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# Some problems of Japanese–Russian Official Economic Cooperation in the Russian Far East

Evgenii Kovrigin

## A DEDICATION

I came to Professor Keisuke Suzuki's name for the first time long ago, when I was a young researcher in the Soviet Union. His works were dealing with various problems of the Soviet economy and prospects for Soviet–Japanese economic relations, especially in the eastern parts of the USSR–Siberia and the Russian Far East. Like the works of many other non-communist authors, they were unavailable for the general Soviet public and only appeared in secret publications prepared for the then Soviet policy-makers. For obvious reasons not all of them were open in Japan either. Meanwhile, among them there were such profound papers as : 「バム幹線圏の経済開発構想 (1978) , 「シベリアの化学工業」 (1980) , 「シベリアの林業及び木材加工工業」 (1981) , 「バム圏の鉱物燃料エネルギー資源」 (1985) , and others. Fortunately, the times when our two countries, Japan and Russia, had to conceal so many things from each another have vanished.

Now, Professor Suzuki and myself, we are working in the same city, in hospitable Fukuoka, and I consider it my privilege to systematically cooperate with him. His knowledge of the Russian economy, national psychology, and history is exceptionally deep. His protracted personal contacts with the leaders of the Japanese business community and with the former leaders of the Soviet government make him a living history of the development of the bilateral economic ties. His move to Fukuoka a couple of years ago seems to be a precious “acquisition” for the University of Kyushu where he works now.

There is a splendid tradition in Japan to commemorate well-known scholars' anniversaries with theme volumes compiled by their colleagues. It is my great honour to participate in the special edition which aims at the commemoration of Prof. Suzuki's contribution to the studies of economy. The outstanding Japanese scholar has dedicated the largest part of his academic career to the development of bilateral economic cooperation in the eastern parts of Russia. It has suggested the theme of my own contribution to this volume.

## THE BACKGROUND

Japan is widely recognized as a country of classic economic diplomacy, or better said, its birthplace. This phenomenon emerged after WWII, when national leaders came to a conclusion that “for further existence of Japan, deprived of armed forces and international political influence, there was no way out in foreign policy but to seek for economic gains”<sup>1)</sup>. Japan’s international economic policy proved to be successful and, often, very efficient. Its coping with the energy crises of the 1970s and securing further smooth supply of raw materials to the country may be considered outstanding achievements. Japanese diplomacy so far has also demonstrated its remarkable ability not to drive Japanese-American trade frictions to a dangerous edge.

Of great importance in this context is the planning and granting of official development aid (ODA) to the developing countries which (mainly for political considerations) is often referred to as ‘economic cooperation’. Japan proved itself to be the world’s number one aid supplier in 1989 and, again, for three consecutive years 1991-1993. In 1993 Japan’s ODA disbursement accounted for \$11.26 billion against the U. S. figure of \$9.01 billion. For a long period of time the annual allocations for ODA have been growing much faster than any other item in Japan’s national budget. Needless to say, the country is a dominant aid donor to the Asia-Pacific developing countries to which from 60 to 70 per cent of the whole volume of governmental resources flow every year.

The current article deals with the problems and prospects of Japan’s ODA to Russia or, more precisely, to the Russian Far East (REE) where the author, a Russian specialist on the Japanese economic policies, spent a long period of his life. The Far East is the only Russian region with direct Asia-Pacific contact and an immediate neighbor of Japan. All the Russian efforts towards Pacific cooperation necessarily involve the territory of the Far East and the water areas of its adjacent seas. There is no doubt that the neglect to the economic and social development of the Russian Far East would lead only to the further economic isolation of the whole of Russia in the Asia-Pacific Region (APR). Politically, it may be dangerous to leave the region as backward as it is now because economic backwardness could provoke future Russian decision-makers to regenerate the country’s military and naval might on the Pacific.

The economic and technical assistance to Russia and other former Soviet republics, each moving at its own pace towards democratization and free market economy, has become one of the most important issues confronting the international community in the post-Cold War period. It has been widely understood that Russia desperately needs foreign money to import food and medical supplies, to create a safety net for the unemployed and elderly citizens, to promote growth of the fledgling private business, to stabilize the value of the rouble etc. In October 1992,

a major international conference in Tokyo summed up the results of the so-called Washington-Lisbon process and put forward new guidelines for the humanitarian, financial and technical aid to the New Independent States for the period of their national formation and radical reforms.

The problem of help to the Russian democratic reforms emerged for the second time at the peak moment of struggle between the pro-democratic presidential camp and conservative majority of the previous Russian Parliament in the spring of 1993. The Yeltsin-Clinton summit in Vancouver, American \$1.6 billion aid package to Russia, ministerial conference on April 14-15 in Tokyo and G-7 Summit (again in Tokyo) in July were fragments of the same picture of international concern about the future fate of Russia.

The International Monetary Fund's decision to grant Russia a long-delayed \$1.5 billion loan in April, 1994 became a new step in this process. It turned to be an important recognition that the new centrist Russian Government, even without its best-known reformers, was working to stabilize economy and slow inflation. Of course, this sum is too small to turn the national economy around, but without it Russia would have little chance to attract foreign investors, to get debt relief or the balance of the \$43 billion assistance package which industrial countries had promised in 1993 but refused to deliver.

Japan's assistance to Russia has been minor since the beginning of the national economic crisis, but the author is not intending to reproach Japan with its poor performance, for it had its own reasons for that. His primary aims are : a) to demonstrate that rendering assistance to Russia's Pacific provinces (two Krai, five Oblasts, and one Republic) is in the inner interests of Japanese economic security and b) to suggest possible ways of cooperation without involvement of political issues. The paper also contains the author's views on the peculiarities and possible difficulties which could confront the Japanese planners, in case the national Government makes a decision to render large-scale economic assistance to the Far East of Russia. Of course, the author does not offer Japan to be a sole ("monopolistic") aid supplier to the region. If other members of the Development Assistance Committee (DAC) put forward aid programs of their own, it will only benefit the people of the RFE.

In this region future official aid donors will be confronted with numerous extraordinary situations and challenges. First of all, the help will be rendered to a highly industrialized area, as 70% of its GNP is produced in mining and manufacturing. Besides, the population of the region is well educated, as practically everyone has got secondary education, and the level of higher education is also high. There are a regional branch of the Russian Academy of Sciences and more than twenty academic research institutes in the Far East, some of which boast serious scientific achievements.

