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## Development of Siberia and Japan

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### *Introduction*

The grounds for the Japanese determination to participate in Siberian development were predominantly economic interest and need. When the USSR started inducing the Japanese business community to participate in the development in the early 1960s, Japan was right in the middle of its rapid economic growth, and the volume of raw materials and energy resources needed for its economy to maintain its industrial activities was expected to become larger. The Japanese economy depends heavily upon a steady influx of imports. On the other hand, with the rapid economic growth, Japanese exports were also increasing at a high tempo. To this must be added the fact that the great majority of Japan's total exports are manufactured goods (above all, the share of machinery and vehicle exports in the total turnover of export trade rose dramatically from 12.3% in 1955 to 46.3% in 1970), so that Siberia was also perceived as a promising export market.

Thus, economic concern led the Japanese business community to embark upon cooperation with the USSR for Siberian development in response to the Soviet rapprochement despite the chilly relationship between the two states, and the traditional Japanese antipathy towards the USSR.

For the Soviet part, as the development of natural resources in Siberia has become increasingly important for its domestic economy, Japanese credit and technology has been essential for speeding up the development.

As a consequence, several large-scale and long-term collaborative projects between Japan and the USSR called Japan-Soviet Siberian Development Projects (JSSDPs) were realized after years of negotiations.

The aim of this paper is to examine the evolution of the Japanese-Soviet economic cooperation in Siberia over the past two and a half decades and discuss its prospects for the future development. The cooperation turned out to be a major element of the international relationship between Japan and the USSR during the period, and at the same time took on a unique character as a pattern of economic interchange between countries. Three main reasons for uniqueness may be found.

In the first place, even though Japan and the USSR had restored diplomatic relations in the form of the Japanese-Soviet Joint Declaration in October 1956, political coolness has remained, and the last three decades have witnessed very little positive development on the political front of their relations. No peace treaty between them has existed in this period, and, from the Japanese point of view, the major hindrance to its conclusion is the territorial issue of the Northern Islands, the issue which has yet no prospect of quick resolution. High-level dialogue between the two governments were always infrequent.

Under these political conditions, economic cooperation over the Siberian development has proved to be one of the very few areas in the relationships where mutually advantageous intercourse was identifiable.

Secondly, the institutional manner in which Japan has conducted economic cooperation over Siberian development with the USSR is markedly different from its trade relations with any other country. The Japan-Soviet Economic Committee (JSEC), set up by the Japanese business community in 1965, was exclusively responsible for conducting negotiations for Japanese participation in Siberian development, functioning as the only official channel with the Soviet counterpart. Such a national-level centralization of business activities is very unusual in the case of the market economies like Japan, where, needless to say, both domestic and overseas commercial activities are affected predominantly upon the initiatives of individual corporations through free competition.

Thirdly, although economic cooperation over Siberian development has not necessarily represented the whole picture of Japanese-Soviet economic relations, there can be little doubt that the emergence of the JSSDPs gave considerable impetus to the overall trade relations between them, and brought about some new elements, particularly in the financial aspect. Moreover, because of its central importance, the state of negotiations on economic cooperation over Siberian development has sometimes served as a barometer of the state of Japanese-Soviet economic relations as a whole.

In a broader sense, any Japanese trade with the USSR may have bearings on its contribution to Siberian development. It is reasonable to assume that a substantial portion of Japanese industrial goods exported to the USSR outside the JSSDPs were being utilized in that region. Nevertheless, Japanese economic cooperation for Siberian development is defined here by the JSSDPs dealt with by the JSEC because the primary concern in this paper is not the economic consequence or efficacy of the Japanese contribution to the Soviet economy but the Japanese efforts to draw economic interest from its participation in Siberian development and the political and international implications of this effort.

