

EUCAM Watch



On a positive note...



Opportunities for Central Asia

Central Asia receives rather limited attention when compared to other parts of the world, and when it does, it is often not good news: authoritarian regimes, human rights offenses, radical Islam, and poverty. Indeed, the region does face a series of security, economic, environmental, and humanitarian challenges. The implication of Kyrgyz and Uzbek citizens in the recent St. Petersburg and Stockholm terrorist attacks has further deteriorated the region's image within European circles as a far-away, dark, and underdeveloped place that exports radicalism. However, this is a misconception. In Central Asia, moderate Islam is the rule and radicalism the rare exception. Beyond a hospitable population and stunning landscapes, in Central Asia two opportunities stand out:

First, compared to some of its neighbours and other parts of the world, Central Asia is a relatively peaceful and stable region. In the region's immediate neighbourhood, Afghanistan remains highly problematic and unstable, while Russia, affected by low oil prices and sanctions, has shown willingness to use aggression against unruly neighbours, raising concerns in Kazakhstan and other Central Asian republics. Further away, it is unclear how United States (US) policy will unfold towards the region under President Trump, but it is likely that US attention and investment in Central Asia will be even more limited. Turkey has turned away from democracy and is playing a less influential role in regions that lie outside its direct sphere of interest. The European Union (EU) is facing internal pressures from populist movements, Brexit, a rampant refugee crisis and recent terrorist attacks, among other ills, which are seriously affecting its foreign policy and vigour in promoting values. It is true that Central Asia has its share of problems, but it seems to weather the storm. The region is affected by economic downturn and societal pressure is mounting, but so far protests have been very sporadic and the Central Asian regimes seem stable. Regional

cooperation is gaining new impetus in light of Uzbekistan's more cooperative stance, while relations with China and Russia are pragmatic and positive overall. One could argue that the incumbent regimes are the lid on a pressure cooker that guarantees peace and stability. The regimes also seem to turn up the heat themselves, by repressing divergent political views and squashing economic initiatives that do not yield direct benefits for the regimes themselves. But, all in all, there is stability and peace.

Second, Central Asia has a quickly growing young population. This human capital potential should be explored to connect Central Asian republics themselves, but also the Central Asian region with Europe, the Middle East, South Asia, and East Asia. To profit from connectivity, Central Asia should be more than a transit region, but also develop local industries, agriculture, and services. For this to happen, Central Asian countries will need to boost their educational systems and, most importantly, start making headway in diversifying their economies. Central Asia's vast resources – from gas in Turkmenistan and oil in Kazakhstan to water in the south, as well as rare earths, among others – now dominate the small economies run by a political-business elite. These important assets should be better managed. Unfortunately, Central Asia's international partners do not offer positive incentives: from European tax havens and banks that guard Central Asia's embezzled funds to China extracting energy and building infrastructure with little regard to human development. There is good potential in terms of human and natural resources and the region's strategic location, but this can only be positively exploited if governments develop long-term planning and start opening up to governance and economic reforms.

In this EUCAM Watch, we asked three Central Asian scholars and one EU policy-maker to share their views on the opportunities for Central Asia. In what sectors can Central Asia make progress and what can Europe do to help or how can it play a positive role? The EU Special Representative for Central Asia, Peter Burian, highlights connectivity and lays out what the EU can do to help Central Asians meet their potential. KIMEP's Nargis Kassenova explains that Kazakhstan's economic downturn might force it to reform politically and institutionally. Good governance is needed to maintain popular support. Kassenova also sees opportunities in regional cooperation as a result of a renewed Kazakh focus on Central Asia and a more cooperative Uzbekistan. Shairbek Juraev from the University of St. Andrews sees the absence of war as an achievement that seems obvious but is rather special for these young states. Powder-keg predictions have not yet come true. It will be important for Central Asia to develop and nurture its diplomatic class of policy-makers and peace-brokers. Alisher Ilkhavov from OSF focuses on development and regional cooperation opportunities. But not much progress can be achieved as long as the rule of law only exists on paper and is not followed in practice by the Central Asian authorities.

*Editorial by Jos Boonstra,
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Connecting European and Central Asian Potential

Peter Burian, EU Special Representative for Central Asia, Belgium

While browsing through the 2007 EU Strategy for Central Asia, it becomes clear why this region is of strategic importance for Europe. The document highlights a number of areas where cooperation between the EU and Central Asia is relevant and where improved mutual connectivity would open new opportunities.

