

JAPAN-CENTRAL ASIA RELATIONS: FOCUS ON ENERGY

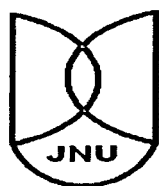
Dissertation submitted to the Jawaharlal Nehru University

in partial fulfillment of the requirements

for the award of the degree of

MASTER OF PHILOSOPHY

VINEETA BHATT



**JAPANESE STUDIES DIVISION
CENTRE FOR EAST ASIAN STUDIES
SCHOOL OF INTERNATIONAL STUDIES
JAWAHARLAL NEHRU UNIVERSITY
NEW DELHI-110067**

2009

जवाहरलाल नेहरू विश्वविद्यालय

CENTRE FOR EAST ASIAN STUDIES

SCHOOL OF INTERNATIONAL STUDIES

JAWAHARLAL NEHRU UNIVERSITY

NEW DELHI- 110067 (INDIA)



Phone: 91-11-26704346

Fax : 91-11-26704346

Date: 12th October 2009

DECLARATION

I declare that the dissertation entitled "JAPAN-CENTRAL ASIA RELATIONS: FOCUS ON ENERGY" submitted by me for the award of the degree of MASTER OF PHILOSOPHY of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this University or any other university.

VINEETA BHATT

CERTIFICATE

We recommend that this dissertation be placed before the examiners for evaluation.

Prof. Srikanth Kondapalli
Chairperson (CEAS)

Prof. Lalima Varma
Supervisor

To my parents, for having always stayed behind me and pushing me ahead with the best of gifts ever: education.

Preface

Japan with a population of 128 million and a total area of 380,000 sq km is one of the most densely populated among the major countries of the world. Energy security is a major foreign policy concern for this second largest economy. Although Japanese energy consumption is among the highest in the world, the country lacks significant domestic energy resources and most imports include substantial amount of crude oil, natural gas and other energy resources, including Uranium for its nuclear plants.

The high dependence on imported energy exposes Japan's economy to disruptions in international energy markets. Japan's reliance on the import of fuel and energy was felt more than ever after the Second World War when Japan tried to join the rank of the powerful industrialized countries. The occurrence of intermittent oil crises in the world and fluctuations in the oil supply or the prices of this strategic commodity in effect endangered the industrial policies of Japan. As a result, the Japanese policymakers tried to find a long term adjustments and solution to this problem.

Today almost 90% of Japan's oil requirements come from Middle Eastern countries. In order to reduce its over dependency Japan is turning fast towards other oil rich countries such as Central Asia.

This dissertation started with a simple idea such as to reflect on Japan's role in Central Asia since it gained independence following the collapse of the Soviet Union. Japan has been involved in Central Asia since the early 1990s but its role has largely been overshadowed by the activities of other more prominent external actors that operate in the region, the key ones being Russia, China and the United States.

This work which is titled as **“Japan-Central Asia Relations: Focus on Energy”** is divided into five chapters.

First chapter is introduction where the research work is being introduced and the historical background of the relationship between Japan and the Central Asia is established. Further various theoretical standpoints have been looked to analyze this relationship.

The Second chapter analyzes Japan's comprehensive strategic approach towards engaging the Central Asian region which was articulated in a “Silk Road Action Plan”

prepared by Ministry of International Trade and Industry (MITI), Ministry of Foreign Affairs (MOFA), and Ministry of Finance (MOF) at Prime Minister Hashimoto's Ryutaro direction and released on March 7, 1998. The action plan consisted of three pillars: *“strengthening political dialogues, assisting with economic and natural resource development, and cooperation in facilitating nuclear nonproliferation, democratization, and stabilization for peace”*. Finally the focus of the Chapter will be tried to study the relevance of Japan's Central Asian strategy. To answer this question the chapter further analyze Japan's engagement strategy and the Political and Economic role that Japan plays in the Central Asian region, followed by clarification of Japan's strategies for the region and its implications.

The Third chapter mainly focuses on Japan's energy strategy, interests and Projects in Central Asia, while highlighting Japan's current energy reserves and possible energy related prospects in Central Asian countries.

The Fourth chapter analyses that how, by giving up its image of self-isolationism and getting a global power status, makes Japan a geopolitical actor. Taking into account the relatively permanent character of geopolitical 'Great Game' in Central Asia, the Chapter then focuses on Japan's special role in it. It further argues that today in the realm of international geopolitics among major powers in the region the question for Japan is not how to escape the involvement in Central Asia geopolitics, but how to contribute to the positive diversification of foreign policy orientations of these post-Soviet countries.

Finally but not the least, it examines Japan's post-Cold War history in Central Asia and the country's standing as a major aid donor in the region. It also explains Tokyo's current strategy to keep itself out of the energy rivalry unfolding in the region and its aim to stabilize the region through long term development aid as an end has given it the reputation of a partner, rather than a player in the great game of the 21st Century.

Finally the conclusion chapter carries the concluding observations. Analyzing the previous chapters, the last chapter will give a conclusion to the priorities and objectives of Japan with regards to Central Asia since 1991.

Acknowledgements:

First of all, I would like to record my profound sense of gratitude to my guide, Professor Lalima Varma, Centre for East Asian Studies (CEAS), School of International Studies (SIS), Jawaharlal Nehru University (JNU), for her constant guidance, support and encouragement in the completion of the dissertation. During the preparation of this study, she has generously spared her valuable time to go through my drafts and make necessary corrections. She has also given me valuable suggestions to enrich the contents of the study. Needless to state that without her co-operation and guidance, this work would not have been completed in time. I owe a lot to her and I am indebted to her for all the help she has given.

I gratefully acknowledge Prof. Srikanth Kondapalli, the Chairperson of the CEAS, for enhancing my knowledge by giving his constructive comments on a subject of my interest.

Words fail to express my gratitude to the academic environment of JNU where this work took its final shape. I would like to thank the valuable assistance from libraries of JNU, United Nations Development Programme, Japan Foundation, World Bank, The Energy Research Institute, and the Institute for Defense Studies and Analyses Library for their kind co-operation.

Last but not the least; I owe my heartfelt gratitude to the Indian Council for Cultural Relations (ICCR) for providing me Saburo Okita Memorial Scholarship for the year 2008.

My sincere thanks are due to the ICCR, for granting me a field trip to Japan for the completion of my dissertation.

*Thanks are also expressed for the office staff of CEAS and SIS at JNU for rendering administrative support for the submissions of dissertation. I am grateful to Professor Mizushima Soukasa, Graduate School of Humanities and Sociology, University of Tokyo, for his guidance and the trouble he took to introduce me to the officials of the foreign studies departments of the University of Tokyo: *Domo Arigato Gozaimasu!**

My thanks are due to Ms. Hirano Yuuki, Planning Secretary of University of Tokyo Library for providing necessary help in the Library.

I am also sincerely grateful to Dr. Timur Dadabaev, Associate Professor in Graduate School of Humanities and Social Science of University

of Tsukuba, for his valuable suggestions and comments during my discussion with him on the subject.

Mr. Kensuke Kanekiyo, Managing Director, The Institute of Energy Economics, Tokyo, also provided me with many primary sources related to Japan's energy outlook and challenges of Northeast Asia. I express my sincere thanks to him.

I also express my thanks to my ex-Sensei, Nihongo Center, Hauz Khas, New Delhi, India, Ms. Yamanoi Junko for extending necessary help while I was in Japan.

I also owe my thanks to Mr. Kameda Amane and Ms. Hayashi Arisa, Research Students, Sophia University, Tokyo, for helping me in collecting source materials for the dissertation.

I am grateful to Ms. Paramita Tripathi, First Secretary, Indian Embassy in Tokyo and other embassy staff for providing assistance during my stay in Japan.

I thank from the depths of my heart, The God Almighty, without whose divine disposition the work would never have been completed.

I would like to extend my heartfelt gratitude to my family for their inseparable support and prayers. My Father, Mr. Mohan Lal Bhatt, in the first place is the person who put the fundament my learning character, showing me the joy of intellectual pursuit ever since I was a child. My Mother, Ms. Vimal Bhatt, is the one who sincerely raised me with her caring and gently love. My elder Sister and Brother, Anita and Pramod deserve special mention for their steadfast support and encouragement. Their love and inspiration have made every work easier. Thank you for believing in me and for being there in every step that I take. Further, I thank my friends Abhishek Varma, Pooja Singh, Santosh Kumar, Shafaqque Mallik and Supriti Sethi.

Date: 12 October, 2009

Place: New Delhi


Vineeta Bhatt

Abbreviations

ACG	Azeri-Chirag-Guneshli
ADB	Asian Development Bank
AEF	Asian Economic Forum
AFP	Arc of Freedom and Prosperity
APREC	Asia Pacific Energy Research Centre
ASEAN	Association of South East Asian Nations
BAS	The Business Advisory Services
Bb/d	Billion per day
BCM	Billion Cubic Metres
BKwh	Billion kilowatthours
BTC	Baku-Tbilisi-Ceyhan
CACO	Central Asian Cooperation Organization
CAREC	Central Asia Regional Economic Cooperation
CIS	Commonwealth of Independent States
CNPC	China National Petroleum Corporation
EBRD	European Bank for Reconstruction and Development
EEC	Eurasian Economic Community
EEZ	Exclusive economic zones
E/N basis	Exchange of Notes
ESMAP	Energy Sector Management Assistance Programme
EU	European Union
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GPN	Global Production Network
GW	Giga Watt
IBRD	International Bank for Research and Development
IEA	International Energy Agency
IEE	Institute of Energy and Economics, Japan
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
JECF	Japan-Europe Cooperation Fund
JFFC	Japan's Foundation for Foreign Cooperation
JICA	Japan International Cooperation Agency
JNOC	Japan National Oil Corporation
JOGMEC	Japan Oil, Gas and Metals National Corporation
JUSBP	Japan Uzbekistan Small Business Programme
Keidanren	Japan Federation of Economic Organization
Keizai Doyukai	Japan Association of Corporate Executives
KSBP	Kazakhstan Small Business Programme
LDP	Liberal Democratic Party
LNG	Liquefied Natural Gas
METI	Ministry of Economy, Trade and Industry

MITI	Ministry of International Trade and Industry
MMA	Metal Mining Agency
MMbbl	Million Barrels
MOFA	Ministry of Foreign Affairs
MOF	Ministry of Finance
Mbpd	Thousand dollars per day
MSE	Micro and small enterprises
MVD	Minister of Internal Affairs workers
MW	Mega Watt
NEAT WG	Network of East Asians Think Tanks Working Groups
NIC	Nisse-Ivoi Corporation
NGL	Natural Gas Liquefied
NKVD	Narodnyi Komissariat Vnutrennikh Del
ODA	Official Development Assistance
OECD	Overseas Economic Cooperation Development
OGJ	Oil and Gas Journal
OPEC	Organization Petroleum Exporting Countries
OSCE	Organization for Security and Cooperation in Europe
POW	Prisoners of War
PRC	People's Republic of China
SCO	Shanghai Cooperation Organization
SME	Small and Medium Enterprises
TAM	Turn Around Management
Tcf	Trillion cubic feet
TCM	Trillion Cubic Metres
TNCs	Trans National Corporations
UAE	Unites Arab Emirates
UN	United Nations
UNDP	United Nations Development Programme
UNSC	United Nations Security Council
US	Unites States
USD	US Dollars
USSR	Union of Soviet-Socialist Republics
WTO	World Trade Organization

List of Figures and Tables

Figures		Page No.
1	Energy prices are soaring fast and fluctuating violently	1
2 & 3	World Energy Outlook	3
4	Map of Central Asia	5
5	A bell-shaped production curve, as originally suggested by M.King Hubbert in 1956	17
6	The dependence rate of oil import from Middle East in Northeast Asia to 2030	18
7	Be Local Worldwide and Seize win-win Opportunities	25
8	Cooperation Results by country in Central Asia and the Caucasus (FY 2006)	34
9	Japan's Cooperation in Central and Afghanistan (Transport Sector)	43
10	JECF Commitments by region	45
11	JECF Activities by sector	46
12	Total Energy Consumption in Japan, by Type (2005)	55
13	Japan's Oil Production and Consumption 1989-2009	56
14	Top World LNG Importers, 2006	56
15	Japan's Electricity Generation by Source, 1986-2006	57
16	Japan's Annual Crude Oil Imports in total and that from the Middle East from 1990 to 2006	64
17	Japan's annual crude oil imports from other main oil-producing countries in West and Central Asia including Oman, Iraq, Yemen, and Kazakhstan	64
18	Asia in the World	69
19	The Concept of obtaining the energy oriented CO2 target level at 2010	85
20	Per Capita CO2 Emission & Fig. 21 Per Capita CO2 Emission (2005)	86

Tables		Page No.
1	Assistance through International Organizations	36
2	Energy Structure of Northeast Asia	69

CONTENTS

	Page No.
Preface	I-II
Acknowledgements	III-IV
Abbreviations	V-VI
List of Figures and Tables	VII
Chapter – 1:	
Japan-Central Asia Relations: A Historical Background	1-18
1. Japan-Central Asia Relations: A Historical Background	
2. Japan Strategic Thinking towards Central Asia	
3. Japan-Central Asia Relations: A Background	
4. Japanese Perception of Asia Reflected in Central Asian Diplomacy in the 1990s	
5. New Trends in the Japanese Foreign Policy of the 21st Century	
6. Theoretical Framework	
Chapter – 2:	
Japan-Central Asia: Economic and Political Relations	19-48
1. Overview of Japan’s Political and Economic Activities in Central Asia	
1.1 Phase I: 1992-1997	
1.2 Phase II: 1997-2004	
1.3 Phase III: 2004-Present (Central Asia Plus Japan)	
1.4 Prime Minister Koizumi Junichiro’s visit to Central Asia and the “Arc of Freedom and Prosperity”	
2. Japan’s Economic Relations with Central Asia	
2.1 Economic Structure of Central Asia	
2.2 Japan’s Assistance to Central Asia	
a). Bilateral Official Development Assistance (ODA)	
b). Assistance through International Organizations	
c). Japanese Trade and Investments in Central Asia	

- a). Trade and Investment, by region
- b). Barriers to Trade in Central Asia
- 3. Japan-Europe Cooperation Fund (JECF)
- 3.1 Types of Activities
 - a) Turn Around Management (TAM) and Business Advisory Services Programmes (BAS)
 - b) Micro-Lending Activities
- 4. Conclusion

Chapter – 3:

Japan-Central Asia Relations: Focus on Energy

49-72

- 1. Origin of the Concept of Energy Security
- 2. Energy Security Defined
- 3. Variable Definition of Energy Security
- 4. Japan's Energy Status: An Overview
- 5. Japan's Energy Consumption, by Type
 - a) Oil
 - b) Natural Gas
 - c) Coal
 - d) Electricity
- 6. Central Asia's Energy Resources
 - a) Kazakhstan
 - b) Turkmenistan
 - c) Uzbekistan
 - d) Kyrgyzstan and Tajikistan
- 7. Japan's Energy Strategy and Central Asia
 - 7.1 Japan's Crude Oil Import from West and Central Asian countries
 - 7.2 Japan's Energy Interests in Central Asia
 - 7.3 Japan's Projects with Central Asia
- 8. Energy Security – Competition all over the world
- 9. Conclusion

Chapter – 4:

Japan’s Geopolitics in Central Asia: The New Great Silk Road and the New Great Game **73-97**

1. The New Great Game
2. The Emergence of Geopolitics
3. Regional and Major Powers in Central Asia: Players and their Stakes
 - I. Russia’s Resurgence
 - II. China’s Growing Role
 - III. US Choices
4. The Implications for Japan
5. Japan towards a Cooperative and win-win Strategy with Central Asia
6. Japan’s Silkroad Diplomacy
7. Japan towards Strategic Partnership with Central Asia
8. Japan and the Neo-Marshall Plan
9. “No” Great Game
10. Complementary role of Japan’s Central Asia Plus Japan initiative and the Shanghai Cooperation Organization (SCO)
11. Conclusion

Chapter – 5

Conclusion **98-104**

1. Japan in the Central Asia: *Player or Partner*
2. Japan’ Role in Central Asia: Public Opinion in Central Asia
3. “Open-Regionalism”
4. Japan as an Asian Role-Model

Bibliography **105-115**

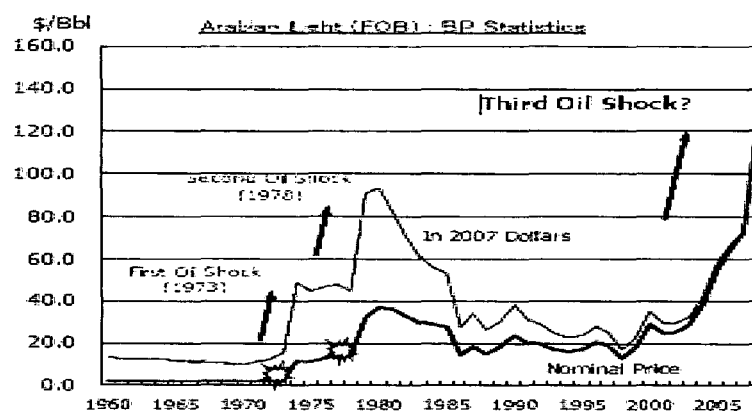
Chapter - 1

Japan-Central Asia Relations: A Historical Background

Energy is the basic building block for socio-economic development. Future economic growth crucially depends on the long-term availability of energy in increasing quantities from sources that are easily available, accessible, and sustainable. Also the importance of energy security has increased in recent years, and Japan has been looking for ways to strengthen its energy security.¹ Japan's vulnerability to disruptions in oil supply was most profoundly exposed during the global oil crisis of 1973. The shock gave a new impetus to the need for addressing the country's energy security. A second oil crisis in 1978 renewed concerns over Japan's vulnerability with a volatility in oil prices, demonstrated by a rise from 13.7\$ per barrel to 34\$ per barrel by 1980.

During the two oil crises of the 1970s (Fig.1), Japan's dependence on external energy supplies, especially oil, became more apparent than ever. Japan's Gross Domestic Product (GDP) dipped and commodity prices soared; Japan and its people plunged into economic hardship (Kojima, 2005: 17). In response, Japan improved relations with the Arab world to ensure the flow of oil and also took a number of domestic policy measures: reducing its energy consumption, passing a stockpiling law, and developing new technologies for alternative sources.

Fig. 1 Energy prices are soaring fast and fluctuating violently



Source: The Institute of Energy Economics (IEE), Japan, August 2008

¹ The International Energy Agency (IEA) defines energy security primarily in terms of stable supplies of oil and natural gas.

As a country with few indigenous energy resources, Japan has long considered energy security, a central pillar of its national security framework. During most of the 1980s and 1990s all went rather well. Even at the time of the 1990-1991 Gulf War, no serious supply shortages or major price hikes occurred as oil stockpile were greater than even recommended by the International Energy Agency (IEA).

The end of the Cold War created new opportunities for Japan to engage with Russia. The availability of abundant energy resources from the nearby Russian Far East and the return of the Kurile Islands², referred to by the Japanese as the Northern Territories, were subjects closest to Japan's interests. However, Japan tied the issue of energy investment in the Russian Far East to the return of the disputed islands. This led to frosty ties between Moscow and Tokyo, prompting the latter to focus its attention increasingly toward Central Asia instead. Central Asia was an attractive option for a number of reasons. Japan was attracted to the region's oil and gas deposits. Aid to Central Asia was also intended to show the Russians that more funds could be forthcoming if they return the disputed islands to Japan.³ In addition, there were doubts over Russia's uncertain future outlook and difficulty in penetrating Russia's highly-protected energy industry.

However, energy security has once again taken centre stage in world politics. In particular, the post 11 September 2001 terrorist attacks and United States (US)-led war in Iraq (2003) has pushed oil prices to record levels thereby creating an international environment where securing energy and its safe passage are inescapable issues.

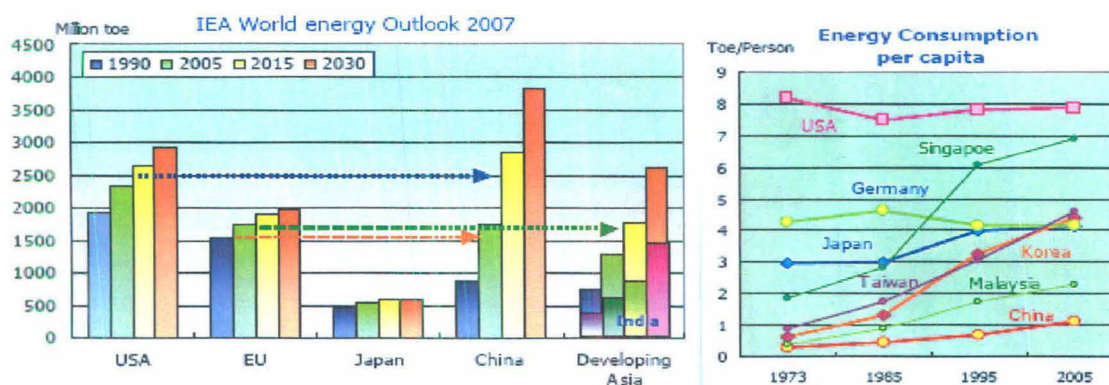
² The Kurile Island dispute is a dispute between Japan and Russia over sovereignty over the southernmost Kurile Islands. The disputed islands are currently under Russian administration as part of the Sakhalin Oblast, but are also claimed by Japan, which refers to them as the Northern Territories. In the aftermath of World War II, Japan lost those islands, the Kuriles to Russia. It is considered that the territorial dispute is both political and economic issue. The disputed islands are: Kunashir (1,498.8 km²), in Russian or Kunashiri in Japanese. Iturup (3,184.0 km²), in Russian or Etorofu in Japanese. Shikotan (253.3 km²), in both Russian and Japanese. The Habomai (99.9 km²), rocks in both Russian and Japanese.

³ Since 1992, Japan has been a significant aid donor to Central Asia, providing over US\$ 2.5 billion in loan and grant aid for humanitarian projects as well as energy development. Japan has also played a role in connecting Central Asia to the wider Asia-Pacific region; as a result of direct lobbying by Ministry of Foreign Affairs (MOFA), all of the five republics became members of the Asian Development Bank (ADB) between 1994 and 2000. Since the mid-1990s, all of the Central Asian states, with the exception of Turkmenistan, have received between US\$ 300 million and US\$ 900 million in ADB loans. Since 1994, Japan has also provided more than US\$ 90 million to the region through the World Bank, the UN Trust Fund for Human Security and the European Bank for Reconstruction and Development (EBRD).

Furthermore, a rising China and an emerging India have complicated the issue. Their huge appetite for energy and continuing demands from major world powers like the US makes energy security policy extremely vexed. The global economy is at a crossroads as far as the political economy of oil and energy is concerned.

According to IEA World Energy Outlook report 2007 (Fig.2) “in 2005, China reached Europe in terms of energy consumption and will overtake the US by 2015, becoming the world biggest energy consumer.” Also India and other Southeast Asian countries are also increasing energy consumption fast. They, combined, will catch up Europe by 2015. There are several countries in Asia whose per capita energy consumption has already exceeded that of Japan. (Fig.3)

Fig. 2 and Fig. 3: World Energy Outlook



Source: IEA World Energy Outlook report 2007

Analysts suggest that the areas of conflict between Japan and China are likely to increase in the future. One such area is competition over procuring new sources of oil. China has already concluded important oil deals with Russia and some Central Asian countries like Kazakhstan. China realizes that it is important to ensure a regular supply of oil for its growing economy. According to an IEA in 2003 China had already consumed almost the same amount of oil as Japan (Tanaka, 2004: 30). Due to its own increasing demand for oil, China recently suspended petroleum exports to Japan from the Daqing oil fields in Heilongjiang Province after Japan refused to agree to a significant price rise. The competition for energy resources is likely to intensify in the coming years. Thus a major plank of its foreign policy strategy is to strengthen relations with its neighbours including Russia and the Central Asian countries which are rich in oil and natural resources. Japan

appears to have noticeably activated its diplomatic resources recently for the explicit purpose of enhancing its relations with the Central Asian countries. Currently, Tokyo is currently carrying out a new energy strategy aimed at long term stable deliveries of oil, gas and other energy resources in order to boost its economy which is the second largest in the world.

This chapter deals with the history of the nature of relationship between Japan and the Central Asia in the pre-cold war period.

1. Japan's Strategic Thinking toward Central Asia

Following the collapse of the Soviet Union in 1991, five new independent republics emerged in the Central Asian region. Central Asia has inappropriately been called 'Inmost Asia' or 'Innermost Asia'. Central Asia is not Inmost Asia or Innermost Asia, it is just Central Asia. It is within the conception of Inner Asia with no shoreline like Outer Asia. Up to the time of Pope Innocent IV (reign 1243-54), who sent Franciscan Friar Givonni de Piano Carpini to Guyuk Khan (born 1205, reign 1246-48) of Qaraqorum, the capital of Chingiz Khan (Supreme Lord) (born 1162, reign 1206-27) and his early dynasts, in 1245 (Rachelwiltz, 1971: 14), Europe knew Central Asia as Tartary (land of the Tartars), that is, the Tartar tribesmen. After the establishment of Russian Turkestan in 1868, Central Asia came to be known as Chinese or East Turkistan minus Tibet and Russian or West Turkistan minus the Uzbek khanates.

Now, Central Asia, which consists of the five countries of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, is the central region of the continent of Asia between Mongolia and China proper in the east; India, Bhutan, Nepal, Pakistan and Afghanistan in the south; Iran and the Caspian Sea in the west; and Russia in the north (the central point of the continent is in Siberia). The Caucasus stands on the other side of the Caspian Sea which is situated in the western part of central Asia, comprising the three countries of Azerbaijan, Armenia and Georgia.

Fig. 4 Map of Central Asia



Source: World Atlas 2007

The countries in these areas were integrated into the Soviet Union in the 1920s but they gained their independence when the Soviet Union disintegrated in 1991. This is a strategic location on the Silk Road⁴ that has historically linked east and west. The phenomenon of the great Silk Road has become an element of the new geopolitical great game unfolding in central Asia.

In the early days as young independent republics, these states had very little economical experience, financial reserves, international diplomatic exposure, and national identity consciousness to speak off. On the domestic front, there were worries about social disruption and political collapse, of conservative Islam sweeping into power, of ethnic strife erupting, territorial disputes with neighbors descending into conflict, as well as environment degradation. From a geopolitical perspective, there were concerns among analysts as to whom the Central Asia leaders might align themselves with and whether the new republics would be able to assert their independence fitfully. Based on

⁴ Silk Road or the Silk Route, the geographical term coined by Ferdinand Von Richtofen in 1877 is essentially an 8000 km land connects various Central Asian and Eastern countries.

the stereotype of the Central Asian states as helpless states of others' design, many in the US foreign policy establishment initially thought that the Central Asia republics would fall into the sphere of Iranian influence, citing Islam as a bonding factor. When it soon became clear that this assumption was wrong, attention shifted to the Russians who were attempting to pull the Central Asian states back into Russia's political orbit using their former Soviet economic links as leverage (**Blank, 1995: 15**). Competition over the region quickly heated up while Russia was attempting to reassert itself in its backyard, with Turkey, India, Pakistan, China and the US throwing in their lot into this game of courtship to win favor with the Central Asian regimes.

As a result of such rivalry, there have been increasing admonitions in scholarly and policy research circles about the revival of the "Great Game", a reference to the rivalry and competition between the empires of Great Britain and Tsarist Russia over supremacy in Central Asia in the 19th Century (**Masuda, 2006: 46**).

Central Asia is often regarded as a strategic region because of its geographical position. The region has historically served as a crossroad between East and West and is surrounded by several great powers in the Eurasian landmass. More recently, the vast and commercially viable quantities of crude oil, uranium and natural gas reserves in the region has contributed to the premium as well as the instability of the region. Oil was discovered in the Central Asia and Caspian region over a hundred years ago. When the erstwhile Soviet Union controlled the region, the existence of the oil and gas wealth was known but only partially and poorly developed. After the collapse of the Soviet Union, the Central Asian and Caspian region is once again attracting attention due to the untapped oil and gas resources available. Turkmenistan is said to have proven oil reserves of roughly 546 million barrels although some reports claim oil reserves of as high as 1.7 billion barrels, and proven natural gas reserves of approximately 71 **trillion cubic feet (Tcf)**. Similarly, Uzbekistan is reported to possess 594 million barrels of proven oil reserves with estimated natural gas reserves of 66.2 Tcf. Kazakhstan is said to have between 9 and 29 billion barrels of oil and a sizeable proven natural gas reserve of 65-70 Tcf. (**Energy Information Administration (EIA), September , 2005**).

What is more, gold is found in practically every country of Central Asia. Uzbekistan is the country with the greatest gold resources in the region, with a ranking of

the 9th in the world in production volume. Next comes Kyrgyzstan, ranked 17th Japan is one of the world's major importers of gold bullion, importing some 80 tons annually as of 2004.

For the Central Asian states, these resources offer an economic lifeline which would enable them to end their economic isolation under Russia. Kazakhstan, Turkmenistan and Uzbekistan began to use their energy supply as an incentive for energy-hungry states to invest in the region. Although there are other factors at play, the presence of energy supplies could be considered as the single most decisive factor in attracting the Great Powers to compete over the region.

Chronologically, top-contenders in the region spanned from Iran in the early 1990s, Russia in the mid-to-late 1990s, the US from 2001 after 11 September till recently, followed by China and, to a lesser extent, Russia, from 2004 to the present day. While there are significant overlaps as the balance-of-power transits from one player to another, this timeline reveals how slippery Central Asia is for those vying for influence in the region. More importantly, it underlines the see-sawing attitudes of the local regimes towards the external powers. Essentially, the Central Asian regimes are trying to find equilibrium in their ties with the various players as part of their "balanced-diplomacy" strategy. They are not interested in a monogamous relationship (alliance), preferring instead varied options and flexibility to adapt to new challenges and threats.

