

The European Union and Central Asia: Economic development and trade¹

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Abstract

This paper analyses EU-Central Asia trade and EU economic assistance to Central Asia. Despite being Central Asia's largest trade partner, the EU's economic impact in Central Asia has been small. Some individual EU companies have had a high profile in individual countries or in energy projects, but overall EU companies have lagged the higher profile of Russian companies and the increasing Chinese economic presence. The EU became more active in designing a strategy towards Central Asia after 2007, but funding remained limited and the impact small. In the 2010s the European External Action Service negotiated an Enhanced Partnership and Cooperation Agreement with Kazakhstan, suggesting that for the EU Kazakhstan has a special status within Central Asia and a one-size-fits-all strategy was inappropriate. The paper analyses the emergence of Eurasian rail services and their significance for EU-Central Asian economic relations. The paper concludes with a discussion of prospects for EU-Central Asian relations.

Keywords: Central Asia strategy, partnership and cooperation agreements, Eurasian Landbridge

Introduction

The EU's economic relations with the countries of Eastern Europe and the Soviet Union were dramatically transformed by the collapse of Communism between the June 1989 Polish elections and the dissolution of the USSR in December 1991. In the early 1990s, EU economic policymaking was dominated by conclusion of the Maastricht Treaty, the consequences of German reunification, the 1992 exchange rate crisis and monetary union, accession of Austria, Finland and Sweden in 1995, and the more challenging desire for accession by Eastern European countries. Amidst this turmoil, the EU paid little attention to the twelve Commonwealth of Independent States (CIS) countries, apart from Russia, which was too large to be ignored.

In the 1990s, the EU generally extended most-favoured nation status to the new independent countries and granted preferential tariff treatment to most of them under the Generalized System of Preferences. Trade between the EU and Central Asia increased from a low base as Central Asian countries marketed some of their primary product exports (cotton, gold, and other minerals) through EU exchanges. Development assistance for the Central Asian countries was provided by the European

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Commission under the TACIS (Technical Assistance to the Commonwealth of Independent States) and the Transport Corridor Europe-Caucasus-Central Asia (TRACECA) programs.

In the twenty-first century, increased trade between the EU and Central Asia was driven by the resource boom, with oil exports from Kazakhstan by far the largest item. EU external economic policy distinguished between Russia, six “Eastern Partnership countries” from the western former Soviet Union and the Caucasus (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine), and the five Central Asian countries, although within the last two groups *de facto* treatment has not been uniform.² In relations with the five Central Asian countries, the EU has since 1992 been undecided whether to treat the countries as a group or individually or in sub-groups, and whether to focus on comprehensive agreements or functional arrangements (e.g. on transport, border management, and drugs). Until 2010, consistent EU policy towards Central Asia was hampered by the rotating chair of the EU Council, e.g. German initiatives in the first half of 2007 were a lesser priority for the Portuguese chair in the second half of 2007. Divergent national interests among EU members have led to bilateral relationships at national level sometimes dominating EU relations.³

With publication in 2007 of *The EU and Central Asia: Strategy for a New Partnership* the EU adopted a more coherent approach towards Central Asia. In that year, the Lisbon Treaty created the positions of President and High Representative for Foreign Affairs, as well as the External Action Service. The 2007 strategy and its subsequent reviews emphasized security issues. EU development assistance to Central Asia in 2007-13 amounted to roughly €750 million, and individual EU member countries also provided development assistance to Central Asian countries, but the totals were small.

In 2011 the European External Action Service began negotiations with Kazakhstan on an Enhanced Partnership and Cooperation Agreement (EPCA), suggesting that for the EU Kazakhstan’s more developed economy has a special status within Central Asia.⁴ The feeling that the EU could not adopt a one-size-fits-all strategy towards the former Soviet republics was exacerbated by the 2014 conflict between Russia and Ukraine, and by Kazakhstan’s specific situation as a Eurasian Economic Union member not bound by the sanctions imposed on and by Russia. Kazakhstan’s WTO accession in 2015 strengthened the legal foundations for EU-Kazakhstan trade. The EPCA was signed in 2016.

