

Russo-Japanese Relations: Opportunity for a Rapprochement?

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Since the end of the cold war, only limited progress has been made in Russo-Japanese relations. Ties between Russia and Japan have been strained by strong, historically rooted mistrust and by failure to resolve their territorial dispute over three islands and a small archipelago near Hokkaido. The disappointingly low level of economic ties between the two countries has not provided a strong incentive for better relations.

Recently, however, there have been signs of progress between Russia and Japan. In a speech in late July 1997, Japan's prime minister, Ryutaro Hashimoto, adopted a significantly new approach to Russia. The early November 1997 summit between Hashimoto and Russian President Boris Yeltsin at Krasnoyarsk confirmed their intention to bring about a radical improvement in Russo-Japanese relations.

In this article, I explore the obstacles that impeded an improvement in Russo-Japanese relations after the end of the cold war. I then analyze the recent incentives for change and evaluate how far-reaching that change is likely to be. I argue that incremental improvement is taking place in Russo-Japanese relations and that there now is a possibility of greater change. However, there still are a number of serious obstacles to a full rapprochement.

Mistrust

Strong, historically rooted, mutual mistrust is one reason for the lack of progress in post-cold war Russo-Japanese relations, which have been embittered by a history of conflict going back to tsarist times. Russians resent Japan's encroachment on what they consider their rightful spheres of influence in Manchuria and Korea; Japan's victory in the 1904-05 Russo-Japanese war; its seizure of territory as a fruit of victory; and its military intervention in Siberia after the Bolshevik revo-

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lution, which lasted longer than the interventions of other powers. This historical mistrust was reinforced in the late Gorbachev and early Yeltsin periods when Russians felt that the Japanese were trying to take advantage of Russia's weakness to make territorial gains at its expense.

Japanese resent Russia's last-minute entrance into the Second World War in violation of the April 1941 Neutrality Treaty;¹ its seizure of territory that Japan considers to be its own; and its brutal treatment of more than 600,000 Japanese prisoners of war, many of whom were worked or starved to death. These historical events have given the Japanese a sense of grievance and entitlement in their relationship with Russia, which makes it quite different from Japan's relations with China, Korea, and Southeast Asia. Japanese long have resented Russia's failure to accord proper respect to their country, which has been treated by Moscow as an appendage of the United States. Yeltsin's last minute postponement of a visit to Japan, originally scheduled for September 1992, was seen in Japan as a sign of Russia's continued lack of respect.

Domestic Obstacles and Preoccupations

On both sides, the weakness of governments, their preoccupation with domestic problems, and other foreign policy issues have also impeded efforts to improve Russo-Japanese relations. When the USSR dissolved, some anticipated that Russia would adopt a more conciliatory policy leading to the resolution of the territorial dispute and the conclusion of a peace treaty. So far, that has not been possible.

On the Russian side, Yeltsin's weak domestic position and the strong emotions aroused by the Russo-Japanese territorial dispute made it difficult for the Russian president to make a concession. After the USSR's dissolution, the territorial dispute with Japan became a focal point for opposition to the pro-Western foreign policy of Andrei Kozyrev, Yeltsin's first foreign minister. There was broad-based opposition to a territorial concession from the military, regional officials, and the Russian legislature, culminating in August 1992 hearings in the Russian legislature that led to the postponement of Yeltsin's visit to Tokyo planned for the following month.

When Yeltsin finally went to Tokyo in October 1993, he was able to make only limited concessions. Yeltsin resisted Japanese efforts to persuade him to reaffirm explicitly the 1956 joint declaration in which the USSR had promised to return the smaller of the disputed islands, the Habomai chain, and Shikotan, to Japan after the conclusion of a peace treaty. Instead, the joint communiqué signed by Yeltsin and then Japanese Prime Minister Hosokawa Morihiro made oblique reference to the 1956 agreement by confirming that Russia is the successor to the USSR and that all treaties and other international agreements between Japan and the Soviet Union continue in force. The statement represented a concession because it implied Russian willingness to abide by the terms of the 1956 joint declaration.²

The limited progress made during Yeltsin's October 1993 visit was facilitated by the fact that it took place shortly after the storming of the Russian parliament, when Yeltsin removed his legislative opposition. In December 1993 and again in December 1995, elections brought to power legislatures dominated by hyperna-

tionists and Communists, which placed new constraints on Yeltsin. The downward spiral of the Russian economy, the repeated domestic challenges to Yeltsin's power, the war in Chechnya, and the debate over NATO enlargement have preoccupied Yeltsin and other Russian leaders, leaving them little time to think about Asia. Russian foreign policy has become quite reactive and driven by short-term economic considerations, rather than any long-term strategy or vision. To the extent that the Yeltsin government focused on Asia, it was more likely to direct attention toward China and South Korea, where it was easier to make progress, than toward Japan. So it would not be too farfetched to argue that Russia, like the USSR before it, had no real Japan policy.

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

Other Irritants

Japanese anti-Russian sentiments have been inflamed by Russia's dumping of nuclear waste in the Sea of Japan and by Russian attacks on Japanese fishing vessels operating in disputed waters. There have been numerous incidents in which the Russian coast guard has fired on Japanese fishing vessels, at times wounding or even killing their captains and crew. These attacks became more frequent starting in 1994, when Russia for the first time launched what it called operation Putina (fishing season), a now annual effort to stop large-scale poaching and protect fisheries resources along its coast. In response to these strong measures, there has been a marked decrease in Japanese illegal fishing in the waters near the disputed northern territories,³ but there continue to be incidents in which Japanese fishing vessels are attacked by the Russian coast guard.

