

Japan: the Most Difficult Year in Its Postwar History*

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Abstract. For Japan, 2011 was one of the most difficult years following the end of World War II. On March 11, 2011, Japan suffered a natural disaster in the form of a magnitude 9 earthquake that occurred in the Pacific Ocean not far from the northeastern section of the island of Honshu. This generated an enormous tsunami that inundated the Tohoku District. This was followed by natural and technogenic accidents at the Fukushima-1 Nuclear Power Plant that led to radioactive pollution of the environment. The country was forced to adopt a course not only of rebuilding the regions destroyed by the earthquake and tsunami but of creating a new energy policy in the context of the rise in antinuclear attitudes resulting from a loss of faith in the “peaceful atom.” The disaster dealt a palpable blow to the country’s economy, which in 2011 had barely begun to recover from the world financial and economic crisis. The political situation in Japan deteriorated as well, leading to a change in prime ministers. Tokyo was also forced to resolve a number of complicated issues in relations with its main foreign policy partners.

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The Great Disaster in Eastern Japan

Japan in 2011 was shaken by the tragedy of “three blows”: the magnitude 9 earthquake of March 11; the tsunami it generated, claiming human lives and causing widespread destruction and material losses; and the release of radioactive material and pollution of the environment, due to the failure of the cooling system at the Fukushima-1 Nuclear Power Plant.¹ Even though the Japanese people underwent these trials with great stoicism, the consequences turned out to be so grievous and catastrophic that the echoes of the March 11 earthquake will reverberate in Japan itself and around the world for many years to come. In Japan, this chain of tragic events was called *Higashi Nihon Dai-Shinsai*, the “Great Eastern Japan Earthquake Disaster.” Japanese scientists had predicted a strong earthquake in the Tokyo region, and when a magnitude 7.2 quake struck Miyagi Prefecture at 11:45 on March 9, it was thought that the worst was over. It was, however, only a foreshock preceding the main quake. The magnitude 9 earthquake struck at 14:46 on March 11, generating a powerful tsunami and leading to the subsequent catastrophic events in Japan. It turned out to be the strongest earthquake in Japan since statistics began to be compiled at the end of the 19th century. Note that according to data from Japan Meteorological Agency,² the country was hit by 6,757 aftershocks from March 11 through December 31 2011. A total of 9,723 quakes were recorded for all of 2011, seven times more than in 2010.

Based on an analysis of the data from the earthquake of March 11, 2011, a group of scientists at the Earthquake Research Institute at University of Tokyo concluded that there is a 70% probability of a magnitude 7 quake centered on Tokyo in the next four years, while earlier studies had indicated the next 30 years.³ According to official estimates, a magnitude 7 earthquake in Tokyo could claim 11,000 lives and destroy 850,000 buildings. A special government commission is now discussing the idea of creating a second Japanese capital that would take Tokyo's place in the event of a natural disaster or terrorist attack. The city of Osaka is being considered as a potential candidate for such a reserve capital.

Some 126,000 structures were completely or partially destroyed as a result of the earthquake and tsunami, while another 260,000 suffered some kind of damage. In Tokyo itself, however, only the aged *Kudan kaikan* building suffered serious damage as the ceiling collapsed, killing two people, while the spire of the antenna-laden Tokyo Tower gave way as well.⁴ According to certain estimates, the damage done to the Japanese economy, transportation system, and infrastructure by the tsunami of March 11 was 16.9 trillion *yen* (around \$215 billion), not counting the costs associated with the accident at the Fukushima-1 Nuclear Power Plant. A new government agency was established in Japan in February 2012:

the Reconstruction Agency,⁵ which is also responsible for rebuilding everything destroyed in the natural disasters of March 2011.⁶ From all appearances, however, this will be a very long process: one year after the tragedy, only 5% of the debris created by the earthquake and tsunami (estimated at 22 million metric tons) had been removed.

The similarity between the earthquake of March 11, 2011 and the magnitude 8.5 *Meiji Sanriku* quake that struck on June 15, 1896 has been noted.⁷ Their epicenters were located at virtually the same place. A characteristic feature of both earthquakes was that they generated highly destructive tsunamis.

The earthquakes and tsunami of March 11, 2011 caused the cooling system at the Fukushima-1 Nuclear Power Plant to fail; exceeding design norms, the generated wave led to explosions of mixed hydrogen fission products in the buildings of power units 1, 3, and 2 on March 12, 14, and 15, respectively. Panic broke out in a number of countries, including regions of Russia's Far East, and a massive exodus began of foreigners working in Japan.

At the same time, the accident at the Fukushima-1 facility came as no surprise to experts familiar with the situation at Japan's power plants, where accidents occur regularly. However, the first truly alarming signal came in 2007, when a magnitude 6.8 earthquake shut down the Kashiwajiki-Kariva nuclear plant (the world's largest, with a fixed capacity of 8,212 MWt) in Niigata Prefecture. At that time, workers managed to head off any major consequences, but the plant was closed for a prolonged period to conduct research and verify the operational capability of all systems.

It was characteristic that the aftermath of the situation at the Fukushima-1 plant should become the reason for the Japanese people's dissatisfaction with the actions of the government and Tokyo Denryoku, the facility's operator. The government later justified the paucity of information it supplied to the media on the situation at the plant by saying that it didn't want to create panic among the population. Regulatory bodies, particularly the Nuclear and Industrial Safety Agency (which, it was proposed, should be removed from the structure of the Ministry of Economy, Trade, and Industry), were also criticized harshly.

When sensors began to register a considerable increase in background radiation and discharges of radioactive elements (including such highly dangerous isotopes as caesium 137) and the threat of radioactive pollution was fully recognized, a 20-kilometer exclusion zone was imposed around the Fukushima-1 facility. Everyone living within this zone was evacuated, and a standby evacuation zone 20 to 30 kilometers wide was also established. Around 140,000 people were evacuated from the zone 20 to 30 kilometers from the plant, and another 53,000 people simply left Fukushima Prefecture. Only on April 1, 2012 did the Japanese government ease the restrictions on visiting the 20-kilometer exclusion zone around the Fukushima-1 facility. Local residents are free to enter the city of Tamura and the village of Kawauti in Fukushima Prefecture, though visits to these points are allowed only in the daytime, and it is prohibited to remain in

them overnight. Entering the zone illegally is punishable by a fine of up to 100,000 *yen* (\$14,200) and possible imprisonment.⁸

Immediately after the earthquake of March 11, reports began to come in on the dead and missing. Their number is now put at around 19,000. It is thought that around 93% of the dead were victims of the enormous wave.

All of the nuclear power plants in the Tohoku District were taken offline soon after the quake, while a shutdown of the reactors at other plants nationwide began as a result of the natural and technogenic disaster at the Fukushima-1 plant. If such facilities had supplied approximately 30% of the country's energy in recent years, only six of the 54 reactors located at Japan's 17 nuclear power plants were operating in December 2011, and the number had shrunk to one by March 2012.

