

New Impulse for the Relations between Europe and Central Asia

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The people of Europe and Central Asia have millenary ties as they have travelled and settled along the paths connecting East and West in the vast Euro-Asian space. Beyond wars and conquests, these ties contributed to the mutual enrichment of our knowledge and culture. We are proud to recall the numerous European travellers and scientists who helped highlighting the richness and the values of the people of Central Asia of Kazakhstan, Kyrgyzstan , Tajikistan, Turkmenistan and Uzbekistan in the wider world.

After the implosion of the Soviet Union, the relations between the Member States of the European Union and the newly independent republics of Central Asia, which became immediately members of the Organisation for Security and Cooperation in Europe (OSCE), and developed rapidly based on a series of partnership and cooperation agreements. In 2007, the European Union adopted a Strategy for a new Partnership with Central Asia¹. This Strategy builds on the progress in bilateral cooperation and reflects the growing interdependence between Central Asia and the EU. It focuses on strengthening cooperation with the Central Asia region as a whole , notably in the areas of economic development, energy, transport, water resources environment as well as youth and education. The Strategy also identifies common interests in the areas of security , stability, rule of law, human rights and governance. In working for the attainment of these objectives, the EU committed to be guided by principles of dialogue between equals, transparency and result oriented actions, taking into account each partner's specific context. Deepening its engagement in the region, the EU developed important assistance programmes and « flagship » initiatives, and allocated significant resources to our partners in Central Asia. It also concluded Partnership and Co-operation Agreements (PCA) with four countries of the region². With Kazakhstan , which represents 80% of EU trade with Central Asia, receiving nearly 50% of Foreign Direct Investment from the EU countries, and trading 40 % of its overall turnover with the EU, the European Union has initialled on 20 January 2015 a second Enhanced Co-operation and Partnership Agreement. This enlarged agreement will cover all EU- Kazakhstan bilateral relations and aims to advance the modernisation of the country, particularly improving its business and investment environment. It should also help to reduce the EU's trade deficit with the country and to diversify Kazakhstan's export which currently has a 92% share of mineral resources exports. Kazakshtan has also entered, as first country of Central Asia, into the « Asian-Europe Meeting « (ASEM) , a long standing gathering of 51 states from Asia and Europe, including all the 28 EU Member States, as well as the European Union and the ASEAN-Secretariat.³

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1 European Council : The EU and Central Asia - Strategy for a New Partnership, Doc.10113/07.

2 The Partnership and Cooperation Agreement with Turkmenistan was signed in 1998, but is not yet ratified . Since 2010 , an Interim Trade Agreement is in force.

3 Association of South-East Asian Nations.

Looking over the past seven years, it seems clear that implementing the Strategy has generated good progress ; bilateral and regional dialogue and cooperation have become stronger and more productive. The EU has turned into an important partner in promoting stability and good neighbourly relations among the Central asian countries. This was confirmed in the June 2012 review and progress report of the Strategy, which updated the key orientations for mutual engagement and completed the relationship with an annual High Level Security dialogue between Central Asia and the EU.⁴

A priority for Kyrgyzstan and Tadjikistan in bilateral aid

Since 2007, the relations between the European Union and the five countries, Kazakhstan, Kyrgyzstan, Tadjikistan, Turkmenistan and Uzbekistan went through a dynamic development. This was reflected in the economic and trade relations, as well as by the increase in development assistance to the region and also through the institutional relations, the joint work achieved in the agreed focus priority sectors including in the wider european space perspective, and the political dialogue on security. At the same time, the challenges within and between the countries have not become smaller. Democratisation, rule of law and the protection of human rights, poverty eradication, modernisation of education systems and creation of jobs , but also water-, environmental- and energy – diplomacy , the confinement of criminality and corruption as well as the prevention of conflicts and the peaceful cooperation between the countries in the wake of the Afghan war ending are therefore the main areas of the engagement of the European Union. A stronger effort to sharpen focus and differentiation for implementation of the Strategy, and the more efficient use of the 1 billion Euro development assistance earmarked for the years till 2020 will give to the new EU Special Representative for Central Asia new tools, but also on the way, also high hopes to give new life along the old « Silk Road » to China.