Interestingly, among the many competing powers in Central Asia, Japan has received the least attention despite having been present in the region since 1992. In contrast to the shifting attitudes of the Central Asian leaders towards the other external powers, the welcome hand has always been rolled out for Japan. An examination of Japan's post-Cold War history in Central Asia would reveal the country's standing as a major aid donor in the region. Tokyo's current strategy to keep itself out of the energy rivalry unfolding in the region and its aim to stabilize the region through long-term development aid as an end has given it the reputation of a partner, rather than a player in the Great Game. This is in contrast to the other players whose key motivation in the region is the exploitation of the region's vast oil and gas resources for their own needs. In time to come, Japan is likely to find itself increasingly having an important role to play in the geopolitical sphere, not just in Central Asia, but Eurasia.

2. Japan-Central Asia Relations: A Background

Few know though about the connection between Japan and Central Asia that existed long time ago, after the Second World War, when several thousand Japanese war prisoners were sent to Kazakhstan and Uzbekistan for forced labor.

Japanese army had never participated in demolition of Soviet cities and villages (it had only fought in the environs of Lake Hasan), but the Japanese POWs (Prisoner of War) were involved as labor force at construction sites throughout Uzbekistan. Twenty, Yakassarai Street in Tashkent is an address mentioned in all reference books on Central Asia published in Japan. This is a museum dedicated to the presence of Japanese (POWs) in Uzbekistan in the wake of Second World War.

Both in Kazakhstan and Uzbekistan, Japanese laborers were involved in major post-war construction projects. In Uzbekistan, they built the Navoi Theater and Mukini Theater, the textile factory, the telegraph station, building of the Ministry of Culture in Tashkent, and factories in Chirchik. In Kazakhstan, the Japanese who lived in barracks behind Panfilov Street in Almaty (Kazakhstan's Capital), built the airport, Turksib house with original towers, the building of the Academy of Sciences, and posh "dachas" for Narodnyi Komissariat Vnutrennikh Del (NKVD) and Minister of Internal Affairs (MVD) workers.⁵

Being friendly and hardworking, the Japanese war prisoners established good relations with local communities. Kids exchanged apples and sweets for buttons and toys created by the Japanese. The "Life story of a Young Akkordeonist" by Satubaldy Narymbetov, a Kazakhstan's film director, made in the 1990s, at the peak of the so-called "New Wave" movement in Kazakhstan's film industry, features a story of about 300 Japanese who came to a Kazakh village for work. The main character's father was put in prison accused of spying for the Japanese, as a result of their joint tea and vodka sessions. That was one of the versions of what could happen when members of two distant communities are brought together by a random turn of the history.

⁵ The Narodnyi Komissariat Vnutrennikh Del (NKVD) or People's Commissariat for Internal Affairs was a government department which handled a number of the Soviet Union's affairs of state. In addition to its state security and police functions, however, some of its departments handled other matters, such as transport, fire guards, border troops, etc., the tasks that were traditionally assigned to the Ministry of the Interior (MVD).

The People's Republic of China (PRC) and the Union of Soviet Socialist Republics (USSR) struggled for primacy and supremacy there in the second half of the 20th century, even clashing on their borders in 1969. The British awareness of Central Asia traced to its position in Persia in the 18th century. Even Japan based in Korea and part of China became involved in Central Asia in the first half of the 20th Century. It made an alliance with Britain against Russia on 30th January 1902, although Britain was quiescent in the Russian-Japanese War of 1904-1905. The Japanese awareness of Central Asia traced to Shogun Toyotomi Hideyoshi (1536-98), who, after unifying the empire of the archipelago of Japan in 1550, mounted an expedition to take China in 1593.

All Central Asia thus passed through the great game of politics. It entered the modern era not through the normal course of its development but through subjugation by outside powers, that is, through imperialism.

The geographical location of Central Asia between China, India and Iran (and Russia in the modern times) has a long history in its long march. Since history is the interaction of social and other processes, which create spectrum, a history of all Central Asia must be the history of its Nomadism, Sedentarism, Shamanism, Zoroastrism, Buddhism and Islam, politics and cultures, and so on. Buddhism even made an abiding impact on the cultures of China, Korea and Japan. Science (astronomy) went from Central Asia to West Asia, and Europe (**Rahul, 2000: 9**).

It is in this backdrop of historical experiences, arbitrary splintering and sudden independence that should be needed to examine the security environment of the Central Asian Republics. In this it is not the external influences emanating from the region that is important. More relevant is the stability of these Republics, and outside interests that may influence internal developments, that will determine the security environment of the region in the future. Strategic issues would then revolve even more around geography, demography, ethnic composition, economic stability and religious influences, more than the other factors.

3. Japanese Perception of Asia Reflected in Central Asian Diplomacy in the 1990s

During the Cold War, Soviet Central Asia was never an object of great interest to Japanese diplomacy. When Asianism was a salient element in diplomacy, Japan collected information about Soviet Central Asia, but did not engage in this region directly. As exemplified by Abdurreshid Ibrahim, a famous Pan-Islamist who came to Japan in 1933 under the conduct of Japanese military officials, émigré Tatar Muslims played considerable roles in Japanese policy, but they were expected to serve as leaders of the Muslim community in Japan and to contribute to Japanese operations targeted at Muslims in China. Although Japan intended to contain Soviet power by mobilizing Islamic networks across non-Soviet parts of Asia; it could not conduct operations directly targeted at Soviet Muslims because of its lack of ability and the absence of local partners. Interestingly, Mustafa Chokay, a prominent leader of the Central Asian independence movement exiled in Europe, warned that Japan could risk antagonizing independent Muslim countries by becoming involved in the Pan-Islamist movement. In 1941, the Imperial Railway Society announced its idea of constructing a “Trans- Central Asian Railway,” but the most favored route was to run through Xinjiang, the Wakhan Corridor and Kabul, thus bypassing Soviet Central Asia. Needless to say, postwar Japan had neither motive nor chance to actively engage in this region.

Central Asian countries entered the sphere of Japanese diplomatic activities after the fall of the Soviet Union in 1991 (**Tomohiko, 2003: 12**). Although it may seem odd, the Japanese Foreign Ministry classified them as a part of Europe, apparently because it would be inconvenient to divide the former Soviet Union into two regions that different bureaus dealt with. The proposal to transfer Central Asian diplomacy from the European Affairs Bureau (called the “European and Oceania Affairs Bureau” until 2001) to the Middle Eastern and African Affairs Bureau was rejected. In substance, however, Japan has neither treated Central Asian countries as an attachment to Europe, nor used them in attempts to contain Russia. Although the statements made by President Askar Akaev of Kyrgyzstan at the close of the Soviet period in favor of the return of the Northern Territories to Japan served as the first opportunity to turn the attention of Japanese

officials to Central Asia, Japan has seldom clearly connected Central Asian diplomacy with its diplomatic goals in relation to Russia.

Prime Minister Hashimoto Ryutaro's 1997 speech on "Eurasian diplomacy" declared the principles of Japanese diplomacy toward Russia, China, Central Asia and the Caucasus. Russian diplomacy and Central Asian diplomacy were included in one speech as a result of the simultaneous growth of two trends: first, Hashimoto and other top officials were eager to resolve the northern territories dispute and improve Japan-Russia relations, and second, they wanted to activate Central Asian diplomacy. In substance, Russian diplomacy and Central Asian diplomacy were treated separately in this speech, and it is not accidental that the section on Central Asia and the Caucasus was later called "Silk Road diplomacy," rather than simply being considered part of Eurasian diplomacy. The speech reemphasized the objectives Japan had pursued in relation to Central Asia since 1992, rather than declaring entirely new principles, but it undoubtedly raised both Japan's recognition in Central Asia and the priority of Central Asian issues inside the Japanese government.

Japan's Central Asian diplomacy in the 1990s was influenced by the Japanese perception of Asia in general and inherited various elements of postwar Asian diplomacy. First, Japanese officials considered that Japan should acquire new "friends" in Central Asia, thus, partially compensating for the lack of friendly countries in East Asia and strengthening Japan's position in the United Nations (UN). The official's first target was Kyrgyzstan. President Askar Akaev repeatedly expressed his friendly feeling and gratitude to Japan, and Japanese officials thought it relatively easy to make this small nation "pro-Japanese." They also became interested in Uzbekistan, as they found a resemblance between the Uzbeks with their politeness and communal traditions. Abundant remains of the ancient Silk Road in Uzbekistan also produced a favorable impression of this country, as the Silk Road is believed to have played an important role in connecting ancient Japan to the outside world.

Second, Japan promoted its own model of economic development in the Central Asian countries. This was an extension of the idea of Japan's postwar diplomacy in which the Japanese economy could play a unique role in the development of Asia. Moreover, the Japanese model was regarded as an alternative to the International

Monetary Fund (IMF) model: many Japanese scholars and officials criticized the latter for being market fundamentalist and disastrous to fragile post-Soviet economies. Uzbekistan, which declared a “step-by-step” approach to economic reforms, shared the concern regarding the IMF model, and Japanese officials from the Ministry of Finance (MOF) worked closely with this country. Magosaki Ukeru, the Japanese ambassador to Uzbekistan in the mid-1990s, advocated the need to help Uzbekistan, citing President Islam Karimov’s statements that “Asian approaches are suitable for Asians” and “Japan would be the best model” of economic management. This exhibited the intention of both the Japanese and Uzbek sides to join hands through a shared Asian identity and anti-IMF economic policy.

Third, although Japan referred to the need to encourage democratization of Central Asia in a number of official documents, it apparently did not put great emphasis on this issue. In a sense, this represented the realism and non ideological character of Japanese diplomacy, which had already been manifested in the Cold War period when Japan was less enthusiastic about the fight against Communism. At the same time, however, this was also a sign of skepticism about democracy, deep-rooted in some Japanese bureaucrats and politicians. Magosaki Ukeru cites, and supports, a high-ranking official at the MOF who advised Islam Karimov, “It is impossible to expect Uzbekistan to establish democracy in a few years” because democratic consolidation needs hundreds of years, and “it is sufficient to go forward (to democracy) slowly.”

Needless to say, the above-mentioned three aspects of Japan’s Central Asian diplomacy present a striking contrast with US approaches. However, there is no indication that this difference caused a serious conflict between Japan and the US. This is because, first, Japan’s discreet behavior did not hurt US interests, and second, US interests in Central Asia in the 1990s were limited to specific issues such as Caspian oil, containment of Iran’s influence, and removal of the nuclear weapons that Kazakhstan inherited from erstwhile Soviet Union; therefore, there was no need to coordinate general policy toward Central Asia with Japan. In other words, the Americans’ indifference helped Japan to conduct its own independent diplomacy in Central Asia.

However, the Japanese diplomacy was not fully recognized by Central Asian nations and the international community, and did not achieve great success. The

promotion of a Japanese model of the economy was difficult to introduce into Central Asia with a very different institutional heritage (the Soviet system of economy) and industrial structure. Moreover, Japan's long economic depression and the adoption of the American neo-liberal model in the process of recovery undermined Japan's motivation to propagate its own unique model. The nuanced approach to democratization was, after all, nothing other than simple approval of the present state of Central Asian politics.

Another important reason why Japanese engagement was unintelligible for foreign observers was the relatively low level of Japanese economic interests in Central Asia. Although the abundance of energy resources in the Caspian region was well known to the Japanese, their participation in the development of Caspian oil and gas was low-profile, because most of the feasible transportation routes were directed to the west, and it was evident that all the oil and gas that would flow east would be consumed by China.

Therefore, the large amount of Official Development Assistance (ODA) that Japan provided to Central Asian countries lacked such clear-cut aims as were seen in the case of the aid that Japan provided to Middle Eastern countries to secure oil supplies. Investment in non-energy sectors was also inactive. In particular, investment in Kazakhstan stagnated despite its relatively large potential, because of the shock caused by some incidents including the cancellation of a contract between Karaganda Metallurgical Combine and Japanese companies guaranteed by the Kazakh government in 1995.

However, the low level of economic and geopolitical interest had its own benefit. Japan could emphasize the benign nature of its engagement with Central Asia, (Koji, 2000: 39) and indeed there are many Central Asians who say that Japan is the country that has provided aid actively since 1991. The attention Japan paid to Kyrgyzstan, Uzbekistan, and Tajikistan in the period when other major powers were captivated by Caspian oil deserves special mention, and Japan has achieved a modest but noticeable presence in these countries. Relations with Kazakhstan have also been good despite some awkward moments. Overall, Japan's Central Asian diplomacy in the 1990s was quite effective considering the limited human resources mobilized for it and the relatively low interest of the government and the general public in this region.

4. New Trends in the Japanese Foreign Policy of the 21st Century

The international situation surrounding this region is changing dynamically. Recently, China has been increasing its political and economic involvement in Central Asia through the Shanghai Cooperation Organization (SCO).⁶ Russia has been advancing the restructuring of the Eurasian Economic Community (EEC)⁷, increasing its power on the region. With the subsequent air strikes in Afghanistan following the terrorist attacks in the US on September 11, 2001, Uzbekistan, Tajikistan, and Kyrgyzstan offered military bases to US and European forces, which temporarily boosted the presence of the US in Central Asia. However, due to increased influence from China and Russia, the relation with western nations declined, resulting in the withdrawal of the US military from the air base in Uzbekistan in November 2005.

Linked with these developments directly and indirectly, the Japanese government has proposed two ideas during the last few years. The first is the “**Central Asia plus Japan**” dialogue launched in 2004. In the same year, then Foreign Minister Kawaguchi Yoriko visited countries in Central Asia and proposed a new cooperative framework of “Central Asia plus Japan” dialogue and agreed with every country. It was decided that under this framework, in addition to strengthening bilateral relationships, which was promoted in the conventional “Silk Road Diplomacy,” Japan assists in the promotion of intra-region cooperation related to common issues in the region (*terrorism, drugs, transportation, water and energy resources, trade, environmental conservation, etc.*) as well as the promotion of coordination with neighboring countries outside of the region such as Afghanistan.

⁶ The Shanghai Cooperation Organization (SCO) is an intergovernmental mutual-security international organization which was founded in 2001 by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. Except for Uzbekistan, the other countries had been members of the Shanghai Five, founded in 1996; after the inclusion of Uzbekistan in 2001, the members renamed the organization.

⁷ The Eurasian Economic Community (EEC) originated from the Commonwealth of Independent (CIS) States customs union between Belarus, Russia and Kazakhstan on the 29 March 1996. The Treaty on the establishment of the EEC was signed on October 10, 2000, in Kazakhstan's capital Astana by Presidents Alexander Lukashenko of Belarus, Nursultan Nazarbayev of Kazakhstan, Askar Akayev of Kyrgyzstan, Vladimir Putin of Russia, and Emomali Rakhmonov of Tajikistan. On October 7, 2005 it was decided between the member states that Uzbekistan would join.

The second is the idea of an “**Arc of Freedom and Prosperity (AFP)**,” proposed by Foreign Minister Aso Taro in a speech in November 2006; but earlier, in June 2006, he gave a speech on “**Central Asia as a Corridor of Peace and Stability**”. His latter speech is, in a sense, an extended version of the concept of the “Central Asia plus Japan” dialogue. Aso Taro emphasized that Japan and Central Asian countries should be proactive actors free from the games of the major powers, saying, “*We cannot allow Central Asia to be tossed about by, or forced to submit to the interests of outside countries as a result of a ‘New Great Game.’ The leading role must be played by none other than the countries of Central Asia themselves.*” This speech touched upon “universal values,” a point that would be later developed in Aso Taro’s idea of the “Arc of Freedom and Prosperity”. Another interesting point in this speech is the proposal to build a “southern route” linking Central Asia with the sea by a road across Afghanistan. Although this route had been discussed in Japan for some time, his emphasis on it reminds us of the idea of “Greater Central Asia” proposed by American experts (**Starr, 2005:30**)

The concept of the “Arc of Freedom and Prosperity” is a fundamental departure from traditional Japanese diplomacy in the sense that it places strong emphasis on “universal values” such as democracy, freedom, human rights, the rule of law, and the market economy. (**Aso, 2007: 161**) Geographically, this arc stretches from Southeast Asia to South Asia, Central Asia, the Caucasus, Turkey, Central and Eastern Europe, and the Baltic states, and seems to avoid Russia and China.

With 2004 as the high point, Japanese political momentum was enough to send Prime Minister Koizumi Junichiro to Kazakhstan and Uzbekistan in 2006. It was a first visit by a Japanese Premier and regarded as an attempt to catch up with Russia and China in developing regional policy on Central Asia. Analysts have said that that the “Central Asia plus Japan” dialogue (2004), along with the development of bilateral relations between Japan and the Central Asian countries, will help provide the region with an alternative to the growing influence of the SCO.

Although Central Asia enjoys vast energy development potential, there are obstacles to exploiting these resources, including limited infrastructure for transporting energy – notably oil and gas pipelines and electric transmissions lines in the region,

political turmoil, payment difficulties and inadequate energy policies. Yet Central Asia has several critical environmental issues also - the Aral Sea disaster, Caspian Sea pollution, rising scarcity of freshwater, and desertification, which extend beyond national boundaries and threaten regional security.

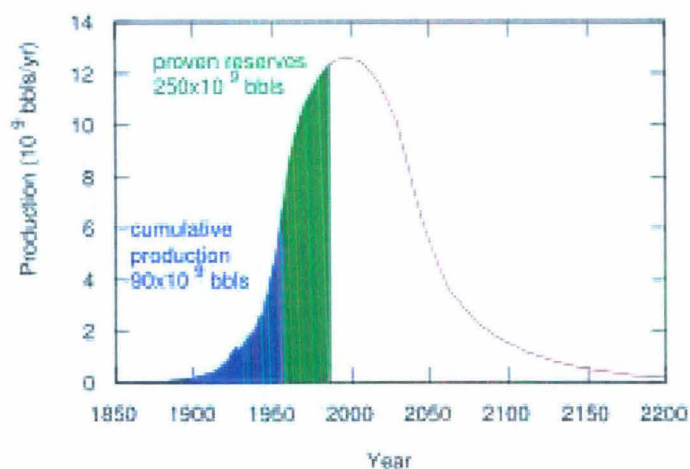
Despite these challenges, however, with appropriate government planning Central Asia is poised to become a significant world supplier of energy, especially in the oil and gas sectors, and the region is likely to diminish Organization Petroleum Exporting Countries (OPEC's) influence of the global market over the long term. (Dorian, 2005: 544)

Theoretical Framework

The research will have a particular focus on the **“Peak Oil” Theory**, which states that current oil reserves have “peaked” and the world is consuming whatever is left of a dwindling, non renewable fossil. That current level of global consumption can't be sustained over the next few decades at a rate appreciable to international commerce and population growth is a fait accompli. As such oil prices can precipitate global conflicts. It is worth recalling that the outbreak of World War two in the Pacific was driven by conflicts over resources. In 1931, in the midst of the Great Depression, Japan annexed Manchuria to gain control of the region's oil, iron ore and coal. In doing so, Japan antagonized the US and Britain and the conflict deepened after it invaded China in 1937. In 1941, after the US imposed an oil embargo, Japan attacked Pearl Harbor.

M. King Hubbert, a senior research geologist with Shell Oil created and first used the models behind peak oil in 1956 to accurately predict that US oil production would peak between 1965 and 1970 (Hubbert, 1956:10). His logistic model, now called Hubbert peak theory, and its variants have described with reasonable accuracy the peak and decline of production from oil wells, fields, regions, and countries, and has also proved useful in other limited-resource production-domains.

Fig.5 A bell-shaped production curve, as originally suggested by M.King Hubbert in 1956.



Source: American Petroleum Institute and Shell Development Co., 1956

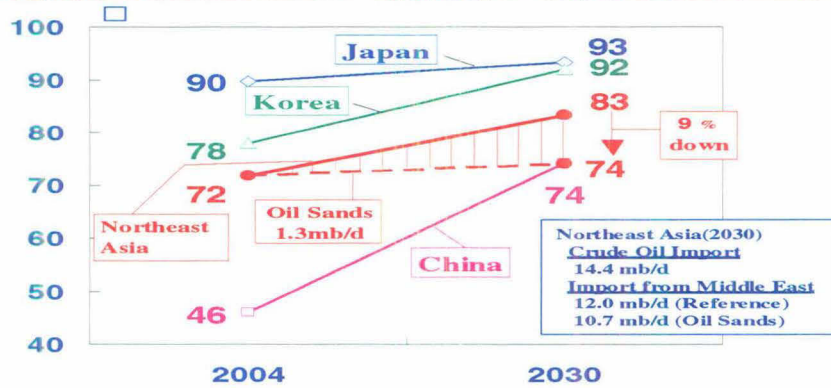
The research study talks about energy security which is related to the rise of oil prices and the prospect of energy scarcity. The trends towards energy demand in the Asia Pacific is inevitable due to the rapid industrialization and the expansion of the middle class. With a growing number of the middle class, this rising demand comes from transportation and domestic use. The peak oil hypothesis is, therefore, that global oil production is at maximum output already, or shortly will be, and that oil production will subsequently decline. Optimistic studies suggest that 2020 will be the peak; more realistic models indicate that it will arrive later in this decade. As energy consumption is peaking out in Japan (peak in 2004), it will more than double in developing Asia by 2030. It is important to note that peak oil is not about running out of oil, but the peaking and subsequent decline of the production rate of oil. After the peak of the bell-curve, there is a gradual but inexorable decline in production.

Central Asia with its high resources of oil, gas and minerals and strategic position is already a key arena of sharp rivalry between the US, Europe and Japan. India and other Southeast Asian countries are also increasing energy consumption very fast.

All of the major powers, along with transnational corporations, have been seeking alliances, concessions and possible pipeline routes in the Central Asian republics. To ensure its energy security and Tokyo is desperate to diversify its hydrocarbons sources in

order to reduce its reliance (over dependency) on Middle East for crude-oil imports. Currently in the three countries in Northeast Asia (Japan, China, and South Korea), the dependence rate of oil import on Middle East would steadily deepen. Specifically, by 2030, dependence level on the Middle East is forecast to reach about 93% in Japan and 92% in South Korea.

Fig. 6 The dependence rate of oil import from Middle East in Northeast Asia to 2030



Source: *The Institute of Energy Economics (IEE), Japan, 2005*

As such an obvious choice for the country is to turn to the Central Asian region. Though, Japan will have a difficult time securing the necessary energy resources from Central Asia. The country lacks the sheer military force that the US, Russia and China can all bring to influence events in the region. But the cash reserves (aid) that Tokyo can offer provide the country with substantial sway, and Japan's policy of pushing dialogue is likely to afford it the means of tapping oil and gas reserves.

Chapter - 2

Japan-Central Asia: Economic and Political Relations

The Central Asian region which is neighbored by Russia and China and with abundant natural resources can play a significant role for Japan both politically and economically. Japan is traditionally considered to be a non-threatening to the region because of its pacifist foreign policy could be a meaningful force in the Central Asian region even politically with its economic power and its untainted historical relations with Central Asia. Especially when the US and the European Union (EU) have difficulty in taking initiatives in Central Asia due to human rights considerations, Japan may be able to act, rendering help to the countries in the region, at the same time, making appeals for more political reform and democracy. (Akiner, 2005:12).¹

This chapter analyzes Japan's comprehensive strategic approach towards engaging the Central Asian region which was articulated in a "Silk Road Action Plan" prepared by Ministry of International Trade and Industry (MITI), Ministry of Foreign Affairs (MOFA), and Ministry of Finance (MOF) at Prime Minister Hashimoto Ryutaro's² direction and released on March 7, 1998. The action plan consisted of three pillars: "*strengthening political dialogues, assisting with economic and natural resource development, and cooperation in facilitating nuclear nonproliferation, democratization, and stabilization for peace*".

It further shows that Central Asia-Japan relations have always had very promising potential. One of the tasks for both Japanese and Central Asian leadership is to provide for a continuity and dynamism of the political and economic process.

Also, the hope for Japanese support through the Central Asia plus Japan (2004) in strengthening regional integration and creating a common market in the region is very high. On their side, the Central Asian leaders continuously and consistently express their

¹ The Andijan massacre occurred when Uzbek Interior Ministry and National Security Service troops fired into a crowd of protesters in Andijan, Uzbekistan on 13 May 2005. On May 13, 2005, a group of armed intruders assaulted a prison in Andijan to free the inmates. In ensuing events a large number of citizens were shot to death. The European Union (EU) and the US, to different degrees, blames the Uzbek authorities for shooting the unarmed citizens, whereas Russia and China openly defended the actions of the Uzbek government. Japan too a cautious approach and urged the Uzbek government to provide a more plausible explanation about the cause and the outcome of the incident. Japan did not publicly denounce the Uzbek authorities.

² Ryutaro Hashimoto was Prime Minister of Japan from January 1996 to July 1998.

support for Japan's bid for permanent membership in the UN Security Council (UNSC), and join in support of Japan's concerns about the situation on the Korean peninsula.

In the long run, the Central Asia will provide to large extent energy to Japan; also it does empower Tokyo to explore a larger diplomatic role in an area of crucial strategic significance to its powerful neighbors on the Eurasian landmass.

Finally the focus of the Chapter will be tried to study the relevance of Japan's Central Asian strategy. To answer this question the chapter further analyze Japan's engagement strategy and the political and economic role that Japan plays in the Central Asian region, followed by clarification of Japan's strategies for the region and its implications.

1. Overview of Japan's Political and Economic Activities in Central Asia

Japan's approach towards Central Asia is best analyzed in three phases. The initial phase stretched from 1992-1997, followed by the 1997-2004 period under the banner of "**Eurasian Diplomacy**" and in the final phase from 2004 to the present day with the formation of the Central Asia plus Japan initiative.

Japan has been very ignorant about Central Asia; although the latter's cultural influence was conspicuous in ancient Japan. Under Soviet rule, Central Asia grew even more remote in the eyes of the Japanese, becoming mixed up with the image of Russia. As the Japanese did not possess a positive view on the USSR, Central Asia was even more neglected because it was considered to be a mere "backward" part of the USSR.

Japan opened her first embassies in Central Asia only in January 1993 (in Kazakhstan and Uzbekistan). Such a slow move reflects another drawback in Japanese diplomacy; the acute shortage of diplomats with a fair command of languages such as Russian. Also, opening a new embassy takes a long time; one can be opened only when an old embassy elsewhere is scrapped to restrain the overall number of embassies. (Kawato, 2007:15)

In the first half of the 1990s, Kyrgyzstan drew the largest attention of the Japanese government. It became the first Central Asian country which a Japanese foreign minister visited. Liaison Office was opened by Japan in Kyrgyzstan in January 2003.

President Askar Akaev at that time was considered to be the most reform-oriented among CIS (Commonwealth of Independent States) leaders. It was assumed that because the economy is small, Japan's assistance would be more effective, turning Kyrgyzstan into a showcase of Japan's Official Development Assistance (ODA), and, thus, greatly enhancing Japan's position among CIS countries and Russia. That was the tacit calculation of Japanese officials at the time. However, it became clear that the Kyrgyz government was not prepared for implementation of large assistance projects, and gradually priority was transferred to Kazakhstan which is important due to her large oil reserves.

Uzbekistan occupies a geopolitically vital place at the center of the Eurasian continent, possessing the largest political influence. Uzbekistan is regarded as the key country in Central Asia based on the reasoning that if the situation becomes unstable in this country, it will easily spread to neighboring states, affecting the balance of power in the eastern half of Eurasia.

Turkmenistan from an early stage also had drawn the attention of Japanese business because of its huge natural gas reserves; however, relations were slow to materialize and only in 2005 did Japan open its official liaison office in Ashkhabad. Toward the end of the civil war in Tajikistan Japan showed interest in the postwar settlement and economic development in that country. But its presence never became permanent in Tajikistan before the opening of a liaison office in 2002.

For Japan, Central Asia, located between China and Russia, is vital for maintenance of the balance of power and stability in eastern Eurasia, and if Japan established its footing there, it would get a capability to play with China and Russia.

In 1994 President Islam Karimov made his first visit to Japan and by 1997 Japan had given about \$500 million in soft loans and grants to Uzbekistan, making the latter a show case of Japan's assistance in Central Asia.

TH-17556

1.1. Phase I: 1992-1997

Japan's first official high-level approach to Central Asia started in May 1992 with a visit by Japanese Foreign Minister Watanabe Michio . With this successful trip, the government began to set out a strategy to woo the Central Asian countries with financial development aid. Another high-level foreign ministry delegation followed in October the same year. In the same month, the Organization for Economic Cooperation and Development (OECD), under strong lobbying by Japan agreed to include the five Central Asian countries under the ODA program, certifying them as developing countries (**The Daily Yomiuri, October 24, 1992, p.1**). This enabled Japan to register aid to the region as official development aid. Japan also pushed for the Central Asian countries to be admitted into the Asian Development Bank (ADB) even though they were already members of the European Bank for Reconstruction and Development (EBRD).³ This allowed the Central Asian countries to draw credits from both banks, an unprecedented arrangement.

As early as December 1992, Mitsubishi Corporation announced that it would study the feasibility of a gas pipeline between Central Asia and Western China with plans to build a 7000km pipeline to transport gas from Turkmenistan via Kazakhstan to the oil fields of the Tarim Basin in Western China.

In 1993, the MITI, (*now METI, Ministry of Economy, Trade and Industry*) produced an energy policy white paper promoting the use of natural gas as part of the diversification energy security strategy away from Middle Eastern oil, arguing also that it is a cleaner form of fuel. It noted the open China's Tarim Basin, and suggested the creation of oil and gas pipelines to transport Central Asian oil and gas through China, to Japan. Through its positive report on the region, MITI encouraged Japanese oil exploration companies to invest in the region. Besides oil and gas field studies conducted by the Japanese private sector, the Japanese government also prepared aid packages to help develop the region economically and environmentally.

