

**Japan's involvement in Central Asia  
in the early post-Cold War era (1991-1997):  
A Review from the Perspective of Neo-Classical Realism**

Zhihang Wang, Oxford School of Global and Area Studies

*Abstract* – This paper examines Japan's foreign policy in relation to Central Asia (CA) from 1991 to 1997. Through the theoretical lens of neo-classical realism, this research analyses Japan's attempt in the period to transform its economic power into both political and economic influence on CA countries. The process was led by three distinct groups. In their shaping of foreign policy, the *politicians* were seen as decision-makers, who act on the perceived change of national power in the international arena. The *bureaucrats* are to be understood as the policy-makers, who compose and implement policies according to the politicians' guidance. These policies, and the Official Development Aids (ODA) policy in particular, targeted the *big businesses*, mobilising them to amplify Japanese influence in the region. Taking the above three actors as leads, this research reveals the problems faced by Japan in the 1990s, which affected the effectiveness of the country's foreign policy. The power change perceived by Japanese politicians, the stability of domestic politics, and the country's powerful support of direct foreign investment abroad, were the keys that a rising nation like Japan needed to transform its wealth into power. By studying the Japanese precedents in CA, this research may also provide guidance to another nation with an ever-increasing presence in the CA region, namely China.

*Keywords:* Japan, Central Asia, post-Cold War, neo-classical realism, economy, politics

## Introduction – Why Central Asia and why from 1991 to 1997?<sup>1</sup>

My research interest in Japan's involvement in Central Asia (CA)<sup>2</sup> was triggered by my experience working for the Silk Road Fund<sup>3</sup> on a summer internship in 2019. The Fund, in support of the Chinese Belt and Road Initiative (BRI), has been looking for possible cooperation with Japanese companies and financial institutions in third-country markets, especially in CA. However, it turns out that Japanese business activities in the region are very limited. On the one hand, previous research (Murashkin, 2016: 11) reveals that Japan has had a long and influential connection with CA since the end of the Cold War. On the other hand, and in striking contrast to the abundant aid available from the Japanese Official Development Assistance (ODA), trading and investment in the region have been limited, betraying the hopes and expectations of the locals (Uyama, 2009: 10).

The glaring gap between the high-profile effort of the Japanese government and the limited involvement of the Japanese private sector can be observed from the very early stages of the Japanese involvement in CA, and these undesirable beginnings would later haunt the Japanese presence in CA in the following years. This paper focuses on the initial phase of the Japanese involvement in CA, from the end of the Cold War in 1991 to 1997. Japan back then had no clearly stated policy in relation to CA until 1997, when Prime Minister Hashimoto Ryutaro presented the New Silk Road Diplomacy as the very first united Japanese CA policy.

To better understand the cause of this obvious gap, a wider international picture of that drastically changing era needs to be taken into consideration. 1991 was the year in which the Soviet Union collapsed. Meanwhile, Japan was at the peak of the asset bubble. This paper analyses how Japan tried to transform its national power, mainly in the form of material resources represented by the booming economy, into political and economic influence abroad, especially in the newly created power vacuum that was CA. Domestically, in 1993, the Liberal Democratic Party of Japan (LDP) lost their throne in the general election, marking the end of a political system that had existed long since 1955. The Japanese bureaucrats had to cope with the first ever non-LDP administration since the end of WWII.

The Japanese political system is characterised by close collaboration between the politicians and the bureaucrats, in which the politicians instruct, and the bureaucrats draft and implement policy according to their instructions. Therefore, the two groups of actors are usually regarded collectively as the policy-makers (Park, 1986: 8).

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<sup>1</sup> Due to the closure of the Bodleian Libraries during the COVID-19 pandemic, some citations in this paper, which are marked N/A at the end, were reliant on research notes that the author compiled in earlier years. The exact page numbers for these citations could not be confirmed and are therefore incomplete.

<sup>2</sup> In this paper, CA refers to Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, and Turkmenistan.