Economic Disappointment

The level of Russo-Japanese trade and Japanese investment in Russia has been disappointingly low. In 1992, two-way trade between Russia and Japan totaled U.S.\$3.48 billion in comparison with U.S.\$5.43 billion between Japan and the USSR the previous year. By 1995, two-way trade reached U.S.\$5.9 billion.⁴ In 1996, it dropped to U.S.\$5 billion, largely because of the yen's 16 percent depreciation in comparison with the U.S. dollar.⁵

Trade statistics show a large trade imbalance in Russia's favor. In 1995, Russia sold U.S.\$4.7 billion to worth of goods to Japan, but imports from Japan totaled only U.S.\$1.2 billion. Russia sells more to Japan than it buys because many Japanese goods are too expensive for the Russian market, and Japanese

technology often is too sophisticated. By early November 1997, Japanese firms had invested only \$227 million in Russia, far less than the United States, Switzerland, Great Britain, Germany, and other countries.⁶

Signs of Change

Because of these obstacles, there has been no dramatic breakthrough in post-cold war Russo-Japanese relations, which until recently appeared to be stagnant. Recently, however, there have been signs of an improved atmosphere, which may create the conditions for a rapprochement. One of the first signs of change came during Japanese Prime Minister Hashimoto Ryutaro's April 1996 visit to Moscow

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to attend the nuclear safety summit. Hashimoto and Yeltsin met and agreed to hold foreign ministerial talks and to re-open negotiations on the territorial issue.⁷

A further sign of change came during Russian Foreign Minister Primakov's visit to Tokyo in November 1996. Primakov proposed to Japanese leaders that Russia and Japan

jointly develop the resources on the disputed northern islands. Whereas similar proposals had been turned down by Japanese officials in the past, this time Tokyo promised to study Primakov's proposal. At the June 1997 G-8 summit in Denver, Hashimoto and Yeltsin met again. They agreed to arrange regular Russo-Japanese summits and to hold an informal summit later that year.⁸

Russian First Deputy Prime Minister Boris Nemtsov's June 1997 visit to Tokyo brought further progress. Nemtsov and Japanese Foreign Minister Ikeda Yukihiko signed a fifteen-point memorandum on boosting bilateral trade and an agreement on a \$95 million loan to Russia to finance projects in the Far East.⁹ Nemtsov also proposed to his Japanese hosts the joint development of oil and gas resources in Siberia and Japanese participation in the modernization of the Trans-Siberian Railroad.¹⁰

In late July 1997, Prime Minister Hashimoto's speech to the Japan Association of Corporate Executives, later dubbed the Hashimoto Doctrine, heralded a new approach to Russia. In his speech, the Japanese prime minister pledged to base future relations with Russia on three principles: mutual trust, mutual benefit, and a long-term perspective. In contrast to Japan's behavior in the Gorbachev and Yeltsin periods, when it appeared that it was trying to take advantage of Russia's weakness to obtain territorial concessions, Hashimoto rejected an approach in which one side makes unilateral gains at the expense of the other. Hashimoto made it clear that the principle of mutual benefit was to apply to any resolution of the territorial dispute.

The Japanese prime minister stated that the territorial dispute should be dis-

cussed “calmly, based on a long-term perspective” and called for Japan and Russia “to create a solid foundation for the twenty-first century.” These remarks suggested that Tokyo was abandoning its previous policy of expanded equilibrium, which had limited progress in other areas of Russo-Japanese relations to the degree of progress achieved toward resolving the territorial dispute.

In his speech, Hashimoto was careful to treat Russia with respect, in a manner sensitive to Russia’s great power aspirations. At one point, he observed that two great powers, Russia and China, now hold the key to the formation of an international order. It is interesting that he not only was careful to call Russia a great power but that he mentioned it first, before China.

The Japanese prime minister announced a new Eurasian policy in which he called for expanded economic relations with Russia, China, Central Asia, and the Caucasus to develop new sources of energy. With Russia, he called for enhanced cooperation to develop energy in Siberia and the Russian Far East. Hashimoto made clear his belief that growing economic interdependence with the nations of the former Soviet Union would contribute to peace. He stated that “the links in the energy supply-and-demand relationship shall be clearly connected to fostering relations of trust and peace throughout East Asia” and confirmed his support for Yeltsin’s plan to send young Russian managers overseas as executive trainees.¹¹ The fact that Hashimoto chose corporate executives as the audience for his speech suggested that the Japanese government wanted its business community to expand relations with Russia.

Another indication of change was the warm atmosphere during the informal summit between Yeltsin and Hashimoto in Krasnoyarsk in November 1997. Yeltsin and Hashimoto declared their intention to resolve the territorial dispute and conclude a peace treaty by the year 2000. The two leaders adopted a plan to increase Japanese investment in Russian energy, nuclear energy, and transport, and Russo-Japanese cooperation in personnel training. Hashimoto proposed replacing government guarantees for Japanese investment in the Russian economy with the guarantees of Russian commercial banks, which would remove a significant obstacle.

Hashimoto and Yeltsin agreed to expand the ties between their militaries by exchanging visits by their armed forces chiefs of general staff and to consider holding joint exercises for disaster rescue and humanitarian relief. They agreed to set up a hotline for emergency consultation. Another fruit of the summit was a pledge that negotiations for an agreement on safe operations for Japanese fishermen around the disputed islands, ongoing since March 1995, would be concluded by the end of the year.

Hashimoto said that Japan would support Russia’s efforts to join the Asia Pacific Economic Cooperation Forum, and Yeltsin confirmed Russian support for Japan’s bid to win a permanent seat on the UN Security Council. It was agreed that Yeltsin and his family would visit Japan for another informal summit in 1998.¹² Prime Minister Chernomyrdin also is expected to visit Japan.

