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Towards a New EU Strategy for Central Asia: Innovation, Research and Technology Development as Areas of Cooperation between the EU and China in Central Asia

Executive Summary

The EU is witnessing a unique momentum for the reinforcement of its role in Central Asia. The approach to the region must be pragmatic, creating tangible results for the local economies in order to make the EU competitive in the power battle with players such as China. China's support for the modernization of the Central Asian countries is tangible, with new infrastructure and logistic facilities being built. The EU is active in the fields of research, technology development and innovation, but it can do much more to contribute to the innovative sustainable development of the Central Asian economies.

The EU could further encourage the facilitated access to EU grant opportunities. Incentives for knowledge transfer from the EU to Central Asia will be a key enabler of the sustainable growth of Central Asian economies, promoting a new model based on technology intensive, research-driven digitalized industries.

The EU could introduce mobility schemes that would allow R&D personnel of companies and scholars from research organizations to engage in immersive dialogue and cooperation that would be mutually beneficial for Central Asian and EU organizations and individuals. Cross-proliferation of ideas and novel technologies and scientific breakthroughs will have impact regionally, Europe- and worldwide.

Introduction

The geopolitical constellation of interests in Central Asia has been particularly dynamic and turbulent for the past three decades. Since the early 1990s when the Soviet Union was dismantled, the influence of Russia in the region has persisted. On the one hand, the European Union has gradually emerged as a pole that promotes democratization and reforms for certain benefits of the Central Asian countries. On the other hand, China has become particularly active and pragmatic in its approach by supporting projects with a tangible impact on the local economies. Despite multiple divergences, a number of shared trajectories of China and the EU with regard to Central Asia could be drawn. Innovation, research and technology development appear to be fields in which the China-EU nexus is constructed upon the foundations of overlapping as well as conflicting interests of the two players in the Central Asian region.

Recent developments: Are the EU and China aligning their efforts with regards to supporting research, development and technological innovation in Central Asia?

The cooperation in innovation, research and technology development in Central Asia between the EU and China has become more of coordinated multilateralism and is built upon the foundations of aligned interests of the two players. EU institutions openly outline the solid grounds for such tightened collaboration with China: 'The EU's economic strengths are complementary to the priorities of China's 13th Five Year Plan, such as innovation, services, green growth and balancing urban and

rural development'. MEP Bendt Bendsten, a member of the Research and Innovation Parliamentary Committee and the EU-China Parliamentary Delegation, emphasizes that such a statement was formulated as a result of a huge political compromise and voices that there were concerns on both the Commission's and the Parliament's sides that the technological and macroeconomic benefits are 'overshadowing apparent shortcomings in China'. A report about the discussions among the legislators that took place back in 2015 and 2016 when the aforesaid strategic document was prepared is not available, and none of the MEPs involved provided a contribution to this paper. However, the diversity in the political constellation of interests within the European Parliament with regard to China and the country's attitude to Central Asia is evident from over 43 (to 29 September 2018) written and oral parliamentary questions to the Commission. There is not even a single pattern that could be identified when analyzing the enquiries of MEPs about EU-China cooperation in Central Asia, only three of which are about research, innovation and technology development. The latter cover the issues of the financial efficiency (i.e. to what extent the funding of such initiatives is delivering on the goals set), the lack of predictability and transparency in the partnership on China's side and the progress about the strategic agenda. These questions, albeit responded in a well-argued manner by the Commission, manifest the corrosion of the proclaimed complementarities between the EU's economic priorities and China's 5 Year Plan with regard to Central Asia.

Another line of division is caused by groups of EU member states that have different interests with regard to Central Asia. Perhaps the most vocal

ensemble has been the Visegrad+1. The informal alliance of the Czech Republic, Hungary, Poland and Slovakia, referred to as the Visegrad Group or V₄, has recently become V₅ with Austria joining the club as their ally in pursuing a similar political agenda about Central Asia. As Austria took over the rotating presidency of the EU Council in July 2018, the state has deliberately put forward the V₄'s priorities for the region. At a critical momentum when a new impulse is given to the EU-Central Asia Strategy, Austria, as the EU rotating leader, brings to the attention of EU institutions and policy makers the same political messages reiterated from the V₄'s joint statements 'Stronger Together' and 'Future Cooperation'. The Visegrad countries consider themselves historically tied to Central Asia, and the common historical paths from centuries ago crossed again for 50 years when both Central Asia and Central Europe were under the influence of the Soviet Union. In present times, as emerging powers in EU politics, the Czech Republic, Hungary, Poland and Slovakia, declare that they wish to coordinate their efforts in building a relationship of trust and collaboration between the EU and the countries in Central Asia, a cooperation renewed through technological modernization. However, except for the specific sporadic alliance with Austria that for six months would put forward the V₄+1 agenda for Central Asia, there are no substantial arguments for EU-wide support of the Visegrad group's approach to Central Asia. It could be that the Visegrad countries are openly amicable of China. Visegrad leaders' joint visits to China in 2018 and the decade-long investments by China in the region near the Danube river, as well as political statements of the political leaders of the Czech Republic, Hungary, Poland and Slovakia may substantiate the suspicion arising among some EU member states that

Visegrad's pro-Central Asia approach within the EU may be actually an attempt of strategic alignment with China's agenda for Central Asia. Called by China 'Europe's most dynamic force', the Visegrad group may be trying to have not only the Danube but also, metaphorically, the rivers of Europe flow through to Central Asia to unify with China's emblematic Yangtze River.

