

Historical experience of regional economic cooperation of the Far East of the USSR and Japan in the late Soviet period

Nonna Mikhailovna Platonova^{1,*}

¹ Far Eastern State Transport University, 47 Seryshev st., 680000, Khabarovsk, Russia

Abstract. The article examines the main directions of regional economic cooperation between the Soviet Far East and Japan. The significance of export-import supplies, their raw materials orientation, features and differences between the economic systems that influenced the trade indicators, interests of trading partners during the late Soviet period (1965 - 1985) are investigated. The conditions of forestry and oil-extracting industries of the Far East which cooperated with Japanese companies on a compensation basis are described. The article analyzes the efficiency of export of products from the Far East to Japan, and outlines the stability of regional exports entering the neighboring state of the Asia-Pacific region. In a general historical context, the author pays special attention to the difficulties in economic bilateral cooperation, and analyzes their causes. The article describes an equally important area of the constructive international interaction between the Soviet Far East and Japan - coastal border trade, whose striking feature was exhibitions of industrial products. Along with traditional export-import operations, the advantages of this form of cooperation are analyzed. It was found that the factor constraining regional economic cooperation was the difference between the planned and market models of economies. The situation was extremely complicated by the underdeveloped transport infrastructure of the Far East, the inconsistency with the world achievements of the scientific and technological progress of the extractive industries of the industrial and civil complex, the financial and personnel deficit, rigid centralization, which hindered the initiatives of the local party elite in the matters of economic interaction with representatives of Japanese business.

1 Introduction

Current changes in the international situation caused by the processes of globalization, transition to multipolarity, new technological and transport infrastructures have created a significant shift in growth points in the world economy. Their vector is focused on the Asia-Pacific Region (APR), whose markets are expanding.

The Russian Far East, which has a powerful and unique mineral resource base, significant industrial potential, is territorially close to the APR, occupies a key position in the successful integration of Russia into the world economic system. In this regard, the government of the Russian Federation pays special attention and develops one of the leading foreign policy areas in the Far East.

For a long time, Japan has remained the main trading partner of Russia in the Pacific Ocean basin. The rapprochement of the two states is largely determined by the mutually beneficial long-term cooperation, the expansion of technical, economic and resource commodity turnover, the implementation of diversified export-import programs.

The historical experience of bilateral regional economic interaction, which was accumulated in 1965 - 1985, that is, in the late Soviet period, is of scientific research interest.

1.1. Historiography of the problem and purpose

In Soviet historiography, covering 1955 - 1991, along with the problems of development of the productive forces of the Far Eastern territory, the need to create a large export-import base was debatable. The priority area of economic specialization was export orientation of the basic industries, access to the international market and extensive interaction with foreign partners [1,5]. As a result, the concept of cooperation of the industrial cluster of the Far East with the Asia-Pacific region was formulated, which contributed to the regional economic development.

The most recent period (1991 - present) has largely updated the multifaceted history of the Soviet Far East. The rethinking of the late Soviet twenties, their economic results and consequences began from new methodological positions. The problems of Soviet-Japanese trade and industrial relations occupy one of the leading positions in scientific research of both Russian and foreign scientists [6,8,9,10].

A study of the historical experience of regional economic cooperation between the Soviet Far East and

* Corresponding author: nonnaplaton@mail.ru

Japan in 1965-1985 can fill the existing gap in historical science.

The article aims to study the economic cooperation between the Soviet Far East and Japan in the late Soviet period (1965 - 1985).

The purpose is to study and generalize under-studied aspects of constructive economic cooperation between the Far East and Japan through the analysis of archival and statistical data, a set of factors that determined the possibilities for the development of partner trade relations in the late Soviet period.

The study used the following research methods: problem-chronological and historical-systemic statistical analysis.

2 Results and discussion

In the late Soviet period (1965 - 1985), the Far East developed in a nationwide context. In these twenty years, the dynamics of its industrial and civil systems developed, government socio-economic programs were implemented, the migration policy was intensified and an export base was created.