### 1. *Achievements of the past : Historical Dimension*

#### a. *Phase One (1961–1965)*

Viewed in the general context of Japanese-Soviet economic cooperation over Siberian development, the significance of “Phase One” (1961–65) was that it paved the way for the emergence of the JSSDPs in the later stages. Although this period itself did not witness any concrete negotiations for collaborative projects between the two countries, several important developments may be identified during the period. In June 1965 these developments culminated in the establishment of the JSEC. A noteworthy point is that most of the major developments in this period took the form of economic missions led by Japanese business leaders to the USSR on one hand and visits by a key Soviet figure to Japan on the other. They are :

August 1961	Visit by Mikoyan to Japan
August 1962	Japanese economic mission to the USSR led by Kawai
September 1962	Japanese civil engineering delegation
September 1962	Japanese petrochemical delegation
October 1962	Japanese chemical textile industrial delegation
May 1963	Japanese machine-tool delegation

June 1963	Japanese trade mission to the USSR led by Kitamura, chairman of the Japan-Soviet & East European Trade Association
May 1964	Soviet parliamentary delegation led by Mikoyan
June 1965	Japanese steel mission led by Nagano
August 1965	Japanese economic mission led by Uemura

Among these Japanese missions or delegations, three missions (the Kawai mission, the Nagano mission, and the Uemura mission) were particularly important for two reasons. First, these three missions more or less represented the Japanese business community and were headed by some of the most influential business leaders in Japan at the time. Second, because the Soviet side also recognized that these missions were as highly representative, that the leaders of the missions were accorded opportunities for talks with Soviet national leaders, including party leader Khrushchev, Premier Kosygin, and Foreign Minister Gromyko, and that they exchanged their views about future economic relations as a whole, particularly cooperation for Siberian development. The two visits to Japan by Mikoyan, the first Deputy Chairman of the Council of Ministers of the USSR<sup>1</sup>, had a considerable impact on Japanese-Soviet economic relations in the sense that his speeches and proposals during his stay in Japan aroused much attention and also the high expectations of the Japanese business community with regard to the possibility of the rapid expansion of bilateral trade related to Siberian development.

b. *Phase Two (1965–1969)*

With the establishment of the JSEC in 1965 economic cooperation between the two countries entered into a new stage based upon the achievements of the exchanges mentioned above.

If the move in Phase One was largely attributable to personalities such as Kawai, Nagano, Uemura and Mikoyan, the development from mid-1960s onwards have been institutionalized under the JSEC and its counterpart on the Soviet side, namely Soviet-Japan Economic Committee (SJEC) which is under the control of the Ministry of Foreign Trade. As it turned out, the Committees and the joint conference between them were of central importance and the official negotiating channel for the JSSDPs throughout the period up to the present.

Consequently the first three JSSDPs (earlier stage projects) emerged towards the end the 1960s. Their outline is as follows :

*The Soviet Far East Forest Resources Development Project* was the first JSSDP to be realized between Japan and the USSR. After the proposal of this project was formally taken up in the second session of the joint conference, commercial negotiations were carried out at the sub-committee level. Consequently, the General Agreement for this project was signed between the Committees in July 1968. The outline of the Agreement was that Japan was to supply machinery and equipment needed for developing forest resources in the Soviet Far East with a \$133 million credit extended to the USSR. In return, the USSR was to supply 7.5 million cubic meters of timber in total to Japan between 1969 and 1973. Among capital goods exported to the USSR under this project

were road-building machinery, timber-felling chain saws, wire rope, mobile cranes and powerful tractor-trailers. Their supply was the main component of the rise in Japanese exports to the USSR between 1969 and 1970.

*The Vrangal Port Construction Project* was initiated in the first session of the joint conference when the USSR disclosed a plan to expand capacities of ports in the Soviet Far East and suggested the possibility of purchasing related equipment from Japan ; a number of technical and commercial negotiations and field investigations took place throughout the rest of the 1960s. As a result, a contract concerning the design of a new port (18 kilometers east of Nakhodka) was concluded in April 1970, and the General Agreement was signed in December : Japan was responsible for the design of a coal pier and a comprehensive freight loading capacity. Machinery and equipment were exported from Japan with a \$80 million credit. Although this project did not include imports of raw materials by Japan, it was also considered a natural resources-oriented project because the improvement of the transportation system in the Soviet Far East would contribute to the smooth and prompt supply of Siberian natural resources to Japan.

*The Chip and Pulp Development Project* was originally intended to be a part of the Forest Resources Development Project. But in the process of negotiations, it became a separate, though similar project. Negotiations on this project were intensified after both Committees agreed to realize the project in the third session, but the final agreement was delayed until December 1971 due to the gap between the committees about the amount of delivery of chip and pulp. The amount of credit provided to the USSR under the Agreement was \$45 million and the delivery of chip and pulp to Japan between 1972 and 1981 was in total around 12 million cubic meters.

