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The European Union New Landscape: Impetus for Sustainable Economic Growth in Central Asia

Abstract

This article explores the problems of the EU in the challenging times for the world economy, Brexit, EU solidarity towards external policies and, in relation to countries in Central Asia. We examine the EU regional approach from two perspectives: the socio-economic situation as an integral component of the overall transformation process in Central Asia, and from the perspective of political economy of the regional cooperation perspectives of this region's countries with the EU. This methodological approach serves as a tool of integrating several main goals related to the EU's soft power that require the development and support of civil society and promotion of European values in Central Asia. This contribution aims to offer insight into the implementation of the EU external policies approach towards countries in Central Asia, taking into consideration implications of the new political and economic realities in the EU. Also, further economic development in the region of Central Asia as a precondition for the prosperity and security of countries in the region is discussed. The article concludes that the EU external policies have inevitably become more important due to the new economic and political powers emerging in Asia.

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Introduction

Presently EU Integration happens in a different environment in which geopolitical rivalry is inevitable. The so-called liberal international economic order, which was developed in the aftermath of World War II, has become compromised as a result of nationalist economic policies pursued by China, India and the United States during the presidency of Donald Trump. In contrast, the European Union (EU) continues to support and actively work to maintain an open, rules-based global economic regime. Europe's challenge now is to position itself in a new landscape where power matters more than rules and consumer welfare. European economy and European integration are experiencing difficult times and seem to be moving from one emergency to the next. In the past similar downturns resulted in a period, which in the European integration history is called "eurosclerosis", when protectionist tendencies dominated, and integration was halted. There is a danger that the same tendency may be repeated, and one should do everything to prevent this from happening. Existing consequences of a number of social and economic uncertainties represent major threats for further development of the EU. It is widely acknowledged that economic integration in the EU has helped to successfully converge EU countries and their economies.

According to experts most of the inequalities across EU countries are now accounted for by differences within rather than between countries (Bachtler et.al 2017; Filauro 2018). These differences cannot be addressed by compensatory policies relying on income transfers. Place-based strategies are required to reduce differences between regions within the Member States (Baltiņa, Muravska, RSA 2017). However, for developing new strategies it is essential to consider lessons from the past and to set up realistic goals. According to experts, such EU strategies as Lisbon, Gothenburg and Europe 2020 – have been moderately successful and produced limited results in relation to the problems they were to address. It is necessary to admit that often EU strategies have been over-ambitious and not relevant when considering the financial, human and administrative resources available. Moreover, current discussions related

to Brexit bring even more uncertainties to people's understanding and interpretation of EU Common Market values. Especially values such as the free movement of labour, which resulted in migration of people, be they workers, high level professionals or students, to the UK. As a result, people that work and live in the UK are not certain about their future. This concern is also relevant to the Member States (MS) in Eastern Europe. The free movement of people and labour is a very sensitive issue that is currently under discussion within the framework of the UK membership in the Customs Union and Common market. However, with globalization this internal integrating approach to the Single Market is losing its relevance and consequently the EU's external policy acquired new importance and dimensions, which need to be taken into account in consolidating the fragmented character of the governance of EU's external policy, including its economic aspects.

However, most experts agree that Brexit would impose significant costs on the UK as well as on the economies of the EU-27 (European Parliament 2017), with their economic strength and competitiveness varying from sector to sector; integrated production chains will also face difficulties. Restricting the free flow of capital between the continent and UK would impact London-based financial institutions, but also financing opportunities across Europe.

The future of Eurozone is the other major challenge related to Brexit, for instance, the overall shift in the balance between the Eurozone centre and the non-euro periphery of the EU; the UK departure will result in the percentage of the EU's GDP generated outside the Eurozone reducing from approximately 30 per cent to 10 per cent, according to experts' opinion (European Parliament 2016).

In the long-term, Brexit would change the EU's balance of power and, what we could not dismiss, strengthen its protectionist tendencies. However, the withdrawal of Europe's second-largest economy from the EU will strengthen French–Germany position in the EU. Nevertheless, Brexit is likely to weaken the EU's ability to become a leading global actor in the context of the growing dominance of Asian economies. Almost 20 years earlier, the EU was primarily seen as a regional integrational entity among a relatively small number of participating countries tearing down the walls that separated them and prevented their economic and political integration, the EU's external policy being essentially a sub-product of this internal consolidation (Sapir 2011:vii). The recent changes in the world's geopolitical order have put pressure on the EU to redefine its global position; the EU now has to be ready to defend its interests and be proactive.

