

TRUST, MUTUAL BENEFIT, AND A LONG-TERM
PERSPECTIVE: EXAMINING A POSSIBLE SOLUTION
TO NORMALIZING RUSSO-JAPANESE RELATIONS
AND AN AGREEMENT ON THE KURILE
ISLANDS DISPUTE

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PREFACE

The Hepburn system to romanize Japanese words and names is used in this paper, except that long vowels are not indicated with long marks. The names of Japanese individuals in the text are written in a Western format, whereas given names precede surnames. This is done so that consistency is maintained among all names mentioned in the work.

The names of the Kurile Islands and Sakhalin Island are in accordance with Russian usage, as Russia current maintains sovereignty over the islands as recognized by the United States as well as most countries. In Russian, the spelling of the archipelago is *Kuril*; however, in most published material from the United States, Europe, and English material in Japan, the spelling is *Kurile*. The archipelago will be referred to throughout this work using the latter spelling in order to maintain consistency with the most dominant spelling method.

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NOMENCLATURE

APEC	Asia-Pacific Economic Cooperation
G-7	Group of Seven Industrialized Countries (1976-1996)
G-8	Group of Eight Industrialized Countries (1997-present)
JNOC	State owned, semiprivate Japan National Oil Corporation
LDP	Japanese Liberal Democratic Party
MITI	Japanese Ministry of International Trade and Industry
MOFA	Japanese Ministry of Foreign Affairs
SODECO	Japanese owned Sakhalin Oil Development Company

CHAPTER ONE

INTRODUCTION AND OBJECTIVES

In March 1991 Ichiro Ozawa, secretary-general of the ruling Japanese Liberal Democratic Party (LDP), led a Japanese delegation to Moscow with the intention of regaining the southern Kurile Islands for Japan. It had been nearly half a century since the Soviet Union seized the Kurile Islands from the Japanese, and there had never been a better time to regain their historical possessions. The reformist Soviet leader Mikhail Gorbachev faced collapsing economic and political systems, and long suppressed nationalist movements among minority groups were rising in many parts of the Soviet Union. Throughout the previous five years, ethnic unrest and student- and worker-led protests contributed to the dismantling of Soviet-controlled institutions in Eastern Europe. Declarations of sovereignty were made among the Baltic nations, and soon thereafter, all other former Soviet republics would eventually declare independence. The Soviet Union was at its weakest since World War II (Nimmo 1994, 177).

Meanwhile, Japan was at its strongest since World War II (Nimmo 1994, 177). Agreeing to relinquish its military power as a result of the war, Japan built its economy in the latter twentieth century with a similar vigor and aggressive behavior used to build its military just a generation earlier. Leading the world in automobile production and high-technological advances, Japan was an economic powerhouse.

The Japanese had been patiently waiting to regain their historical possessions in the northwest Pacific, and with a fragile Soviet Union it seemed to be the best time to do so. Though Moscow did denounce and resist independence movements in Eastern Europe and the former Soviet republics, Ozawa assumed that Gorbachev would not object to relinquishing such a remote and seemingly unimportant series of small islands in the Far East. Ozawa reportedly brought with him to Moscow a proposed \$26 billion offer of foreign aid, intended to be given to the Soviet Union during its time of crisis on the condition that the southern Kurile Islands would be returned to Japan (Newnham 2001, 249). One might assume that Gorbachev would agree to this proposal, given the economic crisis in the Soviet Union. Thus, Ozawa's mission would be successful and the two countries could finally normalize relations. Despite the fact that the Soviet Union desperately needed foreign aid proposed by Ozawa and that both countries strongly desired to normalize relations, Gorbachev did not accept the offer.

Less than two years later the Soviet Union dissolved. In lieu of being returned to Japan the southern Kurile Islands became part of the vast Russian Federation. Within the next few years Japan's economy faced a recession while the Russian Federation fought a secessionist movement in Chechnya. Russia was not prepared to relinquish any of its territories at this time in fear that many secessions would follow throughout its various republics.

Remarkably, much progress has been made in Russo-Japanese relations in the post-Soviet era. The Russians and the Japanese have both come to realize the significance of mutual cooperation in northeast Asia. The two countries have become allies in confronting North Korea and in the war against international terrorism.

Meanwhile, the Japanese have expressed interest in natural resource development in the Russian Far East (Newnham 2001, 249). Indeed, the two countries can benefit greatly from cooperating in the post-Soviet era; however, the territorial dispute over the southern Kurile Islands remains a barrier to truly normalized relations between Russia and Japan.

Presentation

In the 1980's the once-powerful Soviet Union began to show signs of adversity within its government and throughout its society. Through Gorbachev's *glasnost* (openness) the problems the country faced, such as a failing economy and nationalist movements in the various republics became known to the international community. As rumors of a distressed Soviet Union became reality, the Japanese government slowly modified its foreign policy with the Soviets, placing more emphasis on regaining the southern Kuriles (Newnham 2001, 250).

In the process of the Soviet Union's demise and the Russian Federation's birth, the once powerful Soviet empire found itself in need of economic aid from the international community. The Japanese took the opportunity to utilize the Soviets' and later, the Russians' weakness by adopting a foreign policy based on the unity of politics and economics, or *seikei fukabun* (Hasegawa 2000a, 176). This hard lined *iriguchiron*, or entrance approach, to foreign policy meant that Japan would not seek, nor accept developments in Soviet- or Russo-Japanese economic ties without first normalizing political relations. By normalizing political relations, the Japanese expected the immediate return of the southern Kurile Islands.

In 1989 the Japanese Ministry of Foreign Affairs (MOFA) modified Japan's foreign policy with the Soviet Union from the strict linkage of politics and economics to an expanded equilibrium under increasing criticism from their European and American counterparts for neglecting to support reforms in the Soviet Union¹ (Hasegawa 1995, 104-05). Within the latter policy, economic development offers would remain withheld until the southern Kuriles were returned to Japan, but political cooperation such as talks on environmental matters and transportation agreements would be considered (Nimmo 1994, 76). This expanded equilibrium policy was simply a modification of the unity of economic and politics since the degree of political cooperation was dependent on positive responses by the Soviet Union regarding the territorial dispute (Hasegawa 1995, 105). Therefore, *iriguchiron*, or the entrance approach, remained the approach towards the Soviet used by the Japanese.

Knowing the Soviets were in need of assistance, the Japanese began making overtures in the early 1990's, such as Ozawa's offer to provide foreign aid to the struggling Soviet Union but with the condition that the southern Kuriles be returned to the Japanese. The Soviets consistently refused offers despite realizing that settling the Kurile Islands dispute would mean receiving billions in Japanese foreign aid in a time when it was desperately needed (Tarlow 2000, 123).

Frustrated with the unsuccessful approach to foreign policy, on July 24, 1997, Japanese Prime Minister Ryutaro Hashimoto presented a new Japanese foreign policy

¹ The expanded equilibrium, or *kakudai kinko*, was also referred to as the "balanced expansion" policy. While Foreign Minister Sosuke Uno formulated the expanded equilibrium as a revision of *seikei fukabun*, Prime Minister Toshiki Kaifu elaborated that the policy meant Japan would develop relations with the Soviet Union and later, Russia by achieving a "balanced expansion" of political, economic, and cultural ties (Nimmo 1994, 116).

with Russia in a formal speech to the Association of Corporate Executives in Tokyo. In Hashimoto's new foreign policy, the regaining of the southern Kuriles, and thus normalizing Russo-Japanese relations, would come about by the handling relations with Russia through a multilayered approach (Newnham 2001, 251). He further elaborated that the southern Kurile Islands dispute could only be solved through "the three principles of trust, mutual benefit, and maintenance of a long-term perspective" (Hakamada 1997, 6). Hashimoto's policy would liberate bilateral economic ties without linking them to any prior developments in political relations in order to solve the territorial dispute and thus, normalize relations. Simply stated, the new policy with Russia is the abandoning of the entrance approach to foreign policy in favor for *deguchiron*, or the exit approach. By using the exit approach, finding a solution to the territorial dispute should result from simultaneous improvements in bilateral economic development and political relations. This new, softer policy on the Japanese side appeared to open the door to an increase in cooperation and bilateral relations between Moscow and Tokyo. However, has the new policy done so? This question will be analyzed in this study.

Research Objectives

Much has been written on the southern Kurile Islands dispute in the post-Soviet era. This is likely a reaction to the rapid cooperative advancements made between the two countries in the last decade. However, a systematic analysis of motivations and impacts of Hashimoto's foreign policy change with Russia has not been done.

The 1997 foreign policy appears to be a significant step in opening Russo-Japanese bilateral communication and economic development, yet the southern Kurile Islands dispute will continue to impede a truly normalized relationship. Thus, the focus here will be to analyze the motivation and success, or lack thereof, of the 1997 Hashimoto plan in regard to the southern Kurile Islands dispute and Russo-Japanese relations in general. There are three key goals to this study:

- 1.) Reveal the motivation behind the Hashimoto policy. Why did the Japanese change their foreign policy with Russia in 1997 from an entrance approach such as the expanded equilibrium to a new multilayered policy?
- 2.) Examine how the new foreign policy set forth by Hashimoto has affected Russo-Japanese economic relations, which is expected to be followed up with progress on the territorial dispute. Has the Hashimoto policy been successful in increasing bilateral cooperation, developing economic ties, and creating a new sense of mutual trust, particularly in regard to Japanese investment in Siberia and the Russian Far East?
- 3.) The Hashimoto policy included three axioms in regard to the Kurile Islands dispute, one of those being the maintenance of a long-term perspective. This study will uncover how the Hashimoto policy has been successful in regard to the Kurile Islands dispute for the last ten years.

It is expected that by drawing conclusions to these research objectives regarding the foreign policy set by Hashimoto, a significant contribution will be made to a general understanding of Russo-Japanese relations, the Kurile Islands dispute, and in the long term, an eventual agreement between the two parties.

CHAPTER TWO

BACKGROUND

Identification and Location

The disputed southern Kuriles are made up of three islands, Shikotan, Kunashir, Iturup, and one group of nine islets, the Habomais¹. In Japanese, the disputed southern Kurile Islands are written 北方領土 (*Hoppo Ryodo*), meaning “Northern Territories.” In Russian, the islands are referred to as Южные Курильские острова (*Uzhnye Kiril'skie Ostrova*), meaning “Southern Kurile Islands.” The southern Kuriles are located between 43° to 46° north latitude and 146° to 149° east longitude. Iturup and Kunashir are part of the Greater Kurile Island Chain extending northeast from Hokkaido, and directly to the southern tip of the Kamchatka Peninsula. Shikotan and the Habomai Islets make up the Lesser Kuriles directly northeast of Hokkaido. The Kurile Islands are directly south of the Sea of Okhotsk, and east of Sakhalin Island. Following the Kurile Islands to the east is the deep Japan Trench in the Pacific Ocean.

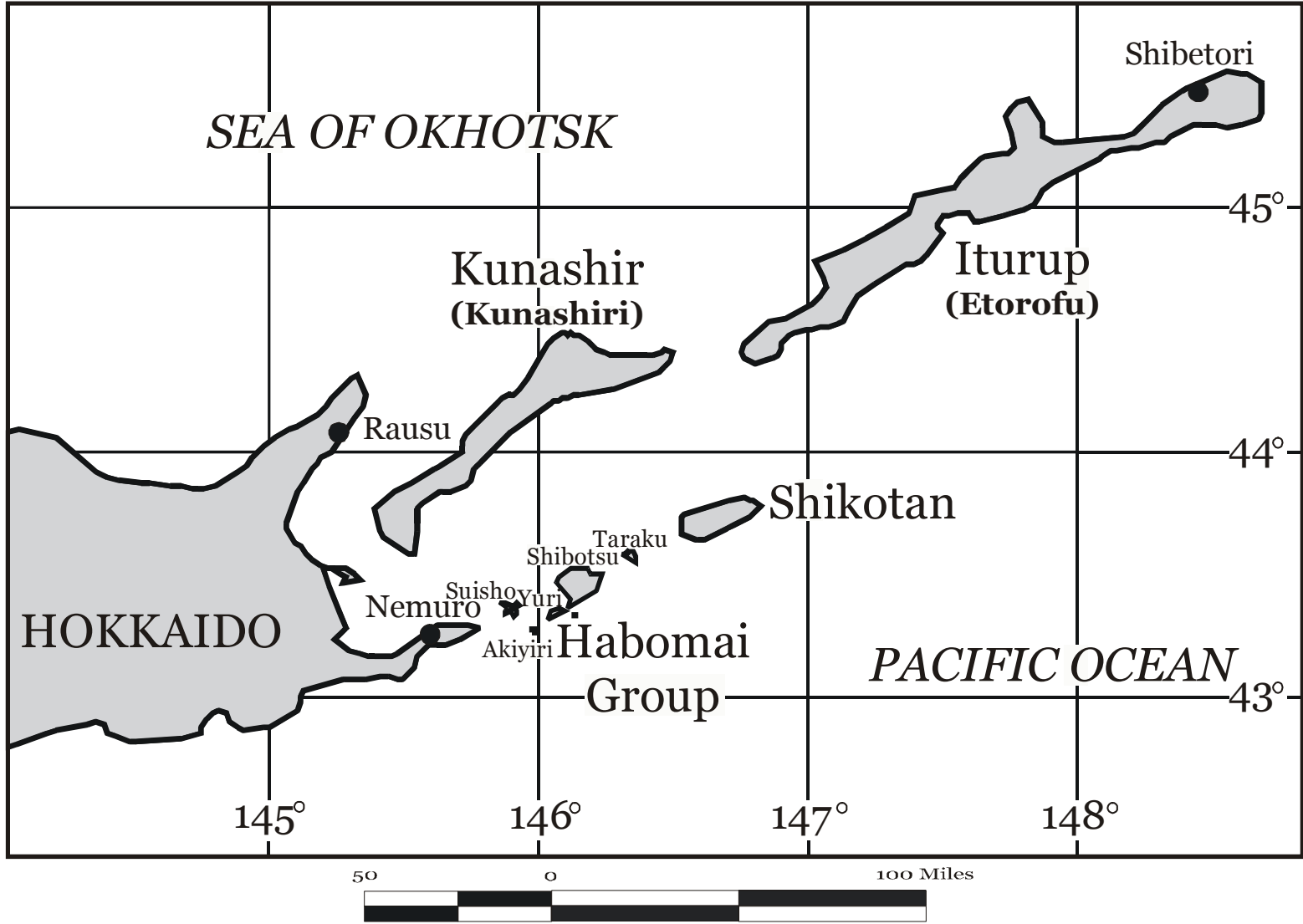
The southern Kuriles total 1,928 square miles, comparable to the size of Delaware. The southernmost as well as smallest of the islands, the Habomai Islets (39 square miles), lie just over two miles off the coast of Hokkaido and can be seen from its

¹ Kunashir is referred to as *Kunashiri* in Japanese and Iturup is referred to as *Etorofu* in Japanese.



Figure 1. Map of Northeast Asia.
 Created by author.

Figure 2. Map of disputed southern Kuriles.
Created by author.



northeast coasts². Also seen from the northeast shores of Hokkaido are Shikotan Island (98 square miles) and Kunashir Island (579 square miles). Northernmost and largest of the southern Kuriles is Iturup Island (1,212 square miles). It, too, can be seen from Hokkaido's Cape Nosappu depending on weather conditions (Catlin Jacob 1991, 2).

Demographics

The population of the disputed southern Kuriles peaked at roughly 25,000 Russian civilians in 1994 (Nimmo 1994, 127). That same year, a devastating earthquake on Kunashir Island resulted in one-third of the population leaving the island (Brooke 2002, A4). After years of hardships with electricity, fuel, food, and water shortages, the total population of the disputed southern Kuriles dropped to roughly 17,000, all ethnic Russians (Working 2000, 1, and Brooke 2002, A4). In 1945, the population of ethnic Japanese peaked at 17,000; however, all Japanese residents have since left the islands (Brooke 2002, A4). No Ainu, the indigenous tribe of the Kuriles, live there today as they were relocated by Russians and Japanese on various occasions.

Natural Resources

Directly east of the Kurile Islands is the North Pacific cold water current as well as the Japanese Trench, creating one of the most profitable fishing locations in the world (Valencia and Ludwig 1995, 162). The southern Kurile Islands, Iturup in particular, are rich in volcanic deposits of sulphur and various polymetallic mineral resources, but due to the difficulties associated with physically extracting these resources there has been little incentive to do so from the Russians or Japanese (Valencia and Ludwig 1995, 166-67).

² Typically, Russians and Japanese refer to the *four* southern Kurile Islands; Iturup, Kunashir, Shikotan, and the Habomai group is identified as one of the four.

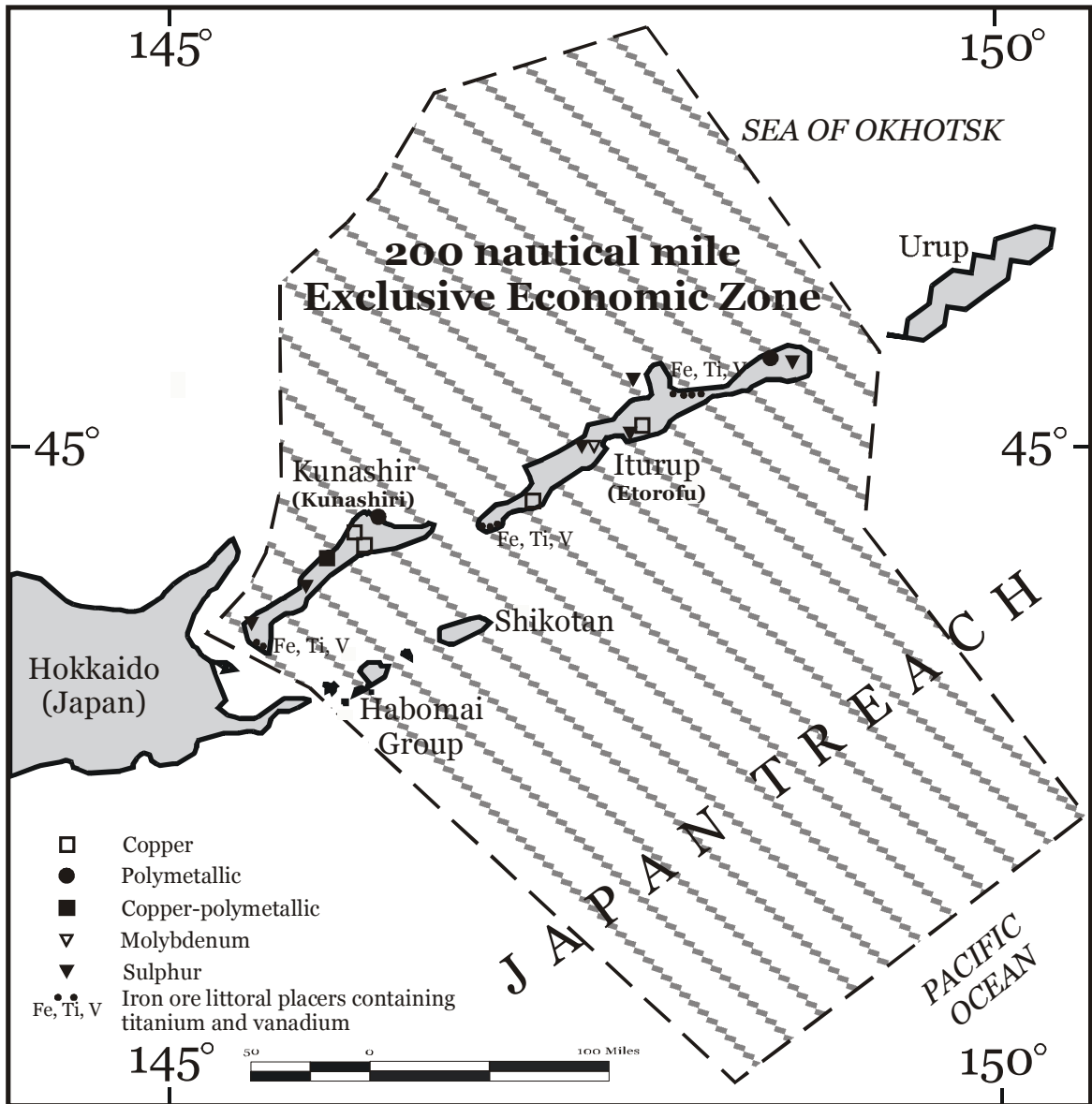


Figure 3. Map of southern Kurile Islands' natural resources.
Created by author.

Landscape

The physical landscape of the southern Kuriles is much different from common perceptions of the islands as a barren place shrouded by constant fog. Summers average near 56° Fahrenheit while winters average 44° Fahrenheit (Chishima 1988, 5). Snowfall can occur from November to April, but typically in moderate amounts (Chishima 1988, 5). As noted by William Nimmo, Kunashir has “strikingly beautiful forests similar to those on Vancouver Island in Canada’s British Columbia” (Nimmo 1994, 127). The islands do receive strong cold winds, being directly on the path of the winter winds blowing across the Sea of Okhotsk (Working 2000, 1).

Prior to 1945 the cultural landscape of the Kuriles was made up of Japanese fishing villages containing “Shinto shrines and...paper and wood houses” (Brooke 2002, A4). However, the only indication of a Japanese presence on the islands today is the numerous grave sites (Brooke 2002, A4). Currently, the southern Kuriles remain mostly underdeveloped with two national parks. Towns are marked with unpaved roads and wooden buildings (Working 2001, 1). Blackouts and a lack of telephone service and hot water are common in the towns (Working 2000, 2). Most residents live off the fishing industry or illegally poached fish, rely on government pensions, or work in canneries (Working 2001, 1).

Early Events

The earliest settlers to the Kurile Islands were Ainu, an early Caucasoid, seafaring tribe indigenous to a region stretching south from northern Honshu, northwest to Sakhalin, and east across the Sea of Okhotsk to the Kuriles (Nimmo 1994, 2). By the

late seventeenth century, the Japanese were exploring Hokkaido from the south while the Russians were exploring Sakhalin from the north. In 1711, two Russian Cossacks, Danilo Antsiferov and Ivan Kozyrevskii, explored the northern Kurile Islands. Based on data collected by Ainu residents and Japanese castaways, the two created the first maps of the Kurile Islands and placed the entire island chain under the jurisdiction of Tsar Peter the Great. By 1778, the Ainu residents were forced to pay fur tax to Russia. Today, the Russians base their historical claim to the Kurile Islands on these events (Nimmo 1994, 2).

In the early Eighteenth Century, Japanese settlers in the southern Kuriles were being attacked by Russian forces from the north that identified the territory as part of Russia. Nonetheless, the Japanese maintained control in the southern Kuriles while the Russians occupied the northern Kuriles. Shortly after American Commodore Matthew C. Perry's visit to Japan in 1855, Russia and Japan opened diplomatic relations by signing the Shimoda Treaty (Rees 1985, 14). This treaty specified that the boundary between the two countries would pass between the islands Iturup and Urup (Garthoff 1995, 11).

In 1853, Sakhalin was annexed by Russia despite the fact that Japanese fishing villages had already been established on the island (Nimmo 1994, 3). Increased tension between the Russians and the Japanese on the island of Sakhalin led to an 1867 agreement in which both countries would jointly occupy the island without any line of demarcation (Nimmo 1994, 3). This agreement led to Russian and Japanese settlers scrambling to colonize the island, thus causing a greater amount of tension than before (Stephan 1974, 51-59).

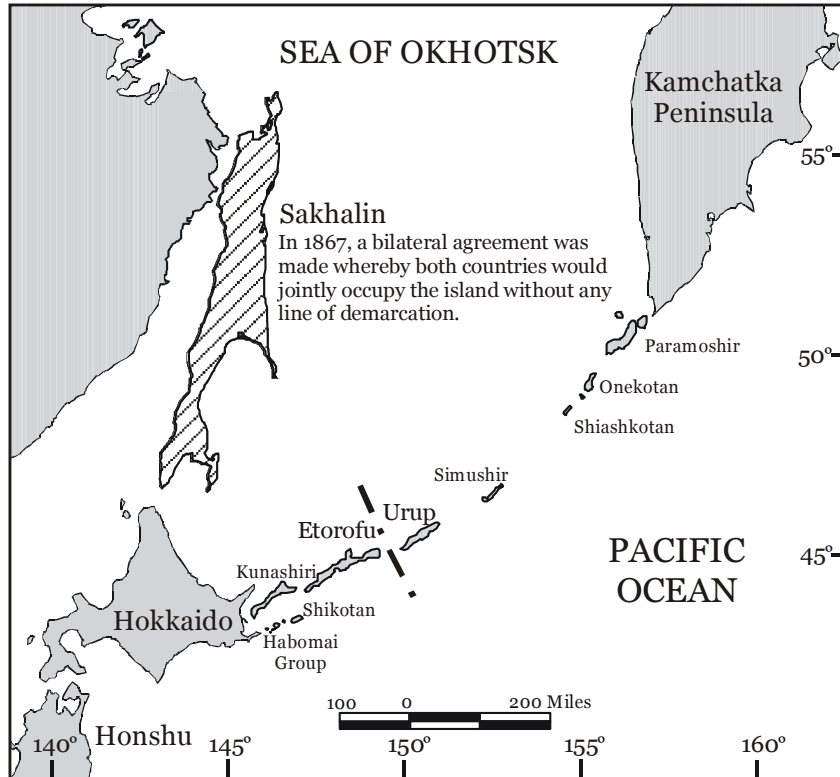


Figure 4. Map of Shimoda Treaty boundary of 1855. Created by author.

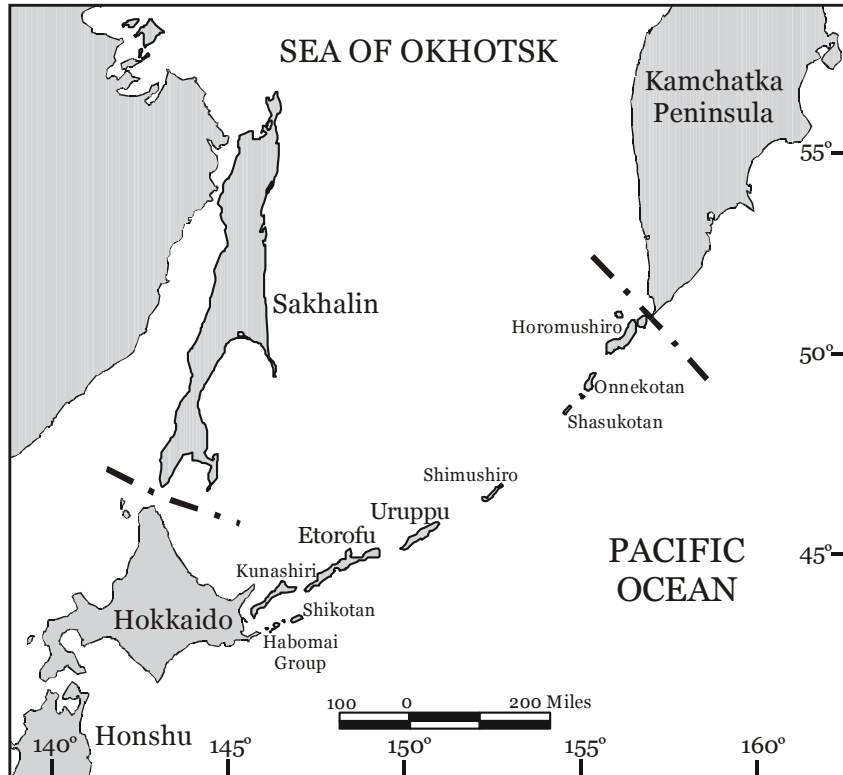


Figure 5. Map of St. Petersburg Treaty boundary of 1875. Created by author.

In order to settle accelerating territorial disputes, Russia and Japan agreed in 1875 to revise the Shimoda Treaty. According to the Treaty of St. Petersburg, all of the Kurile Islands would be Japanese territory while all of Sakhalin would belong to Russia (Garthoff 1995, 11). However, the treaty did not result in mutual peace for the region. Rather, tensions would accelerate in northeast Asia to the point of outright war between the two countries (Rees 1985, 21-23).

Russo-Japanese War

For the next 20 years, Russia and Japan would compete for regional hegemony in northeast Asia. While an emergent, aggressive Japan was forcing its political control on Korea and parts of China, Russia was concerned with completing a strategic rail line which would connect the Trans-Siberian Railroad to an ice-free port in the Pacific. In order to shorten the route, Russia selected a railroad line that crossed Manchuria directly east to Vladivostok. Meanwhile, the Russians were also interested in utilizing the warm water ports of Korea, a nation increasing under Japanese control.

Russia and Japan viewed Korea and Manchuria as areas for expansion, and the weakened states of Korea and China could not withstand the pressures placed upon them (Rees 1985, 23). By 1904, Japan, eager for a withdrawal of Russian troops in Manchuria, severed diplomatic relations and declared war on Russia (Nimmo 1994, 5). With the battles so close to home, Japan had strategic advantages in the war against Russia. Russia could easily match the military might of the Japanese, but had considerable problems in transporting their armies 5,000 miles from Moscow (Hane

2001, 191). Furthermore, the Trans-Siberian Railroad was not completed at Lake Baikal when the war began (Hane 2001, 191).

The Russo-Japanese War lasted over a year, with significant death tolls on both sides (81,962 total), and the annihilation of Russia's Baltic fleet (Hane 2001, 191). It was the first war in modern history in which an Asian power defeated a European power. The Russians were embarrassed, and criticism against the already-unpopular tsar increased. The Japanese rose as proud victors. Nationalism and militarism were on the rise, and the Japanese regarded regional geopolitical hegemony as their destiny.

As a result of the war, the 1905 Portsmouth Treaty permitted Japan to control Sakhalin south of 50 degrees latitude (Rees 1985, 23). When the largely nationalist Japanese public learned that Japan did not receive all of Sakhalin and a compensation payment from Russia, it resulted in rioting and the resignation of the Prime Minister (Warner and Warner 1974, 1). Nonetheless, Japan would become the sole hegemonic power in northeast Asia for the next 40 years.

Japan's Asian Empire

Recognizing Japan as the dominant geopolitical player in northeast Asia, the weakened Russian Empire needed to establish fruitful relations with Japan in order to develop its territories in northeast Asia. Meanwhile, the emerging Japanese Empire welcomed diplomatic relations with the ailing, weakened Russia. From the end of the Russo-Japanese War in 1905 to the fall of the Russian Empire in 1917, Russia and Japan agreed to several open and secret treaties, many of which were to keep American business interests out of Manchuria (Nimmo 1994, 6).

When the Bolsheviks gained control of Russia in October 1917, Japan sent 72,000 troops along with Western military forces to Siberia to maintain civil order (Graves 1941, 64). When other allied forces finally left Russia in 1920, Japan insisted on remaining in an attempt to extend its regional hegemony into the Russian Far East and to utilize the natural resources in the region (Nimmo 1994, 8). By 1922 all Japanese forces in Russia were located in northern Sakhalin, an area desired by the Japanese since the Portsmouth Treaty (Nimmo 1994, 10). This obvious attempt by Japan to control all of Sakhalin troubled the new Soviet Union. After facing stiff diplomatic and civil defiance, Japan withdrew its military forces from northern Sakhalin in 1925 (Rees 1985, 24). Concurrently, Japan formally recognized the newly formed U.S.S.R. and formed diplomatic ties.

It is important to note that the Soviet Union never formally recognized the 1855 and 1875 border treaties between tsarist Russia and Japan (Nimmo 1994, 11). Thus, the Kurile Islands were never recognized as Japanese territory by the Soviet Union. However, the Soviets had not challenged Japan's control of the islands until 1945.

The 1930's saw the rapid expansion of the Japanese Empire into Manchuria and Outer Mongolia. Still weak, the Soviet Union was deeply concerned about the aggressive behavior of the Japanese Empire in East Asia (Rees 1985, 24-25). An increasing number of Soviet troops were sent to the Manchurian border, resulting in numerous border clashes between the Soviets and Japanese throughout the 1930's (Rees 1985, 25). The frequent border clashes and increasing death tolls on both sides caused the already strained relations between the Soviets and the Japanese to deteriorate throughout the 1930's (Haslam 1992, 112).

After suffering significant losses in border clashes, the Japanese Empire began seeking a nonaggression agreement in 1940 with the Soviet Union. Concerned with Nazi aggression in Germany, the Soviets agreed in 1941. On April 13, 1941, the Japanese Empire and the Soviet Union signed the Nonaggression Pact, thus agreeing to “maintain peaceful and friendly relations” (Lenson 1972, 8). Furthermore, both sides would honor the “territorial integrity and inviolability of the other contracting party” (Lenson 1972, 8). The pact was designed to expire five years after the date it went into effect (April 25, 1941). Eight weeks later, the Soviet Union was attacked by Germany. Some leaders in Japan had considered violating the pact by attacking a preoccupied Soviet Union from the east (Rees 1985, 35). Instead, the majority of Japan’s leadership preferred increasing attacks in French Indochina which occurred later that year (Nimmo 1994, 14).

Soviet Seizure of the Kuriles

After the Japanese attack on Pearl Harbor on December 7, 1941, the United States and Britain began pressuring Stalin to attack Japanese forces in Manchuria and allow the allies to utilize military bases in Siberia, yet Stalin resisted, saying that the war against Germany should be the priority. In late 1943, when the Germans were showing signs of fatigue in the war with the Soviet Union, Stalin proclaimed the Soviet Union would join the allies in the war against Japan after Hitler’s defeat.