³ Date of Entry into the Asian Development Bank (ADB): Kazakhstan (1994), Kyrgyzstan (1994), Uzbekistan (1995) and Turkmenistan (2000).

Examples include:

- helping Kazakhstan modernize its Karaganda Ironworks,
- conducting of environmental research at the Kazakh's refineries that were polluting,
- offer of assistance to modernize the cotton industry in Uzbekistan and to help it shift from exporting cotton to exporting cotton products,
- and projects to rehabilitate abandoned agricultural land in Kazakhstan damaged by the shrinking Aral Sea.

By 1997, the Japanese government's relations with the Central Asia regime could be considered warm, with the Japanese government playing an active role in dispensing aid to Central Asia. However, such good relations did not translate into notable gains for the Japanese private sector looking to do business in the region. This was attributed to the instability of the region, the population's low spending power and the Japanese firms own risk-adverse attitudes. In addition, contrary to the superficial sense of cultural affinities, the lack of understanding of the local operating business environment and culture led to business losses for those who dared to venture. (Tomohiko, 2003:174).

To the disappointment of the Japanese, the government's energy security goal was also not making any concrete progress in the region. Japan was perhaps over-ambitious in planning a pipeline from Central Asia to Japan. It is clear that the attempt to develop a pipeline infrastructure from Turkmenistan to Japan is a much more monumental project as compared to the one from the Siberian oil and gas fields of Russia. There are too many variables to consider: besides the engineering feat of running a pipeline linking Turkmenistan, Kazakhstan, Uzbekistan, through China and eventually to South Korea ending in Japan, multilateral talks about pipeline corridors and transit commission fees would be a massive hurdles to overcome (Standing and Stroth, 1995: 1). There is also the question of the stability of the states involved and their bilateral relations, which would be major considerations for financiers in deciding whether to fund such a project.

Since it is natural to expect that the uncomplicated export projects which are usually the shortest routes be developed first, it follows that development of pipelines to East Asia may well be delayed until oil and gas production approach peak development.

Even then, investors are prone to focus on proven and successful routes and markets rather than developing new ones. As such, it would take decades for the plan of a Central Asia-China-Japan pipeline could be realized, if it all.

The Central Asia leaders were on their part eager to support the idea of a pipeline to Japan as their agenda was to look to alternative routes outside the traditional Russian controlled pipelines to export their oil and gas. Besides, the more foreign companies there are competing in the bidding process, the better their chances in fetching higher prices and contracts for their oil and gas fields.

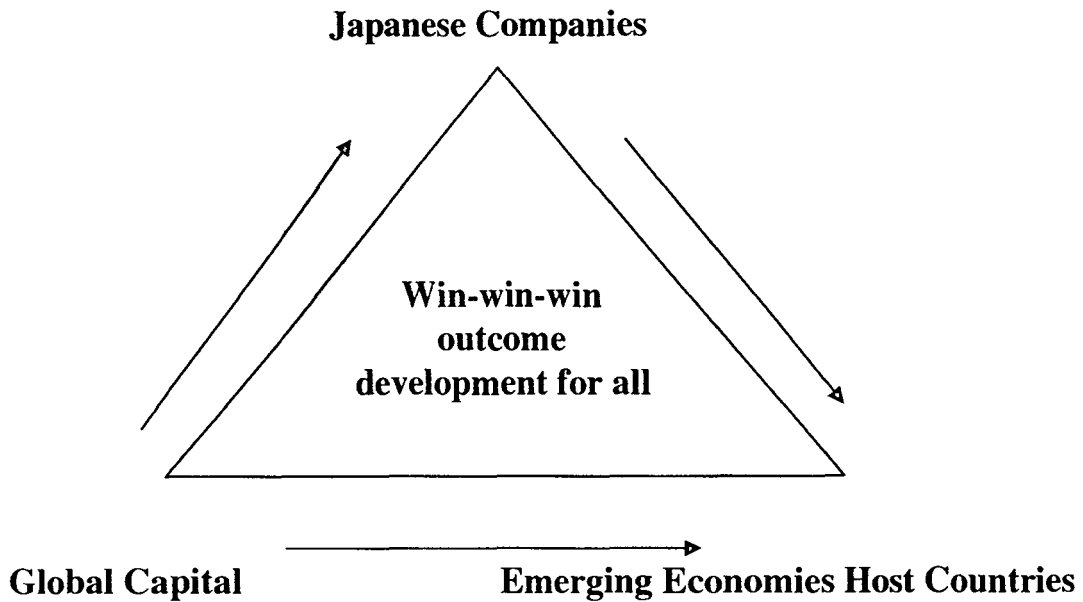
What is more, the hike in oil price in recent year's increases income of the oil producing countries, which have to seek places and industries for investment of these accumulated assets. Oil rich countries are now thinking about the efficient use of their assets. They started to put more emphasis on Islamic finance for the development of Islamic countries. Their strategies focus on the "new silk road" which ranges from Northern Africa through the Middle East to Indonesia and Malaysia.

Nonetheless, these countries need technology for their investment despite their ample capital. In this regard, Japanese companies can fill the gap by absorbing the capital and using the leverage of its technology and human resources including the potential brainpower in host countries. This synergy between Japanese technology and global capital can produce win-win outcomes for the participating stakeholders.

As the Fig 7 below shows that it not only benefits Japanese companies and the capitalists but also help to push the host countries of investment out of poverty. It is in this sense that Japan should leverage its relatively good relation with Muslim countries to collaborate in oil money investment. By doing so, Japanese companies can expand operations, gaining greater market share and enhancing Japanese brand image in Islamic world and other emerging economies.

Furthermore, through investment, Japanese companies can leverage the local brainpower with their capital and know how to sharpen their strength, gain greater share in the market, and help develop host countries.

Fig.7 Be Local Worldwide and Seize win-win Opportunities



Source: Joseph Stiglitz. 2006. "Making Globalization Work". Penguin Books.

At present, all of the major powers, along with transnational corporations (TNC) seeking alliances, concessions and possible pipeline routes in the Central Asian region. To ensure its energy security Tokyo is desperate to diversify its hydrocarbons sources in order to reduce its reliance on Middle East for crude-oil imports. As such an obvious choice for the country is to turn to the Central Asian region. Though, Japan will have a difficult time securing the necessary energy resources from Central Asia. The country lacks the sheer military force that the US, Russia and China can all bring to influence events in the region. But the cash reserves that Japan can offer provide the country and Japan's policy of pushing dialogue is likely to afford it the means of tapping oil and gas reserves.

1.2. Phase II: 1997-2004

By 1997, relations between Japan and the Central Asian states were warm but commercial progress, especially in the energy sector, was limited. Between July 2-9, 1997, then Foreign Minister Obuchi Keizo led a high-level delegation of sixty political and business leaders to Central Asia. Soon after the visit, Prime Minister Hashimoto Ryutaro outlined the beginnings of a new Eurasian foreign policy for Japan in a speech delivered to the Japan Association of Corporate Executives (Keizai Doyukai).⁴

In December 1997, Watanabe Koji, executive advisor to the Japan Federation of Economic Organizations (Keidanren) and Japan's former ambassador to Russia, again emphasized Japan's recognition of the geopolitical importance of Central Asia and further elaborated on Tokyo's rationale. He publicly stated that "*Central Asian countries' development is important to the Eurasian continent because...it is desirable that they play a role as a buffer region for the maintenance of peace*" (**The Daily Yomiuri, 1997:15**) since the region is surrounded by Russia, China, Iran and Afghanistan, all with important roles to play in international politics. There has been a regular continuity between Japan and Central Asia which is reflected in the visits of top-ranking Central Asian officials to Japan in 1998-1999.

In May 1998, the Chairman of the Japan Federation of Economic Organizations (Keidanren), Toyoda Soichiro led representatives of twelve major Japanese firms on a mission to Uzbekistan and Kazakhstan in search for new investment opportunities. In Kazakhstan, he met with President Nursultan Nazarbayev and it was reported that Mitsui chairman and Keidanren Vice President Kumagai Naokhiko stressed the need for Japanese business to look at the regional dynamics of oil industry development over the long term, suggesting his company's interest in the feasibility of a Chinese pipeline route for the future (**Hickok, 2000:30**).

In June 1998, another delegation led by Itochu President, Murofushi Minoru who was also the head of the Turkmen-Japan Committee for Cooperation, visited Turkmenistan to discuss ways to improve investment conditions in the country.

⁴ Prime Minister Hashimoto Ryutaro introduced his Eurasian Diplomacy concept in his speech at the Keizai Doyukai, the Japan Association of Cooperatives. The full text of Hashimoto's speech is available at [<http://www.kantei.go.jp/foreign/0731douyukai.html>]. Details of the Eurasian Diplomacy and its interpretation are also available in Diplomatic Bluebook 1998.

Acknowledging the commercial difficulties for exporting Turkmenistan gas, Murofushi spoke about how the country needed to improve its local infrastructure so as to connect Turkmenistan more efficiently to nearby markets. In response, Tokyo approved a credit line of \$40 million to modernize the locomotive depot in Ashgabat. This was followed by an additional offer of a \$38 million credit repayable over twenty years by Japan's Foundation for Foreign Cooperation (JFFC) to refurbish the country's rail transportation. It was pointed out that these cases indicate that Japanese firms are more interested in long term investment and not just in the energy sector.

The agenda of such delegations to Central Asia thus reflects Japan's stability-oriented development goals in the region and its long term commitment. Japan also tapped into multilateral institutions to promote its vision of a stable Central Asia and this was particularly important especially at the time when Central Asia's economy was experiencing a severe slowdown in its growth between 1996 to 1998. The region only grew by 0.9% in 1996, 1.4% in 1997 and 1.9% in 1998.

In July 1998 Yutaka Akino, political adviser for the UN monitoring operations in Tajikistan and well-regarded academic who worked hard for the repatriation of Tajik refugees from Afghanistan, was murdered by local fighters. Soon after that Hashimoto Ryutaro had to step down as Prime Minister because of a defeat for the Liberal Democratic Party (LDP) in the Upper House elections. Almost at the same time there was a regular rotation in the MOFA, and the officials who had initiated the policy toward Central Asia moved elsewhere. Implementation of "Silk Road Diplomacy" was left to their successors, who achieved slow progress. In May 1999 Minister for Foreign Affairs Masahiko Komura visited Uzbekistan. JICA (Japan International Cooperation Agency) opened its offices in Tashkent in 1999 and Kyrgyzstan in 2000 respectively. Japan by then had become the number one donor of ODA for Kazakhstan, Kyrgyzstan, and Uzbekistan.

The 9/11 (2001) terrorist attack in New York and the ensuing battle in Afghanistan raised international attention for Central Asia. A larger part of the humanitarian aid by the UN went to Afghanistan via Central Asia. This was largely financed by Japan and was supervised by Kenzo Oshima, then deputy director general of the UN. Simultaneously, the Japanese government conferred more than \$20 million of

urgent grants to Tajikistan and Uzbekistan. They were used for importing capital goods, which were vital for the economic development and political stability of these countries.

In July 2002 Seiken Sugiura, senior vice minister for foreign affairs, made a tour of Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan, heading an energy mission. This was done on the initiative of the MOFA, which attempted to draw the attention of Japanese business to this part of the world.

1.3. Phase 3: 2004 – Present (Central Asia plus Japan)

The “Central Asia plus Japan” dialogue is a manifestation of Japan’s independent diplomacy, where Japan will work as an independent player, without either depending on or confronting any of the other great powers, while consulting with them when required. This dialogue also departs from the simple approval of the Central Asian countries policy. Then Foreign Minister Kawaguchi Yoriko, in her speech on the basic concept of the dialogue in Tashkent in August 2004, said that “human rights and democracy can be realized within each country’s cultural and historical context,” and “it is important to distinguish between what is truly rooted in tradition and what is rooted merely in vested interests handed down from the past.” This can be interpreted as an implicit criticism of the Central Asian governments who refer to tradition as an excuse for neglecting democratization.

During her visit Foreign Minister Kawaguchi Yoriko also travelled to Astana in Kazakhstan where she met the foreign ministers of the Central Asian countries. Japan called this meeting the “Central Asia plus Japan” Dialogue Foreign Ministers’ Meeting. Foreign Minister Kassymzhomart Tokaev of Kazakhstan was the host of the meeting. A representative from Turkmenistan was also present.

The message issued by Japan at this meeting is as follows. First, issues such as terrorism, drugs, transportation, water usage, energy, trade barriers, environment and others persist in the Central Asian region, which are difficult to solve with individual and independent efforts implemented by each country alone. In order to realize peace and stability in Central Asia and achieve prosperity through potentially viable economic development, it is essential to overcome these above mentioned issues. Second, if Central Asia coordinates their efforts to tackle these issues and deepening intra-regional

cooperation, there is a real possibility that the region as a whole will grow dynamically and prosper as a coherent, unified and resilient community. Third, if the Central Asian countries are willing to cooperate voluntarily with one another and together work to solve these outstanding issues, which is to say if they would collectively exert efforts to advance intra-regional cooperation in a practical and committed manner, Japan is prepared to support these efforts and to provide assistance.

Japan also consider that dialogue and cooperation between Japan and the Central Asian countries should be carried forward under the basic three principles of **“respecting diversity,” “competition and coordination” and “open cooperation.”** The principle of “respecting diversity” refers to respecting the unique cultures of each country. “Competition and coordination” implies free competition based on the market economy and at the same time the necessity for coordination among all countries in order that such a situation can be created in the region as a whole. The third principle of “open cooperation” expresses the idea that more effective cooperation will be made possible if intra-regional cooperation is advanced without the countries acting in an exclusive manner with each other.

These concepts were welcomed with the full support of all countries at the meeting, with many commenting that it is vital that this dialogue be further continued. During her visit to the Uzbekistan’s capital, she also pointed out that Japan’s experience in cooperation with the EU and Association of South East Asian Nations (ASEAN) is of great value for this new initiative.

This was followed up by another meeting during the 12th Organization for Security and Cooperation in Europe (OSCE) Ministerial Council meeting held in Bulgaria in December 2004 (Gheballi, 2001:99). Kawaguchi Yoriko met up with the representatives for the Ministerial Council from the Central Asian republics of Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan as part of the Central Asia plus Japan dialogue. Kawaguchi Yoriko also held a separate meeting with the Foreign Minister of Turkmenistan. The meeting in March 2005 was held in Tashkent whereby participants discussed regional cooperation in political, business and cultural spheres, healthcare, use of water and energy resources, as well as fighting terrorism and the drug trade. The

Ambassador of Turkmenistan to Kazakhstan attended the meeting on behalf of the Turkmen Foreign Ministry.

Following the 13 May 2005 Andijan violence in Uzbekistan, U.S.-Uzbek relations has soured and the latter has swung towards the Shanghai Cooperation Organization (SCO) as a means to safeguard its regime and reassert its legitimacy. To date, the Japanese government has kept a comparative low profile on the Andijan violence compared to Europe and America who vocally expressed concern and publicly tried to pressure the Uzbek government to allow for an independent inquiry. It is most likely that Japan would continue in its engagement with the Uzbek regime since it is precisely such political and social instability that the Japanese government would like to address in the region. Japan realizes that “megaphone diplomacy”⁵ does nothing to serve the interests of the local population. What is needed is continued implementation of its development strategy and further financial aid to help lift the people of Central Asia out of their current situation and this can only be done by engaging with the regime.

1.4. Prime Minister Koizumi Junichiro’s Visit to Central Asia and the “Arc of Freedom and Prosperity”

In 2006, Japan adopted a bolder and more proactive attitude towards the Central Asian region as reflected through several events. On June 1, 2006, a week before the Second Foreign Minister’s Meeting within the “Central Asia Plus Japan” framework in Tokyo, Aso Taro⁶ made a public policy speech on Central Asia whereby he outlined the past, present and future commitment of Japan towards Central Asia.

In August 2006, Prime Minister Koizumi Junichiro, who was due to step down in the following month, visited Kazakhstan and Uzbekistan in a move which was widely perceived as his attempt to secure energy resources for Japan, as well as to counter the influence of China and Russia in the region. After the departure of Koizumi Junichiro as Prime Minister, Aso Taro, who remained as Foreign Minister under the new administration of Prime Minister Abe Shinzo, made another major speech in November

⁵ If negotiations between countries or parties are held through press releases and announcements, this is megaphone diplomacy, aiming to force the other party into adopting a desired position.

⁶ Taro Aso was Japanese Foreign Minister from October 2005 to September 2007.

2006, during which a new pillar of Japan's diplomacy was laid out. He spoke about Japan's new strategy for building an "Arc of Freedom and Prosperity (AFP)" around the outer rim of the Eurasian continent (including Central Asia) in support of the "budding democracies"⁷ that exist in these areas.⁸

In reality, the idea of the "Arc of Freedom and Prosperity" did not fundamentally change Japan's Central Asian diplomacy. First, according to this idea, Japan was supposed to serve as an "escort runner"⁹ to support countries in a race of democracy without forcing regime change, and Japan logically could do nothing in relation to those countries that evaded democratization. Second, it is hard to say that Aso Taro's idea was supported by the whole government. After Aso Taro ceased to the post of Foreign Minister in August 2007, the government ceased using the phrase "Arc of Freedom and Prosperity."

This new diplomacy will emphasize universal values such as democracy, freedom, human rights; the rule of law, and the market economy. However, this framework came to a premature end when Abe Shinzo shuffled his cabinet in August 2007 after the LDP suffered a crushing defeat in the July House of Councillors (Upper House) election. Aso Taro lost the Foreign Minister post and his successor Nobutaka Machimura, who leads a different faction within the LDP, did not continue with the "Arc of Freedom and Prosperity" framework.

2. Japan's Economic relations with Central Asia

Japan has continued to assist the economic reforms of the Central Asian nations through personal exchange and economic cooperation. Japan is also an important donor for these countries. However, bilateral trade and investment, none of the Central Asian countries in fact account for more than a 1% share of Japan's imports and exports. Japan hopes to see this share expand over the coming years.

⁷ The democracy and governance practice builds the legal and policy frameworks, institutions, and citizen participation that bring legitimacy and fairness into government.

⁸The full text of Taro Aso's speech is available at [<http://www.mofa.gov.jp/announce/fm/aso/speech0611.html>].

⁹ Quoted from Taro Aso, Arc of Freedom and Prosperity.

2.1 Economic structure of Central Asia

In comparing the Central Asian economies, it is mainly divided into three groupings: (1) Kazakhstan and Turkmenistan have oil and natural gas resources; (2) Uzbekistan has few natural resources but a large population and great future potential; and (3) Tajikistan and Kyrgyzstan have few natural resources.

The pace of economic reform in the various Central Asian countries has been slow since they declared their independence from former Soviet Union. In aiming for the economic development and autonomy of the region, all the countries of Central Asia need to break away from their monoculture economies, whether these are centered on oil, natural gas or cotton, establishing instead more diverse economic structures. To promote trade and investment, Central Asia also need to each compare them with and consider their neighbors in Southwest Asia, the Middle East, Russia, and Southeast Europe based on economic rationality, playing up those areas where they have a comparative advantage over other regions.

Japan recognizes the Central Asia and the South Caucasus region as a region of utmost strategic significance that holds the key to the stability and security of the entire Eurasian continent, which will eventually lead to the stability and prosperity of the international community. Furthermore, as this region is blessed with abundant energy and human resources, Japan believes the Central Asia retains great potential.

2.2 Japan's Assistance to Central Asia

a). Bilateral ODA

For Japan assistance to developing countries associated with the acquisition and preservation of the economic impact in the developing world. In June 1992, the Japanese government approved the following basic concept of ODA: the humanitarian dimension; recognition of the principle of interdependence, environmental preservation, promotion of overcoming existing difficulties. At the same time, four basic principles of ODA were accepted to promote economic development with mandatory requirements of environmental protection;

- Do not use ODA for military purposes or to foment international conflicts;

- Monitor the development and manufacture of weapons of mass destruction and missile arms recipient countries, as well as export and import of arms in order to maintain and strengthen international peace and stability;
- To take full account of efforts to advance the processes of democratization and the introduction of market-oriented economy, as well as to monitor the observance of fundamental human rights and freedoms in the recipient countries.

To date, Japan has implemented assistance for nation-building, economic reforms and democratization of the countries in the Central Asia and the South Caucasus region. This assistance has been implemented under the so-called “Silk Road diplomacy,” which is supported by three pillars, namely, political dialogue, economic and resource development assistance, and peace-building.

As measures that form the core of the nation-building assistance, Japan has made efforts to implement detailed assistance through a combination of grant aid, yen loans and technical cooperation to Central Asia and the South Caucasus region. As a result, Japan has, thus, far provided ODA amounting to a total of approximately 2.9 billion dollars and has become the top donor to many countries in the region. Implementing assistance, Japan has positioned the following as priority issues.

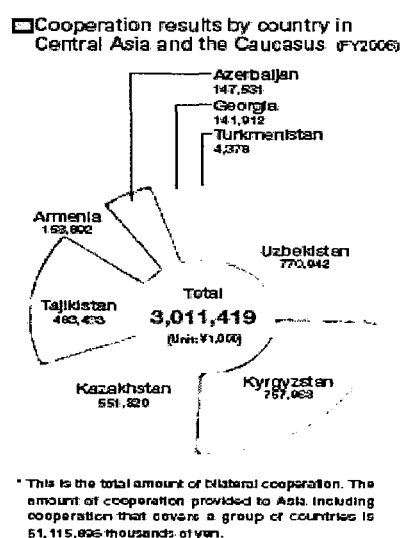
- 1.) The first priority issue is assistance for the development of economic and social infrastructure which will form the basis for independent economic development.
- 2.) The second issue is assistance for human resources development and development of systems for democratization and transition to market economies.
- 3.) The third issue is to overcome the negative legacy that persists from the Soviet era and to mitigate social difficulties which comes hand-in-hand with structural transitions and reforms.

With regard to the development of economic and social infrastructure, Japan has provided yen loans of around 2.3 billion dollars to Central Asia. In addition, Japan has been dispatching experts in areas including economic management, assistance for improvement of legal systems, telecommunications, finance, environment, transportation infrastructure and healthcare and has conducted lectures and seminars at different locations. Some of those examples include improvement of the Astana Airport in Kazakhstan and Manas, Airport in Kyrgyzstan, Tashkent Thermal Power Plant in

Uzbekistan and Severnaya Thermal Power Plant in Azerbaijan, and construction of a railroad in southern Uzbekistan, which is expected to extend to Afghanistan in the future.

It would be most gratifying if the many projects implemented by Japan could contribute to the improvement of the infrastructure of the countries in the region. Japan intends to continue supporting the countries of Central Asia and the South Caucasus in their self-help efforts towards the establishment of their independent economies. Assistance provided to help overcome the negative legacy of the past and to mitigate social difficulties which come hand-in-hand with structural transitions and reforms includes measures for the environmental protection of the Aral Sea and assistance for the people who were exposed to nuclear radiation at Semiparatinsk.

Fig. 8 Cooperation Results by country in Central Asia and the Caucasus (FY 2006)



Both Uzbekistan and Kazakhstan are the main recipients of Japanese ODA in Central Asia. Japan has been the top aid donor for both countries until 2000, and the second donor following the US in 2001 and 2002.

Japan's assistance to Uzbekistan started in 1991. Accumulated amounts up to (Fiscal Year FY2003) were 6.3 billion yen in technical assistance (JICA expenditure basis), 15.4 billion yen in grant aid □Exchange of Notes E/N basis□ and 81.2 billion yen in loan aid.

Source: JICA Report 2007

According to the *White Paper on ODA 2004*, Uzbekistan was the third aid recipient in Central Asia and Caucasus region following Kazakhstan and Azerbaijan in 2003. Japan's bilateral assistance provided to this region totaled 345.53 million US Dollars (USD) in 2003 on a net disbursement basis, which accounted for 5.7% of total bilateral assistance.

Japan's assistance to Kazakhstan up to FY2003 was 8.7 billion yen in technical assistance (JICA expenditure basis), 5.7 billion yen in grant aid □E/N basis□ and 88.8 billion yen in loan aid □E/N basis□. According to the *White Paper on ODA 2004*, in

2003, Kazakhstan was the top Japanese aid recipient in Central Asia and the Caucasus on a net disbursement basis. For reference, Japan's bilateral assistance provided to this region totaled 345.53 million USD in 2003.

Assistance loans to Kazakhstan have concentrated mostly on transportation infrastructure (railways, bridges and airports). In the years ahead, Japan is resolved to use its ODA to maximum effect and efficiency in contributing to the stability and prosperity of the countries of Central Asia and the South Caucasus. By 2004, through the formation of the Central Asia Plus Japan initiative, Japan had given a total of 260 billion yen, (over \$2 billion) in ODA to support economic and social development to the Central Asia.

During her visit, then Foreign Minister Kawaguchi Yoriko also signed an agreement on a 16.4 billion yen (\$140 million) aid project to build a 220km railway in the southern part of the country. Japan also agreed to take in 1000 trainees from Central Asia over the next three years to study governance and other issues.

Also the government of Japan has provided a total of about 289 billion Yen (approximately US \$2.78 billion) in ODA to the five countries as of FY 2006 in support of basic human needs, infrastructure, capacity building, etc. Of this amount, 72,559 million yen was in grant aid and technical cooperation, and 216,510 million was in yen loans.

b). Assistance through International Organizations

Besides bilateral ODA, the Japanese government has been supporting Central Asian countries through special funds Japan set up in various international organizations. The number of projects affiliated with the Central Asia countries and the total sums allocated for these projects for the period 2002-2007 in Japanese trust funds established at the United Nations (UN), United Nations Development Programme (UNDP), and the World Bank Group are shown in Table 1. In addition, Japanese trust funds are held in the Asian Development Bank (ADB) and in the European Bank for Reconstruction and Development (EBRD)¹⁰. Some of the examples include:

¹⁰Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Former Yugoslav Republic of Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyz

Table 1. Assistance through International Organizations

UN Trust Fund for Human Security	The Trust Fund for Human Security was established at Japan's initiative in the UN in March 1999. Japan contributed approximately 35.4 billion yen (about US\$340 million) to the Fund. There are ten Central Asia-affiliated projects which have been allocated US\$10,479,000 in total.
Japan-UNDP Partnership Fund	The UNDP/JAPAN Women in Development Fund, Japanese Human Resources Development Fund and UNDP Information and Communications Technology for Development Thematic Trust Fund were consolidated into the Japan - UNDP Partnership Fund. There are ten Central Asia-affiliated projects which have been allocated US\$2,120,000 in total.
International Bank for Reconstruction and Development (IBRD)	There are twenty-eight Central Asia-affiliated projects which have been allocated a total of US\$26,985,000.
International Bank for Reconstruction and Development (IBRD) Japan-Social Development Fund.	There are eleven Central Asia-affiliated projects allocated a total sum of US\$11,718,000.
International Finance Corporation, Technical Assistance Trust Fund.	There are four Central Asia-affiliated projects with a total of US\$1,590,000 allocated.

Source: MOFA

Republic, Latvia, Lithuania, Moldova, Mongolia, Montenegro, Poland, Romania, Russia, Serbia, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

c). Japanese Trade and Investment in Central Asia

Following sharp fluctuations in world commodity prices in the late 1990s and the 1998 Russian financial crisis, both merchandise exports and imports expanded considerably in all of the Central Asian countries in 2000 to 2004. By 2004, the overall level of trade, as measured by the ratio of merchandise exports plus imports to gross domestic product (GDP) in all the Central Asian countries was higher than what one would expect given their size, location, and per capita GDP.

However, a handful of primary commodities (such as crude oil, metals, and cotton fiber) continued to dominate the Central Asian countries exports. The rise in world prices for these commodities was a major factor that contributed to the rapid growth of the Central Asian countries exports in 2000–2004. At the same time, the participation of the Central Asian countries in global production networks (GPNs) and related trade in manufactured products remained very limited.

Furthermore, exports and, to a lesser extent, imports of the Central Asian countries were concentrated in a small number of countries. These are mostly large countries with which the Central Asian countries have close historical and cultural links and/or that are located closely to them (e.g., the People's Republic of China (PRC), Russian Federation, and Turkey). Others are distant countries to which primary commodities from the Central Asian countries are exported to other countries (e.g., Bermuda, Switzerland, and the United Arab Emirates (UAE)). Still, others are developed countries from which the Central Asian countries import large quantities of machinery and equipment (e.g., Japan, Germany, South Korea, and the US). An analysis based on the above facts suggests that there is a significant unrealized potential for trade between the Central Asian countries and most East and South Asian and Western European countries.

In order to implement the ODA and to determine priority areas for investment of capital the Japanese government ministries and private companies of Japan visited the Central Asian countries since they gained their independence in 1991.

The Japanese ODA facilitates the exploration of minerals in the region. According to experts, this assistance is to enable sustainable supply to Japan, gold, silver, copper, lead,

tungsten and other precious and nonferrous metals, thereby solving the problem and its interests in Central Asia resulting from natural resources in the region.

For instance According to MOFA in 2006 Japan imports nonferrous metals, semiconductors, etc from Kyrgyzstan, natural rubber from Tajikistan, cotton goods from Turkmenistan, gold, cotton goods from Uzbekistan and pig iron from Kazakhstan. Similarly Japan exports cars, construction machines to Kyrgyzstan, Tajikistan, and Kazakhstan. To Uzbekistan it exports cars and railway materials and to Turkmenistan it exports machinery, rubber manufactures, and petroleum products.

a) Trade and Investments by Region

Through JICA and Overseas Economic Cooperation Fund (OECF) organizations Japan continues to make massive investment in major infrastructure projects in the region. One of the pillars of the investment policy of Japan has been promoting republics in the improvement of social and industrial infrastructure, integrated development of the region. In particular, according to the calculations, to the economy of Uzbekistan, was invested more than \$ 1.6 billion of Japanese capital.