Never has poverty existed in the Far East (at least until recently), and per capita income has

traditionally been the highest one both in the USSR and in the Russian Federation. Instead of the problem of overpopulation, which is so typical for the developing countries, insufficient population and shortage of manpower has always been one of the most actual problems here. These and many other features make the RFE entirely different from such traditional recipients of the Japanese ODA as Southeast Asian countries and China and will make foreign donors work out a unique aid strategy for the Far Eastern regions of Russia.

### THE NEED FOR JAPAN'S AID TO THE RUSSIAN FAR EAST'S REFORMS

Despite rather optimistic statements by high-ranking Western officials, in reality not much was done until recently to help Russia cope with aggravating economic situation and move towards market economy. Of course, humanitarian aid to European Russia, which contributed considerably to satiate Moscow and St. Petersburg state-owned stores with food and other basic supplies, should be highly evaluated. But as a whole, a multi-billion aid package which had been promised by the seven industrialized countries, the International Monetary Fund and the World Bank to cover the shortfalls of hard currency in Russia virtually was not delivered. One of the top experts on ODA Stanley Fischer, ex-chief economist of the World Bank, summarized the situation in the following words: "There has been no real coordination of Western assistance and it has been provided in such a way that it has been of little benefit to real reform"<sup>2)</sup>.

Unfortunately, when compared to already modest results of the European and American aid, the Japanese performance seems even more insignificant. At least, the European Union (EU, former EC) could boast such a project as "The Technical Assistance for CIS" while the US pledged to launch the so called "Enterprise Funds" for Russia and the Ukraine. According to the Japanese officials, the country had distributed (allegedly with an emphasis in the Russian Far East), an emergency humanitarian assistance in the amount of only \$50 million. More humanitarian aid amounting to \$100 million in grant was promised by Japan in 1992 but later this would-be grant was transformed into ExImBank's commercial loan to finance purchases of food and medical supplies. Moreover, due to Moscow inability to submit guarantees that the loan would be repaid, it was not disbursed in 1992 and carried over into 1993. In a word, Japan remains a marginal donor when it comes to the former Soviet republics.

Meanwhile, even if to put aside financial dimension, Japan's historical experience has a great deal to offer to the governments and peoples of the CIS. Twice in its modern history Japan was challenged by an overall "perestroika" of its own economy, first after Meiji Restoration in the latter half of the XIX century, and second, following the devastation of WWII. In many respects those challenges were similar to the economic and socio-psychological problems which are

confronting Russia now. Especially meaningful in this respect would be to share with Russia the Japan's experience of deregulation and demonopolization of the national economy as well as of targeting limited financial resources in key industries which can boost export.

It is often argued that the Russian Federation should make its own efforts to help itself if it is determined to gain meaningful results. The Western requirements that key reforms such as demonopolization, promotion of competition, introduction of genuine property rights, tax reform etc. should be accelerated by the Russian authorities themselves, are entirely justified. But the other side of the coin is, as a leading American daily put it, that "no country (including West Germany and most recently Mexico) has successfully undergone economic transformation without substantial external aid"<sup>3)</sup>

In Russia the process of reforming national economy is increasingly opposed by those influential bureaucratic elements and political groups which cannot find satisfactory positions and lucrative sources of income under market conditions. What is worse, the steep fall in industrial and agricultural output, the recent hyperinflation and impoverishment of the population have helped these elements set masses of common people against economic reforms and reformers. This undesirable shift in the public opinion was demonstrated by the tragic events in Moscow in October 1993 and by the results of the Parliament elections in December 1993. To prevent the bulk of the Russian people from swinging to pro-communist or chauvinist camp has apparently become number one priority and concern for those who try to realize a peaceful and democratic world order.

In the U. S. after languishing under Bush administration a new urgency was injected into an economic aid program for European Russia. President Clinton has appointed a new team of advisors to help Russia move to market economy and peaceful relations with its partners. The above-mentioned \$1.6 billion aid package, promised at the Vancouver summit, has become the first fruit of this team's activity. Some European Union's pledges also look rather impressive. But Western plans are mainly concentrated on the area west of the Ural Mountains and, at best, affect oil-rich Siberia.

Under this circumstances the Russian Far East, the largest in terms of surface area (6.2 million square kilometers, i. e. more than 1/3 of the Russia's total area) but most sparsely populated (8.5 million people, i. e. about 5% of Russia) nation's region, is apparently lacking in the world's attention. Meanwhile, the current economic and social situation is alarming here. The region which during the 1970s had enjoyed average annual growth rates as high as 9 percent (and even 14 per cent in fishery and non-ferrous metals), in the second half of the 1980s lost opportunities for further economic growth under the then-existing "command-administrative" style of management. In the 1990s, the impact of the national economic crisis on the region turned out to

be extremely strong.

For example, in Khabarovsk Krai during the year 1992 the retail trade turnover fell by 33.4%, while overall industrial output decreased by 15% and agricultural production fell by 8 per cent if compared to the year 1991. In 1993 these indices again fell consequently by 14%, 22%, and 9 per cent against the previous year<sup>4)</sup>. Central budget allocations to the area have also decreased dramatically so that the volume of capital investment in 1993 sank by 26 per cent.

According to the former Khabarovsk Vice Governor Pavel Minakir, his area is in a state of the “Cold War” with the Central Government which “has little money to spend, and it does not spend it on the Far East; neither does it grant freedom to the Far East”<sup>5)</sup>. The recent developments have demonstrated that Moscow is not willing to delegate its economic powers, including the right to export their natural resources, to the constituent provinces of the country. Moreover, this stand is likely to be shared by the political parties of all orientations. Some observers go so far as to predict that either the whole of the RFE or its separate provinces might proclaim independence from Russia if things go worse.

Still, the Pacific provinces politically remain, perhaps, the most tranquil part of the former Soviet Union. This political stability of the region is an incontrovertible advantage for Russia’s Pacific neighbors and “deserves” to be encouraged in different ways including foreign assistance on favourable terms.

Since Mikhail S. Gorbachev’s celebrated speech in Vladivostok (in the summer of 1986), the USSR and, later, Russia proper have been increasingly eyeing the APR as a reliable source of hard currency and advanced technology. During his visit to Seoul in November 1992, President Boris Yeltsin even went so far as to tell the South Korean parliament the following words : “Today our policy is shifting from the United States and Western Europe to Asia and the Pacific. I think this visit is the beginning of this process”<sup>6)</sup>. naturally, number one priority in the Pacific Basin has been Japan. As the Russian Foreign Minister Andrei Kozyrev put it later, “if we do not have normal contacts with Japan, that would mean not entering the Asian economic space”<sup>7)</sup>.

