



EU-KAZAKHSTAN RELATIONS: ENHANCED PARTNERSHIP IN ACTION

On March 1, 2020, the new Enhanced Partnership and Cooperation Agreement (EPCA) between the European Union (EU) and Kazakhstan came into force. The EPCA became the main document that underpins the EU-Kazakhstan relations, making Kazakhstan the first and only country in Central Asia with the enhanced level of partnership with the EU. Taking into account that Kazakhstan is the EU's largest trade partner in the region and the EU is the primary trade and investment partner of Kazakhstan, the implementation of the EPCA is undoubtedly an important milestone in the EU-Kazakhstan relationship.

Before the EPCA's entry into force, the EU-Kazakhstan relations were governed by the Partnership and Cooperation Agreement (PCA), which was signed in January 1995 and came into effect in July 1999. The PCA was a comprehensive document with nine chapters and 100 articles that aimed to establish a political dialogue and institutional framework for consolidating democracy, as well as for supporting the completion of Kazakhstan's transition to market economy by promoting trade and investment. The initial agreement was concluded for 10 years with an automatic year-by-year renewal clause.

In due course, since the EU-Kazakhstan relations had advanced comprehensively and the implementation of the PCA was successful, the parties recognized the need to upgrade their relationship in order to correspond to the emerging political and economic changes. As a result, on June 27, 2011, in Brussels, the negotiations for a new agreement were launched, whereas the Kazakhstan-EU Cooperation Council was initiated as the highest interaction mechanism between the two parties. The common efforts succeeded with the signing of the EPCA on December 21, 2015, in Astana. Further, since May 2016, two-thirds of the EPCA has been applied provisionally. Once all the EU member states and the European Parliament ratified the EPCA, the 1999 agreement lost its effect and from March 1, 2020, the EPCA became the only document that frames the EU-Kazakhstan relationship.

Compared with the PCA the so-called new-generation agreement that provides a legal framework in 29 key policy areas has a preamble, nine parts, 287 articles, and a number of annexes. The main objective of the EPCA is to deepen and strengthen political, trade and economic ties between the EU and Kazakhstan, as well as to set a broad spectrum of new areas of cooperation such as science and education, innovation and green technologies, transport and logistics, energy and environmental protection.

The agreement prioritizes broadening of the political dialogue that contributes to enhancing

respect for democratic principles, the rule of law, good governance and fundamental human rights and freedoms as the key values promoted by the EU. Compared to the PCA that put more emphasis on economic preferences, the new agreement focuses on efforts to build a political partnership and contribute practically to reforms in Kazakhstan. The EPCA also aims to improve conditions for closer regional cooperation, which is important for maintaining stability and conflict prevention in Central Asia. In this regard, the parties plan to engage in more intensive foreign and security policy cooperation.

In the economic field, since May 2016, the parties have been already implementing the EPCA section on "Trade and Entrepreneurship". In particular, the trade cooperation committee and the subcommittees on customs, energy, transport, environment, and climate change are already operating under the EPCA. Apart from that, the chapter on strengthening cooperation in the regulation of technical barriers to trade and ensuring transparency will also benefit further cooperation. Simplification and harmonization of technical regulations, standards, and procedures on sanitary, phytosanitary and veterinary issues, as well as on the intellectual property, are expected to enlarge bilateral trade and promote Kazakhstani exports to the EU member states. In addition, the chapter on customs cooperation provides mechanisms for improving the customs legislation and simplifying customs procedures. Another substantial novelty is the chapter on government procurement, which regulates purchases made only for government purposes, not for commercial sale and resale purposes. This will support cooperation in a more integrated way because the previous agreement did not contain a separate provision on government procurement. Besides, the provision of the national regime to foreign suppliers in government procurement mirrors the equivalent provision of the World Trade Organization, therefore it is called the 'WTO plus'. Notably, this part was drafted in accordance not only with Kazakhstan's WTO membership, but also with its commitments under the Customs Union and the Eurasian Economic Union.

It should be noted that the EU-Kazakhstan trade cooperation has been demonstrating steady progress, thus, the implementation of the EPCA provisions will lead to more efficient and equal trade cooperation. In 2019, the bilateral trade turnover amounted \$31.3 billion, which is more than a third of Kazakhstan's total trade. The gross inflow of direct foreign investments from the EU countries in 2005-2019 reached \$151 billion, which is approximately half of the total FDI in

Kazakhstan. There are about 20 large investment projects worth \$9 billion, which are implemented jointly with European companies. In addition, over 4,000 companies with European participation and 2,000 joint ventures operate in Kazakhstan.