The shutdown of its reactors forced Japan to seek new sources to replenish the country's dwindling energy reserves, and to institute a strict regime of energy conservation affecting many areas of human activity, beginning with changes in office dress codes in the summer months and extending to the government's creation of a new energy policy for Japan that elevates the role of alternative sources of energy. The figures for current electricity consumption are now displayed alongside the popular Nikkei and Topix stock quotes at the web portals of official media. Strict measures for energy conservation have been introduced at businesses and government institutions. New, more economical LED streetlamps have been installed everywhere around the country and much commercial advertising now goes unlit. United in the aftermath of the earthquake, the Japanese are doing all they can to lower their personal consumption of electricity.

A memorial service was held across Japan on March 11, 2012 to mourn the victims of the disaster. At 14:46, a minute of silence was announced by loudspeakers in all Japanese cities. For the first time in the nation's history, a state-level ceremony was organized in Tokyo. Taking part in the proceedings were Emperor Akihito, recovering from a recent heart operation; his wife Mitiko; Prime Minister Yoshihiko Noda; and members of the Cabinet of Ministers.

The Economy: New Problems Added to the Burden of Old Ones

The earthquake of March 11, 2011 was important for its economic repercussions, which negatively affected demand and production in Japan. Domestic consumption in March 2011 fell by 8.8%.⁹ The destruction led to halt in production in the northeastern part of the island of Honshu, where the companies that supply the automobile industry with component parts were concentrated. The halt in production in this part of Japan resulted in nationwide cutbacks in the manufacture of automobiles.¹⁰ The scale of the natural disaster's effects on production can be understood if we remember that the building of transport vehicles accounts for around 20% of all manufacturing in Japan.¹¹

At the beginning of 2011, Japan's economy had been close to recovery following the world financial and economic crisis, but the earthquake of March 11, accompanied by the disruption of communications between subcontractors, supply bottlenecks, and a shortage of electricity as a result of the accident at the Fukushima-1 Nuclear Power Plant, altered the growing trend in the economy. The disruption of the chain of supply complicated deliveries of components, halted production, and in the long run led to a slump in the economy.

Real GDP, adjusted with allowance for seasonal variations, shrank to 1.8% and 0.4% in the first and second quarters of 2011, respectively.¹² Production began to recover in proportion to the reestablishing of the chain of supply and in October reached 95% of the level of February 2011 overall.¹³ With production recovering and businesses returning to a normal work regime, exports grew as well. GDP therefore also grew in the third quarter, reaching 1.7%.¹⁴ As early as August, however, the impetus for economic recovery also began to diminish as a result of the lower rates of growth in production and exports.¹⁵

If Japan's economy suffered a downturn in the first and second quarters of 2011 as a result of the natural disasters, in the fourth quarter the economy was affected by unfavorable external factors. The recession in Europe drove consumer demand down with people buying and spending less, leading to a reduction in the volume of Japanese exports. The slowdown in the world economy's rate of growth due to the recession in Europe was also felt in the weakening of world trade and a drop in Japan's exports to China, Tokyo's main trading partner.

The debt problems of the United States and Europe also had a negative effect on the nation's exports. Investors began to use the Japanese *yen* to protect their assets, driving up the value of Japan's currency. The elevated exchange rate of the Japanese *yen* began to interfere with the growth of export operations, and to slow down economic growth and the recovery of Japan's economy.

The series of floods in Thailand from July through September 2011 due to the worst Monsoon rains in 50 years was yet another major blow to Japan, disrupting the operations of the 450 Japanese companies operating in the country, many of which are part of the automobile industry. This natural disaster led to delays in deliveries of auto parts for Japanese factories, and eventually to a drop in production.

All of the abovementioned external factors affected the state of Japan's economy, causing GDP to drop by 0.6% in the fourth quarter. Overall, Japan's GDP shrank by 0.9% in 2011.¹⁶

The tragedy of March 2011 had a deleterious effect on the country's balance of trade as well. For the first time in 31 years, Japan's balance of trade was negative. The preponderance of imports over exports was 2.49 trillion *yen*, as imports grew by 12% while exports shrank by 2.7%, relative to 2010.¹⁷

The rise in imports was a result of the accident at the Fukushima-1 plant, which (as has already been noted) led to the shutdown of virtually all nuclear reactors on the grounds of safety. As a result, Japan increased its foreign pur-

chases of oil and gas for its thermal power plants, the load on which grew considerably.

The drop in exports in the first and second quarters of 2011 was thus due to disruption of the chain of supply and the slowdown in production as a result of the destructive earthquake and tsunami. In the fourth quarter, external factors affected the drop in exports: the recession in Europe, the flooding in Thailand, and so on.

The natural disaster aggravated the problem of Japan's sovereign budget deficit and national debt. In 2011, the Japanese government was forced to allocate 92.4 trillion *yen* (\$1.1 trillion) in additional funds to the main budget in order to battle the consequences of the disaster, and to draw up four additional budgets. Under strong pressure from the opposition, a budget of 93.56 trillion *yen* (\$1.2 trillion), the largest in the nation's history, was then approved for 2012.¹⁸

To cover the sovereign budget deficit, Tokyo resorted to issuing government bonds, thereby adding to Japan's national debt.

Japanese Prime Minister Yoshihiko Noda has now firmly resolved to take unpopular measures to reduce the budget deficit. To revitalize the financial situation, the government is preparing reforms to the pension system, the social insurance system, and the tax system; i.e., the government intends to fight the budget deficit by curtailing expenditures and raising taxes, and especially by cutting social services, the biggest cash cow in the budget, by a planned 29.2% in 2012.¹⁹ To ease the pension burden on Japan's budget, e.g., it is planned to cut pensions by 2.5% over three to five years, and then to reduce payments by 0.9% annually.²⁰ To increase tax revenues, it is planned to raise consumer taxes from the current 5% to 8% in 2008 to 10% in 2015.

The high budget deficit and the high level of sovereign debt caused two credit agencies to lower Japan's credit rating in 2011. In January 2011, the S&P credit agency lowered Japan's credit rating by one notch, to AA-; in August, Moody's lowered the rating to Aa2 with a stable prognosis.²¹

According to data from the World Monetary Fund, the ratio of sovereign debt to GDP was 226% in 2010,²² and the overall current cost of servicing the debt took second place (24.3%) in expenditures in Japan's national budget for 2012, while the share of expenditures allocated to paying interest on the sovereign debt was 10.9%.²³

Despite the great sovereign debt and the funds needed to service it, however, the financial situation in Japan remains stable. There are several reasons for this.

In Japan, the budget deficit is financed from domestic sources: the net savings of households and businesses. The country's great potential, high level of savings, low credit interest rates, and high creditor trust allows the government to conduct an economic policy of maintaining a budget deficit by issuing government bonds and raising the sovereign debt.

