

## **No. 4 Economic relations and trade - Mapping EU-Central Asia relations**

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## POLICY PAPER

### No. 4 Economic relations and trade Mapping EU-Central Asia relations

September 2018



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## Executive Summary

This paper discusses the economic relations among the countries of Central Asia on the one hand and the European Union and its member states on the other. First, the EU interests and priorities as a whole are analysed to distinguish the role of Central Asia in the documents and agreements of the EU in the spheres of economic cooperation, development, and financial aid. Then, national interests of the six EU member states - Latvia, Italy, Finland, Germany, Poland and France - in Central Asia are reviewed as separate cases to demonstrate their sustained interests and accomplishments in relations with the five countries of the region. In the following sub-chapter, business, trade and investment interests of EU in Central Asia are scrutinized.

## 1. Introduction

The aim of this paper is to map the economic relationship between Central Asian countries and the EU. Conducted case-studies of the interests of Latvia, Italy, Finland, Poland, Germany, France in cooperation with regional countries help understand the priorities and limitations of the current level of partnership.

The mapping of these relations has been undertaken in a variety of categories: structure of the entire economy of Central Asian states – trade balance, main trade partners, main sectors of economy; bilateral trade agreements; being part of the same international trade agreements with EU; bilateral trade (import and export by year, amount, percentage in the total national, sector); direct investments (by year, amount, percentage in the total national, sector); most notable bilateral projects; interest in energy and other natural resources; most notable foreign companies operating; trade disputes/sanctions and labour migration.

Information collected in the process of preparation of this paper has been found through open sources, mostly found online. Desk-based research was conducted primarily in English and Russian. The period examined for this paper is primarily from 2007 to 2017, in order to map the most recent developments in the region and in the bilateral relations.

Yet, this paper does not offer in-depth analysis or policy recommendations but rather seeks to identify over-arching trends between Central Asian countries and the EU states in the economic sphere. The results of this mapping exercise will provide a comprehensive basis for the following analysis of economic relations as well as policy recommendations for future priorities for European policy making vis-à-vis Central Asia to be elaborated in the course of the H2020 project “SEnECA – Strengthening and Energizing EU-Central Asia Relations”.

## 2. Mapping

### 2.1. EU interests and PCAs

Within “The EU and Central Asia: Strategy for a New Partnership” two priorities are especially relevant for the area of economic cooperation and trade. These are: “Promotion of Economic Development, Trade, and Investment” and “Strengthening Energy and Transport Links”.<sup>2</sup> While helping the newly independent states to transform into market economies was the initial objective of the EU’s policy towards the successor states of the Soviet Union, connecting Central Asia with Europe was a new priority in the 2007 strategy. Driver for including this area was the interest in diversifying European sources for hydrocarbons imports. The EU will publish its own “EU-China Connectivity Strategy” as a response to the Chinese investment programme in autumn 2018.<sup>3</sup> However, when dealing with the economic dimension of the EU’s relation with Central Asia, other priorities of the strategy are also relevant. The promotion of the rule of law and fight against corruption are of crucial importance to developing a positive business climate and making the Central Asian states attractive as markets for trade and investment. More fundamentally, the stability and security in Central Asia are an undisputable prerequisite for economic activities in the region. The issue of radicalisation and terrorism has in this respect not just a practical, but also a highly symbolic dimension. Finally, the area of education is crucial to economic cooperation, too, as foreign investors are in the need for qualified employees.

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<sup>2</sup> “The EU and Central Asia: Strategy for a New Partnership,” The Permanent Representatives Committee of the EU, 10113/07, May 31, 2007, accessed June 30, 2018, [https://eeas.europa.eu/sites/eeas/files/st\\_10113\\_2007\\_init\\_en.pdf](https://eeas.europa.eu/sites/eeas/files/st_10113_2007_init_en.pdf)

<sup>3</sup> Hans Dietmar Schweisgut, “Europe and China have an opportunity to turn words into action at summit,” South China Morning Post, July 15, 2018, <https://www.scmp.com/comment/insight-opinion/article/2155294/europe-and-china-have-opportunity-turn-words-action-summit>

### 2.1.1. EU agreements related to the economic cooperation

External trade policy is one of the few policy areas, where competences exclusively lie on the supranational level. The EU member states are not allowed to negotiate trade agreements on their own. The European Commission negotiates on behalf of the EU and all its member states, following a mandate on which the Council of the EU has to agree. Concluded trade agreements have to be ratified by the Council, the European Parliament and all member states according to their national procedures as well as the partner countries before entering into force.

If there are no bilateral or multilateral trade agreements between the EU and a third country, the rules of the World Trade Organisation (WTO) apply, if the third country is as all EU member states a member of WTO. This is the case for Kazakhstan, Kyrgyzstan and Tajikistan, while Uzbekistan is in the process of negotiating its accession to WTO. Turkmenistan has not applied for membership, yet. The EU strongly supports WTO membership of the Central Asian countries, as this provides a general set of rules for bilateral trade. However, a number of bilateral trade agreements between the EU and the five Central Asian states exist of which the “Partnership and Cooperation Agreements” (PCA) are the most important.

Partnership and Cooperation Agreements are in force with Kazakhstan (since 1999), Kyrgyzstan (since 1999), Tajikistan (since 2010) and Uzbekistan (since 1999).<sup>4</sup> The ratification of the PCA with Turkmenistan is still pending in the European Parliament and the United Kingdom, due to concerns with regard to the human rights situation in the country, while an interim agreement on trade and trade-related matters entered into force in August 2010. With Kazakhstan, the EU has already negotiated an Enhanced Partnership and Cooperation Agreement, which needs to be ratified in six member states (Cyprus, France, the United Kingdom, Italy, Ireland and the Netherlands) and on the EU level before entering into force. The PCAs are complemented by protocols, which mostly relate to EU enlargements and extending the PCA applicability to the new EU member states. In addition to the PCAs, there are also agreements with Kazakhstan on energy, grains trade (multilateral), steel products, and textile products; with Kyrgyzstan on air services and energy (multilateral), with Tajikistan on energy (multilateral) and textile products as well as with Turkmenistan and Uzbekistan on energy (multilateral).

The PCAs do not exclusively focus on economic cooperation and trade, but also form the basis for political dialogue between the EU and the Central Asian states and include provisions in areas such as human rights, rule of law, education, science, environmental policy, health and social cooperation. However, economic and trade topics are the core of the agreements and cover areas such as trade, industrial cooperation, investment promotion and protection, public procurement, product standards, mining and raw materials, agriculture, energy, transport, communications, financial services, enterprise restructuring and privatisation, regional development, tourism, small and medium sized enterprises, consumer protection, customs, statistics, and economics. Core element of the agreements is granting the status of a most favoured nation to the partner countries under the WTO rules.

The Enhanced PCA, which has been signed with Kazakhstan, further broadens the topics covered by the agreement. It now covers 29 policy areas, which include economic and financial cooperation.<sup>5</sup>

### 2.1.2. EU development and financial aid

EU funding for projects in Central Asia has risen progressively since 1990. Until 2006 the most important funding instrument was the “Technical Assistance to the Commonwealth of Independent States” (TACIS), which was then replaced by the “Development Cooperation Instrument” (DCI). For

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<sup>4</sup> EU and Central Asia. Trade policy, The European Commission, accessed August 7, 2018, <http://ec.europa.eu/trade/policy/countries-and-regions/regions/central-asia/>

<sup>5</sup> “EU and Kazakhstan sign Enhanced Partnership and Cooperation Agreement,” European External Action Service, 1205.2016, accessed June 29, 2018, [https://eeas.europa.eu/delegations/kazakhstan/1661/eu-and-kazakhstan-sign-enhanced-partnership-and-cooperation-agreement\\_en](https://eeas.europa.eu/delegations/kazakhstan/1661/eu-and-kazakhstan-sign-enhanced-partnership-and-cooperation-agreement_en)

the period 2007-2013, the funding was nearly doubled to EUR 750 million compared to the previous seven years. For the period 2014-2020, the amount of bilateral funding was reduced to EUR 603 million. However, the reduced amount is assigned to just three countries, while in the previous period Kazakhstan and Turkmenistan were eligible for funding, too.

## 2.2. National interests

### 2.2.1. Latvia

There are no exclusive trade agreements concluded between Latvia and the Central Asian countries. Agreements facilitating economic relations with all five countries are in place, e.g. on the avoidance of double taxation and evasion of taxation. Also, bilateral intergovernmental commissions have been established with all five that meet upon necessity both to discuss topical issues and to propose improvements in bilateral contractual relations, often in the economic domain. Latvia is not part of any regional trade related organizations that Central Asian countries are.

In trade between Latvia and Central Asian countries, cooperation with Uzbekistan and Kazakhstan stands out among the five (in 2016, 22<sup>nd</sup> and 35<sup>th</sup> biggest export market accordingly), while markets of Turkmenistan, Kyrgyzstan and Tajikistan lag behind (in 2016, 45<sup>th</sup>, 54<sup>th</sup> and 71<sup>st</sup> place among all countries).<sup>6</sup> In 2016, most of the export products to Uzbekistan were pharmaceutical products ahead of other goods, e.g. residue of food production, forage, electrical appliances and their spare parts; to Kazakhstan, mostly beverages and pharmaceuticals were exported; to Turkmenistan, various electrical appliances and their parts, pharmaceutical products and others were exported; to Kyrgyzstan, beverages, vehicles and pharmaceutical products constituted the major share; finally, to Tajikistan, mostly pharmaceutical products, residue of food production, forage, as well as iron and steel was exported. In total export balance of Latvia in 2016, Central Asian countries constituted 1.5 per cent, the biggest share since 2000.<sup>7</sup>

Regarding the import balance of Latvia, in the period from 2006 to 2014, only Kazakhstan stood out among Central Asian countries, while, in 2016, Uzbekistan ranked first (46<sup>th</sup> among all importers to Latvia), followed by Kazakhstan (48<sup>th</sup>) and Kyrgyzstan (52<sup>nd</sup>); no imports from Turkmenistan were identified. From Uzbekistan, mostly fruits and nuts, straw, coarse food and different metals and their products were imported; from Kyrgyzstan, metals and their products, as well as food products were imported; from Tajikistan, cooper and its products, as well as textile products were imported. In total balance of import to Latvia in 2016, the Central Asian countries constituted mere 0.16 per cent, the smallest share since 2002.<sup>8</sup>

Exchange of bilateral investments has increased only in the recent years. Kazakhstan and Uzbekistan rank first among the five - remaining value in the end of 2017 were EUR 49 and 32 million respectively; Turkmenistan followed with EUR 2 million and Kyrgyzstan with EUR 1 million. There was no investment from Tajikistan (investment was disturbed across a range of sectors with none standing out among others).<sup>9</sup>

In direct investment originating from Latvia, first was Tajikistan with EUR 4 million euros, followed by Uzbekistan with EUR 2 million and Kazakhstan with EUR 1 million; no direct investments in Kyrgyz-

<sup>6</sup> No data on 2017 were available yet by 18 March.