Despite being Central Asia’s largest trade partner, the EU’s net economic impact in Central Asia has been small. Some individual EU companies have had a high profile in individual countries (e.g. see Garcia (2006) on Bouygues in Turkmenistan) or in energy projects (e.g. Shell, Eni, British Gas), but overall EU companies lagged behind the higher profile of Russian or US companies and the increasing Chinese economic presence in the twenty-first century. In the 2010s, improved Eurasian connectivity

² Partnership and Cooperation Agreements signed in 1999 and providing a legal framework for EU cooperation with the Central Asian countries were weaker than Eastern Partnership agreements

³ Individual companies’ involvement in specific projects has triggered ad hoc political actions, which were not part of a consistent EU or national policy. For example, Eni’s lead role in Kazakhstan’s Kashagan offshore oil field led Italian Prime Minister Romano Prodi to travel at short notice to Astana in October 2007 and his successor Silvio Berlusconi made a brief unannounced weekend trip to Astana in October 2008

⁴ Kazakhstan was adopting the most proactive stance on engagement with international agencies, assuming the Chair of the OCSE in 2010-11, playing a lead role in the OECD’s annual Eurasia Week which it hosted in 2017, and holding an elected seat on the UN Security Council for 2017-18.

through the rail Landbridge, in which Deutsche Bahn played a crucial role, added a new dimension to potential economic relations between Europe and Central Asia.

The next section documents trade between EU members and the five Central Asian countries. Rapid growth of EU-Central Asian trade and large shares of Central Asian trade hide the fact that these performance measures are dominated by a few primary products being exported from Central Asia to Europe, notably Kazakh oil and Kyrgyz gold. Cotton, the main export of the 1990s, was often sold on exchanges in the UK and Switzerland, but the final destination was unknown, and transactions could be easily shifted to other locations. Outside these high-profile items Central Asian trade remains largely dominated by Russia and, increasingly in the 21st century, China. The second section documents EU development assistance to Central Asia, which despite a history dating back to the countries' independence, has remained small in both value and impact, dwarfed by Russian presence and in recent years by China's multi-billion-dollar Belt and Road Initiative. The third and fourth sections discuss the prospect for change in EU-Central Asian economic relations in the context of improved Eurasian rail connectivity and new leadership in Uzbekistan since 2016 and in Kazakhstan since 2019. The final section offers conclusions.

EU-Central Asia Trade

The broad patterns of the Central Asian countries' international trade are well understood, although data are of varying quality and in some cases absent.⁵ During the 1990s, the EU's trade with Central Asia increased from a low base. In 2000, the EU was the biggest destination for Central Asian exports and second largest source of imports, behind Russia but far ahead of other trade partners (Table 1). However, the EU's position as Central Asia's largest export market is partly a statistical illusion because products like cotton or oil are sold on European exchanges or to EU companies, irrespective of their ultimate destination. In 2010, the EU received an even larger share of Central Asian exports, primarily because of the resource boom. Although EU exports to Central Asia increased over the decade 2000-10, its share fell, mainly as a counterpart to the rapid increase in Chinese exports to Central Asia.

⁵ Data from the 1990s must be treated with particular caution due to poor monitoring of new international borders and the large share of informal and illegal trade, as well as specific features such as civil war in Tajikistan and the rise of Kyrgyzstan as a regional entrepôt. Even in the twenty-first century, the value of a large part of Uzbekistan's trade was a state secret, and Turkmenistan's data remain non-transparent.

Table 1: Ten largest Central Asian export and import markets, 2000 and 2010 (billion US dollars; percentage shares in parentheses).

Central Asian Exports			Central Asian Imports		
<i>Destination</i>	2000	2010	<i>Origin</i>	2000	2010
EU	3.7 (23.8)	31.9 (37.7)	Russia	3.1 (27.2)	17.2 (27.3)
Russia	3.6 (23.3)	13.8 (16.4)	EU	2.2 (19.0)	11.1 (17.5)
China	0.7 (4.8)	12.4 (14.6)	China	0.3 (2.4)	6.8 (10.7)
Iran	0.5 (3.3)	4.0 (4.8)	USA	0.6 (5.1)	4.1 (6.6)
Turkey	0.4 (2.5)	2.7 (3.1)	Turkey	0.5 (4.6)	2.5 (4.0)
Switzerland	0.6 (4.1)	1.7 (2.0)	S. Korea	0.4 (3.8)	2.2 (3.5)
USA	0.2 (1.5)	1.1 (1.3)	Pakistan	0.2 (1.3)	1.9 (3.1)
Japan	0.1 (0.5)	0.6 (0.7)	Iran	0.2 (2.0)	1.8 (2.8)
S. Korea	0.1 (0.9)	0.4 (0.4)	Japan	0.3 (3.0)	0.9 (1.4)
India	0.1 (0.4)	0.3 (0.3)	India	0.1 (0.9)	0.8 (1.3)