### c. *Phase Three (1970–1975)*

Phase Three witnessed a new development which brought Japanese-Soviet economic cooperation over Siberian development to a peak by the close of the period. This period may be differentiated from the past in three respects

First, highly-intensive negotiations took place between the JSEC and its Soviet counterpart for the JSSDPs in this period. In this respect, it must be noted that “executive sessions” began to be held between the meeting of the full Joint Committee ; three such sessions were held in this period, namely in August 1973 (Tokyo), March 1974 (Moscow), and June 1975 (Tokyo). Although the scale of delegations for executive sessions was much smaller compared with those for the joint conference, more intensive and more detailed negotiations were conducted at executive sessions.

Second, a marked difference is identifiable between Phase Two and Phase Three not only in terms of scale but also in terms of quality. The energy-related projects in this period were the South Yakutian Coking Coal Project, the Yakutian Natural Gas Project, the Sakhalin Continental Shelf Oil and Gas Project, and the Tiumen’ oil project : all of these project required or would have required an enormous financial input to develop. Coupled with their size, the fact that they were energy-related made them conspicuous and this sometimes caused controversy and repercussions.

Third, in contrast to Phase Two when the JSSDPs were strictly bilateral matters conducted entirely within the JSEC, Phase Three sometimes saw issues on economic

cooperation for Siberian development spill over outside the Committee. From the Japanese point of view, this had two dimensions. The first was Japanese Government. While it had not associated itself with the JSSDPs throughout Phase Two, the Government found itself involved in them to some extent in Phase Three, mainly in the financial aspect. It must be pointed out that the summit meeting between Japanese Prime Minister Tanaka and Soviet Party Leader Brezhnev in Moscow in October, 1973 had a considerable impact on economic cooperation between the two states, but it did not mean that the Japanese Government had decided to become a direct party to negotiations on projects. It continued to stay outside actual negotiations with the USSR throughout the 1970s.

The second dimension concerned the third party countries, namely the United States and China. Some attempts were made by the JSEC to get the U.S. to be a third partner in two of the JSSDPs (Tiumen' oil and Iakutian natural gas) for political and economic considerations. The military implications of the Tiumen' oil project was believed to cause serious Chinese concern particularly when the possibility of a Japanese contribution to the building BAM, as a part of cooperation with the USSR on the Tiumen' oil project, emerged in the course of negotiations.

The following is an outline of the four JSSDPs which materialized through the negotiations in Phase Three. Although they deserve to be called the projects of Phase Three since they were realized in this period, it should be noted that their execution was after the second half of the 1970s and they are still in operation.

*The South Iakutian Coking Coal Development Project*, which was concluded in the General Agreement signed in June, 1974, envisaged Japanese exports of \$450 million of equipment under bank loan facilities for coal extraction, freight vehicles, crane parts, and other machinery which were to be utilized for the development of a coal field (Neriungri) in Southern Iakutia. In return, Japan was to receive coking coal totalling 105 million tons between 1979 and 1998, the annual rate of the supply to increase gradually up to 6.5 million tons after 1985.

*The second stage of the Soviet Far East Forest Resources Development Project* was based upon the successful fulfillment of the first stage; it was a continuation of the first stage rather than a new one, but on a much enlarged scale. Under the General Agreement signed in June 1974, Japan provided the USSR with a \$550 million bank loan for timber exploitation facilities, shipbuilding, and related machinery and equipment. In return Japan received an overall total of 18.4 million cubic meters of timber between 1975 and 1979. The third stage of the project started with the signing of its General Agreement in March 1981.

*The Iakutian Natural Gas Project* was the only project with U. S. corporate participation.<sup>2</sup> The general framework of the plan was that Japan and the U. S. would each provide \$1.7 billion worth of credit to the USSR, and in return the USSR would supply 10 billion cubic meters of gas annually both to Japan and the U. S. over twenty years. For the initial exploratory stage of this vast plan, the General Agreement signed December, 1974 envisaged a \$50 million bank loan, half from the Export-Import Bank of Japan and half from the Bank of America for the USSR to purchase machinery and equipment necessary for a prospecting operation to confirm at least 1 trillion cubic meters of gas reserves.

When the operation had confirmed 1 trillion cubic meters, Japan and the U. S. were to

begin negotiations on another General Agreement for the next stage, that is to say, development of the gas reserves and supply of the gas. However, neither Japan nor the U. S. had received any report from the USSR to confirm a trillion cubic meters by the end of 1984, and it would appear unlikely that this project will move towards the next stage of development in the near future.