Turning to the future, the EU recognize the rapid economic development taking place in several countries of the region which has brought in the last two years an 8% growth in the inter-regional trade with the EU. The European Union remains the largest single trade and investment partner of Central Asia and the region will also continue benefiting from EU assistance.

EU aid to Central Asia will increase by 56 % over the next seven-year financial period 2014-2020 to one billion Euro. Of this amount,360 million Euro will be allocated to regional programmes covering common priorities of the five countries, including 115 million Euro supporting the countries' integration with the ERASMUS + Programme. Individually, Tajikistan will receive 251 million Euro, Kyrgyz Republic 184 million , Uzbekistan 168 million and Turkmenistan 36,5 million during the seven-year indicative allocation period.

Bilateral assistance will become more differentiated and more result oriented. It will focus on the poorest and more needed populations and countries , namely Tajikistan and the Kyrgyz Republic, benefitting from from large increases in allocations, deeper policy dialogue , as well as higher visibility. In both countries , the EU will seek to support modernisation and policy reforms in key sectors with a direct influence on poverty alleviation, including education, health and rural development. In the Kyrgyz Republic, the overriding objective is for the EU to support the stabilisation, continuation of democratic process and the rule of law, while helping the country to reduce poverty and achieve sustainable development. Among the the main problems which hinder such development , and in turn negatively affect stability , are the on-going pervasive corruption, in particular in the judicial sector ; the decline in the education system since independance, reducing the supply of qualified human resources ; and the high degree of rural poverty. Security, national reconciliation and cohesion are cross cutting issues: improving living standards, better opportunities for business, aligning the education system to the needs of the economy, efficient realisation of reforms leading to a restauration of public confidence in the judiciary system , increased knowledge

⁴ Council of the European Union:Progress report on the implementation of the EU CA Strategy – Implmentation review and outline for Future Orientations, Doc. 11455/12.

by the people of their rights, all these factors will reduce the potential for instability. The European Union will continue capacity building of civil society and contribute to strengthening the cooperation between ethnic communities.

In Tadjikistan, the EU supports the reduction of poverty , achieving sustainable development and advancing general democratisation process and regional stability. Among the main problems which hinder such development are also the pervasive corruption, bad governance , poor human rights record and the high degree of poverty in rural areas. Although the authorities were more active in recent years, government ownership and political will to implement reforms have remained limited.

Meanwhile , in the region's more advanced countries , the EU will concentrate its support in one or two focal sectors. In Turkmenistan , it will be focusing on technical and vocational education and training, expecting to improve the quality of secondary and professional education , linking better to the labour market , thereby triggering further professional education reforms. In Uzbekistan, , the EU policy objectives are to encourage reforms towards democracy and a market based economy , improving the living standards, particularly in the rural areas. There also, it will help sustain the country 's stability and security, which, due Uzbekistan's strategic location and large population, are essential for the stability of the whole region. These objectives have to be pursued in a challenging international and domestic context, marked by uncertainties over water resources and the forthcoming presidential and legislative elections.

As Kazakhstan graduated from a low income country, the EU bilateral development aid is phasing out, and besides supporting the ambitious Strategy to 2050 and its early WTO membership, the EU will continue to provide assistance to the judicial reforms with 12 million Euro, the « green economy » reforms with 8 million Euro and regional decentralisation, while encouraging further bilateral cooperation with EU Member states and its regional cooperation with Muslim countries and in the wider european space context.

Regional Programme for sustainable development and security

In terms of regional programming for Central Asia, the emphasis will be on sustainable development and security for development , with focus on sustainable water, climate change, energy as well as socio-economic development. The rational use of national resources is pivotal for the development and political stability in Central Asia. Needless to say, it has a direct impact on people's living standards, notably in the rural areas. This approach reflects that the region is, despite overall positive economic growth rates, characterised by unequal development and significant diversity in terms of political, economic and social systems. Poverty reduction as well as sustainable and inclusive growth remain considerable challenges. The region is environmentally at risk and vulnerable to the adverse impact of climate change which exacerbates regional tensions over the management of shared resources – notably water and energy - and desertification. All countries are under growing pressure as a result of aging infrastructure from the Soviet era , unable to cope with demographic growth and the needs of a surging young population seeking education and income generation activities. Labour migration is considerable with between one third to half of working age groups notably in Tajikistan and Kyrgyzstan seeking every year a source of living income abroad, mostly in Russia and Kazakhstan.

