

## Russia, Japan Widen Scope Of Eurasian Development

by Rachel Douglas and Jonathan Tennenbaum

For ten days beginning May 29, the largest and highest-level delegation of Japanese businessmen in a quarter of a century toured Russia, culminating in their reception by President Vladimir Putin at the Kremlin on June 8. Statements made by both sides during the tour, expressed Russia's desire for Japan to become more involved both in the Eurasian development corridors, being upgraded under the aegis of the new Eurasian Transport Union (*EIR*, June 1, 2001, p. 4), and in other areas of industry, as well as the interest of depression-wracked Japanese industry, and the new government, in doing so. Such cooperation could define yet another dimension of the Survivors Club of nations, seeking a way out of the collapse of speculative financial globalization, through the development of great projects in the real sector of the economy.

According to Russian sources, there is also serious movement toward the creation of a Northeast Asian Development Bank, to be chartered for the purpose of financing infrastructural and industrial projects in northeastern Eurasia, where Russia, China, Japan, and the Koreans are close neighbors.

The First Russo-Japanese Forum, held in Moscow on May 29-30, was the opening event of the tour by a 240-strong delegation of the Keidanren, Japan's Federation of Economic Organizations. Its topic was "Russian-Japanese Relations in the Asia-Pacific Region under Conditions of Globalization." This was the first time in 25 years, that a Keidanren delegation led by the organization's president had visited Russia, and the first Keidanren delegation at all in 18 years. Before leaving Tokyo, the delegation attended a ceremony at the Japanese Foreign Ministry, where it was endowed with official government status, and Keidanren President Takasi Imai was made a government plenipotentiary for the duration of this visit.

The Russian news agency Itar-TASS noted, "It is of particular importance, that there is a large number of entrepre-

neurs in the group, who have never previously done business with Russia, and would like to find new opportunities there for their companies to be active."

After the opening forum, at which the Russian side was headed by Minister of Economic Development and Trade German Gref, the Japanese businessmen split up into three groups, to tour different areas of Russia. On June 8, they reconvened in Moscow to be received by Putin and hold talks with Deputy Premier Viktor Khristenko, Finance Minister Anatoli Kudrin, and Arkadi Volsky of the Russian Union of Industrialists and Entrepreneurs, among others.

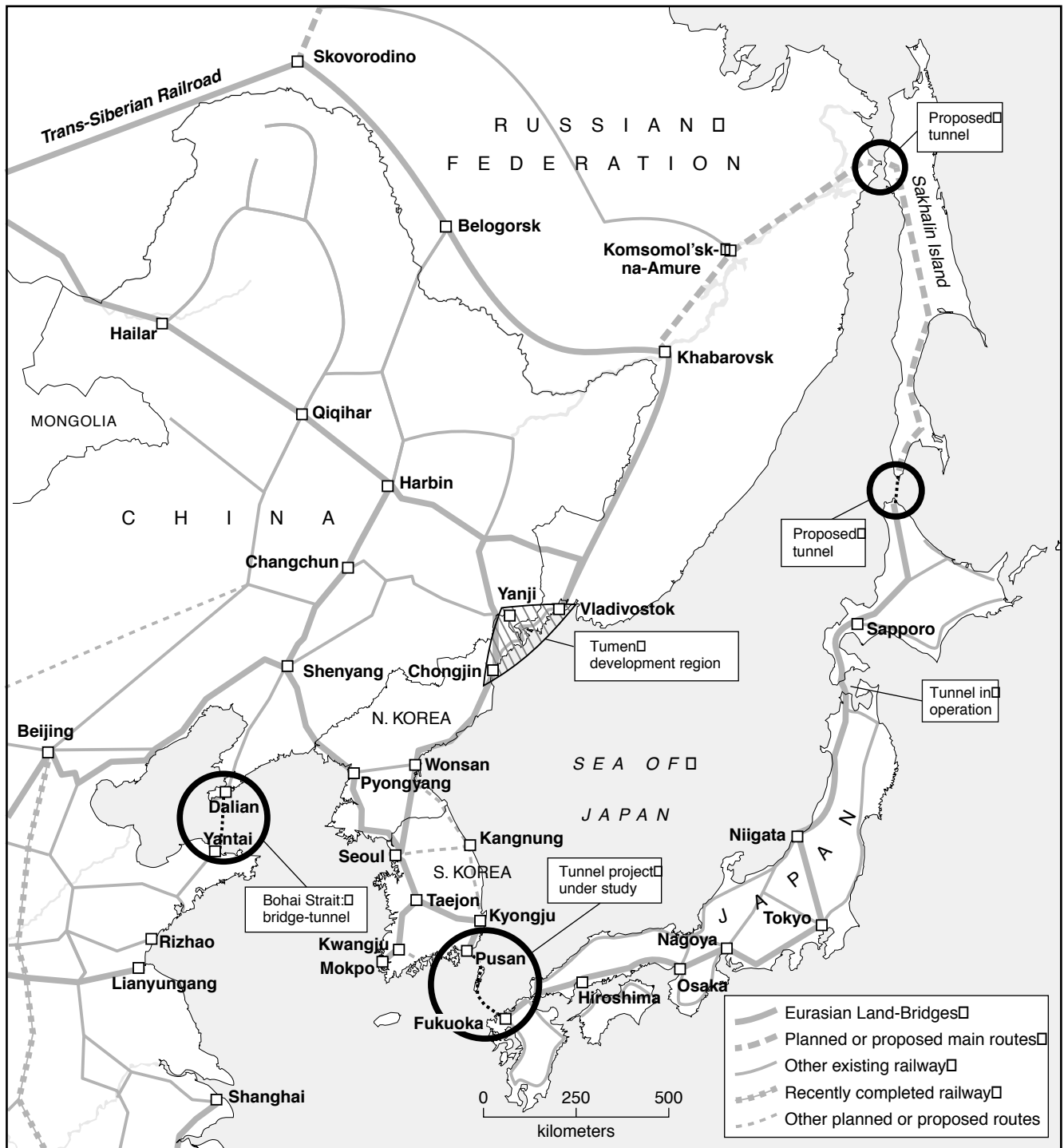
The Keidanren tour of Russia was planned in September 2000, when Putin visited Tokyo. On June 8, he told the group's members that, having toured Central Russia, the European part of the country, and the Far East, "You have been to all the key centers of production, science, and education." He stressed the importance of their mission, insofar as the Keidanren plays a significant role in defining Japan's foreign policy strategy. Takasi Imai, in reply, recalled Putin's having said last September, "I shall change Russia; come to visit, and see with your own eyes how it is changing."