Further progress was made during Foreign Minister Primakov’s mid-November 1997 visit to Tokyo. Primakov and Japanese Foreign Minister Obuchi Keizo reaf-

firmed their governments' pledge to sign a peace treaty and agreed to hold high-level talks on this issue before Yeltsin's April 1998 visit to Tokyo. The Japanese and Russian foreign ministers agreed to head a new structure for peace treaty negotiations. Primakov and Obuchi promised to arrange regular, informal meetings of the leaders of the two countries. They also discussed Japanese investment in Russia and agreed that Russia will establish a center in Japan to promote investment.¹³

In late December 1997, Russia and Japan concluded an agreement on safe fishing operations in the waters around the disputed islands. In a concession to Tokyo, Russia agreed to allow Japanese, rather than Russian, authorities to monitor and punish Japanese poaching in the area.¹⁴

Incentives for Change

One motivation for changes on the Japanese side is growing concern about China. China still is viewed in Japan more as an unconventional military threat. But this perspective is beginning to change. There is increasing Japanese concern about China's territorial ambitions, its willingness to use force, and its potential to emerge early in the next century as a serious conventional threat.

Another motive is Tokyo's fear of international isolation and reluctance to go against the wishes of the United States and other Western countries. When it became apparent that Japan would not be able to stop the transformation of the G-7 into the G-8, which occurred in June 1997 at Denver, Tokyo dropped its opposition to Russian inclusion.¹⁵ Russia also is in a position to control whether Japan will achieve its goal of becoming a permanent member of the UN Security Council and to cooperate with Japan in the resolution of regional problems.

Still another motive is Japan's growing interest in finding new energy sources. Kent Calder has shown that demand for energy in East Asia early in the twenty-first century is going to outstrip supply. China's energy consumption will radically increase, and its demand for energy will exceed its domestic supply, putting added pressure on global energy resources. Japan and other countries in East Asia will become increasingly dependent on imports from the Middle East and the Persian Gulf unless new resources are developed in other regions.¹⁶ Pollution from coal and growing opposition to nuclear energy have increased interest in natural gas, including the large natural gas reserves in Russia. A final motive on the Japanese side is Hashimoto's concern about his own historical legacy. Hashimoto may believe that by resolving the territorial dispute with Russia, he will ensure his place in history.

On the Russian side there is growing appreciation of Japan's importance as an economic partner. Yeltsin and Nemtsov understand that Japanese investment is needed to ensure the development of major energy resource projects in the Russian Far East and East Siberia. Russia also needed Japanese support for its bid to join the Asia Pacific Economic Cooperation (APEC) forum, the most influential economic body in the region.¹⁷

Recent Russian efforts to improve relations with Japan reflect a desire to diversify its foreign ties. Yeltsin is disappointed with the economic fruits of Russia's relationship with the United States and uncomfortable in a world still dominated

by Washington. To increase Russia's room for maneuver, Yeltsin has been taking steps to establish closer ties with Paris, Bonn, and other powers. In Asia, Yeltsin has sought closer ties with Beijing as a counterbalance to Washington and to an expanded NATO.

But Russia does not want Beijing to become its sole close partner in Asia. Russian leaders are not comfortable with the idea of a partnership with China in which Russia would be the junior partner and China, with its expanding economic and military power, the dominant partner. Beijing is not interested in a close relationship with Russia directed against the United States, one of China's main trading partners and sources of foreign investment.

Concern about the growing power of their populous neighbor, China, has been stronger in the sparsely populated Russian Far East than in Moscow. But there is increasing concern about China in the Russian capital and recognition that there is no guarantee that future Sino-Russian relations will be friendly.

Efforts to improve Russian relations with Japan and to rejuvenate friendly ties with Russia's former close ally India can be seen as a prudent hedge against the uncertainty surrounding future Sino-Russian relations. The logic behind these efforts was revealed in an observation made a few years ago by Alexei Arbatov, now deputy chair of the Russian Duma's Defense Committee:

“The recent improvement in Sino-U.S. and U.S.-Japanese ties also puts pressure on Russia and Japan to improve their relations.”

A sudden change in the balance of forces in favor either of China or Japan, or the emergence of hegemonic ambitions in either of these two states, would create a direct threat to the Russian Far East. The present slant in favor of China could put Moscow in a position of one-sided dependence on Beijing.

Resolution of the problem with Japan over the Kurile Islands would provide Russia with a much more advantageous political position and greater freedom of maneuver in the Western Pacific.¹⁸

Similar statements have been made more recently by a number of other Russian political analysts and politicians. Sergei Blagovolin, deputy director of the Institute of World Economics and International Relations (IMEMO), in Moscow, argued in August 1997 that “orientation on one country—China—would be simply unwise.”¹⁹ Sergei Oznobychev, an analyst with Moscow's Institute of Strategic Research, has observed that future relations with China are “a huge question mark” and has warned about China's potential threat to Russia's “vast, rich and mostly empty spaces in Siberia.”²⁰ A *Segodnya* article, commenting on the Krasnoyarsk summit, commented that “‘sacrificing’ the two Southern Kuril islands to Japan might become a far ‘lesser evil’ than having to deal single-handedly with the billion-strong neighbor already too big for its borders.”²¹

A one-sided relationship with China limits Russia's diplomatic options. Moscow's acceptability as a regional actor in the Asia-Pacific will be enhanced if Russia's "strategic partnership" with China is balanced by improved relations with Japan and the United States.²²

The recent improvement in Sino-U.S. and U.S.-Japanese ties also puts pressure on Russia and Japan to improve their relations. In the fluid post-cold war international environment, it is in the interest of all countries to seek maximum room for maneuver in their foreign policies.