With the start of perestroika the Soviet planners began to fancy glowing prospects of the Japanese corporations, in exchange for Siberian and Far Eastern natural riches, eagerly constructing railways, air-and sea ports etc., in a word, improving the Far Eastern infrastructure so that it could meet the requirements of the forthcoming XXIst century. They failed in their expectations due to inability to understand that, as a rule, the construction of huge infrastructure facilities in developing countries (if to regard the RFE as a developing region) usually is not a responsibility of private corporations, but an object of the official development cooperation. Nevertheless, these planners’ choice was correct in the most important respect : no other country is likely to substitute neighboring Japan as the principal supplier of financial resources and

modern technology to the Russian Far East.

First of all, Japan has always been the primary trade partner of the Far East. Moreover, after the break of Sino-Soviet political relations Japan has evolved into virtually the sole partner to the region. This can be considered the case both in terms of conventional export-import trade and large-scale resource development (“compensation”) projects. Even now, despite the vigorous recovery of the Russian trade with adjacent China, not less that one half of the regional exports is directed to the Japanese market. Japan continues to dominate exports of the Sakhalin, Kamchatka, and Magadan Oblasts and Yakut (Sakha) Republic, and maintains rather a firm stand in exports of the Khabarovsk and Primorie (or Maritime) Krai.

The drawback to the trade inclination to Japan is that it has consolidated the raw materials orientation of the Far Eastern export and economy in general. The “lion’s share” of the region’s exports are still in forestry and fishery industries, practically with no value added. Some local politicians even state, perhaps, with some exaggeration, that due to the “compensation agreements” the region has virtually turned into “Japan’s raw material appendage”. For example, since the late 1960s up to the end of the 1980s, in the framework of the three General Timber Agreements more than 30 million cubic meters of the Far Eastern wood products, including roundwood, chips and sawn timber were shipped to Japan<sup>8</sup>). Meanwhile, the implementation of these agreements has improved neither the industrial structure nor technological level of the regional economy.

However, not the past but the future of Russo-Japanese trade should be mainly taken into consideration by the Japanese economic diplomacy in the first place. Potentially, the region could become an important base for joint Russo-Japanese production and a center of its distribution. The population of the RFE is, of course, small. But the locally produced commodities and consumer goods could be easily marketed from here throughout the whole of Russia, which potential absorbing capacities are immense. For this reason, representative offices of all major Japanese sogo-shosha were opened by late 1992 both in Khabarovsk and Vladivostok. The number of members of the Japanese-Russian Trade Association has almost doubled from 68 firms and governmental bodies in 1988 to 118 in 1992.

Prospects for private direct investment in the region are, beyond doubt, a decisive factor in favor of the Japanese ODA to the Far East. Though still insufficient in their overall number and in size in every single case, the joint ventures affiliated with the Japanese capital, as of 1992, accounted for 37 per cent of all the joint ventures in the region, followed by US-Russian and Russo-Korean enterprises. Later they were outnumbered by the numerous Russo-Chinese ventures, but their real contribution into the economic development of the region remains predominantly high. For example, in the first half of 1993, the share of the Russo-Japanese JV in the total



production of foreign-affiliated companies in the Khabarovsk Krai totalled 74%<sup>9)</sup>.

The overwhelming majority of joint Russo-Japanese ventures are located in the Far East which clearly indicates the preference given by the Japanese industrialists to the Asiatic regions of the Russian Federation. But poor state of the region's ports, roads, transportation, hotels, telecommunications and other elements of industrial and social infrastructure is increasingly becoming the major obstacle to the efficient performance of joint ventures and to their further development.

In 1992, as much as twenty Russo-Japanese ventures were registered anew in the Khabarovsk Krai, but in 1993 the number of the new cases decreased to only 12. The cumulative total of the Japanese investment in the Krai as of December 1993 stood as small as \$17 million. Of course, there are many other obstacles to the international economic cooperation in the RFE, but a radical improvement of the region's obsolete and insufficient infrastructure is a number one priority. It is a common understanding that at present the Russians cannot do it at their own expense. Neither they are in position to make large-scale borrowings from private foreign sources.

Japanese ODA to the developing countries, as a rule, goes hand in hand with its commercial trade and private direct investment. Unfortunately, it is not the case with the Russian Far East. Now it seems appropriate to reconsider Japan's approach and to recognise the region a developing zone which is currently in a critical condition but which has a huge potential of trade and investment ties with Japan.

So, if summarized, the situation is like follows :

- Japan is a major global ODA donor ;
- Japan's aid has been traditionally concentrated on the Asian developing countries ;
- The Russian Far East belongs to Asia and is Japan's closest neighbor ;
- Japan has for several decades been virtually monopolistic economic partner of the Far East ;
- The Far East remains an "island" of social and political stability in the turbulent Commonwealth of Independent States ;
- Japan cannot help being interested in the progress of market reforms in the neighboring Russian Far East ;
- The further development of Japanese trade and, especially, investment in the Far East is impeded by the region's obsolete and insufficient infrastructure ;
- The Far East urgently needs money to promote market-oriented reforms and to improve its infrastructure ;
- The central Moscow government cannot allocate sufficient resources to support the Far

Eastern economy ;

- Major international aid donors, other than Japan, naturally concentrate on assistance to the European part of Russia ;
- So, why should the Russian Far East be left “an orphan” on its way to market economy and democratization ?

In 1992-1994 Japan has repeatedly pledged to give priority in its grant and loan assistance to the Central Asian republics (Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, and war-torn Tadjikistan). The former Foreign Minister Mr M. Watanabe revealed the governmental decision to train a total of three hundred experts from the Central Asian states through the Japan International Cooperation Agency (JICA) for the period of 3 years. In accordance with the recommendations of the Japanese fact-finding missions, in 1993-1994 Mr Hosokawa's administration promised to provide low-interest loans to the Kazakh President N. Nazarbaev (about \$130 million) and Kyrgyz President A. Akaev (approximately \$65 million) for their nations' reconstruction, improving infrastructure, and other purposes.

