

Prospects of Japan's Assistance for Central Asia
-In the Aftermath of Prime Minister Abe's Visit to Central Asia-

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Abstract

Japanese Prime Minister Shinzo Abe visited five Central Asian countries in October 2015. This was the second Japanese Prime Minister to have visited this region since the former Prime Minister Junichiro Koizumi's visit to Kazakhstan and Uzbekistan in 2006. Soon after the collapse of USSR, the Government of Japan started provision of Official Development Assistance (ODA) for this region, and in 1997, Japan developed the concept of 'Eurasian Diplomacy' which clearly defined Japan's engagement in the region. After the event that took place on September 11, international interest in the region increased and the dialogue called 'Central Asia plus Japan' started in 2004. The state of International relations in this region such as Chinese diplomatic policy, 'One Belt, One Road', leveraged Japanese diplomacy to make its next step in regards to Central Asia. This article overviews Japan's approach towards Central Asia and analyzes the current situation of development and international relationships in Central Asia. We, contributors of this article, expect that the Prime Minister Abe's visit to Central Asian countries will renew the Japanese diplomacy toward Central Asia and strengthen the relationships between Japan and Central Asia. With broader regional interest for peace and stability, it is important for Japan to continue providing assistance to support both infrastructure and human development and continue strengthening its cooperation with various stakeholders in the region for the purpose of quality growth of Central Asia.

Prime Minister Abe's Visit to Central Asian Countries in 2015

The year 2015 was an important year for international development - the General Assembly of the United Nations adopted the 'Sustainable Development Goals (SDGs)' that will determine the global development goals for the next 15 years. We, contributors of this article argue that 2015 will proved to have been a remarkable year for the relationships between Japan and Central Asian countries as well. The Prime Minister Abe visited Uzbekistan, Kazakhstan, Kyrgyz Republic, Tajikistan and Turkmenistan, where the independence from USSR was declared in 1991 in late October. It has been nine years since the last Japanese Prime Minister's visit to Central Asia by Junichiro Koizumi in 2006. At that time, former Prime Minister Koizumi visited only Kazakhstan and Uzbekistan, which are historically the region's leading powers. In that regard, Prime Minister Abe's visit to all five former Soviet Central Asian countries was a meaningful event for relationship between Japan and Central Asia.

Japan has built up a new relationship with this region through three steps: (1) from 1992 to 1997, soon after the region's independence from USSR, Japan started provision

of ODA to the region, (2) from 1997 to 2001, Japan initiated the 'Silk Road Diplomacy' which was blueprinted by the former Prime Minister Hashimoto, and (3) in 2004, former Minister for Foreign Affairs Yoriko Kawaguchi started the policy dialogue 'Central Asia plus Japan'. Through these processes, Japan has been strengthening its relationship with Central Asian countries. During the period of the first Abe Cabinet, which was a neo-conservative regime, former Minister for Foreign Affairs Taro Aso introduced the policy 'The Arc of Freedom and Prosperity' as a form of 'Value Oriented Diplomacy', which aims to strengthen the relationship with states which share "common values such as democracy and the protection of human rights. Building on this policy, Japan has continued the cooperation with Central Asian countries by introducing 'Central Asia plus Japan' policy dialogue.

The historical progression described above suggests that Prime Minister Abe's visit to Central Asia in October 2015 has provided the Government of Japan with the opportunity to reexamine their diplomatic approach to Central Asia. In July 2015, Indian Prime Minister Modi proposed the 'Silk Road in 21st Century' during his visit to five Central Asian countries. On the other hand, China has been developing the huge economic zone 'New Silk Road - One Belt, One Road' and has been working on deepening its involvement in this region through establishment of 'Asian Infrastructure Investment Bank (AIIB)' and building infrastructure connecting Europe and China through Central Asia from sea and land routes.

Starting from the invasion into Afghanistan after September 11th, the international community has experienced various events that could relate to Central Asian region, such as the crisis in Ukraine, Arab Spring, and the rise of IS. In particular, Turkmenistan, Uzbekistan and Tajikistan that share their southern borders with Afghanistan were strongly influenced by the security issues over Afghanistan.

