

JAPAN'S POLICY TOWARDS RUSSIA IN THE POST COLD WAR ERA

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This is to certify that the dissertation entitled "**JAPAN'S POLICY TOWARDS RUSSIA IN THE POST COLD WAR ERA**", submitted by Ms. **IPSEETA SATPATHY** in partial fulfillment of the requirements for the award of the degree of Master of Philosophy has not been previously submitted for any other degree of this University or any other University and is her own work.

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


Chairperson


Supervisor

Dedicated

To

My Parents

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Dated : 8 June 1998
Place : New Delhi

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PREFACE

With the end of the Cold War and break up of the Soviet Union, international politics has changed profoundly. The post Cold War period has witnessed countries with divergent ideologies co-operating with each other in almost every sphere. Ideological incompatibilities gave way to practical economic considerations between countries belonging to separate blocks and groups. In the aftermath of the post Cold War period, most countries reshaped their foreign policies to suit the international environment. The emerging new world order promised an era, where the nations would be able to co-operate, prosper and live in harmony.

It is in the above context that this dissertation attempts to make a detailed study of the changing nature of "Japan's Policy Towards Russia in the Post Cold War Era."

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 islands to Japan, which it never did.

The relationship between the two countries have been strained due to the territorial issue. Until recently Japan continued linking up territorial question with larger economic issues.

With the collapse of the Soviet Union and under pressure from Japan's other G-7 (Group of Seven) partners, who are simply more concerned about the need to rehabilitate Russia's economy and to keep it on the path to reform and liberalisation, Japan slowly changed its attitude.

Break through in their relationship was achieved in the November 1997 and April 1998 Summit where both the premiers have expressed their eagerness for achieving better relationship. To achieve this they have agreed to bury all the differences by 2000 and sign a peace treaty.

A modest attempt has been made in this dissertation to make a detailed study on this subject. In the first chapter I have sketched the post Cold War developments and the changing perceptions of Japanese foreign policy, towards Russia in particular and to the world in general.

In the second chapter I have dealt broadly with the territorial question and Japan's economic aid to Russia. I have traced the various G-7 meetings which saw a volte-face of Japan's aid policy towards Russia.

The third chapter deals with the bilateral trade relations and exchange of visits, i. e., various official and non-official one.

The last chapter carries the conclusion which bears testimony to the fact that relationship between the two countries has improved considerably and by 2000 relations are expected to become normal.

The study is both analytical and descriptive in nature. Primary and secondary sources available at various libraries have been consulted in writing this dissertation.

CHAPTER - I

INTRODUCTION

POST COLD WAR SCENARIO AND JAPAN'S CHANGING FOREIGN POLICY PERCEPTIONS

The end of the Cold War has brought radical changes in international relations. The world has moved away from the old ideological rigidities and barriers with no single nation how so ever powerful in a position to shape world events alone. Issues of trade and investment, resource development, scientific and technological co-operation etc., have assumed critical importance for the new world order.

The post Cold War period has witnessed a radical readjustment taking place in the foreign policy postures of various countries in Asia. They have made serious efforts to broaden their diplomatic ties. Japan also has been on the path of adjusting its diplomacy to the post Cold War environment. It has shed off its suspicious attitude towards Russia and is willing for co-operation in every sphere.

In many ways until recently, the post war relations of Tokyo and Moscow towards each other have been governed by their relations with the United States, which in turn were shaped by the Cold War. One of Washington's fears during the early Cold War era was that Moscow would entice Tokyo

into its camp by supporting socialist forces within Japan and promising access to Siberia's vast riches. To prevent this in 1947 Washington shifted its occupation policy towards Japan of demilitarisation and democratisation to economic revitalisation, and following the out break of the Korean War in 1950, rearmament.

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 neomercantilism in return for a security treaty that converted Japan into a bastion of America's 'free world' in North east Asia. So Tokyo joined Washington's containment policy towards the Soviet Union because it was in Japan's geo-economic and geopolitical interests to do so.

With the end of the cold war Japan has acquired greater freedom to pursue its own policy towards Russia as United States stance towards Russia has softened, even though the security pact between United States and Japan remains.

Japan's post cold war policy towards Russia is governed by two considerations :-

(a) Its evaluation of Russia in the changed context,

and

(b) the territorial question.

In 1956 Japan and Soviet Union concluded an agreement entitled the Japan - Soviet Joint Declaration, in which many important points were agreed upon. First of all, it was agreed to end the state of war and resume diplomatic relations. It was also agreed to resolve questions involving Japanese citizens detained in the Soviet Union. Concerning the most difficult question separating the two governments, that of the Northern Territories, it was agreed to transfer the islands of the Habomai and Shikotan to Japan.¹ A budding Japanese Soviet detente starting in 1956 was aborted in 1960 when Moscow withdrew from commitments on the northern territories.

The relations between the two countries have never been too cordial due to the territorial issue. Territorial issue is an emotional question having repercussions on the domestic politics of both countries. Therefore Japan

1. Yasue, Katori, "Japanese-Soviet Relations: Past, Present and Future," Japan Review of International Affairs, Fall/Winter 1990, p.128.

continues to link up territorial question with larger economic issues unlike in the case of China, where, Japan maintains different policies for dealing with political and economic issues.

Japan in the successive Group of 7 (G-7) meetings had always taken a strong stance towards Russia. It had even tried to globalise territorial question by seeking the help of G-7 nations.

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 has diminished. In the changed global scenario they are simply more concerned about the need to rehabilitate Russia's economy and to keep it on the road to reform and liberalisation. They now consider the territorial question as essentially a bilateral issue between Tokyo and Moscow.

They expect Japan an economic superpower to rise above its immediate bilateral interest and show collective concern in the rehabilitation of the Russian economy. Over a period of time there has been some change in Japan's attitude, as Tokyo has agreed to give economic assistance to Moscow.

Japan is economically very strong which is clear from its financial contributions to the United Nations and to various other organisations like the International Monetary Fund (IMF), the World Bank and the Asian Development Bank (ADB). Russia's economy in comparison to that of the Japanese is very weak and the former is struggling to keep its policy of liberalisation 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 a week delayed due to the rejection of his prime ministerial candidate in the Duma.

Japan's non-participation in the Gulf war of 1991 was not appreciated even by its G-7 partners after which it changed its policy and participated in operations in EL Salvador and Mozambique and has promised to co-operate positively in future United Nations Peace Keeping Operations, from the perspective of providing, personnel, material and financial contributions. When an ethnic torn Somalia was in desperate need for financial contribution, Japan immediately responded by dispersing, 100 million to the United Nations Trust Fund for Somalia, a gesture which

was appreciated by her G-7 partners. With regard to assistance for Rwandan refugees, Japan dispatched approximately 400 Self-Defence Force units and other personnel to implement its first large-scale humanitarian international relief operations and they fulfilled their mission and returned to Japan safely.² Japan is also seeking to greatly expand the scope of possible Self-Defence Forces support to US-military actions over seas through a new interpretation of the U.S. - Japan Security Treaty.³

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 commits the US to "act to meet the common danger" in case of an armed attack on Japan.⁴

In its reinterpretation of the US - Japan security treaty the document says that a new focus must be put on what kind of role the U.S - Japan security regime can play to create stable global security.

2. Foreign Policy Speech By Foreign Minister Yohei Kono To The 132nd Session Of The Diet, White Papers Of Japan, 1993-94, p.219.

3. Japan Times, 1 May, 1995.

4. Ibid.

The Defence Agency also says that a U.S nuclear umbrella extended over Japan through the security system serves as an important element to check the proliferation of weapons of mass destruction including nuclear arms.⁵

Japan as the only country to have ever experienced nuclear devastation, appealed to all nuclear weapon states, following the decision of May 1995 on the indefinite extension of the Nuclear Non-Proliferation Treaty (NPT), to take a sincere approach on nuclear disarmament towards the ultimate elimination of all nuclear weapons.

In the post Cold War scenario the Asia Pacific region has become very important for Japan both politically and economically. This region is growing very fast and Japanese investment and trade with the region has increased. East Asian countries such as South Korea, Hong Kong, Singapore, Taiwan and China have been the main beneficiaries. It is indispensable for world peace and prosperity that this region maintain its stability and continue its dynamic economic development.

5. Ibid.

It is evidently clear that in a bid to extend its role in the international sphere Japan has taken steps to promote peace in the Middle East by strengthening political dialogue, by participating in multilateral negotiations and by providing assistance to the Palestinians and to the countries surrounding Israel.

Japan has already become a strong military power in the region Japan also, like China, stepped up its military budget. The annual increase rate of its defence related expenditure in recent years has been higher than that of North Atlantic Treaty Organisation (NATO). During the 1980's, Japan's military budget was doubled. In 1993, it was increased by 4.06% and amounted to 42 billion in US dollars.⁶

With the collapse of the Cold War structure and the disintegration of the Soviet Union, Japan's dependence on the US should have been reduced but the Japanese opine that the threat to its security has not diminished much with the end of the Cold War. The existence of the Security Treaty

6. Sae-Jung, Kim, "The Role of Japan in the Post-Cold War Asia Pacific: A Korean Perspective." Korean Observer, Vol. 25, No.4, Winter 1994, p.524.

between Japan and the United States it is argued, guarantees the non-emergence of Japan as a military power. East and South East Asian countries in particular need to be continuously assured of this fact having suffered the wrath of Japanese militarism during the pre-world war period.

After the end of the Cold War, Japanese foreign policy makers, in searching for an increasing international role, have broadened the base of their country's foreign policy. Close relations with the US will probably continue to be the "Cornerstone" of Japan's foreign policy. This fact has been time and again reiterated by successive Japanese leaders. Earlier Japan faced serious security threats from the Soviet Union and the communist China but now there is no such security threat.

Japan and Russia could not build up cordial relationship due to the disputed islands. President Yeltsin visited Tokyo in October 1993 and pointed out that a territorial problem existed which not only related to the two islands of Habomai and Shikotan but also to Kunashiri and Etorofu. A joint communique was issued by Yeltsin and the then Prime Minister of Japan Morihiro Hosokawa whereby the two countries agreed to continue talks towards

concluding a peace treaty through resolution of the territorial dispute on the basis of the principles of "law and justice."