These efforts certainly deserve to be highly appreciated. The only question is: why Japan is beginning, instead of the Russian Far East, with Central Asia which is so distant from Tokyo, which practically has no economic ties with Japan, and which, potentially, has rich patrons in the person of Islamic countries of the Middle East ? The answer is simple : the world community has increasingly demanded from Japan to start assistance to the former Soviet republics. And for Japan it is politically much easier to begin with the countries which a) have nothing to do with the problem of “the Northern Territories” and b) which have their own governments eligible to sign aid commitments with Japan. So, perhaps, unintentionally Japan has been discriminated the Russian Far East. Can anything be done in order to avoid discrimination and to alter this unnatural situation ?

#### **CAN OBSTACLES TO THE JAPANESE AID BE AVOIDED IN EASTERN RUSSIA**

The problem of “the Northern Territories” is the first political obstacle. It always seemed unlikely that Japan would be in position to render substantial economic assistance to the Central Government in Moscow until the territorial issue between the two countries would have been put behind. A number of official statements could be quoted in this connection. Thus, according to Mr. Miyazawa's interview to a leading Russian newspaper in the spring of 1992, “the extension of large governmental loans will become possible, and a still more favourable environment for the operation of Japanese entrepreneurs, including trade and investment, will emerge after the

territorial problem is solved"<sup>10</sup>). A year later the then Foreign Minister M. Watanabe told his German counterpart Klaus Kinkel that it would be difficult for Japan to match Germany in aid to Russia, alluding to ongoing territorial dispute with Moscow, "even if told so"<sup>11</sup>).

Meanwhile, the results of an international public opinion poll carried out in 1993 show that 72 per cent of the Russians oppose the return of the disputed South Kurile Islands to Japan, while 84% of the Japanese respondents support Tokyo's claims to this part of the archipelago. The public opinion in Russia, to say nothing of the stance of the new Russian Parliament elected in December 1993, is not likely to change in the foreseeable future. Those officials who share Japan's approach are usually labelled by the militant communo-chauvinists as "national traitors".

On the eve of April (1993) Ministerial meeting in Tokyo some signs of change in Japan's stance become evident. New official statements contained lamentations that the previous Japanese position had been misinterpreted by Russia and the world community (which is not correct, of course). The Government also revealed its impressive plans to offer as much as ¥230 billion (about \$2 billion) of bilateral financial aid to Russia. However, some critical comments are needed in this regard.

First, the 3/4 of the announced package would consist of export credits and commercial loans by the Japan Export-Import Bank, which can not be identified as official development aid. The remaining ¥57 billion (approximately, \$480 million), besides urgent humanitarian assistance, include aid to help Russia dispose of nuclear weapons and radioactive waste, which currently would be appreciated more by the Japanese public opinion than by the Russians. Clearly, this aid package would not be perceptible if it is dispersed throughout the whole of Russia. In addition, it was revealed that the Finance Ministry surely would not approve all of free assistance programs.

Second, the 1993 initiative apparently became Japan's forced response to the Western pressure to share the burden of supporting Yeltsin's camp in Russia. The program involved neither "soft" loans by the Overseas Economic Cooperation Fund (OECF), nor technical assistance (except that for disposal of radioactive waste). In a word, Japan's reluctance to help Moscow until the territorial dispute is solved can hardly be concealed.

Next comes the second most important political obstacle, namely, the problem of the Russian addressee of the Japanese aid. To whom should the aid be given in the Russian Far East? For example, the new Central Asian independent countries do have their own governments which can be dealt with. But, unfortunately, there is no pan-regional body in the Russian Far East which could responsibly trade loans and other ODA commitments with foreign countries. In a word, there is no "window", or "counter", to render assistance straightly to the Far East.

The most serious attempt to consolidate the regional economic policies was undertaken

within the framework of the so called Far Eastern Association of Economic Interaction, popularly known as Far Eastern Regional Association (FERA), which was launched in 1990. The FERA was designed to carry out a united regional economic policy towards the other parts of the Russian Federation and towards foreign countries. The Association had a chance to demonstrate its vigour in October 1991 when the governors of the region's provinces warned President Yeltsin about the possibility of proclaiming the so called "Far East Republic", independent from the Center.

Regretfully, soon the FERA's activity became nearly paralyzed due to the lack of regional solidarity, some personal ambitions and rivalry between the local "parliaments" (the Councils of People's Deputies) and the executive governments within some of them. So, this organization, at least at the present moment, cannot serve as the "window" to invite foreign assistance to the Far East on the pan-regional level.

Perhaps, hypothetically the separate provincial Administrations themselves (for example, those of Sakhalin or Khabarovsk Krai) could serve as "windows" for the Japanese ODA. For example, the recent "Proposals for the economic reform in Russia", compiled under the supervision of Prof. Shin'yasu Hoshino, have recommended Moscow to allow the local authorities to obtain official financial aid directly from the neighbouring nations<sup>12)</sup>. Still, it seems that the uncertain future of local administrations and their inability to guarantee the return of the loans to Japan's Overseas Economic Cooperation Fund prevent them from acting as immediate counterparts in such transactions at least at the present moment.

In this situation the following proposal might be made. The Japanese Government, in coordination with the members of the international Technical Assistance Support Group for Russia, established at the Tokyo Conference in October 1992, could put forward a project tentatively titled "The Russian Far East Aid Initiative". The Government will declare, not refusing from its territorial claims but taking into consideration that the people of the Far East is not responsible for the Moscow's stance, its readiness, within the framework of this program, to render official development aid strictly to this only part of Russia.

The Government will name the Yakut (Sakha) Republic, the two Krai (Khabarovsk and Primorie) and five Oblasts (Magadan, Sakhalin, Amur, Kamchatka and Jewish) as the sole possible beneficiaries of the Japanese ODA ; the Buryat Republic, Chita and Irkutsk Oblasts might be added to this list as they gravitate to the Far East and have had a long record of economic ties with Japan. It must be made absolutely clear that central Moscow bodies will be used only as a transmission mechanism. The money, promised by Japan at the April (1993) G-7 ministerial meeting in Tokyo, could be allocated for the implementation of this program.

Of course, due to tensions between Moscow and the authorities of some Far Eastern

provinces, one cannot exclude that central bodies' officials might try to sabotage dispatch of the assistance directly to the region. But if the Japanese Government's statement is officially made, if it is brought to notice of the Far Eastern provincial authorities and if it is widely publicized by mass-media, it will be hardly possible for the central bureaucracy to reject or to ignore the Japanese aid. Of course, a rigid supervision, so that the aid comes directly to the RFE, will be needed.