The Japanese financial institutions are main holders of Japanese government bonds. They accumulate the excess financial means of private citizens and legal entities and invest them in bonds. According to data from Japan's Cabinet of

Ministers, the public's level of savings has a tendency to shrink, but the increased net savings of the corporate sector compensate for the drop in public savings. Under the assumption that the anticipated rates of growth will shrink, companies scale down their investments in the means of production and buy up government bonds.²⁴

In 2011, the structure of holders of Japanese government bonds was banks, 40%; insurance companies, 16.7%; pension funds, 8.1%; foreign holders, 7.4%.²⁵ Japan's sovereign debt is distinguished by a large part of it remaining inside the country and becoming a part of the nation's financial resources. The demand for Japanese government bonds is steady, and the structure of bond holders is also steady. Despite the enormous sovereign debt, the government is trusted; creditors are confident that it will extinguish its debt and not succumb to panic. Along with the country's lack of dependence on foreign investment, reliable creditors who are not vulnerable to the economic and financial situation are the foundation of Japan's bond market stability and low interest rates, thus guaranteeing even greater stability.

Given the nation's low cost of lending, stable incomes (at rates of economic growth that exceed the real rate of interest for government bonds), and reliable creditors, the large sovereign debt is not dangerous, and the country can allow itself to borrow a great deal on the domestic market. With the favorable economic situation due to the growth in GDP, Japan can extinguish its old debts and continue to grow. The rise in GDP will increase the tax revenues that account for the budget's income.

In 2011, however, GDP growth rates were on the whole negative, and solving the problems of the sovereign debt, its financing, and the stability of the Japanese economy once again demanded attention.

Under prolonged unfavorable economic conditions, high sovereign debt could be dangerous to the country. Negative GDP growth would lead to increased debt relative to GDP and a drop in income and the overall level of domestic savings, thereby diminishing the resource base for government bonds. In this situation, Japan would be unable to deal with a high volume of sovereign debt, which could result in a hike in interest rates.

At present, interest rates in Japan remain low: they hover around 1% for ten-year government bonds.²⁶ With its huge sovereign debt, even a small hike in interest rates on government bonds would entail a considerable increase in the budget deficit and sovereign debt.

The combination of unfavorable internal (natural disasters) and external (the recession in Europe, the world economy's falling growth rates, the debt problems in Europe and the United States, and the flooding in Thailand) factors in 2011 led to negative growth rates, a trade deficit, and put the question of reducing the national budget deficit and sovereign debt into serious doubt. The prolonged slump in the world economy and its accompanying drop in consumer demand, weakening of world trade, and downswing in Japanese exports could undermine the foundations of Japan's economic stability. Restoring the world economy

would, on the other hand, help Japan solve its problems. Against the backdrop of the slowdown in world economic growth, Japan needs moderate rates of growth that could allow it to deal with its huge volume of sovereign debt.

The Domestic Political Situation: Persistent Confusion and Vacillation

Confrontation between the two houses of parliament became a key element of Japanese politics in 2011. As a result of the elections in August 2009 (to the lower house) and July 2010 (to the upper house), there was a so-called skewed parliament in which the governing Democratic Party (DP) controlled the lower house while the opposition controlled the upper one. They were not equal in importance: the majority in the key lower house allowed the Democratic Party to form a government, while the opposition's control of the upper house gave it the opportunity to put pressure on the government, blocking the approval of legislation. The situation was exacerbated by disagreements within the Democratic Party that became obvious in September 2010, when Naoto Kan defeated the party's grey candidate Ichiro Ozawa in intraparty elections, entering into open conflict with him and his associates.²⁷

The next session of parliament opened on January 24, 2011. The first few months of the new year were a time of genuinely major trials for Kan's cabinet. The lack of unity in the party and the resistance of the opposition complicated the adoption of a budget beyond imagination. If the Democratic Party had no difficulty in adopting a budget in 2010 while it and its coalition partners controlled both houses, it could not count on a favorable decision from the upper house in 2011. A dispute with one of its coalition partners (the Social Democratic Party withdrew from the coalition in May 2010) deprived it of its nearly two-thirds majority in the lower house of parliament. This triggered the so-called March crisis of resistance in parliament to the adoption of the new budget. (In Japan, the fiscal year begins on April 1 and the current budget expires on March 31.)

According to Article 60 of the Japanese Constitution, a budget can be adopted if a simple majority in the lower house of parliament votes for it. As a rule, however, a budget is adopted as part of a package with legislation guaranteeing its implementation. The Constitution stipulates that if both houses fail to reach a consensus on adopting such legislation, a two-thirds majority is required in a second round of voting in the lower house. Kan's government thus needed either to get the upper house to approve the budget by enlisting the support of the opposition party, or to ensure a two-thirds majority among the deputies of the lower house so that a budget veto from the upper house might be overridden. Until the middle of February, it was still possible for the Democratic Party to follow either route, but the increasingly complicated situation inside the Democratic Party changed matters completely. It became clear as early as the September 2010 party elections

that there was no longer any party unity. In mid-February 2011, this internal conflict grew worse and 16 deputies from Ozawa's group announced they intended to leave the Democratic Party's parliamentary coalition with the tiny People's New Party (PNP) and threatened a vote against the budget. Afterwards, the possibility of the Democratic Party independently ensuring the adoption of the draft budget against the resistance of the opposition was *de facto* reduced to zero.

Despite resistance from the opposition and groups of politicians within his own party, Kan nevertheless managed on March 1 to push a budget through the lower house. To ensure its approval, the government had to put the budget itself to a vote, without the package of required legislation.²⁸ The government was faced with the difficult task of approving the draft budget, which had to be passed by the end of March. There had been incidents in postwar parliamentary practice when separate enabling legislation was passed later. It was nevertheless expected that this would create major difficulties for the government. Despite the local success that had been achieved in adopting the budget, the decision to push it through parliament separately from a package of legislation brought even harsher criticism for Kan from the opposition, which accused him of deception and once again called for him to resign as head of government.

At the beginning of March, many experts predicted that Kan would soon resign. The course of events was, however, altered by the great disaster in Eastern Japan, which prolonged his stay in the prime minister's seat. As a result of the extraordinary situation, Kan called for the creation of a "great coalition" with the participation of opposition parties to begin dealing with the aftermath of the catastrophe as quickly as possible. Although the main force behind the opposition, the Liberal Democratic Party (LDP), refused the invitation to participate in the government, the Liberal Democrats pledged mutual cooperation in parliament, particularly in the matter of adopting a supplementary budget to assist the stricken region.

In April, local elections were held in Japan in two stages. During the first stage, on April 10, 12 governors and the members of 41 prefecture assemblies were elected, along with 4 mayors and the members of 15 urban assemblies in so-called "cities determined by order of the government."²⁹ The second stage was held on April 24, with the election of 88 mayors and the members of 293 local assemblies of other cities, along with the heads and members of the assemblies of Japan's metropolitan districts. The elections undoubtedly proceeded under the great influence of the events of March 11; many voters were dissatisfied with the efforts of the central government, criticizing it for its inability to take immediate measures to deal with the consequences of the natural disaster and technogenic catastrophe. Elections in those regions hit hardest by the cataclysm were delayed for six months and held in August and September.