Results-Based Pragmatism

The divergence among the EU member states with regard to the Central Asia-China axis is offset by a rather technocratic and pragmatic instrumentarium devised by the European Commission. The European External Action Service, in coordination with DG Research and Innovation that is in charge of the EU's incentives for international R&D collaboration, have built and operationalized intra-institutional mechanisms of dialogue in which the state-level EU decision-makers could monitor the progress and, if necessary, suggest or initiate redirection of the EU's trajectory in the Central Asian cooperation with China. Research, technology and innovation areas of the EU-China partnership go hand in hand with the EU's systemic encouraging transformation in the growth and behavior of China itself: moreover, these are areas that are more neutral and do not entail significant collision and division within the EU. A wide range of action plans and joint initiatives are in place and their results are objectively measured and reported regularly to the other institutional players in the EU machinery. It is important to give attention to some key vehicles deployed by the EU and China to effectuate their partnership in research, innovation and technology development in Central Asia, as illustrated in Table 1 below:

Table 1: Commonalities in EU-China Cooperation in Central Asian research, technology development and innovation

Instrument's Title	Commonalities	Discussion
<i>EU-China Connectivity Platform</i>	The EU and China wish to establish synergies, strategize financing initiatives for trade, investment and human capital development. Central Asia is the physical area in between and the region will therefore benefit from the enhanced mobility of more innovative goods, energy efficient transportation and highly capable R&D personnel.	While the physical infrastructure (transportation facilities, cargo centers, buildings, etc.) will be directly benefiting the innovation, research and technology development in Central Asia, it is not clear if and how digital infrastructure will be created especially for or available for Central Asia.
<i>Framework Programs (FP) 8 and 9</i>	EU, Chinese and Central Asian researchers from universities and research organizations could be funded for joint work on research. Priority of funding is given to interdisciplinary and highly disruptive joint ideas.	Non-EU SMEs have to fund their participation in research, innovation and technology development projects. Central Asian SMEs could take funding only if there is an EU partner. This puts serious barriers to enterprises in engaging in the cooperation: the detrimental effect is suffered mostly by Central Asian countries where venture capital-type of resources for co-founding are limited.
<i>Internet+</i>	Building a state-of-the-art infrastructure that provides speedy and widely accessible Internet is a key enabler in Central Asia for exchanges of research results, developing and demonstrating international innovation.	Jointly funded China-EU projects about 5G and Internet of Things make it possible to cover fully the R&D costs of researchers and research organizations/universities from Central Asia to participate. Companies get their costs covered only at a rate of 70%, which limits substantially the participation of highly innovative startups and small enterprises from the region.
<i>Euratom</i>	Both China and the EU are interested to develop low-cost and high-technology nuclear solutions for the industry. They could be commercialized in Central Asia.	Currently, Kazakhstan could benefit from Euratom. Companies, research organizations and individual scholars from the neighboring countries cannot participate in Euratom-supported research, technology development and innovation. They have to fund their costs fully which is why no other country from the region has developed substantially advanced nuclear industry/technology.

Strategic areas of unanimity and disagreement in research, innovation and technological development to further build upon

Digitalization, natural resources and R&D infrastructure

Within the complexity of the multiple vehicles for supporting EU-China cooperation in the region's research, technology development and innovation, the facilitated access of researchers and research organizations from Central Asia to these instruments could be outlined. Unlike the players that contribute at the scientific and/or low technological level, the industrial players from the region that engage in developing a prototype and transforming it into a product that is ready for market uptake are not included in the EU-China joint programs. While 5G and the Internet of Things are the two areas that are an exception, it is worth noting that the digitalization of the Central Asian business and industry, highly supported by both the EU and China, may not be sufficient for sustainable transformation and a new regional model of growth. To that extent, the reasons for this failure to deliver on commonalities may be found in the aforesaid EU Strategy for China, which is built on the principle of reciprocity and the EU's expectation of China to transition to a more sustainable and innovative economy. Therefore, we are yet to expect new dynamics once the Chinese model has reached the momentum that it could build more trust in the EU that China has the capacity to pursue these common objectives. EEAS officials interviewed for this policy brief openly shared their fears that the reinforced EU-China relation in Central Asia may not happen even within the next

action period of the EU, aligned with the next Multiannual Financial Framework. While at a crossroads in the midst of the EU's lengthy inter-institutional budgetary procedure about the next financial period, firstly the results of the EU-China cooperation in Central Asia should be analyzed in order to conclude with persuasive, measurable (objectively quantitative rather than qualitative) arguments that the partnership should be sustained and potentially extended into more areas of mutual benefit.