In 1993, the JICA announced the opening of training Kurowo training from Central Asia, which could receive practical and theoretical knowledge necessary to implement market reforms. Training courses and seminars in these countries are also organized by the MOFA, MOF, International MITI, National Bank, private financial institutions of Japan. Thus, in recent years to Japan invited 2600 researchers and specialists from Central Asia and sent about 1,100 Japanese experts and volunteers, funded by the Government of Japan to work in the region

Active in developing relations with Central Asia, Japan has a bilateral basis. However, the intensity and level with Japanese cooperation with each of the countries of Central Asia quite clearly differentiated. Currently, because of the large economic and resource potential in the region, one of the most important partners of Japan in Central Asia is Kazakhstan.

The starting point of bilateral relations was the official visit by Kazakh President Nursultan Nazarbayev in Tokyo in April 1994, which defined the momentum and the pace of bilateral cooperation. Current state of Kazakh-Japanese relations is characterized

by mutual interest in political and economic spheres. The share of Japan's trade republic is about 2.3% and tends to increase.

Among CIS countries, Kazakhstan has been the most radical in its economic reforms, and with the exception of 1998 when it suffered an economic contraction due to the Russian financial crisis, it has been growing at a positive rate. Kazakhstan followed a managed floating exchange rate system in the beginning, which became impossible to maintain with the 1998 Russian financial crisis, and adopted a floating exchange rate system. The economy started to recover in the same year, and it benefited from the recovery of international prices of raw materials, including oil, and a good year of grain harvest. In 2001, Kazakhstan's real GDP recorded an outstanding growth rate of 13.5%, and has been growing at high rates since then. Foreign Direct Investment (FDI) grew from 2.78 billion USD in 2000 to 4.56 billion USD in 2001 and has been on an upward trend since then.

Japan's FDI accounted for about 2% of the total. Kazakhstan applied for admission to the World Trade Organization (WTO) in January 1996, and currently an internal legislation on international trade is being adopted to meet the requirements of the rules and regulations of the WTO.

Japan and the Central Asian countries shared the recognition that Central Asia's integration into the global economy through WTO membership is the key to the prosperity of the region. The establishment of a regional common market should also take place in compliance with the WTO rules. To realize early accession to WTO, the Central Asian countries expressed their resolution to double their reform efforts for establishing a market economy, including the formulation of laws and regulations on trade and economic activities. Koizumi Junichiro, Prime Minister of Japan, announced a "Development Initiative"¹¹ to support sustainable development through trade in

¹¹ Then Prime Minister of Japan, Koizumi Junichiro presented a comprehensive Development Initiative for Trade ahead of the Hong Kong Ministerial Conference of the World Trade Organization (WTO) held in December 2005. This initiative presents comprehensive measures to assist the sustainable development of developing countries through trade. The aim of this Initiative is to support the acquisition of export capacity in developing countries, thereby helping them receive adequate benefits from the free trade system embodied in the WTO.

developing countries before the WTO Ministerial Meeting that took place in Hong Kong in December 2005. The initiative is designed to provide comprehensive, multi-faceted supports in the three basic areas of trade: production, distribution/sales, and purchasing. The Central Asian countries recognize that the experience of ASEAN, in which regional economic cooperation has been implemented with tangible results, may be a good model for the creation of a common market in the region. Japan will examine the possibility of holding seminars on the ASEAN experience at the Japan centers in Central Asia.

In regards to regional cooperation, Kazakhstan has been one of the most active countries in Central Asia and participates in the Central Asian Cooperation Organization (CACO), the Eurasian Economic Community (EEC), together with Russia, Kyrgyzstan, Tajikistan and Belarus, and the SCO. However, parallel to this outstanding economic growth, problems are also on the rise. Income distribution is worsening and several social problems are surfacing. One of the most important issues before Japan is that need to be solved is how to achieve a balanced economic development in a country with a vast territory.

Trade and economic cooperation between Kyrgyzstan and Japan are built on the basis of mutual understanding. Objectively, slight natural resources and export capabilities significantly reduce the Japanese economic presence in the country. Hence, the basic funding that Japan invests in Kyrgyzstan; go through ODA as a loan with favorable terms of repayment, grants and donations. From 1993 to April 1997 Kyrgyzstan, through these channels, were assisted with more than 24 billion yen. At the same time, Tokyo is actively developing projects to improve the payment system, establishment of the banking settlement system in real time (3.44 billion yen), the development of the master development plan for broadcasting, research fields of mineral resources Talas region (south-west of the country), as well as developing a master plan for industrial development of the Kyrgyz Republic.

However, the presence of Japanese private capital in Kyrgyzstan is insignificant. Currently, Japanese companies are involved only in projects funded by the Government of Japan. Accordingly, in order to attract Japanese capital of Kyrgyzstan should intensify efforts to effectively integrate the country's transport and communications projects and the implementation of infrastructural reforms, the real interest of the Japanese economy.

The existence of difficult political regime in Turkmenistan is a serious obstacle to the possible trade and economic cooperation between Ashgabat and Tokyo, despite the large reserves of hydrocarbons in the country. Moreover, the lack of reliable information on the status of the Turkmen economy has exacerbated the situation. However, according to some reports, Tokyo has great hopes and substantial economic interest in the project construction of the Trans pipeline from Turkmenistan through China to Japan. Meanwhile, the project requires large investments, and affects the interests' if such major world powers like the U.S., Russia and China. Consequently, the economic realization of this ambitious project among other things impinges on the political aspects of the problem.

The situation in Tajikistan is seen by Japan in the context of civil war, which severely restricts the development of economic cooperation with Japan. Moreover, post-conflict situation was such that in developing relations with Tajikistan Tokyo was based only on the provision of grants and subsidies to rebuild the economy, overcoming poverty and improve living conditions in the country. There are a few official sources of data the Japanese MOFA of Tajikistan's exports to Japan stood at 78 million yen in 2001, imports from Japan - 690 million Japan has granted Tajikistan a loan amounting to 29 million yen, and through technical cooperation - 160 million yen. There is a certain intensification of political dialogue with Japan, Tajikistan, in the context of the U.S. and its allies of the military operation in Afghanistan.

Japan has harbors no selfish intentions towards the countries of Central Asia. Japan will not apply the armed forces and as a country without political, territorial or other potential sources of conflict with the countries of Central Asia is a natural partner for the region. In support of the geopolitical importance of Central Asia, Japan has an interest in ensuring stability and tranquility in the region as part of the Eurasian continent

b) Barriers to Trade in Central Asia

The recent merchandise trade performance of the Central Asian countries has been adversely affected by the presence of trade barriers pertaining to trade policy, transport, and transit systems in the Central Asian countries, their trading partners, and transit countries. Some of these trade barriers (such as additional transport costs and

transit times needed for international shipments to and from the Central Asian countries due to their landlocked location and difficult topography) are beyond their control while others (e.g., policy barriers created by the Central Asian countries and their trading partners) can be reduced by the Central Asian countries through unilateral or collective action.

The Central Asian countries had very similar trade policy regimes at the time of their independence, but these have diverged significantly since then. Today, trade policy regimes in the Central Asian countries vary widely from the very liberal in the Kyrgyz Republic to fairly liberal in Azerbaijan, Kazakhstan, and Tajikistan, to quite restrictive in Uzbekistan (**Asian Development Bank, 2006:25**).

All the Central Asian countries prohibit or license exports and/or imports of certain goods to protect national security, public health, and environment. Azerbaijan, Kazakhstan, and Uzbekistan do the same also to ensure the availability of certain goods in the domestic market at relatively low prices. There are significant barriers to trade in Central Asia induced by trade policy of countries outside the region. In particular, exports of agricultural products from the Central Asian countries to developed countries face relatively high tariffs. Large subsidies that developed countries provide to their farmers further impede exports of agricultural products from the Central Asian countries.

Other significant barriers to trade in Central Asia are high transport costs and long and unpredictable transit times for international shipments to and from the Central Asian countries. This is not only due to the landlocked and remote location of the Central Asian countries and their difficult topography but also to deficiencies of the Central Asian countries, transport networks, and high costs and low quality of transport and logistics services in the region. In addition, there are difficulties with movements of goods and transport equipment across borders and through the territories of the Central Asian countries and neighboring countries.

The costs of these trade barriers for the Central Asian countries are quite high. Notably, they have adversely affected the recent trade performance of the Central Asian countries in several ways.

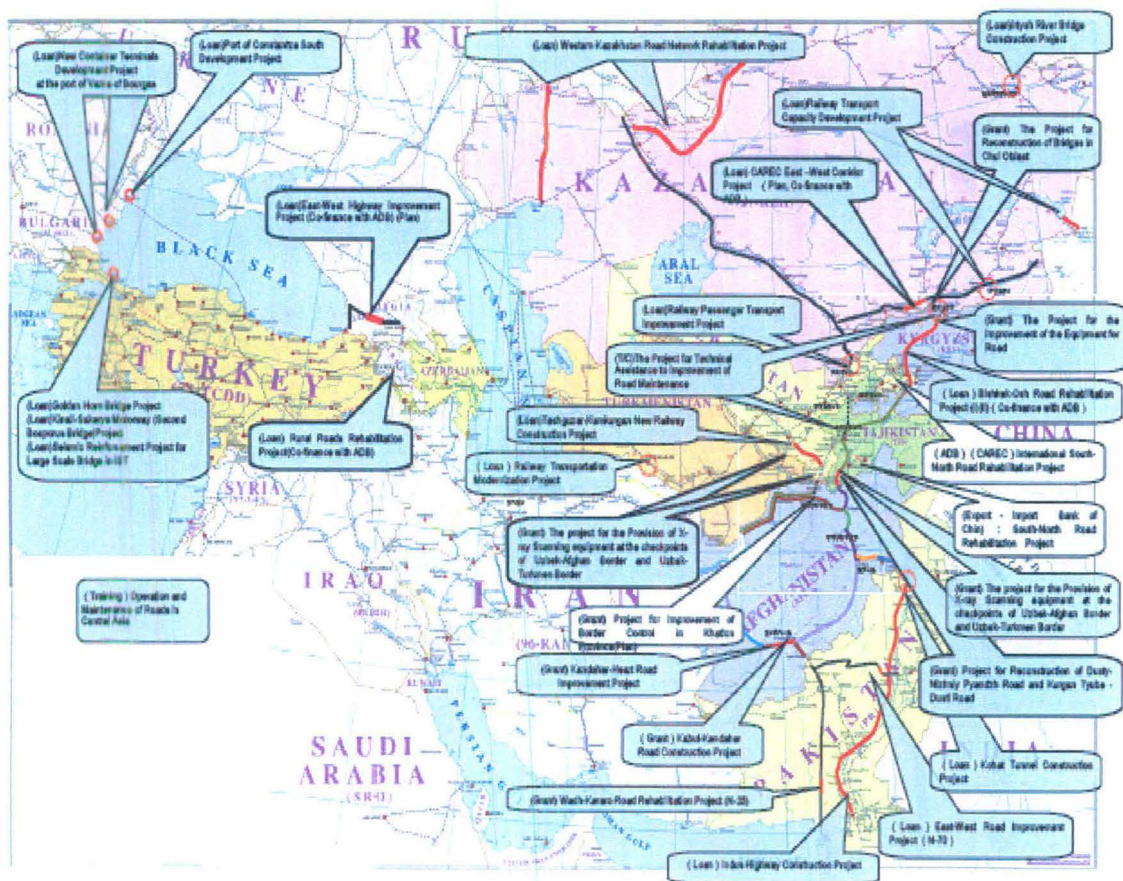
Since the Central Asian countries are all landlocked and, in various degrees, serve each other as transit countries, the transit systems in place in the Central Asian countries have

a significant effect on international trade in Central Asia. Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan's transit systems also affect domestic trade in at least one neighboring Central Asian countries.

Indeed, certain aspects of the transit systems in the Central Asian countries do impose constraints on cross-border movements of goods by rail and road. These are, however, not crucial for cross-border movements of goods by rail for which transport-related factors are a binding constraint. In contrast, inadequacies of the road transit systems impose a binding constraint on trade in Central Asia.

Japan through its JICA efforts working for the Development of Transport Infrastructure in the Central Asian countries.

Fig. 9 Japan's Cooperation in Central and Afghanistan (Transport Sector)



Source: JICA, March 2009

Fig 9 shows clearly JICA's Development Objectives of Transport Infrastructure in Central Asia and Afghanistan. Its main Objectives are: to enhance Capacity Development of the Transportation Sector, Towards Internationalization and Regionalization (**International Cross-border Transportation**), toward balanced Development of the whole Country (**National Transportation**), toward sustainable Urban development and improvement of Urban life (**Urban Transportation**), toward sustainable Rural development and improvement of Rural life (**Rural Transportation**).

Although the Central Asian countries have been able to expand trade considerably in recent years, they derive relatively little benefits from, and pay relatively high costs for, participation in international trade. This is because their exports are dominated by a handful of primary commodities; they take very limited part in GPNs and related trade in manufactured products; and their trade is concentrated in a small number of countries.

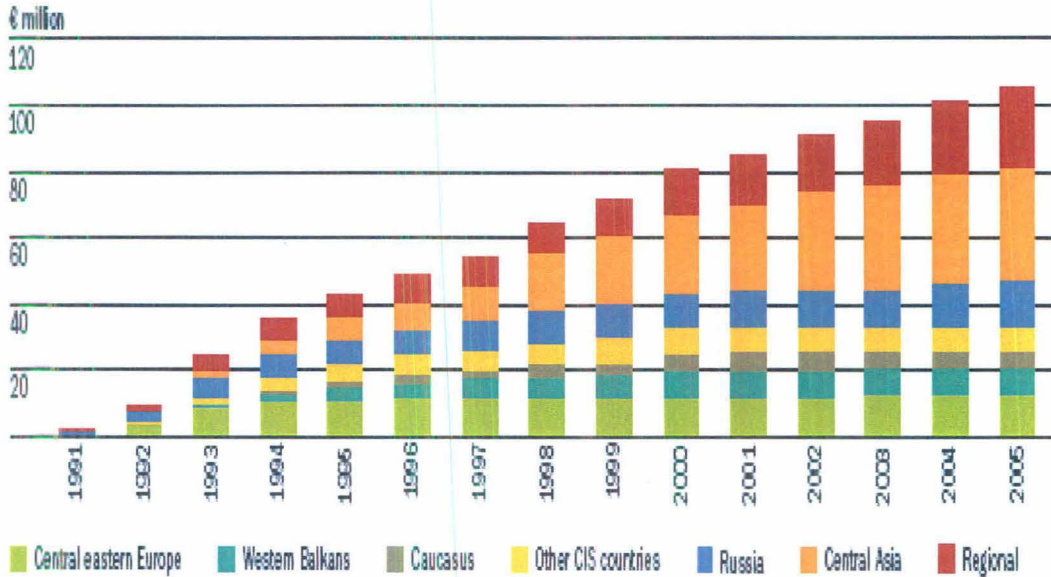
3. Japan Europe Cooperation Fund (JECF)

The Japan Europe Cooperation Fund (JECF) was established by the Japanese MOF in 1991. The JECF supports Bank activities across the region, particularly projects in Central Asia, Russia's Far East and the early transition countries.

At the end of 2005 total contributions to the JECF stood at € 114 million. During the year, € 4.2 million was committed to 14 projects. Total commitments now exceed € 100 million – a record level.

Japan provides support through a number of separate funds. The main vehicle for Japanese bilateral assistance is the Japan Europe Cooperation Fund (JECF), which supports transition in all 27 of the Bank's countries of operations. Japan has also set up the Central Asia Institution Building Cooperation Fund to improve the investment climate and facilitate the development of market economies in Central Asia.

Fig.10 JECF Commitments by region



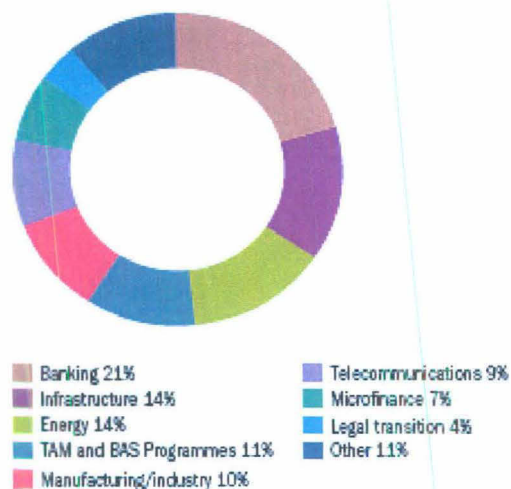
Source: EBRD, February, 2006

3.1 Types of activities

The main recipients of JECF funding in 2005 were the TAM (Turn Around Management) and BAS Programmes (The Business Advisory Services), which received more than half the annual total. The JECF also supported the improvement of regulatory frameworks, including the development of infrastructure networks in Kazakhstan and a judicial capacity building programme in the Kyrgyz Republic.

In cumulative terms, the Central Asian financial sector has received the majority of JECF funding since 1991, followed closely by infrastructure, energy, and the TAM and BAS Programmes. This distribution of the funds reflects the European Bank for Reconstruction and Development's (EBRD) efforts to strengthen the financial sector, to improve infrastructure (particularly at the municipal level), to promote energy savings and make energy supplies safer, and to support the development of Small and Medium Enterprises (SMEs) through financial intermediaries and advisory services.

Fig. 11 JECF Activities by sector



Source: EBRD, February, 2006

In 2004 the Agency approached the EBRD for assistance in developing its regulatory frameworks. With support from the JECF, the Bank has been able to review practices in each sector against international standards and produce recommendations. To date, recommendations for the power and heating sector have been endorsed by the Agency. The Bank is currently assisting with the implementation of these recommendations and expects to conduct similar exercises for the other sectors in the near future.

a). Turn Around Management and Business Advisory Services Programmes

The Turn Around Management (TAM) Programme¹² assists small and medium sized enterprises develop new business skills at the senior management level. Japan was one of the first donors to support the TAM Programme. In 2004 the TAM Programme received € 1.8 million for TAM projects in Central Asia and Russia's Far East, along with € 0.8 million for environmental projects across the region.

¹² Through the Programme, some of the world's most experienced business leaders and environmental advisers work directly with SMEs to help them modernize their management practices and improve productivity and environmental standards.

For regulation of network infrastructure the JECF is helping Kazakhstan's Agency for the Regulation of Natural Monopolies and the Protection of Competition bring its policies in line with international standards.

The Agency is responsible for the regulation and implementation of competition policy in the country's power and heating, oil and gas, telecommunications and railway sectors.

BAS Programme works with micro, small and medium sized enterprises to define their business needs and to identify which services can be carried out by local consultants.¹³ By using local consultants, BAS combines the dual role of assisting small enterprises in their business expansion with helping locally accredited business consultants to develop their skills. The JECF has provided over € 6 million to the BAS Programme in Kazakhstan, Russia's Far East and Uzbekistan. (EBRD, 2006:25).

To date, 275 projects funded by Japan have been initiated, of which 219 have been completed. An independent evaluation of BAS in Kazakhstan and Uzbekistan was recently carried out and concluded that the Programme was *Successful* in both countries.

b) Micro lending activities

The Micro and small enterprises (MSEs) across the Central Asian region have benefited greatly from Japanese support of various EBRD lending programmes.

The JECF has generously contributed to the Armenia Micro Lending Programme, the Georgia Small Enterprise Lending Programme and the Kazakhstan Small Business Programme. The JECF has also solely financed the Japan Uzbekistan Small Business Programme and the Japan Central Asia MSE Partner Bank Strengthening Programme. In addition, the Japanese government has contributed to the Russia Small Business Fund.

The Kazakhstan Small Business Programme (KSBP) remains the country's key financier of micro, small and medium-sized enterprises and is recognized as the main instrument for developing lending staff in the Kazakh banking sector. Five local banks participating in the KSBP – ATF Bank, Bank Center Credit, Bank Turan Alem, Halyk Savings Bank of Kazakhstan and Kazkommerts bank – have established 200 lending outlets nationwide.

There are currently over 750 loan officers disbursing MSE loans in Kazakhstan. These loan officers have received training through the Japan Training Centre (operated by JICA). Almost all of the KSBP's staff is engaged in SME lending operations, with a considerable number taking up management positions in partner banks. Some have also

¹³The Programme assists enterprises improve their competitiveness, marketing and financial management, quality management systems and strategic business planning.

been employed by non partner banks (e.g. Bank Caspian) to build SME lending operations outside the Programme.

The EBRD recently extended its third loan to the KSBP, consisting of a US\$ 100 million finance facility and a US\$ 2 million capacity building programme.

The Japan Uzbekistan Small Business Programme (JUSBP) assists micro and small enterprises which have previously been unable to access financing. The JUSBP extends a combination of credit lines and technical assistance to local banks for on lending to MSEs. Through the JUSBP, Hamkor Bank, Pakhta Bank and Uzjilsberbank have received credit lines totalling US\$ 17 million from the EBRD. Ipak Yuli Bank has also received technical assistance. All four banks use their own resources in parallel with this support to reach the greatest number of borrowers. To date, 16,926 loans totaling US\$ 3 9 million have been disbursed to MSEs, with over 800 loans on average issued each month. The JUSBP is active in 17 cities and towns, across seven major regions of Uzbekistan, particularly in the Fergana Valley. **(EBRD, 2006:30).**

Conclusion

Japan is actively developing relations with Central Asia on bilateral basis. At the same intensity and level with Japan cooperation with each of the countries in the region differ. Currently, the Japanese approach to the intraregional development is undergoing significant evolution. Japan initiated the dialogue Central Asia plus Japan, a new form of collective cooperation, designed to provide an effective mechanism and incentives to expand the partnership of the region and Japan.

Chapter - 3

Japan-Central Asia Relations: Focus on Energy

The end of the cold war has played an important part in the emergence of “non-traditional security issues”. As the superpowers’ military confrontation ended, many preexisting problems began to capture the attention of security people worldwide. These included ethnic strife, international terrorism, environmental degradation, food and **energy scarcity**, drug trafficking, uncontrolled migration and transnational organized crime. For resource-poor but highly industrialized and economically developed Japan, energy security is not a new issue (**Sisodia and Naidu, 2007:57**).

Indeed, part of the reason that Japan colonized Asian nations and went to war was due to perceived threats to its energy supplies. As Japan began to grow economically in the post-war period, so too did its requirements for energy, and it secured them through diplomatically crafted partnerships, even with former enemies such as Australia.

Origin of the concept of Energy Security

The concept of energy security evolved from the oil crisis of the 1970s when the Organization of Petroleum Exporting Countries (OPEC) oil embargo and the Iranian revolution threatened to cause price increases and quantity shortages for the US. Likewise Japan is a country with very scarce energy resources, and this situation has continued through the two oil crises in the 1970s to the present day.

In the aftermath of the oil shocks of the 1970s, energy security became the most important item in the 1980 Report on Japan’s Comprehensive National Security (**Chapman *et al.*, 1982: 189**). While Japan was able to cope with the short-term crises, the report noted long-term policy plans, especially in recognizing that the demand for energy would increase from a range of countries such as the newly industrialized countries and the less industrial countries.

In this fast-changing political landscape, Japan’s energy security has become more vulnerable. Many factors are at play. The most obvious is Japan’s poor natural endowment. The Paris-based OECD-linked International Energy Agency (IEA) admits in

its 2003 report that, '*Energy security issues are more critical in Japan than in most IEA countries owing to its isolated location and limited domestic energy resources.*' (IEA, 2003a: 7). Secondly during the Cold War, Japan was the major consumer of energy in Asia and faced very little regional competition for resources. Things have changed greatly since. The breakdown of the bipolar world system and the emergence of new issues including terrorism in world politics mean that Japan now faces many complexities.

The increasing competition for energy from China and India is one of the new complexities. Japan has poor diplomatic relations with both China. Economically, the relationship with China is robust and growing, but there are many unresolved political and diplomatic issues that stand in the way of an overall co-operative environment. There is little political trust on either side. In the case with India there were few occasions, either bilaterally or multilaterally, for Japan and India to interact closely and share either political or economic interests.

Even relations with Russia and its extensive energy assets are complicated. Unresolved territorial issues and generally troubled relations with Russia stand in the way of Japan securing access to these vital resources (Hiroshi, 2002:17).

What choices and policy options does Japan have for securing and safeguarding its energy requirements? This chapter argues that Japan's best options are to pursue its energy strategy from these Asian countries to the other Asian nations which are rich in natural resources. This should involve engaging Central Asian nations as much as possible and working towards cooperative energy frameworks through bilateral processes. The chapter mainly focuses on Japan's energy strategy, interests and Projects in Central Asia, while highlighting Japan's current energy reserves and possible energy related prospects in Central Asian countries.

Energy Security Defined

While energy security is a very common phrase, it does not have a single common definition. There are however, a number of common elements that emerge in discussions of energy security. One definition is that *“energy security is the ability of an economy to guarantee the availability of energy resource supply in a sustainable and timely manner with the energy price being at a level that will not adversely affect the economic performance of the economy”* (Asia Pacific Energy Research Centre (APEREC) 2007). Related to this is the idea that *“energy security refers to the adequate and reliable supply of energy at reasonable prices in order to sustain economic growth”*. (Hogan et al 2007).

Both definitions note the strong link between energy use and economic growth and recognize the potential for sharp increases in energy prices to impose costs on the economy and to potentially affect economic growth. Both definitions also include an idea about the physical *availability* of primary energy resources (in particular coal, oil and gas) combined with the *affordability* of that energy source.

The International Energy Agency (IEA) defines energy security primarily in terms of *“stable supplies of oil and natural gas”*. However, this definition does not address the multidimensional nature of energy security for the developing world.

According to European Commission (2000) *“Energy supply security must be geared to ensuring...the proper functioning of the economy, the uninterrupted physical availability...at a price which is affordable...while respecting environmental concerns...Security of supply does not seek to maximize energy self-sufficiency or to minimize dependence, but aims to reduce the risks linked to such dependence”*.

Bielecki (2002) opines that *“Energy security is commonly defined as reliable and adequate supply of energy at reasonable prices. The meaning of reliable and adequate supply is rather straightforward: it simply means uninterrupted supply that fully meets the needs of the global economy. The interpretation of reasonable prices is somewhat less clear as it changes over time and is perceived differently by energy producers and consumers. In general, however, it means that prices are cost-based and determined by the market based on supply/demand balances”*.

According To Energy Sector Management Assistance Programme (ESMAP) the definition of energy security is ***“a country's ability to optimize its energy resource portfolio and supply of energy services for the desired level of services that will sustain economic growth and poverty reduction.”***

The World Energy Assessment (UNDP 1999) report defines energy security as the ***“continuous availability of energy in varied forms in sufficient quantities at reasonable prices”***. The continuous availability of energy refers to the continuity in supply in both the short and the long term. The energy system should be geared towards meeting the demand of consumers at every moment. It means limited vulnerability to supply disruptions and the capacity to cater to increasing demand in the long-term.

Following the above definitions the Network of East Asians Think Tanks Working Groups (NEAT WG) on energy security cooperation in East Asia defines ***“Energy Security” as the process to secure energy supply at reasonable cost in a sustainable manner.*** The definition should not be confined simply to “ensuring physical supply of oil”, as envisaged after the “oil shocks” in the 1970s and 1980s. A more comprehensive definition should include fulfilling one’s energy needs in a sustainable manner.

Similarly, The Australian Government Department of Resources Energy & Tourism (RET) defines ***“energy security” as the adequate, reliable and affordable supply of energy to support the functioning of the economy and social development”***, where:

- Adequacy is the provision of sufficient energy to support economic and social activity;
- Reliability is the provision of energy with minimal disruptions to supply; and
- Affordability is the provision of energy at a price which does not adversely impact on the competitiveness of the economy and which supports continued investment in the energy sector.

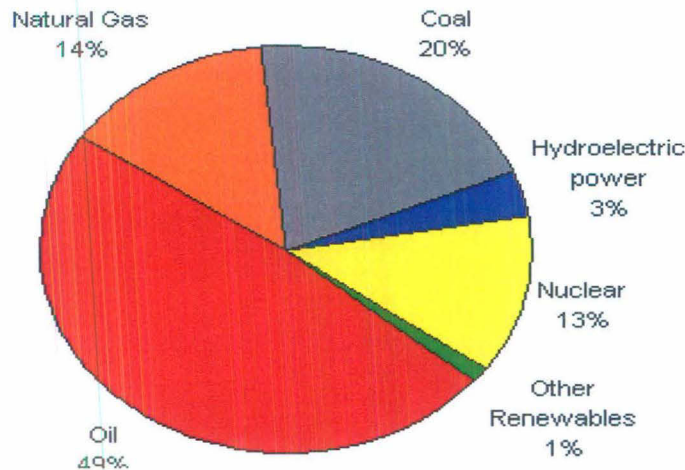
Variable Definition of Energy Security

The definition of energy security is variable, meaning something different for each country. For the U.S., energy security means “producing energy at home and relying less on foreigners;” for China, it might mean “buying stakes in foreign oil fields;” for Russia, it is wrapped up in “restrictions on foreign investment in domestic oil and natural gas;” while for Japan the focus is on “offsetting its scarcity of domestic resources through diversification, trade and investment” (Mallaby, McNulty, 2006:10). It is natural for each country to give priority to its own energy needs, but all of these needs must be reconciled if true energy security is to be attained. In a globalized world, energy security will depend on the ability of both consumers and suppliers to cooperate in protecting the stability of global markets.