On the whole, the election results did not favor the governing Democratic Party. It lost all of the key elections, and three candidates that received DP support were defeated in the gubernatorial elections.³⁰ The Democratic Party was

unable to salvage its position in the prefecture assemblies. Even though it lost some seats, the Liberal Democratic Party remained the largest party (except in the city of Osaka, where the local governor's party won). The same can be said of the city councils, where the Democratic Party won a majority only in the city of Sapporo. In most other cities, the Liberal Democratic Party remained the largest party.

In June, having lost his former popularity,³¹ Kan, against the background of attacks from the opposition and a number of politicians within his own party, promised he would step down after parliament passed legislation to restore the shattered economy. On August 26, 2011, he kept his promise and officially announced his retirement as head of the Democratic Party, a post he had held since June 2010. He also announced that he was retiring as head of the Japanese government immediately after a new party leader was elected.

On August 29, Yoshihiko Noda was elected the new leader of the Democratic Party. On August 30, Noda was elected Japan's 95th prime minister by vote of the lower house of parliament, becoming the third head of the Democratic Party to hold the post after its victory in the elections of summer 2009. Prior to his election, the public had given little attention to the personality of the new head of the Japanese government. It was known that he had a black belt in judo, had done well in his 14 months as Finance Minister, and was in favor of raising taxes.

Noda referred to himself as an "man of average abilities," stressing that his best features were his persistence and capacity for hard work. Despite Noda's "average abilities," however, and in spite of his statement that with his appearance he needn't think about "exorbitant" ratings, his cabinet's level of popularity turned out to be unexpectedly high: in a survey conducted by the Kyodo News agency on September 3, 62.8% of all respondents expressed their support for him. To all appearances, the new prime minister's modesty won the hearts of the voters.³²

On September 2, Noda formed a cabinet of ministers whose makeup testified to the prime minister's desire to reach compromise within the party. In particular, Noda appointed two members of Ozawa's group to cabinet posts: Kenji Yamaoku as Chairman of the National Commission on Public Safety, and Yasuo Ichikawa as Defense Minister. Noda was prepared to appoint Katsuya Okada, one of leaders of the Democratic Party and an opponent of Ozawa, as the cabinet's general secretary. After Okada refused the post, the prime minister did not bring him into the cabinet; rather, he appointed one of his cronies, Jun Azumi, as Finance Minister, and another, Masaharu Nakagawa, as Minister of Education, Culture, Sports, Science and Technology. Mitihiko Kano, one of Noda's rivals in the August intraparty elections, kept his post as Minister of Agriculture, Forestry, and Fisheries. (Kano was Noda's rival in the first round of intraparty elections, but supported Noda's candidacy in the second round.)

In an attempt to strengthen the economic aspect of Japanese diplomacy, Noda appointed Koichiro Gamba, who favors Japan joining the so-called Trans-Pacific Partnership, as the new Minister of Foreign Affairs. Tatsuo Kawabata, a deputy in the lower house of parliament and former member of the Party of

Democratic Socialism (representing the right wing of Japan's socialist movement) became Minister of Internal Affairs. He had held a number of other posts, including Minister for the Affairs of Okinawa and the Northern Territories. As for other important posts, Hideo Hiraoka was appointed Minister of Justice, while Yoko Komiyama was appointed Minister of Health, Labor and Welfare.³³

Along with forming a government in which different intraparty factions were represented, the new premier took a number of additional steps to expand the circle of politicians who would take part in decision making. On September 6, Noda created a council of high-ranking members of the government and party for making decisions of the greatest importance. Of the six members of the council, only Noda himself and Cabinet General Secretary Osamu Fujimura represented the government. The remaining four represented the party. The creation of the council was possibly due to a desire to delegate responsibility by placing it partially on the party. At the same time, Prime Minister Kan was often criticized for allowing decisions to be made mainly within the party. On occasion, this also led to not only the opposition but members of the governing party who were not part of the government also openly expressing their dissatisfaction with decisions that were made. With Noda's appointment, the situation in this area began to change; observers noted the greater role of the party within the new cabinet.

The first and most important task of the Democratic Party's new government was of course to deal with the aftermath of the earthquake and the disasters that followed. In his program speech of October 28 at the opening of the 179th session of parliament, Noda listed the three main problems facing Japan: rebuilding the regions suffering from the earthquake and tsunami of March 11, reestablishing control over the crisis caused by Fukushima-1, and speeding up the recovery of the Japanese economy. Noda stated that he was trying to find the funds needed to restore the economy by increasing the income from non-tax sources, and by cutting unnecessary spending.³⁴ At the same time, as was noted above, the new prime minister planned to raise consumer taxes as well (to 8% in 2014 and to 10% in 2015).³⁵

In December, Noda decided to form a new cabinet, replacing 5 of the previous cabinet's 17 ministers. Among others, Noda appointed a new Defense Minister, Naoki Tanaka. The appointment of Katsuya Okada to the post of vice premier drew the most attention. Two key posts, those of foreign and finance minister, were left unfilled. The reshuffling of the cabinet did little to help Noda's level of public support: according to public opinion surveys, his rating in December stood at 42%.³⁶

On March 30, 2012, the cabinet of ministers approved legislation to raise the consumer tax in two stages: to 8% in April 2014 and to 10% in October 2015. After it was approved, it was sent to parliament for their appraisal. Prime Minister Noda justified raising the tax by citing the need to find funds to cover the country's growing expenses. The decision evoked a clear response not only among the public and the opposition, but within the governing party as well.

Ichiro Ozawa criticized the government sharply, casting doubt on the timeliness of such an important hike, and once again expressed fears that retreating from the Democratic Party's campaign promises could negatively affect its future position in Japanese society. The politicians close to Ozawa who held posts in the cabinet and the party tendered their resignations as a sign of protest against the tax increase. Even though Noda himself had stated in an interview with NHK TV channel that there would be no split in the party thanks to the passing of the legislation, raising the consumer tax was a major sticking point for the rival factions within the Democratic Party.

Society and Culture: Drawing Lessons and Raising the Spirit of the Nation

The March tragedy stirred the Japanese public, and many of the events that took place in Japan in 2011 in culture and the life of society were directly connected with the great catastrophe in Eastern Japan. Let us consider the most important of these.

