



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.10.1995
COM(95) 206 final

COMMUNICATION FROM THE COMMISSION

**TOWARDS A EUROPEAN UNION STRATEGY FOR
RELATIONS WITH THE INDEPENDENT
STATES OF CENTRAL ASIA**

COMMISSION COMMUNICATION
THE EU'S RELATIONS WITH THE NEWLY INDEPENDENT STATES OF CENTRAL ASIA

Executive summary

1. The transition from Soviet Socialist Republics to modern, independent nation states is proving a difficult one for Central Asia. The five republics' ability to maximise the benefits from their rich natural resources will be crucial for this transition.
2. The EU has important interests in Central Asia. These are both geopolitical and economic. The development of the energy sector is particularly important to the Union, which is both a major potential consumer of energy products and a supplier of investment capital, services and equipment.
3. The Union's prime objective is maintenance of stability in the region. This can best be achieved through:
 - the evolution of broadly-based, representative, democratic institutions;
 - the reduction of the scope for conflict;
 - the continuing promotion of economic reform.

The EU should also seek to improve its own economic security through a greater role in decision-making in the energy and mineral extraction sectors.

4. The achievement of these objectives will be a long-term process. It is important, if the EU is successfully to pursue them, that it raise its profile throughout the region. This does not imply that the same instruments are appropriate in each case : these should reflect the very different circumstances in the five republics. They should include the following:

Economic Cooperation and Assistance

- a) With Kyrgyzstan, the PCA should be ratified and the Interim Agreement signed as soon as possible. With Kazakhstan, implementation will need to await ratification, currently stalled due to the President's suspension of Parliament. This need not, however, prevent the negotiation of sectoral agreements e.g. on steel and trade in nuclear materials.
- b) Subject to the outcome of needs assessment, any new food aid operation could again include Kyrgyzstan and Tajikistan.
- c) Tacis operations should continue in all five republics. These should include the intensification of activities under the Democracy Programme.
- d) ECHO should continue to provide humanitarian assistance to certain countries of Central Asia, subject to needs.

New contractual relations

While it would be in the EU's economic and security interests to establish a more regular dialogue with Uzbekistan and Turkmenistan, it must be recognised that the EU's political conditionality for negotiating a PCA (i.e. the principles expressed in the CSCE documents) is unlikely to be met in the short term. A regular dialogue will enable the partners concerned to measure the progress in meeting the political and economic conditions the European Union attaches to negotiating and concluding a PCA.

The EU should therefore initiate a regular political dialogue. This would, on the one hand, address the Union's overall political concerns and on the other, take the form of exploratory discussions in which the EU could explain the criteria it would expect to be met by PCA partners. The EU would make clear its intention to negotiate full PCAs once sufficient progress has been achieved.

This dialogue would, perforce, have to be of an informal nature, in that it could not take place within an institutional framework. In parallel, formal contacts should continue on economic questions, based on the 1989 Agreement and, as appropriate, sectoral trade agreements.

Political and diplomatic relations

The PCAs and the dialogue with Uzbekistan and Turkmenistan would also be the principal vehicles for promoting the EU's objectives. But there should also be a possibility for such dialogue at regional level. The Union should use its influence to support the efforts of the UN and the OSCE to maintain the momentum of the Inter-Tajik peace process.

Political issues affecting Central Asia, including Tajikistan and access to energy, should be discussed as part of ongoing political contacts with Russia, Turkey and Pakistan, both bilaterally and in multilateral fora. The EC should also strengthen its relations with the Economic Cooperation Organisation.

The Commission will consider the possibility of strengthening its diplomatic representation in the region, budgetary means permitting.

5. A number of measures referred to above (notably in the field of political cooperation, support for democratic institutions and possibly some fields of assistance) could be the object of a Common Position. A draft Common Position is presented in conjunction with this Communication.

<u>Annex A:</u>	Summary of the economic situation of the republics of Central Asia
<u>Annex B:</u>	Summary of Tacis activities in the region
<u>Annex C:</u>	Situation regarding servicing of EC loans under the 1250 MECU facility
<u>Annex D:</u>	The EC's trade with Central Asia

**THE EU'S RELATIONS WITH THE NEWLY INDEPENDENT STATES
OF CENTRAL ASIA**

Introduction

1. The remoteness of Central Asia has not prevented its emergence as a region of importance to the European Union. Exploitation of the huge oil and gas reserves in the Eastern Caspian and Northern Kazakhstan became a practical possibility only after the break-up of the Soviet Union, and the region is also a major supplier of uranium and other minerals. Competition for economic influence there is likely to intensify, provided that the present relative stability in the republics other than Tajikistan can be maintained. But for the five countries of the region¹, the transition from relatively poor Soviet Socialist Republics to potentially wealthy modern nation States is proving, for differing reasons, a difficult one. The Presidents of the three energy-rich republics (Kazakhstan, Turkmenistan and Uzbekistan) are all former CPSU Politburo members, and in varying degrees they have opted for strong (indeed authoritarian) government as the antidote to the fissile tendencies which characterise the region. It also remains to be seen whether the five republics will continue to view their interests as compatible with Moscow's conception of its long term role, a role which is already under challenge in Tajikistan.

2. The EU is already a significant actor on the Central Asian scene. For the energy producers it remains for the moment their single most important market outside the CIS ; it is also a very important supplier of the capital, know-how, goods and services required to realise their potential. For Kyrgyzstan and Tajikistan, it is an important aid donor. It was the EC and its Member States which took the first significant initiatives to create an international framework for the republics' eventual integration into the global economy ; the European Energy Charter, the EBRD and the negotiation of Partnership and Cooperation Agreements (PCAs) with Kazakhstan and Kyrgyzstan. It now needs to decide whether to negotiate with Uzbekistan - which has requested an ambitious PCA - and with Turkmenistan. The General Affairs Council of 4 October 1994 considered this question and called for reports on the human rights situation in both these countries; these were drawn up under the German Presidency. The GAC also decided that the situation in Tajikistan was still too unstable for new contractual relations to be envisaged.

Following the dissolution of Kazakhstan's Parliament, the European Parliament adopted, on 5/4/1995, a resolution that the PCA negotiated with that country should not receive assent until a return to parliamentary democracy is assured.

3. The purpose of this Communication is to consider :
 - how the Union's interests in the region should be defined;
 - the prospects for successful implementation of PCAs;
 - how the Union might integrate its policy on PCAs into the general context of its relations with these countries;
 - how far a global approach towards Central Asia could be developed, given the wide divergences between the Republics in this vast region, where Kazakhstan alone is nearly as large as the 15 Member States put together.

¹ Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

The situation of the five republics

4. Political/human rights situation

- 4.1 The Central Asian republics have a number of political characteristics in common. In all cases the sense of national identity remains weak: they are ethnically diverse, with arbitrary borders drawn up in the Soviet era for which little historical justification exists. Amongst some ethnic groups strong regional or tribal affiliations exist. All have highly centralised power structures, but the fabric of state and government remains weak.
- 4.2 The EU has serious political concerns over human rights and democracy throughout the region. Those concerning Uzbekistan and Turkmenistan were examined in detail in the report compiled under the German Presidency (see below). In addition:
- a) In Kazakhstan, Uzbekistan and Turkmenistan, referenda have been held to extend Presidential rule to the end of the century, so circumventing the principle of regular elections.
 - b) In all the republics except Kyrgyzstan there have been concerns about the manner in which both elections and referenda have been held. In each case, the government has been supported by more than 95% of the electorate. Because of these concerns the EU declined to send observers for the Parliamentary elections in Uzbekistan last December and in Tajikistan in February 1995, nor for the referendum in Kazakhstan held in April.
 - c) President Nazarbayev's suspension of Parliament, followed by what appears to be reluctance to hold new elections, has led to fears over the future of Parliamentary democracy in Kazakhstan.
 - d) continuing human rights violations are reported in Tajikistan, which is still in a conflict situation.
 - e) inadequate law enforcement, by an independent judiciary, remains a major problem.
- 4.3 A report on human rights in Uzbekistan and Turkmenistan was compiled at the Council's request during the German Presidency, based on the contributions of Member States' Heads of Mission and the Commission. This noted that:
- in Uzbekistan, there is a gap between the guarantees offered by the constitution and their practical implementation. In particular, the police and the security services appear to have few constraints on their activities; the press is not free; political demonstrations have been suppressed; and human rights violations by state authorities have often escaped judicial control. But the number of brutal assaults against members of the opposition has reduced, even if incidents continue to occur. The rights of minorities are largely respected. President Karimov's amnesty of November 1994 is regarded as evidence of a will to demonstrate good intentions in the fields of human rights, as is the government's interest in the establishment of the OSCE office in Tashkent.
 - Turkmenistan has made only limited progress in moving from a Soviet-era style of government to a democratic system. Opposition parties do not exist and there is a growing personality cult around the President, who has centred his nation-building efforts around the revival of Turkmen nationalism. On several occasions the government has detained individuals who have criticised it. The President has power to select and to dismiss judges. Again, a gap exists between constitutional freedoms, including respect for civil liberties, and current practice. Freedom of speech and of assembly are severely restricted and the media are controlled by the government. The report concludes however that despite these criticisms Turkmenistan is not a brutal and oppressive police state on the classical model.

The report comments that the human rights situation in both countries should, and can, be improved: the Presidency's view was that the best way of helping these countries to move towards closer

adherence to established human rights standards is closer cooperation with the EU, in the context of the political dialogue foreseen in PCAs.

