European initiatives, but became more forthcoming as it became increasingly obvious that Boris Yeltsin's political position in Russia was beginning to become quite precarious. The symbolic culmination of the US change of heart was the Vancouver summit during the spring of 1993.

For Japanese foreign policy, especially during the Cold War, emphasis has been on bilateralism, particularly linked with the United States (Fukushima, 1999: 5). With the end of the cold war, Japan has acquired greater freedom to pursue its own policy towards Russia as United State's stance towards Russia has softened even though the security pact between the U.S. and Japan still remains. In Japan, the end of the Cold War raised questions as to the continuing relevance of military alliance with the United States.<sup>5</sup> While the end of the Cold War has certainly influenced both international relations and the political and economic situations in Japan, it was difficult to say that a new international order has emerged in place of the Cold War structure. Despite this, the international community seemed to be gradually forming its self-image in the new era through a variety of experiences. It was often said that the post-Cold War world was uncertain and fluid

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<sup>5</sup> Rusi Journal. April. 1998. 143 (2). pp. 5-9

With the collapse of the cold war structure Japan's dependence on the US should have been reduced. But the Japanese argued that the threat to its security had not diminished much with the end of the cold war. The existence of the security treaty between Japan and the US guarantees the non emergence of Japan as a military power.

In the new world order after cold war, Japan was the second largest contributor to all major international organizations that follows U.S. foreign policy – the International Monetary Fund (IMF), the World Bank, the United Nations, and the Asian Development Bank. Japan was the bulwark for U.S. deterrence and engagement in the regional matters (Green 2001: 9).

In the post-Cold War period multipolar world, Japan, which has attained tremendous economic strength, has emerged as one of the poles of power (Fukushima 1999: 5). As the world's second largest economy, Japan had been urged to play a more constructive role in international and regional affairs. The US, in particular, has pressurized Japan to share the burden of global governance, at least through practical contribution. However, this did not invite Japan to share leadership with the US.

Although the Cold War has ended and arms control and disarmament efforts were also being advanced, the international community was still full of uncertainties. Russia and China continued to possess nuclear weapons. Under these circumstances, for Japan to continue to benefit from peace and prosperity under its policy of maintaining the minimum required self-defense capability, the U.S. deterrence based on the Japan-U.S. Security Treaty was necessary. Furthermore, the Japan-U.S. Security Arrangements was providing credibility to Japan's basic stance not to become a military power that could threaten other countries.

Thus it was clear that for Japan to achieve its foreign policy goals, i.e., security, safety and prosperity, it must work to build multi-tiered and multifaceted frameworks centered on the Asia-Pacific region in line with the changes in the international political structure described above. This means: (1) continuing to base its foreign policy on

cooperative bilateral relationships by further enhancing the relationship between Japan and the United States, which is the axis of Japan's foreign policy, and promoting relationships of friendship and cooperation with neighboring countries; (2) simultaneously working to improve intra-regional confidence and maintain prosperity by utilizing in a complementary fashion regional cooperative frameworks in the Asia-Pacific region; and (3) cooperating to solve issues affecting the international community as a whole and realizing a favorable environment on a global scale within the current reality of deepening relationships of interdependence (Diplomatic Blue Book, 1997)

Japan-U.S. relations faced a turning point in during 1991 and 1992. The 50th anniversary of Pearl Harbor and the 20th anniversary of the reversal of Okinawa provided opportunities to look back on the paths Japan and the United States traveled since World War II through the postwar period. The Tokyo Declaration on the Japan-U.S. Global Partnership and its Action Plan, issued on the occasion of President Bush's visit to Japan in January 1992, established a guidepost for future Japan-U.S. relations. Japan-U.S. economic relations since then have been managed largely along this Tokyo Declaration. The Action confirmed the further promotion of mutual transfers of defense technologies. The Action Plan stipulated that an arrangement for joint research on a ducted rocket engine would be concluded, based on the Japan-U.S. Mutual Defense Assistance Agreement. It also confirmed the continuation of examinations on joint research in the four defense technology areas, including a millimeter-wave/infrared dual mode seeker. As for the joint research on the ducted rocket engine, official notes were exchanged in September 1992 (Diplomatic Blue Book, 1992)

In his visit of the US, in January 1992, Yeltsin stated that Russia was a devastated country which had bled to death and that is why economic and political reforms were the primary tasks of Russia.<sup>6</sup> He emphasized the fact that the investment and co-operation aids were the keys to economic recovery. Yeltsin strongly pleaded for US investments in Russia as it could become one of the alternative sources for fuel and energy resources.