Japan’s Energy Status: An Overview

Energy is the most abundant natural resources which include Oil, Coal, Natural gas, Electricity, Uranium etc. Japan has virtually no domestic oil or natural gas reserves and is the second largest net importer of crude oil and largest net importer of liquefied natural gas in the world. Including nuclear power, Japan is still only 16 % energy self-sufficient. Japanese companies have actively pursued upstream oil and natural gas projects overseas in light of the country’s lack of domestic hydrocarbon resources. Japan remains one of the major exporters of energy sector capital equipment and Japanese companies provide engineering, construction, and project management services for energy projects around the world. Japan has a strong energy research and development program that is supported by the government. The Japanese government actively pursues energy efficiency measures in an attempt to increase the country’s energy security and reduce carbon dioxide emissions.

Fig. 12 Total Energy Consumption in Japan, by Type (2005)



Source: EIA International Energy Agency 2005

Oil is the most consumed energy resource in Japan, although its share of total energy consumption has declined by about 30 % since the 1970s. Coal continues to account for a significant share of total energy consumption, although natural gas and nuclear power are increasingly important sources, particularly as Japan pursues environmental policies. Japan is the third largest consumer of nuclear power in the world, after the US and France. Hydroelectric power and renewable energy account for a relatively small percentage of total energy consumption in the country. Total energy consumption from 2003 to 2030 is forecast to grow by 0.3 % per year on average, relatively small as compared to China's forecast growth rate of 4.2 % per year on average, according to EIA data.

Japan's Energy Consumption, by type

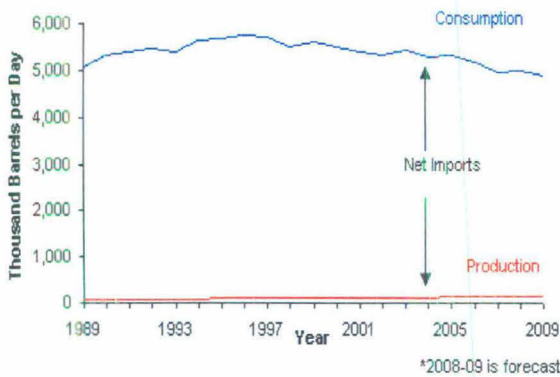
a) Oil

Japan has very limited domestic oil reserves and relies almost totally on imports to meet its consumption needs. In 2007, Japan's total oil production, including refinery gain, was roughly 130,000 barrels per day (bbl/d), of which just 6,000 bbl/d was crude oil. Total oil production has historically trended upwards and is expected to increase. Japan has 145 producing oil wells in 13 fields, according to Oil and Gas Journal (OGJ).

The vast majority of Japan's oil production comes in the form of refinery gain, resulting from the country's large petroleum refining sector.

The data (Fig. 12) indicates that Japan consumed nearly 5 million barrels per day (bbl/d) of oil in 2007, making it the third largest petroleum consumer in the world, behind the US and China. Oil demand in Japan has declined since 2005. This decline stems from structural factors, such as fuel substitution, an aging population and energy efficiency targets.

Fig. 13 Japan's Oil Production and Consumption 1989-2009

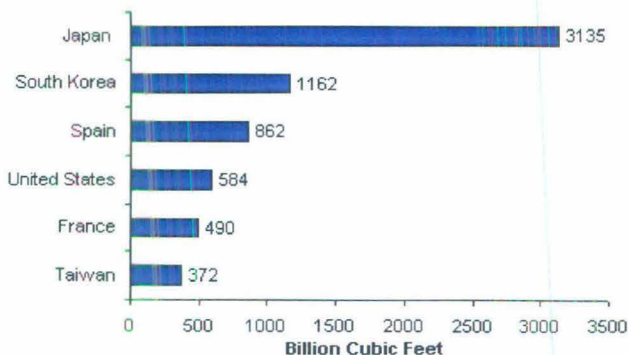


The country is primarily dependent on the Middle East for its oil imports, as roughly 90 % of Japanese crude oil imports originate in the region, up from 70% in the mid-1980s. To ensure a stable supply, Japan works to deepen relations with oil exporting countries such as Central Asian countries and stockpiles oil reserves

Source: US Energy Information Administration

b) Natural Gas

Fig. 14 Top World LNG Importers, 2006



Despite limited natural gas resources, Japan is a large natural gas consumer and must rely on imports for virtually all of its natural gas needs.

Source: US Energy Information Administration

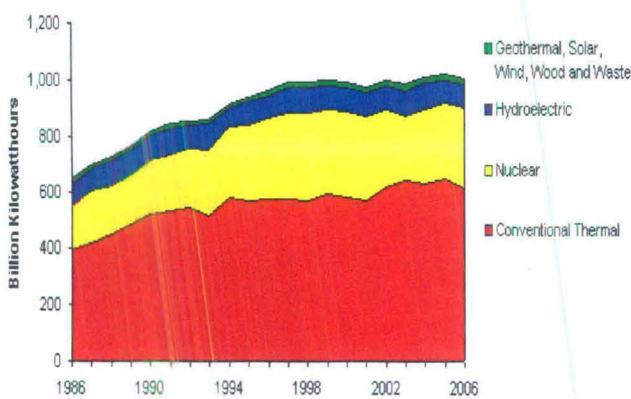
Lacking international pipeline connections, today Japan is the largest importer of liquefied natural gas (LNG) in the world a currently accounts for about 40 % of global LNG imports. Data (Fig.13) shows that Japan consumed roughly 3.5 Trillion cubic feet (Tcf) in 2007, up from about 3.3 Tcf in 2006 and 3.1 Tcf in 2005. In 2006, Japan imported roughly 3.1 Tcf of LNG and reports indicate that in 2007, LNG imports rose by nearly 8 %. Due to environmental concerns, the Japanese government has encouraged natural gas consumption in the country.

c) Coal

Coal has been a major source of energy since the Industrial Revolution. In the period between the two wars, coal provided three-quarters of Japan’s energy. With the discovery of vast oil fields in the Middle East after World War two, however, oil became the world’s greatest source of energy from the 1960s onward. Currently Coal is used to meet approximately 20% of Japan’s total energy needs, and almost all of it is imported. Efforts are being made to use coal more widely as a cleaner energy source.¹

d) Electricity

Fig. 15 Japan’s Electricity Generation by Source, 1986-2006



Source: US Energy Information Administration

In 2005, Japan had 247.9 gigawatts (GW) of installed electricity generating capacity, the third largest in the world behind the US and China. During 2006, Japan generated 1,007 Billion kilowatthours (Bkwh) of electric power and consumed 974 Bkwh.

¹ When burned, coal has the drawback of emitting more of the greenhouse gas Carbon dioxide than other types of fossil fuels.

Although Japan accounts for the most electricity consumption in OECD Asia, it has the lowest demand growth rate in the region. Of the country's total electric power generation, roughly 60 % came from conventional thermal sources, 29 % came from nuclear sources, 9 % from hydroelectric sources, and 2 % from other renewables.² By 2030, the EIA forecasts that Japan will consume 1,151 Bkwh of electricity.

As the Figure above clearly shows that Nuclear power is an important source for a number of reasons. Uranium the fuel used in generating nuclear power is widely available in politically stable countries, making it a highly stable energy source. Also, nuclear power does not produce Carbon dioxide in the generation process, and so does not contribute to global warming.

Japan currently has 55 operating nuclear reactors with a total installed generating capacity of around 50 GW, making it the third-largest nuclear power generator in the world behind the US and France. The government's nuclear energy plans³ stress maintaining or increasing the percentage of electric power that is nuclear-generated by 2030, which accounted for 29 % of electric power in 2005. (Kakuchi, 2005).

Nuclear power is not without problems. The process generates dangerous amounts of plutonium, the raw material for nuclear weapons (Calder, 1997a: 6). Moreover, safety is an important consideration. Several terrible nuclear accidents have resulted in the public having a low confidence level in the safety of nuclear power. The Tokaimura nuclear accident in October 1999 was the worlds worst since the 1986 Chernobyl explosion, and the first in Asia to reach level four on the International Nuclear Event Scale. Coping with waste is also a problem.

² Includes solar power generation, wind power generation, generation from waster products, biomass power generation, production of fuels from biomass, natural gas vehicles, methanol vechiles, fuel cells etc.

³ The Guidelines to Nuclear Power Policy adopted by the Cabinet on October 14, 2005 continue to clearly emphasize nuclear power as a basic energy source and affirm that steady development will be pursued.

Central Asia's Energy Resources

Rich in oil, gas and uranium deposits, the five Central Asia countries now wield an influence disproportionate to their size in the international system. Yet, the geographic and political landscape of Central Asia significantly affects the options that external major powers have for accessing the region's fossil fuels.

Kyrgyzstan and Tajikistan possess only minor reserves of oil and gas, while Turkmenistan and Uzbekistan are major sources of gas but holds little in the way of oil. Of the five republics, Kazakhstan is blessed with the overwhelming share of oil, and is also a significant player in the gas industry. In addition to the oil and gas markets, the region is also home to considerable uranium reserves. Kazakhstan holds 15% of the world's uranium deposits and Uzbekistan 3 %.

a) Kazakhstan

Kazakhstan has the largest oil and gas fields. Apart from three major fields – Tengiz, Karachaganak and the giant Kashagan – the country has many smaller ones as well. (USEIA, 1999). While the Kazakh economy is fairly well-diversified, oil revenues contribute to a quarter of the national budget and half of the export revenues, indicating a significant degree of dependence of the Kazakh economy on the oil and gas trade. (Rumer, 2000: 3-56). Kazakhstan is estimated to have between 30 and 40 billion barrels of crude oil reserves, about half those of Russia and 11 % of those of Saudi Arabia and 11 th in the world, between Nigeria and the U.S. It is also a significant producer of Natural Gas Liquefied (NGL), such as ethane, propane and butane. According to the government, oil production (including NGLs) is expected to rise to about 1.74 MMbbl/d by 2010 (Kazakhstan Ministry of Energy and Natural Resources, 4 October 2006). Kashagan is a recent discovery⁴ and is estimated to contain 13 billion barrels of oil. (Ashmore, 2003: 36). Kashagan is one of the Central Asian State's three largest hydrocarbon deposits at the heart of a target to triple crude output to 3.0 million barrels per day (bpd) by 2015.

⁴ The Kashagan field is being developed by a consortium of state and foreign-owned companies, including Kazakhstan's KazMunaiGaz (8.33 %), INPEX (8.33%), ConocoPhillips (9.26%), ENI, ExxonMobil, Total and Royal Dutch/Shell (18.52 % each).

China's national oil company has acquired equity stakes in Uzen oil field in eastern Kazakhstan from where China proposes to build a 1,000 km pipeline to ferry the oil to its refineries and consumption centers. Incidentally, this pipeline could help Kazakhstan transport oil from the Caspian shores to its own markets in the West and the South. Besides, if the pipeline is routed through Xinjiang's Tarim Basin, which also has discovered deposits, it could add to the economies of scale of the operation. China and Kazakhstan are jointly building a new pipeline for transporting crude from Aktyubinsk, West of Atyrau to the gas hub in Atyrau. A Chinese national oil company has a controlling stake in an oilfield in the region and the pipeline will help evacuate oil from this field to the markets. But the pipeline is expected to have spare capacity, which other producers in the region will also use. In early 2003, a Chinese oil company unsuccessfully tries to acquire BG's stake⁵ in Kashagan. Chinese officials are on record saying Kazakhstan is an important target for diversification of the country's supply sources. (**Times of Central Asia, 2003: 12**)

Kazakhstan has an estimated 2.267 Trillion Cubic Metres (TCM) of gas deposits which are concentrated in the North-West of the country and for which the only market available, at present, is Russia. Only Russian owned Gazprom holds long-term contracts with the state-owned Turkmengaz. Uranium is the one resource in which Kazakhstan's production levels have been consistently strong. Uranium output increased from 2,000 to 4,357 tons per year over the last five years, and the country expects to meet production of 15,000 tons per year by 2010.

b) Turkmenistan

Turkmenistan is the 'gas giant' in Central Asia. The country has the world's 11 th largest gas reserves – around 2.834 TCM. BP Statistical Review puts recoverable oil reserves at 0.5 billion barrels. In 2002, gas production was around 53.56 BCM. It is expected to go up as the country's biggest field, Dauletabad, reached peak production; the Chartak, Gazyldepe and Balguyy fields are brought on stream; and output optimized at a handful of other fields. Marketing the gas remains a problem because of the shortage of export pipelines, the remoteness of viable markets and limited internal demand. The

⁵ The company was created in 1997 when British Gas plc divested Centrica and became **BG plc**, which was reorganized in 1999 as **BG Group plc**.

only two gas export lines are through Russia to Europe (with a capacity of up to 59.51-69.5 BCM per year) and to Iran (upto 119.02 BCM per year). Gas output projections depend entirely on assumptions regarding export opportunities. As long as major new export pipelines are not in place, Turkmenistan's gas production and exports will continue to grow only sporadically, mirroring the payment abilities of its neighbors and its transit relationship with Russia. **(Gleason, 2003: 102).**

Although natural gas is Turkmenistan's most important export, it also produces oil and has about 600 million barrels of proven reserves. Some government claims of reserves are excessive. It recently assessed combined reserves at 45 billion tons of oil equivalent, an incredible amount even though it is a major natural gas producer.

c) Uzbekistan

Uzbekistan is the third largest gas producer among the Central Asian countries and one of the top 10 gas producing countries in the world. Currently, Uzbekistan produces some oil and 63.2 BCM of gas, most of which is used within the country with the remainder being supplied to Kazakhstan and Kyrgyzstan. As of September 2003, Uzbekistan has mapped 190 known oil and gas fields of which 88 are in production, 58 on the verge of production, and 35 are being explored. However, unlike Turkmenistan and Kazakhstan, the Uzbek economy is not driven by oil export income. IEA estimates the share of energy in the country's GDP at around 10% through 2005-2010. **(IEA: Caspian Oil and Gas, 1998: 57)**

The country's oil and gas resources are located in Ustyurt, Bukhara-Khiva, Gissar, Surkhan Darya and Ferghana regions, mostly in the South and South-Eastern corners of the country.

Uzbekistan's potential in uranium has better immediate prospects. The International Atomic Energy Agency lists Uzbekistan as seventh in the world for uranium reserves, fifth for extraction and third for export. South Korea's Resources Corp has recently agreed, with a government agency, to a joint uranium extraction plant at the Jontovur deposit. With strong Japanese and Chinese interest in Central Asian uranium the resource will be an important growth export for Uzbekistan.

d) Kyrgyzstan and Tajikistan

Both Kyrgyzstan and Tajikistan are both relatively poor in energy resources—except for hydroelectric power, which is not easily commoditized. Kyrgyzstan is considered the third largest hydroelectric power in the CIS after Russia and Tajikistan. It has sufficient amounts of energy but is in dire need of developing its electric lines which are overloaded (they transfer around 5.5 GW but have the capacity of 4 GW) and have deteriorated due to neglect and lack of investment since the 1990s. Privatization of the electricity sector started as early as 1998 but has been slow until recently. Out of an estimated potential of 26,000 MW, the Kyrgyz installations are currently only capable of producing around 3,000 MW, of which 80% is from hydro electricity and 20% from thermal stations.

I. Japan's Energy Strategy and Central Asia

1.1 Japan's Crude Oil Import from West and Central Asian countries

Japan, like many countries and international organizations, has emphasized the promotion of a strategic energy policy for the achievement of energy security (Toshimitsu, 2003: 114-117). These include the development of energy alternatives and energy conservation, the diversification of sources, the development of next generation transportation energy, the safe and peaceful use of atomic energy, resource diplomacy, and cooperation for environmental protection and energy development in Asia.⁶

Japan seeks to promote dialogue and cooperation with both energy-producing countries and energy-consuming ones in Asia through bilateral and multilateral frameworks for stable oil supplies and enhancing emergency preparedness. (IEA, 2003).

⁶ Council on Economic and Fiscal Policy, "Economic and fiscal reform 2007," June 19, 2007 (in Japanese), www.keizai-shimon.go.jp/minutes/2007/0619/item1.pdf (October 16, 2007). Prime Minister of Japan and His Cabinet, "Basic principles of FY2007 budget formulation," December 1, 2006 (in Japanese), www.kantei.go.jp/jp/singi/keizai/kakugi/061201yosan.html (October 16, 2007). The government's "Basic principles of FY2008 budget formulation," December 4, 2007, www.keizai-shimon.go.jp/cabinet/2007/decision1201_04.pdf (January 14, 2008)) does not mention energy cooperation in Asia but suggests that Japan takes some factors including current high oil prices into consideration.

In addition to the strategy of dialogue and cooperation, the Japanese government has also promoted oil development projects and provided support for Japanese companies in the Middle East, because it is in Japan's national interests that Japanese companies take advantage of opportunities in this countries. The Agency for Natural Resources and Energy notes that as part of Japan's energy strategy, "*the oil volume ratio in exploration and development by Japanese companies will be raised to around 40% by 2030.*"⁷

This means that Japanese energy companies need to be more active in their dealings abroad.

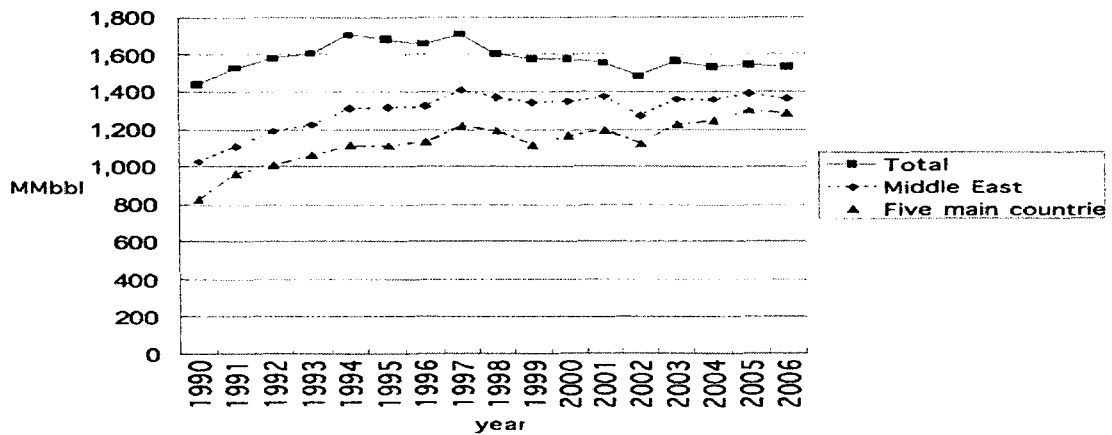
The key government organization which had played a role in providing financial and technical support to promote oil and gas exploration and development activities by Japanese companies was the Japan National Oil Corporation (JNOC); but this organization ceased operation in 2004. In its place, the Japan Oil, Gas and Metals National Corporation (JOGMEC) were established on 29 February, 2004 by the merger of JNOC with the Metal Mining Agency (MMA) of Japan. The aim of this merger was cost effectiveness, to facilitate the establishment of an effective oil supply strategy, as well as the increase of oil imports from Japanese-owned concessions (IEA, 2005).

Looking at the statistics of Japan's imports of crude oil from the 1990s onwards, Japan is still highly dependent on imports from oil-producing countries in the Middle East. The share of Middle Eastern oil supply has been over 80 % from 1996 onwards: the amount was 1,325 MMbbl, or 80 % of the total of 1,657 MMbbl, in 1996; it was 1,363 MMbbl, or 89.2 % of the total of 1,529 MMbbl, in 2006; (METI, 2006) and the share was 84.3 % in November 2007. (METI, 2007)

The five main oil-producing countries Japan has relied on in the past several years are Saudi Arabia, the United Arab Emirates (UAE), Iran, Qatar, and Kuwait. Together, Saudi Arabia (30%), the UAE (25.4 %), Iran (11.5%), Qatar (10.2%), and Kuwait (7.1%) provided about 84.2 % of Japan's total imports in 2006. Japan has tried to reduce its dependence on oil and to diversify supply sources, enhance relations with oil producing countries and give financial and technical support to oil and gas exploration. (IEA, 2003). However; Japan cannot reduce the share of Middle Eastern oil in a short period of time.

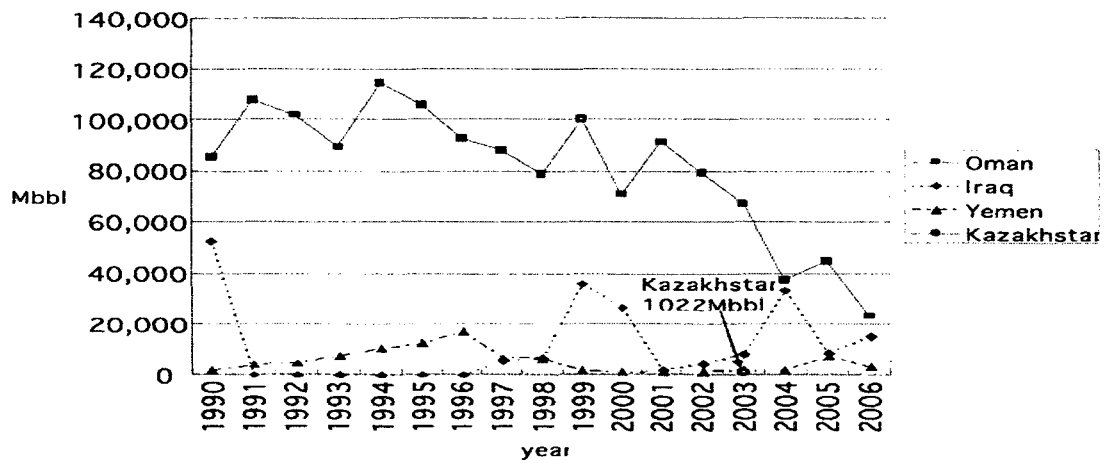
⁷ METI of Japan, Agency for Natural Resources and Energy, "New National Energy Strategy," May 31, 2006, www.meti.go.jp/english/newtopics/Backissueindex.html (January 14, 2008).

Fig 16. Japan's Annual Crude Oil Imports in total and that from the Middle East from 1990 to 2006



Source: METI, Yearbook of Mineral Resources and Petroleum Products Statistics, 2001, 2006.

Fig.17 Japan's annual crude oil imports from other main oil-producing countries in West and Central Asia including Oman, Iraq, Yemen, and Kazakhstan



Source: METI.

Imports from Yemen made up less than 1 per cent of Japan's total oil import except in 1996 (1.025 % of total 1,657 MMbbl). Japan imported 10,222 Mbbl of crude oil from Kazakhstan, or just 0.065 % of total 2003 imports (1,563 MMbbl). Figure 16 does

not show Japanese crude oil imports from Azerbaijan, but Japan imported 948 Mbbl from this country in the first quarter of 2007.⁸

In this sense, with regard to energy security, the Middle East has been of central importance for Japan whereas Central Asia and the Caucasus remain marginal.

1.2 Japan's Energy Interests in Central Asia

Japanese business groups began to enter the region seeking drilling rights and hoping to establish large-scale joint ventures with local, fellow Japanese and international oil companies. As early as December 1992, Mitsubishi Corporation announced that it would study the feasibility of a gas pipeline between Central Asia and Western China with plans to build a 7000km pipeline to transport gas from Turkmenistan via Kazakhstan to the oil fields of the Tarim Basin in Western China. In March 1993, it was announced that Japan National Oil Corp (JNOC) would launch a full-fledged feasibility study for the commercial production of oil and gas in Turkmenistan, Uzbekistan and Kazakhstan. (**The Daily Yomiuri, 1993: 6**) By 1995, Exxon and China National Petroleum Corp (CNPC) announced a joint study on the feasibility of the gas pipeline from Turkmenistan to the Tarim Basin across China and South Korea to Japan.

Since the early days of independence the Japanese companies has an interest in the development of resources in large oil and gas bearing areas Ustyurt, Bukhara, Khiva, South-West Gisar, Surhandarya and Fergana regions of Uzbekistan.

In January 1995 an agreement was signed between the Japanese company Nisse-Ivoi Corporation (NIC), an Uzbekistan's national company Uzbekneftegaz and the American company M.U. Kellogg on the joint development of oil and gas deposits at Kokdumalak, totaling \$ 163 million worth project. In the same year in May Uzbekistan signed a contract to construct a refinery in Bukhara between national company Uzbekneftegaz, the Japanese company Marubeni and the French company Technip worth \$ 262 million.

From 15 to 21 December 1996 the Prime Minister of the Republic of Uzbekistan U. Sultanov paid visit to Tokyo, during which a series of seminars on the functioning of the financial system of the Republic of Uzbekistan and investment were held. The Prime

⁸ METI, Yearbook of Mineral Resources and Petroleum Products Statistics, 2001, 2006.

Minister of Uzbekistan met with the head of the Japanese Government Hashimoto Ryutaro and also met the President of the Foreign Economic Cooperation Fund A. Nishagoki, Minister of Transport M. Koga, Secretary of State for International Trade and Industry, Finance, Foreign Affairs, as well as a number of officials and representatives of non-governmental entities.

At the same time, signed an agreement on the construction of gas and chemical complex for gas processing and ethylene production in Shurtan (\$ 222 million 164 thousand) and the Protocol on the organization of economic studies at the Academy of State and Social Construction and several other documents.

Japan, playing a prominent role in the global economy, sees in Uzbekistan in the Central Asian region as the most important cooperation partner. Uzbek-Japanese relations are built, taking into account the mutual long-term pragmatic interests and, of particular importance in this context, is the consistent position of Tokyo on political and economic reforms in Uzbekistan. Financing of several projects to develop the country's natural resources, especially oil, gas, gold, uranium, as well as projects for the development of telecommunications networks etc.

The successive Prime Ministers after Hashimoto Ryutaro basically continued with the Eurasian blueprint. In April 2002, after one year in office, Japanese Prime Minister Koizumi Junichiro reaffirmed the Eurasian diplomacy initiative at an Asian Economic Forum (AEF) held in Boao on Southern China's Hainan Island. He declared his intention to build a long term relationship with the Central Asian region as a strategy ostensibly to shore up Japan's energy security. He also reiterated Japan's position that Tokyo will continue with its plan for Central Asian integration and economic cooperation. A delegation dubbed the **"Silk Road Energy Mission"** which comprised about 10 government, business and academic experts to visit Kazakhstan, Turkmenistan, Uzbekistan and Kyrgyzstan was created. This mission, headed by senior deputy Minister of Foreign Affairs, Sekeno Sugiura was tasked with researching areas for possible bilateral and regional cooperation so that Japan can procure oil and gas from the region in the future.

In 2002, Japanese companies' involvement in the upstream oil and gas ventures in Central Asia remained extremely limited. The country only had a minor stake in an oil

field development project by an Italian firm in Kazakhstan.⁹ As noted earlier; it is more likely that Japan is using the promise of future large-scale energy investments as an incentive to try to keep the Central Asia states focused on regional integration.

Moreover, Chinese and Japanese energy interests are colliding in Turkmenistan. The two countries have diverging preferences with respect to the diversification of Turkmen export routes. Consequently, both countries are competing in the diplomatic realm to achieve their respective goals. In 2006, Japan's Foreign Minister Aso Taro repeated his country's support for a pipeline to bring Turkmen gas to the Indian Ocean via Afghanistan and Pakistan. Such a plan has not been getting success since the 1990s, when a key partner was the Taliban regime in Kabul, but has not proceeded far because of the obvious risks to a multi-billion dollar project that relies on Afghan security. An equal or superior option would be to take a route through Iran, but this has equal or superior risks, and Japan's engagement with the Iranian energy industry has been taking steps backwards.

1.3 Japan's Projects with Central Asia

Among projects in the region, Japanese companies have been engaged in oil development projects in the Caspian Sea region. Japanese companies, INPEX and ITOCHU Oil Exploration Co., Ltd. have participated in the Azeri-Chirag-Guneshli (ACG Oil Fields of Azerbaijan) Project in Azeri territory of the Caspian Sea. These two companies acquired 10 % (INPEX Southwest Caspian Sea, Ltd., April 2003) and 3.92 % (ITOCHU Oil Exploration, Azerbaijan Inc.) interest ownership respectively. The oil fields are estimated to hold 5.4 to 6.9 billion barrels of recoverable reserves.¹⁰ It has already produced oil since November 1997, and will subsequently increase production to 1 MMbbl/d. (METI, 2007) Japan only imported crude oil from Azerbaijan in 2007. The transit routes of crude oil were a significant issue in the development of oil fields in the region; Japan supported the construction of the Baku-Tbilisi-Ceyhan (BTC) petroleum pipeline which Japanese enterprises also participated in. Japanese Companies, INPEX

⁹ www.gasandoil.com/goc/news/ntc21813.htm, (October 30, 2005).

¹⁰ EIA, "Country Analysis Briefs: Japan," 2006, www.eia.doe.gov/cabs/Japan/Oil.html (January 14, 2008).

BTC Pipeline, Ltd. acquired 2.5% interest ownership in October 2002, while ITOCHU Oil Exploration (BTC) Inc. acquired 3.4 % interest ownership in June 2002.¹¹

The oil development project of the Kashagan offshore oil field in Kazakhstan is also important as this oil field has 13 billion barrels of recoverable reserves, the largest among oil fields found after 1980. The Kashagan oil field was found in 2000, and further development plans have been approved by the Kazakh government. INPEX has had a 8.33 per cent interest ownership in the oil field since September 2001.

The Japanese government-affiliated Japan Bank for International Cooperation (JBIC) also signed loan agreements totaling US\$580 million with the BTC Pipeline Company (the project company) on February 3, 2004.