5 *Economic circumstances*

These vary substantially (see annex A). Tajikistan is dominated by the war and its economy is in a state of dislocation worse than that faced by any other NIS. Despite this, some trade is taking place (in the EU's case, more than with Kyrgyzstan) and even some investment, essentially in mining operations. Goldmines also feature among European investments in Kyrgyzstan and Uzbekistan; but here the similarity ends. Kyrgyzstan has from the start followed the recommendations of the international financing institutions. It left the rouble zone early and now has a credible macroeconomic policy and sound external finances. Internally, production continues to fall sharply and the country is still facing shortages of essential commodities, notably grain and energy. Uzbekistan's economic performance, based on its mineral wealth and high quality cotton production, seems almost resilient, in comparison with the other republics, despite a very slow start on reform and continuing high levels of inflation. The latest government plan, unveiled in February 1995, calls for a major boost to privatisation. Kazakhstan has belatedly taken measures to protect its currency and cut inflation down to reasonable levels, but 1994 economic indicators still firmly point in the wrong direction. The President's impatience with the failure to press ahead with reform policies led to the replacement of the Tereshchenko government and probably played a part in his decision to suspend a parliament one third of whose members he had himself nominated. Turkmenistan is one of the world's largest suppliers of natural gas. Its external trade is in surplus, but the country is experiencing serious problems with securing repayment from NIS clients (notably Ukraine, whose debt was recently rescheduled, and the Transcaucasian republics).

In all these countries there is evidence that wealth is being increasingly concentrated in the hands of certain sections of society which have, in particular, been able to profit from the economic liberalisation process. Economic disparities, combined with inadequate social "safety nets", may if unchecked aggravate the inherent instability of the new nation states.

6. *The environment*

All the republics, but in particular those in the Caspian and Aral regions and North-East Kazakhstan face very severe environmental problems. These have been compounded by the governments' inability, so far, to define a realistic framework for cooperation, e.g. with regard to the Aral Sea. Furthermore, in the Semipalatinsk region some damage has been created by nuclear fallout and accidents.

7. *Role of third countries in Central Asia*

7.1 Although metals, including uranium, coal and cotton are among the commodities the republics produce, their geopolitical significance is linked above all to the importance of Kazakhstan, Turkmenistan and (to a lesser extent) Uzbekistan as hydrocarbons producers. This is an important element in the region's complex relationship with Russia, for whom the participation of Russian companies in exploration and extraction, and the route of new oil and gas pipelines, are a matter of political as well as economic importance. This is particularly the case regarding outlets for Kazakhstan's oil and gas production and Turkmenistan's plans to build a gas pipeline to link up with Iran's network. The solutions finally adopted for the pipelines will be crucial for the future of the major foreign investment in the energy sector, and so for these countries' future prosperity. Russia's role is pervasive in other ways: Uzbek and Kazakh troops are supporting the Russian military in Tajikistan; ethnic Russians dominate Turkmenistan's officer corps. There is evidence, however, that neither Uzbekistan nor Turkmenistan would welcome too much strengthening of Russia's military role in the region. Russia's continuing military role as "guardian" of the CIS's southern frontier, and developments in the conflicts in Tajikistan and indeed Afghanistan, will be key to the Central Asian republics' efforts to reorient their trade towards the South and China. In the long run, their economic independence could depend upon their success in doing so.

The relationships of Kazakhstan and Kyrgyzstan with Russia go much deeper, given the numbers of ethnic Russian citizens and their economic importance, especially along Kazakhstan's long Northern border. In Kazakhstan's energy-rich North-West communications, and economic links generally, are with neighbouring oblasts in Russia rather than far-off Almaty. Moreover, emigration by ethnic Russians is reaching unprecedented levels ; this will prove extremely damaging to both Kazakhstan and Kyrgyzstan. Hence President Nazarbaev's call - despite his concerns over nationalism in Russia and his anger over the ending of the rouble zone - for a "Euro-asiatic Union" and his decision to establish a "Customs Union" with Russia and Belarus. Kyrgyzstan is participating in discussions on joining this Customs Union. It is not clear whether the "Central Asian Common Market" formed in February 1994 by Kazakhstan, Kyrgyzstan and Uzbekistan is compatible with this process or can indeed survive it.

- 7.2 Central Asia features higher on the United States' agenda than on those of either Europe or Japan. This high profile - reflected in the visits to the region paid by Vice-President Gore, Secretary of State Christopher and Defense Secretary Perry - is linked to both political and economic objectives. Washington has cooperated closely with Kazakhstan on denuclearisation and clearly regards President Nazarbaev as a key figure in ensuring regional stability, the political independence of the newly independent states and freedom of action for US oil and gas companies. The US was thus particularly disappointed, as was the EU, by Nazarbaev's recent actions. The US has expressed similar concerns to those of the EU concerning human rights and democracy in Uzbekistan, but this has not prevented them from concluding trade and investment agreement with this country. The US has been particularly prominent in supporting Kyrgyzstan's reforms. Like the EU, it regards Kyrgyzstan as a possible model for the region.
- 7.3 Turkey has also sought to play a major role in Central Asia, notably promoting Turkish cultural links and economic and military cooperation. But its remoteness, and its limited capacity as a donor, have reduced the impact of Turkish activities. China too has sought to expand its influence, in particular through trade. Premier Li Peng visited Central Asia in summer 1994 in order to promote closer relations. However, traditional hostility towards China, where sinification policies have created fears for the futures of the Kazakh and Kyrgyz minorities there (and of the Uighurs of Sinkiang, who are ethnically close to the Uzbeks), will act as a brake on the development of relations. That hostility has been sharpened by China's resumption of nuclear testing at the Lop Nor range in Sinkiang. Finally Iran, Pakistan and India are also interested in closer cooperation, but apart from the development of certain communications projects links slow progress has been made: the one exception - and it is an important one - being the planned gas pipe line from Turkmenistan to Iran referred to above. Central Asian governments' concerns over Islamic radicalism, poor communications and the effects of the Afghan and Tajik conflicts are the main reasons for this.
- 7.4 As a potential trading partner, source of investment and donor, the EU ranks well ahead of other third countries. But so far, only Uzbekistan has understood Europe's potential as a political partner. Kazakhstan's preoccupation with Russia and the US, and Turkmenistan's with Russia and Iran, should be a matter of concern to European players who have their own, important, interests in the region.

8. The EU's interests and role hitherto

- 8.1 Already in its working paper of February 1994 ² the Commission put forward the view that even though Russia will for the time being continue to dominate the region, there will be competition between the EU, other Western partners and the region's neighbours to exercise economic influence there. It noted that the republics will need time to realise their potential and that infrastructure investment will be essential for this; and it concluded that the EU has an interest, over time, in encouraging investors to enter these markets and in providing services and equipment. The EU,

² "The EU's future contractual relations with the NIS of the former Soviet Union : an assessment of strategy" (SEC (94) 258 of 10.02.1994).

unlike Russia, US and Iran, also has an interest as a major potential consumer of energy products from the region, and especially of natural gas: at present near to 50%³ of its consumption of imported gas is of Russian origin, and if forecasts are accurate a growing share of our domestic demand will, within the foreseeable future, be covered by imports. The EU is also an important consumer of uranium - produced by all the Central Asian republics, except Turkmenistan - and proposes to negotiate sectoral trade agreements with them. Oil from the Kazakh fields is expected to start flowing westwards from 1997. Gas may flow through Turkey and Iran. It is in the EU's interest to ensure that its voice is heard in matters concerning extraction, pipeline routes and on the issue of jurisdiction in the Caspian Sea.

8.2 Apart from these geopolitical and energy-related interests, Central Asia represents a not insignificant market of 52 mn consumers situated astride the land routes between Europe and the markets of the Far East and the Indian subcontinent. Of these, 17 mn live in Kazakhstan and 22 mn in Uzbekistan, the traditional cultural and economic heart of the region.

8.3 The Union's security interests are above all linked to the (as yet hypothetical) dangers of increased instability in the region. These go wider than the loss of markets and damage to EU investments. In economic terms, access to resources may in the long term prove to be a yet more significant factor. In geopolitical terms, the emergence of rifts between ethnic, clan or regional groupings could lead to conflicts such as has occurred in Tajikistan becoming more widespread, bringing with it the risk of outside involvement and ultimately the possibility of confrontation involving Russia and third countries.

The EU also has security concerns relating both to the production and marketing of nuclear materials and to the growing drugs problem in the republics of South-East Central Asia.

8.4 Finally, it should be noted that despite high levels of emigration, there remain substantial numbers of citizens in the five republics claiming ethnic links with Member States. There are believed to be around 700,000 people in Kazakhstan of German origin and there are also Greek minorities. The same is true, to a lesser extent, of neighbouring countries. Instability would undoubtedly further increase pressures to emigrate and the EU would probably be the first choice of many.

9. So far the EC's actions have been limited to the following fields :

Contractual. PCAs have been signed with Kazakhstan and Kyrgyzstan. Pending the entry into force of the new agreements, the 1989 Trade and Cooperation Agreement with the USSR is applied bilaterally with each of the five republics. The first Joint Committee, with Uzbekistan, took place on 12 May under the 1989 Agreement. So far Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan have signed the Energy Charter Treaty and Turkmenistan has announced its intention to follow suit.

Food Aid. Tajikistan and Kyrgyzstan are beneficiaries of the 204 MECU food aid operation launched by the Commission to tide certain NIS over the winter of 1994-95. The aid accorded to them is valued at 20 MECU (Tajikistan) and 19 MECU (Kyrgyzstan). Deliveries are expected to be completed in May 1995. In the framework of the 204 MECU operation ECHO has provided emergency aid to Tajikistan (9.8 MECU) and Kyrgyzstan (6.2 MECU).

Technical Assistance. All the republics have benefited from Tacis programmes (131.3 MECU to date). A breakdown of TA provided in this way is at Annex B. The Tacis Democracy Programme runs programmes in Kazakhstan, Kyrgyzstan and Turkmenistan. The EC has been assisting the process of economic reintegration on a market basis, through the TACIS Interstate Programme.

³ Coopers and Lybrand report prepared for the European Commission, DGXVII.

Financial Assistance. Loans have been taken up by all the republics under the 1250 MECU facility intended to finance imports of food and medical products. Some countries have at times been late in servicing their debt, but at present only Tajikistan is in arrears (See Annex C).

Diplomatic. The Commission's first delegation in the region began operations in Almaty in November 1994.