Source: Mogilevskii (2012, 30-1), based on data from COMTRADE and national statistical offices.

Note: totals include Afghanistan as well as the five Central Asian countries.

The overall pattern of EU-Central Asia merchandise trade is that primary products from Central Asia (initially cotton, but in the 21st century mainly oil and minerals) are exchanged for European manufactured goods. The resource boom drove the increased value of trade in Table 1, and the end of the boom in 2014 dominated trade patterns in the 2010-20 decade (Table 2). The value of exports from the three largest Central Asian economies reached peaks in the early 2010s before collapsing to less than half of those peaks in 2020. Exports from the two smallest economies were also volatile but with less clear trend. EU exports to Central Asia have been less volatile, although the impact of Central Asia's 2014-16 post-boom recession is evident. Increased EU exports to Uzbekistan after 2016 reflect economic reforms and warmer international relations since the death of President Karimov.

Table 2: EU Exports to and Imports from Central Asia, 2011-20 (million euros)**(a) EU imports from Central Asia**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Kaz	19,177	20,789	20,260	19,272	13,323	10,458	13,973	16,142	14,534	9,770
KR	50	49	70	64	39	37	46	67	96	69
Taj	69	114	84	60	56	94	42	45	41	81
Tkm	361	542	468	602	279	509	174	200	175	156
Uzb	301	187	214	204	214	142	170	124	138	141

(b) EU exports to Central Asia

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Kaz	4,537	5,369	5,913	5,234	4,862	3,962	3,851	4,479	4,765
KR	299	348	317	327	210	188	231	234	276
Taj	125	135	170	186	140	152	150	144	140
Tkm	829	930	864	934	863	952	752	399	506
Uzb	1,051	905	1,046	1,262	1,291	1,349	1,414	1,949	2,118

Source: Eurostat.

EU trade with Central Asia is dominated by oil imports from Kazakhstan. The country composition of EU trade with Kazakhstan has changed substantially over the three decades since independence.⁶ In 1995, Germany was the most important destination for Kazakhstan's exports and most important source of Kazakhstan's imports. In 2019, Germany was the tenth largest EU destination for Kazakhstan's exports and second source of imports. After 1999, Italy dominated Kazakh exports to the EU, largely associated with the role of Eni as lead developer of the Kashagan oilfield; in the 2000s, Italy overtook France and the UK as a source of Kazakhstan's imports, but only caught up to Germany in 2019.

Kazakhstan's exports to the EU are dominated by oil and, to a much smaller degree, by raw and processed minerals, and are highly concentrated by member country. In 2019, the top six EU destinations (Italy, Netherlands, France, Spain, Romania, and Greece) accounted for \$21,675 million, or 88%, of Kazakhstan's exports to the EU, and almost two-fifths of Kazakhstan's total exports. Out of \$8,373 million total Kazakh exports to Italy in 2019, petroleum accounted for \$8,237 million, aluminium \$52 million, and iron and steel \$40 million. Petroleum accounted for \$4,252 million out of \$4,393 million dollars exports to the Netherlands, and for \$3,430 million out of \$3,650 million export to France. Germany's ranking as an export market has dropped because it does not import Kazakh oil, but Kazakh exports to German are still concentrated; three

⁶ The country-specific tables are available from the author on request.

commodities (iron and steel \$64m, phosphorous \$58m, and silver \$56m) accounted for almost three-fifths out of a total of \$299 million in 2019.

