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JAPAN'S ROLE IN GORBACHEV'S AGENDA

Susan L. Clark

August 1988

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PREFACE

This paper was prepared under funding from the Institute for Defense Analyses' Central Research Program fund. It represents a continuation and expansion of previous work by the author, a research staff member at IDA, on Soviet-Japanese relations.

This paper examines the prospects for Soviet-Japanese relations, particularly in light of the Soviet Union's new foreign policy approach under Mikhail Gorbachev. After briefly reviewing the state of bilateral relations between these countries in the postwar period, attention is focused on Gorbachev's new public diplomacy style and the effects this has had on Soviet relations with Japan. There is little doubt that the Soviet Union views Japan as a major potential asset in its efforts to restructure the Soviet economy. The economic section of this paper raises the question of whether the Soviets can provide incentives for the Japanese sufficient to enlist their greater cooperation in this endeavor. On both the political and economic level, the controversy surrounding the Northern Territories remains a key obstacle to prospects for improved Soviet-Japanese relations. Finally, the issue of this bilateral relationship is placed into a broader context by examining the role that China plays, both in its own relations with Japan and in terms of the triangular relationship among the USSR, Japan, and China.

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JAPAN'S ROLE IN GORBACHEV'S AGENDA

A. INTRODUCTION

After having observed Mikhail Gorbachev in the role of General Secretary for more than three years, Western analysts have still not reached a consensus on the extent to which there is something new in Soviet foreign policy. While these analysts agree that Soviet policy has certainly become more innovative and flexible, and that the Soviets have adopted a more effective diplomatic style, they differ in their assessments of how much has changed substantively. Yet few could deny that there have been certain notable shifts in Soviet foreign policy. For example, in Asian relations, the Gorbachev leadership has implemented policy changes which could well result in significant alterations in the international arena, including the beginning of their withdrawal from Afghanistan and concessions to the People's Republic of China in order to improve bilateral Sino-Soviet relations.

Gorbachev's first major diplomatic initiative in Asia was his July 1986 speech in Vladivostok, which many believed heralded a new Soviet policy toward Asia. There can be no doubt that this was a new approach when compared to the neglect that the Asian region experienced while Andrei Gromyko controlled the Soviet Foreign Ministry. Gorbachev recognizes not only the increasing international role Asia is playing in global affairs, but also the economic vitality of this region, and realizes the important role it can (and perhaps must) play in his domestic reform efforts. Hence, his decision to visit Asia within 18 months of coming to power, compared with Brezhnev's wait of 14 years. In the Vladivostok speech, Gorbachev stressed the fact that the USSR is an Asian country (although it must be noted that he stresses the Soviet Union's European component when he addresses Western Europe), and he proceeded to underscore the common interests of the Asian countries. Since this speech, the Soviet press has increased the number of articles, both substantive and superficial, that it devotes to the Asian-Pacific region. One component which they pay particular attention to is that of Japan's growing role in the region and in the world.

One element of Soviet foreign policy which has remained consistent is the belief in the concept of the "correlation of forces" in the world, that is, the balance between the forces of capitalism led by the United States and the forces of socialism led by the USSR. In this context, the Soviet Union sees itself facing three "power centers" in the world: the United States, Western Europe, and Japan. Over the past several years, Soviet analysts have perceived a weakening of the United States power center, while the remaining two centers, particularly Japan, have grown stronger. As a result, Japan occupies an increasingly important position among Moscow's global priorities, both because of its concerns about the correlation of forces in the world and because of economic factors in the region. During the 1980s, the Soviets have begun to view Japan not only as an element in the superpower competition but also as an important world economic and political power in its own right. The question then becomes: might the notable shifts seen elsewhere in Soviet foreign policy be duplicated in Soviet-Japanese relations?

The new Soviet leadership has recognized the failure of its previous heavy-handed approach in relations with Japan, and has instead now adopted a more effective public diplomacy. The fact that tensions remain between the two countries can be attributed more to the long-standing dispute over the Northern Territories (Kurile Islands), as well as to the Toshiba scandal of 1987, than to a failure in Soviet public diplomacy per se. An improvement in Soviet-Japanese relations will require movement by both sides. Namely, the likelihood of such a change in their bilateral relations will depend partly on the Soviet commitment to the Northern Territories and partly on the Japanese commitment to China and the United States.

This essay will examine the general state of Japanese-Soviet relations, especially under Gorbachev, the economic incentives and disincentives both countries perceive in closer economic cooperation aimed at developing Siberia and the Soviet Far East, and the role which Japan's relations with China have played in the broader context of Asian relations.

B. SOVIET-JAPANESE RELATIONS: HISTORICAL PERSPECTIVE

Historically, the USSR and Japan have not enjoyed prolonged periods of stable, friendly relations. In the twentieth century alone, the two countries have known three periods of direct conflict: the Russo-Japanese War of 1905, the presence of Japanese troops in Vladivostok during the Russian Civil War (1918-22), and World War II. Since the establishment of diplomatic relations between the two countries in 1956, their relations

have improved modestly in the cultural, economic, and diplomatic spheres. The end of the 1970s and particularly the beginning of the 1980s, however, witnessed a sharp deterioration in Soviet-Japanese relations. In 1978 Japan signed a peace treaty with China, which the USSR viewed as being aimed directly against it. Also, as Soviet commentaries have frequently pointed out, in the 1980s Japan has supported many of the United States government's anti-Soviet policies, including economic sanctions against the USSR, the boycott of the Olympics in Moscow, and the limiting of government contacts between Japan and the Soviet Union. Japan has also limited bank credits to the USSR and cut back considerably many of their joint economic projects.

The reasons Japan has cited for the deterioration in relations focus on the increasing Soviet military threat, the perennial dispute over the Northern Territories, and events in Afghanistan and in Poland. From the Soviet viewpoint, the underlying factor for this deterioration is Japan's expanding economic might, which has prompted Japan to develop great-power aspirations and a desire for an ever-stronger United States-Japanese alliance. Moreover, the special bond between President Reagan and Prime Minister Nakasone further enhanced U.S.-Japanese relations. Nakasone's successor, Prime Minister Noboru Takeshita, who took office in the fall of 1987, was quick to indicate that he intends to follow the policies laid down by Nakasone, at least in the realm of Japan's policy toward the Soviet Union.