This paper provides recommendations as to how Japan should partner with this region for the purpose of the future economic and social development of Central Asia by reviewing the relationship between Central Asia and Japan and the current situation of development of Central Asian countries.

Current Situation of Development in Central Asian Countries

In the last 24 years since the collapse of USSR, five Central Asian countries have been transformed. Each has transitioned from communism and planned economy into market-oriented economy and democracy, constructed independent histories, and escaped from Moscow-centered rule in attempt to establish new relationships with

Western countries, Turkey, India, China, Korea and Japan. The relationships with big powers such as Russia, China and US have undergone the most dramatic change. Recently, in the face of the increasing need for a diverse and sustainable energy supply, Central Asia's geopolitical position between Russia and China as well as its natural resources such as oil, natural gas, and uranium have drawn international attention.

We can see the contrasting levels of economic development between resource-rich countries and the others. Kazakhstan (USD 12,276 GDP per capita) and Turkmenistan (USD 9,031 GDP per capita) have been already ranked in upper e middle-income countries by the World Bank (WB), and Uzbekistan (USD 2,037 GDP per capita), Kyrgyz Republic (USD 1,269 GDP per capita), and Tajikistan (USD 1,099 GDP per capita) in lower middle-income countries as its development level is still not high. The economic disparity between resource-rich countries and the others in Central Asia is expected to keep expanding.

Additionally, this region has existing water problems between upstream countries – Kyrgyz Republic and Tajikistan- and downstream countries –Uzbekistan and Kazakhstan. Among these countries, conflict over the energy and water resources has been constant. Tajikistan is currently constructing Rogun dam, which after completion would be the world highest dam, but Uzbekistan has heavily contested this project. In order to prevent Rogun dam construction project, Tashkent has taken measures that range from cutting off energy supply to blockading cargo trains to obstruct the transportation of materials to Tajikistan, which has caused significant tension between the two parties. The water resource issue in Central Asia is now extending beyond the regional context and obtaining international political meaning, because Tajikistan shares its southern border with Afghanistan, meaning that these countries are expected to become the main power suppliers for re-construction of Afghanistan and many foreign players are investing to the hydro-power station project in Tajikistan. In September 2012, Islam Karimov, President of Uzbekistan, warned that war stemming from conflicts over water resources in Central Asia could become an issue. Under these circumstances, no airline has operated yet between Uzbekistan and Tajikistan, although they are neighboring countries.

Resource-rich countries are strengthening national industry by expanding the national income from natural resources, but so far their national economy still depends heavily on the agricultural sector. Uzbekistan is promoting industrialization by utilizing its natural resources, strengthening the auto industries through establishing joint-stock company with foreign capitals, but the agricultural sector still accounts for the large percentage of their national income.

One of the serious problems for countries in this region regards the Aral Sea, once the fourth largest lake of the world (66,000 km²), which is suffering from land degradation that stems from diverting water for irrigation from the 2 rivers, Amu Darya and Syr Darya. Another issue is health hazards due to the soil salinization caused by drying region-specific underground salts. The water resources of north Aral Sea, which is situated in the Kazakhstan side, have been protected by the project funded by the World Bank (WB), but the southern Aral Sea, in the Uzbekistan's side, has almost disappeared in 2014 for the first time in its history. The glaciers in the mountainous area of Tajikistan, the source of rivers flowing into Aral Sea, is speculated to melt away by the middle of this century, while at the same time, the population in Aral Sea basin is growing and could soon cause high water-stress. In Uzbekistan's side of Aral Sea, a joint-stock company with Korean capital is exploiting the gas field at the dried up bottom of the Aral Sea. The Aral Sea crisis, which many people consider worst environmental problem in the 20th century, is posing the question 'economy or environment'.

