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FOREIGN POLICY AUDIT: UKRAINE- JAPAN

DISCUSSION PAPER





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CONTENTS

1. Introduction	4
2. Ukraine's interests toward Japan and Japan's interests toward Ukraine	9
2.1. The political dimension of interaction	9
• Democratic Ukraine with market economy as a reliable partner for Japan	9
• Relations with Ukraine as an opportunity for Japan to implement its own approaches to international security and foreign policy	12
• Japan's support in countering Russian aggression against Ukraine	16
2.2. Economic and technical dimension of interaction	21
• Japan as a source of modernization resources for Ukraine	21
• Mutual trade and investments	27
2.3. Nuclear safety in Ukraine-Japan relations	32
3. Who is who? Interest groups and groups of influence	36
• The dialogue at the highest level	36
• Ukrainian community in Japan	36
• The Committee for Economic Cooperation with Ukraine at the Japan Business Federation Keidanren	39
• Japanese International Cooperation Agency (JICA)	41
• Interparliamentary cooperation	41
4. Existing and potential conflicts and risks in bilateral relations	45
5. Recommendations	49
6. Acknowledgements	52

1. INTRODUCTION

For Ukraine, which focuses its foreign policy priorities primarily on relations with the Euro-Atlantic region states, building relations with the countries of other macro-regions of Eurasia has always been a challenge, and Ukraine-Japan relations are a vivid example of that.

On the one hand, taking into account the number of visits and meetings at different levels and in different formats, the dialogue between the two countries has been intense during the whole lifetime of bilateral relations. During this period, functional mechanisms of cooperation and coordination have been established. In 1999, Ukraine and Japan decided to launch the political consultation institution at the level of Deputy Foreign Ministers. Subsequently, the most intensive political contacts between the two countries have developed at the level of Foreign Ministers, as evidenced by the exchange of visits of heads of Foreign Ministries of the two countries in 2003 and 2004¹². Later, during the visit by then Foreign Minister Taro Aso to Kyiv on June 30 – July 1, 2006, the inaugural meeting of the Ukraine-Japan Committee on Cooperation at the level of Foreign Ministers has been held as a result of implementation of the resolution of Ukraine-Japan summit at the highest level held in July 2005. Summits in the format of Ukraine-Japan Committee on Cooperation at the level of Foreign Ministers have been held in 2008 and 2013. Overall, 9 mutual visits of the Foreign Ministers of Ukraine and Japan have been organized, as of today.

Furthermore, a range of other cooperation mechanisms has been established during 25 years of relations: Ukraine-Japan Commission for Science and Technology Cooperation (summits in 2006, 2011, and 2013), the joint meetings of the Committee on Economic Cooperation with Ukraine at the Japan Business Federation Keidanren and the Coordinating Council for Economic Cooperation with Japan at the Ministry of Economy of Ukraine; Japan-Ukraine Parliamentary Friendship Association and the deputy group for

1 *Joint Communiqué between Japan and Ukraine, September 1, 2003 - <http://www.mofa.go.jp/region/europe/ukraine/joint0309.html>*

2 *Visit to Japan by Mr. Kostiantyn Gryshchenko, Minister for Foreign Affairs of Ukraine - The New Phase of Developing Japan-Ukraine Relations - <http://www.mofa.go.jp/region/europe/ukraine/meet0406.html>*

the interparliamentary relations with Japan at the Verkhovna Rada of Ukraine. Another cooperation mechanism is such institution as sister cities: Odesa and Yokohama (1965), and Kyiv and Kyoto (1972): moreover, the possibility of the sister city arrangement between Mykolaiv and Nagasaki is being discussed.

Moreover, the number of visits at the highest level to Japan could also be an indicator of the official Kyiv's formal interest in development of relations with Tokyo. The first official visit of President of Ukraine Leonid Kuchma to Japan on March 22-25, 1995, which culminated in the signing of the Joint Statement of Ukraine and Japan with Prime Minister Tomiichi Murayama³, could be assessed from this particular perspective. It was the first policy document that defined the priority areas of cooperation between the two countries for the future, thus starting the practice of signing joint statements as program documents on the development of bilateral relations within the framework of summits at the highest level. On July 19-24, 2005, during the visit of President of Ukraine Viktor Yushchenko to Japan, the Joint Statement on a New Partnership in the XXI century has been signed⁴. Finally, Viktor Yanukovich visited Japan on January 18-21, 2011 and signed the Joint Statement on Japan-Ukraine Global Partnership⁵. This document still remains the basis for Ukraine-Japan relations, despite the fact that most provisions of this statement have already been implemented.

On the other hand, the previous practice of visits to Japan by the Presidents of Ukraine clearly shows that official visits at the beginning of the term, organized in order to provide the new momentum to the bilateral relations, have been always followed by its depletion until the election of the new head of the state. Moreover, all the above-mentioned policy documents are mostly related to the topical issues of global politics, and not the bilateral relations agenda. For instance, if we compare the documents of 1995, 2005, and 2011, all of them

3 *Joint Statement of Ukraine and Japan* - http://zakon4.rada.gov.ua/laws/show/392_031

4 *Joint Statement on a New Partnership in the 21st Century between Japan and Ukraine* - <http://www.mofa.go.jp/region/europe/ukraine/joint0507.html>

5 *Joint Statement on Japan-Ukraine Global Partnership* - http://japan.kantei.go.jp/kan/statement/201101/18ukraine_e.html

show the actual invariability of the agenda of bilateral relations. In addition, the declaration of global partnership relations between Ukraine and Japan in 2011 has been paradoxically accompanied by decrease in the range of issues related to the partnership, compared to the document of 2005.

Moreover, Ukraine's further steps partially contradicted the declaration of global partnership. For instance, although both Ukraine and Japan declared their mutual commitment to respect the WTO principles in the Joint Statement on Global Partnership of 2011, in 2013-2015, Ukraine had a special customs fee on car imports, which caused protests in Japan and forced Tokyo to submit an appeal to the WTO, as Ukraine's policy contradicted the rules of this international organization⁶. Overall, until recently, economic dimension of Ukraine-Japan relations did not encourage optimism. Interactions in the economic sphere were limited to importing final products to Ukraine instead of attracting Japanese foreign direct investment (FDI) to foster development of local industry. As a result, that caused significant imbalance in mutual trade in favor of Japan. Thus, according to Ukrainian and Japanese experts, 90% of the existing potential in relations between Ukraine and Japan has not been used⁷. On top of that, in most cases, this situation has been caused by the position of Ukrainian side.

However, the war waged by Russia against Ukraine, had an unpredictable positive impact on Ukraine-Japan relations, which is manifested in proactive and principled position taken by Japan on Moscow's aggression. Tokyo's solidarity with Ukraine has been demonstrated in the form of both active political position and sanctions and restrictive measures against Russia. In parallel, official Tokyo has become one of the largest donors of financial and material assistance to Ukraine. These steps have been accompanied by intensification of the political dialogue at all levels, including the highest one. On June 5-6, 2015, the first in the history of bilateral relations visit of Prime

⁶ *Ukraine Abolishes the Special Customs Fees for Car Imports* - http://www.bbc.com/ukrainian/business/2015/09/150930_auto_import_tax_az

⁷ *Japan-Ukraine Relations: Untapped Potential* - <http://thediplomat.com/2016/04/japan-ukraine-relations-untapped-potential/>

Minister Shinzo Abe to Ukraine has been organized with the purpose of restarting the bilateral relations; furthermore, on April 5-7, 2016, President of Ukraine Petro Poroshenko has visited Japan⁸⁹¹⁰. As a result, the two parties decided to declare 2017 the Year of Japan in Ukraine. In addition, Japanese businesses increased their interest in Ukraine after the signing of the FTA agreement with the EU.

Therefore, a window of opportunities has opened today for Ukraine-Japan relations due to intensification of political dialogue and increased interest of Japanese business in potential of Ukraine. During his visit to Kyiv, Shinzo Abe clearly declared that the objective of his policy toward Ukraine is “to reveal new strengths of the partnership.”¹¹ Thus, it is fundamentally important to not only maintain the current positive dynamics in relations, but also establish a solid base for sustainable bilateral relations, independent from the actions of the third parties. Otherwise, Ukraine risks repeating the previous experience in relations with Japan: intensification of the dialogue at the beginning of the new head of state term with its further gradual depletion and preservation of the traditional agenda of bilateral relations.

Today, Ukrainian interests toward Japan concern a number of important issues:

1. Receiving Japan's assistance for modernization and reforms through the implementation of intergovernmental programs; increasing the value of bilateral trade and FDI.

8 *Shinzo Abe: Japan is Ready to Extend the Partnership with New Ukraine* - <http://day.kyiv.ua/uk/article/den-planety/sindzo-abe-yaponiya-gotova-rozshyryuvaty-partnerski-vidnosyny-z-novoyu>

9 *Kostiantyn Yelisiyev: The Visit of the President to Japan Is an Important Step in Ukraine-Japan Cooperation* - <http://www.president.gov.ua/news/kostyantyn-yelisyeyev-vizit-prezidenta-do-yaponiyi-vazhlivij-36968>

10 *In Visit to Ukraine, Abe Urges Poroshenko to Implement Cease-Fire* - http://www.japantimes.co.jp/news/2015/06/06/national/politics-diplomacy/abe-visits-ukraine-for-talks-with-poroshenko-en-route-to-g-7-meet-in-germany/#.WD2G935g_Dc

11 *"This Visit Has Revealed the New Strengths of Our Partnership"* - <http://day.kyiv.ua/uk/article/den-planety/cey-vizyt-vidkryv-novi-sylni-storony-nashogo-partnerstva>

2. Transition from intergovernmental programs to active involvement of Japanese corporate capital to modernization of Ukraine.
3. Maintaining the current level of political and economic support provided by official Tokyo, as well as the sanctions and restrictive measures imposed by Japan on Russia, in the context of the ongoing Russian aggression against Ukraine.
4. Receiving further financial and technical assistance to rectify the consequences of the Chernobyl Nuclear Power Plant accident; enhancing nuclear safety.

On the other hand, Japan maintains the following interests toward Ukraine:

1. Interest in development of Ukraine as a democratic state with market economy and a reliable partner and willingness to actively contribute to that by providing various types of assistance, including the promotion of FDI.
2. Non-recognition of the consequences of Russian aggression against Ukraine (de jure occupation of Crimea and de facto occupation of the SDDL) to prevent a similar scenario in relations with China on the disputed islands of Senkaku/Diaoyudao.
3. Finding a balance between further support for Ukraine in Ukraine-Russia war and creating favorable conditions to resolve the issue of four disputed Kuril Archipelago islands and sign a peace treaty with Russia.
4. Further cooperation on emergency response issues within the Chernobyl-Fukushima framework to study the unique experience and test the new approaches in the exclusion zone before their application to rectify the consequences of the Fukushima Nuclear Power Plant accident.

Therefore, we can state that today the interests of Ukraine and Japan toward each other are mutually matched and supplemented, which allows the two parties to take advantage of the existing potential of bilateral relations.

2. UKRAINE'S INTERESTS TOWARD JAPAN AND JAPAN'S INTERESTS TOWARD UKRAINE

2.1. THE POLITICAL DIMENSION OF INTERACTION

Democratic Ukraine with market economy as a reliable partner for Japan

In every document on bilateral relations and unilateral statements concerning Ukraine, Japan has always declared interest in the development of democracy and market economy in our country¹². Moreover, since 2007, this policy toward Ukraine has become a part of a general strategy to build the Arc of Freedom and Prosperity in Eurasia and one of the general foundations of Japan's foreign policy. In the speech of November 30, 2006, Foreign Minister Taro Aso has outlined the foundations of this strategy: Japan contributes to the formation of a zone of successful democracies¹³; through official assistance, Tokyo supports guaranteeing basic human needs, i.e. health and education, democracy, infrastructure development, and legal framework, according to the historical features of the respective country. For instance, the cooperation between GUAM and Japan is being developed according to this particular concept.