Another important achievement lies in people-to-people contacts. The arrangement to explore the possibility of negotiating an agreement on visa facilitation for citizens of Kazakhstan and the EU, as well as an agreement on readmission, will be very supportive for maintaining cooperation at the grassroots level, if realized. Meanwhile, being an upper-middle-income country, Kazakhstan is eligible to receive financial and technical assistance from the EU within its programs, where the priority is given to capacity-building projects. The perspectives of enhancing cooperation in all areas of civil research and scientific and technological development, as well as collaboration to advance the capacity of research entities of Kazakhstan, encourages the academic community. It is worth mentioning that within the most popular EU-funded Erasmus+ program around 2,000 scholarships were provided to Kazakh students and teaching staff to study in Europe, while European students received 800 scholarships to study in Kazakhstan.

As a corollary to the agreed framework, the existing EU-Kazakhstan collaboration is expected to enlarge and diversify. Namely, the provisions on hydrocarbon energy, renewable energy sources, energy efficiency and energy savings that have been provisionally applied are expected to help develop and modernize, through regulatory reforms, competitive, transparent and non-discriminatory energy markets in line with best practices. Notably, supplies from Kazakhstan cover around 6% of the EU's oil demand and more than 21% of the EU's uranium demand. In addition, the promotion of environmental protection and sustainable development in the energy sector will have a valuable impact on global climate protection efforts.

Altogether, the EPCA provides a major legal framework that outlines the terms of cooperation for decades to come. In that sense, the signing of the EPCA between the EU and Kazakhstan, the first CIS country to do so, shows the level of engagement and interest between the parties. This will also be a guide for other states in the region, since Kyrgyzstan, Uzbekistan and Tajikistan are on the way to upgrade their relevant agreements. Moreover, the EU's revived interest in the Central Asian region is evident from the collaboration initiatives contained within the new EU Strategy for Central Asia adopted in 2019, which provides for the implementation of cooperation through the EPCA mechanism.

Politics, Foreign Affairs, and Security

- Speaking at a meeting of the State Commission for Ensuring the State of Emergency, President of Kazakhstan Kassym-Jomart Tokayev noted the need for stricter penalties for quarantine regime violations to prevent the further spread of coronavirus. In particular, the head of state ordered to strengthen patrolling and monitoring of public spaces to avert a rise in crime. He also announced measures to support medical staff, policemen, and emergency responders, as well as unemployed and low-income people (Akorda, 23.03.2020).
- President Tokayev issued a decree appointing Gulshara Abdykalykova the akim (governor) of Kazakhstan's Kyzylorda region. Abdykalykova, a native of this region, previously served as the member of the Mazhilis, Deputy Prime Minister, State Secretary, presidential advisor, and Minister of Labor and Social Protection. She became the first woman to head a region in Kazakhstan (Infoburo, 28.03.2020).
- In a televised address to the nation, Russian President Vladimir Putin announced the postponement of a referendum on constitutional amendments originally set for April 22, 2020. According to Putin, the decision was prompted by the need to halt the spread of coronavirus, and a new date will depend on how the pandemic develops. One of the proposed constitutional changes would remove term limits and enable the Russian leader to run for presidency again (Reuters, 25.03.2020).
- To combat the spread of the COVID-19 disease, Kyrgyzstan requested China to provide humanitarian assistance in the form of test systems and reagents, appropriate medical equipment, personal protective equipment for medical personnel, as well as sanitary products and disinfectants. The Kyrgyz side also asked the Chinese partners to send medical experts for exchanging experience in the fight against coronavirus (MFA of Kyrgyzstan, 28.03.2020).
- The Cabinet of Ministers of Azerbaijan reviewed the situation with the coronavirus infection and made a decision to introduce a special quarantine regime in the country from March 24 to April 20, 2020. Under the regime, persons over 65 are banned from leaving home; the cities of Baku and Sumgait, as well as the Absheron district, are limited for entry and exit; long-distance passenger transportation is suspended; and people are prohibited from gathering in groups of more than 10 people in public places (Trend, 23.03.2020).
- Following the state of emergency declared in Armenia due to the coronavirus pandemic, the Armenian government introduced a temporary ban on the entry to the occupied Nagorno-Karabakh region of Azerbaijan. An exception will be made only for people registered there, freight forwarders, as well as journalists and observers who will monitor the so-called presidential and parliamentary elections to be held on March 31, 2020 (Sputnik, 26.03.2020).