As far as the assistance will be given to the region where the disputed territories are located, it may cause concern in the Japanese society. This concern may be aggravated by the public awareness that a large amount of the country's ODA to the developing countries (for example, to Philippines, China, Zambia, Bolivia etc.) has so far been spent wastfully due to insufficient planning and its misuse by local authorities. If the aid to the Russian Far East is spent inefficiently, it may also provoke sharp criticism and embitter the Japanese taxpayers. To avoid domestic misunderstanding, the goals and results of the Far Eastern assistance must be made clear for the Japanese public. They must understand that the principal reason for the Japanese aid to the neighboring Russian Far East is the Government's concern with national economic security.

The problem of "enlightment" on the purposes and mechanism of ODA is also important when it comes to the Russian society. Numerous talks and interviews in Khabarovsk and Primorie Krai witness that the overwhelming majority of the population, including some high-ranking authorities, have no idea about what the real ODA is ; they tend to take it only for extraordinary humanitarian aid (i. e. giving food and medical supplies in cases of emergency). So, educational campaign in the Far Eastern mass-media, revealing the nature of official bilateral assistance, will also be necessary.

It is also should be held in mind that despite evident need for international assistance, the Russian people may be very sensitive to its giving. The behaviour of the Russian (as well as Ukrainian) delegation at the 1992 Tokyo Conference has shown that Russia does not want to be treated as an underdeveloped nation, and in fact it is not. During several Cold War decades the USSR was rendering large-scale industrial and military aid to its allies and other friendly countries of the third world. As it was revealed by Yuri Gromushkin, an advisor to the Russian Ministry of Foreign Economic Ties, debt owed by the former "fraternal" regimes to Russia totalled \$146 billion compared with the former Soviet debt to the West of some \$80 billion, most beneficiaries being hopeless debtors<sup>13)</sup>.

Though the amount and purposes of this aid were kept in secret, the fact of rendering massive long-term assistance was widely used by official Soviet propaganda and it is deep-rooted in the minds of the Russians. For many of them the idea of being helped by the former "class enemies" seems somewhat humiliating. (There were cases when elderly people in St. Petersburg and

Moscow even refused to accept foreign food assistance for this reason).

Moreover, as a Chinese expert of ESCAP Mr. Xianguo Tong put it, “if the donor country gets deeper involved in the project, sometimes it would be resented as interference into recipient’s country internal affairs”<sup>14</sup>). Russian nationalist leaders on the local or on the national level might, for their own unscrupulous political purposes, could launch agitation against foreign ODA and the authorities who accept it. They might blame donors for the “humiliation of the Great Russia”, for interference into its internal affairs and so on. In this connection a single Japanese ODA project in the Far East should not be started unless the authorities of the relevant Krai or Oblast openly support it and recognize its positive impact on the local economy.

Of great concern to the Japan’s aid planners is the political future of the Far Eastern provinces of the turbulent Russia. To envisage possible scenarios of the region’s political development is important for the purposes of longterm planning of aid-giving and just in order to know who will service and repay the OECF loans. Three possible options emerge. The first of them implies the maintenance of status quo. In this case the Yakut (Sakha) Republic, two Krai and five Oblasts of the region will remain constituent parts of the Russian Federation, presumably with broader economic rights than before. The central Russian Government will be the ultimate guarantor of the debt to Japan in this case.

Emergence of the “Far Eastern Republic”, independent or partly associated with Russia, could be one more variant of the regional development. This development would not be entirely new for the region as semi-independent Far Eastern Republic (with capitals in Verkhneudinsk and Chita) existed here in 1918-1920. However, from today’s point of view the probability of such a political transformation does not seem high for many reasons including internal frictions between its potential members.

Some analysts, for example, Dr Alexey Buyakov of the Vladivostok Far Eastern University, predict that the Russian Federation might disintegrate like the former Soviet Union and that not only the Far East as a whole but even its smaller parts (the island of Sakhalin, for example) might proclaim independence from Russia<sup>15</sup>). In the history of the RFE there existed a precedent, namely the local Maritime Provisional Government (Pravitelstvo Primorskoi Zemskoi Upravy) centered in Vladivostok during the post-revolution Civil War. Increasing centrifugal tendencies, theoretically, might result in the emergence of quasi-independent states in those parts of the Far East which are abundant in natural resources and which would not wish to share their revenues with the poorer provinces of the Federation. Of course, such a development is extremely undesirable from the standpoint of the Russian self-consciousness and statehood.

## POSSIBLE ORGANIZATIONAL FORMS OF THE JAPANESE ODA TO THE REGION

Despite the Far East's uncertain political future Japan's aid to the region must be provided as efficiently as possible. It seems logical to begin with dispatching a special mission (missions) to this region, following the example of European Union's "identification missions" sent to the member countries of the CIS or Japan's own research missions headed for the Central Asian republics. The principal aim of this activity should be to consider the overall economic situation and to draw up a program of the development of its social infrastructure and industries using Japan's ODA.

Needless to say, the mission (missions) should be thoroughly prepared. Especially important is to have the Administrations of the Far Eastern provinces prepared for the negotiations. Local interlocuters must be aware of the upper limits of their requests to the Japanese Government. After consensus on a middle-term (let us say, five-year) program of Japanese technical and financial assistance is achieved and after it is approved by the Tokyo Government in the rough, the authorities of the respective Far Eastern provinces could apply Moscow for aid commitments with Japan. It is absolutely necessary to ensure equal participation of local authorities in the following negotiations between Moscow and Tokyo.

It is also very important to ensure objective statistical data and information and to disseminate it timely to those who will deal with ODA both in Japan and the Russian Far East. Such problems as collecting statistical data, selecting objects of cooperation, consulting on the local aid policy, perpetual supervising its performance will arise. Of course, aid policy must be implemented on the junction of interests of both parties ; only in this case it would be recognised efficient by both of them. The Japanese rich experience in the "third world" has demonstrated that when selecting objects and fields of ODA it is not wise to wholly rely upon the requests from authorities of the recipient countries. Sometimes they suffer, if to use a Russian term, from "giant-mania", i. e. tend to launch projects which surpass the recipient country's needs and cannot be "digested". In addition, according to the words by a Thailand delegate at the DAC-sponsored Tokyo Symposium on Aid (6 October, 1992), official aid to some developing countries "benefits those in the receiving governments and their cronies ; aggravates the environment ; does not trickle down" to those who really needs it<sup>16)</sup>.