After the October 1993 summit not much could be done regarding strengthening of ties between them, owing to such factors as the rise of nationalistic and conservative forces in the Russian parliamentary elections at the end of 1993 and 1995, the turmoil surrounding the presidential election of June 1996, and Yeltsin's health problems.⁷

Yeltsin, after being elected as the President appointed Yevgeny Primakov as the foreign minister, who worked towards normalising the relationship between the two countries. In November 1996, it was Primakov who first proposed joint development of the Northern Territories. On 23th January 1998 in Moscow, Russian Deputy Foreign Minister Grigorii Karashin asked his Japanese counterpart to begin joint economic activities on the disputed islands.⁸

It was Japanese Prime Minister Hashimoto who on July 24, 1997 in a speech to the Japan Association of Corporate

7. Hakamada Shigeki "Building a New Japan - Russia Relationship", Japan Eco, Dec. 1997, p-29.

8. Japan Times, 24 January 1998.

Executives (Keizai Doyukai) in Tokyo set forth a new policy towards Russia. He declared Japan would constructively promote bilateral economic relations and resolution of the Northern Territories problem on the basis of the three principles of trust, mutual benefit and maintenance of a long-term perspective.⁹ Hashimoto also enunciated the concept of a "Eurasian diplomacy viewed from the Pacific"¹⁰ that would encompass the Central Asian and Caucasus republics.

The repeated shooting of Russian border guards at Japanese fishing boats around the disputed island after August 1994 led to the signing of an agreement on 30th December 1997 which paved the way for safe Japanese fishing.

Russian President Boris Yeltsin and Japanese Prime Minister Ryutaro Hashimoto met on Nov. 97 in the Siberian city of Krasnoyarsk. The two leaders agreed to set a deadline for signing a Russo-Japanese peace treaty by the year 2000, the last legal formality required for officially bringing World War 11 to a conclusion.

9. Ibid, p-22.

10. Ibid.

To promote what they are calling the "Hashimoto-Yeltsin Plan,"¹¹ the two leaders agreed to strengthen dialogue through such channels, as a joint committee on trade and economics.

The "Hashimoto-Yeltsin Plan" features cooperation to bring about a balanced free economy in Russia, transforming the nation into a market economy, and promoting the development of energy resources in Russia.

Russian President Boris Yeltsin visited Tokyo on 18 April 1998, both the premiers met at Kawana, Shizuoka Prefecture and Yeltsin 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.¹²

As close and increasingly better neighbours, Japan and Russia share a responsibility to maintain peace and promote prosperity in their neighbourhood, North East Asia.

11. Japan Times, 2nd November, 1997, p.1.

12. Japan Times, April 19, 1998.

The November 2, 97 and April 18, 1998 bilateral summit raised some prospects for amicable settlement even though it may take some time.

Japan's foreign policy has undergone significant shifts and changes in recent years. It is desirous of playing an active role in world politics. Japan envisages a peaceful international order, where it can compete with other nations to enhance its economic interests.

Improving ties with Russia will remain as one of its major foreign policy concerns.

CHAPTER - II

**JAPAN'S POLICY TOWARDS RUSSIA - TERRITORIAL QUESTION
AND ECONOMIC AID**

Since 1956, when Japan and the USSR restored diplomatic relations, both countries have made considerable progress in the areas of foreign policy, trade, economic co-operation, transportation etc.

The most serious barrier today to a major improvement in relations between Tokyo and Moscow is the long-standing and bitter dispute over a number of small islands lying between the northern Japanese island of Hokkaido and the USSR's Kamchatka Peninsula. The territories in question Etorofu, Kunashiri, Shikotan and the Habomai Islands are claimed by both the Japanese and the Soviets, but have been occupied by the latter since the end of World War II. The first two are to 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. Shikotan and a cluster of small islands known as the Habomais lie off the northeastern coast of Hokkaido. Japan refers to these islands as the Northern Territories and asserts that their return is the sine qua-

non for the negotiations for a peace treaty with the USSR to end the formal state of war between the two countries and for the development of good relations with Moscow.

The Northern Territories comprise about 5,000 square kilometers, with the southern Kuriles making up 90% of the total land area. No Japanese citizens currently reside in the Kuriles, some 16,000 having been repatriated after the Soviet occupation at the end of the World War II.¹

Legal arguments over the islands started with the inauguration of official relations between Russia and Japan in 1855 when they signed the treaty of Commerce, Navigation and Delimitation (the Shimoda Treaty), which set the border between Etorofu and Urup in the Kurile island and a condominium over Sakhalin island.² In 1875 Russia and Japan signed the Treaty of St.Petersburg, under which Japan relinquished its rights to the joint possession of Sakhalin and in return received territorial rights to the Kurile islands. In these treaties, the term Kurile islands

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1. Andrew Mack and Martin O'Hare "Moscow-Tokyo And The Northern Territories Dispute," Asian Survey, Vol.XXX, No.4, April 1990, p.380.
 2. G.Clark, "Western Media should do More Study on Japan-Territorial Dispute", Japan Economic Journal, 13 April 1991.

referred to the 18 islands from Urup northward. This is important to the Japanese as their claim rests in part on the premise that Etorofu and Kunashiri (the southern Kuriles) were not historically considered part of the Kuriles and along with Shikotan and the Habomais, have never belonged to any country other than Japan. The status of the disputed territories was not changed by the Treaty of Portsmouth that followed the Russo-Japanese War of 1904-05 but as a consequence of this war, the southern half of Sakhalin also came under Japanese control. Thus prior to World War II, the entire Kurile chain, Shikotan, the Habomais, and southern Sakhalin south of 50N latitude were under Japanese sovereignty.

In April 1941 the Soviet Union concluded a Neutrality Pact with Japan that was intended to run for five years. The two powers agreed to maintain peaceful and friendly relations and to respect each other's territorial integrity. Following Tokyo's entry into World War II, however, pressure mounted on the Soviets to join the allies in the struggle against Japan. At the Teheran Conference in December 1943, Stalin reiterated an earlier pledge to join the war against Japan once Germany was defeated, and at Yalta in February

1945, he outlined the political conditions under which the Soviet Union would enter the war. It was agreed, inter alia, that "the southern part of Sakhalin as well as all the islands adjacent to it shall be returned to the Soviet Union" and that "The Kurile islands shall be handed over to the Soviet Union".³

In November 1943 the Cairo Declaration enunciated the principle of territorial non-expansion and stipulated that Japan would "be expelled from all territories which she has taken by violence and greed".⁴ In August 1945 the Soviet Union declared war against Japan, attacked Manchuria, and occupied the Kuriles. 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.⁵

3. Edward R. Settinuis, Roosevelt And The Russians At The Yalta Conference (Jonathan Cape, London), pp. 89-92, 313-14.

4. Rajendra Kumar Jain, The USSR and Japan 1945-1980 (Brighton-England : Harvester Press, 1981) p.212.

5. Wolf Mendle "Stuck in a Mould? The Relationship Between Japan and the Soviet Union", Paper presented to the International Studies Association, London, March 1989, pp.9-10.

The Soviets thus became the defacto masters of what the Japanese have never ceased to call "the Northern Territories."⁶ 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".⁷

The Japanese argue that the soviet declaration of war against Japan in World War II was a violation of the five-year Neutrality Pact of 1941. They also argue that the Northern territories have always been under Japanese sovereignty and therefore cannot be included as territories "taken by violence and greed" as set out in the 1943 Cairo Declaration. They further argue that the principle of territorial non-expansion articulated in Cairo precludes Japan's own territory being usurped. The secret Yalta Agreement, say the Japanese, was a statement of objectives,

6. Andrew Mack and Martin O'Hare, "Moscow-Tokyo And The Northern Territories Dispute", Asian Survey, Vol. xxx, No.4, APRIL 1990, P.383.

7. John Stephan, The Kurile Islands (Oxford : Clarendon Press 1974), p.245.

not an international agreement and the Japanese were not a party to it. The Japanese maintain that the 1855 and 1875 treaties with Russia define the Kurile islands as excluding both Kunashiri and Etorofu. The 1951 Peace Treaty does not concede sovereignty to the Soviets over the territories in question. Indeed, Soviet failure to obtain agreement from all of its wartime allies that Moscow should have sovereignty over these territories was one of the main reasons for Soviet refusal to sign the Peace Treaty. In Tokyo's view, Moscow's failure to sign and ratify the treaty precludes the Soviet from any right or benefit that may flow from it.

The Soviet Union's claim is based on the agreements reached at Cairo, Yalta and Potsdam, as well as the 1951 Peace Treaty. The Potsdam Declaration, accepted by Japan in the Instrument of Surrender, 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 maintain that the Yalta Agreement and Potsdam Proclamation are indivisible. More salient, however, is the

fact that Japan renounced all claim to the Kurile islands in the 1951 Peace Treaty. 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 and southern Kuriles. The Soviets point to the fact that the Japanese knew at the Peace Treaty negotiations that they were renouncing the entire Kurile chain, and indeed records of Diet committee sessions attest to this fact.⁸ 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".⁹ The Soviets argue, 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 1904-5.¹⁰ Moscow's view is that Soviet sovereignty over the disputed islands was

8. Ibid, pp. 199-200.

9. Igor Rogachev, "Unwarrented Claims", Isvestia, April 24, 1989.

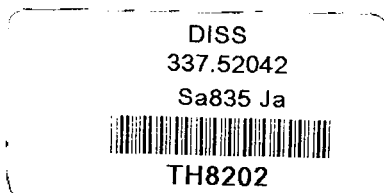
10. C.Young, Kim, Japanese-Soviet Relations : Interaction of Politics, Economics, and National Security (Washington D.C., Georgetown University, 1974), pp. 31-32.

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rooted in history, decided at Yalta, confirmed at Potsdam and finalised at San Francisco.

In the Joint Declaration of 1956, the Soviet agreed to transfer the Habomai Islands and Shikotan to Japan after the conclusion of a peace treaty. In response, the Japanese government revised its claim to include the southern Kuriles as well as Shikotan and the Habomais. Japan also brought up the issue of southern Sakhalin and the northern Kuriles under pressure from the United States. In 1960, the Soviet Union refused to return the two islands because of the revision of the Japan-US Security Treaty which was basically aimed at containing the Soviet Union in the Pacific and the latter demanded the removal of all foreign (i.e. U.S.), troops from Japan as a condition for the return of Shikotan and the Habomais. Japan was unwilling to abrogate its security alliance with the United States for the sake of the islands in question and the Soviets declared the issue closed.