<sup>7</sup> Centrālā statistikas pārvalde, ATD200. Eksports un imports pa valstīm, valstu grupām un teritorijām (euro, KN 2 zīmēs), 2018, accessed March 18, 2018, [http://data.csb.gov.lv/pxweb/lv/atirdz/atirdz\\_detalizeta\\_2zim/eximp\\_2\\_euro.px/](http://data.csb.gov.lv/pxweb/lv/atirdz/atirdz_detalizeta_2zim/eximp_2_euro.px/)

<sup>8</sup> Ibid.

<sup>9</sup> Latvijas Banka, 01 TI datu valstu dalījumā tabulas (atlikums perioda beigās), 2018, accessed March 18, 2018, [http://data.csb.gov.lv/pxweb/lv/atirdz/atirdz\\_detalizeta\\_2zim/eximp\\_2\\_euro.px/](http://data.csb.gov.lv/pxweb/lv/atirdz/atirdz_detalizeta_2zim/eximp_2_euro.px/)

stan and Turkmenistan were identified (no information was available on the sectors of investment).<sup>10,11</sup> There are no notable investment projects by the Latvian companies in Central Asia and neither Central Asian ones in Latvia.

Latvia does not import energy resources, nor significant amounts of other natural resources (apart from limited amounts of some metals and their products) from the Central Asian countries. Nor import the Central Asian countries energy or natural resources in significant amounts from Latvia. As a part of the energy independence efforts in the EU and thus in Latvia, Turkmenistan was occasionally seen as a possible alternative to the natural gas imports from Russia. However, the establishment of a natural gas terminal in Lithuania and expected pipelines between Lithuania and Poland and Estonia and Finland have virtually taken this issue from the agenda.

One of the main categories of export products to Central Asia is pharmaceuticals. Latvian pharmaceutical companies “Grindex” and “Olainfarm” have strong presence in the markets of all five countries, e.g. they have representations or subsidiaries in all five countries (permanent presence through a representation or office is not established only in Turkmenistan).

Except Uzbekistan Airways performing direct flights between Tashkent and Riga, no major Central Asian companies operate in Latvia. AirBaltic, Latvian national airline and the biggest airline in the Baltic States, flies between Riga and Almaty (previously has performed direct flights also between Riga and Tashkent and Riga and Astana).<sup>12</sup>

There have been no disputes or exchange of sanctions between Latvia and Central Asian countries at the national level, though disputes between entrepreneurs have been occasional. The most notable was the case of Manas Bank. The bank, owned by an entrepreneur from Latvia, was nationalized by Kyrgyzstan in 2010. In the following years, the former owner of the bank sought and won compensation in an international arbitration court (2014) while, in Kyrgyzstan, he and other former representatives of the bank were sentenced to prison terms extramaritally (2017);<sup>13</sup> status of the case remains controversial and unclear.

There has been no noteworthy labour migration neither from Central Asia to Latvia, nor vice versa.

### 2.2.2. Italy

Italy imports raw material, crude oil, and refined products from Central Asia. Main exports to Central Asia are mechanical and electronic equipment, clothing, and footwear. Italy's main trading partner in the region is Kazakhstan. Italy is the third largest trade partner of Kazakhstan and the most important export partner. Moreover, the Kazakh-Italian Intergovernmental Working Group on Industrial and Economic Co-operation and Exchange (IWG) was established in order to further develop economic relations. Joint ventures in Kazakhstan operating in mining, agriculture, food processing and light industry, agricultural machinery, energy, and consumer goods production are growing. In 2017, Italian exports to Kazakhstan amounted to EUR 632 million, while imports amounted to EUR 1.34 billion.<sup>14</sup> In 2017, Italian exports to Turkmenistan amounted to EUR 112 million, while imports amounted to EUR 365.7 million, of which EUR 54.9 million in products deriving from oil refining. The

<sup>10</sup> Ibid.

<sup>11</sup> Aigars Kalnins from the Bank of Latvia, electronic correspondence with Maris Andzans from the LIIA (author), 21.11.2017.

<sup>12</sup> “airBaltic sāk lidojumus no Rīgas uz Almati,” 29.04.2018, AirBaltic Corporation, accessed June 18, 2018, [https://www.airbaltic.com/lv/bottom\\_menu/press-room/press\\_releases/2018/airbaltic-to-launch-riga---almaty](https://www.airbaltic.com/lv/bottom_menu/press-room/press_releases/2018/airbaltic-to-launch-riga---almaty)

<sup>13</sup> “Kirgizstāna Belokoņam piespriež 20 gadus cietumā; bankieris to sauc par atriebību,” DELFI, 16.05.2017, accessed June 18, 2018, <http://www.delfi.lv/bizness/pasaule/kirgizstana-belokonam-piespriez-20-gadus-cietuma-bankieris-to-sauc-par-atriebibu.d?id=48844667>

<sup>14</sup> “Scambi commerciali (Kazakhstan) [commercial exchanges]”, infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/scambi\\_commerciali.php?id\\_paesi=130](http://www.infomercatiesteri.it/scambi_commerciali.php?id_paesi=130)

image of Italy as a commercial partner is currently focused on energy sector, but the Turkmen authorities have shown interest in cooperating also in agriculture, construction, infrastructure and the textile industry.<sup>15</sup>

In 2017, Italian exports to Uzbekistan amounted to EUR 169.3 million, while imports amounted to EUR 28.2 million.<sup>16</sup> The main sectors of interest for Italian exports are: consumer goods, instrumental mechanics, plant engineering and electronics. Uzbek consumers and economic operators are strongly attracted by “Made in Italy” products. The textile sector is the sector that drives the Italo-Uzbek economic cooperation, followed by growing interests in the leather producing sector. There is a progressive qualitative growth achieved in recent years by the local production of clothing items, household linen, leather goods and semi-finished products. This growth is partly due to the use of Italian machinery and know-how.

The trade relations of Italy with Tajikistan and Kyrgyzstan are limited. In 2017, Italian exports to Tajikistan amounted to EUR 14.2 million, and in Kyrgyzstan - EUR 22,1 million, while imports from Tajikistan made EUR 20.6 million and EUR 13.8 million from Kyrgyzstan.<sup>17,18</sup>

Only 1.3 percent of Italy’s total FDI goes to Central Asia, mostly in Kazakhstan.<sup>19</sup> Italian companies such as Todini (construction), Italcementi Group (cement producer), and Eni are operating in Kazakhstan. In addition to these, there are significant investments by companies owned by ENI (Saipem), the oil industry (Rosetti Marino, Bonatti, Sicim, Tenaris, Valvitalia), but also in the infrastructures and services (Renco), in the anti-fire sector (Eusebi impianti) and in the logistics transport (Ocean of Trieste, Savino del Bene, Tuvia). IVECO has established itself in the country with production units (commercial vehicle assembly, lines). Other Italian companies present in Kazakhstan are as follow: Bonatti Spa Kazakhstan Branch - Construction; CASPIAN OCEAN - Transportation and storage; DAN KING- Drinks; ENERECO spa - Products of metallurgy; FERRERO Kazakhstan LPP - Food products; FIDIA PHARMA KAZAKHSTAN LLP - Basic pharmaceutical products and pharmaceutical preparations; GIORGIO PINI - STUDIO DRA & U - Construction; KIOS LLP - Products of metallurgy; LATTANZIO GROUP - Other service activities; LIGABUE CENTRAL ASIA - Other service activities; MAIRE TECNIMONT- Chemical products; MULTICATERING LLP - Other service activities; RINA KAZAKHSTAN - Other service activities; Rosetti Marino - Buildings; SAGA TERMINAL LOGISTICS LLP- Transportation and storage; Salini Impregilo S.p.A. - Construction; SITIE - Machinery and equipment; TECHNOGYM - Machinery and equipment; TENARIS - Products of metallurgy; TICCO FOOD - Food products; Valvitalia - Products of other manufacturing industries.<sup>20</sup>

The Italian companies that currently have interests in the Uzbek market are: ADVICE & CONSULTING Co., plants for the production, processing, storage and packaging of fruits and vegetables; ARISTON Thermo, production and marketing of wall boilers; “CNH”, production of tractors and machinery for agriculture; CFT Food systems for the production, processing, storage and packaging of food and beverages; DANIELI, supply of plants for the construction of a metallurgical plant “Toshkent Metallurgiya Zavodi”; FAR Rubinetterie, taps, sanitary fittings, heating systems and radiators, radiators; FERRERO; PIETRO FIORENTIN, manufacturer of regulators and valves for gas;

<sup>15</sup> “Overview (Turkmenistan)”, infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/overview.php?id\\_paesi=166](http://www.infomercatiesteri.it/overview.php?id_paesi=166)

<sup>16</sup> “Scambi commerciali (Uzbekistan) [commercial exchanges]”, infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/scambi\\_commerciali.php?id\\_paesi=142](http://www.infomercatiesteri.it/scambi_commerciali.php?id_paesi=142)

<sup>17</sup> “Scambi commerciali (Tajikistan) [commercial exchanges]”, infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/scambi\\_commerciali.php?id\\_paesi=139](http://www.infomercatiesteri.it/scambi_commerciali.php?id_paesi=139)

<sup>18</sup> “Scambi commerciali (Kirgystan) [commercial exchanges]”, infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/paese.php?id\\_paesi=131#slider-1](http://www.infomercatiesteri.it/paese.php?id_paesi=131#slider-1)

<sup>19</sup> “Italia: Commercio internazionale ed investimenti diretti esteri” [Italy: International trade and FDI], Direzione Generale per la Promozione del Sistema, Ministero degli Affari Esteri, accessed May 25, 2018, [http://ambcopenaghen.esteri.it/re-source/2013/10/Scheda\\_Italia\\_Commercio\\_e\\_Investimenti\\_92013.pdf](http://ambcopenaghen.esteri.it/re-source/2013/10/Scheda_Italia_Commercio_e_Investimenti_92013.pdf)

