

Japan's Central Asian Diplomacy: Motivations, Implications and Prospects for the Region

*Christopher Len**

Following the collapse of the Soviet Union in 1991, five new independent republics emerged in the Central Asian region. 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 the stereotype of the Central Asian states as helpless states of others' design, many in the U.S. foreign policy establishment initially thought that the Central Asia republics would fall into the sphere of Iranian influence, citing Islam as a bonding factor.¹ 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.² Competition over the region quickly heated up while Russia was attempting to reassert itself in its backyard, with Turkey, India, Pakistan, China and the United States 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

* Christopher Len is Assistant Editor of the CEF Quarterly. He is also the Energy and Cooperation Project Coordinator at the Central Asia-Caucasus Institute and the Silk Road Studies Program at Uppsala University, Sweden.

¹ Stephen Blank, "Energy, Economics, and Security in Central Asia: Russia and its Rivals," Strategic Studies Institute, March 1995, p. 15, <<http://www.strategicstudiesinstitute.army.mil/dffiles/ubi119.pdf>> (November 1 2005).

² *Ibid.*, p. 5-13.

Great Britain and Tsarist Russia over supremacy in Central Asia in the 19th Century. 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. To the north lies Russia, China is east of the region, India lies southeast while, the Middle East is southwest with Iran at its border. From a strategic viewpoint, these civilizations historically used Central Asia as a buffer zone against threats from one another. Similarly during the Great Game period, British India sought to contain Tsarist Russia in Central Asia to prevent it from advancing too far south. They were afraid that Russian expansion would threaten British dominance in the Indian sub-continent. In present days, the concern has shifted to how instability within this region could spread across borders impacting these neighbors and how balance-of-power could be achieved in order to stabilize the political situation in the region.

More recently, the vast and commercially viable quantities of crude oil 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 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.³

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 nineties, Russia in the mid-to-late nineties, the U.S. from 2001 after

³ "Central Asia Fact sheet," Energy Information Administration, September 2005, <www.eia.doe.gov/emeu/cabs/Centasia/Background.html> (October 25 2005); "Kazakhstan," Energy Information Administration, July 2005, <www.eia.doe.gov/emeu/cabs/Kazakh.html> (October 25 2005).

9/11 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 from strategic analysts fixed on the region and generated only limited interest from a geopolitical perspective 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 mat 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. As this article will show, this makes the leaders of the various Central Asia states comfortable with its presence and allow Japan to play a special role on the region. 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.

Rationale behind Japan's Initial Entry into Central Asia

The end of the Cold War created new opportunities for Japan to engage with the post-Soviet independent states, in particular, Russia. The initial rationale in such engagement was borne not out of altruism but a result of Japan's self-interest. When the Soviet Union collapsed, the availability of energy resources from the Russia's Siberian Far East and the return of the Kurile Islands (often referred to by the Japanese as the Northern Territories) by the Russians were the subjects closest to Japan's heart.

From the perspective of the Japanese, the two issues are essentially tied together. The islands, were explored and settled by the Russians and the Japanese in the 18th and 19th century. The border between the two empires was established in 1875 with the Treaty of St Petersburg when Japan inherited the islands in exchange for ceding Sakhalin to Tsarist Russia.

Russia however invaded the islands at the end of World War II in 1945 and has held on to them ever since. While Russia's Far East energy resources was a good option for Japan's strategy to diversify its energy imports from the Middle East, 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 divert its attention away from the area.

Central Asia thus presented itself as an option for Japan's quest to diversify its energy suppliers. The region proved to be an attraction as it came at a convenient time and served Japan's interests on many levels. Japan had been under pressure from France and Germany to increase aid and investment to the former Soviet Union, in particular, Russia, despite Tokyo's insistence that Moscow should first return the Northern Territories. Aiding the five Central Asian republics served as a means to deflect pressure to aid Moscow.⁴ Japan was also hoping to use Central Asia as leverage against Russia to return the disputed islands. Following the 1992 visits by Japanese officials to Central Asia, Japan's initial interest transformed into active undertakings to venture into the region. At the Seventh Symposium on Pacific Energy Cooperation held in February 1993, Japan made it known that as far as its energy diversification strategy was concerned, it preferred to target the new Central Asian republics, especially Turkmenistan and Kazakhstan who were already exporters then, over Russian Far East fields in eastern Siberia. Despite in-principle interest in the Siberian fields, Kazuo Ogura, Director-General of the Ministry of Foreign Affairs' economic affairs bureau, told the symposium that "there is a limit to the extent to which (Japan) can cooperate with Russia" in light of the territorial dispute between the two countries. With Russia and Japan disagreeing over territorial issues, officials considered it easier for Japan to focus its policies on the Central Asian republics, as there would be less political baggage in its new engagement with these states.⁵ Japanese officials also admitted that aid to Central Asia was intended to show Russia that more funds could be forthcoming if they agreed to hand back the Kurile Islands to Japan.⁶

In 1993, the Ministry of International Trade and Industry (MITI) 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

⁴ Clayton Jones, "Japan Diverts Aid to Central Asia in Bid for Strategic Edge," *Christian Science Monitor*, October 20 1992, p. 3.