10. Trade and investment have risen sharply, from a very low base. Investment figures are not reliable, but it appears that the lion's share of the investment has gone to the energy sector, and to Kazakhstan in particular⁴. The EU also has an important surplus in merchandise trade with Kazakhstan, and a deficit with Uzbekistan; it also runs a small deficit with Turkmenistan. Trade with Tajikistan and Kyrgyzstan remains at very low levels (see Annex D).

11. The EU's objectives

- 11.1 Development and consolidation of democracy and the respect of human rights constitute one of the objectives of the Common Foreign and Security policy of the EU and are the basis for security and peace in the region. Economic development and the construction of a civil society which observes human rights and the fundamental freedoms are intrinsically linked.

The EU's first task is to support the evolution of broadly - based, representative, democratic institutions which will allow the republics to reinforce their internal cohesion, ensure their long-term viability as nation states and avoid the post-Soviet era being succeeded by a power vacuum with the capacity to suck in third countries.

- 11.2 The Union's second task is reduce the scope for conflict. The principal means of achieving this remain the processes of political and economic reform, but the Union's importance as an impartial donor and as an investment and trading partner give it greater ability to exercise political influence in the region than most others. This ability could also be used in support of the UN and the OSCE in their efforts to further the peace process in Tajikistan. The 204 MECU food aid operation and the work of ECHO have already done much to raise the EU's profile in Tajikistan : they provide an important basis for further action.
- 11.3 The Union's third task is to continue to promote the process of economic reform. As elsewhere in the former USSR the objective is to work with the international financing institutions and other donors to help the parties reinforce economic discipline, achieve macroeconomic stability and liberalise trade and investment. Economic reform shall be guided by the requirements of sustainability and shall fully incorporated environmental considerations.
- 11.4 The Union's fourth task is to improve its own economic security. This would require it to take a more active role in decision making both as regards investments in the energy sector and in mining, and as regards the routing of pipelines, sectors which also have or could have a significant impact on the environment and have a crucial role to play in achieving sustainable development. The PCAs and the European Energy Charter Treaty provide the legal basis for a dialogue on these issues, and there is every advantage in cooperating closely with other investors and with transit countries. Russia falls into both these categories.
12. It is important that in promoting these objectives, the Union should be seen by the governments as friendly, impartial, yet not so remote as to be disengaged.
13. The EU has the capacity to achieve this ; yet for the moment it is seen as a less significant partner. than the international institutions, the United States, Turkey and (in the case of Kyrgyzstan) even

⁴ Statistics compiled by UN ECE show that, taken over the lifespan of the projects, Kazakhstan accounted for no less than 39 % of total foreign direct investment commitments in transition economies by end 1994.

Switzerland. It is essential, if the EU is to pursue its objectives, for it to raise its profile throughout the region. This is one of the most powerful arguments for the intensification of political dialogue.

Instruments

14. Even if the above objectives apply on a regional basis, the wide variations which exist between the republics preclude the use of instruments common to all. Far more substantial progress towards reform has already been achieved in the case of Kazakhstan and Kyrgyzstan than in that of the other three, and notwithstanding concerns over President's Nazarbaev's dissolution of Parliament and the extension of his rule through the 29 April referendum, these two republics' policies remain much closer to what the EU would expect from its NIS partners, including the criteria set out in the CSCE documents and the PCAs themselves. The instruments at the EU's disposal could be considered in three categories : economic cooperation and assistance ; new contractual relations ; and political and diplomatic relations.

Economic Cooperation and assistance

15.1 Kazakhstan and Kyrgyzstan

These countries' external finances are considered to be in a satisfactory state and they should not find it impossible to service their financial commitments. The EC's future action will therefore concentrate on implementation of the PCAs (assuming they are ratified) and the Interim Agreements. The PCAs will be complemented by sectoral agreements on trade in steel (Kazakhstan) and nuclear materials. Assistance through Tacis will continue. It is not yet clear whether a food aid operation on the lines of the 1994-95 campaign will in future be needed for Kyrgyzstan as was the case with the 204 MECU operation; this will in the first instance depend on the assessment of the EC/US mission which took place in May. The EC may need to consider humanitarian assistance to Kyrgyzstan, through ECHO, as it did in 1994.

15.2 Uzbekistan and Turkmenistan

The EC will consider how political relations can be intensified (see below). No humanitarian actions are envisaged, and these countries too are expected to fulfil their financial obligations. Tacis operations will also continue.

15.3 Tajikistan

Following the latest fighting in the Khorog area, the future of the Teheran cease-fire agreement signed in September 1994 seems doubtful: it can only be concluded that political circumstances in this country have not yet improved to the point where an upgrading of contractual relations could be envisaged, although a sectoral agreement on trade in nuclear materials is foreseen. Tajikistan is unlikely to pay outstanding arrears on the interest repayments on the EC's loan (under the 1250 MECU facility) in the near future.

A macro-financial assistance package for Tajikistan is clearly out of the question. On the other hand, the Commission proposes to resume previously stalled Tacis activities, within the limited finance available (expected to be around 4 MECU per annum). Given that humanitarian concerns persist, ECHO's activities in that country will also continue. The EC/US food needs mission in May also visited Tajikistan; should it conclude that support will be needed in 1995-6, it would be appropriate to include Tajikistan on a similar basis to other areas in need, in particular Transcaucasia, as this was the case in the 204 MECU operation.

- 15.4 It may be concluded that, with the exception of the provision of humanitarian assistance to Tajikistan and possibly to Kyrgyzstan, the EC's assistance operations in the foreseeable future in this region will

be limited to ongoing Tacis activities. These activities could however include an intensification of projects under the Democracy Programme, which should target in particular Kazakhstan and Uzbekistan : the future of projects in Turkmenistan and Tajikistan will have to be considered in the light both of the opportunities (the democratic deficit is greater than elsewhere) and of the obstacles to their realisation.

16. *New contractual relations*

- 16.1 This question is for the moment limited to Uzbekistan and Turkmenistan. The October 1992 negotiating mandate for PCAs applied to all successor states of the USSR. At its first examination of the question (General Affairs Council (GAC) of March 1994) the Council concluded that "first generation" trade and cooperation agreements similar to the 1989 EC-USSR agreement could be negotiated, but incorporating investment-related provisions and an evolution clause providing for upgrading to full PCA status once conditions (especially regarding human rights) permit. At the 4 October GAC, concern over this last point led the Council to adopt a more reticent approach. It called for a report on human rights by the Presidency, in association with the Commission and Embassies of the Member States in the two republics, before deciding whether exploratory discussions should be held. In parallel Joint Committees could be convened under the 1989 Agreement.
- 16.2 That there are concerns over human rights and, more specifically, over the prospects for democracy is not questioned. There must also be serious doubts - given the political circumstances referred to in para 3 above - as to whether the EC could in the short term, through a contractual relationship of any sort, induce the two republics to modify their power structure in such a way as to allow genuine political pluralism to take root. However, as noted in the Commission's paper of February 1994, such leverage could eventually develop if European and other "Western" companies were to establish a significant economic presence there; and for this to happen a close relationship with the two governments is a sine qua non. (NB: the economic relationship between the EC and Uzbekistan is already a significant one. The value of trade in 1993 was more than twice that of the EC's trade with all three Transcaucasian republics put together).
- 16.3 This contradiction between political and economic objectives in the short term is also addressed in the report on human rights prepared under the German Presidency. A number of Western democracies, including some member states, have sought to resolve it by establishing bilateral diplomatic and trade investment relations with Uzbekistan in particular, while also continuing to express concern about human rights through diplomatic channels. Were this policy to be reflected at European level it would go in the direction of the less ambitious trade, cooperation and investment - related agreement foreshadowed in the Council's first consideration of the issue in March 1994. However, the conclusion of full PCAs with Uzbekistan's two partners in the "Central Asian Common Market", Kazakhstan and Kyrgyzstan, has made it all the more unlikely that that country would be prepared to accept discriminatory treatment - especially if this were formalised in a new agreement to be applied for at least ten years.
- 16.4 Moreover, as already noted in the case of Transcaucasia, any form of new agreement concluded by the EC would be subject to human rights conditionality; and a trade, cooperation and investment-related agreement would in all events contain most of the elements of a PCA, except for the political dialogue and the political statements in the preamble. Yet a political dialogue with Uzbekistan is in the EU's interest, not just for the general reasons set out above but also given that country's regional importance, its proximity to both Afghanistan and Tajikistan, and the production of uranium and drugs in Uzbekistan itself and in neighbouring regions of Tajikistan and Kyrgyzstan. The same is true of Turkmenistan, given that country's relationship with Iran and its importance as a creditor of other NIS.
- 16.5 It may be concluded that it would be in the EU's economic and security interests to establish a more regular dialogue with Uzbekistan and Turkmenistan. It must be recognised that the EU's political

conditionality for negotiating a PCA (i.e. the principles expressed in the CSCE documents) is unlikely to be met in the short term. A regular dialogue will enable the partners concerned to measure the progress in meeting the political and economic conditions the European Union attach to negotiating and concluding a PCA.

It follows that EU relations with Uzbekistan and Turkmenistan need to be considered in a long-term perspective. On the one hand, a framework is required for ongoing development of economic links. On the other, the Community must intensify dialogue on its political concerns.

- 16.6 Until a new agreement can be concluded, contractual relations will continue to be based on the 1989 Agreement. The scope of that Agreement is probably wide enough to allow for discussion on most of the topics which would be covered by a "less ambitious agreement" of the sort envisaged at the March 1994 GAC. It would be possible to reach joint decisions on trade and indeed investment-related matters through the recommendations of the Joint Committee convened under that Agreement. Those recommendations could not, however, be binding in themselves. They would have to be implemented by each party autonomously.

The 1989 Agreement could be supplemented by sectoral agreements, as appropriate, i.e. on textiles, nuclear trade and possibly dangerous waste.