In November 1943 Roosevelt, Churchill, and Chinese President Chiang Kai-shek met at the Cairo summit to discuss the territorial ramifications for Japan after the war. Japan was to be “stripped” of all colonial conquests (Nimmo 1994, 15). Manchuria,

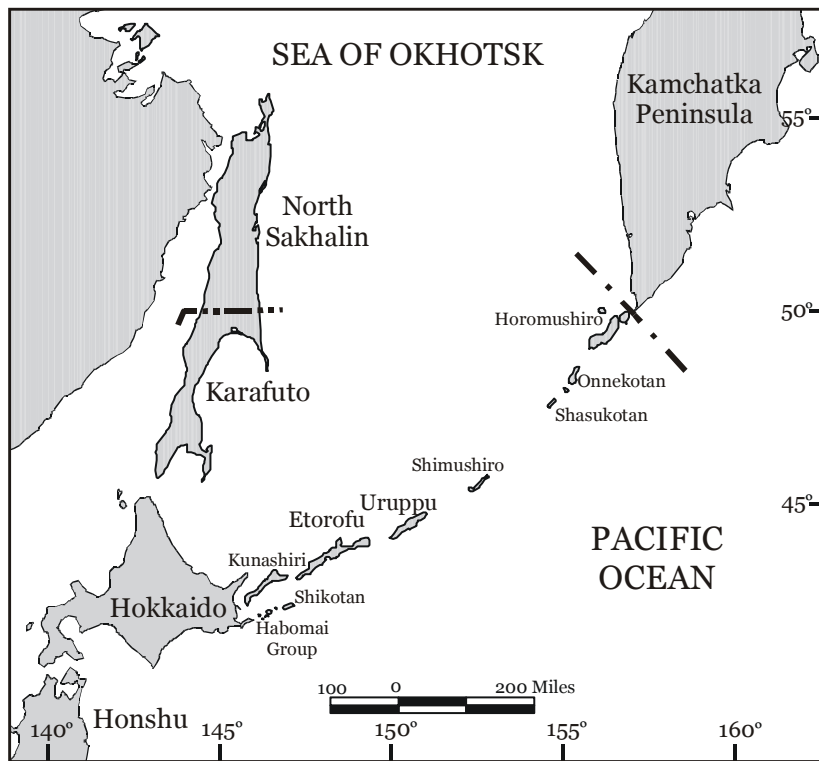


Figure 6. Map of Portsmouth Treaty boundary of 1905. Created by author.



Figure 7. Map of Proposed Soviet-Japanese border at 1945 Yalta Conference. Created by author.

Formosa, and the Pescadores Islands would be returned to China, and Japan would be “expelled from all other territories which she has taken by violence and greed” (U.S. 1961, 448). Days later, Stalin indicated to the allied forces that he concurred with the measures taken at the Cairo summit (U.S. 1961, 556).

In February 1945 Roosevelt, Churchill, and Stalin met at the Yalta Conference. At this time, Stalin informed the allies that the Soviet Union would actually enter the war against Japan “in two or three months after Germany has surrendered and the war in Europe has terminated” (U.S. 1955, 984). In regard to the territories that the Soviet Union and the Japanese Empire had fought over in the previous decades, the three specified that southern Sakhalin and the Kurile Islands would be placed under Soviet control.

According to Charles Bohlen, who was present at the Yalta conference, Roosevelt had no knowledge of Japan’s historical control of the southern Kuriles and mistakenly believed that Russia had lost all of the Kuriles as well as southern Sakhalin as a result of the Russo-Japanese War (Bohlen 1973, 195). State Department wartime consultant George H. Blakeslee prepared a comprehensive chronology of the Kurile Islands history for Roosevelt at the Yalta conference, and also made the recommendation in the report that the southern Kuriles should remain a Japanese possession (Rees 1985, 59-60). However, Blakeslee’s report was not included in Roosevelt’s Yalta dossier, and “no evidence has been found to indicate that it was brought to the attention of Roosevelt” (US 1955, 379). The provisions regarding the Kurile Islands that were made at Yalta were kept completely confidential and not made public until after the war (Nimmo 1994, 17).

In the final months of the war, Tokyo began seeking to strengthen relations with Moscow, but Stalin knew there would be no benefit in dealing with the Japanese (Nimmo 1994, 17). In April 1945, after feeling assured of Germany's defeat, Moscow indicated to the Japanese its intention to violate the Nonaggression Pact (Kase 1950, 154-155). Nonetheless, Tokyo accelerated attempts to improve Soviet-Japanese relations (Nimmo 1994, 19-22). Upon being informed by Truman that the United States planned to utilize a new weapon far more destructive than any other in the war against the Japanese Empire, Stalin issued explicit instructions to accelerate Soviet entry into the war against Japan, despite the fact that the Soviet Union would be violating the Neutrality Pact (Nimmo 1994, 22). On August 8, two days after the United States dropped an atomic bomb on Hiroshima and the day that a second atomic bomb was dropped on Nagasaki, the Soviet Union declared war on the Japanese Empire. One day later the Soviet Army attacked Japanese forces in Manchukuo (Manchuria), northern Korea, and southern Sakhalin.

On August 15 Japanese Prime Minister Suzuki proclaimed "The use of a new bomb which has unprecedented destructive power has brought a change in the method of warfare. Moreover the Soviet Union on 9 August declared war on Japan" (Signal Corps Interception, 1945). The Japanese Empire had formally accepted the terms of the Potsdam Declaration. Among the surrender guidelines for Japanese troops which were being documented by the allied forces, one in particular dealt with surrender decrees to Russian forces; "The senior Japanese commander and all ground, sea, air, and auxiliary forces within Manchuria, Korea north of 38 degrees latitude, and Karafuto [Sakhalin] shall surrender to the Commander-in-Chief of Soviet Forces in the Far East" (Message

from General MacArthur, 1945). There is no mention of the Kurile Islands in the declaration.

The next day Stalin requested that the Kurile Islands and Hokkaido be added to the list of entities occupied by Soviet forces (Nimmo 1994, 25). However, before the allies could respond to Stalin's request, Soviet forces invaded the Kuriles from the north engaging in combat with Japanese forces along the way on August 18. Later, Truman agreed to Stalin's request for Soviet occupation of the Kuriles but denied Soviet occupation of Hokkaido (Nimmo 1994, 25). By September 5 the entire Kurile chain was occupied by Soviet forces.

On September 2, 1945 Japanese and Allied representatives, including Soviet representatives, signed a peace proclamation. Stalin proclaimed;

We the men of the older generation, have waited for this day. From now on, Southern Sakhalin and the Kurile Islands will serve as a means of direct communications with the ocean and as a base for the defense of our country against Japanese aggression" (*Pravda* [Moscow], 1945, 1).

This was the first time that the Soviet Union was in control of the southern Kurile Islands. The Soviet Union was now at its peak as a geopolitical player in northeast Asia. Meanwhile, Japan was now in the weakest position it had experienced since Perry's visit. Yet, in less than half a century the power balance between Japan and the Soviet Union would be completely reversed.

In late 1945 Hokkaido residents expressed concern that communication with the Kurile Island residents was cutoff by the Soviet forces (Nimmo 1994, 31). The mayor of Nemuro, Hokkaido, which for decades included the Kurile Islands as part of its jurisdiction, made a report to the Japanese government that he could not gain access to

the Kuriles (Nimmo 1994, 31). In turn, the Japanese government requested assistance from U.S. General MacArthur, but the request was largely ignored (Nimmo 1994, 31).

In January 1946, MacArthur issued Instruction No. 677 which defined the limits of Japan's territories in explicit detail. Japan would consist of the four main islands; Hokkaido, Honshu, Shikoku, and Kyushu, and specified minor islands (SCAP Instruction 677, 1946). The Kurile Islands, the Habomai Islets, or Shikotan Island were not mentioned. Though some members of the Allied powers including Churchill and the U.S. State Department argued that the Kuriles should be returned to the Japanese, the Soviets made reference to the agreement made at Yalta. For the Japanese, concern was primarily over the 17,385 residents on the islands who had lost contact with the rest of the country (Stephan 1974, 169).

In early 1947 the Kurile Islands were incorporated into the Russian Soviet Federated Socialist Republic by a constitutional amendment, and joined with Sakhalin's administrative district (Nimmo 1994, 35). These actions alarmed the Japanese residents who were already being advised by Soviet officers to accept living in the Communist system (Chishima 1988, 131-277). Throughout 1947 most of the Japanese residents from the Kuriles attempted to escape via boat to Hokkaido (Nimmo 1994, 35). Despite the fact that border guards were strategically positioned around the island chain to watch for escape attempts, most escape attempts were largely successful (Nimmo 1994, 35). Those who were apprehended were either shot on sight or sent to northern Siberia to serve their term as war criminals (Chishima 1988, 232). After receiving pressure from MacArthur and due to increasingly successful escape attempts, leaders in Moscow decided in late 1947 to repatriate the remaining Japanese residents from the Kuriles

(Nimmo 1994, 35). By the end of the following year all Japanese residents of the Kurile Islands had departed (Nimmo 1994, 35). The Chishima (Kurile Islands) and Habomai Former Residents Association was formed in 1947 and is still in existence today.

In the five year period after the war ended, significant geopolitical events were occurring in Asia. In 1949 India and Indonesia had both gained their independence from years of control by European imperial governments and the Communist Chinese led by Mao Tse-tung gained control of mainland China, thus forcing Chiang's Nationalist Chinese to Taiwan. In early 1950 the world learned that the Soviet Union had successfully detonated an atomic bomb. In June of that year Kim Il Sung's North Korea army invaded South Korea, thus confirming the rise of a Soviet-led Communist bloc. The necessity for a Japanese-American alliance was crucial in order to maintain democracy in East Asia. In September 1950 talks began on an alliance between the United States and Japan without Soviet participation. American officials made it clear to the Japanese that the Allies would call for discussions with the Soviet Union on the status of former Japanese territories including the Kurile Islands (Rees 1985, 96-97).

In September 1951 the San Francisco Peace Conference was held with the erroneous expectation from most Allies that the Soviets would boycott the conference (Nimmo 1994, 41). At the last minute a Soviet delegation arrived. However, unhappy with most of the treaty's measures, the Soviet Union refused to sign the accord (Rees 1985, 97). The Japanese Peace Treaty was signed September 8 of that year. As for the Kurile Islands, the document specified: "Japan renounces all right title and claim to the Kurile Islands, and to the portion of Sakhalin and the islands adjacent to it over which Japan acquired sovereignty [by] the Treaty of Portsmouth on September 5, 1909" (U.S.

Department of State 1952, 3:3172). However, the Japanese Prime Minister clarified at the conference that “Japan did not grab the Kuriles and South Sakhalin by aggression...,” also, “Japan’s ownership of the southern Kuriles was never disputed by the Czarist Government of Russia, while the exchange of South Sakhalin for the Northern Kuriles was agreed upon by treaty as early as 1875” (*New York Times*, 1951a, 1).

From the Soviet perspective the treaty at San Francisco was illegitimate and Stalin had no intention of recognizing its guidelines (Nimmo 1992, 42). Meanwhile, *Izvestia* was reporting in 1951 that living conditions on the Kuriles had improved with a new whale reduction plant, a housing development, and a radio station having been built in Yuzhno-Kurilsk, the new capital of the Kuriles (*New York Times* 1951b, 3). Furthermore, Yuzhno-Kurilsk was a “house of culture, [with] a ten-grade school and new executive office buildings. The Kuriles are now regarded by the Soviet Union as just as Russian as Moscow” (*New York Times* 1951b, 3). In April 1952 the peace treaty went into effect, allowing Japan to once again exist as a sovereign country. Though the United States officially supported Japan’s position on the southern Kurile Islands dispute, Japan would have to negotiate peace with the Soviet Union on its own (Nimmo 1994, 48). As noted by William Nimmo, “few observers [in 1952] could have foreseen that it would take as long as half a century, perhaps even longer, to settle a war that lasted less than a month” (Nimmo 1994, 43-44).

The Soviet Union and Japan in the Cold War

In 1955 peace talks between the Soviet Union and Japan were held in London. Japan requested the return of all Kurile Islands and southern Sakhalin as well as repatriation for all Japanese who were imprisoned in the Soviet Union in the post-war era (Rees 1985, 109). The Soviet Union requested that Japan recognize Soviet control of southern Sakhalin Island and all adjacent islands, including the Kuriles, thus renouncing its claims to the territories in dispute (Vishwanathan 1973, 72).

After three months of arduous negotiations a compromise was made and a solution seemed imminent. The Japanese were willing to withdraw all territorial claims with the exception of Shikotan Island and the Habomai group. However an agreement could not be made and talks were postponed until the next year (Vishwanathan 1973, 75).

In the 1956 peace summit the two sides came close to a compromise when Japan declared it would concede all of the Kuriles to the Soviets in order to gain Shikotan Island and the Habomai group (Rees 1985, 111). At this point late in the conference American Secretary of State John Foster Dulles intervened by citing Article 26 of the San Francisco Peace Treaty (Nimmo 1994, 47). Dulles continued by threatening that the United States would annex Okinawa indefinitely if Japan would fail to pursue territorial claims with Moscow (Garthoff 1995, 18). It is believed by William Nimmo that the actions of Secretary Dulles were strategic moves to counter Soviet alliances in the Cold War by maintaining disgruntlement between the Soviets and Japanese (Nimmo

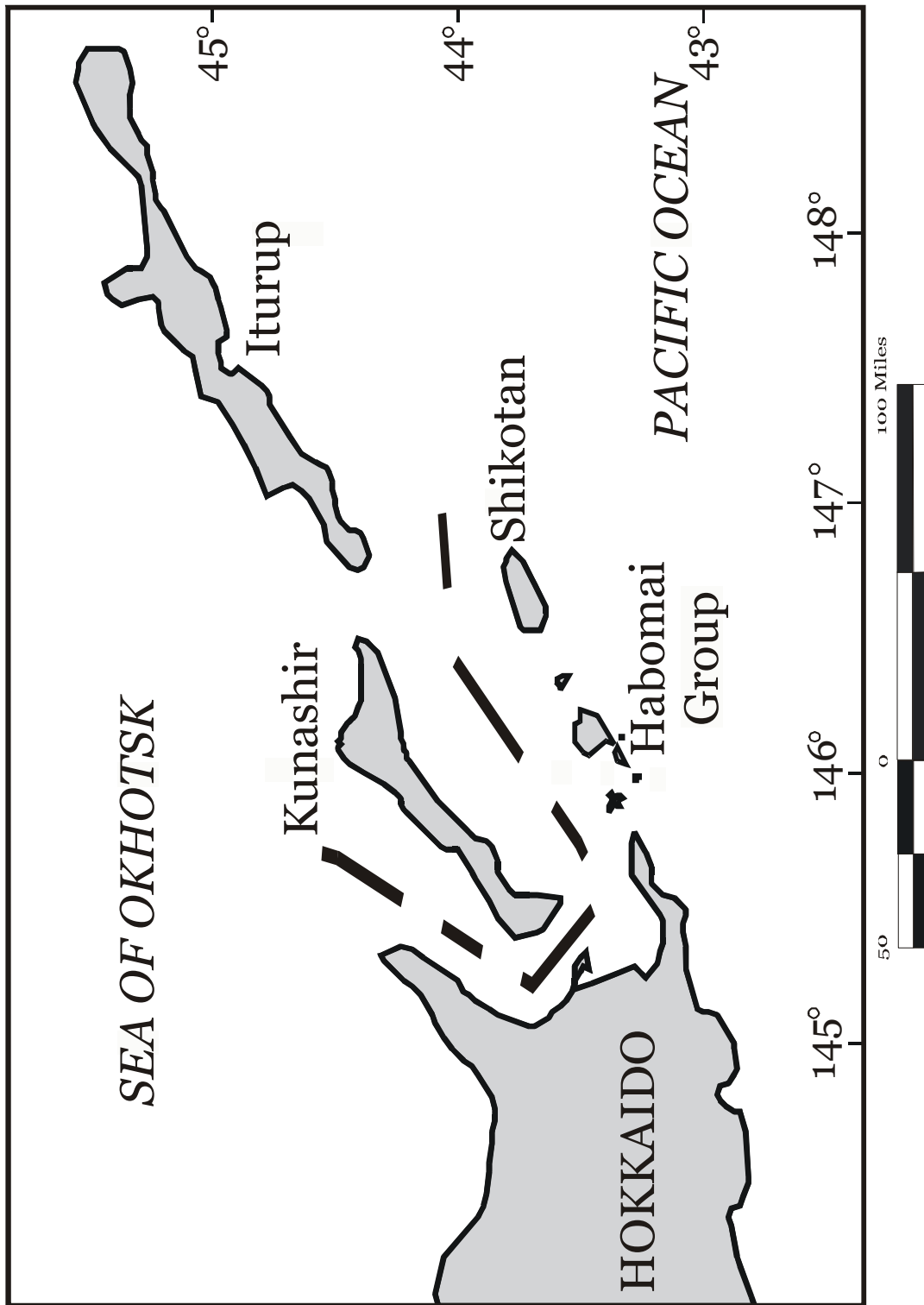


Figure 8. Map of 1956 Soviet-Japanese Peace Summit boundary proposal.
 Created by author.

1994, 47). The conference resulted with a statement declaring the resumption of diplomatic relations between the Soviet Union and Japan as well as an end to the status of war (Nimmo 1994, 48). However, no agreement was made on the territorial dispute or the signing of peace.

The Soviet Union and Japan would not resume talks on the Kurile Islands dispute until late 1973 when Japanese Prime Minister Kakuei Tanaka held a four-day conference with Soviet leader Leonid Brezhnev. Little progress was made at the 1973 talks between the two leaders and both realized that each country's claim to the Kuriles had remained unchanged since the 1956 conference (Garthoff 1995, 19). It was noted by MOFA that while Tanaka referred to the dispute as a "territorial" issue, Brezhnev employed the term "unresolved" issue (MOFA 1987, 13-14). Future dialog on the southern Kuriles continued between the Soviets and the Japanese in 1975, 1976, and 1978, but slight progress was achieved (Nakagawa 1988, 20).

After the return of power in Okinawa to the Japanese in 1972, the Japanese public began to take interest in regaining the southern Kuriles. In 1978 the Committee for the Return of the Northern Territories to Japan was created, with public and private funding from primarily Japanese nationalist donors (Nimmo 1994, 55). This came just months after the Soviets implemented an exclusive economic zone along the coasts of the Kuriles in 1977, thus depriving many northern Japanese fishermen of their historical fishing waters (Valencia and Ludwig 1995, 161). Later that year an agreement was made on fishing rights near the Kuriles, but no mention was made on territorial claims (Nimmo 1994, 56).

Tensions escalated again in 1979 when the Soviet Union increased the size of the army and air force units in the southern Kuriles (Nimmo 1994, 57). In 1981 Japanese Prime Minister Zenko Suzuki declared February 7 as “Northern Territories Day” in order to gain international awareness and popular support (*Mainichi Shimbun* [Tokyo] 1992a, 1). February 7 signified the day in 1855 when the Treaty of Shimoda was signed and Japan gained the southern Kurile Islands (*Mainichi Shimbun* [Tokyo] 1992a, 1). In a public address Suzuki lamented that the southern Kuriles, “which our ancestors built up with their sweat and endeavor, are still being occupied by the Soviet Union” (*Mainichi Shimbun* [Tokyo] 1992a, 1).

In 1986 the Soviet Union began permitting former Japanese residents of the Kuriles to visit grave sites on their home islands. Visits were permitted for a short amount of time and visas were required (Nimmo 1994, 64). The concessions made by the Soviet Union encouraged Tokyo to press harder on the ailing Soviet Union in the late 1980’s, by specifically linking bilateral economic developments to the immediate return of the islands.

In 1988 Japanese former Prime Minister Yasuhiro Nakasone visited Moscow to discuss the Kurile Islands dispute with Soviet leader Mikhail Gorbachev. It was obvious that Moscow was utilizing a tactic of “softening” to the Japanese by allowing former-resident visits to the Kuriles and inviting Nakasone to discuss the territorial dispute (*Nihon Keizai Shimbun* [Tokyo] 1988, 2). The meetings were significant in that it was the first time a Soviet leader acknowledged a territorial problem existed (Nimmo 1994, 68). Also, as expressed by Gilbert Rozman in his 1992 work *Japan’s Response to the Gorbachev Era, 1985-1991*, there were hints by Gorbachev that the Soviets were

willing to return the Habomai Islands and Shikotan Island to Japan, as was almost agreed upon in the 1956 Soviet-Japanese Summits (Rozman 1992, 116-125).

Later that year Tokyo sent a team to several Western European countries in an attempt to gain support for Japan regaining the southern Kuriles (Nimmo 1994, 69). The team visited Britain, France, Italy, and West Germany, asking governments as well as map companies to recognize the Southern Kurile Islands as *Hoppo Ryodo*, or “Northern Territories” by name (*Liberal Star* [Tokyo] 1988, 4). The team insisted that the islands sought for inclusion were not strictly part of the Kurile chain³, and had historical significance to Japan (*Liberal Star* [Tokyo] 1988, 4).

Throughout the final years of the Soviet Union’s existence there was a great deal of debate in the Soviet Union, Japan, and the international community on the turnover of the southern Kuriles. Even United States President George H. W. Bush demanded the Soviets “return Japan’s Kurile Islands” at a Texas A&M University commencement address in 1989 (*Houston Chronicle* 1989, 1). After the fall of communism in the Eastern European satellite countries, the Japanese increased pressure on Moscow to transfer power of the southern Kuriles by linking economic support to progress on the territorial dispute. In January 1990, former Japanese Foreign Minister Shintaro Abe⁴ led a delegation to Moscow to meet with Gorbachev. No decision was made on the Japanese demand of the southern Kuriles, but Gorbachev did accept an invitation to visit Japan in the following year (Nimmo 1994, 76-77).

³ This argument was based on the fact that the Habomai Islets and Shitokan Island makeup the Lesser Kuriles, and not part of the Greater Kuriles, as an identifiable archipelago.

⁴ Shintaro Abe (1924-1991) was the father of Japanese Prime Minister Shinzo Abe.

At the same time Abe was in Moscow, the Russian Soviet Federated Socialist Republic sent a representative to Tokyo to discuss the territorial dispute. The visitor, Supreme Soviet delegate Boris Yeltsin, proposed a five-stage plan that would slowly phase control of the islands over to Japan within a period of twenty years (Foye 1992, 37). Because the Japanese officials did not prefer to accept such a drawn out proposal, or perhaps because they did not take Yeltsin seriously as he was not representing the federal union government in Moscow, no deal was reached.

In preparation for Gorbachev's upcoming visit to Japan, a referendum was held among the Russian residents of the southern Kuriles in March 1991 (Nimmo 1994, 90). The question was asked, "Do you believe that it can be admissible to give Japan the islands of Kunashir, Iturup, and the Lesser Kuriles?" (Nimmo 1994, 90). Of the 11,704 residents who participated, 9,184, or 78 percent, opposed any transfer of the islands to Japan whatsoever (Teplyakov 1991, 8-9). Gorbachev would use this as the foundation of his argument when he arrived in Tokyo later that spring.

The previously mentioned visit of Ichiro Ozawa to Moscow in March 1991, which was likely the closest the Soviet Union and Japan ever came to an agreement on the Kurile Islands dispute since the Soviet-Japanese Summit in 1956, was overshadowed by the much publicized Gorbachev visit to Japan. It was the first and only visit of a Soviet leader to Japan (Nimmo 1994, 94). Many issues were discussed between Gorbachev and Japanese Prime Minister Toshiki Kaifu, but little progress was made on the Kurile Island dispute (Garthoff 1995, 19). However, Gorbachev did agree to identify the islands Japan demanded by name in a joint communiqué (Nimmo 1994, 96).

As noted by William Nimmo, “Where 25 years earlier Gromyko had said there was *no* territorial problem, and Brezhnev had insisted in 1970’s that there were only ‘unresolved differences,’ and by the late 1980’s Shevardnadze had preferred to cite ‘the geographic question,’” Gorbachev’s agreement was another progressive increment towards peace (Nimmo 1994, 96). Overall, Gorbachev’s visit helped open dialog between the two countries, but in terms of the southern Kurile Islands dispute no decision was made. However, significant developments in Soviet-Japanese relations were occurring.

In December 1991 the Soviet Union dissolved and Gorbachev resigned from his position. Japan would now be dealing with a new political leader and a newly democratic country on the territorial dispute. The Japanese viewed the creation of a democratic Russian Federation as one which would be more willing to fairly assess the southern Kurile Island dispute, and the chances of regaining the islands would increase (Ziegler 1999, 15). However, this assumption would prove to be false throughout the following years of bilateral diplomacy.

The Post-Soviet Era

Ethnic unrest was rising in various regions of the Russian Federation and Moscow knew that if one region could successfully secede from the country others would likely follow suit. The fear of wildfire secessions resulted in Moscow taking a hard line on relinquishing territories including the southern Kuriles (Trenin 2002, 215). In order to gain public support for retaining the southern Kurile Islands the Sakhalin Oblast declared June 6 as “Kurile Islands Day,” the date in 1778 when Russian explorer

Lebedev-Lastochkin began demanding the native Ainu pay fur tax to the Russian Empire (Nimmo 1994, 127). Meanwhile, Yeltsin, the man who only a year earlier offered a five-step plan to return the southern Kuriles to Japan, stated at the 1992 G-7 meetings “I have no intention of discussing any territorial issue with Japan” (*Asahi Shimbun* [Tokyo] 1992, 1). It seemed Japan had missed a prime opportunity to regain the islands after the Soviet Union dissolved.

In September 1992 Yeltsin scheduled a visit to Japan, causing much concern among conservatives in Russia (Nimmo 1994, 149). Sakhalin Governor Valentin Fyodorov urged Yeltsin to postpone his trip to Japan or he would organize a resistance movement among the islanders (*Japan Times* [Tokyo] 1992b, 1). The opposition won and Yeltsin canceled his visit to Japan the day before he was to depart. His postponement of the meetings caused a rift between Moscow and Tokyo, and especially between Yeltsin and Japanese Prime Minister Kiichi Miyazawa who talked “heatedly and angrily” for 25 minutes after Yeltsin’s postponement (*Mainichi Shimbun* 1992b, 1). Yeltsin rescheduled his trip to Tokyo for May 1993, yet again it was postponed under similar circumstances (Garthoff 1995, 20). Yeltsin finally came to Tokyo in July 1993 for the G-7 summit, and again in October 1993, to follow up on the twice-postponed visit.

The most significant result of the October 1993 summit between Yeltsin and newly elected Japanese Prime Minister Morihiro Hosokawa was the joint statement, the *Tokyo Declaration*. Within the declaration, both sides pledged to strive for the promulgation of a peace treaty by resolving the territorial question on the basis of law and justice. Furthermore, the Russian Federation would officially honor all the

agreements and treaties concluded by the Soviet Union and Japan (Hasegawa 2000a, 193). The *Tokyo Declaration* would be the basis for future dialog on the territorial dispute between the two countries throughout the following years.

By the late 1990's Tokyo sought to adopt a new policy with Russia in which the unity of economics and politics, and its 1989 expanded equilibrium addendum utilized throughout the early 1990's, would give way to a new multilayered approach (Newnham 2001, 251). In 1997 Japanese Prime Minister Ryutaro Hashimoto admitted the southern Kurile Islands dispute could only be solved through "the three principles of trust, mutual benefit, and maintenance of a long-term perspective" (Hakamada 1997, 6). The new, softer policy by the Japanese led to increased cooperation and improved bilateral relations between Yeltsin and Hashimoto, who met in November 1997 and April 1998 (Ziegler 1999, 15).

In November 1998 Hashimoto's successor Keizo Obuchi and Yeltsin met in Moscow. Based on a pledge made by Hashimoto and Yeltsin in the November 1997 "no neck-tie" summits, the two sides declared they would normalize relations by 2000 (Ziegler 1999, 18). To the Japanese this meant regaining the disputed territories in the near future. Unfortunately, no significant developments were made in the Yeltsin-Obuchi meeting aside from the formation of a subcommission on border demarcation and another on joint economic activities on the disputed islands (Ziegler 1999, 18). No further talks occurred between the countries' leaders until 2000, proving the Yeltsin-Hashimoto commitment to a peace treaty by 2000 to be an empty statement. In March 2001, when new Russian President Vladimir Putin and new Japanese Prime Minister Yoshiro Mori met in Irkutsk, both agreed they would endorse the 1956 Soviet-Japanese

peace proposal, but no steps were taken to do so (MacWha 2001, 32). One month later Mori was replaced by a more nationalist leader, Junichiro Koizumi.

In January 2003 Putin and Koizumi met in Moscow. Primary on their agenda was an effort to increase pressure on North Korea to abandon its nuclear development programs (Myers 2003, A.6). Also accomplished was a joint statement claiming the two countries would “accelerate negotiations toward signing a formal peace treaty by resolving the issue of sovereignty” for the disputed Kuriles (Matsuzawa 2003, 1). The issue remained such a sensitive matter that neither Putin nor Koizumi would directly refer to the islands by the given name in their respective languages (Myers 2003, A.7).

Since the fall of the Soviet Union in 1991, the southern Kuriles have maintained an economic and strategic significance. In terms of economic significance, fishing rights are the primary struggle. Fishing in the northwest Pacific is a billion dollar industry (Working 2001, 2). Schools of salmon annually migrate northward from the east coasts of Japan to eastern Kamchatka (Artyukov 2004, 4). It is the Russians’ fear that “If Japanese put several kilometers of nets in the Southern Kuriles, Kamchatka will have no fish” (Artyukov 2004, 4). In addition, Russians fear that if the Japanese were to regain ownership of the southern Kuriles, the Sea of Okhotsk “will gain the status of international sea, and foreigners will claim its rich fish resources” (Artyukov 2004, 4). With its fertile fishing waters nearby, maintaining control of the southern Kuriles is essential for the Russians who benefit by having the active industry in a less developed region of the country.

Although the strategic significance of the southern Kuriles has been reduced as a consequence of the Cold War ending, it still remains a factor in the dispute. Currently,

the Sea of Okhotsk is almost completely surrounded by Russian territories with the mainland to the north, the Kamchatka Peninsula to the east, the Kuriles to the south, and Sakhalin Island to the west. However, the north shores of Hokkaido also border the sea in a small area in the southwest corner. If the Japanese were to regain the southern Kuriles, it would make way for a larger Japanese presence in the sea to monitor Russian naval activities. It is essential for the Russians to sustain their *de facto* occupation of the Sea of Okhotsk as a buffer zone for their Pacific naval activities.

Aside from the economic and strategic significance of the southern Kuriles, territorial integrity and historic legality remain the foundations of current arguments on the dispute (Newnham 2001, 247). If Japan was to regain the Southern Kuriles, its territory would increase 1.3 percent while Russia's territory would decrease 0.03 percent. Furthermore, Iturup and Kunashir islands would make up the fifth and sixth largest islands in the country, as both are larger than Okinawa yet smaller than Shikoku. The Japanese view the southern Kuriles as a part of their nation based on historical and legal facts. According to the Japanese, the southern Kuriles have always been Japanese territory since the joint signing of the 1855 Shimoda Treaty, a document that was endorsed peacefully by the Japanese and Russian Empire. The Russians also view the southern Kuriles as rightfully part of their nation based on the fur tax payments made by Kurile Ainu beginning in 1778, as well as the agreements made at Yalta in 1945. The Russian position is not to relinquish any territory in fear of wildfire successions in all parts of the federation.

CHAPTER THREE

LITERATURE REVIEW AND METHODOLOGY

Although the majority of material necessary for this study relates to the Japanese foreign policy with Russia during and subsequent to Hashimoto's prime ministry, much of the subject matter, particularly in regard to the first objective, was written prior to Hashimoto. Historical accounts of the territorial dispute are useful as background information for the scope of the thesis. One particularly significant historical account which captures the essence of the southern Kurile Islands dispute was written by David Rees (1985) and titled *The Soviet Seizure of the Kuriles*. In this work, Rees discusses the origins and developments of the dispute and how it has affected Russo-Japanese relations.

In particular, Rees enforces the idea that the Soviet Union made a conscious political decision in the years following the 1945 acquisition of the Kuriles to relinquish political leverage with Japan in favor of a geostrategic advantage in the region. According to Rees, "the Soviet strategic emphasis on the retention of the South Kuriles has helped to prevent the development of a fruitful political relationship between Moscow and Tokyo" (Rees 1985, 140-41). Rees' work is useful in understanding the changes in political policies on both sides in the years leading up to the 1980's.

Rees' work is written in chronological order as a historical account, but it also includes a final chapter assessing the role of the islands in Soviet geostrategy during the

final years of its existence. Also, the work contains two appendices that document significant extracts from various treaties and agreements involving the Kuriles, and a description of the islands' geographical makeup.

Another thorough historical account of the dispute was written by William F. Nimmo (1994) entitled *Japan and Russia: A Reevaluation in the Post-Soviet Era*. This work focuses primarily on Japanese attempts to negotiate regaining the southern Kuriles with the Soviet Union, and later the Russian Federation. Nimmo's work is important in understanding the Japanese foreign policy prior to the Hashimoto policy. Nimmo also pays special attention to the developments of grassroots organizations and the political clout they have been able to obtain not only within their own countries, but in the international community.

Nimmo dissects the most recent developments in great detail, devoting the last third of the work solely to post-Soviet Russo-Japanese relations. According to Nimmo, "major changes have occurred in the second half of the twentieth century in the relative position of Japan and Russia" (Nimmo 1994, *xix*). While Rees' work is better for gaining an understanding of the political policy developments up to the 1980's, Nimmo's account is very useful in understanding the developments that took place during the Gorbachev and Yeltsin eras. Both studies provide useful background information for the most recent developments.