EU exports to Kazakhstan are less concentrated, but half of EU members provided 92% of Kazakh imports from the EU. Imports from Italy in 2019 were concentrated in electrical and non-electrical machinery and equipment, \$1,051 million out of the total \$1,579 million. Kazakhstan's imports from Germany were also concentrated in a few product groups: machinery and equipment, including vehicles, pharmaceuticals, and optical equipment. Although concentrated in a few product groups, in both the Italian and German cases, the goods are distributed across a range of sub-categories.

EU trade with Uzbekistan is much smaller in value than trade with Kazakhstan and more difficult to analyse. Under President Karimov some trade data, e.g. gold exports, were state secrets. Even in 2019, for almost half of Uzbekistan's exports, \$6,572 million out of \$14,930 million, the destination is not specified in the UN COMTRADE database. Of the remaining \$8,358 million exports, the EU is the destination for 2%, far behind Russia, China, Kazakhstan, or Turkey. The EU is the third largest supplier of imports to Uzbekistan, 16% of the total, behind China and Russia; Germany is the largest individual EU supplier, sixth behind China, Russia, Korea, Kazakhstan, and Turkey.

The three smallest Central Asian countries exhibit similar patterns, with exports dominated by primary products and imports of manufactured goods. In 2018, the main Kyrgyz-EU trade flow was gold sold in the UK, which is transitory insofar as the UK left the EU in January 2020 and because gold can be traded in many markets at the world price. Like Uzbekistan, Kyrgyz imports are dominated by Russia and China, with Turkey also more successful than EU suppliers. Trade data from Tajikistan and Turkmenistan are less reliable but patterns are similar. In 2019, natural gas and oil accounted for over 90% of Turkmenistan's exports; almost all the gas is exported to China. Turkmenistan's imports in 2019 were overwhelmingly manufactured goods supplied by Turkey (25%), Russia (18%), China (14%), UAE (9%), Germany (6%), Kazakhstan (4%), France (4%), and Netherlands (3%).

In sum, the EU is a major trade partner of Central Asia, although Central Asian trade is a small part of EU trade and much of the trade could be redirected. Bilateral trade is dominated by Kazakhstan, which sells raw materials, mainly oil, to the EU in return for manufactured goods and runs a trade surplus with the EU. The EU trades less with the other four countries, with whom the EU generally has a trade surplus; the common pattern is that the EU exports manufactured goods and imports primary products.

EU Development Assistance⁷

Development assistance was provided by the European Commission in the 1990s under the TACIS (Technical Assistance to the Commonwealth of Independent States) and the Transport Corridor Europe-Caucasus-Central Asia (TRACECA) programs. TACIS was launched in 1991 to provide grant-financed technical assistance to the twelve newly independent non-Baltic Soviet successor states. Some useful research projects, especially in agriculture and in rural development, were carried out under the TACIS umbrella, but their impact was minor. TRACECA was set up in 1993 to develop

⁷ This section draws on Chapter 10.5 of Pomfret (2019b).

an efficient and integrated transit transport system between Europe, the Caucasus, and Central Asia. Under TRACECA the EU has implemented sixty technical assistance and investment projects to the amount of over 121 million euros, covering issues such as training freight forwarders, contract supervision for highway rehabilitation, agreements on transport of dangerous goods, and maritime and civil aviation training. In addition, TRACECA has co-financed projects, e.g. providing the border crossing component of Asian Development Bank loans for upgrading the Bishkek-Almaty road, and identified areas for funding by multilateral institutions, e.g. the EBRD loaned \$65 million to Kazakhstan and \$40 million to Uzbekistan for railway rehabilitation after TRACECA projects had identified weaknesses in the region's rail system. Despite grand objectives, neither the TRACECA nor the TACIS schemes made a big impact in Central Asia.⁸

After the turn of the century, eastern enlargement of the EU in 2004 and Russia's cut-off of energy supplies to Ukraine in 2006 focused EU policymakers' attention on Central Asia, although in the energy area much wasted effort was expended on the Nabucco pipeline project (eventually abandoned in 2014). The TRACECA route appeared to be fundamentally flawed insofar as by avoiding Russia and Iran it had to involve a Caspian Sea crossing, and few traders liked the multimodal route. In practice, EU assistance to Central Asia became focused on the drugs trade, and the best-funded initiative of the European Commission was the BOMCA/CADAP program that started in 2003.