Some of these are self-evident and at the core of European policies, such as the challenges and opportunities brought by Central Asia's geopolitical location. The EU has worked with the Central Asian countries to make the region safer, more resilient and more prosperous. Geography also explains the region's strategic importance as a major gateway between Europe and Asia, with untapped potential in transport, trade, and energy. Central Asia is a young and growing market, with almost 70 million people, with significant potential for investment and trade.

There is growing interest on both sides in strengthening the mutually beneficial partnership. This spirit was reflected in the recent review of the EU Central Asia Strategy. Our Central Asian partners have fully participated in shaping the review and they very much appreciated this joint ownership. The reviewed strategy reflects the region's new realities and designs individual approaches to specific countries, respecting their characteristics and priorities while maintaining formats and mechanisms that support regional cooperation and dialogue. The EU has allocated more than €1 billion for the period of 2014-2020 (a 56 per cent increase) for implementing various bilateral and regional programmes and projects. We hope that these initiatives will have a concrete impact and will support sustainable development in priority

areas as defined by our partners. Based on our own experience, we believe that regional cooperation and integration are important factors of stability and the best tools for addressing existing challenges.

In our dialogue with Central Asian partners, we have been emphasizing that the answer to existing threats and challenges lies in reforms. We believe that only an intensified process of reforms and modernisation that contributes to the formation of market capacity, diversification of the economy, integration into the global economic system, and development of national and regional mechanisms and institutions to advance the rule of law, can produce sustainable solutions for all countries of the region. The EU wants to continue to be a reliable partner to all five Central Asian countries in their modernisation and transformation efforts.

Now that ten years have passed since the adoption of the EU-Central Asia Strategy, it is the right time to begin discussions on whether we need a new strategy that, on the one hand, is fully compatible with the EU Global Strategy and, on the other hand, corresponds with our interests and the new geopolitical realities, as well as with evolving needs and capacities of partner countries. The EU Global Strategy has identified EU-Asia connectivity and resilience of societies as important priorities. We should develop innovative approaches to translate these priorities into concrete steps.

Connectivity is a key priority to bind Central Asia at an internal level and externally with Europe for a future of collaboration in the spirit of the ancient Silk Road. Increased Europe-Asia connectivity would facilitate EU-Central Asia trade cooperation. As an additional benefit, this would also help sustainable development and employment in the region, which in turn are important elements in the prevention of illegal migration and radicalisation. The EU will be promoting a balanced approach to both software and hardware connectivity, since physical infrastructure – roads, railways, and pipelines – would not mean anything without a proper and harmonised legal and regulatory environment based on common standards.

One objective of an EU approach towards Europe-Asia connectivity should be to better promote EU norms, standards, and technical specifications, including safety and customs standards. If Europe-Asia connectivity projects are based on regulatory convergence, a level playing field and sustainability, their implementation could become a major driver of economic growth and development on both sides of the equation. We should make sure that they do not turn into drivers of geopolitical competition or even confrontation. The EU is ready to play the role of an honest broker in this regard. The European Union is open to interaction and cooperation with all players in the region; so far, China has been particularly engaged in connectivity-related activities in the region through its Belt and Road Initiative connecting Asia to Europe.

If connectivity efforts are managed well, I believe, the Central Asian countries could become 'land-linked' rather than landlocked, and Central Asia could become a real hub of Asia.

Kazakhstan: Back to reality, returning to the region

Nargis Kassenova, Director Central Asia Studies Center, KIMEP University, Kazakhstan

Kazakhstan's most important opportunities stem from the complex multi-faceted crisis that the country is currently facing. The economy has run out of steam due to low oil prices – its main export commodity – which in turn exposes structural deficiencies of the Kazakh economic model. Revenues are falling, businesses are muddling through or closing, and banks are ridden with bad debts amassed over the years. The quasi-state companies, such as the national oil and gas company Kazmunaigaz and railway company Kaztemirzholy, have been borrowing extensively: their debt is estimated at \$23 billion. Mismanagement and inefficiency rule these companies and several banks, but as they are 'too big to fail', they receive transfers from the National Oil Fund and the Unified National Pension Fund.