Kazakhstan, which has been a leading economy among Central Asian countries, is now shifting from ODA recipient to donor, and is now in progress of establishing its own governmental international cooperation agency. In December 2014, the parliament of Kazakhstan approved the act to establish so called "KAZAID" and change its role as donor. Now KAZAID is being supported with the technical assistance of aid organizations such as United Nations Development Programme (UNDP) and Japan International Cooperation Agency (JICA) to gain knowledge that will help enhance its ability to function effectively as an international cooperation agency, and it is now moving closer towards becoming one of the top competing 30 economies through its own strategy, 'Kazakhstan 2030'. However, in middle-income countries such as Kazakhstan, the income gap between urban and rural area/haves and have-nots has expanded in spite of the national economic growth because of ineffective distribution of the gained wealth and resources.

The non-resource rich countries in Central Asian region, Tajikistan and Kyrgyz Republic, are lagging behind in economic growth. The Kyrgyz Republic experienced revolutions twice—once in 2005 and again 2010—which is representative of the region's fragility and problems facing its governance. Tajikistan's fell behind in nation-building in the post-soviet period due to a civil war in the 90s. Furthermore, because of the authoritarian regime and agriculture-centered economy, the country's prospects for future development are still unclear. In May 2015, the senior commander of Tajik police defected to IS, and in September Deputy Minister of Defense rebelled and attacked the

government bodies with armed groups. In the current situation, stabilization of these countries is urgent and could have significant impact on the situation Afghanistan faces.

Central Asian countries have continuously kept the high economic growth rate (7-8%), even after the economic crisis. However, the crisis in Ukraine and the decline of Russian ruble caused by the economic sanction placed on Russia is significantly influencing Central Asian countries' economies. 40% of Tajikistan's GDP depends on remittance from immigration labor's to Russia and was therefore strongly affected by the dropped value of ruble. The status of these economies is unstable and depends heavily on the policy of Russian government. For example, Russia now requires immigrant labors to take Russian language proficiency exam. It is indispensable for for both Tajikistan and Kyrgyz Republic to establish their own foundation for independent growth.

International Assistance to Central Asian Countries

Since the independence of five Central Asian countries, the international society has expanded their involvement in this region through provision of ODA. International Financial Institutions such as WB and Asian Development Bank (ADB) play an especially key role in these regions. The European Union (EU) and the European Bank for Reconstruction and Development (EBRD) were also active in the period following regional independence. Now, through Central Asia Regional Economic Cooperation (CAREC), ADB has laid the foundation of the regional platform for donors to implement projects for energy and transport sectors. The number of donors in this area is increasing as actors of Islamic finance, such as the Islamic Development Bank and Kuwait Fund, begin to participate. Uzbekistan, Kazakhstan, Kyrgyz Republic and Tajikistan announced their plan to join both the Asian Infrastructure Investment Bank (AIIB) as beginning member states as well as New Development Bank (NDB, formerly known as BRICs Bank), currently under development. The number of development aid actors appears to be increasing, and the cooperation between all parties is becoming one of the central issues for successful and humane development.

In addition to aid from counties such as the US (USAID), Germany (GIZ and KfW) and Japan (JICA and JBIC) after the collapse of USSR, Korea (KOICA and EDCF) and Turkey (TICA) have become significant contributors of bilateral aid. China (The Export-Import Bank of China) provides loans to various sectors such as economic infrastructure, social sectors-education and health service and irrigation sector. In the case of Japan, Japanese aid has supported economic infrastructure such as energy and transport sectors by utilizing yen loans as a part of ODA. In Uzbekistan, renovation and improvement of the old infrastructure built during the Soviet Union period was highly in demand. JICA met the demand through projects in energy sector such as the "Talimardjan Thermal Power

Plant Modernization Project' (co-financing with the ADB and WB), the 'Tashguzar-Kumkurgan New Railway Construction Project' and the 'Karsh-Termez Railway Electrification Project' (co-financing with the ADB) in transport sector.