A 1991 monograph entitled *Beyond the Hoppo Ryodo* features nine scholars including military scientists, political scientists, and diplomats voicing their thoughts on a possible peace treaty between Japan and the Soviet Union. Moreover, the authors also make special note of the economic implications of the relationship. One chapter of

particular interest was the final chapter, “Hope for the Future,” which was written as a discussion among the authors of the nine other chapters. Though the discussion is somewhat outdated in terms of current Russo-Japanese relations, some portions of the discussion in the final chapter are interesting and directly relevant, such as Masaru Tamamoto’s statement on Japanese investment in Siberia:

Agreed, it does not seem profitable for most companies. But if it happens, it will be politically motivated: the government will decide on some positive move. And the government will have to guarantee those investments. Some businesses will go in kicking and screaming even with some sort of insurance. (Catlin Jacob 1991, 44).

This is significant in examining the trends of Japanese investment in Siberia after, and as a result of the Hashimoto policy. This monograph can serve as a model for predicting political policy behavior based on past developments because it was written near the end of the Soviet era. The authors have utilized their knowledge of Soviet and Japanese political policy tendencies to hypothesize future events between the two countries.

The 1995 work “*Northern Territories*” and *Beyond*, edited by James E. Goodby, Vladimir I. Ivanov, and Nobuo Shimotamai, is an extensive work on the history, current events, and potential future for Russo-Japanese relations. A theme throughout the work is that bilateral communication on the islands dispute is inherently unsuccessful. However, several of the book’s authors express their opinions that the United States must participate in order for the dispute to be solved. Such opinions are based on the facts that Americans mediated the Portsmouth Treaty which ended the Russo-Japanese War (Garthoff 1995, 18), the dispute would have been resolved in 1956 without U.S. Secretary of State Dulles intervention, and both Japan and Russia consider their

relations with the United States as among their most important political and economic relationships (Saito 1995, 191). Throughout the work, the authors seem optimistic that relations among the three countries are improving “though the efforts of the G7, people-to-people contacts, humanitarian relief efforts, nuclear weapons dismantlement, nonproliferation policies, and a shared interest in global and regional stability” (Ivanov 1995, 268).

According to Ivanov, what stands in the way of strengthening Russian relations with the United States and Japan is an issue of geography and an issue of allies. Regarding the geography problem, “Japan is too close to the Russian Far East, or the Russian Pacific coast is too close to Japan geographically” (Ivanov 1995, 277). For more than a century, the two players have been competing for regional hegemony and the two countries are geographically too close as regional powers in northeast Asia. This geographical issue was also touched upon in Kent Calder’s 1994 manuscript, *The United States, Japan, and the New Russia*. Calder presents the argument that “Japan and Russia are natural and indeed inevitable geostrategic adversaries,” and “Japan...lies physically astride all three of Russia’s prospective routes from the Sea of Japan to the open Pacific” (Calder 1994, 4).

Regarding the issue of allies, Ivanov explains that “Japan is not a nuclear power itself, which is compensated by close security links with the United States” (Ivanov 1995, 277). Weakening Japanese-American relations is not desirable and neither is strengthening a Japanese nuclear program, so according to Ivanov, the solution lies in “changing the nature of Russian-American relations” (Ivanov 1995, 277).

Though the Goodby, Ivanov, and Shimotamoi work predates the Hashimoto plan, it provides a thorough discussion on possibilities for economic cooperation between Russia and Japan. Meanwhile, the final chapter written by James Goodby called “Cooperative Security in Northeast Asia,” suggests ideas for increasing Russo-Japanese cooperation which are strikingly similar to the ideas expressed in the 1997 multilayered approach. Some of Goodby’s suggestions for stability in northeast Asia include a balance of power, collective security, and concert, or “restraint and consultation” among the players in the region (Goodby 1995, 301). Possibly, Hashimoto’s change of policy came as a result of the ideas expressed in this chapter.

Japan and Russia in Northeast Asia (1999), another extensive work edited by Vladimir Ivanov and Karla Smith, is a collection of essays written by scholars and diplomats on Russo-Japanese relations. With a strong focus on the most recent political and economic developments, the work appears to be a direct response and critical appraisal of the 1997 multilayered approach. In the chapter “Making a Comeback in Asia,” authors Evgenity Afanasiev and Vladimir Ivanov take the time to assess the regional impact of the Hashimoto plan:

Through his Eurasian diplomacy concept and the three principles that apply to Russia a window of opportunity was opened. It provides an exit from the stalemate over the Northern Territories and raises hope that both parties can act together to reach a positive sum solution (Afanasiev and Ivanov 1999, 117).

Indeed, some reactions to the Hashimoto plan were optimistic in the sense that Japan and Russia could increase international dialog and economic ties. However, it is important to remember that this particular work was written in 1999, a time when the international community was expecting Yelstin and Hashimoto’s successor, Keizo Obuchi, to have an agreement signed before the year 2000 (Afanasiev and Ivanov 1999,

117). With such hopeful news coming from both sides, along with the Japanese cultural characteristic of finishing old business before the upcoming *fin de siècle*, it is quite understandable that the authors in this 1999 work had expected rapid developments in Russo-Japanese relations as well as a solution to the Kurile Island dispute (Afanasiev and Ivanov 1999, 117).

Japan and Russia in Northeast Asia is an excellent work to understand means for Russo-Japanese economic cooperation and increased political dialog. However, time has proven the work to be outdated in the sense that the authors conveyed a message of relatively immediate results for bilateral economic developments and a solution to the territorial conflict and therefore, normalized relations. The territorial dispute remains a decade after Hashimoto's speech, but bilateral communication between Russia and Japan has indeed increased. Consisting of several models for economic and political developments between the two countries, *Japan and Russia in Northeast Asia* is an excellent work to utilize in research.

A third excellent collection of essays by scholars and government officials which highlights the numerous attempts by the Russian and Japanese to normalize relations in the period for the last half of the twentieth century is *Japan and Russia: The Tortuous Path to Normalization, 1949-1999* (2000a). This work, edited by Gilbert Rozman, is written as a chronology beginning with the San Francisco Peace Treaty, yet the majority of the work focuses on post-Soviet developments.

In the introduction of the work Rozman argues that "Russo-Japanese relations in the Twentieth Century rank poorest among the great powers" (Rozman 2000a, 1). This statement was based on the two countries' history, including the initial contact in the

Russo-Japanese War, a prolonged cold war, and the unresolved southern Kurile Island dispute. Rozman continues by proposing three ideas to accelerate the process of normalization; “cooperation,” “balance-of-power,” and “economic regionalism” (Rozman 2000a, 13). Rozman can be commended for his ideas to build Russo-Japanese relations, however the idea of *cooperation* is strikingly similar to Hashimoto’s axioms of *trust* and *mutual benefit*, which Hashimoto proposed just three years earlier (Hakamada 1997, 6). The particularly useful idea of Rozman’s is *economic regionalism*, which centers “on Russian natural resources and Japanese investment” (Rozman 2000a, 13). For this reason, the possibility of Japanese investment into Russia’s Far East will be a critical part of this study.

One noteworthy chapter of this work which discusses the motivation behind Hashimoto’s change in foreign policy towards Russia is “Russo-Japanese Relations after Yeltsin’s Reelection in 1996,” by Konstantin Sarkisov. According to Sarkisov, the June 1997 G-8 summit in Denver was the turning point for Hashimoto. Sarkisov explained that “Meetings between Yeltsin and Hashimoto persuaded the Japanese Prime Minister to pursue a fundamentally new policy highlighted by flexibility and building a constructive atmosphere” (Sarkisov 2000, 230). Just a month later, Hashimoto outlined his plan on a new foreign policy with Russia. Sarkisov summarized the Hashimoto policy as “progress on [bilateral cooperation] did not need to be balanced with progress on the Northern Territories question” (Sarkisov 2000, 233). Indeed, but the question remains how successful this new policy will be for the Japanese in regaining their historical possessions.

Hashimoto's plan was also discussed by Shigeki Hakamada in the chapter, "Japanese-Russian Relations in 1997-1999." In particular, Hakamada discussed the Russian reaction to the multilayered approach, which "was seen as a concession that changed Japan's former hard-line attitude concerning the Northern Territories question" (Hakamada 2000, 250). Meanwhile, the relationship between Yeltsin and Hashimoto developed on a personal level (Hakamada 2000, 250). Indeed, the multilayered approach is a softer policy on Russian relations in which regaining the southern Kuriles seems less likely than before. One might think the Japanese Rightwing which was consistently uncompromising on the issue in the past, would react negatively to Hashimoto's new policy. However, according to Hakamada, the Japanese media "highlighted it as a diplomatic success for the Hashimoto regime" because of Hashimoto's and Yeltsin's agreement to resolve the issue by 2000 (Hakamada 2000, 251). The positive momentum between Yeltsin and Hashimoto came to an end in mid-1998 when Hashimoto resigned amid a deteriorating economy and Yeltsin had lost much of his popularity among Russians due to domestic political and economic crises (Hasegawa 2000b, 317).

Japan and Russia is a particularly constructive work which is applicable to this study. Along with the relative writings, the work has several diagrams and tables indicating public perceptions of Japanese and Russians, and the significance of the southern Kurile Islands dispute among the populations in the two countries. Meanwhile, the focus of the work is the political dialog between the two entities.

A work which focuses primarily on mutual perceptions of Russians and Japanese is featured in the manuscript series *The Carl Beck Papers*. This manuscript,

Misperceptions between Japan and Russia, features three essays written by Russo-Japanese relations scholars Semyon Verbitsky, Tsuyoshi Hasegawa, and Gilbert Rozman (2000b). Verbitsky's chapter focused on Russian perceptions of Japan while Hasegawa's chapter focused on Japanese perceptions of Russia and Rozman discussed the most recent events in perceptions between the two. In his piece, Rozman presents how Russia and Japan can develop their partnership;

Russia can assist Japan in raising its political power, above all on the Security Council, and Japan can assist Russia in raising its economic power, through large projects to develop energy and natural resources and the creation of new organs of Northeast Asian regionalism (Rozman 2000b, 83).

Although the work is an interesting discussion of mutual perceptions between the two countries, the essays seem to lack substance and historical analogies for the ideas proposed. Nonetheless, *Misperceptions between Japan and Russia* is useful in comprehending the problems and lack of progress associated with the two countries' political and economic cooperation and development in the last two decades.

Dmitri Trenin's 2002 work *The End of Euraisa* features a section of the chapter "The Far Eastern Backyard" dedicated to discussing the geopolitical implications of the southern Kurile Islands dispute between Russia and Japan. In the section titled "Southern Kurils or Northern Territories?," Trenin explains why Russia is so steadfast on retaining possession of the islands politically, geostrategically, and psychologically. Politically,

Giving up the islands would be the first case of actually ceding *Russian* territory...to a foreign power. By extension, it is feared, this action would also bring into question the legality of other territorial arrangements made by the World War II victors, including above all the status of Kaliningrad (Trenin 2002, 215).

Trenin continues by explaining the southern Kuriles also serve a geostrategic purpose by closing “the bottleneck of the Sea of Okhotsk, virtually making it a Russian lake, considered safe for a ballistic submarine bastion” (Trenin 2002, 215). Psychologically, Russians feel their “global retreat [is] over, and that any further unilateral concessions to other countries would be unacceptable” (Trenin 2002, 216). The author continued by explaining how Russians regard the Soviet victory over Japan in World War II as “redemption for the ignominious defeat” in the Russo-Japanese War (Trenin 2002, 216). Trenin’s geopolitical discussion on the territorial dispute between Russia and Japan is useful in understanding the Russian standpoint and how it affects bilateral developments between the two countries.

Some articles published after Hashimoto’s tenure as Prime Minister on the southern Kurile Islands dispute provide valuable information on current events in Russo-Japanese relations, and the influence of the Hashimoto plan thereon. Judith Matloff’s 1998 piece in *The Christian Science Monitor* entitled “Tiny Islands Prelude to Russia-Japan Deal” supports the argument that the new foreign policy was already in effect, such as the Japanese promise of a \$1.2 billion loan to an ailing Russia in April 1998 (Matloff 1998, 6). The author reported that the Japanese have pledged to send power generators and tons of emergency food aid to the residents of the southern Kuriles (Matloff 1998, 6). Matloff continued by discussing how the Japanese are directing their cultural and economic influence upon the residents of the southern Kurile Islands; “Japanese influence has flourished on...the Kuriles since the Soviet Union’s 1991 collapse. Sushi abounds, as do Toyota and Nissan vehicles” (Matloff 1998, 6).

Gathering information on the methods of Japanese economic expansion will reveal the success of the multilayered approach.

The Current Digest of the Post-Soviet Press released a collection of media reports in the *Current Digest Foreign Policy Series* entitled “Russian Foreign Policy 1994-1998: Charting an Independent Course” (1998). Within the eighth chapter, dedicated to Russo-Chinese and Russo-Japanese relations, editor Gordon Livermore compiled a series of reports from the Yeltsin-Hashimoto “no neck-tie” summits of November 1997. The section, entitled “In Summit ‘Breakthrough,’ Russia, Japan Set Goal of Signing Peace Treaty by 2000,” various detailed accounts of the “no neck-tie” summits are provided by media reporters. This information is exceptionally valuable in understanding the developments of Hashimoto’s foreign policy.

Charles E. Ziegler wrote an important piece featured in the May/June edition of *Problems of Post-Communism* (1999), entitled “Russo-Japanese Relations: A New Start For the Twenty-First Century?” Ziegler discusses the political and economic developments in recent years which have shaped the current relationship. Ziegler contends that throughout the two Hashimoto-Yeltsin summits of November 1997 and April 1998 and the Obuchi-Yeltsin summit of November 1998, “Russo-Japanese relations at the close of the twentieth century [appeared] poised to enter a qualitatively new stage” (Ziegler 1999, 15). Ziegler continues by addressing the progress made between the two countries after the fall of the Soviet Union as well as the potential barriers to increased bilateral development in the future. With its plethora of sources and abundance of relevant facts, Ziegler’s piece is particularly valuable to this project.

Another important piece featured in *Asian Survey* by William J. Long is “Nonproliferation as a Goal of Japanese Foreign Assistance.” In this 1999 article, Long discusses the criteria set by the Japanese government in deciding where to send foreign aid, and how this criteria has been shaped and manipulated throughout modern history. Long points out that “because of constitutional strictures,” Japan’s available options to pursue national security interests are largely limited to its economic power (Long 1999, 329). According to Long, this can explain why Japan is the largest foreign aid donor in the world (Long 1999, 329). Indeed, recognizing the significance of economics as Japan’s primary tool for international relations makes the impact of the multilayered approach and its vast economic distinction from the former policy with Russia even more significant.

The most significant piece of literature which spurred the idea for this study is that written by Randall Newnham in the journal *Asian Affairs: An American Review* entitled “How to Win Friends and Influence People: Japanese Economic aid Linkage and The Kurile Islands.” In this 2001 piece Newnham analyzes the possibility of Japan regaining its historical possession by providing much needed economic aid to Russia in return for the islands. According to Newnham, the Japanese foreign policy to Russia known as *seikei fukabun*, or the unity of politics and economics, which dominated the late 1980’s and 1990’s up to the Hashimoto plan, “prevented most economic aid and investment in the the [*sic*] Soviet Union” (Newnham 2001, 250). Newnham argues that a general linkage of economics and politics creates mutual trust and “aims to improve the overall tone” between the two parties (Newnham 2001, 251). This quite possibly might be a tactic the Japanese are currently utilizing, yet it was not revealed in this

particular piece. For this thesis, obtaining the directional flow of Japanese proposed foreign aid to Russia over the last decade will reveal if this is in fact occurring.

Newnham's piece is inspiring and highly relevant to this thesis. The author utilizes facts to back his case and interesting analogies as well. Two analogies the author discusses included comparing German and Japanese foreign policies to the Soviet Union/Russia, its reactions to these policies, and comparing the transfer of power in the southern Kuriles to the Alaska purchase of 1867 and the Louisiana purchase of 1803. Albeit a short piece containing only ten pages of text, the material in Newnham's article is closely related to the material researched in this project.

Alexei V. Zagorsky's "Three Years on a Path to Nowhere: The Hashimoto Initiative in Russian-Japanese Relations," found in the April edition of *Pacific Affairs* is also valuable. In this discussion, Zagorsky details the Russo-Japanese summits which occurred after Hashimoto's 1997 change in foreign policy. Zagorsky continues in the article by examining Japanese investment projects in Siberia as they relate to Hashimoto's policy. The theme of Zagorsky's piece was that Hashimoto's policy was enacted too late, and was an overall failure;

The Hashimoto doctrine was a product of Japan's search to find a pathway out of a deadlocked relationship with Russia. The only thing it got was the understanding that time has run out. It might have worked if it had been launched in the early nineties (Zagorsky 2001, 90).

This piece is valuable in that much of the information in the piece relates with the research material in this thesis, however differences are noted in the objectives and depths of research in the two projects.

An article which presents much of the post-Soviet developments in the southern Kurile Islands dispute is "The Dispute over the Kurile Islands between Russia and Japan

in the 1990's," by Yutaka Okuyama. Featured in *Pacific Affairs* Spring 2003 edition, Okuyama provides a brief history of the Kurile Islands dispute and its advancements in the 1990's. The dispute was looked at from three angles in the discourse: first, at the governmental level, Moscow and Tokyo; second, at the regional administration level, meaning the governments of Sakhalin and Hokkaido which both claim the islands; and third, the local level, meaning the residents of the southern Kurile Islands. With several tables on economic and public survey data, the essay is very useful in grasping the impact of the Hashimoto plan in the late 1990's in three different spheres of bilateral relations.

In the December 2003 edition of the periodical *Look Japan*, writer Osamu Sawaji provided an update on the third annual Japan-Russia Forum held that autumn. The forum was established in 2000 by Japan's former Prime Minister Yoshiro Mori and Russian President Vladimir Putin who pledged to raise awareness about the significance of Russo-Japanese relations (Sawaji 2003, 4). Discussions focused on three key issues; economic relations, energy and the environment, and mutual understanding and dialog. Events such as this are key to Hashimoto's multilayered approach as well as increasing bilateral trust between Japan and Russia.

Contribution to Surveyed Corpus

This study complements the surveyed corpus of works by supplying a project which focuses on one Japanese foreign policy, presents the motivations behind the creation of the policy, and accomplishments of the policy in the two fields identified by the policy creator, bilateral economic development and a solution on the territorial dispute. Additionally, the advances in bilateral economic development and the

territorial dispute are examined in contrast to statements made regarding the foreign policy created by Hashimoto. Few of the identified works in the literature review focus particularly on the formation, existence, and actual ramifications of one foreign policy in Russo-Japanese relations. Largely, the materials are studies or reports on economic developments, chronological critiques, and arguments for what revisions or transformations should be made in Japanese or Russian foreign policy. This paper enhances the compilation of works by examining the motives behind Hashimoto's foreign policy, the economic ramifications of the foreign policy, and the political increments toward his objective with the policy.

The efforts from this project contribute to an understanding of the history of Russo-Japanese relations, particularly in regard to how Hashimoto's policy was formed, and changed the course of bilateral dialog. Secondly, efforts from this project contribute to an understanding in current Russo-Japanese economic developments, chiefly as they are affected by political policy. Lastly this project contributes to an understanding on the progress toward a solution to the territorial dispute, which can have an effect on the arguments for policy revision by researchers.

Methodology and Hypotheses

Because the core of this project is based on the reviewing of a foreign policy which will in turn reveal information on Russo-Japanese relations and the Kurile Islands dispute, an analysis of significant documents and statements, the tracking of time-lapsed economic figures, and the qualitative review of documents will be conducted at various points.

In this study several evaluations of political speeches, media reports, and government documents will be conducted in order to detect changes and underlying themes in foreign policy. This research method is a content analysis of sorts because special attention will be given to the wording of statements at various points to determine progressions in political policy. However the limited quantity of political speeches and government documents relevant to this study does not provide an ample sample size for a formally structured quantitative analysis. Adding media reports to such a sample would significantly increase the size, but media reports tend to be redundant and often cite an original source. For these reasons, a quantitative analysis is not beneficial for an inquiry such as this.

At various points in this study, the tracking of economic data will be necessary to indicate trends over a period of time. This will be done by assigning the time lapsed data to a timeline stretching across a given period with 1997 being the focus year in most instances for this study. Much of the necessary economic data is available from MOFA as well as other government sources. Also, along with the examination of policy-related expressions, a review of Hashimoto's bibliographical background and political affairs information will be necessary at various points in the research.

This third step will focus on gathering historical information in a traditional sense in order to achieve a more thorough understanding in the study.

First Objective: Revealing Hashimoto's Motivation

- 1.) Gather statements made by Japanese political leaders, reports by the media, and academic writings which support Tokyo's cause to terminate the former foreign policy with Russia in 1997. This would be done by examining policy expressions written from the mid 1980s when *seikei fukabun* was implemented until 1997 when the expanded equilibrium was replaced. The analysis entails noting the use of terms such as "balanced equilibrium,"

“multilayered approach,” or “general economic linkage” in these documents. The intention is to detect phrases which aim to treat economic and political affairs separately between the two nations as opposed to intentionally linking the two items. The next step is to note any potential increase over time in the divorce of economics and politics. This would indicate the formulation of a new foreign policy on the Japanese side.

- 2.) Review the unsuccessful economic proposals presented by Tokyo to Moscow in exchange for the southern Kurile Islands, or *aid-for-islands* proposals from the mid-1980s until 1997. By attaching these proposals to a timeline, and noting the varying amounts of proposed aid within each proposal and the formats of the proposals, one can uncover the developments of the unity of economic and politics policy and the expanded equilibrium, and why these policies were replaced.
- 3.) Reveal what, if any, notions Hashimoto had towards developing relations with Russia or the territorial dispute prior to taking office. Such beliefs would be a factor in the creation of Hashimoto’s Russia policy. This is done by acquiring information on his political background, his perceptions of Russia, and his personal relationship with Yeltsin. This can be achieved by reviewing his biographies, media reports during his terms as finance, foreign, and prime minister, and the reports from his summits with Russian diplomats. This step will not describe a specific activity in Japanese foreign policy, but acquiring a better understanding of the individual’s interests and predispositions will reveal insights to his motivation in creating a foreign policy.

Second Objective:

Examining the Impact of Hashimoto’s Policy in Bilateral Economic Development

The picture has become increasingly clear that Russia has natural resource reserves in Siberia in which Japan could readily invest. This study will examine investment trends in Siberia by Japanese corporations, and how the distrust and unfavorable opinion of each other, stemmed primarily from the southern Kurile Islands dispute, has stagnated economic progress and cooperation between the countries. It has been examined by Gilbert Rozman in his piece “Russia and Japan: Mutual Misperceptions, 1992-1999” (2000b), that Japanese corporations have indeed taken great interest in extracting Siberia’s resources, yet the Japanese struggle with trusting

those they would be working with. Rozman wrote about previous attempts by Japanese corporations to invest in Siberia:

Japanese firms could easily have become a dominant force in the urban economies of [Russia's Far East]. They had trouble finding partners who would not deceive them. After being cheated in some visible joint ventures in Khabarovsk and Vladivostok, Japanese investors knew better. Power to get things done was elsewhere (Rozman 2000b, 75).

According to Hashimoto, the axiom of shared trust is essential for a solution to the lingering island conflict between the two countries. Regardless of his belief, shared trust will bring about an era in which cooperation between the two countries will benefit the economies thereof, and assist in the development of Siberia.

Three actions are necessary to reveal the effect of the Hashimoto foreign policy on Russo-Japanese relations:

- 1.) To uncover economic cooperation between Japan and Russia in Siberia and the Russian Far East, review media reports and analyze the dynamics of Japanese corporate resource investment projects in Siberia prior and subsequent to the Hashimoto plan. This entails gathering the volume and development of Japanese large corporations in Siberia and the Russian Far East over time. Projects specifically mentioned in speeches and bilateral summits will be of primary significance. This will indicate if Japanese investment or the attempt to open Japanese investment has increased in the regions.
- 2.) As mentioned in the literature review, a study of the flow of foreign aid would greatly enhance this thesis. Tracking the amount of Japanese foreign aid along with investment in Russia and bilateral trade years prior and subsequent to the 1997 change of policy would strongly indicate the impact of the Hashimoto plan, and the degree to which the multilayered approach policy is enacted.
- 3.) Also mentioned in the literature review, Masaru Tamamoto noted that the Japanese government would have to provide incentives for a Japanese firm to invest in Russia. Uncovering government incentives for Japanese corporations to invest in Russia would be necessary for the same period. This would be conducted by reviewing media reports and joint summit statements which would provide this information, and noting an increase or decrease in this practice. With this, the impact of the multilayered approach will be revealed on bilateral development.

Third Objective:

Examine the Success of Hashimoto's Policy in the Southern Kurile Islands Dispute

It is important to bear in mind throughout this project that the focal point of Japanese foreign policy with Russia is the regaining of their historical possessions, the southern Kuriles. This primary objective has been consistently reflected in the rhetoric on the Japanese side throughout each foreign policy exercised since the Soviet seizure of the islands in 1945. Hashimoto stated that the island conflict would be solved via the principles of trust, mutual benefit, and a long-term perspective, all of which would be demonstrated in his multilayered approach to foreign policy. To reveal the success of Hashimoto's plan in regard to an eventual solution to the Kurile Islands dispute two steps must be employed:

- 1.) Examine speeches and summit reports between the two countries' premiers prior and subsequent to 1997. Progress on the Kurile Islands dispute was noted by William Nimmo in his work *Japan and Russia: A Reevaluation in the Post-Soviet Era* (1994);
Where 25 years earlier Gromyko had said there was *no* territorial problem, and Brezhnev had insisted in the 1970s that there were only "unresolved differences," and by the late 1980's Shevardnadze had preferred to cite "the geographic question," Gorbachev agreed to the inclusion of specific details in a joint communiqué on the talks by naming the islands that were claimed by Japan (Nimmo 1994, 96).
Similar to Nimmo noting the evolution of Soviet terminology of the Kurile Islands dispute during the Cold War, this study will do the same for prior and subsequent to 1997 by analyzing the terminology used to describe the dispute by the two countries' premiers. Also to be analyzed is the number of instances and circumstances in which the Russian and Japanese premiers refer to the islands by name. Noting increases and decreases in various terminologies will reveal the progress on the dispute and the degree of success that the multilayered approach has brought on resolving the dispute.
- 2.) As mentioned in the literature review by Judith Matloff, Tokyo has been placing cultural and economic pressure upon the current residents of the southern Kuriles in recent years. This strategy, which is in accord with the 1997 foreign policy, can be revealed by tracking the foreign aid sent from Tokyo to the current residents of the southern Kuriles. For the purposes of this study, the flow of Japanese aid to the southern Kuriles prior and

subsequent to Hashimoto's implementation of the multilayered approach in 1997 will be tracked. Furthermore, details of the Japanese cultural impact upon the southern Kuriles should be noted in media reports from the islands (such as Judith Matloff's report). This will reveal if the Japanese are attempting to regain the southern Kuriles by enticing the current southern Kurile residents to support the transfer of power for the islands. Such a strategy by the Japanese concurs with the axioms set forth by Hashimoto in 1997.

This methodology leads to a better understanding of why Hashimoto changed the foreign policy in 1997, and the impact his change of policy has had on Russo-Japanese economic and political development and the southern Kurile Islands dispute.

Hypotheses

It is presumed that an increase in bilateral economic development between Japan and Russia and progress toward a solution on the territorial dispute have been achieved as a result of Hashimoto's foreign policy with Russia. These are the two objectives that Hashimoto addressed in his July 1997 speech, when he introduced his new foreign policy with Russia (speech by Hashimoto 1997a).

If Hashimoto's desire to strengthen economic ties with Russia without linking them to prior progress on the territorial dispute was converted into policies, bilateral economic ties are assumed to have been subsequently strengthened. The Russians will welcome the opportunity to freely strengthen economic ties with Japan as the Russians naturally desire no link between bilateral economic development and the territorial dispute. Improvement to the Russian domestic economic state of affairs seems forthcoming if relations can be strengthened with an economic power such as Japan. The relationship between Hashimoto's policy and bilateral economic developments will be identified and tested in this study. Concrete units of analysis will be identified within available bilateral trade figures, Japanese aid figures, and Japanese investment in Russia.

Additionally, the impact of Hashimoto's policy on major Japanese investment projects in Russia will be examined and the results of these relationships will reveal the extent to which the hypothesis is accurate.

Along with a stronger bilateral economic relationship, Hashimoto's policy maintained the vital objective of all Japanese foreign policies with Russia to regain control of the southern Kuriles. Progress toward a solution to the territorial dispute would be expected if handled separately from bilateral economic developments. This study will examine a correlation between the public statements regarding Hashimoto's foreign policy and actual progress in the two fields of bilateral economic development and progress toward a territorial solution. In regards to the territorial dispute, obviously the two countries have not yet agreed on a solution, but a positive association is the postulated effect of Hashimoto's foreign policy based on the openness of bilateral discussion, and opinions and activities observed in the region. The terminology employed in bilateral discussions on the territorial dispute will prove to what degree this hypothesis is accurate, as references to the territorial dispute as well as a peace treaty are expected to increase on both sides. Additionally, positive economic and cultural exchanges at the local level are expected to increase and develop, and opinion polls of the current residents will serve as units of analysis to indicate the degree to which Hashimoto's foreign policy succeeded.

The results of this investigation will enable one to note trends or alterations in terminology prior and subsequent to Hashimoto's policy being enacted in 1997. It is assumed that Russian and Japanese leaders will increase their references to the territorial dispute when discussing Russo-Japanese relations together, and that references will be

made more specifically than before as a result of Hashimoto's policy. Additionally, Hashimoto expected the Russian leadership to be more willing to discuss the territorial dispute if the link between it and the bilateral economic relationship was broken. The results of this study will reveal how Russian leaders have responded to Japanese' calls for discussions on the territorial dispute. It is put forth that Russian leaders will be more willing to discuss the territorial dispute after Hashimoto's policy was enacted in 1997.

Hashimoto's policy called for building trust among the current residents of the disputed southern Kuriles via regional economic support and cultural exchanges (speech by Hashimoto 1997a). It is hypothesized that Hashimoto's policy will result with a more positive image of the Japanese among the island residents and an increase in the number of islanders who would support or accept Japanese acquisition of the islands, which can be observed in public opinion polls and statements by islanders. Such data is tested in this study.

It is assumed that Hashimoto's policy succeeded in achieving its two goals to increase bilateral economic relations and work with Russian leaders toward a solution on the territorial dispute. Hashimoto's policy was a significant change in Japanese policy with Russia, and the results are expected to greatly differ with the results of previous policies. Statements by Hashimoto and other Japanese and Russian leaders, relevant media reports, and economic data will reveal to what degree these hypotheses are accurate.

CHAPTER FOUR

THE MOTIVATION BEHIND THE MULTILAYERED APPROACH

With a clear understanding of the background behind how Hashimoto's 1997 foreign policy with Russia was formed, one can better interpret the policy's objectives, and whether those objectives have been met in the following years. In July 1997, Hashimoto publicly laid out his plan for the first time. However, what motivated the creation of this new policy, and are there underlying objectives to Hashimoto's policy that he did not explicitly outline in his July 1997 address? This chapter will examine those questions.

At the root of the southern Kurile Islands dispute is the effect upon Russian and Japanese senses of identity and territorial integrity. For Russia, ceding the territories would be the first case of actually relinquishing "*Russian* territory—i.e., territory lying within the borders of the former Soviet Russian Republic—to a foreign power" (Trenin 2002, 215). Although there is no direct linkage, Russians fear that if they concede *Russian* territory like the southern Kuriles, other territories acquired in World War II, such as Kaliningrad, would come into question (Trenin 2002, 215). Furthermore, there is also the fear that ceding the southern Kuriles would encourage independence movements in various ethnic republics, such as Chechnya. To the Japanese, the southern Kuriles are rightfully theirs based on historical agreements and were wrongfully seized by the Soviet Union (Nimmo 1994, *xix*). The continuation of Soviet

and later, Russian occupation of the southern Kuriles as a result of World War II has resulted in a sense of humiliation for the Japanese. Before and after Hashimoto's tenure as Prime Minister, Japan's primary consideration in crafting foreign policy with the Soviet Union and Russia has been to regain the southern Kuriles. In 1997 Hashimoto took the initiative to significantly alter this strategy, but why? This chapter will present an analysis of Japan's foreign policy initially with the Soviet Union, and then Russia in an attempt to comprehend why Hashimoto modified foreign policy in 1997 and to gain a clearer understanding of the policy's objectives beyond what was outlined in the July 1997 address.

Soviet-Japanese Relations

After the largely unsuccessful talks between Soviet leader Leonid Brezhnev and Japanese Prime Minister Kakuei Tanaka in the 1970's, the Soviet implementation of a 200-nautical mile exclusive fishing zone around the Kuriles in 1977, and the Japanese Prime Minister declaring February 7 as "Northern Territories Day" in 1982, Soviet-Japanese relations had reached the lowest point since the Soviet seizure of the Kuriles in September 1945 (Nimmo 1994, 54-58). However, after the deaths of Soviet leaders Brezhnev, Andropov, and Chernenko in just four years, the Soviet Union was destined for momentous changes in 1985 when Mikhail Gorbachev became General Secretary of the Communist Party of the Soviet Union. It was in this time of Soviet adversity and Japanese accomplishment that Tokyo officially announced a foreign policy linking bilateral economic development with the immediate return of the four southern Kuriles (Carlile 1994, 415).

Japan and the Soviet Union

In 1985 *seikei fukabun*, the policy whereby the Japanese would not allow developments in bilateral economic ties without first normalizing political relations via the return of the southern Kuriles, was fully activated as Tokyo's foreign policy with Moscow (Carlile 1994, 415). After maintaining a hard line with Japan for decades, Moscow showed signs of softening to the Japanese by appealing for improved bilateral relations. In a November 1985 speech Gorbachev proclaimed, "We stand for better relations with Japan, and it is our conviction that this is possible" (*Washington Post*, 1985, 4). However, it was noted in the *Washington Post* that Japanese diplomats responded to Gorbachev's statement by reiterating "Tokyo's position that return of the islands is a prerequisite for a peace treaty with Moscow and for long-term improvement of Soviet-Japanese relations" (*Washington Post*, 1985, 4). This is a clear indication that the Japanese were assured *seikei fukabun*, or the 'unity of economics and politics,' was the optimal position toward the Soviet Union at the time.