<sup>3</sup> Silk Road Fund Co., Ltd. mainly provides investment and financial support for trade and economic cooperation and connectivity under the framework of the Silk Road Economic Belt and the 21<sup>st</sup>-Century Maritime Silk Road Initiative. Silk Road Fund, Overview, <http://www.silkroadfund.com.cn/enweb/23775/23767/index.html> (Accessed 5 March 2020)

The theoretical framework of neo-classical realism, with its emphasis on the structural level, enables more detailed scrutiny on the division of labour between the politicians and the bureaucrats. Drawing its roots from classical realism, Neo-classical realism posits that the ambition of a country's foreign policy is driven first and foremost by its material power, in relation to that of other countries (Rose, 1998: 144). Neo-classical realism, applied to the present case, thus reveals that the most critical reason for Japan's governmental input in CA starting from 1991 was the collapse of the Soviet Union and Japan's booming domestic economy.

Distinguished from structural realism, which emphasises security concerns as a nation's prior pursuit (Lynn-Jones, 2001), neo-classical realism contests that a nation pursues the 'maximisation of international influence' (Zakaria, 1992: 177). Japan envisaged a tripartite structure of the U.S., the European Community (EC), and Japan to rule the world after the Cold War (Toshiki, 3 April 1990). It was therefore keen to fill the power vacuum created after the collapse of the Soviet Union and to demonstrate leadership in Asia to the newly independent CA countries. As Fareed Zakaria's famous book title *From Wealth to Power* indicates, the Japanese pursuit for a more significant role in the international area resonates with the country's proactivity in the middle of its asset bubble from the late 1980s to the early 1990s.

Neoclassical realism further contends that the change of relative material power, the so-called 'systemic pressures', cannot directly impact on foreign policy. It is the *translation* of these systemic pressures, through intervening unit-level variables such as decision-makers' perceptions and policy-makers' reactions, which shapes foreign policy. As Fareed Zakaria describes vividly:

'States may be billiard balls, but each is made of a different material, affecting its speed, spin, and bounce on the international plane.' (Zakaria, 1999: 9)

The neo-classical framework applied to this research redefines the politicians as decision-makers and the bureaucrats as policy-makers. It clarifies the foreign policy-making process as a vertical sequence, whereby politicians make decisions based on perceived international power changes, and bureaucrats then mobilise the policies as tools to achieve the goals set up by the political masters. If the politicians are described as the drivers holding the steering wheel, then the bureaucrats comprise the *engine* of the 'state power'. The bureaucrats are one of the key variables of neo-classical realism, enabling the government to mobilise its economic power in pursuit of foreign policy goals (Zakaria, 1999: 9).

Moreover, the theoretical framework of neo-classical realism brings into this discussion the third and last piece of the 'iron-triangle' in the Japanese political economy system after politicians and bureaucrats: the big businesses (Colignon & Richard & Usui, 2001). This research interprets big businesses as social resources to be mobilised by 'state power' in order to amplify Japanese influence in CA. In this scenario, Official Development Aid is redefined as a policy tool used by the government to encourage big businesses to adhere to foreign policy and to increase Japanese presence in the region.

If one wishes to unfold the 'black box' of the Japanese policy-making process and understand the connection between the Japanese government and private sectors, Japan's policy towards CA serves as the ideal theatre for bearing witness. Targeting a newly created independent region since 1991, the Japanese CA policy was formed from scratch instead of evolving from historical legacies. This brand-new journey provides us with a channel to examine how Japan wanted to present itself to the international community and how Japan would carry out its foreign policy. Unlike other nations that were also created in the same period, CA countries enjoyed more geopolitical importance, by virtue of their location at the heartland of Eurasia. The Japanese CA policy revealed where Japan envisaged the border of its influence should be and how the country would maintain it.

The conclusion of this paper summarises the problems Japan faced in this period, which ultimately led to the gap between the high-profile governmental efforts and limited private sector involvement. Moreover, the conclusion extends from the Japanese precedents in CA to summarise what lessons China can learn as a rising power now trying to increase its presence in CA, as Japan had attempted 30 years ago.