It also signed a loan agreement totaling US\$649 million with INPEX North Caspian Sea, Ltd. (the company) on October 27, 2005. The BTC connects Azerbaijan's vast Caspian Sea oilfields to the Turkish Mediterranean port of Ceyhan via Tbilisi, Georgia. It has further been suggested that oil from Kazakhstan could also be transported through the pipe. The US strongly supported the project, seeing it as a way to loosen Russia's energy grip on the South Caucasus. In January 2006, Japan's Sumitomo and Kansai Electric Power Co took 25 % and 10 % stakes, respectively, in a uranium mine with Kazakhstan's KazAtomProm. Total investment in the project is expected to reach US\$100 million. In April 2007, a trio of Japanese companies—Marubeni, Tepco and Chubu— purchased 40% of Kazakhstan's Kharasan mine, entitling them to 2,000 tons of uranium per year once peak production is reached. In an indication of the political nature of this deal, the project will receive funding from the Japan Bank for International Cooperation (JBIC). Similarly, Itochu's contract with KazAtomProm for 3,000 tons over 10 years depends on a loan from Japan's Mizuho Corporation.

¹¹ Information reflected in this table are available from the official websites of ITOCHU Oil Exploration Co. Ltd. www.itochoil.co.jp/e/world_index-e.html and INPEX, www.inpex.co.jp/english/business/projects/caspian.html.

Energy Security: Competition all over the World

Since the breakup of the Soviet Union, Central Asia has again become a major theatre for competition among the dominant world actors, seeking influence for geo-strategic and geo-economic reasons. China, Japan and South Korea are three states in Northeast Asia that have shown an increasingly strong interest in Central Asia since states in the latter region attained their independence in 1991. For all three Northeast Asian states, Central Asia has an important role in their energy security strategy.

In Japan, Korea and Taiwan, oil shares the largest portion of energy consumption. Both countries are thirsty for oil. (Yutan and Zhiheng, 2004:5)

In China and India coal shares the largest portion, causing serious air pollution. Japan, Korea and Taiwan depend for most of their energy supply on import, while Chinese overall dependence is only 10% with world biggest coal production.¹² The Table below clearly shows that Japan, Korea and Taiwan need suppliers for import, while China needs to secure volume for additional supply.

Table 2. Energy Structure of Northeast Asia

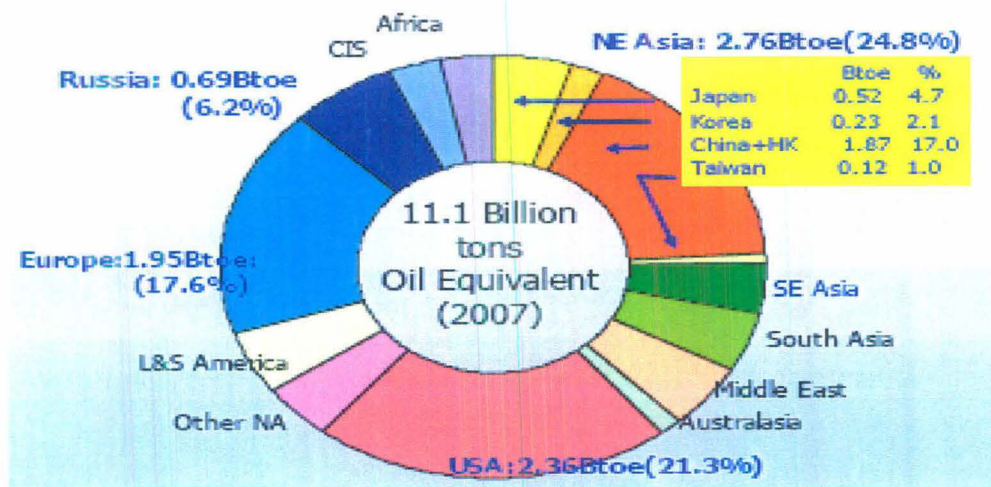
2007	Primary Energy Supply(Million toe)						Consumption Ratio				
	Oil	Gas	Coal	Nuclear	Hydro	Total	Oil	Gas	Coal	Nuclear	Hydro
							%	%	%	%	%
Japan	229	81	125	63	19	517	44.2	12.6	23.5	12.6	4.4
Korea	108	33	60	32	1	234	46.0	14.2	25.5	13.8	0.5
China	385	63	1318	14	109	1890	20.4	3.3	69.8	0.8	5.8
Taiwan	52	11	41	9	2	115	45.6	9.2	35.7	8.0	1.5
NE Asia	721	178	1503	110	129	2641	27.3	6.7	56.9	4.2	4.9
SE Asia	211	110	84	0	18	423	49.8	26.0	19.8	0.0	4.3
India	129	36	208	4	28	404	31.8	8.9	51.4	1.0	6.8
World	3953	2638	3178	622	709	11099	35.6	23.8	28.6	5.6	6.4

Source: BP Statistical Review of World Energy 2008

¹² Competition for energy sources has also increased tensions between China and Japan. Tokyo and Beijing are locked in a simmering fracas over Chinese gas projects in the disputed waters in the East China Sea near the so-called median line, which was drawn by Japan but has not been recognized by China. The line is meant to separate the two countries 200-nautical mile exclusive economic zones (EEZs). The disputed Senkakau (Diaoyutai) Islands are on the Japanese side of the median.

According to BP Statistical Review of World Energy 2008 “Today Northeast Asia is the world largest energy market exceeding US.” As the graph below shows the energy consumption in US and Northeast Asia.

Fig. 18: Asia in the World



Source: BP Statistical Review of World Energy 2008

The IEA estimates that global demand for energy will rise by 60% in 2030 from 2006. World petroleum production is predicted to peak in approximately 2010 according to some analysts, with more optimistic forecasts placing the peak at around 2030.

Politically, the influences of Northeast Asian states seem to be uneven, with China appearing as the most dominant actor among the three. This influence has primarily been manifested by the institutionalization of the Shanghai Cooperation Organization (SCO) through which China has launched political and military cooperation with the Central Asian states (with the exception of Turkmenistan). (Swanstrom, 2003) The Northeast Asian states are increasingly interested, and to a certain extent increasingly dependent, on Central Asia, especially with regards to natural resources and the potential of transit trade. The complementarities between the Northeast Asian economies (which are primarily based on manufactured goods) and the Central Asian economies (which are primarily resource-oriented) are high.

Investments in infrastructure, pipelines, development of the oil and gas sector, and also mining create stronger relationship links between Central and Northeast Asia than among the Central Asian states themselves.

Both Japan and South Korea have increased foreign direct investments in Central Asia, following a pattern resembling China's inroads into the region. (Yoshihide, 1998, : 198-233).

CNPC has been particularly busy in Kazakhstan. In June 1997, it took a 60 % share in three large oil fields in northwestern Kazakhstan, with recoverable reserves of 1 billion barrels. Demonstrating the seriousness of its intent, CNPC pledged US\$4.3 billion in investment over 20 years and guaranteed the pensions and housing of around 5,000 employees. In doing so, it outbid Texaco, Amoco and Russia's Yujnimos. In September 1997, CNPC then secured a controlling stake in Kazakhstan's second-largest oil field, a major feature of its pitch being its offer to invest in pipelines.¹³ More recently, by purchasing PetroKazakhstan in October 2005, CNPC acquired 11 oil fields and licenses to 7 exploration blocks, including the large Kemiyaq reserves in central Kazakhstan.¹⁴ Simultaneously, the China International Trust and Investment Company have the right, until 2020, to develop the Karazhanbas oil and gas field in Mangistau oblast, with proven reserves of 340 million barrels.

Lastly, along with supplying Japan, Kazakhstan was the first foreign supplier of uranium to China. KazAtomProm signed a long-term export deal with China National Nuclear Corporation in November 2004, superseding an earlier agreement. In May 2007, China Guangdong Nuclear Power Group Holdings finalized an agreement with KazAtomProm for uranium supply and fuel fabrication.¹⁵ The importance of these deals to China is that they will help to hedge against the expected decline of China's domestic uranium production.

Japan is one of the main investors in the region, with South Korea trailing behind these two major investors. As a means to consolidate its position in Central Asia, Japan initiated the Central Asia plus Japan dialogue in August 2004, and their Prime Minister,

¹³ "China, Kazakhstan Vow to Boost Energy Cooperation," *China Daily*, June 8 2007.

¹⁴ US Government Energy Information Administration, "Country Analysis Brief – China", www.eia.doe.gov, (August 8, 2007).

¹⁵ Uranium Information Centre, Uranium and Nuclear Power in Kazakhstan (Australian Uranium Association, July 2007).

Koizumi Junichiro, made a four day visit to Kazakhstan and Uzbekistan in August 2006. Generally speaking, and in comparison to Chinese investors, Japan is rather slow in terms of business expansion into the region. It has not fully capitalized on the goodwill cultivated through its development aid programs to fully explore and invest in the available business opportunities available in the region. A fundamental reason for this is that Japanese firms tend to be averse to risk and are unwilling to enter the Central Asian trade and service sectors due to the uncertainties surrounding the region. The exception is in the resource sector.

Japan's INPEX Corporation has been involved in oil exploration in the Caspian Sea for a number of years. Japanese companies have also been increasing their investments in uranium development in Central Asia since 2007.¹⁶

The then South Korean President, Roh Moo-hyun, visited Central Asia in 2004. Following his visit, the Korean government has been aiming to raise trade levels with the Central Asian countries, from US\$1 billion in 2006 to US\$10 billion by the end of 2015. Seoul also aims to increase the value of construction deals for roads, ports and housing in the region from the present US\$1 billion in 2006 to US\$5 billion.¹⁷ South Korea held its first Korea-Central Asia Cooperation Forum in November 2007, where nearly 160 participants from government, business and academic circles in Korea met with representatives from all five Central Asian states. At this meeting, discussions dealt with a wide range of issues, including: access to resources, construction, IT, culture, education, and tourism. There were also commitments made to promote people-to-people exchanges and increase networking with Central Asian states.

This growing engagement has its downside, however. On the one hand, the governments of Central Asia and Northeast Asia have improved trust with a growing number of bilateral treaties signed in many areas of economic and political life. On the other hand, increased economic, and in the case of China, political leverage, has increased tension between governments and sowed distrust among the general Central Asian population towards the Northeast Asian governments. This is particularly

¹⁶Todd Crowell, "Toshiba Goes Nuclear," *Asia Sentinel*, April 14, 2008, www.asiasentinel.com/index.php?Itemid=com_content&task=view (May 1, 2008).

¹⁷"Korea to Expand Economic Ties with Central Asian Countries," *Korea.Net*, November 9, 2006, www.korea.net/News/Newsview.asp?serial_no=20061108040 (November 20, 2007).

problematic for China, which has earned a fair degree of support among the countries' elite, but has been increasingly regarded as a problem in some grassroots quarters. In these latter circles, China is viewed as merely replacing Russia as the dominant power in the region. In response to such fears, the Central Asian governments have become reluctant to take in too much Chinese investments and goods. Japan and South Korea present a partial solution as alternative partners to this problem; rather than being regarded as imminent threats, they are (at least for now) viewed as balancers against Russian and Chinese hegemony. Thus, diversified trade links together with improved political cooperation with other external actors, would significantly reduce the reliance on Russia and China. This has presented Japan with an opening to expand its economic clout and political influence in the region. (Sing, 2003: 174). However, this has not been capitalized on fully by Tokyo, which continues to play a relatively passive role despite recent diplomatic efforts.

Conclusion

The IEA estimates that global demand for energy will rise by 60% in 2030 from this year. World petroleum production is predicted to peak in approximately 2010 according to some analysts, with more optimistic forecasts placing the peak at around 2040. The global community may in fact be facing a peak in oil production even as demand appears unabated by high prices.

To this end, it is necessary for Japan to sketch fully consistent energy outlook for energy security in the world, in order to implement various energy policies to assure the stability of energy supply-demand and address environmental problems.

Chapter - 4

Japan's Geopolitics in Central Asia: The New Great Silk Road and the New Great Game

The dissolution of the former Soviet Union and the beginning of the geopolitical transformation of the post-Soviet space were the main reasons of the so-called geopolitical pluralization of the Central Asian Region in a sense that the foreign policy orientations of the states of this region underwent profound diversifications.

One of the illustrations of this process is the revitalization of the idea of the Great Silk Road in the form of a modern system of land communications, pipelines, highways, railroads, as well as electronic communications stretching from Japan and China through Central Asia far into Western Europe and the Middle East. The phenomenon of the new Great Silk Road has become an element of the new geopolitical Great Game unfolding in Central Asia.

The Chapter analyses that how, by giving up its image of self-isolationism and getting a global power status, makes Japan a geopolitical actor. Taking into account the relatively permanent character of geopolitical 'Great Game' in Central Asia, the Chapter then focuses on Japan's special role in it. Although Japanese officials always reiterate that Japan doesn't intend to become a dominant power in Central Asia or play off the card of geopolitics there, this great power cannot but engage itself with geopolitical processes. It further argues that today in the realm of international geopolitics among major powers in the region the question for Japan is not how to escape the involvement in Central Asia geopolitics, but how to contribute to the positive diversification of foreign policy orientations of these post-Soviet countries.

Finally but not the least, it examines Japan's post-Cold War history in Central Asia and the country's standing as a major aid donor in the region. It also explains Tokyo's current strategy to keep itself out of the energy rivalry unfolding in the region and its aim to stabilize the region through long term development aid as an end has given it the reputation of a partner, rather than a player in the great game of the 21st Century.

The New Great Game

The original “Great Game” was a term coined by Rudyard Kipling to describe 19th century Anglo-Russian rivalry for hegemony in Central Asia. The ‘New Great Game’ is a term used to describe the attempts by various powers to gain control over the region’s considerable energy resources. This New Great Game is being played out in the larger playground of the Caspian and its extended neighbourhood, of which Central Asia is an integral part.

Central Asia, through the once famous Silk Road passed in the 16th century, has been an object of geopolitical fantasies. Halford Mackinder, the British strategic thinker referred to its vital location as a “heartland country.” (Mackinder, 1942:10). Also, the German geopolitician Karl Haushofer took part in developing ideas about “Great Turkestan”.

The Caspian-Caucasus region of Central Asia has the potential to become the largest supplier of oil and gas to Asia and Europe with its estimated reserves approximately 200 billion barrels – surpassing any region outside the Persian Gulf (Gokay, 1998: 49). These reserves put it on a par with Saudi Arabia and it is expected that the Caspian Sea will become the second most important source for oil for the West in the 21st century. This quest for exploration and exploitation of hydrocarbon resources in the region is termed the “New Great Game”, recalling the previous one in which the British and the Russian contested for the influence in the region. More significantly, the prospects of Caspian Sea natural resources have put some of the Central Asian countries in spotlight on the global geo strategic map whereas they were almost anonymous during their seven decades of existence within the former Soviet Union.

The Great Game was first time played in 19th Century, where Britain and Russia contested for influence in the wide Eurasian belt extending from the Balkan to Afghanistan (Bruce R.K., 2000:69). In the 20th Century, the players in the Great Game changed - Russia gave way to the Soviet Union after 1917 and after the World War two, Britain was replaced by the US. The cold war ended with the collapse of the Soviet Union in the 1990s, giving birth to many new States on the debris of the collapse. These new States were mostly Turkic-speaking in Central Asia and the Caucasus. Thus, once again Central Asia and the Caucasus has become the center of the Great Game.

The New Great Game in the 21st Century in its substance is a continuation of the historical “Zero-sum” rivalry¹. But this rivalry is not as simple and plain as in the past. There are complex factors involved in the game now with many new players. **(Pope Nichole & Pope Hugh 1997:12).**

In the New Great Game, interdependence among the players as well as among the States of the region has further complicated the situation. But the US and Russia remains the major players in the region’s politics of energy pipelines. To a lesser extent, the multinational oil and non-oil companies are also players in the New Great Game. But there is a difference in their interest – while the States involved in the game are mainly interested in enhancing their strategic position, influence, interests, the companies involved have primarily economic interests.

Amid talk of the Great Game's revival in Central Asia, Japan's role has received little attention among security analysts despite being present in the region since 1992. By 2004, Japan had given a total of 260 billion yen (more than US\$2 billion) to support economic and social development to the Central Asian states. Japan's focus on long-term development aid to Central Asia has allowed Tokyo to develop its reputation as a partner to Central Asian republics. This is in contrast to the other contenders in the region whose key motivation is commonly perceived to be the exploitation of the region's vast oil and gas resources.

Japan added a new dimension to its engagement with Central Asia with the formation of the Central Asia Plus Japan initiative in August 2004. While low-key compared to the Shanghai Cooperation Organization (SCO), Japan through the Central Asia Plus Japan initiative is likely to play an increasingly significant geopolitical role, not just in Central Asia but also in Eurasia. An important question is how Japan's new regional initiative will impact the SCO, which is largely considered the de facto regional organization in Central Asia.

¹ A situation where one player’s gain is another’s loss.

The Emergence of Geopolitics

Geopolitics relates political power to geographical space. The word was coined by the Swedish political scientist Rudolph Kjellén at the dawn of the 19th century, epitomizing an organic conception of great power rivalry and expansion. While early Anglo-American geopolitical debate concerned the relative importance of land power and sea power, German discourse centered on interstate rivalry in continental space. The prominent geopolitician Halford Mackinder saw the end of European expansion overseas in the early 20th century. He termed this era the Columbian epoch and heralded a “closed” geopolitical system as expansion came to an end. He came up with the Heartland theory which said that great power rivalry would intensify, as a major perspective on global politics.

The Heartland theory said that core of Eurasia was the key to world dominance. As used in this study, "geopolitics" denotes the interplay of natural resources, strategic dominance and geographic space on the one hand, and the various state and non-state actors pursuing individual as well as collective interests on the other.

Geopolitics refers to a strategy for national identity and development based on a country's geographical characteristics and natural resources. From the development of a geopolitical strategy can flow industrial strategies, defence policies and a formula for permanent control over local branch plants of externally owned multinational corporations.

Regional and Major Powers in Central Asia: Players and their Stakes

This Chapter makes an attempt to present the varied and sometimes clashing perspectives of some major powers, littoral Caspian Sea states and others in the region that aspire for a stake in the oil benefits.

The wider Central Asia region includes and is surrounded by a number of important regional powers. To the North, Russia has since the 17th Century exercised increasingly significant control over the region, colonizing the area down to the Amu Darya River and during Soviet rule extending its occupation into Afghanistan. In the southern part of the region, Pakistan since its birth in 1947 has had special interests in and closes economic relations with Afghanistan. From the subcontinent, India is an

important geopolitical player for the region, with important and growing economic relationships. In the West, Iran has both traditional cultural ties with other countries in the region (including a common language with Afghanistan and Tajikistan) and is becoming an important economic partner to some of the countries. Further to the west, Turkey has cultural and economic ties with Central Asia. And to the East, China's growing economic power is increasingly reflected in expanding trade and investment relations with wider Central Asia, and China also has declared strategic and security interests in the region.

More distantly, Japan is an important donor to all Central Asian countries and has stressed the importance of regional cooperation. Finally, Europe – in particular the UK – and US have played an important role, initially the former as a colonial power, then as sponsors of the anti-Soviet resistance in Afghanistan, as investors in Caspian energy resources, and after 11 September 2001 as military actors and key sponsors of Afghanistan's reconstruction

I. Russia's Resurgence

The Russian government is currently more concerned than any other external actor about developments in Central Asia. A major objective is securing Russia's vulnerable southern borders against malign regional imports such as Islamic extremism and drug trafficking. Moscow's economic goals include ensuring that its firms participate in developing the region's natural resources and that Central Asian oil and gas exporters continue to use Russian pipelines.

The re-emergence of oil as a critical driver of the Russian economy. Russian oil production at around 7 mbpd (thousand dollars per day), a close second to Saudi Arabia, has come to contribute more than 40% of revenues of the Russian economy. Oil contributes 25% of the country's tax base. (**Jaffe and Manning, 2001: 135**). In 2002, exports approached 6 mbpd, seriously threatening Saudi Arabia's leading position as the largest producer. Domestic petroleum prices in Russia are half the world market price and this puts pressure on Russian oil producers to try and sell as much as they can in the international markets that would fetch them not only higher prices, but in precious dollars. To be able to do this, Russia must not only control all energy export infrastructure from the region but also prevent any other power from establishing transit routes for Central

Asian oil and gas. Russian efforts to control access to Central Asian oil and gas must be seen in this context.

Currently, Russia supplies a fifth of Europe's oil needs and a third of its gas. The 'Russian-EU Energy Charter' of October 2000 and EU's "Green Paper on the Security of Energy Supply (2001)" provide substantial opportunities for increased Russian energy sales to the region. EU imports 16% of its oil and 41% of its natural gas from Russia. In the recent past, Russia has been retreating from the CIS markets² to turn towards more lucrative and creditworthy European buyers. The Baltic Pipeline System – commissioned in December 1991 – and the Caspian Pipeline Consortium can together send out 400,000 bpd. The Baltic and Black Sea terminals are operating at full capacity and the Russian government is underwriting a new port at Primorsk with a capacity to handle 6 mt to bypass targeting a European oil market of 5 mbpd. In 2002, Russia was the world's largest natural gas exporter at around 201.21 Billion Cubic Metres (BCM).

In this scenario, it is critical that Russia controls the transit routes for energy from Central Asia. While the Baku-Tbilisi-Ceyhan (BTC) pipeline may provide transit for Caspian oil, Kazakhstan will continue to pipe part of its oil through Russian pipelines. Similarly, for Central Asian gas, at the moment, the Russian route appears to be the most feasible.³

In early 2003, President Saparmurat Niyazov of Turkmenistan and the CEO of Russia's Gazprom signed a historic gas sales and purchase contract which will allow Russia to import 1.686 Trillion Cubic Metres (TCM) of Turkmen gas between 2004-2029. In fact, President Vladimir Putin is said to be pioneering the idea of a gas-OPEC

² The Commonwealth of Independent States (CIS) is a regional organization whose participating countries are former Soviet Republics. It was established in 1991. The CIS is comparable to a confederation similar to the original European Community. Although the CIS has few supranational powers, it is more than a purely symbolic organization, possessing coordinating powers in the realm of trade, finance, lawmaking, and security. It has also promoted cooperation on democratization and cross-border crime prevention. As a regional organization, CIS participates in UN peacekeeping forces.[3] Some of the members of the CIS have established the Eurasian Economic Community with the aim of creating a full-fledged common market. Its members are: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

³ For a discussion of Russia's heavy involvement in exploiting Central Asian energy resources, see Energy Information Administration (EIA), U.S. Department of Energy, "Country Analysis Briefs: Russia." January 2006, <http://www.eia.doe.gov/emeu/cabs/Russia/Background.html>.

between Russia and the three Central Asian Countries- Kazakhstan, Uzbekistan and Turkmenistan. For Russia, it makes eminent sense to buy Central Asian Countries gas so that it can free up its own Sakhalin and Siberia far-East reserves for supply to Japan and South Korea from the Russian viewpoint, thwarting US designs in the region is critical to winning the New Great Game.

The Russian government also continues to increase its defense activities in Central Asia. In October 2003, Russia established its first new regional military base since the Cold War at Kant, Kyrgyzstan, which lies only 30 kilometers from the U.S. base at Ganci. More recently, Russian and Kyrgyz officials have discussed establishing another major Russian military facility in southern Kyrgyzstan. (Radyuhin, 2003, Nov. 4, **The Hindu**) In September 2005, Russian and Uzbek forces conducted their first joint military exercises since the Soviet Union's collapse. Two months later, Russia and Uzbekistan signed a Treaty on Allied Relations that pledged mutual military assistance in the event either becomes a victim of "aggression."

How long the Russian government will endorse the substantial U.S. military presence in Central Asia remains unclear. Moscow initially accepted the deployments because U.S. forces could fight local Islamic extremists more effectively than Russia and its local allies could. More recently, the U.S. invasion of Iraq and the Colored Revolutions that deposed pro-Moscow governments in Georgia, Ukraine, and Kyrgyzstan have led influential Russians to view the continued U.S. presence as a major source of instability. In February 2005, the Russian Foreign Ministry pressured the Kyrgyz government to reject a U.S. request to station AWACS aircraft at Ganci. Since then, Russia's state-dominated media has repeatedly urged Central Asian governments to crack down on U.S.-supported civil liberties groups.

Alexander Vershbow, the departing U.S. ambassador to Russia, said that, to draw Central Asian states closer to Moscow, some Russian officials had launched a "concerted and coordinated effort to foster the impression that the United States is trying to undermine the regimes in the region." Pushing too hard for U.S. disengagement, however, could antagonize Washington, aggravate regional instability, and alarm Central Asians seeking to balance the great powers. Moscow confronts more pressing security challenges

in the Caucasus, especially Chechnya, and would prefer not to divert resources to fill the security vacuum that would follow a U.S. withdrawal.

Russians worried about China's growing influence in Central Asia also favor a counterbalancing U.S. presence in the region. **(Birch, 2005:13).**

II. China's Growing Role

China is similar to India in terms of its economic status as a developing country, its fast accelerating domestic demand for energy, vast resources of coal and increasing pressure to substitute coal by cleaner and more efficient energy sources and the need to diversify its energy import options. **(Dillon, 1997: 135).** In 2001, China's oil production was 165 mt (3.3 mbpd) accounted for 31.25% of total consumption. **(Ken, IEEJ, July 2002).** Domestic oil production, especially from mature on-shore fields that supply 70% of indigenous supply, has been stagnating and hopes of major new finds seem dim at present. Daqing oil fields, discovered in the 1960s, remain China's major find so far. In the event, oil from overseas acreages and imports will have to quench China's ever-growing thirst for oil. China's energy consumption is projected to rise by 4.5% annually over the next 20 years (2% less than its overall GDP growth), though annual oil demand growth is currently much larger at 8%. While coal still dominates China's energy mix, increased urbanization, use of vehicles, and overall industrialisation has contributed to the country's rising demand for oil and gas. Although the Tarim Basin and the South China Sea are projected to contain outlays and advances technology. Anticipated net oil import requirements which were 0.9-1 mbpd by 2000, will become 2 mbpd by 2010. IEA estimates that by 2010, imports will rise to 4 mbpd. By 2020, China is projected to become the second largest consumer of oil in the world, next only to the US. Oil imports are estimated to double to 8 mbpd. **(IEA, International Energy Outlook 1998, p.98).**

Such huge import magnitudes expose China to global oil price volatility⁴ and spikes. In recent times, the share of oil imports into China from Asia-Pacific has been steadily declining. From 59% in 1992, it came down to just 19% in 1999. **(Jaffe and**

⁴ Price volatility has become a routine feature of the oil market, and import-dependent countries are particularly vulnerable despite hedging and long-term bilateral contracts.

Lewis, 2002). In 2001, the Middle East- notably Oman, Yemen, Iran and Saudi Arabia supplied 56.2% of China's oil imports. Excessive dependence on a single region for energy supplies is another security concern for China. Virtually all the tanker traffic bound for China passes through the Straits of Hormuz, Straits of Malacca and the South China Sea – considered as choke points. Therefore, potential supply disruptions caused by instability in the Gulf region, price volatility, price spikes caused by any disturbance including war, and the physical security of sea lines of communication constitute the security conundrum for China. The Chinese leadership appears to be acutely conscious of the country's energy vulnerability and in any efforts targeting supply diversification; the Central Asian countries constitute a vital consideration.

In Central Asia, China has more than a political interest. China established diplomatic relations with all the Central Asian countries states soon after their independence, in January 1992.

Militant Islamic groups and ethnic populations (Uighurs) that straddle China's North-Western borders are worrisome concerns for China because Xinjiang – with its concentration of Uighurs – is the emerging energy heartland of China. Therefore, China's political and energy interests overlap in this region. Trade and investment have been used as essential tools in building relationships with Central Asian States.

China was successful in outbidding American oil companies in 1997 and won a major 9.5 billion dollars of oil deals with Kazakhstan. Also the Sino- Kazakh accords included the rehabilitation of the large Uzen oil field in western Kazakhstan and the construction of two oil pipelines, a 3000 kms line from western Kazakhstan to China about 250 kms pipeline to Iran through Turkmenistan.

China has also emerged as a major trading partner with most Central Asian states. In 1992 it reactivated its rail link with Kazakhstan and similar rail links are planned with Kyrgyz Republic and Uzbekistan (TRACECA, 2001). It is involved in various oil exploration and pipeline projects in the region.

China is also a member of the Shanghai Cooperation Organization (SCO) along with Russia, Kyrgyzstan, Tajikistan, Kazakhstan and Uzbekistan. Through it targets cooperation against terrorism in the region; SCO gives China a foothold into the Central Asian region rich in oil and gas reserves. The new inter-regional Silk Road Railways, and

oil and gas pipelines being planned and built by China will consolidate its hold on the region.

III.U.S Choices

The USA is currently a major player in the “Great Game” in the Central Asian region, with its troops stationed in Afghanistan and Pakistan. Under the present global political scenario India is counting on the USA to be the guarantor for any gas pipeline traversing Pakistan and Afghanistan.

US is also looking for strategic options for diversifying energy supplies in ways that will reduce US vulnerabilities to a disruption in global oil supplies from the Middle East. It was first set out in President George Bush’s ‘New Energy Plan’ released in May 2001.

Alarmed at the huge and growing dependence of the US on imported hydrocarbons (52% in 2002), especially in the context of heightening instability in the Middle East and the increasing clout of OPEC, President Bush made diversification of supply as a thrust area for the US.

Hence the US has turned its attention to new suppliers like the Caucasus and Central Asia in and around the Caspian Sea basin. In fact the US intervention of Afghanistan has been seen by various global observers as a means of gaining access to and domination of the oil and gas in the Caspian Basin. Afghanistan has the strategic geographic location positioned between the Middle East, Central Asia and South Asia, between Turkmenistan and the avid markets of the Indian subcontinent, China and Japan that places it at the core of the pipeline route. This region is quite often referred to by critics as “Pipelinestan” (**Kumar, 2003:77**).