Both high level consultations and seminars on the predefined areas of cooperation have been organized within the framework of this mechanism: on energy saving technologies (September 2007); on promotion of trade and investment (February 2009); on promotion of tourism (November 2009); on accident crisis management (March 2011); on energy security (January 2012); on transport (November 2012); on agriculture (March 2013); on healthcare (February 2014); on water management (March 2015). Thus, within the framework of this mechanism, Japan has also indirectly contributed to development of the institutional and human resource capacity of Ukraine via

¹² *Statement by the Minister for Foreign Affairs of Japan on the Situation in Ukraine* - http://www.mofa.go.jp/press/release/press4e_000204.html

¹³ *A New Pillar for Japanese Diplomacy: Creating an Arc of Freedom and Prosperity* - <http://www.mofa.go.jp/policy/other/bluebook/2007/chapter1.pdf>

transferring experience in the aforesaid areas through seminars involving Ukrainian experts¹⁴.

As a result, in December 2015, within the framework of the OSCE Conference in Belgrade, the GUAM-Japan summit has been held¹⁵. Following this summit, a cooperation program has been agreed. This document provides for the following areas of cooperation: consultations on broad range of issues of international peace and security based on the principles of international law; development and implementation of practical programs between Japan and GUAM countries; cooperation in the fields of mutual interest; continuation of the dialogue to advance the existing GUAM+Japan format.

At the level of bilateral relations, Japan also keeps declaring that facilitation of domestic reforms and support to counter Russian aggression remain the top priorities in relations with Ukraine

At the level of bilateral relations, Japan also keeps declaring that facilitation of domestic reforms and support to counter Russian aggression remain the top priorities in relations with Ukraine¹⁶. In terms of internal reforms, Japan maintains its involvement in both bilateral and multilateral formats. For instance, a Japanese financial expert has been working at the Ministry of Finance of Ukraine since 2015¹⁷. Furthermore, today Japan is involved in the process of reforming the Ukrainian National Police¹⁸. The delegation of the MIA of Ukraine has already visited Japan for familiarization with the experience of local law enforcement agencies. As of today, negotiations on the involvement of Japanese experts in training and Japanese technical solutions in the activities of Ukrainian Police are in progress. This is actually a reflection of

¹⁴ *GUAM-Japan Cooperation Program* - <http://guam-organization.org/node/1783>

¹⁵ *JAPAN-GUAM COOPERATION PROGRAM* - <http://www.mofa.go.jp/mofaj/files/000115518.pdf>

¹⁶ *Message from Ambassador Sumi* - http://www.ua.emb-japan.go.jp/ukr/taishi/greeting_2014_en.html

¹⁷ *Japan sent the financial expert to the Ukrainian Ministry of Finance* - http://www3.nhk.or.jp/nhkworld/english/news/20160121_07.html

¹⁸ *Japan Will Provide Technical Assistance to Ukrainian Police* - http://dt.ua/UKRAINE/yaponiya-nadast-tehnichnu-dopomogu-ukrayinskiy-policiyi-223454_.html

2. Ukraine's interests toward Japan and Japan's interests toward Ukraine

Japan's practice of both sending Japanese experts to share experience (about 200 persons) and admission of Ukrainian officials for training (about 600 persons), which has been implemented during the whole lifetime of bilateral relations. As a part of the negotiations during the visit of Shinzo Abe to Ukraine in June 2015, a possibility of inviting 100 Ukrainian officials for familiarization with Japanese experience of management and administration has been discussed.

At the same time, the Embassy of Japan in Ukraine is actively involved in the internal reforms through the mechanism of the G7 Ambassadors' Group. This coordination mechanism has been established according to the resolution of the leaders of the G7 summit in 2015. According to this resolution, the ambassadors of the G7 states in Ukraine maintain a joint consolidated position on the issues of internal reforms. This group is headed by ambassador of the G7 country that leads the G7 during the respective year. In 2016, for instance, the G7 Ambassadors' Group has been headed by Ambassador of Japan in Ukraine Shigeki Sumi. Within 2016, the GC Ambassadors' Group has made a series of critical statements to prevent deceleration of reforms in Ukraine together with several other ambassadors. A good example is the statement on the high level of e-declaration discipline among Ukrainian officials^{19,20}. Eventually, today Japan has a positive view on the prospects of domestic reforms in Ukraine aimed at its transition into a reliable partner in the international arena; however, official Tokyo clearly understands that the process of reforms takes considerable time.

Therefore, this position of Japan creates both additional opportunities and additional responsibilities for Ukraine. Official Tokyo's interest in development of democratic Ukraine with market economy, along with the willingness to provide human and material resources for this process at both bilateral and multilateral levels, is an additional factor

19 *Statement on the Resignation of Minister of Economic Development and Trade Aivaras Abromavičius* - <http://www.swedenabroad.com/en-GB/Embassies/Kyiv/Current-affairs/News/Statement-on-the-Resignation-of-Minister-of-Economic-Development-and-Trade-Aivaras-Abromavicius-sys/>

20 *The Ambassadors of the G7 States Note the High Level of E-Declarations Discipline among the Top Government Officials (Statement)* - <http://www.radiosvoboda.org/a/news/28093267.html>

that could contribute to the success of internal reforms. On the other hand, official Kyiv should always practically demonstrate maximum efficiency on the use of assistance received from Japan. Otherwise, there is a possibility of a Japanese version of “fatigue from Ukraine,” given the extent of Japan’s involvement in the issues of domestic reforms at the current stage.

Relations with Ukraine as an opportunity for Japan to implement its own approaches to international security and foreign policy

Japan’s foreign policy is based on the unique identity and vision of its place in global politics. The latter implies proactive policies on a global scale and realization of leadership potential. In addition, foreign policy of the official Tokyo is based on a number of principles, including respect for international law and, consequently, prevention of territorial changes made by force. Furthermore, the emphasis on the so-called human security (a policy, focused not on the state, but on the individuals) has been introduced to Japan’s foreign policy in the 1990s. Thus, Japan’s policy aims to ensure basic human needs, which is reflected in specific projects²¹.

In the context of Ukraine-Japan relations, this approach has been reflected in the declaration of the official Tokyo’s clear position on the situation within and around Ukraine. The statements on presidential elections in Ukraine in 2004, Ukraine-Russia gas war in 2009, or the

²¹ *Japan and Human Security: The Derailing of a Foreign Policy Vision* - http://isdp.eu/content/uploads/images/stories/isdp-main-pdf/2011_edstrom_japan-and-human-security.pdf

events of the Euromaidan²² are vivid examples of this position. In particular, during the presidential rally in 2004, Tokyo contributed to conducting the elections according to international standards through presence of Japanese observers and providing funding for the OSCE and Ukrainian NGOs²³.

Nevertheless, this active position of Japan as one of the global leaders has become even more evident during the war between Ukraine and Russia. The policy on Russian aggression against Ukraine, implemented by the Government of Japan, is based on understanding that Moscow's policy affects the security not only in Europe but also in Asia and, therefore, is an issue of global politics, not a regional phenomenon²⁴. This perception of Ukraine-Russia conflict has been repeatedly confirmed in the public statements by current Ambassador of Japan in Ukraine Shigeki Sumi. Moreover, the Defense White Paper of Japan for 2015 has clearly defined that Russia's war against Ukraine is a threat to the whole world²⁵.

As a result, Japan has become a sponsor of the idea to develop an action plan to assist Ukraine at the G7 level. Moreover, Japan builds its policy towards Ukraine in close coordination with the countries of this organization. In particular, this fact has resulted in support for

²² *Statement by the Press Secretary/Director-General for Press and Public Relations, Ministry of Foreign Affairs, on the Presidential Runoff Election in Ukraine* - <http://www.mofa.go.jp/announce/announce/2004/11/1124-2.html>; *Statement by Minister for Foreign Affairs, on the Presidential Election in Ukraine* - <http://www.mofa.go.jp/announce/announce/2004/12/1203-2.html>; *Statement by the Press Secretary/ Director-general for Press and Public Relations, Ministry of Foreign Affairs, on Natural Gas from Russia to Ukraine* - http://www.mofa.go.jp/announce/announce/2009/1/1186154_1126.html; *Statement by the Press Secretary, Ministry of Foreign Affairs of Japan, on the Clashes between Anti-Government Demonstrators and Police in Kiev* - http://www.mofa.go.jp/press/release/press1e_000009.html

²³ *Assistance for the Presidential Runoff Re-Election in Ukraine* - <http://www.mofa.go.jp/announce/announce/2004/12/1220-2.html>

²⁴ *Japan Expresses Concern over Russia's Ukraine Move* - <https://www.japan-today.com/category/politics/view/japan-expresses-concern-over-russias-ukraine-move>

²⁵ *DEFENSE OF JAPAN 2015* - http://www.mod.go.jp/e/publ/w_paper/pdf/2015/DOJ2015_1-1-4_web.pdf

the idea of dialogue between the parties of the conflict as the only way to resolve contradictions in the parallel to the willingness to strengthen the sanctions against Russia in response to the Kremlin's refusal to resolve the conflict in a constructive manner. That is why Japan welcomed the summit in Geneva on April 17, 2014 and the agreements reached by the parties²⁶. In parallel with this, on April 25, 2014, Japan has allocated EUR 300,000 for the Council of Europe and EUR 500,000 for the OSCE to ensure transparent and democratic presidential elections in Ukraine on May 25, 2014, and the normal functioning of the newly established OSCE Special Monitoring Mission²⁷.

Interestingly, the issue of Russian aggression against Ukraine in this period has become the subject of discussions and coordination during the meetings between the leaders of Japan and the representatives of third parties. For instance, Ukrainian issue has been discussed during the meeting between Barack Obama and Shinzo Abe on April 24, 2014, within the framework of the visit of the leader of the US to Japan; during Shinzo Abe's European tour and negotiations with the leaders of Germany, the UK, France, the EU, and the NATO on April 29 – May 7, 2014; during the negotiations between the EU and Japan on June 5, 2014; and during Fumio Kishida's visit to Germany on January 20, 2015²⁸.

On top of that, on November 10, 2014, during the aforesaid meeting with President Vladimir Putin at the APEC Summit in Beijing, Japanese

²⁶ *Japan Praised the Quadripartite Agreements between Ukraine, Russia, the US, and the EU Reached During the Geneva Summit* - <http://japan.mfa.gov.ua/ua/press-center/news/21938-japonija-visoko-ocinila-chotiristoronni-dovolenosti-mizh-ukrajinoju-rosijeju-ssha-ta-jes-dosyagnuti-na-zustrichi-uzhenevi>

²⁷ *Assistance for the Presidential Runoff Re-Election in Ukraine* - <http://www.mofa.go.jp/announce/announce/2004/12/1220-2.html>

²⁸ *Joint Press Conference with President Obama and Prime Minister Abe of Japan* - <https://www.whitehouse.gov/the-press-office/2014/04/24/joint-press-conference-president-obama-and-prime-minister-abe-japan>; *Merkel and Abe discuss Ukraine crisis and trade* - <http://www.dw.com/en/merkel-and-abe-discuss-ukraine-crisis-and-trade/a-17603946>; *Press Conference by Prime Minister Shinzo Abe Following the G7 Summit Thursday, June 5, 2014* - http://japan.kantei.go.jp/96_abe/statement/201406/0605naigai.html

2. Ukraine's interests toward Japan and Japan's interests toward Ukraine

Prime Minister clearly stressed out his concerns regarding the situation in eastern Ukraine, namely the separatists' intentions to conduct the elections²⁹. Furthermore, he called for the full implementation of the Minsk Agreements and noted the role and place of Russia in this process. Subsequently, on February 12, 2015, Japan welcomed the signing of the Minsk-2 agreement package and clearly stated its position that lifting of sanctions and restrictive measures introduced by the official Tokyo is not possible without Russia's compliance with its obligations under these agreements³⁰. Finally, during the working visit by President of Ukraine Petro Poroshenko to Japan, Shinzo Abe has assured Ukrainian leader that Japan will promote active consideration of the issues related to Ukraine at the G7 Summit in Shima on May 26-27, 2016³¹. Following this summit, the G7 leaders have published a declaration, where Ukraine-Russia conflict has been defined as a separate issue of foreign relations. This declaration on the conflict clearly emphasized that Russia should use its influence on the separatists to ensure implementation of the Minsk Agreements³². Furthermore, the declaration reminded that sanctions against Russia would be lifted only after complete implementation of the Minsk Agreements. Finally, the declaration clearly confirmed further support for internal reforms in Ukraine and willingness of the G7 countries to provide appropriate assistance.

