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NORDPOLITIK: JAPAN'S NEW RUSSIA POLICY

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Today, for perhaps the first time in more than 200 years of interaction, neither Japan nor Russia views the other as a direct security threat. Four major issues have acted as the catalysts to bring about a warming between Tokyo and Moscow. These issues are: the rise of China as an economic *and* political power in the region; the *perceived* relative decline in the power of the United States in East Asia; the collapse of the Soviet Union and Russia's virtual disappearance as a major actor in East Asia; and Japan's need for alternative energy sources in the face of the upcoming energy crunch in Asia. Were Japan and Russia to bring about a complete normalization of relations, as seems highly possible now, the repercussions would be wide-ranging for the geopolitical situation in the Asia-Pacific region.

On 22 July 1997 two Japanese Maritime Self-Defense Force (MSDF) destroyers, the *Setogiri* and the *Sawayuki*, quietly departed from the port of Abashiri in northern Hokkaido for a routine mission in the northern Pacific. Rather than heading through the Soya Strait and proceeding southward into the Sea of Japan, they pointed their bows northward and steamed into the Sea of Okhotsk. After passing the 46th parallel on 23 July, they turned eastward, steaming just north of the windswept Russian island of Urup in the Kurile chain. The two vessels then passed through the Urup Strait, exiting the Sea of Okhotsk out into the Pacific. They were the first Japanese military ships to pass through those waters since 1945. During the Cold War, the Sea of Okhotsk had been a "nuclear bastion" of the Soviet Union's Pacific Fleet. The Urup Strait is a strategically vital passageway through which Soviet (and now Russian) nuclear submarines

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passed with great regularity. Formerly, Japanese MSDF ships had to proceed into the northern Pacific through the Tsugaru Strait on the southern side of the island of Hokkaido. Though the waters of the Urup Strait technically lie within international waters, Tokyo undoubtedly notified Moscow, seeking approval before sending the Setogiri and the Sawayuki through the sensitive strait. The fact that Moscow approved sends a quiet, yet strong, signal. The seemingly innocuous movement of two ships through a strait in the Kurile Islands, though generally unnoticed throughout the world, is a dramatic symbol of the warming of relations between Tokyo and Russia (MSDF Ships Pass 1997).

The geopolitical situation in Northeast Asia is undergoing tremendous change, politically, economically, and militarily. The major debates underway today concern the rise of China, the impending collapse of North Korea, the economic vicissitudes of Japan, South Korea and Southeast Asia, and the Sino-Russian "strategic partnership." One emerging issue which has drawn little attention, however, is the evolving *rapprochement* between Japan and Russia. There are clear signs that the two nations are ready to move past the differences which have divided them for over half a century. Historically, the mutual mistrust dividing Tokyo and Moscow has been a permanent fixture of the Northeast Asian political landscape. The differences dividing the two nations both predated and transcended the Cold War. Overcoming these differences seemed a remote possibility even as recently as the beginning of 1996. But today, for perhaps the first time in more than 200 years of interaction, neither country views the other as a direct security threat.

The primary focus of this essay is to note the changes taking place within the Japanese decision-making process and to argue that Japan's foreign policy is no longer hostage to domestic and economic issues. External factors are driving foreign policy decisions emanating from Tokyo perhaps more than anytime since 1945. Specifically, these are: the rise of China as an economic *and* political power in the region; the perceived relative decline in the power of the United States in East Asia; the collapse of the Soviet Union and Russia's virtual disappearance as a major actor in East Asia; and Japan's need for alternative energy sources in the face of the upcoming energy crunch in Asia.¹ China's rise seems to weigh most heavily on the minds of foreign policy makers in Tokyo. Were Japan and Russia to bring about a complete normalization of relations, as seems highly possible now, the repercussions would be wide-ranging for the geopolitical situation in the Asia-Pacific region. China's rise could be balanced, the United States would benefit from having its primary ally in

the region take a more active diplomatic role, Russia would reassert itself as a player to be reckoned with, and Japan could diversify and secure alternate energy sources. This essay also will examine possible Russian motivations for seeking a rapprochement with Tokyo. Because a Japanese-Russian rapprochement undoubtedly will have a tremendous impact on the geo-politics of East Asia, it is important that policy makers in Washington understand the dynamics behind the movements underway to formulate appropriate policy responses.

The recent summit meeting between Japanese Prime Minister Hashimoto Ryutaro and Russian President Boris Yeltsin on 1 November 1997 demonstrates the eagerness of both sides to put aside differences and come to an understanding that relations must be normalized. The “no neck-tie” summit seemed to be more of a photo opportunity for both sides than an arena for concrete discussions. Both sides, however, demonstrated their intense desire to put relations on a normal footing. For example, the decision to hold the summit meeting in the Russian city of Krasnoyarsk is highly symbolic. Krasnoyarsk is located in Siberia, approximately halfway between Tokyo and Moscow. The two sides agreed to meet halfway geographically, and as equals in the diplomatic arena. The results of the meeting were inconclusive, and much of what was discussed including Yeltsin’s proposed “action plan” on the return of the disputed territories will have to be explored further in the next meeting between Hashimoto and Yeltsin, scheduled for April 1998 in Japan. However, both leaders promised to work toward signing a peace treaty by the year 2000 (Embassy of Japan 1997). Japanese officials, normally tight-lipped about strategic issues, gushed after the recent summit that a Japanese-Russian peace treaty would profoundly affect the strategic balance in Asia (Russia and Japan 1997).

