

Event Report

EU-Uzbekistan Relations:
Paving the New Silk Road

EIAS Briefing Seminar

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This year, Uzbekistan and the European Union are celebrating the 20th anniversary of the signing of the Partnership and Cooperation Agreement (PCA). With the appointment of a EU Special Representative for Central Asia, Peter Burian, and the review of the EU Strategy for the region in 2015, the EU created new chances for forging deeper cooperation with the region and the five individual nations.

The EU is the largest trade and aid partner of Central Asia and now aims to promote deeper cooperation on energy and infrastructure, also in relation to the China-led One Belt One Road (OBOR) project, recognizing Central Asia's strategic value as crossroad between economies and cultures. Taking in consideration the rise of extremism and the security vacuum in Afghanistan, the EU also has a special interest in a stable Central Asian region, which can only be achieved if the EU moves beyond its role as a mere donor.

In Uzbekistan, the EU has spurred progress in the area of education, development of rural areas, sustainable agriculture, rule of law and democratisation. However, there remains huge untapped potential, especially in the field of foreign direct investment.

Opening Remarks by Mr Frederic Carlier, Senior Associate, EIAS

Mr Frederic CARLIER, Senior Associate at EIAS, was pleased to welcome a high-level panel and remarked that since 2007, the relationship between the EU and the five Central Asian nations has gained a new momentum, setting a new goal for bilateral and regional cooperation. This is reflected in the economy and trade relations, as well as in increased development assistance and growing inter-institutional ties. The EU remains the largest single trading partner of Central Asia, and EU aid to the region is to increase to 1 billion EUR over the period of 2014 to 2020. A part of this money will flow into regional programmes covering common priorities of the five countries and into the integration of them into the Erasmus + framework.

He highlighted that despite the multiple crises unfolding in the EU's Southern and Eastern neighbourhoods, the EU is investing substantial resources into trade and investment, high-tech innovation, education, infrastructure and environmental protection. Moreover, the EU wants to enhance energy infrastructure between the two regions in line with the Chinese-led One Belt One Road (OBOR) initiative. Celebrating the 20th anniversary of the signing of the EU-Uzbekistan Partnership and Cooperation Agreement (PCA), relations are rebooting beyond the purely strategic domain. The EU wants to support reforms aimed at establishing a market-driven economy, strengthening the rule of law, and improving living standards and agriculture and water management.

MR CARLIER pointed out that the EU has an interest in the safety and stability of Uzbekistan and the region. The objectives connected to this interest have to be seen in light of the security vacuum in Afghanistan and uncertainties over water resources, as well as the rise of extremism.

Introducing *The New Great Game: an opportunity for EU's CFSP* by Mr Sebastiano Mori, EIAS Associate Researcher

Mr MORI pointed out that through his research, he wanted to illustrate Central Asia's uniqueness and complex role in the global arena. In this context, although the application of McKinder's Heartland theory and the New Great Game idea can lead to overemphasising competition between major players, these approaches are crucial when studying the region.

Mr MORI further evaluated that ever since the emergence of the Heartland Theory, Central Asia has held great geostrategic value. There are three factors that make the region unique: geographic position, energy resources as well as the economic development of the five nations, and the OBOR (and other connectivity) initiatives.

Central Asia, situated at the heart of the Eurasian landmass, has always been an interconnecting point for different cultures and ethnicities. The region holds large gas and oil reserves, which have attracted major international powers. Also, with about 300 sunny days a year, Uzbekistan could play a role in solar energy development. Beijing has additionally shown a growing interest in the region, not least due to the OBOR project, which needs to be taken into consideration.

Although not of primary interest to the EU, Central Asia is a crucial arena for analysing the EU's influence vis-à-vis other great powers. Since the collapse of the USSR, there

has been support for the five nations; however, the Strategy for a New Partnership in Central Asia was only set up in 2007. So far, the EU has been able to achieve some of its ambitious goals through projects such as “Central Asia Invest” – which aims at developing small and medium-sized enterprises (SMEs) in the region – or Transport Corridor for Europe Caucasus and Asia (TRACECA) to enhance interconnectivity.