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<sup>6</sup> Summary of the worlds broadcast (London). SU/1411. 19 June 1992. C 1:2

A Charter of Russo-American partnership and friendship was signed during the visit of Yeltsin in 1992. It stated that Russia and the US would strive for the establishment of reliable and durable basis for relations resting on partnership and friendship for democratic principles and practices and on the quest for strengthening international peace and security.<sup>7</sup> The US also committed itself to Russia's efforts to promote economic and political reforms in this agreement. It acknowledged the courage with which the Russian government had earmarked on the path of reform and express its commitment to continue support for the course of reform on a bilateral and multilateral basis; Promises were also made to bring down the barriers in the way of the activity by their business circles and cooperation on one another's inventory and to lift restriction on business activity. The year 1992 also saw the US granting Russia the most favored trading nation status. Overall, in 1992 the west committed more than \$30 billion assistance to Russia (Ruleinstein 1993: 348).

Apart from Russia's own problems, the domestic policies and problems of the US economy explained a limited US involvement in Russia. The US was retreating from internationalism, becoming even somewhat isolationist in its foreign policy. Hence, a wide gap has emerged between Washington's promises and its actual fulfillment.

The advent of the Clinton Administration signified the beginning of a new Japan-U.S. partnership in the post-Cold War era. Bill Clinton regarded Japan-U.S. relations as the most important bilateral relations for the United States. The new Japanese government under Prime Minister Morihiro Hosokawa also confirmed its basic stance of making every effort to continue good Japan-U.S. relations.

The Clinton presidency pursued a 'Russia first' policy, but this was not translated into much more than support for Yeltsin's personally. The role of American assistance and support for Yeltsin's version of reform has been much criticized. Plans to expand Nato to Eastern Europe, the war over Kosovo and American plans for National Missile

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<sup>7</sup> 'Yeltsin's visit to US', Summary of the Worlds broadcast (London), June 18, 1992, C 1-9-11

Defense (NMD), which led to the American repudiation of the 1972 Anti-Ballistic Missile (ABM) treaty in December 2001, brought Russia's apparent national interests into confrontation with those of America ( Sakwa 2002: 365-367)

Although there were some uncertain factors in Japan-U.S. relations in 1994, such as domestic political changes in both countries (the change of government in Japan in July and the Republican victory in the midterm elections in the United States in November) and difficulties in the Japan-U.S. Framework Talks negotiations, which started in 1993, yet the two countries continued their efforts to develop further bilateral ties in the three areas of politics and security, global cooperation, and economic relations. Throughout 1994 focal attention was drawn to economic and trade relations between Japan and the United States, especially the Japan-U.S. Framework Talks. Moreover, the year 1995 marked the 50th year since the end of World War II. In January 1995, Prime Minister Murayama visited the United States. During his Summit Meeting with President Clinton, the two leaders affirmed their intention to further develop the cooperative relations between Japan and the United States, with an eye upon the 21st century, while focusing on three specific areas: security dialogue, cooperation in the Asia-Pacific region (Diplomatic Blue Book, 1995)

Japan also sought to gradually expand the scope of its self-defense forces in support of the US military action overseas through a new interpretation of the US - Japan security treaty. A US nuclear umbrella extending over Japan served as an important element to check the proliferation of weapons of mass destruction, including nuclear arms.<sup>8</sup>

1996 was a year of substantial efforts directed at enhancing the aforesaid relationship. In particular, it was marked by President Clinton's visit in April, which was of considerable significance. The visit reconfirmed the immeasurable importance of the