On the other hand, we should not forget about the special place of human security in Japan's foreign policy. This particular dimension of Japan's foreign policy has been determining

The overall amount of assistance provided for almost a quarter century of existence of bilateral relations has reached USD 3 billion

²⁹ *Japan-Russia Summit Meeting November 9, 2014 - http://www.mofa.go.jp/erp/rss/northern/page4e_000152.html*

³⁰ *Statement by Foreign Minister Fumio Kishida on the Ceasefire Agreement in Eastern Ukraine - http://www.mofa.go.jp/press/release/press12e_000001.html*

³¹ *Abe Meets with Ukraine President, Vows to Raise Crimea Issue at G-7 Summit - <http://www.japantimes.co.jp/news/2016/04/06/national/politics-diplomacy/abe-meets-with-ukraine-president-vows-to-raise-crimea-issue-at-g-7-summit/#.WEGxmBDjPOU>*

³² *G7 Ise-Shima Leaders' Declaration - <https://www.whitehouse.gov/the-press-office/2016/05/27/g7-ise-shima-leaders-declaration>*

Tokyo's willingness to provide diverse humanitarian assistance to Ukraine since the beginning of the war with Russia. However, this is only a part of the projects developed by Japan in Ukraine that are directly associated with human security dimension. For instance, since 2004, Japan has been implementing 10 to 15 projects annually under the Kusanone program. As of today, 103 projects with a total value of USD 7.5 million have been implemented within this program³³. This program is based on free grant assistance for renovation of schools and procurement of necessary medical equipment for district hospitals. These projects help strengthen Ukrainian human capital; therefore, Japan indirectly contributes to development of Ukraine through the Kusanone program projects.

As we can see, today Japan has become one of the largest donors of Ukraine. The overall amount of assistance provided for almost a quarter century of existence of bilateral relations has reached USD 3 billion. For comparison, the EU has provided EUR 2.21 billion of macro-financial assistance and 256 million of humanitarian aid in 2014-2015³⁴.

Japan's support in countering Russian aggression against Ukraine

Japan is a unique country in Asia, as it is the only Asian state to introduce a series of restrictive measures and sanctions against Russia in response to its aggression against Ukraine

In the context of war, waged by Russia against Ukraine, official Kyiv is interested in the maximum support of the international community to counter Russian aggression. Japan's policy in this area focuses on two main aspects: sanctions and restrictive measures against the Russian Federation, and provision of financial, material, and technical assistance to Ukraine.

³³ JAPAN'S ASSISTANCE TO UKRAINE - http://www.ua.emb-japan.go.jp/jpr/bi_ua/oda/160721_summary_ua.pdf

³⁴ REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL on the Implementation of Macro-Financial Assistance to Third Countries in 2015 - http://ec.europa.eu/economy_finance/eu_borrower/documents/council_parliament_proposal_ukraine_en.pdf

2. Ukraine's interests toward Japan and Japan's interests toward Ukraine

We should clearly recognize that Japan is a unique country in Asia, as it is the only Asian state to introduce a series of restrictive measures and sanctions against Russia in response to its aggression against Ukraine³⁵. As early as on March 18, 2014, Japan has suspended the negotiations with Russia on the agreement of easing visa requirements, and the agreements on the peaceful use of outer space and preventing hazardous military activities³⁶.

Later, on April 30, 2014, Japan has announced its refusal to grant visas to 23 Russian citizens involved in the aggression against Ukraine. At the same time, Sumitomo Mitsui Banking Corporation (SMBC) and the Bank of Tokyo – Mitsubishi (UFJ) decided to reduce their activities in Russia³⁷. On August 5, 2014, Japan has frozen the assets of 40 individuals and 2 companies from annexed Crimea³⁸. Finally, on September 24, 2014, Japan has introduced additional sanctions and restrictive measures to ban exports of armaments, and has prohibited several Russian banks (Sberbank, VTB Bank, Vneshekonombank, Gazprombank, and Rosselkhozbank) to obtain loans in Japan³⁹. This step has been committed, in particular, to demonstrate solidarity with the G7allies, who introduced the key sanctions against Russia in summer 2014. Eventually, on December 9, 2014, the Foreign Ministry of Japan has issued a statement on the introduction of government sanctions through freezing the assets of the individuals involved in the annexation of Crimea and Sevastopol and aggression in eastern Ukraine. Those sanctions

³⁵ *Japan Eyes Sanctions on Russia* - <http://thediplomat.com/2014/03/japan-eyes-sanctions-on-russia/>

³⁶ *Statement by the Minister for Foreign Affairs of Japan on the Sanctions against Russia over the Situation in Ukraine* - http://www.mofa.go.jp/press/release/press4e_000281.html

³⁷ *Banks Retreat from Moscow Deals* - <https://www.ft.com/content/36e988ea-c576-11e3-89a9-00144feabdc0>

³⁸ *Japan Imposes New Sanctions on Russia but Keeps a Diplomatic Door Open* - http://www.nytimes.com/2014/08/06/world/asia/japan-keeps-door-to-russia-open-while-imposing-sanctions.html?_r=0

³⁹ *Japan Passes Fresh Round of Sanctions against Russia over Ukraine* - <http://www.japantimes.co.jp/news/2014/09/24/national/politics-diplomacy/japan-passes-fresh-round-sanctions-russia-ukraine/#.WEG1nhDjPOU>

affected 26 individuals and 14 organizations⁴⁰. These steps have been taken by Tokyo under the measures imposed by the G7.

Japan has implemented such severe measures, despite the fact that Russia is the fourth largest gas supplier and the fifth oil supplier to Japan. On the other hand, in 2013 Russia was only 12th trading partner for Japan with 1.5% of the total turnover (over 50% of those 1.5% has been provided by export of 350,000 cars). In terms of Japanese FDI, Russia holds 21st place (0.2%)⁴¹. However, it should be noted that political contacts have not stopped completely, as evidenced by the meeting between Putin and Abe at the APEC Summit in November 2014. Nevertheless, Vladimir Putin's visit to Japan scheduled for late 2014 has been cancelled. Thus, Japan has actually managed to find a balance between the need to demonstrate solidarity with Ukraine (not least due to the position of the United States) and maintaining communication channels with the Kremlin due to the priority status of resolution of the territorial dispute over four islands of the Kuril Archipelago⁴².

Aside from restrictive measures and sanctions against Russia, the official Tokyo implements the policy of assistance to Ukraine. On March 24, 2014, the Government of Japan has announced the JPY 150 billion (USD 1.5 billion) package of economic and technical assistance to Ukraine⁴³, which has become the practical implementation of Shinzo Abe's statement during the G7 Summit in the Netherlands that Japan is ready to provide maximum assistance to stabilize Ukraine.

The main areas of assistance are as follows:

- Fiscal consolidation: USD 0.1 billion given the aid package from the IMF;

⁴⁰ *Japan Widens Russia Sanctions List Ahead of Putin Visit* - <https://themoscowtimes.com/articles/japan-widens-russia-sanctions-list-ahead-of-putin-visit-42119>

⁴¹ *Ukraine Crisis: Costs of Economic Sanctions against Russia for Japan* - <https://enekn.iej.or.jp/data/5543.pdf>

⁴² *Considering the Effects of Japanese Sanctions Against Russia* - https://www.mitsui.com/mgssi/en/report/detail/1221522_10744.html

⁴³ *Japan's Assistance to Ukraine 24 March 2014* - http://www.ua.emb-japan.go.jp/ukr/bi_ua/pressrelease/2014_2.html

2. Ukraine's interests toward Japan and Japan's interests toward Ukraine

- Modernization of the Bortnychy aeration station: USD 1.1 billion within the ODA framework;
- Credit Line (NEXI) for trade insurance: USD 0.3 billion to support imports of Japanese goods to Ukraine;
- Non-project grant assistance: USD 3.5 million to import medical equipment;
- Technical assistance from the Japan International Cooperation Agency (JICA).

As a result, Ukraine has begun to receive assistance from Japan in the most critical period of countering Russian aggression. On July 10, 2014, an agreement on USD 3 million of grant assistance to procure medical equipment has been signed. On July 17, 2014, during the visit of Minister of Foreign Affairs Fumio Kishida to Ukraine, the loan agreement to support economic reforms has been signed, which allowed official Kyiv to get the promised USD 0.1 billion for fiscal consolidation⁴⁴. Furthermore, Fumio Kishida has allocated USD 217 thousand provided by the Government of Japan for the United Nations Children's Fund (UNICEF) and the Red Cross Society to procure the essential goods for the IDPs⁴⁵. On September 5, 2014, additional USD 300 thousand of humanitarian aid has been provided to Ukraine for free. Moreover, in November 2014, an agreement has been signed by the Governments of Japan and Ukraine and the UNDP to allocate USD 5.8 million for the restoration of critical infrastructure in devastated Donbas. According to the agreement, the funds have been primarily allocated to restore schools and hospitals. Thus, Japan has fulfilled the commitments stated by Prime Minister of Japan Shinzo Abe during his talks with Petro Poroshenko on October 17, 2014, during the Europe-Asia Summit in Milan⁴⁶.

Japan has provided USD 39.6 million worth of humanitarian aid through various international organizations during the war waged by Russia against Ukraine

⁴⁴ *Japan-Ukraine Foreign Ministers' Meeting July 17, 2014* - http://www.mofa.go.jp/erp/c_see/ua/page22e_000461.html

⁴⁵ *The Ceremony of Transferring Humanitarian Aid from the Government of Japan to the IDPs Will Be Held in Kyiv* - <http://tviv-redcross.at.ua/blog/2014-07-17-3743>

⁴⁶ *Japan-Ukraine Summit Meeting October 17, 2014* - http://www.mofa.go.jp/erp/c_see/ua/page18e_000112.html

On March 30, 2015, an agreement has been signed with the Government of Japan on joint projects for the restoration of eastern regions of Ukraine. In parallel with that, the Government of Japan has provided additional USD 15 million to procure essential goods and medical equipment, and restore social facilities through various UN humanitarian agencies to help the IDPs in 2015. In December 2015, Japan and Ukraine have signed another loan agreement for USD 300 million for macroeconomic stabilization of Ukraine⁴⁷. This agreement is implemented in close cooperation with the World Bank. The loan has been provided for 20 years with a grace period of six years under 1% per annum. In March 2016, the parties have ratified this agreement through an exchange of notes. Finally, during the visit by Petro Poroshenko to Japan in April 2016, Shinzo Abe has announced Japan's willingness to provide additional humanitarian aid worth USD 13.63 million⁴⁸. In parallel with that, the Government of Japan allocates funding through the UNDP structures to help the internally displaced persons open their own businesses in the new environment⁴⁹. Overall, Japan has provided USD 39.6 million worth of humanitarian aid through various international organizations during the war waged by Russia against Ukraine⁵⁰.