In 2009, the EU Council published five concrete initiatives, namely a regular region-to-region political dialogue on the ministerial level, EU Rule of Law Initiative, Energy dialogue, Human Rights Dialogue and European Education Initiative. Despite great efforts, the effects of these initiatives have been underwhelming and an unclear perception of the EU’s intentions – compared to Russia’s and China’s plans – persists among the five nations.

He further noted that all the while, Russia and China have established themselves in the region through long-term investments. Moreover, the five nations feel a stronger cultural and political affinity towards China and/or Russia.

In 2015, the EU embraced a different approach to the Central Asian region, containing a more detailed programme for the five individual nations, taking their different needs into consideration. This was also reinforced by the re-appointment of the EU Special Representative for Central Asia, Peter Burian. The EU is aware that it needs to evolve beyond the role of mere donor. The EU should seek to support the five nations’ development and democratisation process. Mr MORI affirmed that the EU can provide specialised knowledge in the fields of human capital and the rule of law.

He pointed out that the involvement of different actors in the region does not necessarily lead to a New Great Game, but could also become a starting point for new collaboration and mutual gains.

Panel Debate

The Future of EU-Uzbekistan Relations by HE Mr Vladimir NOROV, Ambassador of the Republic of Uzbekistan to the Kingdom of Belgium, Netherlands, Luxembourg and the EU

HE Mr Vladimir NOROV stressed that the signing of the 1996 Partnership and Cooperation Agreement (PCA) has laid out the foundation for comprehensive cooperation with European countries. The opening of the EU delegation in Tashkent has further spurred collaboration efforts and supported the role of parliament and political parties in the Uzbek society.

He pointed out that nowadays, Uzbekistan wants to move forward to join the ranks of developed democracies, through shifting from a strong state to a strong civil society. In this respect, Uzbekistan puts in efforts to make cooperation with the EU mutually beneficial. The key areas of cooperation are trade, investment and financial cooperation, transfer of technology, culture and education, as well as regional security, which all have enjoyed tangible progress.

HE Mr NOROV further evaluated that the EU Strategy for Central Asia (EUSCA) promises movements forward on the implementation of the rule of law, education, environment and water management. In the last few years, the EU has paid a lot of attention to projects tailored to the specific needs of Uzbekistan. The EU has assisted the

development of rural areas and sustainable agriculture. There has also been progress on Uzbekistan's inclusion into the Erasmus+ and the Horizon 2020 programmes, as well as in the fields of rule of law, human rights and democratisation.

HE Mr NOROV emphasised that there is also huge untouched potential, especially in the areas of economy and investment. For example, in 2015, the trade volume with the EU member states remained at only USD 2.6 billion. Also, foreign investment only accounted for 0.6 percent of Uzbekistan's total.

He went on to say that today, Uzbekistan has strategic importance not just because of its large mineral and energy resources, but also due to its geopolitical position and role as most populous country in the region. In the past 12 years, annual economic growth has amounted to 8 percent. However, economic rating of Uzbekistan in the EU remains low and has led to high security conditions and expensive loans. This has made EU investors less competitive compared to their Asian counterparts. HE Mr NOROV pointed out that Uzbekistan is implementing a big chemistry and gas complex in collaboration with South Korean companies and financial institutions, which amounts to USD 4.4 billion. Collaboration of this magnitude has not yet been achieved with EU countries.

HE Mr NOROV emphasised that one of the obstacles for investment cooperation was the delay of the European Parliament's endorsement of the Textile Trade Protocol. He highlighted that Uzbekistan was the first among the Central Asian countries signing the International Labour Organisation (ILO) conventions. He added that last year's ILO and World Bank report have affirmed that there is no systematic use of child labour in cotton farms in Uzbekistan.

He went on to say that energy is an important area of cooperation with EU. Uzbekistan puts strong emphasis on the modernisation and increase of efficiency of infrastructure, the improvement of energy saving technologies and automotive energy, and the implementation of guidelines under the clean development mechanism. In the period from 2015 to 2020, about 300 projects have been, and will be, implemented in these areas. In relation to this, the recent visit of the Vice President of the EU Commission for Energy Union, Maroš Šefčovič, was significant for discussing the prospect of bilateral relations in the energy sector.

The implementation of EU development strategy in the transport sector has not yet shown the expected progress. According to HE Mr NOROV, Uzbekistan sees it necessary to review the conceptual approaches to the implementation of this strategy. Without specific measures, the project might lose significance compared to the Chinese-led OBOR initiative.

