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Some Ideas on How the EU Might Interact with Regional Organizations in Central Asia

Johannes F. Linn*

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jlinn@brookings.edu

Background

Central Asia lies at the center of the rapidly growing and integrating continental economic space of Eurasia and represents a critical cross-road between Europe, Russia, the Middle East, South and East Asia.¹ While seemingly distant from Europe, Central Asia actually represents a critical part of the increasingly important land-bridge from Western Europe to the rest of the Eurasian super-continent for trade and transport, for capital flows and migration, and for drugs, epidemics and other security threats.

Having largely neglected Central Asia after the break-up of the Soviet Union, the international community has focused increased attention on this region since 9/11/2001. Especially the two big neighbors, China and Russia, have become intensively engaged in the region. With the removal of the Taliban from Afghanistan, new opportunities for linking Central Asia with South Asia and its ports through Afghanistan and Pakistan have opened up, and become a major strategic concern for the US. Iran has started to engage economically and politically in Central Asia, especially with Tajikistan and Turkmenistan.

While economic, social and political differences among the Central Asian Republics have become more pronounced since their independence, and while they remain land-locked and faced with high barriers of communication among each other and with the rest of the world, Central Asia's integration process – within the region and with its neighbors – has accelerated in recent years. This represents a good opportunity for a stronger engagement by the international community in general, and by the EU in particular, in the region and especially in support of regional cooperation and integration.

* The author is Senior Fellow and Executive Director of the Wolfensohn Center for Development at The Brookings Institution, Washington, DC. Comments of Franz Kaps on an earlier draft are gratefully acknowledged.

¹ For more background on Eurasian economic integration, see J. Linn and D. Tiomkin, "New Impetus towards Economic Integration between Europe and Asia", *Asia Europe Journal*, [Volume 4, Number 1 / April, 2006](#); for background on Central Asia integration, see UNDP, *Central Asia Human Development Report* (New York, 2005) <http://europeandcis.undp.org/?wspc=CAHDR2005%20>

The main regional organizations

As part of the integration process, regional organizations have taken on an increasingly important role, although they still fall far short of representing a serious integrating force due to continuing inter-country rivalries, differences of economic systems and interests, and weak institutional capacities of the regional organizations.

The key regional organizations are the Shanghai Cooperation Organization (SCO), the Eurasian Economic Community (EurasEC), the Economic Cooperation Organization (ECO) and the Central Asia Regional Economic Cooperation Forum (CAREC). The following briefly summarizes some relevant features of each organization:

- SCO has six members: China, Russia, Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan. Its headquarters are in Beijing, and China is its key promoter. Originally founded as an organization focused principally on security matters, it has also taken on an economic cooperation agenda in recent years. Member countries' leaders meet regularly for summits, and have recently been joined by the leaders or other senior officials from Afghanistan, India, Iran and Pakistan who attend as observers. SCO has so far been the most visible regional institution at the political level, especially since it represents a potential forum for joint Chinese-Russian engagement in regional and global security issues (e.g., in its call for a early removal of US military bases from Central Asia). Despite its stated intentions, it has not yet developed a clear strategy or capacity for economic cooperation initiatives. UNDP through its China country office provides some technical assistance and there is some limited cooperation with other Multilateral Institutions (esp. ADB).
- EurasEC has six members: Russia, Belarus, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. Russia and Kazakhstan are its dominant promoters. Its headquarters are in Moscow. It focuses principally on regional economic cooperation, esp. trade and energy. Member countries' leaders meet regularly, at least once a year. EurasEC's efforts to harmonize trade among members have not progressed very far yet nor does it have a strong capacity to promote regional energy and water cooperation. UNDP through its Moscow country office has just signed an MOU with EurasEC for technical assistance and capacity building support. In parallel, Kazakhstan and Russia also recently created the Eurasian Bank of Development, with offices in Almaty and St. Petersburg. Its pledged capital is \$1.5 billion. It currently has very limited staff capacity, but plans rapid increases in staff.
- ECO has ten members: Iran, Turkey, Pakistan, Azerbaijan, Kazakhstan, Turkmenistan, Kyrgyzstan, Uzbekistan, Tajikistan, and Afghanistan. Iran and Turkey have been its key promoters, with its headquarters in Tehran. It focuses mainly on regional economic cooperation, esp. trade. Member countries' leaders meet usually once a year. ECO has very limited capacity and clout.
- CAREC is an economic forum, not a formal organization. Regular country participants of CAREC are now China, Afghanistan, Azerbaijan, Kazakhstan,

Kyrgyz Republic, Tajikistan and Uzbekistan. Russia has been formally invited to join as a regular participant, but so far has not accepted and has participated in CAREC meetings only intermittently as an observer. Selected Multilateral Institutions (MIs) are also regular participants: ADB, EBRD, IMF, IsDB, UNDP and the World Bank. China is a keen promoter of CAREC. ADB provides the CAREC Secretariat, which is based in Almaty, Kazakhstan. Its principal focus is on trade, transport and energy cooperation. It serves as a coordinating forum for sector policies and regulation and as a clearing house for information on regional investment programs, especially those funded by the MIs. CAREC participants meet at the ministerial level once a year with senior officials meeting twice a year.

