



BILATERAL ECONOMIC COOPERATION BETWEEN JAPAN AND UZBEKISTAN

In the early nineties of the XX century the importance of Central Asian region seemed insignificant for Japan. However, when the Prime Minister of Japan in 1997, Ryutaro Hashimoto, put forward the concept of “Silk Road Diplomacy”, this concept caused significant changes in Japan's policy in Central Asia. The “Central Asia + Japan” Dialogue initiated in 2004 marked the transformation of the Japanese policy in the region towards active pragmatism. Since that time, Japan started to support the Central Asian countries economically through investments and financial aid.

Among the countries of the region gaining support from Japan, Uzbekistan has the highest priority. Uzbekistan has engaged in active cooperation with Japan since the establishment of diplomatic relations in 1992. The main documents guiding the economic cooperation between Uzbekistan and Japan are the “Declaration on Friendship, Strategic Partnership and Cooperation”, the Joint Declarations “On the Development of Economic Cooperation and Assistance to Economic Reforms in Uzbekistan” (2002), the agreements “On Liberalization, Mutual Protection and Encouragement of Investments” (2009) and “On Deepening and Expanding Strategic Partnership” (2015).

According to the Government of Uzbekistan, the mutual trade turnover with Japan grew from \$189.5 million in 2014 to \$253.4 million in 2015 with 25% increase. For comparison, the bilateral trade turnover in 2013 and 2012 totaled \$215 million and \$214.7 million respectively. It should be noted that despite the fact that Uzbekistan – Japan trade turnover is much lower than the trade turnover between Kazakhstan and Japan amounted to \$1.4 billion in 2015, it far exceeds Japan's trade turnover with Turkmenistan amounted to \$27 million by the end of 2015. Basically, Uzbekistan exports minerals and chemical products to Japan and imports automobiles and telecommunications equipment.

Uzbekistan is involved in the Japanese government program “Official Development Assistance (ODA)” (also called Yen Loan). This Program provides the developing countries specific loans which has long-term low interest rates and which should be paid back. To date, the total amount of funds provided to Uzbekistan through the ODA loans is about \$2 billion (276,630 million yen), including \$221 million (26,872 million yen), which was allocated in 2015.

Through the regional offices of Japan International Cooperation Agency (JICA), Japan External Trade Organization (JETRO) and the

Uzbek – Japanese Center that have been operating in Uzbekistan since 1999, the Japanese side continues to invest in projects in the fields such as rail transport, oil and gas, energy, mining, automobile industry, telecommunications, electronics, textile industry and tourism. For instance, within the development of the textile and light industry in Uzbekistan two projects have been implemented until 2005 with the help of Japanese Marubeni Corporation and Kanebo company. These projects are joint ventures for the production of cotton yarn and “khaki” fabric texture for export, as well as enterprises as a complex of textile industries. Credit for the projects was provided by the Japan Bank for International Cooperation. The total investment for each project was \$11 million.

There is also an active cooperation between Uzbekistan and JICA in the country's railway infrastructure. A good example of Japanese – Uzbek cooperation is the construction of the 223 km long “Tashguzar – Boysun – Kumkurgan” railway line, which was commissioned in 2007. Another example is the modernization of the 325 km long “Karshi – Termez” railway section, the construction of which was made according to an agreement with \$221 million loan signed in 2012. The implementation of these two projects has helped the 831.5 km long “Tashkent – Termez” railway route which is fully electrified and modernized to be put into operation. The project of modernization of Tashkent Thermal Power Station with a value of \$57 million should be considered as an example of Uzbek – Japanese cooperation in the energy sector between Uzbekenergo and Tohoku Electric Power Co. The project was funded by a grant from the Japanese Organization for Advancement of Energy and Industrial Technology (NEDO) in the amount of \$38 million and Uzbekenergo's own funds of \$19 million. In addition, the loan agreement which was signed in 2013 on co-financing the modernization of Talimarjan Thermal Power Plant in southern Uzbekistan in the amount of \$300 million by JICA allowed to increase electricity generation efficiency from 30% to over 50%, reducing carbon emissions.