In 1971 President Nixon visited Beijing and because of this the Soviets became increasingly concerned at the possibility of an anti-Soviet Washington-Beijing-Tokyo axis developing, and Moscow began signaling that the territorial



issue was still unresolved the implication being a solution needed to be found.

The developments in the seventies had a profound impact on shaping Japan's security policy as well as its relations with the Soviets. After the thaw between China and the United States, the leadership in Moscow felt the urgent need to beef up its military strength in the Pacific. The Vietnamese troops march into Cambodia in late 1978 and the Soviet military intervention in Afghanistan in late 1979, made the Japanese for the first time in 1981 name the Soviet Union as the main adversary, something that Japan had scrupulously avoided till then.

Moscow is concerned that the return of all or some of the Northern Territories might set a precedent for the return of other territories occupied by the Soviet Union. Although Gorbachev made significant territorial concessions to North Korea in the border treaty between Moscow and Pyongyang in 1984 and China on the Amur River dispute in 1986 but these were made before the upsurge of irredentist unrest in the Baltic States and other parts of the USSR.

Georgi Arbartov, the influential director of the Institute for the Study of the USA and Canada, stated in

September 1989 in Tokyo that Moscow could not make any territorial concessions since even the return of "one half of a small island" would "open up the whole Pandora's box of territorial questions."¹¹ In December 1988, a Soviet diplomat stated that "Moscow almost certainly could not move on the islands issue while internal minority problems are unresolved".¹² The Soviets are also concerned that any concessions to Japan could have an impact on the USSR's still unresolved territorial disputes with China. There are also important political interests at stake in the Japanese government's unyielding stance on the territories issue. The continued Soviet refusal to give up territories perceived as belonging to Japan has certain political advantage for a conservative and pro-American Japanese government. The continued Soviet presence on the islands, the military build up of the past decade, and Moscow's "rejectionist" attitude towards a solution have all served to maintain the salience of the Soviet threat in the public domain. This in turn has helped to reduce public opposition

11. Daily Yomiuri, September 19, 1989.

12. Charles Smith, "Time to Compromise", Far Eastern Economic Review, 22 December 1988, P.28.

to incremental increases in the defense budget. Increasing defense expenditure has helped soften U.S. criticisms that Japan is a security "free rider" and insufficiently sensitive to common Western security interests, as well as helping to assuage U.S. demands for alliance "burden sharing". Increased defence expenditures, involving the purchase of large amounts of U.S military hardware, have helped reduce the huge U.S. trade deficit with Japan.

An unresolved Northern Territories issue thus has a positive function for the Japanese government in terms of both security and economic relations with the United States. The Northern Territories are strategically located in that they guard the southern gateways to the Sea of Okhotsk from the Pacific and provide the most secure passage for Soviet surface combatants and submarines in and out of the Pacific Ocean. The Sea of Okhotsk is a major deployment area for Soviet missile firing submarines (SSBNs) operating out of Petropavlovsk on the eastern coast of Kamchatka Peninsula. A new generation of long-range missiles has enabled the Soviets to deploy their SSBNs in highly defended bastions like the Sea of Okhotsk and still be in striking range of

targets in the Western United States.¹³ So in the 1990s the Northern Territories have a far greater strategic significance than they had in 1956.

In October 1993 Yeltsin visited Tokyo and a joint declaration was issued by Yeltsin and the then Japanese prime minister Morihiro Hosokawa which said that the two governments must solve the territorial dispute basing on the principle of law and justice. It also suggests that Japan will not begin negotiating on the premise of a 1956 document that suggests that only two islands would be returned to Japan¹⁴

The two governments signed no less than sixteen documents to strengthen bilateral co-operation in various fields.¹⁵ A significant document among them is the one stressing the importance and necessity of the indefinite extention of the Nuclear Non-Proliferation Treaty (NPT), an early start for the negotiations for a comprehensive nuclear test ban treaty, an early coming into force of Strategic

13. Geoffry Till, "The future of the Soviet Navy and its implications for the Asia-Pacific Area," The Korean journal of defence Analysis, Summer 1990, pp.78.

14. The Hindu, April 20, 1998.

15. The Hindu, Oct. 14, 1993.

Arms Reduction Treaty I and II (START) and the restraint on the supply of conventional weapons.¹⁶

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. In December 1988 a Japanese defense official claimed that the Soviet had added 3,000 more troops ten petrol boats, Mi-24 helicopters, and many additional aircraft to the island garrisons.¹⁷

However, the advent of Mikhail Gorbachev as Soviet Premier in 1985 and his subsequent policies opened a new era of relations between the Soviet Union and the countries of Asia-Pacific. He ceased to look at Japan as an appendage of the United States - instead generous economic assistance was sought from Japan. Former Prime Minister Yasuhiro Nakasone desired to sign a peace treaty with the Soviet Union.¹⁸ However, Japan could not take any major initiative in defiance of Washington.

16. Ibid.

17. Edward Neilan "Soviet Refuse to Cut Forces on 4 Islands", Washington Times, 22 December 1988. p.7.

18. Peggy Lewine Falkenleen, "Moscow and Tokyo : Slow thaw in North-east Asia," World Policy Journal, Winter 1990-91, pp. 161-62.

Gorbachev dispatched his foreign Minister, Edward Shevardnadze, to Tokyo in January 1986 as a first step to establish contacts with a country which he considered the key to the economic boom in the Asia-Pacific region. In the same year Gorbachev also agreed to permit Japanese to visit the graves of their relatives in the disputed Northern Territories, which were suspended a decade ago primarily for political reasons, this he stated during a visit by the Japanese Foreign Minister, Shintaro Abe, in May 1986.¹⁹

During Abe's visit Gorbachev declared that the Soviet possession of the four islands is 'based on legality as a result of World War Two' and that "Japan is trying to take up a problem which must not be taken up. It is a problem concerned with the inviolability of national borders."²⁰

Japanese enthusiasm to get closer to the soviet Union was dampened after the 1986 Toshiba affair which resulted in severe indictment of Japanese companies for their callous behaviour while dealing with the Soviets.

19. Robert Legvold, "Soviet Policy in East Asia", Washington Quarterly, Spring 1991, pp. 131-134.

20. Sankei Shimbun, Ist June 1986.

Though Japan was ready to respond to the Soviet overtures, it was unrelenting in getting back the islands in dispute. By the time Japan's Foreign Minister, Sosuke Uno, visited Moscow in May 1989 he was already talking 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.²¹ 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.²² With no change in the Soviet position on the disputed islands during the talks. Japanese Foreign Ministry officials expressed doubts that the working level discussions would lead to much progress.²³

The Soviets complained about Tokyo's hard-line stance on the issue and the Japanese in turn sharply criticized the Soviet refusal to allow that phrase "the territorial issue

21. G.V.C. Naidu, "The Kurile Issue and Japan Russia Relations," Strategic Analysis, June 1992, p.269.

22. Ibid.

23. Asahi Shimbun, 21 Dec. 1988.

has been discussed" to be inserted into the joint communique following the December talks.²⁴

When Shevardnadze travelled for the third time in September 1990, the bitterness of the part animosities had reduced considerably and the differences did not appear to be as sharp as they had been earlier. He submitted an eight-point proposal for bilateral confidence building measures. Among the measures he proposed were mutual notification of large-scale military exercises, advanced notification of the closure of sea areas for firing practice, invitation of observers to military exercises and manoeuvres, and direct contacts and exchanges between the Soviet Ministry of Defense and the Japanese Defence Agency.²⁵

It was decided by Moscow and Tokyo in September 1990 that President Gorbachev would visit Tokyo in April 1991 to discuss, among other things, the disputed islands. In the period preceding Gorbachev's visit there were rumours that

24. "Paper Reviews Debate on Northern Territories", FBIS, Daily Report, East Asia, 89002 (January 4, 1989), annex p.6.

25. Peggy Levine Falkenheim, "Moscow and Tokyo : Slow thaw in North-East Asia", World Policy Journal, Winter 1990-91, p.164.

Moscow was prepared to revive its 1956 offer to return Shikotan and Habomai to Japan while acknowledging Japanese sovereignty over all four disputed islands. Soviet minister Grigory Yavlinsky in September 1990 pointed out that the islands did in fact belong to Japan under the 1855 treaty, this was in fact a reversal of Soviet official statements. Similar statements emerged from the flurry of diplomatic exchanges preceding the summit.

Japan too was receptive to the idea of a phased return of the islands. The powerful Secretary - General of the ruling Liberal Democratic Party (LDP) Ichiro Ozawa, said in March 1990 before leaving for Moscow for talks with Gorbachev, that Japan would accept the return of the two islands and the larger two islands could be returned later provided Moscow was ready to accept Japanese sovereignty over the islands.²⁶

When Ozawa visited Moscow in March 1990, both Ozawa and Gorbachev discussed, among other things, massive aid for the islands. Upon his return Ozawa talked openly of a trade of \$ 26 billion in soft loans and grants for the islands.²⁷

26. Mainichi Daily News, 29 April, 1991.

27. S. Quinn - Judge & A Rowley, "Cash for Kuriles", Far Eastern Economic Review, 11 April, 1991, p.12.

After the exchange of many visits by high ranking officials between Moscow and Tokyo, the much awaited Gorbachev's visit to Japan took place in mid April 1991. By then, it was felt that considerable ground work had been done to make it a success. Even as late as March 1991, there were clear signals sent out by the Soviet officials that the Soviet government was willing to consider the validity of the Soviet Japan joint declaration of 1956 and to return the islands of Habomai and Shikotan after a peace treaty was signed.

Mikhail Gorbachev's main goal in policy towards Japan during his leadership of the Soviet Union (1985-91) was to enlist, Japanese capital and technology to supplement Perestroika. But Japan on the other hand had always linked up economic issues with political issues as far as their relations with Soviet Union were concerned whereas for China they maintained different policies for economic and political issues.

Japan was adamant enough not to give any aid unless territorial concessions were made. Japan's Russia policy was dictated by the country's passion for the Northern Territories.