<sup>20</sup> “Presenza Italiana (Kazakhstan)”, infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/presenza\\_italiana.php?id\\_paesi=130](http://www.infomercatiesteri.it/presenza_italiana.php?id_paesi=130)

GIELLE, fire-fighting systems, management, collection, treatment and disposal of gas; GRAF, automation, services and new methodologies for the gas and oil sectors, pipelines, electronics, renewable energy; HAFNER, plants for the conversion of solid and urban waste into energy; ITALFERR group Ferrovie dello Stato; LEONARDO ex Finmeccanica, military, control radar, helicopters, control and defense systems; MAPEI, production and marketing of construction products; MEDEXPORT, marketing of pharmaceutical products; NUOVO PIGNONE GE Group, large plants and distributions for the oil & gas sector; OCEM energy technology, turn-key systems for airport runway lighting; RENZO LANDI Plants, components and converters for cars for the use of gas in place of petrol; RMT Valvomeccanica, industrial valves and components for the mechanical sector; TECNIMONT Maire Group-KINETICS TECHNOLOGY, large plants for the production of polypropylene and other chemical / petrochemical products; TECHNIP FMC, large plants and consulting services for the oil & gas sector TECHNOALPIN, large plants for the production of artificial snow and other services for the sector's plants; TODINI, large plants, major works and infrastructures; TOSCANA TAPES, processing and installation of belts and conveyor belts; TURBODEN, large plants for the production of energy, production of turbines for heat recovery, heat recovery systems dispersed by gas turbines for the production of electricity; ZANOTTI, large plants for industrial refrigeration, conservation and transformation of products in the agro-food sector and maintenance of the cold chain; Marzoli, machinery for textile industry.<sup>21</sup>

In Tajikistan, Carrera S.p.A. has been active since 1992 in Khodjand, where the use of Tajik cotton allows the production of textile articles for export. Salini Impregilo has been awarded the construction work for the Rogun Dam (an imposing work aimed at developing the potential for the production of hydroelectric energy, which would also be exported to Afghanistan and Pakistan). The project has a total value of about USD 3.9 billion.<sup>22</sup>

In fact, ENI has a strategic position in the energy sector based on its membership within the North Caspian Operating Company, which oversees the development of the Kashagan offshore oil and gas field.<sup>23</sup> ENI is pushing to connect the production to the Baku-Tbilisi-Ceyhan pipeline. Furthermore, ENI and British Gas jointly operate the Karachaganak Petroleum Operating (KPO) partnership company.

In 2009, a memorandum of understanding was signed between Italy and Turkmenistan in order to promote and strengthen energy cooperation.<sup>24</sup> Following the purchase of the “Burren” oil company, ENI is present in Turkmenistan and is ready to make further substantial investments to increase production in this field. Another company in the energy sector with its own offices in Ashgabat is “Bonatti”. Furthermore, also Renco, Progered and ProBusiness, all companies operating in the hydrocarbon sector, are present with their own local representatives in Ashgabat.

There are almost no labour migrants for the Central Asian region to Italy. The Kazakh labour migrants make 0.03 percent, Uzbek – 0.02 percent, Kyrgyz – 0.03 percent of total foreigners residing in Italy.<sup>25</sup>

### 2.2.3. Finland

In terms of trade and economic relations with Central Asian states, bilateral trade with Finland is overall modest, but increasing. Finland has invested in accelerating trade relations, especially with Kazakhstan, by launching the Business Finland office (prior to 2018 Finpro-office) in Almaty, as well

<sup>21</sup> “Overview (Uzbekistan)”, infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/overview.php?id\\_paesi=142](http://www.infomercatiesteri.it/overview.php?id_paesi=142)

<sup>22</sup> “Tagikistan”, infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/paese.php?id\\_paesi=139#slider-1](http://www.infomercatiesteri.it/paese.php?id_paesi=139#slider-1)

<sup>23</sup> “Eni’s activities in Kazakhstan, Enipedia, accessed August 7, 2018, [https://www.eni.com/enipedia/en\\_IT/international-presence/asia-oceania/enis-activities-in-kazakhstan.”page](https://www.eni.com/enipedia/en_IT/international-presence/asia-oceania/enis-activities-in-kazakhstan.”page)

<sup>24</sup> “Overview” (Turkmenistan), infoMercatiEsteri, accessed May 14, 2018, [http://www.infomercatiesteri.it/overview.php?id\\_paesi=166](http://www.infomercatiesteri.it/overview.php?id_paesi=166)

<sup>25</sup> “Cittadini stranieri in Italia - 2016” [Foreign citizens in Italy - 2016 ], Statistiche Demografiche, accessed May 25, 2018, <https://www.tuttitalia.it/statistiche/cittadini-stranieri-2016/>

as by supporting the Finnish companies in accessing Central Asian markets. Therefore, a growing number of Finnish companies are looking into investing in new markets in the region.

Finland has a bilateral treaty on trade and economic cooperation with Kazakshtan (1993) and with Uzbekistan (1992), and Treaty on promoting and reciprocal protection of investments with Kazakhstan (2008), Kyrgystan (2004) and Uzbekistan (1996). Finland also has an official bilateral agreement with Kazakhstan, Kyrgystan, Tajikistan, Turkmenistan and Uzbekistan for avoiding double-income taxation and tax evasion.<sup>26</sup> Finland is a member of WTO (since 1995), as is Kazakhstan, Kyrgyzstan and Tajikistan. Finland and the Central Asian WTO-members are part of WTO-regulated trade agreements (GATS, TRIPS, and TRIMS). Finland is a member of the Preferential Trade Agreements (PTAS) and Regional Trade Agreements (RTAS).

The trade figures between the Central Asian countries and Finland are very asymmetrical. Kazakhstan is clearly the most significant trading partner, as over 90 percent of Finland's trade with Central Asian countries is with Kazakhstan and the other Central Asian countries do not show in official trade statistics. Finland is quite well-established in Kazakhstan in terms of economic relations when compared to other Central Asian countries. The Finnish-Kazakh Intergovernmental Commission for Economic Cooperation promotes trade between the two countries and holds ministerial level meetings and visits in both countries. Relations are solid with increasing trade figures since the 2000s'. Since 2009, approximately forty Finnish companies are present in Kazakhstan. Kazakhstan is Finland's third largest destination country for exports in the CIS area (after Russia and Ukraine). In 2016, Finland's exports to Kazakhstan totalled some EUR 115 million and imports from Kazakhstan summed up to EUR 137 million, while in 2017 the trade figures decreased to imports totalling EUR 85 million and exports EUR 92 million.<sup>27</sup> The decrease in import can be explained by the low oil prices. However, the export figures to Kazakhstan constitute only 0.2 percent of the overall Finnish exports. A majority of imports from Kazakhstan to Finland are oil and natural gas products, whereas exports to Kazakhstan contain primarily machinery and chemicals. The export and import figures by Finnish customs do not include service or education sector export, which also take place to some extent.

Tajikistan is on its way to establish more trade with Finland. The first-ever official Finnish-Tajik business seminar was organized in Dushanbe in 2017, under the framework of the UNDP's Wider Europe program.<sup>28</sup> Yet, opportunities for trade with Tajikistan are challenging and still quite modest. Trade with Kyrgyzstan is minimal. Turkmenistan, by contrast, is considered as a difficult environment for business.

Central Asian countries did not show in official Finnish Statistics regarding foreign direct investments.<sup>29,30</sup> According to official Statistics Finland, there is no data available on outward FDI according to specific country of the ultimate investment target. However, looking at investments to Asian rising economies, for example the share of stock of investments to China is only one percent from the whole value of outward investments from Finland in 2016.<sup>31</sup> From this figure, it can be interpreted

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<sup>26</sup> The agreements are available at (in Finnish): <https://www.edilex.fi/valtiosopimukset/asiasanat/Kansainv%C3%A4liset%20suhteet#>

<sup>27</sup> "Finnish-Kazakh Intergovernmental Commission for Economic Cooperation meets in Helsinki," Ministry for Foreign Affairs Finland, Embassy of Finland in Astana, Press release, March 14, 2017, <http://www.finland.org.kz/public/default.aspx?contentid=359403&no-deid=42504&contentlan=15&culture=ru-RU>

<sup>28</sup> "First Tajik-Finnish Business Seminar. Talking Points by Dr. Pratibha Mehta, UNDP Resident Representative," UNDP Tajikistan, October 31, 2017, <http://www.tj.undp.org/content/tajikistan/en/home/presscenter/speeches/2017/10/first-tajik-finnish-business-seminar--talking-points-by-dr--prat.html>

<sup>29</sup> "Foreign Direct Investments 2016," Official Statistics of Finland (2017), accessed June 18, 2016, [https://www.stat.fi/til/ssij/2016/ssij\\_2016\\_2017-11-30\\_en.pdf](https://www.stat.fi/til/ssij/2016/ssij_2016_2017-11-30_en.pdf)

<sup>30</sup> "Foreign Direct Investments 2015," Statistics Finland (2016), accessed June 18, 2016, [https://www.stat.fi/til/ssij/2015/ssij\\_2015\\_2016-10-27\\_en.pdf](https://www.stat.fi/til/ssij/2015/ssij_2015_2016-10-27_en.pdf)

<sup>31</sup> Ibid.

that the share of FDI to Central Asian countries is modest. This would also explain that there is no data on most notable investments to the region.

Bilateral projects as well as notable investments with individual Central Asian countries (of which data is available) are mostly done in the framework of Finnish development policy and its Wider Europe Initiative (WEI)<sup>32</sup>. WEI directs development policy to Central Asian region and neighbouring countries (altogether 11 countries). Finland also funds projects through the UN development projects, such as the UNDP project entitled Aid for Trade<sup>33</sup>. The amounts of funding in these projects are given in total and not by the amounts of funding to individual states. As an example for bilateral development projects the Finnish Meteorological Institute has been supporting the reform of the hydrometeorological institutes in Kyrgyzstan and Tajikistan in 2014-2017. This meteorological project was funded by the Finnish Ministry for Foreign Affairs with EUR 1.1 million<sup>34</sup>. The aim of the project was to prepare the countries to better encounter and manage environmental problems and natural disasters.

As Kazakhstan is rich in oil and natural gas, this produces certain interest among the Finnish companies. Interest towards other Central Asian countries in this respect is limited. Two Finnish companies have significant production in Kazakhstan since 2015: Tikkurila Group (paint company) and Sampo-Rosenlew Ltd (agriculture and forest machinery). Also timber construction company Honkarakenne has a sales office in Almaty. Several other Finnish companies are trading with Kazakhstan, but not necessarily operating on ground but rather through local sales representatives and/or providing technology and machinery for local companies. Finnish company TeliaSonera has had a role in developing telecommunication systems in Kazakhstan. The presence of Finnish companies in other four Central Asian states is very limited. Finnish companies have shown interest especially towards Kazakhstan. Finland and Finnish companies were visible in the 2017 Astana Expo business event in Astana. Finland focused on displaying and searching business opportunities particularly within the field of clean energy technology (Cleantech), education, smart cities and clean water.