In order to ensure stable supply of uranium concentrate to the country, Japan began exploration of uranium deposits in Uzbekistan. In September 2006, a Japanese – Uzbek intergovernmental agreement was signed aiming to finance Uzbek uranium development. In 2008 Mitsui & Co. signed a basic agreement with the Uzbek government's Goscomgeo to establish a joint venture for geological investigations regarding the devel-

opment of black-shale uranium resources at the Zapadno – Kokpatasskaya mine. In 2013, the Japanese company JOGMEC received a license to conduct exploration works for uranium in two prospective areas with sandstone deposits, namely, Juzkuduk and Tamdiyukduk – Tulyantash, for five years. According to the primary assessments, the total investment in exploration is amounted to \$3 million.

During the visit of the Japanese Prime Minister Shinzo Abe to Uzbekistan in October 2015, the leaders of the two countries reached agreements on the implementation of joint investment projects worth more than \$8.5 billion for the coming years in areas such as modernization of energy and transport infrastructure, development and processing of mineral resources, automobile industry, oil and gas and chemical industries, telecommunications and other advanced manufacturing industries. It was agreed that Japan's contribution would reach \$5 billion. The most promising areas for the implementation of projects were discussed during the 13th meeting of the Committee on Economic Cooperation of Uzbekistan and Japan held in March 2016 in Tashkent. It is worth mentioning that after the 12th session of the Uzbek – Japanese Committee on Economic Cooperation held in Tokyo in 2015, the parties signed a package of investment, loan agreements and technical assistance projects totaling \$3.8 billion.

It can be concluded that Japan's interest in Central Asia, particularly in Uzbekistan is increasing. There is no doubt that Tokyo will provide further evidence of its intention to cooperate with the Central Asian countries at the forthcoming 6th Meeting of the “Central Asia + Japan” Dialogue, which is to be held in November 2016 in Ashgabat at the level of the Foreign Ministers. It is worth noting that Japan's commitment to develop and strengthen mutually beneficial partnership with Central Asia was clearly demonstrated during the Japanese Prime Minister Shinzo Abe's tour of Central Asia in autumn 2015. Therefore, it seems essential for Japan to expand bilateral cooperation with Uzbekistan and the Japanese authorities will make all necessary efforts to promote multidimensional relations with Tashkent. It may also be assumed that after the death of Uzbekistan's first President, Islam Karimov, the new leader of the country will continue to deepen the Uzbek – Japanese economic cooperation implementing the foreign policy of his predecessor.

Politics, Foreign Affairs and Security

- During the session of the Council of Elders held in Ashgabat, the Constitutional Law on Approval of the new edition of the Constitution of Turkmenistan was adopted. As a result of the constitutional reform, 28 articles have been added, 24 of which are new. In all, 107 articles were amended and supplemented and one new section has been added to the Constitution.
- According to the primary results of the elections to the Lower House of Parliament of Russia, the governing United Russia party looks set to consolidate its dominance with over 50% of votes. The early results put the nationalist Liberal Democrats (LDPR) in second place, just ahead of the Communists who slip into third. Both scored under 20% of votes. In fourth place Fair Russia is with well under 10% of votes.
- According to the decree signed by the President of Kazakhstan, Nursultan Nazarbayev, Bakytzhan Sagintayev was appointed as the Prime Minister of the country. His candidacy was approved by the deputies of the Majilis of Parliament. In addition, Askar Mamin was appointed as the First Deputy Prime Minister of Kazakhstan.
- The Central Election Commission of Uzbekistan reported that the Democratic Party Milly Tiklanish (National Revival) of Uzbekistan proposed Sarvar Otamuradov as a nominee for president. Earlier, the Uzbekistan Liberal Democratic Party nominated interim President of the country, Shavkat Mirziyoyev, for the presidential position. It was also announced that the snap presidential election in Uzbekistan is scheduled for December 4.
- During the Session of the Council of the Heads of State of the Commonwealth of Independent States (CIS), the high-ranked participants signed a package of international agreements including a Program on cooperation in fighting terrorism and other violent manifestations of extremism in 2017-2019 and Program on cooperation in fighting criminal use of information technologies in 2016-2020.
- According to the Chief of the command and staff exercises of Kyrgyzstan, Ruslan Mukambetov, about 2,000 troops are taking part in the Peace Mission-2016 joint anti-terror drills of the Shanghai Cooperation Organization (SCO) member-

countries held in Kyrgyzstan. It was noted that about 300 military equipment pieces, including 40 combat air force aircraft are involved in the drills this year.