- 16.7 In parallel, the EU should initiate a regular political dialogue. This would, on the one hand, address the issues set out in paras 12 and 16.4 and on the other, take the form of exploratory discussions in which the EU could explain the criteria it would expect to be met by PCA partners. The criteria are those set out in the CSCE documents, and in particular the provisions of the Paris Charter concerning human rights, democracy and the rule of law. The EU would make clear its intention to negotiate full PCAs once sufficient progress has been achieved.

This dialogue would, perforce, have to be of an informal nature in that it could not take place within an institutional framework.

17. *Political and diplomatic relations*

- 17.1 Eventually, the PCAs will be the principal vehicle for political dialogue with the Central Asian governments. The only republic without one would be Tajikistan, and here the EU should, in periodic discussions with the Tajik government and meetings with the Tajik opposition use its efforts to support the peace initiative of the UN and the OSCE. Pending the entry into force of PCAs, the EU should use the dialogue referred to in para 16.7 to support its overall political objectives
- 17.2 OSCE has also arranged seminars in Central Asia aimed at making opinion formers there better acquainted with OSCE principles and commitments, particularly in the areas of democratic principles and the rule of law, and will soon open a Central Asian office in Tashkent to continue an "outreach" programme concerning all aspects of democratisation. The EU could actively support and complement the work of OSCE as part of its policy towards Central Asia.
- 17.3 Any dialogue with Central Asia should allow the possibility of a regional dimension.
- 17.4 Ongoing discussion with Russia is a sine qua non, particularly on energy-related questions and on Tajikistan. Such discussion should take place bilaterally and in relevant multilateral fora. But the EU should also consider instituting a dialogue on Central Asian matters with Turkey and Pakistan. Given that these countries, all five Central Asian republics, Iran and Afghanistan are all members of the (Islamic) Economic Cooperation Organisation (ECO) the EC could also intensify existing contacts with that organisation.

17.5 Budgetary means permitting, the Commission will reflect on the possibility of increasing its diplomatic representation, through accreditation of its Almaty delegation and/or through the eventual establishment of a new delegation in Tashkent. N.B. : Kazakhstan, Kyrgyzstan and Uzbekistan now have embassies in Brussels.

Conclusions

18. The EU's political objectives, particularly relating to human rights and democracy, are sophisticated and ambitious; they can be achieved only over the long term, and only if backed by a strong European political and economic presence in the region. The EU needs to raise its profile in Central Asia; it possesses the means to do so. This does not imply that the same instruments need to be deployed in each of the new nation states. The Union's policy towards the region must take account of the very different circumstances of the five republics. It could, accordingly, be based on the following lines:

Economic cooperation and assistance

- a) With Kyrgyzstan, the PCA should be ratified and the Interim Agreement signed as soon as possible. With Kazakhstan, implementation will need to await ratification, currently stalled due to the President's suspension of Parliament. This need not, however, prevent the negotiation of sectoral agreements e.g. on steel and trade in nuclear materials.
- b) Subject to the outcome of needs assessment, any new food aid operation should again include Tajikistan and Kyrgyzstan.
- c) Tacis operations should continue in all five republics. These should include the intensification of activities under the Democracy Programme, in particular in the two larger republics, Kazakhstan and Uzbekistan.
- d) ECHO should continue to provide humanitarian assistance in Central Asia, subject to needs.
- e) There is at present no requirement for the EC to become involved in supporting the Central Asian republics' external financing. In the longer run a solution may need to be considered for Tajikistan, which has built up substantial arrears on repayment of interest to the EC.

New contractual relations

While it would be in the EU's economic and security interests to establish a more regular dialogue with Uzbekistan and Turkmenistan, it must be recognised that the EU's political conditionality for negotiating a PCA (i.e. the principles expressed in the CSCE documents) is unlikely to be met in the short term. A regular dialogue will enable the partners concerned to measure the progress in meeting the political and economic conditions the European Union attach to negotiating and concluding a PCA.

The EU should therefore initiate a regular political dialogue. This would, on the one hand, address the Union's overall political concerns and on the other, take the form of exploratory discussions in which the EU could explain the criteria it would expect to be met by PCA partners. The EU would make clear its intention to negotiate full PCAs once sufficient progress has been achieved.

This dialogue would, perforce, have to be of an informal nature, in that it could not take place within an institutional framework. In parallel, formal contacts should continue on economic questions, based on the 1989 Agreement and, as appropriate, sectoral trade agreements.

Political dialogue

The PCAs and the dialogue with Uzbekistan and Turkmenistan would also be the principal vehicles for promoting the EU's objectives. But there should also be a possibility for such dialogue at regional level. The Union should use its influence to support the efforts of the UN and the OSCE to maintain the momentum of the Inter-Tajik peace process. Political issues affecting Central Asia, including Tajikistan and access to energy, should be discussed as part of ongoing political contacts with Russia, Turkey and Pakistan, both bilaterally and in multilateral fora. In this context the EC could also intensify existing contacts with the Economic Cooperation Organisation.

The Commission will consider the possibility of strengthening its diplomatic representation in the region, budgetary means permitting.

19. A number of the measures referred to above could be the object of an EU Common Position.

* * *

Annex A: Summary of the economic situation of the republics of Central Asia

Annex B: Summary of Tacis activities in the region

Annex C: Situation regarding servicing of EC loans under the 1250 MECU facility

Annex D: The EC's trade with Central Asia

**Draft Common Position
on the objectives and priorities of the European Union
towards the Newly Independent States of Central Asia**

The Commission, in forwarding to the Council a Communication on the totality of the European Union's relations with the Newly Independent States of Central Asia, considers it necessary, in parallel, to propose that the Council adopt a Common Position by virtue of Article J.2 of the Treaty on European Union

COMMON POSITION

**defined by the Council on the basis of Article J.2 of the Treaty on European Union
on the objectives and priorities of the European Union towards the Newly
Independent States of Central Asia**

(95/...CFSP)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on European Union, and in particular article J.2. thereof,

SETS OUT THIS COMMON POSITION:

A. The European Union will pursue the following objectives and priorities in its relations with the Republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan :

- 1. to support their independence, sovereignty and territorial integrity;**
- 2.. to support the further development of democratic norms and institutions, the promotion of human rights and individual liberties and the rule of law;**

In this respect, practical assistance measures, conclusion of contractual relations, advice on legislation and assistance in establishing democratic institutions through contacts between officials, parliamentarians and non-governmental organisations, as well as through the monitoring of electoral processes will be pursued;

- 3.. to support and complement the work of the UN and the OSCE in furthering the peace process in Tajikistan and concerning all aspects of democratisation in the region;**
- 4. to promote the process of political economic reform generally;**
- 5. to provide humanitarian assistance, including the supply of essential foodstuffs and fuel, where this is deemed necessary, in addition to Community operations in these areas;**
- 6. to cooperate closely with the international financing institutions, other donors and other Independent States concerning humanitarian assistance and assistance to the economic development of the region;**

7. to initiate a regular political dialogue with Uzbekistan and Turkmenistan in order to discuss issues concerning human rights, democracy and the rule of law and to measure in particular the progress in meeting the conditions the EU attaches to negotiating and concluding a PCA;
 8. to support equitable solutions regarding access to, and transit for export of, energy products;
 9. to promote cooperation within multilateral fora, including the UN, the OSCE and the Energy Charter Conference.
- B. Member States shall ensure that their national policies conform to this common position.

THE COUNCIL NOTES that the Community, on the basis of Commission's initiatives, will contribute to the above objectives and priorities, in particular through the implementation of the PCAs signed with Kazakhstan and Kyrgyzstan and through the implementation of the European Energy Charter Treaty.

THE COUNCIL WILL UNDERTAKE the necessary measures to promote the above mentioned objectives, where appropriate on the basis of Commission proposals.

- C. This common position shall be published in the Official Journal.

Done at Brussels,

For the Council,

The President,

**SUMMARY OF THE ECONOMIC SITUATION
IN THE REPUBLICS OF CENTRAL ASIA**

The economic situation of Kazakhstan

Until 1994, it seemed that the government was not pursuing a serious cautious approach to the transition from a planned economy to a market-oriented economy. In 1994, Kazakhstan adopted a comprehensive structural reform program. The country has also started a macroeconomic stabilization program with the support of the IMF.

GDP has declined continuously during the past few years: After having decreased by 15 percent in 1992 and by 16 percent in 1993, a decrease of 20 percent in 1994 was recorded. Shortages of fuel, parts and material, combined with weakened demand in the CIS-countries, as well as sharp reductions in Russian oil deliveries, on which Kazakh refineries depend (although Kazakhstan is an oil exporter), have been the main reasons for the sharp output decline. Trade continued to contract sharply with countries of the CIS.

Industrial production suffered considerable contractions: in 1992, a decline of 15 percent was recorded, followed by a decline of 16 percent in 1993. In 1994, there was a decrease of 20 percent. Kazakhstan's industry is dominated by mining and processing activities, given the country's rich natural resource bases: gold, iron ore, coal, copper, chrome, wolfram, zinc and lead. The petroleum sector plays a pivotal role in the economy, accounting for one third of hard currency exports. Severe trade relations with the CIS-countries, which were the main trade partners since 1990, as well as problems with the supply of industrial goods and problems with the introduction of new technologies have been the main reasons for the sharp decline in industrial production.

Agriculture accounts for some 40 percent of GDP. Kazakhstan is a net exporter of agricultural commodities (particularly grain) to other republics of the former Soviet Union. Land and other natural resources are state properties which cannot be sold to foreigners - leases, however, are allowed. Under the government's reform program, many price controls have been lifted and the share of output which is subject to state orders has declined.

The high inflation rate is a major problem of Kazakhstan's economy: in 1992, it reached a rate of 1176 percent, followed by a rate of 1662 percent in 1993 and by 1826 percent in 1994. One of Kazakhstan's main goals is to decrease inflation - for 1995, an inflation rate of 120 percent is expected. In November 1993, the national currency, the tenge, was introduced.