Labour migration from Central Asian states is modest or nearly non-existent. Finnish population statistics show that in 2017, altogether less than a thousand immigrants from five Central Asian countries lived in Finland, figures by nationality varying from 547 people from Uzbekistan to 19 from Tajikistan<sup>35</sup>. These figures show the overall population by nationality and do not indicate the reason behind the migration nor labour status.

#### 2.2.4. Germany

Kazakhstan is the major trading partner of Germany in the region as more than 80 percent of German trade with the region is done with Kazakhstan. Between 2010 and 2013 one can see a continuous increase in the trade volume, which started to decline in the following three years. For 2017, the statistics record a minor increase in German-Kazakh trade volume. The other four Central Asian countries are trade partners of minor importance for Germany. The level of trade with these countries has not undergone any bigger changes between 2010 and 2017.

Most of German-Kazakh trade is in hydrocarbon and mining products. If one excludes hydrocarbons and mining products from German imports from Kazakhstan, the country is still the most important

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<sup>32</sup> "Development cooperation 10 June 2017, Project Planning and Evaluation," Ministry of Foreign Affairs of Finland, accessed May 31, 2018, <http://formin.finland.fi/public/default.aspx?contentid=367878&nodeid=43283&contentlan=2&culture=en-US>

<sup>33</sup> "Development cooperation 10 September 2017, INT/Aid for Trade in Central Asia," Ministry of Foreign Affairs of Finland, accessed May 31, 2018, <http://formin.finland.fi/public/default.aspx?contentid=370434&nodeid=43283&contentlan=2&culture=en-US>

<sup>34</sup> "Finnish weather expertise to help Kyrgyzstan and Tajikistan cope with climate change, News release 29 September 2017," Ministry of Foreign Affairs of Finland, accessed May 03, 2018, <http://formin.finland.fi/public/default.aspx?contentid=366987&nodeid=49150&contentlan=2&culture=en-US>

<sup>35</sup> "Migration," Official Statistics of Finland (OSF) (Helsinki: Statistics Finland, 2018), accessed June 18, 2018, [http://www.stat.fi/til/muutl/index\\_en.html](http://www.stat.fi/til/muutl/index_en.html)

trading partner for Germany in the region. However, the difference is less significant and the five Central Asian countries are much closer in terms of trade with Germany. The lowest value between 2010 and 2017 was EUR 1.3 million from Tajikistan in 2016<sup>36</sup> and the highest was EUR 532 million from Kazakhstan in 2011.<sup>37</sup>

For Central Asian states Germany is neither an important holder of FDI stocks in the region nor a destination country for foreign direct investments from the region. Kazakhstan constitutes the most important destination for German investors. However, the stocks of German direct investors in Kazakhstan approached USD 550 million as of 1<sup>st</sup> of January 2018.<sup>38</sup>

The “Kreditanstalt für Wiederaufbau” mentions among its flagship investments in Asia two projects in Uzbekistan. KfW provides loans of EUR 15 million to the “Joint-Stock Commercial Bank Hamkorbank” and the “JSICB Ipak Yuli Bank” (IYB), which in turn offer funding instruments for small and medium-sized enterprises.<sup>39</sup> One of the most active German companies in the region is Siemens, with representation offices in Kazakhstan, Turkmenistan and Uzbekistan. Following the recent tendencies of liberalization, the company signed a memorandum of understanding with the Uzbek government, expressing the mutual interest for cooperation in a number of areas. These include energy, industry and transport infrastructure, automation and digitalization of manufacturing industries.<sup>40</sup> “Metro Cash & Carry” is a wholesale company active in 25 countries, which has six wholesale markets in Kazakhstan.<sup>41</sup> Heidelberg Cement entered the Kazakh market in 2005. In 2018, it possesses three companies in the country (“Bukhtarma Cement Company”, “Shymkentcement” and “Betonata”, which run three concrete plants and eleven concrete terminals.<sup>42</sup> Furthermore, the Linde AG is active in Kazakhstan, where it runs air separation units at the Kazakh steel plants and has market share of nearly one third in this business segment.<sup>43</sup>

Even though the aim of diversifying European hydrocarbons resources was one of the drivers behind the EU Central Asia Strategy, it cannot be considered a major interest of Germany in Central Asia. First, Germany has started its energy revolution (“Energiewende”) following the Great Eastern Earthquake in Japan in 2011, which caused the nuclear disaster in Fukushima. Second, the trade statistics show that a continuous trade in hydrocarbons is only the case for the trade with Kazakhstan which amounts to about 10 percent of German oil imports for the times from 2011 to 2016. Third, taking into account the pipeline projects “Nordstream” and “Nordstream 2” for gas imports, there seems to be no interest in changing the strategic pivot for Russia as the major German source for hydrocarbons.

German companies have an increasing interest in Uzbekistan as a recent survey on the business climate in the region shows. The survey was conducted by the “Ost-Ausschuss der Deutschen Wirtschaft” and the “Delegation der Deutschen Wirtschaft für Zentralasien” in February 2018. Representatives from 41 Germany companies, which have more than 5,000 employees in Central Asia and a turnover of more than EUR 830 million per year, were interviewed and expect a positive development

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<sup>36</sup> “Export nach und Import aus Tadschikistan,” Außenwirtschaftsportal Bayern, accessed May 31, 2018, <https://www.auwi-bayern.de/Asien/Tadschikistan/export-import-statistik.html>

<sup>37</sup> “Export nach und Import aus Kasachstan,” Außenwirtschaftsportal Bayern, accessed May 31, 2018, <https://www.auwi-bayern.de/Asien/Kasachstan/export-import-statistik.html>

<sup>38</sup> “Country Fact Sheets 2017”, United Nations Conference on Trade and Development, accessed 10 May, 2018, <http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx>

<sup>39</sup> “Investment projects in Asia,” KfW DEG, accessed May 10, 2018, <https://www.deginvest.de/International-financing/DEG/Übers/Verantwortung/Investment-related-information/Investments-in-Asia/>

<sup>40</sup> “Uzbekistan and Siemens develop cooperation,” RailwayPro, accessed May 10, 2018, <https://www.railwaypro.com/wp/uzbekistan-siemens-develop-cooperation/>

<sup>41</sup> “Metro,” Metro Cash & Carry, accessed 10 May, 2018, <https://www.metro-cc.com/de-DE/>

<sup>42</sup> “Kazakhstan,” HeidelbergCementGroup, accessed May 10, 2018, <https://www.heidelbergcement.com/en/kazakhstan>

<sup>43</sup> Joanna Sampson, “Linde develops fully customised, large-scale integrated gas production system in Kazakhstan”, *gasworld*, 24 November 2017, accessed May 10, 2018, <https://www.gasworld.com/linde-develops-gas-production-system-in-kazakhstan/2013847.article>

in the next years.<sup>44</sup> For Kazakhstan 54 percent and for Uzbekistan 84 percent of the interviewees expect economic growth. This would result in a continued positive trend. From 2016 to 2017, there was already a steep increase in trade between Germany and Kazakhstan (+23 percent) and Germany and Uzbekistan (+32 percent). Main obstacles for investment are exchange rate risks and corruption, according to the survey. With regard to the sectors German companies invest or trade with Central Asia, most of them are active in agriculture or food industry as well as mechanical engineering. Construction, chemical and financial industry follow. Important German companies active in the region also include Knauf, Metro, Heidelberg Cement, Quaesta Capital and Linde AG.

The German Migration Authority (“Bundesamt für Flüchtlinge und Migration”) publishes an annual report about labour migration of the EU citizens and citizens from third countries to Germany. The reports cover every possible type of residence permit that allows working in Germany. For the period from 2012 to 2017, none of the five Central Asian countries is mentioned in the report. Thus, labour migration from Central Asia to Germany can be considered an irrelevant factor, when analysing German-Central Asian relations. In general, the number of migrants coming from Central Asia to Germany is quite small. The so-called EASY system, which is used to locate asylum seekers within Germany, counts less than 1,000 applicants with citizenship of one of the Central Asian states for the years 2015 and 2016.<sup>45</sup>

### 2.2.5. Poland

The economy occupies a key place in Polish foreign agenda addressed to the Central Asian countries. Poland perceives the region as a possible source of import of oil and gas and the destination for the Polish exporters, particularly due to the fast pace of growth in the region, emerging middle class and its geostrategic location between Russia, China and India (Central Asia as a gate to the third countries). Poland has established more developed bilateral economic ties only with Kazakhstan. The importance of Kazakhstan as a significant non-European trade partner confirmed the fact that it belonged between 2012 and 2016 to the group of the most perspective non-European markets which was composed of only five countries.

Poland signed with all Central Asian countries, except for Turkmenistan, economic agreements inter alia on: promotion and mutual protection of investment, avoidance of double taxation and economic cooperation. Warsaw also signed agreements on the Road Transport Agreement with Kyrgyzstan and Kazakhstan. The Polish side is interested in concluding an agreement on economic cooperation with Turkmenistan, which is currently in an advanced stage of negotiations. The parties are also negotiating an agreement to avoid double taxation. Poland belongs together with Tajikistan, Kyrgyzstan and Kazakhstan to the World Trade Organization (WTO).

According to the Polish statistical office, in 2017 the value of the Polish-Kazakh bilateral trade approached USD 1.4 billion. (The Kazakh data on the bilateral trade differs substantially from the Polish one, showing USD 900 million in 2017).<sup>46</sup> In 2017, the Polish trade with Kazakhstan accounted for 0.3 percent of the Polish trade volume.<sup>47</sup> Kazakhstan occupies the place of the fourth most important post-Soviet trade partner and one of the most significant destination for the Polish exporters in Asia (eighth place - just slightly less important than Japan, South Korea and the UAE). For instance, the volume of the Polish-Kazakh trade is substantially bigger than the Polish-Indonesian or the trade

<sup>44</sup> “Geschäftsklima Kasachstan und Usbekistan 2018,” Ost-Ausschuss der Deutschen Wirtschaft e.V./Delegation der Deutschen Wirtschaft für Zentralasien accessed 10 May, 2018, [http://zentralasien.ahk.de/uploads/media/Auswertung\\_Umfrage-Zentralasien\\_2018-04-10.pdf](http://zentralasien.ahk.de/uploads/media/Auswertung_Umfrage-Zentralasien_2018-04-10.pdf)

<sup>45</sup> 1 to 1,000 applicants is the category in which all five Central Asian states fall.