Of course, the both Japanese Consulates-General in the RFE might be useful instruments for advising on the aid policy in the region. But their small staffs will hardly be able to embrace all the relevant information. Of considerable importance in this respect could be local representative offices of the major Japanese trade companies and the managers of Russo-Japanese joint ventures.

Nevertheless, if the aid to the Russian Far East is to be put on a solid basis, a special local ODA “headquarters” including representatives of Foreign Ministry, Overseas Economic Cooperation Fund (OECF), Japan International Cooperation Agency (JICA) and other bodies involved will be, most likely, needed. It seems that this “headquarters” should be headed by an aid coordinator resident who has a weight and authority to supervise the implementation of the Japanese assistance policy in the whole of the region, to notify local authorities about the cases of its misuse and to suspend aid if the Japanese requirements are not met. Surely, the main goal of such extraordinary measures must not be “to punish” the Russians but to help them make the Japanese aid more efficient.

It is also important to have an idea what the local populace really wants from foreign aid. The feedback with the grass-root level is especially vital when the environmental situation and other similarly sensitive problems are concerned. The knowledge of common people’s reaction will help to avoid unpleasant frictions concerning the economic cooperation. The Japanese aid coordinator in the Russian Far East should keep a watchful eye to see to it that aid trickles down to the people and is not taken possession of by corrupted officials or stolen by mafia-style groups. The problem of squandering foreign assistance exists in many recipient countries, and the Russian Far East is not expected to be an exception. So, before assistance is started, it must be made clear who the ultimate beneficiaries will be.

Perhaps, sending ad hoc missions set up to assess whether the Japanese aid has been made good use of will be needed. One of such missions, consisting of governmental officials and university professors was already sent to Vladivostok and Khabarovsk in late March 1994. It is believed that its findings will help to compile proposals for future aid<sup>17)</sup>.

It is equally important for the aid planners to avoid creating impression that Japan tries to profiteer on its aid to the neighboring RFE. This aid must bear a strategic character as a help to the implementation of radical socioeconomic reforms in the region. Due to their general ignorance about the essence of ODA as such the Russians practically are not aware that Japan has been widely criticized for the poor quality characteristics of its ODA as compared to the Western members of the DAC. The performance of the future Japanese assistance to the region must not suggest the Far Eastern populace to come to a similar conclusion. The RFE which has never received foreign economic assistance before possesses a unique opportunity to become a show-window of Japan’s ODA, as well as international aid in general.

At the same time it would not be wise to treat the Russian Far East as LLDC. According to the author’s opinion, the rough breakdown of the Japan’s aid should have the following basic characteristics : a) humanitarian aid must be minimized and limited only to the extraordinary situations ; b) the principal form of cooperation must become OECF bilateral loans but their terms



must be as favourable as possible ; c) within the framework of free aid emphasis should be laid on technical assistance.

### DESIRABLE DIRECTIONS OF THE JAPANESE ASSISTANCE

The so called Washington-Lisbon process was characterized with an emphasis on the emergency humanitarian aid to the New Independent States. This kind of aid has aims at providing food and medical supplies. Politically, humanitarian aid is needed to avoid an eruption of social unrest which can be triggered with shortages in basic human needs. For the former Soviet people it has been the only familiar kind of foreign aid. The Tokyo October (1992) international conference on aid declared this process terminated on the whole and acknowledged the primacy of technical assistance to enable the countries of the former Soviet Union to stand on their feet unaided. During the winters of 1991/1992 and 1992/1993 emergency humanitarian aid from the international community considerably helped Russia to solve the problem of food shortages in several parts of the country. Japan, too, claims to have distributed emergency assistance in the amount of \$50 million with emphasis in the RFE in 1992. Both American and Japanese April (1993) packages pledged to extend additional assistance of this kind.

With respect to the Russian Far East such an approach is not unfounded : the level of the region's self-sustaining in most food-stuffs items is extremely low and its economic ties with the traditional suppliers have been drastically deformed. Still it is not logical to continue as top priority rendering humanitarian assistance to this highly industrialized region into unlimited future ; it must be provided only when peoples' lives are really at stake or when the political situation is fraught with dangerous repercussions.

Humanitarian assistance as a part of "grant aid" is most undesirable kind of ODA for several reasons. It tends to be quickly spent and forgotten by its beneficiaries ; besides, it fosters a "consuming" approach and, in general, is not so much valued. Additionally, the humanitarian aid can be most easily taken possession of by corrupted officials or by organized crime. While giving emergency aid to the region, the larger part of it, following the example of the USA and the EU, should be "monetized", i. e. distributed not free but sold below market price. Japan has already begun a similar program in 11 cities of Siberia and Far East and offered about 6000 tons of provisions (condensed milk, cooking oil, canned mandarines, and canned pork). In Khabarovsk, for example, in April 1994 as much as 36 retail outlets were involved in the second round of monetization<sup>18)</sup>. It is believed that the funds generated from these sales will be used for social welfare projects.

In the framework of "grant aid" to the Russian Far East primary importance should be

attached to “the technical cooperation”. This “help for self-help” is the most fund-saving form of aid, it is not so morbid for the most of Russians and, at the same time, can be a critical contribution to the successful implementation of reform in the region. Technical aid to the region could help Japan to demonstrate the much-spoken-of shift from the traditional “project-type” aid to a new “program-type” cooperation. Perhaps, the EU’s Technical Assistance Program for CIS, which involved ECU 850 million in 1991-1992 and which takes the form of integrated programs combining measures in various sectors, could be taken as an example<sup>19</sup>.

Frankly speaking, it is difficult to find a single sector of the regional economy where foreign technical assistance would be unwanted. Nevertheless, the following priority sectors could be emphasized : human resources development ; development of such vital networks as energy, transportations and telecommunications ; private enterprise support services ; and help to food production and its appropriate distribution. Among these sectors, at the present moment, human resource development, seen as a two-way street, seems to be top priority. Bringing Russian Far Eastern professionals to Japan, and at the same time placing Japanese experts to share experiences on the ground throughout the Far East would provide a necessary base for the future Russo-Japanese trade, investment and cooperation for decades ahead.

Japan has already been accepting trainees from the independent Central Asian and trans-Caucasian republics on a systematic basis, but as regards the RFE this form of technical assistance up to now has been only sporadic. Such examples, as short-time training of Russian flight controllers from the cities of the region in January 1993, are still exceptions to the rule<sup>20</sup>. Meanwhile, a broad spectrum of individuals including higher school students, college and graduate students, skilled workers, business managers, transportation and agriculture specialists, medical doctors, scholars, journalists etc., who have been doomed “to stew in their own juice”, could considerably improve their knowledges and qualifications in Japan and apply them afterwards in the Far East.