HE Mr NOROV pointed out that the specifics of the models of each Central Asian state need to be considered to assess the development of, and cooperation with, the five countries. From this perspective, the EU and Uzbekistan have great potential for development, especially in the area of regional security. In the fight against extremism, terrorism, illicit migration and drug trafficking, Uzbekistan plays a crucial role as it shares a border with Afghanistan.

The shortage of water resources demands rational use management. In relation to this, Uzbekistan diminished its annual cotton production to 3.4 million tons.

To conclude, HE Mr NOROV emphasised that successful implementation of the EU Strategy for Central Asia is in the best interest of all parties and possible through joint efforts.

The European Parliament's Engagement in EU-Uzbekistan Relations and Challenges for Cooperation by Herbert Dorfmann, MEP, Delegation for Relations with the Countries of South Asia

Mr Herbert DORFMANN added to Mr NOROV's statement that the European Parliament (EP) wants to be a cooperative partner on Uzbekistan's way to the implementation of the rule of law. The European Parliament and the Uzbek Parliament hold regular meetings, which is crucial for developing a partnership.

He pointed out that the EP recognises the efforts of Uzbekistan in tackling child labour. There also is an improvement on the path to a more democratic state. However, Mr DORFMANN pointed out that the environment is difficult at the moment. First, Russia has become a more and more isolated, autocratic state. There are close historic ties between Russia and Central Asia as well as a lot of exchange of migrants. Mr DORFMANN stated that he feared that the Russian way of democratic thinking could become an example for other states in the region. Second, the EP is aware of the danger of religious extremism in the region. For states, it is a challenge to balance control and the rule of law in a democratic system. Third, the economic depression in EU has influenced the price for foreign gas and oil, which exporting countries highly depend on.

The EP tries to have a good economic relationship with Central Asia, but also attempts to go beyond this status. Mr DORFMANN highlighted that this also means that there is a need to enhance cultural and people to people exchange (Erasmus+). He mentioned that reflection should also be done on Uzbekistan's great potential for tourism. This would mean better connecting both places through more flights and infrastructure.

Approaching Uzbekistan in the Context of the Central Asian Region by Luc Devigne, Deputy Managing Director for Russia, Eastern Partnership, Central Asia and OSCE at European External Action Service (EEAS)

Mr Luc DEVIGNE emphasised that the EU has a strong interest in a sound partnership with Uzbekistan as regional powerhouse in terms of population, economy and strategic relevance. The focus on bilateral ties can make the relationship more valuable and mutually profitable. The updated strategy promotes a more comprehensive bilateral cooperation agenda between the EU and Uzbekistan.

Mr DEVIGNE further evaluated that this enhanced partnership between the EU and Uzbekistan should be seen as a very important stepping stone for the efforts to deploy a wider strategy embracing the whole of Central Asia. He added that Uzbekistan enjoys an important geostrategic location. However, roads from the EU are still very limited. Trade with Uzbekistan is expensive in terms of transport, since it is doubly landlocked. A key priority should be to improve the connectivity of the region.

Mr DEVIGNE pointed out that there has been a mix of negative and positive developments in the region. On the one hand, Iran is opening up for more trade and

interconnectivity, yet the unstable situations in Syria and Afghanistan confront the EU and Central Asia with persisting challenges.

He affirmed that there is a need to look at the greater region. The five Central Asian countries' energy and infrastructure has been oriented towards Russia. Accordingly, the EU should assign more priority to the region and re-establish links with the countries.

Raising new Opportunities through the EU Special Representative by Raimonds Vingris (RV) Policy Advisor for the EU Special Representative for Central Asia

Mr Raimonds VINGRIS pointed out that though Central Asia is still an under-researched region, the 2015 EU Strategy and the appointment of the EU Special Representative for Central Asia, Peter Burian, have brought new commitment to the region by the EU.

The strategy has been re-evaluated, welcoming the principle of differentiation reflecting divergent political and economic paths. He added that the implementation of the strategy is adequately underpinned by financial resources.

Mr VINGRIS further evaluated that Central Asian countries are welcoming efforts to spur further development and address inherited and new issues in an expanding region, as well as balancing out the influence of other great powers. According to Mr VINGRIS, the EU's approach is not about competing with other actors, but helping countries in the region to modernise, develop sustainably and defend their independence and sovereignty.