The program was initially driven by the drug component, CADAP (the Central Asian Drug Action Programme), intended to intercept narcotics being transported from Afghanistan through Central Asia to Western Europe. National responses to drug trafficking had included tighter border controls, and the EU's Border Management in Central Asia (BOMCA) Programme on upgrading border crossing points (e.g. by providing sniffer dogs, training for customs officials, and equipment) fitted with these responses. Stricter border controls had the negative side effect of deterring legal trade. In 2006-7, as part of revising the EU Central Asia Strategy, the BOMCA program was reviewed, and the emphasis shifted from border control to risk assessment and compliance facilitation.⁹ Financial support for the CADAP/BOMCA programs declined; EU spending on the two programs for 2016-18 was a mere €5 million. CADAP's 7th phase, 2021-4, has a budget of €7 million. Nevertheless, BOMCA remains the EU's largest funded program in Central Asia and a tenth phase began in October 2021.

Following adoption in 2007 of the EU's new strategy for Central Asia, development assistance increased. In 2007-13 EU development assistance to Central Asia amounted to roughly €750 million, one-third to regional programs and two-thirds to bilateral initiatives, and it was planned to increase to one billion euros for 2014-20 (Boonstra, 2015, p. 4). In addition to EU-funded projects, individual EU member countries provided development assistance to Central Asian countries; the leading bilateral donors included Germany, France, Sweden, Poland, and the United Kingdom. In total,

⁸ In the decade 1992 to 2002, the Commission disbursed €944 million to Central Asia. Much of this was humanitarian assistance, with TACIS assistance accounting for €366 million, a modest average of €7 million per country per year (Cornell and Starr, 2019, 28).

⁹ The May 2005 Andijan incident, when citizens were shot by Uzbek security forces, perhaps armed with equipment provided under the BOMCA program, led to a serious rupture between Uzbekistan and EU members, including the imposition of sanctions by the EU.

however, EU financial assistance was dwarfed by the \$40 billion pledged by China for the Belt and Road Initiative.

The Eurasian Landbridge

The most important development in improving physical connectivity between the EU and Central Asia has been the establishment of regular rail services along the Eurasian Landbridge. After trial runs in the 2000s, regular rail services were established in 2011 between western China and Europe, starting with Chengdu-Łódź and Chongqing-Duisburg.¹⁰ As rail services became more frequent and regular, freight forwarders responded by providing new services (e.g. part-container loads, refrigerated containers, multimodal connections) between a greater variety of China-EU city pairs. EU rail connections to China through Belarus, Russia and Kazakhstan have carried increasing amounts of freight. The Eurasian Rail Alliance reports growth from 46,000 containers in 2015 to 333,000 in 2019 (Table 3).

Table 3: Volume of Traffic on China-EU-China Container Trains, 2015-21

Year	Number of twenty-foot equivalent containers (TEUs)
2015	46,000
2016	104,500
2017	175,800
2018	280,500
2019	333,000
2020	547,000
2021	692,500

Source: Eurasian Rail Alliance at <https://utlc.com/en/> (accessed 10 March 2022)

The process has been essentially market-driven (Pomfret, 2019a) and based on pre-existing hard infrastructure.¹¹ Improved rail links with regular services connecting an increasing number of cities, broadened the range of customers willing to pay more than sea freight for faster, more reliable transport but unwilling to pay for air freight.¹² Price comparisons are difficult because rail freight rates depend on the precise route, added services and state subsidies (Bucsky, 2020).¹³ However, the time and price advantages

¹⁰ Between 2007 and 2010 individual car companies (VW and BMW) commissioned block trains to take components from Germany to assembly plant in northeast China via the Trans-Siberian railway. These initiatives showed that rail was technically feasible, but trains did not run to a schedule and were not available to other customers.

¹¹ The national rail companies are state-owned but, led by Deutsche Bahn, they responded to profitable opportunities. The existing main lines did not require much physical infrastructure improvement; better change of gauge facilities reduced journey times but did not require large investment.