In terms of the U.S.-Japanese alliance, Nakasone's commitments to the United States to build up Japan's air-defense capability and to develop the capability to control the several strategic straits around Japan so as to blockade Soviet submarines and surface ships, thereby extending Japan's defense of sea lines of communication, certainly pleased the Reagan administration, while they simultaneously provoked a negative reaction from the Soviet Union, as well as from many other Asian nations. In fact, a good deal of the Soviet literature is devoted to military issues, such as Japan's "remilitarization," its expanded defense cooperation with the United States, etc. Yet in the final analysis, it is safe to assume that any Soviet "concern" about Japan's defense capabilities--beyond the pure propaganda reasons--must be based on the potential threat that Japan could pose, given its formidable industrial base, rather than on any immediate threat.¹

¹ For a fuller treatment of the military issues in Soviet-Japanese relations, as well as the U.S. role in Japan's defense efforts, see Susan L. Clark, "Soviet Policy Toward Japan," in Robbin F. Laird, ed., *Soviet Foreign Policy* (New York: The Academy of Political Science, 1987).

In general, since the end of 1984, Soviet statements have seemed to indicate greater optimism about the possibility of improved relations with Japan. That year witnessed a meeting between Soviet Foreign Minister Andrei Gromyko and Japanese Foreign Minister Shintaro Abe in September during the session of the United Nations General Assembly. In addition, there were increased trade and economic exchanges and visits by parliamentary delegations, including a trip by a delegation from the USSR Supreme Soviet to Japan.

C. THE NEW PUBLIC DIPLOMACY

The Gorbachev leadership has obviously decided that Japan, particularly its economic capabilities, is of growing importance to the USSR. In his November 1985 address to the USSR Supreme Soviet Plenary Session, General Secretary Gorbachev declared that he and his nation "are for an improvement in relations with Japan and are certain that such a possibility is a real one."² And, in his Vladivostok speech, Gorbachev signalled that there are "indications of a turn for the better" in relations between the two countries, a phrase which has been reiterated in Soviet articles about Japan since then.³

The apparent shift in the Soviet attitude in its rhetoric coincides by all accounts with the new leadership. Gorbachev and Nakasone met in March 1985 during Nakasone's visit to Moscow for Chernenko's funeral. Economic and cultural contacts and trade between the two countries have since expanded. Gorbachev's theory of growing interdependency throughout the world applies to Soviet-Japanese relations as well. Increased Soviet interest is based primarily on economic concerns. The economic reform package that Gorbachev has advanced requires outside technology and improved methods of productivity for the USSR; Japan is a likely source for such needs. Furthermore, when the Japanese lifted the sanctions they had imposed on the Soviets (in the wake of Poland and Afghanistan) in November 1985, the prospects for thawing out their economic relations revived.

Foreign Minister Shevardnadze's trip to Japan in January 1986 was the first visit there by a Soviet foreign minister in a decade. This "decade of neglect" can be attributed partly to former Foreign Minister Gromyko's attitude that Asia was of only secondary interest and importance to the USSR, and it can also be attributed to the security and economic problems between the two countries. With Shevardnadze now the minister of

² As quoted in M. Demchenko, "The USSR-Japan: A Step Towards a Dialogue," *Mirovaya ekonomika i mezhdunarodnye otnosheniya (MEMO)*, no. 4, 1986, p. 77.

³ "Comrade M.S. Gorbachev's Speech...at Vladivostok," *Krasnaya zvezda*, 29 July 1986, p. 2.

foreign affairs, the Soviets have begun to reexamine their Asian policy, as evidenced by the exchange of visits in 1986 by the Soviet and Japanese foreign ministers, as well as by Soviet proposals for an Asian security conference and for improvements in Sino-Soviet relations. As one Soviet source characterized the USSR's new Asian security policy, "the problems of achieving peace and security in Asia are as acute and painful as they are in Europe, if not more so."⁴

The Soviets view Japan as playing a central role in their revitalized Asian policies, specifically because of its economic strength and its alliance with the United States. The Shevardnadze visit attests to these aims. His key objectives and achievements focused on economic agreements. Without exception, the Soviet press hailed the talks as a success, possibly even auguring a breakthrough in future Soviet-Japanese relations. While such optimism waned in 1987, particularly in the aftermath of the Toshiba incident and the subsequent reductions in Japanese exports to the Soviet Union, there is no doubt that the overall situation represents a marked improvement over the Gromyko years.

Further evidence of a new, or least modified, Soviet approach is illustrated in the 1986 appointment of a new ambassador to Japan, Nikolai Solovev. Unlike his predecessor, Solovev is more than a party man per se; he is also a professional diplomat who is fluent in Japanese. Such a move is not restricted to Japan, of course, but reflects the new overall Soviet foreign-policy strategy aimed at establishing more effective, Western-style relations with the capitalist nations.

To date, the hallmark of the "new" Soviet approach toward Asia is the speech that Gorbachev delivered in Vladivostok in July 1986. The first half of his speech was devoted to the economic development of the Soviet Far East, while the second half concentrated on Soviet foreign policy vis-a-vis the various Asian and Pacific regions; in both of these sections, the importance of Japan to the success of the Soviet initiatives is quite evident. And although much of the substance of these policies is not new, certainly the conciliatory style of the rhetoric and the dynamism of the speech are new phenomena.

Briefly, in this speech Gorbachev detailed the need for a "new regional policy" necessitated by his domestic socio-economic acceleration plan. Although the Soviet Far East is developing its economy, this development has proceeded more slowly than the rest of the country's economy, whereas it should have been one of the leaders. To rectify this

⁴ Genrikh Apalin, "Peace and Security for Asia and the Pacific," *International Affairs* (Moscow), no. 11, 1986, p. 21.

situation, Gorbachev has proposed not only fully using the region's natural resources but also developing the capability to manufacture goods there. In addition, he argues, this region must significantly increase its exports of both raw materials and manufactured goods.

During this speech Gorbachev also detailed five specific points related to foreign policy: to establish ways to control regional problems; to halt the spread and buildup of nuclear weapons in Asia and the Pacific region; to initiate talks to reduce naval activities in the Pacific Ocean, especially by ships carrying nuclear weapons; to implement radical reductions in armed forces and conventional weaponry in Asia; and to establish talks on confidence-building measures and the nonuse of force in the region. Within the context of these proposals and in his specific discussion of Japan, Gorbachev referred to the evidence of a "turn for the better" in Soviet-Japanese relations.