The potential of each of these four organizations can be summarized as follows: Among the formal organizations, SCO has the clearest potential to act as a regional political body for security and economic cooperation, because China is a strong promoter and since Russia is also an active member. EurasEC may develop into a tool of cooperation between Russia and Kazakhstan in channeling their support for regional energy and infrastructure investments to other Central Asian countries (with the creation of the Eurasian Bank) and it may eventually provide the basis for an effective regional free trade agreement. However, so far it has not developed a credible track record as a regional organization. ECO appears to have the least potential, since it has no strong lead member and widely diverging country interests. It is, however, the only regional organization for Central Asia in which Turkmenistan is an active member (albeit very low-key). CAREC is not a treaty organization, but a technical forum with strong staff capacity provided by the MIs (esp. ADB) and the political clout of China. It has started to develop a track record of credible investment and regulatory cooperation ventures, and could – and should – become a technical support mechanism for one or more of the formal regional organizations.

Options for Cooperation between the EU and Central Asian regional organizations

Much of the EU's engagement in Central Asia in recent years has focused on support for regional initiatives. But this engagement has overall been quite limited as the resources were constrained and Central Asia appeared to have occupied a low rank among the priorities in Brussels. For example, the early efforts of creating East-West transport corridors through the TRACECA program, were initially promising, but in recent years appear to have run out of steam. Other projects show promise, such as the BOMCA-CADAP border management program, which has the potential for improving border crossing and interventions against drug trafficking in selected locations. Given the difficulties of getting region-wide cooperation, EU attention focused on getting two or more Central Asian countries to cooperate in specific areas.

Currently the EU appears to be reviewing its regional approach to Central Asia, and that a more country-oriented assistance strategy for the individual Central Asian Republics may be in the wings. Such a reorientation, if indeed it is happening, is understandable, since the regional strategy has at best been of very limited success, having among other things been hindered in the past by the unwillingness of key countries (esp.

Turkmenistan and Uzbekistan) to join in serious regional cooperative efforts. However, it would also be unfortunate for this reorientation to actually proceed at this juncture. It appears that Central Asian countries may be getting more ready to cooperate in key areas, the big neighbors – China and Russia – also are focused more on regional integration and cooperation, and some of the regional institutions are gaining in strength. The EU has a unique potential and credibility to be supportive of regional integration and cooperation, since it brings its own, special integration experience to bear and carries less historical baggage and geopolitical tensions than do other key international players.

One area, in particular, in which the EU could play a new and effective role would be in developing close and supportive relations with the regional organizations in Central Asia. The EU could contribute lessons from its own historical experience, offer technical assistance for building the analytical, policy and financial capacity of the organizations, and contribute financial resources to projects jointly funded with regional organizations or with governments in the region under the umbrella of regional organizations. Visible engagement by the EU with the regional organizations, including at the highest political level, would not only enhance the credibility of these organizations with the region and improve their institutional capacity, but it would also help the EU by increasing the ownership of key regional stakeholders for the programs and projects which the EU supports.

Area/Sector	SCO	EurasEC	ECO	CAREC	Comments
Energy	X	X		X	Regional energy agencies involved
Water		X		X	Regional water agencies involved
Trade		X	X	X	
Transport	X			X	
Disaster prep.				X	
Drug traffick.	X				UN engagement
Education					Regional academic networks
Health		X		X	
Environment				(X)	Regional NGOs involved

Initially the principal focus of the EU could and probably should be on developing close partnership relations with CAREC, for a number of reasons:

1. CAREC has the strongest technical and financial footing, due in large part to the active engagement of the MIs.
2. CAREC is politically supported by China, which helps with gaining traction in the Central Asian countries.
3. CAREC has currently the broadest engagement across areas and sectors.
4. Since CAREC already has the active engagement of the MIs, it would be a natural next step to affiliate the EU with it.
5. Cooperation between CAREC and the EC should be facilitated by the fact that the CAREC secretariat is based in Almaty where the EC also has its Central Asia regional office.

