Volume 4 | Issue 4 | Article ID 2152 | Apr 16, 2006

Japan s Drive in Central Asia

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By Hisane MASAKI

Energy-poor Japan is revving up its diplomatic drive to strengthen relations with the oil and gas rich countries of Central Asia in response to stubbornly high oil prices. This comes at a time when the US, Russia and China are all flexing their political muscles in Central Asia, competing in an attempt to secure the region's precious energy resources.



Japan's drive

Japan is preparing to invite foreign ministers from five Central Asian countries -- Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan -- to Tokyo as early as late May for the second ministerial level round of the "Central Asia Plus Japan" dialogue, which was inaugurated in 2004. Although the ministerial get together was originally planned for August last year, it was postponed because Japan's Lower House was dissolved at that time prior to general elections in September. Now, with a government firmly in place, the stage is set for energy talks.

Japan and the five Central Asian countries are expected to tackle a number of issues during the forthcoming meetings. Topics are to include anti-terrorism measures, Tokyo's support for the early entry of nations such as Uzbekistan and Tajikistan into the World Trade Organisation (WTO) and any other assistance the East Asian country can provide for economic development and stability in the resource-rich but volatile region.

The Central Asia Plus Japan dialogue was launched at Tokyo's request in August 2004, when the then Japanese foreign minister, Kawaguchi Yoriko, visited four of the five Central Asian countries -- Uzbekistan, Kazakhstan, Tajikistan and Kyrgyzstan. Kawaguchi and her counterparts from the Central Asian countries held the first ministerial level meetings in Astana, Kazakhstan. The Japanese minister touted the launch of the dialogue as evidence that relations between Japan and Central Asia had "entered a new era." Since then, Japan and the Central Asian countries have met in Sofia, Bulgaria; Tashkent, Uzbekistan and again in Astana.

The second round of the six-way negotiations follows a growing number of meetings between high level officials of Japan and the Central Asian states in recent years. Most recently, Azerbaijani President Ilham Aliyev visited Tokyo in early March at the invitation of the Japanese government and held talks with Prime Minister Koizumi Junichiro and other

https://doi.org/10.1017/S1557466006004761 Published online by Cambridge University Press

government and business leaders.

In his talks with Koizumi, Aliyev spoke about his country's economic development plans and mentioned that Baku was interested in closer economic co-operation with Tokyo. Separately, Aliyev met with Foreign Minister Aso Taro. They agreed to foster co-operation in the development of oil and natural gas exploration in Azerbaijan. Aso told Aliyev that Japan held Azerbaijan in high regard as a supplier of oil and natural gas, while the Azerbaijani president expressed his hope that Japanese companies would participate in infrastructure improvements and co-operation in the Central Asian country.

The Central Asia Plus Japan programme follows on from earlier efforts, started in 1997, by former Japanese premier Hashimoto Ryutaro. The expansion of Japanese activities in Central Asia is being touted as "Silk Road" diplomacy.



In July 2002, Japan sent a high-power mission of government and industry officials -- the Silk Road Energy Mission -- to Kazakhstan, Uzbekistan, Azerbaijan and Turkmenistan to explore possible areas of co-operation. Japan is also a core provider of official development assistance (ODA) to Central Asian and Caucasian nations.

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

Japan's rivals for influence

In a development that raised eyebrows in the US, Japan's most important ally, China issued a joint statement with Russia and four Central Asian countries at a summit of the Shanghai Co-operation Organisation (SCO) last July calling for an early withdrawal of US forces from Central Asia.

This fits into Moscow's efforts to reduce -- or at least compete with -- US unilateralism. In particular, Russia is determined to maintain its hold over the former Soviet Union states, as can be seen through its support of Belarussian President Alexander Lukashenko and Uzbekistani President Islam Karimov despite Western criticism of their regimes. Meanwhile, Japan's ties with both Russia and China are far from easy. Japan and Russia are still at loggerheads over the Kuril islands, which were seized by Soviet troops in the closing days of World War II. This territorial dispute has prevented the two countries from concluding a formal peace treaty ending hostilities.