Japan reacted fairly cautiously to the Vladivostok initiatives and has remained unconvinced that anything of substance has actually changed. As an article in the *Far Eastern Economic Review* characterized the situation, "all Gorbachev appeared to be offering Japan...was an invitation to help remedy the ailing Soviet economy, unhindered by the two countries' intractable territorial issue."⁵

In addition to these high-level initiatives of 1986, there were several other exchanges and meetings which merit at least a brief mention. For example, the regular round of bilateral trade and economic talks convened in Moscow that year were held at a higher level than had usually been the case. Moreover, in October 1986 Moscow hosted a Japanese trade and industrial exhibit, where more than 260 Japanese firms were represented. There can be little doubt about the Soviet Union's interest in obtaining more and better economic ties with Japan. Similarly, on the public diplomacy level, a three-day roundtable conference held in Tokyo in December 1986 received widespread Soviet press coverage. Addressing the issue of "The Role of the Soviet and Japanese Publics in Ensuring Peace and Security in the Asian-Pacific Region," the sessions also purported to strengthen the political dialogue between the two countries, establish confidence-building measures, and assess the status of and prospects for bilateral and economic ties. Some 400 people from the two countries attended the conference, including delegations from the USSR Supreme Soviet and the Japanese Diet, as well as business people, scientists, and journalists. Although little of substance was accomplished, the conference certainly

⁵ Susumu Awanohara, "Vladivostok-taking," *Far Eastern Economic Review*, 13 November 1986, p. 32.

contributed to an improved atmosphere for bilateral relations. Many of the participants noted "positive changes" in relations between the USSR and Japan over the previous year. The next roundtable in this series is scheduled to be held in Moscow in 1988.

If 1986 can be characterized as the "year of optimism" in Soviet-Japanese relations, an assessment of 1987 must be considerably more temporized. Thus, despite certain cosmetic advances in the USSR's relations with Japan, the prospect for substantive improvements is not entirely promising. In fact, even in 1986, although Foreign Minister Shevardnadze and Abe agreed to establish more regular government, business and cultural contacts between the two countries, and they signed a trade and payments agreement, the results were not as sweeping as the two parties had hoped they would be. Similarly, Shintaro Abe's visit to Moscow in May 1986 was tainted by the failure to make any progress on the Northern Territories issue, although both sides did at least agree to continue negotiations for a peace treaty.

While a high-level political dialogue continued in 1987, the overall number of contacts declined. Furthermore, as it became increasingly clear in the first half of 1987 that the hoped-for Gorbachev visit to Japan would not materialize (and would not, therefore, occur during Nakasone's reign as Prime Minister), the public diplomacy initiatives began to lose their impetus. This was only compounded by several negative incidents in their bilateral relations that year. First, and most importantly, the revelation in April 1987 of Toshiba's trade arrangement with the USSR (which reportedly allowed the Soviets to develop a quieter submarine propellor) caused significant repercussions not only in Soviet-Japanese relations, but also in Japan's relations with the United States. Seeking to appease the United States following this serious technological leak, Japan acted swiftly to reduce its trade with the Soviet Union and became much more strict in observing technology transfer regulations. The result has been estimated to be about a 30 percent reduction in Japanese exports to the USSR in the first half of 1987.

In the summer of 1987 the countries' now strained relations were further marred by the Soviet decision to expel a Japanese diplomat and businessman on spying charges. The Japanese retaliated by expelling several Soviets, also based on accusations of spying. Yet at the same time, Gorbachev's decision in July 1987 to agree to the global elimination of all Intermediate Nuclear Forces (INF) was enthusiastically welcomed in Japan (and in China, for that matter). Several months later, with Prime Minister Noboru Takeshita now in power, the Soviets also perceived an opportunity for beginning a new page in their bilateral

relations. And although Takeshita has made it clear that he intends to adhere to the foreign policies elaborated during Nakasone's term in office, the dialogue has continued.

Shortly after Takeshita assumed power, in mid-November Soviet Deputy Foreign Minister Igor Rogachev led a four-member delegation to Japan for two days of talks. While Rogachev did complain to his counterpart Takakazu Kuriyama about the "discriminatory trade practices" being imposed by the Japanese against the USSR (because of the restriction on exports of strategic goods following the Toshiba incident) and while recognizing the continuing problem of the islands dispute, the Soviets have appeared hopeful that at least the atmospherics will improve under Takeshita who, along with his new Foreign Minister Sosuke Uno, has called for closer Japanese-Soviet contacts.⁶

Most striking in the renewed diplomatic effort was the visit by Vice Foreign Minister Anatoli Adamishin to Tokyo in mid-December to explain the significance of the recently completed Washington summit between Reagan and Gorbachev. Adamishin also brought with him a proposal to hold official talks on outstanding bilateral security and other issues, as well as the promise of a possible Shevardnadze visit to Japan in the second half of 1988.⁷ What should be kept in mind when assessing this public diplomacy effort is the fact that Adamishin's visit came but one week after a Japanese F4 Phantom aircraft fired warning shots at a Soviet Tu16 Badger after the latter had invaded Japanese air space and had ignored warnings to leave; this was the first time a Japanese plane had fired at a foreign aircraft since the end of World War II.

Thus, while recognizing that both the Northern Territories issue and the continued Japanese reluctance to sell the Soviets the high technology products they want will remain stumbling blocks to any substantive breakthrough in Soviet-Japanese relations, there is at the same time a sense of optimism that more common ground can be found, even following the unstable state of relations in 1987. As one Soviet commentator assessed the new Takeshita government, "the new Japanese leaders in their first speeches and statements are noting the importance for Japan of relations with the USSR and are expressing a determination to make efforts to develop them. Taking this into account, as well as paying attention to the fact that in the near term there will be a number of joint measures in several

⁶ APN, "To Give a New Impulse to Soviet-Japanese Relations," *Soviet Media Digest* (Radio Liberty), 10 November 1987. "Soviet Official Calls for Better Ties with Japan," *Radio Liberty Research Bulletin*, no. 473/87, pp. 6-7.

⁷ Nigel Holloway, "The 'Badger' Shoot," *Far Eastern Economic Review*, 31 December 1987, p. 25.

practical areas of bilateral ties, our country would like to view with optimism the prospects for developing Soviet-Japanese relations."⁸

Yet from Japan's perspective, whose leaders and people have reacted much more cautiously to the new Soviet initiatives and diplomacy than have the West European countries and even the United States, the perennial issue of the Northern Territories dispute remains a central obstacle in the way of any substantive improvement in bilateral relations. The Soviet position is that the Soviet Union has legal rights over the four islands (Habomai, Shikotan, Kunashiri, and Etorofu) and this is a "problem of the past." The strategic importance of the islands is evident, since they allow the USSR access to the Pacific Ocean and make it possible to block the Sea of Okhotsk; Soviet military forces have been stationed there since the late 1970s. In economic terms, these islands provide the Soviets with considerable fishing resources. In short, the Soviets have several reasons for not wanting to relinquish any of these islands, in addition to the problems any territorial negotiations would cause in setting a precedent for other countries to make their own territorial demands on the USSR. Japan, on the other hand, argues that these islands have always belonged to Japan and that the Soviets should relinquish their claim to them.

