21. Russian–Japanese relations: back to the deadlock

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I. Introduction

Since the late 1980s Russia and Japan have sought a normalization of their relations. Three periods of active effort can be distinguished. The first came in the late Gorbachev era, with its culmination in the summit meeting between Soviet President Mikhail Gorbachev and Prime Minister Toshiki Kaifu in 1991. The second was initiated after the collapse of the USSR in 1991 and the emergence of a democratic Russian statehood. Briefly jeopardized by the sudden postponement of President Boris Yeltsin’s visit to Tokyo in September 1992, the efforts of this period bore fruit when Yeltsin finally visited Tokyo in October 1993 and the Tokyo Declaration was issued.¹ The third period has seen the rapid activation of Russian–Japanese diplomatic contacts since 1996 with the Yeltsin–Hashimoto ‘no-necktie’ summit meetings in November 1997 and April 1998 as its high points. The formal summit meeting between Yeltsin and the Japanese Prime Minister, Keizo Obuchi, in November 1998 followed the same line but seems to have added nothing of substance.

Although each stage aroused high expectations, none has succeeded in achieving the desired breakthrough. On the surface the only major obstacle seems to be the Japanese and Russian positions on the territorial dispute over the southern Kuril Islands. Taken by the Soviet Union in the final days of World War II, and known in Japan as the Northern Territories, or hoppo ryodo, they consist of Iturup (Etorofu), Kunashir (Kunashiri), Shikotan and the Habomai group (the smaller Kuril chain, or Malaya Kurilskaya gryada in Russian).² This conclusion is supported by the fact that by 1990 the elaboration of a bilateral peace treaty ending the countries’ state of war had found a compromise on every issue except the territorial dispute.

The problem of the southern Kuriles is the most difficult issue in Russian–Japanese relations, with a complicated historical and legal background. In the Tokyo Declaration both sides agreed to settle the problem on the basis of the...

principles of law and justice. In fact, the negotiators at the time seemed to be looking more for a mutually acceptable phrase than for a realistic formula for a solution. In reality, the approach of the Tokyo Declaration has complicated the problem rather than offering an opening.

Both sides claim the islands under dispute as historically an integral part of their territory. In Japan this view is widely shared by the administration and public opinion. In Russia the phrase is a piece of nationalist phraseology and has been silently supported by a majority of the government since 1992, when Viktor Chernomyrdin became prime minister. Both Russia and Japan recognize the historical origins of the dispute as the result of territorial aggrandizement in the 18th and 19th centuries—a process assessed by Oleg Bondarenko, a journalist from Shikotan, as concurrent colonization of the lands populated by Ainu.3 Nevertheless, Japan’s historical precedence in discovering and developing not only the four islands claimed but also southern Sakhalin seems impossible to challenge,4 providing Japan with a strong moral and historical basis for its claim.

The legal aspect is much more controversial, since the arguments contradict the principle of historical justice and are internally inconsistent. The Soviet Union’s adherence to the 1941 Atlantic Charter in 1943, with its principle that states are to refrain from seeking territorial aggrandizement, deprives Russia of a strong legal basis for its claims to the Kuril Islands. In parallel, Japan renounced any claim or title to the Kuriles in the San Francisco Peace Treaty of 1951,5 Kunashir and Iturup being clearly interpreted as part of the southern Kuriles. The Soviet Union was not a party to the treaty. Its wartime allies had, however, agreed at Yalta in February 1945 to transfer (but not to return—an important distinction with regard to the principle of non-aggrandizement) the Kuriles to the Soviet Union. To add to the complications, the 1956 Soviet–Japanese Joint Declaration6 mentioned the transfer to Japan of Shikotan and the Habomai group after the conclusion of a bilateral peace treaty.

The deadlock over the legal interpretation of the problem primarily concerns (a) the delimitation of the Kuril Islands, referred to in wartime and post-war documents—the question whether Iturup, Kunashir or the Habomais constitute the southern boundary of the Kuriles, and (b) the current legal title of the Kuril

Islands. A strict interpretation of the legal situation would say that neither Japan nor Russia has a completely legitimate title to them, and that the future of the islands should be decided by the parties to the San Francisco Peace Treaty, although Russia as the successor to the USSR has the right to appeal to wartime promises.7

Meanwhile the situation clearly causes problems for both Russia and Japan. Both fear that international intervention might lead to a solution that would be welcome to neither. This is the major reason why they both reject a settlement through hearings at the International Court of Justice in The Hague and why they insist on reaching a bilateral compromise, even though this has proved futile for over 50 years.