*The Sakhalin Continental Shelf Oil and Natural Gas Project* is divided into two stages, namely, exploration, and development and supply. The General Agreement signed in January 1975 was for the operation of the first stage. Under the Agreement Japan provided the USSR with \$170 million worth of credit for purchase and lease of machinery and equipment from Japan to prospect for oil and gas on the continental shelf off Sakhalin. If the prospecting operation proved successful, Japan, as the second stage, was to extend a bank loan, with which the USSR would import machinery and equipment from Japan and develop oil and gas. Subsequently the USSR was to supply 50 percent of the developed oil and gas to Japan over ten years. As a result of the prospecting operation which was still partly in progress at the end of 1984, it has become evident that gas has a more promising prospect than oil.

d. *Phase Four (1976–1985)*

It is clear that Japanese-Soviet economic cooperation for Siberian development during Phase Four was at a low ebb. In contrast with Phase Three, the past decade witnessed no materialization of new JSSDPs except for the third stage of the Soviet Far East Forest Resources Development Project which can be regarded as a continuation of the second stage. The sessions of the joint conference between the JSEC and its Soviet counterpart were held only three times and no executive session was held during this period. It was after an interval of more than five years that the most recent session of the joint conference was held in Tokyo in December 1984.

All of this tends to give observers an impression that, as far as large-scale projects are concerned, economic cooperation between the two states has already passed its peak by the end of Phase Three. It must be pointed out that this was not necessarily the consequence of Japanese hesitation or reluctance to embark on new large-scale projects. The simple fact was that the USSR failed to put forward any concrete ideas for new projects which would attract attentions of Japanese businessmen concerned, most probably for domestic economic reasons. It would be misleading to attempt to connect the Soviet failure with the deterioration of political relationship between the two states.

In this respect, it is crucial to remember that the USSR has always been more positive than Japan in strengthening economic links, regardless of the stage of its political relations with Japan, ever since the conclusion of the Japanese-Soviet Treaty of Commerce in 1957, and that in most cases it was the Soviet side which took the initiative, while the Japanese side sometimes showed a very cautious attitude. In the light of these factors, it is safe to speculate that the USSR failed to propose a new large-scale project in Phase Four not because it did not wish to do so but because it could not afford it through the lack of capital and labor available for such projects.

On the other hand, it is of interest to note that the USSR from time to time during this period emphasized the necessity of a framework for even longer term economic

cooperation. This can be understood in the same context as Soviet attempts to make the Japanese Government a direct party to economic cooperation as strongly demonstrated at the fifth session of the joint conference held in Tokyo in February 1972. In fact, the Soviet demand for the Japanese Government's more active participation was intensified during this period.

The Soviet call for economic cooperation on a longer-term basis was first made in August, 1976 when a Keidanren mission headed by its chairman, Toshio Doko<sup>3</sup>, visited the USSR at Brezhnev's invitation. Most recently, an appeal to the same effect was repeated by Deputy Minister of Foreign Trade Sushkov on the occasion of the ninth session of the joint conference in Tokyo in December 1984.<sup>4</sup>

## 2. *The Issues*

When one attempts to discuss the prospects of Japanese-Soviet economic cooperation in Siberia for the next decade or so, the examination of the following points may be highly significant.

### a. *Difficulties in Forming New JSSDPs*

Despite all the achievements by the Japanese business community, one cannot escape the impression that the net result of more than two decades of Japanese economic cooperation over the Siberian development was an unspectacular return for the time, cost, and efforts involved.<sup>5</sup>

The immediate reasons for the rather modest degree of Japanese involvement in the Siberian development since the establishment of the JSEC should primarily be found in economic factors. As a matter of fact, there are a number of economic, technical, and institutional problems which will decrease the likelihood of realization of new Siberian collaborative projects in the next decade.

