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The Northern Territories: A Soviet Bargaining Chip?

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An Intelligence Assessment

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An Intelligence Assessment

*Information available as of 25 November 1986
has been used in this report.*

This paper was prepared by [Redacted]
[Redacted] Office of Global Issues,
with contributions from the Office of Soviet
Analysis and the Office of East Asian Analysis.
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directed to the Chief, Geographic Issues Division,
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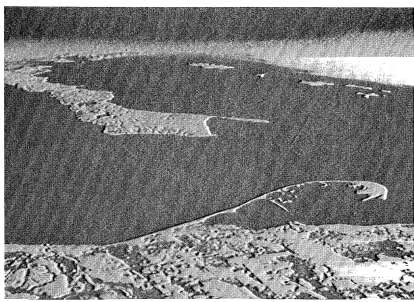
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The Northern Territories: A Soviet Bargaining Chip?



Aerial view of the Northern Territories from Hokkaido. The island of Kunashiri is in the center. Shikotan and the Habomai are on the right.

Key Judgments

The islands that make up the Northern Territories have been occupied by the Soviets since World War II, but are claimed by Japan. The Soviets contend that agreements among the Allied Powers following World War II gave them sovereignty over the entire Kuril chain, including the islands that make up the Northern Territories, and for years have refused to discuss the issue. The Japanese claim that these islands were always part of their national territory and should never have been included in the post-World War II arrangements that took away territory they acquired in the late 1800s and early 1900s. Although these islands are of marginal economic or military value to the Japanese, they are a powerful emotional and political issue that is present in all relations with the Soviets.

The Geography of the Northern Territories

The "Northern Territories" is a term used by the Japanese to designate the islands—Etorofu, Kunashiri, Shikotan, and the Habomai group. Etorofu and Kunashiri lie at the southern end of the Kuril, an island chain that extends from the Soviet's Kamchatka Peninsula to Japan's island of Hokkaido and separates the Sea of Okhotsk from the North Pacific Ocean. Shikotan and the Habomai extend northeastward from Hokkaido's Nemuro Peninsula. Since the end of World War II, these islands have been occupied by the Soviets. The total area of these small volcanic islands amounts to 4,996 square kilometers (Etorofu, 3,139 sq. km; Kunashiri, 1,500 sq. km; Shikotan, 255 sq. km; and the Habomai, 102 sq. km). Several small ports and anchorages are located on the larger islands.



The civilian population of these islands in 1984, according to US military estimates, was 16,000—with all but a thousand inhabitants resident on the islands of Etorofu and Kunashiri (Izuru and Kunashiri in Russia). The largest population centers on the islands are Yuzhno-Kuril'sk (5,000), Kuril'sk (3,000), and Burevestnik (2,000). The people are post-World War II Soviet settlers and their offspring. The economy of the islands is fairly simple and consists of fishing and fish processing, the most important sector; mining of sulphur deposits on the islands of Etorofu and Kunashiri for use in cellulose production on Sakhalin; and, of less importance, agriculture, animal husbandry, and forestry.

What Are the Bases for Claims?

The Japanese claim to the Northern Territories dates back to the 1855 Treaty of Shimoda, which delineated, for the first time, a boundary between Japan and Russia. Under the terms of the treaty, Russia explicitly recognized Etorofu as part of Japan's other islands of the Northern Territories, although not specifically named, were implicitly recognized as belonging to Japan since they lay south of the boundary between Russia and Japan. Subsequently, Russia ceded all of the Kurils to Japan in 1875 under the St. Petersburg Treaty, in exchange for full possession of Sakhalin—which had been jointly occupied under the Treaty of Shimoda. Until the end of World War II, the Japanese occupied all of the Kuril Islands—as well as Sakhalin, which Japan acquired in the 1905 Treaty of Portsmouth ending the Russo-Japanese war.

The Soviets argue that territorial concessions made to Japan in these treaties were extracted under duress and, therefore, are not binding. Their claim is based on the February 1945 Yalta Agreement, which gave the Kurils to the Soviet Union. Although the agreement did not specify what islands made up the Kurils,

the Soviets interpreted it as including the Northern Territories. When they declared war on Japan in August 1945, Soviet forces took possession of the Kurils and repatriated or imprisoned the Japanese on the islands. In 1947 the Soviet Constitution was amended to include the islands for administrative purposes within Sakhalin Oblast.

Japan has consistently opposed the Soviet claim to the Northern Territories, arguing that Etorofu, Kunashiri, Shikotan, and the Habomai Islands were historically Japanese national territory and should be distinguished from the territory that Japan acquired in the Treaty of 1875 and thereafter. Having made this distinction, the Japanese contend that the 1951 San Francisco Treaty, in which the Japanese agreed to give up claims to the Kurils and Sakhalin (acquired territory), did not cover the Northern Territories (national territory). Moscow never signed this treaty.