The fact that the EU combines multilateral and bilateral features appears in the past to have been an obstacle for EU engagement in CAREC, since participation by non-regional donor entities has been limited to the MIs (see p. 2 above), with bilateral donors not having been invited to join in (except in information exchanges at the margin of ministerial meetings). Looking forward, however, it should be possible to find ways to associate the EU and possibly other key donor countries more directly and intensively in a partnership with, if not in full participation in, CAREC.

Beyond closer engagement with and support for CAREC, the EU should seek regular contacts and explore partnership arrangements with SCO and EurasEC. It would be premature to specify what these partnerships would involve specifically, but they would most likely focus on the areas of current engagement by the organizations and could include expert twinning, other technical assistance and joint investment project preparation and financing. For the foreseeable future closer ties with ECO are likely less important and practicable. Should the process of accession of Turkey proceed smoothly in the coming years, then it would be worth exploring how the EU could work jointly with Turkey in strengthening also this regional organization. Ultimately, however, it would be desirable to work towards streamlining the number and overlapping mandates of regional organizations to avoid duplication, confusion and competition.

EU engagement with China, Russia and other key bilateral partners in Central Asia

Russia and China are immediate neighbors of Central Asia and have special historic and current interests in and links with the region. Aside from newly intensified engagement on a purely bilateral official and commercial basis by these two big neighbors, they also each have a special interest in promoting selected regional organizations. China is promoting SCO and CAREC, Russia stands behind EurasEC. It is therefore essential that the EU not be seen to by-pass or position itself in outright competition with China and Russia. This will require direct contacts with Chinese and Russian senior officials as part of the process of developing partnerships and engagements with the regional organizations. Ideally, this ought to become a recurrent theme in high-level and even summit meetings between the EU and these two countries. In the case of Russia, Central Asia could become a topic for the 2007-2010 Partnership and Cooperation Agreement (PCA) which the EU is currently discussing with Russia. Of course, it would also be important that bilateral contacts of individual EU member countries with China and Russia reinforce this strategic engagement of the EU.

Beyond this engagement with China and Russia specifically on Central Asia and on partnerships with Central Asian regional organizations, the EU may also want to take a lead role in forging closer ties and cooperation with the key players in ensuring an effective and peaceful cooperation and integration of the Eurasian continental economic space more generally. As I have argued elsewhere,² this integration process is proceeding now and has great potential in helping to generate increased economic opportunities and peaceful development across Eurasia. But for this to happen, it will be important that key risks and challenges to this integration process be managed effectively by the main continental powers who have a shared interest in such an

² Linn and Tiomkin, *op. cit.*

outcome. These main powers are China, the EU, India, Russia and, perhaps somewhat less obviously, Japan.³ It is therefore advisable to create a high-level regional forum among these five key players to facilitate regular exchanges on matters of common interest and concern regarding the Eurasian super-continent and to identify key bottlenecks as well as key interventions that the five powers would like to see promoted, whether on matters of energy security, trade and transport, drug trafficking, etc. This forum would then also provide good opportunities for the main international partners to promote specifically the development, stability and prosperity of Central Asia.

Finally, the EU will want to consider how to engage with the U.S. on Central Asia and Eurasia. As long as the Afghanistan and Iraq wars continue, the US will clearly have a strong reason to stay engaged in Central Asia, both a key supply route and as a region that will not succumb to the risks of becoming a failed state. Generally, the EU and U.S. interests in Central Asia and in Eurasia are well aligned so that the U.S. may be quite happy to have the EU take a lead. More generally and in the longer term, the US should also be ready to support a new strategy of the EU which aims to advance regional cooperation and integration for Central Asia and for Eurasia at large. Nonetheless, to assure maximum cooperation with the U.S. implementing aid agencies on the ground it will be very appropriate to keep the U.S. well informed as the EU strategy is being prepared.

Summary of main recommendations for the EU in Central Asia

1. Increase the overall priority given to EU engagement in Central Asia, with increased political attention and financial support.
2. Retain a regional strategic focus in much of the EU's work in Central Asia.
3. Focus on partnerships with the principal regional organizations.
4. Start by exploring ways to partner more intensively with CAREC, followed by appropriate steps to develop also effective links with SCA and EurasEC.
5. Engage with China and Russia on regional cooperation issues in Central Asia and on the EU's intentions in supporting Central Asia.
6. Develop a high-level forum for China, the EU, India, Japan and Russia for exploring shared interests in the integration process of Eurasia.

³ Japan is in many ways more focused on its Pacific economic and political relations than it is on Eurasia. But Japan has had a long-standing interest in Central Asia. It also has a great stake in access to Russian and Caspian energy resources. And it is interested in strong mutual economic relations with Europe. And within Eurasia Japan is the single largest economy at this time and for some years to come. One would therefore most likely also want to consider Japan among the major Eurasian powers.