One incident in December 1985 elicited immediate interest and optimism in Japan, but these hopes were quickly dashed by Soviet leaders. In a meeting with Foreign Minister Abe, Evgenii Primakov (of the prestigious Institute of the World Economy and International Relations) apparently hinted that two of the four islands (Habomai and Shikotan) could be returned to Japan after peace treaty negotiations were completed. At best, this exchange should be interpreted as a sign that the USSR has backed down from its long-standing position that no territorial issue even exists. This interpretation was reinforced by the Abe-Shevardnadze meeting one month later in which the issue was discussed (for more than three hours), but the Soviets were quick to point out that they would never return the islands to Japan. Thus there has been a change in the Soviet position to the extent that they are now at least willing to admit there is a problem. But beyond this, there should be little expectation of any other changes. Such is likely to remain the state of play on this sensitive issue for the foreseeable future.

⁸ TASS, "In the Press Center of the USSR Ministry of Foreign Affairs," *Krasnaya zvezda*, 13 November 1987, p. 3.

The one area which Gorbachev is, of course, most interested in improving is that of Soviet-Japanese economic relations. Their importance to his perestroika efforts are analyzed in the following section.

D. GORBACHEV'S PERESTROIKA AND IMPLICATIONS FOR SOVIET-JAPANESE TRADE

The ambitious program General Secretary Gorbachev is undertaking in an attempt to restructure the Soviet economy places considerable emphasis on the importance of better developing not only Siberia's natural resources (especially fuel and energy resources), but also its own production capabilities. Thus, not only is the Soviet Far East being called on to increase its contribution to the total Soviet fuel supply from one-half to two-thirds,⁹ but it is also expected to account for an increasing proportion of the energy-intensive branches of Soviet industry, thereby making the economy operate on a more efficient basis. Within this context, the Soviet Union would certainly welcome Japan's contribution to this effort through an influx of machinery and equipment and other forms of high technology. What has been the general state of Soviet-Japanese trade relations and what might be the prospects for the near term?

The Soviet Union and Japan have historically approached economic and trade ventures from different positions. The Soviet position continues to be that economic interests can--and should--be separated from political issues. Japan, on the other hand, adheres to the concept of linkage politics, that is, political and economic issues cannot be treated as two unrelated entities. This position is not surprising since Japan possesses real leverage over the Soviet Union in economics. Realistically, only through economic incentives will Japan possibly obtain certain concessions from the Soviet Union in other areas, such as the Northern Territories issue. This Japanese approach is related to the "entrance" theory. Specifically, the argument is made that the Northern Territories controversy must be addressed first, before any significant improvement in Soviet-Japanese relations can be reached. Thus the territorial issue is at the entry door to other elements of the bilateral relationship, particularly trade. This essentially represents the official Japanese government position, although there are those in Japan who argue that an "exit" theory is more in line with Japan's interests. According to this argument, improvements should be made in relations through trade, cultural exchanges, etc. and that

⁹ Abel Aganbegyan, "Economic Development of the BAM Zone," *Social Sciences*, no. 4, 1986, p. 67.

once the countries have developed a better foundation for their relations, progress could then be made on the disputed islands, at the exit door.¹⁰

A brief survey of Soviet-Japanese economic relations indicates a general deterioration during the first half of the 1980s, with some indications of improvement beginning in 1985. Following their first trade agreement in 1957, the USSR and Japan steadily expanded their economic contacts through the 1970s. In 1970, in fact, the two countries had doubled the volume of their bilateral trade compared with 1965, and in that same year Japan became the USSR's leading trade partner among all the developed capitalist nations. Throughout the 1970s Japan remained one of the top three capitalist countries in trade with the Soviet Union. Yet while the total volume of trade continued to expand in value during the 1970s (doubling in the period 1976-80, compared with the previous five years), the balance of trade between the two countries began to shift in Japan's favor, resulting in a Soviet trade deficit early in the 1970s that has continued to grow steadily larger. In fact, this deficit has climbed from 234 million roubles in 1971-75 to 3.6 billion in 1976-80, and to 7.5 billion in 1981-85.¹¹ Future trade relations will certainly be hampered by this trade imbalance and, since the Soviets want to expand their trade, they will have little leverage on this score.

The early 1980s witnessed additional negative trends in Soviet-Japanese trade. By 1981 Japan was only fifth among the capitalist nations trading with the Soviet Union, and while the volume of trade has continued to increase, the rates of increase are considerably smaller than in the 1970s--contributing, along with higher prices, to an actual decline in their bilateral trade.

Following the abysmal state of trade relations in 1984, the two countries did begin to see some improvements in 1985, which gained strength in 1986, resulting in a 10 percent increase in their trade between 1984 and 1986. However, these promising trends were reversed in the first half of 1987 when Japan significantly reduced its exports to the USSR, particularly in machine tools (down 35 percent for the first nine months of 1987 compared with the same period in 1986), with the total volume of trade estimated to be

¹⁰ Kenichi Ito, "Japan and the Soviet Union--Entangled in the Deadlock of the Northern Territories," *The Washington Quarterly*, Winter 1988, pp. 38-39.

¹¹ Yu. Stolyarov and V. Shvydko, "Soviet-Japanese Trade and Economic Relations," *Far Eastern Affairs*, no. 6, 1987, p. 33.

down 30 percent.¹² Much of this decline can be attributed to the Toshiba scandal, followed by Japanese attempts to appease an irate United States as much as possible. As one Soviet author put it, the Toshiba affair "gravely affected Soviet-Japanese relations as a whole and brought to naught the positive shifts that [had] begun to take shape."¹³ At the end of 1987, several Soviet commentaries indicated that their bilateral trade relations were entering a crucial stage: either negative trends in evidence in the 1980s would have to be erased relatively soon, or the declines might become "irreversible."¹⁴ Throughout this assessment, however, it should be kept in mind that the scale of Soviet-Japanese trade is relatively small. For example, in 1985 the United States accounted for 37 percent of Japan's exports, while the USSR's share amounted to only 1.6 percent. Similarly, the percentage shares of Japan's imports from these two countries amounted to 20 percent and 1.1 percent, respectively.¹⁵

The fluctuations in bilateral trade and cooperation can be attributed to shifting national priorities and changes in the international environment. During the 1960s and 1970s Japan and the Soviet Union shared an interest in economic cooperation to develop Siberia. Such development had long been a Soviet objective. Japan also stood to gain because of its heavy dependence on other countries for raw materials and resources and because of its desire to improve its world economic position. In addition, the political atmosphere of detente that reigned during the 1970s further promoted such interests.