¹² Variability of time may be even more important than average time (Ansón et al. 2020). This is especially true for trade along global value chains, which rely on just-in-time delivery and for which inventories are anathema. Sea freight between China and Europe can be delayed by weather, piracy, or queues to use the Suez Canal.

¹³ The subsidies are mainly offered by Chinese provincial or local governments to encourage development of services from their cities. The central government imposed a cap of 30% on subsidies in 2020 and the subsidies are eventually to be discontinued (Pepe, 2020, 20). Without subsidies, the number of routes will fall as Chinese

of rail over sea were improving during the 2010s as rail travel times were shaved and as shipping companies adopted slow-steaming to economise on fuel and reduce pollution. Electric trains along well-maintained track are a more environmentally friendly mode of international transport than ships or planes.¹⁴

The EU Commission's interest in Eurasian rail connectivity can be traced back to the 2007-12 RETRACK project, which aimed to induce a modal shift of freight traffic to rail. RETRACK's focus was on developing a high-quality commercially sustainable rail freight corridor from the North Sea to the Black Sea (Rotterdam-Constanza), but it also considered prospects for establishing "Eurasian land-bridges" to China. The EU Commission engaged in how to relate the EU-China service to the Trans-European Transport Network (TEN-T) as a top priority in 2020 (Walton, 2019).¹⁵ The TEN-T dates from July 1996, but extension to eastern Europe was slow and, despite statements of intent to look east in 2011, only in 2017 were Eastern Partnership states included. Connectivity via Russia to China has always had a strategic dimension and EU Commission policy is within the framework of the European Union's 2016 Global Strategy. The Joint Communication on Connecting Europe and Asia, issued by the European Commission (2018), recognised the significance of looking east and included specific proposals.

The Eurasian Landbridge matters because the situation in Eurasia has been changing rapidly since 2011. China's relations with Eastern Europe shifted from the divisive 17+1 approach toward a more cooperative relationship between China and Europe that emerged from the Eurasian rail Landbridge (Pomfret, 2021a). China includes the Landbridge in its Belt and Road Initiative (BRI), although the Landbridge preceded the BRI by several years and has largely expanded through decentralised initiatives by individual Chinese and European cities and companies. The EU-China Connectivity Platform was established in 2015 to explore opportunities for cooperation in transport with a view to enhance synergies between the EU's approach to connectivity, including the TEN-T, and China's BRI. Expert groups under the aegis of the Connectivity Platform have continued to meet through the ups and downs of diplomatic relations.¹⁶ The European Commission (2019) reaffirmed that its 2016 strategy remains the cornerstone of engagement, while acknowledging that China is, simultaneously, a cooperation partner, a negotiating partner, an economic competitor and a systemic rival promoting alternative models of governance, which requires a flexible and pragmatic whole-of-EU approach enabling a principled defence of interests and values. In sum, there are benefits to the EU in cooperating with China on trade and investment and in negotiating on matters of common interest such as the multilateral trading

termini are concentrated in fewer hubs, but it is impossible to quantify the impact of terminating non-transparent subsidies.

¹⁴ Air freighting a 12,000-kilogram load from Chengdu to inland Western Europe produces about 54 tonnes of carbon dioxide, shipping by maritime and rail routes produces 3.3 tonnes, and rail-freighting across the Landbridge produces 2.8 tonnes (EUCCC, 2020, 17).

¹⁵ Private sector operators in the EU organise an annual Silk Road Summit. Hundreds of logistics service providers attended the 3rd summit in November 2019 in Venlo, Netherlands. The November 2020 event was online, and December 2021 live in Amsterdam. See <https://www.silkroadsummit.eu>.

¹⁶ Eurasian connectivity has also become a major theme of the biennial Asia-Europe Meeting (ASEM) Summits, attended by fifty-one partner countries (the EU27 plus Norway, Switzerland and the United Kingdom and the ASEAN 10 plus Australia, Bangladesh, China, India, Japan, Kazakhstan, Korea, Mongolia, New Zealand, Pakistan, and Russia) and two organisations (the EU and ASEAN). The 2020 ASEM summit was postponed until 2021 due to COVID-19; preparatory work included the first scientific conference on Asia-Europe sustainable connectivity, AESCON, in September 2020 (<https://www.aecon.org>).

system and climate change, while acknowledging the existence of fundamental political differences.