Siberian natural resources in which Japan is interested are in most cases situated in remote areas which are costly in access. Therefore, prior to the actual development of the natural resources, a huge amount of investment is needed for improving the infrastructure of the area such as railways or roads. Japanese participation was discouraged not only by Soviet proposals that Japan contribute to such costs but also by the preclusion of Japanese operational involvement.<sup>6</sup>

Another important factor is a gap in geographical priorities between Japan and the USSR: in the overall strategy of Siberian development the USSR has laid emphasis on West Siberia, an area nearer to Soviet industrial centers, while Japan wanted to obtain natural resources mainly east of the lake Baikal, an area nearer to Japan. Much of the potential of Siberia did not in itself justify massive Japanese investment. Such a gap served as a serious restraint to realization of any new JSSDP particularly as Soviet economic difficulties (capital and labor shortage) deepened. The low-key relationship in Phase Four (1976–1985) may be largely explained by this factor.

### b. *"Energy Link" as Political Pressure?*

Viewed in the broader context of East-West trade as a whole, arguments on Japan's dependence on the USSR for natural resources and security considerations are related to

a common issue in the West over the wisdom of increasing trade relations with USSR in energy. One could argue that Japanese dependence on the USSR for energy resources is tantamount to allowing the USSR to “point a knife at her throat,”<sup>7</sup> which means, in more moderate terms, suffering undue political influence from the USSR, one could also argue that Japan can restrain Soviet behavior by creating a web of economically interdependent relationships. This argument justified the promotion of detente policy in the early 1970s. Given that Japanese-Soviet economic cooperation over the Siberian development during the period of Phase Four (1976–1985) was at a low ebb and that there is little likelihood of new large-scale JSSDPs emerging in the foreseeable future, however, both arguments are equally highly problematic: both are based upon the assumption that the magnitude of economic cooperation between the two countries in Siberia could be large enough to exert a substantial impact on Japan’s national security.

These points may lead one to the major question of the probability of the USSR using economic leverage vis-à-vis Japan for political purposes. From the Western point, of view, perhaps the threat of stoppage of supply for political reasons cannot totally be ruled out, so far as imports of strategic raw materials and energy resources from the USSR are concerned. However, there seem to be several reasons to support the conjecture that the USSR is quite unlikely to use economic leverage over Japan as a political weapon in the foreseeable future.

In the first place, the amount of energy that Japan imports from the USSR is very small. A research report by the Office of Technology Assessment (OTA) of U. S. Congress<sup>8</sup> calculates that the share of Japanese energy imports from the USSR in its energy demand has been constantly below one percent throughout the 1970s. According to a Japanese Government’s forecast, the possible maximum rate of dependency upon the USSR for LNG could rise up to 24.3 percent and for coking coal, 9.2 percent in the 1980s. However, this forecast is becoming increasingly unlikely because it is based upon the assumption that all supply of energy resources from Siberia under the current JSSDPs will start without delay according to the original plans. Above all, bearing in mind that the Iakutian Natural Gas Project has been practically shelved with no prospect of future action, and the forecast for LNG should be drastically corrected. The recalculated figure would be 7.7 percent<sup>9</sup>, instead of 24.3 percent. If this is the case, it is estimated that Japanese dependence upon the USSR for energy resources in the rest of the 1980s will be still just over 1 percent. As for oil imported from the USSR, it has been and will be negligible. It is safely argued, therefore, that a sudden all-out cutoff of energy supply from the USSR would not cause a serious problem to Japan.

Taking into account these facts, embargoes against the sales of natural resources to Japan of any kind may not be an effective weapon for the USSR. On the other hand, the cost of such a measure for the USSR would be enormous. Not only could not the USSR anticipate further Japanese participation in the Siberian development but also Soviet reliability as a trade partner would be lost in the Western business communities. Furthermore, the USSR would lose its largest export market in the Far East for natural resources. It is obvious that the USSR would be unable to find an alternative export market in the Far East which is as large as Japan.

As far as the feasibility of imports of a Soviet embargo of Japanese goods as a political

tool is concerned, such a measure would be even more counter-productive for the USSR. It should be remembered that what the USSR is importing from Japan, mainly machinery and steel manufactures, is essential to Soviet economy particularly for the Siberian development, the economic significance of which is growing.

It should be also noted that when Japanese-Soviet trade is viewed as a whole, in the context of the aggregate of Japan's foreign trade, the level of its trade with the USSR is persistently low — less than three percent over the last two decades.

In sum any Soviet attempt to achieve political goals vis-à-vis Japan by manipulating bilateral trade would not only be ineffective but also damaging for the USSR : Japan would not run up against national security problems as a consequence of economic cooperation with the USSR in Siberian development in the foreseeable future.