Important as the dispute is in Russian–Japanese relations, there are broader reasons for the repeated failures to improve bilateral cooperation. Since the San Francisco Peace Treaty Japan has been consistent in claiming sovereignty over the southern Kuriles. Nevertheless there have been periods in Soviet–Japanese relations when Japan has preferred to tone down the dispute.8 In parallel, the Soviet/Russian position has swung from refusal to discuss the issue under Stalin to sudden concessions during negotiations in London in 1955 and talks in Moscow in 1956, followed by the restoration of a rigid stand under Soviet general secretaries Nikita Khrushchev and Leonid Brezhnev. In 1991–92 the new Russian leadership demonstrated a willingness to find a compromise, but later stuck to the formula in the Tokyo Declaration.

The resulting deadlock in Soviet/Russian–Japanese relations since the late 1980s is explained by changing general paradigms in Tokyo and Moscow. It is not the purpose of this chapter to review these. What is covered, for the purpose of understanding current Russian–Japanese relations, is the deterioration of mutual expectations since the 1980s.

II. Historical models of Soviet–Japanese cooperation

The first successful model for Soviet–Japanese cooperation was based on the rapid economic development of Japan in the 1960s and early 1970s with its ever-increasing demand for raw materials. The USSR served as a subsidiary source for the diversification of Japanese imports in exchange for Japanese exports to Siberia and the Russian far east. Under this system economic priorities proved to be important enough to calm political disagreements, including the territorial dispute, although the claim was never dropped.


This positive trend came to an end with the structural rearrangement of the Japanese economy after the oil price shock of the early 1970s. Although the volume of trade remained stable and previous large projects remained active, the value of economic cooperation with the USSR fell radically. The lack of strong economic motivation combined with the intensification of the global cold war and the Soviet military build-up in the Pacific facilitated a shift of Japan’s attention to political issues and solidarity with the West, resulting in a factual freezing of relations with the USSR and concentration on fruitless political debate on security problems and the territorial dispute. At the same time Soviet dependence on Japanese participation in the development of Siberia and the Russian far east grew, stimulating efforts and hopes for a revival of the former pattern of relationships. A further change was stimulated by the foreign policy of Soviet President Mikhail Gorbachev, raising Japanese hopes for a favourable resolution of the southern Kuriles problem.

At this stage the Soviet–Japanese dialogue focused on a single-issue policy. For Japan the only relevant goal was the return of the islands claimed, while for Russia the most important concern was economic cooperation. A compromise proposed by Japan assumed Soviet concessions in the territorial dispute in exchange for extensive Japanese economic assistance. However, Gorbachev’s misperception of Japanese economic interests and his lack of readiness to deal with territorial issues undermined the chances of a new start.

The demise of the USSR and the rise of a new Russian nation affected Russia’s policy towards Japan but did not change the general attitude in Tokyo. The new team in the Russian Foreign Ministry saw potential Japanese contributions to the economic development of Siberia and the Russian far east much more realistically and the Yeltsin Administration had new motivations for intensifying cooperation with Japan. First, there was an obvious ambition to succeed in the only diplomatic field where Gorbachev’s diplomacy had proved wrong. Second, Japan’s rigid position on international economic support for Russian reforms at meetings of the Group of Seven leading industrialized nations (G7) urged an improvement of bilateral relations.

Japan’s basic goal remained unchanged and limited to the single issue of the territorial dispute. More, the general trend even helped to single out the issue of the southern Kuriles.

III. Defence-related problems

Japan no longer considers Russia a military threat. A steady decrease in the Russian military presence in the Pacific has calmed previous Japanese security concerns. Russian ground troops in the Far East and Trans-Baikal military districts have been reduced from 43 divisions with about 390 000 personnel in 1989 (peak deployment) to 38 divisions and 340 000 personnel in 1991, and 15

divisions and 190,000 personnel in 1997.\textsuperscript{10} With a radical reduction of the ground forces in connection with the military reform in Russia, the number of fully equipped divisions in the region is supposed to be cut to four by the year 2000.\textsuperscript{11} This would mean that Russia’s manpower there would be even lower than the figures permitted in the April 1997 Treaty on Mutual Reduction of Military Forces in Border Areas signed by China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, which sets the ceiling of Russian forces in the 100-km security zone at a level of about 130,000.\textsuperscript{12}