Yeltsin's stronger domestic standing puts him in a better position to tackle the contentious issue of relations with Japan. His domestic position has been strengthened by his reelection in June 1996 and by the end of Russia's war in Chechnya. Yeltsin's freedom of maneuver has been increased by the January 1996 replacement of Andrei Kozyrev, Yeltsin's unpopular, pro-Western foreign minister, by Evgeniy Primakov, a more conservative figure who commands much stronger and broader elite support.

Prospects

Recent initiatives by Hashimoto and Yeltsin have radically improved the atmosphere between their countries. Yeltsin realizes that Japanese support is critical for the development of Russia's unstable, backward Far East economy and to support Russia's full integration into the Asia Pacific region. Improved relations with Japan are important to counterbalance the growing power of China.

Concern about China's rising power also motivates Japan to seek better relations with Russia. Tokyo has an interest in avoiding instability in Russia and a need to improve its own ties with a country that is gaining acceptance in the international community. Yeltsin and Hashimoto have opened the door to a radical improvement in Russo-Japanese relations. But it is not yet clear whether their countries will march through it.

Security relations are likely to improve significantly. The security atmosphere between Russia and Japan has already seen substantial improvement since the early post-cold war period. And the prospects for further progress are quite good.

Until recently, there were minimal relations between the Russian and Japanese militaries, which viewed each other with strong mistrust. In the early post-cold war years, Japan continued to portray Russia as a conventional military threat. Japan's Defense White Paper no longer warns of a conventional Russian threat now that Russia's military is crumbling.

Increasingly, Japanese policymakers perceive Russia as an unconventional, rather than a conventional, security threat, as a potential source of instability, proliferation, and pollution. The Japanese government is concerned about the control of nuclear weapons in Russia, nuclear reactor safety, and the danger that Russian nuclear materiel and expertise might make their way into weapons of mass destruction.

Part of Japan's large aid program to Russia has been directed toward dealing with these unconventional threats. To stop a brain drain, Tokyo has helped to fund the International Science and Technology Center, which employs Russian scien-

tists and technicians with expertise in weapons of mass destruction to work on peaceful research projects. In April 1993, Tokyo pledged U.S.\$70 million to assist Russia in dismantling its nuclear weapons. Part of these funds was used to pay for the construction of a radioactive waste treatment facility on a floating barge to be moored offshore at Bolshoi Kamen, near Vladivostok. This facility will process low-level radioactive nuclear waste so that the Russian navy no longer will need to dump it into the ocean. At the April 1996 Summit on Nuclear Safety and Security in Moscow, Yeltsin promised Hashimoto that Russia no longer would dump liquid radioactive waste into the ocean near Japan and would sign a 1993 amendment to the 1972 London Convention banning ocean dumping of low-level nuclear waste.²³

Japanese officials have agreed to initiate a number of confidence-building measures with the Russian military. During Yeltsin's October 1993 visit, Russia and Japan signed an agreement to prevent incidents at sea and agreed to negotiate a security cooperation pact that would provide for military exchanges, advance notification of military exercises, and naval port calls.

Since then, there have been high-level military exchanges between Japan and Russia, and their navies have exchanged port calls. In October 1994, the head of Japan's Defense Agency, Defense Bureau, Murata Naoaki, went to Moscow as part of a delegation to U.S.-Japanese trilateral talks.²⁴ In March 1995, Russian Deputy Defense Minister Boris Gromov visited Tokyo and reiterated Russian proposals for military exchanges and confidence-building measures.²⁵ In April 1996, Japan Defense Agency Director General Usui Hideo met with Russian Defense Minister Pavel Grachev in Moscow. They signed a military cooperation protocol calling for reciprocal notification of large-scale military exercises, exchange of information about the size of their militaries and their basic defense policies, an exchange of visits by naval vessels that would participate in joint communication exercises to prevent accidents at sea, and expanded military exchanges, including a visit by Russia's defense minister to Japan.²⁶ In May 1997, Grachev's successor, Russian Defense Minister Igor Rodionov, visited Tokyo. Rodionov and the head of Japan's Defense Agency signed a protocol providing for the creation of a bilateral working group of defense officials. Rodionov also expressed Russia's interest in holding naval exercises with Japan and the United States.²⁷ The initiatives announced at the Krasnoyarsk summit will continue and will strengthen the expanding military ties.

The exchanges of high level visits between the Russian and Japanese militaries are unprecedented. So is the recent exchange of naval warships. In July 1996, the Japanese destroyer *Kurama* visited Vladivostok to attend the celebrations marking the tricentennial anniversary of the Russian Navy. The *Kurama*, which was the first Japanese warship to visit Russia in seventy-one years, conducted a joint communications training exercise with the Russian navy.²⁸ In June 1997, the Russian destroyer *Admiral Vinogradov* visited Tokyo, the first visit by a Russian warship to Japan in more than a century.²⁹ In June 1997, Yeltsin made a symbolic gesture by promising Hashimoto at the Denver summit that Russian missiles would no longer be targeted on Japan.³⁰ Russia has offered to sell MiG-29s and

Su-27 jet fighters to Japan and to collaborate with Japan and the United States in a joint regional anti-missile defense system.³¹

For the past three years, a series of unofficial trilateral security consultations has been held among Japan, Russia, and the United States. This series began in February 1994 in Tokyo, where high level military, defense, and foreign affairs officials and academics from Russia, Japan, and the United States participated in an unofficial and off-the-record trilateral forum on security in the north Pacific.³² This trilateral security dialogue may be expanded to include China and perhaps other Northeast Asian countries. During his mid-November 1997 visit to Japan, Chinese Prime Minister Li Peng proposed the establishment of a four-party security

dialogue among China, Japan, the United States, and Russia.