### c. *Lesson from Tiumen' Oil Development Project*

Among the JSSDPs negotiated during Phase Three (1970–75), the Tiumen' oil development project was perhaps the only case where non-economic obstacles arose at both bilateral and international levels. After years of very intensive negotiations both in Tokyo and Moscow, this project was eventually abandoned. The actual process of negotiations for the Tiumen' oil project was complicated and full of mysteries, and is too large a subject to be dealt with here. The implication of the abortion of this project, however, needs to be discussed because it provides valuable insights in assessing non-economic variables in Japanese-Soviet relations.

Although it is difficult to make a definite answer to the question of why the Tiumen' project alone failed to reach an agreement,<sup>10</sup> it is possible to identify some factors which politicized its negotiations and substantially differentiated the project from the others.

First of all, the project was perceived to have a strong military color, which caused Chinese concerns and prompted the Japanese to seek American involvement. The important point is that the special strategic value of oil *per se*, which other natural resources except uranium do not have, constituted a serious predicament.

Secondly, from the outset, the Japanese Government was required by the JSCE to take an active hand in realizing the project. Such an outspoken request by the JSEC for the Government's support was not made in the case of negotiations for any other projects, where the only area in which the Government was expected to take part was financial. Despite the repeated request by the JSEC, however, the Government did not treat the Tiumen' project as a special case.

Thirdly, there is some evidence that arguments in favor of a strategy to link the Tiumen' project to pending political issues — the Northern Territories question — erupted within the Japanese Government, although they were never more than just ideas and were never reflected in the actual policies<sup>11</sup>. The idea was to draw Soviet concessions on the northern islands by rendering assistance to the oil development. The crucial matter of relevance here is the fact that the Tiumen' project caused controversies over a linkage strategy rather than economic significance of the project itself since a linkage strategy regarding economic cooperation over Siberian development had never been in question in the case of other JSSDPs. After all, Imazato (chairman of Petroleum Sub-Committee on the Japanese side) never obtained his own Government's full

cooperation nor that of American government — a clear indication that the realization of the Tiumen' project was beyond the capability of the JSEC alone.

His failure in both implies that in the present political and international environment there is a maximum permissible limit of some kind for the degree of Japanese involvement in Siberian development. The limit in this sense is neither the amount of Japanese credit to the USSR nor the volume of Soviet supply of natural resources to Japan, although they are important indicators. It is a limit not only in economic but in political and psychological terms and it seems clear that the Tiumen' project would have exceeded it, whereas those realized projects were within it. The factors which relate to setting such a limit may include the history of Japan's suspicion towards the USSR, a political antipathy amplified by the Northern Territorial problem, Japan's constant and firm loyalty to the United States as its ally, symbolized by the Japan-U.S. Security Treaty, and the steady Sino-Japanese rapprochement since the early 1970s.

Therefore, as long as Japanese economic cooperation over the Siberian development remained within the limit, the Japanese business community, acting through the JSEC, could manage to proceed with negotiations for cooperation with the USSR without any direct support from the Government; the policy of "Seikei Bunri" (separation of politics from economics) worked well.

Such a limit may distinguish the feature of Japanese-Soviet economic cooperation from the general pattern of East-West trade. In the global context, it is true that the expansion of Japanese-Soviet economic relations coincided with the era of detente, and that detente generally encouraged East-West trade. When the Tiumen' project was abandoned, however, the detente period was in full swing and East-West trade was rapidly growing.<sup>12</sup>

Apart from detente, the constant factor in Japanese international relations has remained in the fact that its only potential enemy has been the USSR and its only ally has been the U. S. One may argue that West European states have also perceived the USSR as their biggest potential threat and they have also American allies. Yet the historical Japanese experience of its relationship with the USSR is rather unique, and its unilateral and heavy dependence upon the U. S. in political and military areas<sup>13</sup> set the features of Japanese-U. S. relationship apart from those of the US-West European relationship. The alliance aspect revealed itself when Japan obediently followed the U. S. economic sanctions after the Afghanistan incident while Western Europe did not.<sup>14</sup> Thus, Japan's policy towards the USSR was essentially governed by its special relationship with the United States, which left little room for Japanese maneuvering vis-à-vis the USSR.