Sustainable development has always been at the centre of EU policies; founding treaties address economic, social and environmental dimensions. The EU widely

supported international efforts to find a consensus on a new agenda and in 2015 the United Nations agreed on the 2030 Agenda for Sustainable Development as a new global sustainable development framework, with 17 sustainable development goals (SDG). Ensuring a coherent policy on sustainable development as embedded in the 2030 Agenda means considering the impact of all policies on sustainable development at all levels – nationally, within the EU, in other countries and at global level (United Nations 2015). The EU is fully committed to be a frontrunner in implementing the 2030 Agenda and the SDG, together with its Member States (MS), in line with the principle of subsidiarity. The Agenda will catalyse further a joined-up approach that combines the EU's external actions instruments and coherence across EU flagship initiatives, innovative and financing instruments (The European Commission 2016). The Commission is going to align its new 2021–2027 financial framework with the priorities of the SDG such as “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” (United Nations 2017) to guarantee growth in the EU and its MS, and to assist partner countries in maintaining their economic development. More concretely the following targets must be achieved:

- 1) sustain *per capita* economic growth in accordance with national circumstances;
- 2) achieve higher levels of economic productivity through diversification, technological upgrades and innovation;
- 3) promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation;
- 4) progressively improve global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation;
- 5) achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value;
- 6) substantially reduce the proportion of youth not in employment, education or training;
- 7) take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour;
- 8) protect labour rights and promote safe and secure working environments for all workers;
- 9) devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products;

- 10) strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all;
- 11) increase Aid for Trade support for developing countries, in particular the least developed countries, including through the Enhanced Integrated Framework for Trade – Related Technical Assistance to Least Developed Countries;
- 12) develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization¹.

In the article we looked at a few of these indicators by which sustainable economic growth can be measured and characterized, like development of business environment, digital economy and digital innovations, research and education.

In the 21st century societies with different and complex cultural identities and beliefs are forced to closely interact. In the EU Member States, just as in any country in Central Asia (CA), discussion is taking place on what will be the political as well as methodological response to the challenges in the EU external relations and changing EU concept towards policy related to countries in Central Asia?

The European Union's Soft Power: Legacy of Cooperation Between European Union and Central Asia

The EU's relationship with its partners is based on soft power principles, which cover the overall sphere of EU and partner countries interests. The EU aims to promote democratic values and support its neighbours in implementing, for example, the rule of law and adapting European high-quality standards for trade. The implementation of far-reaching reforms in the partner countries is undoubtedly a positive development. In addition, greater freedom of movement would go a long way towards empowering young people in the countries as well as encouraging exchange with their peers in the EU. Central Asia is a geo-strategically positioned region with high importance for the EU's interests, it offers abundant natural resources contributing to EU's energy security.

¹ The targets have been later agreed in the following documents: A/RES/71/313 including refinements agreed by the Statistical Commission at its 49th session in March 2018 (E/CN.3/2018/2, Annex II) and at its 50th session in March 2019 (E/CN.3/2019/2, Annex II).

In the future Central Asia will play a central role, as part of a new “Silk Road”, connecting the economies of East Asia with the West. The EU wants to shape a more sustainable strategic partnership with the region, but also with each of the Central Asian countries individually. At the same time, several challenges in Central Asia linked with issues such as democratisation, human rights and the rule of law, as well as socio-economic development still remain.

As result of a structural crisis in the socialist system and following the disintegration of the Soviet Union in 1991 the countries of Central Asia Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan became independent states and constitute the region of Central Asia. Since 1992, the EU has opened towards Central Asia in a strategic process that resulted in a structured bi- and - multilateral approach. Closer cooperation between the EU and Central Asian European partners is one of the components of the EU’s external relations.