⁵ Lisa Twaronite, "Japanese Expected to Shun Siberia, Focus Hunt for Oil on Central Asia," *Journal of Commerce*, February 8 1993, sec. B, p. 6.

⁶ Ahmed Rashid, "No Smoke Screen," *Far Eastern Economic Review* 156, 50 (December 16, 1993): 46.

policies of the resource rich Central Asia republics and the potential of 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.⁷

MITI's promising report on Central Asia contrasted with the uncertainty of Russia's future. In addition to the islands dispute, there was a lack of confidence among the Japanese over Russia's energy sector which is fraught with pitfalls. Concern was expressed on the fact that Russia was undergoing a tough period of economic and democratic transition, that there would be sluggish implementation of reform legislation. Doubts were also raised about Russia's ageing infrastructure. In addition, it was pointed out that Russia's mature energy industry with its political and economic clout would most likely want control over the major projects in Russia, thereby making it difficult for foreign investment.⁸

There were also strategic reasons involved. Japan was presented with two options in its search for secure energy supplies: either help develop the Russian oil and gas fields, or support Turkmenistan's gas development along with China's Tarim Basin oil and gas development.⁹ The feasibility of both projects depended on Japanese capital. The use of Japanese financial muscle as part of its diplomatic strategy for leverage and strategic positioning is a hallmark of Japan's post-World War II engagement with the outside world. Japan's entry into Central Asia and its accompanying talk of investment in Chinese energy fields could in fact be read as an early attempt to counter-balance China with Russia in the new post-Cold War environment.

Japan was also said to be concerned about rising fundamentalism in the region. It was reportedly worried about the instability of Central Asia spreading eastwards into China's Xinjiang province.¹⁰ Xinjiang is the homeland of the Muslim Uighers and China has been combating the secessionist forces there since the 1950s. An unstable China could have repercussions for Asia, especially Northeast Asia and this presented Japan with another reason to help the Central Asian states. According to a senior Ministry of Foreign Affairs official, Japan hoped that increased Japanese aid to the region could help alleviate the situation and help the

⁷ Mehmet Ögütçü, "Eurasian Energy Prospects and Politics," *Cemoti* 19 (Janvier Juin 1995): 23, <<http://cemoti.revues.org/document223.html>> (September 16 2005).

⁸ Lisa Twaronite, "Japanese Expected to Shun Siberia, Focus Hunt for Oil on Central Asia," *Journal of Commerce*, February 8, 1993 sec. B, p. 6.

⁹ "Mitsubishi to Study Gas Pipeline for Central Asia," *Yomiuri News Service*, December 28, 1992.

¹⁰ Ahmed Rashid, "No Smoke Screen," *Far Eastern Economic Review* 156, 50 (December 16, 1993): 46.

new republics steer towards secular, rather than Islamic fundamentalist governments.¹¹

There was also a certain level of romanticization of Central Asia within the Japanese calculus, especially with Kyrgyzstan. Japanese officials claim racial similarity between Japanese and the people of Central Asia as another motivating factor for its involvement in the region. They consider themselves having historical ties to the region because of the 60,000 Japanese war prisoners who were deported to Central Asia by Stalin when the Red Army invaded Manchuria in 1945.¹² Apparently, Japanese Foreign Minister, Michio Watanabe found it difficult to distinguish between Japanese and the locals in Central Asia on his first trip to the region.¹³

In sum, from 1992, Japan began to shift its attention towards away from the Russians, towards Central Asia as a form of leverage against Russia to return the Kurile Islands and as part of its energy security strategy. At the secondary level, it felt the need to help the Central Asian states stabilize and develop and because it felt a certain sense of affinity towards the people of the region. Such rationale drove Japanese engagement from 1992 up to 1997, after which, Japan's Central Asian rationale underwent reassessment. Beginning with Japan's "Eurasian diplomacy" strategy in the middle of 1997, Japan's foreign policy in the region was no longer driven by energy security or the return of the Kurile Islands. Instead, the primary motivations became the desire to help Central Asia attain stability and development as an end in itself and because Japan began to regard itself as an Asian role model for the Central Asian states.

Japan's Activities in Central Asia – Three Phases

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.

¹¹ Lisa Twaronite, "Japanese Expected to Shun Siberia, Focus Hunt for Oil on Central Asia," *Journal of Commerce*, February 8, 1993 sec. B, p. 6.

¹² Kent E. Calder, "Japan's Energy Angst and the Caspian Great Game," *National Bureau of Asian Research (NBR) Analysis* 12, 1 (March 2001): 21.

¹³ Clayton Jones, "Japan Diverts Aid to Central Asia in Bid for Strategic Edge," *Christian Science Monitor*, October 20 1992, p. 3.

Phase 1: 1992 – 1997

Japan's first official high-level approach to Central Asia started in May 1992 with a visit by Japanese Foreign Minister Michio Watanabe. With this successful trip, the government began to set out a strategy to woo the Central Asian republics 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 republics under the Official Development Assistance (ODA) program, certifying them as developing countries.¹⁴ This enabled Japan to register aid to the region as official development aid. Japan also pushed for the Central Asian republics to be admitted into the Asian Development Bank (ADB) even though they were already members of the European Bank for Reconstruction and Development (EBRD).¹⁵ This allowed the Central Asian republics to draw credits from both banks, an unprecedented arrangement.¹⁶

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.¹⁷ As early as December 1992, Mitsubishi Corp 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.¹⁸ In March 1993, it was announced that Japan National Oil Corp would launch a full-fledged feasibility study for the commercial production of oil and gas in Turkmenistan, Uzbekistan and Kazakhstan.¹⁹ 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.²⁰

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. Examples include helping

¹⁴ "Plan Approved for Aid to Central Asia," *The Daily Yomiuri*, October 24, 1992, p. 1.