In the Pacific basin, having established close economic contacts with socialist and developing states, the Soviet Union continued cooperation with its main and long-standing trading partner Japan. This complicated process was hindered by the lack of a peace treaty between the two countries and 140 US military bases that provided "nuclear cover" and were located on the Japanese territory. Despite many problems and political differences between Moscow and Tokyo, favorable prerequisites were created in the economic and technical areas for expanding interstate cooperation, in which the Soviet Far East played a key role. In particular, the geographical proximity of the Far Eastern and Japanese ports was of great importance, the sea route between them was 5-6 times shorter than, for example, between the Far East and the USA or Australia. This made it possible to reduce logistics costs.

In comparison with the central European regions of the Soviet Union, the imported products of the Japanese industry were cheaper for the Far Eastern territory, since transport costs were much lower.

Although the Japanese government took into account a significant social factor associated with the sparsely populated Far East, bilateral trade remained important and dynamic [4, 8]. From 1965 to 1985, the relative efficiency of individual exports ranged from 1.21 to 2 US dollars per one ruble [Fig. 1].

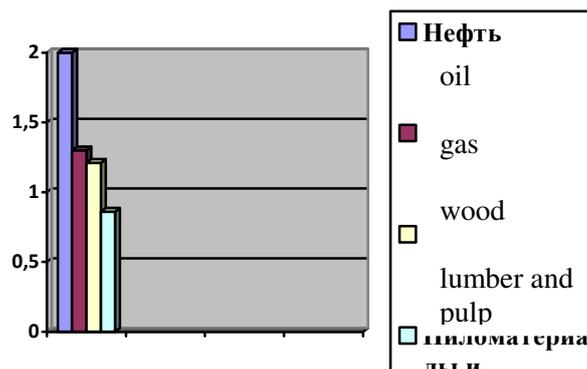


Fig. 1. Efficiency indicators for exports of products from the Far East to Japan [in US dollars] (7, F. – 399. Op. 3. Vol. 3 D. 1340. P. 30)

Throughout the late Soviet period, the share of products of the Far Eastern industrial and civil companies exported to Japan (excluding data on furs, precious metals and stones) was 55-60% and remained stable, but for certain types of raw materials and goods it was significantly higher [Fig. 2]. The nomenclature of Far Eastern exports to Japan did not fundamentally change; raw materials remained its priority basis.



Fig. 2. Indicators of exports from the Far East to Japan in 1965 - 1985 [in %] (7, F. – 399. Op. 3. Vol. 3 D. 1340. P. 30)

An important condition for the development of partnership economic relations was Japanese financial capabilities in trade operations due to the acquisition of strategic resources. The industrial sector of the national economy, which was in a recovery phase from 1952 to 1972, experienced an acute shortage of raw materials (oil, round timber, coal, etc.). In this regard, the government of Japan was interested in the export initiatives of the ruling party elite of the Soviet Union. In turn, the Soviet Union sought to create a stable export base in the region and create export-oriented industrial enterprises.

Japan showed special economic interest in gas and oil fields located in Sakhalin, which was considered as a promising importer of mineral resources. At the same time, for the Soviet Union, Japan acted as an investor, supplier of machinery and equipment, as well as a potential sales market.

The Sakhalin region received economic preferences, since due to the territorial remoteness from the national machine-building centers, mutually beneficial trade with Japan contributed to the flow of imported timber trucks,

bulldozers, excavators and various equipment that was extremely needed for the local industry and construction companies. In addition, the supply of certain consumer goods helped improve the quality of life of the Sakhalin population.

The industrial sector of the regional economy was not confined exclusively to gas and oil exports. The region also imported timber, lumber, pulp, newsprint and sack paper, furs, fish and seafood to Japan. Only in 1975 the Sakhalin Region supplied 3.9 million m³ of timber to the external market of the neighboring state, including 3.6 million m³ of timber for businesses [6].