Soon after the earthquake, a campaign began in Japan to collect donations for those who were suffering most. Between March 2011 and March 2012, the Japanese Red Cross and other charity organizations took in 349.2 billion *yen* (\$4.3 billion). Some 63.4 billion *yen* (\$782 million) were transferred to a special government fund and to the accounts of the three worst-hit prefectures: Miyagi, Iwate, and Fukushima. Aid from foreign nongovernmental organizations and private individuals totalled 56.3 billion *yen* (\$695 million).³⁷

The great catastrophe in Eastern Japan encouraged the development of a volunteer movement inside the country. According to data from Japan National Council on Social Welfare, a total of 930,000 volunteers made their way to Iwate, Miyagi, and Fukushima prefectures between March 11, 2011 and the end of February 2012. After a peak of 171,800 volunteers in May 2011, their number in the three prefectures fell to between 120,000 and 130,000 in June and July, and then dropped to less than 100,000 in August; 62,500 in September; 50,000 in October; and 37,600 in November. In January 2012, around 11,000 volunteers were still active, and a similar figure was expected for February.

Immediately after the disaster, volunteers were primarily engaged in clearing away rubble, preparing food, and distributing humanitarian aid. They now perform different tasks, e.g., providing assistance to people living in temporary housing; verifying the state of health of elderly people (especially those living alone) and helping them shop; and keeping neighborhood crime watches.³⁸

After the natural disaster and technogenic accident at the Fukushima-1 power plant, an antinuclear mood began to grow not only around the world but also in Japan, which had invested heavily in the development of nuclear energy.³⁹ It would seem that this process will extend far into the future, since accord-

ing to Japanese estimates, the problems at the Fukushima-1 plant will finally be solved only in another 30 to 40 years.

An attitude in favor of closing down all nuclear power plants is spreading through Japan in recognition of their design, technological, and organizational flaws.

The antinuclear movement in Japan received the support of writer and 1994 Nobel Laureate in Literature Kenzaburo Oe, writer Haruki Murakami, John Lennon's wife and social activist Yoko Ono, and many others. As Oe noted in one of his speeches, he personally regards the accident at Fukushima as the third atom bomb to be dropped on Japan, this time by her own people.⁴⁰ Rallies and demonstrations were held against the use of nuclear energy in Japan. On September 19, 2011, an antinuclear rally took place in downtown Tokyo that drew 60,000 participants. The rally was called by Oe and held under the slogan "Good-bye to Fukushima!"⁴¹ Some 250,000 signatures were collected in Tokyo for a petition demanding that the authorities hold a referendum on the issue of using nuclear energy to supply the megapolis with electricity.⁴² Such initiatives are being taken in other cities as well.

The great disaster in Eastern Japan had a devastating effect on the country's tourism industry. Tourism is not just a line in the budget but an important indicator of Japan's image, and an indirect indicator of foreigners' assessment of the state of affairs inside the country. According to data from National Tourism Organization of Japan, 6,219,300 foreign guests visited Japan in 2011, or 27.8% fewer than in 2010.⁴³ Among the foreigners were 33,900 Russian citizens (0.54% of the total), 34.1% fewer than in 2010. Japan's government has nevertheless set an ambitious task for itself: according to its five-year plan for tourism, Japan hopes to raise the annual number of foreign tourists to 18 million by 2016.⁴⁴

To compensate for the mental suffering and loss of image from the March disasters, and to mobilize the nation psychologically, the Japanese government in 2011 adopted a series of measures aimed at raising the morale of its citizens and further reinforcing their solidarity. Japan therefore increased its presence in the UNESCO* World Heritage List. Two sites in Japan were added to the list at the 35th Session of the World Heritage Committee, held at UNESCO headquarters in Paris from 19 through June 29: one was natural, the Ogasawara Islands; the other was cultural, the village of Hiraizumi in Iwate Prefecture.⁴⁵ Japan makes active use of the 1972 UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage to elevate its own prestige in the world and create an attractive image of the country for foreign and domestic tourism, positioning itself as part of world civilization. As a result, Japan now has 16 sites in the World Heritage List, of which four are natural and twelve are cultural. Japan's government has also announced its intention to register Mt. Fuji and the city of Kamakura as UNESCO World Heritage sites in 2013.⁴⁶

* United Nations Educational, Scientific and Cultural Organization.

Note that *kizuna* (i.e., “family ties”) was chosen as Japan’s *kanji* for 2011. After the tragic events of March 11, 2011, it became clear that many Japanese, including those not directly affected by the disaster, were reexamining their system of life values in favor of family, home, and the happiness of their loved ones. This is considered one of the most important lessons the Japanese have learned from the great catastrophe in Eastern Japan.

Foreign Policy: Zigzags in Relations with Tokyo’s Main Partners

In the context of economic, political, and military issues engulfing the planet in 2011, the role of the Asia-Pacific Region as a center of the world’s economy and politics is growing especially fast. It is no accident that U.S. President Barack Obama emphasized last year that the United States is a Pacific power. From all appearances, the United States intended to strengthen its economic position in the region in 2012, based on the integrational structure it was promoting: the Trans-Pacific Partnership. It planned to increase its military (and therefore political) influence by cultivating its alliances with Japan, South Korea, Australia, and the Philippines. The new defense strategy announced by the Obama Administration on January 5, 2012 stressed the expansion of the American military presence in Asia.

With respect to Japan, the policy of further developing and strengthening military cooperation between Tokyo and Washington was reinforced in the statements made by the Japanese government at the end of 2010 in the White Paper *National Defense Program Guideline and Mid-Term Defense Program (fiscal 2011-2015)*, outlining the course and content of national military policy and the buildup of the armed forces for the next five years. The mid-term program stated in particular that “Japan shall do everything possible to facilitate the enhanced effectiveness of bilateral consultations and other forms of cooperation with the United States in the interests of further expanding and developing the alliance with Washington, and shall take whatever measures are required to adequately adapt it to the conditions of a rapidly changing military and strategic situation. In the future, it shall do everything in its power to further strengthen the structure of the Japanese-American security alliance.”⁴⁷

In the context of these measures, it is proposed that Tokyo focus on enhancing the abilities of Japan Self-Defense Forces (JSDF) to effectively deter likely aggressors. The JSDF should have its own capability to respond quickly to the rapidly changing military and strategic situation in East Asia, and to conduct operations involving all types of forces in areas that include the most distant reaches of the Japanese islands. As always, Japan Maritime Self-Defense Forces (JMSDF) would play the main role in ensuring the country’s military security.

In the interests of increasing the flexibility of engagement and mobility of the deployment of surface and subsurface forces, it is proposed that the JMSDF

change its system of basing so that it can more effectively control the waters surrounding the Japanese islands and guarantee the security of marine communications by conducting antiship, antiaircraft, antimissile, and other operations, along with intelligence gathering, reconnaissance, and observer missions in operational zones.

To guard marine communications more effectively, it is proposed that the number of diesel-electric submarines in the JMSDF be increased from 16 to 22.

