



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2019; 5(10): 170-174
www.allresearchjournal.com
Received: 12-08-2019
Accepted: 16-09-2019

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Energy diplomacy and investment policy of Japan in central Asia

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Abstract

The article is devoted to the international relations of Japan with the countries of Central Asia, energy diplomacy and investment activities of Japan in the countries of region, namely its political and economic aspects. In recent years, Japan's interest in Central Asian countries has been increasing. This is due to the protection of its own energy security and rich natural resources, as well as competition in this region with China, India and Korea. A brief history of Japanese assistance to the states of the region is given and the role of the "Central Asia + Japan" format is revealed. It describes the role of ODA in the investment activities of Japan in Central Asia, shows the volume of assistance under the country program. The investment activity of Japan is explained in the article from the point of view of resource and geopolitical imperatives: thus, Japan has an interest in the abundant resources of the region, and also seeks support from the Central Asian states for its political agenda.

Keywords: energy resources, energy security, energy diplomacy, ODA, investment activity, "Central Asia + Japan".

Introduction

Diplomatic efforts aimed at ensuring energy security occupy an important place in Japan's foreign policy. The goal of energy diplomacy is to establish a stable supply of energy resources, as well as to diversify their suppliers and sources of energy. The energy factor in shaping Japan's policy in Central Asia deserves serious attention in the context of ensuring energy security. The region is notable for a considerable variety of natural resources: in Central Asia there are concentrated reserves of coal, oil and gas, uranium ores, ferrous and non-ferrous metals, and also chemical raw materials.

Moreover, the region occupies an important geopolitical position as a "bridge" between the East and the West. It is located between Russia and China, South Asia, the Middle East and Europe and from a historical point of view, Central Asia is the territory by which passed the "Silk Road" [3].

Japan's energy diplomacy in Central Asia can be divided into several stages. From the very beginning of the formation of the young states of Central Asia, the region was viewed as a promising supplier of not only oil, but also natural gas. In the White Paper on Energy Policy (1993), the importance of natural gas for diversifying sources of energy resources was noted, and in this connection the reserves of the states of Central Asia were mentioned [12]. Tokyo certainly showed interest in the resources of Siberia and the Far East, however, he linked full-scale cooperation with the solution of the territorial issue. It was easier for Japan to be seen as potential partners for energy cooperation of the republic of Central Asia, primarily Kazakhstan and Turkmenistan.

In the first half of the 1990s, Tokyo began exploring the possibilities of energy cooperation with Central Asia. Already in March 1993, the Japanese National Petroleum Corporation announced that it would begin a full-scale study of commercial oil and gas production projects in Uzbekistan, Turkmenistan, and Kazakhstan.

Representatives of the private sector also actively engaged in cooperation with Central Asia. For example, Mitsubishi began exploring the option of laying a pipeline from Turkmenistan to China and was also ready to participate in the construction of the Western Kazakhstan-Kumkol oil pipeline. Itochu Corp announced its intention to become a member of an international consortium for the construction of a gas pipeline through Iran to Turkey.

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The second stage is connected with the advancement of the doctrine of Eurasian diplomacy Hashimoto, in which for the first time the strategic directions of cooperation with Central Asia and the Caucasus were clearly outlined. In June-July 1997, a large delegation consisting of representatives of political, business and academic circles headed by K. Obuti visited Kazakhstan, Turkmenistan, Kyrgyzstan and Uzbekistan. One of the main theme of the talks was the discussion of investments in the energy sector. In April 1998, a delegation of large business – the Federation of Economic Organizations went to Kazakhstan and Uzbekistan. The main topic of the talks was the establishment of cooperation in the development of oil and gas fields. During this period, Japan's energy diplomacy began to gain force. The development of the energy sector of the Central Asian republics was considered by Tokyo as a way to push their economic development process and promote regional integration. The next stage of Japan's energy diplomacy in Central Asia can be counted from 2002. By this time, the prerequisites had been created for Japan to make another attempt to intensify ties with the region. After September 11, 2001, the United States, the main military and political ally of Japan, entrenched in Central Asia for the first time. A new balance of power has weakened China's position in the region and prompted Tokyo to more resolutely probe the possibilities of economic, primarily, energy projects in the region.