The Russian Pacific Fleet has shrunk from 100 major surface ships and 140 submarines in 1989 to 60 major ships and 60 submarines in 1997.\textsuperscript{13} It has lost its former task of countering the US Seventh Fleet in the Pacific and Indian oceans and it role is currently confined to the protection of the coastline in the seas of Japan and Okhotsk. According to Russian naval experts the ratio of US to Russian naval forces in general will increase from 3:1 in 1990 to 20:1 or even more by the year 2000.\textsuperscript{14}

The Pacific Ocean is also losing importance as Russia’s strategic nuclear bastion—one of Japan’s major security concerns since the 1960s. By 2006 Russia plans to keep only 17 strategic submarines, its six current Typhoons (only three are operational now) and seven Delta IVs, all in the Northern Fleet. The gap is to be filled with a new Delta V (Boreia or Yury Dolgorukiy) type, yet to be built under severe financial constraints.\textsuperscript{15} It is very unlikely that Russia will be able to meet this target by 2006, which undermines the chances of survival of the last Pacific nuclear base on Kamchatka.

Since 1992 Japan has abandoned the notion of a potential Russian military threat in its annual defence White Paper, Defense of Japan, and currently it does not consider any kind of arms reduction (even unilateral as advocated in the 1980s) as an issue for negotiations with Russia. Its main security concerns with regard to Russia are the dumping of nuclear waste in the Sea of Japan, possible weak control over troops in the far east and potential incidents. All these issues attract most attention when incidents occur and are not a top priority in Japan’s policy towards Russia. What is now called Russian–Japanese cooperation in security matters is confined to episodic exchanges of high


\textsuperscript{11} Urusov, M., ‘Rossiyskiye generaly peregonyat Ameriku’ [Russian generals will leave the USA behind], Moskovskie Novosti, no. 11 (22–29 Mar. 1998), p. 8.


\textsuperscript{14} Aleksin, V., ‘Flot kak instrument gosudarstvennoy politiki’ [The fleet as an instrument of national policy], Morskoy Shornik, no. 8 (1997), p. 8.

officials—more a diplomatic gesture than a practical solution to defence-related problems.16

IV. The loss of motivation

It seems that, unlike Gorbachev, Yeltsin was initially prepared to reach a deal within a two-issue paradigm (economic cooperation versus territories), but Japan’s rigid and uncompromising insistence on settling the territorial dispute on the most favourable terms before discussing other issues, combined with high domestic political risks in Russia and challenges to the administration from the communist and nationalist opposition, made this impossible.17 After the postponement of Yeltsin’s visit in September 1992 the most pressing problem in the circumstances was correcting this diplomatic lapse and organizing an untroubled presidential visit.

It was Japan that misperceived the reality after 1992. It finally accepted Russia’s argument that the basic factor preventing a deal was negative Russian public opinion. (In practice, a number of polls demonstrated that, although support for compromise in different forms was meagre, the majority of respondents were indifferent. Approximately one-third of the Russian electorate strongly rejected any kind of territorial deal—a figure which largely correlates with active support of the communists and nationalists.)18

A more important obstacle was the fact that the logic of iriguchi ron (‘input vision’, which means that a solution to the territorial dispute should be a precondition for any other cooperation) advocated by the Japanese Foreign Ministry since the 1980s did not promise much to the Russian leadership and the domestic political risks looked too high for an uncertain future promised by the Japanese approach.

Preliminary negotiations in 1992 failed, and this failure set a new paradigm in Russian–Japanese relations. With the withdrawal of the Russian Government from direct economic administration and its emphasis on privatization, intergovernmental agreement on Japanese investment in Siberia and the Russian far east lost its former appeal and importance and was substituted by regional activities. A shift from Gorbachev’s policy of borrowing from individual nations combined with disappointed hopes of economic assistance from the G7 and a new pattern of arranging loans from international financial institutions—primarily from the International Monetary Fund (IMF)—reduced the economic value of diplomatic contacts with Japan. Since 1993 no important figure in the Russian Administration has advocated intensive dialogue with Japan.

In the end the two-issue paradigm gave way to the one-issue paradigm when the territorial dispute became the only acute issue for bilateral negotiations. Russia clearly had nothing to gain from the situation and therefore easily accepted Japan’s retaliation of freezing cooperation after 1993. The lack of debate worked in Russia’s favour, contributing to a policy of shelving the dispute for future generations, when Japanese concern is expected to decline. In principle the reduction of Russian–Japanese relations to a single-issue formula has brought about a ‘zero-sum’ situation. If Japan’s indisputable moral and historical claims and the complicated, internally contradictory legal arguments are put aside, any practical solution means that one side’s gain automatically means the other’s loss, blocking the way for any reasonable compromise.