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<sup>8</sup> Japan times. 1 May. 1995

cooperative relationship between Japan and the United States, not only for the two countries but also for stability and peace in the Asia-Pacific region, as well as for the entire world. In April 1996, Clinton and Hashimoto met in Tokyo, signing the US-Japanese joint Declaration on Security, in which they pledged to strengthen the security alliance for the 21<sup>st</sup> century and agreed to draft new guidelines for US-Japanese defense cooperation. Significantly, by issuing this declaration they also emphasized the need to normalize Russo – Japanese relations.<sup>9</sup>

Further, the “Japan-U.S. Joint Declaration on Security” represents the starting point for future bilateral cooperation in the area of security. This Joint Declaration stated that, with the aim of further building upon the close working relationship between the two countries, the review of the current “Guidelines for Japan-U.S. Defense Cooperation,” compiled in 1978, would be initiated, and the two Governments showed the intention of completing the review by the autumn of 1997 (Diplomatic Blue Book, 1997). As was stated in the joint Declaration, the Japan – US security arrangements enable the US to continue its positive regional engagement and to maintain its force presence.<sup>10</sup>

Japan and the United States are deeply interdependent economically, and through active cooperation on trade, investment and industries, the two countries enjoy mutually beneficial relations. In the meantime, both countries share the recognition that the continuation of the present size of trade imbalances is politically impossible

It was Yevgeny Primakov (foreign Minister 1996 – 98 and Prime Minister 1998 – 99 of Russia) who turned Russia towards a more pragmatic and low – profile policy declarations and actual capacity, although he was viewed by the West, which included both U.S. and Japan, as anti – Western and an old – style Soviet thinker in his Western policy. At the same time, Primakov tried to restore a more strategic direction to Russian foreign policy by reintroducing the vision of a Russian return to great power status, made

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<sup>9</sup> Asahi Shimbun. 17 April 1996

<sup>10</sup> Rusi Journal. April. 1998. 143(2)

possible after the success of domestic reforms (Jonson quoted in Rabo and Utas (eds.) 2004: 6)

Japan's trade surplus with the United States, however, has been increasing since October 1996, and the United States has been urging Japan to achieve domestic demand-led economic growth. The year 1997 saw close, high-level communication between Japan and the United States, with a number of visits to Japan by eminent U.S. figures, including Secretary of State Albright's visit in February, visits by Vice President Albert Gore in March and December and the April visits of Treasury Secretary Robert Rubin and Secretary of Defense William Cohen. In addition, Thomas Foley was newly appointed U.S. Ambassador to Japan in November. A strong rapport was built up between Prime Minister Hashimoto and President Clinton, and the two leaders exchanged views with great frequency, not just on Japan-U.S. bilateral relations but on a broad range of international issues. Minister for Foreign Affairs Keizo Obuchi, who took office in September 1997, has had two meetings with Secretary of State Madeleine Albright of the United States of America in the brief time since his appointment. He also visited the United States in December, building rapport with key U.S. officials (Diplomatic Blue Book, 1998)

In 1997 Hashimoto and Clinton had a summit meeting in Tokyo and reaffirmed the continuing presence of US troops in Japan, after the Okinawa base crisis. While strengthening Japan's ties with the US, Hashimoto embarked on creating better relations with Russia. Already in January 1997, the Ministry of Foreign Affairs had announced the initiation of the 'multi-layered approach' to Russia. In June, Hashimoto and Yeltsin met at Denver, establishing a strong personal relationship. Hashimoto's historic speech of July 1997 pronounced Japan's initiative for a Eurasian foreign policy and enunciated three principles of Russo-Japanese relations.<sup>11</sup>

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<sup>11</sup> The Japanese Ministry of Foreign Affairs. 'Address by Prime Minister Ryutaro Hashimoto to the Japan Association of Corporate Executives. 24 July 1997' at [www.mofu.go.jp](http://www.mofu.go.jp)

Towards the end of 20<sup>th</sup> century, the United States changed its basic stance towards Russia-Japan relations. During the cold war era, US consistently opposed settlement of territorial dispute by compromise, however in the last decade of 20<sup>th</sup> century it favoured an early resolution. In the summer 1997 summit at Denver, President Bill Clinton seemed willing to encourage better relation between Japan and Russia.