Due to the large number of stakeholders and the wide geographical coverage, efficient coordination mechanisms are indispensable to ensure the successful definition and implementation of the regional programmes and actions, the ownership by the partner countries and an adequate level of involvement of the actors for concrete results. For this reason, EU- Central Asia « Flagship Initiatives » have been established for the enhanced and sustained policy dialogue between the EU and Central Asia in the agreed focus sectors. Central Asia partners have also been invited to associate themselves with similar policy reform oriented multi-country dialogue and cooperation mechanisms existing in the wider european space in key areas such as education- with the Bologna and Torino process, environment and water- with the EU Water Initiative for Eastern Europe,

caucasus and Central Asia, energy and transport- with INOGATE and Traceca programmes, migration issues- with the Prague Process, as well as human rights and the rule of law- within the Council of Europe's own « Policy towards neighbouring regions », adopted in May 2010.

Key investments are also essential to implement reform strategies in Central Asia. In this regard, the Investment Facility for Central Asia (IFCA) and the European Investment Bank have demonstrated since 2008 that blending grants and loans is a flexible tool for achieving strategic objectives in the region, and annual EIB loans of up to 250-300 million Euro should not be out of reach to benefit public infrastructure as well as private investment particularly in small and medium enterprises. In addition, education reforms have a central role to play in reducing poverty . Therefore the European Union will carry on a strong support to the modernisation of education systems under the ERASMUS + programme , with a focus on technical, secondary education and higher education, including exchanges and joint projects with EU partners, also to associate with developments in the European Higher Education Area.

The European Union will continue working closely with Central Asia countries in the field of security, particularly in light of rapid changes in the areas adjacent to the region. Afghanistan and the possible consequences of the drawdown of ISAF⁵ deserve particular attention in this respect. We focus on fighting terrorism and fight against drugs , while promoting integrated border management principles and cross-border cooperation. EU on-going programmes in these fields will be further developed and adapted to the changing conditions, in particular BOMCA for border management addressing notably migration issues , as well as the Heroine Route Programme and CADAP supporting the joint EU Central Asia Action Plan on Drugs 2014-2020, respectively on fighting drug trafficking and on helping implement balanced National Strategy on drugs with effective demand reduction policies.

The EU is also ready to further assist the countries in Central Asia to effectively respond and prevent any upcoming threats. In this respect, the EU is inviting the Central Asian countries make full use of the actions supported by the Instrument for Stability (IfS), such as the Joint Plan on the implementation of UN global counter-terrorism strategy in Central Asia, or to support implementation of the new phase of Environment and Security Initiative(ENVSEC). There has been successful EU- IfS support of satellite mapping of borders in the Ferghana valley. The EU is willing to look into further technical assistance on satellite mapping of borders in hotspots of the region. The EU would also like to encourage the Central Asian countries to make use of the IfS in order to advance on resolving cross border water issues in the region. In fact, the triangle water -energy-environment is of crucial importance for Central Asia, being at the same time a source of controversies but as well offering possibilities for regional cooperation. The EU is fully aware of the complexity of water issues in the region but believe that there are win-win situations through dialogue and cooperation at regional level. Together with its international partners , the European Union will continue offering its assistance to countries in the region for moving towards these solutions, building on more than 160 years of European experience in water diplomacy with the first international organisations on earth for the Danube and Rhine river basins.

Protection on natural habitat including efficient water management are prerequisites for sustainable socio-economic development in Central Asia. Water energises all sectors of society. Everything from basic food production to advanced industrial technologies depends on it. Thus the need for an integrated , inter sectoral approach is imminent. Preparing for climate change is a major challenge for water management. In the years to come, climate change will increase the likelihood of flooding , droughts and other consequences throughout the water cycle . States have to address both droughts and water scarcity by cutting excessive water use. This can be done by establishing appropriate prices for water services, and also by improving land-use planning and agricultural policies.