A BRIEF HISTORY

Japan and Russia have eyed one another warily even before diplomatic contact was established in the mid-19th century. The Kurile Islands have been a point of contention between Japan and Russia ever since Russian explorers began probing the Pacific coast of Siberia in the early 17th century. Japanese writings from the 17th and 18th centuries make reference to foreigners from the “north,” whose ships occasionally made appearances off the coast of Japan. A famous Japanese scholar of the *Edo* period (1630s to the 1850s), Hayashi Shihei, wrote a study in 1791, the *Kaikoku Heidan* (Military Talks for a Maritime Nation), in which he

alluded to the emerging Russian threat from the north (Keene 1969).

Territorial issues were paramount in the early days of the relationship. In 1855, after Japan opened up to trade with the outside world, the Japanese and Russian governments reached an agreement, known as the Treaty of Shimoda, wherein Japan would retain rights to the southern-most of the Kurile Islands (Etorofu, Kunashiri, Shikotan, and the Habomai group—a group of several smaller islands). In 1875, Japan and Russia signed the Treaty of St. Petersburg, in which Japan retained rights to the entire Kurile archipelago to the Kamchatka peninsula (Menon 1996). After the Russo-Japanese War of 1904–05, Japanese control was eventually extended to include the southern half of the island of Sakhalin. By 1940, 17,000 Japanese citizens resided on the Kurile Islands.²

In the closing days of World War II, Soviet forces moved into Manchuria, Korea, Sakhalin, and the Kuriles, taking possession of the entire island chain. Japanese citizens residing on the islands were either forcibly repatriated or sent to Soviet labor camps. Hundreds of thousands of Japanese prisoners (soldiers and civilians) captured in China, Manchuria, and the Kuriles were sent to labor camps in Siberia, where 60,000 of them perished over the next decade. The last prisoners were not repatriated until 1956 (Saito 1993). The Soviet Union refused to recognize the results of the San Francisco Peace Conference in 1951, and as such a technical state of war has existed between the two nations since then.

In 1956, Japanese Prime Minister Hatoyama Ichiro traveled to Moscow in an attempt to negotiate a peace treaty between Japan and the Soviet Union. Though Hatoyama was unable to negotiate a peace treaty, he did succeed in opening trade relations and establishing official Soviet-Japanese diplomatic ties. At the time a joint declaration was issued, and the Soviet Union offered to return the Habomai group and Shikotan Island. Due in part to U.S. pressure however, Hatoyama reversed his stance and insisted that a peace treaty could not be signed until all of the islands had been returned. After the United States and Japan signed the 1960 Security Treaty, Soviet Premier Nikita Khrushchev rescinded the Soviet Union's offer given in the 1956 Joint Declaration (Slavinsky 1997).

Japanese leaders began looking to cultivate relations with the Soviets again in the 1970s, as part of a move to keep Japan involved in Far Eastern diplomacy during this period of great flux. In 1971, the Japanese government was alarmed at the surprise decision by the Nixon administration to normalize relations with the People's Republic of China. The "Nixon shock" left the Japanese feeling betrayed. Japanese leaders felt they should

have been consulted, or at least warned of the sudden U.S. decision to recognize China. Consequently, Japanese Prime Minister Tanaka Kakuei was the first Japanese politician to attempt to negotiate a land-for-money deal between the Soviet Union and Japan. In a trip to Moscow in 1973, Tanaka extended the carrot of economic aid, in hopes that a deal could be reached over the islands. In fact, Tanaka was also interested in gaining access to Siberia's vast energy resources. This was in the wake of the first oil shock, and Japan was eager to lessen its dependence on Middle Eastern oil. The following year, the Japan Export-Import Bank signed a series of agreements to dispense loans to fund joint Soviet-Japanese energy projects that would develop the Yakutsk region for natural gas, and Sakhalin Island for oil. These were the first direct loans from Japan to the communist bloc during the Cold War era (Saito 1993). Subsequently, Tokyo moved to normalize relations with Beijing.

The Soviet Union possessed its own motive for allowing Japanese participation in these joint development projects. In the wake of the normalization of U.S.-Sino relations, and the border clashes between Soviet and Chinese forces, the Soviets were anxious not to become the justification of a three way Far Eastern alliance between the United States, the People's Republic of China, and Japan. Consequently, Soviet leaders wanted to keep Japan out of the pro-China camp. Relations between Tokyo and Moscow soured, however, following the Soviet invasion of Afghanistan in 1979. Tanaka's negotiation efforts ultimately failed, although Japan did maintain an interest in Far Eastern energy sources through the 1970s. These first attempts by Tokyo at true international diplomacy were lost amid the greater geostrategic shifts underway in the international system in Northeast Asia at the time (Kimura 1997). The collapse of the Soviet Union and the ending of the Cold War did not bring about an immediate warming of Japanese-Russian relations. Japan continued to insist on the return of the Northern Territories, and the inseparability of politics and economics. In other words, as long as Russia continued to occupy what Japan felt was Japanese territory, Moscow could expect little aid or investment from Tokyo. Domestic political groups in Japan, led by citizens groups in northern Japan, objected to any deal with Russia. Likewise, in Russia, the shaky domestic political situation prevented any Russian leader from agreeing to give up territory. This impasse continued for more than five years. The Southern Kuriles/Northern Territories, like Korea, remained an unresolved vestige of the Cold War in Northeast Asia.

JAPAN'S CHANGE OF POLICY

Historical trends offered little hope for a dramatic improvement in Japanese-Russian relations at the end of the Cold War. Even the collapse of the Soviet Union and the draw down in Russian troops in the Far East seemed to have no great effect on relations between Tokyo and Moscow. However, beginning in 1993-94, events in the region suggested to Japanese policy makers that stability in the region could not be guaranteed.³ Japanese leaders began to recognize that the new geostrategic realities in East Asia necessitated new policy initiatives based on international, not domestic, factors.