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Russian officers participated in a multilateral Asia-Pacific Security Seminar convened by Japan’s Defense Agency in Tokyo. At that seminar, in December 1994, uniformed officers from thirteen countries, including Japan, China, South Korea, Russia, and the United

States, discussed regional security problems and confidence- and security-building measures. In March 1995, Japan’s Defense Agency announced a basic policy on security dialogue and defense exchange that called for increased contacts with ASEAN countries, South Korea, China, and Russia and for greater military transparency.³³

These confidence-building measures and military exchanges have improved the security atmosphere between Russia and Japan. The improvement was reflected by Russia’s relatively calm reaction to the new U.S.-Japan Defense Guidelines published in September 1997, in marked contrast to the more alarmist responses of China, South Korea, and other Asian countries.

The security situation between Japan and Russia will further improve if Russia decides to eliminate its nuclear submarine bastion in the Sea of Okhotsk. Alexei Zagorsky has speculated that the substantial reductions in Russia’s strategic submarine fleet required by START-II, the growing obsolescence of Russian submarines based in the northwest Pacific, the high cost of maintaining facilities there, and the closing down of repair and maintenance facilities in the region may persuade Russian military officials that it no longer makes sense to keep two SSBN bastions.³⁴ Although Russian military officials would like to keep two SSBN bastions, financial stringency may force them to close the Sea of Okhotsk SSBN bastion and to base all of the remaining strategic nuclear submarines in the Barents Sea.

The potential threat posed by U.S. and Japanese forces to Russia’s Sea of Okhotsk SSBN bastion is one of the reasons for Russian military opposition to

any territorial concession to Japan. The closing of the Sea of Okhotsk SSBN bastion, if it occurs, and the improvement in the security atmosphere between Russia and Japan and between Russia and the United States will enhance the prospects for a resolution of the territorial dispute, but will by no means remove all obstacles. Russians continue to be sensitive about military deployments in Japan. A recent announcement that some U.S. forces would be redeployed from Okinawa to Hokkaido provoked a negative response in Russia from Defense Council Secretary Yuriy Baturin and the governor of Sakhalin oblast, Igor Farkhutdinov.³⁵ One way to deal with these concerns would be for Japan and the United States to promise to keep the disputed islands demilitarized after their return to Japanese sovereignty.³⁶

Even if Tokyo and Washington were willing to make such a pledge, there still would be significant obstacles to the resolution of the territorial dispute. The disputed islands are important to Russians not only for their strategic significance but also economically and even more for their symbolic value. Russian opponents of territorial concession often stress the economic value of the fisheries in the surrounding waters, which has been estimated at U.S.\$2 billion a year. They argue that it would be wrong to sacrifice the enormous potential profits that Russia could make from those resources in order to obtain one-time-only grants or credits from Japan.³⁷

In recent years, the Russian Far East has lacked the means to fully exploit the economic potential of the islands. Living standards on the islands have plummeted. Their dire economic condition, exacerbated by the 1994 earthquake, has produced an outflow of residents that has markedly reduced the population of the islands. Inhabitants have appealed to Japan for emergency humanitarian relief and for money to fund their move back to the Russian mainland. Recently, Vladimir Zema, head of the Southern Kuril District Administration, told ITAR-TASS news agency: "If a referendum were to be held now on the destiny of the isles, the result would be unequivocal—to secede from Russia."³⁸

Despite these developments, the economic value of the islands is still important to the Russian Far East, particularly at a time of serious decline in the overall economy and the fisheries industry. Any territorial settlement would have to take this into account by providing a firm guarantee of Russian economic rights in the waters surrounding the disputed islands.

Various possibilities have been suggested. During his November 1996 visit to Tokyo, Primakov proposed that Russia and Japan follow the Malvinas (Falklands) model and engage in joint use of the islands while postponing any decision about sovereignty. The Yeltsin administration is considering a proposal from IMEMO that envisages removing the area of the disputed islands from the Sakhalin region's jurisdiction and putting them under direct presidential control. The Japanese would be given some exclusive legal and tax rights in the region, which would be jointly administered by Moscow and Tokyo.

Tokyo has indicated that it is willing to consider that idea, but only as an interim step, not as a final solution. The proposal has, however, provoked strong objections from the Sakhalin regional administration, which hopes to profit from for-

eign investment in the region's rich resources. When an IMEMO specialist wanted to present this proposal to a recent Russian-Japanese seminar in Yuzhno-Sakhalinsk, he was barred from the conference hall.³⁹

The symbolic importance of the disputed islands to both the Russians and the Japanese will present an even greater obstacle than their economic value. For the Japanese, return of the islands would symbolize Russia's acknowledgment of the harm it inflicted on Japan at the end of World War II and Moscow's renunciation of the use of force for territorial aggrandizement.

For many Russians, however, return of the islands would constitute one more humiliating concession that their country has been forced to accept because of its weakness. Russians were educated to believe that the disputed islands rightfully belong to them.

Efforts have been made by Russian Japan specialists to educate the Russian population about the history of the disputed islands, which legally never belonged to Russia before the Red Army seized them at the end of the Second World War. Those efforts, however, have had little or no positive impact.

The territorial dispute with Japan has acquired enormous symbolic importance in Russia. It was frequently used by conservative and hypernationalist opponents of Yeltsin and of his first foreign minister, Andrei Kozyrev, as a focal point for their opposition. It still is used by Yeltsin's opponents in Moscow and by local officials in the Russian Far East as a means of gaining popular support.

