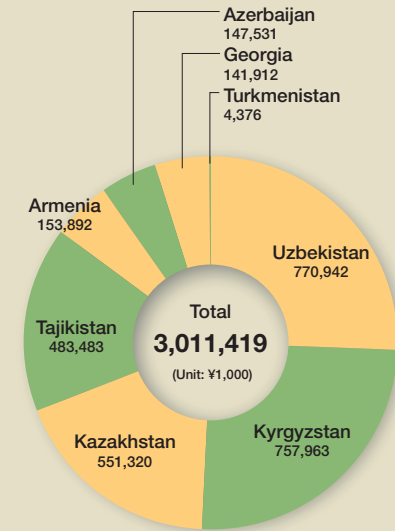


Central Asia and the Caucasus



Pillars of Aid Support Transition to Market Economy, Democratization, and Rebuilding of Social Sectors

Cooperation results by country in Central Asia and the Caucasus (FY2006)



* This is the total amount of bilateral cooperation. The amount of cooperation provided to Asia including cooperation that covers a group of countries is 51,115,695 thousands of yen.

Central Asia and the Caucasus was a strategic location on the Silk Road that linked Asia and Europe, where people moved and goods were traded since time immemorial. Currently, there are eight countries in this region. More than 15 years have passed since the region achieved independence following the collapse of Soviet Union, and some countries are rather advanced in their transition to a market economy. On the other hand, some countries still remain impoverished and maintain closed political and economic systems, and some have experienced regime changes due to democratic revolutions. Thus, the speed and direction of development vary.

This region has an abundance of natural resources including petroleum and gas produced along the Caspian Sea and rare metals such as uranium. Accordingly, the attention of international society has become increasingly directed toward the region; construction of new pipelines and reconstruction of roads and railroads have begun.

However, except for urban areas, people's

lives in rural areas are harsh and poverty alleviation and creation of job opportunities remain as serious issues. While each country is in the process of nation-building as an independent country, it is more necessary to promote regional cooperation for resolving the issues common to the region (establishment of systems for democracy and transition to a market economy, etc.), as well as issues transcending national borders (development of traffic and transportation network, etc.).

In line with the development levels of individual countries, JICA is providing support for the policy and human resources development for the transition to a market economy, support for developing basic infrastructure such as roads, support for rebuilding social sectors including health and development of rural and impoverished areas. JICA is also carrying out activities to promote industrial development and regional cooperation, which was specified in the "Central Asia plus Japan" dialogue, a cooperation framework between the region and Japan.

Current State of Development

The Dynamic Silk Road Area

Central Asia, which consists of the five countries of Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, and Turkmenistan, is located in the heart of the Eurasian continent, bordering Russia to the north, China to the east, and Afghanistan, Pakistan, etc., to the south. The Caucasus stands on the other side of the Caspian Sea, which is situated in the western part of Central Asia, comprising the three countries of Azerbaijan, Armenia, and Georgia.

The countries in these areas were integrated into the Soviet Union in the 1920s, but they gained their independence when the Soviet Union disintegrated in 1991. This is a strategic location on the Silk Road that has historically linked east and west. The two areas combined cover an area of 4.2 million km² and have a population of around 75 million.

In terms of religion, although the five countries of Central Asia and Azerbaijan have been reverting to Islam in terms of everyday culture, each country has adopted a principle of separating politics and religion; thus Islamic rules are not strictly

imposed. In contrast, christianity is traditionally widespread in Armenia and Georgia, and both countries have their own cultures with their own languages and characteristics. This region has a complex ethnic mix including Turks, Slavs, and Persians.

The area stretching from East Asia, Central Asia to the Middle East is referred to as the "arc of instability." Achievement of stability and economic and social development of Central Asia and the Caucasus, located in the heart of the arc, will greatly contribute to the peace and prosperity of the international community. To that end, Japan has actively provided assistance to these countries following their independence.