The beginning of the 1980s signaled a different trend, however. In the aftermath of the 1980 boycotted Olympics, events in Poland, and the Soviet invasion of Afghanistan, both sides began to intensify their rhetoric against the other, and in Japan economic interests became secondary to political issues. It followed the U.S. lead in imposing sanctions against the USSR, including the cancellation of \$1.4 billion in credit to the Soviet Union. Soviet analysts viewed Japanese linkage politics as obstructionist, while Japan began to perceive fewer benefits from cooperation with the USSR. This shift in Japanese policy came about not only because of increasing international tensions but also because of certain changes in its resource and raw-material needs. Largely owing to the oil crisis in

¹² See, for example, Holloway, *Far Eastern Economic Review*, 31 December 1987, p. 24; Stolyarov and Shvydko, *Far Eastern Affairs*, no. 6, 1987, p. 38; "A Summer Frost Between Japan and Russia," *The Economist*, 29 August 1987, p. 39.

¹³ Stolyarov and Shvydko, *Far Eastern Affairs*, no. 6, 1987, p. 36.

¹⁴ *Ibid.*, p. 37; see also, Foreign Broadcast Information Service, *Daily Report: Soviet Union*, 21 December 1987, p. 23.

¹⁵ Ito, *The Washington Quarterly*, Winter 1988, p. 38.

the 1970s, Japan began to establish more fuel-efficient production methods for its industries. Japan's economic position has since been further enhanced by lower world oil prices and has become less dependent on what the Soviet Union has to offer. Finally, Japan has realized that its resources can be better supplied with fewer stipulations from countries other than the USSR; the number of its suppliers has increased appreciably, especially among the ASEAN countries.

The Soviets would like to obtain a long-term (ten- to fifteen-year) intergovernmental agreement for economic and scientific-technological cooperation, similar to their agreements with many of the Western European countries. The Soviets see the lack of such an agreement as an impediment to realizing the full potential of cooperation between the two countries; yet they refuse to have such an agreement linked with any political issue, such as the Northern Territories dispute. It is difficult, from the Japanese standpoint, to envision any agreement or other significant improvement in bilateral relations without a Soviet concession on this dispute. Failing to obtain such an agreement, the Soviet Union has settled for short-term agreements, such as that signed between Foreign Ministers Abe and Shevardnadze in January 1986 for 1986-1990, the fifth such intergovernmental agreement on trade and payments between the two countries.

One element of Gorbachev's restructuring campaign which has provoked considerable interest in the West has been the idea of joint ventures between the Soviets and Western firms. Thus far, the Japanese reaction has been one of relative caution; their primary objections have focused on the rule that the Soviets must have majority ownership and on the difficulties of repatriating the profits from these ventures.¹⁶ Nevertheless, the two countries did sign their first such joint venture in July 1987 for a sawmill near Lake Baikal. Since then, other joint venture agreements have included: construction of a sportswear factory, production of aluminum alloys, and in March 1988 a \$6 billion agreement with companies from not only Japan, but also the United States and Italy to build and operate a petrochemical complex, the largest joint venture signed to date. Furthermore, in July 1987 the Sakhalin oil project, the extraction phase of which had been placed on hold for several years, was given the green light, and Japan is scheduled to begin receiving oil from it in 1992.

Thus, Japan has certainly not ignored this new economic opportunity, but neither has it welcomed the joint venture concept with open arms and few questions (as some

¹⁶ "A Summer Frost Between Japan and Russia," *The Economist*, 29 August 1987.

Western countries are seen to be doing). At the end of 1987 approximately forty Japanese proposals for joint ventures had been submitted to the Soviets, mainly in the areas of wood products, consumer and food industries, and machine building.

Aside from the factors already enumerated which have contributed to the low level of trade between Japan and the Soviet Union (such as linkage to political issues, Japan's decreased need for Soviet products due to the restructuring of its economy away from energy-intensive production, and the trade imbalance), several other impediments should be taken into consideration as well. One fundamental difference between the two nations lies in their preferred arrangements for cooperative agreements. Whereas Japan prefers bilateral and multilateral agreements, the Soviet Union prefers to obtain Japanese capital and machinery in order to produce the given facilities, and then to pay Japan back on its investment with a percentage of the production from the facility. A key consideration here is that the latter system allows the Soviets to protect their hard currency reserves. The perennial problem of sufficient reserves (for both the USSR and the PRC) has lately been compounded by the fact that the Soviets obtain the bulk of these monies from their sales of oil, but the fall in the price of oil combined with the fall in the dollar's value (on which oil prices are based) has resulted in an even weaker position for the Soviet Union as it tries to purchase equipment and technology in markets where the currency is strong (such as the yen).

The transfer of technology is, of course, another central concern for Japan, particularly after the Toshiba incident. The Soviets claim that the equipment and technology they receive from Japan is relatively unsophisticated, yet Japan remains cautious about the implications improved Soviet technology could have for Soviet military capabilities. The latter concern was, in fact, one reason why Japan declined to assist the USSR in its development of the BAM railway in Soviet Asia; it deemed the enhanced transport capabilities the Soviet military would thus acquire was contrary to Japanese interests. For their part, the Soviets are somewhat hesitant to expand trade given their fear of sanctions being imposed should overall relations deteriorate, as was the case in the early 1980s.

On the positive side, the role of East-West relations, and especially U.S.-Soviet relations, should also not be underestimated when assessing Soviet-Japanese economic ties. With the apparent improvement in superpower relations, some of this could be expected to rub off on Soviet-Japanese relations. In addition, there are certain factors arguing for increased cooperation, such as geographic proximity, the complementarity of

their economies, etc., as well as a general desire to lessen tensions in the region. So although substantive breakthroughs in Soviet-Japanese trade cannot be anticipated for the near term, the positive trends of 1985-86 should not be entirely overlooked, particularly if the tensions of 1987 prove relatively temporary and can be adequately overcome. Soviet assessments in 1988 are not unduly pessimistic, and as is often pointed out, there are those in Japan who do seek enhanced trade ties. One of the most frequently cited pieces of evidence for this claim was the trip by over 200 Japanese businessmen to Moscow in 1983, at a time when Soviet-Japanese relations were at a low point. Again in April 1986, another 200-plus member delegation representing some of Japan's leading firms visited Moscow, meeting, among others, the Chairman of the USSR Council of Ministers, Nikolai Ryzhkov.