Japanese Proactive Contribution to Peace policy as a general foreign policy doctrine implemented by current Prime Minister Shinzo Abe has come in full force in supporting Ukraine in the context of Russian aggression

Aside from financial and humanitarian aid, Japan provided Ukraine with considerable political support. As early as on March 11, 2014, Foreign Minister Fumio Kishida had a phone call with Russian Foreign Minister Sergey Lavrov. The main topic of their conversation was the situation in Ukraine. Fumio Kishida has expressed

⁴⁷ *Signing of Japanese ODA Loan Agreement with Ukraine for the Economic Reform Development Policy Loan (II): Contributing to Economic and Fiscal Stabilization in Ukraine through Support for Institutional Reform - https://www.jica.go.jp/english/news/press/2015/151211_01.html*

⁴⁸ *Japan-Ukraine Summit Meeting April 6, 2016 - http://www.mofa.go.jp/erp/c_see/ua/page4e_000412.html*

⁴⁹ *Shoe and Clothes Repair Shop in Kyiv, Dental Clinic in Kyiv - http://www.ua.emb-japan.go.jp/itprtop_uk/00_000255.html*

⁵⁰ *JAPAN'S ASSISTANCE TO UKRAINE - http://www.ua.emb-japan.go.jp/jpn/bi_ua/oda/160721_summary_ua.pdf*

the idea that Russia should start a real dialogue with legitimate Ukrainian authorities to resolve all existing conflicts⁵¹. Thus, the official Tokyo has recognized the legitimacy of the new Government, challenged by Russia within the framework of its blitzkrieg plan against Ukraine. Moreover, in 2014-2015, Japan has sent 10 observers to Ukraine through the OSCE for the elections of the President of Ukraine (May 2014), the Parliament (October 2014) and local governments at all levels (October 2015) to monitor and verify compliance of those elections to the international standards, which helped counter Russian claims about the illegitimacy of the post-revolutionary regime, aimed at weakening the international position of Ukraine.

As a result, Ukraine and Japan have managed to mutually satisfy their own interests toward each other. Japanese Proactive Contribution to Peace policy as a general foreign policy doctrine implemented by current Prime Minister Shinzo Abe has come in full force in supporting Ukraine in the context of Russian aggression⁵². Thus, the official Tokyo has managed to demonstrate the ability to realize Japan's leadership potential on a global scale. On the other hand, Japan's realization of this particular course allows Ukraine to strengthen its maximum potential in the context of ongoing confrontation with Russia.

2.2. ECONOMIC AND TECHNICAL DIMENSION OF INTERACTION

Japan as a source of modernization resources for Ukraine

As one of the most developed countries in the world and the third largest nominal GDP, Japan is primarily interesting to Ukraine as a source of modernization resources: investments, technologies, business practices, and experience of organization of public institutions. In fact, this priority has been declared in Ukraine-Japan Joint Statement

51 *Japan Urges Russia to Commence Crimean Talks* - <http://www.enca.com/world/japan-urges-russia-commence-crimean-talks>

52 *Japan's Proactive Contribution to Peace* - http://www.japan.go.jp/tomodachi/2014/spring-summer2014/japans_roactive_contribution_to_peace.html

of 1995. This idea has been repeated in other documents on the areas of bilateral relations, signed at the highest level.

Today, there are several mechanisms that allow Ukraine to receive the technologies and resources required for modernization. The most important in this area is the Official Development Assistance (ODA)⁵³, the mechanism for the formal assistance provided by the Government. This mechanism includes the provision of concessional loans in Japanese Yens for project implementation. In 2005, an agreement has been signed between the Japan Bank for International Cooperation and the Government of Ukraine on development of the Boryspil International Airport⁵⁴. According to this agreement, Ukraine has received a loan of USD 190.9 million for 30 years at 1.5% per annum to construct the D Terminal and compensate the increasing number of passengers processed at the Boryspil International Airport. Originally, this project was supposed to be implemented by the end of 2010; however, the D Terminal has been launched only in 2012⁵⁵.

Furthermore, complete renovation and upgrade of the Bortnychy Aeration Station has been included in the financial assistance package of March 24, 2014, provided to Ukraine by the Government of Japan⁵⁶. Implementation of this project provided allocation of USD 1.1 billion loan for 40 years at 0.1% per annum. On June 2, 2015, an agreement on targeted loan for the renovation of the station has been signed between the Governments of Ukraine and Japan⁵⁷. In March 2016, Japan has allocated USD 380 million for the development of technical documentation for this project. The preparatory period is expected to be completed by the end of 2016; after that, development of tender documentation and selection of general contractor

⁵³ ODA - <http://www.mofa.go.jp/policy/oda/>

⁵⁴ *The Loan Agreement for the Boryspil State International Airport Development Project between the Japan Bank for International Cooperation and the Cabinet of Ministers of Ukraine* - http://zakon2.rada.gov.ua/laws/show/392_027

⁵⁵ *Boryspil Overbanks* - http://forbes.net.ua/ua/magazine/forbes/1368190-kruti-virazhi-borispolya#_0

⁵⁶ *Japan's Assistance to Ukraine* - <http://www.mofa.go.jp/files/000032431.pdf>

⁵⁷ *Signing of Japanese ODA Loan Agreement with Ukraine* - https://www.jica.go.jp/english/news/press/2015/150615_02.html

2. Ukraine's interests toward Japan and Japan's interests toward Ukraine

(according to the agreement, it should be a Japanese company) should be started⁵⁸. Moreover, at least 30% of involved technology should be developed in Japan. Overall, implementation of this project will not only prevent environmental disaster caused by physical depreciation of the Bortnychy Station assets, but also increase its capacity. In addition, the Government of Japan considers the participation of private Japanese companies in this project as a mean to increase the attractiveness of Ukraine for corporations. Therefore, successful implementation of the project on station renovation could facilitate increase in Japanese FDI in Ukrainian economy through familiarizing Japanese private capital with Ukraine.

Another mechanism of interaction with Japan, used for the modernization of Ukraine, is the Green Investment Scheme (GIS). This mechanism is functioning under the Kyoto Protocol. In 2004, Japan welcomed Ukraine's decision to ratify the Protocol, viewing in as another opportunity for mutually beneficial cooperation⁵⁹. Since then, representatives of the two countries have launched consultations on the possibility of using this mechanism to enhance the bilateral cooperation. As a result, the Memorandum on the Green Investment Scheme has been signed on July 14, 2008, while the respective agreement has been signed during the first in the history of bilateral relations visit of the Prime Minister of Ukraine to Japan on March 18, 2009⁶⁰. In 2009 and 2010, the agreements to sell 44 million assigned amount units to Japan have been signed.

58 *Ukraine Completes Preparations for the Renovation of the Bortnychy Aeration Station -*

http://www.kmu.gov.ua/control/uk/publish/article?art_id=248940330&cat_id=244276429

59 *The New Phase of Developing Japan-Ukraine Relations - <http://www.mofa.go.jp/region/europe/ukraine/meet0406.html>*

60 *Memorandum between the Government of Japan and the Government of Ukraine on Cooperation in the Implementation of the UN Framework Convention on Climate Change and its Kyoto Protocol in Accordance with Articles 6 and 17 of the Kyoto Protocol - <https://www.env.go.jp/press/files/jp/11824.pdf>*

61 *JAPAN-UKRAINE JOINT STATEMENT - <http://www.mofa.go.jp/region/europe/ukraine/joint0903.html>*

However, implementation of these projects was preceded by the situation that could escalate into a diplomatic row between Ukraine and Japan. In 2010, it has been reported that the accounts of the State Treasury no more have the money, received by Ukraine from Japan to implement projects within the framework of Green Investment Scheme. Among the reasons, misuse of funds by the previous Government of Yulia Tymoshenko through reallocating them on pensions has been named. Only after amending the agreement on purchase of the assigned amount units in September 2010, and the renovation of balances in June 2010, the confidence between the parties in the implementation of projects under the Kyoto Protocol has been restored⁶², not least due to the position of the Japanese side, willing to prevent an international scandal and public image costs for Ukraine. Although, the news about the misuse of funds by Ukraine was a shock to the Japanese side and had a negative impact on the image of our country. The transparency of implemented projects and productivity of the funds provided in 2010-2013 were other problematic areas⁶³. As a result, in April 2014, the Government of Japan has announced that Ukraine should implement projects under the Green Investment Scheme by the end of March 2015⁶⁴, and all unused funds should be returned to Japan to prevent possible misuse, although at first the Japanese side even discussed the possibility to cancel the program and demand an immediate refund. Consequently, Ukraine returned EUR 2.5 million of unused funds to Japan in March 2016⁶⁵.

Within implementation of these agreements, 374 infrastructure facilities have been renovated in order to increase energy and heat

⁶² *Guideline for Implementing the Green Investment Scheme (GIS)* - http://climategroup.org.ua/upl/Guid_implement_GIS_JP.pdf

⁶³ *How the Kyoto Millions Were Lost. See details at:* http://gazeta.dt.ua/energy_market/yak-zlivali-kiotski-milyoni-lishe-sobi-vlada-ukrayini-mozhe-zavdyachuvati-za-te-scho-yiyi-diti-merznut-i-ne-mayut-normalnih-umov-dlya-navchannya-.html

⁶⁴ *Ukraine Races to Spend Carbon Cash after Japan Sets Deadline* - <http://af.reuters.com/article/commoditiesNews/idAFL6N0N03TT20140408?pageNumber=2&virtualBrandChannel=0>

⁶⁵ *Ukraine Has Returned the Unspent Kyoto Money to Japan* - <http://www.pravda.com.ua/news/2016/02/26/7100446/>

2. Ukraine's interests toward Japan and Japan's interests toward Ukraine

saving efficiency, and 135 cars in Kyiv Metro have been fully modernized by Itochu Corporation using Japanese technologies in order to reduce energy costs by 40%⁶⁶. On top of that, Japan provided 1,566 hybrid cars for the new police in June 2015 within the framework of the GIS program. However, this project could hardly be considered successful, as despite the considerable number of renovated and modernized facilities, Ukraine has not managed to take advantage of the potential of green investment mechanism. Moreover, the problems that occurred in the implementation of this program in 2010 and 2014, and put it in jeopardy have been caused exclusively by the Ukrainian side, which had negative impact on the bilateral relations with Japan. The fact that the project under the Green Investment Scheme has been implemented could be considered a result of the Japanese side's willingness to prevent the crisis in bilateral relations.

On the other hand, Japanese private capital continues exploring the potential of Ukraine through study visits on the possibility of implementing joint projects. In August 2014, a business delegation of Japan, including representatives of 20 renowned corporations and the Minister of Economy, Trade and Industry of Japan, has visited Ukraine and signed a memorandum on modernization of Ukrainian thermal power plants. Furthermore, during the visit of the Ukraine-Japan Parliamentary Friendship Group to Ukraine in October 2015, the Energy Policy Master Plan for Ukraine, developed by the Japanese Ministry of Economy, Trade and Industry and aimed at strengthening energy efficiency in Ukraine, has been presented⁶⁷. This document, in particular, provides possible involvement of Japanese loan capital and technologies to increase efficiency of Ukrainian coal thermal power plants. On June 21, 2016, the negotiations on the implementation of the memorandum of 2014 have been held. Minister of Energy of Ukraine Ihor Nasalyk

Japanese private capital continues exploring the potential of Ukraine through study visits on the possibility of implementing joint projects

⁶⁶ *The Ceremony for Launching the Kyiv Metro Modernized Cars* - http://www.ua.emb-japan.go.jp/itprtop_uk/00_000071.html

⁶⁷ *Energy Policy Master Plan for Ukraine* - <http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245047137>

assured the Japanese delegation that the project on replacement of steam turbine at the Trypillia TPP will be implemented⁶⁸. In order to ensure that, Ukraine has amended the taxes to facilitate the imports of Japanese technologies in March 2016. The Japan New Energy and Industrial Technology Development Organization (NEDO) and Toshiba (Mitsubishi) are expected to be actively involved in the implementation of this project. In fact, the successful implementation of this pilot project could create the opportunity for attracting Japanese technologies for the project on modernization of the Burshtyn TPP.