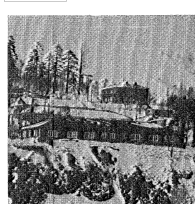
In 1956 the USSR and Japan restored diplomatic relations and issued a joint declaration in which the Soviets agreed to transfer Shikotan and the Habomai Islands to Japan after conclusion of a full peace treaty. Following Japan's conclusion of the Mutual Security Treaty with the United States in 1960, however, the positions of the two sides hardened: the Soviets saying there is no unresolved territorial dispute and the Japanese demanding return of all of the Northern Territories. Japanese hopes for resolution of the issue were raised in 1973 when Prime Minister Tanaka succeeded in getting the Soviets to agree to a joint Japanese-Soviet communique that referred to "unresolved problems remaining since 1945" as the key to concluding a peace treaty. Both sides agreed to similar language in a joint statement marking Soviet Foreign Minister Shevardnadze's visit to Tokyo in January 1986. While the Japanese have interpreted these references as a commitment to negotiate return of the Northern Territories, the Soviets deny linkage to the islands. The conflicting claims to the Northern Territories, therefore, remain unresolved.

Why Soviet Intransigence on the Issue?

On the basis of objective economic and security criteria, holding the islands would seem to offer Moscow diminishing returns as time passes. Nonetheless, Soviet intransigence on the Northern Territories issue has remained rooted in traditional territorial and strategic concerns. It reflects:

- The fear that ceding some or all of the islands in the Northern Territories would set a dangerous precedent on other boundary disputes—particularly with China. In refusing the Japanese interpretation of the 1973 joint communique, the Soviets send a message of "no negotiation on territorial claims" not only to the Japanese but also to other potential claimants as well.
- The strategic significance of the disputed islands. Military occupation of all islands of the Kuril chain, including the disputed islands, enables the Soviets to control access to all straits between the Sea of Okhotsk and the North Pacific, except those bordering Japan's Hokkaido, permitting free access and egress by the Pacific Fleet and limiting access to the islands by hostile vessels—particularly submarines—in a wartime situation.
- The memory of the Russian humiliation in the Russo-Japanese war—a result of which the Soviets lost Sakhalin to Japan.

Soviet traditionalists may also believe that it would be futile to expect gains in Soviet-Japanese relations by showing flexibility on the issue because Tokyo has used the Northern Territories as a symbol to promote anti-Soviet propaganda and to support its alignment with the United States. They may think that, even if the Northern Territories issue were resolved, Tokyo might invent another issue to use in the same way.

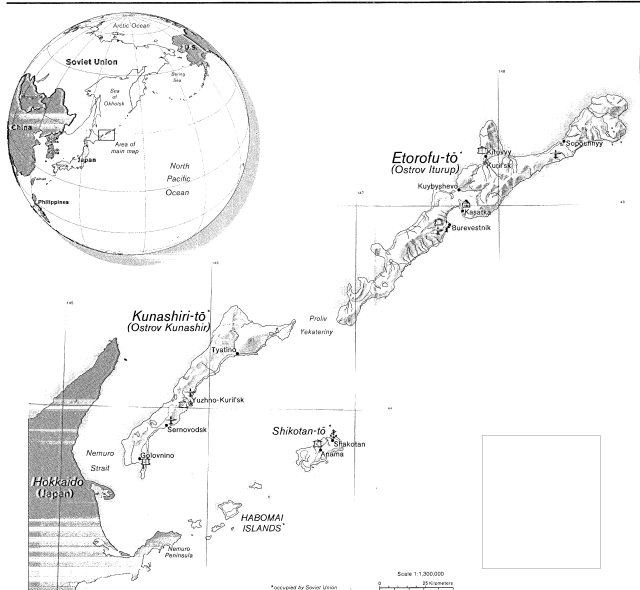


Soviet border guard station on Shikotan.

Why Might the Soviets Modify Their Position?

Soviet interest in improving relations with Japan appears to have received renewed impetus under Gorbachev. The Soviets could modify their position on the Northern Territories:

- To acquire advanced technology from Japan. The Soviets are probably most interested in negotiating agreements that would provide them access to semi-



Map of the Kuril Islands chain, showing islands from Etorofu to Shikotan and the Habomai group.

conductors, data processing, robotics, telecommunications, and optoelectronics, which have both civil and military applications. Gorbachev's drive to improve industrial productivity and maintain military parity with the United States rests substantially on Soviet ability to acquire or develop this advanced technology. The gap between the USSR and the United States in these areas is at least in part the result of Gorbachev's concern over SDI. Since Japan is a signatory of COCOM, however, restrictions might limit Soviet attempts to acquire Japanese technology.

To increase Japanese participation in Siberian development projects. Motivated by the need for capital, the Soviets might offer concessions on the Northern Territories to gain large long-term loans at below-market interest rates to help accelerate energy, resource, and industrial development in Siberia. This is what the Soviets have tried to do in their oil and gas development project with Japan off Sakhalin Island.

To gain a favorable security agreement from Japan. The Soviets might, for example, seek assurances from Japan that it will continue in these non-nuclear principles: no possession, manufacture, or introduction of nuclear weapons into Japan (currently, Japan denies the presence and the United States neither confirms nor denies the presence of nuclear weapons in Japan). The Soviets would also ask for creation of a demilitarized zone in the Northern Territories; and even call for exclusion of US forces from Japan.