In 1986, Soviet Foreign Minister Eduard Shevardnadze visited Tokyo to revive ministerial talks between the two countries. Later that year, Japanese Foreign Minister Shintaro Abe returned the favor by visiting Moscow. In a joint communiqué distributed later that year, the two sides stated;

Japan and the Soviet Union conducted negotiations concerning the conclusion of a Japan-Soviet peace treaty, including negotiations on various problems which can become the contents of a treaty. The two sides agreed to the effect that this will be continued (*Nihon Keizai Shimbun* [Tokyo] 1986, 2).

The particularly vague terminology and careful wording utilized in this joint communiqué signaled a lack of Japanese interest to reform its foreign policy as well as

reluctance from the Soviets to continue talks on the “various problems” mentioned (Nimmo 1994, 61).

In response to Gorbachev’s proclamation of a Soviet desire to improve relations with Japan in November 1985, Japanese Prime Minister Yasuhiro Nakasone demanded that Gorbachev admit that the territorial dispute was “a problem which has been left unsettled after the War” (*Nihon Keizai Shimbun* [Tokyo] 1986, 2). In return for this, Nakasone claimed Tokyo “plans to clarify...an intention to respond to economic cooperation as much as possible” (*Nihon Keizai Shimbun* [Tokyo] 1986, 2). Also carefully worded, Nakasone’s statement seemed to be more similar to the expanded equilibrium, because he promised a response “as much as possible” to Gorbachev’s admittance of the territorial dispute. The expanded equilibrium, a restructured version of *seikei fukabun* which allowed for developments in insignificant bilateral affairs without a prior solution to the territorial dispute and incremental *carrot-and-stick* economic developments resulting from progress on the territorial dispute, was officially presented to the Soviets in May 1989 by Foreign Minister Sosuke Uno (Nimmo 1994, 75-76).

As the Soviet Union spiraled into economic turmoil during the late 1980’s and early 1990’s, *seikei fukabun* and its 1989 expanded equilibrium revision appeared to many as a foreign policy which was likely to bear fruit. By analyzing media documents written in 1990 through 1991, wordings within the documents frequently gave the impression that a power transfer of the southern Kuriles was imminent. Two authors from the journal *Foreign Policy* first alluded to the territorial transfer of power and thus, the successes of *seikei fukabun* in its spring 1990 issue piece “Dateline Moscow:

Burying Lenin;” “Besides unilaterally reducing its naval forces, the USSR may further...return the disputed Kurile Islands to Japan” (Kull and Duffy 1990, 190).

Though the piece does not directly link the return of the southern Kuriles to the need for the Soviets to develop bilateral economic relations with Japan, it was the first commentary which suggests a forthcoming transfer of power in the southern Kuriles.

Unofficial Aid-for-Islands Packages

On April 23, 1990 in Fukuoka, former Deputy Prime Minister Shin Kanemaru announced a proposal to buy back Shikotan and the Habomai group from the Soviet Union. By doing this, Kanemaru’s proposed boundary would follow that nearly accepted in the 1956 joint Soviet-Japanese summit (Nimmo 1994, 78). Kanemaru explained,

I would rather see two of the four northern island territories returned to Japan first than to postpone the issue. There may be some retorts to these suggestions since the islands are an integral part of our territory, but I even have an idea to purchase them if Moscow refuses to return the two islands as an interim step (*Japan Times Weekly* [Tokyo] 1990, 1).

Kanemaru never gave details on how much money he would provide to the Soviet Union, but he did reveal that he met three times with a Soviet official known for his proclivity of securing relations with neighbors in the Far East, Soviet Presidential Council member Yevgeniy Primakov (Nimmo 1994, 78-79). Kanemaru, who was at the time retired and thus, not holding any political position, explained that he was generally against purchasing territory which was rightfully Japan’s, but he simply wanted to break the deadlock: “[the Soviets] should at least return two islands to begin with, or there would never be a breakthrough” (*Japan Times Weekly* [Tokyo] 1990, 1). The Japanese Ministry of Foreign Affairs (MOFA) quickly denied that Kanemaru’s proposal was

sanctioned by the Japanese government, issuing a statement: “Japan is not interested in any scheme to buy or lease the disputed islands” (*Japan Times Weekly* [Tokyo] 1990, 1).

The second Japanese attempt to directly exchange aid for the disputed islands was in March 1991 when Ichiro Ozawa of the Japanese Liberal Democratic Party (LDP) went to Moscow prepared to give Gorbachev \$26 billion of economic aid in exchange for the southern Kuriles (Newnham 2001, 249). As Ozawa later explained, “Gorbachev did not reject Japan’s sovereignty over the islands,” however, the territorial dispute “is so burning you can’t tackle it with bare hands” (*Japan Times Weekly* [Tokyo] 1991a, 1). Gorbachev may have not rejected Japan’s sovereignty over the islands, but he did reject exchanging the islands for the \$26 billion economic aid proposal. Ozawa did not represent the Japanese government in his mission, but he was representing the interests of the country’s ruling LDP as well as the interests of his former colleague and friend, Kanemaru (Nimmo 1994, 91). A few weeks after Ozawa’s visit to Moscow, he was obligated to resign amid running an unsuccessful campaign to remove the incumbent Tokyo mayor from office as well as displeasing many of his party members with his unofficial *aid-for-islands* proposal to Gorbachev (*New York Times* 1991, A3).

Gorbachev in Japan

In April 1991, Gorbachev became the first and only Soviet leader to visit Japan (Nimmo 1994, 94). In an address to the Diet, Gorbachev commented on Soviet-Japanese relations; “It is completely abnormal that the USSR and Japan still have no peace treaty that would put a legal end to World War II. We must begin moving in that direction, without excluding anything positive that came out of bilateral talks in various years” (*Izvestia* [Moscow] 1991, 1). Through the entire address, no mention was made

of the “territorial problem,” “the southern Kuriles,” “the geographic question,” or the “unresolved differences” which impeded normalizing Soviet-Japanese relations. None of the aforementioned terms were used in a second Gorbachev speech in Japan to *Keidanren*, an association of Japan’s most influential businessmen;

We invite Japanese firms to take part in the comprehensive development of the Russian gas and petroleum deposits in northern Tyumen Province, Western Siberia. The development of the Verkhnechonsk deposit north of Baikal could be another major joint project. The USSR has a program for modernizing 33 petroleum refineries with the aim of increasing the degree to which oil is refined. We invite Japanese firms to 12 such refineries in the Far East and Siberia (*Izvestia* [Moscow] 1991, 1).

In his attempt to improve economic relations, Gorbachev pressed on themes of goodwill and optimism throughout his visit. However, Gorbachev seemed to be concurrently ignoring the Japanese foreign policy which barred significant economic developments without prior political development on the territorial dispute.

When Gorbachev finally did acknowledge the territorial dispute on the last day of his visit, it seemed that he had misinterpreted the Japanese foreign policy by informing Prime Minister Toshiki Kaifu, “The principle of seeking the islands for dollars, yen, rubles or whatever, is absolutely impermissible. This kind of approach is humiliating” (*Japan Times Weekly* [Tokyo] 1991b, 1). Kaifu attempted to set the record straight, responding “Japan will not buy the islands with money, but we are willing to cooperate with *perestroika* reforms” (*Japan Times Weekly* [Tokyo] 1991b, 1).

Gorbachev’s misunderstanding of Tokyo’s Soviet policy was likely in part due to the Ozawa Moscow mission to exchange the southern Kuriles for \$26 billion in economic aid to the Soviet Union which occurred only a month earlier. Japan’s Russia policy would only become more complex as the Soviet Union fell and the newly formed

Russian Federation found itself in severe need of economic assistance from the international community.

Hashimoto's Perceptions of Soviet-Japanese Relations

Hashimoto's first public comments on Japan's policy toward the Soviet Union were in 1991. At the G-7 summit that summer, Finance Minister Hashimoto stressed that Japan would maintain its position on linking economics with politics (*Sankei* [Tokyo] 1991, 10). In response to the United States and western European countries that were being critical of Japan for its lack of support to the ailing Soviet Union, Hashimoto stated "the U.S. and European position on Gorbachev reforms...had been shifted from 'perestroika support' to 'chaos support'" (*Sankei* [Tokyo] 1991, 10). He continued in the newspaper interview by indicating that "Japan might have to review its position" (*Sankei* [Tokyo] 1991, 10). These comments came just two years after Japan had already reformed its Soviet policy from the unity of politics and economics to the expanded equilibrium. Evidently, Hashimoto was already dissatisfied with the expanded equilibrium and sought another adjustment to the foreign policy.

Settlement Seeming Imminent Amid Changes

The *New York Times* featured an item on September 11, 1991 entitled "Japanese Find Signs of Hope for Solution of Island Dispute," in which the writer articulated;

Japanese officials said today there was a new basis for hope that Boris N. Yeltsin and other leaders in the Soviet Union were more prepared to solve a longstanding territorial dispute that has soured relations and blocked consideration of large scale Japanese aid (Weisman 1991, A7).

The wording in this article recognizes the unity of economics and politics by describing the territorial dispute had "blocked consideration" of significant aid from Tokyo.

This theme of optimistic results and the strong unity of economics and politics in Japan's foreign policy to the Soviet Union was reiterated the next day in the *New York Times* piece "Aid at Any Price," in which the author chose the wording; "By...hinting that four Kurile islands might after all be returned to Japan, Soviet and Russian leaders have, in effect abandoned pride and begun begging for economic aid for their collapsing economies" (Whitney 1991, A13).

Other articles written in this two year period utilized terminology such as "Russian leaders, anxious for Japanese aid, appear more ready than ever before to settle a territorial dispute" in the *Oregonian* (Read, 1991, A8), "there are the Kurile Islands...which Gorbachev could offer in exchange for a dramatic new investment program" in *Rolling Stone* (Walker 1991, 36), and

Russian officials began talking about handing back to Japan the southern Kurile Islands, which were seized at the end of World War II. Tokyo has insisted on return of the islands as its principal condition for Japanese participation in any major aid program,

featured in *Time* magazine (Church and Carney 1991, 32). The common theme in all three items is the possibility, at least, that the islands would be transferred, and that the transfer would result in increased bilateral economic development between the two countries. Media reports have not conveyed such a positive message of an imminent settlement of the southern Kurile Island dispute since this time. The Japanese would soon find out the strategy of unity of economics and politics with the newly formed Russian Federation would prove to be more difficult than with its predecessor.

A Final Aid-for-Islands Package

As the Soviet Union was in its final months of existence in the fall of 1991, the Japanese government appeared to be espousing a new approach to Soviet policy in

contrast to the unity of economics and politics. The Japanese cabinet approved a \$2.5 billion economic aid package in credits and trade insurance for the Soviet Union labeled “without conditions” (Nimmo 1994, 117). However, when Foreign Minister Taro Nakayama arrived in Moscow for a meeting with the Soviet Foreign Minister Boris Pankin, Nakayama explained that the aid would be given “without conditions” only after the territorial dispute was solved (Nimmo 1994, 117).

Realizing that no agreement would be made under these circumstances, the two foreign ministers began adjusting their positions. Pankin promised a 30 percent reduction of Soviet troops in the disputed territories while Nakayama proposed the formulation of a Soviet-Russian-Japanese committee to make plans for the distribution of the economic aid (*Japan Digest* [Arlington, VA] 1991, 11). The agreement was postponed by Pankin who explained he would have to discuss it with other members of the Foreign Ministry, but without a final agreement the Japanese implemented the proposal, albeit slowly, knowing that providing the economic aid without directly linking it to the territorial dispute would not be disputed by the Russian leadership (*Japan Digest* [Arlington, VA] 1991, 11). In 1993 only \$700 million in trade insurance from the \$2.5 billion proposal was delivered (*Nikkei Weekly* [Tokyo] 1993, 1). By 2003, slightly more than \$700 million of the \$2.5 billion proposal was issued in the forms of export credits and trade insurance (MOFA 2004). Nakayama’s request for the *unconditional* economic aid with the *condition* that the territorial dispute must first be settled was simply disregarded by the Soviets, Russians, Japanese, and eventually, himself as he was the architect of the compromises made with Pankin.

The Development of a 'Russia Policy'

Negotiating with a 'New' Russia

When the Russian Federation was established in early 1992, Japanese leaders were careful not to make any changes to their foreign policy so that their existing policy with the Soviet Union would remain with Russia (Carlile 1994, 416). With independence movements occurring throughout the former Soviet republics and questions of territorial uncertainties rising, the Japanese assumed the time was right to regain the southern Kuriles from a volatile Russia (Miyazawa 1992, 10). In a speech at a LDP seminar, Prime Minister Kiichi Miyazawa proclaimed "Now is the time to resolve the dispute with Russia, though it has been taking a lot of time to do so" (Miyazawa 1992, 10). Moscow discovered that the Japanese had no intention of changing their foreign policy when Japanese Foreign Minister Watanabe declared that the Japanese government would be flexible only after "Russia would recognize Japanese sovereignty over the four islands" (*The Economist* [London] 1992a, 41).

Yeltsin was clear in his response to Japan maintaining its Soviet/Russian foreign policy in the Munich G-7 summit. At the summit, Miyazawa pressured participants to agree in a joint declaration; "We welcome Russia's commitment to a foreign policy based on the principle of law and justice. We believe that this represents a basis for full normalization of the Russian-Japanese relationship through resolving the territorial issue" (*Asahi Shimbun* [Tokyo] 1992, 1). Yeltsin responded, "I have no intention of discussing any territorial issue with Japan... The point is that the problem of the so-called Northern Territories is not on the agenda of the G-7. This is absolutely a matter between Russia and Japan" (*Asahi Shimbun* [Tokyo] 1992, 1).

Watanabe's declaration that Japan would maintain the hard line diplomacy that it had with the Soviet Union along with Miyazawa strategy at Munich to bolster international involvement in the territorial dispute forced the fragile Russian leadership to refrain from territorial discussions until the Japanese would offer economic assistance. This was evident when Yeltsin twice cancelled trips to Tokyo in October 1992 and May 1993, facing strong pressure from members of the Russian parliament.

Beginning in 1992 a more pessimistic view on the progress made by *seikei fukabun* toward a territorial settlement could be detected in media reports. The piece "Westward No?" from *The Economist's* July 4, 1992 issue asserted that "Japan's claim to [the southern Kuriles] is preventing closer relations [with Russia], and the dispute shows few signs of resolution" (*The Economist* [London] 1992b, 21). In *Izvestiya*, Sergey Agafonov reported,

All these elements taken together enable observers to say with sufficient justification that bilateral relations have reached a certain borderline beyond which a simple choice emerges. Either a period of cooling is coming...or a new compromise will be found which will remove the present tension. Can Tokyo "throttle back" and avoid pinning its partner to the wall? (Agafonov 1992, 5).

Relations soured in July 1992 when the vice president of Japan's ruling LDP, Shin Kanemaru, referred to the leaders of the Russian government as "liars," when discussing economic aid to Russia (*Kyodo* [Tokyo] 1992). On *Radio Moscow*, commentator Valeriy Tsvotarev clarified the opinions of the Russian media;

At the diplomatic level, the two sides seem to have exhausted all the legal and historical arguments concerning this issue. The only solution now seems to lie in some political settlement. As is known to all, however, politics is something that cannot be easily pursued (Tsvotarev 1992)."

He added,

In Japan, there are still many people who support taking a hardline against Russia. Nevertheless, it is quite obvious that radical views or an emotional approach will only serve as a braking device to the settlement of the issue, which is difficult to solve” (Tsvotarev 1992).

In the February 7, 1992 *New York Times*, the article “Dispute Over Seized Islands Delays Tokyo Aid to Russia” describes Japan’s foreign policy; “Japan has found to its dismay that Russia appears even less willing or able to make concessions demanded by Tokyo on [the territorial dispute]” (Weisman 1992, A7). Furthermore, “prospects for large-scale economic aid to halt Russia’s economic slide remain elusive” (Weisman 1992, A7). Combining Tokyo’s reluctance to support an ailing Russia, its request to maintain the territorial dispute at the forefront bilateral discussion, as well as inappropriate statements by government officials about the Russian Government, the encouraged reports on concluding the territorial dispute in 1990 and 1991 was replaced by less enthusiasm in 1992. Furthermore, statements made by the Russian media conveyed disillusionment and frustration with Tokyo’s strict adherence to their foreign policy.

In the years following the establishment of the Russian Federation, the newly formed country found itself amidst financial chaos and political instability. The United States and western European countries pursued a politically stable, democratic Russia, and provided billions of dollars of economic aid for the restoration of stability therein (Newnham 2001, 250). However, Japan remained reluctant to provide unconstrained support to Russia, based on its foreign policy which linked economic ties to a solution on the southern Kuriles (Newnham 2001, 250).

Voicing a concern for many in the West, American President Clinton was noted in the *Washington Post* as “pushing the Japanese to put aside temporarily their claim to

four bleak islands off Hokkaido...and, for a change, to take on a superpower role by coordinating the multinational aid effort to bail out Yeltsin's democratic and capitalist reforms" (Doi and Willenson 1993, c1). Harsher comments were made about Japan's Russia policy from other Western leaders. German Foreign Minister Klaus Kinkel declared with frustration, "the Japanese are the main obstacle" to the rescue of Russian democracy, while French President Francois Mitterrand commented even as other G-7 governments supported "emergency" discussions on aid to Russia, "the one that has a peculiar attitude is Japan" (Doi and Willenson 1993, c1). Facing increasing international criticism for its lack of support for Russia, along with Russian President Boris Yeltsin's twice cancelled trips to Tokyo, the Japanese reluctantly decided to provide limited economic aid for Russia, but maintained that politics and economics would remain united under the expanded equilibrium (Carlile 1994, 415-16).

Once Japan began providing additional foreign economic aid to Russia, Russo-Japanese relations were described in a somewhat more positive atmosphere; however, the perplexity of Japan's Russian policy was often noted. In the May 7, 1993 *New York Times*, Japanese officials were portrayed as "[tying] themselves in knots trying to describe a new policy toward Russia that loosened the linkage between aid and the return of the islands" (Sanger 1993, A6). Furthermore,

It was clear that Japan's Russia policy is in considerable disarray. Under pressure from the West to give more aid, Tokyo appears to have lost much of its leverage on the islands issue. Its only carrot now is the promise of future "massive aid" if Moscow can move toward a long-term solution to the islands issue (Sanger 1993, A6).

The reluctant acceptance of the Japanese to provide foreign aid to Russia without seeking a prior settlement on the islands dispute and thus, circumventing its own foreign

policy verifies the steady disconnection of economics and politics. This is an obvious indication that there were forces that pushed the Japanese to modify their foreign policy with Russia.

Yeltsin in Japan

Yeltsin finally made his official visit to Tokyo in October 1993 where he and Japanese Prime Minister Morihiro Hosokawa signed the *Tokyo Declaration*. Within the document,

both sides agreed to proceed with negotiations in order to sign the Peace Treaty as soon as possible by solving the territorial issue on the basis of historical and juridical facts and documents worked out through agreements between the two countries, as well as the principles of law and justice and by this fully normalize bilateral relations (*Tokyo Declaration* 1993, 4).

The *Tokyo Declaration* would be the basis for future Russo-Japanese discussions. By signing this declaration, Yeltsin had admitted to solving the territorial dispute as a prerequisite to normalized bilateral relations, something no Soviet leader would do. In this respect, *seikei fukabun* and the expanded equilibrium were successful because the Russian leader had acknowledged that solving the territorial dispute would be done prior to normalized relations.

By comparing the *Tokyo Declaration* to the Soviet-Japanese joint communiqué of 1986, it is interesting to note the progression of terminology. Both documents identify the negotiations for a bilateral peace treaty, but the *Tokyo Declaration* went further stressing the need for the peace treaty “as soon as possible.” Furthermore, where the 1986 Soviet-Japanese statement identifies “various problems” impeding a treaty, the *Tokyo Declaration* identified the “territorial issue” as the barrier to truly normalized relations. In this respect, *seikein fukabun* and the expanded equilibrium were successful

in forcing the territorial dispute onto the table in Russo-Japanese relations. However, the Japanese would have to consider that the deliberate defiance of the current foreign policy, which would not allow economic developments without prior successes in the territorial dispute, was a benefiting factor for the formulation of the *Tokyo Declaration*. The question for the Japanese was whether the *Tokyo Declaration* was a successful result mostly of *seikei fukabun* and the expanded equilibrium, rather than the defiance of these foreign policies. Hashimoto's formulation of a multilayered approach to foreign policy with Russia proves that he judged the latter to be the case, as he presented a foreign policy which promoted the development of economics with Russia without a prior solution to the territorial dispute.

Hashimoto Plan; The Divorce of Economics and Politics

Russo-Japanese relations were marked with profound developments in 1993 with the *Tokyo Declaration* in which Russia and Japan agreed to negotiate “towards an early conclusion of the peace treaty through the solution of [the territorial issue] on the basis of historical and legal facts” (*Tokyo Declaration* 1993, 4). The year 1994 saw tremendous economic development in Russo-Japanese relations. Coming off the *Tokyo Declaration* with a renewed enthusiasm, Tokyo boosted its amount of aid to Moscow. Meanwhile, an earthquake hit the southern Kuriles in October, providing the Japanese an opportunity to offer much needed aid to the residents of the southern Kuriles as well (Hasegawa 2000a, 195-96). Then in November, developments went a step further when the *Hashimoto Plan* was announced which would develop the bilateral economic ties in Siberia and the Russian Far East.

Also in 1994, Hashimoto's book, *Vision of Japan* was published, in which he outlined his goals for Japan in various aspects of government and society. In the chapter on foreign policy Hashimoto elaborated on misunderstandings he frequently had with Europeans and America regarding Russia;

I found at the G-7 and other meetings that in discussions about assistance to Russia, my talks with the Europeans often struck a common chord but still usually wound up off course. After listening closely to their words and putting things in perspective, I realized that the Russia that they were referring to lay west of the Ural Mountains. The eastern sections of Russia did not register. In contrast, the Russia I had in mind did not include anything west of the Urals except for Moscow. The Russia that interested me could roughly be defined as 'Moscow plus anything east of Lake Baikal' and at most 'Moscow plus anything east of the Ural mountains (Hashimoto 1994, 79).

Hashimoto continued by elaborating on misunderstandings with Americans regarding Russia;

When discussing assistance to Russia with the U.S., it is necessary to clarify at each point whether the focus is the entire former Soviet Union or specifically the Russian Far East, which includes Japan's northern territories. It is too late to realize these differences in perception after signing a joint statement (Hashimoto 1994, 80).

Within these texts, Hashimoto reveals his frustrations with European and American pressure upon Japan to build relations with Russia. Basing these frustrations on misunderstandings, he goes further by clarifying "Japan's northern territories" as part of Russia which interests him and his country. These differing notions of spatial perceptions of Russia between Hashimoto and Western leaders allude to the frustrations he was having while promoting the issues that occur in the Russian Far East, particularly the disputed territories.

In November 1994, serving as trade minister¹, Hashimoto was able to apply these interests in mutual benefits for Russia and Japan when he met with Russian First Deputy Prime Minister Oleg Soskovets to discuss an aid package which came to be known as the *Hashimoto Plan*. The proposal was intended to smooth out a three year Russian economic reform program by enhancing aid in three areas: export promotion, industrial restructuring, and forming industrial policies (*BBC Monitoring Service: Asia-Pacific* [Tokyo] 1994). As a starter to the plan, Hashimoto and Soskovets agreed to promote large-scale bilateral projects, such as the development of oil and natural gas on Sakhalin Island, and to resume talks on trade insurance coverage for an oil project by Russian oil company, LUKOIL in West Siberia (*Agence France-Presse* [Paris] 1994). Also included, Japan would increase the number of personnel sent to Siberia to assist in the training of workers in management practices and efficiency (Newnham 2001, 252). The *Hashimoto Plan* was an enormous step in strengthening Russo-Japanese economic ties, yet it directly defied the outdated expanded equilibrium, which did not permit significant economic advances with Russia without prior progress on the territorial dispute. It was, however, indicative of the frustrations and interests Hashimoto expressed in his book on problems in developing Russo-Japanese economic ties.

Election Cycles Pass

Throughout 1995 and early 1996 few developments occurred in Russo-Japanese relations, providing for a small number of speeches and media reports to note trends in Japan's foreign policy with Russia. The *Asian Wall Street Journal* claimed Japan was

¹ Hashimoto served as Minister of Health and Welfare, Minister of Transportation, secretary general of the LDP, and Finance Minister before being appointed to Trade Minister in June 1994 under Japan's first prime minister of the Socialist Party, Tomiichi Murayama (Pollack 1996, A2).

“playing a waiting game, convinced that Russia’s decline in Asia will eventually force it to relinquish control of the islands,” perhaps testing the waters for a new foreign policy which never crystallized (Wimbush, 1996, 8). However, given that such a decline was not certain in the near future, the suggestion was somewhat unlikely. A more likely proposition was that both sides were waiting out their respective 1996 elections, knowing that during a campaign each side would likely present itself as hawkish in discussions on the territorial issue in order to gain popular support (Kakuchi 1996).

After the Russian summer election and the Japanese autumn election in 1996, both sides seemed eager to discuss bilateral developments. Autumn 1996 media reports from the *Inter Press Service*, *Reuters Newswire*, and *The Asian Wall Street Journal* all indicated that both Russian and Japanese officials were eager to not only discuss economic development, but also discuss the territorial dispute. This indicates a softening of the Russian foreign policy with Japan, which consistently sought to develop economic relations while overlooking the territorial dispute. The Japanese change of foreign policy in 1997 would appear to be a response to the Russians relaxing their policy with Japan in late 1996.

Russian Suggestions for Tokyo (and Hashimoto)

Panov’s Influence

As seen with the lack of media reports and government statements, Russo-Japanese relations remained largely stagnant in the political sphere as both countries prepared for elections to be held in 1996. In July 1996, Russian Deputy Foreign Minister Aleksandr Panov requested that the Japanese “stop linking economic relations

to the return of the disputed islands,” noting that Tokyo’s “foreign policy was restricting the development of bilateral ties” (Valliant 1999, 159). Panov went further by suggesting Tokyo lift a ban on investment and trade with the southern Kuriles, citing that “it would benefit bilateral economic developments” (Valliant 1999, 160). Two months later, Panov became ambassador to Japan (Valliant 1999, 160). By moving to Tokyo and serving as Russian ambassador, Panov’s suggestions and views on foreign policy would be heard by MOFA and the Prime Minister. It is unknown whether Hashimoto took Panov’s suggestions into account, but it is likely that Panov was able to express his suggestions and ideas directly to Hashimoto in late 1996.

Primakov’s Influence

In January 1996, Yevgeniy Primakov became the Russian foreign minister. Primakov, a former director of the Institute of Oriental Studies and self proclaimed “orientalist” (Strokan 1996), favored a “look east” policy for Russia which would turn Russian diplomatic attention to the bordering countries in Central and East Asia (Shimotomai 1999, 34). One of Primakov’s outlined objectives as foreign minister was to “undertake a more active and professional foreign policy in the East, striving to balance the western and eastern directions in Russian policy” (Sarkisov 2000, 225). In comparison to Yeltsin and Primakov’s predecessor, Andrei Kozyrev, who were known for their “westward-looking” stances on foreign policy, Primakov would prove to be the first Russian representative to take a balanced consideration of relations with the West and Russia’s easterly neighbors (Strokan 1996).

Aside from the *Tokyo Declaration*, Yeltsin’s diplomacy with Japan was marked by irregularities and inconsistency. His Japan diplomacy record included a five-stage

proposal to solve the territorial dispute in January 1990 which was largely ignored by the Soviet and Japanese leaders because he was not representing the entire Soviet state, the twice-cancelled trips to Tokyo in 1992 and 1993, and the eccentric emotional outbursts such as the one in July 1992; “Japan has not invested one yen or one cent in Russia at all” (*Japan Times* [Tokyo] 1992a, 1). By appointing the experienced Primakov as foreign minister, Yeltsin proved that he was prepared to take Russo-Japanese relations more seriously in the future and that the formulation of a more pragmatic foreign policy with Japan which stressed bilateral development was imminent.

Upon being appointed foreign minister in January 1996, Primakov made the suggestion to Tokyo “that the [territorial] issue should be left to future generations” (Valliant 1999, 160). He proceeded in 1996 to press for stronger Russo-Japanese relations by outlining Russia’s new foreign policy with Japan:

(1) remove the traditional imbalance in Russian foreign policy in East Asia, the weakest point of which was relations with Japan stalemated by the territorial dispute; (2) to create a new configuration of powers in the region, facilitate cooperation among the major powers, including the United States; (3) to avoid a unilateral slant in relations with China by counterbalancing these with relations with Japan, thus forestalling a situation in which China’s power may become overwhelmingly strong; (4) to secure Japanese support for Russia’s entry into regional structures, especially APEC; and (5) to attract Japanese direct investment and technology into the Russian Far East and Siberia (Sarkisov 2000, 226).

Primakov’s well constructed and detailed foreign policy with Japan was the first Soviet or Russian policy which recognized that normalizing relations with Japan would not be done within one pen stroke. Rather, it would be done in slow, incremental movements to build a favorable environment.

Hashimoto's Turn to Respond

Primakov's suggestion for future generations to solve the territorial dispute as well as his new pro-East Russian foreign diplomacy paved the way for a reaction from Hashimoto and MOFA. Three options were available. Hashimoto could balk at the Russian opportunity to warm relations for the mutual benefit in the balance of economics and power in East Asia and shelve the territorial dispute for future generations. In doing so, he would be turning back to the tenets of *seikei fukabun* whereby Russia must return the islands prior to Japan accepting the building of bilateral economic relations. Secondly, he could embrace the new Russian policy and reciprocate with a warmer Japanese policy. Lastly, he could have made no change to the Japanese foreign policy at all.

The third option was not likely. If the Japanese truly wanted to see success in the territorial dispute, they would need to reciprocate the Russian change in policy. In the Japanese perspective, the appointment of Primakov to foreign minister and the creation of a new, softer Russian foreign policy greatly modified the dynamics of the bilateral relationship. By doing nothing, the Japanese would be proving they were disinterested in normalizing relations and thus, solving the territorial dispute. Furthermore, the current Japanese foreign policy to Russia was being radically disregarded by the building of economic relations through means such as the 1994 *Hashimoto Plan* without seeking advancement of Japanese aims directly linked to the territorial dispute. The necessity for a change in Japan's Russia policy was long overdue.

The first option seemed impermissible in that relations were already being strengthened by the *Tokyo Declaration*, the *Hashimoto Plan*, and the increase of Japanese aid and economic development programs to Russia. By turning back to a hard line policy such as the unity of economics and politics, the Japanese would have to abandon these bilateral developments. Furthermore, if the Japanese proposed such a policy, Russo-Japanese relations would fall back to a sort of small-scale cold war between the two countries. Moreover, the Japanese would likely face a greater amount of international criticism beyond that which they faced from the West in 1992, when they held to a rigid demand for the islands in exchange for economic development. In this case, positive developments regarding the territorial dispute would be highly unlikely. Obligated to respond to Russia's new policy with a Japanese policy which would not revert relations back to the early 1990's, Hashimoto sought a softer policy toward Russia.

The Setting for a Change in Foreign Policy

A Strategic Partnership in Northeast Asia

Since making amends after World War II and agreeing to long term security alliances, the Japanese-American security bloc has been practically inseparable as both countries have cooperated closely in northeast Asian geopolitical affairs. To many, the Japanese self defense forces are viewed as an extension of the American military based in East Asia (Brzezinski 1997b, 156). Even more, the Japanese-American alliance is essential to the Japanese who lack strong alliances with their historic regional adversaries, China and Russia. However, as Japan seeks a broader role in international

political affairs, indicated by the Japanese aspiration to become a permanent United Nations Security Council member as well as the expanded use of the Self Defense Forces abroad, this Japanese-American bloc could perhaps loosen in the coming years.

It is obvious to many who observe geopolitical affairs in northeast Asia that China is emerging not only as a regional power, but a global power (Rozman 2000a, 381). In addition, North Korea serves as the principal source of unpredictability and volatility in the region. In response to these issues, Tokyo must seek measures to restrain this rise of Chinese regional hegemony and align itself in a coalition against North Korea as it seeks to balance the regional distribution of power and ensure national security.

Japanese leaders understand this geopolitical landscape quite well. As explained by an unidentified officer from MOFA,

the major threat for Japan comes from China and North Korea. We need to use a 'Russian card' in the interests of national security. Japan needs to complement the defense alliance with the United States with a strategic partnership with Russia able to restrict Beijing's claim for hegemony in East Asia, as well as Pyongyang's unpredictability (Golovnin 2000).

It is probable that Hashimoto considered the geopolitical landscape in northeast Asia and Japan's role as the only power which can counter China's regional hegemony in the near future when he crafted Japan's Russia policy in 1997. In addition, broadening their alliances in the region will assist in ensuring that the Japanese, along with their allies, can effectively negotiate with North Korea. By warming relations with Russia, Japan can counter China's rise to regional hegemony, have the alliances necessary to contend with North Korea, and by default, recognize that the territorial dispute would only be

solved through Russo-Japanese trust, the mutual benefit, and the upholding of a long-term perspective.

The Effects of Internal Politics in Japan

In terms of governmental reform and the political system in Japan, it is understandable why Hashimoto chose to be proactive in his foreign policies as well as a reformer on domestic policies. The LDP had retained the prime ministry from 1955 to 1993. From August 1993 until Murayama's resignation in January 1996, the position of Prime Minister was occupied by members of other, less-significant minority parties. Clearly, the LDP members sought to change their image which was losing popularity among voters, indicated by the fact that the party had lost its control of the Diet and the office of Prime Minister.