However, the situation in Japan changed significantly from 1973 to 1975 due to the economic crisis, significantly affecting the supply of Sakhalin oil. This led to a significant accumulation of oil products on the railways and in the ports of the Soviet Far East. The Japanese government took measures to overcome the crisis and save energy and other resources. After a slowdown in dynamics, the economic growth of industrial production that had begun, actualized the previous interests of Japanese partners in joint Far Eastern projects for the development of Sakhalin hydrocarbon deposits.

To accelerate the exploration of strategic energy resources which began in 1958, the General Agreement On Cooperation in the Field of Intelligence, field development, oil and / or natural gas production on the Sakhalin shelf and on the supply of these goods to Japan was concluded. In general, the exploration program was adopted for 1975-1985. The loan amount was \$ 152.2 million, of which \$ 100 million were allocated for geological exploration, \$ 22.5 million - for the purchase of electronic computers and equipment, and \$ 30 million - for current expenses.

The construction of oil refineries in the Far East of the USSR put on the agenda the need for switching from the export of crude oil to the export of oil products. A new correlated agreement on the oil exploration in Sakhalin between the USSR and the SODEKO company was concluded in 1979. This international project was implemented in 1982 [7, F. 399. Op. 3. Vol. 3. D. 1435. P. 112; 2, F. A-259. Op. 48. D. 1089. P. 35].

The Japanese government supported by businesses helped the Soviet Union planned to help the USSR create a metallurgical base in the Far East. Japan was ready to provide a loan on the terms of payment by finished metal. Economic calculations carried out by the Soviet State Planning Committee showed that the efficiency of export of finished metal significantly exceeded the export of metallurgical raw materials - iron ores and coking coal. Nevertheless, the favorable prospects for resolving the issue did not find support, both from the party leaders and the State Planning Committee.

Along with the export of hydrocarbon resources, industrial timber, which was supplied by Khabarovsk and Primorsky Territories, the Amur and Sakhalin Regions was equally important. By 1980, the annual deficit of commercial timber in Japan was about 30 million m³, imports satisfied 75% of the need of

Japanese industries [1; 7, F. 399. Op. 3. Vol. 3. D. 1435. P. 107].

This area of economic cooperation developed with the use of credit funds on a compensatory basis, that is, debt payments to foreign investors were made with products after the commissioning of industrial facilities. This process began in 1968 with the first General timber supply Agreement concluded with Japan. To this end, new large timber industry enterprises were created in the Far East - Lazarevsky, De-Kastrinsky, Silasu-Belaminsky, Takhtinsky and Verkhne-Hungaria. They exported products to Japan. However, due to the underdeveloped base of the construction industry in the Far Eastern territory, the lack of centralized funding and a shortage of personnel, they were creating at a slow pace. The Soviet Union managed to fulfill the terms of this agreement only by 1976 [3, F. P-35. Op. 96. D. 296. P. 151].

In 1970, a new agreement on the supply of raw materials to Japan was signed. On the basis of this international document, from 1972 to 1981, the Far East exported to Japan 12.7 million m³ of industrial chips and round timber in payment of a loan in the amount of USD 50 million.

The economic crisis reduced the volume of Soviet exports to Japan. In 1974-1975, exports of industrial timber fell from 7.8 to 6.4 million m³, i.e., by 1.4 million m³. Regional timber enterprises accumulated a significant amount of unsold timber.

In 1974, Japan was able to provide the Soviet government with a new loan of \$ 500 million. In turn, from 1975 to 1979, the Soviet Union provided Japanese companies with 17.5 million cubic meters of commercial timber and 900 thousand cubic meters of sawn timber exported from the Far East. This served as the basis for the conclusion of the General Agreement on the supply of equipment, machinery, ships, materials and other goods from Japan to the USSR. At the same time, the construction of the Amur Pulp and Paper Mill and the reconstruction of pulp and paper enterprises in Sakhalin were conducted on a compensation basis [2, F. A-259. Op. 48. D. 1089. P. 116].