From 16 to 19 April 1991, President Gorbachev visited Japan. Japanese Prime Minister Toshiki Kaifu and Gorbachev engaged in six negotiation sessions for a total of eight hours with Gorbachev calling them the toughest he had ever endured.²⁸ Yet no progress was made on the islands dispute mainly because of the rapidly changing situation in the domestic politics of both the Soviet Union and Japan. While the simmering ethnic conflict and opposition from Boris Yeltsin and the military made it difficult for Gorbachev to clinch a deal with the Japanese, in Tokyo it was felt that it was Moscow that was at the receiving end, desperately in need of Japan's economic assistance. Contrary to expectations, Gorbachev refused to revive Moscow's 1956 offer to hand over Shikotan and Habomai after the conclusion of a peace treaty. Kaifu repeated the Japanese position that no large-scale aid would be forthcoming until progress was made on the northern territories.²⁹

28. New York Times, 19 April, 1991.

29. William Nester, "Japan, Russia, and the Northern Territories : Continuities, changes, obstacles, opportunities", Third World quarterly, Vol.14, No.4, 1993, p.725.

Prime Minister Toshiki Kaifu was already under public pressure for what was considered a major foreign policy failure in the Gulf crisis. The Japanese public resented the way pressure was exerted on Japan to sign out cheques to the tune of US\$ 13 billion but with little say or political role during the course of the war.

Gorbachev and Kaifu, did agree on fifteen minor issues of which the most important was a \$450 million Japan Export-Import Bank loan to Moscow to finance the repayment of overdue Soviet debts to Japan, and the release of \$100 million in humanitarian aid frozen since the Baltic crackdown in January 1991. Among the more important other agreements were Tokyo's consent to Japan's National Oil Corporation to develop natural gas fields in Sakhalin.³⁰

The six round of talks which Gorbachev had with Kaifu focussed mainly on the territorial dispute. Cracks were already developing in the Soviet Union, the ethnic strife and boundary disputes among the Soviet republics had reached alarming proportions. Gorbachev pleaded for understanding and aid before Japan's political and business elite. In a

30. Ibid.

speech before the Japanese Diet during his April 1991 visit, Gorbachev called for genuine aid and said. "If we don't halt the disintegration of the state of the economy, the law, and relations between republics - the country will fall into chaos that gives birth to dictatorship. Despair and hopelessness are a serious threat to the progress of civilization. Advanced countries help themselves by helping others.³¹ Japanese domestic factional politics had rendered Kaifu's own position very insecure and as because he was seeking a second term in office, he could not risk further his already weak position by accepting to extend economic aid without resolving the islands issue. Despite Gorbachev's desperate pleas, Japan's political and economic elite refused to approve massive increases in trade, aid or investment.

After the visit, Gorbachev himself announced in Moscow that a break through in relations with Japan was possible, but could not be achieved.³² Boris Yeltsin who had by then become the President of the Russian Federation, warned that

31. New York Times, 21 April 1991.

32. Mainichi Daily News, 10 April 1991.

Gorbachev did not have any authority to decide on the disputed islands issue. He announced that any agreement Gorbachev might make on the territorial issue would be invalid without the federation's consent. The Soviet military too, which was probably the only component that kept the Soviet Union together and wielded considerable influence on decision making, was not willing to trade territories for financial gains at the cost of the country's security. Just before Gorbachev's visit, the then Defence Minister, Dmitri Yazov, categorically stated in an interview to a Japanese daily that there was no room for compromise on the Northern Territories dispute. He contended that the four islands were important as a border out post for the Soviet Union and hence vital for the Soviet security. Unequivocally he asserted that Gorbachev alone could not decide on the territorial question.

In its pursuit to get the islands back, Japan not only denied any major investments or financial assistance to the Soviet Union but also opposed Soviet entry into GATT. Japan openly expressed its unhappiness over ASEAN's decision (at Malaysia's instance) to invite the Soviet Foreign Minister with the status of an observer to its summit ASEAN foreign Ministers meeting in 1991.

In contrast to Japan's position on China, the former's attitude towards economic aid to the Soviet Union was governed by narrow self interests Japan had even gone to the extent of globalising the territorial issue. Following the collapse of the Soviet Union in December 1991, economic aid to the 15 former republics to support a stable transition to a market economy became a major topic of discussion among western nations. Of special concern was the issue of what kind of aid would be appropriate. In December 1990 the World Bank, IMF, Organisation 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.³³ The authors of the report therefore recommended that assistance should be provided in the form of humanitarian aid, such as food and medical supplies in addition to aid aimed at increasing energy production.

33. Asian Security 1992-1993, Compiled by Research Institute For Peace and Security Tokyo, (Brassey's U.K.) p. 129.

Under pressure from United States, Germany and other powerful nations Japan has slowly changed its stance towards Russia and this is evident in the successive G-7 (Group of Seven) meetings. In the 1989, G-7 (Group of Seven) summit held at Paris in July, Japan was opposed to the imposition of any sanction against China following the Chinese government's suppression of the democratic movement in the Tiananmen square incident in June 1989. Japan argued that if China is isolated it will become aggressive hence existing normal relations with China should not be disturbed. So no new sanctions were imposed on China Japan did not commit anything regarding aid to Russia.

At the next G-7 summit held at Houston in the U.S., Japan stated that it would start implementing its third Official Development Assistance (ODA) loan package of 810 billion yens to China which had been temporarily suspended after the Tiananmen square incident. In this meet also Japan took a very hostile attitude towards the Soviet Union because of the territorial question.³⁴

34. K.V. Kesavan, "Japan and G-7", World Focus, June 1995, p.11.

In the 1991 (G-7) summit at London Gorbachev was to participate as a special invitee and the forum was to become 'G-7 plus one'.³⁵ The Soviet President found an ally in the German Chancellor Helmut Kohl who openly lobbied for support to Gorbachev's reforms. Italy and France also joined Germany in their support for reforms in Russia. Within the G-7, Japan was pressurised not to link the territorial question with extending economic assistance to Moscow. In October 1991, Tokyo departed from its earlier stubborn attitude by declaring its willingness to extend \$2.5 billion in economic aid to Moscow. The amount included \$500 million in Export-Import (EXIM) bank loans for Russia to cope with immediate food and medical shortages.³⁶

On October 14 1991, the G-7 Finance Ministers met at Bangkok along with their Russian counterpart and reached an agreement to help the Russian Federation and the former republic and restructure their economies.

At the G -7 meeting in July 1992 at Munich Japan was least supportive of aid to Russia. In the April 1992 G-7

35. Ibid.

36. Ibid.

finance ministers meeting it was announced that a sum of \$ 24 billion in financial assistance would be given to Russia in an effort to stabilize its economy. Of that amount, \$11 billion would go to food and medical supplies and the remaining \$13 billion would be reserved for debt repayment and stabilization of the ruble. Stability of the ruble was necessary in order to meet the tough conditions set by the International Monetary Fund (IMF) especially reduction of the national debt.³⁷

Russian economic reforms made slow progress however, and the debt problem worsened. Along with Russian membership in the IMF, it was announced that \$1 billion of the \$4 billion in IMF assistance agreed on at the Conference would be furnished in advance as an emergency measure. 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.³⁸ In anticipation of President Yeltsin's visit to Japan in September 1992, Japan decided to

37. Asian Security, Compiled by Research Institute For Peace and Security Tokyo (Brassey's U.K.), 1993-1994, p.138.

38. Asian Security 1993-94 Research Institute For Peace and Security Tokyo, (Brassey's UK) P 138.

add \$50 million in emergency food aid (making a total of \$100 million) and to supply \$700 million of trade insurance to Russia. But Yeltsin decided to cancel his visit in response to the inflexible position on the territorial dispute that Japan had demonstrated at Munich summit and during Japanese Foreign Minister Watanabe Michio's visit to Moscow in August 1992. Although Yeltsin canceled his visit, \$100 million in emergency food aid and medical supplies were delivered at the end of September via the Import -Export Bank.³⁹

The last minute cancellation of Yeltsin's September 1992 visit to Japan demonstrated how powerful domestic political constraints could be. The trip was cancelled off because Yeltsin could not address the territorial dispute in the way that was simultaneously defensible at home and acceptable to the Japanese government. Tokyo wanted at least a recognition of Japanese sovereignty over all the islands and to return within a short period the Habomais and the Shikotan. Yeltsin could not accept such terms without grave political risks to his position. Japan did not offer

39. Ibid.

any substantial immediate economic benefits to make those risks less formidable and a deal more defensible at home. Indeed, in the negotiation prior to the scheduled visit, Japan would not go beyond agreeing to supply \$ 825m, in previously committed aid.⁴⁰

In July 1992, Russia granted South Korea fishing rights off the islands, soon after Yeltsin's trip was aborted. A Hong Kong company received rights to build a Casino on Shikotan, in December 1992, the Russian government announced the creation of special economic zones on the islands with long term bases to entice foreign investors.⁴¹ All these acts, ostensibly purely economic, drew protests from Japan because they also asserted that Russia would continue exercising sovereign control over the Kuriles, irrespective of Japanese claims.

In October the same year in a conference of aid donors to the former Soviet Union held in Tokyo it was decided to organise separate meeting (with World Bank assistance) to discuss support for the 12 former Soviet republics. In

40. Gelman, *Russo-Japanese Relations*, pp.72-74.

41. Robert F. Miller, *Russian Policy Towards Japan*, in Peeter Shearman (ed.) *Russian Foreign Policy since 1990* (Boulder, Co. West View Press, 1995), pp.147-148.

accord with an agreement reached by the Organisation for Economic Co-operation and Development (OECD) Committee on Development Assistance in November 1992, Japan announced that it would support economic reform in these five countries by means of ODA, providing a loan to Kyrgyzstan in April 1993.

In 1993 the deadlock continued between Russia and Japan over the Northern Territories, which meant that there was little fundamental change in the bilateral relationship. In April 1993 Yeltsin believing that Japanese policy towards the island had shifted announced that he intended to visit Japan in the following month. The replacement of Watanabe Michio, the Japanese foreign minister, who was perceived as a hard liner on the issue, Muto Kabun was taken as a favourable sign. Even more encouraging was a speech by Muto in mid-April in which the new foreign minister appeared to say that Japan would end its linkage of aid with the territorial issue.⁴² Muto's remarks were subsequently clarified by the foreign ministry, which had been alarmed by

42. Asian Security 1993-1994, Compiled by research Institute for Peace and Security, Tokyo (Brassey's UK) p.75.

reports in both Japanese and foreign newspapers that Muto's speech represented a reversal of Japan's policy. After a round of Japanese Russian consultations Moscow realised that Tokyo's policy had not changed and Yeltsin angered the Japanese again when he cancelled another summit scheduled for 25 May 1993. This came a month after Tokyo had agreed to extend \$ 1.8 billion in new 'aid' to Moscow as part of \$ 28 billion western aid package.⁴³ So Yeltsin's cancellation at this juncture appeared very insulting for the Japanese.