Hashimoto was the first LDP member to occupy the Prime Minister's position after a two and a half year hiatus. It was his responsibility to change the image of the party among the voters who elected the Diet members. Domestic and foreign policies must be effective and beneficial to the voters under LDP leadership. Known for his abilities in developing Russo-Japanese economic relations after the initiation of the 1994 *Hashimoto Plan*, it is evident that Hashimoto exercised this need to demonstrate beneficial reforms by changing Japan's Russia policy whereby the Japanese voters would realize they had benefited from a LDP administration.

Toward a New Russia Policy

In his acceptance speech to the Diet on January 22, 1996, Hashimoto proclaimed his priority was to develop "a proactive foreign policy position for the furthering of

peace and prosperity” (speech by Hashimoto, *Vital Speeches of the Day*, 1996). He continued,

In the field of foreign policy, my basic stance is to take a proactive approach. Rather than continuing to take the international political and economic situation as a given, Japan should, advancing beyond the traditional concept of international contribution, take active initiatives on its own for world stability and development while postulating ideals that the rest of the international community will embrace. This is also, I am confident, the best way to ensure our own security and prosperity in today’s increasingly interdependent world (speech by Hashimoto, *Vital Speeches of the Day*, 1996).

Within this passage, Hashimoto took a globalist’s approach by explaining that the Japanese should be “postulating ideals” which others in the international community will accept. The building of trust and a mutually beneficial relationship with Russia qualifies as an ideal the international community, and moreover, Russia would accept.

Hashimoto continued in his speech, mentioning the significance and developments in relations with Russia:

This year marking the 40th anniversary of the Japan-Soviet Joint Declaration that opened the way for the resumption of diplomatic relations between the two countries, we will, watching the political situation in Russia carefully, make even greater efforts to resolve the Northern Territories issue, thereby achieving a full normalization of relations, based on the Tokyo Declaration, and we very much hope the government of Russia will also make a serious effort to address this issue (speech by Hashimoto, *Vital Speeches of the Day*, 1996).

Hashimoto mentioned here that the developments in Russo-Japanese relations are linked to “the political situation in Russia.” Perhaps this is an advanced disclosure that Hashimoto had been studying the details of reforming Japan’s Russia policy and would attempt to tactfully maintain the emphasis on the territorial dispute when working with the Russian leaders.

The last hint that Hashimoto would present a new, more forthcoming Russian foreign policy was in April 1996 when he attended a G-7 summit in Moscow. When

Hashimoto expressed interest in building Russo-Japanese relations to Bill Clinton, the American President responded that it was in American interests to see the normalization of Russo-Japanese relations (Sarkisov 2000, 230-31). Furthermore, Clinton suggested Hashimoto should “establish good personal relations with Yeltsin” in order to develop the relationship between the countries (Valliant 1999, 159). By the end of the summits, Yeltsin had agreed to cut the number of Russian troops on the disputed islands to 3,500, and the two had agreed to conduct peace talks after the 1996 elections (Valliant 1999, 159). Clinton’s suggestion to Hashimoto would have a significant impact in the following two years as the Russian and Japanese leaders would conduct a series of informal “no neck-tie” summits, building personal friendships along the way.

Outcomes

Evaluation of Media and Official Statements

As noted from the media sources and official statements from the mid-1980’s, when *seikei fukabun* and the entrance approach to foreign policy with Russia were implemented to their demise along with the expanded equilibrium and the establishment of the multilayered approach to foreign policy with Russia in 1997, shifts in foreign policy were evident. At first, the Japanese seemed secure with the unity of economics and politics throughout their relations with the Soviet Union, but as the Russian Federation emerged in 1992 the policy seemed outdated and ineffective. In 1993 under international pressure, the Japanese began revising the principles of their Russia policy by providing significant economic aid without associated progress on the territorial dispute (Sanger 1993, A6).

By comparing the terminology of the 1993 *Tokyo Declaration* to the 1986 Soviet-Japanese joint communiqué, one can note the incremental movements in bilateral relations, and the Russians' willingness to finally acknowledge the territorial dispute. Furthermore, it can be assumed that Hashimoto noted the best method to proceed in bilateral developments and discussions on the territorial dispute was to ease the Japanese hard-lined policies with Russia.

The modification of the unity of economics and politics as well as the expanded equilibrium reached its peak in November 1994 with the *Hashimoto Plan*. In 1995 and early 1996, few developments took place in Russo-Japanese foreign political relations, due most likely to the upcoming elections in both countries. In late 1996, both sides were expressing interest not only in economic development but also in finding a solution to the territorial dispute. In late 1996, Russian Foreign Minister Primakov presented a new, more accommodating foreign policy to Japan which put forward an opportunity for Hashimoto to reciprocate with a new Japanese foreign policy to Russia. In addition to Primakov's new Japan policy, the suggestions for improving Russo-Japanese relations made by Panov are strikingly akin to Japan's 1997 Russia policy, and it can be assumed that Hashimoto considered the suggestions offered to him. Japan's change in foreign policy with Russia could be a response to the rise of China as a dominant regional power in northeast Asia. As elaborated in the statement from a MOFA official, by forming an alliance with Russia, Japan can counter China's eventual claim for regional hegemony with an American as well as a Russian alliance. From the collection of world media reports and official statements, these factors led to the Japanese change of foreign policy with Russia in 1997 to the multilayered approach.

Results from Unsuccessful Aid-for-Islands Proposals

The first *aid-for-islands* proposal by Kanumaru in April 1990 represented a prominent Japanese politician's desire to solve the territorial dispute. Although neither the Prime Minister nor MOFA had even sanctioned such a proposal, it was completely in accordance with the unity of economics and politics. Even more, it was a proactive diplomatic move which was too bold for the Prime Minister and MOFA to neither sanction nor propose. It was simply an expert's attempt to make progress on the territorial dispute after 45 years of stagnation.

The second proposal by Ozawa in March 1991 was the only true and direct attempt by the Japanese to utilize the strength of their economic clout in order to regain the southern Kuriles. Ozawa presented a substantial economic aid package (\$26 billion), calculating that this was the time when the Soviet leader would agree to take the much needed aid in exchange for the remote islands. But as Gorbachev proclaimed there would be no exchanges of the sort. Ozawa's mission was the best example of the unity of economics and politics in action, yet it was too impulsive to be considered an act of the expanded equilibrium, which called for incremental acts to success.

The third proposal by Nakayama in October 1991 appeared as an act classified under the unity of economics and politics in that he first proposed an agreement would be made after a solution to the territorial dispute had been reached. However, it was clearly in step with the expanded equilibrium as incremental steps were made in the economic aid package along with Soviet, and later Russian, progress on the territorial dispute. Nakayama's \$2.5 billion proposal paled in comparison to Ozawa's \$26 billion proposal, yet Nakayama's proposal had been acted upon and steps were taken on the

territorial dispute as a result of the package. In this respect, Nakayama's proposal was the most successful, and thus, offering a softer policy such as the expanded equilibrium, was more successful in making progress on the territorial dispute than the hard line unity of economics and politics.

It is possible that Hashimoto took into consideration the Soviet and later, Russian reactions to these *aid-for-islands* proposals and the successes and failures thereof. By noting that the softer, more lenient proposal bore more fruit with mutual benefits for both sides, Hashimoto would be inclined to formulate an even softer foreign policy whereby trust and mutual respect would create an atmosphere conducive to bilateral development and through incremental steps a solution to the territorial dispute in the long-term. By offering *aid-for-islands* proposals, the Soviets and later, Russians felt as if the Japanese were being condescending, and not treating the once global superpower as an equal. This sentiment was evident in the statement by Gorbachev that such an "approach is humiliating" (*Japan Times Weekly* [Tokyo] 1991b, 1). By analyzing the Japanese *aid-for-islands* proposals and how the moderately successful proposal advanced trust and mutual respect for both parties, it can be assumed that Hashimoto would be inclined to formulate a warmer policy with Russia with mutual economic developments and incremental achievements towards a solution on the territorial dispute.

Conclusions Drawn from Hashimoto's Perceptions of Russia

It can be assumed that Hashimoto had sought a revision of the Japanese foreign policy with the Soviet Union and later, Russia. Evidence of this assumption can be seen as early as 1991 when as finance minister, Hashimoto admitted that Japan's Soviet

policy was not satisfactory. In his 1994 book *Vision of Japan*, Hashimoto expressed his frustrations with the West when dealing with aid to Russia. In addition, throughout his book, Hashimoto discussed issues he was contemplating which were relevant to Japan's Russia policy. By enacting the *Hashimoto Plan* he was able to strengthen Russo-Japanese economic development, and make his first direct impact on Russo-Japanese relations. It can be assumed that by challenging the linked economics with politics, Hashimoto was pushing for a newer foreign policy to develop closer Russo-Japanese relations.

During the earlier part of Hashimoto's tenure as Prime Minister, additional evidence was revealed which led to the 1997 foreign policy change. First, by interpreting Hashimoto's inaugural speech, recognizing his globalist slant, and taking into account his admittance that he was considering the "political situation in Russia" in early 1996, it is possible that Hashimoto was already working on revising the foreign policy with Russia upon his inauguration into the office of Prime Minister. Also from his inaugural speech, it can be assumed that by declaring a "proactive" foreign policy based on Japanese domestic reform, Hashimoto was attempting to revive his political party's popularity, which had been distressed in recent years with the loss of power, while undertaking the foreign relations with Russia at the same time. Lastly, it can be understood that Clinton's personal advice for Hashimoto in April 1996 to develop a private relationship with Yeltsin provided him with the motivation to hold informal summits with the Russian president where they would eventually make significant developments in Russo-Japanese relations.

Results

It is noted that from 1993 Hashimoto was under the impression that a more friendly approach with Russia would result with increments toward a territorial solution. From the 1993 *Tokyo Declaration*, Hashimoto noted that a more welcoming strategy was rewarded with Russian acknowledgement of the territorial dispute. With the *Hashimoto Plan* in 1994, Hashimoto was able to boost economic aid and deepen relations with Russia by defying the expanded equilibrium. Less than three years later, in January 1996 Russian Foreign Minister Primakov elaborated on the territorial dispute as it relates to the desire to strengthen Russo-Japanese relations unlike any Russian official had done before him.

It is evident the constructive and direct impact Hashimoto had on bilateral relations prior to his term as Prime Minister resulted with Hashimoto believing a warm, open foreign policy with Russia would be rewarded with greater progress towards a solution to the territorial dispute and the normalization of relations. The progress made in the early 1990's on account of the *Tokyo Declaration* and the *Hashimoto Plan* resulted in strengthened economic relations, but territorial progress was still slow. With the statements made by Primakov in early 1996, perhaps it was the Russians underlying strategy to mollify the Japanese on economics, so bilateral economic progress could occur without attention placed on the territorial dispute. Later chapters will reveal whether Hashimoto's perceptible assumption to warm relations with Russia resulted in actual strengthened bilateral economic and political relations as well as progress towards a solution to the territorial dispute.

CHAPTER FIVE

THE IMPACT OF HASHIMOTO'S POLICY IN BILATERAL ECONOMIC DEVELOPMENT

The January 1997 multilayered approach to foreign relations with Russia, outlined by Prime Minister Hashimoto, officially permitted the development of bilateral economic relations without any direct link to the territorial dispute. Rather, incremental developments on the territorial dispute were expected only after advances in bilateral economic relations occurred. Details of the new policy were outlined in seven key areas:

- 1) Continued negotiations on the peace treaty, including
- 2) the solution of the Northern Territories question;
- 3) political dialogue between top leaders;
- 4) assistance for Russian economic reforms;
- 5) negotiations with the Russian Far East;
- 6) security dialogue;
- 7) and consultations for stability in Northeast Asia (*Asahi Shimbun* [Tokyo] 1997, 1).

None of these areas outlined for bilateral development were new to Russo-Japanese relations; however, what was different was that developments on the territorial dispute were not officially linked to bilateral economic progress. The new foreign policy was elaborated even further in July 1997 when Hashimoto explained that trust, mutual benefit, and the maintenance of a long term perspective “are the principles which should guide us in improving Japan-Russia relations” (Speech by Hashimoto 1997a). Clearly, *seikei fukabun*, the expanded equilibrium, and any entrance approach to foreign policy with Russia were laid to rest. Officially, joint economic developments were free to

occur while the normalization of relations and the territorial dispute would be handled at a different *layer* of Russo-Japanese relations.

This chapter analyzes the economic growth and development of Russo-Japanese relations after the implementation of the 1997 multilayered approach and the methods that the Japanese government has utilized to encourage bilateral economic developments. As part of Hashimoto's new foreign policy, the Japanese government not only allows, but encourages its private sector to invest in Siberia and the Russian Far East while the territorial dispute and thus, the normalization of relations are handled separately. The latter issue is discussed in the following chapter.

Japanese Corporate Resource Investment Projects in Russia

In Hashimoto's July 1997 speech, the Prime Minister outlined his three axioms relating to Japan's foreign policy with Russia. Additionally, he presented the economic sector and geographic regions which would be central to the future advancements of Russo-Japanese economic development; "I propose that consideration focus on strengthening economic relations with Russia, especially in Siberia and the Far East region, and in particular, in the energy sector" (Speech by Hashimoto 1997a). He continued,

Specifically, we certainly could move ahead in dialogue on energy development in Siberia and the Far East between Japan and Russia. For example, we continue to cooperate in the oil and natural gas projects in Sakhalin, which been [*sic*] already commenced, natural gas development projects and economic and technical possibility of pipeline construction projects in places like Irkutsk and Yakutsk, can no doubt provide opportunities for discussion and examination (Speech by Hashimoto 1997a).

Because the Sakhalin, Irkutsk, and Yakutsk resource development projects were directly

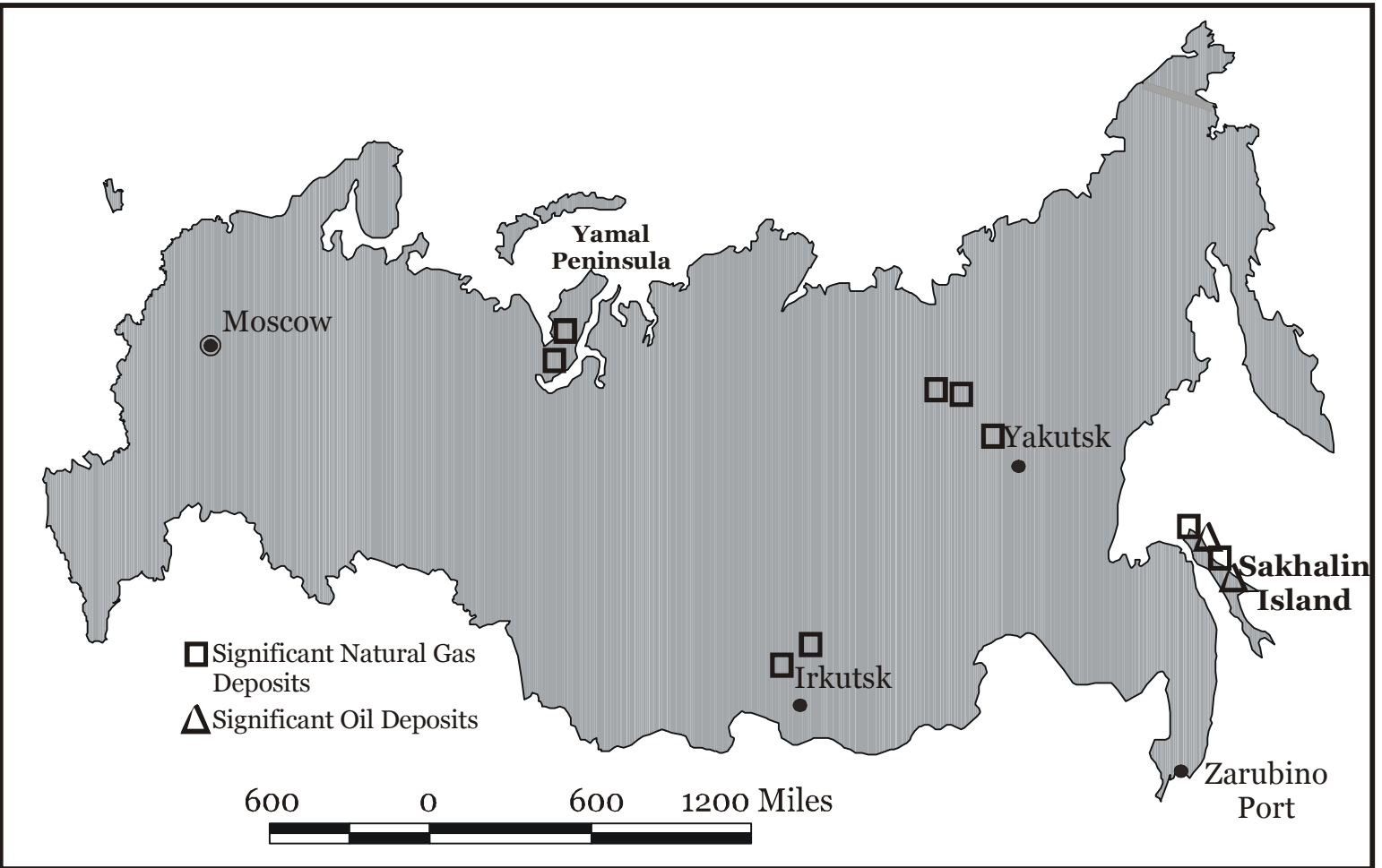


Figure 9. Map of potential resource development projects in Russia.
 Created by author.

pointed out in Hashimoto's speech outlining his foreign policy with Russia and because they currently rank among the most feasibly lucrative of all large-scale resource extraction programs in Siberia and the Russian Far East, these projects will be the first to be discussed (Zagorsky 2001, 87). The advances of two other potential projects in which Japanese corporations have expressed interest will be discussed subsequently.

Sakhalin Oil and Natural Gas Projects

Currently, two oil and natural gas extraction projects exist on Sakhalin Island: Sakhalin-1, initially explored in 1972 and launched in 1975, and Sakhalin-2, launched in 1996 after 12 years of explorations by competing international corporations (Sugimoto and Furuta 1999, 260-262). Projects Sakhalin-3, -4, and -5 are being offered by the Russian government and are still being negotiated by potential buyers (Zagorsky 2001, 87, and *Interfax* [Moscow] 2004). The two active projects combined were expected to produce 410 million tons of oil and 692 billion cubic meters of gas in 2005 (Zagorsky 2001, 87).

The Sakhalin-1 oil and natural gas project located off the northeast coast of Sakhalin Island was launched in 1975 by the Japanese joint stock company Sakhalin Oil Development Company (SODECO) and the Ministry of Foreign Trade of the Soviet Union (Sugimoto and Furuta 1999, 260). Due to declining oil prices in the 1980's and the limited presence of investors, extraction from the Sakhalin-1 oil and natural gas project was not significant to the region until 1991 when SODECO teamed up with American corporation Exxon and each agreed to cover 30 percent of the project's expenses (Sugimoto and Furuta 1999, 260). In 1993, the oil and natural gas project was expanded to include the Arktun-Dagi fields. Two Russian corporations, Rosneft and

Sakhalinmorneftegas, joined the consortium two years later (Sugimoto and Furuta 1999, 260).

Exploration of the Sakhalin-2 project began in 1984 with Mitsui and McDermott corporations forming a consortium two years later (Sugimoto and Furuta 1999, 260). By 1992 Mitsubishi, Marathon Oil, and Royal Dutch Shell had joined the project while McDermott withdrew (Yoshida 1999, 234). The Sakhalin-3 project has been offered with Exxon-Mobil and Chevron-Texaco stepping forward to lead the consortium, but legal issues have restrained progress on the project (Sugimoto and Furuta 1999, 262).

As of 1999 more than 15 large Japanese corporations, including SODECO, Mitsui, Mitsubishi, Itochu, Japax, and the Japan National Oil Corporation (JNOC) were involved in the Sakhalin-1 and Sakhalin-2 consortiums with a total investment estimate at \$25 billion (Ruzanov 1999, 209). In total, the Japanese have more firms active at Sakhalin (121) than the United States (67) or South Korea (54), but the Japanese investments are at a much smaller scale (Vladivostok *News* 1998, 28). Even more, the Japanese involvement in these oil and natural gas projects, in comparison to other international corporations, is dwindling. At the Sakhalin-1 project in which SODECO was the initial contracting corporation, the company's current share has remained at 30 percent since 1991 while Exxon-Mobil now serves as the primary field operator (Zagorsky 2001, 89). At Sakhalin-2, Royal Dutch Shell has bought up 60 percent of the project while the Japanese corporations combined occupy only 30 percent of the project (Zagorsky 2001, 89). In addition to this, none of the Japanese corporations have yet expressed interest in participating in the Sakhalin-3, -4, or -5 projects.

The Sakhalin oil and natural gas projects at peak outputs make up roughly eight percent of total Russian oil output in 1994 (Sugimoto and Furuta 1999, 263). However, the projects are significant in that they can potentially play a vital role in opening the largely untamed Russian Far East for investment and international cooperation, particularly with northeast Asian countries. Furthermore, it is a method for Moscow to gain more leverage in political affairs of northeast Asia as well as a key of passage for the Japanese to build economic ties with Russia. Hashimoto understood this as he mentioned the resource possibilities of Sakhalin Islands in his July 1997 speech. However, it appears that Japanese involvement in these projects has not increased since Hashimoto implemented the new foreign policy with Russia. Developments of Japanese corporations in the Sakhalin projects took place in the 1970's through early 1990's, but since then they have not increased their investments in these projects or expressed interest in joining in the future projects on Sakhalin.

Irkutsk Natural Gas Fields

The Kovykta natural gas fields in Irkutsk province, near Lake Baikal, are estimated to contain between 850 billion and 1.5 trillion cubic meters of natural gas and 80 million tons of gas condensate (Ruzanov 1999, 208, and Zagorsky 2001, 88). If implemented, the project is anticipated to provide 20 million cubic meters of natural gas for 30 years to China, Korea, and Japan via a 2,100-mile pipeline. Estimated investments on the projects are about \$10 billion (Ruzanov 1999, 208-09). An additional project is also being discussed in which the natural gas fields at Yakutsk and Krasnoyarsk Krai could be linked by extending the pipeline north and east (Ruzanov 1999, 209).

In 1996 the Russians and Chinese began talks about using the natural gas field to supply resource-deprived populations of northeast China (Zagorsky 2001, 88). The following year Yeltsin and Hashimoto made the project a centerpiece of their *Yeltsin-Hashimoto Plan* signed at the Krasnoyarsk “no neck-tie” summit by announcing a joint \$10 billion project to develop the natural gas field and pipeline (*The Economist* [London] 1997, 34). In early 1997 an international corporate consortium of private corporations including Japan’s Sumitomo, Marubeni, Nippon Steel, Tokyo Gas, and Osaka Gas was formed to discuss the potential for developing an Irkutsk pipeline to the East Asian markets (Zagorsky 2001, 88, and Ruzanov 1999, 209). In December 1997 JNOC officials met with representatives of China, South Korea, and Mongolia to discuss the project with Russian officials in Moscow (Ruzanov 1999, 209). A statement was signed by all parties designating the pipeline location, agreeing on the details of a feasibility study, and detailing the marketing and financing of the project (Ruzanov 1999, 209).

Hashimoto can assume credit for JNOC’s participation in the December 1997 international statement on the Irkutsk pipeline which came months after his new Russia policy was implemented and weeks after his Krasnoyarsk “no neck-tie” summit with Yeltsin, however advances since have not been so productive. In early 1999 Japanese companies began leaving the international corporate consortium with greater interest in other economic ventures (Zagorsky 2001, 88). Furthermore, in the September 2000 summit between Japanese Prime Minister Yoshiro Mori and Russian President Vladimir Putin the leaders abandoned discussions on the project and focused on the Sakhalin

projects as more of a centerpiece to bilateral economic development (Zagorksy 2001, 88).

Yakutsk Natural Gas Fields

The natural gas fields near the Sakha Republic capital of Yakutsk stand among the most significant of discovered resource deposits in the country, accounting for 42 percent of the discovered natural gas deposits in southeast Siberia and the Russian Far East (Zaitsev 1999, 28). The expected natural gas supply at Yakutsk is currently at 25 billion cubic meters annually (Murakami 1997, 116-118). A feasibility study was initiated in the mid-1970's by Soviet, Japanese, and American participants, but the survey was discontinued in 1979 (Zagorsky 2001, 88). Frequently, Gorbachev and Yeltsin mentioned the project to the Japanese in the late 1980's and early 1990's in hopes they would reinstate the feasibility study, but the Japanese were in the course of a foreign policy which would not allow for it. By 1993 Russia announced that South Korean corporations would complete the feasibility study (Zagorsky 2001, 88). However, when the feasibility study was completed in 1995, the project did not carry on (Zagorsky 2001, 88).

The greatest barrier to this project is the financial burden. Only two natural gas fields are being utilized in the region (Zagorsky 2001, 88). In order to necessitate the construction of a pipeline, more natural gas fields would need to be operating first. After that, the nearly 2,000-mile pipeline would be built upon harsh terrain, permafrost, and in some of the world's most severe weather conditions (Ziegler 1999, 21). Two natural gas pipelines have been planned from Yakutsk to Japan: one extending from Sakhalin to northern Hokkaido costing approximately \$10 billion, and a second from

Vladivostok and Pusan, South Korea, to Kitakyushu and Fukuoka estimated at \$15.5 billion (Ziegler 1999, 21). However, the South Korean feasibility study in the 1990's estimated that the initial investment estimates at Yakutsk by the Soviet-Japanese-American team of the 1970's would have to be tripled to more than \$66 billion (Zagorsky 2001, 88). Such a steep price for the initial investments is out of reach for the overly cautious Japanese corporations who are frequently encouraged to take part in the project by Russian leaders.

Japan-Far Eastern Russia Economic Committee and Zarubino Port

In 1994 Japanese officials were dispatched to Primorskii Krai, Khabarovsk Krai, and Sakhalin Oblast to collect data on potential investment projects (Yoshida 1999, 235). Upon completion of the study, the teams selected four of 60 potential projects in which they would begin focusing on investing: first, the expansion of Vanino Port at Sovetskaya Gavan, Khabarovsk Krai; second, the development of the Uglegorskoe coal fields in Sakhalin Oblast; third, the development and transport of coal reserves in Primorskii Krai; and fourth, the expansion of Zarubino Port (Yoshida 1999, 235-36). All port and transportation development would be done in order to enhance the connectivity of energy resources to the Japanese markets. After a more thorough review of their selections, the commission soon discovered that the Vanino port was controlled by various private companies which monopolized operation of the port and were not willing to compromise with the Japanese government on development (Yoshida 1999, 236). The Uglegorskoe coal fields in Sakhalin Oblast were operated by three largely inept private companies which were not interested in working with the Japanese on railway and port construction (Yoshida 1999, 236). As for the coal reserves in

Primorskii Krai, the commission abandoned seeking development of the project when they discovered that the reserves were relatively small and the coal, itself was highly volatile (Yoshida 1999, 236). Of all potential projects investigated by the commission, the Zarubino Port project was the only one in which a feasibility study was conducted.

In March 1996 the commission headed a feasibility study of Zarubino Port development funded by six Japanese prefectures, the Japanese government, and private corporations (Tsuji 1999, 289). The results, published in November 1996, found that the total amount of transit freight passing through the port was estimated a 1.4 million tons in 1999 and 2.1 million in 2002 (Tsuji 1999, 289). However, after the port expansion would be completed in 2012 the total amount of transit freight would reach 4.3 million tons, with 50 percent of the estimate from China (Tsuji 1999, 289). As of 2004, the commission is conducting a feasibility study for the construction of a new engineering complex at the port (*OANA* [Tokyo] 2004). The Japanese are interested in developing the port to utilize the Trans-Siberian Mainline Railway to ship products to Europe (*OANA* [Tokyo] 2004).

The Zarubino Port expansion project, which was briefly mentioned in the *Yeltsin-Hashimoto Plan*, can significantly improve trade not only between Japan and Russia, but all countries of northeast Asia. Russia, and the Vladivostok area in particular, will benefit from the collection of revenues in the form of facility charges, taxes, and railway transportation fees as well as increased employment (Tsuji 1999, 294). The main roadblock to the development of the port is the investment (Tsuji 1999, 294). Evidently, the Japanese have been considering investment, but developments have been slow. One could assume that with Hashimoto's 1997 foreign policy

promoting bilateral economic development with Russian and the Zarubino Port expansion project being mentioned in the *Yeltsin-Hashimoto Plan*, that developments would have occurred more progressively in the years following 1997. However, it does not seem to be the case as the joint commission is, in spite of everything, still conducting feasibility studies.

Yamal Peninsula Natural Gas Fields

One of the most lucrative possible natural gas ventures is at the Yamal Peninsula in northwest Siberia. The onshore Yamal fields are estimated to contain more than 10 trillion cubic meters of natural gas, enough to fulfill all of Europe's and Turkey's needs for 20 years, or Russia's demand for 50 years (*Asian Times* [Hong Kong] 2000, 38). The Yamal-Nenets Autonomous District is currently Russia's largest natural gas producing region, supplying 20 percent of the world's and 90 percent of Russia's natural gas (*Interfax* [Moscow] 2004).

Japanese interest in the project has been met with intense competition from Russian giant Gazprom as well as European corporations which have a geographic advantage to accessing the region (*Asian Times* [Hong Kong] 2000, 38). After being asked to consider developing the resource in the region by officials of the Urals Federal District a month earlier, Japanese officials announced in March 2004 that they would begin a feasibility study on producing liquid natural gas at the Yamal Peninsula and ship it to Japan westward via ocean (*Interfax* [Moscow] 2004). Japanese development and shipment of natural gas from the Yamal Peninsula faces great challenges such as the mammoth costs, the region's harsh, arctic terrain, and competition with European corporations and Gazprom. Moreover, the gas would have to be shipped an enormous

distance to reach Japan, whether by land across Siberia and the Russian Far East or the more viable route by sea around Europe, through the Suez Canal, and south across the Indian Ocean. Nevertheless, the mass development of such a substantial deposit has the potential to greatly benefit Russia's economy and improve bilateral relations with Japan.

Conclusions on Japanese Corporate Investment Projects in Russia

Of the three resource development projects that were directly pointed out in Hashimoto's speech outlining his foreign policy with Russia in July 1997, two have resulted in failures for Japan while one is a moderate success. Currently, all three resource development projects have failed to meet Hashimoto's foreign policy expectations. The Sakhalin projects are a moderate success for Japan because the Japanese corporations are maintaining a notable presence at the Sakhalin-1 and Sakhalin-2 projects. However, American corporations are now serving as primary field operators at both projects as the Japanese corporations maintain a much smaller presence in the projects. Even more unsettling, no Japanese corporation has expressed interest in participating in the Sakhalin-3, -4, or -5 projects. Hashimoto cannot take credit for the developments at the Sakhalin fields, as Japanese corporate interest at the Sakhalin-1 and -2 projects have maintained a steady involvement since 1996 with no significant increases (Zagorsky 2001, 88). Even more, it seems unlikely Japanese corporations will lead in the initiation of Sakhalin-3, -4, or -5.

The Kovykta natural gas projects in Irkutsk which served as a centerpiece of the *Yeltsin-Hashimoto Plan* of November 1997 seemed a success for Japan and Hashimoto when the leaders agreed to a joint \$10 billion project to develop the field and a pipeline. However, when the last of the Japanese companies left the international corporate

consortium to discuss developing a pipeline out of Irkutsk, the project lost its significance to the Japanese political strategy (Zagorsky 2001, 89). When Putin and Mori chose to omit the project from their summit agenda in September 2000, it was understood that the project was at the time too ambitious for both sides.

Hashimoto also mentioned the development of resources near Yakutsk which the Soviets and Russians had been attempting to market to the Japanese for years. After taking part in an uncompleted Soviet-Japanese-American feasibility study in the 1970's, the Japanese showed little interest in developing the region other than mapping out possible pipelines from Yakutsk to Japan. Due to the extraordinary costs to develop, many Japanese investment firms prefer developing at Sakhalin as a more beneficial option (Zagorsky 2001, 88). The Yakutsk projects have been a failure for Hashimoto's foreign policy which called for Japanese investment in the region, yet no large scale resource development is occurring in Yakutsk by Japanese firms.

The 1994 Japanese committee to find potential investment projects in the Russian Far East decided that of 60 projects, four were of Japanese interest. After further review of the four projects, the committee realized that only one of the projects could be a possibility for Japanese investment: the expansion of the Zarubino Port. Feasibility studies on the expansion of Zarubino Port began in 1996. However, the committee is still in the process of conducting feasibility studies. Other than the continuation of the committee's assignment, Hashimoto cannot accept credit for the developments at Zarubino Port. Furthermore, despite the fact that the project was mentioned in the *Yeltsin-Hashimoto Plan* in November 1997, neither implementation nor construction has occurred in the last decade.

One of the most significant known deposits of natural gas in Russia at the Yamal Peninsula has received much attention from Russians and other Europeans who see the benefits of developing the fields. In March 2004, the Japanese showed interest in the projects by announcing they would initiate a feasibility study of producing liquid natural gas on site and shipping it to Japan via ship. The lucrative project faces many challenges including costs, weather conditions, distance, and competition. The development of the Yamal natural gas deposits would have a tremendous impact on the Russian economy and economic relations with Japan. Hashimoto cannot be *directly* credited for the project as he never mentioned it by name. However, a venture as significant as this is in accordance with his plan to freely develop Russo-Japanese economic relations without ties to the territorial dispute.