Major attention is being given in U.S.-Japanese military cooperation to improving the sea-based component of their antimissile system in Northeast Asia. It is recommended that the number of JMSDF guided missile cruisers equipped with the multifunctional Aegis integrated command and decision (C&D) combat system, upgraded to deal with antimissile defense, be increased from four to six ships.⁴⁸

Japan's political and military leaders count on playing a key role in the structure of defense cooperation among the nations of the APR that is taking shape under the aegis of the United States. They plan in particular to expand the military infrastructure along the Nansei chain of islands located astride the route the Chinese navy would take into the waters of the Pacific Ocean, and to step up aerial reconnaissance and observation of the waters washing the shores of Japan. It is no secret that these measures are intended as Japan's main contribution to the American policy of containing China's growing military might and the increasing activity of its navy.

However, relations between Washington and Tokyo, which continue to be key partners in the area of regional security, have recently become very uneven and will probably be even rockier in the future. The main issue darkening Japanese-American relations is the fate of the U.S. Marines' Futenma Air Base on the island of Okinawa, one of the islands in the abovementioned Nansei chain. As early as 2006, the United States and Japan reached an agreement on transferring the base from the residential neighborhoods of the city of Ginowan to the Henoko area of the city of Nago on the same island. However, the residents of Okinawa, led by the governor of the similarly named prefecture, have long demanded that the base be removed from the island altogether. More generally, they want to ease the burden associated with their prefecture containing 74% of the American military bases located in Japan. Okinawa itself accounts for only 0.6% of the country's territory. In an attempt to resolve the Futenma issue, Japan and the United States issued a joint declaration on February 8 of this year, amending the 2006 agreement. According to the new plan, Washington will transfer only 4,700 of the 8,000 American personnel covered by the agreement to Guam, and the rest will be sent to other spots in the Asia-Pacific Region, e.g., Australia, the Philippines, and Hawaii. They will be stationed there on a rotating basis.

It is obvious that the cuts in the U.S. defense budget are behind these plans, along with Washington's new strategy calling for more effective allocation of American armed forces in the Asia-Pacific Region in order to contain China's

growing military might. The new plan, however, offers no alternative to the city of Nago.

We may assume, however, that until the government of Japan presents an alternative to Henoko as a new site for Futenma, it will hardly be able to draw the thorn from the side of Japanese-American relations. To all appearances, the fate of Futenma is not likely to be resolved in the near future. It remained a key issue to be discussed by Noda and Obama during the Japanese prime minister's visit to Washington in May of this year.

Relations between Japan and China were extremely complicated in 2011 and at the start of 2012. Ties between the two countries are of a dual character. On the one hand, they are each other's most important trade and economic partners. On the other hand, mutual distrust is growing between Tokyo and Beijing in the area of military security, and the tension over territorial disputes is rising. The collision between a Chinese trawler and a Japanese patrol boat in the area of the Senkaku Islands (which the Chinese refer to as the Diaoyus) in September 2010, and the subsequent events associated with the incident helped exacerbate the territorial dispute between the two countries.

A "naming war" recently broke out between Tokyo and Beijing. To strengthen the borders of its exclusive economic zone *de jure*, the Japanese government at the beginning of March 2012 hurriedly assigned names to 39 uninhabited islands around Japan, including four islands in the vicinity of Senkaku, irritating both China and Taiwan. In response, Beijing immediately assigned its own names to 70 uninhabited islands around Senkaku.

The Japanese leadership was especially concerned over the rapid rise in China's military potential and the strength of its navy in particular, which (according to forecasts by Japanese military analysts) will surpass the combined naval forces of Japan and South Korea in numbers of warships by 2020 and should be able to offer effective resistance not only to the navies mentioned above but to task forces of U.S. warships operating in the waters off East Asia, and even in certain zones of the western Pacific Ocean.

In an irony of fate, the friction in relations between Tokyo and Beijing are rising against the backdrop of preparations in both capitals to celebrate the 40th anniversary of reestablishing Japanese-Chinese relations. It will be observed in August of this year. The white paper *The Defense of Japan* for 2011 listed many incidents between Japanese and Chinese ships and planes, including some associated with violations by the latter of Japan's airspace and its exclusive economic zone. The paper noted in particular that China is expanding and stepping up its naval activity in the waters surrounding Japan. PLA combat vessels train there and gather intelligence, hindering similar operations by the Japanese. In 2011, there was an incident in which Chinese patrol boats conducted maneuvers in dangerous proximity to a Japanese vessel engaged in oceanographic research inside the exclusive economic zone off the prefecture of Okinawa, forcing it to leave the area. In March and April 2011, Chinese helicopters repeatedly overflew at

dangerously low altitude Japanese cruisers operating in the waters of the East China Sea.

Relations between Japan and the two countries on the Korean Peninsula in 2011 presented a complicated and contradictory picture. Japanese Prime Minister Noda visited South Korea on October 18-19. The prospects for concluding a bilateral free trade agreement were discussed during his meeting with ROK President Lee Myung Bak. The two leaders also agreed to exchange Japanese *yen* for Korean *won* in a sum equivalent to \$70 billion in order to create a hard currency reserve.

During the South Korean president's visit to Japan on December 18, 2011, negotiations between Lee and Noda were held in the city of Kyoto. They were mostly devoted to the painful topic of material compensation for the Korean "comfort women" who served as *de facto* sex slaves for the Imperial Japanese armed forces during World War II.

On October 3, representatives of Japan's Ministry of Foreign Affairs officially announced that the issue of compensation for "comfort women" had been permanently resolved with the signing of the Treaty on Basic Relations between Japan and the Republic of Korea in 1965. As a sign of protest, activists from the Korean Council for Women Drafted for Military Sexual Slavery by Japan on December 14 erected a bronze statue of a young girl near the Japanese Embassy in memory of their tragic fate.

Meanwhile, Japanese and South Korean diplomats coordinated their approaches to North Korea. In a phone conversation following the death of Kim Jong-il, ROK President Lee and Japanese Prime Minister Noda expressed their intention to act in a coordinated manner in connection with the events in North Korea.

Friction between Tokyo and Seoul broke out again in 2012 over the Dokdo Islands (Japanese name: Takeshima). At the end of March, Japan's Ministry of Education approved middle school textbooks proclaiming Japan's sovereignty over the islands. This was followed by a written protest from South Korean officials and pointed commentary in the Korean media. Press reports appeared in November regarding the ROK government's plans to transform the Dokdos into a center for tourism with the construction of a water park, a pier 210 meters long, and a highway connecting the two islands.

Relations between Japan and North Korea in 2011 continued to be characterized basically by critical remarks of officials reported in the media of both countries. The six-party talks on settling the nuclear issue on the Korean Peninsula were cut short in 2007, due largely to Tokyo's unproductive line on firmly linking the negotiating process with the issue of North Korea's kidnapping of Japanese citizens. Japan has no diplomatic relations with North Korea, and there is still little prospect of establishing them. North Korea nevertheless transferred \$100,000 to the relief fund for survivors of the natural disaster in Japan.

Pyong Yang's plans to launch an artificial satellite in April of this year, timing it to coincide with the 100th birthday of Kim Il-sung, worried Japan greatly. Tokyo regarded this as nothing less than a test of a ballistic missile and thus

ordered its air and missile defense forces to destroy the rocket if it threatened to fall on Japanese territory.