¹⁵ Date of entry into the Asian Development Bank (ADB): Kazakhstan (1994), Kyrgyzstan (1994), Uzbekistan (1995) and Turkmenistan (2000).

¹⁶ Mehmet Ögütçü, "Eurasian Energy Prospects and Politics," *Cemoti* 19 (Janvier Juin 1995): 22, <<http://cemoti.revues.org/document223.html>> (September 16 2005).

¹⁷ *Ibid.*, p.21-22

¹⁸ "Mitsubishi to Study Gas Pipeline for Central Asia," *Yomiuri News Service*, December 28, 1992, p. 6.

¹⁹ "Japan Seeks Output of Oil, Gas in Central Asia States," *The Daily Yomiuri*, March 31, 1993, p. 6.

²⁰ Jonathan Standing & Steve Stroth, "Exxon, Others to Study Asian Pipeline Project," *The Houston Chronicle*, August 23, 1995, p. 1.

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.²¹ Apart from bilateral efforts, Japan also supported the Central Asian states through multilateral institutions, such as the EBRD and the ADB.

While the Japanese government had high expectations of its entry into Central Asia, Central Asian governments were equally keen to attract Japanese financial aid and investment and there were high hopes as to what Japan's assistance could do for the development of their states. Kyrgyzstan for instance talked about building a silicon valley in Central Asia with Japanese aid and technology.²² Central Asian leaders and their officials regularly visited Japan to lobby for aid and investment and many students from Central Asia, particularly those from Kyrgyzstan studied in Japan.²³

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-averse 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.²⁴

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

²¹ "Japan to Aid Four Former Soviet Republics," *Yomiuri News Service*, June 7, 1993; "Japan to Restore C. Asia Wasteland," *The Daily Yomiuri*, July 24, 1996, p. 3.

²² Toru Yoshida, "Kyrgyzstan Counting on Japan to Help build 'Silicon Valley'," *The Daily Yomiuri*, October 5, 1996, p. 13.

²³ Toru Yoshida, "Government Officials Try to Lure Japanese Capital to Central Asia," *The Daily Yomiuri*, January 4, 1995, p. 8. Refer also to the Japanese Ministry of Foreign Affairs Website for a full-listing of high-ranking official visits by Central Asian officials to Japan (and vice-versa) <www.mofa.go.jp/region/index.html> (October 30 2005).

²⁴ A notable example is the case of the Japanese firms Nissho Iwai and Itochu's business dealings Karaganda Metallurgical Combine in Kazakhstan. Refer to: Tomohiko Uyama, "Japanese Policies in Relation to Kazakhstan: Is There a Strategy?" in *Thinking Strategically*, ed. Robert Legvold (Cambridge MA: MIT Press, March 2003), 174.

compared to the one from the Siberian oil and gas fields. 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 Japan²⁵, multilateral talks about pipeline corridors and transit commission fees would be a massive hurdle to overcome. 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. Furthermore, looking at the example of North Sea oil, Britain and Norway took two decades to reach peak production for the North Sea oilfields and a similar timeframe is said to be envisaged for the Caspian. Since it is natural to expect that the easiest 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.²⁶ As such, it would take decades for the plan of a Central Asia-China-Japan pipeline could be realized, if it all.

Overall, Japan's level of participation in Caspian energy projects paled in comparison with that of the United States and Europe and for that matter, its own past role in the Middle East and Indonesia.²⁷ The viability of Central Asia as an alternative to Russia and the Middle East in meeting Japan's energy security appeared to be over-estimated by the Japanese and exaggerated by the oil and gas-rich Central Asian states. While the region is certainly rich in oil and gas, the Japanese government clearly underestimated the challenges related to penetrating the energy sector in the region and the technical and political obstacles involved in transporting oil and gas to Japan. 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 and to prevent the dominance of any particular actor. 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.

Japan's lack of commercial progress in Central Asia led to criticisms that Japan lacked a clearly defined strategy in engaging Central Asia. One Japanese commentator for instance noted that Japan's Central Asian

²⁵ Jonathan Standing & Steve Stroth, "Exxon, Others to Study Asian Pipeline Project," *The Houston Chronicle*, August 23, 1995, p. 1.

²⁶ "Caspian Energy: Looking East," *Energy Economist*, November 1998, Issue 205, pp. 10-15.