Japan-U.S. relations in 1999 turned even more positive against the background of the progress of the Japan-U.S. Security Arrangements, including the enactment of legislation related to the new Guidelines for Japan-U.S. Defense Cooperation, and the steady recovery of the Japanese economy. The cooperation between the two countries has also been advanced in a wide range of areas encompassing security, economic and global issues. While Prime Minister Obuchi's meeting with President Clinton, both leaders affirmed that Japan and the United States, allied nations sharing the values of freedom, democracy and respect for human rights, would further cooperate towards their common goal of building a peaceful and prosperous world in the 21<sup>st</sup> century. On the axis of Japan-U.S. relations, Japan's foreign policy in 1999 focused on bolstering relations with neighboring countries including Russia, strengthening regional cooperation with a central focus on the Asia-Pacific, and active involvement in global efforts, including in the United Nations (Diplomatic Blue Book, 2000).

While expressing willingness to forge a cooperative relationship with the U.S. on a mutually beneficial basis, Moscow under Putin made it clear that it was no longer willing to compromise with its national interests and had started looking up for allies willing to work for a multipolar world (Kaushik 2003: 18).

In January 2001, the United States presidency passed from Democratic President Bill Clinton to Republican George W. Bush. From the outset, the new Bush administration made it clear that it placed priority on the Japan-U.S. alliance. In 2001—the year that marked the 50th anniversary of the signing of the San Francisco Peace Treaty—Japan worked to reinforce bilateral relations still further in a wide range of areas, including politics, security, and the economy. A Japan-U.S. summit in March was followed in June by the first Japan-U.S. summit since the take over of the Koizumi



administration, at which leaders released a joint declaration that noted their agreement to strengthen strategic dialogue, establish new economic consultations, and further their cooperation on global issues.<sup>12</sup>

The Bush administration strongly supported the structural reforms being promoted by Prime Minister Koizumi and frequently underlined the high expectations it had of Japan's structural reforms. The current Japan-U.S. economic relationship was based on cooperation and collaboration aimed at the growth of both economies, along with the world economy. And, the trade friction that once epitomized the relationship was a thing of the past.

In a speech delivered in May 2001, President George W. Bush stated that a new framework is needed to respond to the present security environment. He said that while the United States and its allies would continue to support nuclear deterrence, the U.S. was examining a broader policy that would move beyond the ABM Treaty and would reinforce the missile defense, nonproliferation, and counter-proliferation efforts. President Bush also called for cooperation with Russia towards developing a new foundation for global peace and security in the 21st century. At a U.S.-Russia meeting held during the July 2001 Genoa Summit, an agreement was reached to promptly conduct intensive negotiations on the issues concerning both countries' offensive and defensive systems, and representatives of both governments subsequently held intensive discussions on these strategic stability issues (Diplomatic Blue Book, 2002: 106).

In the area of foreign relations in 2001, President Putin continued to advance head-of-state diplomacy, following up on his achievements during the previous year. Following the initial summit, Russia and the U.S. continued to build a constructive dialogue. Since the September 11 terrorist attacks in the United States, an international consensus has been established on combating terrorism, and this has also had a certain influence on U.S.-Russia strategic stability issues. The Putin and Bush administration signaled their mutual interest in cooperation during the antiterrorism campaign against

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<sup>12</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp)

Afghanistan. Both have sought to place U.S. – Russian relations on a new foundation of cooperation (Kipp quoted in Herspring eds. 2004: 228). National Security Advisor Condoleezza Rice reviewed the Bush – Putin interactions in positive terms and spoke of an emerging security arrangement that went beyond Cold War remnants to embrace new challenges arising from the war against terrorism, and speculated about the possibility of deeper cooperation (Kipp quoted in Herspring (eds.) 2004: 228)