With gradual changes in Russia’s policy towards the West and the nomination of Yevgeny Primakov as Foreign Minister in January 1996, Russia’s approach changed from a silent assumption of the status quo to clear calls for the revision of the clause of the Tokyo Declaration that called for a rapid solution to the territorial problem. In early 1996 Primakov proposed to defer the solution to the next generation—a proposal not repeated since the time of Gorbachev. In November 1996 he proposed discussion of joint economic development of the southern Kuriles instead of sovereignty—a step considered unrealistic even under Gorbachev. It should be added that, since 1993, the Russian naval border guard has received orders to use weapons against foreign intruders into the Russian 200-mile fishery zone, including waters around the islands under dispute, which has led to several incidents. The clear message in Russia’s behaviour towards Japan in 1996 seemed to be that it did not want to be tied down by its promises of the early 1990s.

V. Revival of the dialogue

There is no doubt that the initiative to revive the Russian–Japanese dialogue since 1996 should be attributed to Japan. While Russia tried to revise the 1993 Tokyo Declaration, Japan demonstrated a concessionary mood, going far beyond its previous limits. This was clear from its initial readiness to discuss fishery problems around the southern Kuriles, limitations on the catch and payments to the population of the islands. The concession was important as it undermined Japan’s hard-line position on rejecting partial deals relevant to its claim of sovereignty. It was followed by an unprecedented agreement to consider Primakov’s idea of joint economic development of the territories under dispute. Later Japan accepted cooperation in security affairs and exchanges of visits by top figures in the two countries’ defence agencies—a step hitherto thought possible only after decisions in principle on more acute issues had been reached. Japan also opened a branch of its Vladivostok consulate-general at Yuzhno-Sakhalinsk, the capital of Sakhalin Province, another move which contradicted its traditional interpretation of sovereignty, since it had never

19 Hasegawa (note 8), vol. 2, p. 490.
legally recognized the unilateral Soviet acquisition of southern Sakhalin and the Kuriles and no international convention had ever handed them over to the USSR.

A crucial breakthrough was symbolized by then Japanese Prime Minister Ryutaro Hashimoto’s address at the Keizai Doyukai (Association of Corporate Executives) meeting on 24 July 1997—soon labelled the ‘Hashimoto doctrine’. He pledged to base future relations with Russia on three principles: mutual trust, mutual benefit and a long-term perspective to ‘create a solid foundation for the 21st century’. Two major points of his initiative encouraged a positive Russian response: a statement that the territorial dispute should be discussed ‘calmly, based on a long-term perspective’, and a call for enhanced cooperation to develop energy resources in Siberia and the Russian far east, saying that ‘the links in the energy supply and demand relationship shall be clearly connected to fostering relations of trust and peace throughout East Asia’.20 The initiative paved the way for two informal meetings between the Japanese and Russian leaders in November 1997 at Krasnoyarsk and in April 1998 at Kawana, followed by the formal visit to Moscow by Prime Minister Obuchi in November 1998.

What seemed most important in the Hashimoto initiative was a clear attempt to correct the overall paradigm of Russian–Japanese relations and abandon the stalemated single-issue pattern of dialogue. Instead of softening the Japanese position on certain aspects of the territorial dispute, which was characteristic of the line of the Japanese Foreign Ministry in 1996 and early 1997, Hashimoto proposed a significant expansion of the sphere of dialogue. His later decision not to mention the territorial dispute at Krasnoyarsk but to limit Japan’s ambitions to the signing of a peace treaty contributed to a positive response from Russia. A call to broaden the range of issues to debate had become a recurrent theme in Russian argumentation since the Gorbachev era, which strongly appealed to the mentality of the leaders in Moscow. The softer Japanese approach in 1996–97 and Hashimoto’s initiative were clearly in response to Russian demands and seemed to have prompted Moscow’s decision makers to believe that Japan had begun to be aware of the weak points in its position on the territorial dispute and was more eager to expand cooperation in other areas.