Diversifying Politics and Economy

Since independence, each country has advanced in its transition to a market economy. However, disparities in economic development are becoming great depending on the presence of natural resources or differences in the speed of reforms. Kazakhstan, Kyrgyzstan, and the three countries of the Caucasus are moving firmly in the direction of trade liberalization, dereg-

ulation, privatization of state enterprises, and other types of structural reform. Kazakhstan and Azerbaijan have achieved economic growth thanks to oil development in the Caspian Sea.

The economy of Georgia, located in the middle of the route of the BTC pipeline (from Baku in Azerbaijan to Ceyhan in Turkey), which transports crude oil produced in the Caspian Basin, is expected to benefit from pipeline transportation income as the BTC pipeline was completed in 2006. Despite its efforts in economic liberalization, Kyrgyzstan suffers from large debts and has to address financial and economic reconstruction. On the other hand, Uzbekistan and Turkmenistan are distancing themselves from these radical reform programs and following their own slow paths. Tajikistan overcame difficulties of years of civil war, achieving a peace agreement in 1997 and implementation of congressional elections in 2000. It is now pushing forward economic reform after formulating a Poverty Reduction Strategic Paper (PRSP) in 2002.

The major industries in this region, except for natural resources, are agriculture and livestock and food processing using the agricultural and livestock products. The agriculture in Central Asia is represented by rain-fed upland farming (wheat and barley) and livestock in the steppe centered in Kazakhstan and the monoculture of cotton production employing large-scale irrigation centered in Uzbekistan and Turkmenistan. Most of the Caucasus region enjoys a Mediterranean climate, and each country is engaged in agriculture suitable for the regional climate and conditions, as represented by Armenian cognac and Georgian wine, which were already renowned during the Soviet era.

In the agriculture and livestock sector, collective farms that were called kolkhoz or sovkhoz during the Soviet era were dissolved as the transition to market economies in individual countries progressed. Though efforts differ from country to country, the establishment of new systems appropriate for production, processing, distribution, and sales in their replacement remains a critical issue in agriculture and livestock.

Democratization and International Relations

In most countries that were part of the Soviet Union, leaders from the Soviet era continued to hold the reins of governments even after independence. The situation is the same in Central Asia and the Caucasus, but the Rose Revolution broke out in Georgia in November 2003 and the Tulip Revolution in March 2005 in Kyrgyzstan (though slightly different in nature), thus resulting in



Study team member observing harrow farming for millet seeding (Project Formulation Study for Rural Development in Tajikistan)

regime shifts. In Turkmenistan, the former president passed away and a new president was inaugurated in February 2007. In these countries, the change of leaders who hold strong authority, in particular, has been observed with great interest, as it is likely to mark a turning point in domestic reform efforts.

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

In the Caucasus, Azerbaijan and Georgia are strengthening their links with the West, particularly in connection with petroleum and petroleum pipeline development. In Georgia, domestic reforms following the Rose Revolution of November 2003 are rapidly pushing forward democratization and economic liberalization, which are receiving high praise from international society. In the Caucasus, the trend of democratization led by Georgia is expected to continue and expand, while the change in its relationship with Russia, which is critical for such a movement, should be closely monitored.

Addressing Priority Issues in JICA Programs

Embodying New Regional Strategies

In August 2004, then Foreign Minister Yoriko Kawaguchi visited countries in Central Asia and proposed a new cooperative framework of “Central Asia plus Japan” dialogue and agreed with every country. It was decided that under this framework, in addition to strengthening bilateral relationships, which was promoted in the conventional “Silk Road Diplomacy,” Japan assists in the promotion of intra-region cooperation related to common issues in the region (terrorism, drugs, transportation, water and energy recourses, trade, environmental conservation, etc.) as well as the promotion of coordination with neighboring countries outside of

the region such as Afghanistan.

Cooperation for Central Asia

While promoting intra-regional cooperation for “Central Asia plus Japan,” JICA provides cooperation in four priority areas with the aim of supporting self-sufficient development in Central Asia, namely: (1) support for transition to a market economy; (2) support for rebuilding social sectors; (3) economic infrastructure development; and (4) conservation of the environment.

