PROBLEMS OF JAPANESE-SOVET ECONOMIC RELATIONS*

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I. A General Overview

The relationship between Japan and the USSR has long been overshadowed by the territorial issue concerning the four northern islands. Because of this, there is no formal peace treaty between both countries. This peculiar relationship, however, has not affected Japanese-Soviet economic relations in a direct way. In the 1970s, among the Western nations, Japan was the second biggest trade partner of the USSR, following the Federal Republic of Germany. The Siberian Development Cooperation projects which were jointly undertaken by both countries contributed largely to the increase of trade. The amount of trade reached its peak in 1982, when the total trade volume was 5.6 billion US dollars. This figure fell to 4.3 billion dollars in 1983, and Japan is now fifth among the Western nations trading with the USSR. However, trade between both countries is still considered to be significant and "mutually beneficial" especially by people directly involved.

Trade relations between Japan and the USSR can be traced back to immediately after the 1917 Revolution. The Japanese-USSR Basic Treaty, which established formal diplomatic relations between both countries, included transitory provisions regarding trade which were effective until the conclusion of a trade agreement. The agreement itself was later negotiated and was to be signed in 1941. But because of the outbreak of the German-Russian War, the agreement did not get off the ground. After the Second World War, trade continued, although on a smaller scale, without any formal trade agreement. It was only after the Joint Peace Declaration had been signed that a formal trade agreement, along with other relevant agreements, was signed.

The Trade Agreement with the USSR, which was concluded in 1957, granted Most Favored Nation status to the USSR in relation to tariffs, surcharges, and port usage. It also included provisions regarding the enforcement of ar-

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Arbitration awards, salvage, and the protection of legal entities. Furthermore, the Soviet Trade Mission which had been operating in Japan gained formal legal recognition by the Agreement and by the concomitant protocol attached to it. According to this protocol, the Representative and the two deputies of the Trade Mission were given diplomatic immunity. Disputes relating to commercial contracts which the Trade Mission had concluded or which it had guaranteed were understood to be within the jurisdiction of Japanese courts and Japanese law was to be applied, unless the parties agreed on arbitration or other foreign jurisdiction. The property of the Trade Mission was not subject to detachment. At present, the Soviet Trade Mission has an office in Tokyo. It has been proposing unsuccessfully to open a branch in Western Japan.

Together with the Trade Agreement, a Payment Agreement was concluded by both governments. This agreement set out the obligation of both governments to permit trade in commodities specified in the attached list. Payment for the commodities was to be made in convertible currency. The target figure for trade, which was not binding, was set at a total of 60 million US dollars. The initial payment agreement was effective for only one year, but after several automatic renewals, the term was extended to three years and later to five years. At present, the Payment Agreement of 1981-1985 is in effect. The agreement also provides for annual meetings of the representatives of both countries.

One of the peculiarities of the Japanese-Soviet economic relations as compared with relations of the USSR with other Western countries is that despite longstanding economic cooperation, both countries have not concluded a long term agreement for economic cooperation. Most Western nations have concluded this kind of agreement with the USSR together with a long-term cooperation program. The USSR has been proposing the conclusion of such an agreement for some time and has even sent a draft of the Agreement on Japanese-Soviet Economic Cooperation. The Soviet government intends to include provisions concerning the granting of privileges and immunities in the field of commerce and trade, MFN treatment in terms of credit, etc. The Japanese government has been refusing to conclude such an agreement notwithstanding the persistence of the USSR, because the effects of such agreements seem to be minimal and such cooperation has been going on smoothly without a formal agreement.

Along with the general trade with the USSR, two special types of trade have developed. They are cooperative trade and coastal trade. Cooperative trade began in 1956 when the Japan Cooperative Trade Corporation concluded a contract with the Tsentrosoiuz to import timber from the USSR in exchange for the export of textile goods. In 1958, the Japanese Federation of Cooperatives and the Tsentrosoiuz signed a barter trade agreement. Initially, cooperative trade was intended to contribute to the promotion of international cooperative movements. Many local cooperatives in Japan began to participate in this trade, but not without the assistance of small and middle-sized trading