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Workshop Summary

International Workshop 'Connectivity in Central Asia'

15 & 16 December 2016,
Oesterreichische Nationalbank (OeNB), Vienna

International Workshop

‘Connectivity in Central Asia’

The Workshop was organised by The Vienna Institute for International Economic Studies (wiiw), with support of the Austrian Ministry of Foreign Affairs (BMEIA), the German Federal Foreign Office and the Swiss Federal Department of Foreign Affairs (EDA).

Professor Michael Landesmann (wiiw) acted as scientific coordinator. Andreas Stadler (BMEIA) and Jonas Grätz (EDA) were instrumental in initiating the workshop and supported it at all stages. The underlying Workshop Summary was drafted by Peter Havlik (wiiw), based on written notes and presentations of the speakers, with valuable inputs from Amat Adarov, Alexandra Bykova, Artem Kochnev and Veronika Janyrova (all wiiw).

Introduction

This international academic workshop (Vienna, 15-16 December 2016) was the second one in the series of conferences organised jointly by Austrian, German and Swiss ministries of foreign affairs in the framework of their rotating OSCE chairmanship. The Vienna Institute for International Economic Studies (wiiw) has been involved in drafting the academic programme and providing logistic support for these events. The venue of this workshop was the Austrian Central Bank (Oesterreichische Nationalbank, OeNB).

The workshop dealt with 'Connectivity in Central Asia' (the latter comprising Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan – see background overview of economic fundamentals). Various dimensions of economic connectivity such as trade, energy, transport, migration, border controls and environmental issues were discussed by both academic experts from the region and high level representatives of international organisations and diplomats involved in the region. Although there is currently no open conflict in this vast, land-locked and complex region, the degree of economic connectivity is low and the region remains underdeveloped and fragmented. Central Asia has an important geo-strategic position for the EU, Russia and China, its economic connectivity is hampered also by the complex security situation in Afghanistan. The region will play an important role in the EU-EAEU-China economic cooperation along the Silk Road which could help to develop the economic connectivity in Central Asia and beyond. However, the workshop made clear that the obstacles – both internal and external - are significant: widespread corruption, diverging regulations, outward migration and deteriorating skills of the local labour force, distorted economic structures, etc. Once again, without a coordinated strategy of key external players (EU, Russia and China) the prospects for enhancing connectivity in Central Asia are not very encouraging.

CONTENTS

Introduction	V
Welcome & Opening	1
Keynote speeches	4
Round Table: Assessing the Economic and Geo-strategic Position of the Region	8
Session 1: Barriers to Cross-Border Economic Cooperation – What Can be Done?	13
Session 2: Economic Integration Projects	18
Session 3: Border and Customs Management in Central Asia – Lessons Learned?	21
Session 4: Transport, Energy and Environmental Cooperation	25
Session 5: Mobility and Labour Migration	28
Concluding remarks (H. Swoboda, wiiw)	30
Glossary	33

International Workshop Connectivity in Central Asia

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Overview of economic fundamentals, 2015

	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
Territory ¹⁾					
Land area, km ²	2,699,700	191,800	139,960	469,930	425,400
Population					
Population, mn pers., average	17.5	6.0	8.5	5.4	31.3
Real economy					
GDP, USD bn	184.4	6.6	7.9	37.3	66.7
GDP real growth, in %	1.2	3.5	6.0	6.5	8.0
GDP per capita, USD at PPP	25,900	3,400	2,800	16,500	6,000
Consumption of households, in % of GDP	51.3	99.5	99.5	10.7	54.6
Government consumption, in % of GDP	11.6	17.2	13.3	9.0	15.6
Gross capital formation, in % of GDP	27.7	34.8	23.9	49.9	29.5
Exports of goods and services, in % of GDP	28.5	36.9	15.4	74.4	22.5
Imports of goods and services, in % of GDP	24.7	88.1	59.4	44.1	22.2
Industrial production, real growth, in %	-1.6	-4.4	11.3	.	7.3
Agricultural production, real growth, in %	3.4	6.2	3.2	.	6.8
Capital investment, real growth, in %	3.7	14.0	21.2	7.8	8.5
Consumer prices, growth rate, in %	6.6	6.5	5.7	6.0 ²⁾	5.6 ²⁾
Labour market					
Employment (LFS), mn pers., average	8.6	2.3 ³⁾	2.4	.	.
Unemployment rate (LFS), in %	5.0	8.3 ⁴⁾	2.5 ⁵⁾	.	.
Average monthly gross wages, USD	568	206	142	364	574 ⁴⁾
External sector					
Exports of goods, USD bn	46.0	1.6	0.9	14.0 ⁶⁾	12.3 ⁶⁾
Imports of goods, USD bn	30.6	3.9	3.4	7.8 ⁶⁾	10.3 ⁶⁾
FDI inward stock, in % of GDP	65.2	57.2	24.0	66.5	15.0
FDI inward stock per capita in USD	6,799	654	249	5,978	331
Investment climate					
Ease of Doing Business ranking, 2017	35	75	128	.	87

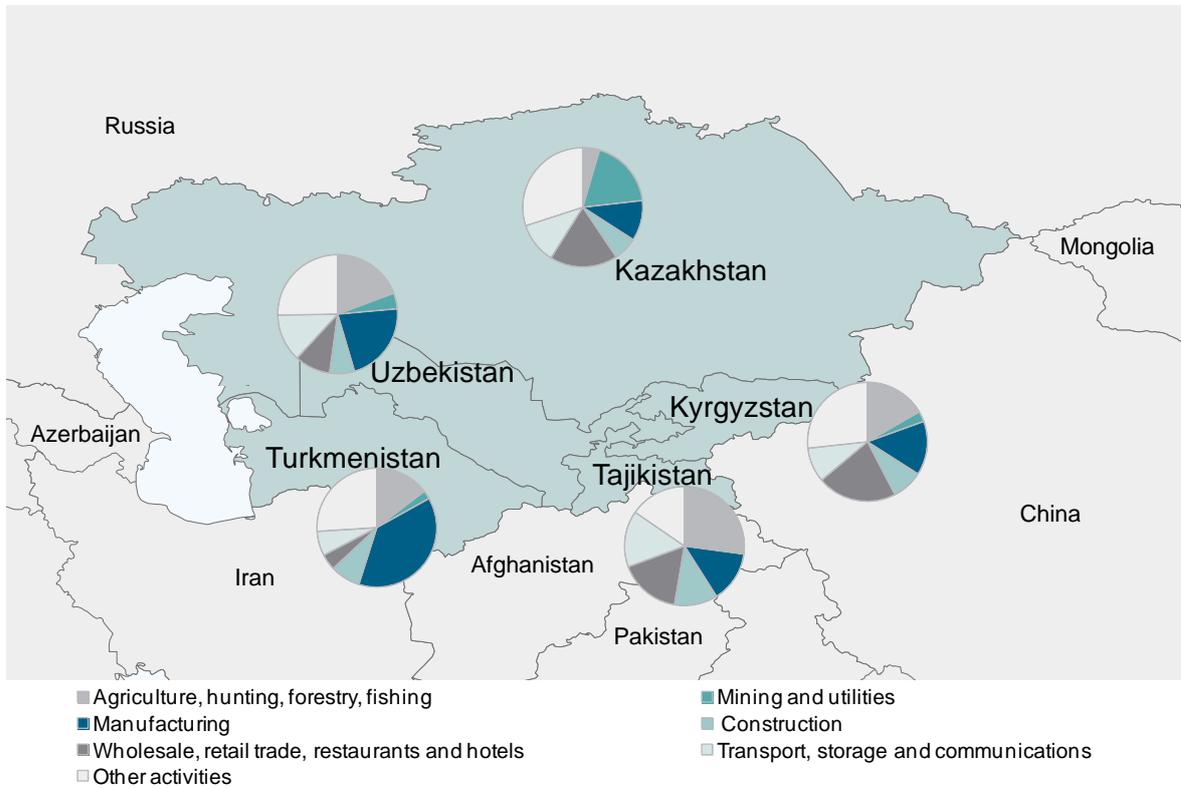
Note: PPP: Purchasing power parity. LFS: Labour Force Survey.

1) Land area refers to the total area of a country excluding area under inland water bodies. It differs from the country area, that includes area under inland water bodies, but excludes offshore territorial waters (UNCTADstat). - 2) December to December of previous year. - 3) Data for 2014. - 4) Data for 2013. - 5) Unemployment rate by registration. - 6) UNCTAD estimates.

Sources: wiiw Annual Database incorporating national statistics, World Bank, IMF, CIS Stat, UNCTADstat, wiiw calculations.

More information is available from the UNCTADstat country profiles (<http://unctadstat.unctad.org>) or from the EBRD Transition Report 2016 country assessments (<http://2016.tr-ebrd.com/countries>).

Gross value added by economic activities in 2014



Source: UNCTADstat.

Welcome & Opening

In his brief introductory note, **M. Landesmann, Senior Research Associate and former Scientific Director, The Vienna Institute for International Economic Studies (wiiw), Austria**, welcomed the participants and OSCE representatives from Austria, Switzerland and Germany. Special thanks were expressed to A. Stadler (BMEIA, AT) and J. Grätz (EDA, CH) who initiated this Workshop and were very supportive during its preparations. This is already the second event in a Workshop series (the first Workshop in July 2016 focused on connectivity in European conflict regions), and it will be followed by a conference on the topic 'Towards a Vision of a Common Economic Space from Vancouver to Vladivostok' in May 2017.

