4. Central Asia and Caucasia
Current State of Development

Crossing Points of the Silk Road

Central Asia consists of the five nations of Uzbekistan, Kazakhstan, Kyrgyz, Turkmenistan and Tajikistan, while Caucasia comprises the three nations of Azerbaijan, Armenia and Georgia. These two areas are located in the center of the Eurasian continent; combined, they cover an area of 4.2 million square kilometers and have a population of around 72 million. This is a strategic location on the Silk Road that has historically linked east and west. The northern part of the area has witnessed constant territorial conflicts between the nomadic peoples who live there. From the 1920s onward, the countries in this region formed part of the Soviet Union, but they gained their independence when the Soviet Union disintegrated in 1991.

People of many different ethnic backgrounds have lived in this area since ancient times. Russians and other peoples settled the area in early modern times, and this area today has a complex ethnic mix. In terms of religion, the five nations of Central Asia and Azerbaijan have a relatively strong Islamic influence, with Uzbekistan and Tajikistan increasingly reverting to Islam since achieving independence. In contrast, Armenia and Georgia are dominated by the Christianity of the Armenian and Georgian orthodox churches, and both countries have their own languages and cultures.

Toward True Self-sufficiency

All the nations of Central Asia and Caucasia must tackle the dismantling of the system imposed by the Soviet Union, and the establishment of the political and economic systems they require as independent nations. The basic indices relating to education, health care and social services are generally high in comparison with other so-called developing nations. However, since independence, the inefficiencies of the planned system have become increasingly evident. Consequently, there is a need for many reforms, including the total shedding of the former system, the establishment of democratic institutions and the adoption of a market economy. At present, there is a shortage of people sufficiently qualified to push these reforms through.

Basic Principles of JICA Aid for Central Asia and Caucasia

The countries of Central Asia and Caucasia are confronting major problems on their paths to nation-building. Under communism, dependency on the Soviet Union and strong central government were fostered, and a clear division of labor existed between the individual countries. This now means that much of the societal and industrial infrastructure required by independent nations is lacking. Consequently, there is a need for many reforms, including the total shedding of the former system, the establishment of democratic institutions and the adoption of a market economy. At present, there is a shortage of people sufficiently qualified to push these reforms through.

To support nation-building and stable development in the countries of Central Asia and Caucasia, JICA is providing cooperation with emphasis on policy advice aimed at implementing a market economy, human resources development and the upgrading of basic infrastructure.

Since independence, various problems have arisen that were scarcely given a second thought while the Soviet Union was still in existence. Environmental problems are particularly serious. One typical example is the ongoing salt damage and shrinkage of the Aral Sea. Too much water has been drained in a wholly unplanned and uncoordinated manner from the rivers that flow into the Aral Sea, rivers that have become international since the collapse of the Soviet Union. This is a characteristic example of a problem caused by the large-scale and inefficient systems in operation during the days of the Soviet Union. Such problems are becoming increasingly complex. In order to tackle environmental problems in this region, JICA has dispatched policy advisers and is cooperating on specific topics such as preservation of biological diversity.

Various problems are arising on account of the rapid changes that have been occurring within society, but JICA is placing particular importance on efforts in the health and medical areas closely linked to civic life. Cooperation will continue to be provided to upgrade infrastructure from the Soviet era, which is becoming increasingly inefficient and ineffective.
economic system that was applied during the Soviet Union era, the dilapidation of facilities and machinery, inadequate maintenance control, insufficient energy and the loss of markets due to the collapse of the Soviet economic zone, have led to chaos across their societies and economies. A priority for these countries is therefore to establish systems and structures appropriate for their status as truly independent nations.

Each country is continuing with efforts aimed at moving from a planned economy to a market economy. However, 10 years have passed since independence, and differences in the speed of transition are becoming clear. Considerable results have been achieved on the macroeconomic front, but as of the end of 2000, the gross national product (GNP) of almost all of the countries has shrunk to less than half the figures applicable at the time of independence. Nation-building must take place in parallel with economic reconstruction if the economic and living standards of the people are to be restored and raised.

**Diversifying Political and Economic Conditions**

As regards economic reform, Kazakhstan, Kyrgyz, and the three countries of Caucasus are moving firmly in the direction of price liberalization, privatization, deregulation, trade liberalization and other types of structural reform in line with the prescriptions of the International Monetary Fund (IMF) and the World Bank. On the other hand, Uzbekistan and Turkmenistan are distancing themselves from these radical programs and following their own distinctive paths. Tadzhikistan has begun to embark upon full-scale reconstruction and economic reform after a long civil war.

Farming is the main industry in this region. Central Asia generally has a dry climate, while Caucasus mainly falls within the Mediterranean climatic zone; farming occurs in line with the climatic and natural conditions of the individual areas. The region as a whole has a plentiful supply of mineral resources including petroleum, natural gas and rare metals, and there are several countries where primary manufacturing industries are well developed.

Azerbaidjan, Kazakhstan and Turkmenistan are rich in resources and have a strong interest in developing their respective resources and in establishing export routes. As a nation without its own resources, Georgia is attempting to establish a role for itself as a conveyance route for energy.

Albeit to a decreasing degree, these countries are still reliant on Russia, and the Russian financial crisis of 1998 had a severe effect on all the countries in this region through a major decline in exports to Russia, a decrease in remittances sent home by workers who had gone to Russia for work, and the withdrawal of foreign investments.