No assessment of Soviet-Japanese trade relations could be complete without at least briefly addressing the role of the People's Republic of China in this relationship. Here, it is important to note that although official relations between Tokyo and Beijing were not established until 1972, the extent of unofficial contacts and trade was considerable even before this. There are certain historical and cultural bonds, in addition to the complementarity of their economies, which contribute to a greater Japanese interest in developing ties with the PRC than with the USSR. To be sure, China has capitalized on these sentiments, as seen in its "wooing of Japanese capital investment during the 1970s" which "reflected a desire to offset the lure of Siberia."¹⁷ With today's improved state of relations between the USSR and PRC, some discussion has actually been given in the Soviet press to the idea of multilateral cooperation in developing the Soviet Far East, with the participation of Japan, the PRC, and the United States.¹⁸ Although such a venture seems improbable at present, it might well provide the Soviet Union with the opportunity to exploit a variety of economic resources it needs for its own economy while contributing to an easing of tensions on a multilateral basis. In this context, one factor which should be kept under consideration is that, at least at their present stages, the Soviet Union and the PRC are both competing for the same high technology from the Western countries. For these and other reasons, the "China factor" merits some closer attention in terms of its overall impact on Soviet-Japanese relations.

¹⁷ John J. Stephan, "Japanese-Soviet Relations: Patterns and Prospects," Herbert J. Ellison, ed., *Japan and the Pacific Quadrille: The Major Powers in East Asia* (Boulder, CO: Westview Press, 1987), p. 145.

¹⁸ M. Titarenko, "Soviet Peace Strategy: The Asian and the Pacific Direction," *Social Sciences*, no. 1, 1988, pp. 96-97.

E. THE ASIAN TRIANGLE: THE ROLE OF THE PEOPLE'S REPUBLIC OF CHINA

In contrast to its relations with the Soviet Union, Japan shares much closer cultural and historical bonds with China. Among many Japanese, moreover, there remains a certain sense of guilt for Japanese treatment of the Chinese during the war; on the other hand, the Japanese generally regard themselves as victims of the Soviet Union. It is thus no surprise that economic, political and other ties have been stronger between Japan and China than between Japan and the Soviet Union, a fact which has clearly affected relations among all three of these Asian powers.

During the 1950s and 1960s Japan pursued a "two Chinas" policy, although the economic and political contacts it had with the PRC were kept at the unofficial, private level. In the mid-1960s Chou En Lai actually sought to convince the Japanese that an alliance with the PRC was not only beneficial to their country, but even necessary, if it wanted to gain the upper hand over the other capitalist countries. Japan chose instead to adhere to its policy of alignment with the United States as the means to laying claim to its role as an Asian leader.¹⁹ It did not officially change its policy toward the PRC until the United States did so in the early 1970s. This is not to say, however, that contacts between the PRC and Japan were poor. In fact, in 1965 Japan became China's largest trading partner, surpassing the Soviet Union. In 1969 Japan's foreign minister declared that "the absence of diplomatic relations does not prevent Japan and China from having extremely broad contacts".²⁰ Japan's failure to normalize relations with the PRC at that time was not solely attributable to pressure from the United States; Japan's ruling circles then saw a greater benefit to be derived from the political and economic contacts it had with Taiwan and did not wish to see those ties jeopardized. Finally, Japan already occupied an important place among China's economic and political partners, even without diplomatic relations.²¹

Still, when the United States began its moves to normalize relations with China, Japan was quite ready to follow suit. Despite the negative repercussions for U.S.-Japanese relations over this process (namely because of the U.S. failure to notify Japan of its

¹⁹ I. Burlingas, "China and Japan," in S. L. Tikhvinskii, ed., *Kitai i sosed'i* (Moscow: Nauka, 1982), pp. 438-439.

²⁰ M.G. Nosov, "The 'China Factor' in American Policy Toward Japan," in V.P. Lukin et al, eds., *Mesto Kitaya v global'noi politike SShA* (Moscow: Nauka, 1987), p. 258.

²¹ Ibid., pp. 258-259.

intentions beforehand and the subsequent increased emphasis on China in U.S. policy to the detriment of Japan's role), the overall process was welcomed in both China and Japan. In September 1972 diplomatic relations were established with the signing of a nine-point communique between the new Japanese Prime Minister Kakuei Tanaka and Chou En Lai, signaling the normalization of relations and contributing to China's reemergence from isolation into the international community.

Undoubtedly the greatest benefit derived from this normalization was the expansion in trade and economic ties between the two countries, thereby making it possible to accomplish even more officially than had been done on an unofficial basis for many years. In terms of the political objectives each country pursued in establishing these relations, there were clearly many areas of accord, but areas of discord as well. For Japan (as well as the United States), China was seen as another power to combat the USSR and its allies in Asia. At the same time, Japan and the U.S. sought to tie China into the Western capitalist system, and to keep it away from the socialist community. Where Japan and the U.S. generally differed was in the priority each accorded to these objectives. Whereas the Japanese saw trade and economic cooperation with a neighboring nation to be of paramount importance, the United States placed greater emphasis on China's role as a potential political partner. In particular, Japan was interested in diversifying its source of raw materials and energy and on maintaining a central role in China's economy. For its part, China's policy toward Japan incorporated three central objectives: strengthening cooperation against Soviet influence in the Asian-Pacific region; utilizing Japan's economic power, technology and financial capacity to modernize the Chinese economy; and impeding any developments which might allow Japan to become a military threat to China again.²² By the same token, Japan has consistently rejected any calls from China to cooperate with China in the military sphere, reasoning that a militarily strong China might be useful to the United States and Western Europe in their global struggle against the Soviet Union, but that this would not necessarily be in Japan's own Asian interests.