To sum up, US foreign policy choices in Central Asia is founded on the following rationale:

- The US intends to help the former Soviet republics of Kazakhstan and Azerbaijan develop their oil and natural gas industries.
- Through the development of their oil and gas industry, which will bring economic growth, the US hopes to extricate them from the Russian sphere of influence.

- The US Government is actively supporting American companies in Central Asia involved in oil development as well as in the construction of pipelines which will channel the oil to the West.
- The US will try to channel the oil coming from those countries into the international markets in order to diversify its own sources of supply and keep oil prices at low levels.
- The US Government believes that economic growth will promote regional stability and the resolution of local disputes.
- Finally, the US aims at reinforcing the role of Turkey in the region, while at the same time maintaining the policy of containment and isolation of Iran. For that reason it has actively lobbied for a pipeline which will transport oil from Baku to the Turkish port of Ceyhan.

Implications for Japan

Japan's acceleration of dialogue is widely seen as reflecting a desire to play a greater geopolitical role, not only in Central Asia but also in Eurasia as a whole, while countering the growing influence of Russia and China in the region.

Russian energy strategies and the prospect of oil and gas production and exports are one of the most important determinants in the future global energy market and global security, although the power shift to oil-producing countries due to higher crude oil prices eased for the time being. In principle, Russia will remain focused on energy as a tool to implement national strategy. But based on the newly emerging economic situation and global energy security, although the power shift to oil-producing countries due to higher crude oil prices eased for the time being. In principle, Russia will remain focused on energy as a tool to implement national strategy. But based on the newly emerging economic situation and global energy outlook, it is important to pay attention to Russia's energy policy with regard to its relationships with foreign companies in terms of financial problems, introduction of technologies, securing and diversifying export outlet. The financial crisis has raised new uncertainties regarding Russia and also Central Asia. Thus, based on more precise, timely, and fact-based analysis, a positive and appropriate policy implementation in a timely manner will be required.

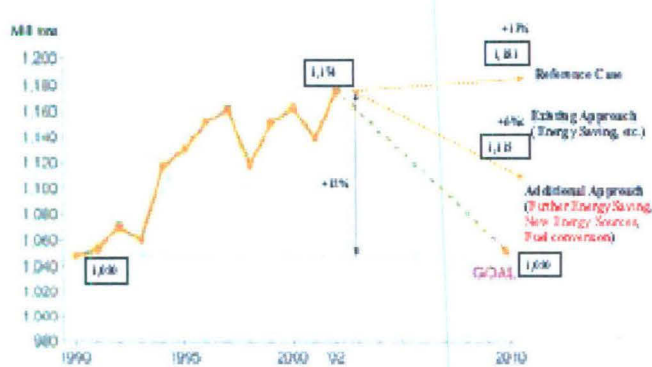
Under the turbulent circumstances of global energy markets, a flexible response which suits the respective time, cases and situations is important. At the same time, however, solid strategies are also required to tackle the long term problems. Although the world is now suffering from the current financial crisis, the world economy will recover and energy demand will increase in the long run. Energy prices may rise again. Considering the long –term global energy market, it is inevitable that resource countries, including Russia and Central Asian countries, will gain importance. In addition, the prospect of energy development in East Siberia and Sakhalin has major implications for the supply demand balance of the energy market in North East Asia.

Therefore, Japan needs to establish and implement long term energy strategies for Russia and Central Asia. It is also important for Japan to understand correctly the needs and long term strategic objectives of resource countries, and to make best use of Japan's advantages in terms of technologies, experience and know-how (for example, energy conservation, environmental protection and renewable energy technologies). (**Energy White Paper 2004 , METI**).

In an attempt to prevent this, numerous nations around the world have committed themselves to controlling emissions of greenhouse gases by becoming signatories to the Kyoto Protocol⁵ in 1997, an agreement that went into effect in February 2005. Japan has made a commitment to reduce its total average greenhouse gas emissions by 6% against 1990 levels between 2008 and 2012. (Fig. 19)

⁵ The Kyoto Protocol was adopted at the UN conference on global warming held in Kyoto in 1997. it sets goals for advanced industrialized countries to reduce their emissions of carbon dioxide and other greenhouse gases, and commits all signatories to work together to achieve the reduction goals within a specified period of time.

Fig. 19 The Concept of obtaining the energy oriented CO2 target level at 2010



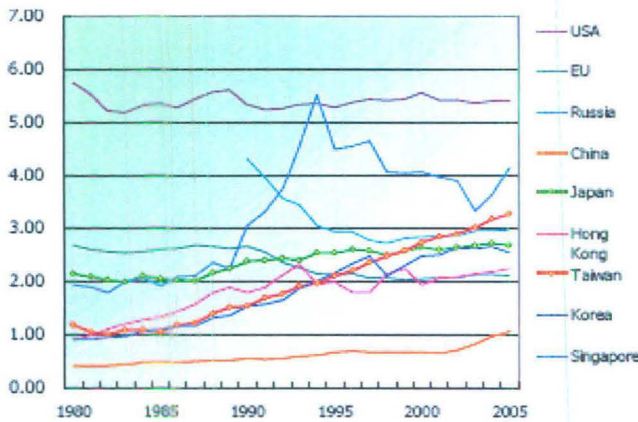
Source: Agency for Natural Resources and Energy, METI, 2006

To stabilize the global market, it is important to promote cooperation and investment in resource-rich countries like Russia and Central Asian countries. In addition to that, energy consumer countries need to enhance cooperation and investment to promote energy conservation/efficiency improvement and diversification of energy supply sources, in order to contribute to the stability of global energy market. It is also important to avoid exacerbating competition for securing supply sources in a “zero-sum game” manner, by promoting energy cooperation among consumer countries. Especially for Japan, to stabilize the Asian energy market, it is important to promote energy dialogue and cooperation with China, and to maintain and enhance the bargaining power as consuming countries. Fig 20 and Fig. 21 below is indicating that US per capita CO2 is by far the largest in the world, which is not sustainable. Competition between the poor in the developed countries and the rich in the emerging countries may become severe. In Asia, some countries are emitting more CO2 than Japan in per capita basis, maybe reflecting their effective intensive industry structure.

Fig 20 Per Capita CO2 Emission

Fig. 21 Per Capita CO2 Emission (2005)

C-ton per person



	C-t	%
USA	5.4	202
EU	2.1	79
Russia	3.0	111
China	1.1	40
Japan	2.7	100
Hong Kong	2.2	84
Taiwan	3.2	122
Korea	2.5	95
Singapore	4.1	155

Source: IEA and IEEJ, 2008

In conclusion, Japan is required to set up and implement long term energy strategies, based on the reality of the financial crisis, recent international politics and energy geopolitics, while promoting dialogue with the world’s consumer and producer countries.

Japan towards a Cooperative and Win-Win Strategy with Central Asia

Towards a cooperative framework, Japan is actively supporting the process of formation of Central Asian countries, since they became independent by promoting regional stability and development of a qualitatively new relationship with global and regional powers present in the region.

Thus, it should be noted that due to changes in the geopolitical picture of the world in Central Asia, transformation is taking place in the region. The current situation in Central Asia and the relationship of the region among themselves, world powers and other countries are going through a phase of active transformation. The region is entering a new phase in its development, associated with greater integration into world economic and political processes.

The geopolitical role of the Central Asian region for Japan, as well as for other major powers that are present in the region is growing due to the presence of a number of factors of the new geopolitics, like:

First, the location of the Central Asian Countries in the heart of the Eurasian continent is of strategic importance in terms of its impact on the security and stability of large parts of the mainland.

Secondly, the focus of the development of the situation in each of the countries of Central Asia and the region as a whole, in many ways, can determine the prospect of balance of power over a wide area of the Eurasian continent.

The third focus is in the natural resources of world importance, especially hydrocarbons and others. Growing interest in their development is shown by Russia, Pakistan, Turkey, South Korea, China, Europe, US and Japan. It is a strategy of world and regional powers to pursue specific geopolitical objectives of control over energy resources and transportation routes, which gives an opportunity to influence the situation in the region.

In the fourth, the location at the crossroads of Euro-Asian transport corridors and the potential wider transport and communication networks. Countries in the region can have access to the Persian Gulf through Iran to the Indian Ocean via Afghanistan and Pakistan, and through the territory of China - in the Asia-Pacific region.

In addition, the Japanese objective of strengthening its political and economic presence in the region is also linked to a central factor in geopolitics of Central Asia. The overall situation since 11 September 2001 clearly reflects reduced activity of Russia, while enhancing the role of the US. This means among other things, that, firstly, Russia has ceased to be the dominant military-political sphere force in the region. Secondly, the activation processes of action of the U.S. to develop ways of transporting hydrocarbons in conformity with the national interests of Japan. However, the extreme interest of the US's in the pipeline, bypassing Russia going to Tokyo does not diminish the importance of Trans-Siberian Railway. It is becoming clear that the policy of Japan, aims not to occupy positions of leadership in the Central Asian region, but also seeks to protect its domestic economy and maintain domestic producers through reinvestment projects aimed

outside of their country. Moreover, in the new geopolitical context opportunities for independent foreign policy of Japan are widened.

The interest from Japan to develop the natural resources of the Central Asian republics has always been a major factor in determining the interest of the State of the Republic of the region. But the problems associated with underdeveloped production of minerals forced Tokyo to Japanese investment projects in this area, which is linked mainly to technical assistance, expressed in the supply of special equipment, machines, etc.

Cooperation of Japan to the region as a whole, and each of the states, individually, is in its concept of integrated national security. The strategy for implementing the Central Asian policy of Japan relies on its experience in assisting the developing countries in the world. Because achievement of stability and economic and social development of Central Asia, will greatly contribute to the peace and prosperity of the international community.

According to Japanese experts, the term 'ensuring the prosperity' in the interpretation of Tokyo means promoting development and cooperation in the global economy. Moreover, the deepening interdependence of modern world puts Japan in a situation in which its security and prosperity is directly linked to the stability and prosperity of all the other members international community, society that demands from Japan closer multilateral and bilateral cooperation with other countries to achieve their own foreign policy goals.

Japan's Silkroad Diplomacy

In 1997, the then Japanese Prime Minister Hashimoto Ryutaro's government announced its Eurasian Diplomacy Doctrine. By 1997, Japanese diplomats had realized the geopolitical importance of the Caucasus and Central Asia and that Japan should not fall behind in fulfilling the vacuum in this region. The part that related to Central Asia and Caucasus was later usually referred to as 'Silk Road Diplomacy'. The main policies of the doctrine included:

- (1) political dialogue for mutual trust and under-standing;
- (2) economic development and cooperation to contribute to prosperity in the region;

(3) cooperation for peace through non-proliferation of nuclear weapons, promotion of democracy and stabilization in the region.

Moreover, on 28 August 2004, a new cooperation framework emerged, the 'Central Asia plus Japan' dialogue. It is supposed to become a forum for the realization of mutual strategic interests of both sides.

Since the disintegration of the Soviet Union, Japan has been one of the most active powers in Central Asia, allocating over \$2 billion from 1992 to 2002. Up to 2002, it had allocated a total of \$2.36 billion in grants, technical cooperation, and loans to the region, including \$915 million to Kazakhstan, \$909 million to Uzbekistan, \$343 million to the Kyrgyzstan, \$ 54 million to Tajikistan and \$ 55 million to Turkmenistan.

In the meantime, Japan keeps a low politico-economic profile in this part of the world. Among other things, Japanese experts indicate two major reasons for this: (1) The assessment of country risk for Central Asia has deteriorated due to events such as the hostage affair in 1999 of four Japanese on Kyrgyz and Tajik borders, the movement of armed Islamic radicals, and conflicts in neighbouring Afghanistan and Iraq. (2) The market of Central Asia is of modest size (with population of about 50 million) and transportation costs are high, as it is located inland.

It seems the two latter theses should not serve for Japan as the ultimate arguments for self-restraint in the region. The overall transformation process in Central Asia is too dynamic and involves too many actors, including all world powers, to wait for better times. As a new world power, Japan, has to take advantage of its best image among Central Asians and look at the mid-term and long-term benefits of strategic partnership with the states of this region.

The January 2002 Tokyo international conference on the assistance in restoration of Afghanistan demonstrated Japanese active role and interest in the resolution of the regional conflict. This has far-reaching international implications. As known, Japan pledged \$ 560 million aid to Afghanistan.

Of particular interest is the fact that Japan proposes to venture deeper into democracy building. In Astana, Japan's Minister of Foreign Affairs spoke of the compatibility between developing a country's unique culture and "realizing a democracy which respects the inherent dignity of human beings." It is a very attractive policy given

the fact that among all geopolitical actors, only western states are eager to promote democracy in Central Asia. Japan can not only demonstrate its will to be an active Asian democracy-supporter, but also make a real contribution in this deal in Central Asia by sharing its democratic experience. By doing this, Japan, as an American strategic ally, can help the US to promote democracy in the world in order to overcome the widespread complex, especially among Central Asians, that democracy is only an American desire. Being an OSCE partner country, Japan can assist this 55-member organization to accomplish its tasks in Central Asia.

In terms of international standing, Japan's Central Asian or Silk Road diplomacy attempts to send a message to its Chinese and Russian neighbours that its policy towards Central Asian region is not motivated by a competitive drive (for natural resources or geopolitical influence) but is boosted by Japan's desire to place its relation with regional countries into mutually beneficial realm.

Japan towards Strategic Partnership with Central Asia

The above mentioned 'Silk Road Diplomacy' goals of Japan are supposed to be defined out of its new strategic interests, which stretch to a great degree towards Central Asia. These interests are : *Firstly*, Japan is interested in the restoration in a modern form of the Great Silk Road long ago connected Japan through the Central Asian region with Europe and the Middle East. In particular, Japan's growing energy needs demand not only increased import of oil but diversifying the source of its supply. The Central Asian direction is of strategic significance to Japan.

Secondly, that is why Japan is interested in strengthening peace and security in Central Asia. Conflict prevention and crisis management as well as development assistance are key mechanisms for this. Moreover, this is consonant with its overall intention to be a part of the peacekeeping and peacemaking undertakings throughout the world.

Thirdly, however, in the longer perspective, the most fundamental precondition for the security, stability and prosperity of peoples of Central Asia is the comprehensive regional cooperation. This implies common security threats. The ultimate goal of this overall cooperation should be the regional integration of countries of this region. Japan is

fully supportive of this idea. At the Ministerial meeting in August 2004, when the 'Central Asia Plus Japan' Dialogue was launched, the participants discussed the importance of intra-regional cooperation, aiming for stability and development of the Central Asia region as a whole. The Central Asian countries expressed their intention that they would take steady steps for intra-regional cooperation, and Japan expressed its willingness to support and assist such efforts. Japan, as a measure to demonstrate such intention, announced that it would accept more than 1000 trainees in total from Central Asian countries over the next three years.⁶

Fourthly, Japan is an Asian democracy, and therefore an unalienable element of the list of interests is that the countries of Central Asia evolve as democratic countries. Therefore the task of promotion of democracy is at the centre of Japan's strategy.

Fifthly, Japanese-American strategic alliance can contribute to Japanese-American joint policy or coordination of their policy in the Central Asian region. Central Asians welcomed American military presence in their territory. One of them – the Uzbekistan – even established strategic partnership with the US. So the Japan-US strategic alliance, Uzbekistan-US strategic partnership can be mutually supplementary from the viewpoint of regional and international security.

Sixthly, Central Asian geopolitics becomes an important element in the chain of international processes which affect the transformation of Japan's international posture. If it is to become a world power, it has to find its geopolitical niche. It is not accidental that in Central Asia, a symbolic geopolitical triangle United States – Russian Federation – People's Republic of China (US-RF-PRC) emerged in the wake of the dissolution of the Soviet super-state. Japan as a rising global power, side by side with the rising United Europe, will hardly be able to escape some form of participation in Central Asian geopolitics. This means that Japan's policy in this region will pass through the stage of division of spheres of influence, competition over resources, correlation of interests and actions, first of all, with the states of that geopolitical triangle. Moreover, Japan can use this triangular geopolitics for its own benefit in dealing with China and Russia in East Asia.

⁶ Press Release "Central Asia plus Japan". Dialogue/Foreign Ministers Meeting: Relations between Japan and Central Asia enter a New Era, 28 August 2004. Ministry of Foreign Affairs, Japan.

All these interests make Central Asia anything but a peripheral region for Japan's global strategy. During her visit to Tashkent, the Minister of Foreign Affairs of Japan, Kawaguchi Yoriko, emphasized that countries of Central Asia have a lot in common to develop a common, intraregional cooperation strategy. She said that if these countries endeavor to consolidate the position of the region as a whole, this will inevitably enhance respect for Central Asia in the world and will strengthen the independence of each country of the region.

Japan's cooperation with the Central Asian countries is not limited to the economic field. Cooperative efforts have been made in various forms, including making medical services available to the victims of nuclear test site in Semipalatinsk; cooperating with environmental conservation projects such as restoring the Aral Sea; human education and providing universities or institutes with educational machines and apparatus, and some others.⁷

Japan and the Neo-Marshall Plan

Thus, strategic partnership between Central Asia and Japan is not unrealistic. The idea of the new Marshall Plan for Central Asia can take real form. This conception deserves serious attention. The Marshall Plan advanced for post-war Europe in 1947 was not only a stimulus for economic revitalization of Western European countries but it was also the first impetus for further real and successful integration. Europeans saw in the integration a restoration of strategic role in world politics and future peace, development and prosperity.

The neo-Marshall Plan would not be a merely US one but multilateral in character. It would be a token of positive diversification of Central Asian states' foreign policies. What forms would this Plan take? It would address those issues that have a regional significance and the solution of which would be of crucial importance for regional integration.

⁷ For a comprehensive analysis of Japanese policy in Central Asia see: Karasawa, K, "Peaceful and Prosperous Central Asia and International Cooperation Japanese Perspectives on Transport and Communication Issues", in K. Santhanam and R.Dwivedi, eds. *India and Central Asia. Advancing the Common Interests*, (New Delhi: Institute for Defence Studies and Analyses, Anamay Publishers, 2004), p. 187-202.

The leading principles of the Plan should be:

- transparency, confidence, goodwill, friendship and unity;
- democracy, human rights and freedom;
- common market and common security.

It may include, primarily, special water sharing programmes, environmental measures, and projects on the development of the regional transport infrastructure, regional cooperation in the field of energy and natural resources, science, military, as well as democratization and others. Certain attempts by Central Asian countries have already taken place. For instance, regional consortiums on water transport and mineral resources were established in the 1990's to develop closer region-wide cooperation in these fields. Not only powerful world powers such as the US, Japan, the European Union (EU) but also prominent international organizations be contributors to such a high-flying international Marshall Plan for Central Asia. But at the very centre of it might be the US and Japan.

One can find a similar approach in Frederick Starr's thesis: "With its new initiative", Japan has ratcheted up its engagement with Central Asia. By so doing, it implies that future discussions of the region's interests in such diverse areas as economic development, trade, security, environment, and regional cooperation will have to include Japan, as well as China, Russia, the United States, and Europe. The scale of its programme will set the bar for other aspiring participants, including India, Korea, Pakistan, Turkey, and Iran.⁸

In July 2002, the President of Uzbekistan, Islam Karimov, visited Japan, and along with the Prime Minister of Japan Koizumi Junichiro signed the Joint Statement on friendship, strategic partnership and cooperation. Later, the Central Asia plus Japan dialogue (2004) became a promising signal of the possible multilateral strategic partnership. Now it is for Central Asian states to construct a wise, cooperative, international and regional policy to attract Japan as a strategic partner.

⁸ S. Frederick Starr, "A Strong Japanese Initiative in Central Asia", *Central Asia-Caucasus Analyst*, 20 October 2004, <http://www.cacianalyst.org/>.

Japan's initiative fully harmonizes with US policy in the region and also that of the EU. It represents a further step towards the development of what might be termed a "concert" of interested powers, i.e., an ever-expanding group of states that have significant interests in the region and believe they can best be protected by strengthening the region from within rather than from without. Such a 'concert', if it develops further, will inevitably be built on the realization by outside powers that they all gain most by practicing mutual self-restraint rather than by seeking unilateral or bilateral advantage, let alone by seeking economic or geopolitical dominance.

Japan fits this conception in the best way. It is the best example of self-restraint and goodwill with respect to Central Asia. Moreover, Japan is a genuine supporter of Central Asian integration – the idea and the process vitally important to the countries and peoples of the region. In this sense, Japan can contribute to the positive geopolitics in Central Asia and elimination of the negative.

“No” Great Game

In the present international scenario the concerns about a renewed great game in Central Asia are thus exaggerated. The fact is that the contest for influence in the region does not directly challenge the vital national interests of China, Russia, or the United States, the most important extra regional countries in Central Asian security affairs. The three external great powers have incentives to compete for local allies, energy resources, and military advantage, but they also share substantial interests, especially in reducing terrorism and drug trafficking.

Central Asia's oil and gas are important for China to maintain its high levels of economic growth and thus to maintain stable development. For China, the SCO is one means of accomplishing its goal of securing Central Asian support for China's integrity, both in Xinjiang and in Taiwan. Central Asian, Russian, and Chinese leaders have stressed the role of the SCO as a forum to contain the threat of Islamic terrorism. **(Charles E. Ziegler, the new security environment, energy in the Caspian basin and central asia).**

To begin, Japan's engagement with Central Asia should not be compared to that of Russia and China. Just as Japan has sought to resolve its territorial disputes with

Russia, the Shanghai Five (which is the predecessor of the SCO) was started as a means to settle border disputes between China and its neighbors in Central Asia and Russia. Its success led to the creation of the SCO as part of the confidence-building process which has in fact stabilized the region. The nature of interaction is thus different and so is the developed outcome.

It should also be pointed out that Russia and China, both of which share borders with Central Asia, have a different set of priorities compared to Japan. These two neighbors have to factor in the security dimension of engagement more so than Japan. Russia and China also share similar political and security imperatives with the Central Asian states ranging from terrorism, militant Islamic fundamentalism, the illegal drug trade, to developmental (social and economic) challenges. Being a landlocked region inevitably means that the Central Asian governments have to develop a more extensive and intrinsic relationship with these two as part of their external engagement strategy.

Meanwhile, Japan has a different set of priorities. This is reflected in the contrasting fact that while Russia and China are trying to penetrate the region as a means to couple their economic and security interests with the region, Japan on the other hand has a more general objective of linking Central Asia with the rest of the world as an open region. There may be an element of strategic disparity but Japan's strategy in itself is not meant to wreck Russia and China's engagement with the region. Actually, besides the Central Asian states themselves, the two biggest beneficiaries of Japan's contribution to the development of the region are actually Russia and China.

Japan's development strategy for Central Asia – including the implementation of the market economy, human resource development and the upgrading of basic infrastructure, especially in the transport and communications sectors – are in fact “public goods” which the Russians and Chinese would get to harness too.

Complementary role of Japan's Central Asia Plus Japan Initiative and the SCO

Japan has certainly got on to a good start with the Central Asia Plus Japan initiative (2004). The initiative marks a new level of engagement between Japan and the Central Asia states with Japan enhancing its reputation as a partner to the region.

Since its beginning as the Shanghai Five in 1994, the SCO which is currently made up of Kazakhstan, Tajikistan, Uzbekistan, Kyrgyzstan, Russia and China has been the organization on the watch list of many Central Asia analysts because of the participation by the Central Asian republics in the organization.

The Central Asia Plus Japan initiative actually complements the SCO in significant ways. The entry of Japan and the continued presence of the SCO actually draw Central Asia away from the West, both geographically and politically. The states could thus develop their own distinct Central Asian – possibly non-Western - identity with Russia, China and Japan as supporters. It is not impossible that Central Asian regimes see synergy in their engagement with both the SCO and the Central Asia plus Japan initiative. In the future, they could look to the SCO to coordinate and address the region's security threats, especially terrorism, and turn to Japan for economic and development assistance.

Another area of converging interest is all the parties' interest in deepening Central Asian regional integration. Russia and China in fact share the same regionalization and development goals for Central Asia; ultimately, all parties are working for a stable Central Asia. The two neighbors are in fact key beneficiaries of Japan's strategy of transport and trade integration in the region and could even be regarded as free-riding on Japan's development effort in the region. Russia benefits directly because it is Central Asia's largest trading partner. As for China, it also benefits from Japan's engagement of Central Asia because the Japan-Central Asia trade route cuts across China, thereby stimulating economic activities along this route. Xinjiang's strategic location means that Japan ships containers to Lianyungang in Jiangsu province and transport them by train to the Sino-Kazakh border.

Next, Japan, China, Russia and the Central Asian states all understand the importance of Afghanistan to Central Asia.

First of all, all parties realize that instability in Afghanistan would have a negative effect for the entire region. Second, the inclusion of Afghanistan would create a potentially larger market in the Central Asian region. Thus, all parties are attempting to bring Afghanistan into the Central Asian fold. This year has been particularly significant with regards to Afghanistan's relations with Central Asia. The SCO-Afghanistan Contact Group has just been established while Afghanistan has also just been admitted into the Central Asia Regional Economic Cooperation (CAREC) organized by the ADB. If properly aligned, the major multilateral security organizations active in Central Asia could provide opportunities for cooperative diplomacy in a region where bilateral ties traditionally have predominated.

Conclusions

Japan should be understood as having a *developmental* rather than a *geopolitical* focus on the Central Asian region. This is an important distinction because it helps to inform on Japan's activities in the region and provide a more accurate basis for assessing Japan's contribution to the region. It is also a reflection of Japan's attempt to carve out a distinct role for itself in international affairs.

Chapter - 5

Conclusion

The world today faces new threats and risks to the international energy security system. These issues include: the depletion of oil and gas resources in developed nations such as the US and European countries; rapid increase in the energy demand and national strategies to acquire resources in countries such as China, India and Japan; growing geopolitical risks in the oil producing countries such as Central Asia and the Middle East, which is the world's main oil producing regions; concerns about the security of energy transportation and sea lanes; moves to tighten international regulations on nuclear fuel cycling policies, and; international obligations towards the reduction of CO₂ emissions to counter global warming. Reflecting on these problems now is the most critical time for resource poor Japan is to establish a comprehensive national energy strategy in order to effectively deal with the new circumstances that surround energy issues. Japan's national strategy towards resource rich countries should be designed to be based on future global energy and environmental trends. To this end, Japan has been actively involved in the Central Asian region since 1991. Moreover, Japan is currently carrying out a strategy towards the Central Asian region to secure long term and stable deliveries of oil, gas, coal and other renewables, in order to boost its economy which is the second largest economy in the world.

This Chapter analyses that strong economic growth and a contemporary globalization are likely to expand the energy demand in Asia, especially China, India and Japan, which eventually increase oil-import dependence. All of the major powers including China, EU, Russia, US, along with transnational corporations, have been seeking alliances, concessions and possible pipeline routes in the Central Asian republics. This Chapter makes an attempt to consider the following points like, while it is naturally important for the individual countries to make efforts to secure their own energy supplies, excessive pursuit of the national interest by any single country could damage the energy security of the rest of the region. It is, hence, increasingly important for the issue to be treated as one where all Asian countries have a common stake and can elaborately commit themselves.

In a nutshell , the Chapter further tries to highlights some strategic way out for all the Asian nations with respect to Central Asia: 1) fuller exercise of bargaining power given their collective position as a massive regional consumer of oil, and strengthening of ties of dialogue and cooperation with oil producing countries; 2) strategic construction of a shared reserve scheme for response to emergencies to deal with short-term crises such as oil supply disruptions; 3) promotion of cooperative resource development and procurement inside and outside the region; 4) enhancement of regional partnership on effective use of surplus petroleum processing capacity and on enhancing quality standard in petroleum supply and 5) development of regional cooperation on diversification of fuels with oil sands and bio-fuel etc.

Japan in the Central Asia: *Player or Partner*

Japan was the first Asian country to become actively involved in the Central Asian region following the collapse of the Soviet Union. In addition to opening embassies in all of the Central Asian states, Japan has also sought to establish economic ties and implement cultural and educational programs.

Japan does not only regard Central Asia as a strategic region, but also believes that the Central Asian states themselves can play a strategic role. Japan's vision becomes clearer when one stops thinking about Central Asia as a *buffer* region, but to think ahead to see how Japan is attempting to help the region become an *anchor* for the maintenance of stability in the Eurasian continent instead.

Japan recognizes that democratization is an important aspect of Central Asia's modernization process. At the same time, it is aware of the fact that democratization should be included domestically as part of a political evolution process, in tandem with development strategies. Japan always emphasized that "*democratic values should not be imposed or transplanted from outside*". Hence, Japan's strategy has been to persuade rather than a cajole Central Asia's leaders to open up to democratic practices.

Nevertheless, Japan's benign attitude towards the region as well as its generous financial commitment to the region means that it is not a *player* in the "new Great Game" in Central Asia. Instead, Japan which recognizes the importance of external engagement for Central Asia should be recognized as a *partner* of the Central Asian states. It is thus

no surprise why the Central Asian governments have welcomed the Central Asia Plus Japan initiative in 2004. It is admirable for a country like Japan to contribute so much to improving the investment potential of the region while having a negligible economic stake in it. Another good way to understand the importance of Japan's contribution to Central Asia is to imagine how Central Asia would look like today without Japan's financial assistance.

According to experts, the new concept of dialogue between the Foreign Ministers of five Central Asian countries and Japan is aimed to provide a greater influence of Japan in Central Asia by strengthening pro-Japanese sentiment in this strategically important region. In particular, the actions of Japanese politicians in this direction could be a counterweight to the political influence of China and Russia in Eurasia.

Japan must continue its economic development cooperation and economic reform assistance on both a government and private-sector basis in forms modified to the particular characteristics of each country (the five Central Asian republics). Efforts must also be made to promote industry as a means of stabilizing society in those poverty-stricken areas which become hotbeds for terrorism, to which end the establishment of small and medium-sized businesses could be an effective tool.