This paper is structured in four chapters. The first chapter explains the research puzzle more explicitly. The three chapters thereafter focus on the politicians as decision-makers, the bureaucrats as policy-makers, and the big businesses as targets to be mobilised, respectively. The following questions have guided this research:

- 1) How can Japan's approach to CA from the end of the Cold War to the New Silk Road Diplomacy be best understood? How can we apply neo-classical realism to analyse Japan's decision-making and policy-making processes in foreign affairs?
- 2) How did the Japanese politicians interpret the shift of power in the international arena around the end of the Cold War? What was the ambitious plan concerning foreign policy towards CA, which the Japanese politicians envisioned?
- 3) How did the series of domestic political changes in the early 1990s affect the Japanese foreign policy-making process? In particular, when the first-ever non-Liberal Democratic Party administration since 1945 came into power, how did this political earthquake affect the collaboration between the politicians and the bureaucrats? How did the bureaucracy react to their political masters' high expectations in CA?
- 4) Which factors have restrained the Japanese private sector's enthusiasm towards investing in CA? Did the traditional ODA (Official Development Aid) model encourage greater business involvement in CA or hinder further engagement instead?

## The puzzle of the 'gap'

The Official Development Aid (ODA)<sup>4</sup> is a useful lens for shedding light on the connection between political and business interests. Traditionally, Japan has been described as 'Japan Inc.' by many scholars, a corporatist entity where politicians, bureaucrats, and big businesses collude together, forming a Japanese ODA model to blaze a trail in the targeted foreign country for Japanese business activities to follow later (Robert, 1990: 140). The ODA operation was explained as an 'oyobimizu (priming water) model' where aid had no function other than to draw more capital spring from the 'pump' of the private sector (Hook & Zhang, 1998: 1055).

However, Japan's business activities were very much limited in CA, despite the fact that Japan was the most generous donor of ODA. The reality in CA suggests that there was a gap between official engagement and private business involvement. As newcomers to the Asian countries' community, CA countries enjoyed a unique position in Japan's ODA policy. Due to the limited size of the economy in CA countries, the Japanese policy-makers believed that Japan's ODA would have a huge impact on these states. Therefore, CA countries were designed to be a 'window of Japanese ODA' (Zhou & Shi, 2016: 86). However, the ODA model did not thrive in CA as it had done in other regions. In successful cases, the ODA provided by the Japanese government would create a better environment in the target country for Japanese businesses to trade or invest in. If economic profitability were the only standard by which to measure the ODA policy, then the policy has certainly fallen short in CA. Some of the Japanese policy-makers have also observed there being a gap. Hirose Tetsuya, the first director of the office of CA in the Ministry of Foreign Affairs (MOFA), and Kawatou Tetsuo, the first Japanese ambassador to Uzbekistan and Tajikistan both noted the gap between governmental efforts and the lack of engagement from the private sector, but neither of these officials has examined the cause of it (Uyama, 2009: 10). This gap is the research puzzle of the current study.

By solving this puzzle through the lens of neo-classical realism and finding out the reason behind ODA's failure, this research explains the ODA as one aspect of Japanese state agenda to pour more resources into the targeted CA area, with a view to exercise greater influence, both politically and economically, on CA countries.

## Chapter 1: The 'national power' change – from the politicians' perspective

For the Western world, there was no better Christmas gift than the collapse of the Soviet Union on 25 December 1991. As a member of the former Western bloc, Japan was excited to embrace a new era ahead. Although the burst of the assets bubble occurred earlier that year, Japan believed that the setback was merely a temporary adjustment for the booming economy to follow (Takahashi

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<sup>4</sup> Japan joined the Organisation for Economic Co-operation Development's (OECD) Development Assistance Committee (DAC) in 1961 as its only non-Western founding member. The country turned war reparations agreements into its most effective channel of re-engagement with its former Asian colonies (Fukushima, 2000: 156)

& Watanabe, 2006). The vicious consequences of the bubble burst did not reveal itself immediately; Japan was still enjoying prosperity as the world second-largest economy.