The unemployment rate is still rising. It is estimated that some 20 percent of the active population will be out of a job at the end of 1995. Only a few people receive unemployment benefit.

Kazakhstan recorded a budgetary deficit of 7.3 percent of GDP in 1992, of 1.2 percent in 1993 and of 4.6 percent in 1994. A deficit of 3.5 percent is expected in 1995. The Government tightened fiscal policy in 1994, primarily through severe expenditure cuts. On the revenue side, steps are being taken to further eliminate tax exemptions and to improve collections.

In 1992, there was a trade deficit of US\$ 1100m, followed by a deficit of US\$ 438m in 1993 and by US\$ 857m in 1994. 40 percent of trade is still effected with the CIS-countries. The EU had a trade deficit with Kazakhstan both in 1993 (ECU 340m) and in the first nine months of 1994 (ECU 129m). This reflects trade in natural resources, and energy in particular.

The current account showed a deficit of US\$ 1500m in 1992, of US\$ 438m in 1993, and of US\$ 995m in 1994. In 1995, a deficit of more than US\$ 1000m is expected.

Some initial privatization took place between 1991 and early 1993. About 7,000 enterprises out of a total of 48,000 were formally privatized. They represent about 10 percent of all state-owned assets and 12 percent of total employment. These enterprises were privatized mainly to workers' collectives and managers. A National Privatization Program for 1993-1995, was started in mid 1993.

The economic situation of the Kyrgyz Republic

The country is one of the least developed of the NIS. Despite this, the Kyrgyz Republic has a reputation for being among the most democratic of the CIS and for having made significant progress in economic reform under very unfavourable circumstances. After a very sharp fall in economic activity in the first few years of reform, 1995 should see the beginnings of a turnaround.

Agriculture remains the main economic activity in the country although industry accounts for a somewhat larger share of NMP than in the rest of the region. Major industries include metallurgy, machinery, food processing, electronics and textiles. The Kyrgyz Republic has considerable deposits of certain key minerals, notably coal, but also gold, mercury and uranium, but extraction is complicated by the mountainous nature of much of the country's terrain. The country's good river resources enable it to produce significant amounts of hydroelectricity, some of which is exported.

The disintegration of the Soviet payments system and the collapse of inter-republican trade created severe shortage of inputs for industrial production. The country suffered a serious deterioration in its terms of trade. As a result, real GDP is understood to have fallen by 5% in 1991, by 19% in 1992, by 16% in 1993, and by an estimated 5.5% in 1994. The decline in output is expected to be reversed in 1995.

The Kyrgyz Republic's reform efforts date from 1992, when the country's parliament adopted a radical programme of economic reform based on strict monetary and credit control. The intention is to reduce inflation from nearly 1,300% in 1993 to a target of 10% by the end of 1997. Annual inflation in 1994 is estimated at just under 300%. Officially measured unemployment has remained quite low over the past few years (only 1.5% in 1993) but it is claimed that underlying unemployment is around 10%. The Kyrgyz Republic's commitment to market-based reform has enabled it to mobilize strong international support for its economic programme. By the middle of 1994, 35% of industrial enterprises have been privatized.

Fiscal policy has so far played only a minor role in the stabilization effort. However, under the ESAF programme agreed with IMF, the government intends to reduce the budget deficit from 8% of GDP in 1993 to about 3% in 1997. There have been difficulties on both the revenue and expenditure sides. Removing remaining direct and indirect subsidies will be a key priority. Treasury bill auctions are increasingly resorted to in order to fund the budget deficit. However, reducing the fiscal deficit will also have favourable consequences for the conduct of monetary policy. In May 1993, the country introduced a separate currency, the som.

The country continues to run a large external deficit. In 1993, the deficit amounted to 16 per cent of GDP. The country has also suffered two severe trade shocks since the collapse of the Soviet Union. Firstly, there has been an important deterioration in the Republic's terms of trade as a result of the sharp hike in energy import prices. Secondly, as a consequence of the disintegration of the Soviet inter-republican payments system, the country has experienced both an acute shortage in the supply of much needed inputs from other republics and a fall in demand for its exports. In 1994, exports amounted to 14 per cent of GDP, compared to 21% in 1993. The external indebtedness is projected to rise sharply from 18% of GDP in 1993 to around 36% in 1997. The country's ability to service this level of indebtedness will therefore depend on whether it can

increase hard currency earnings from higher exports and on whether it can attract greater inflows of foreign investment.

During 1993 and 1994, there has been a significant growth in trade with the EU.

Economic situation of Tajikistan

Tajikistan gained independence in September 1991 and the Government initiated a number of reforms. However, in 1992 and early 1993, Tajikistan endured a civil war fueled by clan and regional rivalries. Economic developments have been heavily influenced by the war and internal strife, as well as the dislocations associated with the break-up of the former Soviet Union, its command economy and its trade and payments system. Due to war and poor national statistics collection the data on Tajikistan is incomplete or may be distorted .

Tajikistan's gross domestic product is estimated to have dropped by 12 percent in Jan.-Jun. of 1994, preceded by 27 percent decline in 1993, and a decline of 30 percent in 1992. In terms of real net material product, the size of the economy at end-1993 was estimated at about 40 percent of its 1988 level.

By August 1994, about 120,000 persons, or 6 percent of the economically active population of 1.9 million, reportedly were without work. However, only 21,500 persons were registered as unemployed at end-1993, because of strict eligibility rules.

The financial situation is becoming increasingly difficult in the absence of clearly defined monetary arrangements. Monetary and credit policies during 1993 remained geared mainly toward meeting the financing demands of the Government and state-owned enterprises rather than the achievement of macroeconomic targets.

Pre-1993 rubles remained legal tender until early January 1994. After the Russian Federation withdrew the pre-1993 rubles from circulation in its territory, the Tajik government introduced the new Russian ruble as the national currency, without formally entering into a monetary union with Russia. The government obtained in late 1993 a loan on commercial terms of Rub 120 billion from Russia to secure the shipment of an equal amount of currency for national circulation.

Consumer price inflation averaged 32 percent per month during 1993, but it showed a declining trend in beginning 1994.

During 1993 the state budget recorded a deficit 25 percent of GDP. The deficit was fully financed by borrowing from the National Bank. This represented an improvement compared to the performance of 1992 when the deficit had reached 31 percent of GDP. The moderate improvement in the budgetary situation in 1993 reflected a move toward a more restrictive fiscal stance, which the authorities perceived as a requirement posed by Russia for joining a new ruble area.

Balance of payments estimates by the IMF indicate a widening of the current account deficit from about USD 53 million in 1992 to USD 204 million (30 percent of GDP) in 1993. Estimated exports amounted to USD 452.2 million, while imports were at USD 660.3 million in 1993. Almost all recorded trade was tightly controlled by agencies directly affiliated with the Government. Most recorded trade with FSU states was based on bilateral trade agreements, negotiated by the respective governments with prices at close to world market prices. It is estimated, however, that only 30 to 40 percent of these agreements were fulfilled.

THE ECONOMIC SITUATION OF TURKMENISTAN

In terms of its natural resource base, the Turkmenistan economy is in a somewhat enviable position compared to some of its neighbours in Central Asia. The country is one of the world's largest suppliers of natural gas and also benefits from significant deposits of oil. Turkmenistan is also a major producer and exporter of cotton. However, Turkmenistan has experienced severe problems in exploiting its advantages in terms of natural resources. Pipeline constraints have deprived the country of its access to Western export markets which are crucial if it is to sell its energy resources at world prices. In addition, other NIS have built up substantial payments arrears against Turkmenistan for oil and gas supplies. At the end of 1994, gas payments arrears amounted to US \$ 1,740 million or 73 per cent of GDP.

In 1992, GDP in Turkmenistan declined by around 8 per cent. This was substantially less than in the other Central Asian countries. In 1993, the economy staged a significant energy-driven recovery as GDP increased by around 10 per cent. The other Central Asian countries experienced further falls in output in that year. However, 1994 saw a disastrous turnaround in Turkmenistan's fortunes. GDP fell again, by around 4 per cent, as natural gas production plummeted by over 40 per cent. Despite the generally depressed state of economic activity in 1994, inflation actually rose from 1993's dismal record of 1,500 per cent. The annual inflation rate in 1994 is understood to have been in excess of 2,500 per cent, reflecting the direct impact of price adjustments. The introduction of the new Turkmen currency (the manat) in 1993 was to have been the way for the country to de-link itself from the inflationary environment of the rouble area, but has failed so far to usher in a new period of price stability.

The Turkmen authorities have nevertheless made rather successful efforts to contain the growth in budgetary expenditure in the face of sharply falling taxation revenues. Thus, whereas the budget deficit has been contained to more or less manageable levels, the country has been suffering from acute balance of payments difficulties. The increasing imposition of hard budget constraints in Russia has slashed the demand for Central Asian manufactures. At the same time, the Turkmen authorities have taken a number of specific measures intended to compress imports and contain the loss of foreign exchange reserves. The medium-term balance of payments outlook is highly uncertain because it will depend heavily on the ability of Turkmenistan's main trading partners to pay for deliveries of the country's oil and gas exports, as well as on the viability of alternative pipeline routes.

The country's stock of external debt is estimated to have risen from US \$ 168 million at the end of 1993 to US \$ 418 million (or 18 per cent of GDP) at the end of 1994. The official exchange rate of the currency (at 75 manat per US dollar) has been kept at a highly appreciated level relative to the black market level. This may reflect a deliberate policy intended to keep import costs at low levels for certain key sectors.

The process of transforming the economy into a market-based system began during 1992, with the liberalization of trade and certain key prices and with the introduction of a series of monetary reforms. The country now benefits from a relatively liberal environment for foreign investment and the trading regime is also quite open. It must be noted, however, that the country has made only limited progress with respect to privatization.

Relations with the EU will be increasingly important as the country tries to develop into a major energy supplier. The EU is both a major potential consumer of energy products and a major supplier of investment capital, services and equipment.