It is easy to explain Russia’s positive reaction to Hashimoto’s initiative. First, the failure to block NATO’s eastward expansion demanded positive results in other areas. The idea of an alliance of nations neglected or obstructed by the West (Belarus, China, India, Iran, Iraq, North Korea, Libya and Yugoslavia) advocated by the communist and nationalist opposition was certainly no solution. Hence, a chance to compensate for failures in Europe through a breakthrough with such a complicated partner as Japan was a welcome opportunity. Second, Hashimoto’s initiative did not jeopardize Russia’s evasive stand on the territorial dispute, but seemed to favour its desire to calm down emotions and

shelve the issue while increasing understanding and cooperation in other issues. In a comment on the Krasnoyarsk meeting, Segodnya, an influential Russian daily, quoted an anonymous Russian Foreign Ministry official as saying that the Hashimoto option was perfect for Russia since it offered a chance to discuss the peace treaty without referring to the territorial dispute. He added that the proposal was Japan’s and that it was up to Japan to find a way of ignoring the southern Kuriles when negotiating the peace treaty.  

It is much more difficult to find an explanation for the shift in Japan’s position. Several analysts have interpreted it as a strategic move, pointing to two reasons. The first is Japan’s increasing isolation as the regional power in the new post-cold war regional system, additional constraints in Japanese–US relations, the stalemate with Russia and growing problems with China. The trend should be seen in the context of the rapid improvement of Sino-US relations in 1997, the formation of a Sino-Russian strategic partnership and uneasy but cooperative US–Russian relations. Japan no doubt had to acquire a trump card for a big-power game. The second is Japan’s desire to build a new system of energy supply in North-East Asia to meet expected increasing demand—a question dealt with in greater detail below.

These factors may certainly have played a significant role in influencing Japan’s position. Nevertheless, a close analysis of Russian–Japanese negotiations in 1997–98 indicates that Japan’s basic motivation should be looked for from a different angle. A slogan was proclaimed in Japan after President Yeltsin’s visit to Tokyo in 1993, which said that ‘a problem born in this century must be settled within this century’. This definitely presumes a solution of the territorial dispute by the year 2000. In this context it is not accidental that the deadline for the signing of a peace treaty as promised at Krasnoyarsk refers to the year 2000. A major motivation for Hashimoto’s initiative in 1997 appears to have been not so much to build a new basis for Russian–Japanese relations as to accelerate a solution of the territorial dispute. The reason is clear. When Russia proposes to delegate the problem to the next generation it is aware of a distinct trend among the younger generation in Japan to ascribe less importance to the territorial dispute. If the issue is not settled within a limited period, it may lose its validity for Japanese public opinion. This is the Russian expectation when shelving the problem and, vice versa, an incentive for Japan to resolve the issue as soon as possible.

In fact, as the Hashimoto doctrine developed, although it demonstrated an important change in the paradigm it did not challenge the immediate goal of ensuring the eventual return of the southern Kuriles. A press release of the Krasnoyarsk summit meeting as presented by the Japanese Foreign Ministry stresses six basic points that were agreed. In essence they may be summarized

\[21\] Segodnya, 5 Nov. 1997, p. 2.

as a Japanese pledge to extend economic cooperation with Russia and promote Russian integration into the international economy, including support for Russian membership of the Asia–Pacific Economic Co-operation forum (APEC). In return Japan gains an interpretation of the Tokyo Declaration indicating that the ‘two leaders agreed to do their utmost to conclude the peace treaty between the two countries by the year 2000, based on the Tokyo Declaration’. The document also refers to the bilateral dialogue on regional security but does not go beyond rather symbolic steps such as continued exchanges between top military officials and limited joint exercises in the humanitarian field such as emergency rescue.

The new paradigm offered by Hashimoto assumed that preserving the logic of a single-issue, zero-sum game in relations with Russia would not be productive in settling the dispute. This view was by then widely shared in both countries. An obvious way out was in the expansion of the sphere of dialogue and the discovery of new areas for strategic cooperation that would overshadow the old controversy. In Japan the new approach formally adopted after the G7 summit meeting at Denver in July 1997 became known as the multi-layered relationship.

The problem is that neither side has ever demonstrated any practical interest in that kind of cooperation outside the context of the territorial dispute. A basic Japanese goal seems to have been to find some area which was both important to Russia and open for compromise in exchange for Russian territorial concessions, which were Japan’s main interest. On the other hand Russia’s consistent calls for broader cooperation should be interpreted at best as an attempt to dilute the fruitless territorial debate and rouse Japanese interest in the restoration of the paradigm of late 1960s and early 1970s, when Japan de facto accepted a shelving of the territorial issue. Hence, although the presentation was different, the ‘new’ approaches advocated in Moscow and Tokyo simply masked former goals without proposing a realistic new opening.