In the first half of 1993 Russia had withdrawn the Mig 23 fighter jets stationed in the Northern Territories, a move that had made a positive impression on Japan.

In April 1993, finance and foreign ministers of the G-7 nations meeting in Tokyo agreed upon an aid package for Russia totalling \$ 43.4 billion. While Japan supported this process of international arrangements on aid to Russia, it also announced its own policy of providing \$1.82 billion in aid through bilateral arrangement. This sum included \$ 320 million in grants (\$100 million in humanitarian aid \$120 million in technical aid, and \$100 million in aid for the

43. William Nester, "Japan, Russia and the Northern Territories," Third World Quarterly, Vol.14, No.4, 1993, p.727.

destruction of nuclear weapons) and \$150 million in loans (\$110 million in trade insurance and \$40 million in export credits). Of that total, \$100 million would go to Kyrgyzstan, Moldova, Georgia and Turkmenistan in the form of medical supplies.⁴⁴

Yeltsin came to Tokyo for the post G-7 meeting on 8-10 July 1993, and Japan did not raise the territorial issue. President Yeltsin reciprocated Japan's co-operative policies with corresponding co-operative moves when he apologized at a press conference for the extended detention of Japanese Prisoner's of war in Siberia after World War II.⁴⁵

After reaching Tokyo Yeltsin stated that relations with Japan constitute one of the highest priorities of Russian foreign policy, and promised to remove the obstructions of the past and to reach a final peace treaty.

At the end of April 1993, the policy making Interim Committee of the IMF approved the creation of the Systematic Transformation Facility (STF) to help members make the

44. Asian Security, 1994-95, Compiled by Research Institute For Peace and Security Tokyo (Brassey's U.K.), P.128-129.

45. Asian Security, 1993-94, Compiled by Research Institute For Peace and Security Tokyo (Brassey's U.K.), p.75.

transition to market oriented economies. On 30th June Japan decided to provide the first \$1.5 billion loan. In addition to its support for the STF, Japan announced at the July 1993 G- 7 meeting that it would provide \$200 million in financial aid and \$125 million in technical support for the \$3 billion, "Special Privatization and Restructuring Program."⁴⁶

Japan has shifted the focus of its ODA policy from a linkage of economics and politics to balanced expansion, and has become deeply interested in Western aid to Russia. By the end of 1993 Japan had committed \$500 million in aid to Russia, placing it third in aid contributions behind Germany and the United States according to the commitment base of Western donors.⁴⁷

In January 1993 the OECD recognised the five central Asian republics of the former Soviet Union with their relatively small economies as ODA-recipient nations. Japan is continuing to provide technical assistance in the form of study and training programs. In October 1993 Japan provided

46. Ibid, p.129.

47. Ibid.

Kyrgyzstan with \$60 million as it supports regional stability and the transition to a market economy.⁴⁸

At the 1994 G-7 summit at Napoli in June, Japan announced it would provide finance totalling \$200 million through the Export-Import Bank to support Ukrainian stability and reform. It has also announced its intentions of providing 'denuclearization aid' to assist Ukraine in dismantling its nuclear weapons.⁴⁹

Although financing from the Export-Import Bank and export credits (totalling \$600 million) for Russia were announced in April and October 1993, political and economic chaos in Russia delayed implementation. Starting in 1994, however several projects such as the laying of communication cables, and the modernisation of truck factories and oil refineries got underway, making it possible for the financing from the Export-Import Bank to start. Plans have also progressed to convert \$500 million in unused humanitarian aid for use in large-scale projects. A fund for small and medium sized business decided upon in April

48. Ibid.

49. Asian Security, 1995-1996, Compiled by Research Institute For Peace and Security Tokyo (Brassey's U.K.) P.132.

1993 was also finally established in October 1994 with joint funds from the European Bank for Reconstruction and Development. Japan's contribution was \$20 million.⁵⁰

Although Japan has yielded to Western, and particularly US, demand to provide considerable economic aid for Russia's attempted shift in economic priorities, it has been unable to translate this aid into much political influence. For example, Deputy Prime Minister, Oleg Soskovets, who visited Japan in November 1994, was unable to secure the kind of economic aid Russia wished without giving any ground on the Northern Territorial issue.⁵¹

Russia and Japan continued to disagree 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. This was apparent during the (November-December 1994) visit to Japan by Russian Deputy Prime Minister Oleg Soskovets and parliamentary speaker Ivan Rybkin (April 1995), and from the remarks made in February 1995, by the then Foreign Minister

50. Ibid.

51. Ibid, p.74.

Andrei Kozyrev (prior to his departure for Japan). Russian officials stress the expansion of economic ties, by contrast their Japanese counterparts, explicitly invoking linkage emphasise on the need for progress on political issues.⁵²

Primakov was quoted as saying at a press conference on 12 January 1996 in Moscow that Japan should leave the setting of the territorial problem for future generations and meanwhile, develop relations in order to create the most favourable situation for settling it in the future. In response a Japanese foreign ministry official said that Primakov's suggestion was unacceptable.⁵³

When Japan offered to provide Russia with \$100 million for reconstruction of extensive damage that had occurred in the Northern Territories as a result of a devastating earthquake in October 94, the Russian government hurried to deny that it had any intention of returning the territories to Japan. When Sakhalin was hit by a massive earthquake in May 95 Japan offered aid for the victims, but Yeltsin immediately made some off the cuff remarks to the effect that Russia did not need Japan's aid because Japan might use

52. Japan Economic News Wire, 28 Feb. 1995.

53. Japan Times 13 January 1996.

it to pressurise Russia in an attempt to regain its lost territory.⁵⁴

After 30 December 1997 agreement Japanese fishing vessels are free to fish around the disputed islands and this agreement concluded bilateral negotiations, begun in March 1995 to ensure safety of Japanese fishing operation.

Japan appears to have high hopes for a break through in a long-standing territorial dispute with Russia following the November 2, 1997 agreement between Prime Minister Ryutaro Hashimoto and Russian President Yeltsin by concluding a bilateral peace treaty before the turn of the century.⁵⁵

Japanese foreign minister Keizo Obuchi lauded the informal summit between Hashimoto and Yeltsin that took place in the 1st week of November 97, in the east Siberian city of Krasnoyarsk, saying the summit talks achieved more than expected. "The achievements are far greater than those of an official summit,"⁵⁶ Obuchi said.

54. Asian Security, 1995-1996, (Brassey's U.K) p.74.

55. Japan Times, 3, November, 1997.

56. Japan Times, 3, November, 1997, p.3.

Taku Yamasaki, the chief policy maker in Hashimoto's ruling Liberal Democratic Party, called the Japanese Russian agreement to set up a framework for a peace treaty the "biggest achievement" of the Hashimoto cabinet.⁵⁷

The Management and Co-ordination Agency plans to send Japanese language teachers to the Russian held northern islands off Hokkaido and to regularly hold classes for local students starting in fiscal 1998.⁵⁸

The agency plans to send three Japanese language teachers as participants in a 'Visa-free exchange programme' between Japanese and island resident agency. Each teacher will hold class for one-month on basic conversation for students from 15 to 17 yrs. old.⁵⁹ On Sep. 1997 agency offered Japanese language courses to local Russian residents on Kunashiri islands.⁶⁰

The year 1997 has been a very favourable year for Japanese - Russia relations. The two premiers at the November 2nd summit in the Siberian city of Krasnoyarsk

57. Ibid.

58. Daily Yomuiiri, Dec. 9, 1997.

59. Ibid.

60. Ibid.

spoke frankly with one another and further deepened the personal trust and friendship between them. It is understood that this symbolized the arrival of a new era for the Japan-Russia relationship, and provided an extremely favourable basis for the development of bilateral relations towards the 21st century.

Japan may participate in Russian proposed joint development of the disputed islands off Hokkaido if such activities are in line with the Nov. 2, 1997 bilateral accord, signed by both the premiers, Foreign Minister Keizo Obuchi opined.⁶¹

In talks on 22nd 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.⁶²

The proposal is the first Russian initiative for economic co-operation on the islands since Russian Foreign Minister Yevgeny Primakov first floated the idea during a visit to Tokyo in November 1996.⁶³

61. Japan Times, 24th January, 1998.

62. Ibid.

63. Ibid.

Obuchi also welcomed the agreement between Tanba and Karashin to set up a joint commission aimed at securing a bilateral peace treaty.

Even Tokyo conveyed its hopes to begin surveying an estimated 22 Japanese graveyards on the disputed islands in April.⁶⁴ Japanese officials opine that Russia has pledged to deal with the request positively.⁶⁵

Settling the Northern Territories must proceed in a way that takes into consideration the painful experiences of all who have lived there the indigenous Ainu, the Japanese who were driven out at gun point, and the present residents who are caught in the pincers of the opposing policies of Moscow and Tokyo. The solution must demonstrate that even difficult problems can be solved in a mutually satisfactory fashion if both sides exercise Wisdom.

Whenever the opportunity for a Japanese Russian reconciliation has drawn close the spectre of the Northern Territories issue has silently crept up from behind and buried the rapprochement. It will continue to be a

64. Ibid.

65. Ibid.

challenge for Japan's diplomacy to promote bilateral relation with Russia without at the same time compromising the delicate territorial issue.

But the November 2, 1997, and April 18-19, 1998 bilateral summit has raised some prospects for amicable settlement even though it may take some time.

CHAPTER - III

BILATERAL TRADE RELATIONS AND EXCHANGE OF VISITS

Japan is the world's leading manufacturing, financial and technological power but is poor in natural resources, while Russia's economy is beset with serious problems, but is rich in natural resources.

Yet this potentially highly complementary relationship remains limited. Japan and Russia have their doors closed towards each other.

Since agreeing to the resumption of diplomatic relations in 1956, Japanese have shown persistence and patience in waiting for conditions that would bring full normalization, including a peace treaty, with Soviet relations. With firm American military support, Japanese have felt secure. With superior rates of economic growth and increasing economic ties with the Asia-Pacific region, they had felt that time was on their side. With the Kremlin's increasing diplomatic isolation and ineptitude in appealing to Asians and especially to the Japanese public, there seemed to be little reason for Tokyo to take the initiative.