President Putin is believed to be acting on the basis of promises held out by U.S. Commerce Secretary Donald Evans during his visit to Moscow in October 2001. The U.S. has reaffirmed its support for Russia's membership of the W.T.O. and is likely to recognize Russia as a country with a market economy, thus lifting anti – dumping tariffs against Russian exports. The United States is also expected to receive guarantees for U.S. large and medium scale investment in Russia. Such steps are likely to win over the new Russian economic elite in favour of Putin's broader strategic objectives in relations with the United States (Kaushik 2003: 20)

In February 2002, President Bush visited Japan for the first time since assuming office. At the Japan-US summit meeting, President Bush expressed his gratitude for Japan's cooperation in the fight against terrorism and announced his full support for Prime Minister Koizumi's structural reforms.<sup>13</sup>

The signing of the Moscow Declaration on strategic Partnership and Agreement on the Reduction of Strategic Arms between Russia and United States on 24 May 2002 during the visit of President Bush to Russia further confirms the Pro – West tilt in Russia's foreign policy under Putin (Kaushik 2003: 20)

It would be too much to read in president Putin's remark made during his U.S. visit in September 2002 signifying marginalization of traditional sphere of influence thinking in favour of geoeconomic considerations. Even at Camp David meeting with George W. Bush, Putin did not shy away from expressing disapproval of U.S.'s unilateral

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<sup>13</sup> The Ministry of Foreign Affairs of Japan at [www.mofa.go.jp](http://www.mofa.go.jp)

action in Iraq by circumventing the U.N. The “shared script” of geoeconomic advantages only concealed several basic policy differences. It was soon to become clear that Russia was preparing an effective response to the American preemptive unilateralist policy in Iraq. If publicly Putin tried to minimize Moscow’s differences with the U.S. over Iraq, at least in his public statement, and did not show any sign of emotional criticism of the US actions, he did not miss this opportunity to take maximum advantage of ‘widely anticipated shifts’ in the global ‘geopolitical landscape’ (Kaushik 2003: 21).

In particular, Russia further strengthened its cooperative ties with the US. Russia’s calm reaction to the US announcement in December 2002 that it would withdraw from the Anti-Ballistic Missile (ABM) Treaty, along with the signing of the Treaty on Strategic Offensive Reductions (“Moscow Treaty”) by the US and Russia, and the announcement of the Joint Declaration on the New Strategic Relationship during US President Bush’s visit to Russia in May 2002, as well as the establishment of the NATO Russia Council (NRC) clearly demonstrate the strengthened partnership between Russia, the US and European countries (Diplomatic Blue Book, 2003: 3).

The year 2004 was the 150th anniversary of the signing of the Japan-US Treaty of Peace and Amity. The relationship between Japan and the US is one of the strongest Alliances in the world today. At the same time both countries are cooperating to demonstrate leadership on issues facing the international community.

To conclude, since twentieth century United States has played key role in determining Russia–Japan relations. During Second World War Japan’s relations with both countries had become worst as Russia and Japan fought against Japan. During cold war Japan–U.S. relations continued in a good pace. In post cold war era, world became unipolar dominated by U.S. and Japan as its main ally. During Yeltsin period Russia’s focus was on getting foreign aid from economically strong countries including U.S. and Japan. In 21<sup>st</sup> century due to Putin’s pragmatic policies Russia started to growing fast diminishing role of United States as a key player between the two countries. After the terrorist attack of September 11, Russia strengthened its cooperation with the U.S.

holding frequent consultations regarding military action and international anti-terrorist measures with the heads of state of the U.S. and North Atlantic Treaty Organization (NATO) members. Thus 9/11 bombing provided a common platform for US, Russia and Japan to fight together against terrorism. The role of U.S. as a determinant of Russia-Japan bilateral relations remained no longer as impressive as it was in early time because in this era world is becoming multipolar in which Russia and Japan are important poles.