During the transition of the Far Eastern economy to market, invitation of business managers, especially young ones, for vocational training in Japan should be of particular importance, It would be also wise to encourage, within the framework of technical cooperation, training in Japan (up to 10 months) those students of Vladivostok Far Eastern State University, Khabarovsk Pedagogical University and other state and private colleges of the region who study the Japanese language and culture ; many of these youngsters will be eventually involved into Russo-Japanese cooperation. Of course, certain measures of precaution should be taken by JICA while selecting individuals for training in Japan, otherwise some Russian officials would be tempted to recommend, instead of really apt persons, their own cronies. It is also better to concentrate on those persons who have lived in the RFE for a long period of time ; this approach will guarantee that

in future most of them will apply their new skill and knowledges in their region, not outside of it.

The other side of “the two-way street” in the people-to-people exchanges is to be implemented in the form of dispatching Japanese experts to the Far East. The spectrum of the beneficiaries of this form of cooperation is promising to be very wide as well.

Japanese experts could be critically important to provide advice for the local policy-makers on implementing their reforms. The European Union and the US have already declared their intention to launch programs of such kind. The American administration, for example, even has planned to place long-term resident advisers in selected cities of Russia and other republics of the CIS for providing assistance in such areas as financial management and city budgeting. Moreover, the former US Secretary of State Lawrence Eagleburger urged other foreign governments to adopt similar programs to support reformers in cities the US cannot reach itself.

Of course, sending political advisers to a foreign country might become a delicate matter, but if the Western members of the DAC are welcomed by Russia, why should Japan refrain from offering its specialists to the RFE. There is already at least one example of foreign guidance in the Far East : the Governor of Khabarovsk Krai Mr. Victor Ishaev in 1992 appointed a Seoul businessman, Mr Andrew B. Kwon, his counsellor on the economic relations with South Korea<sup>21)</sup>.

After the end of the “Cold War” the help of foreign experts in various fields of national economy is heartily welcomed in Russia. In November, 1992 the first 100 experienced volunteers of the US Peace Corps arrived in Moscow. After an intensive Russian language training they were deployed to different regions across Russia to work as consultants and resident experts at small enterprises and farms. Some of them even settled in the Far Eastern villages (though for a short period of time). Following the American example, not a few Japanese experts could be dispatched to the RFE in order to share their specific skills in the framework of Project-Type Technical Cooperation or under the Japan Overseas Cooperation Volunteers Program (JOCV).

Of course, the bulk of Japanese volunteers would be recruited from government departments, local government agencies, and private companies. But one more potential source of recruitment seems to exist. There is an army of retired specialists in Japan whose skills and abilities allow them to continue working but who fail to find an appropriate job at home. Perhaps, some of them could agree to be dispatched to the neighboring Russian region to disseminate modern Japanese technology and managerial methods. A temporary stay and work there could also become a source of an additional income for the Japanese pensioners and give them a sense of their importance for the society, regardless of their age.

A programmatic approach to the technical cooperation in the Russian Far East necessarily involves an establishment of Japanese-run training centers and provision of equipment to them.

One center of short-term vocational education has already been established in the region and, reportedly, by the summer of 1994 three groups of students have already improved their professional skills under the supervision of the Japanese instructors.

In early 1994 the Japanese Government was preparing to open five educational centers in Russia designed to teach various aspects of macroeconomic policy, financial reform, industrial restructuring, and operating small and medium-size enterprises. Two of them were to be established in Moscow and St. Petersburg, and the remaining three in the Russia Far East (Vladivostok, Khabarovsk, and Yuzhno-Sakhalinsk)<sup>22)</sup>. The rich Japanese experience in the running of such schools (for example, the Thai-Japan Technological Promotion Association in Bangkok) could eventually help improve vocational, managerial and technological skills of thousands of employees in joint Russo-Japanese ventures, in private Russian enterprises, and in local governmental bodies. The Japanese-run education centers could get associated with some existing local business schools.

As it has been stressed before, the Russian Far East should not be treated as a LLDC, so (if to set apart diverse technological cooperation) not grants but low-interest, long-term loans from the OECF seem to become the principal form of the Japanese assistance to the region. However, as an exception, two or three projects constructed as grants (for example, a new bridge across the Amur River in Khabarovsk) could be considered a generous contribution to the region's economic development and would symbolize the Russo-Japanese cooperation.

An anticipated construction of a disposal plant for liquid nuclear waste near Vladivostok in the form of grant is a particular case. The plan to establish the facility was provoked by the Russian dumping of radioactive waste in the Sea of Japan 550 kilometres off Hokkaido in October 1993 and threats to repeat the dumping because the tankers where the waste has been stored are filled to overflowing. Japan has agreed to finance the construction of the plant from a \$70 million grant for denuclearisation. First, it was announced that the construction will take two years but later this period, owing to the project's special urgency, was reduced and its completion is anticipated in 1995<sup>23)</sup>.

However, if to set apart such extraordinary projects as the above-mentioned nuclear re-processing facility, "soft" loans are to become the main instrument of the Russo-Japanese cooperation in the region. Since such aid will make it obligatory for aid-receiving Far Eastern provinces to service the debts, it will encourage them to make efforts for self-reliance. It is expected that these borrowings would pursue the two main goals : a) fostering private sector and advanced industries, and b) helping build up economic and social infrastructure.

OECF's government-to-government loans which aim at improving local infrastructure are a wide-spread instrument of Japan's economic diplomacy. The Far East's peculiarity will be that

those loans will be first given to the central Russian Government in Moscow and then “re-lent” by it to the local administrations in the Far East. Perhaps, the Government will have to sign special commitments with its Eastern provinces.

It is widely recognized that the Far Eastern infrastructure facilities are outrageously insufficient and obsolete. Of course, the development of the region’s North is a matter of the next century but the radical improvement of social and industrial infrastructure in its southern part (alongside the Transsiberian railroad, Baikal-Amur and Amur-Yakut Mainroads, in Sakhalin, in the south of Kamchatka) is urgent, otherwise the Far East will not be in position to develop trade and economic ties with the Asia-Pacific. And, on the contrary, new infrastructural facilities will lead to more new plants from foreign countries.