Finally, the involvement of Japanese companies in the further development of infrastructure in Ukraine is being considered. During the visit of the Head of Kyiv City State Administration Vitaliy Klitschko to Japan in September 2016, the possibility of involvement of Japanese companies (Itochu and Sumitomo Corporation) into construction of a subway line to Troyeshchyna district and the attraction of Japanese capital for the waste incineration plant construction project have been discussed⁶⁹. However, there is an open question, whether Kyiv would launch practical projects involving Japanese technologies and capital, as the possibility of involvement of Itochu into large-scale subway construction project in Kyiv has been discussed since 2010⁷⁰. In order to attract the appropriate interest of Japanese corporate capital, the Government Ukraine could become a guarantor in such projects..

The process of involving Japanese capital and technology into modernization projects has mixed results, with both success stories and controversial performances

Thus, the process of involving Japanese capital and technology into modernization projects has mixed results, with both success stories and controversial performances. Consequently, Ukraine-Japan relations have not yet experienced the transition

⁶⁸ *Ihor Nasalyk: Ukraine-Japan Pilot Project to Replace the Steam Turbine at the Trypillia TPP Will Be Implemented - http://mpe.kmu.gov.ua/minugol/control/publish/article?art_id=245122662*

⁶⁹ *Klitschko Announced the Results of Negotiations in Tokyo - <https://day.kyiv.ua/en/article/economy/klitschko-announced-results-negotiations-tokyo>*

⁷⁰ *Japanese Itochu Corporation Wants to Construct Subway in Kyiv - <https://www.kyivpost.com/article/content/ukraine-politics/japanese-itochu-corporation-wants-to-construct-sub-57891.html>*

from intergovernmental projects toward modernization projects implemented in partnership between government and corporate structures, as it works in Japan. This situation is primarily caused by previous controversial experiences. However, steady interest of Japanese private companies provides grounds for certain optimism, although it poses a difficult task for the Ukrainian side to convince Japanese private companies to implement the projects aimed at modernization of our country.

Mutual trade and investments

The agreement signed in April 2004 between Ukrainian trade and industrial complex Bogdan and Japanese company Isuzu is a model example of investment cooperation. According to this agreement, production of medium-sized bus Bogdan A092, based on construction designed by Isuzu, has been launched in Ukraine. Buses of this brand are not only sold in Ukraine, but also exported to Russia, Belarus, and Georgia. Furthermore, JTI (Japan Tobacco International) with a factory in Kremenchug, launched in 1993, is also well represented in Ukraine. This company is among top five taxpayers as of 2015 and exports its products to almost 20 countries. Therefore, Ukraine is not only an importer of Japanese finished products, but also a manufacturer of the products that are not only consumed by domestic market, but also exported to other markets, including Japan itself.

Until recently, however, most of the cases of Ukraine-Japan trade involved imports of finished products with high added value to Ukraine, while Ukraine remained primarily an exporter of agricultural products and metal ores. According to statistical data of 2015, Ukraine's total exports to Japan amounted to USD 235.568 million (compared to USD 209 million in 2014)⁷¹. The main categories of Ukrainian exports were grain crops (USD 96.460 million, 40.9%), tobacco and manufactured tobacco substitutes (USD 56.808 million, 24.1%), metal ores (USD 55.28 million, 23.3%), aluminum and aluminum products (USD 12.149 million, 5.1%), and ferrous metals (USD 2.424 million, 1%). In turn, imports from Japan to Ukraine amounted to USD

⁷¹ *Foreign Economic Activities of Ukraine in 2015* - <http://www.ukrstat.gov.ua>

382.245 million (compared to USD 612.6 million in 2014). The main categories of imports from Japan were transport vehicles (USD 180.2 million, 47.1%), boilers and machinery (USD 42.378 million, 11%), electric machinery (USD 37.278 million, 9%), and professional equipment and hardware (USD 22.062 million, 5%). On the one hand, these statistics show decrease in trade deficit with Japan due to increase in the amount of Ukrainian exports; on the other, this situation is caused by a decrease in purchasing power of Ukrainians. In 2008, imports from Japan to Ukraine amounted to a record USD 2.7 billion, whereas Ukrainian exports amounted to USD 115.2 million. Even if the change of total trade turnover and increase in the amount of Ukrainian exports to Japan does not change their nature.

Even if the change of total trade turnover and increase in the amount of Ukrainian exports to Japan does not change their nature

This situation could be partially compensated by increasing interest of Japanese businesses in establishing new companies after signing and entry into force of the FTA agreement with the EU. In September 2015, the Japanese company Fujikura decided to launch the factory for production of automotive components (in Yavoriv district of Lviv region) with the possibility of further expansion. Later, on April 14, 2016, President of Ukraine Petro Poroshenko and Ambassador Shigeki Sumi have launched the first production line of the Fujikura factory in Lviv region. After that, on September 30, 2016, Prime Minister of Ukraine Volodymyr Groysman attended the opening of the second production line of the Fujikura factory in Ukraine. Fujikura is planning to launch another four lines that eventually will increase the number of employees from 1.5 to 3 thousand.

Another company that has been actively present in Ukrainian market since 2003 is Yazaki Ukraine LLC. This company is also producing automotive components in Ukraine with their subsequent export to the EU. The production assets of this company are located in Transcarpathian region. In August 2016, Yazaki announced its intent to hire at least another 1,000 employees. Furthermore, the company is also considering launching a full car assembly line. Another company that expressed its interest in working in Ukraine is Marubeni Corporation, whose representatives visited Ukraine in

2. Ukraine's interests toward Japan and Japan's interests toward Ukraine

October 2014⁷². This company is involved in wind and solar power production. The activities of this company would be interesting for Ukraine in the context of not only the search for alternative energy sources, but also the transition to high standards of environmental protection.

The joint projects in agricultural sector could become another factor able to compensate the imbalance in mutual trade. Japan is critically dependent on imports of agricultural products: over 60% of food is imported. Therefore, on the one hand, Ukrainian companies could enter Japanese market with their products (as of today, Ukrainian companies working in the agricultural sector are actively interested in opportunities to enter Japanese market)⁷³; on the other, a model of joint agricultural production by Japanese and Ukrainian companies and its subsequent export to the markets of third countries is being explored.

In the matter of increasing the investment attractiveness of Ukraine for Japan development of the Agreement for Promotion and Protection of Investment, signed on February 5, 2015 and ratified on June 3 of that year, is of particular importance^{74,75}. This step has been planned in 2011, according to the Statement of Global Partnership. The signing and ratification of the Agreement has been welcomed by both parties as a step that could facilitate further attraction of Japanese FDI into Ukraine's economy, as emphasized by President of Ukraine Petro Poroshenko during the meeting with

Japanese investments amount only to USD 112 million, as of today, while accumulated FDI, including investments of Japanese companies in Europe, whose activities are related to the Ukrainian market, amount to USD 300 million

⁷² *Three Japanese Companies Launch their Factories in Ukraine* - <http://znaj.ua/news/economics/30733/odrazu-tri-yaponski-kompaniyi-vidkrivayut-zavodi-v-ukrayini.html>

⁷³ *Ukrainian Companies Participated in the Exhibition of Organic Products BIOFACH JAPAN* - <http://japan.mfa.gov.ua/ua/press-center/news/44830-ukrajinsyki-kompaniji-vzlyali-uchasty-u-vistavci-organichnoji-produkciji-biofach-japan>

⁷⁴ *Signing of the Japan-Ukraine Investment Agreement* - http://www.meti.go.jp/english/press/2015/0205_02.html

⁷⁵ *AGREEMENT BETWEEN JAPAN AND UKRAINE FOR THE PROMOTION AND PROTECTION OF INVESTMENT* - <http://www.mofa.go.jp/files/000074843.pdf>

Japanese businessmen in April 2016, in particular, in the context of the possible involvement of the Japanese capital into privatization of Ukrainian enterprises.

Nevertheless, the signing and ratification of the Agreement were not able to fully create a climate to promote Japanese FDI in Ukraine, not least due to the actions of Ukrainian authorities. For instance, in June 2015, representatives of the Security Service of Ukraine and the Ministry of Internal Affairs of Ukraine searched the premises of Takeda Ukraine company and seized corporate servers⁷⁶. The company was accused of tax and customs duties evasion due to incorrect registration of its Actovegin product as a drug instead of a dietary supplement. This situation forced the Embassy of Japan in Ukraine to intervene and raise this issue directly to the President of Ukraine, who promised to personally clarify the circumstances of the situation and contribute to its resolution. Such incidents do not positively affect the image of Ukraine as a country attractive for investment. As a consequence, cumulative Japanese FDI amount only to USD 112 million, as of today, while accumulated FDI, including investments of Japanese companies in Europe, whose activities are related to the Ukrainian market, amount to USD 300 million⁷⁷. On the one hand, these figures could be considered an achievement, since at the beginning of XXI century Japanese investment in Ukraine amounted to only USD 2.9 million. However, on the other hand, Japanese FDI account for only 0.2% of total investments attracted to Ukraine during the whole lifetime of its independence⁷⁸.

The formal signing and ratification of the Agreement on Promotion and Protection of Investment should not cause the illusion of real conditions for the promotion of Japanese FDI in Ukrainian economy

In addition, there are several issues that reduce the attractiveness of Ukraine for Japanese business, including the practice of VAT payment in advance with its subsequent reimbursement by the Government or the impossibility to freely repatriate profits made

⁷⁶ *Japanese Pharmaceutical Company Claims Being Harassed by the MIA and the SSSU* - <http://www.epravda.com.ua/news/2015/06/10/546180/>

⁷⁷ *Japan is Our Reliable Friend and Global Partner* - <http://bintel.com.ua/uk/article/japonija-nash-nadezhnyj-drug/>

⁷⁸ *History of Bilateral Relations between Japan and Ukraine (Economic Relations) April 2011* - http://www.ua.emb-japan.go.jp/ukr/bi_ua/factsheet/economy_u.pdf

by Japanese companies in Ukraine to the parent company in USD. Therefore, the formal signing and ratification of the Agreement on Promotion and Protection of Investment should not cause the illusion of real conditions for the promotion of Japanese FDI in Ukrainian economy.

First, Japan's interest in the economic sphere as countries with export-oriented economy manifests itself in willingness to have access to Ukrainian market. In this context, Japan has been providing financial support to Ukraine to encourage imports of Japanese products during the whole lifetime of bilateral relations. In particular, in 1995, Ukraine has received the financial and export loan of USD 200 million; in 2011, an export credit line of USD 80 million has been opened; and in 2014, a credit line for trade insurance for the Nippon Export and Investment Insurance (NEXI) has been opened within the overall aid package⁷⁹. The latter step was a result of increase in trade risks associated with Ukraine due to Ukraine-Russia conflict. On top of that, Ukraine and Japan agreed to continue the practice of insuring export and import of Japanese goods through the Nippon Export and Investment Insurance (NEXI) agency during Petro Poroshenko's visit to Japan; the parties agreed on the allocation of about USD 269 million for the credit line until March 2018..

Since 2014, however, Japanese businesses have been viewing Ukraine as not only a market for finished products, but also an opportunity to create facilities for their global networks of international division of labor. This primarily concerns the aforesaid companies producing electrical cables for cars. The signing and coming into force of the FTA agreement between Ukraine and the EU in 2014 have made opening businesses in Ukraine profitable for Japanese companies. Moreover, the logistics costs in this case are minimal, since the companies choose western Ukraine as a base for doing business (as seen in the case of Fujikura). All this is accompanied by the negotiations on signing the free trade agreement between the

Ukraine should clearly understand that the window of opportunities to create new companies with Japanese capital could be short-term

⁷⁹ *Japan's Assistance to Ukraine March 2016 Ministry of Foreign Affairs of Japan*
- http://www.ua.emb-japan.go.jp/jpr/bi_ua/oda/160318_assistance_en.pdf

EU and Japan that have been in progress during the past three years; however, both sides are still unable to agree on all the details of the agreement⁸⁰. The attractiveness of Ukraine for Japanese business is also associated with high qualification of local workforce along with its relative low cost, compared not only to their counterparts in the neighboring CEE countries, but also to those in China. However, Ukraine should clearly understand that the window of opportunities to create new companies with Japanese capital could be short-term, and therefore, official Kyiv should take advantage of the currently available opportunities.