F. Raunig, Head of OSCE 2017 Chairmanship Taskforce, Austria, thanked the Swiss and German Ministries for Foreign Affairs for continued support, as well as wiiw for organising this brainstorming workshop. Swiss, Serbian, and German initiative to work jointly on connectivity has already reinvigorated the so-called Economic and Environmental Dimension of the OSCE. The present Workshop represents another intellectual preparation for Austrian OSCE Chairmanship in 2017. It aims to look at the concept of connectivity pragmatically and apply it to the Central Asian region. The topic of connectivity can help improve overall relations in the OSCE. Comprehensive security is a broad and complex topic; economic as well as environmental cooperation remain the strongest factors helping to overcome and prevent conflicts. Mr Raunig stressed that the Economic and Environmental Dimension of the OSCE was underutilised during the last decade for two reasons:

- › with ongoing Eastern enlargement and the process of the Eastern Partnership, the EU took over many competences and capacities;
- › OSCE seemed less and less necessary as a security organisation where most conflicts treacherously appeared to be contained or frozen.

However:

- › already the conflict in Georgia in 2008, but more dramatically the recent conflict in Ukraine, demonstrated that the post-1990s 'nice weather period' of democratic reform was over and principles of our security structure were seriously challenged;
- › frozen or protracted conflicts – with the exception of the Balkans – did not just dissolve themselves, some conflicts became even more acute;
- › in Central Asia, worrying security dynamics connected to the situations in Syria/Iraq, as well as in Afghanistan, terrorism and radicalisation, unresolved border issues, drug trafficking, are increasingly affecting stability and the behaviour in the region – both amongst governments and the population;
- › economic and environmental cooperation can not only prevent conflict, but can also provide for vital confidence and trust-building mechanisms that go hand in hand with general economic development - also across borders.

In Central Asia and its neighbours, including Russia, there is much potential and the region has historically been closely inter-connected. Fostering dialogue on connectivity and avenues of integration is in everyone's interest. Building a common economic space from Vancouver to Vladivostok, also including the spaces of the EU and the Eurasian Economic Union (EAEU), has been an important goal of the OSCE, as framed by the Commemorative Declaration in Astana 2010, and it is planned to revitalise this idea during Austria's OSCE presidency next year.

Therefore we need to reinvent and strengthen the Economic and Environmental dimension in the OSCE. Austria, as an EU Member State, can only speak of positive experiences when reflecting on economic and environmental cooperation and integration. This is the basis of our economic success story post-WWII and post-1989 transition. Consequently, Austria has chosen as the main theme of its next year's OSCE Chairmanship the title 'Greening the Economy and Building Partnerships for Security'. But, the notion of 'Building Partnerships' aims to continue the agenda of the German Chairmanship. 'Building Partnerships' is the core function of the OSCE to overcome and prevent conflict. This is why it is planned to continue this academic dialogue with the WIIW and other academic institutions from the OSCE Network of Think Tanks. Next year, in mid-May 2017, another Workshop is planned, entitled 'Towards the Vision of a Common Economic Space from Vancouver to Vladivostok: Connectivity, Trade and Economic Cooperation'.

The open dialog between diplomacy, academia and civil society is an excellent starting point to overcome established barriers, but also to overcome new barriers created by new conflicts.

The next speaker, **Ms Ch. Weil, Deputy Head of Mission to the OSCE, Germany**, also welcomed the initiative for hosting this event. Central Asia is of greatest importance for the OSCE and the German Chairmanship. Promoting economic exchanges and cross-border co-operation in trade, customs, transport and energy is crucial for this region and contributes not only to economic development, but also stability and security. The OSCE, with its comprehensive approach to security, is therefore the right platform to address these issues.

Ms Weil noted that the German Chairmanship emphasised the importance of economic connectivity for stability and security. In May 2016 in Berlin, the German Chairmanship hosted a high-level conference entitled 'Connectivity for Commerce and Investment'. That conference brought together relevant stakeholders from the public and private sectors for a dialogue on economic cooperation and on conditions for international trade and investment in the OSCE region. With almost one thousand participants from over 60 countries – half of them from the corporate sector – it was a great success and clearly showed the great interest in this topic. High-level panels and workshops discussed key aspects of economic connectivity, also with respect to Central Asia and other regions.

Participating states have shown a strong interest and there was broad support for continuing the discussion on how economic connectivity can be strengthened. We need to further elaborate on where and how participating states and the OSCE can contribute to more connectivity, both to enhance economic opportunities and to strengthen security in the OSCE area. The workshop is an important contribution in this regard.

In the OSCE, the German Chairmanship has worked to put connectivity on the agenda throughout the year. The German Chairmanship also supported a workshop organised by the OSCE Secretariat together with the World Customs Organisation on 'Enhancing Trade Facilitation through the Improvement of Regional Transit in Central Asia' from 27-29 September 2016 in Astana.

Economic connectivity is a key driver for economic development and should be enhanced in the OSCE area. It could create economic opportunities and contribute to political confidence-building, stability and security. Against this background, the German Chairmanship decided to table a draft Ministerial Council Decision on 'Strengthening good governance and promoting connectivity' that reflects the interlinkages between good governance, connectivity, economic exchanges and sustainable security, and highlights their importance for the OSCE. By successfully adopting this decision at the Ministerial Council in Hamburg in December 2016, the term 'connectivity' was introduced to the OSCE for the first time and will give the OSCE's Economic and Environmental Dimension a new strong impulse in this regard.

Last but not least, **J-L. Oesch, Deputy Head of Delegation to the OSCE, Switzerland**, also mentioned the adopted ministerial decision on good governance & connectivity from early December 2016 in Hamburg. Participating states agreed to give the OSCE a mandate to pursue topics such as trade facilitation, transport and customs cooperation, and to explore their confidence-building potential, including by involving the private sector. Participating states also agreed to promote dialogue on economic cooperation between different economic and regional organisations.

Keynote speeches

P. Burian, EU Special Representative for Central Asia, European External Action Service (EEAS), Belgium, welcomed the Austrian initiative to organise the workshop and underlined the importance of Connectivity in Central Asia (CA). Both the EU Global Strategy and the EU-Central Asia Strategy underline the interest on both sides in strengthening mutually beneficial partnership. 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. The EU allocated more than 1 billion EUR for the period 2014-2020 for implementing various bilateral and regional programs and projects (56% increase). These projects will support sustainable development in the region in priority areas as defined by our partners. EU development cooperation assists Central Asian countries by providing regional platforms to address their common challenges. The experience of Baltic countries or the Visegrád-4 from their transformation and integration processes, or their regional cooperation might be an important source of lessons and useful practices which might help our partners in CA to deal with existing challenges even more efficiently.

However, the regional cooperation is far from being fully embraced by all countries of the region. 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 organisations or groupings (including Eurasian Economic Union, EAEU). Some maintain neutral status, or have some open issues in bilateral relations, which frequently 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 choices.

The recent meeting of Ministers of Foreign Affairs of CA countries in New York was a positive sign. We welcome these "new winds" which started blowing in Central Asia. Connectivity is a key word to bind wider Central Asia both within and with the EU for win-win collaboration in the spirit of the ancient Silk Road. This spirit of partnership and mutual interest to pursue more actively the issue of connectivity in existing and future projects and programs of economic and development cooperation has also been reconfirmed during the recent (already 12th) EU – CA ministerial meeting in Brussels in October 2016. 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 the growth of the private sector in economies of CA countries, in particular SMEs, as drivers of job creation and employment of young people.

The EU will support regional projects of connectivity using existing financial instruments and institutions more actively. Both aspects of connectivity are equally important – hardware and software – and in this respect the EU is one of the biggest supporters of regional cooperation and integration. One objective of developing EU - 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 radicalisation).

The EU is 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 partners in the neighbourhood. In this regard, the European Union and China created the 'EU-China Connectivity Platform' in 2015 which represents the first step towards the development of a joint vision of the future connections between 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 railways) 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 has been mobilising 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, the EU must also mobilise the private sector and existing financial instruments, as well as promote existing opportunities and benefits of a stronger engagement. The European Commission has already started intensive inter-agency discussion on this topic.

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 its total trade and accumulates to EUR 4bn only, out of which 50 per cent comprises trade between Kazakhstan and Uzbekistan. In comparison, trade between China and Central Asia has increased 50 times since 2000 and today reaches USD 46 billion. The weak 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 2016, all five CA countries confirmed their interest in contributing to stabilisation 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 stabilised, 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 the BOMCA programme discusses (besides addressing security challenges) ways how to facilitate cross-border trade. 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 aims to improve the 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.

Finally, Mr Burian stressed that the EU does not approach connectivity through a narrow prism of building infrastructure. At the heart of connectivity should be the people – the goal is to create better lives, and thereby increase opportunities for people-to-people contacts. The EU's ERASMUS+ programme (EUR 115 million) 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, the Central Asian countries could become 'land-linked' rather than landlocked and the region could become a real centre of Asia.

A. Gabuev, Senior Associate and Chair Russia in the Asia-Pacific Program, Carnegie Moscow Center, Russian Federation, presented a rather sober view on CA connectivity and the role of China. The Chinese Silk Road initiative does not contain any deadlines or success measures. Maybe the rationale behind it is that if there were strict criteria, the results could be assessed as bad. If there are no criteria, all projects inside the initiative could be assessed positively. As far as logistic in the CA is concerned, the analysis made by Carnegie showed that land-based projects are subsidised and do not make any economic sense. Even with subsidies, they are 7-8 times more expensive than seaborne container trade. Delivery dates are also more difficult to meet due to many customs or transport uncertainties. But time doesn't matter for business rationale. What matters are costs. Wasteful investments in the West are a big problem for the Chinese economy. They will never be paid off. In China the investments have created overcapacities and debt. The anti-corruption campaign has been moving into the financial sector. For the first time, a clear picture of what is going on in banks is emerging, assessing profitability of Chinese investments. China will not repeat this in CA and it cannot waste money. Some transcontinental projects make sense, yet China is not here to provide development for free.