## Conclusion

World politics may have changed profoundly in the recent years but the relationship between Russia and Japan has not. One of the strangest anomalies in the international community today is that more than six decades after the end of the Second World War, Russia and Japan have not yet been able to sign a peace treaty. Consequently relations between the two countries are yet to be wholly normalized. Their territorial dispute over the Kurile Islands on the eastern boundary of the Sea of Okhotsk endures, and Russo – Japanese economic ties remain weak.

Although the Cold War drove a deep rift between Russia and Japan, but the ambivalence, hostility, and lack of mutual respect is deeply rooted in events that extend back to the nineteenth century. Events such as: territorial issue, war in 1904 and Russia's defeat, Russia's belated entry into World War II, treatment of Japanese prisoners of war, tough fisheries negotiations and the seizure of Japanese fishermen, refusal to negotiate or even acknowledge Japanese territorial claims, downing of Korean Air Lines flight 007 with Japanese passengers on board, persistent violations of Japanese air space, intelligence activities in Japan, the dumping of nuclear wastes in the Sea of Japan, all contributed to an antipathy that translated into inflexible policies. The Japanese basically view Russia's Japan policy as harsh, hostile, and condescending.

Historically three factors have contributed to tensions between Russia and Japan: first, geopolitical rivalry between Czarist Russia and Japan; secondly, ideological confrontation following Russia's socialist revolution; and thirdly, increasing hostility during the U.S.–Soviet Cold War era. Although all these three factors do not exist any more as causes of confrontation but new and formidable impediments prevent Japan and Russia from fully normalizing relations and building a truly friendly relationship.

The problem of the southern Kuriles is the most difficult issue in the present Russia–Japan relations, with a complicated historical and legal background. Both sides claim the islands an integral part of their territory. The relation between Russia and Japan has never been cordial due to this dispute. In fact it has become more of an emotional question

having repercussions on the domestic politics of both countries. Japan continues to link the territorial question with larger economic issues, whereas Russian nationalist leaders associate it with their national pride. Japanese demands for a return of the so called northern territories-the southern Kurile island of Iturup, Kunashiri, Shikotan and Habomai group has become an important factor in internal Japanese politics. No Japanese Government could afford to neglect their return as a price for the improvement of the Russia-Japanese economic and political relations. In 1956 Japan and the Soviet Union concluded an agreement whereby Soviet Union promised to return two of the four islands to Japan, namely Habomai and Shikotan. But the Soviet Union never did so. The Japanese, on the other hand, have never considered the four islands to be part of the Kurile chain, but instead view them as associated with Japan's Hokkaido Island. As a result a gap exists between the stances adopted by the two countries even after 60 years since the end of World War II.

Another potential hurdle in the normalization of the Russia-Japan relations is the historical mistrust among the Russian leaders. This mistrust developed after Japan's victory in the 1904-05 Russo-Japanese war; its prolonged seizure of territory as a fruit of victory and its military intervention in Siberia after the Bolshevik revolution. This historical mistrust was reinforced in the late Gorbachev and early Yeltsin periods when Russians felt that the Japanese were trying to take advantage of Russia's weakness to make territorial gains at its expense.

Russia and Japan relations were also characterized by their disagreement about whether economics (trade, investment and credits) or politics (the territorial dispute and the signing of a peace treaty) should be the pace-setter in their relationship. The relations seemed to get positive note with the visit of Yeltsin in 1993 after several postponements. With the dissolution of Soviet Union in December 1991 Japan was pressurized by its G-7 partners to be soft in its dealings with Moscow and to extend aid generously. As a result Japan officially changed its policy of linking the growth of economic and political ties with Russia to progress on the territorial dispute, but this policy change remained declarative in nature only. In practice, Russian officials stressed the expansion of

economic ties, while by contrast their Japanese counterparts explicitly emphasised on the need for progress on political issue.