Moreover, cooperation in the field of nuclear energy is still limited and only Kazakhstan can access facilitated knowledge and financing through Euratom to develop their nuclear technology and adopt it industrially. All other countries in the region must continue counting on outdated and possibly less secure nuclear powers from Soviet times and complement the energy supply deficit with their natural resources of oil and coal. This is a particular weakness, as the dependence on Russia providing nuclear fuel and maintenance to the old nuclear power plants in Central Asia undermines the common interests in the region. Moreover, both the EU and China are benefiting from the natural resources of Central Asia. Traditionally, it has been the EU where the Central Asian oil has been flowing to; however, analysis of the IMF demonstrates that exports to China will grow exponentially. To that respect, at least in extraction, storage and transportation of oil we could expect enhanced EU-China support for research, innovation and technology development in Central Asia.

While logistics and natural resources extraction are a particular focus of China's strategic efforts in Central Asia, the EU is building tangible infrastructure for research, innovation and

technology development in the region that could be used by researchers as well as staff of companies in the region. Under the Investment Facility for Central Asia (IFCA), the EU is equipping Central Asian countries with buildings, equipment and lab materials for research and development projects in the fields of energy, healthcare, environmental protection and circular economy, especially with regard to climate change. Investments in other technological infrastructure or specific projects that to date have been worth over EUR 1,3 billion.

Visibility in Central Asia through investments

Competing with the EU in creating the region's infrastructure for research and development, China is investing primarily in transportation facilities and equipment for logistics innovation. In line with their new silk road plans, transit corridors are being built, and accompanied by international tax-free zones. One of the most salient examples is Khorgos, also called 'Rotterdam of Asia', at the Kazakhstan-China border. A Gateway Dry Port and Altyntkol railway crossing along with a major land crossing under construction are planned to facilitate the transit of 2,200 trucks and 300 small vehicles every 24 hours. More importantly, housing in the city will be built for over 100,000 high qualified staff that will engage in logistics and transportation engineering. The investment is made through the facility of the Shanghai Strategic Cooperation Organization and the financial support, offered as a loan, to all countries in the region for their research, technology development and innovation projects and infrastructure is said to account to an aggregate amount of EUR 10 billion, which is nearly 8 times more than EU's total regional contribution under

the EU Investment Facility for Central Asia for 2014-2020.

The new Strategy for the region could give a key impetus to the EU in its reinforcement as a player not only in the democratic development of the region, but as a major partner in the research and technological development of Central Asia. Making a contribution to the sustainable growth of the region by encouraging the creation of mechanisms for self-inflicted innovation and emancipation in terms of increasing socio-economic welfare and resource-efficient domestic economies is highly likely to give the EU better standing, including, but not limited to, the following underlying principles of the renewed strategy for the region:

1. Strategic cooperation and non-cooperation with China in the region

The EU should exercise its power in negotiating common funding pools and joint operational facilities (institutionalized coordination, funding programs and procurement procedures) for areas of mutual interest for both the EU and China. Alongside the current digital infrastructures, Internet and 5G, the intersections should include SME support, smart manufacturing and circular economy that could enable Central Asia to increase their technological and welfare standing and transition to a sustainable economy. In areas where the EU clearly disagrees or competes with Central Asia (such as natural resources exploitation, nuclear technologies), the EU should offer a more attractive value proposition as compared to China.

2. Wider, simplified access to EU's incentives for R&D and innovation

Particularly in the next financial period of the EU more complementarity should be achieved among financial instruments for Central Asia. Easier mobility can be achieved by visa facilitation for R&D staff of companies and research organizations from Central Asia coming to the EU for job-shadowing, study visits or joint innovation projects. Central Asian countries should become equal partners in FP9 grant programs for research and innovation and the bidding schemes have to be better communicated in the region to all potential participants, along with matchmaking and networking opportunities with EU partners for FP9 projects. Lastly, the EU, through the European Investment Bank's facility, should foster more private equity in the region through identifying intermediary banks from Central Asia or creating new programs where companies from the region could apply for loans, guarantees and other banking instruments. To that extent, business angels' circles and the entrepreneurship ecosystem players in the region must be given more channels of cross-proliferation with EU counterparts.

3. Investing in mutual understanding

This is a prerequisite for consistency in the strategy for further joint R&D between the EU and Central Asia. Historically, the region knows better China and Russia. However, the EU should boost the exchange of people, even the creation of informal networks and friendships, which could be easily done through facilitated access to EU mechanisms such as Erasmus+ and the European Peace Corps targeting youth, students and volunteers. Even a two-way school visit could cause the effect of broadening the horizons of Central Asian youth and the

diminishment of prototypes in Europeans about people from the region. Open-mindedness, long-term contact and cultural diversity would naturally nourish the innovation spirit and the pursuit of further technological modernization in Central Asia

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