Support for transition to a market economy includes the promotion of small and medium-sized enterprises, support for WTO



Discussing nursing education at a local seminar (Nursing Education Improvement Project in Uzbekistan)

accession, support for establishing legal systems, institution-building, and human resources development in relation to reforms of financial systems. Specifically, in Uzbekistan, Kyrgyzstan, and Kazakhstan, JICA has opened the Japan Center for Human Development to provide aid that is open to the public with a clear profile, such as business courses aimed at developing practical human resources that will push forward the transition to a market economy, as well as activities for promoting mutual understanding and Japanese language courses. In Uzbekistan, projects for establishing legal systems such as the Project for Legal Assistance for Improvement of the Conditions for Development of Private

Enterprises and the Project for Commentary of Bankruptcy Law are ongoing. In Kyrgyzstan, following the opening of the National IT Center, the Project for IT Human Resource Development (National IT Center) is being implemented.

Support for rebuilding social sectors includes policy support and upgrading equipment with respect to health and education reforms. In Uzbekistan, Nursing Education Improvement Project has been implemented to support curriculum improvement. Furthermore, Japan Overseas Cooperation Volunteers, some of whom are nurses, are making strenuous efforts to improve nursing care services.

In the area of economic infrastructure development, cooperation centered on upgrading roads that reach the outside of the region has begun. In the environmental area, cooperation in relation to water monitoring and flood control has been implemented.

Cooperation for Three Caucasus Countries

In order to support efforts for poverty reduction and improvements in livelihood in the three Caucasus countries, JICA has designated two priority areas: (1) income improvement and promotion of employment, and (2) enhancement of the quality of and access to public services. As such, support for training business owners of small and medium-sized enterprises and cooperation in the area of water have commenced.

Front Line Tajikistan

Dusti-Nijino Pyanji Road Rehabilitation Project

Aiming for a North-South Corridor for Peace and Stability

Road rehabilitation from the Afghan border to the capital city

In Tajikistan, which is located in innermost Central Asia, civil wars broke out starting in 1992 between the former Communist Party forces and Muslim elements, resulting in many deaths and a prostrated economy and social systems. Since the conclusion of the final peace treaty in 1997, the country has been tackling the issues of poverty eradication and socioeconomic development with support from the international community.

On May 22, 2007, a ground-breaking ceremony to kick off road rehabilitation work with Japan's grant aid was held in Dusti, a city in southern Tajikistan. In this project, approximately 24km of the main highway starting from the border bridge is scheduled to be completed in August over the Pyanji River at the border of Afghanistan and leading to the capital city, Dushanbe. This stretch is designated as part of the regional main highway in the Asian Highway Project, which will provide access from Central Asia to the Indian Ocean. It is a critical road that will contribute not only to eco-

nomc activities but also to the transportation of supplies, including humanitarian assistance, to northern Afghanistan.

Major economic benefits expected

The public has great hopes for this modern Silk Road, the north-south corridor for peace and stability. The road is expected to bring further major economic benefits to Tajikistan, where economic recovery has been rapidly progressing since the end of the civil war. For example, there will be chances to export fresh agricultural products that are currently consumed only in the domestic market due to stagnated development of roads and transportation systems, in particular, local lemons and pomegranates that are especially popular in former Soviet Union countries and Arabic countries. It could possibly have a positive effect on the local economy, which currently relies on the income that migrating workers in Russia send home. Also, there is a possibility that Tajikistan will become a transportation hub to other countries in Central Asia, raising its national pres-

ence as an inland free trade port.

Although it is a critical road, the repair work is not easy. The work is a test case to prove Japan's comprehensive abilities, including its road repair technology, as the road surface was damaged by civil war and time. The road bed is caving in because of the infiltration of irrigation water. Procurement of equipment and materials is limited, and the conservation of roadside trees should be considered. This project aims to not only construct a road with Japanese technology but also serve as a 'human-building' project through the course of road construction. The road is scheduled to open in two years.

(JICA/JOCV Tajikistan Office)



Japanese Ambassador to Tajikistan chats with local people who attended the ground-breaking ceremony