Imai brought a special message from Prime Minister Junichiro Koizumi, expressing wishes for a push forwards in the development Russian-Japanese economic relations. He said that the delegation was most interested in the investment climate, and had brought along the results of a questionnaire, circulated and completed by Keidanren members, about what obstacles to expanding investment need to be removed.

The chronic political tension between Moscow and Tokyo, over the ultimate territorial control of the southernmost Kurile Islands, took a back seat during these high-level talks. Russian Foreign Minister Ivanov sent a message to the forum, in which he said that solving the problem of a

FIGURE 10

### Infrastructure Projects in Northeast Asia Development Region



This map from EIR's 1997 Special Report "The Eurasian Land-Bridge" shows the major infrastructure projects for an economic boom in Northeast Asia. Four of the countries in this region—Russia, Japan, China, and South Korea—are now holding informal talks on forming a Northeast Asian Development Bank, to operate in this area.

In June, the Russian government is expected to decide on proceeding with the connection of Sakhalin Island to the mainland, by tunnel or bridge, shown here as the northernmost "proposed tunnel."

peace treaty to end World War II—held up by failure to resolve the territorial dispute—remained an essential element of the Russian-Japanese dialogue, but that friendly relations between the two countries should be promoted in any event. Foreign Minister Makiko Tanaka’s message, read aloud by Ambassador Tamba Minoru, said that Japan is prepared for cooperation with Russia, and for concluding a peace treaty. She called for cooperation especially in the economy and in the international arena, noting that for her, relations with Russia had always been “a subject of very great interest.”

Subsequently, on June 6, Ivanov and Tanaka had their first telephone conversation, to discuss the status of negotiations towards a World War II peace treaty. On June 8, the quasi-official Russian Strana.ru Internet site put out its analysis that the Keidanren delegation “expressed a rather softer position on the so-called territorial problem, than the official position of the Japanese side”—having noted, however, that the delegation itself had official status. A longer article, filed by Strana.ru commentator Dmitri Gornostayev under the headline, “Businessmen Played the Role of Intermediaries Between the Diplomatic Agencies,” said that the new Japanese government had begun with harsh (“but customary”) words about the disputed lower Kuriles, but then “realized that it would be rather more productive and effective for the development of the bilateral dialogue, to shift to real implementation of such a dialogue.” The commentary concluded, “It is sincerely hoped in Moscow, that the new government of Japan will adopt a policy of ordering relations with Russia in a pragmatic fashion, without excess emotion. The present forum is seen as a sign of such a trend. Of course, Russia recognizes that the territorial problem remains acute and needs to be solved, but it is important that it not be a brake on the development of a normal dialogue on the full range of political and economic problems. In general, one can see today the most serious positive changes in relations between Moscow and Tokyo, in ten years. . . . The rapprochement is conditioned by a number of factors, including Russia’s reforms, and Tokyo’s intention to order relations with Moscow, without entangling in the solution of the territorial problem.”