Economy, Finance and Energy

- According to Azerbaijan's state oil company, SOCAR, the Heydar Aliyev Baku Oil Refinery has resumed the manufacture of oil products, while it was suspended in August due to the scheduled repair works.
- According to the OPEC's monthly oil market report, it is expected that Azerbaijan's oil supply to average 0.87 million barrels per day (bpd) in 2016. The forecast was revised up by 16,000 bpd from the previous report. In addition, OPEC also expects oil production in the country to decline to 0.8 million bpd in 2017.
- The Ministry of National Economy of Kazakhstan reported that due to rise in an annual average crude oil price and the expected start of Kashagan oil project in October 2016 the Ministry increased the amount of oil production scheduled in 2016 from 74 million tons to 75 million tons.
- The Deputy Minister of Energy of Russia, Yuri Senturin, announced that the RT Global Resources (100% subsidiary of the Rostec) might allocate \$1 billion for funding the North-South gas pipeline project in Pakistan, which is currently in the active stage of implementation.
- The International Monetary Fund (IMF) announced about its plans to resume its loan program for Ukraine after a yearlong pause and to extend the third tranche worth \$1 billion to Kiev. In case Ukraine meets the program's criteria, the country may receive next tranche worth around \$1.3 billion in November and another one worth around \$2 billion in February 2017.
- The European Bank for Reconstruction and Development announced its plans to extend a \$3 million loan to Kyrgyz Investment and Credit Bank to finance energy savings for businesses and residential homeowners under the Kyrgyz Sustainable Energy Financing Facility.
- The IMF reported about improvement of inflation outlook in Azerbaijan for 2016 and 2017 to 10.2% and 8.5%, respectively. Earlier in April, the IMF expected inflation in Azerbaijan at the level of 12.8% and 9.5% for 2016 and 2017 respectively. In addition, the IMF also expects inflation in Azerbaijan to decline sharply to 4.2% by 2018 and contin-

ue to decline gradually to 4.1% in 2019 and 4% in 2020.

- The National Statistics Committee of Kazakhstan reported that in January-July 2016 the foreign investment to the country's economy totaled over \$3.93 billion increasing by 25% year-on-year. It was noted that in July 2016 the amount of foreign investment injected into Kazakhstan's economy increased by 5.3% year-on-year reaching \$0.55 billion. During the reporting period, over 50% of all investment in Kazakhstan was placed in the Atyrau region. The least attractive to foreign investors are the Kostanay and North Kazakhstan regions.
- The Central Bank of Azerbaijan increased its key refinancing rate from 9.5% to 15%. It was also announced that the upper limit of the interest rate corridor was increased from 15% to 18% and the lower limit from 4% to 12%.
- The Minister of National Economy of Kazakhstan, Kuandyk Bishimbayev, announced that according to the forecasts of social and economic development of the country the GDP growth in 2016 would stand at 0.5%.

Society and Culture

- The Government of Turkmenistan announced about the adoption of the law "On legal regulation of development of Internet and rendering online services". The President of Turkmenistan, Gurbanguly Berdimuhamedov, tasked the representatives of the Government and local media outlets to use digital tools for increasing efficiency in the country.
- According to the Federal Air Transport Agency of Russia, Rosaviatsia, Turkmenistan Airlines has settled its \$220,000 debt to Russia's air traffic management avoiding the ban for using the Russian airspace. Last year, Turkmenistan Airlines had a dispute with Ukrainian aviation authorities, which led to the Ashgabat-Kiev service to be banned.
- The President of Kazakhstan, Nursultan Nazarbayev, congratulated all Almaty residents and Kazakhstanis on the 1000th anniversary of the city. The President noted that the city is a reflection of steady and sustainable development of Kazakhstan. The population of Almaty is 1.7 million. It was also noted that this date is included in the UNESCO calendar of commemorative and anniversary dates of humanity.