Hashimoto's vision to develop Russo-Japanese economic relations in the field of resource development has failed overall. With the projects at Irkutsk and Yakutsk being essentially abandoned, the stagnation of the Zarubino Port project, and the belated indication of interest and immense complications associated with the Yamal projects, the only large-scale resource development projects with Japanese participation in Russia are those on Sakhalin Island. And with the Japanese participants not showing any signs of increasing their presence at Sakhalin Island after the 1997 initiation of the multilayered approach to foreign policy with Russia, no successes from the new foreign policy can be detected. Rather, the best the new foreign policy seemed to accomplish was to maintain and embrace the already existing Japanese presence at such resource development projects.

Bilateral Economic Data Results in Trade, Investments, and Aid

With the multilayered approach to foreign policy with Russia announced in January 1997, the territorial dispute would *officially* not be a hindrance to the developments of Russo-Japanese economic relations. After years of operating on opposing sides of the Cold War, bilateral relations remained stagnant between Russia and Japan with the unity of economic and politics. Following these policies and the instability associated with Russia's early years as an independent country, it seemed the time would be right for an increase in Russo-Japanese economic development. However, has any true increase in bilateral economic relations really occurred since the implementation of the multilayered approach in 1997? In this section, developments in Russo-Japanese trade volume, investment volume, and the various forms of foreign aid are examined.

Annual Trade Volume

The Russo-Japanese trade ties are among the weakest of all industrialized countries. Russia accounts for less than one percent of Japan's total trade international trade (Ziegler 1999, 19). Japan, the world's second largest economy, makes up slightly more than three percent of Russia's total international trade volume (Ziegler 1999, 19). This pales in comparison to the world's first and third largest economies, the United States and Germany, that in 1996 accounted for six percent and ten percent of Russia's total trade volume respectively (Turner 1999, 1322). Fluctuating from the post-Soviet low in 1992 of \$3.48 billion to a high of \$5.93 billion in 1995, Russo-Japanese trade volume has been unsteady in the 12 years following the fall of the Soviet Union.

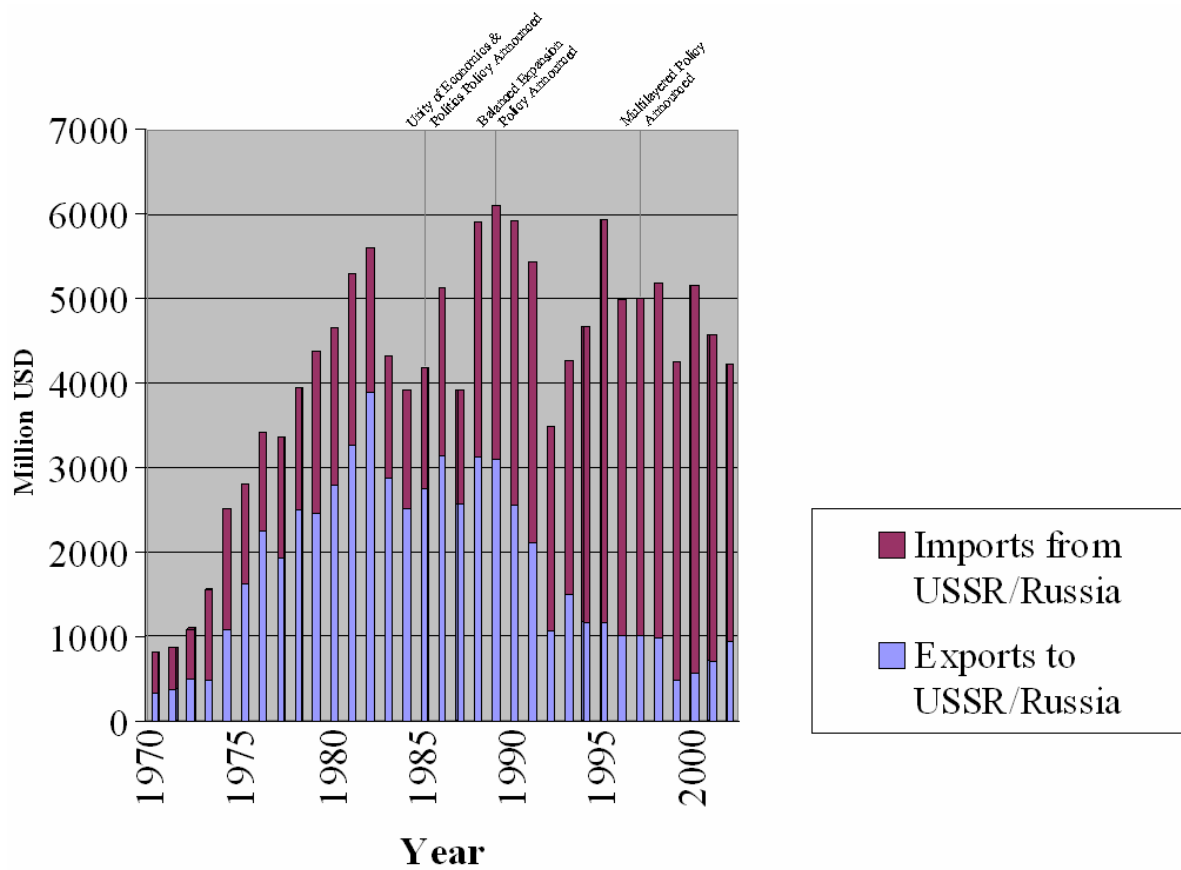


Figure 10. Bar graph of Soviet-Japanese and Russo-Japanese trade, 1970 to 2002.
 Note: Data up to 1992 includes trade with the Soviet Union and after 1992 with Russian Federation only.

Source: Data compiled by author from Japan Association for Trade with Russia and Countries of Eastern Europe, *Monthly Bulletin on Trade with Russia and Eastern Europe 1997*, and Japan Statistical Research and Training Institute, *Japan Statistical Yearbook 2000*, and *Japan Statistical Yearbook 2003*.

The annual trade volume from 1980 to 1988, when the unity of economics and politics served as the Japanese foreign policy with the Soviet Union, totaled \$4.87 billion annually. From the installment of the expanded equilibrium in 1989 to the fall of the Soviet Union in 1991, the annual trade volume averaged \$5.81 billion, thus increasing 19 percent. From 1992 to 1996 when the expanded equilibrium was in place in Russo-Japanese relations, trade dropped 20 percent from the previous era to \$4.66 billion. In 1997, Hashimoto expressed the necessity to see concrete progress and special consideration to strengthen economic relations with Russia (Speech by Hashimoto, 1997a). With the installment of Hashimoto's new Russia policy in 1997, an increase in Russo-Japanese trade was expected for the following years. However from 1997 to 2003 the Russo-Japanese annual trade average dropped more than two percent from the previous era to \$4.54 billion.

The lack of any increases in Russo-Japanese trade after the implementation of the multilayered approach to foreign policy cannot be attributed to Russia's economic transition. As noted by economist Andrei Rodionov, "Many other companies of developed countries, including French, Italian, German, and U.S. firms, have established a more solid presence in Russia, including its Far Eastern provinces" (Rodionov 1999, 220). Also, it is suspected that in the post-Soviet era, a significant amount of the products made in Japan are exported to Russia via third countries, namely Malaysia and Finland (Yoshida 1999, 232). The estimated total of these indirect exports is around \$1.5 billion annually (Yoshida 1999, 232).

One interesting aspect of the bilateral trade volume is the balance shift of imports and exports. From 1980 to 1991 Japanese exports to the Soviet Union averaged

\$2.99 billion annually while the imports averaged \$1.77 billion annually, a 58 to 42 percent imbalance in Japan's favor. From 1992 until 1996 Japanese exports to Russia averaged \$1.19 billion annually while imports averaged \$3.47 billion annually, a 74 to 26 percent imbalance in Russia's favor. By the period from 1997 to 2002, Japanese exports to Russia averaged only \$450 million annually while imports averaged \$3.93 billion annually, a 90 to 10 percent imbalance in Russia's favor. From this data, it appears that the Japanese have increasingly found a need for Russian products.

Since the fall of the Soviet Union, most of the goods exported to Japan from Russia consist of food and raw materials (Rodionov 1999, 220). More than a third of Russian exports to Japan are metals while sea products make up another third and fuel makes up just more than a tenth of the total value of the exports (Rodionov 1999, 220). Goods imported to Russia from Japan consist of machines, equipment, vehicles, home appliances, building equipment, and telecommunication (Rodionov 1999, 220). Despite the increase in Japanese imports of Russian products, the relationship is still relatively weak. For 1996 Japanese exports to Russia only make up a quarter of one percent of the total exports while Russian imports to Japan constitute slightly more than one percent of the total imports (Turner 1999, 950 and 1322). If Japan is to increase its consumption of the natural resources found in Siberia and Sakhalin, the bilateral trade imbalance would continue to widen even larger. By comparison, an increase in Russian demand for Japanese goods would lessen the imbalance. This is unlikely until Russian consumers gain more affluence, and it is important to note that the large majority of wealth in Russia is found in the cities west of the Urals, geographically and culturally closer to Europe than Japan.

In comparing the Russo-Japanese trade volume of the 1992 to 1996 era to the post-policy change era of 1997 to 2003, it is noted that no real increase in bilateral trade volume existed. Despite the 13 percent increase of Japanese purchasing of Russian goods from the 1992 to 1996 period to the 1997 to 2002 period, the total Japanese imports for the same periods increased approximately 20 percent. Therefore, no real increases in Russo-Japanese economic ties via bilateral trade volume have occurred in the post-1997 period.

Japanese Investment in Russia

The amount of Japanese foreign investment in Russia during the 1990's has paled in comparison to that of other developed countries. By the end of the 1990's, Japan ranked thirteenth among developed countries investing in Russia with 1.2 percent of all foreign investments going to Russia (Zagorsky 2001, 85). The 1995 Japanese investment in Russia amounted to \$75 million (Arai 2002). After a sharp reduction in 1996 to \$22 million, investments increased to \$139 million in 1997. In 1998 it dropped again to \$60 million, and again to \$43 million in 1999 before nearly tripling that amount to reach \$117 million in 2000 (Arai 2002).

By comparing Japan's average annual foreign investment in Russia from 1995 to 2001 to investments by other developed countries, it is evident that something is interfering other than the obvious political instability issues and economic crises with can equally affect other investment firms as much as the Japanese ones. In the six year period from 1995 to 2001, the Japanese invested an average of \$76 million annually, yet the yearly total was sporadic. American investments averaged \$2.05 billion annually, and the Germans averaged \$1.38 billion annually, both with steady increases and

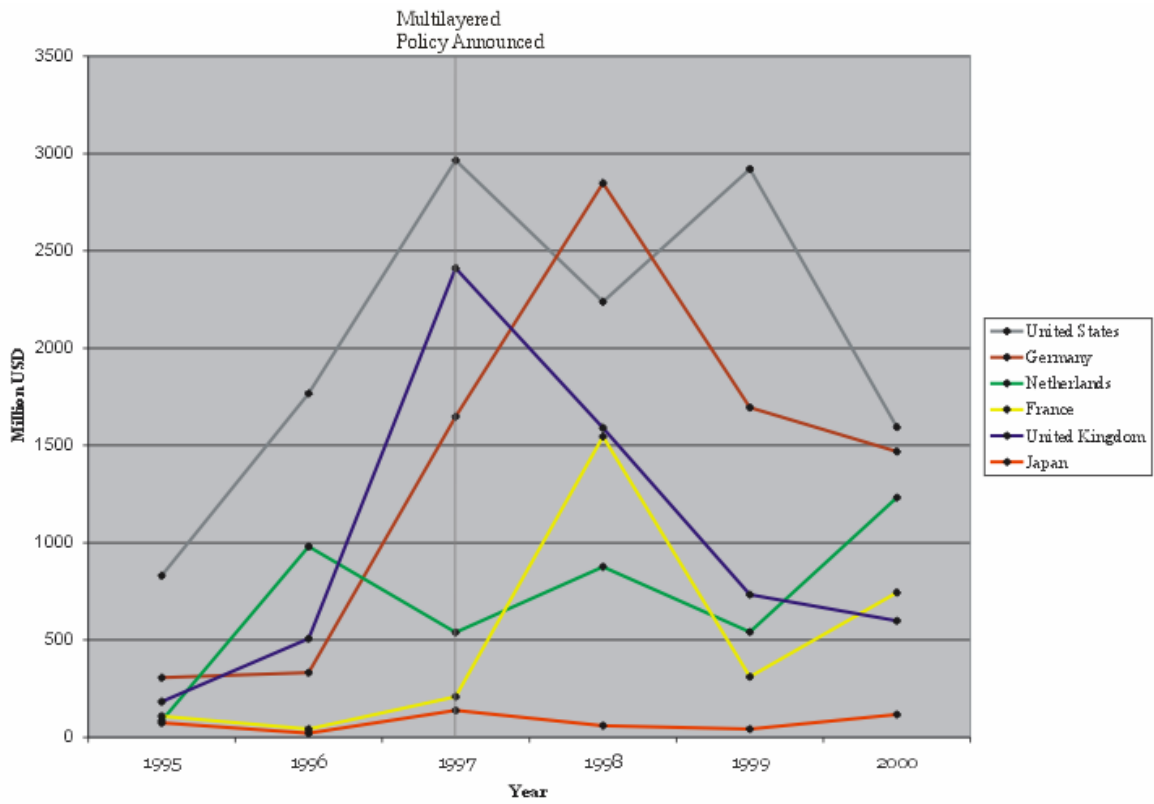


Figure 11. Line graph of foreign investments in Russia by selected countries, 1995 to 2000.

Source: Data compiled by author from Arai, Hirofumi, "Foreign Direct Investment of Russia," Institute of Developing Economies.

declines in their investment trends (Arai 2002). What is stagnating Japanese investment that is not affecting others such as the Americans or Germans? The fact that Russo-

Japanese relations have not been normalized due to the territorial dispute is the obvious answer, even after the implementation of the multilayered approach to foreign policy with Russia in 1997.

Tracking Japanese Foreign Aid to Russia

Japanese foreign aid to the Soviet Union began in November 1990 when 2.6 billion yen (\$17.9 million) was donated to Chernobyl victims (MOFA 2004). Over the next decade the Japanese would increase economic aid to Russia, often disregarding their official foreign policies. Under intense international pressure, Japan provided \$2.5 billion in economic aid in October 1991 in the previously mentioned discussions between Japanese Foreign Minister Taro Nakayama and Soviet Foreign Minister Boris Pankin. Nakayama's economic aid package in the form of bank export credits and trade insurance would be the largest Japanese aid package presented to the Soviets and later to the Russians over the next 12 years. In April 1993 another agreement was made at the G-7 meeting among finance and foreign ministers. On this occasion, \$1.5 billion would be provided in the form of trade insurance and bank export credit. With the bank export credit, the Russians utilized the funds to construct an Impuls microwave oven plant, modernize oil refining facilities in Yaroslavl', and renovate the Kama truck factory. Also during the summit visit, \$100 million was given in humanitarian aid to finance food supplies, pharmaceuticals, and medical equipment, \$120 million was given to

promote and develop small and medium businesses in Russia, and \$70 million was given for the dismantlement of nuclear weapons.

The next major breakthrough in Japanese economic aid was in February 1998 when Foreign Minister Keizo Obuchi visited Moscow. As a conclusion to the meeting, a \$1.5 billion loan was given to Russia to assist with the economic reforms that were taking place in domestic markets (MOFA 2004). In November of that year, Obuchi met with Yeltsin as Prime Minister making another offer of \$100 million in what was labeled “Japan-Russia Partnership for Reform” program (MOFA 2004).

From 1990 to 2002 the Japanese economic aid given to the Soviet Union and later, Russia consisted of 12 percent grant aid and 88 percent loans and insurance. The loans and trade insurance were given sporadically as the results of summit breakthroughs such as the October 1991 Nakayama proposal, the April 1993 G-7 summit among finance and foreign ministers, and the February 1998 Obuchi visit to Moscow. The smaller portion of the economic aid, grant aid, can also be given sporadically as needs arise such as the assistance to Chernobyl victims, the financing of food, pharmaceutical, and medical supplies, or the dismantlement of nuclear weapons. However, one portion of grant aid which is given steadily is the dispatching of officials to Russia to provide technical assistance. Despite making up only 13 percent of the funds donated by grant aid, tracking the technical assistance by personnel over time can reveal if the multilayered approach to foreign policy is enhancing Russo-Japanese economic relations.

In examining the account budgets for financing personnel to provide technical assistance, a significant increase can be seen from the \$7.56 million budget in 1993 to

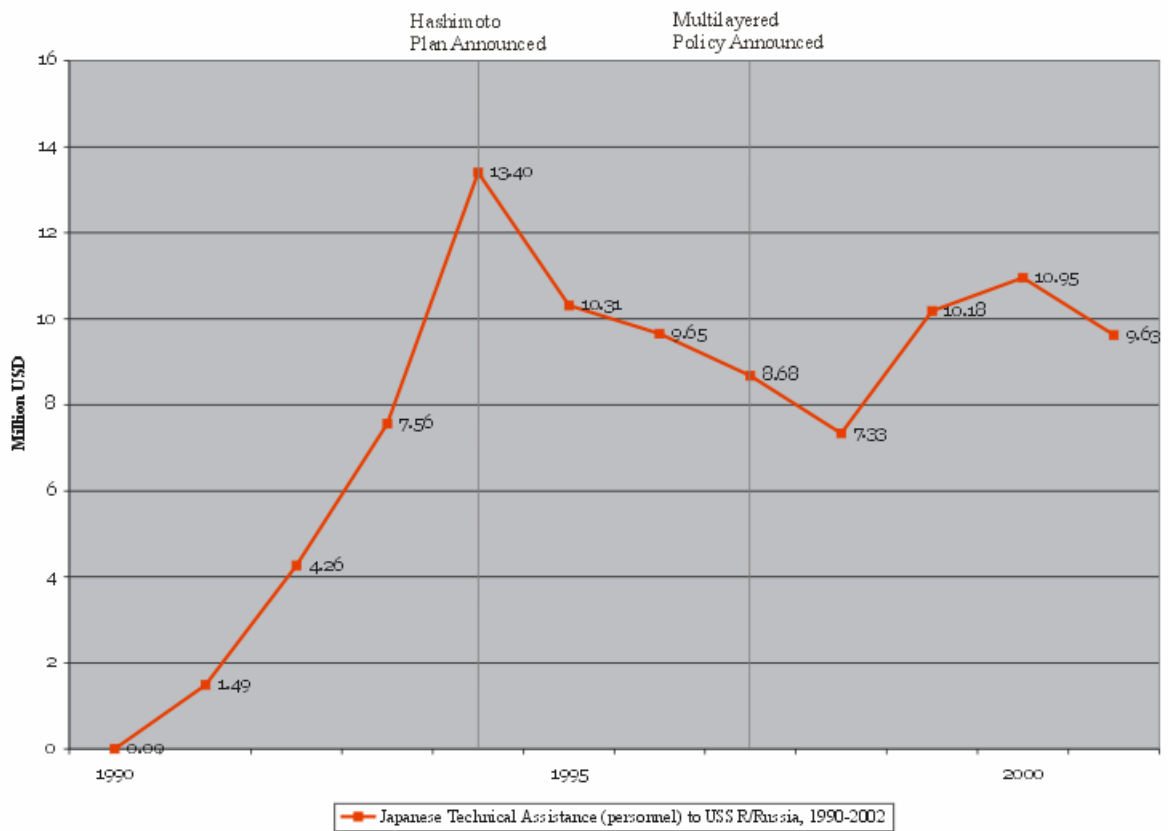


Figure 12. Line graph of Japanese personnel assistance to USSR/Russia, 1990/2001.
 Note: Data up to 1992 includes trade with the Soviet Union and after 1992 with Russian Federation only.
 Source: Data compiled by author from MOFA, 2003.

the \$13.4 million budget in 1994, an obvious boost by the *Hashimoto Plan* signed in November that year. However, over the next three years the budget would fall back down to \$7.33 million in 1998. In 1999 the budget grew 39 percent to \$10.18 million and again another seven percent to \$10.95 million in 2000 as Tokyo was attempting to increase trade and bring down unemployment during the time of economic recession. The average annual budget from the years 1992 to 1996 was \$10.75 million while the average annual budget from 1997 to 2001 was \$9.52 million, down 11 percent.

Indeed, Hashimoto's successor Obuchi made headway with his \$1.5 billion loan offer in February 1998 and his \$100 million grant aid offer in November 1998.

However, there has not been any significant increase in Japanese economic aid to Russia since the new foreign policy was implemented in 1997. This could be due in part to the somewhat successful restabilizing of Russia's political system under President Vladimir Putin which has resulted in the lessening of demands for foreign economic aid.

Similarly, Japan's economic recession of the late 1990's and early 2000's could have possibly resulted in a decrease of donations to foreign aid funds to Russia. Nonetheless, the fact that Japanese economic aid to Russia has not significantly increased since 1997 supports the case that Hashimoto's new foreign policy with Russia has not been successful in strengthening bilateral economic ties, particularly through economic aid.

Tokyo's Incentives for Corporate Investments in Russia

As noted in the third chapter of this work by Russo-Japanese relations scholar Masaru Tamamoto, large amounts of Japanese investment in Russia would be dependent on actions by the Japanese government. Tamamoto explained that "the government will

have to guarantee those investments. Some businesses will go in kicking and screaming even with some sort of insurance” (Catlin Jacob 1991, 44). In this portion of the chapter, incentives by Tokyo to encourage Japanese businesses to invest in Russia will be discussed. In turn, it will be determined if this practice has increased with the 1997 implementation of the multilayered approach to foreign policy with Russia.

In the late 1960’s Japanese firms began investing in the Soviet Union before *seikei fukabun* went into effect. In 1965 a joint Soviet-Japanese cooperation committee was formed to select development projects for trade and investment (Nester 1993, 725). In agreement with the committee, Japan’s Export-Import Bank along with private banks guaranteed low cost financing and ample insurance for the projects (Nester 1993, 725). However, by the mid-1970’s the projects were mostly completed and few new projects emerged (Nester 1993, 725). Meanwhile, the Japanese were adopting a new foreign policy which would not allow the financing and insuring of such ventures in the Soviet Union.

By 1992 the Japanese were clear in their rhetoric that they would not encourage companies to invest in Russia as it went against their foreign policy of the expanded equilibrium. The *New York Times* reported:

Japanese industrialists say that large-scale investments in Russia or the other former Soviet republics are too risky right now to be undertaken without some similar form of insurance or guarantees from the Japanese Government. And such help is not to be forthcoming because of the territorial dispute (Weisman 1992, A7).

Though bilateral economic advancements would occur in the following years via Japanese economic aid and regional resource development studies in Russia, governmental insurance on investment projects did not occur.

The rationale behind advancing economic aid and regional development plans to Russia without prior progress on the territorial dispute was in clear violation of the foreign policy at the time; however, it differed from insuring investment projects. The advancement of foreign aid was justified by the increasing international pressure to support the ailing Russia and done in a *good neighbor* fashion. Meanwhile, regional development studies were often used as a tool to lure Moscow into discussions on the territorial dispute by enticing them with the economic benefits of normalized relations. If the Japanese government was to insure corporate investment projects in Russia, they would not only be violating the foreign policy at the time; they would be acting directly against it by encouraging their corporations to invest in Russia without any progress made on the territorial dispute. Insuring investment projects is a riskier and more complex activity than simply providing economic aid or conducting regional development studies because it involves trust, security, and an essential profit guarantee for the corporation. However, as the foreign policy changed in 1997, so did the opportunity for Tokyo to insure Japanese corporations investing in Russia and promote investment through various means.

By using means other than investment insurance, the Japanese government began encouraging Japanese investment in Russia as early as 1994 with the creation of the aforementioned Japan-Far Eastern Russia Economic Committee, which conducted regional resource development studies in the Russian Far East. As discussed, the only venture deemed worthy was the financing of the Zarubino Port expansion which remains subject to a feasibility study.

In November 1997 an international symposium on regional economic cooperation in the energy sector was held in Tokyo with representatives from Russia, China, South Korea, Mongolia, and the International Energy Agency (Ruzanov 1999, 208). The meeting, in which the participants discussed means to harmonize energy needs for the future, was sponsored by, among other bodies, Japanese government agencies such as MOFA, Japanese Ministry of International Trade and Industry (MITI), JNOC, and Export-Import Bank of Japan (Ruzanov 1999, 208). By sponsoring this symposium and inviting Russian representatives, Tokyo was openly discussing bilateral economic relations with Russia without linking the territorial dispute. Even more, Tokyo encouraged businesses to participate in the symposium and discuss investment projects with the Russian officials (Ruzanov 1999, 208).

One month later JNOC met with representatives from China, South Korea, Mongolia, and Russia to discuss and outline the pipeline route from the Irkutsk natural gas fields to the East Asian markets (Ruzanov 1999, 209). By doing this JNOC, and therefore, the Japanese national government, was seeking the development of natural gas at Irkutsk and thus, opening the door for Japanese corporations to participate. This was evident when Yeltsin and Hashimoto announced a joint \$10 billion project to develop the natural gas fields and pipeline at their first “no neck-tie” summit (*The Economist* [London] 1997, 34).

At the second “no neck-tie” summit in April 1998, Yeltsin and Hashimoto agreed to form a regional venture fund in order to attract Japanese investment and develop the economy in Siberia and the Russian Far East (Ziegler 1999, 22). The initial capital offer would be \$100 million, provided by both governments in portions of 50

percent each (Sokolov 1998, 23). By instating this fund, Tokyo has encouraged its businesses to invest in Russia by providing them with initial capital to begin their economic ventures.

Despite Tokyo's encouragement for Japanese businesses to invest in Russia, an overabundance of barriers exist. The most notable is the territorial issue blocking relations not between Moscow and Tokyo, but between *Russians* and *Japanese*. One port director in Korsakov, Sakhalin Island commented "In every conversation I have with [the Japanese officials], the Kuriles crop up. It's much easier dealing with Americans. They stick to business and not politics" (Brzezinski 1997a, 1).

Continuing on the interplay of Americans in Russia, there is also the issue of competition as American investors tend to be more adventurous in Russia compared to their Japanese counterparts, and the Russian residents have preferred dealing with Americans,

Vodka-swigging Russians, who like to talk business in the sauna, complain that the Japanese are too formal. "We have to meet endless delegations and bow 20 times to do a deal," grouses Mr. Ianhistky, the port director. "When American shipping company representatives come here from Alaska or Seattle, we grab a beer and settle everything on the spot" (Brzezinski 1997a, 1).

At Sakhalin Island, it has been noted that in discussions on Sakhalin-3, -4, and -5 developments, "the accent most often heard...these days is a Texan drawl" (Brzezinski 1997a, 1). It is important to note that countries such as the United States, the United Kingdom, and the Netherlands which have invested heavily in Russia have the world's leading energy exploitation companies such as ExxonMobil, Shell, and British Petroleum. Even with support from Tokyo, JNOC cannot compete with the European and American supermajors to invest in Russia.

Aside from the territorial dispute and international competition, other barriers for the Japanese include excessive tariffs, inept transportation infrastructure, corruption and organized crime, and an unstable political system with little regional control. Additionally, Japan's economic strengths such as automobiles and consumer electronics are areas where Russians are less receptive, both politically and economically. A barrier of particular effect in Siberia and the Russian Far East is a rise in anti-Japanese sentiments (Brzezinski 1997a, 1). One Sakhalin port director noted "To date, the policy of the Japanese has been to take our natural resource, without sinking a yen into our economy" (Brzezinski 1997a, 1).

In general, the Japanese government has provided few incentives to encourage investments in Russia. Prior to 1997 incentives by Tokyo to promote investments in Russia were conducted through regional development plans such as the Zarubino Port expansion in 1992. After the multilayered approach to foreign policy with Russia was implemented in January 1997, Tokyo hosted an international symposium on regional economic cooperation in the energy sector. At the event, Japanese businesses were encouraged to participate in discussions on foreign investments projects including projects in Russia. In December 1997 the JNOC along with representatives from China, South Korea, Mongolia, and Russia delineated the pipeline route for the Irkutsk natural gas fields. This act was only an aftershock from Yeltsin's and Hashimoto's announcement of a joint \$10 billion project to develop the Irkutsk natural gas fields. In the second "no neck-tie" summit, the two leaders agreed to form a regional venture fund of \$100 million for companies to use when initiating their investment ventures in Russia.

Despite these acts, barriers remain which block bilateral economic developments. Conceivably, if Tokyo seriously seeks to advance Russo-Japanese relations with Japanese investment ventures in Russia, they would provide more opportunities to do so. Perhaps the Japanese do not *need* bilateral economic growth as much as the Russians do. Japanese economic expert Susumu Yoshida summarized the Japanese viewpoint with some justifications:

First, Japan's options for investment are truly wide, including China, Vietnam, and other economies. Russia is only one of these numerous options. Second, Japanese products, such as consumer electronics and automobiles, could enter the markets of European countries, including Russia, through trade channels and without investment in product ventures. Third, in the area of import deliveries from Far Eastern Russia, including timber, nonferrous metals, marine products and coal, Japanese companies earn profit by investing on a limited scale, only adding to the investment made before 1992. Fourth, Japanese companies cannot allocate significant funds for investment in Russia because of the domestic economic problems associated with the bubble economy in Japan that surfaced almost in parallel with Russia's transition to a market economy. Finally, some Japanese medium and small investors who are interested in trade and investment opportunities of Far Eastern Russia failed because of Russia's legal system's deficiencies. The investment environment in Russia is lagging behind other countries in tax, legal systems and development of infrastructure. Moreover, incentives for foreign investors in general are inadequate (Yoshida 1999, 233-34).

Knowing this, it is understandable that the Japanese government is not promoting investment as much as one would assume by reviewing the rhetoric associated with the multilayered approach to foreign policy with Russia. While other more secure investment options are available for the Japanese, the language on promoting bilateral economic development with Russia by Hashimoto and his successors has largely amounted to lip-service to the Russians while the territorial dispute is handled in a new, more welcoming tenor for Russo-Japanese relations.

Outcomes

Upon review of the results presented in this chapter it appears that Hashimoto's multilayered approach has had little effect on Russo-Japanese economic development. This result counters Hashimoto's stated desire to "strengthening economic relations with Russia," elaborated as part of his new foreign policy in 1997 (Speech by Hashimoto 1997a). The following fundamental outcomes can be drawn from the three research measures carried out in this study.

From the review and analysis of Japanese resource investment projects in Russia, three conclusions can be drawn. Firstly, of the three resource development projects that Hashimoto openly cited in his July 1997 speech, none have seen an increase in Japanese participation. The Irkutsk natural gas projects have been abandoned by Japanese corporations, the Yakutsk natural gas projects have been deemed too expensive for Japanese corporations, and although the Japanese are steadily participating in the Sakhalin-1 and -2 projects, they have not expressed interest in the three future projects on Sakhalin. Secondly, the Zarubino Port project which was cited in the *Yeltsin-Hashimoto Plan* has progressed at an incredibly slow pace as feasibility studies are still being conducted a decade after the project was proposed. This too, is a failure for Hashimoto as the project has not been implemented and thus, has not spurred the development of Russian and Japanese economic cooperation in the region. Lastly, if the Japanese do participate in the natural gas venture at the Yamal Peninsula, it will be a breakthrough in Russo-Japanese economic relations. However, Hashimoto would not be able to accept credit for the project as he never mentioned it by name. Nonetheless, it

was part of his vision to develop Russo-Japanese economic ties through the development of resource reserves in Siberia and in the Russian Far East.

By reviewing Russo-Japanese bilateral economic data, four conclusions can be drawn. First, in review of bilateral trade volume, it is evident the no real increases in Russo-Japanese economic ties via trade volume have occurred since the implementation of the new foreign policy in 1997. Second, the sporadic nature of Japan's investments in Russia as well as the low showing in comparison to other developed countries' investments have continued through the 1997 foreign policy change and is thus, unaffected by the new foreign policy. Third, moderate successes were achieved by Obuchi in 1998 by offering a loan and grant aid to Russia, but they do not surpass similar proposals enacted in the early 1990's. Lastly, the 1997-2001 average annual budget for Japanese personnel working to aid Russia is 11 percent lower than the 1992-1996 average. Therefore, the 1997 change of policy which encouraged bilateral economic development has failed to do so in the field of technical training by Japanese personnel.

In review of Tokyo's incentive projects for corporate investment in Russia, one can conclude that Tokyo has insufficiently encouraged Japanese corporations to invest. Prior to 1997 the Japanese encouraged investment in Russia with the formation of the Japan-Far Eastern Russia Economic Committee which discovered the Zarubino Port expansion project. After the implementation of the new foreign policy in 1997, the Japanese government sponsored a regional energy cooperation symposium and JNOC met with other governments of northeast Asia to outline the pipeline from the Irkutsk natural gas fields. Then at the April 1998 "no neck-tie" summits Yeltsin and Hashimoto

agreed to create a \$100 million regional venture fund. These initiatives have proven to be insufficient in significantly stimulating bilateral economic development.

CHAPTER SIX

SUCCESS OF THE MULTILAYERED APPROACH IN THE TERRITORIAL DISPUTE

“...Japan’s possession as long as the Heavens and the Earth shall last.”

—Masayasu Habuto (1752-1814),
shogunal administrator, referring to the Kuriles

The southern Kuriles have experienced many changes since the fall of the Soviet Union, affecting political sovereignty, economic re-stabilization, demographics, and aspects of society such as popular culture. Nonetheless, one constant during this era of change is the southern Kuriles have remained the *southern Kuriles* and not the *northern territories*. To the Japanese, the transfer of control of these islands is the most valuable offer the Russians could make. Indeed, for more than half a century this seemingly insignificant row of volcanic rocks has served as the primary roadblock to the normalization of relations between two of the world’s most economically significant and populous countries. Yet both countries declare they want to end the dispute and move on with closer, truly normalized relations. The Russians want to improve relations and dismiss the territorial dispute immediately. However, the Japanese will not accept anything less than a solution to the dispute before bilateral relations can truly be normalized. Beyond all the changes on the southern Kuriles in recent years, the Japanese want to see one more change added: a change of national sovereignty.