Now the Japanese energy strategy pays special attention to the countries of this region, and some Japanese companies are actively involved in oil and gas projects in the region.

The conceptual attitudes of the Japanese government towards Central Asia are being put into practice. For countries in the region with a multi-vector foreign policy, Japan has become an attractive international partner. Japan and the countries of Central Asia are bound by agreements on friendship and cooperation, strategic partnership and cooperation. One of the positive factors contributing to the successful development of political relations is that there are no unsolved international problems between Japan and the countries of Central Asia.

The paper is structured as follows. It describes the political and economic foundations and mechanisms of cooperation of Japan in Central Asia, energy diplomacy and cooperation of Japan with the countries of the region, problems and prospects Japan's investment activities in the region.

Research Methods

Our core method is a qualitative, systemic, comparative, sociological, institutional, case study approach drawn from a synthesis of peer-reviewed literature as well as current reports and documents related to our theme. The system method helped determine the role of the energy component in the global political process, allowed to identify the relationship of the energy market participants and reveal the degree of influence that they have on each other. The comparative method made it possible to evaluate the mechanisms for implementing energy and investment policies and to identify the most effective forms and optimal ways to ensure energy security. The sociological method was necessary to identify the dependence of the energy and investment policies of countries on other areas of society: foreign and domestic policies, geopolitical and national characteristics, the economy as a whole, etc. The institutional method was applied in analyzing the activities

of state institutions and energy corporations of Japan in the field of energy and investment, as well as the role of states in ensuring national and regional energy security. The historical method helped to identify the main stages of development of energy diplomacy and investment policy of Japan in Central Asia and to make predictions about the future energy and investment course of the country. The case study method made it possible to investigate with concrete examples stable and temporary conditions and circumstances affecting the formation of mechanisms for energy diplomacy and investment activity, to determine the degree of dependence between various participants in this process and to identify the most influential actors in the energy sector.

Japan's policy in Central Asia

The geopolitical importance of Central Asia is characterized by a location between Russia and China, adjacent to Afghanistan, Iran and Pakistan. This region is rich in energy resources, including oil and natural gas, as well as mineral resources such as uranium and rare metals. It attracts a lot of attention from the point of international energy security. The most sought-after for the Central Asian economy are advanced Japanese technologies in the fields of energy supply, medicine, urban infrastructure, and many others. Becoming with new geopolitical and internal challenges, they objectively become natural strategic partners.

In 2016, Japan was the fourth largest oil consumer in the world (4.037 million barrels per day (Mb/d)), and oil import dependency stood at 99.7 per cent^[1]. Therefore, diplomatic efforts aimed at ensuring energy security occupy a key place in Japan's foreign policy. The goal of energy diplomacy is to establish a stable supply of energy resources, as well as to diversify their suppliers and sources of energy.

Japan since the 1990s has contributed to the diversification of the Central Asian transport corridors along both the East - West and North - South lines. Multibillion-dollar assistance was allocated for this purpose on a bilateral basis, as well as through the programs of international banks. Special attention was paid to communications in Uzbekistan - an important transit hub of the region.

In 1996, Prime Minister Hashimoto Ryutaro announced the first initiative to engage with Central Asia by conceptualizing the region within the broader Eurasian post-Soviet context. This initiative largely reflected the vision of Central Asia during the initial years of independence as a part of the Russian-dominated post-Soviet sphere. Japanese national interests pursued there included ensuring that Japanese economic and geopolitical interests were properly represented, and contributing to regional stability, peace, and development^[4].

Hashimoto's initiative has largely been realized through the Silk Road Action Plan, jointly drafted by Japan's Ministry of Trade and Industry, Ministry of Foreign Affairs, and Ministry of Finance, and released in 1998. This plan defined three main pillars of engagement in CA: strengthening political dialogue, providing economic and natural resource development assistance, and cooperation in facilitating regional democratization and stabilization. In the follow-up to his initial concept, Hashimoto attempted to encourage Japanese businesses to participate more actively in the oil and gas resource-rich economies of CA.