In turn, the Embassy of Japan in Ukraine tries its best to attract Japanese investors within the active information campaign on the situation in and around Ukraine, where the main idea is safety and peace in most of the country, despite the war waged by the Russian Federation. Therefore, as constantly reminded by the Embassy of Japan, 90% of the territory of Ukraine is suitable for investment projects. Furthermore, promoting a positive image of Ukraine in Japan requires maximization of the potential of existing business contacts and image of businessmen who are already actively working with Japan. For instance, other Ukrainian companies could establish contacts in Japan through Ferrexpo, which opened an office in Japan in 2013⁸¹.

2.3. NUCLEAR SAFETY IN UKRAINE-JAPAN RELATIONS

Another priority area of Ukraine-Japan relations is the issue of nuclear safety, which has always been on the agenda of bilateral relations. The cooperation on nuclear safety has developed in several dimensions.

⁸⁰ *EU-Japan FTA Would Boost Growth more than TTIP* - <https://www.euractiv.com/section/trade-society/news/eu-japan-fta-would-boost-growth-more-than-ttip/>

⁸¹ *FERREXPO plc ("Ferrexpo" or the "Group") 2013 Full Year Results* - http://www.ferrexpo.com/system/files/press/2013_full_year_results.pdf

2. Ukraine's interests toward Japan and Japan's interests toward Ukraine

Japan has repeatedly acted as a donor to the EBRD Nuclear Safety Account providing USD 19 million in 1994 and USD 3.68 million in 2008. Overall, Japan has allocated USD 53.1 million on this project. The objective of this project is to establish a storage facility in Chernobyl for spent nuclear fuel from the local nuclear power plant that has been completely shut down in 2000. In parallel with this, Japan has provided financial assistance for the Shelter project (USD 117.3 million overall). Under this project, the NSC has been constructed in addition to the existing Shelter, scheduled to expire in 2023. Installation of the NSC on top of the Chernobyl NPP Reactor 4 has been completed on November 29, 2016. However, the NSC will become fully operational only in 2017. The lifetime of the NSC is 100 years⁸². It should be noted that Japan has not ceased to provide funding for the NSC project even in 2011, when the need to respond to the aftermath of the earthquake, tsunami, and the Fukushima NPP accident demanded concentration of all available resources.

Other important area of cooperation on nuclear safety is denuclearization assistance, which provides protection and control of nuclear materials. Overall, Japan has allocated USD 12 million under this program. In particular, Japan has provided JPY 173 million to enhance security of the National Science Center at the Kharkiv Institute of Physics and Technology in 2011-2015. The main focus within this project was on the issues of identification of nuclear materials at the Institute and ensuring their physical safety..

In addition, the cooperation on nuclear safety has a human safety dimension. Overall, Japan has allocated USD 27 million to help the victims of the Chernobyl Nuclear Power Plant accident. This aid included the procurement of equipment and medicines. These projects have been implemented in Ukraine in close coordination with the WHO, the UNICEF, the International Red

Activity demonstrated by Japan in relations with Ukraine in terms of nuclear safety is determined by the desire to contribute to international peace and security through dissemination of high Japanese standards of nuclear non-proliferation and control of nuclear materials

⁸² *Japan's Assistance to Ukraine March 2016 Ministry of Foreign Affairs of Japan*
- http://www.ua.emb-japan.go.jp/jpr/bi_ua/oda/160318_assistance_en.pdf

Cross Organization, as well as through the Official Development Assistance projects.

Such activity demonstrated by Japan in relations with Ukraine in terms of nuclear safety is determined by the desire to contribute to international peace and security through dissemination of high Japanese standards of nuclear non-proliferation and control of nuclear materials, as well as by the historical identity of the country that experienced Hiroshima and Nagasaki. Therefore, this approach also reflects the Japanese approach to the issue of leadership in international relations, and provides official Tokyo with an opportunity to play the major role in nuclear safety and non-proliferation.

However, after the accident at the Fukushima Nuclear Power Plant in March 2011, the cooperation between Ukraine and Japan on nuclear security has moved in a fundamentally different dimension. Now Japan adopts Ukraine's experience in nuclear power plant accident response. As early as on April 18, 2012, an agreement on cooperation to advance aftermath response to accidents at nuclear power stations has been signed between Ukraine and Japan⁸³. According to this agreement, the parties committed to share available information and technical personnel, conduct joint seminars and events.

The mechanism of cooperation via the Chernobyl-Fukushima pipeline has in fact become the most active and independent direction of bilateral relations with the most systematic activities conducted by the two sides

As a result, the first meeting of the Committee for the Cooperation to Advance Aftermath Response has been held as early as on July 26, 2012. On July 18, 2013, the second meeting of the Joint Committee has been held, where the Ukrainian side spoke about their experience in decontamination, monitoring, risk management, and damage compensation. In turn, the Japanese delegation shared their experience of measures taken to eliminate the consequences of the Fukushima Nuclear Power Plant accident. The third meeting of the Joint Committee has been held on November 26, 2015 at the premises

⁸³ AGREEMENT BETWEEN THE GOVERNMENT OF JAPAN AND THE GOVERNMENT OF UKRAINE CONCERNING COOPERATION TO ADVANCE AFTERMATH RESPONSE TO ACCIDENTS AT NUCLEAR POWER STATIONS - http://www.mofa.go.jp/announce/announce/2012/4/pdfs/0418_02_01.pdf

of the National Institute for Strategic Studies⁸⁴. During this meeting, the sides have not only shared their experiences, but also signed a joint protocol on decontamination and restoration of the affected areas. During the visit of President of Ukraine Petro Poroshenko to Japan the possible date of the fourth meeting of the Joint Committee has been discussed. Subsequently, the fourth meeting of the Committee has been held on December 5-9, 2016. Therefore, as of today, the mechanism of cooperation via the Chernobyl-Fukushima pipeline has in fact become the most active and independent direction of bilateral relations with the most systematic activities conducted by the two sides.

Therefore, in terms of the issues related to rectification of the aftermath of the Chernobyl accident, Ukraine and Japan have moved in the evolution of bilateral relations from the donor-recipient model to active transfer of Ukrainian experience and its application after the accident at the Fukushima Nuclear Power Plant. Furthermore, the aid provided by Ukraine in the context of the aftermath of the accident at Japanese nuclear power plant has two important aspects. First it became a source of soft power of Ukraine toward Japan, as the Japanese side keeps stressing on their gratitude to Ukraine for assistance during the meetings at every level. In fact, Japan started to learn about Ukraine en masse due to cooperation within the Fukushima-Chernobyl pipeline, before Japanese media began paying attention to our country in the context of Ukraine-Russia war. On the other hand, cooperation on the post-accident response is the element that will remain on the agenda of bilateral relations for the next few decades. Therefore, further institutionalization of cooperation within the Chernobyl-Fukushima pipeline, e.g. opening a Ukrainian office in Japan, would help strengthen this dimension of Ukraine-Japan relations, regardless of the state of affairs in the political or economic plane.

Ukraine and Japan have moved in the evolution of bilateral relations from the donor-recipient model to active transfer of Ukrainian experience and its application after the accident at the Fukushima Nuclear Power Plant

⁸⁴ *Third Meeting of Joint Japan-Ukraine Committee for the Cooperation to Advance Aftermath Response to Accidents at Nuclear Power Stations - <http://dazv.gov.ua/en/ofitsijni-dokumenty/news/third-meeting-of-joint-japan-ukraine-committee-for-the-cooperation-to-advance-aftermath-response-to-accidents-at-nuclear-power-stations.html>*

3. WHO IS WHO? INTEREST GROUPS AND GROUPS OF INFLUENCE

The dialogue at the highest level

Historically, the President of Ukraine has been the engine of relations with Japan, which is clearly evidenced by the number of visits conducted over the lifetime of bilateral relations. Overall, 4 visits have been organized in 1995, 2005, 2011, and 2016. In contrast, the Prime Minister of Ukraine has visited Japan only once, in 2009. Therefore, the activities of the current Administration of the President clearly fit into this trend. Moreover, one could state that current President of Ukraine Petro Poroshenko is personally the main architect and driving force of relations with Japan, which is clearly evidenced by not only the mutual exchange of visits at the level of Heads of State in 2015 and 2016, but also the informal practice of negotiations within the UN General Assembly. The talks in this format have been held in 2015 and 2016.

President of Ukraine has been the engine of relations with Japan, which is clearly evidenced by the number of visits conducted over the lifetime of bilateral relations

This tendency to focus formation and implementation of policy on Ukraine at the highest level is evident in Japan. Historically, the Prime Ministers of Japan have been the architects of the official Tokyo's course toward Ukraine. Consequently, current head of the Government of Japan Shinzo Abe is the major actor on Ukrainian direction. Another important role in shaping and implementation of the agenda of Ukraine-Japan relations is played by Shotaro Yachi (Head of the National Security Council of Japan).

Ukrainian community in Japan

As of today, about 1.5 thousand Ukrainians live in Japan; most of them inhabit Tokyo and its suburbs, as well as Kyoto and Osaka. Ukrainian community in Japan is united by the informal association

named Krayany, established in March 2000⁸⁵. Among other priorities, this Ukrainian association aims at popularization of Ukrainian culture and conduction of various public events to support Ukraine's position in Japan. This association has 150 members.

As a part of its activities, the Krayany association has organized a number of important events to promote Ukraine in Japan. Among the most important events are commemoration of the 10th anniversary of independence of Ukraine by climbing the Mount Fuji; signature collection and sending a letter to Prime Minister Junichiro Koizumi in 2004 with a calling to not recognize the rigged presidential elections in Ukraine; vyshyvanka marches in 2013, 2014, 2015, and 2016; a demonstration at the Russian Embassy in Japan with a demand to stop the aggression against Ukraine in March 2014; We Pray for Peace in Ukraine festival in April 2014; Ukrainian Day in Yokohama in October 2014; and Ukrainian Day festival on November 20, 2016 in Tokyo. Interestingly, geographical reach and variety of activities of this organization are constantly expanding, especially within the last two years, as evidenced by the association's participation in the international festival in Tokai in November 2015, organization of Christmas carols evening at the Home of a Diplomat in Yokohama in December 2015, or organization of the vyshyvanka march in commemoration of the 25th anniversary of Ukraine's independence on September 3, 2016 in Nagoya⁸⁶.

About 1.5 thousand Ukrainians live in Japan; most of them inhabit Tokyo and its suburbs, as well as Kyoto and Osaka

In fact, Russian aggression against Ukraine has fostered the revitalization of Ukrainian community that not only tries to convey Ukrainian position to the Japanese public, but also organizes fundraisers for the treatment of injured Ukrainian soldiers. The last fundraising event has been conducted through the sale of collection of samurai poems translated into Ukrainian language⁸⁷. Furthermore,

⁸⁵ *Ukrainians in Japan* - <http://japan.mfa.gov.ua/ua/ukraine-japan/ukrainians-in-japan>

⁸⁶ <https://www.facebook.com/ukrainians.japan/?fref=ts>

⁸⁷ *In Japan, "Samurai Songs" are Sold to Raise Funds for the Soldiers Injured in the ATO Zone* - http://gazeta.ua/articles/life/_u-aponiyi-prodayut-samurajski-pisni-dlya-dopomogi-porananim-v-ato/663898

Ukrainian community appealed to the Japanese NHK channel calling the latter to stop using Russian information for the coverage of events in Ukraine and apply a more balanced approach.

Russian aggression against Ukraine has fostered the revitalization of Ukrainian community that not only tries to convey Ukrainian position to the Japanese public

One cannot but mention the fact that in 2004-2014, the Tokyo University of Agriculture and the National University of Life and Environmental Sciences have had a cooperation program to send 1-2 students to study in Japan every year⁸⁸. This program has been fully funded by the Japanese side. Overall, within the lifetime of this program, 10 Ukrainians have completed their studies; some of them remained in Japan, and others returned to Ukraine to apply the acquired skills in practice. Moreover, 5 Ukrainian students are still studying at the TUA. In this context, the Ukrainian side should raise the issue of renewing this program, along with establishing the cooperation between other Japanese and Ukrainian universities to implement joint student exchange programs.