The first decade of normalized Sino-Japanese relations can generally be characterized as one of considerable success, particularly because of the expansion of economic relations. One of the key political objectives during this time was the elaboration of a peace treaty between the two countries. At the same time, the Japanese were also

²² Joachim Glaubitz, "Japan," in Gerald Segal and William Tow, eds., *Chinese Defence Policy* (Urbana and Chicago: University of Illinois Press, 1984), pp. 222-223.

continuing a dialogue with the Soviet Union, in the spirit of the detentist atmosphere as well as in the interests of expanded economic ties. As an example of Japan finding itself involved in a Sino-Soviet competition, in the early 1970s, the Soviet Union tried to involve Japan in the exploitation of oil in Tjumen, a West Siberian oilfield. Not wishing to have Japanese technology devoted to enhancing the Soviet economy, to counteract this project, China offered to sell Japan its own oil on more favorable terms. In 1974 Japan ceased talks on the Tjumen project because of technological and financial risks, although account may well also have been given to China's feelings on this issue.²³

In turn, it was in the peace treaty process between China and Japan that the Soviet Union sought to play an active and discouraging role. For instance, in 1976 one Soviet commentary characterized Japan as being at a crossroads: she could opt for an alliance with the PRC that would be fraught with complications for her relations with other states or she could choose an independent path of friendship and cooperation with all nations. Assuming an optimistic tone, the author concludes that "we think that...Japan will not permit herself to be inveigled into Peking's strategy which is opposed to the shift toward deeper international detente...and the expansion of mutually advantageous cooperation between countries."²⁴ Indeed, China continued to adhere to its anti-Soviet policy, and in this context, sought to include an anti-hegemony clause (directed against the USSR) into its treaty with Japan. For their part, in 1976 the Soviets are reported to have held out the enticement of offering to return two of the four disputed Kurile Islands if Japan would refuse to agree to the anti-hegemony clause.²⁵ In the end, Japan and China signed the Treaty of Peace and Friendship in August 1978, complete with the anti-hegemony clause, but which also contained a sentence that Japan hoped would appease the Soviets. In an attempt to maintain some kind of middle ground between the USSR and PRC, Japan had insisted on the inclusion of the following: "The present treaty shall not affect the position of either contracting party regarding its relations with third countries." Despite these efforts, the Soviets were not pleased and threatened "retaliatory action" against Japan. The signing of this treaty, in addition to resulting in a further expansion of political and economic contacts, also brought about a change in China's position regarding Japan's

²³ Ibid., p. 225.

²⁴ N. Nikolayev, "Some Aspects of Japanese Foreign Policy," *Far Eastern Affairs*, no. 3, 1976, pp. 95-96.

²⁵ Chalmers Johnson, "Japanese-Chinese Relations, 1952-1982," in Ellison, ed., *Japan and the Pacific Quadrille*, pp. 118-119.

defense spending and its military alliance with the United States. Whereas before these efforts had been criticized by China, now China welcomed them, and would continue to do so until Sino-Soviet relations began to improve in the 1980s.

In February 1978 the PRC and Japan also signed a \$20 billion, 8-year trade agreement, the first such long-term accord China had signed with a capitalist country; in September of the same year, this agreement was extended to 1990 and the total amount of the agreement raised to \$60 billion. Yet the euphoria of expanded cooperation quickly evaporated as it became evident that China had overextended itself; with an increasing trade deficit, the PRC cancelled contracts it had signed with Japan and failed to deliver promised energy supplies as well. The fall in oil prices has, moreover, had a considerable impact on China's foreign trade potential (as it has had on the Soviet Union's, as mentioned above). On the whole, Japanese optimism about its bilateral relations and trade faded as it became clear that the economic "boom" it had anticipated with China had turned to "bust." This problem was nowhere better illustrated than in the case of the Baoshan Iron and Steel Complex, a showcase bilateral development project. China found itself unable to pay for its share of the project and, as a result, in 1981 it cancelled its signed contracts for the entire second phase of the enterprise. In the end, Japan advanced China the money to pay for it, and work was resumed. But Japanese confidence in China as a reliable and stable trading partner was badly shaken.²⁶

At the end of the 1970s China launched its "open door" policy, seeking to accelerate its economic modernization by attracting foreign capital and leading technology. This priority on economic modernization has led the PRC to seek a more stable and peaceful international environment so that it can thereby spend less on its own defense efforts. Moreover, it recognizes that it requires numerous foreign technologies and assistance in order to succeed in this effort; alienating potential suppliers is no longer in its interests. This recognition subsequently led in the 1980s to China's abandonment of its extreme anti-Soviet line and toward greater independence from both superpowers. This "diplomacy of independence" resulted in an easing of Sino-Soviet tensions, which in turn further raised Japanese concerns about Chinese dependability. This shift clearly did not coincide with U.S. and Japanese aims vis-a-vis China, and Sino-Japanese ties were only further exacerbated following China's failure to meet its economic commitments to Japan, as outlined above.

²⁶ Ibid., pp. 122-123.

One of the continuing problems in Japan's relations with the PRC (as with many of the former's trading partners) is that of a burgeoning trade imbalance in Japan's favor. Further exacerbating this problem is the fact that China desires higher technology and more investments in its economy than Japan is apparently willing to provide. In return, Japan complains that many of China's exports are not of sufficiently high quality, that they do not meet world standards. The situation is compounded yet again by the PRC's shortage of hard currency. To this extent, expanded Sino-Soviet trade is beneficial to both parties since they are both willing to trade on a barter system and their hard currency reserves can thus be saved. Moreover, they are both willing to accept the lower quality goods each produces which other, more developed nations are reluctant to buy on the world market. At the same time, both countries recognize that they are competitors in the world market for high technology goods. And whatever trade disputes China and Japan might have, it is important to remember that the weight of their trade is greater than either's trade with the Soviet Union.

By the mid-1980s the trade imbalance had become the most hotly contested issue in Sino-Japanese relations. For instance, in 1985 Japan had a \$6 billion trade advantage out of a total bilateral trade of \$19 billion. Yet from this peak, the imbalance decreased in 1986 and even more in 1987; moreover, Japan sought to further improve the situation by granting a loan of \$800 million to help recycle its continuing trade surplus. In 1987, however, relations were strained by the ousting of Hu Yaobang as China's party general secretary in January, who had pragmatically supported relations with Japan. Upon his removal from office, anti-Japanese sentiment heightened within China, and was only worsened by continued Japanese defense efforts, including the decision to break the unofficial commitment that only one percent of Japan's gross national product would be spent on defense. In addition, and perhaps most importantly, at the end of the year China announced economic reforms designed to decentralize its trading system, sure to cause chaos in its foreign trade. The continuation of this policy--along with the yen's strong performance--will likely constrain their bilateral trade somewhat in 1988.²⁷

On the other hand, some of the negative trends in Sino-Japanese political relations are apparently beginning to reverse themselves, as seen in Foreign Minister Sosuke Uno's five-day visit to China in May 1988. During this visit, "China's subdued attitude, in which

²⁷ Elizabeth Cheng, "Reforms Could Lead to Larger Deficit," *Far Eastern Economic Review*, 24 March 1988, pp. 72-73.

recent disputes were downplayed, indicated that Sino-Japanese relations may have entered a more stable period as economic interests take precedence over emotional nationalistic issues."²⁸

Thus, despite occasional tensions in Sino-Japanese trade relations, it should be anticipated that Japan will continue to play an important role in the Chinese economic modernization program, a much more important role than it will play in the Soviet Union's perestroika program. And, if it should come down to a choice between the two, Japan would almost certainly opt to cooperate with China over the USSR. Japan is China's main trading partner, accounting for about one-quarter of all Chinese foreign trade, and although China's share of Japan's total trade amounts to only 4 percent, China is second in importance only to the United States in Japan's export market.