Japan's relations with China have also plunged to their lowest point in decades over Koizumi's repeated visits to the Yasukuni Shrine in Tokyo.Beijing has shunned top level contact with Japan in protest over Koizumi's visits to the shrine, where 14 Class A World War II criminals, including former Japanese Prime Minister General Tojo, Hideki are commemorated along with around 2.5 million war dead
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Japan has also frequently locked horns with

https://doi.org/10.1017/S1557466006004761 Published online by Cambridge University Press

China over natural gas reserves in the East China Sea and beyond. Furthermore, both lobbied hard for a pipeline from Russia's eastern Siberian oilfields.

The Sino-Japanese rivalry over energy resources shows signs of spreading to the Middle East. In early 2004, Japan and Iran signed a US$3 billion deal to develop Iran's massive Azadegan oilfield. But with international tensions rising over Tehran's nuclear programme, there are growing concerns in Tokyo about how the nuclear crisis will play out. China recently won rights to the Yadavaran oilfield in Iran. Many analysts point out that should Japan be forced to give up the Azadegan project as part of international pressure on Tehran, Beijing could step in to replace Tokyo. Japan imports nearly all of its crude oil. To ensure its energy security, Tokyo is desperate to diversify its hydrocarbon sources in order to reduce its heavy reliance on the Middle East for crude oil imports. As such, an obvious choice for the country is to turn to the Central Asian and Caucasian nations.

Japanese projects

Among other projects in the region, Japan's Itochu Oil Exploration and Inpex have a 3.92% interest and 10% interest, respectively, in a production-sharing agreement (PSA) for three fields in the South Caspian Sea. The Azeri-Chirag-Guneshli (ACG) fields are located approximately 120 km southeast of Baku in Azerbaijan. The Japanese government-backed Inpex also has an 8.33% interest in the Kashagan oilfield in Kazakhstan.



ACG Oil Project in Azerbaijan

Japan's Itochu Oil Exploration and Inpex also participated in the consortium that built the Baku- Tbilisi-Ceyhan (BTC) pipeline, with interests of 3.4% and 2.5%, respectively. The Japanese government-affiliated Japan Bank for International Co-operation (JBIC) also signed a loan agreement of up to US$580 million for the link in early 2004. The BTC connects Azerbaijan's vast Caspian Sea oilfields to the Turkish Mediterranean port of Ceyhan via Tbilisi, Georgia. It has further been suggested that oil from Kazakhstan could also be transported through the pipe.



BTC Pipeline

The US strongly supported the project, seeing it as a way to loosen Russia's energy grip on the South Caucasus.

China competes

https://doi.org/10.1017/S1557466006004761 Published online by Cambridge University Press

China became a net importer of crude oil in 1993 and overtook Japan as the world's second-largest oil consumer -- with the US secure in the top spot -- in 2003.

China now depends on imports for more than 40% of its oil. Beijing's aggressiveness in the global oil market drew particularly widespread attention last summer when China National Offshore Oil Corp. (CNOOC) launched a takeover bid for US oil and gas firm Unocal. CNOOC eventually dropped out of the race after strong opposition from US politicians, leaving Chevron to take the prize.

In Central Asia, China National Petroleum Corp.'s (CNPC) took over the Canada-based oil firm PetroKazakhstan, which operates solely in Kazakhstan, for US$4.2 billion last year.
China and Kazakhstan also inaugurated a 1,000 km long oil pipeline in December to send oil to western China, the first major export pipeline from the landlocked Central Asian republic that does not cross Russia. Eventually another pipeline will link up with this one from the Caspian region in western Kazakhstan, where the huge new Kashagan oilfield is being developed.

The second ministerial round of the Central Asia Plus Japan group in Tokyo also comes at a time when the Japanese government is compiling a new national energy strategy, which is intended to secure energy supplies. The new strategy should be in place by summer. In addition, the meeting coincides with Tokyo's efforts to overhaul its ODA policy in an attempt to make financial assistance a more effective foreign policy tool in the pursuit of its strategic interests. Japan will, however, have a difficult time securing the necessary energy resources from Central Asia. The country lacks the sheer military force that the US, Russia and China can all bring to influence events in the region. However, the cash reserves that Tokyo can offer provide the country with substantial sway and Japan's policy of pushing dialogue is likely to afford it the means of tapping oil and gas reserves.

This is a slightly abbreviated version of an article that appeared in the March 29, 2006 issue of NewsBase. Posted at Japan Focus on April 11, 2006.

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https://doi.org/10.1017/S1557466006004761 Published online by Cambridge University Press