The emergence of overland transport routes between China and the EU is contributing to the economic integration of Eurasia. The significance of these new routes is apparent from their resilience in the face of strained EU-Russia relations after 2014. The COVID 19 shock accentuated the shift to rail. As maritime links were disrupted by quarantined and otherwise misplaced ships, train companies continued to provide reliable service; Landbridge freight in 2021 was more than double the 2019 level (Table 3). After the pandemic, some customers may return to using cheaper maritime transport, but others will appreciate the regularity and other benefits of rail transport.

The rail Landbridge appears to be sustainable and likely to flourish, despite uncertainties that include cessation of Chinese subsidies and in 2022 the Russian invasion of Ukraine. Aware of potential disruption or other consequences of dependence on routes north of the Caspian, which must pass through Russia, users have been exploring alternative routes.¹⁷

China has been keen to establish rail links to Iran. One week after UN sanctions on Iran were lifted in January 2016, President Xi visited Tehran and the first train from Yiwu to Tehran departed on 28 January.¹⁸ China is also exploring rail links to the Black Sea or through Istanbul, which would serve southwestern Europe. A rail link between Kashi (Kashgar), since 2001 the most western point on China's rail network, and Andijon via the Kyrgyz Republic (Pomfret, 2020, pp. 79-83) would complete a continuous line from China via Uzbekistan, Turkmenistan, Iran, and Turkey to Europe.¹⁹ The Marmaray rail tunnel under the Bosphorus that opened in 2013 added an important piece to the southern route to Europe as transfer to a ferry across the Bosphorus may no longer be required.

Traffic along the old TRACECA multimodal route via Baku, now referred to as the Middle Corridor, has started to increase (Azhgaliyeva & Kalyuzhnova, 2021). Although a revival of the TRACECA project, the EU has not participated directly, but has been a facilitator on the western side by extending TEN-T networks to include Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine, with a view to connecting the TEN-T with networks in Asia. Completion of two projects has improved the Middle Corridor. The Baku-Tbilisi-Kars railway line, completed in 2017, links the Caspian port of Baku to Turkey's rail network. The 988km Trans-Kazakhstan railway between Zhezkazgan and Beyneu, completed in 2014, reduces east-west travel times between China and the port of Aktau.²⁰ China has initiated several services along the Middle

¹⁷ There is a strong economic motive for establishing multiple routes between China and Europe. Dependence on a single route could allow a transit state to hold up traffic, extorting bigger transit fees until the returns to service providers are driven below the breakeven point. With multiple transit countries along the route, each may try to extract more rents and, absent effective cooperation, the outcome will be a tragedy of the anti-commons, which arises when too many people can access the rents and excessive rent-seeking eliminates an otherwise profitable business.

¹⁸ Other routes were established between Yinchuan and Tehran (with two trains per month running to a schedule by the end of 2017) and from Bayannur in Inner Mongolia to Tehran.

¹⁹ This southern route is actively supported by Uzbekistan, which is no longer seen as a transit-unfriendly bottleneck since the election of President Mirziyoyev in December 2016.

²⁰ Kazakhstan signed the Trans-Caspian International Transport Route (TITR) Protocol with Azerbaijan and Georgia in April 2017. The TITR's current advantage over the Southern Corridor is due to the poor state of the railway from Tehran to eastern Turkey, which includes a ferry crossing of Lake Van.

Corridor.²¹ However, despite major improvements in the rail segments during the 2010s and less dramatic improvements in the Caspian Sea crossing, the Black Sea crossing from Georgia to EU members Bulgaria and Romania is unpopular among logistics providers.²²

The position of the Central Asian countries is unclear. Currently Kazakhstan is the main transit country.²³ Uzbekistan would like to assume a similar role in a southern route to the Middle East and Europe, which will be more attractive if the Kashi-Andijon link is built. As the Central Asian countries pursue economic diversification, they will want to utilise the infrastructure rather than just collecting transit fees. Whether that happens will depend on individual countries' economic reforms to ease the costs of doing business and to provide good soft infrastructure to complement the improved hard infrastructure. If it does happen, it will impact the relationship between the EU and countries to its east.