Given that China cannot significantly expand its oil and coal exports to Japan (its main products to Japan), China would like to see Japan invest more in the Chinese economy, which would then strengthen its export base and conserve its hard currency reserves. Nevertheless, Japan remains reluctant to provide the PRC with too much of its technology and know-how, for fear of turning China into a serious competitor in the world market.

Yet Japan also must realize that these chronic trade problems may be contributing to China's move toward greater cooperation with socialist countries. From China's point of view, the general improvement in Sino-Soviet relations (aided by Gorbachev's compromise on their disputed border and the beginnings of the Soviet withdrawal from Afghanistan) has made expanded economic contacts more desirable. The socialist market is perceived to be more stable in its exports, with less chance for protectionist measures being imposed, and the use of a barter system allows both parties to conserve their hard currency supplies. In the coming years Japan must determine how best to manage its economic and political interests given the constraints which a Sino-Soviet rapprochement might place on Japan.

F. CONCLUSION

Several reasons for the deterioration in Soviet-Japanese relations that took place during the late 1970s and first half of the 1980s have now been eliminated or reduced in importance. For example, the sanctions Japan imposed against the USSR because of

²⁸ Louise do Rosario, "Burying the Hatchet," *Far Eastern Economic Review*, 19 May 1988, p. 30.

events in Poland and Afghanistan have been repealed; Japan's peace treaty with China seems less of a threat to the Soviets now that Sino-Soviet relations are on the upswing; and the ineffective, heavy-handed approach the Soviets had used when dealing with Japan has now been replaced by a more effective and flexible diplomatic effort.

This is not to say that serious problems do not remain. First and foremost, there is the territorial dispute. Again and again, the conclusion seems to be that no substantive breakthrough in Soviet-Japanese relations is possible without some movement on this issue; but no solutions appear to be forthcoming. Particularly given the strategic importance of these islands and the fact that the Soviets have built military installations on them, it is highly unlikely that they would reverse their position and return the islands to Japan. The Soviets argue that for relations to improve, Japan must look to the future rather than to the past (another only vaguely concealed reference to the territorial dispute). And both governments seem to share the attitude that it is up to the other country to take the first step toward improving their relationship.

Realistically, the prospects for any concrete change in relations are more likely to be linked with the improved state of U.S.-Soviet relations. If the superpower political dialogue continues to develop, as most signs indicate, the implication is that some favorable trends could rub off on Soviet-Japanese relations. At the same time, Japanese businesses might become more interested in expanding relations with the USSR, which would give additional impetus to any political moves in this direction.

As is evident, China adds another complicating dimension to the picture of Soviet-Japanese relations. Over the years, Japan has generally opted to support China when the choice has been between China and the Soviet Union. Now, with Sino-Soviet relations actually improving, especially in the economic arena, Japan finds itself in a different situation. While Sino-Soviet trade is still only half that of Soviet-Japanese trade, and even less when compared with Sino-Japanese trade, China does provide the Soviets with a market for its industrial goods, while the USSR finds that Chinese agricultural and consumer goods meet the growing need in Siberia and the Soviet Far East to improve living standards. Still, neither country can solve its need for high technology from the other; for this they must turn to the developed capitalist economies. Japan has proven reluctant thus far to provide either the Soviet Union or China with sophisticated technologies; in neither case does it wish to see such technology turned against Japan in the form of enhanced military capabilities. Incidents such as the one involving Toshiba will only make Japan more hesitant. The other major decision which Japan will have to make in its trade

relations with both nations is the extent to which it is willing to invest in those countries. Here, too, Japan has not been anxious to encourage this option. But the fact remains that the trade imbalance in Japan's favor will likely remain a serious problem, and will have to be ameliorated in some way, with investments being a leading solution.

The Soviet-Japanese relationship does not face a particularly easy future. Economic interests will clearly remain at the top of the list, especially for the Soviets, but political and military issues will continue to pose problems in their cooperative efforts. Judging from two statements made by General Secretary Gorbachev, the Soviet diplomatic effort will continue apace, following its more flexible and innovative approach. In welcoming Foreign Minister Abe during his March 1986 visit in Moscow, Gorbachev asserted, "History has repeatedly demonstrated that Japan and the USSR can get along without each other. But such a position is not a proper one for neighbors. We have made a principled political decision to develop and improve relations with Japan in all areas, regardless of her ties with other nations."²⁹ It was further reported that in a closed meeting at the USSR Ministry of Foreign Affairs in May 1986, Gorbachev declared (though not with specific reference to Japan), "One of the decisive forms of diplomacy is negotiation.... We must resolutely avoid a situation in which our delegation is called 'Mr. Nyet' because of its meaningless stubbornness'."³⁰ There can be little doubt, based on these statements, that the Gorbachev leadership has recognized the failure of previous Soviet diplomatic tactics and is determined to make its new style succeed. Particularly if tensions between Japan and the U.S. increase further over trade disputes, the new style of Soviet diplomacy will probably opt to tone down its rhetoric and increase its more conciliatory efforts in order to expand the wedge between the United States and Japan.

Although the means chosen may vary, depending on the international climate and the prospects for economic cooperation, the ultimate Soviet ends will remain the same. Specifically, they will aspire to exploit Japanese economic might while seeking to neutralize Japan and to undercut cooperation among Japan, the United States, and the People's Republic of China.

²⁹ V. Khlynov, "Soviet-Japanese Dialogue--An Important Factor in International Relations," *MEMO*, no. 11, 1986, p. 100.

³⁰ Ito, *The Washington Quarterly*, Winter 1988, p. 39.

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