Formerly, domestic economic issues and local politics had a strong influence on policy-making quarters in Tokyo. During the Cold War, conservative elements in the ruling Liberal Democratic Party (LDP) were the chief opponents to any accommodation with the Soviet Union. Japanese leaders contemplating any deal with Moscow concerning the disputed Kurile Islands also had to contend with grass roots movements in northern Japan, which were vehemently opposed to Japan's recognition of the *status quo*, or any deal that recognized even partial Russian control over the territories. Few politicians wished to be seen making "a deal with the devil." In addition, on the international diplomatic scene, Japan could ill afford to poison relations with the United States, its security guarantor throughout the Cold War.⁴

Many experts saw little hope for improvement in Japanese-Russian relations. The euphoria of the late Gorbachev years had been dashed by the realization during the Yeltsin years that domestic political factors in Russia were as large an impediment as the domestic politics in Japan had been during the Cold War (Edamura 1997). By 1995 it appeared that prospects for reaching an agreement over the islands were no better than they had been during the Cold War, and perhaps worse than they had been in early 1991, just prior to Boris Yeltsin's accession to office. An indication of decreasing interaction between the two nations was the slump in trade and commerce. Trade figures in 1995 between the two nations had fallen *below* 1991 levels (Hakamada 1996). The Japanese business sector was skeptical about returns to investment in Russia, especially given the fact that it could expect returns on investments in China and Southeast Asia to top at least 10 percent annually.

It was in early to mid-1996 that attitudes within Japan began to change. Hashimoto Ryutaro was tapped to be Prime Minister in early 1996 by a coalition of the LDP, the Socialist Party (DSPJ), and the *Sakigake*. As the

head of the Ministry for International Trade and Industry (MITI) in the early 1990s, Hashimoto had advocated establishing strong relations with Moscow.⁵ His was the first all-LDP cabinet since 1993, though the LDP had participated in the Socialist-led cabinet of Prime Minister Murayama Tomoichi. Hashimoto pledged economic and domestic political reform, and expressed a desire to establish a strong diplomatic presence on the international scene.

It did not take long for Hashimoto to try his hand at diplomacy. In February 1996, he made a brief visit to the United States to meet with President Bill Clinton to reaffirm the strong U.S.-Japanese relationship, and in April, the two nations signed an agreement pledging to strengthen defense cooperation. (The alliance had been badly shaken by the Okinawa rape incident in 1995.)⁶ Having touched base with its number one partner, Japan looked to Russia. In March 1996, Hashimoto dispatched Foreign Minister Ikeda Yukihiko to Moscow. The following month, Usui Hideo, Director General of the Japan Defense Agency (JDA), visited Moscow. In July 1996, a Japanese MSDF destroyer (the *Kurama*) visited the Russian Far Eastern port Vladivostok, the first visit of a Japanese warship to those waters since the ill-fated Allied intervention in Siberia in 1918. A 22 July meeting between Foreign Ministry officials from both countries drew high marks from Japanese cabinet members. Even the arch-conservative Japanese daily the *Sankei Shimbun* called for a warming of Japanese-Russian relations in a 1996 editorial (Tai-Ro Kankei 1996).

In November of that year, Russian Foreign Minister Yevgeni Primakov, a Eurasianist by training, visited Tokyo. While in Tokyo, Primakov called for the joint economic development of the Northern Territories. This was met with a lukewarm reaction in Japan. The two sides did agree on visa-free exchanges between Hokkaido and the disputed islands, but the virtual absence of traffic between the two regions made this gesture a minor one. Yet in spite of the seemingly limited results of Primakov's visit, relations were put on a more positive track. During his Tokyo visit, Japanese government officials and academics assured Primakov in private meetings that Japan was sincere in its desire to improve relations with Russia.⁷

The past year was even more eventful than 1996. In May of 1997, Russian Defense Minister Igor Rodionov visited Tokyo. It was the first visit by a Russian Defense Minister in almost a century. This visit resulted in greater defense cooperation between the two countries. Rodionov and JDA Director General Kyuma Fumio signed a protocol creating bilateral exchanges and joint working groups of defense officials. In addition, Rodionov announced Russia's interest in holding joint naval exercises

with Japan and the United States. He went on to state that the U.S.-Japan Security Treaty was “necessary” for regional stability, thus ending the Soviet Union’s and Russia’s long opposition to this alliance. One Russian defense official reportedly expressed interest in a three-way development of a missile defense program (Wimbush 1996). In a quid pro quo, the Japanese government took the occasion of Rodionov’s visit to announce for the first time that it would not oppose Russia’s participation in the July 1997 G-7 summit meeting in Denver. Prior to this, Japan had used the long-standing territorial dispute as the reason for blocking Russian participation. Japan had been the only G-7 member to object to Russian participation on an official level even though Russia had participated as an observer since 1991.

During the same week, Tokyo agreed to allow Moscow to defer payment on its \$1.5 billion debt and to release \$500 million in humanitarian aid (Russian-Japanese Relations 1997). Soon thereafter, the Russian warship *Admiral Vinogradov* visited Tokyo, which marked the first visit to Japan by a Russian naval ship since the visit of Crown Prince Nicholas in the 1880s. On the diplomatic front, Japan announced the opening of a new consulate in Yuzhno-Sakhalinsk on the island of Sakhalin. In doing so, Tokyo officially recognized Russian ownership of the southern half of Sakhalin island, which had been under Japanese control for almost half a century prior to World War II. This represented a significant step for Tokyo. Japan had always implicitly recognized Soviet/Russian control, but official Japanese government-sanctioned activities in the area were almost non-existent (Hakamada 1997).

