Japan’s energy diplomacy and Koizumi’s trip to Central Asia

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In one of his last trips abroad before stepping down as Japan’s prime minister this week, Junichiro Koizumi visited the Central Asian republics of Kazakhstan and Uzbekistan late last month. The main aim was to secure agreements to supply oil, gas and uranium to Japan.

The four-day trip—the first by a Japanese leader to Central Asia—was driven by a strategy to diversify Japan’s energy supplies from its heavy reliance on the Middle East. It highlighted Japan’s growing involvement in the big power rivalry in Central Asia that opened up after the collapse of the Soviet Union in 1991.

Although Koizumi returned to Japan without any signed deals, the Kazakhstan government has agreed to expand talks and co-operation with Japan on possible oil, gas and uranium projects. Uzbek President Islam Karimov agreed to further discuss joint uranium projects in Uzbekistan. “We see great possibilities and are ready to give our resources to supply Japan with uranium ... oil and gas, and other mineral resources,” Karimov declared at a joint press conference.

Japan is trying to expand its foothold in the region through Kazakhstan. Japan’s trade with Kazakhstan is now $700 million a year and its investments total $1 billion. Sumitomo Corp, Japan’s third largest trading company, and Kansai Electric Power Co. signed an agreement in January to jointly develop a uranium mine with Kazakhstan’s state-run Kaz Atom Prom. Itochu Corp secured a deal this year to buy uranium.

More significantly, Japan is seeking to compete with China for Kazakhstan’s oil. Last December, Kazakhstan began exporting oil along a 1,000-kilometre pipeline to western China, and Chinese oil companies have been securing rights to oil reserves throughout Kazakhstan. According to energy analysts, Kazakhstan’s oil production is expected to almost triple to 3.5 million barrels per day by 2015, putting it on a par with Mexico and Iran as a major oil producer and exporter.

One of Japan’s options is to avoid Chinese and Russian territory by building roads and pipelines from Central Asian countries to the Indian Ocean via Afghanistan. Despite the difficulties involved, Japan’s corporate elite is determined to carry out the scheme.

A *Yomiuri Shimbun* editorial on August 30 summed up Japan’s strategic stake in Central Asia. It pointed out that resource-poor Japan could not afford to fall behind the other major powers in tapping Central Asian resources, not just of oil and uranium, but also rare metals such as molybdenum and tungsten. The prices of rare metals, which are vital for Japan’s hi-tech industry, have skyrocketed in the past few years. Kazakhstan, Uzbekistan and Mongolia—the three countries visited by Koizumi—are rich in oil and rare metals as well as copper and coal. “The administration that succeeds Koizumi should get serious about tackling the resource diplomacy. It should enhance and develop it,” the editorial declared.

Koizumi’s trip was tied up with Japan’s New National Energy Strategy outlined in May. The new doctrine is aimed at boosting the ratio of “Hinomaru oil”, that is oil developed and imported by Japanese-owned companies, from 15 percent to 40 percent of all oil imports by 2030. The same strategy applies to the production and import of uranium to fuel Japan’s future expansion of nuclear power stations.

Japan is the world’s third largest nuclear energy producer after the US and France, with 29 percent of its electricity generated by nuclear plants. Japan is also the world’s third largest oil consumer after the US and China and is completely dependent on imports from the Middle East.

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Koizumi's dispatch of Japanese troops to Iraq to bolster the US-led occupation was in part motivated by the desire to secure Iraqi oil. Tokyo is acutely aware that its share of Middle Eastern oil will increasingly be dictated by Washington, which is seeking to establish its domination throughout the region.

Of particular concern to Japan is the Bush administration's threat of sanctions and military action against Iran. At risk is the $2 billion deal signed between Japan and Iran in 2004 to develop the huge Azadegan oil field, with a potential daily output of 400,000 barrels and reserves of 26 billion barrels. The deal between the state-controlled Japanese oil company, Inpex, and the National Iranian Oil Company is now under threat. The Iranian government has given Tokyo to the end of September to proceed with the project. Otherwise Tehran may offer the oilfield to Chinese or Russian interests.

Japan is under strong pressure from the US not to proceed with the Azadegan deal. Publicly, Inpex has declared that it is unsatisfied with the progress of mine clearing in the area—one of the battlefields in the 1980-88 Iran-Iraq War. However, the company's main concern is the potential impact of international sanctions or military action against Iran.

Koizumi's trip was also designed to expand Japan's political influence in the region. In June, Japan held a "Central Asia plus Japan Dialogue" with Uzbekistan, Kazakhstan, Tajikistan and Kyrgyzstan, with Afghanistan invited as an observer. The discussions coincided with the summit of the Shanghai Cooperation Organisation (SCO). Led by China and Russia, the SCO was created as a strategic counterweight to growing US influence in Central Asia, especially after the invasion of Afghanistan in 2001.

Japanese Foreign Minister Taro Aso described Tokyo's aim at the dialogue as creating a new atmosphere in which "it is simply impossible to ignore Japan when you discuss Central Asia". In an apparent rebuke to Tokyo, Russian President Vladimir Putin pointedly declared at the SCO summit that Moscow did not welcome competing political groupings in the region.

By joining the Bush administration's "war on terror", Koizumi has laid the basis for Japanese rearmament and a more aggressive role in Asia. This strategy, however, is creating dilemmas for Tokyo. Koizumi's diplomacy has antagonised not only China but also Russia, making Japan's efforts to tap into resources from the Russian Far East and Central Asia more problematic.

Tokyo's efforts to persuade Moscow to build an oil pipeline from Siberia to a Pacific port near Vladivostok to facilitate shipment to Japan have stalled. On September 19, Japan's strategy suffered another blow, after Russia suspended a large natural gas project—Sakhalin-2—in which government-backed Japanese companies have a 45 percent stake. Tokyo angrily protested the decision.

Koizumi's foray into Central Asia is just one more indication of the escalating international competition for energy and other raw materials that is fuelling tensions between the major powers as each jockeys to secure domination in key strategic regions of the globe.

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