THE ECONOMIC SITUATION OF UZBEKISTAN

The breakdown of traditional trading arrangements among CIS-states and the movement towards world market prices, especially for trade in petroleum products, has adversely affected Uzbekistan's trade position. The Government has adopted a program of economic and structural reforms to limit the decline in output and trade, modernize institutional and economic structures, and move towards an open and efficient market-based economy. Direct government price controls on all food items and consumer goods (except certain utilities) were removed during 1993-94, and direct budget subsidies for consumer goods were eliminated in 1994. The national currency, the som, was introduced on July 1, 1994 with a rate of 1:7 per U.S. Dollar.

In 1992, GDP decreased by 11%, in 1993 there was a decrease of 2,4%, and in 1994 a decrease of 2,5% was recorded. GDP is expected to decrease by a further 4% in 1995. The output decline in Uzbekistan continues to be much smaller than in most other countries in the CIS. There are two main factors contributing to this performance. First, Uzbekistan's specialisation in the production of agricultural and energy commodities shielded the economy somewhat from the collapse in CIS production that was centered in the manufacturing sectors. Oil production increased substantially due to the discovery and opening of a new oil field. Second, Uzbekistan was slower than other CIS-countries in removing state orders and subsidies. The continued controls helped temporarily in preventing drastic declines in Uzbekistan's economy.

Industrial production declined by 12% in 1992 and by another 8% in 1993. It is dominated by the extractive industries. The gas industry, the coal industry and the petroleum industry represent the most powerful sectors. Uzbekistan ranks second among the CIS countries and eight in the world in total gold production. The country also has significant deposits of silver, copper, lead and zinc.

The agricultural sector represents about 30% of GDP, with cotton dominating agricultural production. One third of cotton and grain production, which was not subject to state order, could be sold by farmers at free prices, mainly through local governments. This reduces the world prices farmers have to pay for equipment and machinery which is imported from Russia.

The inflation rate in 1992 was 640%, it declined to 530% in 1993 and increased to 720% in 1994. In 1995, a rate of 140% is expected. During the past three years, inflation has been a serious macroeconomic problem in Uzbekistan, reflecting expansionary monetary policies, wage increases, supply shortages, and increases in import input prices, in particular for energy products. The high rate in 1994 is due to the price liberalisation, as there are now only a few products subject to price controls.

It is estimated that of a total population of 22,1 million in 1994, 8,9 million persons are economically active. The official unemployment statistics are still very low (4,5%). The real figure is estimated to be much higher (about 20%).

Uzbekistan recorded a budgetary deficit of 18% of GDP in 1992, but it continued to decline to 12% in 1993 and to 3,6% in 1994. In 1995, a deficit of 3,5% is expected.

In 1992, Uzbekistan had a trade deficit of US\$ 236m, of US\$ 378m in 1993 and in 1994 a surplus of US\$ 41m. Trade between Uzbekistan and the EU was in surplus to the amount of ECU 214m in 1993 in favour of the Central Asian country, and a surplus of ECU 130m was recorded during the first nine months of 1994.

The current account still shows a deficit. In 1992, a deficit of 11,8% of GDP was recorded, in 1993 a deficit of 9% of GDP and in 1994 a deficit of 9,4% were recorded. In 1995, a drastic decline to 18% of GDP is expected. The current account deficit was more than offset by capital inflows, which allowed Uzbekistan to build up its international reserves.

In the early stage, the Government's privatization program concentrated on housing and full or partial privatization of small enterprises. The Government is now determined to address the issue of privatization on medium- and large-scale enterprises. In the financial sector, the authorities intend to strengthen the Central Bank by adopting new central bank legislation. There is still no stock exchange in Tashkent.

**SUMMARY OF CURRENT TACIS ACTIVITIES
IN CENTRAL ASIA**

TACIS ACTIVITIES CURRENTLY BEING IMPLEMENTED IN KAZAKHSTAN

A total of over 60 million ECU

Indicative Programmes

Tacis strategies in Kazakhstan have been manifested in two Indicative Programmes, the first for 1992 and the second for the three year period 1993-95, which prevails to guide the 1995 action programme

The initial strategy (April 1992) focused on the local skills and know-how required to accelerate the economic reform process.

The 1993-95 (current) Tacis strategy narrowed the range of intended interventions to three of the critical sectors tackled in the 1992 programme, in order to achieve optimal impact: enterprise restructuring, food, and human resources. Where possible, sectoral concentration is combined with geographic focus.

The overall objectives continue the 1992 emphasis on the upgrading of local skills and the dissemination of the know-how required in all sectors of the economic reform process.

Actions are intended to support Kazakhstan in undertaking economic and sectoral reforms and progressing towards political democracy, with Government playing a key role in the selection of activities.

For the focal sector, **Enterprise Restructuring & Development**, co-operation is directed to support:

- privatisation and restructuring of enterprises,
- promotion of the development of newly-privatised small and medium-sized enterprises,
- improvement and modernisation of financial services

In **Food Production, Processing & Distribution**, the 1993-95 programme aims to support:

- institutional and policy reforms, specifically in land reform,
- production and distribution of agricultural equipment, inputs and outputs for the private farmers.

Human Resource Development, the third sector comprises support for:

- training of officers in the public administration;
- upgrading the teaching of economics and management;
- further reform of the public administration, management of the public investment programme, policy and legal advice to Government.

Action Programmes

Prior to the break-up of the Soviet Union, Kazakhstan benefited from a share of the 400 MECU Tacis programme for the whole NIS, which was directed to five broad sectors: management training, financial services, food distribution, energy and transport. Under the 1991 programme total grants of 10.86 MECU supported initiatives in Kazakhstan, including national actions in training, food distribution and energy (listed below) and inter-republican actions in management education and financial services.

Three national Action Programmes have been elaborated within the scope of the agreed outline strategy, the first in July 1992 (20.60 MECU), the second in 1993 (14.00 MECU) and the third in 1994 (14.00 MECU). A fourth covering 1995 was negotiated in March 1995 for Tacis Committee consideration in July 1995. The following sections summarise the approved Action Programmes, classified by sector, with year of approval.

Enterprise restructuring & Development

Total +/- 20 MECU

Privatisation

- Privatisation* (notably support for the Mass Privatisation Programme; - 3.15 MECU (1992).
Institutions Implementing Mass Privatisation Programme (State Committee for Property (GKI) 0.90 MECU; and State Privatisation Fund (GPF) 1.10 MECU - 2.00 MECU (1993).
Anti-Monopoly Commission (policy and legal advice) - 0.35 MECU (1993).
Newly-Privatised Enterprises (technical assistance to improve efficiency of restructuring-investment funds in supporting newly-privatised enterprises) - 0.59 MECU (1993).
State Committee for State Property (GKI) and State Privatisation Fund (GPF) (advice, assistance with case-by-case privatisation of four further enterprises) - 1.80 MECU (1994).
Post-Privatisation Support (including Aktyubinsk region; - 2.50 MECU (1994).

Small and Medium Enterprise Development

- Business Communications Centre (Almaty BCC)* - 0.75 MECU (1992).
Enterprise Support Fund (innovation and technology assistance) - 1.35 MECU (1993).
Advisory Department within Business Communications Centre (Almaty; production and management information, consultancy and business training networks, training) - 0.45 MECU (1993).
Institution-Building and Policy Advice (policy advice for Congress of Entrepreneurs, SME development agency in Aktyubinsk; and assistance to BCC) - 1.40 MECU (1994).

Financial Services

- Commercial Bank Training* (in-country short courses) - 2.20 MECU (1992).
Central Bank Development (National Bank of Kazakhstan; training of supervisors, advice regarding payments and clearing systems) - 0.50 MECU (1992).
Advisory Services for Commercial Banks (Service Bureau Network (SBN) providing practical and direct banking advice) - 1.80 MECU (1993).
Commercial Banking (advisory services to banks in Aktyubinsk; assistance to Kazakhstan Association of Bankers) - 0.60 MECU (1994).

<u>Food processing, production and distribution</u>	Total +/- 20 MECU
<i>Milk, Meat, Fresh Produce and Animal Feed Sectors</i>	- 1.40 MECU (1991).
<i>Advice to Government on Agriculture</i>	- 0.80 MECU (1992).
<i>Food Distribution System</i>	- 1.50 MECU (1992).
<i>Pilot Project for Small-Scale Private and Co-operative Farmers</i>	- 1.50 MECU (1992).
<i>Pilot Development of Private Farming and Food and Food Processing</i>	- 2.10 MECU (1993).
<i>Farm and Agro-Industrial Machinery and Equipment</i>	- 1.05 MECU (1993).
<i>Reorganisation of Food Processing and Distribution</i>	- 1.80 MECU (1994).
<i>Agricultural Pilot Projects</i>	- 1.35 MECU (1994).

<u>Human resources development</u>	Total +/- 15 MECU
<i>Kazakhstan Institute of Management and Economics, MBA (KIMEP)</i>	- 2.00 MECU (1991).
<i>Training Programme for Young Entrepreneurs</i>	- 1.60 MECU (1991).
<i>Advice to Government on Macroeconomics</i>	- 3.00 MECU (1992).
<i>Higher Education Reform</i>	- 0.70 MECU (1992).
<i>Kazakh State Academy of Management (KazGAU)</i>	- 3.15 MECU (1993).
<i>Public Administration</i>	- 1.48 MECU (1994).
<i>Social Protection Restructuring (Aktyubinsk);</i>	- 1.80 MECU (1994).
<i>Modernisation of Customs Services (advice)</i>	- 0.58 MECU (1994).

<u>Energy sector</u>	Total +/- 5 MECU
<i>Assistance to Kazakhstanenergo</i>	- 0.40 MECU (1991).
<i>Ermakovskay Power Station</i>	- 0.30 MECU (1991).
<i>Advice to Government on Energy Sector</i>	- 0.80 MECU (1992).
<i>Energy Institute</i>	- 3.20 MECU (1992).

