

## **Prospects of European Union-Central Asia Relations**

### **Opening Key Note Speech of Prof. Dr. Gerhard Sabathil**

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The peoples of Europe and Central Asia have millenary ties as they had 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 peoples of Central Asia in 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 countries of Central Asia 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 Asia. This Strategy builds on the progress in bilateral cooperation and reflects the growing interdependence between Central Asia and the EU. It focusses on strengthening cooperation with the Central Asian 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. Deepening its engagement in the region, the EU developed important assistance programmes and initiatives and allocated significant resources to our partners in Central Asia. It also concluded Partnership and Cooperation agreements (PCA) with four countries of the region. With Kazakhstan, which represents 80% of EU trade with Central Asia, receiving nearly 50% of Foreign Direct Investment from the EU and trading 40% of its overall turnover with the EU, we will shortly conclude an enhanced second PCA. This will cover all our bilateral relations and aims to influence 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 exports.

Looking over the past seven years; it seems clear that implementing the Strategy has

generated good progress; our 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 completes the relationship with an annual High Level Security dialogue between Central Asia and the EU.

Turning to the future, we recognise the rapid economic development taking place in several countries of the region. Nevertheless, the European Union remains the largest single trade and investment partner of Central Asia and the region will continue benefiting from EU assistance. I am glad to announce that EU aid to Central Asia will increase to one billion euro in the 7-year period starting this year (2014-2021). Of this amount, 360 million will be allocated to regional programmes covering common priorities of the five countries and supporting the countries' integration within the ERASMUS+ programme with € 115 million, whereas individually Tajikistan will receive € 251 million, Kyrgyzstan € 184 million, Uzbekistan € 168 million and Turkmenistan € 65 million during the 7-year allocation period.

Our bilateral assistance will become more differentiated and more efficient. It will focus on the poorest and neediest countries, namely Tajikistan and Kyrgyzstan, benefiting 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 health, education and rural development. In the Kyrgyz Republic the overriding objective is for the EU to support the stabilization and continuation of democracy while helping the country to reduce poverty and achieve sustainable development. Among the main problems which hinder such development, which in turn negatively affects stability, are the on-going pervasive corruption, in particular in the judicial sector; the decline in the education system since independence, reducing the supply of qualified human resources; and the high degree of rural poverty. Security, national reconciliation and cohesion is a cross-cutting issue: improved living standards, better opportunities for employment, aligning the education system to the needs of the economy, efficient realization of reform leading to restoration of public confidence in the judiciary system, increased knowledge by the people of their rights will all reduce the potential for instability. The EU will continue capacity building within civil society and contribute to strengthening the cooperation between ethnic communities.

In Tajikistan the EU supports the reduction of poverty, achieving sustainable development, and advancing the overall democratisation process and regional stability. Among the main

problems which hinder such development are also pervasive corruption, bad governance, poor human rights record and the high degree of rural poverty. Although the authorities have become active in recent years, government ownership and political will to implement reforms have remained limited.

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

As Kazakhstan graduated from a low income country, the EU development cooperation instrument is phasing out and besides supporting the ambitious 2050 strategy of the country and its early WTO-membership, the EU will continue supporting the green economy with some € 8 million, judicial reform and Kazakhstan's bilateral cooperation with our Member States and its regional cooperation particular with Muslim countries.

In terms of regional programmes for Central Asia, the emphasis will be on sustainable development and security for development. We will focus on sustainable energy, water, climate change as well as socio-economic development. The rational use of national resources is pivotal to development and political stability in Central Asia. Needless to say, it has a direct impact on people's living standards, notably in rural areas. This strategy reflects that the region is, despite overall positive economic growth rates, characterized 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 energy and water – 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 generating activities.

Due to the large number of stakeholders and the wide geographical coverage, efficient coordination mechanisms are indispensable to ensure successful implementation of regional programmes, ownership by the countries and an adequate level of involvement of the various actors.

Key investments are essential to implementing reform strategies in Central Asia. In this regard the Central Asia Investment Facility 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 € 250-300 million 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 also have a central role to play in reducing poverty in Central Asia. Therefore the EU will carry on support to the modernisation of education systems, with a focus on technical, secondary and higher education and exchange with the ERASMUS+ programme.

The European Union will continue working closely with our Central Asian partners 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 ISAF deserve particular attention in this respect. We focus on fighting terrorism and drug trafficking, while promoting integrated border management and cross-border cooperation. Our ongoing programmes in these fields, in particular BOMCA for border management and CADAP to fight drug trafficking will be further developed and adapted to the changing conditions.

The EU is also ready to further assist the countries in Central Asia to effectively respond and prevent any upcoming potential threats. In this respect we would like to encourage the Central Asian countries to make full use of the Instrument for Stability supported actions such as the Joint Action Plan on the implementation of the UN global counter-terrorism strategy, and to also support the implementation of the recently initiated Environment and Security initiative (ENVSEC), co-financed by the Instrument for Stability (IfS).

There has been successful EU-IfS support of satellite mapping of borders in the Fergana valley. The EU is willing to look into further technical assistance on satellite mapping of borders in hotspots in the region. The EU would also like to encourage the Central Asian

countries to make use of the Instrument for Stability 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 as well as offering possibilities for regional cooperation. We are fully aware of the complexity of water issues in the region but believe that there are win-win solutions through dialogue and cooperation at regional level. Together with our 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 basins.

Protection of the 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 European Union Water Initiative and its national Policy Dialogues we closely work on integrated water resource management and sanitation with Central Asia. We are confident that soon all states will participate in the National 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 we have learned that cooperation on an international river can 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 all affected riparian countries, but they also require political will to find mutually beneficial solutions.

The EU and its Member States continues to stand ready to invest into the environment in Central Asia; not only with significant financial contributions under the framework of the new financial cycle 2014-2020, but also with our experience, expertise and knowledge. While Romania and Italy are engaged as co-ordinators of working groups on water and environmental governance and climate change, other Member States have made significant contributions, including Germany with € 18 million for the "Berlin Process", aiming at enhanced trans-boundary water co-operation, and Finland with the Wider Europe Initiative with € 10 million. We are encouraged by existing cooperation structures, such as the joint commissions for the Chu-Talas Rivers and the Isfara and Khodzha-Bakirgan river basins. The regional cooperation within the 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 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. We are sure this will bring important material benefits to both sides and help 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, 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 five countries of Central Asia.

In 2013, we 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 a very useful event and we are now preparing for the second round of the High Level Security Dialogue which will take place still this year. We expect this Dialogue to become a regular yearly feature. This year, we intend to touch upon key security challenges, which the EU and Central Asia are facing: radicalization, violent extremism, terrorism, drug and other forms of

trafficking. This year, for reasons already mentioned, the dialogue will have particularly high importance. We have invited Afghan officials too, to take part in the meeting.

We 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 EU Strategy is implemented, particularly regarding our two strategic partners on North Asia, China and Russia. So there is continual reflection in Brussels and in the 28 Member States' capitals on the Strategy and on EU policies in general. This requires the active contribution by our partners in the region and we listen with great attention to their own assessment of the Strategy as well as the overall development of EU - Central Asia relations. This common reflection will take place in the coming period and might have an impact on several components of the Strategy and its adaptation and improvement. I am sure that conferences, such as the present one, offer excellent opportunities for moving our thinking further and I am very ready and interested to feedback your deliberations to Brussels.