Another important factor in the humanitarian dimension of Ukraine-Japan relations is the role of specific individuals. For instance, a positive image of Ukraine is promoted by Natalia Gudziy, Ukrainian bandura player who has been living in Japan for a long time. Her contribution to the bilateral relations has been commended in 2016, when she has been awarded the Diploma of the Ministry of Foreign Affairs of Japan. Another interesting example is Oleg Marseichuk, the Japanese National Foil Fencing Team coach since 2003. This year, his team has become world champions.

Therefore, it could be said that within a quarter century, Ukrainian community in Japan has become an active player in promoting the image and interests of Ukraine. However, active involvement of the Ukrainian authorities is required to maximize the efficiency of civil associations. As an option, the establishment of Ukrainian Cultural Center in Japan in order to coordinate efforts and activities in top priority areas could be considered. Furthermore, the potential of

⁸⁸ *Ukrainians Can Study in Japan. The Story of Citizen of Vynnytsia Living in Tokyo* - <https://vn.20minut.ua/lyudi/yak-vinnichani-vchatsya-u-yaponiyi-10484045.html>

certain Ukrainian individuals, who have long lived and worked in Japan, should not be neglected.

The Committee for Economic Cooperation with Ukraine at the Japan Business Federation Keidanren

The Japan Business Federation Keidanren, established in 1946, represents about 1,500 Japanese companies. The mission of this organization is to support corporate activities, which contribute to the self-sustaining development of the Japanese economy and improvement in the quality of life for the Japanese people⁸⁹. Several representatives of this largest Japanese business association have visited Ukraine in 2003 and 2005.

On April 16-18, 2007 Ukraine has been visited for the first time by a large delegation of the Japan Business Federation Keidanren, including representatives of 30 major Japanese companies. This delegation has formed the basis of the Committee on Economic Cooperation with Ukraine at the Japan Business Federation Keidanren⁹⁰. The Japanese delegation was interested in the prospects of economic development of Ukraine, and therefore, the opportunities for investment, as well as the issue of accession to the WTO and the EU. As early as on February 20-22, 2008, a delegation of the Japan Business Federation Keidanren has visited Ukraine again, this time to attend the inaugural meeting of the Ukraine-Japan Committee on Economic Cooperation. On March 9-10, 2009, the second summit of the Ukraine-Japan Committee on Economic Cooperation, attended by the representatives of the Japan Business Federation Keidanren, has been held in Japan during the visit of the Group of Advisers to the Prime Minister of Ukraine⁹¹. Following this summit, a memorandum has been signed; moreover, during this particular meeting the possibility of involvement of Japanese

⁸⁹ *About KEIDANREN* - <http://www.keidanren.or.jp/en/profile/pro001.html>

⁹⁰ *Anatoliy Kinakh Attended the Meeting with Representatives of the Japan Business Federation Keidanren* - http://www.kmu.gov.ua/control/publish/article?art_id=75372162

⁹¹ *The History of Bilateral Relations between Japan and Ukraine (Economic Relations)* - http://www.ua.emb-japan.go.jp/ukr/bi_ua/factsheet/economy_.pdf

company Itochu into the construction of a high-speed railway from Kyiv to Boryspil International Airport has been discussed⁹².

Following the intensification of relations after the visit of Viktor Yanukovych to Japan in September 2011, the third summit of the Ukraine-Japan Committee on Economic Cooperation, where the parties discussed prospects of implementing joint projects, has been held in Kyiv after a significant break⁹³. On November 14, 2012, the fourth summit of the Committee attended by the representatives of the Coordination Council for Economic Cooperation with Japan and the Committee on Economic Cooperation with Ukraine at the Japan Business Federation Keidanren has been held in Tokyo. The main issues on the summit's agenda were establishment of a legal framework to ensure Japanese investment and discussion on the state of negotiations on the FTA agreement with the EU. During the fifth summit, held on October 1, 2013, the parties discussed the possibility of involving Japanese capital and technologies into implementation of national programs in energy, agriculture, and mining industry sectors.

The Japan Business Federation Keidanren provided a venue for the meeting between President of Ukraine Petro Poroshenko and Japanese businessmen, where Fujikura and JTI presented their experience of business activities in Ukraine. Finally, on November 21-24, 2016, during the visit of First Vice Prime Minister and Minister of Economic Development and Trade of Ukraine Stepan Kubiv, the sixth summit between the Coordination Council for Economic Cooperation with Japan at the Ministry of Economic Development and Trade of Ukraine and the Committee on Ukraine at the Japan business Federation Keidanren has been held⁹⁴. During this meeting,

⁹² *Japan is Ready to Construct a High-Speed Railway to Boryspil* - <http://kiev.segodnya.ua/kpower/japontsy-hotovy-pocroit-ckorocnuju-zheleznuju-dorohu-v-boricpol.html>

⁹³ *Ukraine Regards Japan as a Strategic Partner in Industrial, Investment and Finance sectors; the Development of Mutually Beneficial Economic Relations with Japan is One of the Top Priorities of the Foreign Policy of Ukraine in the International Arena and in the Asian Region in Particular* - <http://rada.gov.ua/print/57318.html>

⁹⁴ *On November 21-24, Stepan Kubiv Will Have a Working Visit to Japan* - http://www.kmu.gov.ua/control/publish/article?art_id=249502038

the possibility of attraction of Japanese capital to the modernization of the Ukrainian ports and construction of a bridge in Mykolaiv has been discussed. These topics have been chosen deliberately, as the Japanese side is interested in development of port capacity to enter the CEE markets with minimal logistics costs.

Thus, the Committee for Economic Cooperation with Ukraine at the Japan Business Federation Keidanren has become a primary tool used by Japanese businesses to promote their interests in Ukraine and a mechanism of cooperation with the official authorities. The intensity of the Committee activities clearly demonstrates the interest of Japanese business in Ukrainian market. Today, however, there is an open question of transition to the implementation of practical projects after consultations. As stressed during numerous summits of the Committee, Japanese business expects Ukrainian authorities to create competitive conditions for the implementation of investment projects. Signing the Agreement for Promotion and Protection of Investment is only the beginning of the process in this context. Therefore, the Government of Ukraine should coordinate with the Japanese business to identify one or two top priority projects and act as a financial and political guarantor of their implementation; otherwise, there would be objective questions regarding the effectiveness of this mechanism of Ukraine-Japan cooperation, as six summits of the Committee in 2008-2016 have not resulted in any practical project so far.

Committee for Economic Cooperation with Ukraine at the Japan Business Federation Keidanren has become a primary tool used by Japanese businesses to promote their interests in Ukraine and a mechanism of cooperation with the official authorities

Japanese International Cooperation Agency (JICA)

The Japan International Cooperation Agency is a government organization implementing projects within the Official Development Assistance pipeline. Although this institution exists in its present form since 2008, in fact the Japan International Cooperation Agency has been launched in 1954.

The cooperation between Ukraine and the Japan International Cooperation Agency (JICA) is based on the agreement between

the Government of Ukraine and the Government of Japan for technical cooperation and grant assistance of July 1, 2004⁹⁵. Subsequently, a protocol has been signed on May 22, 2006 between the Japan International Cooperation Agency and the NTUU KPI on implementation of the project to establish the Ukraine-Japan Center within the NTUU KPI. According to this protocol, the JICA has been providing funding for the Center in 2006-2011.

In fact, the Japanese International Cooperation Agency works on practical implementation of bilateral intergovernmental projects. Today, the cooperation includes implementation of the project on reconstruction of the Bortnychy aeration station, after the Government of Ukraine signed a loan agreement to obtain resources for this project with the Japanese International Cooperation Agency in June 2015. In addition, this organization has been directly involved in the implementation of the agreements of 2014 and 2015 to provide loans for implementation of economic reforms. A possibility of active involvement of this organization in construction of a new bridge in Mykolaiv, enhancement of Ukraine's energy efficiency through the modernization of the Trypillia TPP and potential modernization of the Burshtyn TPP, development of alternative energy sources, and establishment of Ukrainian national geospatial data infrastructure is currently considered^{96,97,98}.

During the visit of Petro Poroshenko to Japan in April 2016, a possibility of establishing a permanent office of Japan International Cooperation Agency (JICA), together with the Japan External Trade Organization

⁹⁵ *Agreement between the Government of Ukraine and the Government of Japan on Technical Cooperation and Grant Assistance* - http://zakon3.rada.gov.ua/laws/show/392_024

⁹⁶ *Japan International Cooperation Agency (JICA)* - http://ukravtodor.gov.ua/4489/mizhnarodne_spivrobotnytstvo_ta_investytsii/yaponska_ahentsiia_z_mizhnarodnoho_spivrobotnytstva_jica.html

⁹⁷ *Japan International Cooperation Agency (JICA) is Ready to Provide Assistance in the Energy Efficiency Sector* - <http://sae.gov.ua/uk/news/490>

⁹⁸ *The Ministry of Agrarian Policy is Working on Establishing the National Geospatial Data Infrastructure of Ukraine in Partnership with the Government of Japan* - <http://minagro.gov.ua/en/node/22256>

(JETRO) has been discussed⁹⁹. This step would allow enhancing cooperation with investors and facilitating the implementation of a long list of current bilateral projects. In fact, Ukrainian party might raise the issue of establishing the offices of these organizations in order to meet the needs of the GUAM countries, since Japan has the aforesaid mechanism of cooperation with those states.

Interparliamentary cooperation

The interparliamentary contacts between the two countries have a history since 1995. The Head of the Verkhovna Rada of Ukraine has visited Japan twice, in 2003 and 2012, whereas the two leaders the Houses of Japanese Parliament have visited Ukraine in 1997 and 2011. In addition, there mutual visits of Ukrainian and Japanese MPs at the level of committees and subcommittees have been organized.

Furthermore, the Japan-Ukraine Parliamentary Friendship Association, led by former Finance Minister of Japan Yoshimasa Hayashi, has been established on a multiparty basis in 1997¹⁰⁰. Later, the Association has been headed by Hakuo Yanagisawa. Today, it is headed by Eisuke Mori, Japan's Justice Minister in 2008-2009, who is now heading the Special Committee for the Study of Nuclear Energy at the Parliament of Japan. This particular mechanism has become the main Japanese tool for interparliamentary cooperation with Ukraine. Representatives of this association have visited Ukraine in 1997, 2003, 2006, 2013, and 2015. During the last visit of the representatives of the Japan-Ukraine Parliamentary Friendship Association in September-October 2015, meetings have been organized with the leaders of the Verkhovna Rada of Ukraine and the Prime Minister of Ukraine. The Japanese side, represented by Eisuke Mori, not only clearly demonstrated its interest in developing cooperation in the energy sector, but also presented a plan to increase energy efficiency. This plan, developed by the

⁹⁹ *Japan Will Establish Two Offices for Development of Cooperation, According to Vice Premier Minister Zubko* - http://ua.censor.net.ua/news/383272/yaponiya_vidkrye_v_ukrayini_dva_ofisy_dlya_rozvytku_spivpratsi_vitsepremyer_zubko

¹⁰⁰ *Ten Years of Japan-Ukraine Friendship* - http://www.japantimes.co.jp/opinion/2002/02/02/commentary/world-commentary/ten-years-of-japan-ukraine-friendship/#.WEFO9HSg_Dc

Japanese side, provides for the involvement of Japanese technologies and companies for implementation of relevant projects. On top of that, the Japanese side raises questions on organization of the next visit of the Head of the Verkhovna Rada of Ukraine to Japan.