<u>Networks</u>	Total +/- 2 MECU
<i>Advice to Government on Transport Sector</i>	- 1.20 MECU (1992).
<i>Advice to Government on Communications Sector</i>	- 0.60 MECU (1992).

<u>Reserve and monitoring</u>	Total +/- 2.5 MECU
--------------------------------------	---------------------------

0.28 MECU (1994) has been made available for *Monitoring & Evaluation* of the national programme.
 Further allocations of 1.40 MECU (1993) and 0.84 MECU (1994) are available as *Contingency Reserves*.

Tempus

In 1994 the Tempus-Tacis programme was started in Kazakhstan, to assist universities in introducing necessary reforms in curricula and university management and to reform the higher education system at large.

Inter state programmes

In addition to the three national Action Programmes, Kazakhstan has had access to the 28.63 MECU Regional (Inter-State) Programme (1992) for actions involving more than two states in the Caucasus and Central Asia, particularly: *Government Advice* (macro-economic policy, economic decision-making in key sectors, and specific policy advice on important sectors); *Support for Enterprises* (technical assistance and business development support); *Networks* (transport; air traffic control, telecommunications, oil and gas pipelines); *Economic Reform* (payments and clearing systems for central banks); and *Water and Cotton* (water management, environmental concerns and sustainable agriculture).

Similarly, Kazakhstan has had the opportunity to draw on the 72.00 MECU Inter-state Programme (1993), including further actions involving two or more states and facilities or joint instruments which provide for similar actions to be supported in parallel, if requested, in several republics. Components of relevance to Kazakhstan include: *Partnership in Enterprise* (expertise and exchange programmes); *Financial Services Development* (banking); *Environmental Aspects* of economic reform; *Water Resources*; *Transport* (following May 1993 TRACECA conference, and including air traffic control) and *Telecommunications* (development of regional networks); *Energy* (system operation planning and regional electricity use); *Legal and Policy Advice*; support for the development of the *Democratic Structures and Practices*; *Language Training*; *Customs, Statistics and Economics*; *Twinning*; and information/training *Seminars* on international agreements concerning trade.

TACIS ACTIVITIES CURRENTLY BEING IMPLEMENTED IN KYRGYZSTAN

A total of over 20 million ECU

Indicative Programmes

Tacis strategies in Kyrgyzstan have been manifested in two Indicative Programmes, the first for 1992 and the second for the three-year period 1993-95, which prevails to guide the 1995 action programme

The initial strategy (April 1992) focused on the local skills and know-how required to accelerate the economic reform process. The 1993-95 Tacis strategy (January 1994) narrowed the current range of intended interventions to three of the critical sectors tackled in the 1992 programme: food, energy and human resources.

For the focal sector, Food Production, Processing & Distribution, co-operation is directed to support:

- the reform process in the sector, in particular: land reform, appropriate crop selection, the organisation of private farms; agricultural inputs, and farmer services (extension, research and credit);²
- the rationalisation and technical improvement of the livestock sub-sector; and
- the privatisation and reorganisation of the wholesale and retail trade for agricultural commodities, including the development of city markets.

For the Energy sector, the 1993-95 programme aims to support:

- the establishment of an Energy Centre as an institutional focal point for energy initiatives such as the development of a market-oriented energy policy, the promotion of local energy production and energy savings, and training.

Human Resource Development, the third sector selected for the 1993-95 programme, comprises support to:

- reform of the public administration,
- skills development in management, and economics,
- upgrading the process of policy formulation through appropriate advice to government and public institutions and assistance with the legislation needed in a market economy.

Action Programmes

Prior to the declaration of Independence in August 1991, Kyrgyzstan benefited from a small share of the initial 400 MECU Tacis 1991 programme for the whole NIS. Actions included *Advice on Energy* (laws, privatisation and contracting) - 0.06 MECU; *Restoration Concepts for Uranium Mill Tailings* - 0.20 MECU; and *Public Investment Management Programme* (public sector investments and institutional reforms) - 0.30 MECU. In October 1992, an EC Aid Co-ordination Unit was established in Bishkek.

Three national Action Programmes have been elaborated within the scope of the agreed outline strategies, the first in July 1992 (9.23 MECU) and the second in January 1994 (10.00 MECU). The third was negotiated in January 1995, and is scheduled for consideration by the Tacis Committee in May 1995. The following sections present the first two programmes together, classified by sector, with year of approval.

Food processing, production and distribution

Total +/-7 MECU

- *Sectoral Support to the Ministry of Agriculture* (advice on the establishment of private farms - 2.81 MECU (1992)..
- *Assistance for Improvement of Private Livestock Sector* (production and incomes for breeders) - 2.20 MECU (1993).
- *Assistance for Supplying Agricultural Inputs and Services to Private Farmers* 1.80 MECU (1993).

Energy sector

Total +/- 4 MECU

- *Energy Policy and Strategies* - 1.50 MECU (1992).
- *Energy and Electricity Law* - 0.30 MECU (1992).
- *Legal Support for Energy Sector* - 0.66 MECU (1993).
- *Management Training in Energy Sector* - 1.08 MECU (1993).
- *Energy Saving in Buildings* - 0.66 MECU (1993).

Human resources development

Total +/-7 MECU

- *Government Policy Advice* (on labour legislation, private enterprise promotion, and macro-economic analysis, support for GOSCOMINVEST) - 1.00 MECU (1992).
- *Privatisation Advice* - 0.72 MECU (1992).
- *Public Administration and Civil Service Reform* - 1.00 MECU (1992).
- *Social Insurance Reform* - 3.80 MECU:
- *Language Training* - 1.00 MECU (1993).

Tempus

In 1994 the Tempus-Tacis programme was started in Kyrgyzstan with two projects, to assist universities in introducing necessary reforms in curricula and university management and to reform the higher education system at large.

Reserve and monitoring

Monitoring and Evaluation and as a *Contingency Reserve* 1.00 MECU (1993)

Inter-state programmes

In addition to the two national Action Programmes, Kyrgyzstan has had access to the 28.63 MECU Regional (Inter-State) Programme (1992) for actions involving more than two states in the Caucasus and Central Asia. Provision has included: *Government Advice* (macro-economics policy, economic decision-making, and specific policy advice on important sectors); *Economic reform* (payments and clearing systems for central banks); *Support for Enterprises* (technical assistance and business development support, involving four firms in Tokmak and Bishkek); *Transport* (*Air Traffic Control* at Manas Airport) and *Telecommunications* (Master Study and Action Plan).

Similarly, Kyrgyzstan has had the opportunity to draw on the Inter-State Programme (1993), including further actions involving two or more states and facilities or joint instruments which provide for similar actions to be supported in parallel, if requested, by several republics.

Components of relevance to Kyrgyzstan include: *Partnership in Enterprise* (expertise and exchange programmes, to improve SME skills through work attachments); *Financial Services* (*Central Asian Accounting and Auditing* (0.20 MECU), to improve the legal and regulatory framework; banking advice; bank twinning; and training, through the *Regional Bank Training Centre* (1.50 MECU) in Tashkent since early 1994 for bankers from Kyrgyzstan, Tadjikistan and Uzbekistan); *Environment Aspects of Economic Reform*; *Water Resource Management and Agricultural Production in the Central Asian Republics* (management and institutional structures for water resources in the Aral Sea Basin - 4.80 MECU);

Transport (follow-up to the May 1993 *TRACECA Conference* (transport corridor, legal framework and information system); and *Transport and Distribution of Natural and Low Concentrate Uranium in the CIS* - 0.50 MECU);) and *Telecommunications* (development of regional networks).

Also benefiting Kyrgyzstan are: *Regional Oil and Gas Management* (law, organisation, technology, co-operation, management training - 4.00 MECU) and *Regional Electricity Sector Programme* (planning, control, distribution, organisation; *Legal and Policy Advice; the Democracy Programme; Language Training; Customs, Statistics and Economics* (training, advice and customs computerisation feasibility study); *Mercure* (bilateral visits of Chambers of Commerce); *Town Twinning*; and information/training *Seminars* on international agreements concerning trade.

TACIS ACTIVITIES CURRENTLY BEING IMPLEMENTED IN UZBEKISTAN

A total of over 35 million ECU

Indicative Programmes

Tacis strategies in Uzbekistan have been manifested in two Indicative Programmes, the first for 1992 and the second for the three year period 1993-95, which prevails to guide the 1995 action programme.

The 1993-95 (current) Tacis strategy (May 1994) narrowed the current range of intended interventions to three of the critical sectors tackled in the 1992 programme, in order to achieve optimal impact: human resources, enterprise reform and food

For the focal sector, **Human Resources Development**, co-operation is directed to support:

- education in the management of a market-oriented economy, with emphasis on the retraining of medium- and high-level administrators;
- strengthening the effectiveness of public sector staff involved in policy preparation and implementation, in particular those responsible for higher education and employment; and
- the development of social security systems.

In **Enterprise Restructuring and Development**, the 1993-95 programme aims to support:

- the development of SMEs as one of the mechanisms for development of a free market economy;
- the restructuring and privatisation of state enterprises, including industry and agriculture; and
- the development of financial institutions, both public and private, including banks related to foreign trade.

Food Production, Processing and Distribution, the third sector selected for attention in the 1993-95 programme, comprises support for:

- diversification of agricultural production from cotton, to reduce food imports and encourage exports;
- development of the food processing and packaging sector using traditional and new crops, for both domestic consumption and export; and
- developing export transport capacities and marketing/sales strategies for neighbouring countries and emerging markets.

Action Programmes

Prior to the break-up of the Soviet Union, Uzbekistan benefited from a share of the 1991 budget 400 MECU Tacis programme for the whole NIS, which was directed to five broad sectors: management training, energy, transport, food distribution and financial services. Under the 1991 programme, 1.00 MECU was assigned for initiatives in Uzbekistan in Transport (*Study of Tashkent Airport* - 0.30 MECU) and Food Production and Distribution (*Dairy and fresh produce, privatisation of Sovkozoes, and food wholesale and retail system in Tashkent* - 0.70 MECU).