Interpreted in practical terms, Hashimoto’s initiative was an attempt to restore an earlier formula of territorial concessions in exchange for economic benefits—a strategy already tried when Gorbachev’s visit to Japan in 1991 was being prepared.

VI. Development of energy resources: a genuine option?

Some projects debated at Krasnoyarsk offered a fairly solid foundation for the potential integration of Russia into the North-East Asian regional economic system and provided a basis for broader cooperation. It was shown in 1996 that demand for energy in East Asia would outstrip supply early in the 21st century. China’s energy consumption would radically increase and exceed its domestic production, which would put added pressure on global energy resources. Japan and other nations in East Asia would become increasingly dependent on

23 For the membership of APEC, see appendix 1 in this volume. Russia joined in Nov. 1998.
imports from the Middle East unless new resources were developed in other regions.\(^{25}\) The only potential areas of future development close enough to North-East Asia are Siberia and the Russian far east with their abundant energy resources. The possibility of exploiting these resources was already the subject of Russian consultations with China, Japan and South Korea, with projects already launched (in Sakhalin) or to be launched in the near future (a natural gas field at Kovytka in the Irkutsk region). It seems that the development of energy resources in its eastern regions is the only major chance for Russian integration into the East Asian economy that may attract interest from local investors.

There are substantial obstacles even in this prospective area of long-term Russian–Japanese cooperation. The major project discussed at Krasnoyarsk and at several rounds of Sino-Russian negotiations is a multinational enterprise for the development of the Kovytinskoye gas field (the Irkutsk project) with the participation of China, Japan, South Korea, Mongolia and Russia. The project includes a 3400 km-long pipeline from Kovytka to Ulan Bator, Beijing and Rishaoing (on the Shandong Peninsula), the main purpose being to supply gas to China beginning in 2006. The pipeline may be extended under the Yellow Sea to Pyongtaek in South Korea and further to Japan. Overall costs are within a reasonable limit of $10 million (compared with $25 million for the estimated costs of the two Sakhalin ventures).\(^{26}\)

The first question is whether the energy resources in Siberia are large enough to justify Japanese strategic interest. The potential of the Kovytinskoye gas field is estimated to be 850 billion m\(^3\), which is 16 times greater than Japan’s annual consumption. However, this figure should be seen in the context of expected growth of energy consumption in China—the major target of the project. A preliminary agreement indicates that if the proven resources are less than 700 billion m\(^3\), the pipeline will not be extended beyond China. Reserves at Kovytinskoye may be supplemented by the Vilyuyskoye oil and gas field in Yakut–Sakha with estimated resources of 1 trillion m\(^3\)—the subject of repeated Soviet and Russian offers to Japan and South Korea since 1990—but the costs of building a 5000 km-long pipeline under conditions of permafrost (expected to amount to $22 billion\(^{27}\)) make this impractical at present. Valery Zubov, former governor of Krasnoyarsk Province, stressed at a press conference in Japan in February 1998 that oil and gas resources in his region were the second largest in Russia next to those in Tyumen Province.\(^{28}\) However, no precise information is available, and Zubov’s statement seems to have been motivated by his election campaign for the governorship against Alexander Lebed. Kovytinskoye is the only major Russian source that can supply energy to East Asia, and its long-

term prospects are not sufficiently convincing to provide a basis for new strategic calculations.

The second problem stems from the fact that both major fields in Siberia are under the control of Russian energy tycoons. Kovytkinskoye is leased to the Sidanco oil company, controlled by the Unexim group of Vladimir Potanin; Vilyuyskoye is under the control of Gazprom and Boris Berezovsky. Neither of them seems eager to intensify cooperation with Japan. As far as the Yakutian project is concerned, major Russian companies have so far shown no interest, and the idea is being aired only because of the efforts of the federal government and the President of Yakut–Sakha. Interest is stronger on the part of the Unexim group’s traditional partners—British Petroleum and Exxon. Japanese participation in the development of Siberian energy resources cannot therefore serve as a political concession to change Russia’s approach to the territorial dispute. On the contrary, it may develop into another controversial issue if Russian tycoons choose to ignore the Japanese desire to join a potentially lucrative business.

A third obstacle may arise from the problematic relationship of local Russian leaders with the federal government. The oil and gas business is one of the major sources of finance for local budgets. Incidents have already occurred with the Sakhalin projects. The Yakutian pipeline has been a source of disagreement between Yakutsk and Moscow for nearly a decade, intensifying during debates on any practical decisions. Given the steadily increasing authority of local leaders in Russia, their competition with federal government for the financial benefits of resource exploitation has the potential to put the whole idea in jeopardy.