The problems are accumulating, and Kazakhstan seems to have lost its reputation as Central Asia's economic tiger boasting ambitious strategies and serving as an example. The closure of a city-forming enterprise could create a pocket of instability or the failure of a major bank could launch a chain reaction destabilizing the entire system. The risks are substantial. To make matters worse, the Kazakhstani government has been maintaining the spectacle of a unified population voting enthusiastically and almost unanimously in support of the wise policies of the authorities with no grounds for protest.

This show can hardly go on. A good governance reform agenda is increasingly turning from an image-crafting device to an existential necessity. There is an acute need to fix the system, and there appears a window of opportunity for fostering more inclusive policy-making processes and introducing more transparency and accountability.



Kazakhstan's aspiration to join the Organisation for Economic Cooperation and Development (OECD) provides a fairly clear reference system for governance reform. It is an ambition-driven project that can have real practical benefits for the country, unlike many other ambition-driven projects launched by the Kazakhstani government. The EU and its member states have traditionally pushed for this kind of reforms and might now see some of their wishes come true – not because Europe asks but because the Kazakhstani economy demands.

As a result of economic hardship, Kazakhstan's foreign policy is also changing. Heavily driven by vanity and status seeking, Kazakhstan has poured a lot of resources into playing an active middle-power role in Eurasia, Asia, and the world. Now, with dwindling revenues and a tighter budget, it needs to better calibrate its foreign policy against its capacity. One of the outcomes of the ongoing reality check is Kazakhstan's growing interest in Central Asia. Kazakhstan has always tried to be a constructive force, seeking good relations with neighbours and occasionally proposing regional integration initiatives. However, its attention focused mainly on issues beyond the region, in an attempt to shine internationally.

The first sign that this state of affairs might be changing took place in May 2014 with the adoption of the new foreign policy strategy, which highlighted cooperation with Central Asian states as a priority. Erlan Idrissov, Kazakhstan's foreign minister at the time, stated that if Central Asian countries can unify, they 'have a great potential, first of all in the spheres of trade, transport, investment, logistics, environmental protection, scientific field and others'. The need to generate more knowledge about its Central Asian neighbours became one of the staple themes of the Kazakhstani foreign policy community. In a March 2017 statement, Maulen Ashimbayev, Chair of the Parliamentary Committee for International Affairs, Defence and Security, emphasised the importance of Central Asia for Kazakhstan and the necessity to have a reset of relations in the region. He also proposed new positions for specialists in the foreign ministry and other government spheres, whose main role would be to work continuously on the region. Although he mentioned the importance of discussions on Central Asian security and development in the United Nations Security Council, where Kazakhstan currently holds a non-permanent seat, the call for strengthening expertise on the region is a very welcome and overdue development.

This growing interest of Kazakhstan in the region is a very fortunate complement to the opening witnessed in post-Karimov Uzbekistan, which is turning from an assertive isolationist power into a much friendlier and ready to cooperate neighbour. Hopefully these seeds of regionalism can start bearing fruit in the not so distant future.

Time to invest in diplomacy

Shairbek Juraev, Marie Curie Research Fellow (ITN Caspian), University of St. Andrews, United Kingdom

With parts of the world in havoc, Central Asia is a region of peace. Maintaining it is a daily tedious work. But this peaceful time is also an opportunity for the quarter-century-young states to boost their human and institutional capacity and maintain – plus hopefully expand – peaceful relations with each other, as well as with other states and regions. Strong diplomacy is essential for small states to maximise the benefits of the international environment for their development.

I was 10 years old when the Soviet Union collapsed. Millions of foreign soldiers marching into my new homeland was an early childhood nightmare. But the former Soviet republics were born into a favourable international environment, and most instances of non-peace were of our own making. Despite being seen as a powder-keg in the midst of a ‘grand chessboard’, Central Asia’s relations with powerful actors in the north, east and west have been largely positive, with the conflict in Afghanistan being the biggest concern.

True, cooperation within Central Asia has never been exemplar. But at least part of the criticism of regional cooperation stems perhaps from overblown expectations in the early post-Soviet years. Until the early 2000s, the vocabulary of regional politics featured terms no less than ‘union’ and ‘integration’, perhaps owing to the recent Soviet legacy, a fascination by the(n) thriving European Union, or a generic small states syndrome. No ‘Central Asian Union’ has emerged. Yet, the countries have thus far defied repeated predictions of inter-state wars. Degrees of bitterness exist between pairs in the region, but the leaders regularly meet and talk.