There are signs of strong opposition to Yeltsin's pledge at Krasnoyarsk to resolve the territorial issue by the year 2000. On the eve of Yeltsin's departure for Krasnoyarsk, a group of nationalist Duma deputies issued a statement condemning the IMEMO proposal as "tantamount to complete disregard of the rights of the Sakhalin region and direct infringement on the Russia's [sic] sovereign right to this part of its own territory."⁴⁰ During the summit, several thousand demonstrators in Krasnoyarsk rallied against a Russian territorial concession to Japan.⁴¹ To register his strong opposition to a territorial concession, Sakhalin's governor, Igor Farkhutdinov, spent 58 million rubles on a five-meter-high, Russian Orthodox cross, which was erected two days after the summit on the Habomai islet closest to Japan.⁴² Russian Communist Party leader Gennady Zyuganov spoke out against a territorial concession and urged Yeltsin's government to separate the territorial dispute from negotiations for a peace treaty with Japan.⁴³ In response to these signs of opposition, Yeltsin's spokesperson, Sergei Yastrzhembsky, issued a statement saying that the year 2000 was not a binding deadline.⁴⁴

The positions of Russia and Japan on the territorial question are even farther apart today than they were in 1992 when Yeltsin postponed his visit to Tokyo. Then Russian policymakers were willing to consider an agreement in which they would promise to return the Habomais and Shikotan and to continue negotiations regarding Kunashiri and Etorofu, the two larger disputed islands. The Russians believed that the negotiations eventually would persuade Tokyo to abandon its claim to Kunashiri and Etorofu.⁴⁵ Tokyo, at that time, demanded the return of the Habomais and Shikotan and Russian recognition of Japanese residual sovereign-

ty over Kunashiri and Etorofu or, at a minimum, Moscow's recognition of Japan's residual sovereignty over all the disputed islands.

Today there is no indication that Japan has modified its basic position. In early 1998, Hashimoto stressed that Tokyo would not consider a peace treaty that failed to define the Russo-Japanese border.⁴⁶ Yet Yeltsin's room for maneuver is even more limited than it was five years ago. Moscow is pressing Tokyo to agree to joint development of all the disputed islands. The biggest concession Moscow might be willing to make is to agree to the return of the Habomais and Shikotan and to joint development of Kunashiri and Etorofu. And even a minimal concession of this kind may not be politically feasible.⁴⁷

So there seem to be two possible outcomes for the territorial negotiations. Either Japan will be forced to settle for an interim measure that does not fully satisfy its territorial ambitions, or, as seems more likely, the negotiations will end in stalemate and frustration.

It is uncertain whether the plans made by Yeltsin and Hashimoto for an expansion of economic ties will be fully realized. Economic interaction between Japan and the Russian Far East can be expected to grow, but the magnitude of the increase is not yet clear. Japan already is important as a trading partner and investor in the Russian Far East, more important than in Russia as a whole. Under Yeltsin, the Russian Far East has been forced to increase its economic integration with East Asia because subsidies for transportation between the Russian Far East and European Russia have all but disappeared, and state orders have radically decreased. In 1995, the Russian Far East's total foreign trade reached U.S.\$4.2 billion. Of that, U.S.\$1.1 billion was with Japan. Most of this two-way trade was exports, since the Russian Far East imports very little from Japan.⁴⁸

Japan is the Russian Far East's most important export market for its timber, coal, and fish, buying far more of those products than South Korea. Japan's imports of fish and timber from the Russian Far East are much larger than even these official statistics suggest. There is widespread smuggling, encouraged by high taxes and prohibitive customs duties. Russian poachers operating off the Russian Far East coast catch large quantities of crab and fish that they trade for Japanese used automobiles and other goods, which are smuggled into Russia. Nobuo Arai of the Hokkaido Institute for Regional Studies has estimated that in one year alone U.S.\$500 million worth of crab was smuggled into Japan.⁴⁹ Sakhalin's governor Igor Fakhutdinov claims that half the fish caught off the Russian Far East coast each year, with a value of U.S.\$2 billion annually, is exported illegally.⁵⁰ A significant proportion of Russian timber is exported to Japan in barter deals to avoid customs and taxes.⁵¹

“Yeltsin’s room for maneuver is even more limited than it was five years ago. Moscow is pressing Tokyo to agree to joint development of all the disputed islands.”

Tokyo has provided significant humanitarian and technical assistance to the Russian Far East and east Siberia. Training in economic management and the Japanese language is offered at Japan Centers in Khabarovsk, Vladivostok, and Yuzhno-Sakhalinsk. Tokyo has helped to establish a Regional Venture Fund that provides capital and expertise to privatized and newly established small and medium-sized companies.⁵²

A significant proportion of foreign investment in the Russian Far East comes from Japan, 45 percent in 1994.⁵³ Japan's investment will be increased by the first two phases of the project to develop oil and gas resources on Sakhalin's continental shelf. Two Japanese firms, Mitsui and Mitsubishi, each hold 20 percent of the equity in Sakhalin II. Another Japanese company, Sodeko, has 30 percent of the equity in Sakhalin I. These two projects will require U.S.\$25 billion worth of investment. When they get under way early in the next century, they are expected to produce 387 million tons of oil, 70 million tons of condensate, and 885 billion cubic meters of natural gas over a forty-year period.⁵⁴ A significant part of the natural gas will go to supply the energy-starved Russian Far East, and the rest, along with the oil, will be exported to Japan and other East Asian countries.

