



# Central Asia and the Caucasus

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

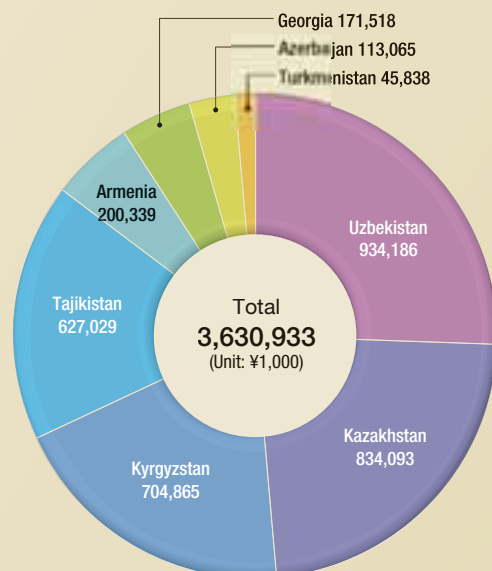
Central Asia and the Caucasus was a strategic location on the Silk Road that linked Asia and Europe, where people have moved and goods have been traded since time immemorial. Currently, there are eight countries in this region. More than 15 years have passed since the region achieved independence following the collapse of the 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 of the countries in this region 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 the international community has become increasing directed toward this region, and 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 therefore, poverty alleviation and creation of job opportunities remain as serious issues. As each country is in the process of nation-building as an independent state, it is becoming more necessary to promote regional cooperation for resolving the issues common to the region (establishment of systems for democratization and transition to a market economy, etc.), as well as issues transcending national borders (development of traffic and shipping networks, etc.).

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, and 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.

● Cooperation results by country in Central Asia and the Caucasus (FY2007)



\* This is the total amount of bilateral cooperation. The amount of cooperation provided to Asia including cooperation that covers a group of countries is 45,121,925 thousand yen.

## 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 and other countries to the south. The Caucasus stands on the other side of the Caspian Sea, which is situated in the western part of Central Asia, and it comprises the three countries of Azerbaijan, Armenia, and Georgia.

The countries in these areas were integrated into the Soviet Union in the 1920s, but gained their independence when the Soviet Union disintegrated in 1991. In ancient times, this was a strategic location on the Silk Road that linked east and west oases. The two regions combined cover an area of 4.2 million km<sup>2</sup> 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 the 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 unique languages and writing methods. This region has a complex ethnic mix including Turks, Slavs, and Persians.

The area stretching from East Asia, through Central Asia to the Middle East is referred to as the “arc of instability.” The achievement of stability and the 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 since 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 and differences in the speed of reforms. Kazakhstan, Kyrgyzstan, and the three countries of the Caucasus are moving firmly in the direction of trade liberalization, deregulation, privatization of state enterprises, and other types of structural reform. Kazakhstan and Azerbaijan have achieved rapid economic growth in recent years 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. In Kyrgyzstan, debt figures have shown improvement due to economic recovery and solid fiscal management. The main issue faced by Kyrgyzstan is maintaining economic growth despite rising prices, fueled by such factors as a rise in wheat prices.

On the other hand, Uzbekistan and Turkmenistan are distancing themselves from these radical reform programs and following their own gradual paths toward economic reform. Tajikistan overcame the 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 (revised in 2007 and PRS2 is currently being formulated).

The major industries in this region, except for natural resources, are agriculture, livestock and food processing using agricultural and livestock products. Agriculture in Central Asia is represented by rain-fed upland farming (wheat and barley)

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

### 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 their governments even after independence. This situation was 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 regime shifts. In Turkmenistan, the former president passed away and a new president was inaugurated in February 2007. Leaders of these countries hold strong authority, and therefore changes in leadership have been observed with great interest, as they are likely to mark a turning point in domestic reform efforts.

The international situation surrounding this region is also 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 in the region. With the subsequent airstrikes in Afghanistan following the terrorist attacks in the US on September 11, 2001, Uzbekistan, Tajikistan, and Kyrgyzstan offered military bases to the US and European forces, which temporarily boosted the presence of the US in Central Asia. However, due to an increase in the influence of China and Russia, the situation in the area altered significantly, and the US military withdrew from a leased airbase 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, after the political change ushered in by the Rose Revolution of November 2003, democratization and economic liberalization are rapidly progressing and are receiving high praise from the international community. In the Caucasus region, the intricate intertwining of many ethnic groups with their own distinct languages, religions and cultures often causes ethnic conflict, one of the issues that the region continues to face.



An expert teaching fruit cultivation technique to local farmers (Technology Improvement of Fruit Growing for Fergana State in Uzbekistan)

## 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 on it 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 would assist in the promotion of intra-region cooperation related to common issues in the region (terrorism, drugs, transportation, water and energy resources, trade, environmental conservation, etc.), further promoting coordination with neighboring countries outside of the region such as Afghanistan.

### Cooperation with 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) infrastructure development; and (4) promotion of intra-regional cooperation.

Support for transition to a market economy includes the promotion of small and medium-sized enterprises, support for WTO accession, support for establishing legal systems, and institutional-building and human resources development in relation to reforms of financial systems. Moreover, 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 human resources that will push forward the transition to a market economy, Japanese courses, and activities for promoting mutual understanding.

Support for rebuilding social sectors includes reforming policies, providing technical guidance and upgrading equipment related to healthcare and education. Furthermore, Japan Overseas Cooperation Volunteers (JOCV), some of whom are nurses, are being dispatched throughout the countries.

In the area of infrastructure development, JICA is implementing cooperation that support system development aimed at improving maintenance and management capabilities of infrastructure facilities such as water supply, human resources development and development of roads that connect the region with other areas. The cooperation such as road development also greatly contributes to the promotion of intra-regional cooperation.

### 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 are currently being offered.



A training session (Project for IT Human Resource Development (National IT Center) in Kyrgyzstan)

## Front Line

Tajikistan

Dehqon Farm Association Experimental Tractor Rental Project

### Contributing to Enhancing Capabilities of the Association: Tractor Rental (Contract Land Cultivation) Project Enjoys Popularity

In Tajikistan, collective farms of the Soviet era were successively dissolved after the country's independence in 1991, after which independently-operated farms called dehqon farms were created. The Dehqon Farm Association was legally recognized as an organization for farmers. However, the farmers are lagging in their organizational skills and at present the activities of most associations that were established in various regions of the country are limited to merely holding workshops. There is an extreme shortage of machinery such as tractors. Most farmers do not own a tractor and have no choice but to borrow from those who own old models used during the time of collective farms.

In 2005, the chairman of the Dehqon Farm Association of the Fayzobod Province took part in the training course, Organizing Farmers and Roles of Agricultural Cooperatives for Central Asian Countries, which was offered by JICA in Sapporo. He became interested in creating an association that offers various services to farmers, similar to the co-ops in Japan, and began planning a tractor rental (contract land cultivation) project. The JICA office positioned this as an experimental project for a technical

cooperation project aimed at enhancing capabilities of farmers' organizations that is currently under consideration. Therefore, JICA offered one tractor and a set of operation machines as part of a JICA follow-up cooperation project. A few months have passed since the launch of this project, but the service of plowing and other work that can be contracted out at a low rate has been well received among farmers, and is currently overbooked. The earnings from this service will be put aside for purchasing the next tractor and to cover the costs of holding technical workshops. In



this way, the income is being used to enhance the capabilities of the association.

(JICA Tajikistan Resident Office)

A tractor that was provided for contract work.