Nearly 52 years after the Soviets seized the Kuriles from the Japanese, Prime Minister Hashimoto presented a possible solution to get the islands back. Hashimoto had keen insight to the issue as he had served two years as head of the Japan War-Bereaved Families Association and had heard from those who lived on the islands before Soviet occupation (Pollack 1996, A2). Hashimoto proposed strengthening Russo-Japanese economic relations and cooperation. At the same time, the territorial dispute would be solved through the principles of trust, mutual benefit, and a long-term perspective. As Hashimoto clarified, “we must remember that the Northern Territories issue is a matter which our nations have been unable to resolve in fifty years. Obviously, it is very difficult to resolve it” (speech by Hashimoto 1997a). Despite the difficulties, he continued by presenting the means to a possible resolution;

More than anything, steady, concrete progress could become a landmark that will not have our children’s and grandchildren’s generations inherit this issue. Considering the positive achievements made thus far, I believe that it is the responsibility of our generation to now show the way forward toward the resolution of this issue. I would like to discuss this matter calmly, based on a long-term perspective (speech by Hashimoto 1997a).

Hashimoto’s new foreign policy was the first Japanese policy since the Soviet seizure of the Kuriles which reasoned that progress on the territorial dispute, and thus, regaining the Northern Territories, would be based on bilateral economic developments and a warmer diplomatic atmosphere.

Analysis of Statements on the Territorial Dispute

Statements Prior to 1997

To examine statements by Japanese and Russian officials, a sufficient point to begin analysis is where William Nimmo left off. In his 1994 work, regarding

terminology used by Soviet leaders from Soviet Foreign Minister Andrei Gromyko in the 1960's to Gorbachev in his April 1991 visit to Tokyo, Nimmo divulged;

Where 25 years earlier Gromyko had said there was *no* territorial problem, and Brezhnev had insisted in the 1970s that there were only “unresolved differences,” and by the late 1980's Shevardnadze had preferred to cite “the geographic question,” Gorbachev agreed to the inclusion of specific details in a joint communiqué on the talks by naming the islands that were claimed by Japan (Nimmo 1994, 96).

With this gradual recognition by the Soviets of the dispute, it was obvious the Japanese were making progress. When Yeltsin emerged as president of the Russian Federation in 1992 this continued, however unsteadily. Known for his impulsiveness and irritability, Yeltsin once remarked in 1991 about the territorial dispute with Japan, “reconsidering the borders is out of the question for now. It would be blood again” (Nimmo 1994, 109). Just a year earlier, serving as representative of Russia Republic in the Soviet Union, Yeltsin proposed a five-stage, 15- to 20- year plan to transfer power of the southern Kuriles to Japan which was rejected by the hard lined Japanese leadership (Nimmo 1994, 109).

In February 1992 Yeltsin went a step further than Gorbachev's detailed talks in a letter written to then Japanese Prime Minister Kiichi Miyazawa; “I am determined to continue pursuing a solution to the peace treaty issue, including the demarcation of territory, based on law and justice” (*Nikkei Weekly* [Tokyo] 1992a, 6). He also stirred the Japanese optimism by identifying Japan as “a potential ally” (*Nikkei Weekly* [Tokyo] 1992a, 6). Hopes were high in Tokyo that an island transfer was imminent in 1992, but soon internal crises and the rise of nationalism in Russia would crush any optimism for the Japanese. In May 1992 Yeltsin explained to Japanese Foreign Minister Michio Watanabe; “national sentiment against giving the islands back is making it difficult”

(*Nikkei Weekly* [Tokyo] 1992b, 5). An article in *The Economist* also explained; “Mr. Yeltsin is under fire at home for his tough economic measures and for allowing the break-up of the Soviet empire. As desperate as he may be for Japanese investment and technology, bartering away territory is at present out of the question” (*The Economist* [London] 1992a, 41).

In September 1992 Yeltsin was scheduled to make his first appearance in Tokyo as President of the Russian Federation. Fearing he would sell or give away the southern Kuriles, conservative factions began pressuring him not to go. Deputy chairman of the Committee for International Affairs and Foreign Economic Relations Ivan Adronov explained at a parliamentary hearing why Yeltsin should not visit Tokyo, warning that “at this moment Russia is starting to give back these territories.” Adronov continued:

China...is still claiming two large pieces of our territory in the Amur region, including a suburb of Khabarovsk. Latvia and Estonia are demanding that they be given part of Pskov and Leningrad oblasts and are accompanying this with firing at our soldiers. You are well aware that there still remain in Finland influential forces which are expressing out loud a desire to swallow up Karelia. There are already hankerings in the West and the East after Kaliningrad Oblast which had become a Russian land. There would be an avalanche of territorial claims (*Rossyskaya Gazetal* [Moscow] 1992, 4-5).

Less than a week before his scheduled September 13 arrival in Tokyo, Yeltsin postponed the trip citing “domestic circumstances” (Nimmo 1994, 149). In May 1993 Yeltsin postponed a second trip to Tokyo, this time citing a scheduling “inconvenience” (Nimmo 1994, 171). Although Yeltsin did come to Tokyo for the July 1993 G-7 summit, his officials worked out a previous agreement that the territorial dispute would not be discussed (Hasegawa 2000a, 191). Nonetheless, Yeltsin issued a statement apologizing for the postponed visits, explaining the need to “remove the problems left over from World War II based on law and justice” (*Yomiuri Shimbun* [Tokyo] 1993, 1).

He also quipped to Miyazawa that “I can’t just promise some concessions or I may need a visa to get back home” (*Japan Times Weekly* [Tokyo] 1993, 2).

As governor of the Russian Republic and president of the Russian Federation, Yeltsin seemed willing to make progress on the territorial dispute with the Japanese by presenting a five-stage island transfer proposal and indicating to Miyazawa that he was “determined” to peacefully pursue solving the territorial issue. However, known for his erratic behavior, Yeltsin’s responsiveness to the Japanese was tested by conservative members of the parliament. Twice postponing trips to Tokyo and openly admitting that domestic politics was barring his participation in solving the territorial dispute, Yeltsin lost favor and trust among the Japanese. The developments on solving the territorial dispute regressed to a tone similar to the era prior to Gorbachev’s rule, when, at least, the Soviet leader was willing to discuss the problem. Now because of internal pressures, the Russian president was obligated to ignore the problem.

On October 12, 1993 Yeltsin finally visited Tokyo to rectify his twice postponed trips. In order to relieve Yeltsin of uneasiness or controversy at home, Japanese Prime Minister Morihiro Hosokawa carefully worked around the territorial dispute in the summits which remained focused on other affairs. Yeltsin proclaimed his desire to develop Russo-Japanese relations on the basis of law and justice, not mentioning his previous offer of a five-stage process (Hasegawa 2000a, 192). In the jointly signed *Tokyo Declaration*, the disputed territories were addressed:

Sharing the common view that the remnants of the difficult past in bilateral relations must be overcome, the Japanese prime minister and the Russian president conducted serious negotiations on the question of final possession of Iturup, Kunashir, Shikotan, and the Habomai group. Both sides agreed to proceed with negotiations in order to sign the Peace Treaty as soon as possible by solving the territorial issue on the basis of historical and juridical facts and

documents worked out through agreements between the two countries, as well as the principles of law and justice and by this fully normalize bilateral relations (*Tokyo Declaration* 1993, 4).

As a result of his visit to Tokyo, Yeltsin was able to co-sign a document that would be the foundation for Russo-Japanese relations for the next decade. Furthermore, his five-stage proposal was dismissed, and the territorial dispute was put back on the bilateral relations agenda without jeopardizing Yeltsin's reputation in Russia. With the *Tokyo Declaration*, the development of Russo-Japanese talks on the territorial dispute was amended and progress on the dispute surpassed that made with Gorbachev in 1991.

Developments on the territorial dispute were very slow after the signing of the *Tokyo Declaration* in October 1993 as both sides experienced changes in political leadership. During the December 1993 campaign in which right-wing Vladimir Zhirinovskiy was overwhelmingly favored, Yeltsin was obligated to "make a sharp right turn in all policies" (Hasegawa 2000a, 194). When Japanese Foreign Minister Tsutomu Hata visited Moscow in March 1994 to reaffirm the *Tokyo Declaration*, he found Russian officials reluctant to do so (Hasegawa 2000a, 194). Even more, Yeltsin refused to meet Hata fearing that he would have to reaffirm to the declaration if the meeting occurred (Hasegawa 2000a, 194).

When the anti-LDP coalition fell in April 1994 Hosokawa resigned his post as Prime Minister (Thayer 1996, 76). Hata succeeded him for two months before resigning to the LDP-Socialist Party coalition, and socialist Tomiichi Murayama emerged as Prime Minister (Thayer 1996, 76-77). Having a weak coalition with inexperienced and uncooperative cabinet members, Murayama was not able to adequately steer foreign policies (Hasegawa 2000a, 195). Progress in bilateral developments was slow as

discussed by Tsuyoshi Hasegawa who reviewed media and academic content over the year prior and years subsequent to the signing of the *Tokyo Declaration*:

Fewer articles and books were published in the press about the Kuriles after Yeltsin's Tokyo visit, compared with the previous year, and if such publications appeared, they were...not conducive to the resolution of the territorial question (Hasegawa 2000a, 197).

The political situations in both Japan and Russia were not conducive to bilateral developments on the territorial dispute. However, this would soon change when Hashimoto was elected Japanese Prime Minister and Yevgeny Primakov was appointed Russian Foreign Minister in winter 1996, and Yeltsin won his second and final term as Russian President in summer 1996.

Upon being appointed as Foreign Minister, Primakov made it clear that Russia would abide by the 1993 *Tokyo Declaration* and it would remain the framework for bilateral political developments (Sarkisov 2000, 227). He started his diplomacy by proposing the joint development of the disputed territories (Sarkisov 2000, 227). Eager to make progress on the territorial dispute, the Japanese accepted his offer. As a second offer Primakov put forward his commitment to an earlier proposal by Yeltsin to withdraw the 3,500 Russian soldiers from Kunashir and Iturup Islands (Sarkisov 2000, 227).

Primakov's moves opened up diplomatic relations between Russia and Japan on the territorial dispute. From the *Tokyo Declaration* of October 1993 to January 1996 when Primakov was appointed, Japan and Russia were in the midst of a diplomatic stalemate. While economic ties were increasing via proposals such as the 1994 *Hashimoto Plan*, there was little to no progress on the territorial dispute and thus, the normalization of relations. With a series of weak Japanese Prime Ministers from 1994

through 1996 and Yeltsin's strategic shift to the right to win popularity beginning December 1993, there was little room for progress on the territorial dispute. However, with a couple of symbolic moves, Primakov temporarily revitalized Russo-Japanese relations and paved the way for the new Japanese foreign policy and the further developments to come.

Statements: Yeltsin and Hashimoto

Much like a pendulum, Japanese optimism on an imminent solution to the territorial dispute has swung between extremes. The optimism of late 1991 and early 1992 was replaced by regret in late 1992 and early 1993 when Yeltsin twice postponed his visits to Tokyo. Then with the *Tokyo Declaration* jointly signed in October 1993, optimistic attitudes reemerged only to be replaced by two years of unproductiveness on the Japanese side and recoil on the Russian side. However, optimism would reemerge with the symbolic gestures by Primakov and the formulation of a new Japanese foreign policy by a promising Prime Minister.

In July 1997 Hashimoto detailed his new foreign policy in a speech to the Japan Association of Corporate Executives, in which he addressed Japanese diplomacy with the United States, China, Russia, and Central Asian countries. In the speech, 1,950 of 5,360 words, or 36 percent of the speech was dedicated to Japan's diplomacy with Russia. As for Japan's diplomacy with China, 922 words, or 17 percent of the speech was dedicated to it. Even less, 366 words, or seven percent of the speech dedicated to Japan's diplomacy with the United States, and 450 words, or eight percent of the speech dedicated to Japan's diplomacy with all Central Asian countries. It is obvious from this analysis that the foreign policy with Russia deserved the most attention at the time. This

speech signifies Hashimoto's intent to strengthen Russo-Japanese relations and how he believed Japan's relations with Russia were significant and called for greater discussion than other countries at the time.

It is interesting to note that there is one significant contradiction between Hashimoto's foreign policy and the *Tokyo Declaration*. Hashimoto mentioned in his address to the Diet in September 1997;

At the Denver [G-7] Summit in June, I stressed to President Boris Yeltsin the importance of moving steadily forward in implementing the *Tokyo Declaration*, and when I meet the President again in November of this year, I intend to lay a foundation to open the path for development in a new Japan-Russia relationship based on the three principles of "trust," "mutual benefit" and "long-term perspective" (speech by Hashimoto 1997b).

The *Tokyo Declaration*, called for a solution to the territorial dispute "as soon as possible," (*Tokyo Declaration* 1993) while Hashimoto expressed his desire "to discuss [the territorial dispute] calmly, based on a long-term perspective" (speech by Hashimoto 1997a). The axiom of a "long-term perspective," which was possibly motivated by Primakov's suggestion, received much criticism from Russians who viewed it as *tanaage*, or the "shelving" of the issue only to bring it back to the forefront later (Sarkisov 2000, 233). Nonetheless, it contradicts the statement in the *Tokyo Declaration* to quickly solve the territorial dispute.

The first "no neck-tie" summit between Yeltsin and Hashimoto was held in November 1997 at Krasnoyarsk, Siberia. The informal summit, held on the Yenisei River while the two leaders fished together, was very private with only one Russian interpreter accompanying the party (Zagorsky 2001, 78). Two unofficial announcements were disclosed from the summit: first, it was leaked that Hashimoto never addressed the "return of the Northern Territories," rather he would mention

“signing the peace treaty;” second, the leaders agreed that if a joint economic activity was successful on the southern Kuriles, a border demarcation would be settled (Zagorksy 2001, 78).

What can be confirmed from the official announcement is that Yeltsin proposed to “make the utmost efforts toward the conclusion of a peace treaty between the two countries by the year 2000 on the basis of the 1993 *Tokyo Declaration*” (*Yeltsin-Hashimoto Plan* 1997, 12). The two also issued goals in the *Yeltsin-Hashimoto Plan* on developing economic ties and increasing political dialog (*Yeltsin-Hashimoto Plan* 1997, 12). It is most likely that Yeltsin’s proposal to solve the territorial dispute by 2000 came as a surprise to Hashimoto who had just outlined one of his axioms of his foreign policy as the maintenance of a long-term perspective four months earlier. However, the Japanese leader was obviously compelled to agree to such a proposal despite the shame he would confront if the territorial dispute was not solved by the deadline. Nonetheless, it, along with Yeltsin agreeing to continue growth based on the 1993 *Tokyo Declaration*, was a success for Hashimoto. In all, the first “no neck-tie” summit resulted in optimism for both sides and for completely different reasons. The Russians were optimistic that the Japanese would increase their economic aid, investment, and involvement in Siberia and the Russian Far East. The Japanese were optimistic that the southern Kuriles would be returned to them; this time, without directly linking the return to aid packages.

In February 1998 Hashimoto gave an annual policy speech to the Diet which turned out to be unique in that he never made reference to *hoppo ryodo*, or the “Northern Territories.” Since the Soviet era, all Japanese Prime Ministers had consistently reiterated the importance of the “Northern Territories problem” in the

annual policy speeches to the Diet. This is a clear indication of how Hashimoto wanted to maintain a warm, mollifying position with Russia, and in particular, Yeltsin, who agreed to a peace treaty by the year 2000.

This absence of discussion on the territorial dispute did not go unnoticed in Japan. At a press conference to detail the itinerary for Yeltsin's April 1998 visit to Japan, Foreign Ministry Spokesman Ken Shimanouchi spent several minutes answering questions about Yeltsin's upcoming visit and Japanese foreign policy by reporters. As a final question for the press conference, a reporter asked "Do you realize that in 45 minutes that you have never mentioned the Northern Islands" (*Press Conference by the Press Secretary 1998*)? Shimanouchi responded:

Nobody has asked me a question on the Northern Islands. I have, however, mentioned a number of times the negotiations for a peace treaty. I have mentioned the Tokyo Declaration. I think that you have read the *Tokyo Declaration*. I do not think I need to read to you the relevant paragraphs of the *Tokyo Declaration* regarding the Northern Territories (*Press Conference by the Press Secretary 1998*).

By citing his references to the *Tokyo Declaration* and negotiations for a peace treaty as items linked to the southern Kuriles, the press secretary proved that references he, Hashimoto, and the Foreign Ministry had made to the *Tokyo Declaration* and negotiations for a peace treaty were essentially references to the disputed southern Kuriles. By linking these terms, it is obvious Hashimoto's administration was simply disguising the terminology used in both the "no neck-tie" summit and in Hashimoto's speech to the Diet.

In February 1998, Japanese Foreign Minister and future Prime Minister, Keizo Obuchi met with Primakov in Moscow to set up a second "no neck-tie" summit for their premiers. In addition to his meeting with Primakov, Obuchi met with officials to sign

agreements on fish-industry cooperation in the southern Kuriles (*Current Digest* 1998, 21). According to the agreement, Japanese fishermen are permitted to harvest fish legally in Russian territorial waters while regulated only by Japanese border guards (*Current Digest* 1998, 21). This long-awaited agreement came after two Japanese fishing boats were captured and the captains detained in 1994, an incident which followed years of similar interactions (Valliant 1999, 158).

The second “no neck-tie” summit was held in April 1998 at the Kawana Hotel in the resort city of Ito, Shizuoka. Again at this informal summit, the two leaders discussed bilateral affairs while fishing in a nearby river (*Agence France-Presse* [Paris] 1998). Yet again, Hashimoto changed his terminology referring to territorial dispute at the Kawana summit as an issue of “border delimitation” (*Asahi Shimbun* [Tokyo] 1998a, 1). By using the term “border delimitation,” Hashimoto was more specific to Japanese interest than at the Krasnoyarsk summit when he would only refer to the “signing of a peace treaty.” However, he was not as specific as the fundamental Japanese notion of a “simultaneous return of the four Northern islands,” despite that being the objective.

Yeltsin began the summit explaining to Hashimoto that he was “dissatisfied with the slow progress towards solving the Kurile Islands dispute” (*Agence France-Presse* [Paris] 1998). However, the Russian leader had surprisingly little to offer at the summit, which took place just over a year and a half before his 2000 deadline to solve the territorial dispute. Hashimoto had more to offer. First, in response to Yeltsin’s dissatisfaction, Hashimoto proposed that both sides would hold regular vice ministerial talks to accelerate progress towards a peace treaty (*Agence France-Presse* [Paris] 1998). He also indicated that the Japanese were “considering supply[ing] [a] diesel-powered

generator to residents on the disputed Kurile islands, because of the electricity shortages there” (*Agence France-Presse* [Paris] 1998).

Most significant, Hashimoto offered Yeltsin a detailed proposal for peace. Within this proposal, Russia would recognize Japanese sovereignty over the southern Kuriles, but Russia could maintain administrative control for an unspecified period (*Current Digest* 1998, 21). Labeled the “Hong Kong formula,” it was more reminiscent of the Japanese-American arrangement for Okinawa after World War II, whereby the United States recognized Tokyo’s “residual sovereignty” over the territory, but the actual return was forthcoming after specific negotiations (Zagorsky 2001, 79). Hashimoto’s peace proposal was realistic, given Yeltsin’s similar five-stage proposal of the Soviet era and his desire to see a peace treaty signed by 2000. Yeltsin described the proposal to the press as an “interesting proposal” which he would need some “serious contemplation” in order to respond (*Current Digest* 1998, 21).

Yeltsin’s adviser at the summit showed less enthusiasm in the proposal. Presidential adviser Boris Nemtsov explained at the summit that it was “perfectly clear that until our economic cooperation reaches a certain level, resolving any political problems will simply be impossible” (*Current Digest* 1998, 21). He also affirmed that “as long as public opinion in Russia stays the way it is now, finding a solution will be impossible” (*Current Digest* 1998, 21). Yeltsin never firmly rejected Hashimoto’s proposal, but it was understood he would not agree to it as he called for solving the peace treaty “in the very near future” at the end of the summit (*Current Digest* 1998, 21).

In response to Hashimoto’s proposal, Yeltsin also offered his own peace proposal which he called the “Treaty of Peace, Friendship and Cooperation” (Yeltsin-

Hashimoto Summit 1998). Within this treaty, long-term cooperative relationships in fields ranging from economic activities to culture would be enhanced and Russo-Japanese relations would be officially normalized (Yeltsin-Hashimoto Summit 1998). However, Yeltsin's treaty made no mention to the territorial dispute or border delineation. Rather, it would be handled after relations were normalized.

The offering of the "Treaty of Peace, Friendship and Cooperation" was a sudden move by Yeltsin who had expressed his desire to end the territorial dispute at the opening of the summit. Furthermore, it was in contrast to Article Two of the *Tokyo Declaration* which stated that the territorial dispute must be solved prior to the normalization of relations (*Current Digest* 1998, 21). Hashimoto responded that he would consider Yeltsin's proposal if Yeltsin could agree to his "Hong Kong formula," thus combining the two proposals. Final replies would be announced later as the two leaders agreed to meet in Russia in the autumn for an official summit, and back in Japan in spring 1999. However, the agreed official summits would not occur between the two as Hashimoto would resign less than three months later and Yeltsin would continue to weaken both physically and politically (Ziegler 1999, 17).

At the Kawana summit, both leaders raised the ante from the positive steps made at Krasnoyarsk. With the clock winding down to 2000 the two leaders made the first official peace proposals since the 1956 Soviet-Japanese summits. Yeltsin's peace proposal was incomplete for Hashimoto who needed a solution to the territorial dispute prior to normalizing relations. Hashimoto simply misjudged Yeltsin's reaction to his proposal. Possibly, it was Hashimoto's timing that resulted in Yeltsin's indirect

rejection of his peace proposal. As it appeared after Kawana, the struggle to solve the territorial dispute would continue into the final moments before the deadline.

In July 1998 Hashimoto resigned and Obuchi, who was a member of the Hashimoto-led faction in the LDP, succeeded him to become Prime Minister. The autumn 1998 summit in Russia scheduled between Yeltsin and Hashimoto would still take place; however, Obuchi would take the place of Hashimoto in the summit with Yeltsin. Obuchi and Yeltsin met in November 1998 at Moscow. The summit was official and, unlike the previous two Yeltsin-Hashimoto summits, neck-ties were worn by the two leaders (*Asahi Shimbun* [Tokyo] 1998b, 1). The two met for only an hour and a half in the Kremlin, yet managed to produce the lengthy *Moscow Declaration* which reiterated the commitment by both sides to conclude a peace treaty by 2000. In addition, the document created two subcommissions, one on border demarcation and a second on joint economic activities on the southern Kuriles, under the existing joint commission on peace treaty negotiations (Ziegler 1999, 18).

As for the final answer on Hashimoto's "interesting" peace proposal offered at Kawana, Yeltsin responded that the Russians were not able to agree to the Hashimoto's "Hong Kong formula" (*Asahi Shimbun* [Tokyo] 1998b, 1). Furthermore,

Russia propose[s] to conclude the Treaty on Peace, Friendship, and Cooperation without solving the territorial dispute, including a clause promising further negotiations and a settlement in the future. Current debates on the Southern Kuriles would be better channeled to the topic of joint economic development (*Asahi Shimbun* [Tokyo] 1998b, 1).

Yeltsin had made it clear that he was only willing to sign a peace treaty if the Japanese would separate their bond between a peace treaty and a prior solution to the territorial dispute. The multilayered approach had indeed softened Japanese foreign policy, but

normalizing relations without a prior solution to the territorial dispute would remain unacceptable to the Japanese, as did Yeltsin's twice offered "Treaty on Peace, Friendship, and Cooperation." Each item of Yeltsin's counterproposal was impermissible to the Japanese, and the possibility of solving the territorial dispute seemed less likely to happen by 2000, if at all. However, Yeltsin did agree to visit Japan in spring 1999 to continue working on a peace treaty.

In March 1999 Yeltsin postponed his visit to Japan, the third postponement by Yeltsin since he became president of Russia, citing his "health condition" as the factor (*BBC Monitoring Asia Pacific* [Tokyo] 1999). With the year 2000 deadline nine months away, the Japanese would send a delegate to visit Yeltsin and assure he would come to Japan in the autumn. Having the best rapport with the Russian leader of any officials in Tokyo, Hashimoto would inquire about Yeltsin's future visit to Japan while he visited Moscow.

After resigning as Prime Minister in July 1998, Hashimoto was appointed to top foreign policy advisor by his successor, Obuchi. In April 1999 Hashimoto went to Moscow upon invitation by Yeltsin to meet for the final time (Ivanov 1999, 4). Although no significant breakthroughs were achieved, the two reaffirmed their commitments to solve the territorial dispute and thus, sign a peace treaty (Ivanov 1999, 4). However, this time, the two individuals worded the affirmation "*in 2000*," not "*by 2000*," a clear indication that the two realized the deadline was fast approaching and perhaps unrealistic in the short-term (Ivanov 1999, 4). Hashimoto also asked Yeltsin to visit Japan in the autumn, to which Yeltsin agreed (Ivanov 1999, 4). A Yeltsin visit to Japan in autumn 1999 would obviously be the final attempt by the two countries to

solve the territorial dispute by the 2000 deadline set in November 1997. In what became characteristic to the Japanese, Yeltsin postponed his autumn 1999 visit to the spring 2000 again citing “health concerns” in December 1999 (*Associated Press Newswires* [Moscow] December 17, 1999).

Days after Yeltsin cancelled his autumn 1999 visit to Tokyo in December 1999, he announced his resignation effective at the end of the year, thus leaving Japanese officials bitter over his delayed and apparently cancelled trip to Japan (*Japan Economic Newswire* [Tokyo] 1999b). The November 1997 deadline “by 2000” was a failure for Yeltsin as well as Hashimoto who agreed to it. However, the two did change their terminology from “by 2000” to “in 2000,” adding one more year to solve the territorial dispute and thus, normalize relations.

Statements: 2000 to Present

With Yeltsin’s resignation effective December 31, 1999 and Obuchi’s fatal stroke in April 2000, the new premiers of the two countries would have no involvement with previous bilateral contacts and were not bound by former propositions. Furthermore, the 1997 *Yeltsin-Hashimoto Plan* was set to expire in September, three years after the accord was signed. With this, new Russian President Vladimir Putin and Japanese Prime Minister Yoshiro Mori met in Septemeber 2000 in Tokyo to repair the resentment left over from Yeltsin’s actions.

On his way to Tokyo Putin made his position on the territorial dispute clear at a stop at Yuzhno-Sakhalinsk; “But who has said we are going to give up the islands” (*Vremia News Agency* [Moscow] 2000)? At the summit, Mori reintroduced Hashimoto’s “Hong Kong formula” as a solution for peace. However, Putin responded

“Russia’s plans do not completely match Japan’s but I recognize the problem’s existence and am ready to continue negotiations based on past agreements with Japan” (*Japan Times* [Tokyo] 2000, 1). Also at the summit, Putin inform Mori that he would not pursue utilizing Yeltsin’s proposed “Peace, Friendship, and Cooperation Treaty” as Putin stressed that he recognized that a peace treaty is directly linked to the territorial dispute (Zagorsky 2001, 82). Secondly, Putin notified Mori that he would accept the 1956 Joint Soviet-Japanese Declaration, which transferred Shikotan and the Habomai group to Japanese sovereignty, as an acceptable peace treaty (Zagorsky 2001, 82). Nonetheless, it was clear from the September 2000 summit that the Yeltsin-Hashimoto deadline extended *in 2000* would not be reached.

By rejecting Yeltsin’s peace proposal yet accepting the 1956 Soviet-Japanese proposal, Putin offered a new approach to seeking a solution on the territorial dispute. However, it is interesting to note Putin’s inconsistency; where in Yuzhno-Sakhalinsk Putin assured Russians that no islands would be given up, he agreed to the 1956 Soviet-Japanese peace treaty in which Russia would relinquish control of Shikotan and the Habomai group. Putin’s support of the 1956 Soviet-Japanese treaty would cause a stir in both countries’ state ministries through the following years, however he has remained consistent in his position.

In January 2001 Russian Foreign Minister Igor Ivanov met with his Japanese counterpart, Yohei Kono in Moscow. At the meeting, Ivanov irritably turned down a proposal by Kono to return Shikotan and the Habomai group, as specified in the 1956 proposal, on the condition talks could continue on the other two islands (*Izvestia* [Moscow] 2001, 12). Ivanov responded to Kono “the 1956 declaration has nothing to

do with Kunashir and Iturup Islands” (*Izvestia* [Moscow] 2001, 12). The two left the meeting with no agreements made.

Kono’s offering to accept the 1956 Soviet-Japanese proposal did not sit well with other cabinet members, including Hashimoto who was serving as Director General of Hokkaido and Okinawa Development Agency. Upon Kono’s return, Hashimoto remarked “Japan would adhere to the basic policy of winning back all the disputed islands at once. It is inconceivable that Japan should propose a return of two islands, Habomai and Shikotan, preceding the reversion of the remaining two” (*BBC Monitoring Asia Pacific* [Tokyo] 2001). Mori, however, agreed to Kono’s offering as he indicated to Putin in a second, otherwise unproductive summit in March 2001 at Irkutsk.

At this point, it is worth detailing the impact that Japanese official Muneo Suzuki has had on Japanese foreign policy and Russo-Japanese relations. Suzuki first entered the Diet in 1983 serving for a constituency in eastern Hokkaido (Shimoinaba 1997, 5). In 1997 Hashimoto appointed him Director General of the Hokkaido and Okinawa Development Agency (*Japan Economic Newswire* [Tokyo] 1998b). In June 1998 Suzuki visited Kunashir Island, being the first Japanese cabinet minister to visit one of the disputed territories (*Japan Economic Newswire* [Tokyo] 1998a). While at Kunashir, Suzuki presented Vladimir Zema, head of the Russian Southern Kuril zone, with funds to assist in the rebuilding of a pier destroyed in the 1994 earthquake (*Japan Economic Newswire* [Tokyo] 1998a). Serving as Deputy Chief Cabinet Secretary for Political Affairs, Suzuki made a second visit to Kunashir Island in July 1999 (*Japan Economic Newswire* [Tokyo] 1999a). Suzuki won favor from island residents when he announced that Tokyo would provide 2,000 tons of diesel fuel and medical supplies, and

would also dispatch Japanese doctors to the island (*Japan Economic Newswire* [Tokyo] 1999a). In addition, the Japanese would donate other materials for the schools (*Japan Economic Newswire* [Tokyo] 1999a).

In February 2001 Suzuki was critical of Hashimoto's demand that all four disputed islands be settled simultaneously, "The remarks may send an incorrect message to Russia that Japan is inflexible on the matter" (*BBC Monitoring Asia Pacific* [Tokyo] 2001). Suzuki was in obvious support of Kono's plan to adhere to the 1956 peace plan while continuing talks on Iturup and Kunashir (*Yomiuri Shimbun* [Tokyo] 2001b, 8). In April 2000, Suzuki went to Moscow as an envoy for Mori where he disclosed to Putin by phone that Japan would be interested in agreeing to the 1956 Soviet-Japanese peace proposal, a suggestion that Putin would later propose at his November 2000 summit with Mori (*Yomiuri Shimbun* [Tokyo] 2002b, 3). Also in support of the 1956 peace plan was Mori who in November 2001 notified Suzuki regarding diplomatic relations with Russia: "I will be counting on you. I'll change the government's policy course concerning negotiations with Moscow over the Northern Territories back to the original version that you and I jointly agreed on" (*Yomiuri Shimbun* [Tokyo] 2001b, 8).

By February 2002 Suzuki's dominant influence in foreign affairs began to collapse when fellow Diet members began questioning if he was unlawfully using public funds in projects he initiated at Kunashir Island. Japanese Communist Party official Kensho Sasaki revealed that a community center built on Kunashir named the "Muneo House" by residents was actually built by a Hokkaido construction company which received the task as a kickback for political donations to Suzuki (*Asahi Shimbun* [Tokyo] 2002a, 2). Furthermore, a clinic on Shikotan was named the Muneo Suzuki

Medical Office and a four-wheel drive vehicle given to the island by Japan in 1992 was referred to as the “Muneo” (*Asahi Shimbun* [Tokyo] 2002a, 2). Suzuki refuted Sasaki’s charges stating

I did not name those facilities such as Muneo House and Muneo Suzuki Medical Office. The local residents have used those names based on trust. The political donations have been handled according to the provisions of the law and there has been nothing suspicious about them (*Asahi Shimbun* [Tokyo] 2002a, 2).

Suzuki lost even more credibility in March when an internal document was found in which Suzuki was quoted as saying: “If the [disputed] islands are returned, it will not bring the nation any benefit. The government should terminate negotiations for the return of the territory and instead promote economic exchanges with the four islands” (*Yomiuri Shimbun* [Tokyo] 2002a, 1). Suzuki was asked to resign his post in the Diet as well as his membership in the LDP, and later was indicted for bribery charges (*Asahi Shimbun* [Tokyo] 2002a, 3).

The acts of Suzuki scarred Russo-Japanese relations and in particular, progress on the territorial dispute. In July 2002 the residents of Kunashir Island, who at one time called Suzuki “Santa Claus,” complained that “Japan’s assistance smacks of political intentions” (*Asahi Shimbun* [Tokyo] 2002b, 1). A village mayor in Iturup declared “We do not feel a need for Japan’s assistance anymore” (*Asahi Shimbun* [Tokyo] 2002b, 1). As a result of the Suzuki scandals, Tokyo suspended large-scale projects on the islands in early 2002 until further notice (*Asahi Shimbun* [Tokyo] 2002b, 1).