Russia maintains big hopes for interconnectivity built by China. Five countries joined EAEU. A lot of exemptions were initiated by BY. Each country maintains its visa power. National interests dominate. Mr Gabuev does not expect EAEU FTA with China any time soon. India and Pakistan are getting connected to EAEU through infrastructure projects that have important security implications. Terrorist activities in Afghanistan, a lot of terroristic incidents on the Pakistan border, anti-terrorist organisations in Uzbekistan not really effective, all of which hampers connectivity.

A number of challenges remain: which effect will the development of roads and pipelines have on the local population? Is there a chance for local job creation or will these projects be realised by China itself? Do return migrants to Central Asia build a potential for ISIS recruitment?

Areas of CA potential cooperation with the EU:

- › Anti-terrorist organisation (Uzbekistan);
- › Trade facilitation (especially regarding non-tariff barriers), OSCE can be helpful in sharing best practices examples;
- › Legal framework for investment;
- › Technical standards (it can be a possible common ground).

Round Table: Assessing the Economic and Geo-strategic Position of the Region

H. Swoboda, wiiw President and former Member of the European Parliament, Austria, points out that it was made clear by the opening speeches that when we speak of Central Asia (CA), we cannot avoid speaking about the countries around: China and its CA periphery, Russia, Afghanistan, Iran, etc. Central Asia will be an important topic, also in the context of a broader EU-EAEU-China integration; One Belt, One Road and Connectivity are good concepts, help to discuss broader challenges such as the possibility to have countries that develop and create new linkages between European and Eurasian Union. Central Asia can benefit from these new linkages. The OSCE concept of economic connectivity needs to be embedded into strong European Neighbourhood Policy.

H. Gürer, Head of Department Eastern Europe, Western Balkan, South Caucasus and Central Asia, Federal Ministry for European and International Affairs, Austria, provided an economic overview of the region, featuring the most important characteristics such as high transport costs of landlocked countries, region's small market, low economic development levels, commodified exports, low interregional trade and investments, low positions in Trading across Borders ranking, only three countries being WTO members:

- › CA consists of five landlocked countries, one of which (UZB) is double land locked, which implies high transport costs. In the past, CA was connected via Moscow (Soviet Union);
- › Low interregional economic integration. After the collapse of the Soviet Union, interregional relationships barely existed as they were based on the centre - periphery model, but no interregional trade. Only three Central Asian countries - Kazakhstan, Kyrgyzstan and Tajikistan - are WTO members;
- › Small market with 65 mn population and 340 bn EUR GDP (for comparison Austrian GDP is higher with only 8 mn people population);
- › The World Bank ranking Trading across Borders is very low (79 for Kyrgyzstan, 119 for Kazakhstan, 144 for Tajikistan and 165 for Uzbekistan – 144).
- › Commodity-based economies with natural resources exports (80% of Turkmenistan export consisting of gas and 60 % of Kazakhstan export of oil). Kazakhstan ranks 50th by oil production in the world, Turkmenistan 4th in natural gas reserves.

Since 2000, China increased its trade with Central Asia 50 times, now it is around 46 bn USD (for a comparison trade CA with Russia is 28 bn USD and with the EU 26 bn USD). Russia has been a traditional player in the region. But in the EAEU trade is not increasing, but decreasing.

Connectivity in the region implies not only transport, trade, investment, but unfortunately also security issues such as smuggling of drugs, human beings, illegal migration and terrorism. Austrian Ministry of Foreign Affairs is supporting programs to deal with these issues.

The dialogue on security issues will continue in the framework of the EU Central Asia Strategy, as well as during Austria's OSCE Chairmanship. Austria itself, a well-situated country at the centre of Europe, can serve as a positive example of connectivity. The interconnectivity could develop in various dimensions: as connectivity among Central Asia countries, with its neighbours and in a sense of interconnectivity from Vancouver to Vladivostok or Vancouver to Shanghai.

A. Sultangalieva, Advisor to the Director, Institute of World Economics and Politics, Kazakhstan, pointed out that the increasing cooperation with the EU would be a chance for CA. On the other hand, there are concerns that this chance might not be realised. The countries of CA are, from their geostrategic position, not ready yet for broader cooperation programs. She defined two factors hampering that process:

- › interregional barriers;
- › outside powers (mainly Russia and China).

Most economies of the region are weak, poor (except for Kazakhstan) and closed (Kazakhstan and Kyrgyzstan are more open). On the other hand, CA did not face a history of violent conflicts and territorial disputes (note PH: except for Uzbekistan-Kyrgyzstan). Transport border issues can be solved, political will is needed and here the EU can help.

CA has strong links with Russia and has been really shaken by the Russia-Ukraine conflict. At the same time, Russia serves as a security guarantee insulation to Afghanistan-related issues. Russia takes CA countries 'for granted' and acts with each country on a bilateral partner basis, not multilaterally with the region as a whole. It considers the interregional cooperation with indulgence ('let them cooperate'). China's economic presence in the region is growing. China is mostly focused on Kazakhstan and on its mineral resources. The main interest is to ensure a secure and stable region on the border to its restive western provinces.

Unfortunately, CA countries have no role models in the immediate neighbourhood. The region is in transition, and there is also some uncertainty with the transition of power (new Uzbek leader may be more open to dialogue).

The EU is optimistic with regard to potential cooperation, but should be warned that there is a long way to go.

There are some important open issues to be addressed:

- › Transparency in the rule of law;
- › Regional cooperation;
- › Economic drivers: Kazakhstan and Uzbekistan can be such countries, but they both should progress with regard to governance and Uzbekistan should open its economy first;
- › Maybe EU cooperation can work better with the private sector;
- › Civil society issues.

A. Pupols, Political Affairs Officer, UN Regional Centre for Preventive Diplomacy for Central Asia, Turkmenistan, pointed out that there are currently more external threats than 10 years ago: Central Asia is becoming more religious. Developments in Ukraine and North Africa have had an impact on the region as well. More external factors require more external cooperation. There is more pressure from key players, which look after their own geopolitical interests. These do not coincide with interests of CA states. Ministerial Meeting in Hamburg gave the impression that there are growing dividing lines between East and West and CA is in-between. An information war is going on between Russia, the EU and the United States, polarising Central Asian societies. The situation in Afghanistan is more complicated now than in 2008. Afghanistan, diverging geopolitical interests, information war – all this affects Central Asian states.

In general terms, connectivity can contribute to peace. In practical terms, it is different. In addition, there is no common policy; also assessments of the situation differ significantly. Concrete examples: Central Asia was not mentioned at the Reikka Conference 2009. Last year, two major energy and transport projects in Afghanistan initiated by Central Asian states were mentioned as key to regional connectivity and economic development. Realisation of these projects is doubtful, but from the UN perspective, even talking about these projects is already seen as progress. Gives some hope to Afghan people, hope these projects will bring some benefits. Additional labour opportunities, security, etc. increased engagement of Central Asian states in AFG is definitely a positive thing.

Mr Pupols believes that the OSCE strategy is tricky. General strategy consists of different visions about what (not) to do. There are specific approaches of Central Asian states. Increased activity along the economic and environmental dimensions is needed. At the same time, there are intentions to limit the scope of OSCE activities. Yet it is important to keep the OSCE in the region since we have definitely benefited from the OSCE presence in Central Asia.

DISCUSSION (CHATHAM HOUSE RULE)

Several points were raised: Conference in TURKM recently showed that all CA countries are interested in each other. TURKM is very open to conduct joint energy and transport projects. There is a transport project with Kazakhstan, cooperation on border issues with Uzbekistan. The first global UN conference on sustainable transport took place on 26 and 27 November 2016 in Ashgabat, Turkmenistan.

Kyrgyzstan is quite a liberal economy, it was the first to join the WTO after the collapse of the Soviet Union. Other countries have more state interventions. The slow development of the Central Asia region can be explained by the fact that all years after independence countries were looking for economic models to develop and needed time to gain experience. Every country inside the region has its own agenda, limited by varying resources. Kyrgyzstan has been granted GSP+ (Generalised Scheme of Preferences) regime in trade with the EU for different goods, but cannot use it due to the low quality control of technical regulations. There is no bigger platform to discuss and resolve trade barriers-related issues.

Regarding the lack of platforms, the IIASA project dealing with Challenges of the Eurasian Economic Integration was launched 3 years ago. Currently, the next stage of research is planned, it will deal also with integration of CA, aiming to look at the cooperation between CA countries (from Lisbon to

Vladivostok and Shanghai). Therefore, IIASA project is one of the platforms to discuss these issues. Another platform for trade facilitation is the Eurasian Economic Union. The discussed questions there encompass competition rules, the rule of law, transparent customs administration rules, etc.

Originally, the OSCE thought it would be easy to promote regional approaches and realised that before we are able to move in this direction, we have to build a certain basis. It was decided to engage more with CA partners, to ask them how they see the cooperation, to come up with suggestions how to implement the strategy. Many of the countries emphasise countries' specific interests (heterogeneity), but the OSCE will also not abandon efforts to encourage regional cooperation, despite the heterogeneity, in areas such as the connectivity, climate change, water, etc. But we also realise the need to build capacities and awareness. And we are in CA for the long term. On the optimistic note: There is already certain progress, e.g. the mere fact that for the first time Central Asian ministers met in NYC; this is already an encouraging sign. We can see some move to regional cooperation. There is a growing awareness and interest in regional cooperation on which the OSCE will build on.