In June 2007, the European Union adopted its ever first strategy for Central Asia by enhancing its partnership with Central Asian countries and facilitating regional cooperation in the region. The strategy was called “The EU and Central Asia: Strategy for Enhanced partnership” (The Council of the European Union 2007) and established a comprehensive framework for strengthening EU relations with Central Asian countries. By adopting Strategy, the EU and Central Asian countries defined common strategic goals such as prosperity, stability and security by means of peaceful interaction, development of stable, open society and adhering to international EU norms and values. It was agreed that political dialogue and bilateral cooperation should be strengthened by establishing regular exchanges at ministerial level, gradually expanding EU’s presence in Central Asia. Political instruments, such as Partnership and Cooperation Agreements (PCA) and EU’s assistance programmes should be adapted to be aligned with the new political documents. Collaboration and interaction with international financial institutions, international organisations and regional organisations should be strengthened. The Strategy looked at ways how to intensify bilateral cooperation in order to respond to the needs and proposals of each Central Asian country. It was agreed that a number of flagship cooperation platforms will be launched, such as the EU Rule of Law initiative for Central Asia, European – Central Asian Education Initiative, enhanced environment and water cooperation and EU Central Asian Action Plan on Drugs. It was built on seven pillars: 1) human rights, good governance, rule of law, 2) investing in youth and education, 3) promoting of economic development, trade and investment, 4) strengthening regional energy and transport links, 5) environmental

sustainability and water resources, 6) combating common threats and challenges, 7) building bridges and inter-cultural dialogue.

In 2009, the first Joint Progress Report by the Council and the European Commission to the European Council on the implementation of the EU – Central Asia Strategy was published (The Council of the European Union 2009). The Progress Report took stock of the progress achieved since the adoption of the Strategy back in 2007. It was underscored that the EU should continue its support of WTO accession for the four states in Central Asia which were not yet WTO members. Regarding economic development, another success story in the implementation of the Strategy was the expansion of the mandate of the European Investment Bank to Central Asia and the establishment of the Investment Facility for Central Asia (IFCA). The IFCA was created to blend investment loans from EIB and other European financial institutions in order to support projects in Central Asia. The core of the IFCA objective in providing EU's funding is to support sustainable development, economic growth and poverty reduction in the region. One of the main prerequisites in this regard is the provision of access to economic opportunity through the creation of decent jobs (The European Commission 2019b).

European Union institutions support EU partnership across Central Asia, for example the European Investment Bank (EIB) provides loans and advisory services to projects that contribute to economic development in Central Asia. Bank's activities in the region aim to create employment, facilitate trade with the EU, to encourage regional development and to improve living conditions. A next review of the Strategy 2007, was completed in 2012, and the Council agreed that all priority areas of remain important: human rights, rule of law, good governance and democratization; youth and education; economic development, trade and investment; energy and transport; environmental sustainability and water; combating common threats and challenges (The Council of the European Union 2012). The strategy encouraged Kazakhstan to make the necessary final steps for swift WTO accession, supporting Tajikistan in their efforts to achieve accession and work with Uzbekistan and Turkmenistan to advance their accession negotiations and applications; promoting economic diversification, inclusive growth and sustainable regional development policies addressing poverty reduction, business services and SME development; stepping up co-operation to strengthen our economic relations (The Council of the European Union 2012).

In 2015, the EU MS agreed that the main objectives and priority areas of the 2007 EU Strategy for Central Asia remain pertinent (The Council of the European Union 2015). However, in view of the growing differentiation in the region the European

External Action Service and the Commission was invited to come forward with proposals for effective implementation of the Strategy in accordance with the need for a renewed partnership with the region (The Council of the European Union 2015).