The Yeltsin regime has made clear that it wants Japanese participation in other large resource development projects in east Siberia and the Russian Far East. These include the next three phases of development of oil and natural gas reserves on the Sakhalin continental shelf, and a U.S.\$10 billion project to develop the Kovyktinskoye natural gas field in Irkutsk and build a 3,500-kilometer pipeline across Mongolia to China and possibly on to South Korea and Japan.⁵⁵

The Hashimoto government in Japan, and Yeltsin, Nemtsov, and some other high-level Russian officials support Japanese participation in these energy resource development projects. But they will have to overcome a number of serious obstacles that include political instability, the absence of a clear legal framework, crime, corruption, the poor physical and social infrastructure, a shortage of labor, and prohibitive taxes and customs duties. Russia is competing with Central Asia, the Caucasus, Indonesia, Alaska, and other regions for Japanese energy investment. Japanese investment in energy resource development is likely to flow elsewhere unless those obstacles are overcome.

So far, the signs are not promising. Little or nothing has been done to implement the Special Program for the Economic and Social Development of Siberia and the Far East in 1995–2005, which was announced with great fanfare by Yeltsin shortly before the June 1996 presidential election. Under that plan, federal and regional funds were to be allocated for the development of infrastructure and investors were to be granted customs, tax, and other benefits and guarantees for the security of their capital.⁵⁶ There is strong opposition in the Duma and from an environmental movement in the Russian Far East that has cooperated with a movement supporting the economic rights of the region's indigenous population.⁵⁷

If these large energy development projects go forward, they will radically transform the overall Russo-Japanese relationship and Japan's relationship with the Russian Far East by substantially increasing their economic interaction. If

they do not, Japan's economic ties with the Russian Far East and east Siberia still will expand but at a slower rate.

If relations between Russia and Japan are transformed by an interim resolution of their territorial dispute and significant expansion of their economic interaction, then the effect on northeast Asia will be quite significant. This will be particularly true if this transformation occurs at a time when Russian and Japanese relations with China are deteriorating.

A more limited improvement in Russo-Japanese ties still will have an important impact. The expansion of Russo-Japanese military ties and their adoption of greater military transparency and other confidence-building measures will help to maintain and increase the growing trust between Russia and Japan in the security realm. Even a limited improvement in Russo-Japanese relations will facilitate the establishment of multilateral security and economic cooperation at the subregional, regional, and global levels. Multilateral cooperation is especially important in northeast Asia, where there still are serious unresolved problems between the two Koreas and between China and Taiwan and growing tensions between a number of countries over territory and resources. Some multilateral cooperation in northeast Asia already is taking place, but the region would benefit from an expansion of the ties spurred by an improvement in Russo-Japanese relations.

NOTES

1. Moscow did not give the one-year notification of abrogation required by the treaty. The Japanese have found it convenient to forget that they were prepared to violate it if they had considered it to be in their interests.

2. *Foreign Broadcast Information Service: Daily Report: East Asia (FBIS:DR:East Asia)* 181, 10 September 1994, 19.

3. *Segodnya*, 11 July 1995, transl. in *Foreign Broadcast Information Service: Daily Report: Central Eurasia (FBIS:DR:Central Eurasia)* 132, 11 July 1995, 22. Now an annual event, Putina also is carried out in the Baltic and Caspian seas.

4. Ministry of Finance, Japan, "Japan-USSR/Russia Trade," typescript.

5. *RIA-Novosti Daily Review*, 29 October 1997.

6. "Russian Far East Economy: Growing Expectation for Japanese Investment," Tokyo *Gaiko Forum*, in *FBIS:DR:East Asia*, 1 October 1996; *Nezavisimaya gazeta*, 1 November 1997, in *IEWS Russian Regional Report*, Part II, 6 November 1997. However, the trade imbalance may not be as large as these statistics suggest because Japanese trading companies export a large number of televisions, VCRs, office equipment, and automobiles to Russia through third countries with an estimated total value in 1995 of approximately U.S.\$2 billion.

7. *Kyodo*, 4 July 1996, in *FBIS:DR:East Asia*, 5 July 1996, 16.

8. Vsevolod Ovchinnikov, "What Promise Does the Hashimoto Doctrine Hold For Moscow," *Rossiiskaya gazeta*, 13 August 1997, in *FBIS:DR:Central Eurasia* 246, 3 September 1997.

9. *Radio Free Europe/Radio Liberty (RFE/RL) Newswire*, 9 June 1997. These funds were part of a \$500 million Japanese loan promised the former USSR in October 1991 for humanitarian projects. In 1994, Moscow asked Tokyo for permission to reallocate these funds and to use them for investment in industrial and commercial projects. Tokyo agreed but it took several years to work out the details *Mainichi Daily News*, 27 November 1994, 7.

10. Ovchinnikov, "What Promise."

11. Address by Prime Minister Ryutaro Hashimoto to the Japan Association of Corporate

Executives," 24 July 1997 (typescript).

12. *Napsnet Daily Report*, 3–4 November 1997; *Moscow Interfax*, 2 November 1997, in *FBIS:DR:Central Eurasia/East Asia*, 2 November 1997.

13. *Napsnet Daily Report*, 14 November 1997; *RFE/RL Newslines*, 13–14 November 1997.

14. *RIA-Novosti Daily Review*, 30 December 1997.

15. "Russia Becomes a Fully Equal But Not a Full-Fledged Member of the 'Big Eight,'" *Nezavisimaya gazeta*, 20 June 1997, in *NAPSNET Daily Report*, 25 June 1997. Tokyo did, however, press to exclude the Russian president from the discussion of financial and macroeconomic issues.

16. Kent E. Calder, "Asia's Empty Tank" *Foreign Affairs* 75 (March/April 1996): 55–69.

17. At the November 1997 APEC Summit in Vancouver, a decision was made to admit Russia.

18. Alexie G. Arbatov, "Russia's Foreign Policy Alternatives," *International Security* 18 (Fall 1993): 36–37.

19. Sergei Blagovolin, "New Geopolitical Situation: Let's Think about Future," *Military News Bulletin* 8 (August 1997), cited in *Johnson's Russia List*, 14 September 1997.