The Japanese presence in Central Asia has been supported through two main channels: ODA to the region in the form

of grants, technical cooperation, low-interest and interest-free loans, and other forms of financial assistance, amounting to over US\$2.5 billion over the years. The announced goals of Japan's ODA disbursements were: establishing a foundation for sustainable economic development, supporting democratization and the transition to market economies, and aiding countries in addressing their social problems. While ODA disbursements have symbolized a serious Japanese commitment to the region and contributed to much-needed assistance programs, their lack of efficiency and connection to the announced goals and to Japanese national interest have been frequently criticized both at home and abroad. The second channel was meant to be the active participation of Japanese businesses in advancing Japanese economic interests in the region. In this context, Tokyo sought to contribute to the development of energy-related projects in these oil-, gas-, and uranium-rich countries of Uzbekistan, Kazakhstan, and Turkmenistan and secure some portion of these energy resources for export to Japan^[4].

Japan's engagement policy under the Koizumi administration, formalized in the "Central Asia plus Japan Dialogue" initiative announced by Foreign Minister Kawaguchi Yuriko in 2004, was distinct because it encouraged both CA regional integration and enhancement of the countries' capacity to solve regional problems using regional means^[5]. In 2006, Foreign Affairs Minister Taro Aso put forward the concept of the "Arc of Freedom and Prosperity" according to which Japan expressed solidarity with Western countries in strengthening democracy in unstable regions of the world.

By 2015, the SCO expanded to include long-standing Japanese partners, India and Pakistan. In the same year, the development of Japan's relations with the countries of Central Asia received a new impetus. Japanese Prime Minister Shinzo Abe made the first-ever visit to the countries of Central Asia, during which agreements were signed totaling \$ 27 billion. Among the deals: the construction of gas processing plants, chemical plants, as well as infrastructure development, logistics and telecommunications.

During the visit, Abe made promises of significant Japanese investment in the countries of Central Asia. In particular, plans were made for the construction of nuclear power plants and the extraction of rare earth metals in Kazakhstan, gas production and the development of the automotive industry in Uzbekistan, investments in Turkmen field "Galkynysh", and reconstruction of the "Manas" airport in Kyrgyzstan^[14].

In addition, relations between Japan and the Central Asian countries are part of the dynamically developing bond of East Asia - Central Asia, which is important to consider in the context of the promising pairing of post-Soviet integration projects and the Chinese program "One Belt, One Way". Of particular interest in this context is the moment chosen by the Japanese leadership to intensify relations with the region.

Japan Investment in Central Asia

First of all, it is necessary to characterize the main features of the investment activities of Japan abroad. It should be immediately noted that the Asian region has always been one of the main areas of Japanese capital application:

according to JETRO statistics, in 2016 it was in the top five investment regions^[8].

The main share of Japanese investment is mainly in the area of direct investment and covers industries such as engineering, trade and mining. Overseas private Japanese capital flows are complemented by official development assistance (ODA) funds. This is a preferential form of assistance in the development of national economic complexes of developing countries. ODA forms are concessional yen loans, technical and non-repayable financial assistance. After the end of the Cold War, Japan presented to the world a new Charter of ODA fundamental principles.

These principles are as follows:

- Development and environmental protection are inseparable;
- The use of military aid is excluded;
- The development of the military industry in the recipient countries must be brought under control;
- Efforts should be made to develop democracy and the principles of a market economy^[7].

Official development assistance is provided in the form of grants, technical cooperation, as well as yen loans with a low or even zero interest rate^[2]. At the same time, loans are allocated for the support and development of economic and social infrastructure facilities and grants are issued to the least developed countries in order to combat poverty and provide basic human needs. Technological assistance implies the creation of bases for the implementation of complex projects in the recipient countries, that is, the training of specialists and the study of problems of specific countries on the ground^[6].

In the 1990s, Japan provided significant economic assistance to the countries of Central Asia. From 1992–2000, its volume amounted to \$ 1.007 billion; of this amount, Uzbekistan received 396 million, Kazakhstan 306 million, Kyrgyzstan 290 million^[13]. Kazakhstan, Kyrgyzstan and Uzbekistan were provided preferential loans for the modernization of transport infrastructure. Tokyo promoted the inclusion of the Organization of Economic Cooperation and Development of Central Asian States in the number of developing countries and the accession of Kazakhstan, Kyrgyzstan and Uzbekistan to the Asian Development Bank^[12].