In spite of this, the process of ‘Europeanisation’ in terms of EU values 1) domestic reforms, 2) new momentum in regional cooperation, 3) international efforts to promote Euro–Asian connectivity (The Council of the European Union 2019) applying EU standards, norms and regulations is very slow in Central Asia, as the region has not been subject to neighbourhood policies and accession procedures. Therefore, the perception of Central Asia requiring liberalisation without Europeanisation was in the forefront of the EU’s strategy of 2007. In the last several years, the EU–CA process has produced somewhat mixed results and has been a disappointment in some cases. Structural policy weaknesses and different socio-economic realities in the CA countries notwithstanding, the major challenge to the successful implementation of the EU–CA approach comes from the Russian and Chinese external policies and is related to their geopolitical role in the shared neighbourhood with the European Union. Although the main objectives and priority areas of the 2007 EU Strategy for Central Asia remain pertinent until today, as this is referred in the 2015 Review, there are many opinions, including the European Parliament, stressing, that “the EU’s strategic approach adopted to date to shaping relations with Central Asian countries has demonstrated only limited viability and success” (European Parliament 2016). It was outlined, then an extensive and detailed strategy that would ideally be accompanied by an action plan and measurable benchmarks” is needed (European Parliament 2016). Furthermore, Central Asia retains the commitment of the European Union’s decision making for “the establishment of a strong, durable and stable relationship with the five Central Asian countries” (The Council of the European Union 2015).

A key vision for such Sustainable EU–CA Strategic Partnership includes an enhances regional CA cooperation that would improve the economic and security situation in the region and the need to ensure synergies, coherence and consistence between measures taken by the EU and international organisations as well as between the various EU external financing instruments deployed in the region.

European Union – Central Asia Interactions

Outlook: Development of Business Environment

For Central Asian countries, the EU remains an attractive trading partner. However, economic cooperation with Russia and China, as well as integration in regional organizations, such as the Eurasian Economic Union (EEU), the Customs Union, the Collective Security Treaty Organisation (CSTO) or the Shanghai Cooperation Organization (SCO) is still attractive for CA counties. Moreover, new technologies allow global communication and societies to grow together and improve existing socio-economic conditions for economic and business development. However, economic growth in CA accelerated slightly to from 4.7 per cent in 2017 to 4.8 per cent in 2018 contingent on continued supportive external conditions, advancement in regional integration and only moderated political uncertainty. The CA regions forecast to grow by 4.4 per cent in 2019 and 4.2 per cent in 2020 reflect a need for fiscal consolidation in the region, slower growth in the extractive sector and higher inflation limiting growth in real incomes and private consumption (EBRD 2019a).

Central Asia has exceptionally low levels of intra-regional commerce and very significant obstacles to trade. Tariff and non-tariff barriers ensure that Central Asia is less integrated than any other world region (Russell 2019). Although EU trade with CA has grown over the years, the total turnover of the EU's trade with Central Asia remains low, 16% for 2007 to 2017, far behind the 39% increase achieved by EU trade with the rest of the world during the same period. Kyrgyzstan was the best performer (+84%), but this increase was largely driven by a possibly temporary, surge in Kyrgyz gold exports to Europe. By contrast, trade with Tajikistan and Uzbekistan declined. Despite this poor performance, the EU remains Central Asia's biggest economic partner (30% of the region's total trade; direct investments worth EUR 62 billion) (European Union 2018). In addition, High Representative/Vice-President Borrell stressed the need for progress in these areas, to benefit from the Generalised Scheme of Preferences Plus (GSP+) – the EU's unilateral special incentive trade arrangement (The European Commission 2019a). These obstacles and the poor regional economic performance resulted in Central Asia's low inter-connectedness and the emergence of new economies, mobilities and integrated spaces which connect Central Asia to Europe. Also, the four objects of the trading economy – goods, service, capital

and people – exhibit a crosscutting issue of regional economic integration and/or cooperation. Promoting regional integration is the key EU foreign policy objective in the Central Asian region. The disintegration of the Soviet economy and the failure to achieve economic integration within the Central Asian region are the dominant themes of the last 30 years since gaining independence. Following the regaining of independence, a nation rebuilding process has started; institutions which allowed the nation to function were established. This involved new major political and economic transformation that had to ensure transition to democracy, the rule of law, functioning market economy and integration of these countries in international political and economic environment (EBRD 2019b).

Institutional changes in transition from a central-planned to a market economy were based on introduction of a liberal economic policy, followed the recommendations of the international financial institutions. Institutional reforms, privatization and restructuring of large enterprises in all branches of national economy, radical fiscal reform, supported by the reform of tax policy and tax administration as well as the reform of the budgetary process, have been carried out according to a “policy package” suggested by the “Washington institutions” policy (Blejer, Skreb 2002). The Central Asian countries have become very open to outside influences and governments of these countries started to invest in nation-building processes that are often separate and often mutually exclusive. So, while nation-building processes are internal matters, outside influences represent the impact of international actors.