20. Fred Weir, *The Hindustan Times*, 10 September 1997, cited in *Johnson's Russia List*, 10 September 1997.

21. Georgiy Bovt and Aleksandr Chudodeyev, "Promises Take Three Years to Be Fulfilled," *Napsnet Daily Review*, 5 November 1997.

22. This point was made to me by Alexei Zagorsky.

23. Tarif Rauf, "Russia's Nuclear Nightmare in the Pacific," *CANCAPS Bulletin* 9 (June 1996): 3; *Omri Daily Report*, 8 February 1996.

24. *Mainichi Daily News*, 24 October 1994, 1.

25. *FBIS:DR:Central Eurasia*, 7 March 1995, 12–13.

26. "Exchange of Views Between Director-General of the Defense Agency Hideo Usui of Japan and Minister of Defense Pavel S. Grachev of the Russian Federation (Related to Security Dialogue and Defense Exchange) (Outline)," 30 April 1996, typescript.

27. *RFE/RL Newslines*, 19 May 1997.

28. *FBIS:DR:East Asia* 9 July 1996, 13–14.

29. *RFE/RL Newslines*, 27 June 1997.

30. *NAPSNET Daily Report*, 26 June 1997.

31. *BBC Summary of World Broadcasts*, 30 April 1996 and 1 October 1996.

32. Moscow ITAR-TASS, 1 February 1994, in *FBIS:DR:Central Eurasia*, 1 February 1994, 12–13.

33. Christopher W. Hughes, "Japan's Subregional Security and Defence Linkages with ASEAN, South Korea and China in the 1990s," *The Pacific Review* 9 (1996): 233–34.

34. Alexei V. Zagorsky, "The Security Dimension" in *Politics and Economics in the Russian Far East: Changing Ties with Asia-Pacific*, ed. Tsuneo Akaha (New York: Routledge, 1997), 41–42.

35. *Omri*, 31 January 1997; *RFE/RL Newslines*, 9 May 1997.

36. Demilitarization has been suggested on more than one occasion by Japanese officials, for example, by former Japanese Prime Minister Nakasone Yasuhiro during a 1993 meeting with Yeltsin. *Mainichi Daily News*, 10 July 1993, 3.

37. Vyacheslav Zilanov, "Islands of Discord," *Rossiskaya gazeta*, 18–19 October 1995, in *FBIS:DR:Central Eurasia*, 2 November 1995, 3.

38. *Napsnet Daily Report*, 7 October 1997.

39. Vasili Golovnin, "Will They Solve Pressing Issues During Their 'No-Neckties' Summit?" *Izvestia*, in *RIA-Novosti Daily Review*, 28 October 1997; Peter Landers, "Warmth in Siberia," *Far Eastern Economic Review*, 30 October 1997, 30.

40. *Interfax*, 30 October 1997, in *FBIS:DR:Central Eurasia, East Asia*, 30 October 1997.

41. Another purpose of this demonstration, however, was to protest the region's severe economic hardship; therefore, it is difficult to know how much the marchers cared about

the territorial dispute (*Napset Daily Review*, 3 November 1997).

42. *Jiji Press English News*, 4 November 1997.

43. *Jiji Press English News*, 5 November 1997.

44. *Ibid.*

45. The Russian position is that eventually Tokyo will be forced to admit that its spokesman at the 1951 San Francisco Peace Conference acknowledged that Kunashiri and Etorofu were part of the Kurile Island, whose ownership Japan renounced. (In the San Francisco Peace Treaty, Japan renounced its sovereignty over the Kurile Islands. But the treaty did not acknowledge Russian sovereignty over these islands because Moscow was not a signatory.)

46. Moscow Interfax, 9 January 1998, in *FBIS:DR:Central Eurasia*, 9 January 1998.

47. The author wishes to thank Alexei Zagorsky for his comparison of Russia's negotiating position in 1992 and today.

48. "Russian Far East Economy: Growing Expectation for Japanese Investment," Tokyo *Gaiko Forum*, in *FBIS:DR:East Asia*, 1 October 1996.

49. Vadim Makarenko, "Is the Primorye 'Tiger' Preparing to Pounce?" *New Times*, July 1996, 40.

50. *IEWS Russian Regional Report*, 30 October 1997. To stop this smuggling, Yeltsin recently issued a decree transferring supervision of the export trade from corrupt government fishing agencies to the Federal Border Guards.

51. *Russia Regional Report*, 5 February 1997.

52. "Japan's Assistance for the Newly Independent States (NIS): Fact Sheet," April 1996, typescript; Japan Ministry of Foreign Affairs website: <http://www.mofa.go.jp/> By early 1996, Japan had committed \$4.5 billion in loans and trade insurance to Russia plus approximately US\$423.1 million in grants for technical and humanitarian assistance.

53. Russian Ambassador's Lecture," *IIPS* [Institute for International Policy Studies] *News*, 6 (Spring 1995): 3.

54. ITAR-TASS, 30 October 1997, transl. in *FBIS:Central Eurasia*, 30 October 1997.

55. *RIA-Novosti Daily Review*, 29 October 1997.

56. *FBIS:DR:East Asia*, 25 July 1996, 22.

57. Evgenii B. Kovrigin "Problems of the Resource Development in the Russian Far East," *Politics and Economics in the Russian Far East: Changing Ties with Asia-Pacific*, ed. Tsuneo Akaha (New York: Routledge, 1997), 75-80.