In international relations, Kazakhstan and Kyrgyz concluded a compact with Belarus in March 1996, to strengthen the union between the three nations, and they have indicated support for the idea of strengthening the Commonwealth of Independent States (CIS) centering on Russia. Since 1998, Kazakhstan, Tadzhikistan and Kyrgyz have been strengthening their relationships with Russia and China with a view to enhancing economic ties and security within the region (the “Shanghai Five”). Uzbekistan joined the group in 2001, effectively forming the “Shanghai Six.”

In the Caucasus, Azerbaidjan and Georgia are strengthening their links with the West, particularly in connection with petroleum development, whereas Armenia is allying itself with Russia in security matters. In addition, Azerbaidjan and Armenia continue to dispute possession of the Nagorno-Karabakh enclave.
Tackling Priority Issues in JICA Programs

Supporting Self-sufficiency Among the Newly Independent States

The Government of Japan has announced its policy of promoting diplomatic relations with Central Asia and Caucasus, which form the “Silk Road region.” JICA is providing cooperation in four main areas with the aim of supporting self-sufficient development in this region, namely: 1) support for introduction of the market economy; 2) infrastructure development centering on transportation and communications; 3) cooperation with social sectors such as medical care and education; and 4) conservation of the environment.

Support for the introduction of the market economy has been taking the form of advice on macro-economic and long-term development of planning policy, master plans on specific topics such as the promotion of small and medium-sized enterprises and intensive technical guidance. In the field of transportation and communications infrastructure, JICA has cooperated with the upgrading of railways, roads and airports. JICA has also provided support for policies relating to the environment and health and medical care systems. Other areas of cooperation include basic industries such as agriculture and mining.

We are also working on human resources development to support democratization in Tadzhikistan, which remains unstable despite the end of the civil conflict there.

Combining all these cooperation projects, JICA’s Technical Cooperation in this area, as of March 2001 totals 157.5 billion yen. JICA has set up an office in Uzbekistan as a base for the provision of cooperation in this region. In addition, the JICA office in the United Kingdom will provide follow-up activities in the countries of Caucasus. Further, “Japan Centers” have been set up in Uzbekistan and Kazakhstan to offer human resources development programs to support the introduction of the market economy, and to provide Japanese language courses and information on Japan aimed at increasing local awareness of Japan.

Review of Priority Areas

Because differences in progress and priorities have begun to emerge clearly after 10 years of independence in the region, JICA set up the Study Committee for Development Assistance to Central Asia in 1999 and reviewed priority areas for cooperation with Uzbekistan, Kazakhstan and Kyrgyz. Following this, the Japanese government dispatched a comprehensive study team on economic cooperation to Uzbekistan in November 2000, and entered into an agreement with the government of Uzbekistan to deepen cooperation in three major areas: promotion of the market economy; infrastructure development; and the reconstruction of social sectors.

Further Efforts to Bolster Security

The underlying ethnic and religious makeup of this region is complex. Unstable political conditions following the collapse of the Soviet Union have led to terrorist activities, civil war and conflict in some parts of the region. In fact, several incidents involving Japanese aid personnel have occurred in this region: the shooting in 1998 of United Nations personnel, including Yutaka Akino (a Japanese official who was in Tadzhikistan as a member of a United Nations inspection team), and the abduction in 1999 of a Japanese engineer in Kyrgyz. Although conditions have been stable in recent years, utmost vigilance is
called for due to the activities of radical Islamic forces. In order to proceed with cooperation in the region, JICA is planning to give further consideration to public order and to security measures.

Applying Think-tank Experience to JICA Programs

◆ Cooperation Led by the Japanese Public, Rather than the Government

In April 2001, a Private Sector Proposal-type Intellectual Assistance Seminar was held in Tashkent, the capital of Uzbekistan, on the theme of Japanese-style management in both the public and private sectors. JICA and the Ministry for External Economic Relations of Uzbekistan co-sponsored the seminar, and the Nomura Research Institute (NRI) served as the implementing organization.

The private sector proposal-type intellectual assistance seminar program was started in fiscal 1998 with the objective of promoting market economics and economic liberalization in developing countries. The program is a new form of cooperation that promotes the participation of the Japanese public. It involves seminars that are held based on proposals gathered from the private sector, rather than government-initiated events based on requests from developing countries, as has been the case traditionally.

◆ Based on the Spirit of “Customer Satisfaction”

About 60 government administrators and corporate executives who will be the driving force behind the economic development of Uzbekistan, which is moving toward a market economy, participated in the seminar. During the week-long seminar, they attended lectures given by experienced lecturers on macroeconomic policy from the NRI, micro-economic policy and corporate management strategy and methods.

Emphasis was placed on discussion. As the seminar was conducted to enable participants to solve the issues they were facing rather than just giving them knowledge, participants were encouraged to present a range of specific issues. This led to active opinion exchanges that extended beyond each day’s allotted time. The NRI stimulated participants’ interest by providing a series of unique lectures based on the spirit of customer satisfaction. These lectures featured practical experiences that the Institute has gathered in Japan and abroad as a private think-tank, but more specifically, they provided a specific comparison between Uzbekistan and China concerning the introduction of a market economy. In the end, however, the NRI expressed regret that it had not fully understood the needs in Uzbekistan in advance of the seminar.

◆ Working to Continue Private Sector Proposal-type Intellectual Assistance Seminars

JICA is planning to continue this program and to enhance its effectiveness in order to: a) address desired themes for future seminars that were identified through a survey of the seminar’s participants; and b) utilize information concerning the current situation and thinking in Uzbekistan that was obtained through opinion exchanges. It is also expected that the experience gained by the private sector in this area will be applied to other JICA programs in Uzbekistan.

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