In addition, the joint Japanese-Soviet commission was studying the possibility of building two large enterprises for the production of cellulose with an annual production of 500 thousand tons. Japan was ready to provide equipment, and supplier companies guaranteed to install it [7, F. 399. Op. 3. Vol. 3. D. 1435. P. 111]. However, this project was not implemented, since it did not fit into the framework of the planned Soviet economy. The regional party-Soviet leadership did not receive support from the center.

A similar financial and economic mechanism existed in the construction sector. In 1970, the General Agreement on the supply of equipment, machinery and materials for the construction of a seaport in Wrangel Bay was signed with Japan. In subsequent years, a number of similar agreements were concluded. In the chronological period under consideration, the Far East accounted for about 18% of all foreign financial investments attracted to the USSR. The total amount of funds for the construction of Far Eastern industrial

facilities was 852 million rubles, of which the timber and pulp and paper industry accounted for 39.9%, coal - 35.5%, oil and gas exploration - 24.6% [7, F. 399. Op. 3. Vol. 3. D. 1483. P. 71 rev.].

Another form of constructive international cooperation was coastal trade, which had a number of advantages. It contributed to the inclusion of raw materials, biological, chemical, geological resources and finished products in the trade turnover [2, F. A-259. Op. 45 D. 8553 P. 15; 7, F. 399. Op. 3. Vol. 3. D. 1435. P. 114].

In particular, exhibitions of industrial products became a feature of the cross-border economic cooperation. In April 1965, an exhibition of Soviet goods was opened in Niigata (Japan). The products of the Far Eastern fishing industry were valuable for the Japanese business community. In May, an exhibition of Japanese goods from Niigata was held in Khabarovsk. Products of the light, food, furniture and chemical industries were demonstrated.

The result of this regional interaction was the expansion of contacts between Far Eastern manufacturers and Japanese companies, which contributed to the solution of problems in the development of new technologies. For example, regional food industry enterprises have mastered the production of canned food from whale meat and squid using the Japanese recipe [6].

3 Conclusion

In 1965-1985, regional economic cooperation between the Soviet Far East and Japan exerted a positive mutually beneficial effect, forming a stable foundation for the development of economic and social relations between the USSR and Japan.

This process was determined by a number of factors. First of all, it is a complex political issue, coupled with the territorial claims of the eastern neighbor, the "cold war", which shaped the specifics of bilateral relations. However, the priority of peaceful coexistence contributed to the cooperation with capitalist states.

Since the Far East as a part of the national economic system was a resource region, international trade and economic operations were under the strict control of the center. The synthesis of the planned economic system and market relations was extremely difficult, but there were points of contact (raw materials and resources). Bureaucratic obstacles became constraining factors in the development of economic bilateral cooperation.

The analysis of historical experience of regional economic cooperation contributes to the creation of a new model of bilateral interaction.

REFERENCES

1. A.N. Gladyshev, A.V. Kulikov, B.F. Shapalin, *Problems of the development and distribution of the productive forces of the Far East* (Moscow, Mysl, 1974)
2. State Archives of the Russian Federation (SARF).
3. State Archives of Khabarovsk Territory (SAKT).
4. P.A. Minakir, O.M. Prokapalo, *Vestnik of the FEB RAS*, **5**, 13-21 (2007)

5. V.S. Nemchinov, *Voprosy ekonomiki*, **6**, 3-15 (1961)
6. N.M. Platonova, T.Ya. Ikonnikova, *Ethnosocium and interethnic culture*, **8**, 178-196 (2010)
7. Russian State Archives of Economics (RSAE).
8. A.V. Korchevsky, *Power and management in the East of Russia*, **4**, 217-223 (2011)
9. A.V. Korchevsky, *Bulletin of the Oryol State Humanitarian University*, **5**, 324-327 (2012)
10. J. Glaubitz, *Between Tokyo and Moscow: The History of an Uneasy Relationship, 1972 to the 1990's* (Honolulu: University of Hawaii Press, 1995)
11. N. Platonova, *Northern Sustainable Development Forum 2020*, **112**, 1-5 (2021)