²⁷ Tomohiko Uyama, "Japanese Policies in Relation to Kazakhstan: Is There a Strategy?" in *Thinking Strategically*, ed. Robert Legvold (Cambridge MA: MIT Press, March 2003), 171.

policy was dependent on chance influence; in the beginning, a clear perception of the region was lacking and Japanese officials depended on a few high-placed bureaucrats who took it upon themselves to shape policy based on their personal relationship with those countries rather than out of a clear Japanese foreign policy guideline issue from the leadership.²⁸ The absence of a well-defined strategy could also be explained on economic grounds since Central Asia is not tied to Japan's economic interest the way the United States and Southeast Asia is.²⁹ Central Asia was essentially used as a means to gain leverage against Russia over the territorial disputes and as a matter of international prestige. Outside the field of oil and gas, Japan did not have much at stake in the region. It would appear that Japan's efforts to keep a presence in the region during the early period of engagement with Central Asia outpaced careful thinking on its actual purpose for being there and in turn, the appropriate strategies to adopt.

Phase 2: 1997 – 2004 (Hashimoto's Eurasian Diplomacy)

Despite the policy setback, it became increasingly clear to both Japan and the international community that Central Asia is a region of growing geopolitical significance and that Japan's participation adds to the region's stability. In 1997, Koji Watanabe, executive advisor to the Japan Federation of Economic Organizations (Keidanren) and former Japanese Ambassador to Russia stated in an interview that Japan should help the Central Asian states develop. Their development is important because these states could play a role as a buffer region in the Eurasian continent for the maintenance of peace.³⁰ Once Japan was able to define a clear

²⁸ For example, Edamura Sumio, Japan's well-known ambassador to Russia, actively pushed for strengthening ties with Kyrgyzstan. Not much later, an employee of Japan's Central Bank, Tanaka Tetsuji, became an advisor to the president of Kyrgyzstan, Askar Akaev, and also lobbied on its behalf. In the case of Uzbekistan, Chino Tadao, at the time an influential figure in the Ministry of Finance and now the president of the Asian Development Bank, Magosaki Ukeru, Japan's first ambassador to Uzbekistan, and Shima Nobuhiko, a prominent TV news personality and head of the Japanese-Uzbekistan Association, all actively promoted stronger ties with this country. Long after Chino's departure from the Ministry of Finance, it continues to give special attention to Uzbekistan. While these people were acting out of genuine policy concerns, they were also responding to the warm reception given them by the Kyrgyz and Uzbeks; indeed, they simply liked Kyrgyzstan and Uzbekistan. Recently, in similar fashion, parliamentary deputies Takemi Keizo and Suzuki Muneo have begun working to speed the development of relations with Tajikistan. Tomohiko Uyama, "Japanese Policies in Relation to Kazakhstan: Is There a Strategy?" in *Thinking Strategically*, ed. Robert Legvold (Cambridge MA: MIT Press, March 2003), 168.

²⁹ Tomohiko Uyama, "Japanese Policies in Relation to Kazakhstan: Is There a Strategy?" in *Thinking Strategically*, ed. Robert Legvold (Cambridge MA: MIT Press, March 2003), 169.

³⁰ "Central Asia Should Serve as Eurasian 'Buffer Zone'," *The Daily Yomiuri*, December 5, 1997, p. 15.

purpose in Central Asia, it managed to devise a sophisticated response to the challenges in Central Asia. Between July 2 – 9, 1997, Foreign Minister Keizo Obuchi led a high-level delegation of 60 political and business leaders to Central Asia. Soon after the visit, Prime Minister Ryutaro Hashimoto outlined the beginnings of a new Eurasian foreign policy for Japan in a speech delivered to the Japan Association of Corporate Executives.³¹

As one commentator succinctly noted, “[Hashimoto] recognized the fact, often overlooked in Western policy circles, that the Silk Road also runs east”.³² He pointed out that the new post-Cold War security structure for the post-Soviet space had the characteristics of an Eurasian diplomacy “viewed” from the Atlantic. He declared that while bilateral relations with the United States remained the cornerstone of Japanese foreign policy to maintain stability in the Asian-Pacific region, it was time Japan developed an alternative Asian approach towards the same objective, which would include Russia, China, Central Asia and the Caucasus. Japan’s new “Eurasian diplomacy” would thus be based on a new diplomatic perspective but with the same basic aim of maintaining peace and prosperity in the Asia-Pacific region.

With regards to the Central Asia-Caspian region, he acknowledged that the oil and gas resources there would have an expanding influence on the world energy supply. However, Japan’s economic engagement with Central Asia would be based on the development of the energy sector, not as an end but as a means to foster prosperity in the region. According to him, Japan would help towards regional integration within Central Asia itself with plans to improve communication, transportation and energy networks in the region. He recognized that Central Asia has “great expectations of Japan as an Asian country” thereby emphasizing Japan’s non-Western, Asian approach to the region. His remark that the Foreign Minister, Keizo Obuchi’s “impression matched exactly the line of thought I have outlined here” was meant to inform the audience that the Eurasian diplomacy initiative is a long term affair since Obuchi was well-placed as the next Prime Minister. He ended his speech by indicating that the private sector has a leading role to contribute.

In sum, Japan understood that with its small population, vast distances away from viable markets, and its land-locked geography, Central Asian states needed to deepen their level of cooperation with one another so as to create a local regional market economy. This would help lessen

³¹ Address by Prime Minister Ryutaro Hashimoto to the Japan Association of Corporate Executives (Provisional Translation), Prime Minister of Japan and His Cabinet (Kantei), July 24 1997, <www.kantei.go.jp/foreign/0731douyukai.html> (October 30, 2005).