Although Central Asia has achieved important progress, certain threats, such as economic downturn, climate change and declining natural resources remain. The EU firmly believes that further reforms and modernisation is needed.

According to Mr VINGRIS, the Special Representative has highlighted the need to fight corruption to attract more investment. The EU can be a reliable partner in improving competitiveness and modernising the economy, to which Uzbekistan is also notably committed to.

Q&A Session

The first participant remarked that to tackle global challenges, there is a need for extensive education reforms.

HE Mr NOROV responded that Uzbekistan has a very young population and therefore is strongly emphasising education. After the country gained its independence, it was faced with religious extremism. Nowadays, Uzbekistan struggles with economic problems such as the shortage of consumer goods and the rise of inflation.

He added that in this light, Uzbekistan pays special attention to the young generation and their situation. The education system was changed to 12 years of schooling and English is more widely spoken throughout the country. He evaluated further that with the help of EU programmes; higher education has also been reformed to include the implementation of English programmes at some universities. He stressed that this is crucial for integrating a country into the world economy.

The next participant noted that if the EU, in the light of Brexit, deals too much with its internal problems, it will lose credibility in its external relations. He further expressed that it is time to take advantage of the multipolar world, where the distribution of power is more balanced. He went on to ask, in terms of the OBOR project, whether it was time for the EU to start negotiating with the Shanghai Corp. Organisation.

Mr DORFMANN responded that the EU integration process is indeed influencing its external relations. In the last 60 years, there has been a common understanding among the political majority and the populations about this process. He noted that presently, he was not sure if there is a consensus among the member states on how to move on.

HE Mr NOROV stated that the Shanghai Cooperation Organization (SCO) plays an important role in the framework of Central Asia. In managing its relations with the SCO, Uzbekistan puts strong emphasis on the five principles of peaceful coexistence. He further evaluated that Uzbekistan has proposed to EU to sign a memorandum of cooperation with SCO. Uzbekistan sees itself as at a crossroads of different cultures and trade. NOROV stated that he is sure that the time will come when EU and China will cooperate more.

The following participant wanted to know, as Uzbekistan is doubly landlocked, how the country plans to attract more foreign investments. He further asked how the country has achieved high Internet access numbers and how this can be increased in the future.

HE Mr NOROV responded that in the past, Uzbekistan had offered certain incentives to attract foreign companies. For example, depending on the amount of foreign investment, firms could be freed of paying taxes or custom fees for three up to fifteen years in designated domestic free trade zones. Uzbekistan is planning on implementing a trade and investment council with the EU, which could play an important role for coordination and exchange of information. At present, a lot of European companies do not know about the potential and incentives Uzbekistan offers.

As for the development of internet access, he pointed out that Uzbekistan had invited several experts from South Korea and subsequently adopted an e-commerce programme, which had led to widespread 4G internet access in Tashkent. Uzbekistan is paying a lot of attention to the information technology sector and is not just importing ideas from South Korea, but also conducting research at its own professional research institutes.

Mr DEVIGNE added that in the past, before implementing several reforms, companies that were oriented towards the local market and not focused on exports struggled with the lack of convertibility of the local currency.

The last participant wanted to know to what extent religious extremism poses a threat to the security of Uzbekistan and how the country copes with this issue in terms of human rights standards.

HE Mr NOROV replied that Uzbekistan is taking this problem very seriously, as it is multi-ethnic and multi-confessional. When the country became independent, it agreed on a secular constitution including a socially oriented economy through a nation-wide referendum. He evaluated that the main priority of the state is to respect people, ideas and rights regardless of nationality or religion. He noted that 90 percent of the population

is Muslim. According to HE Mr NOROV, there have never been any religious conflicts between Muslims and other religious groups in the country.

However, in the beginning of the 1990s, Uzbekistan faced the rise of religious extremist groups, which began to promote the idea of Sharia law to replace the constitution. In response, Uzbekistan imprisoned a lot of these people. HE Mr NOROV added that nowadays, every religious foundation seeking accreditation by the state needs a head with a recognised university diploma. The idea of peaceful coexistence is deeply rooted in Uzbek society. Also, the integration of women into public positions and young girls into sport activities plays a crucial role.

Report prepared by Julia Ahrens