On platforms: In the EU there are three major platforms. Some are less efficient, bring less results, others produce really good results. One (Central Asia Education Platform (CAEP), based on LAT initiative) is the education platform on standards. Bologna process, etc. which is moving reform processes in individual countries and also creates partnerships. But it needs a lot of effort and patience. In the end, the only promoter of diversification removing barriers is the EU. It is coming to the region without any hidden agenda. It is simply interested in the region. We believe in stable development in CA, once you remove potential problems (radicalisation, migration). EU is interested in three levels of development – human rights, environment, education – key priorities for development strategy.

Despite geopolitical challenges in the short-term, the biggest concern is not energy, Afghanistan, or extremism, but economic development. Comparative analyses show that each country is very vulnerable. Kazakhstan, for example, pursues a policy of diversification, launches big infrastructure projects, and tries to complement Chinese economic initiatives. They do not have a quick return on investment. The energy sector is promising, still in good condition. Another niche for diversification is SMEs, these are flourishing in KAZ and other CAs. Problem is that small business is very fragmented, it is hard to build a large scale cooperation. Connectivity is needed. There are examples of successful cooperation between small businesses. China is an umbrella for CA states, pursues different goals in infrastructure development. In many ways, these big infrastructure projects serve as an economic belt. Interesting question is whether they are or will be profitable? Russia does not have to worry about CA. Regular opinion polls, published in all Central Asian states, show Russia as its best friend. Still, some experts were very pessimistic (e.g. Turkmenistan has introduced a visa regime recently).

Uzbekistan is a closed, protected economy with high commodity dependency (cotton, gas). It can collapse if you open it. There is also cars assembling production, but this is just a symbolic project. In the CA context there are a lot of 'show-casing' events, without any follow-up. The OSCE is very helpful for the region, but less demanding. The EU has many other problems at the moment like Ukraine, Greece, migration and internal erosion. All these take the wind out of the Central Asia Connectivity Project.

Additional comments: Economic governance and human capital development are more urgent issues than security. One Belt, One Road is not a plan, it is a vision. Its success will depend on the countries

along the Silk Road. A lot of international organisations are active in CA (e.g. UNECE, UN Asian Organisations, bilateral assistance by EU Member States, etc.). It is very difficult to see how OSCE can find a niche to get active in this whole conglomerate of already existing organisations. Intercountry trade is not possible, as Central Asian countries have economies similar in the production structure characterised by a lack of diversity and lack of complementarity. Political power structures within countries are a big barrier as well. It seems that there is little rivalry between Russia and China in the region that creates a substantial potential for 'One Belt, One Road' developments.

Session 1: Barriers to Cross-Border Economic Cooperation – What Can be Done?

P. Dunay, Professor of NATO and European Security Issues, George C. Marshall European Centre for Security Studies, Germany, starts with the geography of CA. It is characterised by large distances, areas that are difficult to access, borders that are difficult to cross, all of which implies that physical connectivity has high costs. There is little internal capital in the region. If there is, then it is spent on other things. The region should be able to diversify their economies, but does not. When commodity prices are low, there are no resources available. If prices are high, there is no need to diversify. Corruption matters.

First, five countries (RF, KZ, BY, AZ, TUR) are based on natural resources (selling own or foreign ones – BY). Modernisation has not reached its goal. Countries which cannot benefit from selling natural resources have not made it. The two countries Tajikistan and Kyrgyzstan are the poorest. Each country is highly corrupted. Sometimes, there are improvements following anti-corruption campaigns. But most often, these are selective fights against certain individuals. Individuals get arrested without proper reason, trial and evidence. The situation has improved a bit in KAZ and KYR (the latter has a very volatile democracy).

Most important issues: CA lost its appeal for two reasons: 1) Natural resources are sold out. 2) Neighbourhood to AFG. In 2001-2014, AFG issue became most important. Three neighbouring CA countries (TUR, UZB, TAJ) pursue very different policies – TUR has a very cooperative attitude, which does not work very well for them some times; UZB is strongly controlling its AFG borders, TAJ is the most exposed country; there is big cross-border mobility/migration. In consequence, no change to higher value added production. Countries are largely poor, corrupt, badly governed, etc. There are different visa regimes within the region, even vis-à-vis CA countries themselves which leads to self-isolation. Defining who you are via defining who you are not, leads to exclusion. 2010 KYR constitution states 'State of Kyrgyz', the Uzbek minority is not amused. UZB regularly took initiatives, shifted to bilateralism, rather than multilateralism; realistic initiatives come from outside (EAEU).

Additional problems abound: Labour force is losing its competitiveness. Corruption in education, particularly higher education, is all over the region. Education standards decline. Some attention to this matter comes from the international community (an issue for the Austrian chairmanship). OSCE offices cannot do much else. Have to deal within their mandate. Population is losing Russian language proficiency without learning others (e.g. Chinese, English). Less and less speak any of those languages which would make them competitive. KAZ is somehow exceptional, but the state scholarship system is downsizing. Significant number of people (cca 15 thousands) who did not return from scholarships. Nice initiative from KAZ, the richest and definitely best-governed country in the region. Labour is increasingly expensive in China which means that KYR, TAJ labour markets are increasingly attractive for China (e.g. sewing factories in KYR). Not highly qualified jobs, but at least jobs, creating some social satisfaction. KYR had two revolutions, didn't bring anything to them – neither less corruption, nor better

governance or living conditions. China is investing into the region, but not involving local labour force, which has very low productivity.

Uzbekistan is strategically important for two reasons: 1) half of CA-population is practically Uzbek, 2) it is the only country that borders other CA countries. Former Uzbek president Karimov was constructing many kinds of cooperation in CA, having had particularly difficult relationships with its Kazakh counterpart and was focusing on bilaterals. We will see what new president S. Mirziyoyev will bring to the country. There are initiatives concerning border management and some barriers were indeed eliminated. The lesson is that we never know how no 2 will act when he/she becomes no 1. As prime minister, President Mirziyoyev was basically hiding behind Mr Karimov.

CA countries are building their identity, this involves inclusion and exclusions. Borders are absurd in CA. No joint border control. There is a lot to do on eliminating barriers to free movement of people and goods. This should be facilitated. Although some CA countries are in the EAEU, they still extend various obstacles. Paradoxically, during Soviet times, people were free to move from one republic to another. Nowadays, it is hopelessly difficult.

N. Sultanova, Senior Expert Representative Office of the Ministry of Economy on WTO issues, Kyrgyzstan, explains that the Kyrgyz Republic has one of the region's most open trade and investment regimes. Its main trade policy objectives aim at achieving a more outward-oriented trade regime, greater market access for exports, and improved integration into the world economy. Kyrgyz multilateral trade policy has been focused on meeting WTO accession commitments in goods and services trade, the protection of intellectual property rights, and participating in WTO negotiations.

The Government has actively pursued regional trade arrangements, largely with former Soviet states, in the form of bilateral and regional free-trade agreements (FTAs) and customs unions. With respect to trading partners Kyrgyzstan applies the following trade regimes: free trade regime for CIS countries, the Most-Favoured National Treatment (MFN) for the WTO members, and preferential treatment for the Least Developed Countries (LDC). Regional free trade agreements with CIS countries are primarily implemented in customs, tariffs, other duties, taxes and transit aspects. Since 2015 Kyrgyz Republic is a full-fledged member of the EAEU. Today, the rules of the common Customs Code, the Common Customs Tariff, the common system for the foreign trade and customs regulation, the common legal environment in the sphere of technical regulation are applied on the territory of the EAEU member states. Contractual and legal base (68 international treaties) of the Customs Union and Common Economic Space has been the basis of the Treaty on the EAEU. The Treaty within the framework of its capacities ensures free movement of goods, services, capital and labour, as well as coordinated, coherent and unified policies in the economic sectors as specified therein and in international agreements within the Union.

However, there are still problematic issues affecting the development of inter-regional and cross-border cooperation between the member countries of the EAEU. Among them are:

- › the need for unification and harmonisation of all branches of the national legislations,
- › the introduction of common/unified technical standards,
- › significant differences and the lack of effectiveness of the measures of state support of foreign economic activity of small and medium-sized businesses,

- › the complexity of participation in publicly procured and municipal tenders,
- › the discrepancy of national laws in relation to the excise goods operations.

The greater are the differences between countries in terms of socio-economic development, and the greater are the differences in existing economic systems, the higher are the border barriers. Therefore, we need an approximation of levels and systems, which will promote the growth of the border inter-connectivity inter-alia.

What should be done? Kyrgyzstan's system of quality control and quality assurance has been undergoing concerted reforms since the country's accession to the WTO, so as to ensure full compliance with internationally recognised best practices. Both technical regulation and standardisation are based on the law 'About the Basis of Technical Regulation', which sets the guidelines for the development, adoption and application of mandatory requirements to products, processes/methods of production, storage, transportation, sale, use and disposal of products.

Technical regulations to date have been developed by means of transposing the EU and WTO-compliant Eurasian Economic Union common regulations into national laws, whereby the text of the regional technical regulations was adopted directly and made into national laws. This approach enables swift harmonising technical regulations, as it ensures compliance with the requirements of the WTO Agreement on TBT and renders EU compliant regulations equivalent to their corresponding, separate directives for the purpose of conformity assessment. However, by introducing the identical text of the regional technical regulations into national legislation, the Government would have to amend national laws to integrate changes and revisions introduced by either of the regional bodies, at a time when the regional technical regulations in question may not be necessarily tuned to the specific conditions of the Kyrgyz economy and its enterprise sector. Thus, it would be more appropriate to consider incorporating harmonisation principles in national regulations or referencing relevant regional technical regulations that correspond to national regulatory requirements. This approach would be more appropriate as it allows for proper consultations with the private sector and other national stakeholders and for conducting extensive regulatory impact assessments (RIAs).