According to the international institutions, reforms remain limited in all CA countries (ERBD 2019b), in the financial sector, banking, insurance, and capital markets, which are critical areas for investment inflows. Reforms are still needed to improve infrastructure of roads, railways and urban transport. In order to enhance long-term competitiveness, the countries need to accelerate reforms of their juridical systems and of their civil service. Other areas of reforms are corruption; support SMEs, increased spending on health care, research and education, improvements in labour skills; jobs in these countries are mainly in low-productivity occupations. These constraints are compounded by deficiencies in the higher education system, which further worsen skill mismatches. Moreover, lack of flexibility in labour market regulations, which makes it difficult for firms to hire workers, and the slow pace of workers’ relocation are all problematic. Major European and Western companies have been engaged, with limited success, in the extraction of commodities. China, however, has rapidly risen to be Central Asia’s main trading partner. New infrastructure in the form of pipelines, mainly to China, electricity networks to South Asia and communications infrastructure, including China’s “One Belt One Road” initiative,

reflect these shifts and have been a focus for policymakers (Eurasian Development Bank 2018). The SCO and its investment bank stand behind these regional integration initiatives. Russia, by contrast, has gradually lost its modern place as the main destination for Central Asian goods and commodities. Via geopolitical concessions to the Central Asian states it has sought to institutionalise its status as the main destination for their labour migrants in the emergence of the Eurasian Economic Union, out of a variety of previous cooperation projects of the 1990s and 2000s (Euroasian Development Bank 2008). Massive labour migration takes place within the post-Soviet space with Russia and increasingly Kazakhstan hosting huge numbers of migrants from Kyrgyzstan and Tajikistan – two of the three most remittance-dependent economies in the world (Euroasian Development Bank 2019). These developments suggest that a *new* ‘*regionalisation*’ is emerging, which is largely a top-down and competitive struggle between planned, political processes of creation of regions from the top (Bachtler *et al* 2019). These new regional formations are not necessarily in line with global standards advocated by the EU but often challenge the process of regionalization. Regional cooperation is considered an important instrument for promoting economic growth (Eurasian Development Bank 2019). Likewise, an increased specialisation in CA countries could generate more trade, which can provide opportunities for small and poor economies. However, as discussed above, most CA countries do not have the required number of skilled workers, local financial capacity, or ability to sustain clusters of suppliers and complementary services. In addition, economic cooperation among countries with shared borders facilitates the creation of larger markets to increase efficiencies and economies of scale by reducing barriers to trade, capital and labour mobility.

Lack of regional cooperation is a constraint for the development of growth-facilitating infrastructures. Cross-border cooperation facilitates the development of regional infrastructure networks supporting trade and permitting the efficient management of cross-border spillover.

Increased regional economic cooperation should also allow, for example, CA countries to support growth through enhanced energy and water security and possibly to enable progress on long-standing conflicts and tensions. However, while the countries of the region have made progress in integrating with the rest of the world, intra-regional trade has yet to expand. Globalisation, however, is evident in Central Asia and is represented by the movement of capital and services. In terms of finance and services, Central Asia is becoming increasingly denationalised and globalised. Central Asian countries have set up majority-owned state companies in the EU and overseas territories, such as Tajikistan’s aluminium company in the

British Virgin Islands (CIS Arbitration Forum 2018). In services – legal, financial, real estate, education, the EU plays a major role for Central Asia. For example, Courts in Sweden, UK and France provide extraterritorial jurisdictions for the arbitration of disputes. Real Estate agents in the EU countries do a great deal of business with Central Asia elites wishing to invest, or launder, their capital in the West, which enable deep and growing interconnections between the EU and CA. In turn, they raise business opportunities and influence development of business environment. Nevertheless, a great deal of attention by the EU and international organisations experts has been devoted to corruption, capital out-flows and money laundering on a global scale (ERBD 2019). Anti-money laundering regulations are weak or not properly enforced. Currently EU relations relating to Central Asia are different than they were in 2007, and it was one of the main reasons why the EU and its Member States made a decision to have a fresh look at its relations with its Central Asian partners. The above considerations explained that the EU's Strategy for Central Asia was revised and updated in June 2019 by harmonising the EU policy with new challenges and opportunities in the Central Asian region. The new strategy aims at promoting welfare prosperity, and regional cooperation in Central Asia. The Strategy underscores the role of economic development, the conclusion and implementation of Enhanced Partnership and Cooperation Agreements, which include comprehensive provisions on trade, and the effective use of other existing trade instruments, such as the Generalised System of Preferences. These measures should increase trade and investment flows between the EU and Central Asian countries (CEPS 2019). The promotion of an open, sound, secure and attractive climate for business and investment in Central Asia, particularly through business-to-business dialogue, is important. The new Strategy similarly stresses the importance of developing services further and of modernising infrastructures (The Council of the European Union 2019).