<sup>46</sup> “Kazakhstan and Poland intend to strengthen trade and economic cooperation and people-to-people contacts,” The Ministry of Foreign Affairs of the Republic of Kazakhstan, April 27, 2018, <http://mfa.gov.kz/en/content-view/kazakhstan-men-polsa-sauda-ekonomikalyk-saladagy-yntymaktastykty-nygaituga-azamattar-arasyndagy-bailanystardy-keedituge-nietti>

<sup>47</sup> “Obroty handlu zagranicznego według krajów,” Swaid – Statistics Poland, accessed 10 May, 2018, [http://swaid.stat.gov.pl/Handel-Zagraniczny\\_dashboards/Raporty\\_predefiniowane/RAP\\_SWAID\\_HZ\\_3\\_8.aspx](http://swaid.stat.gov.pl/Handel-Zagraniczny_dashboards/Raporty_predefiniowane/RAP_SWAID_HZ_3_8.aspx)

between Poland and Thailand. On the other hand, the Polish-Kazakh trade is highly volatile (particularly import from Kazakhstan). In 2014, its volume skyrocketed to the level of USD 2.3 billion (import from Kazakhstan accounting for almost 75 percent).<sup>48</sup> The import increased almost three times. Then it dropped dramatically in 2015-2016 and partially recovered in 2017. Last year the Polish-Kazakh trade increased by 165 percent in comparison to 2016. In 2017, Polish exports to Kazakhstan were almost two times smaller than the imports from this country. The main products exported from Poland to Kazakhstan were electro-machines (35 percent of entire exports), chemistry (including pharmacy) (25 percent) and agriculture (15 percent). On the other hand, Poland imports from Kazakhstan mostly hydrocarbons (above 80 percent).<sup>49</sup>

The volume of Polish trade with all remaining Central Asian countries combined was around seven times smaller than with Kazakhstan. Uzbekistan occupies the second place on the list of Central Asian trading partners of Poland. The Polish-Uzbek trade turnover exceeded slightly USD 130 million (Polish export accounts for almost USD 80 million). The Polish trade with other Central Asian countries is rather negligible: Turkmenistan (almost USD 40 million), Kyrgyzstan (above USD 25 million) and Tajikistan (less than USD 12 million).<sup>50</sup> Poland achieves proportionally an enormous surplus in trade with the above-mentioned states (ratio 21:1 with Turkmenistan, 13:1 with Tajikistan, 7:1 with Kyrgyzstan). In certain years Poland became for a very short period of time an attractive destination for exporters from Turkmenistan and Uzbekistan. In 2007, the import from Uzbekistan achieved the level of USD 680 million. Meanwhile, in 2008 Poland imported from Turkmenistan products valued more than USD 1.1 billion. Moreover, the Polish import from Turkmenistan increased 14-times in 2008.<sup>51</sup> However, in both cases, imports decreased rapidly and dramatically in the following years. The huge volatility of imports from Turkmenistan, Uzbekistan and Kazakhstan should be explained to a large degree also by different definitions of importers in case of raw materials. In fact, many raw materials from Central Asia, which reached Poland, were transited through various third countries.

Poland managed to establish only with Kazakhstan investment cooperation. At the end of 2016, according to the Polish statistical office, the stocks of Polish direct investment in Kazakhstan at the end of 2016 exceeded USD 85 million but decreased substantially in comparison to the end of 2014 when it approached USD 133 million. (According to the Kazakh statistics, until 1st of January 2018, Polish firms invested USD 70 million). The Polish direct investment in Uzbekistan is almost non-existent (less than USD 1 million until the end of 2016). Polish companies have not invested at all in Turkmenistan, Kyrgyzstan and Tajikistan. Kazakhstan is the only Central Asian country investing in Poland. However, the Kazakh investment stocks are minimal (USD 1 million, according to the Kazakh statistical office).<sup>52</sup>

In Central Asia, Polish companies are operating almost exclusively in Kazakhstan. The most important area of Polish companies in Kazakhstan is pharmaceutical sector, construction chemicals industry and oil and gas. Polish companies are also present in the power sector, rail infrastructure, building materials, construction and medical equipment. Examples of that are: Chimpharm, a pharmaceutical production plant, the largest in Kazakhstan (1,200 employees), "New City of Astana" Special Economic Zone, a factory opened in December 2016 by Selena, dry mortars for thermal insulation of buildings, project of technical modernization of the drilling fleet working in Kazakhstan by EXALO DRILLING. Currently, the Polish companies are mostly engaged in the energy sector through providing drilling technologies. In 2006 Ryszard Krauze, at that time one of the richest Poles,

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<sup>48</sup> Ibid.

<sup>49</sup> "Republika Kazachstanu – Informacja O Współpracy gospodarczej polska -kazachsta," Ministry of Regional Development, accessed June 15, 2018, [https://www.mpit.gov.pl/media/43715/KW\\_Kazachstan\\_6\\_09\\_2017.pdf](https://www.mpit.gov.pl/media/43715/KW_Kazachstan_6_09_2017.pdf)

<sup>50</sup> "Obroty handlu zagranicznego według krajów," Swaid – Statistics Poland, accessed June 15, 2018, [http://swaid.stat.gov.pl/Handel-Zagraniczny\\_dashboards/Raporty\\_predefiniowane/RAP\\_SWAID\\_HZ\\_3\\_8.aspx](http://swaid.stat.gov.pl/Handel-Zagraniczny_dashboards/Raporty_predefiniowane/RAP_SWAID_HZ_3_8.aspx)

<sup>51</sup> Ibid.

<sup>52</sup> "Foreign Direct Investment in Poland," National Bank of Poland, accessed June 15, 2018, <http://www.nbp.pl/homen.aspx?f=/en/publikacje/ziben/ziben.html>

bought oil deposits estimated at 2 billion barrels in Kazakhstan. The purchase was made by his company Petrolinvest. However, the company sold all its assets in March 2017. Also “SANTO” company, part of the “Polpharma” International Pharmaceutical Group, owner of Chimpharm, is the largest Polish investment in Kazakhstan. Selena is one of the leading manufacturers of construction chemicals in the world. The company has been present in Kazakhstan since 2002. Kazakhstan was one of the first countries, where Selena entered its business. The company has distribution branches in eight Kazakh cities. Selena has built the leading position in the local market of assembly adhesives, polyurethane foams and sealants with market shares exceeding 45 percent. Examples of smaller engagement are: TINES - rail transport infrastructure, PRONAR and METAL-FACH - agricultural machinery, APS ENERGIA - power industry, EXALO DRILLING - technologies for exploration of oil and gas. There are no serious trade disputes and sanctions between Poland and Central Asian countries. The labour migration from the region to Poland is extremely limited.

### 2.2.6. France

French economic engagement in Central Asia is very much focused on Kazakhstan. Between France and Central Asian countries no specific trade agreements have been contracted. With Kazakhstan, France has signed two agreements potentially promoting sales in specific industries (on space technology and cooperation and the exploration of outer space in 2009, and on aeronautics and civil nuclear energy use in 2011). Moreover, France has signed some agreements – most of them with Kazakhstan – aiming at improving the legal framework for bilateral economic activity, namely agreements on the prevention of double taxation, fiscal escape and fraud (with Uzbekistan in 1996 and Kazakhstan in 1998), on the combat of corruption and crime and on economic development and innovation (both with Kazakhstan in 2009). France and the Central Asian countries are joint members of two relevant international organizations. With France being a WTO member since 1995, the Central Asian republics joined later after their independence (Kyrgyzstan in 1998, Tajikistan in 2013, and Kazakhstan in 2015), while Uzbekistan has only an observer status and Turkmenistan is not affiliated with the WTO at all. The five joined the World Bank group in 1992 and 1993 that France belongs to as a founding member since December 1945.

Additionally, a favourite institutional framework for business promotion has been aimed at with some of the Central Asian states. For Kazakh-French business, a Mixed Commission for economic cooperation serves as a political platform, a Council for Franco-Kazakh affairs (since 2008) brings together businessmen of both countries, and a ‘Business France’ office in Almaty and representations of the French Chamber of Commerce and Industry in Astana and Almaty have been opened.<sup>53</sup> For Turkmenistan, a Mixed Commission for economic cooperation (since 2010) and a Chamber of Commerce France–Turkmenistan in Paris (since 2012) back French companies’ engagement. Furthermore, a Tajik-French Business Council has been created by a respective Memorandum of Cooperation in 2015.<sup>54</sup>

France’s most important trade partner in Central Asia is Kazakhstan, with a trade volume of EUR 4 billion in 2017.<sup>55</sup> Imports from Kazakhstan - strongly dominated by hydrocarbons and uranium - distinctly surmounted exports to Kazakhstan that consisted of transport material, industrial products and electronics. For Kazakhstan, France was the 5<sup>th</sup> important client after Italy, China, the Netherlands and Russia, with a 6.4 percent share of export volume in 2014, and the 6<sup>th</sup> important import partner with a stake of 2.6 percent in 2016, after Russia, China, Germany, the United States and

<sup>53</sup> ‘Business France’, among others, supports French companies to realize exports, see “Business France Kazakhstan à votre service à l’export”, Business France, accessed June 1, 2018, <https://export.businessfrance.fr/kazakhstan/nos-bureaux-a-votre-service.html>  
The Chamber of Commerce and Industry is affiliated to the French embassy resp. consulate.

<sup>54</sup> Partners of this Council are the Committee on Investments and State Property of Tajikistan and MEDEF International of France.

<sup>55</sup> Including all merchandising trade except military equipment, which is excluded in the INSEE country related statistics.