Bilateral economic ties are not as tenuous as the northern islands deadlock. Japan's trade with the Commonwealth of Independent States was 1.1% in 1990, compared to 27.3% with the United States, 20.3% with the European Community, 11.9% with Association of South East Asian Nations (ASEAN) and 3.5% with China.¹

Bilateral trade fluctuated between \$ 5 billion and \$ 5.5 billion throughout the 1980s into the 1990s. Japan ran a large trade surplus until 1989 when the Soviets enjoyed a \$ 788 million surplus. Soviet exports had dipped from \$ 2 billion to \$ 1.5 billion during the first half of the 1980s then rose steadily to \$ 3.5 billion in 1990. Japan's exports zig-zagged throughout the 1980s with highs of \$ 4 billion, \$ 3.4 billion and \$ 3.4 billion in 1982, 1986 and 1988, respectively, and lows of \$ 2.8 billion, \$ 2.5 billion and \$ 2.5 billion in 1980, 1984 and 1987, respectively.² The wild swings in Japan's exports reflected major imports of capital equipment and Moscow's ability to pay.

1. All Trade Statistics from the IMF's annual Direction of Trade.

2. Ibid.

Japan granted the Soviet Union most favoured-nation status in 1957, but during the decade that followed a very modest level of trade with the Soviets was conducted initially largely by small and medium sized firms and coastal communities along the Japan Sea. Trade with the Soviet Union during that period constituted under 1 percent of the Japan's total trade. Interest in trade with the Soviet Union on the part of big business was stimulated later in the mid 1960s.³

In 1965 Tokyo and Moscow set up the Japan-Soviet Economic Committee (JSEC) to coordinate trade and investments. The Committee eventually agreed on the joint development of 17 projects throughout the Soviet Union. Seven of the projects, worth \$ 1.5 billion, were signed between 1968 and 1976 and were targeted on Siberia and the Far East. But from 1976 until 1993, Moscow and Tokyo had signed only nine relatively small scale agreements involving Siberian development. Between 1987 and 1990, Japan's corporations invested in only 33 projects, worth \$ 46.4

3. Lonny E. Carlile, "The Changing Political Economy of Japan's Economic Relations with Russia : The Rise and Fall of Seikei Fukabeen", Pacific Affairs, 67(3), Fall 1994, p.413.

million of the \$ 3.15 billion in cumulative foreign investments.⁴

Moscow and the other republics were in desperate need of Japanese and other foreign capital, equipment, technology and managerial expertise. Moscow cut through some of the bureaucratic morass strangling foreign investments when it 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.⁵

But the Japanese were reluctant to take advantage of the new opportunities. In the beginning of the 1989 only two of the 45 new joint ventures were Japanese."⁶ In both investments, the Japanese tried to link up with American firms. Marubeni linked up with US Occidental Oil and Italian ENI for a petrochemical plant on the Caspian Sea While Mitsubishi and Mitsui joined the two American firms McDermott International and Combustion Engineering for a similar project in Siberia.

4. New York Times, 20 August 1991.

5. Nester William, "Japan Russia and the Northern Territories: Continuities, changes, obstacles, opportunities," Third World Quarterly, Vol.14, No.4, 1993, p.728.

6. Far Eastern Economic Review, 23 June 1988, p.12.

Japanese business confidence in investment opportunities in both the Soviet Union and Commonwealth remained low. A Nihon Keizai Shimbun survey of Japan's leading firms in April 1991 revealed that 51.4% cited political instability, 48.6% an unfavourable legal climate, 28% the lack of a single Soviet trade negotiating authority, and 19.8% the ruble's inconvertibility as the most important reasons inhibiting their investments in the Soviet Union.⁷

Japan's economic relations with the Soviet Union and the Commonwealth of Independent States were constrained by a range of factors. Tokyo deliberately limited its trade dependence on the Soviet Union, allowing no imports to rise to more than one fifth of Japan's total trade in that product. The actual percentage of imports was far lower. In the early 1980s, of Japan's total, only 16% of its timber, 5% of its coal, 0.1% of its iron ore, 10% of its asbestos, 1.2% of its manganese, 3.7% of its chrome and less than 1% of its oil or natural gas came from the Commonwealth.⁸

7. Japan Economic Journal, 13 April 1991, p.24.

8. R.L. Edmonds, "Siberian Resource Development and the Japanese Economy," in RG Jensen (ed), Soviet Natural Resources and the World Economy, Chicago IL : University of Chicago Press, 1983, p.214.

Japan - Soviet trade totaled \$ 6.086 billion both ways in 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 meagre surplus of \$ 77 million during the year.⁹

By commodity, Japan's exports in 1989 showed gains in textile products, heating and cooling equipment, electric appliances and transport machinery but registered declines in iron and steel, metal processing machinery, construction machinery and mining machinery, all of which were traditionally Japan's major export items to the Soviet Union. There was a sharp increase in the exports of passenger cars, videotape recorders to the Soviet Union. In imports, while raw cotton and nonferrous metal increased, non-monetary gold and fish declined.¹⁰

Since a Soviet Ministerial Council decision on the establishment of joint ventures were enforced in January 28, 1987, Japan - Soviet joint ventures were believed to have been established in the Soviet Union on April 1, 1990, in the services, lumber processing, fishery and other areas.

9. Diplomatic Blue Book, 1990, Japan's Diplomatic Activities, Ministry of Foreign Affairs, Japan, p.229.

10. Ibid.

Perestroika and Gorbachev's "new thinking" appeared to signal a Soviet interest in improving economic relations with Japan. The Soviets communicated their strong desire to initiate technological exchanges and host Japanese investment as a way of furthering reforms. There were also signs of an apparent willingness on the part of the Gorbachev leadership to make concessions on the Northern Territories issue in order to attain this. Coming at a time when Japanese business and Ministry of International Trade and Industry (MITI) interest in the Soviet Union was at a low point, the Ministry of Foreign Affairs (MOFA) was able to seize the opportunity and use this Soviet desire for economic co-operation as a lever in an effort to extract Soviet concessions on the Northern Territories issue without making commensurate diplomatic concessions on its part.

In order to support the perestroika policy (liberalization, democratization and the introduction of market economy) and expand the Japan - Soviet relations in equilibrium, Japan accepted vice ministerial level economic survey missions from the Soviet Union in November 1989 and in April 1990. The two missions were aimed at surveying among others the government and the private sector roles in

the economic management in Japan for possible application for the domestic economic reforms in the Soviet Union. Japan's acceptance of the two missions was highly appreciated by the Soviet side.

Japan and the Soviet Union held annual fishery talks in Moscow from November 1989 to set 1990 catch-quotas for each country's fishery operations in the 200-nautical-mile waters of the two countries. Agreement was reached in December except on a part of the payable quota. The agreement provided for free quotas of 182,000 tons for both sides as compared with 210,000 tons for the previous year and a Japanese quota of 35,000 tons which required payment to the Soviet Union, down from 100,000 tons for 1989. As to the pending payable quota, additional negotiations were held in Moscow in February, but both sides remained wide apart and failed to reach agreement.¹¹

In 1988 the Soviet had issued a statement which sought a total ban on Japan's salmon fishing in international waters. In the resumed negotiations in April the Soviet side made minor concessions and the over all 1990 quota was

11. Ibid, p.230.

set at 11,000 tons, down 15,000 tons for 1989, while Japan's payment of the so-called "fishery co-operation fee" to the Soviet Union in 1990 was pegged at ¥3,150 million as compared with ¥3,350 million in 1989.¹²

The Japan - Soviet Scientific and Technical Cooperation Committee, at a meeting in Moscow in December 1989, agreed to add aids to the list of fields covered by bilateral scientific and technical cooperation, aids is the 8th item on the list. The seven other fields, agreed to in 1988, were agriculture and forestry, nuclear fusion, radiology medical care, artificial hearts, undulatory gears, environment and earthquake forecasting. The first meeting concerning the bilateral environment agreement started in December 1989.

The Japan - Soviet Cultural Exchange Committee was established on the basis of the bilateral cultural agreement which came into force in December 1987. The first committee session worked out a cultural exchange program which was implemented between April 1, 1989 March 31, 1991. The programme covered in detail cultural exchange implemented in a wide field.

12. Ibid, p.230.

Following the August 1991 coup attempt against Gorbachev, the tremendous international security and economic implications of the breakup of the Soviet Union became evident to the leaders of the various advanced industrialized countries of the west and they began to acknowledge the need for substantial economic assistance. The first to actively champion such assistance were the European Countries (most notably Germany) that were most directly affected as a consequence of their geographic proximity and close economic ties. The United States was initially cool towards such European initiatives, but became more forthcoming as it became increasingly obvious that Boris Yeltsin's political position in Russia was becoming quite precarious. The symbolic culmination of the U.S. change of heart was the Vancouver summit during the spring of 1993.¹³

The aborted coup attempt against Gorbachev in August prompted further calls for Japan to join the other G-7 countries in providing assistance. Earlier Japan was very

13. Lonny E Carlile, "The Changing Political Economy of Japan's Economic Relations with Russia : The Rise and Fall of Seikei Fukabun", Pacific Affairs, 67(3), Fall 1994, p.422.

adamant regarding giving aid to Russia. Japan always had the territorial issue in its mind which had always acted as a barrier against aid to Russia and it had even tried to globalise the issue. But with the end of the cold war and the disintegration of the Soviet Union, G-7 partners pressurised Japan to change its stance towards Russia and to deal with the latter flexibly. They argued that with the end of cold war rivalry there was no military threat from Russia and therefore it should be helped generously in its economic reforms programme.

In the successive G-7 summits starting from 1991 Japan has changed its attitude towards Russia and has given aid. The Japanese diplomatic community, however, was careful to stipulate that its share of the resulting emergency package was "humanitarian aid" rather than "economic co-operation." In October 1991, Japan announced a \$ 2.5 billion package for the USSR without any apparent link to concessions on the Northern Territories issue.

Gorbachev's installation after the coup led to the recovery of bilateral trade relations. Perestroika created a strong Soviet demand for Japanese high-tech machinery and equipment as well as, interestingly, consumer goods such as

electronics, automobiles. On the import side Japanese purchases of coal, wood and other raw materials increased.

During 1990-91, the chronic trade deficit deteriorated into a full-fledged balance of payments crisis, and a rapidly increasing number of Soviet firms fell behind on payments to exporters. As early as the fall of 1990, a consortium of five Japanese banks had to provide the Soviet Foreign Economic Bank with a \$ 400 million emergency loan to cover payments due to Japanese creditors.