At the Denver G-7 summit meeting, Hashimoto and Yeltsin had a closed-door meeting in which the two purportedly discussed increasing Japanese investment in the Russian Far East, and possible Japanese participation in the development of a gas project north of Irkutsk. Yeltsin also pledged to support Japan’s bid to become a permanent member of the United Nations’ Security Council, and announced that Russia would no longer aim its nuclear missiles at Japan (Hakamada 1997). Soon thereafter, Hashimoto announced that Japan would steer a “new course” with regard to developing relations with Russia. This new course is to be based on three principles: “trust, mutual respect for each other’s interests, and the building of relations proceeding from a long-term perspective” (Japan Plans New Approach 1997). Japan plans to undertake a “balanced expansion” (*Kakudai Kinko*) in conducting its policy toward Russia, according to Hashimoto. The appointment of a new Foreign Minister in Japan, Obuchi Keizo, is seen by many as a further boost to the burgeoning

relationship. Obuchi is said to favor improvement in relations with Russia.

In unofficial circles it is admitted that at least one reason Japan has expressed interest in a rapprochement with Russia is the "China factor" (Hakamada 1997). It was perhaps no coincidence that the dramatic gestures emanating from Tokyo in July came on the heels of the announcement that Russia and China had agreed to a \$7 billion joint development project of Siberian oil and gas fields. According to reports, 20 billion cubic meters of gas would be shipped via pipeline to China each year, with a provision for re-export to Japan and South Korea (Gaimu Tsusan 1997; Oil and Gas 1997). This deal was announced in late June 1997, just prior to the G-7 Summit in Denver. Leaders in Japan recognize that in order to secure Russian energy sources, relations with Russia should not be held hostage to the territorial dispute mentioned above, especially given the rapid transformation of the geopolitical situation in Northeast Asia.

THE RATIONALE FOR A NORTHWARD-LOOKING POLICY

Following the end of the Cold War, Japan and Russia had allowed the acrimonious territorial issue to dictate diplomatic relations. Consequently, relations in most other fields (defense, economic, cultural, etc.) have suffered. Leaders in Japan began to realize that by improving overall relations with Moscow, the return of the disputed territories might be hastened. Territorial issues between Japan and China (the Senkaku/Diaoyutai Islands), and Japan and South Korea (the Takeshima/Tokdo Islands) have not poisoned relations between Tokyo and those two neighbors. So why should territorial issues impede economic, political, and cross-cultural interactions between Japan and Russia? Realists in Tokyo seem to have won out on this issue. Japan now looks to improve relations in all areas. Any resolution of the territorial dispute will be a symptom, not a cause, of rapprochement. Larger forces seem to be driving the situation.

One area where the two sides hope to achieve results is in economic relations. Japanese commercial ventures in the Russian Far East are growing steadily. Literally hundreds of ventures were signed during the late 1980s and early 1990s. These include ventures in oil and gas drilling, diamond mining, fishing, forestry product development, copper, manganese, nickel, zinc, gold, uranium, aluminum, and coal mining (Nimmo 1994, 113–179).

Defense contacts between Moscow and Tokyo have also grown over the past several years. Besides the mutual visits of warships, uniformed officers

from both sides have begun exchanges between the capitals. At the Krasnoyarsk summit, there was even talk of joint military maneuvers (Moscow TV Considers Russia 1997).

Japan has also retained its interest in the non-energy related resources of Siberia and the Russian Far East. Specifically of interest to Japan are forestry products, and the rich fisheries in and around the Sea of Okhotsk. The annual volume of trade in marine products between Russia and Japan is estimated to be close to \$2 billion, much of it undocumented (Warmth in Siberia 1997). Both Hashimoto and Yeltsin emphasized during the Krasnoyarsk summit that Tokyo and Moscow are close to reaching an agreement on fishing rights in the territorial waters around the Southern Kuriles. An agreement was reached in February 1998, and will be ratified by both countries this year (Russia, Japan, to Sign 1998). Marine products are the number one export from the Russian Far East (the Primorsky Krai region, Sakhalin, and Kamchatka regions only) accounting for nearly \$1 billion annually in exports to Japan (Sarkisov 1996).

Japanese companies operating in the Russian Far East, however, have met with many roadblocks. One of these is the question of loan payments. Russia's repayments have not always been prompt (Japan-Russia Economic Council 1994). Japanese companies that helped finance and construct the new airport at Vladivostok, for example, have as yet to see any repayments (Russian Far East 1997). Among other problems cited are a lack of infrastructure and a rising crime rate. Even if the rate of return is promising, the amount of time needed for its realization can be impossibly long. In spite of these difficulties and the record low prices for Middle Eastern oil, Japanese energy companies can be expected to maintain their presence in the Russian Far East to diversify petroleum and natural gas sources.

Energy figures prominently in the picture. Energy dependence has been a thorn in Tokyo's side since the beginning of the industrial age in Japan. One need only look to Japan's expansionist drives into China and Southeast Asia in the 1930s and 1940s to understand this. It has become apparent that energy demands among East Asian nations will increase dramatically in the early years of the twenty-first century (U.S. Department of Energy 1997). Japan learned in the oil shock of 1973 that diversifying sources of energy is crucial. This prompted Prime Minister Tanaka Kakuei's initiative toward the Soviet Union in the mid-1970s. In recent years, however, Japan seems to have forgotten this lesson. Japan's reliance on Middle Eastern oil is still great. Close to 80 percent of Japan's petroleum needs are met by sources from the Persian Gulf (British

Petroleum 1996). In fact, in 1996, Japan's reliance on oil imported from the Middle East reached its highest level in 24 years (Central Asian Oil 1997).