Last year was marked by the strengthening of relations between Japan and India. Compared to China, with which Japan has a long history of strong mutual contacts, its ties with India have yet to become as close. However, the economic and strategic importance of India, which Japanese analysts consider to be the largest democracy in the world, is growing rapidly. Prime Minister Noda visited India at the end of December 2011, followed by a number of Japanese ministers in January 2012.

An agreement was concluded between Noda and his Indian counterpart Manmohan Singh in accordance with which the JMSDF and Indian navy will in 2012 conduct joint exercises for the first time. Over a period of five years, Japan will supply India with \$4.5 billion for the construction of a Delhi-Mumbai industrial corridor.⁴⁹ Both countries will raise the ceiling of their hard-currency swap operations from \$3 billion to \$15 billion in order to help India deal with the rapid withdrawal of foreign assets from the country in light of the negative outlook for the world economy. They also intend to renew talks on bilateral cooperation in the field of nuclear energy.

A new trade agreement between Japan and India went into effect in August 2011. The year 2012 marks the 60th anniversary of the establishing of diplomatic relations between the two countries, providing additional incentive for the development of comprehensive relations between them.

Tokyo hopes to find one way of strengthening ties with India by having it as a counterweight to China, which is rapidly developing its military might. In addition, Japan would like to reduce its excessive economic dependence on China.

The creation of a new trade and economic organization in the Asia-Pacific Region under the name of the Trans-Pacific Partnership (TPP) gathered steam in 2011. The initiators of the Partnership were Chile, New Zealand, Singapore, and Brunei, having signed the original TPP agreement in the mid-1990s. The United States, Australia, Malaysia, Peru, and Vietnam then entered into negotiations to join the organization. At the November 2011 APEC Summit in Honolulu, Japan, Canada, and Mexico followed suit, announcing that they too were taking part in the abovementioned negotiations. If these countries do join the TPP, the combined GDP of its members will be 40% of world GDP, with the United States and Japan accounting for 90% of the Partnership's.

The founders of the Partnership see it as an alternative to APEC, which experts believe has in the almost quarter of a century of its existence shown itself to be a rather ineffective organization that is unable to solve the problems it faces in liberalizing trade and investment in the Asia-Pacific Region. From all appearances, the TPP will be an important landmark on the road to forming an Asia-Pacific free trade zone.

The announcement made in Honolulu by Prime Minister Noda on Tokyo's entering into negotiations to join the TPP exposed the conflicting approaches to

this step in Japan. They were personified by the opposition of influential lobbying groups from leading trade and economic circles representing the Federation of Economic Organizations (*Keidanren*) on one hand, and the Central Union of Agricultural Cooperatives on the other.

The *Keidanren* in particular holds that rejecting membership in the TPP would deal a major blow to Japan, since trade and the transfer of investment and technology play a key role in the country's stable development. Supporters of the Partnership believe that Japan would in this case lose its share of the international market; its economy would shrink by 1.53%; and 812,000 workers would lose their jobs. Membership would in contrast raise the country's GDP by 2.7 trillion *yen*, despite chronic inflation and the shrinking of the working-age population.

For their part, opponents object that membership in the TPP would substantially lower Japan's level of food safety, and agriculture would lose 3.4 million jobs. Such sensitive segments of the Japanese economy and society as health care, the banking and financial sector, insurance, and so on could also come under threat. Japanese society today is in fact divided over the issue of accession to the TPP.

Russian-Japanese Relations: On the Road to a Thaw

An extremely cool atmosphere remained in relations between Russia and Japan at the beginning of 2011, as was made clear by the results from Russian President Dmitri Medvedev's visit to the island of Kunashir on November 1, 2010 and the subsequent exchange of harsh statements by officials of both countries regarding Japan's claims to the South Kuril Islands. The culmination of this exchange was the statement in February 2012 by then-Prime Minister Naoto Kan that the visit was an "unforgivable outrage."

Real mutual interests in the field of economics and regional security nevertheless allowed the tensions between Russia and Japan to be lowered to some degree, making it easier for them to take a number of steps toward each other. During his visit to Moscow in February 2011, then-Foreign Minister Seiji Maehara declared Japan's readiness to study the possibility of reconciling the economic operations of Japanese companies on these islands with the basic position of Tokyo, which considers them to be "native Japanese territory."

Despite the expectations of some observers and analysts, however, the great tragedy in Eastern Japan, coming exactly one month after Maehara's visit, in no way helped to move the territorial issues in Japanese-Russian relations to a new plane. This was confirmed in particular by Japan's then-ambassador to Russia Masaharu Kono, who stated there was no link between the territorial issue and Russian assistance in dealing with the aftermath of the March 11 disaster. Meanwhile, the prompt nature, scale, and effectiveness of the aid could not but improve the overall situation in Russian-Japanese relations.

Russian leaders quickly adopted a number of measures for cooperation with Japan in the following areas:

- Rendering aid to the stricken regions along the lines of Russia's Ministry of Emergency Situations (MES);
- Rendering expert assistance in assessing the situation at the Fukushima-1 Nuclear Power Plant along the lines of Russia's Atomic Energy Agency (Rosatom);
- Dealing with the issues of increasing deliveries of raw hydrocarbons, particularly natural gas condensate (NGC), in connection with the falling volume of nuclear generation in Japan along the lines of the State Gas Company (Gazprom).

Russian rescue workers from the MES thus began work in Japan on March 15, 2011. The contingent numbered 161 personnel and seven pieces of hardware. This was the largest foreign group of rescue workers aiding Japan. According to data from Russia's MES, cleanup and rescue efforts focused on area around the city of Sendai, one of those hardest hit by the earthquake and tsunami. Russian workers were responsible for more than 20 square kilometers of territory and recovered the bodies of 112 victims from under the rubble. No living victims were found. The background radiation in the zone assigned to Russian rescue workers did not exceed the maximum allowable limits.

Coordinating their efforts with the Japanese, Russian rescue workers finished their job one week after work began. Workers from the Central Rescue and Leader contingents arrived at Ramenskoe Airport, where Ambassador Kono expressed his deep gratitude to Russia in the name of the Japanese people, on March 23. He thanked Russia's MES for its assistance and stated his conviction that cooperation between the two countries would continue to develop. It is important to note that Russia's MES had never conducted such operations in Japan before.

At the same time, the experience from such cooperation between Russia and Japan revealed a number of major issues between the two countries that led to some dissatisfaction on the part of Russian rescue workers in particular. The Japanese refused to allow MES sniffer dogs, trained to search for people trapped under rubble, into the country; they also would not permit MES aid stations to be set up in Japan. Workers from Rosatom had problems associated with getting timely information on the situation at the Fukushima-1 Power Plant and traveling to Japan for consultations. Rosatom technicians were critical of their Japanese counterparts, and of the professional skills of IAEA workers.