### **A List of Big Projects**

The Eurasian transport corridors topped the Russian-Japanese agenda. Speaking at the opening forum on May 30, Russian Deputy Transport Minister Vladimir Yakunin called on the Japanese to take part in developing the rail lines between North and South Korea, and across Siberia. Stressing the already-developed Trans-Siberian Railroad as a natural link between Europe and Asia, Yakunin also brought up the agreement reached by Russia, India, and Iran in September 2000, to build up the North-South Corridor, connect the Middle East, India, and Southeast Asia to the railway networks of Russia, Iran, Kazakstan, Azerbaijan, and the Baltic nations.

Transport projects, in which Japanese business could become involved, are by no means limited to Siberia and the Far East. The section of the Keidanren delegation, visiting St. Petersburg and northwest Russia, heard from that region’s Presidential Representative Viktor Cherkesov, that with the expected “significant rise in freight transit in the next few years, primarily from the Pacific Rim countries, the transport sector of the [northwest] region should also be prepared for it.” He proposed that the Japanese invest in Russian industries, such as machine-tool building, precision mechanics, optics, telecommunications, electrical engineering, agro-industry, and shipbuilding.

Japanese firms already take part in the Sakhalin-1 and Sakhalin-2 oilfield projects, which are commercially operational. Russian Minister of Economy Gref and Vice-Premier

## **LaRouche Speaker Again At Moscow Policy Meet**

For the third time in four months, a representative of Lyndon H. LaRouche, Jr. was invited to speak at a high-level policy meeting in Moscow.

The latest occasion was a June 5-6 conference on “Reform of Strategic Sectors of the Economy and the National Security of Russia,” held at the Presidium of the Russian Academy of Sciences. It was attended by some 100 economists, prominent academicians, officials of the Energy, Defense, and Transport ministries, as well as a dozen foreign guests, including University of Texas economist James Galbraith (son of John Kenneth Galbraith). The event was sponsored by the Academy’s Institute of International Economic and Political Studies (IIEPS) (formerly widely known as the Bogomolov Institute); the Russian branch of the international association Economists Allied for Arms Reduction (ECAAR); and the National Investment Council. A major organizer of the conference was the well-known Russian economist Stanislav Menshikov, who had participated, together with State Duma (lower House of Parliament) Economics Committee Chairman Sergei Glazyev, in the Bad Schwalbach, Germany conference of the Schiller Institute in May (see *EIR*, May 25, 2001).

Dr. Jonathan Tennenbaum, scientific adviser to the *EIR* and Schiller Institute, spoke during two panels of the conference: first on the controversial reform of Russia’s electricity system; and then as the first speaker on a panel on “Anti-Missile Defense and National Security” chaired by Sergei Rogov, director of the Academy’s famous U.S.A./Canada Institute.

In both interventions, Tennenbaum stressed the rapidly

Khristenko mentioned a number of other specific projects, discussed by members of the Keidanren delegation. Gref said that there were already several projects for the export of Russian natural gas to Japan. He pointed to Japanese firms' readiness to invest in producing "ecologically clean fuels," in Russia with Russian raw materials. In particular, the firm Nippon Kokan is studying a project to build a factory in Russia for producing the new synthetic fuel dimethyl ether, which would then be sold in Japan and elsewhere.

Gref proposed to draft a special program for Russian-Japanese cooperation in the energy sector. He also promoted the notion of an "energy bridge" to export Russian electricity to Japan and other Asian countries (not the most efficient way to do things, but this scheme is similar to Gref's push for Russian electricity exports to Europe, and is promoted by the

Russian government as an alternative to Japan's dependency on Mideast oil).

More broadly, Gref stated that the Russian government "is stressing the development of those sectors of industry, which have a high degree of development of high technologies, where Japan traditionally is in the lead." He said that Russia "is interested to see Japanese investments and capital goods come onto the Russian market." As of now, Japan is only the tenth biggest foreign investor in Russia, and the level of bilateral trade is less than import-export operations between, say, Russia and Turkey.