These numbers indicate an overreliance on Middle Eastern oil which perhaps prompted policy makers in Tokyo to encourage the development of alternative energy sources. Japanese companies have invested heavily in the Sakhalin I and II projects which are due to begin pumping oil by 2000. Mitsubishi and Mitsui announced their intention to participate in a \$10 billion joint venture with Marathon, McDermott, and Shell to drill for oil off of Sakhalin Island. Japan's Sodeco oil company announced a similar joint venture with Exxon for the amount of \$12 billion (Sakhalin Oil Venture 1996). How profitable these ventures will be remains to be seen.⁸ Japan is also interested in developing the natural gas fields of Siberia and the Russian Far East. A consortium of Japanese companies recently announced that they will commence a study on the feasibility of a \$10 billion private sector pipeline that would carry natural gas from the Kovyktinskoye field in Siberia, through northeast China, to ports in South Korea (Gaimu Tsusan 1997). Japan's interest in energy from the former Soviet Union is not confined to the Far East. Japanese companies have begun investing in energy projects in Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan (Central Asian Should Serve 1997; RFE 1996 and 1997; Japan to Grant Loan 1997). In February 1998, on the occasion of the visit of Azerbaijan President Heydar Aliyev to Tokyo, Hashimoto announced that Japan would extend close to \$240 million in aid to Azerbaijan (Premier Extends Aid 1998). These trends demonstrate Japan's genuine desire to diversify, not only out of fear of political instability in the Middle East, but also from the realization that rising energy demands in Asia will have a large effect on Japan's ability to acquire cheap and reliable sources of energy from traditional areas.

Japan is also anxious that its large neighbor to the west, China, not be energy hungry. One Japanese official from the Ministry of Foreign Affairs pointed out to this author that Japan's eagerness to develop the gas and oil reserves in Siberia and the Russian Far East is as much a matter of Tokyo's desire to see China's energy requirements met as it is a matter of meeting Japan's energy demands in the twenty-first century. The same official pointed out that were China to be starved for natural resources, then there would be a heightened chance for instability in the region. Meeting China's predicted energy demands at current levels of world petroleum production would probably entail a dramatic increase in the average price of a barrel of oil. The official explained that Japanese companies (particu-

larly steel companies which specialize in seamless pipeline production) would profit from the development of Siberian gas fields, while at the same time help satisfy China's growing energy appetite. Thus, Siberian energy development serves a dual diplomatic and economic role for Japan.⁹

THE CHINA FACTOR

The "China Factor" is perhaps the single most important issue driving the new policy initiatives formulated by Hashimoto and his top officials at the Ministry of Foreign Affairs. China's rapid economic development and emergence as a potential economic competitor to Japan has caught many in Tokyo by surprise. As recently as the early 1990s, experts on Asian affairs spoke of Japan as the emerging Asian power that would stamp its mark on the twenty-first century. However, experts are now voicing the opinion that China, not Japan, will be the Asian leader in the twenty-first century. Economic retrenchment, continued domestic political shake-ups, and a performance during the Gulf War that was ridiculed around the world served as reminders to the Japanese leadership that it was still a political lightweight on the world stage. Japan recognizes that China will play a major, if not *the* major, role on matters concerning the regional political and economic agenda (Green and Self, 1996).

Since 1990, China has begun to flex its political muscle in the region, while Japan has begun to feel squeezed out. Japan feels that it is being overlooked, and "Japan passing" is an expression frequently heard in Japan today.¹⁰ An example is the decision by the United States and South Korea to include China in the four-party Korean peninsula security talks, to the exclusion of Japan (and Russia). In addition, China has had a permanent seat on the UN Security Council since 1971—something Japan covets greatly. China's continued nuclear testing through 1996 was a further sore point for many Japanese. For a while, Japanese yen loans were withheld from China while the testing continued. Perhaps the biggest wake-up call for Japan as to the potential for strategic instability in the region was the March 1996 Taiwan Strait missile crisis. U.S. troops stationed in Japan had been put on alert during the crisis, and the aircraft carrier *USS Independence*, whose home port was Yokosuka, Japan, was one of two carriers dispatched to Taiwanese waters. Suddenly, being drawn into an East Asian conflict between two giants no longer seemed like such a remote possibility, as it once had been during the Cold War.

China's recent estrangement with the United States leaves Japan in an awkward position. Leaders in Tokyo worry about any conflict breaking out between China and the United States because Japan would be forced

to choose between its closest ally and its increasingly powerful neighbor. On the other hand, many analysts in Japan feel that any improvement of relations between Washington and Beijing is not in the interests of Tokyo. They see the triangular relationship between Beijing, Tokyo and Washington as a zero-sum game. The analysts point out that during the twentieth century whenever Washington has become close with either China or Japan, relations with the third party have suffered. They fear that any subsequent warming of ties between the United States and China will come at the expense of Japan.¹¹

Japanese leaders also see Beijing making bold policy initiatives in the Middle East, Central Asia, and in Siberia—all key energy producing regions. For example, China recently announced a \$9.5 billion investment deal with the government of Kazakhstan to help develop the potentially rich Ozen oil field and to construct a 3,000 km pipeline into western China (Kazakhstan, China Sign 1997). In a crisis, Japan could be deprived of Middle Eastern energy sources, only to find that the spigot for alternative sources is controlled by Beijing. Also China's growing consumption of oil could drive world prices skyward or potentially divert sources from flowing into Japan, even in times of peace. This is of concern to Tokyo. Japan has also been forced recently to reconsider its domestic nuclear energy industry, which was developed to a high degree in the wake of the 1970 oil crises. Reactor breakdowns and a growing public discontent with the industry could account for at least a temporary increase in oil and gas imports. Taking all of this into consideration, Japan has launched its own energy initiatives in Central Asia, Siberia, and the Russian Far East.