Increasing focus on Central Asia

The decade 2010-20 saw many changes. Establishment of EU-China rail links through Kazakhstan improved Eurasian connectivity, although most of the traffic transited Central Asia rather than facilitating Central Asian exports or imports. External relations were subject to Great Power politics, as the EU and the USA imposed sanctions on Russia after the 2014 annexation of the Crimean Peninsula, and as China pursued its Belt and Road Initiative. Meanwhile, Iran began reintegrating into the global community after UN sanctions were eased in 2016, and Turkey's relations with both the EU and Russia became volatile in 2016 and 2017. Amidst all of this, the Central Asian governments tried to pursue multi-vector diplomacy.

The political situation was changed by arrival of new presidents in Uzbekistan in 2016 and Kazakhstan in 2019. In October 2018, the EU-Asia Connectivity Strategy was launched with the aim of exporting to Asia the EU's framework for connectivity, which gives emphasis to sustainability, as well as respect for the international rule-based system, and intends to create a stronger cross-border network to facilitate exchanges and partnerships (Cornell & Starr, 2019). In November 2018, the EU and Uzbekistan formally started negotiations on an EPCA, reflecting President Mirziyoyev's priority of kickstarting Uzbekistan's economy and attracting foreign investment. In July 2019, an agreement for an EPCA between the EU and the Kyrgyz Republic was initialled.

Conclusions

Despite being Central Asia's largest trade partner, the EU's net economic impact in Central Asia has been small. Some EU companies have had a high profile in individual countries or in energy projects, but overall EU economic presence in Central Asia

²¹ In November and December 2018 services were launched between Venlo (Netherlands) and Xian and from Lianyungang to Istanbul, both of which used the Middle Corridor and the Baku-Kars railway. In October 2019, a 42-container train from Xian crossed the Caspian Sea to Baku and then ran via the Marmaray Tunnel to Prague.

²² Boat services from Georgian ports to Ukraine, Romania or Bulgaria are slow with outdated equipment. The attraction of entering the EU via Bulgaria or Romania is offset by the poor state of railway track in both countries and by the need to transit Serbia en route to other EU countries, which requires customs checks.

²³ According to an Asian Development Bank source, Kazakhstan earned over one billion US dollars in transit fees in 2015 (Pomfret, 2019b, 267).

lagged the higher profile of Russian and the increasing Chinese economic presence. Even after creation of the External Action Service in 2007, the EU lacked a coherent economic policy towards Central Asia and, in practice, economic relations have been bilateral, focussed on Kazakhstan, rather than regional.

A potential game-changer in the 2010s was the rapid growth of physical connectivity along the rail Landbridge. Currently, the traffic transits Central Asia, bringing in substantial transit fees, but a potentially greater contribution could be reduction of transport costs from Central Asia. The Central Asian countries' economies have largely stalled since the end of the resource boom in 2014 and were struck in 2019 by the COVID pandemic. The need for export diversification away from the narrow resource base is clear, but success will require economic reform to reduce the costs of doing international trade and the obstacles to doing business. The change of leadership in the two largest countries could signal an opportunity to pursue necessary economic reforms, although incumbent elites may be obstructive.²⁴

The EU could play an active role in encouraging reform and facilitating trade. In July 2021, Terhi Hakala began her term as EU Special Representative for Central Asia, coinciding with inception meetings for the tenth phase of the BOMCA program which was due to start in October 2021.²⁵ In November 2021, the First EU-Central Asia Economic Forum was held in Bishkek. However, there remain other priorities for the EU and an ongoing challenge of supporting economic and political reform while maintaining caution in the face of regimes whose behaviour is often contrary to EU principles.

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²⁴ The January 2022 demonstrations in Kazakhstan highlighted both inter-elite tensions and popular opposition to elite behaviour.

²⁵ Unlike EU ambassadors, who are responsible for relations with a single country, Special Representatives tackle specific issues, conflict areas or regions of countries; they answer directly to the EU High Representative for Foreign Affairs and Security Policy. Previous holders of the position were Ján Kubiš (2005-6), Pierre Morel (2006-12), Patricia Flor (2012-14), and Peter Burian (2014-21).

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