Within the framework of the EU Water Initiative for Eastern Europe, Caucasus and Central

Asia, and its National Policy Dialogues, the EU works closely on integrated water resources management and sanitation with Central Asia countries. We are confident that soon all the states of the region will participate in the National Water Policy Dialogue which elaborates policy packages that are based on the individual states' priorities. Europe is a region of shared water resources and over time it learned that cooperation on international level bring more benefits than disadvantages. Treating the river basin as one system allows optimised management and development – the ultimate goal of integrated water resources management. For this, good neighbourly relations and regional cooperation are key essentials. EU practice has shown that cooperation is possible. Big trans-boundary infrastructure projects require independent feasibility studies and consultations with riparian countries, but they also require political will to find mutual beneficial solutions.

The EU and its Member States continue to stand ready to invest into the environment in Central Asia ; not only with significant contributions under the framework of the new financial cycle 2014-20 , but also with our experience, expertise and knowledge. While Romania and Italy are engaging, as co-ordinators of the Working Groups on water and on environmental governance and climate change, other Member States have made significant contributions , including Germany with 18 million Euro for the « Berlin Process » aiming at enhanced transboundary water co-operation , and Finland with the Wider Europe Initiative with 10 million. The EU is encouraged by the development of cooperation structures such as the joint commissions for the Chu-Talas rivers and the Isfara and Khodzha-Bakirgan river basins. The regional cooperation with the International Fund for Saving the Aral Sea is also of utmost importance and we put high hopes in witnessing even more cooperation. Again, we do not want to see unilateral actions but a strengthened political dialogue when it comes to water management.

On the other hand, the European Union will continue its efforts to further develop the energy cooperation, to promote energy and transport infrastructure connections between Europe and Central Asia. This is an important part of the « new Silk Road ». It will bring important material benefits to both sides and help the diversification of energy sources.

Last but not least, the European Rule of Law Initiative for Central Asia will continue to take a balanced regional approach in supporting constitutional and legal reforms, notably in criminal law, administrative law and building up judicial capacity, backing up the Council of Europe 's policy, and taking into account each country's particular situation. In line with its general principles , the European Union will continue paying a lot of attention to the universality of human rights by deepening its human rights dialogues with all the five countries of Central Asia.

In year 2013, the EU had the first High Level Security Dialogue with the region, involving officials of all Central Asian countries, mostly at the level of deputy foreign ministers. It proved to be an appropriate format and the second round of the High level Security Dialogue on 11 March in Dushambe has underlined again the importance of these consultations, particularly in a time of difficult geopolitical developments. The European Union's expectation is to establish this dialogue as an annual event. In 2015, the dialogue dealt with the fundamental political security challenges to which the European Union and the Central Asian states are confronted: radicalisation, violent extremism, terrorism , transborder and organised criminality, corruption as well as trafficking in drugs and human beings. This time had a special importance as Afghan representatives were also invited.

Perspectives for the EU CA Strategy in 2015 ?

The European Union fully understand that political and economic developments in the region as well as rapid changes in Eurasia continue to significantly affect the context in which the Strategy is implemented, particularly regarding its two strategic partners in North Asia, Russia and China. A special mention on this is deserved by China's idea of a new « Silk Road Economic Belt » which was endorsed by the Heads of States of the Shanghai Cooperation Organisation (SCO) in November 2013. This project will draw the region, that still now has a strong european imprint, into the circle of this new world power thanks to the 40 billion dollars investment planned in

infrastructure by China. But also the Istanbul-Process « Heart of Asia » and the dialogue with China and Mongolia on their neighbouring regions belong to the tasks of the new EU Special Representative for Central Asia, the former Slovak Foreign State Secretary Peter Burian.

So there is continuing reflection in Brussels and in the capitals of the 28 Member States on the updating of the EU Central Asia Strategy in 2015. It should carefully consider the new geopolitical context of the region, take into account the challenges of security, democratisation and human rights, and frame and direct EU actions more precisely with regard to the performance of the five countries. This requires an active participation of the partners in the region, and the European Union listens with great attention to their own evaluation of the Strategy as well as of the overall development of the EU – Central Asia relations. This common assessment could bear influence on several components of the Strategy and its adaptation and improvement - to be discussed at the EU Foreign Affairs Council in June 2015.