So how does Russia fit in? One prominent Japanese academic, Hakamada Shigeki, describes Russia's role in Sino-Japanese relations as that of a potential bridge between Tokyo and Beijing. As Sino-Russian and Japanese-Russian relations improve, the argument goes, Russia might be able to convince leaders in Beijing to support Japan's bid for a permanent seat on the UN Security Council, and smooth over other differences (Hakamada 1997). In a more realist light, a move by Tokyo to cement a Japanese-Russian rapprochement could be seen as a hedging policy to achieve a future balance against an increasingly powerful China. Gilbert Rozman, a top U.S. scholar on Northeast Asian issues, has pointed out that a Japanese-Russian accommodation, "does not mean that . . . [these] ties are targeted against China. Rather it indicates that in the shadow of a strong, rising power its principal neighbors find it advantageous to consolidate their own ties, maximizing their ability to work together" (Rozman 1997).

Naturally, Japan's alliance with the United States reassures Tokyo, but U.S. policy could change under a new administration. The level of the U.S. military commitment to the Asia-Pacific region, though stabilized at present, could conceivably be drawn down further. Perhaps this partly explains Japan's interest in expanding political, economic, *and* defense contacts with Moscow. Of course, officials in Tokyo would never admit this outright.

WHY RUSSIA NEEDS JAPAN

During the Cold War the Soviet Union was perhaps more amenable than Japan to reaching at least a half-way agreement on the status of the Northern Territories. One reason for this was the assured position of the central government in Moscow. All policy emanated from the Kremlin, and no opposition leader or local party official could ever question it. Naturally, the Soviet military was opposed to any kind of compromise with Japan over the disputed territory. However, there is little doubt that if the top Soviet leadership had decided to return some of the territory (as it had agreed to do during the 1956 negotiations), any objection from the military would have been overridden. Ironically, the Russian leadership now finds itself hounded by local leadership and by opposition factions in the Duma, who are opposed to any territorial compromise.

Economically, Russia needs help. Economic aid has come primarily in the form of grants and loans from the International Monetary Fund (IMF) and G-7 nations such as the United States and Germany. Just as Japan recognizes the need to diversify its energy sources, Moscow probably prefers to diversify its sources of aid, looking not only to the West, but to Japan and even South Korea. Japan is now the second most active creditor to Russia, ranking behind only Germany (Russia-Japan Economic Relations 1997). The Export-Import Bank of Japan recently announced that it will extend \$1.5 billion in untied loans to Russia. The same bank already had extended \$1.2 billion in export credits to Russia, while MITI has extended a \$2.9 billion credit line (Japan/Russia: Relations Improve 1998).

A crumbling infrastructure, power outages, natural disasters, and a feeling of abandonment by the central government have all contributed to a situation breeding serious discontent in the Far Eastern region of Russia. Both the Sakhalin and Irkutsk local governments at one point refused to pay taxes to Moscow (Sakhalin Refuses to Pay 1997). There has even been a significant depopulation of the region (Matsushima 1997; Watanabe

1997). Some experts believe that separatist movements could gain currency in the Russian Far East, given continued weak support from the center (Wimbush 1996).

The Russian Far Eastern region has been especially hard hit by the collapse of the Soviet Union. Habituated to hand outs from Moscow, and with a local economy heavily reliant during the Cold War on military basing, Primorsky Krai (the Maritime Province) has had to make difficult adjustments. The response by Moscow to a massive earthquake on Sakhalin in May 1995, in which 2000 people died, was painfully slow. Ultimately, Russia was forced to accept aid from Japan. In spite of the abundant natural resources in Siberia, power outages in the Russian Far East have practically become a daily occurrence. Ironically, while multinationals scramble for energy concessions in Siberia and Sakhalin, the Primorsky Krai, Kamchatka, and Sakhalin regions remain reliant on *outside* energy sources. In March 1996, the authorities in Primorsky Krai had to cut energy supplies to almost all of the factories in the region because of supply shortages (Lights Out 1996). The sinking of the Russian oil tanker *Nakhodka* in the Sea of Japan on 2 January 1997 highlighted the paradoxical situation of the Russian Far Eastern energy supply. The sinking of the vessel, which was carrying crude oil to the region, caused a serious fuel shortage throughout the region (Kamchatka Oil Spill 1997 and Energy Crisis Hits 1997). Such a situation must be intolerable to the residents of the region. Residents have been enraged even further by the recent Russian territorial concessions to China. Regional leaders, led by Primorsky Krai governor Yevgeni Nazdratenko, have vocally criticized the agreements, calling them a "sell-out" (Russia-Chinese Border 1996).