### 3. *Toward a New Direction?*

The ninth session of the joint conference between the JSEC and its counterpart on the Soviet side (SJEC) was held under very heavy security in Tokyo in December, 1984. The Soviet delegation, headed by Deputy Minister of Foreign Trade Sushkov, was comprised of over 70 high officials and specialists. According to Hiroshi Anzai, the head of the Japanese delegation and the chairman of the JSEC, "The very fact that the dialog between the JSEC and the Soviets concerned was resumed through the joint conference was a big step forward for Japanese-Soviet economic relations."<sup>15</sup> In actuality, the

communication channel of the joint conference had been closed somewhat in line with the policy of the Japanese Government vis-à-vis the USSR in protest against the December 1979 Soviet invasion of Afghanistan.

With regard to prospects for Japanese-Soviet economic cooperation in Siberia, four important indications were identified at this conference.

*First*, it was eventually confirmed that the era of huge energy-related projects is over. There seemed to be no serious discussion of new large-scale projects in the session, although some reviews were made concerning the fulfilment of existing JSSDPs. The reasons are to be found on both from the Soviet and the Japanese sides. The domestic economic situations, including capital and labor shortage and difference of priorities within Siberia, prevented the USSR from presenting blueprints for new projects to the JSEC, as is previously discussed.

On the other hand, the incentive for the Japanese side to get involved in new large-scale projects in Siberia has been diminishing due to structural changes in the Japanese economy. In the process of undergoing the two oil crises in the 1970s, the Japanese economy has managed to adapt to the new international economic situation by reshaping its main sectors into energy saving-oriented or intelligence intensive-oriented industries. This has substantially altered the domestic demand for energy and other natural resources, a tendency which was further prompted by the prolonged world-wide economic recession.

These facts lead to the conjecture that even if all of the existing political obstacles were removed, there would be very little likelihood of the revival of the "Siberian boom" for its natural resources within the Japanese business community in the foreseeable future. Does all this mean the end of Japanese economic cooperation for Siberian development for good? Or will phase five (1986-?) see any new developments? Perhaps the answer to the first question is negative, and to the second one affirmative.

*Second*, the possibility of diversifying forms of economic interchanges between the two states was seriously discussed in an attempt to break the present stalemate.

Among the new forms of economic interchanges which were taken up in the session were : Japanese cooperation for modernization of existent Soviet plants in light industries and electric industries, including power stations to attain higher efficiency ; Soviet purchases of petrochemical and agricultural machinery plants from Japan on a turnkey basis ; Soviet purchases of Japanese equipment and technology for automatization or robotization ; Japan's consulting for management and marketing in the USSR ; legitimation of joint ventures in the USSR ; and establishment of a free trade zone in the Soviet Far East.<sup>16</sup> Although most of these still remain in the stage of ideas rather than actual projects, further investigation by the JSEC and the Soviet counterpart might indicate a new direction for Japanese-Soviet economic cooperation in Siberia, and also change the definition of JSSDPs.

*Third*, it is also noteworthy that the first time the JSEC responded in a somewhat positive manner to the repeated Soviet proposal for government-level economic cooperation agreements on a long-term basis. In the joint communiqué adopted at the closing of the ninth session, it was stated that "the Japanese side took note of the Soviet proposal," while the Japanese Government has continued to deny flatly the need for such

agreements with the USSR on the ground that there is no evidence that lack of agreements between the two governments has affected the volume of Japanese-Soviet trade.

In the past, the JSEC has taken virtually no notice of various forms of Soviet pressure for a framework for long-term economic cooperation and the conclusion of related government-level agreements and has not made any official response to the Soviet side. The fact that the JSEC cautiously shifted its stance from “no notice” to “take note” on this matter may imply that the JSEC has begun to consider government-level arrangements of this kind as a catalyst for Japanese-Soviet trade relations.

*Fourth*, for the first time in the history of sessions of the joint conference since the establishment of the JSEC in 1965, the Japanese side made direct reference to the sensitive political issue of the Northern territories. In his guest speech, Foreign Minister Abe called attention to the fact that no peace treaty between the two states has existed in the post-war period due to this fundamental political issue. He stated that the solution of his pending political problem would open the possibility of promoting positive bilateral relations, including economic relations over the long-term.<sup>17</sup> In his keynote speech, Chairman of the JSEC Anzai underlined that the conclusion of a peace treaty with the USSR through the solution of the territorial issue, which is a strong wish of all Japanese people, would expedite economic interchanges between the two states.<sup>18</sup> To such outspoken references to political problems, the Soviet side showed no hesitation to reveal displeasure. At the closing remarks Sushkov expressed his regret that the long-observed practice of not referring to political matters on the occasion of the joint conference was undermined by the Japanese side, adding that he hoped it would not be repeated in future.<sup>19</sup>