Economy, Finance, and Energy

- In its latest report, Moody's Investors Service cut its estimate for Russia's GDP growth in 2020 from 1.5% to 0.5%, due to the slumping oil prices and the coronavirus-driven economic slowdown. At the same time, Russia's fiscal buffers and improved policy response will not materially weaken its credit profile. Earlier, Moscow admitted that its revenues from oil and gas in 2020 would be \$39.5 billion lower than planned, which would lead to a budget deficit (OilPrice.com, 26.03.2020).
- Kazakhstan's Minister of National Economy Ruslan Dalenov met with President of the Asian Development Bank (ADB) Masatsugu Asakawa to discuss coronavirus prevention measures. The ADB head expressed the bank's readiness to assist Kazakhstan in the fight against the pandemic, including through budget support, health sector aid, and technical assistance. In particular, the bank can assist in retraining the labor force to work in sectors likely to emerge in the post-COVID-19 economy (Kursiv, 26.03.2020).
- Under the global economic downturn caused by the coronavirus pandemic, Kyrgyzstan is in talks with creditors to restructure its sovereign debt. The country has about \$4 billion in outstanding foreign debt, and its main creditors include the Export-Import Bank of China, the World Bank, and the ADB. The Kyrgyz economy depends heavily on remittances from labor migrants working in Russia, while the national currency has come under pressure after the Russian ruble plunged on the drop in oil prices (Reuters, 23.03.2020).
- Among more than 80 states that sought rapid financing assistance from the International Monetary Fund (IMF) to deal with the coronavirus outbreak, Kyrgyzstan has become the first country whose request for an emergency loan was approved by the bank's board. The \$120.9 million loan will be used to meet Kyrgyzstan's urgent financial needs stemming from the crisis. However, the country will need more aid as its balance of payments deficit is estimated at about \$400 million (Reuters, 27.03.2020).
- As the economic situation in Ukraine continues to worsen, President Volodymyr Zelensky announced that the IMF agreed to provide emergency financial assistance of up to \$8 billion, while the World Bank and the European Bank for Reconstruction and Development could allocate another \$2 billion. However, the provision of assistance is conditional upon the adoption by the Ukrainian parliament of the laws on banks and on the land market (Ukrinform, 28.03.2020).
- Due to the ongoing reforms, agriculture has become the fastest growing non-oil sector in Azerbaijan. In January-February 2020, Azerbaijan produced agricultural products worth nearly \$388 million which is 3.6% more compared to the same period of 2019. Improvements in agriculture has made Azerbaijan mostly self-sufficient in agricultural production (AzerNews, 29.03.2020).

Society and Culture

- The Turkish Embassy in Kyrgyzstan announced that Turkey transferred the Bishkek Hospital of the Kyrgyz-Turkish Friendship to the Kyrgyz Ministry of Health for use in combating the COVID-19 epidemic. According to the diplomatic mission, mutual support and jointly taken actions are most important during the global fight against coronavirus. The modern clinic constructed at the expense of Turkey's grant is designed for 72 beds including 21 places in the intensive care unit (24.kg, 25.03.2020).
- According to Uzbekistan's Ministry of Internal Affairs, all penitentiary institutions in the country have been quarantined, and visits of prisoners' relatives have been suspended. As an alternative, inmates are provided with telephone communication at their request. In addition, staff rooms, as well as places where prisoners spend a lot of time, in particular, dormitories, kitchens and rooms for events, are ventilated, wet-cleaned and disinfected every four hours (Podrobno.uz, 26.03.2020).
- Tajikistan and Turkmenistan remain among about 20 coronavirus-free countries in the world, while their regional neighbors including Afghanistan registered multiple cases of COVID-19. Both countries enacted restrictions on travel and public gatherings, but Tajik authorities still organized large-scale celebrations of Nowruz. Turkmenistan organized mass clean-ups and awareness campaigns and sent medical and food supplies to neighboring Iran, which was hit hard by the pandemic (Newsweek, 27.03.2020).
- The National Museum of Tatarstan hosted a presentation of the scientific monograph titled "Miras – Legacy. Tatarstan – Crimea" devoted to the city of Bulgar and the study of Tatar culture in Tatarstan and Crimea in 1923-1929. The three-volume book, prepared by the Khalikov Institute of Archeology of Tatarstan's Academy of Sciences, introduces unique findings of the expedition that studied the cultural heritage of Tatar people during the Volga Bulgaria, the Golden Horde and the ancient Tatar states (TWESCO, 24.03.2020).
- As a result of the joint research project, Chinese and Kazakh archaeologists made significant progress in the study of the ancient town of Rakhat located along the Great Silk Road. The Institute of Archeology of China's Shanxi Province and Kazakhstan's Yesik State Historical and Cultural Reserve Museum announced the start of the third phase of archeological excavations. Historical artifacts found at the site belong to the period of 1,400-2,400 years ago (TWESCO, 26.03.2020).
- According to the Belarusian Ministry of Natural Resources and Environmental Protection, in 2019, more than 550,000 trees were planted in the country as part of the greening campaign. Annual tree planting campaigns allowed Belarus to increase the area of green urban areas by 2,592.3 hectares. In addition, last year, around 1,200 km of shores were cleaned up during the Clean Water Body campaign (BelTA, 24.03.2020).