Italy. However, Kazakhstan only ranks as 20<sup>th</sup> most important supplier for France and as 57<sup>th</sup> most important customer of French products.<sup>56,57,58</sup>

Uzbekistan is a trade partner with high potential for France with an average annual trade volume of about EUR 200 million since 2009. Both import and export, nonetheless, showed a slight trend downwards since 2016. With Turkmenistan, France had a modest trade volume of EUR 71 million in 2017, whereas France exports mainly industrial products and imports petrol. France is Turkmenistan's 9<sup>th</sup> most important supplier after Turkey, China, and Iran, while Turkmenistan is not a significant trade partner for France so far.<sup>59</sup> Finally, Tajikistan and Kyrgyzstan are only marginal trade partners for France with limited trade volumes (EUR 17 million with Kyrgyzstan and EUR 7 million with Tajikistan in 2017) that show no upwards tendencies hitherto. France is not a significant trade partner in terms of import and export both for Kyrgyzstan and Tajikistan as well.<sup>60</sup>

With Kyrgyzstan, Tajikistan and Turkmenistan, France has a distinct positive trade balance with exports clearly exceeding the imports, while France's trade balance with Kazakhstan is negative due to the structure of merchandise movement. With Uzbekistan, the trade balance is more or less balanced over time, in as much as neither imports from nor exports to the country dominated the other over several years.

On the whole, Central Asia is a trade partner with low significance to France in regard to trade volume: in 2017, all five Central Asian countries together had a share of 0.4 percent of France's total trade volume - a 0.7 percent share for its imports, and only a 0.1 percent share of France's worldwide exports.<sup>61</sup>

Aiming at promoting and protecting investments in the Central Asian republics, France signed respective agreements with Uzbekistan (1993), Turkmenistan (1994) and Kazakhstan (1998). Appreciable French direct investment in Central Asia is recorded only in Kazakhstan, where they considerably increased since 2013 and reached a stock of EUR 11.4 billion in 2016. With a share of about 10 percent, France is Kazakhstan's 3<sup>rd</sup> most important investor after the Netherlands and the United States. Besides the energy sector which is the strongest one, French companies invested mainly in transport and various industrial sectors (such as automobile, metallurgy, and agro-food) in Kazakhstan.<sup>62,63</sup>

French investments to Kyrgyzstan, Turkmenistan and Uzbekistan are very limited (stagnating stocks of EUR 1-2 million), on Tajikistan no figures were available.<sup>64</sup> For the latter, France sees a real

<sup>56</sup> "Relation franco-kazakhstanaise – Présentation", Ambassade de France à Astana, accessed March 27, 2018, <https://kz.ambafrance.org/Relation-franco-kazakhstanaise-Presentation>

<sup>57</sup> „Relations bilatérales“, France Diplomatie, accessed March 27, 2018, <https://www.diplomatie.gouv.fr/fr/dossiers-pays/kazakhstan/la-france-et-le-kazakhstan/>

<sup>58</sup> "Les échanges commerciaux franco-kazakhstanaï", Ambassade de France à Astana, accessed April 9, 2018, <https://kz.ambafrance.org/Les-echanges-commerciaux-franco-kazakhstanaï>

<sup>59</sup> See „Relations bilatérales“, France Diplomatie, accessed March 27, 2018, <https://www.diplomatie.gouv.fr/fr/dossiers-pays/turkmenistan/la-france-et-le-turkmenistan/>

<sup>60</sup> For Kyrgyzstan, France was the 27<sup>th</sup> most important export destination in 2016 with a share of 0,1%, and the 13<sup>th</sup> most important import source with a share of 0,6 %, data from the WITS database. For Kyrgyzstans import/export relations, see „International Economic Activity“, National Statistical Committee of the Kyrgyz Republic, accessed April 9, 2018, <http://stat.kg/en/statistics/vnesh-neekonomicheskaya-devyatelnost/> and „Kyrgyz Republic“, World Trade Organization, accessed April 9, 2018, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=KG>. For Tajikistan, no current data was available.

<sup>61</sup> All data excluding trade with military equipment. Data source: INSEE, own calculation.

<sup>62</sup> "OECD Investment Policy Reviews: Kazakhstan 2017," OECD Library, accessed April 9, 2018, [https://read.oecd-ilibrary.org/finance-and-investment/oecd-investment-policy-reviews-kazakhstan-2017/inward-and-outward-fdi-positions-in-kazakhstan-by-main-partner-country-2015\\_9789264269606-table10-en#page1\\_s](https://read.oecd-ilibrary.org/finance-and-investment/oecd-investment-policy-reviews-kazakhstan-2017/inward-and-outward-fdi-positions-in-kazakhstan-by-main-partner-country-2015_9789264269606-table10-en#page1_s)

<sup>63</sup> "Les investissements franco-kazakhstanaï", La France au Kazakhstan, accessed April 9, 2018, <https://kz.ambafrance.org/Les-investissements-franco-kazakhstanaï>

<sup>64</sup> The only figures that could be found are information from the US State Department's Office of Investment Affairs' Investment Climate Statement on Tajikistan of December 2016 stating that France ranks as third most important investor of Tajikistan with about 37 mil-

potential in tourism, agro-food and environmental sectors.<sup>65</sup> In Turkmenistan, France is concentrating on only a few, but strategic sectors: construction, energy and space technology.<sup>66</sup> In case of Central Asian direct investment in France, Kazakhstan is the leading partner as well, accumulating around EUR 90 million of investment stock. Kyrgyzstan and Uzbekistan had an investment stock of EUR 1 million each in France in 2016, and on Tajikistan and Turkmenistan no figures were available. Due to the tiny sums, all Central Asian countries must be considered as negligible investors in France.

The dominant sector of French investments in Central Asia is energy, issued by global players as Total (in Kazakhstan and Turkmenistan) or Areva (in Kazakhstan),<sup>67</sup> but also by smaller companies of engineer consulting and implementation. Further potent sectors are transport (engaged companies are, among others, Alstom, Airbus and Thalès) and construction. French investments have also affected agro-food, urban services and consulting.<sup>68,69</sup> Concerning Central Asian investments in France, no data is available on the sectors of investment. There are no extraordinarily notable bilateral projects between France and Central Asian countries. Energy cooperation is a core of both French-Kazakh and French-Turkmen economic relations, in terms of bilateral trade and, in the case of Kazakhstan, of investment. There are some global players of French origin active in Central Asia, as Danone in the agro-food industry, and L'Oréal, Michelin and Yves Rocher in the consumer goods sector. Furthermore, a number of French medium-size companies realize projects in Central Asia. For those companies, Kazakhstan, Tajikistan and Turkmenistan are the most interesting destinations. According to the French Ministry of Foreign Affairs, French companies are little represented in Kyrgyzstan due to limited market opportunities and the business climate.<sup>70</sup> Concerning Uzbekistan, the market opportunities might be better, but hitherto only about thirty French companies are settled in the country.<sup>71</sup>

No trade disputes between France and Central Asian countries appeared so far. There is no significant labour migration between France and Central Asian states.

## 2.3. Business and other interests

### 2.3.1. Kazakhstan

Kazakhstan's GDP PPP exceeded USD 477 billion in 2017 (the second after Russia). Its GDP PPP per capita was USD 26,000 (the second after Russia).<sup>72</sup> The oil and gas sector generates almost 30 percent of the GDP. The other sectors of industry are responsible for around 5 percent of the GDP. The same is the share of agriculture in the GDP. However, the services generate the majority of GDP (60 percent). The structure of labour forces is substantially different. Almost 20 percent works

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lion USD after China and Great Britain, but before Russia and Turkey, see „Tajikistan - Foreign Direct Investment and Foreign Portfolio Investment Statistics,” export.gov, accessed April 11, 2018, <https://www.export.gov/article?id=Tajikistan-Foreign-Direct-Investment-Statistics>.

<sup>65</sup> “Relations franco-tadjikes”, Ambassade de France à Douchanbe, accessed March 30, 2018, <https://tj.ambafrance.org/-Relations-franco-XXX->

<sup>66</sup> “Relations bilatérales”, France Diplomatie, accessed March 27, 2018, <https://www.diplomatie.gouv.fr/fr/dossiers-pays/turkmenistan/la-france-et-le-turkmenistan/>

<sup>67</sup> Meanwhile split in two companies, Orano and Framatome.

<sup>68</sup> “Les investissements franco-kazakhstanais”, Ambassade de France a Astana, accessed April 9, 2018, <https://kz.ambafrance.org/Les-investissements-franco-kazakhstanais>

<sup>69</sup> “Membres”, CCFT, accessed April 11, 2018, <https://www.cc-france-turkmenistan.org/index.php/nos-membres>

<sup>70</sup> “France and Kyrgyzstan”, France Diplomatie, accessed April 6, 2018, <https://www.diplomatie.gouv.fr/en/country-files/kyrgyzstan/france-and-kyrgyzstan/>

<sup>71</sup> “Relations bilatérales”, France Diplomatie, accessed March 27, 2018, <https://www.diplomatie.gouv.fr/fr/dossiers-pays/ouzbekistan/la-france-et-l-ouzbekistan/>

<sup>72</sup> “Report for Selected Countries and Subjects (Kazakhstan and GDP),” International Monetary Fund, accessed June 18, 2018, <https://www.imf.org/external/pubs/ft/weo/2018/01/weo-data/weorept.aspx?pr.x=21&pr.y=15&sy=2016&ey=2023&scsm=1&ssd=1&sort=country&ds=.&br=1&c=916&s=PPP&grp=0&a=>

in agriculture structure, 20 percent - in industry and more than 60 percent - in services.<sup>73</sup> The trade turnover accounts for around 50 percent of the Kazakh GDP. The ratio of exports to imports is 165 percent. The oil and gas sector accounts for almost 70 percent of the country's total exports. Metals and metallic products constituted almost 20 percent of the Kazakh export. Import is made up of mechanical industry (almost 40 percent), chemical products (17 percent), agricultural products (12 percent) and metallic products (12 percent).<sup>74</sup>

According to the Kazakh statistical office, the main trade partners of Kazakhstan are Russia (20 percent, almost USD 16 billion), China (13.5 percent, more than USD 10 billion), Italy (12.5 percent, almost USD 10 billion), the Netherlands (6.5 percent, USD 5 billion), France (4.5 percent, almost USD 3.5 billion) and Switzerland (above 4 percent, more than USD 3 billion). The share of the EU in the Kazakh trade balance approaches 40 percent, especially in export (50 percent) and to a considerably lower degree in import (20 percent). No Central Asian country has comparable trade relations with the EU. Besides Italy, the Netherlands and France, Germany and Spain represent the main trade partners of Kazakhstan among the EU. Their share in the Kazakh trade oscillates separately around 2-2.5 percent. Kazakhstan belongs to the Eurasian Union but its share in the Kazakh trade mostly overlaps with the share of Russia.