The Russia-Japan relations took a new turn with the election of Vladimir Putin as the new President of Russian in 2000. A powerful source of Putin's strength was the support he got from the nationalist forces at home, that made it extremely difficult for him to return the Northern Territories to Japan. One could even say that doing so would be tantamount to destroying the base of his authority. His foreign policy was a blend of nationalism and pragmatism. From the nationalist Putin, Japan may not reasonably expect the return of the Northern Territories in the near future. From the pragmatist Putin, however, Japan might expect the reversion of the islands, depending on the conditions and situations at a given moment. Putin realized that there will be no significant place for Russia in the present day world unless it modernise itself technologically, industrially and economically. And to achieve this end it was useful and even necessary for Russia not to antagonize but rather to cooperate with Japan. Thus Putin, like Gorbachev and Yeltsin, also confronted problems at home in dealing with the emotive problems like that of Kuriles. Whereas Gorbachev was struggling with the conservatives with a view to maintaining *perestroika*, and Yeltsin had to devote full energy to fight against nationalists and conservatives at home, Putin faced the challenge formidably posed by the resurgent nationalists.

Thus it can be said that the Russia-Japan relations need a sea change in the approach and attitude of the concerned leaders. The most unfortunate aspect of their relations has been the fact that their dialogues focused on a single issue. For Japan the only relevant goal was the return of the islands claimed, while for Russia the most important concern was economic cooperation. There will be more possibility for a solution if Japan changes its absolutist approach and reconsiders its demand of full sovereignty over all the islands. Also, Japanese economic cooperation with Russia would not only help to keep the Russian economic transition on track but it could help lower tensions in a way that would make compromises on the Kurile dispute more likely.

A stable Russia is very important for Japan. If Russia slides into authoritarianism or civil war, North – East Asia will be less secure place. This will have a direct impact on the Japanese security. Further if democratic regime collapses the chance for a territorial settlement would diminish sharply. Yet for Japanese officials and entrepreneurs the economic reasons for maintaining their cautious policy in trade and investment ties with Russia remain just as compelling as before, precisely because of Russia's uncertain political future.

Besides, for good relations between Russia and Japan stable domestic condition within each country is also essential. The frequent changes of government in both countries in the past have proved be a hindrance for the settlement.

Though, this domestic problem has been solved to a great extent, at least in Russia. While it may be impossible to Japan to accept a settlement limited to the 1956 formula, it should consider a variant by which a peace treaty with Russia and the acquisition of the Habomai and Shikotan are supplement by an arrangement for Etorofu and Kunashiri, combining demilitarization in perpetuity and joint administration.

Some take a slightly critical position towards Japan's official quest for the return of "inherent territory" note that the territorial dispute was to a large extent a product of the Cold War rivalry, in which Japan found herself firmly located within the Western camp. To a large extent, the creation of the territorial problem was a successful attempt on behalf of the American policy makers to prevent Soviet-Japanese rapprochement and to direct Japanese nationalism away from the US, who continued its occupation of Okinawa until 1972 and maintained military bases in Japan.

Though in theory there are many ways to settle territorial disputes but the most important element to resolve such issues is that it should be acceptable to both sides. The political decision of what is acceptable basically comes down to whether Japanese and Russian politicians put the interests and future of their respective countries rather than themselves first. It should be a positive – sum game that benefits both countries and not a zero-sum game. Moreover, people to people interactions should be encouraged in normalizing the relations between the two countries so that they could understand the



circumstances present in each country. This will further help in getting popular approval in both the countries for a new approach in resolving the outstanding issues.

In this respect emphasis should be given to economic relations. Siberia has the potential to be a major supplier of energy for Japan. It has huge resources of oil and natural gas, timber, coal and ores etc. Moscow and Tokyo can introduce political concerns into their bilateral economic relationship. Moscow almost certainly sees the lure of Siberian resources as a means to distract Japanese attention from territorial issues to reduce the American profile in Japan's economic life.

Finally, two possibilities can be drawn for the future of Russia – Japan relations. First from the pessimistic view the scale of the political and economic crisis in both countries is such that neither Japan nor Russia can afford to pay much attention to achieving rapprochement. The second optimistic view is that the logic of international relations in Asia in the post-Cold War period, which dictated the improvement in relations between Russia and Japan, has not changed and will continue to take the two countries towards even greater cooperation, the past disputes notwithstanding.

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