The Kyrgyz Republic is a beneficiary of the European Union (EU), Japanese and U.S. preferential schemes under the Generalised System of Preferences. After the EU has approved a proposal to grant the status of 'GSP +' for Kyrgyzstan in 2015, we were able to implement duty-free entry for more than 6000 items of goods to EU countries. Previously, exporters paid customs duty at the rate of 14.6% for certain types of fruits and vegetables and up to 5 - 9% on clothing.

Among the challenges there is an urgency to upgrade infrastructure, in particular laboratories, which will operate in accordance with technical regulations of the EU and the EAEU. In the absence of competent testing laboratories, the SPS control measures remain insufficient. The laboratory for phytosanitary testing under the Ministry of Agriculture and Melioration lacks key equipment. Similarly, the State laboratory for food testing under the Centre for Standardisation and Metrology is not accredited, as it is equipped for classical tests (using basic analytical methods and equipment) for only 11 of the 17 characteristics required for certification of product safety. Potential exporters are thus compelled to either send samples overseas for testing, at a considerable cost, or seek markets where technical

requirements are not too demanding. Only a limited range of food products is exported, and products are usually retested and recertified in the countries of destination.

To export food to the EAEU, as well as outside the region, it is required to gather and systemise: technical regulations, veterinary requirements and sanitary rules. However, the requirements are very complex and are not limited only to the end product, but also concerns the raw materials, processing and marketing conditions. Both public and private sector have difficulties to export from the Kyrgyz Republic. The Ministry of Economy is currently establishing interaction between stakeholders of technical regulation system. In this program, the Working Group will collect and systematise requirements of the EAEU in each sector, such as technical regulations, sanitary and veterinary requirements of the rules.

A. Sultangaliyeva, Adviser to the Director, Institute of World Economic and Politics, Kazakhstan, presented her personal view on CA cross-border trade issues: lack of understanding of proper procedures, corruption, high transaction costs, in the end paid by consumers. Everybody talks about how to resolve this problem.

A lot depends on experts and think tanks. That's where the OSCE can do something. International organisations need to say 'look, we need to cooperate'. This is the only choice we have: Creating monitoring system for cross-border checks for traders and producers. They can report if there are abuses. At least, it is something. It can be started in small steps, e.g. between KAZ and KYR.

Overlapping memberships in different trade agreements is an obstacle. How to deal with UZB which is the largest partner of KAZ in CA, but is not a member of the EAEU and not interested to join? Special agreement needed in KAZ for transit. We have to start bilaterally. Then, proceed step by step and the regional integration can take place. Unfortunately there is no political will to cooperate. Yes, there are meetings with officials, but no practical results. Among the obstacles are:

- › Lack of predictability and transparency in cross border trade rules. Crossing borders is the main obstacle for regional trade and services cooperation.
- › High tariff and non-tariff measures including excessive documentation and regulations, different sanitary requirements, tight migration policy, corruption translates into long waiting time at cross-border checks, there are high transaction costs of trade.
- › Protectionist fiscal policies such as a triple exchange rate in Uzbekistan.
- › Small and fragmented businesses, mostly informal traders which do not contribute to the creation of competitive large-scale business developments.
- › Problem is that state-led cooperation attempts do not work unless private business is involved.
- › There is an issue with poor work ethics, lack of skills in doing honest work.

Possible solutions:

- › Harmonising cross border trade at national level, and then, between the states.
- › Application of the rule of law.

- › Focus on identifying sector-specific projects across the borders, not on country-based projects. For instance, the Asian Development Bank (ADB) project on developing an integrated economical corridor between Almaty and Bishkek.
- › Participation of private businesses in economic cooperation. Shift from state led contracts to supporting private sector initiatives which face limited access to financing.
- › Work of regional teams of technical experts.
- › Online reporting system of incidents of corruption at cross border checks.

DISCUSSION (CHATHAM HOUSE RULE)

CA can be stronger together, because individual countries are very small. But local leaders are too short-sighted. Unfortunately, chances that the new generation of leaders (UZB, TURKM) will move on are poor. Nonetheless, something is moving forward. External powers and interests are coming together (RF, CN).

CA has an image problem. Like OSCE its project base is a patchwork. Every actor takes on different activities, in different countries, with different mandates. There is no big picture. Then it is difficult to 'sell a region'. Students of international relations (e.g. in Germany) do know neither presidents, nor names of these five countries. You have to contest the image problem. It has to be a shared image. CA does not provide identity to these countries.

EU engagement is a matter of resources. How much resources can EU spend on CA in terms of manpower and money? Not much. CA countries are not representing EU values. For the EU, it is pragmatic to focus resources on countries where you can make a difference.

Session 2: Economic Integration Projects

R. Sattarov, International Department of the University of World Economy and Diplomacy, Uzbekistan, starts with integration issues. Why did connectivity fail? There is little pragmatic approach to cooperation in the region. Instead we see that all countries want to start own infrastructure projects.

- › Isolationism of the individual countries, connected to authoritarian political systems which eliminate any source of criticism of the respective political leaders.
- › Crony capitalism. There is only an imitation of the market economy, where most of the benefits are distributed among a narrow group of local oligarchs.
- › Corruption and administrative barriers. Business is not able to defend its interests as there is no ability to criticise the authorities. Despite the good image that local authorities try to create in their reports and messages, there are no serious initiatives that involve cooperation of the CA local countries.

Therefore, institutional reforms with an emphasis on democratisation and liberalisation of the political system are required to change the economic model of the CA countries. The State has to reduce the administrative barriers, promote free media and competition, thus providing space for small and medium enterprises. A specific focus on launching regional decision-making institutions on transport and energy issues is required, business platforms to develop transport hubs and cross-border trade platforms and efforts to attract foreign aid and investment are needed.

N. Jenish, Deputy Governor, Central Bank of the Kyrgyz Republic, outlined the establishment of EAEU in 4 stages: FTA, Customs Union (CU), Common Market (CM) and the Economic Union. Kyrgyzstan entered the first stage in 2000 (already with a status of a WTO member since 1998), and accepted the Customs Union and the Common Market in 2014. With entering the EAEU, Kyrgyzstan was expecting an access to a large market with an opportunity to export, pooling resources for stimulation of economic growth and enabling the Kyrgyz workers to work abroad (mainly in Russia).

Benefits are the following: The restructuring of the economy towards the expansion of trade, transport and communication sectors through the re-export of Chinese goods to Kazakhstan and Russia – the two main export partners of Kyrgyzstan. About one million Kyrgyz workers work abroad (mostly in Russia), with total remittances amounting to 25-30% of Kyrgyz GDP, of which 95% came from Russia. Naturally, changes in the value of the rouble had a significant effect on the national economy as exports to Kazakhstan and Russia amount to around 60% of the total.

By the time of entering the EAEU, the Kyrgyz economy stopped to gain benefits from increasing the re-export of Chinese goods and this requires a further restructuring. One of the initiatives was to create a Russia-Kyrgyz Development Fund (USD 0.5 bn, which is equal to 1/3 of the total banks credit portfolio in Kyrgyzstan) to support local business to adapt to the new economic conditions.

As a member of the EAEU, the major challenges are related to SPS standards, technical regulations, non-tariff barriers, and an imperfect mobility of the labour force within the EAEU.

S. Chernyshev, Trade Section, Eurasian Economic Commission, Russian Federation, outlines the logic and structure of the EAEU. The trade landscape in the world is changing. 80% of the world trade is subject to zero or almost zero tariffs. The EAEU is an example of a mega-agreement, which had to preserve the harmony of the regulatory regimes between the WTO member states and the non-WTO member states. Another peculiarity is the difference in the size of economies, which have to negotiate within the mega-agreements of that type.

After the collapse of the USSR, the post-Soviet states initially started to replace the old rules with bilateral FTAs without deeper development of the trade infrastructure among each other. It took almost 20 years to move from the CIS FTA to the customs union between Kazakhstan, Belarus and Russia.

The EAEU, which is by now the last stage of the economic integration of the member states, has its goal to establish infrastructure for the movement of goods, labour, capital and coordinated policies in the sectors of economy. Although the state still preserves a great flexibility with respect to the industrial and agricultural policies as coordination means the exchange and discussion of plans. By 2025, the EAEU should provide a framework for the common market for medicines, electric power, gas and oil and financial services.

DISCUSSION (CHATHAM HOUSE RULE)

Barriers to connectivity: CA lost prospects for integration. Personalities, not institutions, are important. It is a sort of a hi-tech feudalism. Current regimes are in danger because corruption and chaebolisation of the economy are not dynamically effective to preserve the standards of living. Little optimism regarding future improvements.

The Kyrgyz government provides tax benefits for export-oriented enterprises. The Central Bank is also considering to develop instruments to provide long-term and cheap finance for export-oriented enterprises. Since the EAEU implies higher external tariffs than the WTO, it raises some issues. Kyrgyzstan currently negotiates with the WTO.

Russia takes corruption seriously and works intensively with the international community. EAEU successfully applied the system of the traceability of goods between Russia and Kazakhstan. Touching the Kazakh car market, a transition period was agreed for Kazakhstan with the WTO and regarding EU commitments. The major reason for the car problem was the depreciation of rouble, when the Russian cars became two times cheaper. We have similar technical regulations and only the SPS regulations, are, however, outside of the scope of the Eurasian Economic Commission (EAEC).

Regarding WTO: The EAEU accepts Article 24 of GATT, therefore any conflict of rules between WTO and the EAEU will be in favour of WTO rules and procedures. There can be contradictions with respect to the tariff barriers. Kyrgyzstan has issues with Kazakhstan about the tariffs for around 3500 products. The system of traceability is a big issue because it works only between Russia and Kazakhstan.

Therefore, Kyrgyzstan is afraid of Kazakh re-exports, which may destroy sensitive industries in Kyrgyzstan.