Today, achieving inclusive and sustainable growth remains one of the main challenges for Central Asia. The national reform agendas of Central Asian government should better support policies that improve the business environment and transparency, guarantee equal access to public services; enhance governance and institutional quality. Despite the progress achieved, further reforms are needed to support modernization of public infrastructure networks, notably in energy sector, in order to reinvigorate trade and private investment which would contribute to the diversification of sources of growth. Importance of open markets to foreign investments, good business and investment climate, as well as transparency,

predictability and proportionality in economic policies, to diversify the economy and increase foreign direct investments and competitiveness cannot be overstated. In this regard the EU should send an encouraging message to all countries in the region by inviting them to work closer to facilitate political contacts and create economic and trade links in the region and with neighbouring countries. Sustainable and inclusive growth remains a challenge for most of Central Asian countries.

Digital Economy and Digital Innovation

The trend of digitalisation is transforming both manufacturing and service industries. Societies in the EU and outside of it, at the same time, face tremendous opportunities and challenges. On the positive side, Europe's tech sector is booming. Many parts of the EU lead the world in e-government and in using digital technology to update public services. Even traditional European industries, from cars to coal, are increasing their digital investment. On the negative side, there are high regulatory hurdles when scaling up to reach global markets. Far too few funds are pouring into high-speed web markets. European content industries are suffering and need to find a substantial way of recreating their business models. European policy makers must avoid imposing too many regulations causing fragmentation in the digital sector. More broadly, the EU should emphasise the role of openness and collaboration by providing open access to the results of publicly funded research, promoting open science, engaging more transparently with citizens and endorsing open innovation models to tackle societal challenge and achieve its long-term goals. Although the EC promised to create a Single Digital Market as one of the Commission's priorities, estimating that it could boost the EU's economy by EUR 415 billion annually (The European Commission 2019).

The 2019 EU Strategy towards CA countries will provide political guidance for programming new assistance initiatives for Central Asia, thus complementing EU's political messaging with practical support. One of the new Strategy's novelty is cooperation in the digital economy, with a focus on promoting access to affordable, open and secure broadband connectivity and to digital infrastructure, including adopting the necessary regulatory reforms; supporting the development and maintenance of high capacity research and education networks; promoting digital literacy and skills; fostering digital entrepreneurship and job creation; and developing

areas such as e-Government and e-Education. Additionally, it ought to provide applications for energy and telecommunication networks (The European Commission 2019a). The development of Central Asian economies in the era of digitalisation is an opportunity for economic growth to accelerate transparency. In its relations with Asian countries, the EU promotes a peaceful, secure and open ICT environment, while addressing cybersecurity threats and protecting human rights and freedoms online, including personal data protection. The Commission has proposed to promote digital connectivity with Asian and other countries through the Connecting Europe Facility for the period of 2021–2027 (The European Commission 2019b).

A coherent regulatory approach is needed to support private and public investment in the ‘digital’ infrastructure as well as policies and incentives to bridge the digital divide, particularly in inaccessible regions. One of the means to solve the above problems is the plan by the EU to test the Digital40Development strategy in Asia (Joint Communication 2018) to promote digital technologies to facilitate socio-economic development.

Then again, an important issue is the need to promote regulatory systems and optimal conditions in relations to the Digital Single Market and business environment. Notwithstanding certain achievements, further regulations are required for the labour market, social dialogue and social investment relevant to digital platform economy. Further digital development is the precondition necessary to diminish regional and wellbeing divide between the EU and its Member States and regions cooperating with the EU, such as CA region. It is particularly important to increase competitiveness of the EU as a whole and to support social and economic prosperity in the region of Central Asia.