Worker protests have disrupted business with ever increasing frequency. In May 1997, massive strikes paralyzed the region. These disruptions have caused a 20 percent fall in output in the region, while wage arrears in the first quarter of 1996 alone amounted to roughly \$103 million (Protest in Primorskii 1996). At one point, workers in a factory in Vladivostok were paid their wages in women's brassieres (Far Eastern Factory 1997). Local morale has grown so low that a group of workers at a nuclear power plant initiated a hunger strike (Wage Arrears Prompt Hunger 1997). A number of Russian soldiers stationed in the Far East have even died of starvation (Soldier in Far East 1996). Lawlessness has become so uncontrollable that one group of enterprising thieves made off with half a kilometer of railroad track in Primorsky Krai, and smuggled it into China (Thieves Make Off 1996).

Both Moscow and the Russian Far East want Japanese investment, but for different reasons. Moscow hopes that increased economic support for

the region will help shore up the Far Eastern provinces economically, and keep the local leadership content to be within Moscow's fold. But leaders in the region see increased foreign investment as a means to increase local autonomy. If Japanese investment in the region is significantly increased, this actually could exacerbate the regional autonomy issue. However, both parties, as well as Japan, recognize that economic aid could be the key to balancing Chinese influence in the region. Ironically, these new initiatives create both a convergence and divergence of interests. But for Moscow and Tokyo, it is the convergence of interests which seems the most promising.

A CONVERGENCE OF INTERESTS

Bringing Japanese investment into the region could solve the two problems confronting Russia in the Asia-Pacific: the failing economy and Russia's disappearance as a regional player. Russia has been an Asian power since Ivan Moskvitianin and his group of Cossacks reached the shores of the Pacific Ocean in 1639. Yet Russia is currently being marginalized to an extent perhaps never seen before. Though many people point to the recent Sino-Russian rapprochement as an indication of an emerging anti-American sentiment, some Russian leaders recognize that a larger long-term threat to Russian interests is not an expanded NATO or a militarily resurgent Japan, but an increasingly powerful China. By reaching an accommodation with Japan, Moscow could demonstrate that Russia still has a role to play in the region and that it will not allow itself to be left out of any emerging regional order.

Similarly, Japan feels that it is time to play a larger diplomatic role in the region, partly out of necessity and partly out of the desire of the new leadership. Hashimoto is ready to make his mark on the international stage, as few of his predecessors have been able to do. This seems especially apparent given his recent maneuverings between China, Russia, and the United States. A diplomatic breakthrough with Russia could boost Hashimoto's credibility both abroad and at home.

By negotiating a rapprochement, both sides stand to gain in many areas. First, Japan and Russia can gain politically. Each has felt excluded from such regional developments as the four-party talks on the Korean Peninsula. Russia can demonstrate that it still has a large stake in maintaining the security of the region, and that it has the political tools to do so. Japan can send a strong signal that it knows how to play the game of power politics. A rapprochement will express the two nations' unwillingness to be marginalized. Second, both nations can gain economically. Russia can attract investment to the beleaguered Far Eastern region, and Japan can diversify its energy sources, while maintaining access to other natural

resources. Third, the two nations can gain through increased cultural and social contact, for they each have waged identical struggles in seeking to understand their unique, though sometimes bewildering, positions between Asia and the West. The respective national experiences are not dissimilar. Japan and Russia can also feel more secure that this acrimonious relationship has finally been ameliorated. Lastly, a Japanese-Russian rapprochement can act as a balance to China's growing strength, and hedge against any future downsizing of U.S. forces in the region. Once these particular security issues have been resolved, then both nations can feel confident in moving forward to improve their respective relationships with the other nations of Northeast Asia.

WHERE DOES THE UNITED STATES STAND?

What are the potential ramifications of a Japanese-Russian rapprochement for the United States? Many Japanese and Russian analysts placed the blame for the sorry state of Japanese-Russian relations in the 1980s and 90s, and the unresolved issue of the Northern Territories, squarely at the door of the United States. Since the end of the Russo-Japanese War in 1905, one of America's primary preoccupations in Northeast Asia and the North Pacific has been to *prevent* a warming of relations between Tokyo and Moscow. Even so, such a policy has not always worked. Only two years after the end of the Russo-Japanese War, the two nations were able to negotiate a rapprochement. Though it was the United States that had negotiated the peace treaty ending the Russo-Japanese War, America's heightened role in Northeast Asian affairs made both nations nervous. This drove Japan and Russia back together in 1907. In 1916 an anti-German Russo-Japanese alliance was signed, though many at the time in America felt that it was aimed at the United States. America's growing power in the western Pacific and its determination to open concessions on Manchurian railroads in the mid-1920s forced another warming of ties between Tokyo and Moscow in the middle of that decade. After World War II, and during the Cold War, the United States kept Japan close at hand, twice disrupting potential improvements in relations between the Soviet Union and Japan in 1956 and 1973-75.

But as attitudes in Moscow and Tokyo have evolved, views in Washington appear to be changing as well. Many in the United States recognize that, though America is still fully capable of maintaining its role as the guarantor of security in Northeast Asia, the *will* to remain engaged militarily in the region may one day be lacking. Once Korea reunifies, the impetus for maintaining 100,000 troops in the region will be lost.

Politically, it will be difficult to justify to the nations of the region the necessity for a continued high-profile U.S. military presence. Most importantly, a continued large U.S. presence in East Asia will be increasingly unpalatable to the people of the United States. As Tokyo moves closer to Moscow, it is natural that Japan's only true ally, the United States, would benefit. A relaxation of tension between Japan and Russia would entail the removal of a potential source of conflict in which the United States might have to become involved. As long as the United States maintains its strong defense ties with Japan, there should be no reason why U.S.-Russian cooperation in the North Pacific and Northeast Asia should not increase in the wake of a Japanese-Russian rapprochement. This could prove to be a boon to the United States in an era of shrinking defense budgets.