³² Michael Robert Hickok, “The Other End of the Silk Road: Japan’s Eurasian Initiative,” *Central Asian Survey* 19, 1 (2000): 22.

dependence on its export economy and provide more incentives for foreign companies to enter the region because of the bigger markets available for foreign investment. Such a regional blueprint would thus generate greater stability and wealth within the region. Foreign Minister Obuchi's visit to Turkmenistan in July prior to Hashimoto's speech, during which the Turkmenistan-China-Japan pipeline was once again discussed also suggests that Japan on its part continued to hold on to the idea as a long-term project. Despite being commercially questionable, it is most likely that this pipeline has come to represent Japan's vision to create stability in Asia through multilateral energy linkages and along with it, Japanese prestige expressed via its leadership in such a project. Within the Central Asian context, the pipeline could be regarded as a carrot dangled in front of the Turkmen, Uzbek and Kazakh regimes promising even larger economic and financial investments by Japan once Central Asia attain closer integration and region stability. A motivation for such acts from Japan could be attributed to Japan's growing self-confidence in the international stage, its quest for prestige and desire for a permanent seat in the United Nations Security Council. Central Asia presents itself as a useful platform for Japan to highlight itself as a responsible international aid donor and catalyst for regional stability.

The Central Asian republics responded positively to this new initiative as reflected in the visits of top-ranking Central Asian officials to Japan in 1998 and 1999.³³ The Japanese government and business delegations also returned to the region, this time with renewed purpose. In May 1998, the Chairman of the Japan Federation of Economic Organizations (Keidanren), Soichiro Toyoda 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 Nazarbayev and it was reported that Mitsui chairman and Keidanren Vice President Naokhiko Kumagai 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.³⁴ Japan's ambassador to Almaty, Mitsuhashi Hidekata had previously told journalists that Tokyo's vision of Eurasian cooperation coincided with Nazarbayev's commitment to a Eurasian Union. According to the ambassador, Japan was still interested in Kazakhstan's oil reserves but would like to focus spending on more urgent issues faced by the country. A \$270 million loan was dispensed to help upgrade the country with projects such as the construction of a new

³³ Refer to the Japanese Ministry of Foreign Affairs Website for a full-listing of high-ranking official visits by Central Asian officials to Japan (and vice-versa) <www.mofa.go.jp/region/index.html> (October 30 2005).

³⁴ Michael Robert Hickok, "The Other End of the Silk Road: Japan's Eurasian Initiative," *Central Asian Survey* 19, 1 (2000): 30.

bridge in Semipalatinsk and improvements to the rail system. Following Japan's additional pledge of \$204.9 million to modernize an airport in Astana, a spokesman for Nazarbayev came out to say that such assistance indicates that bilateral relations had passed from an introductory phase. In response, Kazakhstan agreed to look at reforming its regulatory and legal systems to facilitate the entry of medium and small-sized Japanese firms into the Kazakh market.³⁵ In Uzbekistan, Toyoda met with President Karimov whereby Karimov pledged his government would fund the creation of new investment companies to seek international partnership in industrial projects. The business delegation in turn indicated their interest to establish a logistics centre in Tashkent as a hub for a regional transportation network and as a data-processing computer centre to control the storage and handling of cargo.³⁶

In June 1998, another delegation led by Itochu President, Minoru Murofushi who was also the head of the Turkmen-Japan Committee for Cooperation, visited Turkmenistan to discuss ways to improve investment conditions in the country. 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.³⁷ This was followed by an additional offer of a \$38 million credit repayable over 20 years by Japan's Foundation for Foreign Cooperation to refurbish the country's rail transportation. At the same time, Itochu agreed to participate in the rail project by creating a north-south rail transportation corridor to link Russia to the Persian Gulf through Iran. Discussion over the long-range feasibility of a Turkmenistan-China-Japan gas pipeline was also held in Ashgabat in November.³⁸

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. Their focus is on long-term growth and alliances with local industries and governments, and on capital retention through asset acquisition while the barrier for entry into the market is still low. By looking for business opportunities across different markets in a coordinated manner, Japanese companies are said to have a relative advantage over the Western investments which focused mostly on the prospects of oil and gas resources.³⁹ The agenda of such delegations to Central Asia thus

³⁵ *Ibid.*, p.30-31.

³⁶ *Ibid.*, p. 31.

³⁷ *Ibid.*, p. 31.

³⁸ *Ibid.*, p. 31.

³⁹ *Ibid.*, p. 31.

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 1998.⁴⁰ In 1997, the ADB initiated the Central Asia Regional Economic Cooperation (CAREC) program aimed at facilitating closer regional economic cooperation. Through the EBRD, the Kazakhstan Small Business Program was launched in 1998 while the Japan-Uzbek Small Business Program was launched in 2001. The Japanese government also established the Central Asia Institution Building Cooperation Fund through EBRD.⁴¹

Hashimoto's foreign policy in Central Asia indeed embodied an alternative Asian approach towards the region. While Western companies are often driven by maximum returns in the shortest period, Japanese companies in Central Asia were prepared to wait long term for their investments to mature. Whereas Western governments typically use foreign policy as a tool to advance the business interests of their companies abroad, Japan in reverse used the companies as a foreign policy tool to advance the country's political interests. Finally, the willingness to take risks to develop the Central Asian economies, at a time when these markets have yet to mature underlines the Japanese (and largely Asian) belief of cultivating goodwill for building long term steady business relations. With Hashimoto, a former MITI minister as Prime Minister, Japan found sound footing in its operations by consolidating the demands of international trade, development aid and international influence into a coherent initiative for the region.