By May 1991, Moscow had racked up an estimated \$ 515 million in unpaid bills, and Japanese banks suspended all new loans to the country. Likewise, MITI suspended government trade insurance for major contracts.¹⁴

During the fall, in the face of mounting capital flight, Yeltsin issued a decree requiring Russian firms to remit foreign exchange earnings to the government, decreasing further the ability of Russian importers to repay their foreign creditors. Large trade deals became virtually impossible in the absence of some kind of external official financing. At the end of the year, outstanding Soviet trade

14. Gelman, Russo-Japanese Relations, p.45.

liabilities vis-a-vis Japan had grown further to \$ 800 million. Not surprisingly, exports to the Soviet Union from Japan and elsewhere plummeted. In the mean time, political and economic disruptions were pushing the Soviet/Russian economy on a downward spiral that was exacerbated by the lack of access to critical imports.

Industrial production which had begun declining modestly in 1990, declined by 8 percent in 1991 and then by nearly 20 percent the following year. With an absolute decline in production, Soviet exports also plunged, and along with them the foreign exchange earnings that might have been applied to payments to creditors.¹⁵

In the face of these developments, the Japanese big business community's complacency about bilateral economic relations evaporated. The delinquent commercial payments became the primary topic of concern in the various business forums dealing with former Soviet and present Russian relations. Business desire for some sort of Japanese government intervention to rectify the situation was clearly communicated to government officials. Among the items being

15. Figures from Keidanren Geppo, vol.41, no.9 (September 1991), p.11.

demanded were official loans to ease the Soviet/Russian credit crunch, Japanese infrastructural development assistance (in the Far East in particular) to facilitate Russian exports to Japan, and expanded technical assistance to expedite the Russian economic reform process.

MITI froze a large number of funds that had been allocated for transfer to the Soviet Union following the collapse of the Soviet Union in late 1991 in order to cover payments owed to Japanese firms, and suspended new credits until the question of who would be liable for past Soviet debts was sorted out. In July 1992, when the IMF agreed to release a \$ 1 billion to Russia, Japan insisted that its share would have to take the form of trade insurance for Japanese machinery exports. The same month the government authorized a \$ 360 million loan to the Russian Bank of Economic Affairs to help pay unpaid bills owed to nine Japanese trading firms.¹⁶

The year 1992 turned out to be a particularly disastrous year for Japan's Russia policy. The Japanese diplomatic community quickly recognized Russia following the

16. Gelman, *Russo-Japanese Relations*, pp.49-61.

dissolution, once it was ascertained that it would be the diplomatic successor state of the old Soviet Union. In 1992 trade between Hokkaido and Russia grew by some 28.6 percent in a year in which overall Russo-Japanese trade shrank by 39.9 percent. Hokkaido's share of total bilateral trade grew to 12.6 percent from 5.9 percent in the preceding year, with about four-fifths of that trade consisting of seafood imports. Figures for the first part of 1993 suggested that this trade grew by another 25 percent per annum. By 1992, an estimated 75 percent of Russian Far Eastern exports were being directed to Japan. Joint ventures in the Russian Far East also grew steadily, with the bulk of such ventures involving, on the Japanese side, small businesses from the Japan Sea region. On January 31, 1991, the Japan-Russia Trade Association (an organization of smaller firms) reached a forestry compensation agreement with the Russian republic of Buryat modeled after the earlier big business-dominated Siberian Forestry agreements.¹⁷

The political impact of this expansion of small firm trade was apparent in a number of ways. The concept of a

17. Asahi Shimbun, July 4, 1993, p.4.

"Japan Sea Economic Zone" linking these areas economically with their counterparts in Russia and the other neighbouring countries has been enormously popular in these prefectures and during 1990-92, has helped spawn semi-governmental organizations at the local level aimed at promoting economic relations with the Russian Far East in its name. Among the most active in this regard has been the prefectural government of Niigata, traditionally Japan's gateway to the Russian Far East. In March 1991, a Soviet Investment Environment Improvement Corporation was established in Niigata City with funding from the prefectural and city governments as well as a local bank and fifty-eight interested firms. The prefecture of Aomori followed suit with its own "Japan-Soviet Trading Company" whose primary line of business is the export of used cars to the Soviet Far East.

A Joint Deliberation Council on Japan Russian Far Eastern Exchange (Nichiro Koryu Kyokuto Godo Kyogikai) was formed in April 1992 as an economic and cultural exchange forum representing local governments and commercial interests from both countries. In July 1993, Niigata prefecture announced the establishment of a large-scale

think tank devoted to the study and promotion of the Sea of Japan economic zone.¹⁸

As long as the Russian foreign exchange crisis continued, the big firms that had earlier dominated Japanese-Russian trade continued to act as a constituency for deepened bilateral economic relations in the form of Japanese financial assistance.

A Stable Russia is so important to Japan that Japanese leaders have a strategic rationale for extending economic assistance even without a territorial settlement. If Russia slides into authoritarianism or civil war, North east Asia will be a less secure place. Japan has nothing to gain if a nationalist-authoritarian regime replaces Russia's democracy; the chances for a territorial settlement would diminish sharply, as would Japan's security. 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.

18. Asahi Shimbun, May 24, 1993.

The outlook for economic reform in Russia has become increasingly negative, particularly after the December 1995 parliamentary elections in which the Communist Party and other anti-reform parties took the largest share of seats. The poor relationship between Moscow and the provinces makes Japanese firms uncertain as to what the economic rules of the game will be and who will define them, while Russia's \$ 1.1 billion debt to Japan and the corruption, red tape and criminality, and uncertainty surrounding Yeltsin's health that pervade Russia's economy make Japanese companies wary of further involvement.

These concerns have not been countered by a vigorous Japanese debate on Russia. Proponents for a change in policy have not made a compelling economic and strategic case for expanding economic ties; nor are there powerful economic interests capable of lobbying for a change in policy. The result, whatever sporadic delegations and their hopeful statements may suggest, has been an insubstantial economic relationship.

Charting the data on Russian Japanese trade from 1991 reveals not an ascending curve, but a zigzag pattern involving small sums.

Average Japanese Exports and Imports to the Former Soviet Union (\$ US m)

	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 Economist Intelligence Unit. Country Report, 29 May 1995.

While some Japanese regions (for example, Niigata prefecture, which faces the Russian Far East) and companies (such as Tokyo Engineering Corporation, a supplier of refinery equipment to Russia) stand to gain from a change in Russo-Japanese economic relations, trade with Russia lacks a national constituency, it amounted to just 0.6% of all Japanese trade in 1992.¹⁹ Japanese investment in the Russian economy is also insubstantial. At the end of the first quarter of 1995, it totalled \$ 8m, or 3.5% of all foreign investment in Russia. The US, Belgium, Austria, Germany, Switzerland, the UK and Turkey all have larger

19. Reuters, 26 April, 1993.

investment, and Japan's foreign direct investments in Russia represented just 0.1% of its investments world-wide.²⁰

After the settlement of the \$ 1.1 billion in Russian debts owed to Japanese private sector interests, bilateral economic relations between Japan and Russia has smoothed and Japanese interest in Russian energy-related projects picked up late in the year 1996, the Japan National Oil Corporation, Japan Association for Trade with Russia and Central-Eastern Europe, and other groups sponsored a two-day seminar in Tokyo on energy in the Far East, representatives of some 300 business and other organizations attended.²¹

The formation of Trilateral Forum on North Pacific Security paved the way for improving Japan-Russia relations by achieving a greater meeting of the minds and building confidence. This forum met for the first time in Tokyo in February 1994. This forum aimed at normalizing Japan-Russian relations and bringing about a better understanding between them.

20. Lexis-Nexis, 1995 Economist Intelligence Unit, 15 August 1995.

21. Hakamada Shigeki, "Building a New Japan-Russia Relationship." Japan Echo, Dec. 1997, p.23.

Japanese Prime Minister Hashimoto on 24 July 1997 enunciated the concept of a 'Eurasian diplomacy' which has been discussed in chapter I. This 'multilayered approach' is meant to enhance bilateral ties. This approach encompasses security, environmental issues, cultural, academic, and technical cooperation, personal exchange global issues.

Japanese foreign minister Keizo Obuchi comprising some 60 representatives of the political world, the bureaucracy, industry and academic was dispatched in the mid of 1997 to Russia and Central Asian republics. With the end of the cold war Russia ceased to see Japan as a potential enemy and in 1996 Japanese and Russian naval ships began exchanging port calls. In May 1997 Japan announced that it would establish a diplomatic office in Yuzhno-Sakhalinsk, on the island of Sakhalin.²²

On 2 Nov. 1997 Japanese Prime Minister Ryutaro Hashimoto and Russian President Yeltsin met at the Siberian city of Krasnoyarsk and agreed on a Hashimoto Yeltsin Plan of economic co-operation initiatives to be implemented by

22. Hakamada Shigeki, "Building a New Japan-Russia Relationship" Japan Echo Dec. 1997, p.23.

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 are training of Russian business executives, strengthening bilateral dialogue on energy matters, and cooperation in promoting the peaceful use of nuclear energy. On security cooperation, Hashimoto and Yeltsin agreed to promote mutual exchanges of top military officials from Japan and Russia. They both agreed to look into conducting joint rescue drills between Japan's Self-Defense Forces and the Russian armed forces in case of humanitarian need or disaster and they also agreed to set up hot line. The warmth of this summit reflected the inclusion of Russia into the Group of Seven (G-7) industrialised nations, making it a Group of Eight from next year. Hashimoto also pledged that Japan would actively support Russian membership of the Asia Pacific Economic Cooperation and the World Trading Organisation.

Among specific measures included in the plan are launching negotiations aimed at reaching an investment protection agreement, support for the restoration of the

Trans-Siberian railway transportation network and co-operation in energy production in the Far East and Siberia.²³

Under the plan, about 1,000 Russians from both the private and public sectors will receive training in Russia. Some 500 trainees will be selected on the basis of their results for on the job training in Japan.

The foreign ministry official said that the agreement on normalising relations arose out of Hashimoto's belief that events of this country should be settled before the next one.

"We made a very good start for the 21st century". Hashimoto said.²⁴

The two leaders also agreed to set up a committee on the promotion of bilateral friendship towards the 21st century as part of efforts to deepen mutual understanding.