In the first half of the 2000s, the prerequisites were laid for the revitalization of Japanese policy in Central Asia. The rapprochement between Uzbekistan and the United States had a positive effect on relations between Tashkent and Tokyo, which in July 2002 were officially declared "strategic partnership"^[9]. Uzbekistan became the first and so far the only Central Asian country with which Japan was connected by direct air traffic^[16]. Attempts to entrust Japan with a more active and independent role in Central Asia were also motivated by the expansion of Chinese influence in the region, with wariness perceived by Japanese political and expert circles^[15].

In 2004, Tokyo offered the Central Asian countries to complement bilateral relations with a multilateral format called the Dialogue "Central Asia plus Japan". The initiative of Japan received the support of all the states of the region, except Turkmenistan^[10]. According to the concept of Japanese diplomacy, the multilateral dialogue was intended primarily to promote the development of intraregional cooperation in Central Asia, based on the model

implemented by the countries of South-East Asia ^[11]. In 2006, an Action Plan was adopted providing for the parties to develop a political dialogue, promote economic cooperation, cultural and educational exchange. The main section of the document was devoted to the development in Central Asia with the assistance of Japan, intraregional cooperation in a wide range of areas, including in the fight against terrorism and drug trafficking, social, trade and investment, water and energy, transport and environmental issues, prevention of natural disasters ^[2].

From 2015, a new period of activation of Japanese politics in Central Asia began. During the visit, Abe made promises of significant Japanese investment in Central Asia. Following the results of the Meeting of the Foreign Ministers of the Central Asian countries and Japan held in spring 2017, was adopted the “road map” on regional cooperation in the field of logistics and transport.

During the meetings of the Japanese leadership with the leaders of the countries of Central Asia, the issue of natural resources occupies a very important place. The importance of importing oil, gas and uranium to Japan from the countries of the region is always relevant. A memorandum on the development of uranium ore mining was signed in Kazakhstan, and work was started on an agreement on the joint development of uranium and other mineral resources. Shinzo Abe continues this tactic. The tour of 2015 allowed Abe to conclude a number of agreements, including: assistance in the construction of natural gas processing plants, natural gas liquefaction plants, gas chemical plants and transport infrastructure facilities. Japan is really interested in resources produced in Central Asia. The most active trade is carried out with Kazakhstan and Uzbekistan, countries rich in resources, which Japan needs. Uzbekistan has both oil and gas as well as significant uranium reserves, and Kazakhstan is a major exporter of oil and gas. Turkmenistan is also rich in gas resources, but exports are largely focused on Russia, Iran and China, so trade with Japan has not yet reached a large scale.

Accordingly, Japan in order to maintain its own energy security, has consistently assisted the development of the mining and manufacturing industries, the logistics and transport infrastructure in the countries of Central Asia, and has achieved some success in this area.

Conclusion

Assessing the results of energy diplomacy and investment policy of Japan in Central Asia, we can draw the following conclusions: For Japan, Central Asia is not only a region important from a geopolitical point of view, but also a large resource base and a promising market, the key to its own energy security. Much more successfully was the start of cooperation in the development of uranium and rare earth metals, resources of strategic importance to Japan. Tokyo quickly achieved significant results in Kazakhstan and has good prospects for the implementation of a number of projects with Uzbekistan. The growing activity of China and Korea, aimed at gaining access to the region's uranium resources, is pushing Japan to defend its energy interests more resolutely.

The investment strategy of Japan implies the provision of official development assistance through the program to economic assistance to the countries of Central Asia in the form of loans, grants and technological assistance, with particular attention being paid to infrastructure projects and

projects for the extraction and processing of mineral resources. As well, the program documents reflect Japan's intention to develop democracy and market relations in the Central Asian region.

The transition to a more active foreign policy in Central Asia, which began in recent years as part of a general review of foreign policy, will require Japan's extensive use of economic and traditional political instruments of influence, the creation of alliances and coalitions.

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