The Central Asian governments on their part became more inclined towards the Asian model as an alternative for modernization aspirations. The Western participation in their modernization has been viewed with mixed feeling in these authoritarian societies, particularly in Turkmenistan, Uzbekistan and Kazakhstan since Western governments and companies typically carry calls for structural political and economic reform as part of their engagement, something which is viewed as both intrusive and disruptive by the Central Asian regimes.⁴² Kyrgyz President Akayev highlighted Japanese policies as example of how

⁴⁰ "Regional Cooperation Strategy and Program for Central Asia Regional Economic Cooperation (CAREC) Member Countries (Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, People's Republic of China, Tajikistan, Uzbekistan) 2005-2007," Asian Development Bank, July 2004, p. 32 (Appendix 1).

⁴¹ "Japan and the EBRD," European Bank for Reconstruction and Development, September 2003, pp. 9-21.

⁴² Michael Robert Hickok, "The Other End of the Silk Road: Japan's Eurasian Initiative," *Central Asian Survey* 19, 1 (2000): 34.

outsiders could first help local economic reintegration before focusing on the exploitation of the resources found in the region. In particular, he was grateful how Tokyo helped stabilize the Kyrgyz currency before pushing for commercial investment in the country thereby limiting the negative effects of restructuring.⁴³ In a speech to the people of Kazakhstan about the country's 2030 vision, Kazakh President Nazarbayev noted how many resource-rich countries continued to be poor as a result of mismanagement. East Asian countries on the other hand became the most dynamic developing countries even without resources. In line with Japan's strategy, he declared that the revitalization of the "Silk road" required first deeper cooperation of the countries in the region before pursuing extended engagement with the outside world. Thus, Kazakhstan would continue to seek partnership with countries like Japan which would lead to modernization without geopolitical polarization in the region.⁴⁴ Uzbek President, Islam Karimov similarly held Japan up as a role model in a speech to the Uzbek parliament in 1999. Like the Kazakh President, he noted that despite not having any natural resources, Japan managed to develop successfully and now ranks second in the world. Such success according to Karimov is attributed to the sense of responsibility the Japanese have towards their own society and country. Rejecting Western individualist ideals, he echoed the belief commonly held by Asian governments that the needs of the community should always be placed before those of the individual.⁴⁵ Japan's Eurasian policy thereby skewed the Central Asian leaders' governance philosophy eastwards towards Asia. For better or worse, Japanese foreign policy provided the Central Asian leaders a certain level of justification for their authoritarian regimes.

The successive Prime Ministers after Hashimoto basically continued with the Eurasian blueprint. In April 2002, after one year in office, Japanese Prime Minister Koizumi (April 2002-present) reaffirmed the Eurasian diplomacy initiative at an Asian economic forum 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

⁴³ *Ibid.*, p.34-35.

⁴⁴ *Ibid.*, p. 36.

⁴⁵ *Ibid.*, p.37.

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.⁴⁶ 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. This suggests that Japan would only proceed with such a pipeline once stability and deeper regional integration is attained between the Central Asian states.

Phase 3: 2004 – Present (Central Asia Plus Japan)

By 2004, Japan had given a total of 260 billion yen, (over \$2 billion) in ODA to support economic and social development to the Central Asia states since their independence 13 years ago. Being fairly confident that bilateral relations with the respective Central Asian states have reached a comfortable level, Japan added a new dimension to its engagement with Central Asia through the formation of the Central Asia Plus Japan initiative. The idea is to shift the focus from bilateral ties between Japan and the individual Central Asian states to greater dialogue among the Central Asian states themselves with Japan as a facilitator. Members for this initiative consist of Kazakhstan, Tajikistan, Uzbekistan and Kyrgyzstan. Turkmenistan, maintaining its stance on positive neutrality would also attend these meeting although not as a full member. Japanese Foreign Minister Yoriko Kawaguchi's visited Kazakhstan in August 2004 to formally launch the initiative which would serve as a platform for multilateral exchanges in the region.

During the inaugural meeting, the participants shared the recognition that peace and stability in Central Asia has great importance not only for the stability and prosperity of Eurasia but also to the international community. The participants discussed the importance of intra-regional cooperation aiming for stability and development of the Central Asian region as a whole and also cooperation between Japan and Central Asia in the international arena. They focused on areas such as development of energy and transportation networks in the region, as well as water resources and countering terrorism and narcotics. It was also stated that the need for development of market economies and democratization will also be stressed through future dialogues.⁴⁷

⁴⁶ "Japan to Send Energy Mission to Central Asia," Alexander's Oil & Gas, April 11, 2002, <www.gasandoil.com/goc/news/ntc21813.htm> (October 30, 2005).

