

EUSR for Central Asia Peter Burian

Keynote speech at wiiw Workshop on "Connectivity in Central Asia" in Vienna, 15-16 December 2016

We welcome the initiative of Austria (Vienna Institute for International Economic Studies in cooperation with the Austrian, Swiss and German Ministries of Foreign Affairs) in organizing the Workshop - Connectivity in Central Asia. This event is very timely since a more profound discussion in the EU, including among the member states is needed to better define our interests, positions, existing potential and capacities for the EU to be a relevant player in this fast moving process aimed at connecting Europe and Asia, in an East- West as well as North – South direction .

The EU shares a common understanding of the importance of the Central Asian region as reflected in our strategic documents, namely EU Global Strategy and the EU- Central Asia Strategy. We all agree that Central Asia is a major gateway between Europe and Asia with untapped potential in transport, trade and energy, a young, growing market with significant potential for investment and trade.

There is growing interest on both sides in strengthening mutually beneficial partnership. This new spirit was reflected also in the most recent update of the EU Central Asia Strategy. Our partners have fully participated in shaping the update and they very much appreciated this joint ownership. The updated Strategy reflects the new realities in the region, and designs individual approaches to individual countries, respecting their specifics and priorities while maintaining formats and mechanisms supporting regional cooperation and dialogue. What is also very important, we are also pursuing a joint ownership of the implementation of the Strategy. We have allocated more than 1 billion Euros for the period 2014-2020 for implementing various bilateral and regional programs and projects (56 percent increase). We hope these projects will have concrete impact and will support sustainable development in the region in priority areas as defined by our partners.

Based on our own experience we believe the regional cooperation and integration are important factors of stability and best tools for addressing existing challenges. EU development cooperation assists Central Asian countries

by providing regional platforms to address their common challenges benefiting from exchange of experience and useful practices between the countries of the region and EU Member States. I believe experience of Baltic countries or V-4 from their transformation and integration process, or regional cooperation might be an important source of lessons learned and useful practices which might help our partners in CA to deal with existing challenges even more efficiently.

Having said that I should also mention that the regional cooperation is far from being fully embraced by all countries of the region as the most appropriate and efficient way of addressing existing challenges and problems of the region, including security threats, or impact of climate change, or management of common natural resources, in particular water. Central Asia is still in a process of forming itself as a region. Countries of the region have different systems of governance, they are members of different regional organizations or groupings (including Euro-Asian Economic Union), or maintain neutral status, or have some open issues in bilateral relations, which many times complicate their communication and cooperation. We do not want to artificially push forward the concept of regional cooperation and integration. The countries themselves must reach the understanding of its value and make their choice.

In this regard I see the recent meeting of Ministers of Foreign Affairs of CA countries in New York (actually it was the first of this kind where all five ministers met and discussed regional issues) as a positive sign. We welcome these "new winds" which started blowing in Central Asia.

We believe connectivity is a key word to bind wider Central Asia within and with the EU for win-win collaboration in the future in the spirit of the ancient Silk Road. This spirit of partnership and mutual interest to pursue more actively issue of connectivity in existing and future projects and programs of economic and development cooperation has been reconfirmed also during the recent (12th) EU – CA ministerial meeting in Brussels in October. All our partners from Central Asia were present on the highest level and they spoke in favour of a more intense cooperation with the EU and regionally, between themselves. We agreed to strengthen the dialogue and cooperation on security issues, including prevention of violent extremism. We have also agreed to use more efficiently existing three platforms for a result- oriented cooperation in areas of education, rule of law and water and environment.

Finally, we agreed that we should do more in the region in supporting growth of private sector in economies of CA countries, in particular small and medium size enterprises as drivers of job creation and employment of young people.

We will be looking to the possibility to support regional projects of connectivity using our existing financial instruments and institutions more actively. In this respect we have concurred that both aspects of connectivity are equally important – hardware and software – and I am pleased to note that these two elements are well reflected in the agenda of the workshop, since physical infrastructure – roads, railways, and pipelines – would not mean anything without a proper and harmonized legal and regulatory environment based on common standards. In this respect the EU is one of the biggest supporters of regional cooperation and integration.