Throughout 2002 Russo-Japanese relations would have to be put on hold while the Japanese would clean up the mess made by Suzuki and possibly rework their foreign policy which, officially, was still the 1997 multilayered approach. In April 2001, Junichiro Koizumi replaced Mori as Prime Minister. In October 2001 Koizumi

confirmed his position' "We won't sign a peace treaty with Russia unless it confirms that all four islands belong to Japan," thus adhering to Hashimoto's stance and objecting to that of Mori and Suzuki (*Yomiuri Shimbun* [Tokyo] 2001a, 1). In January 2003 Koizumi attempted to place the multilayered approach back on track when he met with Putin in Moscow. Koizumi assured Putin he was not in favor of the 1956 Soviet-Japanese proposal or the two-step approach preferred by Mori and Suzuki, "Once the attribution of the four islands is determined, we'll be able to more flexibly consider the return of the territories" (Mochizuki 2003, 1).

The two leaders proceeded in the summit by signing what was described as an "action plan," not a formal treaty (Myers 2003, A.6). The first initiative of the Japan-Russia Action Plan is the "Deepening of Political Dialogue: Advancing Multilayered and Comprehensive Dialogue" (MOFA 2003). Note the obvious reference to the foreign policy of a multilayered approach. Two of Hashimoto's axioms are also mentioned in the fourth initiative; "Cooperation in Trade and Economic Areas: *Trust and Actions of Mutual Benefit*" (MOFA 2003). Overall, the action plan included various means to increasing bilateral cooperation via economic, cultural, and security ties. For Hashimoto the 2003 Japan-Russia Action Plan was a success because it deepened bilateral relations at various layers while the territorial dispute would not bar progress in these areas. Additionally, Koizumi concurred with the implementations of the multilayered approach and the foreign policy was back on track.

Cultural and Economic Influence on Islands' Residents

Public opinion has played a substantial role in the territorial dispute since the fall of the Soviet Union, particularly the opinion of those who reside on the southern Kuriles. If the current residents could see the economic benefits of living under Japanese rule or relocating at the Japanese expense, Tokyo would have an advantage in the territorial dispute. To win the support of the current residents, the Japanese would have to create a friendly, neighborly atmosphere in which the current residents would consider Tokyo more responsive to their regional needs than Moscow. However, obvious barriers exist.

The current residents are ethnic Russians who speak Russian (Okuyama 2003, 46). Most moved to the islands in the 1950's and 1960's because of salaries that were offered two- and three-times higher than the mainland (Okuyama 2003, 46). Because all former Japanese residents were either extradited to Japan, escaped to Japan, died in the short-lived war, or sent to Siberia war camps, none of the current residents have ethnic kinships with the Japanese. Furthermore, the predominant religion on the southern Kuriles is Eastern Orthodoxy, not Buddhism or Shinto, and the standard alcoholic beverage is vodka, not sake (Filipov 1997, A2). If the current residents of the southern Kuriles are to support the transfer of sovereignty, the Japanese have to build cultural bonds with the residents. Furthermore, a second difficulty to building a friendship and winning an ally on the territorial dispute is the wealth disparity. Currently, Japan ranks among the wealthiest of countries while the current residents of the southern Kuriles are living in poverty with energy and health supplies shortages. The current residents will only welcome the opening of cultural bonds if the Japanese are willing to economically support the residents.

In this section the methods to entice the current residents of the southern Kuriles by Tokyo, via increasing Japanese cultural presence and economic ties with the islands, are revealed. Hashimoto called for the building of economic ties with Russia without linking it to the territorial dispute. In addition, he also stated in his July 1997 speech:

One example of a major advance toward the resolution of [the territorial] issue is the movement to foster continuing trust in the islands through visits to graves in the Northern Territories and Fishery Frameworks which are currently under negotiation, among other measures (speech by Hashimoto 1997a).

By increasing personal interactions between Japanese and the current residents, closer bonds are being built between the parties. And with an increase in Japanese cultural presence on the islands, the residents will gradually feel more akin to their neighbors a few hundred miles to the south in Tokyo than their contemporaries thousands of miles west in Moscow.

Chronological Backdrop

In 1986 an agreement was made between Soviet and Japanese officials to allow former residents and their families to visit grave sites on Soviet territory including the southern Kuriles (Panov 1995, 76). Until this time the Soviet residents had insufficient contact with the Japanese and knew little about the territorial dispute itself (Nimmo 1994, 129). After the fall of the Soviet Union in 1992, the residents of the southern Kuriles began receiving invitations to Hokkaido for cultural exchanges whereby the Japanese could plea their case to the residents. Upon arriving at the nearest Hokkaido port town of Nemuro, the Russians found billboards on the docks stating “Welcome to Nemuro. Give back the Northern Territories” (Baker 1995, 3)! In 1996 Japanese fishermen who had entered Russian waters near the Kuriles were shot at and detained by Russian officials, causing an increase of hostilities in the region (Filipov 1997, A2).

Hostilities continued in 1997 when residents of Nemuro complained that the Russian authorities placed a 30 foot Orthodox cross on one of the Habomai islands less than three miles from the Nemuro coasts (Filipov 1997, A2). Inscribed on the cross was a plea for future Russian leaders not to give up the islands (Filipov 1997, A2).

Despite these unconventional hostilities, relations between Japanese and the current residents of the southern Kuriles have typically been pleasant since the fall of the Soviet Union. In response to the October 1994 Kunashir Island earthquake which resulted in 11 deaths, Tokyo offered 100 million yen in much needed humanitarian aid to the residents of the southern Kuriles (*Japan Policy & Politics* [Tokyo] 1994, 1). In April 1998 Russian and Japanese officials agreed to allow visa-free exchanges between the southern Kurile residents and the Japanese (*Japan Economic Newswire* [Tokyo] 1998). As agreed upon at Suzuki's first visit to Kunashir in June 1998 a Japanese language teacher would be sent to Kunashir as the first specialist to visit the island after visa-free exchanges were initiated (*Japan Economic Newswire* [Tokyo] 1998a). As previously mentioned, Suzuki also provided 450 million yen in humanitarian aid to assist in the rebuilding of a pier which was destroyed in the 1994 earthquake (*Japan Economic Newswire* [Tokyo] 1998a).

In November 1998 Tokyo pledged to donate two power generators and ten tons of emergency food aid to the southern Kurile residents to prepare for the upcoming winter (Matloff 1998, 6). Meanwhile, the Japanese cultural influence was beginning to show on the southern Kuriles, as described by one writer who visited the islands; "Sushi abounds, as do Toyota and Nissan vehicles" (Matloff 1998, 6). In July 1999 Suzuki conducted a second visit to Kunashir, this time bringing with him 2,000 tons of diesel

fuels, 18,000 disposable syringes, and announcing he would dispatch doctors to the southern Kuriles (*Jiji Press* 1999). In addition, the schools would receive Russian books, stationary products, and electronic organs from Japanese donations (*Jiji Press* 1999). Suzuki also began talks on constructing an emergency shelter/community center in Yuzhno-Kurilsk, Kunashir, which would later be the primary cause for his dismissal from the Diet and his arrest in 2002 (*Jiji Press* 1999).

By 2001 the quality of life for the southern Kurile residents was beginning to improve as a result of combined efforts by the Japanese, Russian, and local officials (Chernyakova 2001, 8). In July 2001 Sakhalin Oblast Vice Governor Sergei Podolyan openly credited Japan for solving the energy problems on the islands by providing fuel and building a generator (Chernyakova 2001, 8). Podolyan further credited Moscow for assisting in road construction and the construction of a hydrothermal power station (Chernyakova 2001, 8). In 1999 federal and regional government investment in the economies and infrastructures of the southern Kuriles amounted to \$2.54 million (Chernyakova 2001, 8). However by 2000 investment increased to \$9.78 million (Chernyakova 2001, 8). From 1999 to 2000 average salary of the residents grew from \$109.65 a month to \$154.55 a month (Chernyakova 2001, 8), and in 2001 the islands finally gained access to Internet connections (Chernyakova 2001, 8).

As it appeared the Japanese were facing competition from the Russians to assist development of the southern Kuriles, a disparity emerged in the development of each island. Iturup has experienced the best results in development. The island has the highest trade volume, with much of the trade coming from the United States, particularly Alaska (Ferguson 2000, 1). In 1999 Iturup exported 60 percent of its

marine products to the United States and 30 percent to Japan (Ferguson 2000, 1).

Rhenium has recently been found in the volcanoes on the northern portions of the island (Ferguson 2000, 1). If the development of rhenium, which is used in electronic components, spacecraft, missiles, and high-octane fuel, is successful, the residents of Iturup could see an additional boost to their economy (Ferguson 2000, 1).

The economic situations at Kunashir and especially Shikotan are not so great. Power outages are a daily occurrence, and the islands are rapidly depopulating (Ferguson 2000, 1). The population of Shikotan has fallen from 6,543 in 1994 to nearly half at 3,746 in 2000 (Ferguson 2000, 1). On Kunashir, which was most affected by the 1994 earthquake, the 1994 population was just over 11,700 (Brooke 2002, A4). In 2002 the population was around 7,800 (Brooke 2002, A4). However, the Japanese cultural and economic presence at these two islands has been the most prevalent. At Shikotan, where the Japanese have sent a disproportionately large amount of economic aid, Tokyo has financed the construction of a hospital (the Muneo Suzuki Medical Office), a school, a power generator, and the Japanese are also providing fuel and food on a regular basis (Working 2001, 1). At Kunashir the Japanese were responsible for financing the construction of the 417 million yen Muneo House and the rebuilding of a marine pier (*Asahi Shimbun* [Tokyo] 2002a, 2). Also, the diesel power generators built by Japan in 2000 account for one-third of the island's total power supply (*Asahi Shimbun* [Tokyo] 2002b, 11). Japan accounted for 50 percent of the total exports from the island with the majority of the remainder being exported to the United States (*Asahi Shimbun* [Tokyo] 2002b, 11). In 1997 Kunashir residents reported that 40 percent of their food came from

Japan, and among the few thousand vehicles in the island, all were Japanese make except five Russian vehicles (Okuyama 2003, 47).

When the Suzuki scandals broke out in February 2002, the building of relations between the current residents of the southern Kuriles and the Japanese regressed. One mayor declared “We appreciate Japan’s assistance such as diesel power generators, but recently we do not feel a need for Japan’s assistance anymore” (*Asahi Shimbun* [Tokyo] 2002b, 11). As a result of the Suzuki scandals and his role as advisor to MOFA, budget allocations for direct aid to the southern Kurile residents was cut 85 percent to 47.4 million yen in 2003 (Takahara 2003, 1). The overall budget which included construction and paying for exchange programs was also cut from 708 million yen in 2002 to 364 million yen in 2003 (Takahara 2003, 1). However, the Japanese revived their humanitarian aid program to the southern Kuriles in early 2004 when a ship carrying 9.4 million yen worth of supplies was sent to the islands (*BBC Monitoring Asia-Pacific* [Tokyo] 2004).

Public Opinion

Polls taken in the southern Kuriles on the territorial dispute have had varying results, yet some consistency remains (Working 2001, 1). In April 1998, the *Hokkaido Shimbun* conducted a comprehensive poll of the islanders, asking if they agreed with the return of the islands to Japan. On average, 73 percent of responses said either “Never” or “No transfer, but mutual management,” while 27 percent responded “Transfer and mutual management” or “Return the islands to Japan” (*Hokkaido Shimbun* [Sapporo] 1998, 1). Interestingly, responses varied by island. On Iturup, the island least impacted by Japanese aid, 76 percent responded either “Never” or “No transfer, but mutual

“Should Russia return the Southern Kurile Islands to Japan?”
(Values given in Percentage)

		<u>Kunashir</u>	<u>Iturup</u>	<u>Shikotan</u>
Never		48	53	36
No, but Mutual Management	37	23		22
Yes, with Mutual Management	5	1		7
<u>Immediate Return</u>		10	23	34

Source: *Hokkaido Shimbun*, 16 April 1998, p. 1

2001 Addendum

“Should Russia return the Southern Kurile Islands to Japan?”
(Values given in Percentage)

		<u>Kunashir</u>	<u>Iturup</u>	<u>Shikotan</u>
Never		48	58	26

Source: *Hokkaido Shimbun*, 7 January 2001, p. 4

Table 1. Poll taken on southern Kuriles by *Hokkaido Shimbun*, 1998 and 2001.

management” (*Hokkaido Shimbun* [Sapporo] 1998, 1). Of this, more than 50 percent wanted to never transfer power (*Hokkaido Shimbun* [Sapporo] 1998, 1). On Kunashir, “Never” or “No transfer, but mutual management” averaged 85 percent, with just less than half of respondents indicating they would prefer to never see the islands restored to Japan (*Hokkaido Shimbun* [Sapporo] 1998, 1). On Shikotan, only 58 percent of respondents stated they “Never” wanted transfer, or “No transfer, but mutual management” (*Hokkaido Shimbun* [Sapporo] 1998, 1). Regarding those who support an immediate restoration of the islands, 34 percent from Shikotan were in support, while 23 from Iturup were, and only ten were in support from Kunashir.

Overall, “Never” and “Immediate Return” were both more favorable than either of the “mutual management” alternatives. Among Kunashir residents, 42 percent would prefer a mutual management arrangement, while 24 percent of Iturup residents and 29 percent of Shikotan residents also selected either of the “Mutual Management” options. Given that the two extreme options were favored by majorities on all three islands, opinions appear to be strong among the islanders.

In an update to this study, the *Hokkaido Shimbun* found in 2001 that the percent of residents in Iturup who responded “Never” transfer sovereignty increased from 53 percent in 1998 to 58 percent in 2001 (*Hokkaido Shimbun* [Sapporo] 2001, 4). Also observed was that the percent of Shikotan residents who responded “Never” transfer sovereignty decreased from 36 percent in 1998 to 26 percent in 2001, thus widening the gap in public opinion between Shikotan residents and Iturup residents (*Hokkaido Shimbun* [Sapporo] 2001, 4). Kunashir residents maintained a response close to 48 percent in both polls (*Hokkaido Shimbun* [Sapporo] 2001, 4).

Clearly, a different attitude is emerging between the residents of Shikotan and the other islands. Shikotan residents have seen the greatest effect of Japanese aid on their island which has the worst economy (*Hokkaido Shimbun* [Sapporo] 1999, 3). On numerous occasions, Shikotan residents have presented a petition to Moscow proposing that Russia lease the Northern Territories to Japan, yet the idea was unsurprisingly never considered by Russian officials (Myer 1999, 3B). It is geographically the most isolated from the other inhabited Kuriles, and given that the island would have been transferred in the 1956 Soviet-Japanese proposal, Shikotan residents likely understand how vulnerable they are to any change in the border demarcation. Furthermore, aside from the uninhabited Habomais, Shikotan is the only southern Kurile Island which maintains its Japanese name rather using a Russian name¹.

The residents of Iturup possibly have more pro-Russian tendencies because of the impact Russian investment has had on the island. Living conditions are fair, and with a growing fishing industry on the island, the population is also increasing (Ferguson 2000, 1). Generally, Iturup residents will continue looking to the mainland and Sakhalin for economic and industrial support unless they can more clearly see the benefits of Japanese economic aid and a change of sovereignty.

The survey suggests that Kunashir residents harbor the strongest reaction against immediate return, despite the large amount of Japanese aid that has been allocated to the island and the cultural exchanges that have occurred. A consistent 48 percent of Kunashir residents indicated they would never support island restoration, and in the

¹ The Japanese names *Etorofu* and *Kunashiri* are simply reflections of the Japanese pronunciation of the Russian names for the islands. Although this fact is based on historical maps of the area, it is disputed in Japan today.

initial survey 85 percent of residents implied they would not support restoration in any form. In terms of economic development, Kunashir falls between Iturup and Shikotan, however it is the most populous island and serves as a regional seat of government for Sakhalin Oblast. As such, it has closer connections to Yuzhno-Sakhalinsk, the capitol city of the oblast, and the remainder of Russia. With the more recent developments of the Suzuki scandals, another *Hokkaido Shimbun* survey would likely point toward further trends. The residents of Kunashir were so fond of Suzuki they referred to him as “Santa Claus” when he came to visit in the summers of 1998 and 1999. However they were consistent to resist the economic and cultural enticements from the Japanese.

It seems that the residents of Kunashir and a number of residents in all southern Kuriles appreciate the assistance and attention received from Tokyo; however, they are not accepting the arguments they hear when Japanese officials visit the islands or during exchange visits to Japan. One Kunashir resident who went on a Japanese-financed trip to a “friendship banquet” in Hokkaido explained, “They try to convince us, and we listen politely” (Working 2001, 2). When asked why go if her mind was already made up, the Kunashir resident replied “If they invite us, why should we decline? We want to see how they live” (Working 2001, 2).

Since the implementation of the multilayered approach to foreign policy, Tokyo has worked to increase its economic and cultural presence by means of foreign aid and paid-for cultural exchanges with the current residents, but difficulties have ensued. The Suzuki scandals resulted in the suspension of various forms of economic aid to the southern Kuriles from Tokyo temporarily from 2002 to 2003, but Tokyo stepped up efforts again in 2004. In addition, an increase in living standards and Russian

investment particularly in Iturup as well as trade with the United States have blurred the results of Japanese aid to the islanders. On Kunashir the consequences of Japanese aid can be seen, but the impact of the Suzuki scandals has likely affected the islanders who had a personal fondness for Suzuki. Considering that Shikotan has the lowest living standards among the southern Kuriles and Putin has indicated on several occasions that he would agree to the 1956 Soviet-Japanese peace proposal, it is obvious that residents are more likely to approve a transfer of sovereignty than residents from the other islands. Moreover, the island has a geographic proximity closer to Japan and is somewhat isolated from the Greater Kuriles.

Outcomes

Prior to 1997 the Japanese experienced bouts of optimism that the territorial dispute would be solved. However, these periods were always followed by stagnation on this issue. After 1997 this observation would remain the same. With the two “no neck-tie” summits in November 1997 and April 1998 and the agreement to set a deadline for rapprochement, the pendulum swing toward optimism was greater than ever. However, when the two sides did not achieve the 2000 deadline and because of the Suzuki scandals in 2002, the pendulum has swung back. Hashimoto and Yeltsin made significant progress in the first “no neck-tie” summit at Krasnoyarsk by setting the 2000 deadline and increasing dialog on bilateral economic ties and political cooperation. At the second “no neck-tie” summit, both men made bold moves by presenting peace agreement proposals. However, at the same time they realized the significance of the stakes involved and neither would budge.

In theory, Hashimoto's multilayered approach could possibly be successful in solving the territorial dispute. However, in reality the foreign policy has faced some unexpected twists. Hashimoto proposed maintaining a long-term perspective in relation to the territorial dispute. He obviously was not prepared for Yeltsin to propose the 2000 deadline, which he agreed to. Similarly, when Suzuki, Mori, and Putin agreed at various times to reintroduce the 1956 Soviet-Japanese two-island transfer proposal in 2000, the Japanese foreign policy came into question.

With Koizumi as Prime Minister and Suzuki removed from the Diet, Hashimoto's multilayered approach received a second opportunity to make an impact on the territorial dispute. The 2003 Japan-Russia Action Plan signed by Koizumi and Putin is particularly reminiscent of the ideas associated with Hashimoto's multilayered approach, and signals that Hashimoto's policy was re-stabilized by Koizumi as Japan's official foreign policy with Russia.

The responses to Japan's demands to regain sovereignty among the southern Kuriles' residents have varied by the island and the economic well-being of the islanders. It appears a correlation exists between the economic well-being of the residents and their thoughts on the dispute. The exchange programs between Japanese and current residents of the Kuriles as well as the Japanese allotting of generous economic aid to the residents have increased goodwill between the countries. However, it appears these activities have done little to change the opinions of the residents. Moreover, considering the Suzuki scandals, the campaign to entice the current residents of the southern Kuriles has faced some major setbacks that will require a significant amount of effort and time in order to have successful results, in the view of the Japanese.

Overall, the Suzuki scandal has served as the fundamental roadblock to the implementation of the multilayered approach as it affected relations with the residents of the southern Kuriles. All things considered, it is not appropriate to state that the foreign policy has failed to solve the territorial dispute. Significant steps were made in the “no neck-tie” summits in terms of both sides opening up dialog and creating an environment whereby Russian and Japanese leaders could directly offer peace proposals to each other. Nevertheless, with all events related to the Suzuki scandals along with Yeltsin’s unpredictability and later, resignation, it is understandable why little has been achieved.

Final Remark

Hashimoto’s approach to diplomacy with Russia was successful in warming relations whereby the leaders of the countries could directly engage in discussions on the territorial dispute and offer proposals for peace. However, despite the inviting language associated with Hashimoto’s foreign policy, he remained firm that any two-island proposal, such as the 1956 Soviet-Japanese peace proposal would be impermissible, something that was reiterated by Koizumi on various occasions. With the exceptions of Suzuki’s abuse of power and Mori’s naivety in allowing Suzuki to control Japan’s Russia policy, Hashimoto’s policy has remained solid in its objective to regain all four southern Kuriles as well as the means to achieve this objective. Winning the support of the current residents of the islands is crucial if the Japanese want to regain sovereignty over the islands, as the current residents are the pawns being weighed in the balance between Russia and Japan. Although the actual number of residents who support such a transfer of power is significant, the campaign to entice the current residents has seen little success. Overall, Hashimoto’s foreign policy can indeed be

credited for setting a standard for a warmer, more welcoming relationship between Russian and Japanese leaders when discussing the territorial dispute. However, with the impediments from Suzuki, the cultural and economic impact upon the islanders has yet to produce any significant results for the Japanese.

CHAPTER SEVEN

CONCLUSION

Summary of Findings

The 1997 multilayered approach came at a time of dissatisfaction for the Japanese. Russia had been a democratic country for five years, yet no solution to the territorial dispute seemed possible. The Japanese were increasingly defying the tenets of the expanded equilibrium and a new policy was needed to break the deadlock on the territorial dispute. In 1996 Russia modified its foreign policy with Japan to a warmer, more reasonable policy, and the Japanese were obliged to respond. When the Japanese Liberal Democratic Party (LDP) regained the office of Prime Minister after three years of opposing party control, a new, reformist vision was needed to regain public popularity. Meanwhile, with the rise of Chinese hegemony in Northeast Asia, Japan needed to start building alliances to balance Beijing's emerging power. The architect of the multilayered approach, Hashimoto, had received valuable suggestions on warming Russo-Japanese relations from Russian Ambassador Panov and American President Clinton. In addition, he was known as an advocate of building Russo-Japanese ties since he drafted the *Hashimoto Plan* in 1993.

With the initiation of the multilayered approach to foreign policy with Russia, the Japanese embarked on a new approach, an exit approach, whereby regaining the southern Kuriles would come about after close economic relationship with Russia was

built. The policy was more reasonable than its preceding policies which only discouraged the Russians. Essentially, Japan would still be using the economic lure in a *carrot-and-stick* manner, but this time Russians could view the Japanese as contemporaries unbound by the territorial dispute in economic affairs.

Contrary to what was postulated in the hypothesis, in the years following the implementation of the multilayered approach the foreign policy has achieved little in advancing bilateral economic ties beyond the modest ties that existed prior to 1997. Of the large scale investment projects in Siberia and the Russian Far East that Hashimoto presented in his speeches and summit documents, only one has experienced moderate success. The Irkutsk natural gas projects have been abandoned by Japanese corporations, the Yakutsk natural gas projects have been deemed too expensive, and progress on the Zarubino Port project has been extraordinarily slow. However, the Japanese are maintaining a steady presence at the Sakhalin-1 and -2 projects, making up 30 percent of investing corporations. All the while, no Japanese corporation has expressed interest in the forthcoming Sakhalin-3, -4, or -5 projects. Since the inception of the 1997 foreign policy there has been no consistent increase in Russo-Japanese trade volume, Japanese investments in Russia, or foreign aid. Moreover, Tokyo has done little to financially support Japanese corporations venturing to invest in Russia.

Over the last half century Russia and Japan have maintained one of the weakest economic relationships between two of the world's most economically significant countries. Hashimoto hoped to develop this economic relationship in 1997 with the implementation of the multilayered approach. However, barriers have emerged such as adventuresome international competition, lack of internal stability and infrastructure in

Siberia and the Russian Far East, and the bitterness that has ensued over the territorial dispute as well as the troubled historic relationship between the two countries.

The 1997 multilayered approach to foreign policy with Russia has not significantly assisted in developing bilateral economic ties. Indeed, mutual perceptions between Russians and Japanese might have been influenced, but little progress has been seen in economics. In the case of this study, the factors of private enterprise economic systems outweigh the impact of political alterations to foreign relations. Japanese corporations will increase their investments in Russia when there is a favorable environment and a consumer demand to do so. So long as the political institutions in Japan provide such modest support to invest in Russia, corporations will implement their investment projects elsewhere.

Since the fall of the Soviet Union, bouts of optimism on solving the territorial dispute have only been succeeded by periods of stagnation on the issue. This counters the hypothesis, which assumed that gradual advances in open bilateral dialog on the territorial dispute and a peace treaty would persist as a result of Hashimoto's foreign policy. The optimism of 1992 when an independent, democratic Russia emerged was succeeded by Yeltsin's postponed visits and a series of weak Prime Ministers in Japan. Optimism reemerged in 1996 with Primakov's appointment as Russian foreign minister, and the "no neck-tie" summits resulted in tremendous strides towards peace including the establishment of a peace deadline. However, with Yeltsin's ill health, Hashimoto's resignation as Prime Minister, the Suzuki scandals, and the temporary deviation from the multilayered approach by Mori, the foreign policy came into question along with a solution for the territorial dispute. With the emergence of Koizumi as Prime Minister

along with the 2003 Japan-Russia Action Plan signed with Putin, the multilayered approach was fully reinvigorated.

The Japanese cultural and economic pressures on the current residents of the southern Kuriles in order to win their support for reinstating Japanese sovereignty have had varying results. Kunashir and Iturup islanders are the most likely to oppose the change of sovereignty while Shikotan islanders are the most likely to support it. After the implementation of the multilayered approach, the Japanese increased their economic support and cultural exchanges with the islands' residents primarily because of the work by Suzuki. However, when it was revealed that Suzuki illegally hired a contracting corporation from his constituency to do work on Kunashir Island as a kickback, trust was broken between the islanders and the Japanese. Economic aid and cultural exchanges have fully resumed, but are tainted by the acts of Suzuki.

As the Japanese leaders slowly work toward a resolution with the Russians, they will have to recognize that winning support from the islanders will not be as simple as they anticipated. The residents of the southern Kuriles appreciate the economic support and cultural exchanges, but they generally do not want their home islands to be part of what is a foreign country to them. It is quite understandable why the residents would not want to leave a largely heterogeneous Russia where they make up a part of the ethnic majority and join a largely homogeneous Japan where they are the ethnic minority. Considering this innate "us and them" human approach, it is remarkable in itself that 22 percent of surveyed islanders stated they supported an immediate restoration of Japanese sovereignty in the 1998 *Hokkaido Shimbun* poll. The only explanation available is that the economic situation is so grim that residents would

prefer *selling* their homeland for the promise of a better life under the rule of a foreign country. This explanation is evident in that a larger percentage of residents from the poverty-stricken Shikotan Island support immediate change of sovereignty than Kunashir or Iturup, which is experiencing substantial economic development.

There is also the fear by the current residents that if a transfer of sovereignty actually occurs, the economic support the Japanese have been giving will end. As one resident lamented, “Japan has built a hospital, a school, and a power generator, and it provides fuel and food to the islanders. Of course, the Japanese are not going to feed these people if they take over the island” (Working 2001, 2). However, others disagree that the transfer of sovereignty would result in improvements for their lifestyles. One Kunashir resident stated “I support this idea with all my heart, because I am sick and tired of this disorder on the island. Because right now for common people, nothing ever changes. The prices are increasing, and there’s no fish in the stores” (Working 2000, 2). The Japanese need to gain trust from the current residents in order to convince them that a transfer of sovereignty is beneficial to their economic situations and in their best interests, despite the obvious ethnic barriers.

The multilayered approach has largely been ineffective in boosting bilateral economic development as Russo-Japanese economic ties have remained stagnant since the earliest years of bilateral relations. A survey conducted in the 1990’s asked Japanese citizens if they considered relations with Russia, among other countries, important to Japan. In 1995 and 1996, only seven percent responded that Russo-Japanese relations were important (Hasegawa 2000b, 316). In 1997, the year the multilayered approach was initiated, eight percent responded that Russo-Japanese

relations were important (Hasegawa 2000b, 316). After the two “no neck-tie” summits of late 1997 and early 1998 and the announcement that relations would be normalized by 2000, 13 percent responded that Russo-Japanese relations were important (Hasegawa 2000b, 316). In 1999 the percentage remained above average as 11 percent of respondents stated Russo-Japanese relations were important (Hasegawa 2000b, 316). There was a slight increase in the number of Japanese citizens who considered relations with Russia significant after the multilayered approach was implemented, but this remains a very low percentage. Considering the talk about economic potential since the multilayered approach was initiated, the geographic proximity of the two countries, and their political strengthens on the world stage, this percentage indicates a dismissal of Russia and one could further assume that if Japan was to ever regain the southern Kuriles, the Russian residents might not be treated so well. Rather they could be marginalized and pushed out on account of Japanese settlement.

Postscript

Alexei Zagorsky believes that the multilayered approach is a failure and should be abandoned by the current Japanese leadership as discussed in his 2001 *Pacific Affairs* paper: “Now Japan must find a new approach to Russia, while Moscow shows a lack of interest in spite of all the promising words said” (Zagorsky 2001, 89). Zagorsky’s opinion on the ineptitude of the multilayered approach is not entirely accurate. Hashimoto’s foreign policy has faced immense challenges including: 1) Yeltsin’s unpredictability such as the 2000 deadline and later his resignation, 2) the two-stage island proposal created by Suzuki, conveyed to Putin, and endorsed by Mori,

3) Suzuki's Kunashir Island scandal; and 4) an economic recession. However, much of these obstructions are now gone. Yeltsin is not in power and Russia has a more stable leader. Suzuki has been reelected to the Diet but with much less power and with a much smaller political party. Mori resigned from the office of Prime Minister. Economic aid to the southern Kuriles has resumed at the standard rate, and Japan has climbed out of the economic recession.

The multilayered approach requires steady progress before the true benefits of the policy are to be seen. Hashimoto knew this in 1997 when he explained, "More than anything, steady, concrete progress could become a landmark that will not have our children's and grandchildren's generation inherit [the territorial] issue" (speech by Hashimoto 1997a). He continued "I would like to discuss [the territorial] matter calmly, based on a long-term perspective" (speech by Hashimoto 1997a). With the developments at the "no neck-tie" summits and the recommitment to the policy in the 2003 Japan-Russia Action Plan, relations are warming, particularly between the heads of state, and although no solution to the territorial dispute has been agreed upon, ideas have been proposed and commitments have been made to solve it. These are developments from the period when the Soviets would not recognize the dispute, or the early 1990's when Yeltsin would avoid discussing the dispute by postponing visits to Japan.

Nevertheless, the multilayered approach will continue to be vulnerable. Only three years in existence, it already came into question when Mori endorsed Suzuki's two-island proposal. It is also relatively old. The policy of *seikei fukabun* lasted from the 1985 to 1989, only four years. Its revision, the expanded equilibrium lasted only four years before the Japanese started defying it under international pressure to do so in

1993. However, that policy officially lasted 1989 to 1996, seven years. As of date, the multilayered approach has been in existence ten years. If there is a revision to the policy, it would be beneficial for the Japanese to maintain the exit approach, unless they forfeit demands on the southern Kuriles altogether. In addition, the Japanese Prime Ministers who have succeeded Koizumi, Shintaro Abe and Yasuo Fukuda, have served as Koizumi protégés with regards to their foreign policies. However, both are less charismatic leaders who have appeared neither as concerned nor effective with regards to Russo-Japanese relations. If another Prime Minister emerges, particularly from an opposing party, the multilayered approach will come into question by the new administration.

The year 2005 marked the 150-year anniversary of Russo-Japanese relations as well as 60 years since the southern Kuriles were seized by the Soviets and the Japanese residents began abandoning their homes. In the next decade, few if any of these former residents, who currently champion the campaigns to return the islands, will be alive. Additionally, Hashimoto passed away in July 2006 at age 68 (*Japan Times* [Tokyo] 2006, 1). The fight to restore the southern Kuriles will be left in the hands of a younger generation who never lived on the islands or during the time when the islands were seized. It is questionable if this new generation will approach the conflict with a similar vigor and determination as the former generation. If the future generation loosens its lobbying controls in Tokyo and support for cultural exchanges with the current residents, the Japanese government will gradually lose its drive to regain the islands. This could easily result in the Japanese agreeing to a two-island transfer like the one proposed by

Putin or seeking normalized relations without a return of the disputed islands. This, perhaps, is something the Russian government is awaiting.

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Thesis: TRUST, MUTUAL BENEFIT AND A LONG-TERM
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Scope and Method of Study: The purpose of this study is to uncover how a recent Japanese foreign policy with Russia came about, and determine in what fields it has succeeded in finding a solution to the Kurile Islands dispute and thus, normalize Russo-Japanese relations through the building of economic ties. Media reports and government documents were used to indicate trends in policy along with economic data.

Findings and Conclusions: The initiative to change foreign policy was possibly motivated by several factors: the Russian reformulation of policy, international pressure, personal predispositions, defiance of the former Japanese policy, and others. The policy has been largely unsuccessful in increasing bilateral economic ties, evidenced by the decline of Japanese corporate investment in Russia, and the lack of increases in Japanese aid and bilateral trade volume. The 1997 foreign policy has had moderate successes in normalizing relations, but the policy has faced series barriers such as scandals and lack of support.

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