It is safely argued that such remarks by Abe and Anzai in the ninth session suggest a substantial departure from the traditional Japanese policy of *Seikei Bunri*, which used to justify expanding trade relations with politically difficult countries, in particular, with the communist states. It is commonly understood that the then Prime Minister Tanaka made plain that the Japanese Government would support *Seikei Bunri* regarding Japanese cooperation for Siberian development in October, 1973 when he made an official visit to the USSR.<sup>20</sup> Viewed in this context, the establishment of the JSEC in itself was a clear indication of the practice of *Seikei Bunri* vis-à-vis the USSR, since the JSEC was a purely private organization comprising leading Japanese firms in various sectors.

It may be misleading to assume, however, that the departure from *Seikei Bunri* by the Japanese side clearly demonstrated in the ninth session will immediately affect Japanese-Soviet economic cooperation over Siberian development, since the emergence of large-scale and conspicuous projects like Tiumen' oil development project seem unlikely for the next decade or so. The new forms of cooperation mentioned earlier, if realized, appear to be rather modest and will have little chance of causing political repercussions. All one can safely predict at present is that the attempt to maintain the balance between political considerations and economic interests will continue to be made by the JSEC in the foreseeable future.

## Notes

- 1 He was the first Soviet cabinet-level figure to visit Japan since the normalization of diplomatic relations in 1956.
- 2 Occidental Petroleum Corporation and El Paso Natural Gas Company.
- 3 He took over the chairmanship of Keidanren when Uemura retired in 1975.
- 4 See p.
- 5 It is said that more than twenty JSSDPs were originally planned, but ideas of such projects were abandoned since the establishment of the JSEC, while only eight JSSDPs were realized as mentioned in this paper.
- 6 Because the USSR government remains emphatic that "enterprises belong wholly to our state," it does not seem to explore forms of joint venture which involve foreign equity participation, such as Bulgaria, Hungary and Rumania have permitted (and which is also, within certain restrictions, available in Poland).
- 7 Statement by Joseph Nye at Shimoda conference, September 1981. See *Report of the Fourth Conference on Soviet and East European Problems* (Tokyo; Soren Too Boeki Kai, 1981), p. 6.
- 8 OTA Research Reports, "Soviet-Japanese Energy Relations" in *Technology and Soviet Energy Availability* (Washington, D. C.; USGPO, November, 1981).
- 9 In this case, it is assumed that the delivery of LNG within the framework of the Sakhalin Continental Shelf Oil and Natural Gas Project (3.5 million tonnes per year) alone will be carried out by the end of the 1980s.
- 10 Incidentally no official statement was ever made by the JSEC as to why the Tiumen's oil project was abandoned.
- 11 Interministerial differences in this regard are discussed in several newspaper articles. See especially *Nihon Keizai Shimbun*, March 1 and October 11, 1973; *Asahi Shimbun*, March 7, August 23, and October 11, 1973.
- 12 According to the statistics of OECD, the total volume of East-West trade in 1975 reached 44 billion U.S. dollars.
- 13 Japanese economic dependence upon the U. S. has also been heavy, but in this area the dependence is somewhat more mutual.
- 14 At the Japan-Soviet Symposium sponsored by *Sankei Shimbun* in Sapporo, in November 1981, a Soviet representative of the Ministry of Foreign Trade attributed Japan's decline as Western trading partner with the USSR from second in 1979 to fifth in 1980 to the difference of policy on trade with the USSR between Japan and Western Europe after the Afghanistan incident. (*Sankei Shimbun*, November 23, 1981).
- 15 *Report on the Ninth Session of Japan-Soviet Joint Conference [Dai 9 Kai Gôdô Kaigi Hôkokusho]*, (Tokyo, JSEC, 1985).
- 16 *Ibid.*, pp. 57, 73-78.
- 17 *Ibid.*, p. 36.
- 18 *Ibid.*, p. 41.
- 19 *Ibid.*, p. 96.
- 20 Keisuke Suzuki, *Shiberia Kaihatsu to Nisso Keizai Kyoryoku* (Tokyo; Nikkan Kogyo, 1977), p. 233.