Japan's Role in Central Asia: Public Opinion in Central Asia

Similar to Japan's interests of the region, there are considerable expectations from the Central Asian leadership and public towards Japan. In particular, leaders of regional countries would like to see the Japanese government more actively encourage direct investment by Japanese corporations and companies, especially in the fields of energy resource development and the transportation of these resources. In this sense, the interests of regional countries and their Japanese counterparts coincide in that both sides want to see an intensification of business and trade ties. Also, there is an expectation of Japanese support through the Central Asia Plus Japan scheme in strengthening regional integration, creating a common market in the region, as well as promoting regional cooperation in water management.

In return for Japan's assistance, the leaders of the Central Asian countries have continuously and consistently expressed their support for Japan's bid to become a

permanent member in the UN Security Council and joined in support of Japanese concerns about the situation on the Korean peninsula.

Japanese both economic and political involvement in the region is accompanied by strong public support among Central Asia's population. In a poll conducted by the University of Tokyo throughout Central Asian countries in the autumn of 2005, the number of those who suggested that Japan has good and rather good influence on their country in Kazakhstan constituted 40% of those asked (10.4%-good influence and 30.3%-rather good influence), with even higher figures registered in Uzbekistan (15.9% and 36.3% respectively). Higher ratings in Kazakhstan are registered only for Russia (38.9% and 41.1% respectively), while in Uzbekistan Japan ranked third after Russia (56.8% and 34.1%) and South Korea (28.6% and 40.1%) which is attributed to close proximity, historical linkages and resident minority groups of Russians and Koreans. Japan is traditionally considered to be a non-threatening to the region because of its peace-forwarding foreign policy, its distance from the region and certain cultural and life-style similarities.

On the point of political engagement, the US and Europe have more difficulty in engaging the political leaders in this region because of Central Asian regimes poor democratic and human rights record. In this context, Japanese efforts to engage the Central Asian leaderships and to help the region develop links with the rest of the world, beyond Russia and China, should be acknowledged as a significant contribution by this Asian nation and be supported.

“Open Regionalism”

Japan's presences in Central Asia between 1992 until the middle of 1997 clearly lacked strategy. However, beginning with Hashimoto's Eurasian Diplomacy and re-enforced by the Central Asia Plus Japan initiative, Japan's focus in Central Asia has shifted from alleviating Japan's energy security and leveraging against the Russians over the Kurile Islands, to positioning Japan as a regional leader actively working towards peace and stability in Central Asia. Japan's foreign policy is directed towards three considerations. First and foremost, US-Japanese relations; secondly, Japan's international standing and prestige through the promotion of multilateral institutions of cooperation

and finally, relations with its two great power neighbors, Russia and China. In this sense, the new Eurasian initiative complements all three objectives clearly.

Essentially, Central Asian states are more interested in looking after their own needs than that of any regional organization, including the Shanghai Cooperation Organization (SCO). They would welcome all forms of assistance but are very sensitive towards attempts to interfere with their domestic affairs. They are also worried about being pulled into a particular geopolitical orbit and made pawns to the Great Powers vying for oil and gas and other natural resources in the region. In this sense, Japan presents a perfect balance through its massive financial assistance, eastern “community-over-self philosophy” and thus far limited geostrategic maneuvering behavior in the region. Its presence is welcome because engagement with these states has not come across as being over-bearing or appear to be selfishly motivated. Central Asian leaders appreciate Japan’s use of economic and aid linkages rather than use of economic or security leverage when dealing with them. From an Asian perspective, it reflects the respect and recognition Japan has granted to the states as a benign patron, in contrast to the other players whose key motivation in Central Asia is the exploitation of the region’s vast oil and gas resources for their own needs.

Japan’s challenge is to initiate greater dialogue among the Central leaders so that they would set aside their rivalry and cooperate for the greater good of the region. Japan’s financial aid tool and strong influence in the ADB and ERBD means that it has more resources to help develop the Central Asian region. As such, Japan is unlikely to be pushed out of the region by the Central Asian regimes anytime soon.

On par with the Japanese interest to the region, there is a considerable expectation of Central Asian leadership towards Japan. In particular, leaders of regional countries would like to see more active encouragement by the Japanese government of direct investments by Japanese corporations and companies, especially in the fields of energy resource development and transportation. In this sense, the interests of all sides coincide. Also, the hope for Japanese support through the Central Asia plus Japan scheme in strengthening regional integration and creating a common market in the region is very high.

On their side, the Central Asian leaders continuously and consistently express their support for Japan's bid for permanent membership in the UN Security Council, and join in support of Japan's concerns about the situation on the Korean peninsula. Today, special coordinating centers seek to tailor Tokyo's projects in Kazakhstan, Kyrgyzstan and Uzbekistan using the framework of Japan's Silk Road diplomacy strategy. Looking ahead, the "next phase" for Japan's Central Asian policy should continue with the philosophy of open-regionalism. However, in this instance, Tokyo would have to think about ways not only to engage the Central Asian states, but also Russia and China, as well as the U.S. and Europe. Through open-regionalism, Japan could play a leading role in the region by bringing all the external actors who are interested in Central Asia to develop a coherent development agenda for Central Asia. This would help with the region's development as an autonomous and open region.

Japan as an Asian Role-Model

Japan's activities in Central Asia today is a reflection of the rise of a more assertive and independent Japanese foreign policy. It also reveals a subtle foreign policy that is able to accommodate both Eastern and Western value-systems. In the eyes of the Central Asian regimes, Japan has come to represent a viable Asian role-model and partner for their modernization program. Simultaneously, for the West, Japan has come to represent their liberal-democratic values, as opposed to China and Russia who insist on an indigenous – and usually authoritarian – approach towards government.

While the Central Asian regimes and the West are not compatible on a range of issues, both nevertheless recognize Japan's contribution to the region, especially because of Japan potential to counter-balance Russia and China's influence in Central Asia. From a geopolitical perspective, as the US's influence diminishes within the Central Asian region and as SCO consolidates and expands its membership, Japan would have an increasingly geopolitical role to play within Eurasia as a counter-balance to the Russia and China-led SCO. Its engagement in Central Asia would ultimately sway the geopolitical direction of Eurasia depending on how successful it is in attempting to influence the Central Asian states, including Afghanistan to its way of thinking.

The International Energy Agency (IEA) estimates that global demand for energy will rise by 60% in 2030 from this year. World petroleum production is predicted to peak in approximately 2010 according to some analysts, with more optimistic forecasts placing the peak at around 2040. The global community may in fact be facing a peak in oil production even as demand appears unabated by high prices.

Reflecting on these problems now is the most critical time to establish a comprehensive national energy strategy in order to effectively deal with the new circumstances that surround energy issues. That national strategy should be designed to be based on future global energy and environmental trends. To this end, it is necessary to sketch fully consistent energy outlook for energy security in the world, in order to implement various energy policies to assure the stability of energy supply-demand and address environmental problems.

At present, there is a need to further discuss how Japan could improve its development strategy and profile in Central Asia. Japan should be understood as having a *developmental* rather than a *geopolitical* focus on the region. This is an important distinction because it helps to inform on Japan's activities in the region and provide a more accurate basis for assessing Japan's contribution to the region. It is also a reflection of Japan's attempt to carve out a distinct role for itself in international affairs.

Moreover, Japan is not in competition with Russia and China in its engagement drive with the Central Asian republics. Japan recognizes the importance of engaging these two countries as part of the strategy for Central Asia to develop as an open-region. If the "Arc of Freedom and Prosperity" is revitalized as part of Japan's diplomacy, Japan should find constructive ways to engage Russia and China within the context of this diplomatic strategy.

Access to energy resources is a primary rationale for Japan's current focus in Central Asia. However, Japan has developed a more resource oriented approach towards Central Asia in recent years and this trend is expected to continue.

Looking ahead, Japan could play a leading role in the region by bringing all the external actors who are interested in Central Asia to develop a coherent development agenda for Central Asia. This would help with the region's development as an autonomous and open region.

Bibliography

Primary Sources

Government Documents

- Annual Report, Japan, *Ministry of Petroleum and Natural Gas*, Tokyo (Japan), 2000-2001.
- Data Book, Energy Conservation in Japan, *The Energy Conservation Centre (ECC)*, Tokyo (Japan), 2007-2008.
- Diplomatic Bluebook, *Ministry of Foreign Affairs (MOFA)*, Tokyo (Japan), 2000-2007.
- Energy Facts and Figures of Japan, *Foreign Press Centre (FPC)*, Tokyo (Japan), 1979-89.
- Gaimusho (MOFA, JAapan), “Central Asia Plus Japan Dialogue – Action Plan,” 2006, www.mofa.go.jp/region/europe/dialogue/action0606.html. July 25, 2007.
- Handbook of Japan’s Official Development Assistance (ODA), *Ministry of Foreign Affairs (MOFA)*, Japan, 1991-2001.
- JETRO White Paper on International Trade, (Japan), 2000-2005.
- METI, “Energy white paper”, Agency for natural resources and energy, 2004-2006.
- METI, National Energy Strategy, Japan, May-2006.
- Statistical Handbook of Japan, *Japan Statistical Association (JSA)*, Tokyo (Japan), 1990-2000.
- White Paper on the International Trade, METI, Japan, 2001-2004.

Reports and International Organization Documents

- Alexel M. Mastepanov, “*Eastern Neighbors and Russia’s Energy Policy*”, ERINA Report Vol.35, 2000.
- *Analysis of the Impact of High Oil Prices on the Global Economy* , (Washington, D.C.: Energy Information Administration (EIA), Department of Energy, 2004).
- Asia Pacific Energy Research Centre (APERC) 2007, *A Quest for Energy Security in the 21st Century: Resources and Constraints*, Asia Pacific Energy Research Centre, Institute of Energy Economics, Tokyo (Japan).
- Asian Development Bank: *Asian Energy Problems* (New York: Praeger Publishers, 1982).
- Asian Development Bank, “Asian Development Bank & Kyrgyz Republic 2007: A Fact Sheet”; “Asian Development Bank & Kazakhstan 2007: A Fact Sheet”; “Asian Development Bank & Uzbekistan 2007: A Fact Sheet”; “Asian Development Bank & Turkmenistan 2007: A Fact Sheet”, “Asian Development Bank & Tajikistan 2007: A Fact Sheet”, www.adb.org/countries/,(August 3 2007).
- *British Petroleum: Statistical Review of World Energy* (London: Penwell Publishing Company, 2004-2008).
- Country Report: Uzbekistan, Kyrgyzstan, Armenia; Azerbaijan; Kazakhstan; Republics (London: Economic Intelligence Unit, 1994).
- *Energy and the Challenge of Sustainability* (New York: Department of Economic and Social Affairs, United Nations, 1997).
- Energy Information Administration (EIA), Department of Energy, 2004).
- *Energy Policies of OECD Countries* (Paris: Organization for Economic Cooperation and Development (OECD), 1996).
- *Energy Statistics of OECD Countries* (Paris: Organisation for Economic Cooperation and Development (OECD), 2004).
- ESMAP (2002), *Economic Development, Climate Change, and Energy Security, The World Bank’s Strategic Perspective* Energy Sector Management Assistance Program, Energy & Mining Sector Board Discussion Paper Series, Paper No. 3, Washington DC.

- ESMAP (2005a), *Annual Report 2004 Energy Sector Management Assistance Program*, Washington DC.
- European Commission (2000) *Towards a European strategy for the security of energy supplies* Green Paper COM (2000)769, Brussels, 29 November.
- *Global Energy Prospects* (Washington D.C.: World Bank Staff Working Paper No. 489, 1981).
- Hogan, L., Fairhead, L., Gurney, A. and Pritchard, R. 2005, *Energy Security in APEC: Assessing the Costs of Energy Supply Disruptions and the Impacts of Alternative Energy Security Strategies*, APEC Energy Working Group, Report no. APEC#205-RE-01.5, ABARE Research Report 05.2, Canberra, June.
- M. King Hubbert. "Nuclear Energy and the Fossil Fuels". *Drilling and Production Practice (1956) American Petroleum Institute & Shell Development Co. Publication No. 95: See pp 9-11, 21-22.*
- *Review and Outlook for the World Oil Market* (Washington, D.C.: IBRD/ World Bank, 1995).
- *World Development Report* (Washington D.C.: World Bank, 1999-2004).
- *World Energy Outlook* (Washington D.C.: Energy Information Administration (EIA), Department of Energy, 2003- 2006).

Secondary Sources

Books

- Aderson, John (1997), *"The International Politics of Central Asia"*, New York: Manchester University Press.
- Adrian, M, Samuel Adshead (1993), *"Central Asia in World History"*, New York: St. Martin's Press.
- Akiner, Shirin Ed. (1992), *"Economic and Political Trends in Central Asia"*, New York: Routledge & Kegan Paul.
- Akiner, Shirin (2000), *"The Caspian: Politics, Energy, Security"*, New York: Anne Aldis Publisher.

- Akihiko, Tanaka (2007), "*Japan in Asia*", Tokyo: NTT shuppan.
- Akitoshi, Miyashita, Yoichiro, Sato Ed. (2001), "*Japanese Foreign Policy in Asia and the Pacific: Domestic Interests, American Pressure, and Regional Integration*", New York: Palgrave.
- Aso, Taro (2007), "*Arc of Freedom and Prosperity*", Tokyo: Gentosha.
- Borthwick, Marx (1992), "*The Emergence of Modern Pacific Asia*", Oxford: Westview Press.
- Brzezinski, Zbigniew (1997), "*The Eurasian Balkans in the Grand Chessboard*", New York: Basic Books.
- Campbell, Colin John (2005), "*Oil Crisis*", Multi-Science Publishing.
- Chapman, J.W.M, Drifte, R., Gow, I.T.M (1983), "*Japan's Quest for Comprehensive Security: Defence-Diplomacy-Dependence*", Frances Pinter (Publishers) Ltd, London.
- Chenoy, Anuradha M., Patnaik, Ajay Ed. (2007), "*Commonwealth of Independent States: Energy, Security and Development*", New Delhi: Knowledge World Publishers.
- Clarke, Duncan (2007), "*The Battle for Barrels: Peak Oil Myths & World Oil Futures*", Profile Books limited.
- Dani, Ahmad Hasan (1993), "*New Light on Central Asia*", Renaissance Publishing House, Delhi.
- Davis, Elizabeth Van Wie, Azizian, Rouben (2006), "*Islam, Oil, and Geopolitics: Central Asia after September 11*", Rowman & Littlefield.
- Deffeyes, Kenneth S. (2005), "*Beyond Oil: The View from Hubbert's Peak*", Hill and Wang Publishers.
- Ferdinand, Peter (1994), "*The New Central Asia and its Neighbour*", London: The Royal Institute of International Affairs.
- Forsythe, Rosemarie (1996), "*The Politics of Oil in the Caucasus and Central Asia: Prospects for Oil Exploitation and Export in the Caspian Basin*", London: Paperback Publishers, Royal Institute of Affairs.
- Gidathubli, R.G. Ed. (1987), "*Socio-Economic Transformation of Soviet Central Asia*", New Delhi: Patriot Publications.

- Glenn, John (1999), *“The Soviet Legacy in Central Asia”*, New York: St. Martin’s Press.
- Green, M.J. (2003), *“Japan’s Reluctant Realism: Foreign Policy Challenges in an Era of Uncertain Power”*, Palgrave, New York.
- Hooshang, Amirahmadi Ed. (2000), *“The Caspian Region at a Crossroad: Challenges of a New Frontier of Energy and Development”*, London: MacMillan Press Ltd.
- Hunter, Shireen T (1996), *“Central Asia since Independence”*, Washington D.C.: Centre for Strategic and International Studies.
- Inoguchi, Takashi Ed. (2002), *“Japan’s Asian Policy: Revival and Response”*, New York: Palgrave Macmillan.
- Inoguchi, Takashi Ed. (2008), *“Human Beliefs and Values in Incredible Asia: Focus on South and Central Asia”*, Tokyo: Akashi Shoten.
- Islamov, Bakhtior (1998), *“The Central Asian States Ten Years After: How to Overcome traps of Development, Transformation and Globalization?”*, Tokyo: Maruzen Co. Ltd.
- Iwashita, Akihiro (2007), *“Eager Eyes Fixed on Slavic Eurasia: Russia and Its Neighbors in Crisis”*, Sapporo: Slavic Research Center, Hokkaido University.
- Jalalzi, Musa Khan (1994), *“Central Asia: Political Situation and Economic Opportunities”*, The Frontier Post Publications, Lahore.
- Jones Luong, Pauline (2005), *“The Transformation of Central Asia: States and Societies from Soviet Rule to Independence”*, Manas Publications, New Delhi.
- Kanet, Roger E. (2005) (ed.), *The New Security Environment: The Impact on Russia, Central and Eastern Europe*, Ashgate Publishing Limited, England.
- Kleveman, Lutz (2003), *“The Great New Game: Blood and Oil in Central Asia”*, New York: Atlantic Monthly Press.
- Kuen, Wook Paik (1995), *“Gas and Oil in Northeast Asia”*, London: Royal Institute of International Affairs.
- Leeuw, Charles (2000), *“Oil and Gas in the Caucasus & Caspian: A History”*, New York: St. Martin's Press.

- Legvold, Robert (2003), *“Thinking Strategically: The Major Powers, Kazakhstan, and the Central Asian Nexus”*, MIT Press.
- Mackinder, Halford (1942), *“Democratic Ideals and Reality”*, Constable Publishers, London.
- Malik, Hafeez Ed. (1994), *“Central Asia: Its Strategic Importance and Future Prospects”*, Houndmills: Macmillan.
- Mandelbaum, Michael Ed. (1994), *“Russia and Central Asia: Federation or Fault Line? In Central Asia and the World”*, New York: Council on Foreign Relations.
- Mandelbaum, Michael Ed. (1994), *“Central Asia and the World”*, New York: Council on Foreign Relations.
- Manz, Beatrice F. Ed. (1994), *“Central Asia in Historical Perspective”*, Westview Press, Oxford.
- Mishkin, Federic (2006), *“The Next Globalization”*, Princeton University Press.
- Nakasone, Y., Sato, Y., Murakami, Y., Nishibe, S. (1993), *“After the Cold War”*, Moscow: Progress-Universe.
- Muthian Alagappa (Ed.) (1998), *“Asian Security Practice: Material and Ideological Influences*, Stanford, Stanford University Press”.
- Pomfert, Richard (1999), *“The Economies of Central Asia”*, New Jersey, U.K.: Princeton University Press.
- Rahul, Ram (2000), *“March of Central Asia”*, Indus Publishing Company, New Delhi.
- Robert, Ebel E., Menon, Rajan Ed. (2000), *“Energy and Conflict in Central Asia and the Caucasus”*, London: Paperback Publishers, Royal Institute of Affairs.
- Shams-Ud-Din Ed. (1999), *“Geopolitics and Energy Resources in Central Asia and Caspian Sea Region”*, New Delhi: Lancers Book.
- Sing, Lim Hua (2003), *“Japan’s Role in Asia: Mutual Development or Ruthless Competition”*, 4th Edition, Eastern Universities Press.
- Sisodia, N S, Naidu, G V C Ed. (2007), *“Changing Security Dynamic in Eastern Asia: Focus on Japan”*, Promilla.
- Stares, Paul B. Ed. (2000), *“Rethinking Energy Security in East Asia”*, Japan Center for International Exchange, Tokyo.

- Stiglitz, Joseph (2006), “*Making Globalization Work*”, Penguin Books.
- Tashiro, Hiroko, Bremner, Brian, Crock, Stan, Brady, Rose (2004), “*Japan: Quickly Leaving Pacifism Behind*”, The McGraw-Hill Companies.
- Vernon, Raymond (1983), “*Two Hungry Giants: The United States and Japan in the Quest for Oil and Ores*”, Cambridge, Massachusetts: Harvard University Press.
- Vogel, E.F. (1979), “*Japan as Number One*”, Cambridge, Mass, Harvard U.P.
- Warikoo, K. Ed. (1995), “*Central Asia: Emerging New Order*”, New Delhi: Har-Anand Publishers.
- Wesley, Michael (2007), “*Energy Security in Asia*”, Routledge.
- Yergin, D. Ed. (1980), “*The Dependence Dilemma*”, Cambridge, Mass, Harvard U.P.

Research Articles and Periodicals

- Agnew, J. A., Corbridge, S. (1989), “*The new geopolitics: the dynamics of disorder*”, in Johnston, R. J., Taylor, P. J. (Ed.) “*A world in crisis: geographical perspectives*”, Basil Blackwell, Oxford, pp. 266-88.
- Bahgat, Gawdat (2003), “*The New Geopolitics of Oil: The United States, Saudi Arabia and Russia*”, Orbis, Summer, pp.447-460.
- Blank, Stephen (1995), “*Energy, Economics, and Security in Central Asia: Russia and Its Rivals*”, Central Asian Survey, Vol.14, No. 3, August, pp.373-406.
- Bohi, D. R., M. A. Toman (1993) “*Energy security: externalities and policies*”, *Energy Policy* Vol. 21, No.11, pp.1093-1109.
- Calder, Kent E. (2006), “*Simmering Sino-Japanese Rivalries*”, Foreign Affairs, April/May, pp. 1-11.
- Calderon, Silva (2003), “*Oil Market Stability in an Unstable World*”, OPEC Bulletin, March-April 2003, pp. 10-18.
- Chandra, Satish (2002), “*Central Asia – The New Great Game*”, *Journal of Indian Ocean Studies*, Vol. 10, No. 1, April, pp. 54-63.

- Dadabaev, Timur (2006), “*Japan’s Central Asian Diplomacy and its Implications*”, Central Asia-Caucasus Analyst, Vol.8, No.17.
- Das, P.L. (2000), “*Pipeline Politics: Route Options for Central Asian Oil Trade*”, Economic and Political Weekly, September, pp. 3301-3303.
- Datt, Divya (2003), “*Sustainable Energy: Trends and Perspectives for Asia, Pacific and Asian*”, Journal of Energy, Vol. 12, No.2, Winter, pp. 129-149.
- Dhaka, Ambrish (2004), “*Geo-economic Watershed of South and Central Asia*”, Economic and Political Weekly, January, pp.147-148.
- Dillon, Michael (1997), “*Central Asia: The View from Beijing, Urumqi and Kashghar*”, in Mehdi Mozaffari, Ed., “*Security Politics in the Commonwealth of Independent States*”, Basingstoke: MacMillan, pp. 133-150.
- Dorian, James P. (1994), “*The Kazakh Oil Industry: A Potential Critical Role in Central Asia*”, Energy Policy, August, pp. 685-698.
- Dorian, James P. (1999), “*Energy in Central Asia and Northwest China: Major trends and opportunities of cooperation for regional cooperation*”, Energy Policy, Vol. 27, pp. 281-297.
- Fuller, Graham (1990), “*The Emergence of Central Asia*”, Foreign Policy, Spring, pp. 49-67.
- Gawdat Bahgat (2006), “*Central Asia and Energy Security*,” Asian Affairs, (March), Vol. 37, No.1.
- Gidadhubli, R. G. (1999), “*Oil Politics in Central Asia*”, Economic and Political Weekly, Vol.34, No.5, Jan-Feb, pp.260-263.
- Hickok, M.R. (2000), “*The Other End of the Silk Road: Japan’s Eurasian Initiative*”, Vol.19, No.1, Central Asian Survey, pp.17-39.
- Huntington, S. (2001), “*Japan’s Role in Global Politics*”, International Relations of the Asia-Pacific, Vol.1, No.1, pp.141-42.
- Inoguchi , Takashi (1991), “*Japan’s Response to the Gulf Crisis: An Analytic Overview*,” Journal of Japan Studies, Vol. 17, No. 2, pp. 257–73.
- Katz, Mark N. (1994), “*Emerging Patterns in the International Relations of Central Asia*”, Central Asia Monitor, No. 1.

- Kendzior, Sarah (2007), *"Poetry of Witness: Uzbek Identity and the Response to Andijon"*, Central Asian Survey, Vol. 26, No. 3, September, pp 317-334.
- Koike, Masanari, Mogi, Gento and Albedaiwi, Waleed H. (2008), *"Overseas oil-development policy of resource-poor countries: A case study from Japan"*, Energy Policy, Vol.36, No.5.
- Komissina, Irina (2002), *"Will Japan and the Caucasus be linked by the Silk Route?"* Central Asia and the Caucasus, Vol.15, No.3.
- Kristof, Nicholas (1993), *"The Rise of China"*, Foreign Affairs, November/December, Vol. 72, No. 5.
- Len, Christopher (2005), *"Japan's Central Asian Diplomacy: Motivations, Implications and Prospects for the Region"*, The China and Eurasia Forum Quarterly, Vol. 3, No.3.
- Long, Zhi (2004), *"The China-Japan Game of Energy Accelerates the Founding of a New East Asia Energy Cooperation Regime"*, Chinese Petroleum, No. 8, p57.
- Masaru, Tamamoto (2003), *"Ambiguous Japan: Japanese National Identity at Century's end"* in Ikenberry and Mastanduno (Ed.), *International Relations Theory and the Asia-Pacific*, New York, Columbia, 191-212.
- Masuda, Tatsuo (2006), *"Energy Security Ties Between East Asia and Central Asia: Power Games or Partnership"*, Middle East Economic Survey, Vol.49, No.51.
- Menon, Rajan (2003), *"The New Great Game in Central Asia"*, Survival, Vol. 45, No. 2, Summer, pp.187-204.
- Morse, Edward L., Richard, James (2002), *"The Battle for Energy Dominance"*, Foreign Affairs, March-April, pp. 16-31.
- Nurgaliev, Marat, Shaymergenov, Timur (2007) *"Japanese Diplomacy makes new headway in Central Asia: Its Problems, Expectations, and Prospects"*, Central Asia and Caucasus, Vol 48, No.6.
- Nuri, Maqsdul Hasan (2001), *"Pipeline Diplomacy in Central Asia: Problems and Prospects"*, Regional Science, Vol.19, No. 1, Winter, pp. 36-75.
- Parrott, Stuart (1997), *"Pipeline Superhighway Replaces the Silk Road"*, Petroleum Economist, November, pp. 27-29.

- Phunchok, Stobdan (1998), “*China’s Central Asia Dilemma*”, Strategic Analysis, Vol. 22 , No. 3, June, pp. 399-408.
- Ruseckas, Laurent (1997), “*Caspian Oil: Getting Beyond the Great Game*”, Analysis of Current Events, Vol. 9, No. 2, February, pp. 4–5.
- Sariahmetoglu, Nesrin (1999), “*Slow Route on the Silk Road*”, Petroleum Economist, May, Vol. 66, No.5, pp. 30-35.
- Satoh, Yukio (1995), “*Emerging trends in Asia-Pacific security: The role of Japan*”, Pacific Review, Vol.8, pp. 267-281.
- Smith, Dianne L. (1996), “*Central Asia: A New Great Game?*”, Asian Affairs, Vol. 23, No. 3, Fall, pp. 147–175.
- Swanstrom, Niklas (2005), “*An Asian Oil and Gas Union: Prospect and Problems*,” China and Eurasia Forum Quarterly, Vol.3, No.3.
- Swanstrom, Niklas (2005), “*China and Central Asia: a new Great Game or traditional vassal relations*”, Journal of Contemporary China, Vol.14, No.45, pp.569-584.
- Tonedachi, T. (1982), “*Japan’s Lagging Oil Development*”, Japan Quarterly, Vol.29, No.1, pp.97-104.
- Townsend, Jacob, King, Amy (2007), “*Sino-Japanese Competition for Central Asian Energy: China’s Game to Win*”, China and Eurasia Quarterly, Vol. 5, No.4, pp.23-45.
- Valencia, Mark (1997), “*Energy and Insecurity in Asia*”, Survival, Vol. 3, No. 34, Autumn, pp. 85–106.
- Watanabe, Koji (2000), “*Japan and the New Central Asia*,” in Garnett, Sherman W. (Ed.), *The New Central Asia: In Search of Stability*, New York, Paris, and Tokyo: The Trilateral Commission.
- Watson, N.J. (2004), “*Central Asia: A Blow for Caspian Exports*”, Petroleum Economist, Vol. 71, No.10, October 2004, pp.20-21.
- Watson, N.J. (2003), “*Central Region: Controversial Pipelines Takes Step Forward*”, Petroleum Economist, Vol. 70, No.12, October, pp. 3-4.
- Weitz, Richard (2006), “*Averting a New Great Game in Central Asia*”, The Washington Quarterly, Vol. 29, No. 3, summer, pp.155-167.

- Yagi, Takeshi (2007), “‘*Central Asia plus Japan*’ dialogue and Japan’s policy toward *Central Asia*”, *Asia Europe Journal*, Vol.5, pp. 13-16.
- Yergin, Daniel (2006), “Ensuring Energy Security”, *Foreign Affairs*, Vol. 85 No. 2, March-April, pp. 69-82.
- Yoshihide, Soeya (1998), “*Japan: normative constraints versus structural imperatives*”, in Muthian Alagappa (Ed.) “*Asian Security Practice: Material and Ideological Influences*, (Stanford, Straford University Press)”, pp.198-233.
- Yoshitsu, M. (1981), “*Iran and Afghanistan in Japanese Perspective*”, *Asian Survey*, Vol.21, No.5, pp.501-14.
- Yuasa, Takeshi (2007), “*Japan’s Multilateral Approach toward Central Asia*”, in Iwashita, Akihiro (Ed.), *Eager Eyes Fixed on Slavic Eurasia: Russia and Its Neighbors in Crisis*, Sapporo: Slavic Research Center, Hokkaido University.
- Yutan, Li, Zhiheng, Chen (2004), “*China-Japan Energy: From Competition to Cooperation*”, *Northeast Asia Forum*, Vol. 13, No. 6, p5.