As a conciliatory gesture, Yeltsin offered more effort to identify cemeteries where, Japanese prisoners of war are believed to have been buried.

23. Japan Times, 3 Nov. 1997.

24. Japan Times, November, 3, 1997, p.1.

Yeltsin in the summit, made known his backing for Japan's bid to win a permanent seat in U.N. Security Council.

During the second day of the summit the two leaders discussed various issues, including the situation on the Korean Peninsula.

They also agreed to seek a new fishery accord, possibly by the end of this year, which would conclude bilateral negotiation begun in March 1995 to ensure the safety of Japanese fishing operations in waters around the disputed islands. The disputed territories straddle one of the world's richest fishing grounds, capable of yielding a \$ 1 billion harvest annually.²⁵

Japan and Russia signed a memorandum of understanding on 30th December 1997 regarding safe, Japanese fishing in the waters around the disputed islands off 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.²⁶

25. Japan Times, May 13, 1995.

26. Japan Times - 31st December 1997.

Tokyo and Moscow agreed in July 1997 on matters related to their jurisdiction in the waters in question, such as how to control illegal fishing activities, clearing the biggest hurdle for a successful end to the talks.

Japan would be given a fishing quota of 2,252 tons. Forty five Japanese boats would be allowed to catch 1,071 tons of Alaska pollack, 740 tons of Atka mackerel and 136 tons of octopus, but not king crabs due to their scarcity.²⁷

The Japanese private sector would pay 720 million in cash under the name of protection of natural resources and offer fishery equipment worth 15 million to Russia.

Further, the Japanese government would extend several hundred million yen in financial assistance to the disputed territories in 1998.

During Yeltsin's April 18-19, 1998 informal summit with Japanese Prime Minister Hashimoto in the Kawana Shizuoka Prefecture, Yeltsin called for greater participation of Japanese companies in energy development projects in the Russian Far East and Siberia.²⁸

27. Ibid.

28. Japan Times, April 19, 1998.

Among other areas of co-operation Hashimoto was 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 in effect to the agreement reached between them at the December 97, United Nations global warming conference in Kyoto.²⁹

This will help Japan achieve its policy of promoting environmental harmonious development by achieving a six percent cut in its greenhouse gas emissions from 1990 level by 2012.³⁰

Hashimoto acknowledged the success of two on going specific oil and gas development projects involving Japanese companies, Sakhalin I & Sakhalin II.

Hashimoto was quoted as saying that it is important to learn from the success of these projects and further improve the overall environment for investment.³¹

During the talks Yeltsin proposed building facilities on the disputed islands for the joint processing of marine

29. Ibid.

30. Ibid.

31. Ibid.

products with Japan, and said that such a project should be added to an economic co-operation programme agreed to in Krasnoyarsk.³²

Yeltsin also proposed that roads and ports be constructed jointly with Japan to promote the construction of the marine product processing facilities.

On April 19, 1998 at Kawana Shizuoka Prefecture both the premiers agreed that Japan and Russia will jointly set up a company to promote Japanese investment in Russia.³³

Hashimoto said that the two leaders have agreed to create an investment company, and as the first concrete step, Japan will send a joint team of officials from three government agencies the Foreign, Finance and International Trade and Industry to Russia.³⁴

The Russian president also called for Japanese automakers to set up production line facilities in Moscow, noting that Japanese automobiles are very popular among Russian consumers.³⁵

32. Ibid.

33. Japan Times, 20 April 1998.

34. Ibid.

35. Ibid.

Toyota Motor corporation and Mitsui & Co will build a knock down factory to manufacture multipurpose vans in the suburbs of Moscow and start operating it by the end of 1998.³⁶

Takafumi Nakai, a researcher at the Institute for Russian and Eastern European Economic Studies, said the Kawana meeting marked. "Steady and proper progress on bilateral economic relations."³⁷

The Japanese government has set aside a budget of 2.2 billion for feasibility studies on joint implementation projects for the current fiscal year. The MITI officials said that roughly half of this amount will go to the projects in the Russian Far East and Siberia.³⁸

Hashimoto has accepted Yeltsin's invitation to visit Moscow this year and also said that Yeltsin would reciprocate with an official visit in 1999.

Relations between states depend on trust among people. It is very important that trust and good will among heads of governments do exist at the same time exchange and network

36. Ibid.

37. Ibid.

38. Ibid.

building among politicians, intellectuals, specialists, students and ordinary citizens is also necessary.

It is very much likely that during Hashimoto and Yeltsin era Japan-Russia relations will become normal which will help strengthen both the countries.

CHAPTER - IV

CONCLUSION

The end of the Cold War, the collapse of the Soviet Union and the fundamental transformations in the global and regional strategic circumstances ensuing from the elimination of the super power competition have drastically changed the complexion of international relations. It has provided an impetus to the idea of New World Order based on mutual harmony and justice. Now ideologies matter less, political democratisation and economic relations being the growing trends of the post Cold War order. National security is increasingly being defined in non-military terms. Issues relating to trade, investment, resource mobilisation, transfer of technology, ecology, etc. have assumed critical significance in the new world order.

Japan, having acquired the role of an economic super power, is looking for its proper role and identity in the

post Cold War environment. Today it is the biggest aid giving country. It is an industrial giant in the world.

The end of the Cold War has also meant a global acceptance of the values of freedom, democracy and market mechanisms advocated by all of the Free World countries. Yet at the same time, the end of the Cold War has also been accompanied by the emergence of such new issues as worsening ethnic, religious and other regional strife and the proliferation of nuclear armaments and other weapons of mass destruction. In addition, poverty in the developing countries, the global environment and other issues affecting mankind are subjects of great concern.

Even though world politics has changed profoundly in recent years, the relationship between Japan and Russia has not. Despite glimmers of hope under leaders Mikhail Gorbachev and Boris Yeltsin, the two countries remain deeply suspicious of each other. Their territorial dispute over the Kuril Islands on the eastern boundary of the Sea of

Okhotsk renders Russo-Japanese political and economic ties weak. While changes have occurred, they have been marginal, manifested more in expectations than in reality.

A Japan-Russia rapprochement would help deal with a potentially hegemonic China easier, and it would facilitate the development of a new and more co-operative security order in North-East Asia. Japanese economic cooperation with Russia would not only help to keep the Russian economic transition on track, but it could also help lower tensions so that a compromise on the Kuril dispute becomes easier.

Some of Russia's most insightful foreign policy specialists worry that a weak Russia estranged from Japan, uninvolved in regional security structures, and enamoured of the short-term gains from arms sales to China could be vulnerable as China becomes increasingly powerful and nationalistic. To avert this scenario, they argue specifically for improved relations with Japan and participation in regional security initiatives.

The first prerequisite for a territorial settlement between Japan and Russia is that Japan must cease making territorial settlement a precondition for substantive economic and security co-operation with Russia.

Japan's relationship with Russia was very much strained due to the territorial issue. In the 1989 and the 1990 G-7 meetings, Japan did not commit anything regarding aid to Moscow. It even tried to globalise the territorial issue.

With the disintegration of the Soviet Union in 1991 the G-7 partners of Japan pressurised the latter to be soft in its dealings with Moscow and to extend aid generously. Japan under pressure from G-7 partners changed its earlier stubborn attitude and agreed to give aid to Moscow.

For resolving the territorial dispute, it is necessary that citizens in both countries must come to see a compromise as sensible and beneficial. For this a settlement must include demonstrable benefits, so that leaders can counter the rhetoric of nationalist opponents by

demonstrating that the settlement has provision designed to increase their economic well being and safeguard their security. Economic benefits for the islands' inhabitants are particularly important, because while some are fervently opposed to living under Japanese rule, others believe that Japanese control could bring a better economic future. Japanese visitors to the islands bring glossy brochures intended to show how Japanese control could ameliorate the islanders' rather wretched lives. Amazingly enough, a large number of islanders believe this. Other islanders expect at least some assistance for those wishing to relocate to the Russian mainland.

The prospects for a solution will also improve if Japan changes its absolutist approach and reconsiders its view that full sovereignty over all the islands is essential. Japan has a self-interest in promoting economic reform and democracy in Russia, because Russian democrats are more open to a compromise settlement.

While it may be impossible for 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 Habomais and Shikotan are supplemented by an arrangement for Etorofu and Kunashiri, combining demilitarisation in perpetuity and joint administration. Stable domestic conditions within each country is also essential. The frequent changes in Japanese Prime Ministers (the pattern throughout the Gorbachev years) and the fragile coalition governments (the pattern since 1993) are hardly conducive for a settlement. The same observation applies to Russia, characterised by the weakness of its President; the fragmentation of its State and deep divisions in its society.

The United States and Japan (joined by South Korea) could increase lending to Russia, enact measures that spur private investment, assist in converting defence industries to non military production and create a contingency fund.

This may be the best way to prevent the scenario of an authoritarian, ultranationalist regime rising from the wreckage of Russian reform and reducing both the chances for resolving the Russo-Japanese territorial dispute and the security of North-East Asia.

Russia and Japan have fought several wars this century. They have a territorial dispute. They are not united by cooperative ties strong enough to offset the psychological weight of this legacy.

To a Russia in decline and aware that its status as a great power may be a thing of the past and hence fearful of the future, Japan's military potential is a source of concern for the Russians, because its military budget is one of the World's largest.

Japan's \$4.2 trillion economy is the World's second largest, whereas Russia ranks eighth at \$777 billion.¹

1. US Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers 1993-94 (Washington DC: United States Government Printing Office, 1995), p.32.

Japan has developed many technologies that have revolutionised late twentieth century warfare. Since the early 1980s, the share of research and development (R&D) in its defence budget has substantially increased.

In the economic field Japanese investment in Russia is increasing. Trade between both the countries is fairly doing well, as has been discussed in chapter 3.

Japanese Prime Minister Ryutaro Hashimoto and Russian President Boris Yeltsin pledged on November 2nd 1997 to normalise by the end of this century bilateral relations long marred by a territorial dispute.

President Yeltsin's visit to Kawana, Shizuoka Prefecture on April 18-19 1988 raised hopes for an early normalization of relationship between both the countries.

The November 97 Summit and the April 98 Summit have been discussed in the earlier chapters.

So hopes have risen on both the sides that by 2000 the relationship between both the countries would be normalized.

As neighbours it is very important that the two countries must have cordial relationship among them. From the above discussion it can be seen that Japan's Russia policy has changed from one of suspicion to that of considerable understanding.

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