⁴⁷ "Joint Statement 'Central Asia + Japan' Dialogue/Foreign Ministers' Meeting — Relations between Japan and Central Asia as They Enter a New Era," Japan Ministry of

During her visit, Kawaguchi 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. True to Japan's long term commitment to the region, a Japanese Foreign Ministry official told reporters that it expects a long time before seeing result and that cooperation with the region should be promoted looking 10-20 years ahead. The official compared cooperation with Central Asia to the formation of ASEAN which took 30 years to reap the fruits of regional cooperation. Kawaguchi was quoted as saying, "in reflection of Central Asia's geopolitical influence, Japan has no selfish objectives towards Central Asia." On that basis, she called for human rights protection, democratization, market-orientated economic reform and institutional reform for eliminating vested interests.⁴⁸ During her visit to the Uzbek capital, she also pointed out that Japan's experience in cooperation with the European Union and ASEAN is of great value for this new initiative.⁴⁹

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. Kawaguchi 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 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.⁵⁰

Foreign Affairs, August 28, 2004, <www.mofa.go.jp/region/europe/dialogue/joint0408.pdf> (October 30 2005).

⁴⁸ Anthony Rowley, "Japan Launches Dialogue with Central Asia," *Business Times (Singapore)*, September 7, 2004; "Central Asia plus Japan' Dialogue/Foreign Ministers Meeting - Relations between Japan and Central Asia enter a New Era," Japan Ministry of Foreign Affairs, August 28, 2004, <www.mofa.go.jp/region/europe/dialogue/press0408.html> (October 30 2005); Keizo Nabeshina, "Japan's Diplomatic Might," *The Japan Times*, September 20, 2004.

⁴⁹ "President Meets Japanese Foreign Minister," Press Service of the President of the Republic of Uzbekistan, Aug 27, 2004, <http://2004.press-service.uz/eng/novosti_eng/n08272004.htm> (October 30 2005).

⁵⁰ "Central Asia Plus Japan meeting held in Tashkent," Republic of Uzbekistan - Portal of the State Authority, August 26, 2004, <www.gov.uz/en/content.scm?contentId=10796> (October 30, 2005).

Following the May 13 2005 Andijan violence in Uzbekistan, U.S.-Uzbek relations has soured and the latter has swung towards the SCO as a means to safeguard its regime and reassert its legitimacy. It was reported in the press that in response to the event, the Japanese government was considering holding a foreign ministerial conference involving Japan and five Central Asian states in summer 2005 in an attempt to help boost the region's political stability through expanded Japanese development assistance.⁵¹ However there are no updates of such a conference planned in the Ministry of Foreign Affairs website and this conference appears to have been quietly shelved. 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" 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.

Implications and Prospects of Japan's role for the SCO and Central Asia

Japan has certainly got on to a good start with the Central Asia Plus Japan initiative. 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. While it is too early to make an assessment of this initiative, several remarks could be made based on current observation.

Complementary role of Japan and the SCO

Since its beginning as the Shanghai Five in 1994, the Shanghai Cooperation Organization (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.⁵² The Central Asia Plus Japan initiative actually

⁵¹ "Central Asia Confab Eyes to Aid Region," *The Daily Yomiuri*, June 7, 2005. p. 1.; John C.K. Daly, "UPI Intelligence Watch," June 8, 2005, <<http://washingtontimes.com/upi-breaking/20050607-013617-6514r.htm>> (October 30, 2005).

⁵² For a constructivist write up on the formation of The Shanghai Five and the Shanghai Cooperation Organization by the author, refer to: Christopher Len, "Anarchy and the

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 Lainyungang in Jiangsu province and transport them by train to the Sino-Kazakh border.⁵³

Next, Japan, China, Russia and the Central Asian states all understand the importance of Afghanistan to Central Asia.⁵⁴ 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

Barriers to Community: Regional Cooperation in the Post-Cold War Era – The Shanghai Cooperation Organization,” Department of Peace and Conflict Research, Uppsala University (Sweden), June 2004, <www.silkroadstudies.org/new/docs/master_theses/MA_Anarchy_and_the_Barriers_to_Community-%2031_May_2004.pdf>.

⁵³ Nailene Chou Wiest, “Silk Road Centre a Money Spinner,” South China Morning Post, June 10, 2005. p. 6.

⁵⁴ Japan is in fact a significant player in Afghanistan as well. The process of economic revival of post-Taliban Afghanistan was inaugurated in Tokyo in 2002 with Japan being one of the most important donor for the country. Refer to: “International Conference on Reconstruction Assistance to Afghanistan,” Japan Ministry of Foreign Affairs, January 2002, <www.mofa.go.jp/region/middle_e/afghanistan/min0201/index.html> (October 30, 2005).

just been established⁵⁵ while Afghanistan has also just been admitted into the Central Asia Regional Economic Cooperation (CAREC) organized by the ADB.⁵⁶ It should be noted that the president of the ADB, Haruhiko Kuroda, is a Japanese who used to be Japan's top financial diplomat.