The fourth potential problem is directly linked to the territorial dispute. According to preliminary Russian estimates, gas deposits on the seabed of the four islands under dispute are worth $2.5 trillion. Even if these estimates are not proved, expectations of high profits from the exploitation of oil and gas around the southern Kuriles would definitely lead Russia to adopt a tougher position on the territorial dispute.

Finally, the financial crisis in East Asia and the severe financial crisis and collapse of the banking system in Russia have seriously undermined the prospects for effective joint development of Siberian energy resources. The prospects for rapid East Asian industrial development are now not as bright as when they were assessed by Kent Calder in 1996. Estimates of the rate of growth of energy consumption should therefore also be revised. Major Asian investors—Japan and South Korea—lack the financial resources required for large-scale projects, and major Russian banks are currently unable to offer any investment activities. The whole idea now seems much more remote and no longer a matter of primary concern either to East Asia or to Russia. This new reality has undermined hopes of forming a new strategic basis for Russian–Japanese relations.

31 See note 25.
VII. Back to the territorial dispute

It should be noted that the vague understanding reached at Krasnoyarsk in November 1997 was soon threatened by divergent interpretations. For Japan an agreement to sign a peace treaty by the year 2000 meant the clear expectation of acquiring at least nominal sovereignty over the disputed islands. Russia interpreted the clause and the debates at the summit meeting as recognition of a silencing of the issue. The gap soon became visible at consultations of foreign ministers, routinely repeating the earlier experience of sessions of the committee on the peace treaty. Five months of preparations for the next unofficial summit meeting at Kawana in April 1998 clearly demonstrated that a loose agreement on economic cooperation could not overshadow the territorial dispute.

Russia clearly expected to continue in the spirit of Krasnoyarsk, that is, to bypass the dispute and concentrate on economic issues. As reported by an influential Russian newspaper: ‘Circles close to the presidential administration hint that in the current situation the biggest success would be silencing the territorial dispute at the unofficial summit meeting at Kawana. It would mean that we keep moving forward, and then a certain new reality in increasing understanding and cooperation could be highlighted. At some time in the future this new reality will help to set new accents in the territorial problem’.32

Conversely, for Japan a top priority became further progress in settling the territorial dispute. The main new initiative offered by Hashimoto on the eve of the summit meeting at Kawana was to replace the half-century old formula of a ‘return of the Northern Territories’ with the notion of ‘border delimitation’ (kokkyosen gatei), which on the surface looked similar to what was advocated by the Russian Foreign Ministry and almost agreed to by Japan during preparations for Yeltsin’s aborted 1992 visit. However, a detailed elaboration by the Japanese Prime Minister indicated that the only border acceptable to Japan was one between Iturup and Urup islands. He stressed that the reason for changing language (but not the principal claim) was a desire to avoid bitter feelings among the Russian public, which strongly rejects the phrase ‘return of the territories’ but accepts the idea of border delimitation.33

So far as can be known from what was disclosed of the negotiations at Kawana, Japan made a more substantial offer in proposing Russian recognition of Japanese sovereignty in principle over the islands under dispute in exchange for Japanese acceptance of Russian administrative rights for an unspecified period. (The proposal was labelled a ‘Hong Kong formula’, although it had little in common with the Sino-British agreement on the return of Hong Kong. Japan was more inspired by the post-war US recognition of Japanese ‘residual sovereignty’ over Okinawa, held under US administrative control.) Under these

Russia would be able to promote the Russian proposal for joint economic development.34

Bold in phrasing, Hashimoto’s new initiatives lacked practical innovations. They had not been formally proclaimed in Japan before, but in practice they constituted Japan’s maximum affordable concessions during the consultations of 1992. The notions of territorial delimitation and residual sovereignty had been positively discussed then. Obstacles which have undermined the dialogue are Russia’s desire to limit territorial concessions to Shikotan and the Habomais (stipulated in the 1956 Joint Declaration) and the non-negotiable nature of the Japanese claim.