There is no better case study than the European Bank of Reconstruction and Development (EBRD) for demonstrating how the economic advantages of being the world's second largest economy back then fueled Japan's political ambition and influenced the ways in which Japanese politicians perceived the external political changes. Japan's involvement in the EBRD reveals that even before the final collapse of the Soviet Union, the country had been picturing a new world order, in which it played a vital role as the East Asian economic powerhouse. More importantly, the striking contrast between Japan's own expectations to be a strong influence on other countries and the bitter reality of events that actually transpired around the EBRD explains the transition in Japanese foreign policy in the 1990s: more emphasis was placed on Asia instead of the entire Eurasia. Japan's involvement in CA, triggered by the previous engagement in the EBRD, can be interpreted as the turning point of this shift in foreign policy.

One final remark on Hashimoto Ryutaro, Japan's Minister of Finance of the time and a key figure in the country's involvement with the EBRD. His experience of working for the institution contributes to a better understanding of the foreign policy adjustments that he implemented after becoming Prime Minister in 1996.

## 1.1 Great Expectations

In March 1990, Minister of Finance Hashimoto Ryutaro returned from his meeting in Los Angeles with Nicholas F. Brady, the United States Secretary of the Treasury. In his Diet report, Hashimoto emphasised that Japan and the U.S. had agreed to 'fall in step with each other (共同歩調)' in establishing the EBRD (Hashimoto, 26 March 1990).

A month later Toshiki Kaifu, the Prime Minister of Japan, in his Diet speech used the EBRD as an example to present his grand vision for Japan:

'We must strengthen the Three Pole Structure of the US, EC, and Japan, taking responsibility for the world economy and security through the coordination of policies and cooperation of implementation. The recent proposal of EBRD is a good example...there shall be more cases like this. Japan will have a bigger role to play in the world economy.' (Toshiki, 3 April 1990)

Japanese ambition also echoed in the media. The earliest written record about the EBRD in Japan—an *Asahi Shimbun* article released in December 1989—described the institution as 'an opportunity to appeal Japanese political existence in Europe' (*Seijiteki*, 1989).

Japan's significant foreign exchange reserves not only made it possible for Japan to provide monetary support to the EBRD, they also fueled a sense of Japanese honour and an accompanying belief that the country ought to take on more international responsibilities. In February 1991, Nakayama Taro, Minister of Foreign Affairs, argued that Japan and Germany were the only two

among all the advanced industrialised countries that enjoyed a foreign exchange surplus (Nakayama, 18 February 1991). That said, post-reunification, Germany needed to make huge investments in Eastern Germany, leaving Japan, in Nakayama's view, as the only country capable of providing sufficient funds to the EBRD. He questioned his fellow MPs in the Diet on the issue of investment in the ERBD: 'If not Japan, then who?' (Nakayama, 18 February 1991). Since Japan could not make a contribution to international military cooperation as a result of its postwar Peace Constitution, the country compensated for this lack by using its economic power to foster Western values<sup>5</sup> such as multiparty democracy, pluralism, and market economics (Dadabaev, 2016). Moreover, Japan had valuable experience in providing economic aid through the erstwhile Official Development Assistance programs and the establishing of the Asian Development Bank. Japan was proud of its expertise and was willing to share it with European countries; this was to be 'Japanese funding with wisdom' (Kawazaki, 6 March 1991).

By joining the EBRD, Japan hoped to assume a greater role in international politics and to promote the country's own values. Beyond these general aims, the country had also a specific mission: to reclaim the Northern Territories (South Kuril Islands) from the Soviet Union.<sup>6</sup> Economic aid to the Soviet Union was a major domestic concern for Japan, ever since the idea of the EBRD was first mooted in the latter. Some MPs and bureaucrats suggested in Diet discussions that any economic aid to the Soviet Union should come with certain conditions attached. Yukio Sato, Director of Information Research at the Department in Foreign Ministry, hinted that due to the unsolved Northern Territories issue between Japan and the Soviet Union, Japan ought to treat the Soviet Union differently from other Eastern European countries in dealings with economic aid (Sato, 13 April 1990). Nikkei Shimbun also pointed out that the Japanese government had insisted on the return of the Northern Territories as the necessary precondition to economic aid (Atamagoshi, 1992). The Liberal Democratic Party (LDP) government faced pressure from both within and outwith the party to take a firmer stand in pursuing national interests in exchange for economic contributions – not least the fierce attack from the opposition party (Muto, 14 March 1991). Nakasone Hirofumi, son of former LDP Prime Minister Nakasone Yasuhiro urged that 'as an important founder of the EBRD, Japan should speak out loud its stand', since foreign aid money was coming from the taxpayers (Nakasone, 21 May 1990). Later, the LDP government through its manifesto implemented an assertive policy concerning the territorial claim. In his annual Policy Speech to the 120th Session of the Diet, Prime Minister Toshiki Kaifu stated adamantly that:

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<sup>5</sup> Although it is an Eastern Asian country, Japan has been a part of the Western bloc since the Cold War and still holds a position in the G7 today.

<sup>6</sup> The Northern Territories dispute – known in Russia as the dispute of the Kuril Islands – is a long-standing disagreement between Japan and Russia. The Northern Territories comprises four islands that stretch between the Japanese island of Hokkaido at the southern end and the Russian Kamchatka Peninsula at the northern end. The disputed islands were annexed by the Soviet Union at the end of World War II and are currently under Russian administration as the South Kuril District of the Sakhalin Oblast, despite Japan having claimed them.

'The unprincipled separation of politics from economics, only promoting economic relation[s] and leaving the Northern Territories issue unsolved, is not what Japanese people want.' (Toshiki, 1 March 1991)

## 1.2 Bitter Reality

Eventually, in 1991, the Japanese government provided 144.8 billion yen<sup>7</sup> to establish the EBRD. Japan's contribution comprised almost 9% of the bank's total funding, following the largest contribution of 10% by the USA (Hashimoto, 18 March 1991). Before its collapse at the end of 1991, the Soviet Union was also an original EBRD contributor, but after the collapse it became solely a recipient.<sup>8</sup> Soon thereafter, the Japanese government realised that EC countries and the USA only wanted the benefit of Japanese funding, and that the Western allies had neglected the agreement prerequisite about providing aid to the Soviet Union.

At first, the Western countries promised to support Japan's territorial claim; or so Japan believed. After the 17<sup>th</sup> G7 Summit held in London in July 1991, Prime Minister Toshiki Kaifu reported to the Diet that the G7 had reached a consensus acknowledging the significance of the Northern Territories issue, not only for the Japan-USSR relations, but also for other G7 members and the peace and stability of the world (Toshiki, 22 August 1991). Furthermore, Foreign Minister Nakayama Taro named U.S. President George H. W. Bush one of the Western leaders who claimed it was vital to solve the Northern Territories issue (Nakayama, 2 August 1991). However, in hindsight, this appeared to be a simple ruse to secure additional Japanese funding. At the time, Japan believed it was impossible to mobilise the international economy without other countries paying attention to Japan itself (Nakayama, 2 August 1991); in fact, Japan overestimated the degree of leverage over the Northern Territories that this attention gave them, as compared with their Western partners.

To the Japanese government's surprise, Germany and the USA later decided to push forward the agenda of financial support to Russia without waiting for the settlement of the territorial dispute. Germany started giving their support in April 1992, which Tokyo found appalling. *Nikkei Shimbun* described the news as 'a sudden spill of water to someone asleep (寝耳に水)' (*Atamagoshi*, 1992). The Japanese government was disturbed by the sudden nature of the decision, as much as by the USA's support for Germany; the Ministry of Finance in fury that 'the U.S. and Germany [were] trying to draw Japanese funding out through multilateral mechanism.' (*Atamagoshi*, 1992)

Another source of frustration for Japan was the establishment of the Nuclear Safety Account (NFA). In early 1992, the EBRD was planning to establish a special account to provide safety

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<sup>7</sup> Unless otherwise stated, all currencies and values of money mentioned in this paper refer to prices that were established at the time of writing taken from the respective year.