In turn, the deputy group for interparliamentary relations with Japan, currently headed by Leonid Yemets, is functioning at the Verkhovna Rada of Ukraine. In April 2015, a delegation of Ukrainian MPs visited Japan within the framework of a program for restoration of democracy in Ukraine, funded by the Japan International Development Agency. The main topics of the negotiations were the issues of combating corruption in Ukraine and the possibility of attraction of Japanese technologies for the development of alternative energy sector. Moreover, the visit of the Head of the Parliamentary Committee on Foreign Affairs Hanna Hopko to Japan has been organized on February 22-23, 2016. This visit included meetings with Chairman of the House of Representatives Committee on Foreign Affairs and Defense Masahisa Sato and the Head of the Japan-Ukraine Parliamentary Friendship Association.

Intensity and quality of interparliamentary interaction between the two countries are lower than those of the cooperation at the level of state leaders and governments of Ukraine and Japan

In fact, we could state that the intensity and quality of interparliamentary interaction between the two countries are lower than those of the cooperation at the level of state leaders and governments of Ukraine and Japan. On top of that, there is actually an open question whether the new intensification of interparliamentary interaction will develop into a new quality. Since previous the mutual visits of the MPs of both countries have been limited to the exchange views and information on current developments, Ukraine should take advantage of the interest of the current leader of the Japan-Ukraine Parliamentary Friendship Association Eisuke Mori in the development of joint projects in the energy sector. On the other hand, the authority and influence of both this association and its leader could be used in order to promote the issue of further visa regime liberalization.

4. EXISTING AND POTENTIAL CONFLICTS AND RISKS IN BILATERAL RELATIONS

1. POSSIBLE CHANGE IN JAPAN'S POLICY TOWARDS UKRAINE IN THE CONTEXT OF RUSSIA-UKRAINE WAR PROVIDED THE RESOLUTION OF CONFLICT BETWEEN TOKYO AND MOSCOW REGARDING FOUR KURIL ARCHIPELAGO ISLANDS.

After returning to power in December 2012, Prime Minister Shinzo Abe has defined resolution of the territorial dispute with Russia regarding four Kuril Archipelago islands as one of the top priorities of his foreign policy. Moreover, in his desire to maintain a dialogue with the Kremlin to establish a framework for resolution of this conflict Japanese Prime Minister acted contrary to the US policy, which has been evidenced by the presence of Shinzo Abe at the opening ceremony of the Winter Olympic Games in Sochi in February 2014, while leaders of the US and most EU member states have refused to attend the event. Russian aggression against Ukraine forced Japan to introduce restrictive measures and sanctions against Russia within the G7 coordinated policy in response to the policies of the Kremlin. However, that did not force Tokyo to abandon the idea to resolve the territorial dispute. Shinzo Abe's participation in the Far East Economic Forum in Vladivostok in early September 2016, as well as his speech in the Parliament in late September 2016 clearly confirms this fact. Therefore, the question is how successful will be the official Tokyo in pursuing the policy of solidarity with Ukraine manifested as restrictive measures and sanctions against Russia and attempting to resolve territorial disputes with Moscow at the same time.

Probability. *Medium.* Japan's willingness to maintain sanctions and restrictive measures against Russia is determined, above all its territorial dispute with China and by position of the US on this issue. Therefore, Japan would rather abolish sanctions against Russia due to similar decision made by Washington, than due to the efforts of the Japanese Government to resolve territorial disputes with Russia. In terms of sanctions against Russia in the context of Ukraine-Russia war and the issues of settlement of territorial disputes maintains its official policy of refusing to consider these issues in a package

to find a compromise. However, we cannot completely exclude the possibility of a unilateral cancellation of anti-Russian sanctions by Tokyo, especially given the constant demonstration of willingness to settle territorial disputes and finally sign a peace treaty with Russia by the Government of Japan. The latest clear example of this approach has been provided by the negotiations between Shinzo Abe and Vladimir Putin at the APEC Summit in November 2016. This, in turn, creates the impression in Russia that Japan is more interested in resolving the issue of status of 4 islands than the Russian side, which could allow linking this issue with the issue of lifting of the sanctions. The situation of complex necessity to find a balance between the policy of supporting Ukraine in the context of Russian aggression and a desire to resolve all contradictions in bilateral relations with Russia is associated with the fact that Russian issues are actually major themes in the studies on our region. As a result, Ukraine has only a secondary role, and it is often viewed through the prism of Russian interests.

How to avoid? Japan's further support for Ukraine in the context of Russian aggression through maintaining the existing restrictive measures and sanctions and providing assistance requires two steps: first of all, active cooperation with official Tokyo through appeals to the previous declarations that Russian aggression against Ukraine is a matter of not only European, but also global security. As a result, Japan, as one of the leaders of the global community and the state postulating the primacy of international law, should maintain its current course toward Russia in the context of Moscow's aggression against Ukraine until the full restoration of pre-war status quo. This is the only way for official Tokyo to demonstrate commitment to the declared principles. Furthermore, the Embassy of Ukraine in Japan should actively cooperate with the US Embassy to coordinate and promote joint position on policies of the official Tokyo in the context of Ukraine-Russia war.

2. INTENSIFICATION OF ANTAGONISM BETWEEN JAPAN AND CHINA IN THE ASIA-PACIFIC REGION, WHICH COULD FORCE UKRAINE TO CHOOSE SIDES IN THIS CONFRONTATION.

Relations between Japan and China as two major countries in East Asia are cyclical in nature: periods of worsening of relations take turns with certain improvements. Today, relations between Tokyo and Beijing are once again entering the phase of intense confrontation regarding the leadership in the region. A new period of aggravation is accompanied by the expansion of its range, which now covers not only traditional territorial conflict over disputed Senkaku/Diaoyudao islands in the East China Sea, but also territorial disputes in the South China Sea. In these circumstances, Ukraine is likely to face the need to choose between the two countries. At the same time, relations with both Japan and China are of particular importance for the official Kyiv, since each of these countries is an important partner for Ukraine and its national interests.

Probability. *Low.* Ukraine has been managing to maintain partnerships with both China and Japan for the past 25 years, even despite the fact that Ukraine has been an important source of military technologies used for modernization of the People's Liberation Army of China (this has most clearly manifested in the context of sale of the unfinished Varyag aircraft carrier to China, which caused concerns in Japan). However, Ukraine should clearly understand all the risks of maintaining military and technical cooperation with the PRC in the context of dialogue with Japan.

How to avoid? Ukraine should maintain its policy of non-interference in the territorial disputes in the East China and South China seas, thereby minimizing the possibility of the dangerous need to choose between China and Japan in these disputes. On the other hand, official Kyiv could make a statement that, according to Ukraine's position, all disputes in East Asia should be resolved solely in accordance with international law, which, in particular, means prevention of use of force to resolve such conflicts.

3. LOSS OF THE CURRENT POSITIVE DYNAMICS IN UKRAINE-JAPAN RELATIONS AGAINST THE BACKDROP OF A LACK OF SUCCESS IN DOMESTIC REFORMS IN UKRAINE.

Probability. *High.* Given the lack of progress in key areas of domestic reforms in Ukraine, there is a possibility of return to the normal practice of Ukraine-Japan relations, which existed before: intensification after the election of the new President, then rapid depletion. As a result, positive dynamics in the bilateral relations of 2014-2016 will not develop into a new quality.

How to avoid? Ukraine take advantage of the existing window of opportunities in relations with Japan opened during the past two years. In practical dimension, it should be reflected in the successful implementation of the ODA project on modernization of the Bortnychy aeration station involving Japanese companies, according to the agreement. The experience of involving private Japanese companies in implementation of government programs in Ukraine could become a basis for further corporate investment. In addition, Ukraine faces a task to practically implement the Agreement on Promotion and Protection of Investment of 2015 to prevent such incidents as one that occurred with the Japanese pharmaceutical company Takeda Ukraine. Only in this way Ukraine would be able to take maximum advantage of the interest of Japanese companies to create local businesses after the signing of the FTA agreement with the EU.

5. RECOMMENDATIONS

1. Given the fact that Kyiv and Tokyo have mostly managed to implement the global partnership agenda, enshrined in the Declaration of 2011, in the recent years, Ukraine should initiate the signing of a new bilateral framework document at the highest level to determine the priority areas of future bilateral cooperation with Japan.
2. Ukraine and Japan should consider signing a separate political declaration on joint efforts in countering the attempts of revision of the existing international order with military force and providing maximum political support in this matter to each other. Thus, Kyiv would be able to compensate for the lack of the joint statement on the results of the visit of the President of Ukraine to Japan in April 2016. Besides, such a political declaration would allow consolidation of all the statements made by the leaders of Ukraine and Japan during the negotiations.
3. It is necessary to enhance interparliamentary cooperation given the fact of new revival of contacts between MPs of Ukraine and Japan. In this regard, special attention should be focused on the activities of the Japan-Ukraine Parliamentary Friendship Association and its leader, former Minister of Justice Eisuke Mori. Kyiv should take advantage of interest of the Head of Japan-Ukraine Parliamentary Friendship Association in cooperation in the energy sector in order to launch pilot projects on modernization of Ukrainian thermal power plants.
4. It is critically important to ensure successful implementation of the reconstruction project on Bortnychy aeration station designed by Japanese official development assistance program. Quality and timely implementation of this project would become a positive signal for the Japanese private companies regarding corporate investment opportunities in Ukraine, including through the familiarization with the country in the process of implementation of this project.

5. Ukraine should strengthen economic dimension of relations with Japan through maximum utilization of the interest of Japanese companies in opening businesses in Ukraine after signing of the FTA agreement with the EU. Ukrainian side should clearly demonstrate commitment toward the Agreement for the Promotion and Protection of Investment of 2015, preventing incidents similar to the situation with Takeda Ukraine. In addition, the Government should consider changing the practice of VAT pre-payment with further difference compensation and allow free repatriation of profits to the parent company; these issues have been always considered as obstacles to investment by Japanese businesses.
6. Ukraine should implement the idea of establishing the offices of the Japan International Cooperation Agency (JICA) and the Japan External Trade Organization (JETRO) in Kyiv, and work on priority projects in partnership with these organizations.
7. The Government of Ukraine should act as a political and financial guarantor of 1-2 projects involving the Japan Business Federation Keidanren, as today it is critical to move from intergovernmental cooperation to implementation of joint Ukraine-Japan projects in partnership between the Ukrainian Government and the Japanese corporate capital.
8. Ukraine should consider establishing its own office in Japan for cooperation on liquidation of the Fukushima NPP accident aftermath. This institutionalization would allow to maintain positive dynamics in Ukraine-Japan relations in terms of the post-accident response.
9. It is vital to strengthen the interpersonal dimension of bilateral relations. The agreement of April 2016 to facilitate the entry into Japan for Ukrainians with diplomatic passports should become a prologue for the negotiations on visa regime liberalization. Furthermore, the idea of establishing a Ukrainian Cultural Center in Japan and strengthening the cooperation between the Embassy of Ukraine in Japan and the local Krayany Ukrainian Association should be considered. In promoting its positive image in Japan, Ukraine should draw on the well-known Ukrainians who have

lived and worked in Japan for a long time, such as Natalia Gudziy or Oleg Matseichuk.

10. The Government of Ukraine should propose an initiative to revive the cooperation between Tokyo University of Agriculture and the National University of Life and Environmental Studies in order to provide Ukrainian students with studying opportunities in Japan. On top of that, Ukraine should negotiate expanding the list of educational institutions of both sides that would implement the joint exchange and study program.
11. Special attention should be paid to staffing Ukrainian diplomatic mission in Japan. Today, the mission consists of 6 people, whereas in 2009 there were 12 employees. Given the intensification of political and economic contacts, current Embassy staff is not able to cope with the tasks at hand.
12. Ukraine should launch systematic joint activities with Japanese analysts and opinion leaders in order to become a separate field of research within the framework of the CEE and the former Soviet Union instead of being seen through the prism of Russian studies. Organization of study visit for the delegation of Japanese researchers and opinion leaders to Ukraine should be considered.

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