According to the Kazakh National Bank, as of 1<sup>st</sup> January 2018 the FDI stocks were worth USD 147 billion and accounted for more than 90 percent of its GDP. The main foreign direct investors were the Netherlands (almost USD 63 billion, close to 45 percent), the U.S. (above USD 27 billion, close to 20 percent), and China and Hong Kong (USD 14 billion, 10 percent) France (more than USD 13 billion, almost 10 percent).<sup>75</sup> According to the same statistics, the Kazakh direct investment stocks approached USD 20.5 billion accounting for almost 15 percent of Kazakh GDP. Kazakhstan invested mostly in the Netherlands (almost USD 11.7 billion, close to 60 percent) and the United Kingdom (around USD 3.8 billion, close to 20 percent). In case of the investment from the Netherlands, in fact it is composed to a large degree of companies based in other countries which registered themselves in Holland before investing in Kazakhstan (also the Kazakh capital has been reinvested in the country through the Netherlands).

Kazakhstan distinguishes itself in Central Asia by the huge portfolio investment assets which at the end of the third quarter of 2017 surpassed USD 60 billion (almost 40 percent of GDP). The U.S. constitutes the main provider of the portfolio investment. Its share in this kind of investment in Kazakhstan approaches 50 percent.<sup>76</sup> The United States is followed by Japan, Canada, Germany and France. The share of each of them separately accounts for 5 percent. Most notable investment/bilateral projects are: main oil fields, such as Tengiz & Korolev (Chevron, ExxonMobil, KazMunaiGaz, LukArco - Lukoil and BP), Karachaganak (BG, Eni, Chevron, Lukoil, KazMunaiGaz), and Kashagan (KazMunaiGaz, Eni, ExxonMobil, Shell, Total, China National Petroleum Corporation, Inpex); and also uranium exploitation (KATCO - AREVA and KAZATOMPROM). The foreign companies operating in Kazakhstan invested mostly in oil and gas sectors. In consequence the list of foreign investors is mostly made of energy giants (Shell, ExxonMobil, Chevron, Total, OMV, ENI, Lukoil, China National Petroleum Corporation, and Inpex).

Kazakhstan owns generous fossil fuel reserves of oil, gas and coal. It also holds reserves of other minerals and metals like uranium, copper and zinc. According to the estimates of the British Petroleum, the country holds almost 2 percent of the world proved reserves of oil, 2.5 percent of coal and

<sup>73</sup> "The World Factbook – Central Asia: Kazakhstan," Central Intelligence Agency, accessed June 18, 2018, <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>

<sup>74</sup> "2017 жылдағы жедел деректер," Ministry of national economy of the Republic of Kazakhstan - Committee on statistics, accessed June 18, 2018, [http://stat.gov.kz/faces/wcnav\\_externalId/homeNumbersCrossTrade2017?\\_afLoop=1501705022005192#%40%3F\\_afrLoop%3D1501705022005192%26\\_adf.ctrl-state%3Dwwqzp6p4b\\_47](http://stat.gov.kz/faces/wcnav_externalId/homeNumbersCrossTrade2017?_afLoop=1501705022005192#%40%3F_afrLoop%3D1501705022005192%26_adf.ctrl-state%3Dwwqzp6p4b_47)

<sup>75</sup> "Direct Investments Statistic according to the directional principle," National Bank of Kazakhstan, accessed June 18, 2018, <http://www.nationalbank.kz/?docid=469&switch=english>

<sup>76</sup> Ibid.

more than 0.5 percent of natural gas.<sup>77</sup> Besides, it has the second largest deposits of uranium in the world (around 12 percent).

### 2.3.2. Kyrgyzstan

Kyrgyz economy is the smallest in the region. Its GDP (PPP) accounted for USD 22.8 billion in 2017. The GDP PPP per capita was around USD 3,340. GDP is divided between the sectors as follow: services (53 percent), industry (33 percent), and agriculture (14 percent). Meanwhile, labour force is mostly engaged in agriculture (42 percent), then services (38 percent) and finally industry (14 percent). The remittances play a very important role in the Kyrgyz economy. They accounted for 30 percent of GDP in 2016.<sup>78</sup> It was the largest contribution to the GDP in the post-Soviet space. Kyrgyzstan receives also a huge transfer of ODA (between 2015-2016 almost USD 1,3 billion - around 10 percent of GDP nominal every year) mostly from Russia. In 2017, the Kyrgyz export was USD 1.77 billion, and import was USD 4.33 billion. In consequence, Kyrgyzstan experienced a huge trade deficit (USD 2.56 billion - more than 35 percent of GDP nominal).<sup>79</sup> Main export partners of Kyrgyzstan are Switzerland (45 percent), Kazakhstan (11 percent), Russia (10 percent), Uzbekistan (9 percent), Turkey (6 percent) and China (6 percent). Main import partners of Kyrgyzstan include China (38 percent), Russia (21 percent), Kazakhstan (16 percent), and Turkey (5 percent). The share of the EU in the Kyrgyz trade slightly exceeded 6 percent in 2017. Export is made up of gold (49 percent), precious metal ore (5 percent), dried legumes (4 percent), planes, helicopters, and spacecraft (3 percent). Import is composed mostly of refined petroleum (9 percent), rubber footwear (5 percent), and other synthetic fabrics (3 percent). The main producers of agricultural products in Kyrgyzstan are individual farms and producer groups, producing over 95 percent of all goods.<sup>80</sup> The main crops in Kyrgyzstan are wheat, potatoes, sugar beets and tobacco.<sup>81</sup>

In the Kyrgyzstan industry the leading role is played by non-ferrous metallurgy and mining industry (about 60 percent of the total industrial production). The largest economic importance for the country is the extraction of gold from the Kumtor deposit, providing over 40 percent of the country's exports. Water and energy complex, which is the second source of export proceeds, is also of strategic importance. One of the most important branches of industry in Kyrgyzstan is energy. After Russia and Tajikistan, Kyrgyzstan has the largest hydroelectricity resources per capita among the CIS countries. Nine power plants operate in Kyrgyzstan, of which seven are hydroelectric power stations and two are thermal. Currently, Kyrgyzstan exports electricity to Kazakhstan, Uzbekistan, Tajikistan and China,<sup>82</sup> which is connected with transborder bilateral project of energy sharing. Most notable foreign companies operating are Gazprom, the total owner of the Kyrgyz gas transmission system and Centerra – a Canadian company, controlling mining project Kumtor.<sup>83</sup>

FDI stock at home was USD 5.86 billion in 2017 and FDI abroad USD 675.5 million.<sup>84</sup> Top five sources of FDI in Kyrgyzstan include China (around 25 percent), Canada (almost 25 percent), Russia

<sup>77</sup> "BP Statistical Review of World Energy 2018," BP, accessed June 18, 2018, <https://www.bp.com/content/dam/bp/en/corporate/pdf/energy-economics/statistical-review/bp-stats-review-2018-full-report.pdf>

<sup>78</sup> "Personal remittances, received (% of GDP)," The World Bank, accessed June 18, 2018, <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=KG&view=chart>

<sup>79</sup> "Regional Statistics," National Statistical Committee of the Kyrgyz Republic, accessed April 13, 2018, <http://www.stat.kg/en/statistics/investicii/>

<sup>80</sup> "Living Standards," National Statistical Committee of the Kyrgyz Republic, accessed April 13, 2018, <http://www.stat.kg/en/statistics/investicii/>

<sup>81</sup> "Manufacturing," National Statistical Committee of the Kyrgyz Republic, accessed April 13, 2018, <http://www.stat.kg/en/statistics/investicii/>

<sup>82</sup> "Kirgistan," Informator Ekonomiczny Ministerstwa Spraw Zagranicznych, accessed: April 29, 2018, [https://www.msz.gov.pl/pl/p/zz\\_informatorekonomiczny\\_pl/azja/kirgistan/](https://www.msz.gov.pl/pl/p/zz_informatorekonomiczny_pl/azja/kirgistan/)

<sup>83</sup> "Kyrgyzstan and Centerra," Kumtor, accessed: April 29, 2018, <https://www.kumtor.kg/en/about/faq/centerragold-and-kyrgyzstan/>

<sup>84</sup> Ibid.

(17 percent), the United Kingdom (8 percent) and Kazakhstan (4 percent).<sup>85</sup> Most notable investment/bilateral projects are Kumtor and Hydroenergetics.<sup>86</sup> The condition of the largest gold mining project Kumtor, controlled by the Canadian company Centerra, is of key importance for the Kyrgyz economy.<sup>87</sup> Kumtor accounts for about 12 percent of the value of industrial production in the country and about 40 percent of export.

Kyrgyzstan has a significant amount of natural resources, especially gold. Furthermore, it has limited oil deposits, gas, coal and other metals such as mercury, aluminium, tin, beryllium, and rare-earth metals.<sup>88</sup> Kyrgyzstan's natural wealth is abundant with hydroelectricity, supporting the country's industrial development and constituting the main export commodity. Kyrgyzstan is one of the world's leaders in mercury mining. Minor amounts of antimony, hard and brown coal, bismuth, lead, tungsten, uranium and zinc are also mined here. In Kyrgyzstan, there are also resources of construction raw materials, such as granite, gypsum, marble, calcium, clay and sand.<sup>89</sup>

### 2.3.3. Uzbekistan

Uzbekistan's GDP PPP exceeded USD 222 billion in 2017 and its GDP PPP per capita was USD 6,300. The GDP is composed of agriculture (18 percent), industry (34 percent) and services (47 percent).<sup>90</sup> Meanwhile, more than 60 percent of labour force works in services, around 25 percent in agriculture and less than 15 percent in industry. In 2016, the remittances from the labour immigrants accounted for almost 4 percent of GDP but their contribution to the economy decreased dramatically in comparison to 2013 when their transfers were worth 11.5 percent of GDP.<sup>91</sup>

Uzbekistan's economic growth went through a rough patch in the early years after its independence, however, over the past 15 years the growth rate has averaged 7.1 percent. In 2017, the main trade partners of Uzbekistan were China (20 percent), Russia (17.5 percent), Switzerland (almost 17 percent) and Kazakhstan (9 percent). In 2017, the EU accounted for 10 percent of the Uzbek trade.<sup>92</sup> Uzbekistan is currently the world's sixth largest producer of cotton and the fifth largest exporter but is attempting to diversify its agriculture towards fruits and vegetables.<sup>93</sup> Oil and natural gas exports have been facilitated by Uzbekistan's network of pipelines that provide links to Kazakhstan, Russia, Afghanistan, China, Kyrgyzstan, and Turkmenistan. The main investors in the country are China, South Korea, Japan, Russia and the EU. Cooperation with China gained traction in 2011 with the now completed pipeline extension project. South Korea has also been an important partner investing over USD 2.6 billion in constructing a chemical plant. Japan is also interested in the Uzbek economy as the two countries signed an agreement to explore new hydrocarbon deposits; Japan contributed USD 5 billion to the project via the Japanese company JOGMEC.<sup>94</sup> Russia has approached Saudi Arabia and Uzbekistan to construct a nuclear plant in these countries through Rosatom, a Russia's

<sup>85</sup> "Investment," National Statistical Committee of the Kyrgyz Republic, accessed April 13, 2018, <http://www.stat.kg/en/statistics/investitsii/>

<sup>86</sup> "International Economic Activity," National Statistical Committee of the Kyrgyz Republic, accessed April 13, 2018, <http://www.stat.kg/en/statistics/vneshneekonomicheskaya-deyatelnost>

<sup>87</sup> Ibid.