Two Action Programmes have been approved within the scope of the agreed outline strategy, the first in June 1992 (18.78 MECU) and the second in February 1994 (15.00 MECU). The following sections present these first two national programmes together, classified by sector, with brief commentary, grant, and year of approval. A third, totalling 10 MECU, was negotiated in March 1995, and will be tabled before the June Tacis Management Committee.

<u>Human resources development</u>	Total +/- 12 MECU
• <i>Macro-economic Policy Advice to Government</i>	- 2.00 MECU (1992).
• <i>Management Training</i>	- 2.23 MECU (1992).
• <i>Assistance to the Employment Services</i>	- 1.28 MECU (1992).
• <i>Market Skills Development Centre</i>	- 3.90 MECU (1993-94).
• <i>Restructuring of Local Government (Syrdaria)</i>	- 1.5 MECU (1993-94).
• <i>Centre of Law for Entrepreneurs</i>	- 0.40 MECU (1993-94).
• <i>Support to Industrial Property Protection</i>	- 0.40 MECU (1993-94).
<u>Enterprise restructuring and development</u>	Total +/- 6 MECU
• <i>Advisory Services to Committee on Privatisation</i>	- 0.79 MECU (1992).
• <i>Advise to the Supreme Soviet</i>	- 1.23 MECU (1992).
• <i>Business Communications Centre</i>	- 0.29 MECU (1992).
• <i>Establishment of SME Development</i>	- 1.80 MECU (1993-94).
• <i>Assistance to UZGOSFUND</i>	- 0.40 MECU (1993-94).
• <i>Committee for State Property Management advice</i>	- 0.60 MECU (1993-94).
• <i>Restructuring of the Financial Sector</i>	- 0.90 MECU (1993-94).
<u>Food production, processing and distribution</u>	Total +/- 7 MECU
• <i>Support for Private Farmers, Syrdaria</i>	- 1.55 MECU (1992).
• <i>Assistance to Private Distribution Sector</i>	- 1.45 MECU (1992).
• <i>Food and Agriculture Policy Advisory Unit</i>	- 1.70 MECU (1993-94).
• <i>Pilot Integrated Development Project</i>	- 2.00 MECU (1993-94).
<u>Energy sector</u>	Total +/- 6 MECU
• <i>Advice to Government on Energy Sector</i>	- 1.00 MECU (1992).
• <i>Electricity Sub-sector (management training)</i>	- 1.40 MECU (1992).
• <i>Oil and Gas Sub-sector (seminar and training)</i>	- 1.73 MECU (1992).
• <i>Energy Saving</i>	- 2.15 MECU (1992).
<u>Transport</u>	Total +/- 2 MECU
• <i>Aviation</i>	- 0.98 MECU (1992).
• <i>Urban Transport</i>	- 0.70 MECU (1992).

Tempus

- In 1994, the Tempus -Tacis programme was started in Uzbekistan, in order to assist universities in introducing the reforms in curricula and higher education management. Presently six such projects are running in Tashkent and Samarkand.

Reserve and monitoring

A further allocation of 1.40 MECU (1993-94) is available for *Monitoring and Evaluation* and as a *Contingency Reserve*.

Inter-state programmes

In addition to the two national Action Programmes, Uzbekistan has had access to the 28.63 MECU Regional Programme (1992), particularly: *Policy Advice*, *Transport* (Caucasus-Central Asia transit routes), *Telecommunications* (Master Study and Action Plan), *Cotton Growing* (restructuring to optimal pattern), *Water Resource Management* (study), and *Bank Training* (Regional Banking and Finance School at Tashkent).

Similarly, Uzbekistan has had the opportunity to draw on the 72.00 MECU Inter-state Programme (1993), including projects in *Transport* (following 1993 TRACECA conference), *Telecommunications* (regional networks), *Energy* (regional electricity networks), and *Environment and Water Resources*. Other "Facilities" covering support for the developing independent economic sector include: "*Partnership in Enterprise*", financial services development, legal and policy advice, language training, customs and statistics, environmental aspects of economic reform, and support for the development of democratic structures and practices.

TACIS PROJECTS CURRENTLY BEING IMPLEMENTED IN TAJIKISTAN⁵

- a total of 3.6 million ECU

1. FOOD PRODUCTION, PROCESSING AND DISTRIBUTION

- Establishment of a Strategy and Planning Advisory Unit for Agriculture - 1.6 MECU (1994) (Under tender).

2. HUMAN RESOURCES DEVELOPMENT

- Support for Economics and Management Training - 1.0 MECU (1994) (Under tender).

3. ENERGY

- Global Strategy Plan in Energy - 1.0 MECU (1994) (Under tender).

4. Tajikistan has also benefited or will benefit from a number of projects under the 1991-1995 Regional (INTER-STATE) Programmes.

5. The programming mission for the 1995 Action Programme took place in March and resulted in the identification of projects to the value of a further 4 million ECU in the following priority sectors: Food Production, Processing and Distribution; Human Resources Development; and Energy.

⁵ (1994) = date of Action Programme

TACIS PROJECTS CURRENTLY BEING IMPLEMENTED IN TURKMENISTAN⁶

- a total of nearly 16 million ECU

1. **FOOD PRODUCTION, PROCESSING AND DISTRIBUTION - TOTAL 8.05 MECU**
 - Privatisation in agricultural sector - 0.9 MECU (1991)
 - Planning and Technical Advisory Unit in Ministry of Agriculture - 3.8 MECU (1992)
 - Improvement of cereal production - 1.5 MECU (1993)
 - Farmers' Agricultural Advisory service - 1.85 MECU (1993)
2. **ENTERPRISE RESTRUCTURING AND DEVELOPMENT - TOTAL 2.88 MECU**
 - Accounting and auditing assistance - 0.45 MECU (1991)
 - Assistance to the Chamber of Commerce - 0.1 MECU (1992)
 - Privatisation policy advice - 0.47 MECU (1992)
 - Management advice and services facility for enterprises - 0.95 MECU (1993)
 - SME development agency - 1 MECU (1993)
3. **HUMAN RESOURCES DEVELOPMENT - TOTAL 2.8 MECU**
 - Economics and management training development - 1.8 MECU (1993)
 - Training of civil servants - 0.99 MECU (1992)
4. **ENERGY - TOTAL 1 MECU**
 - Energy advisory group - 1 MECU (1992)
5. **TRANSPORT AND TELECOMMUNICATIONS - TOTAL 1 MECU**
 - Advice and training to Railways Department - 0.5 MECU (1992).
 - Advice to the Ministry of Communications - 0.5 MECU (1992)
6. Turkmenistan has also benefited or will benefit from a number of projects under the 1991 - 1995 Regional (INTER-STATE) Programmes.
7. The programming mission for the 1995 Action Programme took place in March and resulted in the identification of projects to the value of a further 4 million ECU in the following priority sectors: Food production processing and development; Enterprise restructuring and development; and Human resources development.

⁶ (1992 / 3) = date of Action Programme

1250 MECU loan

These loans are part of an exceptional credit line established by the Council of Ministers in December 1991 for the Republics of the former USSR. The objective of the credit line is to assist in supplying the population with the most essential food and medical products.

(in mecu)

	Initial entitlement	Actual allocation	1) Capital repayment schedule	Arrears on interest repayments (as of 2/5/95)
Kazakhstan	55	25	15/1/96	-
Kyrgyzstan	32	23.7	20/8/95	-
Tajikistan	55	55	20/8/95	7.49 2)
Turkmenistan	49	45	20/8/95	-
Uzbekistan	129	59	28/9/97	-

Kazakhstan and Turkmenistan still owe very small quantities outstanding due to late payment of interest.

1) The entire loans are due to be paid on the date shown

2) dates of payment: Tajikistan: 20/10/93, 20/4/94, 20/10/94, 20/4/95

Trade between the EU and the countries of Central Asia

	(*)	1st sem. 1993	2nd sem. 1993	1st sem. 1994	1993	1994 10 months
Kazakhstan	I	129.8	162.6	173.8	292.4	233.8 (- 8%)
	E	263.4	360.3	354.3	623.7	584.2 (+21%)
	B	+ 133.6	+ 197.7	+ 180.5	+ 331.3	+ 350.4
Turkmenistan	I	48.1	85.4	119.0	133.5	167.9 (+73%)
	E	46.6	69.5	73.9	116.1	129.1 (+54%)
	B	- 1.5	- 15.9	- 45.1	- 17.4	- 38.8
Uzbekistan	I	210.6	205.1	202.5	415.7	449.5 (+16%)
	E	100.0	101.2	187.5	201.2	300.2 (+82%)
	B	- 110.6	- 103.9	- 15.2	- 214.5	- 149.3
Tajikistan	I	15.4	37.6	49.9	53.0	77.0 (+77%)
	E	34.6	18.4	20.0	54.0	33.2 (-29%)
	B	+ 19.2	- 19.2	- 29.9	+ 1.0	- 43.8
Kyrgyzstan	I	3.7	3.4	6.0	7.1	17.4 (+200%)
	E	5.5	20.7	18.3	26.2	38.7 (+106%)
	B	+ 1.8	+ 17.3	+ 17.7	+ 19.1	+ 21.3
Central Asia	I	407.6	494.1	551.2	901.7	945.6
	E	450.1	570.1	654.0	1020.	(+20%) (1)
	B	+ 42.5	+ 76.0	+ 102.8	+ 118.5	1085.4 (+36%)(2) + 139.8

I : EU Imports - E : EU Exports - B : EU Balance

1) 5.6 % of total EC imports from the 12 NIS.

2) 8.5 % of total EC exports to the 12 NIS.

ISSN 0254-1475

COM(95) 206 final

DOCUMENTS

EN

11

Catalogue number : CB-CO-95-236-EN-C

ISBN 92-77-89220-X

Office for Official Publications of the European Communities
L-2985 Luxembourg