To enhance the Soviet image in Japan and the other Pacific nations. Removal of some of the barriers to improved relations between the USSR and Japan would spill over to the Pacific nations—traditionally aligned with the West.

What Might the Japanese Pay for the Northern Territories?

In our judgment, the price Japan would be willing to pay is limited and most likely lower than Moscow would be willing to accept. Japan is not naive about Soviet goals and intentions and views the United States as the principal guarantor of its security and the Soviets as the main threat. Consequently, we doubt that the inherently cautious Japanese could consider offering more than:

- A Treaty of Scientific and Technical Exchange permitting Soviet scientists and technicians broader access to conferences, training, and plant visits in Japan. This would be a minor concession; the Soviets currently enjoy some access to the Japanese scientific community.

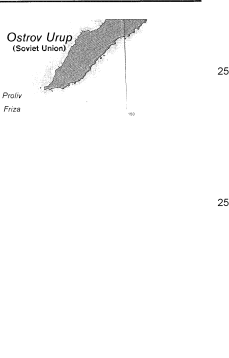
Low-cost financing from the Export-Import Bank of Japan to fund joint-venture resource and development projects in the eastern USSR. Even this incentive, however, might not be enough to overcome the reluctance—on the basis of low expectations of profit and frustrations of dealing with the Soviet bureaucracy—of Japanese business to help the Soviets develop their eastern resources unless the price of primary commodities increases substantially.

Improved atmosphere for conducting Japanese-Soviet trade. Japan might agree to import more Soviet goods and primary commodities to help offset the balance of trade that heavily favors Japan. The lack of demand for Soviet products, however, will continue to hinder trade.

Demilitarized status for the Northern Territories. Militarily, however, the Japanese can offer little to the Soviets in return for the Northern Territories without jeopardizing their own security or abrogating agreements with the United States.

Soviet linkage of flexibility on the Northern Territories to Japan's security ties to the United States could spark a broader Japanese debate on the trade-offs involved, and any Japanese leader would be hard pressed to prevent the debate from affecting those ties in the near term. Public appetite for return of the Northern Territories has already been stimulated by

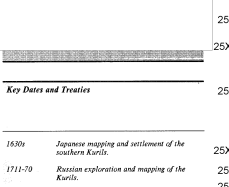
both the Japanese Government and by the Soviets: in 1981 the government declared 7 February as National Territories Day, creating an annual context for rhetoric on return of the Northern Territories from members of the ruling conservative Liberal Democratic Party and other nationalists; in July 1986 the Soviets allowed, for the first time since 1976, Japanese citizens to visit relatives' graves without carrying visas. The political gains that would accrue to Prime Minister Nakasone—or any Japanese leader—for being successful in finally extracting the islands from the Soviets are a powerful impetus for cutting a deal.



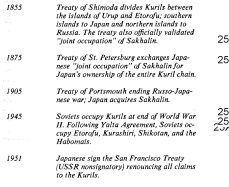
Aerial view of Oostrop Urup (Soviet Union) and Prityl Prizra.



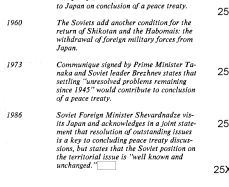
Aerial view of Etorofu-tō (Ostrov Izurū) and Prityl Prizra.



Aerial view of Kunashiri-tō (Ostrov Kunashiri) and Prityl Prizra.



Aerial view of Shikotan-tō and Prityl Prizra.



Aerial view of the Habomai Islands and Prityl Prizra.

Key Dates and Treaties

1800s Japanese mapping and settlement of the southern Kurils.

1711-70 Russian exploration and mapping of the Kurils.

1754 Japanese merchant establishes baisho (trading place) on Kunashiri.

1855 Treaty of Shimoda divides Kurils between the islands of Urup and Etorofu; southern islands in Japan and northern islands in Russia. The treaty also officially validated "joint occupation" of Sakhalin.

1875 Treaty of St. Petersburg exchanges Kuril-Chishima "joint occupation" of Sakhalin for Japan's ownership of the entire Kuril chain.

1905 Treaty of Portsmouth ending Russo-Japanese war; Japan acquires Sakhalin.

1945 Soviets occupy Kurils as end of World War II. Following Yalta Agreement, Soviets occupy Etorofu, Kunashiri, Shikotan, and the Habomai.

1951 Japanese sign the San Francisco Treaty (USSR renounces) renouncing all claims to the Kurils.

1956 Japan and USSR sign joint declaration on restoration of relations and provide for transfer of Shikotan and Habomai Islands to Japan on conclusion of a peace treaty.

1960 The Soviets add another condition for the return of Shikotan and the Habomai: the withdrawal of foreign military forces from Japan.

1973 Communique signed by Prime Minister Tanaka and Soviet leader Brezhnev states that settling "unresolved problems remaining since 1945" would contribute to conclusion of a peace treaty.

1986 Soviet Foreign Minister Shevardnadze visits Japan and acknowledges in a joint statement that resolution of outstanding issues is a key to concluding peace treaty discussions. But states that the Soviet position on the territorial issue is "well known and unchanged."

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