Tranquil international relations are not granted to all at all times. Maintaining a zone of peace is (or should be) the fundamental interest of the states and people with extraordinary efforts directed toward that task. Seemingly sluggish domestic and external pressures may tempt elites to remain complacent and self-indulgent. This should give way to a ‘getting-things-done’ approach to building-up strong state and public institutions. The list is long: from education and healthcare to rule of law and accountability. Here I would particularly point to developing coherent and proactive diplomacy as a task that deserves to be top priority.

Unlike the military or the police, diplomacy is an area that Central Asian states had to build from scratch. None had its own foreign policy institution until 1991 (the Soviet republics indeed had their foreign affairs ministries, but they never acted as such) and few ‘local’ cadres were available to recall from the Soviet diplomatic service. To be fair, much was done to build foreign policy institutions and creating a core of diplomats. Yet, much more can be done, especially for smaller states such as Kyrgyzstan or Tajikistan, to ensure the external environment is best utilised for domestic development priorities. (Obviously, the

nature of political regimes and their view of domestic development priorities is an elephant in the room bracketed for the purposes of this essay.)

First, the time is ripe for a coherent formulation of our understanding of the world and the country's role in it. The shock and stress of unexpected independence are long gone, the nature of domestic political and socio-economic challenges are clear. Frequent references to 'national interests' mean little if it remains unclear what those interests are, what are the red lines and how do they relate to the country's vision, norms, and development priorities. Holding major policy issues victim of parochial regime interests does no good, as seen in an attempted cat-and-mouse game over the US/NATO airbase in 2009 in Kyrgyzstan. The notorious concept of 'foreign policy orientation' needs to be reframed with core domestic purposes as a foundation, not guided by guesses in the murky fields of geopolitics.

Second, the state should invest in and cherish its diplomatic workforce. All too often career diplomats suffer from swings in high-level politics: often ambassadorial positions are used for political reward or punishment. At times, a well-chosen political appointment might make a big difference, but ensuring consistency and competence requires safeguarding diplomats from side effects of trivial politicking at capital.

Finally, the states should encourage and support public discussions of foreign policy matters. The government agencies are often overburdened while analytical inputs from wider informed society remains limited, if present at all. Central Asian analysts are often asked for advice on what the international community can do for the countries of the region, but the reverse is not true. Think tanks and academic institutions should be encouraged to debate foreign policy, with special effort to ensure (and not prevent) the diversity of views.

Conflict and war are often said to unite the nation and crystallise its relations with the world. But few would agree to wait for wars to happen. Central Asia today enjoys an invaluable opportunity to invest in institutions that would help sustain and expand peace, and no time should be wasted.

Interview: Opportunities in Uzbekistan?

Alisher Ilkhamov, Programme Officer, Open Society Foundations, United Kingdom

Often news and prospects for Central Asia are negative or worrisome. Do you see positive opportunities for the region's development in the longer term?

Central Asian republics are Muslim, by majority of their population, but they differ from the rest of the Muslim world due to their Soviet legacy, with its potential for both bright and gloomy perspectives. Bright perspectives are associated with the high literacy rate and relatively high standards of education and science achieved during the Soviet period.

This contrasts with the rest of the Muslim world, where approximately 40 per cent of the population is illiterate. On the other hand, gloomy prospects arise from the totalitarian, top-down nature of state governance and respective political culture that keeps civil societies weak vis-a-vis the state. This lack of civic freedoms and accountability is fertile ground for state abuse, systemic corruption, and inefficient government policies. These systemic failures impede Central Asian states from developing economically, resulting in massive labour emigration as well as radicalisation of the disfranchised population.

Does Uzbekistan's 'new' leadership offer any opening for democratic and economic reforms?

We are witnessing quite contradictory processes in Uzbekistan under new President Shavkat Mirziyoyev. On the positive side, the reform rhetoric and calls for progressive change have become louder, compared to Karimov times. Mirziyoyev has also taken some steps towards improving the relationship with neighbouring countries, and has adopted laws to combat corruption and reform the legal system. However, in the Uzbekistani political context, the problem has not been so much the adoption of laws, but their implementation. This is partly because Uzbekistan does not have an autonomous civil service; it operates on the basis of loyalty to their leader rather than to the law. Instead of rule of law, we see rule by law. President Mirziyoyev should pay prime attention to this discrepancy between written law and daily practice.