On EU investments: The EU is not very active, companies are not coming, the exception is KAZ. EU companies demand transparent and clear rules and rules-based economic relations. EU companies are hesitating to come to an environment which is corrupted, difficult to access, with a bad judicial system subject to changing conditions. Concluded contracts, also with governments (e.g. taxation), are not observed. A rules-based environment, in particular rules created by the WTO, OECD, is based on vast experience and legal order. It is difficult to fully understand the rules under which the EAEU is working. They look nice on paper, look similar to the EU's, but the problem is that rules change, sudden exemptions, e.g. the situation when RF was hit by sanctions which spilled over to CA. We need more discussion in order to better understand EU, EAEU, also for CA to pursue their interests in WTO.

The EAEU experience used as case study for regional integration is not a bright picture, especially for KAZ: there are no tariff barriers. But rouble devaluation negatively impacted KAZ. RF has more industrial production and a favoured position when joining the EAEU. The result of rouble devaluation was that Russian cars flooded the Kazakh market. Uzbek cars, which were cheaper and more accessible, are not imported any more.

CA lost prospects for integration. In reality, CA was never integrated and cooperated in history. The current situation is very dangerous for regimes. Economic stagnation, renaissance of the old economic model, isolation, corruption, losing access to latest technologies is the result. There is a growing technological gap.

Regarding EAEU and WTO: EAEU is an internal agreement on customs (Art 24 GATT), there is no inconsistency with WTO rules. Any conflict of rules will be overruled by WTO rules. Tariff issues: there is now an issue with KAZ which joined WTO with different rates than those used in the Customs Union. Over 2000 tariff lines, can destroy KYR market if KAZ signs. There is a different understanding of the issue in each country.

Session 3: Border and Customs Management in Central Asia – Lessons Learned?

H. Daoudi, Economic Affairs Officer, United Nations Economic Commission for Europe, Switzerland, informs about a field study on the technical barriers to trade in three countries: Kazakhstan, Tajikistan and Kyrgyzstan. The underlying idea of the study was to track the activities of the traders and to reveal on which stages and where the technical issues for them (customs) arise. Besides, the study looked at the border control and quality assurance and interviewed the officials.

The main results:

Problem is that cross-border management involves multiple national agencies, leading to internal agency-to-agency and agency-to-trader communication problems. The 'single window' policy could be a solution, which would bring the cross-border management under one roof such that one submits the documents only once reducing the transaction costs. All three countries of the study try to implement the concept, yet it is not a solution to everything and has to be done slowly. Agency coordination and sharing information is not easy. For instance, if agencies require an online system to process the documents, all other agencies should have an access to it. Otherwise, it simply does not work.

Another issue is the risk-management systems, which are on different stages of development in all three countries. Tajikistan is still developing it, whereas Kyrgyzstan and Kazakhstan still have to improve it further. The bottom line of the risk-management system is that customs tend to operate under the idea that traders are those who benefit. One thing is that customs have to expand their analysis and traders need some support in the self-assessment. The online systems alone is not a solution and there should be trust between traders and customs. IT solutions do not compensate for the lack of trust.

We also have to be careful in defining 'corruption', when traders interact with the customs. For example, the salaries in Tajikistan for the customs workers are extremely low (40 USD per month) and traders often 'compensate' for the lack of state finance. This is not corruption. Touching the technical issues, clearing goods at the border requires space and equipment [which is often absent].

The last issue is transparency and communicating rules between state agencies and traders. One needs to provide information in many languages and transmit it clearly to the actors. The need for it became even stronger after the Customs Union had expanded. The issues become greater with the Customs Union because whereas some Central Asian countries are full members, some are under transition regulations and some are 'outside'. The membership in the Customs Union creates ambiguity, which rules to apply. UNECE will publish a study to update by a steering committee which will provide an overview for all countries of what was implemented.

B. Vogl-Lang, Director of Group Border Management and Trade Facilitation, Programs for Central Asia, Austrian Ministry of Finance, starts with explaining the role of Austrian Customs Agency which employs 1700 persons. Customs work is not primarily about collecting duties but also a factor of competition and economic performance of the country.

Integrated border management: Austria has external borders [with the non-EU member countries] at the airports and with Switzerland. The border controls in Switzerland and Germany cause some problems due to immigration issues right now but it works. Cooperation is easier at the level of the customs' officials compared to the higher political level. There is a strong identity of customs officials worldwide and if you have a chance to cooperate and take the best practices – do it.

What were the lessons? First, one has to persuade the top management and politicians that integrated border management is a good thing to do. Sometimes you will encounter hesitation even from the national level administrations. Integrated border management requires competences from various ministries: the ministry of internal affairs, the ministry of health care, the ministry of economic development, the ministry of finance. All these should be brought together to let the good cross the borders as fast as possible. Therefore, one needs strong commitment at the political level. Otherwise, it will take too much time.

Second, homework has to be done. Before you contact your colleagues abroad regarding the integration of the services, you have to be sure that you are ready and prepared for the cooperation.

Step three. Analyse the existing processes. Customs legislation describes how the customs should operate. And one needs interfaces to be able to integrate with the others. One needs to find out where we can save time of business because time is money for them. Recently, we had a costly delay in our IT system and we figured out that 1 hour delay of the goods at clearance costs 2 Mio euro for the Austrian traders.

Four. An important element is to know which information is relevant for the cross border management to provide reasonable risk management and find out which goods require particular attention.

We need good IT solutions to save time. In the next years, we will require to invest 15 million euros to upgrade the Austrian IT systems at the customs to keep the current standards of the cross-border management.

Step five. Case studies are important. They help to share valuable information through the experience of others.

Six. Economic operators. One has to remember that customs management is not a business between the agencies. It's about economic actors – our major clients – who want to cross the border without delays. Therefore, one has to communicate with businesses to find out how to make their life better. This is easier to do in a small country like Austria than in one with long land borders.

Seven. Common training. People from different stakeholders have to come together and establish trust between each other.

Eight. The steering body. We need to keep people together and bring them regularly together to exchange experience and develop confidence with respect to each other.

Summing up: Consider the international commitment and remember that there is no need to re-invent the wheel. There is a lot of valuable information, practical recommendations and material collected at the international level, at the level of the United Nations and the World Customs Organisation. One can learn much from the experience of others and adapt it to the local needs. Try not to be too ambitious and proceed step by step. It is interesting to follow how the step-by-step approach helps to build up trust and confidence among the stakeholders.

R. Tiliks, Regional Manager, EU-Project Border Management in Central Asia (BOMCA), Kyrgyzstan, describes the CA border management program led by the EU consortium. BOMCA exists since 2003 and still faces a lot of problems: the adoption of a specific legislation does not mean that it is efficiently implemented. Everything might look nice if one simply looks at the statistics of the adopted laws. The pictures look worse once one comes to the grassroots level and looks what happens at the borders.

First, the implementation of the Advanced Passenger Information (APT)/Passenger Name Record (PNR) is the question of 'when and how' and not the question of 'whether or not'. CA is also facing the time when one requires the sophisticated methods of the passenger control flow at the airports. Second, it is not enough to wait until your neighbour submits the intelligence information. In CA, the border management is implemented differently country-by-country. At the beginning, however, one needs to explain to the decision-makers what it means and how much it costs. Wrong questions. It is not about money. It is about strategies, protection of privacy, legislation, readiness of IT architecture to cooperate etc. Strategy and assessment should come first before something is implemented.

API and PNR are completely different philosophies. PNR is mainly about counter-terrorism and international crime. API is based on the Chicago 1944 convention on civil traffic. Since the CA borders are highly militarised, the PNR will get more attention.

Cooperation is not only about exchange of information. Good neighbourhood means that if you share the information with your neighbour, he uses it as a fair partner. In CA, I often hear the advice not to be open as one can use this information against you. But intelligence information has to be shared to prevent disasters. It is possible. Mutual trust creates the basis for information and exchange.

The two declared strategies in Tajikistan and Kyrgyzstan are ambitious, Kyrgyzstan has a strategy for 10 years, Tajikistan for 15 years. Both of them stress IT implementation and this is good. Kyrgyzstan has recently returned a law state level strategy plan. In the case of Tajikistan, however, it is not transparent how and when the strategies should be implemented, what is the general name of the strategy document as state agencies use different names for the same strategy. One needs state level regulation to avoid 'the porridge' of the strategy documents. At the same time, strategies are a good tool for international/external actors like us to support the states.

There is still reluctance in the region to speak openly at the political level and among experts. Dialogue is required. Cooperation among partner states is one of the tools which can help to bring people together and create mutual trust.

A. Eliseev, Head of Education, OSCE Border Management Staff College, Tajikistan, focuses on training methods to improve border connectivity. People that work at borders are the focus of our work. We do not call our activities 'training', because people that come to us have their own good experience and it would be ridiculous to approach them as if they required a completely new education. Instead, we are trying to widen their knowledge and their vision on border control and border security management. The challenge was to make sessions valuable for such a diverse group of attenders from various countries with different experiences. On the other hand, it made it possible for the attenders to exchange their diverse experiences and to share the best practices.

Educational activities are not limited to the customs/border workers but provide the same educational treatment for the officials of the related agencies because border control requires cooperation of many state agencies. All agencies need to know what every actor does. We bring them together and help to find out the solutions from different agencies' perspectives. Another important part of our job is that we bring the representatives of the private sector together with governmental officials. This enables communication and we are going to extend our activities in the direction.

We also provided bilateral courses where participants from Tajikistan and Uzbekistan compared their electronic exchange systems and were trying to find out how to unify these systems and increase the efficiency of the bilateral communication.