Social Dynamics: Research and Education

Strengthening the collaboration between the EU and CA is particularly relevant for trade and investment, the traditional cooperation areas. The creation of scientific knowledge, and its use in technology and economic and societal development, has become increasingly global and multipolar, which draws attention to the limited research on understanding of Central Asian economic development in the EU. The engagement of academics, civil society, businesses and policymakers on a larger scale in the EU is required to understand this issue. There are core reforms foreseen and

implemented in CA that could have resulted from the cooperation agreements with the EU and its Member States. These agreements are foreseen in a number of key areas besides trade. They focus on economic recovery and growth issues, consumer protection and vital sectors of national economies such as energy, transport, environmental protection and industrial development.

The reforms are required to improve public governance, justice, law enforcement, social development and protection. The cooperation of the EU with CA countries is the prelude for the development of a deeper dimension in international relations, both for the EU and the countries concerned, with significant implications. The need to increase the knowledge and understanding of the EU among the population and, in particular, the youth is essential not only in the EU Member States, but also it should be a high priority for the European Institutions and those interested in the European Union in CA countries.

Reflection on how to articulate the differing interests of EU members in the region with the Union's principles and orientations is a task for the academic and research communities in the EU. New connections will have to be proposed between unchanged priorities such as the defence of human rights, good governance, socio-economic development, the development of open trade and of freedom of investment, strengthening of transport links and environmental sustainability.

It is necessary that European academic and research communities address, in a coherent and systematic way, the strategic importance of Central Asia for the EU in relation to its political, economic and social interests in the years to come. There is substantial room for European research centres and think-tanks to better explain Central Asia, which is crucial in relation to youth, that is affected by political changes and tends to accelerate socioeconomic and environmental changes. Central Asian countries will be influenced by rising powers in Asia during the next decade and it is becoming essential to see what role youth will have to play in these societies and how political elites will influence the development of human capital in Central Asian societies.

Conclusions

It is well-known that EU integration is progressing in small steps rather than big leaps. We must remember what we have achieved in Europe as the result of the

integration of the Union, but we must also look into the future, and offer policies which are relevant today, and will remain relevant tomorrow in these uncertain times.

European Union relations with countries in geo-politically important regions offer many substantial benefits to both sides. For these to become reality, the EU should improve and reconsider the way it approaches its regional partners. The relationship between the European Union and Asia is of global significance and the ties are likely to increase in the coming years. In the relations of the EU with the CA countries the following pillars should be considered: political, economic and this relating to civil society. The economic pillar will be effective if there exists support from the civil society and therefore there is a need to understand what the EU is and what are the benefits provided by the cooperation with the EU.

The content of studies of the EU must be regularly adapted to these constantly changing realities. The EU benefits from the cooperation with the region of CA, as this region has inevitably become more important due to its geo-political realities, new political powers in Asia and the emergence of Eurasian Economic Union as an ambitious regional grouping.

The European Union support requires some conditionality and the need for an increase of economic efficiency and productivity in the region as a precondition for the prosperity and security of countries and of the regions. Close cooperation with the EU market requires continued implementation of the reforms that assure macroeconomic stability and support the countries of the region in becoming strong emerging economies. These reforms should be supported by the civil society. Bringing the economies of the CA up to par with the economies of the EU Member States is a major task, which shows that the experience of recognising and implementing EU standards is a benchmarking process.

The EU's soft power also requires the development and support of civil society in the region; the role of civil society is essential. If political elites show reluctance to political and economic reforms, the door and the dialogue with civil society, students, academics, businesses must be kept open and enhanced.

The EU must engage its neighbouring region as an equal partner to affect positive change in their own neighbourhood. If the EU cannot demonstrate this commitment it cannot ever be viewed as a world power, demonstrating the limitations of the EU's soft power in the Asia, which is important for the future of EU foreign policy.

The experts in political economy of regional integration already involved in European Union research should be encouraged to become interested in the CA

region in relation to issues pertinent to their specialisations. Such an approach should be progressively extended to other countries with which the EU builds similar cooperation in the future.

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