Will a more cooperative approach by Uzbekistan towards its neighbours help spur regional cooperation that is locally driven instead of externally initiated?

Taking steps towards improving the country's relationship with its neighbours, including the delimitation of borders with Kyrgyzstan, has been perhaps President Mirziyoyev's main achievement so far, which should be encouraged. But it remains to be seen whether the president will show the same determination when dealing with other key regional cooperation issues, namely restoring the regional



water-energy balance, broken since Soviet times, and establishing an unrestricted transnational transport and communications system. Central Asian leaders need to be reminded that European integration became a reality, first of all, thanks to the rule of law, which works regardless of territorial jurisdiction: for instance, French citizens on German soil are equally protected by the law as German citizens, and vice-versa. Things would begin to radically change for the better in Central Asia if the same approach to the rule of law was applied.

How can Europe and the EU play a positive role in relation to Uzbekistan's future?

First, the EU should make it clear to Uzbekistan and the other Central Asian countries that economic prosperity largely depends on the rule of law and equality of all citizens – local and foreign – before the law. This proposition should be supported by a rule: no progress towards rule of law and human rights, no European investments. Second, Europe should prevent money laundering in its territory by politically exposed Uzbek persons and financial institutions. Once ill-gotten assets have been detected and frozen in Europe, these should be confiscated and repatriated responsibly (that is, not to the hands of corrupt elites).

EUCAM News

New Partners

Over the past months, EUCAM has forged close partnerships with two institutions. First, the *Norwegian Institute of International Affairs* (NUPI). Central Asia is a key aspect of NUPI's research, particularly in terms of energy security. International scholars from around the world, including from Central Asia, regularly visit the institute as guest researchers or visiting fellows. Second, the *European Neighbourhood Council* (ENC), an independent think tank that conducts research and implements projects with a view to strengthening the common European neighbourhood. The Brussels-based ENC is active in Central Asia through dialogue initiatives and research projects. EUCAM also continues its long-established relationship with the *Central Asia Program* (CAP), hosted by the Institute for European, Russian and Eurasian Studies (IERES) at the Elliott School of International Affairs, George Washington University.

New Advisory Board member

EUCAM welcomes *Shairbek Juraev* as a member of its Advisory Group. Shairbek is a Marie Curie Fellow at the School of International Relations, University of St. Andrews. Previously he served as Deputy Director at the OSCE Academy in Bishkek in 2012-2015. He also worked at the American University of Central Asia between 2007 and 2012. He holds an MSc in International Relations from the London School of Economics.



CESS active in Kyrgyzstan

EUCAM host CESS has started a project in Kyrgyzstan to help the Kyrgyz Parliament build effective and accountable policy-making and oversight capabilities. To that end, it will train the staff from different parliamentary committees and coach members of parliament over the course of 2017. The project is implemented in collaboration with the OSCE Academy in Bishkek. For more information, see www.cess.org

EUCAM Event

Brussels seminar

On 15 June, EUCAM and CAP will organise a seminar in Brussels on Central Asia and radicalism hosted by the European Endowment for Democracy.

More information will soon be available on www.eucentralasia.eu and the EED's website www.democracyendowment.eu.



EUCAM

Established in 2008 by FRIDE as a project seeking to monitor the implementation of the EU Strategy for Central Asia, EUCAM has grown into a knowledge hub on broader Europe-Central Asia relations. With CESS guidance and cooperation EUCAM will seek to continue to raise the profile of European-Central Asian relations in general, and more specifically to:

- Critically, though constructively, scrutinize European policies towards Central Asia;
- Enhance knowledge of European engagement with Central Asia through top-quality research;
- Raise awareness on the importance of Central Asia and Europe's engagement, as well as discuss European policies among Central Asian communities;
- Expand the network of experts and institutions from Europe and Central Asia and provide a forum for debate.



CESS

CESS is a research and training centre, which promotes good governance in the security sector and beyond since the early 1990s. The centre is currently active in the Western Balkans, Eastern Europe and Central Asia, with parliamentary support projects.

CESS, in collaboration with the EUCAM initiative, has been awarded a grant by the Open Society Foundations to raise the profile of Europe-Central Asian relations and help strengthen European policies towards Central Asia. The project will run over the course of 2017.



Supported by a grant from the Open Society Foundations.