<sup>88</sup> "Distributive Trade and Services," National Statistical Committee of the Kyrgyz Republic, Distributive Trade and Service, accessed April 13, 2018, <http://www.stat.kg/en/statistics/torgovlya-i-uslugi-naseleniyu/>

<sup>89</sup> Ruslan Botpaev, Christian Budig, Janybek Orozaliev, Klaus Vajen, Ruslan Akparaliev, Azamat Omorov, and Alaipek Obozov, Renewable Energy in Kyrgyzstan: State, Policy and Energy System, accessed April 29, 2018, [https://www.uni-kassel.de/maschinenbau/fileadmin/datas/fb15/110923\\_SWC\\_Paper\\_Botpaev\\_RE\\_in\\_Kyrgyzstan.pdf](https://www.uni-kassel.de/maschinenbau/fileadmin/datas/fb15/110923_SWC_Paper_Botpaev_RE_in_Kyrgyzstan.pdf)

<sup>90</sup> "The World Factbook – Central Asia: Uzbekistan," Central Intelligence Agency, accessed June 18, 2018, <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

<sup>91</sup> "Personal remittances, received (% of GDP)," The World Bank, accessed June 18, 2018, <https://data.worldbank.org/indicator/BX.TR.F.PWKR.DT.GD.ZS?locations=UZ&view=chart>

<sup>92</sup> "European Union, Trade in goods with Uzbekistan," European Commission – DG for Trade, accessed June 18, 2018, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113461.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113461.pdf)

<sup>93</sup> "Uzbekistan GDP Annual Growth Rate," Trading Economics, accessed August 30, 2018, <https://tradingeconomics.com/uzbekistan/gdp-growth-annual>

<sup>94</sup> Ibid.

nuclear corporation.<sup>95</sup> Finally, USD 2.7 billion in money transfers from Russia to Uzbekistan was reported by the Russian central bank in 2017.<sup>96</sup> Main foreign companies operating in Uzbekistan are GM Uzbekistan, MAN Auto-Uzbekistan, SamAuto, British American Tobacco Uzbekistan, Lukoil, CNPC, Volkswagen, Peugeot Citroën, Nestle, Huawei, Uz CLAAS Agro, and etc. Restructuring of large state enterprises and joining the World Trade Organisation would bolster Uzbekistan's plea for FDI.<sup>97</sup>

There have been no disputes between Uzbekistan and the EU countries at the national level, as well as international. Uzbekistan has no any noticeable trade disputes toward other states of the world.

### 2.3.4. Tajikistan

Tajikistan's economy is the second smallest in the region after the Kyrgyz one. Its GDP PPP surpassed USD 28 billion in 2017. Tajikistan is the poorest country in Central Asia. Its GDP PPP per capita does not exceed USD 3,000. In 2017, the GDP was composed of services (46 percent), agriculture (29 percent) and industry (25 percent). On the other hand, above 46 percent of Tajiks worked in services, 43 percent in agriculture and 13 percent in industry.<sup>98</sup> The Tajik GDP expanded averagely at a rate of 6.8 percent from 2006 until 2017. In 2017, the main trade partners of Tajikistan were Russia (32 percent), Kazakhstan (15 percent), China (11 percent), Turkey (8 percent) and the EU (7 percent).<sup>99</sup>

The remittances play a key role in the Tajikistan economy. They accounted for 27 percent of GDP in 2016.<sup>100</sup> After Kyrgyzstan, it was the largest contribution to the GDP in the post-Soviet space. In 2016 the ODA was responsible for 4 percent of the Tajikistan's GDP.<sup>101</sup> "Tajikistan's key natural resources include petroleum, gold, uranium, silver, tungsten, zinc and lead. The country also has natural gas, oil and coal reserves and more than 400 mineral deposits."<sup>102</sup> China has the strongest investment presence in the country, followed by Russia, Kazakhstan, the United Kingdom, and the United States. Russia's investment mostly has targeted hydroelectric power plants and banking. In 2016, the Italian firm Salini Impregilo was contracted by the government for a hydroelectric dam over a 13-year period for USD 3,9 billion.<sup>103</sup> A small number of joint-ventures are active in the country. There have been no disputes or exchange of sanctions between Tajikistan and the European Union countries at the national level, as well as international.

### 2.3.5. Turkmenistan

In 2017, Turkmenistan's GDP PPP surpassed USD 103 billion making it the third largest regional economy. Turkmenistan is the second richest country in Central Asia after Kazakhstan. Its GDP PPP per capita was USD 16,500 making it one of the richest countries in the former Soviet Union. The

<sup>95</sup> "Foreign direct investment (FDI) in Uzbekistan", Nordea Trade, accessed May 31, 2018, <https://www.nordeatrade.com/en/explore-new-market/uzbekistan/investment>

<sup>96</sup> Ibid.

<sup>97</sup> Ibid.

<sup>98</sup> "The World Factbook – Central Asia: Tajikistan," Central Intelligence Agency, accessed June 18, 2018, <https://www.cia.gov/library/publications/the-world-factbook/geos/ti.html>

<sup>99</sup> "European Union, Trade in goods with Tadjikistan," European Commission – DG for Trade, accessed June 18, 2018, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113453.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113453.pdf)

<sup>100</sup> "Personal remittances, received (% of GDP)," The World Bank, accessed June 18, 2018, <https://data.worldbank.org/indicator/BX.TR.F.PWKR.DT.GD.ZS?locations=TJ&view=chart>

<sup>101</sup> "Interactive summary charts by aid (ODA) recipients – Afghanistan," OECD, accessed June 18, 2018, [https://public.tableau.com/views/OECDDACaidataglancebyrecipient\\_new/Recipients?:embed=y&:display\\_count=yes&:show-Tabs=y&:toolbar=no?&:showVizHome=no](https://public.tableau.com/views/OECDDACaidataglancebyrecipient_new/Recipients?:embed=y&:display_count=yes&:show-Tabs=y&:toolbar=no?&:showVizHome=no)

<sup>102</sup> "Tajikistan: Mining, Minerals and Fuel Resources," AZO Mining, 09.10.2012, accessed June 29, 2018, <https://www.azomin-ing.com/Article.aspx?ArticleID=177>

<sup>103</sup> "Tajikistan: Foreign Investment", Santander, accessed March 31, 2018, <https://en.portal.santandertrade.com/establish-overseas/tajikistan/investing-3>

GDP is composed of services (48 percent), industry (45 percent) and agriculture (7 percent). Meanwhile, 48 percent of Turkmen works in agriculture sector, 38 percent are involved in services and 14 percent - in industry.<sup>104</sup>

Export goods are mainly natural gas and oil products (above 90 percent). Imported goods are primarily equipment and machineries. However, since 2015 the value of imported products has been exceeding dramatically the revenues of exported goods and this difference is steadily increasing. In 2017, the main trade partners of Turkmenistan were China (55 percent), Turkey (12 percent), the EU (11 percent) and Russia (almost 4 percent).<sup>105</sup>

Turkmenistan possesses the fourth largest deposits of gas in the world (10 percent). Turkmenistan is also rich in potassium salts and now is ready to intensify the mining. There are many companies from EU countries, which prove themselves as very successful in implementation of business projects in Turkmenistan, e.g. “BOUYGUES Batiman International” - a French company was contracted for construction of high luxury buildings (the President’s residences, the Palace of Parliament, the Council Palace, the Main Mejit (in Kipchak) and etc. even now, in 2018, they got five construction projects - the International Congress Hall, the “Turkmenbashi”- State Bank, the “Senagat”-bank, the Government Tribune and Luxury hotel; Hospitalia International – a German company (building and equipment of Health Houses, Medical Centers); “VencancoAG” - a Swiss company that was contracted for modernization of Turkmenbashi refinery; Turkmenistan implements its space projects via cooperation with the European countries (Thales Alenia Space – a French company).

A lot of investments by the country itself were made for upgrading of existing and construction of new infrastructure (new airports, the Turkmenbashi Seaport as part of the Europe-Caucasus-Asia (TRACECA) trade route. There is no formal information on Turkmenistan’s investments to the EU countries; the same is for investments in Turkmenistan by the EU countries. However, it is obvious that next five years no expansion is expected for investments by Turkmenistan, because the available resources will be spent to complete projects that have already started. Natural gas and textile products are two main categories of export products to the EU market. There are a few disputes between Turkmenistan and its partners, but Turkmenistan is trying to solve them via appeals to the International Court of Justice. There are some publications on temporary limitation/disputes with the VISA card system.

### 3. Conclusions

External trade policy is one of the few policy areas, where competences lie exclusively on the supranational level. The EU member states are not allowed to negotiate trade agreements on their own. If there are no bilateral or multilateral trade agreements between the EU and a third country, and the third country is a member of the World Trade Organisation (WTO), as all EU member states are, the rules of the WTO apply. This is the case for Kazakhstan, Kyrgyzstan, and Tajikistan, while Uzbekistan is in the process of negotiating its accession to WTO. Turkmenistan has not applied for membership yet.

Whereas the PCAs are the basis of the political dialogue between the EU and the Central Asian states, economic and trade issues are the core of those agreements. Kazakhstan is a key trading partner of the EU member states, while Uzbekistan is increasing its opportunities to boost economic cooperation with the EU. Other Central Asian states - Tajikistan and in particular Turkmenistan - have a very limited capacity to attract EU investment. However, both Tajikistan and Kyrgyzstan continue to receive financial and aid assistance from the EU.

<sup>104</sup> “The World Factbook – Central Asia: Turkmenistan,” Central Intelligence Agency, accessed June 18, 2018, <https://www.cia.gov/library/publications/the-world-factbook/geos/tx.html>

<sup>105</sup> “European Union, Trade in goods with Turkmenistan,” European Commission – DG for Trade, accessed June 18, 2018, [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113457.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113457.pdf)

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