Unfortunately, the majority of the CA country officials (except for Tajikistan because the educational centre is located there) are not eager to visit the courses. Everyone understands that connectivity is important. We cannot, however, bring the participants of the CA countries together in Dushanbe although we cover travel costs and do not enforce to apply the knowledge obtained during the courses. Some officials in Turkmenistan, Kyrgyzstan, Uzbekistan and Kazakhstan think their countries are way too developed and they will not learn much there. The attenders of the European countries (we had even one from Switzerland), however, submitted a positive feedback. It is important to learn from each other because once we bring attenders from all over the world together, the CA participants realise that the challenges they face are not new and the Baltic and CIS countries faced similar problems and successfully overcame them. Unfortunately, the colleagues in CA miss the opportunities in most of the cases.

Session 4: Transport, Energy and Environmental Cooperation

Keun-Wook Paik, Senior Research Fellow, Oxford Institute for Energy Studies, United Kingdom, refers to the role of China in creating connectivity in CA and focuses on Sino-Russian oil and gas cooperation and how it will affect CA. Russia is the main supplier of crude oil for China, whereas this is not the case with natural gas. From the Russian point of view, the Asian market is very important due to its rapid development.

A lot of criticism – in particular from the Washington side – mentioned the slow progress of the Siberian pipeline. China was initially focusing on the part of the Siberian line which goes to Northern China, but then switched the emphasis on the Western part of the line, which should go to the Xinjiang province. Gazprom made a big mistake a couple of years ago, when it did not seriously take the development of alternative LNG gas sources, which recently came to the European and Asian market. Asia became a market of great importance for Gazprom. The strategy to secure the market is to supply gas by connecting the existing gas pipelines in China and preserving a lower price by means of competition.

In 2016, however, China provided a massive investment into the Yamal LNG. This is an important new development, as China never gave a loan for gas before. China was struggling to figure out how to increase the production of gas within its own domain. Still the price paid was too high. Many people have asked why Russia remained on the sideline in the Silk Road project. However, Mr Paik claims that the Chinese investment into the Yamal LNG was a sign to support President Putin and Novatek which operates the Yamal LNG project, and that Russia is not a sideline.

The recent projections of gas demand until 2030 show that the Chinese planners give high priority to the imported gas. In reality, however, the highest priority is given to the Central Asian supply sources, not the Siberian line. The reason is that the Chinese planners want to use the pipeline as part of comprehensive economic development in the West of China, which remained underinvested compared to the Eastern Provinces. Another reason is the openness of the stream. Gazprom was ruling out the possibility to open up its gas stream to China, whereas that was not the case for China with the CA partners. One may expect that the Shanghai area will be a critical market for the international players to penetrate because the other parts of China (in particular, the North) is 'protected' by the Siberian pipeline, which will deliver gas for low prices. The Shanghai area, however, is far away from external pipelines and will be a place for open competition.

The Turkmenistan pipeline to Uzbekistan and later to China was completely financed by Chinese National Petrol Company (CNPC). CNPC and its planning institute handled the project as a value chain business. The unusual element was that the Turkmenistan authorities allowed 85% of the external financing, which is unusual for the energy sector business.

Many players in the West were following the development of the pipeline business in the region, but did not make a lot of progress in participating. Summing up, China is very systematic in developing the

network. Looking at the oil pipeline development, CNPC blindly invested in some projects in Kazakhstan, which progressed slowly later on. The reason was simply: the market was available, but supply was not available in time. Later on, they learned from it and changed the approach.

D. Kroos, Senior Energy Security Officer, OSCE, Austria, believes that energy security has an immediate effect on political stability. The focus is on four issues:

- › concentration on promoting regional connectivity by the fostering local energy trade.
- › trying to improve energy governance through open and competitive markets and the right regulatory framework.
- › promoting diversification of energy supplies by supporting expansion of supply routes to the East and West and developing renewable energy sources which have become extremely competitive nowadays.
- › focusing on resilience of critical energy networks.

The quality of energy infrastructure varies in CA and there are many heterogeneous systems. They were built in different times, with different materials and often do not work well with each other. Along with protection of the physical infrastructure a particular attention is paid to cyber attacks. Most vulnerable to cyber attacks are electricity systems.

As mentioned before, China makes a big effort to connect the CA region. On the other hand, there is the EAEU, which operates within its own regulatory framework. Therefore, there should be an emphasis on establishing a dialogue between different attempts to improve connectivity in the region and different regulatory frameworks. They can learn from each other, be connected, and this is the most important message.

V. Korolyov, General director TransAI, Ltd. and Honorary Professor of the Kazakh-German University, Kazakhstan, comments on the Chinese Silk Road. One has to keep in mind that it is the Chinese project for Chinese interests. Therefore, when we started to hear about the new projects, we first saw advantages and only then realised where the possible disadvantages are. When evaluating the projects, it was interesting to see how they are trying to foster the connection between countries of the region and how they strive for the cultural exchange.

Transportation costs are a serious issue in Kazakhstan as they may amount up to 40% of the price of the good. The major railways from China to Europe already exist and the major physical capital investment is not required. What is lacking in Kazakhstan, however, are the soft skills to decrease costs and increase the speed of the shipments. One may observe also a struggle between the horizontally- and vertically oriented economies. Sometimes, the prices of the market-oriented companies in China were much lower than the prices for using the logistics constructed with the participation of the transport monopolies of Kazakhstan.

Another issue are the railway standards which China will allegedly try to promote in the railway projects in which it will invest. China uses the European railway standards, which differ from the ones applied in Kazakhstan and Russia. The problems of that sort, however, could be only solved at the highest political level.

In terms of the coordinated transport policy, the main tasks include the creation of the common market for transport services, accepting the agreed measures on how to provide general benefits in the sphere of transport. The main priority is to form a single transport space and provide safety on transport.

The major challenge of OBOR is the disproportion of the trade between Europe and Asia with a weak participation of the countries of CA, which have low demand and use different technical and technological standards. Differences in standards are the major obstacle for exports and sometimes for imports of goods in CA. Additional difficulties arise when the common law and the civil law frameworks are in conflict with each other in international deals. One also has to keep in mind that the FDI programs do not support education, applied research and science. While funds are being invested into roads, nothing is provided into human capital. Other disadvantages are the weak interaction of the European logistics schools with the growing infrastructure in Central Asia and China, and the internal problems of the transport sector of Central Asia such as the conflict between hierarchical structures and market forces, the missing of client-orientation and poor logistics culture.

DISCUSSION (CHATHAM HOUSE RULE)

Regarding the asymmetry of trade structures: implications for transport projects in CA are manifold. We know which cargos, goods nomenclature will follow along the route. For the logistic company, it is the major problem since it affects prices for materials and products for export. Furthermore, administrative barriers on trade (NTB) are still limiting export and import capacities. Therefore, costs and prices are sometimes not of the major importance for limiting/expansion of the trade. Take the example of the horse milk exports from Kazakhstan. Technical specifications and standards did not let us to do it. However, the growing demand in China for Russian, European and Kazakh products gives us hope that the situation will change soon. Another issue to consider are the internal legislation problems of the CA countries. In some cases private business waits until the respective national government sits at the round table and specifies the rules of the game in a clear manner. For instance, the government of Uzbekistan recently stopped the flow of some imported goods in a discretionary manner. The reason is that their goods are not competitive compared to the Russian and Kazakh products.

Europe did not fully realise what kind of changes are going on in Asia and in China in particular. Considering the cyber security, the blockchain technology will help to provide additional security.

Regarding shell gas production in China: the amount of the Chinese gas forecasted by their planners is questionable as China suffers from the shortage of water supply. This could change if technology advances mitigate the problem. For China, Kazakhstan has a big value for the One Belt – One Road project as the sources of oil and gas supply there help to justify the enormous infrastructure and pipeline investment. One geopolitical aspect that is going to have an increasing importance will be the fight for the Asian energy market. The shale gas revolution enables the US to export gas. As Asian countries are going to increase their share in the global demand, the Russian and the US energy producers are likely to clash on the Asian market. Previously, the reasons of the US/Russia involvement in Asia were ideological. Nowadays, it is mainly a matter of big money.

Session 5: Mobility and Labour Migration

Ye. Sadovskaya, President, Centre for Conflict Management, Kazakhstan and Expert of the Research Council on the CIS and Baltic States Migration Studies, Russian Academy of Sciences, Russian Federation, points out that KAZ is major destination country for CA migrants, others in CA are sending countries. There are three major economic motives for migration: labour, business, trade. Migration has real practical connectivity impacts on people.

OSCE has real humanitarian cooperation potential, rather than paper-based political co-operations. China's rise may become key to Kazakh and Central Asian developments in coming decades. More research on the human dimension of the Chinese presence should be undertaken.

During the 1990s there was a large brain drain due to deep economic crisis. From 2000 onwards: KAZ became a destination country for migrants from CA. Geographic proximity is the number 2 reason mentioned by labour migrants in sociological surveys. Numerous diasporas, in UZB, TAJ, RF have informal networks in their ethnic groups, with own business and trade. Cultural proximity: language, religion (majority Muslim) makes hosting communities more tolerant. Migrant networks are supportive at all steps of migration (information search, job searching, accommodation, etc.).

In CA mostly labour migration from poorer countries exists. Usually from agriculture, service sector, etc. Highly skilled workers from abroad are employed in economic sectors where no specialists were available during transition. Informal labour market is large: cca 23% of total employment. Shortage of qualified labour is a major issue; problem is that many students study abroad. About, 28.000 KAZ students study in RF, there is a potential brain drain. Education is an important issue to address.

Regarding Chinese economic presence: KAZ signed agreements worth 82 bn USD, just during the last 3 years, which is huge in relation to KAZ GDP. It is problematic, but also a driving force for diversification of KAZ economy. Little attention has been paid so far to economic/social/political dimensions of the Chinese impact.