<sup>8</sup> Agreement Establishing the European Bank for Reconstruction and Development, EBRD website. <https://www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html> (Accessed 5 March 2019)

Although the Soviet Union was listed as a recipient country with other Eastern European Communist countries, its total capital contribution of 600 million Euros was the 6<sup>th</sup> largest following the USA, Japan, France, Federal Republic of Germany, Italy and the United Kingdom.

assistance to countries operating nuclear power plants that had been built during the Soviet-era<sup>9</sup>. European countries such as France and Germany suggested providing all the necessary funds through this newly-established account. However, Japan was fully aware that even though the USA and European countries, during meetings, had all purportedly agreed to provide funds, it was unlikely that their governments would be able to pass the relevant legislation in their respective national parliaments, largely due to the already significant expenditure those governments were making on the EBRD (*Gempatsu*, 1992). Before the NFA disagreement, Japan had already provided additional funds of 1.6 billion yen to another fund within the EBRD framework: the Japan–Europe Cooperation Fund.<sup>10</sup> Japan was therefore unwilling to make additional large international payments without gaining something tangible in return (*Nihon CIS*, 1992). Japan was right to be wary. While the country did indeed plug the funding blackhole eventually, Japanese companies were nonetheless overlooked in favour of European ones when it came to the awarding of commercial contracts to repair those power plants or to provide alternatives to nuclear energy in the name of the EBRD (*Nihon CIS*, 1992).

The start of Japan's involvement in CA was triggered in an unexpected way. In efforts to convey its dissatisfaction, Japan started to challenge the EBRD with its own Asian counterpart over which Japan had a firmer grip: the Asian Development Bank (ADB). The Commonwealth of Independent States (CIS), including five Central Asian countries, joined the EBRD on 27 February 1992 (*CIS 11 Koku*, 1992). After a period of frustration with the EBRD, Japan endeavoured to divert those Central Asian countries away from the EBRD to the ADB. On 1 May 1992 Michio Watanabe, the Deputy Prime Minister and Minister of Foreign Affairs (Nakayama Taro's successor), met with President Akayev in the capital of Kyrgyzstan, Bishkek. During the meeting, Michio Watanabe expressed Japanese support for all five Central Asian countries to join the ADB (*Tyūōazia*, 1992). The initial plan was to secure exclusive access to those Central Asian countries and their economies through the ADB, with those countries also leaving the EBRD. On 7 May 1992, Hata Tsutomu, the Minister of Finance (Hashimoto Ryutarō's successor), clearly stated that any CIS country that wanted to join the ADB must choose between the ADB and the EBRD. He made a further appeal to the prospective countries:

'The demands for funding are increasing, we all agree that it is necessary to increase the capital of the ADB.' (*CIS Syokoku*, 1992)

However, after several rounds of negotiations, the final agreement at the end of 1992 was for the five Central Asian countries to accede to the ABD whilst remaining members of the EBRD (*Aziakei*, 1992).

Before the ADB officially ratified the membership of those five Central Asian countries in August 1993, the scandal of waste within the EBRD ignited public outcry that would accumulate in

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<sup>9</sup> Nuclear Safety Account, EBRD website.

<https://www.ebrd.com/what-we-do/sectors/nuclear-safety/chernobyl-nuclear-safety-account.html>

(Accessed November 2019)

<sup>10</sup> Japan–Europe Cooperation Fund (JECF) supports transition operations from planned economy to market economy in all 27 of the EBRD's countries.