One objective of developing an EU approach of Europe - Asia connectivity should also be to better promote its norms, standards, technical specifications, including safety and customs standards. In doing so, Europe – Asia connectivity would facilitate EU – Central Asia trade cooperation. This will also help sustainable development and employment in Central Asia (as important elements of prevention of illegal migration, or radicalization).

We are open for interaction and cooperation with all players in the region, in particular China, engaged in the region through its One Belt One Road project. We do not see this project as a zero sum game, and we believe that it can be compatible with our Trans-European Transport Network and transport corridors the EU is developing with our partners in our neighbourhood. In this regard, in 2015 the European Union and China created the "EU-China Connectivity Platform" which represents the first step towards the development of a joint vision of the future connections between the Europe, Central Asia and China. The main aim of this Platform is to guarantee that transport markets could rely on free, fair and undistorted competition based on regulatory convergence, a level playing field and sustainability, as well as to promote cooperation in transport areas such as infrastructure, equipment, technologies, standards, engineering and construction.

China pursues two main goals in Central Asia. It builds up a powerful net of infrastructural links (pipelines, roads and rail) to advance its connectivity and influence westwards in a bet to further strengthen its trade and satisfy its huge

energy demands. It is also expected that China will outsource some of its manufacturing to Central Asia once connectivity is improved. China is actually committing hundreds of billions to the region, and Chinese have been mobilizing several funding vehicles to support new infrastructure development – from the Silk Road Fund to the Asian Infrastructure Investment Bank (AIIB). For the EU not to become a junior partner, or a 'subcontractor' in this exercise, I believe we must also mobilize our private sector and financial instruments we have at our disposal and better promote existing opportunities and benefits of our stronger engagement in Central Asia in our Member States.

I am pleased to note in this regard that the European Commission started intensive inter-agency discussion on this topic.

At the same time Central Asia countries play an essential role in this process. Today Central Asia represents one of the least economically integrated regions in the world. Intra-regional trade in Central Asia represents less than five percent of total trade and accumulates to €4bn only, out of which 50 per cent comprises trade between KAZ and UZB. In comparison, trade between China and Central Asia has increased 50 times since 2000 and today reaches \$46bn. This low performance in regional economic integration is due to many factors, including geography-related transportation challenges, lack of capacities or sometimes lack of political will to overcome outstanding problems and divisions between the Central Asian neighbours, and various technical and non-technical barriers to trade.

The security situation in Afghanistan is another obstacle for expanding connectivity. During the Brussels Afghanistan Conference in October, all five CA countries confirmed their interest in contributing to stabilization of the country through various connectivity infrastructure projects – railways, roads, cross border trade but also energy connectors and pipelines like CASA 1000, TAPI or the recently inaugurated railway connection between Turkmenistan and Afghanistan. Our partners see Afghanistan more and more as an opportunity for their connectivity rather than a threat. Afghanistan, if fully stabilized, would boost the connectivity of Central Asia and expand its regional market, e.g. by providing access to Chabahar or Gwadar sea ports reachable through Afghan territory.

The EU is supporting Central Asia to address these challenges: The (Austrian led) Central Asia Border Security Initiative (CABSI) under our BOMCA programme discusses (besides ways to address security challenges) also ways to facilitate cross-border trade. Our regional platforms on Rule of Law, Education and Water aim at bringing together relevant partners to find solutions to common challenges.

EU's support for economic growth and boosting trade through Central Asia Invest includes grant projects addressing topics such as standards and quality management in transport and logistics. Central Asia Invest also supports OECD's "Eurasia Competitiveness Program" in CA, which improves business climate for SMEs and encourages regional economic integration through regional and national policy reviews to identify policy barriers and priority areas for reform.

The EU Investment Facility for CA (IFCA) supports CA countries in undertaking priority investments through eligible financing institutions such as EIB and EBRD, i.e. for better energy infrastructure, and the creation and growth of SMEs.

I would like to conclude with one final point: We do not approach to connectivity through a narrow prism of building infrastructure, as I have mentioned at the beginning. At the heart of connectivity should be the people – the goal is to create better lives, and thereby and therefore increase opportunities for people-to-people contacts. (The EU's ERASMUS+ programme (€115m) is contributing to active mobility and exchanges of students and teachers of European and Central Asian Universities).

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