R. Mogilevsky, Associate Director and Senior Research Fellow, Institute of Public Policy and Administration, University of Central Asia, Kyrgyzstan, mentions the issue of poor data quality on migrants. It is very easy to migrate. According to Russian official statistics, about 500,000 Kyrgyz labour migrants are in Russia, 80,000 accepted Russian citizenship. More than 25% of total Kyrgyz labour force works in Russia.

Remittances amounted to 30% of GDP. Mostly from RF. Many direct/indirect effects of remittances: boost domestic demand, growth, imports, etc. RF hit hard by drop in oil prices, also KAZ labour market became much more difficult. As a result KYR migrants' remittances declined. In 2016 there are already some improvements. More migrants registered in RF, more money comes to KYR. Migration increases the price of domestic labour, reduces unemployment, reduces labour force participation. Wages grew much faster than GDP. Compared to labour productivity, labour is not really cheap in KYR. Taking into

account demographics, labour migration will have serious long term consequences on both receiving and sending countries. Russia should be interested in the inflow of CA migrants. Policy should facilitate process of migration to reduce costs.

What can be done? Reduce transaction costs for migrants. Establish an agency that helps to reduce costs and risks for migrants. Help return migration. Preserve migrant rights to property, land, etc. (some legislation issues). Avoid undesirable implications. Provide security in the broad sense for migrants. Invest into general education.

B. Mirkasimov, Deputy Dean, Westminster University, Uzbekistan, starts with quoting results from the 2013 Uzbek Household Survey. Migrant average age was 31 years, 90% male, 90% with secondary education, migrate mostly to RF, 67% were from rural areas. But migrant's profiles differ among CA countries.

In terms of labour migration, CA region is very well connected: 2nd largest migration corridor in the world (after US/Mexico corridor). Labour is more mobile externally than internally in CA. Since 2013 number of migrants declined. When migrants return they bring more advanced abilities and skills than non-migrating population. Key policy area for UZB is to integrate migrants into the local labour market. This is a major issue. Policies seem to focus on Active Labour Market Policies. But infrastructure investments, rural development, etc. all affect the labour market. Diversification will not solve all problems.

R. Zák, Programme Manager, International Centre for Migration Policy Development (ICMPD), Austria, reports on the Prague process: a targeted intergovernmental migration dialogue promoting migration partnerships among the countries of the European Union, Schengen Area, Eastern Partnership, Western Balkans, Central Asia, Russia and Turkey with 50 participating states.

The following missions took place:

Tajikistan (expert mission 2015): Employment of own citizens abroad; pre-departure training (Skype tests St. Petersburg). Removal from the Russian blacklist of own citizens. Integration with the EAEU. Security of border with Afghanistan.

Uzbekistan (expert mission 2014, Migration Profile): Employment of own citizens abroad (in Korea, Japan); pre-departure training, attraction of highly-skilled migrants.

Turkmenistan (research, last contact 2012): attraction of highly qualified specialists; prevention of illegal migration (security issues at the border with Afghanistan).

Kazakhstan (expert mission 2014, Migration Profile): Attraction of highly skilled migrants; closer cooperation with EU MS, visa liberalisation; Preparations of Expo 2017, lifting visa regime for numerous states (OECD) for this purpose; Compatriot programme – attraction of Kazakhs back home (Oralman programme). Readmission agreements with KYR and TAJ.

Kyrgyzstan (expert mission 2015): Employment of own citizens abroad; pre-departure training; Compatriot programme – attraction of Kyrgyz migrants back home (Kairylman programme); Removal from Russian blacklist of own citizens.

Concluding remarks (H. Swoboda, wiiw)

- 1) To deal with integration and connectivity in Central Asia one has to look at the special situation of that region. In this context we must first answer the question, if the main target should be the integration amidst the five countries of Central Asia themselves or one should concentrate on the integration with the neighbouring countries. Probably we would have to answer that both forms of strengthening connectivity would improve the stability and security in the region.

Of course the old relationship with Russia is still influential and Russia is seen primarily as security guarantor. But it is also an important trade partner and it is the target of many labour migrants from Central Asia. China has a different role: it is a big - potential - investor. But these two neighbours are the main actors.

The EU is of course as well active, although the Central Asia strategy envisaged years ago during a German presidency of the EU has not been followed up with necessary strength. In addition, the financial resources of the EU are limited and also the direct possibility to influence the political and economic developments.

A critical neighbourhood is the one to Afghanistan. Some steps to include Afghanistan into regional projects can be seen and are certainly welcomed. Projects such as the Lapis Lazuli train connection is also helping to connect Afghanistan via Central Asia towards South Caucasus and Turkey.

Recommendation 1) The OSCE should - together with the WTO- start serious discussions how the different connectivities and integrations could be streamlined and coordinated in order to prevent new divisions and splits between these areas.

- 2) There exist many internal/regional impediments to enhance the connectivity inside Central Asia. The countries have different size and different economic dependency on commodities (exports). We find also different memberships to regional and global organisations like the Eurasian Economic Union and WTO. And there exist also different visa-regimes which are not making traveling between the countries easy. On the other hand there are some similarities like the predominant religion and for the majority of countries also the language.

The question is also, who could be the leader for more integration. Kazakhstan could it easily be and that is true also for Uzbekistan, if it is opening up its economy and is ready to accept also a leading role in promoting connectivity and integration.

Recommendation 2) The OSCE should help to design a process of a step by step integration overcoming the dividing lines and local difficulties. It should also accompany Uzbekistan in its difficult reform process.

- 3) It could be questioned if an economic development and specially a dynamic integration can be expected if there is no political reform process. The lack of democratic development, of transparency and a determined fight against corruption is certainly at least limiting if not preventing economic and connectivity development.

Recommendation 3) The OSCE should help in promoting political reforms and respect for basic human rights and demonstrate that these developments will not prevent an efficient fight against terrorism. A sound economic basis and a democratic process of changing governments is the best precaution against citizens joining terrorist movements.

- 4) If internal forces of and for Integration are limited, outside forces may enforce integration. The most important integration project is certainly the Eurasian Economic Union. But not all countries are participating in the project which is still in its first stages. The principle of unanimous decisions, called euphemistically consensus is also limiting the integration effect. In addition the harmonisation inside the Eurasian Economic Union has to be coordinated with WTO rules and maybe also with EU standards especially concerning exports to the EU.

Recommendation 4) The OSCE should initiate discussions between EEU, the EU and the WTO in order to develop a joint or at least compatible regulatory framework.

- 5) The main 'new' actor is China especially with its New Silk Road or One Belt, One Road (OBOR) vision. Even if the investments are much below the foreseen and promised amounts it is still developing some dynamism. It could also create connectivities between China, Central Asia, Russia and EU countries. But China would have to employ more the local labour force.

Recommendation 5) The OSCE should enhance contacts with China in view of rising engagement by China no Chinese companies in countries of the OSCE.

- 6) The Eurasian Economic Union and the Chinese investments will also change some trade patterns. The -low- trade connectivity between the countries may be changed by trade diversions and new trade barriers. This comes in addition to many still existing informal trade barriers.

Recommendation 6) The OSCE should observe newly established trade flow and help to find compensation mechanism for the victims of trade diversion.

- 7) Connectivity is very often identified with extending the transport infrastructure. In fact new infrastructure is built up, but now transport corridors have to be transformed into economic corridors. The same is true for energy corridors. They are changing strongly the geopolitical situation but again the impact on the regional industrial and service economies must be actively promoted. At the same time the environmental concerns have to be taken serious.

Recommendation 7) Promote sustainable economic activities along the infrastructure and energy lines should also be of concern for the OSCE.

- 8) No viable connectivity is possible without an efficient and integrated border management. In view of new security issues we need a fine-tuning of border management between safeguarding security

and safety on the one hand and of promoting trade on the other hand. Projects like cross border markets between Afghanistan and Tadjikistan are concrete examples of connectivity to the benefit of citizens. OSCE Training of border management is very helpful but would need more acceptance and participation by representatives from Central Asia.

Recommendation 8) The OSCE should continue its valuable work on border management and ask for stronger participation of officials at different trainings from the Central Asia area.

- 9) With all the emphasis on infrastructure and hard facts, we should not forget the necessarily human capital. The formation, education and professional training is important to create jobs including SMEs. There must be an active policy of inviting self-employment into industry and service activities. In general there should be an active employment policy developed to reduce outward migration. Connectivity should be based on strong economic development by the individual countries.

Recommendation 9) The OSCE must continue to put human capital formation as priority for modernisation of economic structures.

- 10) Labour migration is already a factor of connectivity - with Russia having the strongest immigration. Central Asia is a region of strong labour migration with some countries benefitting heavily from remittances. But one must recognise that with extension of social welfare on a national basis on the one hand and unemployment on the other hand strong migration could also create new competition between different labour forces - local and immigrant labour. In this respect it is also necessary to observe Russian treatment of migrants coming from countries outside the Eurasian Economic Union like Uzbekistan. New migrant flows may also be the consequence.

Recommendation 10) Activities of the OSCE on developing common migration principles including for the treatment and integrations of immigrants should be enhanced.

Glossary

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
APT	Advanced Passenger Information
BOMCA	Border Management in Central Asia
CA	Central Asia
CABSI	Central Asia Border Security Initiative
CAEP	Central Asia Education Platform
CNPC	Chinese National Petroleum Company
EAEU	Eurasian Economic Union
GSP	Generalised Scheme of Preferences
OBOR	One Belt - One Road
PNR	Passenger Name Record
UNECE	United Nations Economic Commission for Europe
Visegrád-4 countries	Czech Republic, Hungary, Poland, Slovakia



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