Japan as a mitigating force to the SCO

While we see how the objectives of the Central Asia Plus Japan initiative complements those of the SCO member states, Japan also plays a positive role in the region as a balancing force against the SCO. To be realistic, while Japan could play an influencing role in Central Asia via the Central Asia Plus Japan initiative and compete for the attention of the Central Asia regimes, it is unlikely that the initiative would ever have the same weight and presence as the SCO does. This is due to the following reasons: To begin with, the Central Asian republics recognize China and Russia as being inherently part of the region so their level of engagement would naturally be more intrinsic from an economic and security perspective. They share borders, have closer security relations and much higher movement of goods, services and people between borders. Despite all the aid, Japan's trade and business links with the region remains weak. This is reflected by the low numbers of business workers in the region. Based on 2003 and 2004 figures from Japan's Ministry of Foreign Affairs website, the number of Japanese living (and presumably working) in Central Asia hardly added up to 400 Japanese in total.⁵⁷ To put things in perspective, there are presently approximately 20,000 Japanese national residing in Singapore in Southeast Asia, the majority of which are for work related reasons. Furthermore, Russia and China share with the Central Asian leaders the same threats and vulnerabilities with regards to terrorism and radical militant Islam. In addition, the two giant neighbors have been the most outspoken supporters of the authoritarian Central Asia regimes.

Despite being unlikely to overturn or supplant the SCO, Japan, through the Central Asia Plus Japan initiative mitigates the aspirations of China and Russia in a number of ways. Firstly, the Central Asian leadership

⁵⁵ "Shanghai Cooperation Organization and Afghanistan Sign Protocol on Establishment of Contact Group," The Shanghai Cooperation Organization Website, Nov 4, 2005, <www.sectsc.org/news_detail.asp?id=582&LanguageID=2> (November 2005).

⁵⁶ "Afghanistan Joins Central Asian Regional Economic Cooperation Programme," *UzReport*, November 6, 2005, <http://www.uzreport.com/e/index.cfm?sec=1&subsec=1&n_ID=18775> (November 7, 2005).

⁵⁷ There were 120 Japanese nationals registered in Kazakhstan in 2004; 5 Japanese nationals were registered in Tajikistan in 2004; 132 Japanese nationals in Uzbekistan in 2003 and 50 Japanese nationals and ethnic Japanese in Kyrgyzstan in 2004. Refer to: Japan Ministry of Foreign Affairs website, <www.mofa.go.jp/region/index.html> (October 30, 2005).

could turn to Japan to discuss alternative deals should they feel pressured by China or Russia to commit to projects they have reservations over, especially if it comes to investment in infrastructure for pipeline transport and communication networks all of which tend to have strategic implications. Secondly, Japan's presence in the region would dilute the influence of the SCO, something which America and Europe would prefer.⁵⁸ In fact, the West is interested to see whether Japan, which they consider as an ally having rather similar political and economical outlook, would be able to get Central Asia to undertake structural reforms economically and politically.

Japan's role is particularly important in light of SCO's growing confidence, as reflected in the most recent inclusion of India, Pakistan and Iran as SCO observers (Mongolia attained observer status in 2004) and the establishment of the SCO-Afghanistan Contact Group.⁵⁹ The latest SCO development impacts the region in the four ways. First, the entry of the latest three SCO observers makes it more difficult for Washington to establish a secure foothold there as its competitors are increasingly united. Second, by inviting these countries neighboring Central Asia into the organization as observers, the SCO has started a process of co-opting them into the institution. As founding members, being the "first among equals" within the organization, and having largely set the agenda for the SCO, Russia and China have created a playing field to their advantage. They could for instance determine which of the observers would be first admitted as a member. This presents a useful leveraging tool for China and Russia in their bilateral dealings with the observer states. Third, from a geopolitical perspective, the entry of these observers and the establishment of the SCO-Afghanistan Contact Group mean that the Central Asian region is now surrounded by SCO or SCO-friendly states. This essentially fences the Central Asian states into the SCO framework. This encirclement if successful is likely to make SCO the dominant multilateral organization in Central Asia.

Fourth and most important of all, with the inclusion of these members, the SCO is slowly but certainly expanding from being a Central Asian regional organization, to one which would have growing influence in the wider Eurasian region. The geopolitical significance of such a development is immense. From an energy perspective, oil and gas from Iran, Kazakhstan, Uzbekistan and Turkmenistan could flow into Russia, China and possibly south via the proposed Turkmenistan-Afghanistan-

⁵⁸ S. Frederick Starr, "A Strong Japanese Initiative in Central Asia," *Central Asia-Caucasus Analyst*, October 20, 2004, <www.cacianalyst.org/view_article.php?articleid=2789>.

⁵⁹ "China supports Pakistan, Iran, India Becoming SCO Observers," *People's Daily Online*, June 08, 2005, <http://english.people.com.cn/200506/08/eng20050608_188975.html> (October 30, 2005).

Pakistan (TAP) pipeline.⁶⁰ With such a development, the SCO grouping has the potential to develop into a formidable energy bloc within Eurasia. Japan's ability to engage and influence the individual SCO-associated states, namely the Central Asian states and Afghanistan thus takes on growing geopolitical significance. As an ally of the West and for the sake of its own energy security needs, Tokyo would not allow the SCO to have a stranglehold over Eurasia's energy resources.

Conclusions

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 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

⁶⁰ "Technical Assistance For The Feasibility Studies Of The Turkmenistan – Afghanistan – Pakistan Natural Gas Pipeline Project," Asian Development Bank, December 2002 <www.adb.org/Documents/TARs/REG/tar_stu_36488.pdf> (October 30, 2005).

good of the region. Japan's financial aid muscle 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.

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 may not see eye-to-eye 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 United State'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.