The volume of additional deliveries of NGC from Russia to Japan also turned out to be negligible: according to official data, the Gazprom group delivered five unplanned shipments of NGC to Japan with a total volume of 440 million cubic meters (approximately 330,000 tons of condensate), while Japan had managed to buy 70 million tons of NGC on the world market in 2010.

The need for better bilateral Russian-Japanese energy cooperation has now grown under the aegis of strengthening energy security. It is felt, however, that Japan is not developing energy projects in Russia to the degree needed (for political reasons, along with others): Japan could buy up more resources from its nearest neighbor than it can in such distant and unstable regions of the world as the Middle East.

Russia opened accounts for the Russian Red Cross to accept donations, through Sberbank in particular. Around \$1.8 million was sent from the Russian Red Cross to Japan's Red Cross. The Russian Orthodox Church also collected funds for the restoration of ruined Orthodox churches in Japan. According to ROC data, around \$1.5 million in donations was raised and sent to Japan. Daniel, Metropolitan of Tokyo and All Japan, remarked that it was mainly the small churches in the towns and villages of northeastern Honshu that had been damaged, but they all have been virtually restored already.

It is nevertheless thought that the tragic events in Japan revealed many flaws and problems of a systemic nature in relations between Russia and Japan under the conditions of emergency situations. It is still too early to say that Japan, having learned lessons from the tragedy, has taken steps to remove the exposed obstacles to developing such cooperation with Russia.

On the whole, however, a positive dynamic predominated in Russian-Japanese relations in 2011. New Prime Minister Yoshihiko Noda, who replaced Kan in September 2011, adopted a policy of mending ties with Russia. This was particularly reflected in the announcement made by new Foreign Minister Koichiro Gemba on September 7, 2011 of his intention to draw up a concrete plan to advance the idea of a strategic partnership with Russia that would include joint economic operations in the disputed South Kurils.

The reformulation by Japanese leaders in early 2012 of the phrase regarding "Russia's illegal occupation of the Northern Territories" that so displeased Moscow testifies to Tokyo's desire to end the stalemate of unprecedented mutual criticism. The new version of the phrase is "dominion with no legal basis," but the essence of Japan's territorial claims remains the same.

Russian Foreign Minister Sergei Lavrov's visit to Tokyo in January 2012 took place in a constructive atmosphere. As was noted in the newspaper *The Japan Times*, Russia and Japan agreed to strengthen bilateral relations in the areas of economics and security, despite the lack of progress in solving their prolonged territorial dispute.⁵⁰ Remarkable too was the following statement by Gemba at a joint press conference with Lavrov: "Under conditions where the situation in the area of security in the Asia-Pacific Region is undergoing major changes, Japanese-Russian relations acquire even greater importance."⁵¹

Lavrov, having emphasized that the South Kurils are part of the territory of Russia from the standpoint of international law, on his part said that Russia will seek ways of resolving the dispute that are acceptable to both countries. The Japanese newspaper *Sankei simbun* noted "Negotiations began in a friendly

atmosphere, but branched off in parallel directions with respect to the issue of the Northern Territories.”⁵²

Russia’s position on the South Kurils was confirmed on March 2, 2012 by then-presidential candidate Vladimir Putin, who at a meeting with editors of foreign newspapers said in particular “We would very much like to end this problem, the territorial dispute with Japan, once and for all, and would like to do so in such a way that it is acceptable to both sides, and to our nations.”⁵³

Tokyo’s response was not long in coming. On March 5, Prime Minister Noda was the first leader of a G8 country to congratulate Putin over the phone on his victory in Russia’s presidential elections, and also proposed that they seek “a wise decision” on the issues of the territorial dispute and the signing of a formal peace treaty. On March 8, however, Noda told parliament that the “compromise of 1956” was not acceptable to Tokyo. He obviously meant the joint Soviet-Japanese declaration of 1956, mentioned by Putin during the above meeting on March 2. The declaration called for the transfer of only two of the four islands (the Rocks of Habomai and Shikotan Island) that Japan claims.

Despite the extremely uneven political relations between Russia and Japan, the trade and economic ties between the two countries developed in a harmonious key in 2011. According to preliminary assessments, the volume of trade that year reached a record figure of approximately \$30 billion, while Japanese investment in the Russian economy totalled around \$10 billion, even though 90% of this was in the form of investment credits.

New opportunities in Russian-Japanese cooperation obviously could open up during the upcoming APEC Summit in Vladivostok in September 2012. It could be a landmark event in the development of the Russian Far East and Russia’s integration into the economy of the Asia-Pacific Region with the constructive support of Japan.

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28. The total number of those voting "Aye" was only 295, much less than the two-thirds majority (i.e., 320 votes) needed for the subsequent approval of legislation in the event they were rejected by the upper house. *Asahi simbun*, March 2, 2010.
29. *Yomiuri simbun*, April 10, 2011.
30. In the elections in the capital prefecture, Sintaro Ishihara won for the fourth time in a row with around 43% of the vote. His victory can probably be ascribed more to the Liberal Democratic Party, since he enjoys the support of the LDP and was once one of its leaders. For more detail on the election and personality of Ishihara, see P.A. Kalmychek, "Sintaro Ishihara – gubernator Tokio" [Sinatro Ishihara, Governor of Tokyo], *Yaponiya nashikh dnei* [The Japan of Our Days], No. 2 (8), 2011, Moscow, Institute for Far Eastern Studies, Russian Academy of Sciences, 2011.
31. If Kan's rating in various public opinion surveys was higher than 60% upon his appointment as Prime Minister, it varied between 10 and 20% not long before his retirement.
32. The publication of Noda's income rounded out the picture. His family's assets were the lowest since prime ministers began declaring their net worth and was around 2.6 million yen (about \$23,000) in savings (both his and his wife's), while his house and land in Tiba Prefecture were valued at 15.14 million yen. Members of the Cabinet of Ministers have been declaring their net worth since 1984, when Yasuhiro Nakasone was prime minister (after the Kakuei Tanaka bribery scandal).

33. In listing the members of the cabinet, we should mention separately Yoshio Hachiro, appointed as Minister of Economy, Trade and Industry. Almost immediately after assuming his post, he found himself at the center of a scandal over a number of indiscrete statements having to do with his visit to the zone surrounding the Fukushima-1 Nuclear Power Plant. Noda was forced to retire him only nine days after his appointment in order to avoid harsh criticism from the opposition and public at the very start of his tenure in office. Former Cabinet General Secretary Yukio Edano was appointed as the new head of the ministry.

34. *The Japan Times*, October 29, 2011.

35. Public opinion surveys show that around six out of every ten voters were against Noda's proposal to raise taxes. This lowered the rating of his cabinet from 62.8% to 54.6% just one month after it had been formed. (Data of the Kyodo Agency, which conducted the survey.) See *Kyodo tsusin*, October 2, 2011.

36. *Yomiuri simbun*, December 14, 2011.

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