Russia’s response to overtures at Kawana was quite rigid. The then spokesman of the Russian President, Sergey Yastrzhembsky, said the day after the summit meeting that there was no chance of the Hashimoto plan being implemented.35 A widely shared Russian reaction was clearly worded by Alexey Pushkov, a member of the influential Council on Foreign and Security Policy, who wrote: ‘For us it is more acceptable to introduce a special regime on the Kuriles, which should be favourable for the Japanese economic and human presence there, but with Russian sovereignty preserved’.36

A new round of negotiations in Moscow in November 1998 during Prime Minister Obuchi’s visit failed to produce a new impetus. Russia’s negative reaction to Hashimoto’s proposals at Kawana was obvious. Russian economic turmoil since 17 August 1998 combined with Yeltsin’s illness and an increasing loss of presidential power ruled out any chance for a search for further steps forward. A major task for both sides in the autumn of 1998 seems to have been a face-saving operation to prevent deterioration of relations.

Negotiations continued along the Kawana pattern, concentrating on the territorial dispute instead of the initial Hashimoto initiative and the spirit of Krasnoyarsk, stressing cooperation in other areas. A lengthy Moscow Declaration37 offered no real substance or new ideas. The only new step turned out to be the establishment of two subcommittees on border delimitation and on joint economic activities on the islands under dispute within the framework of the committee on the peace treaty.

The most important outcome of the Moscow talks was the formal answer of President Yeltsin to the proposals at Kawana. According to Asahi Shimbun (the document was not disclosed officially, but leaked to the newspaper), he accepted Hashimoto’s notion of border delimitation but rejected the idea of formal recognition of Japanese sovereignty over the four islands to be kept

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34 ‘Yonto-no Nihon shuken kakumin’ [Recognition of Japan’s sovereignty over the four islands], Nihon Keizai Shimbun, 21 Apr. 1998, p. 1.
35 Gornostayev, D., ‘Yeltsyna tolknuli k otkazu ot ostrovov’ [They have pushed Yeltsin to the repudiation of the Islands], Nezavisimaya Gazeta, 22 Apr. 1998, p. 1.
under Russian administrative control. He advocated the development of joint economic activities and a special legal status for Japanese arriving on the southern Kuriles. Finally, he proposed a broader peace and cooperation treaty by the year 2000 with a clause stating that the territorial dispute will be settled later by special agreement. There is no doubt, even among decision makers in Moscow, that these offers are not acceptable to Japan.

The lack of substantial initiatives at the Moscow summit meeting and even of efforts to bring their two positions closer shows clearly that the dialogue started at Krasnoyarsk has been downgraded. Within a year Russia had returned to what may be called a ‘Primakov line’ in relations with Japan, insisting on shelving the territorial dispute while ignoring Japan as a potential partner for substantial cooperation.

VIII. Conclusions

The Hashimoto–Yeltsin summit meetings in 1997–98 and Obuchi’s official visit in 1998 raised many expectations and were highly praised in Japan, although they were viewed with greater scepticism in Russia. In this author’s opinion, these meetings deserve a more balanced and deeper insight. They demonstrated an unprecedented Japanese flexibility and innovation, met by Russia with lack of enthusiasm. At the same time they showed the objective limits and obstacles to a Russian–Japanese rapprochement. Several conclusions should be drawn from the experience.

1. When assessing its strategic priorities for a great-power policy, whether in politics or economics, Russia does not view Japan as an important strategic partner.

2. This reduces bilateral relations to a single-issue formula, which means that the solution of the territorial dispute is a key factor.

3. The territorial issue cannot be solved by efforts to find new descriptive notions like border delimitation, joint economic development, residual sovereignty, or anything else, as nominal sovereignty over the islands under dispute is the heart of the matter.

4. Irrespective of historical, moral or legal arguments, neither side is ready to accept even a partial recognition of the other’s reasons.

5. This means that the Russian–Japanese dispute has developed into a zero-sum game offering no compromise solutions.

6. Under the existing practical conditions (not to be confused with the validity of its arguments) Russia has the stronger position since it assumes that it has very little to lose from sticking to its current position.

7. The only conceivable way out is by expanding the sphere of dialogue in order to break the logic of a zero-sum game.

8. Japan is more interested in offering solutions but is unable to find anything that can motivate Russia enough to get affordable concessions.

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9. The goal may not be reached, as there is no real basis for it.

Finally, the extensive efforts to build a new Russian–Japanese relationship in the 1990s have failed. This is not the time to look for a scapegoat. At different times both sides have been responsible for excessively rigid demands and a lack of cooperation. In the end, bilateral expectations born from the demise of the USSR and the emergence of a new Russia, as well as expectations stirred by Hashimoto’s initiatives, proved futile. Combined efforts are needed to open new overtures, and the more mutual neglect there is the less chance there is of a settlement.