Japan has contributed to Central Asia via not only by financing infrastructure with yen loans but also by supporting greater human development. For instance, JICA's technical assistance has supported the development of human resources both by creating scholarship programs to study in Japan and through training programs for young government officials, which as of December 2013 allowed almost 7,200 people from Central Asian states to visit Japan. Also, with JICA's Grant Aid for Human Resource Development Scholarship (JDS) program, 420 students from five Central Asian countries have studied at graduate schools in Japan as of December 2014. Japan Centers have been established in Uzbekistan, Kazakhstan, and Kyrgyz Republic, which provide human resource development for private sectors. Japan has dispatched a number of experts in sectors such as law, private sectors, agriculture/irrigation and disaster preventions support capacity development in Central Asian countries.

Japan provides ODA with Central Asian countries, collaborating with international organizations such as UNDP. With the increased necessity of regional cooperation, Japan has conducted cross-border projects such as poverty reduction and livelihood improvement projects, the improvement of border management project in border areas of Afghanistan and Tajikistan, and the disaster risk deduction project in Kyrgyz Republic, which align with 'Central Asia plus Japan' dialogue. These projects have supported the formation of a regional platform for disaster risk reduction. Additionally, with the support of the Human Security Trust Fund that was largely funded by Japan, UNDP supported a community development project in the Autonomous Republic of Karakalpakstan in Uzbekistan, which was affected by the Aral Sea's environmental problems. Having seen the success of past collaborations with UN and other international organizations, Japan has demonstrated the extent to which collaborative aid could prove a vital tool for the stable development of the Central Asian region.

International Relations in regard to Central Asia

As to international relations, it is clear that Chinese influence over Central Asian region has been growing dramatically. China established the Shanghai-Five (Summit meeting except for Uzbek leader). This was replaced by the multilateral cooperation organization called 'Shanghai Cooperation Organization (SCO)' in 2001, which includes all five Central Asian states, China, and Russia. As the organization evolved, their focus shifted from demarcating the Russo-China border to strengthening cooperation in

security areas such as anti-terrorism. Also, because China shares a border with the Xinjiang Uygur region, they have a vested interest in securing and stabilizing the region. Thus, Chinese aid to Central Asia has increased, especially in China's neighboring countries such as Tajikistan and the Kyrgyz Republic, mostly in the form of grants and loans for construction and infrastructure such as roads and hospitals.

After the collapse of USSR, Russian influence over Central Asia declined in conjunction with its economic crisis. However, since the appearance of Vladimir Putin, Russia has paid more attention to the situation of Russian ethnic minorities in Central Asia, trying to keep its dignity as a suzerain state by establishing the Custom Union and the Eurasian Economic Union (EurAsEC). Kazakhstan is in difficult situation because it shares not only 6467 kilometers of the border with Russia but also infrastructure such as electricity system and railway infrastructure (part of the Siberian railway goes through Kazakhstan's territory). In addition, the Russians in the country accounts for about 23% of the country's national population of around 17 million. Hence, Kazakhstan makes great effort to maintain its relationship with Russia.

Soon after the independence of Central Asian countries, Western attention turned to the democratization and human right issues in this area, but after the Andijan riot in May 2005, the relationship with Uzbekistan became distant. However, it now looks as though Uzbekistan recently has softened its attitude towards the West and handled the international politics sophisticatedly among foreign powers such as Russia and China.

Since September 11th, the US had been leasing Khanabad air force bases in Uzbekistan and Manas in Kyrgyz Republic, but because the relationship with Uzbekistan had deteriorated after the Andijan riot, the US Air Force withdrew from Khanabad in July of 2005. With Manas base's closing in July 2014 after the International Security Assistance Force (ISAF)'s withdrawal from Afghanistan, no US military is present in Central Asia today. On the other hand, Russian air force still remains in Kant air base. Moreover, Russia signed the agreement with Tajikistan for using military base in Tajikistan till 2042. The presence of Russian military in Tajikistan grows in order to defend former soviet border against the expansion of Islamic extremism.