As far as there is no uniting body in the region, each krai or oblast’s administrations will, in all likelihood, consider its own needs most pressing. Among them modernization of obsolete Sakhalin railroad network, enlargement of Vladivostok airport, construction of a new highway between Vladivostok and Nakhodka, improvement of road systems in each of the provinces may be named. Most urgent projects will be selected, the sequence of their realization will be determined, and terms of loans will be negotiated in the course of Japanese aid missions to the region. The terms and conditions of these low-interest loans, most likely, must be similar to those of the loans provided to the People’s Republic of China or the loan recently negotiated with Kyrgyzstan (repayment within 30 years, a 10-year grace period with annual interest of 3 per cent).

Among many problems which will emerge in the course of the Japanese aid-giving to the Russian Far East a problem of manpower will arise. Almost certainly local Russian manpower will be insufficient in number. Many analysts, both Russian and foreign, reckon that import of manpower from neighboring densely populated China (and construction of housing facilities for them) will be inevitable. Fortunately, the RFE has mainly a positive experience of attracting foreign workers. As of 1989, more than 26,000 North Koreans, Chinese and Vietnamese were engaged in agriculture, in construction and light industries of the region; by the end of 1992 their number grew to 35 thousand<sup>24)</sup>. The Far Eastern populace has got used to the foreigners in the region, so it is hoped that the cultural and ethnic environment will be favourable enough for such kind of trilateral cooperation in the region.

The other portion of OECF loans is to be headed to finance the production facilities of the region. These loans are badly needed to foster the fledgling private sector in the area of the Russian Far East. Under current conditions they will, most likely, take the form of “two-step” (or more correctly, “three-step”) loans. The OECF will channel these loans to central Moscow financial institutions, these institutions will “re-lent” them to the administrations of the Far Eastern provinces, and local authorities will disburse them to the final consumers. In the spirit of

“privatization” of Japanese ODA the principal beneficiaries to these loans will be small and medium-size private enterprises and Russo-Japanese joint ventures. This “fusion” of ODA and private investment seems to be optimal for the introduction of market competitive economy in the Russian Far East. This approach also could be tried in the conversion of the region’s military plants to the production of the “civilian” goods.

It seems logical to favor channeling of the other part of production-oriented OECF loans to some key industries which can boost export and reinforce the regional economy. This approach gave great success to Japan after WWII and to Asian newly industrialized economies in 1970s. Such industries, most likely, will include processing of raw materials which are abundant in the region—fish and other marine organisms, timber, non-ferrous and rare metals, oil and gas of the Sakhalin ocean shelf.

Of special importance to the RFE would be the Japanese help in adoption of efficient mining technologies and the processing of tailings in those enterprises where complex ores are processed. The technological level of most of these facilities is tremendously obsolete. For example, the technology used at the Solnechny ore dressing complex—containing perhaps the world’s largest tin deposit—is from the 1950s<sup>25</sup>). Modernization of mining and raw materials processing facilities could boost the volume of the Far Eastern export considerably. At the same time, these industries are not likely to compete with Japan in the future, so the aid-giving Japan should not fear the so called “boomerang effect”.

If the Japanese Government adopts a kind of the proposed “Russian Far East Aid Initiative”, perhaps, a recent American “invention” could be taken as an example. The US idea of “Enterprise Funds for Russia and Ukraine” is meant. According to the former Secretary of State Eagleburger, such American funds have proven very successful in assisting private sector development in the former countries of the Warsaw Pact<sup>26</sup>). Since then, the US administration has been trying to introduce this form of cooperation in the Russian Federation and in the Ukraine. This combined, “syncretical” form of assistance incorporates such diverse elements of ODA as grants, low-interest loans, equity investment in small and medium-size businesses and certain types of technical cooperation. Moreover, it can serve as a special “window” to provide support to defense conversion in the former socialist countries. Japan, too, could try this “shock” instrument of assistance and create its own “Enterprise Fund” in the Russian Far East. Of course, it would require coordination between Foreign Ministry, MITI, OECF, JICA and other governmental agencies involved.

There is one more strong point in the US “Enterprise Fund for Russia”. It is also designed to serve as a conduit for financial assistance to Russia from the third countries which, for some reasons, cannot do it themselves. It means that if the Japanese Government currently is not ready

to sign any aid commitments with Russia but wishes to help the neighboring Far East, it could use the American program.

## CONCLUSION

The first starting point of the author's speculations on Japan's official development aid to the Russian Far East is his belief that Japan is strongly interested in the maintenance of political stability in Northeast Asia. The Russian Far East is the closest neighbor of Japan in this area, and any political unrest here could easily echo on Japan's national security. The second author's point is that Japan cannot but wish to expend its market opportunities due to widening world trade protectionism and regionalism. The neighboring Russian Far East, despite its limited population, promises to be an optimal launch pad for Japanese export to the new potentially immense Russian markets.

In the first half of the 1990s the RFE found itself in an awkward predicament. It cannot rely on the poor financial allocations from national Russian budget. On the other hand, it is not given real economic freedom (including freedom to export its abundant resources) by the central Government. Under these conditions, the probability of the region's impoverishment is rather high. According to the worst, but not impossible scenario, the region, in search of way out, could try to free itself from Moscow's subordination. If such a development provokes the Russian national army's involvement, the repercussions for Japan could be very unpleasant.

The only painless way out of the current difficulties lies in a rapid development of both local and foreign private enterprise in the region. The Far East's modernization imply attracting foreign (and unavoibly Japanese) private investment. But the advance of Japanese corporations, if to put aside political issue of the Northern Territories, is strongly hindered by a) the region's extremely bad infrastructure and b) financial, managerial and technological weakness of the Russian party. Japan, first among others, is capable to eliminate the obstacles to internationalization of the Far East, and the impact of successful reform will be, without doubt, to Japan's advantage.

The Far East possesses rich natural resources, well-educated population, and a convenient geographical location, so it has a good potential for self-development. However, at the present moment in order to bring this potential to life it urgently needs a decisive impetus from abroad. Of course, it is not realistic to consider Japan's or some other country's ODA a "magic wand" to solve all the problems of the regional economy. If the impetus is given, foreign official efforts will be followed and later substituted by private foreign companies and the Far East's own private business. Official development aid will then become a mere supplement to private enterprise and

eventually fade out like Japan's previous assistance to the today's NIEs. A vast peaceful area, rapidly developing and eager to cooperate with Japan and other Asia-Pacific countries, will emerge and will rather complement their economies than compete with them.

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