

Institute for the Economy in Transition:
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**“Japan’s Policy toward Central Asia and the South Caucasus:
Assistance for Economic Reform”**

Mr. Gaidar, Ladies and Gentlemen,

Thank you for giving me this opportunity to make a presentation at your very distinguished institution.

First of all, on behalf of the Government of Japan, I would like to express our deepest sympathy and condolences for the family members of the victims and the Russian people, who have endured the recent chain of tragic events, and also would like to reiterate our support for the efforts of the Russian Government to fight against terrorism.

My presentation today is about Japan’s policy toward Central Asia and the South Caucasus. I will talk about, first, what we have done so far to assist economic reform and nation-building efforts of the countries of the region; and secondly, talk about new direction of our policy toward Central Asia, referring to our Foreign Minister’s recent visit to the region; and finally, briefly touch upon our policy orientation toward the South Caucasus

Japan recognizes the Central Asia and the South Caucasus region as a region of the 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, we believe it retains great potential.

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 the Central Asia and the South Caucasus region. As a result, Japan has thus far provided Official Development Assistance (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.

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

Of these types of assistance, Japan has paid particular attention to technical cooperation for human resources development and financial cooperation for economic and social infrastructure development, as it is generally thought that Japan has a relative abundance of accumulated knowledge and experience in these areas.

As many of the countries in Central Asia and the South Caucasus region are in a transition period to a market economy structure, cooperation in soft areas is therefore essential, and Japan has been mindful to place particular importance on cooperation in human resources development and institution building. Japan had, by the end of 2002, accepted some 3,000 trainees in different fields from eight countries in this region. These trainees received meaningful training at central ministries and agencies, as well as at local governments, universities, companies and other institutions in Japan. I would be most delighted if their experiences in Japan contributed to the advancement of economic reforms in their home countries.

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. I hope that the Japan Centers in Tashkent, Bishkek, Almaty and other locations will be further utilized as a base for Japan's intellectual contribution to the region.

With regard to the development of economic and social infrastructure, Japan has provided yen loans of around 2.3 billion dollars for construction of airports and power plants, modernization of rail transportation systems, expansion of telecommunications networks, construction of road networks and others. If I may introduce some of those cases, these 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 has included measures for the environmental protection of the Aral Sea and assistance for the people who were exposed to nuclear radiation at Semiparatinsk.

Last year, the revision of Japan's Official Development Assistance (ODA) Charter was adopted by the Cabinet for the first time in the past ten years. In this revision, the Central Asia and the South Caucasus region was added to the regions identified as priority areas for ODA, to which Japan will provide assistance on measures for democratization and transition to market economies.

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.

With the drastic change in the strategic environment in the region since the 9.11 incident in mind, we have conducted a policy review since last year with regard to our relationship with Central Asia.

Two points were drawn as conclusions from this review. One is to continue strengthening efforts to enhance and to build closer bilateral relations with the Central Asian countries that have been promoted thus far. The other is, in tandem with the first point, to promote dialogue and cooperation with the Central Asian region as a whole. Japan would like to bring its cooperative relations with the countries of Central Asia to a

new level and to a new dimension by strengthening its engagement toward this region based on the foundation of these two pillars. I think we could call this effort the “Central Asia + Japan” Dialogue Initiative.

Minister for Foreign Affairs, Ms. Yoriko Kawaguchi has recently visited the Central Asian countries of Uzbekistan, Kazakhstan, Tajikistan and Kyrgyzstan from August 25 to 31 with the intention of putting these policies into actual practice.

In Tashkent, Uzbekistan, the first country of her visit, Foreign Minister Kawaguchi delivered a speech on Japan’s new policy toward Central Asia entitled “Adding a New Dimension: Central Asia plus Japan.” We have distributed to you the text of this speech, together with some other materials, which, I hope, might be of some use for you.

In her policy speech, Foreign Minister Kawaguchi announced Japan’s plan to restructure its policies for Central Asia in a new direction comprising the aforementioned two pillars (enhancing bilateral relations with the Central Asian countries and holding dialogue with the Central Asian region as a whole). She stressed the importance of the transition to market economy and the realization of democracy in the Central Asian countries. She also pointed out the significance of intra-regional cooperation among these countries. On this basis, Foreign Minister Kawaguchi proposed a new alternative in the form of the “Central Asia + Japan” Dialogue as a framework for cooperation over Central Asia. We would be delighted if this framework of dialogue could be used together with the various existing frameworks for cooperation on Central Asia to the benefit of the countries in this region.

Foreign Minister Kawaguchi then traveled to Astana in Kazakhstan where she met with the foreign ministers of the Central Asian countries. We called this meeting the “Central Asia + Japan” Dialogue Foreign Ministers’ Meeting. Foreign Minister Tokaev of Kazakhstan was kind enough to be the host of the meeting. A representative from Turkmenistan was also present. Therefore, it turned out to be “5 Central Asian countries +Japan(5+1)” meeting. We consider this meeting to have been the first step in the “Central Asia + Japan” Dialogue.

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 issues. Second, through the countries of Central Asia coordinating 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 prudent and steadfast manner, Japan is prepared to support these efforts and to provide assistance.

We 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 and ownership 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. As a result, we agreed to further advance the “Central Asia + Japan” Dialogue by various measures and on various levels.

Finally, please let me briefly touch upon our policy orientation toward the South Caucasus.

The South Caucasus is also a region to which Japan attaches importance, from various perspectives including geopolitical considerations and also the stable supply of energy. Japan has been promoting friendly and stable relationships with all the three countries of the region. Since the South Caucasus is not unlike Central Asia in that it is brimming with diversity, and given the well-known ethnic and territorial disputes, we recognize that stable development is a particularly important challenge it is currently facing.

In this region, toward the end of last year, both Azerbaijan and Georgia experienced changes of government, and we welcome that both of these political transfers of power, while each having their own unique characteristics, took place in a basically bloodless

manner and in relative calm. Japan intends to continue to provide all the possible assistance which it is able to ensure that the countries of the South Caucasus remain stable and continue to advance democratization and a transition to market economy.

Considering the recent stringent economic situation in Georgia, at the Donor's Conference held in June this year in Brussels, Japan pledged to accept approximately 100 persons over the forthcoming three-year period for human resources development training, and also announced that it would actively look into other measures, including the provision of non-project grant aid and grant aid for the increase of food production.

I have already mentioned the new direction for Japan's Central Asia policy. Now we intend to also look into how Japan can make any additional contribution to the stability and prosperity of the South Caucasus region.

Today I have spoken about Japan's measures to date and its future direction for policy towards Central Asia and the South Caucasus regions, and I would like to assure you that Japan is truly seeking the stability and prosperity of these regions and is fully prepared to continue to be involved in making a constructive contribution.

Thank you for your kind attention.