After the beginning of Afghan conflict and deployment of ISAF in Afghanistan, routes from the Afghanistan to Central Asia gained the strategic importance as the 'Northern Distribution Network (NDN)', and the route from Termez in Uzbekistan to Northern Afghanistan plays an important role for transport (this is the same route by which the Soviet army invaded Afghanistan in 1979). Japan supported the project of the construction of a new railway called "Tashguzar-Kumkurgan New Railway Construction

Project' through a yen loan. Now, another project of electrification of the railroads to increase the capacity of transportation is under way. From this, it is obvious that Central Asia will have to play a key role as the most stable neighboring countries of Afghanistan. Therefore, the economic stability and security of Central Asia is one of the most important issues facing the international community today.

Conclusion: Perspectives – Japan's Roles in Central Asia

This article has overviewed the level of development and engagement by the international community in Central Asia. Having covered these issues, it is incumbent upon Japan to proactively pursue direct economic benefits such as energy resources but also to develop ways of pursuing indirect economic benefits such as economic growth and stabilization in Central Asia that can be mutually shared with Afghanistan and with whole Eurasia region.

Among the OECD DAC countries, Japan is the one of the only countries that has the regional platform 'Central Asia plus Japan' to promote regional cooperation in Central Asia. These days Russia and China have expanded their influence over Central Asia through SCO and the Customs Union, but many people in Central Asian countries expect Japan's more extensive engagement in this region. Japan is expected to play a crucial role as a facilitator to advance the relationships not only between Japan and Central Asia but also among Central Asian countries. In the past, dialogues consisted only of Japan and Central Asian countries, but at the 'Central Asian plus Japan' Tokyo Dialogue (Intellectual Dialogue) organized in Tokyo in March 2015, researchers from Russia and US were also invited. We, contributors of this article, expect that under the participations of diverse stakeholders the 'Central Asia plus Japan' should be able to expand more meaningfully.

We think it necessary Japan should continuously participate in the successful regional platform, CAREC, organized by ADB, to promote regional cooperation. Additionally collaboration with international organization such as UNDP is also necessary to tackle transboundary issues such as disaster risk reduction and border control.

As to the assistance, we, contributors of this article, suggest the support to energy development, electricity, and transport for acceleration of industrial development of upper middle-income countries, especially in Turkmenistan where the need for diversification of gas exportation through the Indian Sea is very high. In addition, future elimination of the economic sanctions imposed on Iran and the extension of traffic route connecting Central Asia to the Persian Gulf through Turkmenistan and Iran will

drastically change not only Central Asia but also the entire Eurasia region. In terms of infrastructure, Japan should make efforts to continue aid applying Japan's high technology that aligns with Prime Minister Abe's idea of 'high-quality infrastructure development' as Japan already accomplished through past ODA projects in Uzbekistan creating efficient high energy gas turbines for power stations and railroad bridges..

Japan should continue its support not only for infrastructure but also for human resource development in Central Asia. Human resource development has become an increasingly important issue, providing for future political transformation and regime change of this region. This type of approach and its outcome will dramatically improve the governance of new regimes and governments. As the result of the education system and infrastructure established during the Soviet era, literacy rates in all of the five Central Asian countries are significantly over 90%, a fact that stands out among developing countries. However, the education system in Central Asia still functions through an autocratic style, as it did in the Soviet era. In order to gain knowledge for dealing with problems in their home countries, many students in Central Asia desire to obtain opportunities to study abroad not only in Russia but also other countries. Given the situation, to provide such opportunities to growing youth population in the area could be an important pre-investment for Japan by which future leaders are educated and Japan's relationship with Central Asia is strengthened. Thus, Japan will be able to contribute to Central Asia's mid and long-term assistance through accepting promising students from the area and providing the education to become future leaders according to the global standards in the 21st century.

We, contributors, wish that Prime Minister Abe's visit to Central Asia in October will provide motivations and opportunities to strengthen Japan's dedication to 'Value Oriented Diplomacy' in the region and contribute to mutual interests through supporting 'quality growth' in Central Asia., Japan can take responsibility to lead aids and regional cooperation in the international community through 'Central Asia plus Japan'. We expect that the visit by Prime Minister Abe will prove a turning point in Japan's diplomatic strategy towards Central Asia that redefines Japan's role in the region.

Study Group on Development in Central Asia and Caucasus Region

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