Japan. On 14 April 1993, *Asashi Shinbun* reported that since the establishment of the EBRD in April 1991, investments had reached a total of £101,000,000 with outgoings amounting to some £215,000,000. This latter figure included £55,500,000 for the interior and exterior decorations of a new headquarters, £600,000 to cover the costs of chartering jets for the EBRD's president, Jacques Attali, and £52,000 for the bank's Christmas party in 1992 (EBRD *No Huyōhiyō*). All this notwithstanding the fact that the EBRD had already moved into new London headquarters once before in 1991, which cost the British government £18,000,000; yet these buildings would only be used for two years. *Asashi Shinbun* harshly questioned the unspoken rule of the EBRD 'Headquartered in London and presided from France', arguing that France shamelessly held on to the EBRD presidency even after the scandal of waste that unfolded under the leadership of French president Jacques Attali (*Sōsaierabi*, 1993). Another newspaper, *Mainichi Shimbun* mocked Japan as a 'straight-A student who follows the rules strictly' and suggested that Japan 'find a candidate to run for the election to have a better understanding of the hateful European manipulation within the EBRD' (EBRD *Zikisōsai*, 1993). Japan's weak, frustrated position in the EBRD could perhaps be encapsulated in the following figures: the percentage of Japanese personnel in the EBRD, around 3%, was significantly lower than the proportion of capital it had injected – approximately 9% (*Seigin*, 1994).

### 1.3 Japan's inaccurate perception of the power change

Japan's involvement in the EBRD demonstrated the difference between how Japanese politicians perceived the post-Cold War era and the reality that eventually transpired. As neo-classical realism argues, the fundamental variable of foreign policy evolution is the change of relative power among countries. The Japanese politicians sensed that the collapse of the Soviet Union would provide a power vacuum that could be filled by Japan as one pole of the new triangular world order. Japan's rising economic power gave them solid ground to aim even higher. However, history suggests that the relative rise of Japanese power was not as significant as elites in the country had first believed. The tripartite post-Cold War world order originally envisaged by Tokyo—whereby the USA, the EC and Japan would all work as equals—ended up as a one-sided channeling of Japanese wealth to Europe with limited political influence rendered to Japan in exchange. The EBRD not only received a huge amount of funding from the Japanese government, but also enjoyed the low cost of fundraising in the Tokyo financial markets throughout. Among all the funds raised by the EBRD on the open market, the percentage raised from Tokyo was 80% in 1995, 65% in 1996, and 70% in 1997 (*En'yasu*, 18 March 1997).

The frustration felt by Japan through its involvement in the EBRD was concrete evidence that Japan's political influence was not enough to reach Europe across the entire Eurasian continent, let alone as a global powerhouse. Back in 1991, Prime Minister Hashimoto admitted during the Diet that Europe is a place beyond Japanese reach due to the geographical distance and the historical lack of political interaction there between (Hashimoto, 18 February 1991). Adjusting its former ambitious expectations, Japan refocused its foreign policy by retreating from Europe and limiting

its activities to Asia. This strategic contraction echoed Hashimoto's earlier speech in the Diet that Japan lacked geographical and historical connections to Europe and that it should therefore conceptualise Asia as its region of primary interest (Hashimoto, 15 March 1991).

In his thesis revisiting Japanese foreign policy in post-Soviet Central Asia, Murashkin argued that the EBRD 'historically developed an informal geographical division of trusteeship labor' whereby Japan was assigned to take care of CA (Murashkin, 2015). The formation of this division may not be as harmonious as Murashkin described; Japan's struggle to challenge the EBRD in Central Asia using the ADB is perhaps evidence of a disconnect. Some scholars believe that Japan's engagement in Central Asia began with Hashimoto's 'Eurasian diplomacy' or 'Silk Road diplomacy' in 1997, but it more likely started earlier as an unexpected result of Japan's experience in the EBRD (Chung, 2011). The beginning of Japan's involvement in CA can be interpreted as a twofold strategy: to retreat from Europe and to enhance Japanese leadership in Asia, simultaneously. In this context, CA countries were not only regarded as newcomers in the community of Asian countries, but also as comprising the western frontier of Asia against Western influence that was expanding from the west side of Eurasia to the east. The strategic importance of CA, as perceived by the politicians, partly explains the high-profile Japanese governmental involvement in the region. However, the politicians were merely the decision-makers, not the policy-makers themselves. While politicians indicated the direction of the march and set goals for policies, the detailed composition and implementation of these policies were in fact carried out by the bureaucrats, who are the protagonists to be treated in the next chapter.

*This is an abridged version of Zhihang's thesis. The following chapters and a detailed literature review are available to read online at [www.stannesacademicreview.com](http://www.stannesacademicreview.com).*

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