A convergence of Japanese, Russian, and American interests in maintaining regional stability would be the first step toward assuring region-wide security. Perhaps policy makers in the United States should consider giving Japanese-Russian relations a nudge forward as a first step toward assuring regional security. Already U.S. companies are starting to do so through the formation of U.S.-Japanese energy consortiums investing in the Russian Far East. Another step would be the inclusion of the Russian Navy in Rim of the Pacific (RIMPAC) naval exercises. The United States could also take a more active lead in promoting military exchange programs throughout the region including China, Association of Southeast Asian Nations, and South Korea. The Trilateral Forum on North Pacific Security, an annual meeting of academics, diplomats, and defense officials from the three countries, gives positive momentum to the process of improving relations between Tokyo and Moscow.

Ultimately, any Japanese-Russian rapprochement is a bilateral matter, and as such the United States can only participate through example. Any such rapprochement would be in the interest of regional economic development and regional stability, and hence, in the interests of the United States.

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President Yeltsin travels to Tokyo in April this year for another meeting with Prime Minister Hashimoto. Japanese and Russian diplomats are hoping that the April meeting will prove as successful as the summit in Krasnoyarsk. Japanese economic retrenchment and the continuing political stalemate in Tokyo mean that Hashimoto is somewhat constrained as to how freely he can negotiate with Yeltsin. Yeltsin is similarly constrained

by domestic forces, many of these beyond his control. Nevertheless, it would be a shame to let the positive momentum that culminated with the Krasnoyarsk summit pass the two nations by. It is important that concrete results are established in the relationship while Hashimoto and Yeltsin are still in office. The major events which inexorably propelled the two nations together were quickly recognized by these two leaders, and seized upon. It was thanks to their personal initiative and leadership that relations have been improved to the extent that they have.

The geopolitical forces currently at work in the Asia-Pacific region were necessary preconditions in bringing Japan and Russia closer together. Nevertheless, the historical animosity between Japan and Russia is rooted so deeply within the psyche of each, that it will take decisive leadership, and calculated decision-making to cement relations and put them on a closer footing. Let us hope that Russian and Japanese leaders can make the right decisions over the next few years.

Notes

¹The U.S. Department of Energy estimates that the demand for energy in Asia will increase dramatically over the next two decades, and that total energy consumption in the Asia-Pacific region will outstrip demand in North America by the year 2010. See the U.S. Department of Energy/Energy Information Administration study, "International Energy Outlook, 1997."

²The Imperial Japanese Navy began its voyage eastward across the Pacific toward Pearl Harbor from its naval base in Hitokappu Bay on the island of Etorofu in late November of 1941.

³Specifically these events included, the Korean nuclear crisis in 1994, China's machinations in the South China Sea since 1992, the Okinawan rape crisis in 1995, and the missile diplomacy carried out by Beijing in the Taiwan Strait in 1996. Japanese press reports during this period are full of angst at the evolving strategic situation.

⁴Japan's military strategy during the Cold War was, of course, driven very much by the United States. The Soviet Union was seen by Japan as the greatest potential threat to its national security, and, as such, Japanese policy in military affairs closely followed parameters outlined by Washington. However, in other areas, Japanese overseas diplomacy closely followed its economic policies. Japan's economic policies were driven by domestic issues, i.e. the desire to export manufactured goods in order to expand the national economy. Japan has also cultivated close relations with the oil exporting nations of the Middle East, in order to assure access to resources vital to the domestic economy. These policies were so slavishly followed that they threatened to damage relations with

its close partners (including the United States) on several occasions.

⁵This is according to an official from the Japanese Ministry of Foreign Affairs, whom the author met in Washington, DC in the fall of 1997, but who wished to remain anonymous. The official claimed that Hashimoto recognized early on the emerging geopolitical forces driving the strategic situation in the Asia-Pacific region. These five factors are listed in the beginning of the essay.

⁶Two U.S. sailors and one U.S. marine were arrested and found guilty of raping an Okinawan teenage girl in September 1995. The incident outraged Okinawan residents who had been calling for a complete withdrawal of U.S. forces from the island.

⁷The author spoke with Japanese specialists in Russian affairs who attended at least one of these meetings.

⁸Recoverable reserves for Sakhalin I are estimated to be 2.4 billion barrels; recoverable reserves for Sakhalin II are estimated to be about 1.1 billion barrels. Both projects are also expected to yield tremendous amounts of natural gas, as well. Asia's demand for oil is projected to reach 13.9 million barrels *per day* by the year 2000. See the *Petroleum Economist*, September 1996. Also "International Energy Outlook, 1997"

⁹Interview with Ministry of Foreign Affairs official in Washington, DC in the fall of 1997.

¹⁰"Japan passing" is meant to convey a feeling the exact opposite of "Japan bashing," which was so prevalent during the late 1980s in the United States. Many Japanese are concerned that the United States is beginning to ignore Japan.

¹¹See, for example, Funabashi Yoichi's *Engejimento, Antei, Baransu: Ajia Taiheiyo no 21 Seiki Senryaku* (Engagement, Security, and Balancing: A Strategy for the 21st Century in the Asia-Pacific), *Sekai*, January 1997; also Terashima Jitsuro's *Nicchuubei Toraianguru Kuraishisu wo dou Seigyō suru ka* (How can we manage the U.S.-Japan-China Triangular Crisis?), *Chuo Koron*, August 1996; and Takubo Tadae's *Nichibei Kankei ga Shinpai da* (Worried about U.S.-Japanese Relations), *Seiron*, March 1997. Though these authors do not support the zero-sum game theory, they do point out Japanese fears of such a phenomenon.

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