Among specific projects, Khristenko mentioned the Yaroslavl Oil Refinery, which is near completion, and KamAZ, the famous truck plant, where he said Russia and Japan have experienced great difficulties, but are now seeing some mo-

developing financial and political crisis in the United States, in which a key positive role is being played by the growing fight around the principle of the general welfare, catalyzed by LaRouche and his associates. The Russian audience was particularly interested in the background of the California energy crisis, caused by exactly the same policies that Anatoli Chubais (now head of UES, Russia's state-run electricity company) and other "liberal reformers" have been attempting to push through in the restructuring of Russia's electricity sector. Just a week before the conference, *Nezavisimaya Gazeta* published a prominent article entitled "California Everywhere in Russia," laying out the disastrous consequences of the planned reforms.

A revealing insight into policy struggles in Russia today, was afforded by the fact that leading representatives of the neo-liberal camp, who were invited and had agreed to participate, did not appear at the conference. These included Presidential Economics Adviser Andrei Illarionov, and the head of the Working Center for Economic Reforms attached to the government, Vladimir Mau.

In fact, as Professor Menshikov pointed out, in the recent period the "liberal reformers" have been carefully avoiding any occasion at which they might have to defend their views and policies to a scientifically competent audience. In the Yeltsin years, "reformers" such as Chubais and Yegor Gaidar had a virtual monopoly over government policy-making; now, alternative points of view — associated with the Russian Academy of Sciences and with influential regional governors, serving on the State Council — are now finding their way into the highest circles of power, and even into the programmatic declarations of President Vladimir Putin himself. With increasing frequency, leading experts from the Academy of Sciences, including Academician Alexander Nekipelov (director of the IIEPS) and a number of other participants at the conference, are being called upon to present their views at top-



*LaRouche scientific adviser Dr. Jonathan Tennenbaum spoke on electricity regulation, and on anti-missile defense, at a Russian Academy of Sciences meeting on June 5-6.*

circle policy deliberations in the Kremlin.

The new sense of self-confidence, which has grown noticeably among Russia's nationally oriented elites in recent months, was also reflected in the conference panel on "Missile Defense and National Security." The aura of invincibility of the Bush Administration — the sense, that the United States under Bush would be able to dictate its will to Russia and the rest of the world — has evaporated. While warning of the potentially dire global strategic consequences of Bush's policies, both Russian and foreign speakers went out of their way to emphasize the *weakness* of the present U.S. Administration — both in intellectual terms, and vis-à-vis the internal political situation in the United States itself.

tion. Khristenko said that “a whole list” of other bilateral projects was discussed.

Shortly before the Keidanren visit, the transport and communications department of Russia’s Sakhalin Region administration announced, that during June, the Russian government would decide on going ahead with a feasibility study for the project to connect Sakhalin Island with the Russian mainland, by a railway tunnel or bridge. The options to be considered are a bridge, a tunnel beneath the strait, or a tunnel in a tube through the straits. It is estimated that a bridge could pay for itself within 40 years, even without considering the likely transit of cargo from Japan to the Russian mainland, through Sakhalin. The Sakhalin specialists hope that the \$8 billion project will be started in October.

### **Northeast Asia Development Bank**

A highly placed member of the Russian Academy of Sciences told *EIR*, that unofficial discussions are taking place among Russia, Japan, South Korea, and China, concerning the creation of a Northeast Asia Development Bank (NEADB), which would provide long-term, low-interest-rate loans for development projects in that region. Such projects would include gas, oil, electricity, rail and highway infrastructure, as well as industrial projects. While an initial form of the proposal was put forward by Japan in the late 1990s, interest in its realization has grown in recent months, and inside Russia

it is being strongly promoted by Khabarovsk Gov. Viktor Ishayev (the organizer of the famous “Ishayev Report” (*EIR*, March 2, 2001), and now “the most popular governor in Russia,” according to this source).

The NEADB proposal was a major topic at an April “interbank conference,” attended by the head of the Russian Central Bank and the vice-director of the People’s Bank of China. The Russian expert stated, that the new bank would pool available resources of the participating countries, as well as issue international bonds, attracting funds also from outside the region. Unlike the Asian Development Bank, the new bank would concentrate on the special requirements of the Northeast Asia region, and thus be able to promote the process of “subregional integration” being discussed at Jiang Zemin’s East Asia Economic Forum and other organizations. Pushing forward these Northeast Asia projects would complement the strong European orientation of the Russian government.

President Putin also prepared for an intensification of his economic cooperation-centered diplomacy with China and Central Asia, departing June 13 for Shanghai. He was to have his sixth meeting with President Jiang Zemin, and attend an expanded session of the Shanghai Five group, which began with Russia, China, Kazakstan, Kyrgyzstan, and Tajikistan, and is poised to welcome Uzbekistan and become the Shanghai Cooperation Organization.

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