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EU – Central Asia Partnership for Conducive Business Environment and Decent Work

Liga Andersone*, Sergejs Stacenko**,
Bagdat Imasheva***, Tatjana Muravska****

Summary: EU-Central Asia (CA) relations have developed significantly over recent years. Nowadays, both regions are gong through of a unique global hybrid crisis with major challenges for business and social environment. An international partnership under the follow up on fundamental principles and trends of a global development framework is of prime importance. The article aims to address some of the issues outlined in the Decent Work Agenda which is a core doctrine of the 2030 Agenda's concept and that are relevant to the CA countries. At first the article looks at a brief conceptual overview of the economic transformation of CA economies and role of sustainable business environment in achieving sustainable development goals. The authors discuss the promotion of EU values in employment relations and social dialogue in CA as a precondition for productive and decent employment. Finally, the article article concludes that the theoretical approach to the EU support programmes and instruments followed by their practical implications should be multi- dimensional in nature and benefit from direct in-situ exposure. Furthermore, a comparative assessment approach by experts on benefits of the EU external programmes is badly needed for EU and CA.

Keywords: sustainable development, business environment, decent work, productive employment, EU. Central Asia

* Liga Andersone, PhD candidate, Riga Stradins University. Contacts: andersoneligal@gmail.com

** Sergejs Stacenko, PhD in Public Administration, a Sworn Advocate and Senior Researcher at the Riga Stradins University. Contact: sergejs.stacenko@rsu.lv

*** Bagdat Imasheva, Professor in Biology, Dr.in Biological Sciences, Advisor to the Chairman of the Board, the National Centre for Public Health, Ministry of Health of the Republic of Kazakhstan. International certified expert in institutional and specialised educational programs accreditation, advanced training in the United States, Canada, Singapore, Denmark, the Czech Republic, more than 160 publications, 3 innovation proposals, 5 pre-patents, 1 certificate of state registration of an intellectual property object. Contact: bagdat_imasheva@mail.ru

**** Tatjana Muravska, Professor in Regional Economy and European Integration, Jean Monnet Professor and a visiting professor at universities in Europe, Canada, India, Georgia. Director, Doctoral Programme in Business Administration, Riga Stradins University, and a Chairperson of the Academic Council, Doctoral School for European and Baltic Sea Region Studies, University of Latvia. Contact: tatjana.muravska@rsu.lv

1. Introduction

In the 21st century societies with different development levels, economic models and cultural identities are forced to closely interact. In the EU Member States, (EU MS) just as in any country in Central Asia, discussion is taking place on what will be the political as well as methodological response to the challenges in the EU external relations and EU policy related–concept towards countries in Central Asia while considering prevailing socio-economic trends? Central Asian's countries are evolving to play a key role as a bridge between the West and Asia. Central Asia's economic potential for sustainable socio-economic progress is substantial and based on its geographical location between Europe and Asia, abundant natural resources and educated young population. Likewise, global trade and land transport corridors, though CA to Europe, mainly China's Belt and Road Initiative (BRI) are becoming increasingly attractive in connecting Europe, Central Asia and Asian continent.

Central Asia economies are going through dynamic developments such as diversification of industrial structures and business, emerging of new entrepreneurial activities and creation of new jobs. These counties are subject to the the United Nations Special Programme for the Economies of Central Asia (SPECA), launched in 1998 and aimed at promoting international recommendation for capacity -building and integration of CA countries in the world economy. Furthermore, all SPECA countries have signed up to Agenda for Sustainable Development 2030 and joined to the worldwide efforts to achieve the Sustainable Development Goals (SDGs) by the year 2030.

A common objective of achieving political stability and economic sustainability through cooperation has made the EU and CA close partners. For the Central Asians relations with the EU are important from two perspectives: firstly, the diversification of diplomatic options being between big powers in Asia such as China and Russia and secondly, a strong engagement with the EU can help to CA countries to balance the regional equation, which is expressed at the Second Asian Consultative Summit[1] and at the 'Green Central Asia' Conference[2].

The methodology of the EU support to CA represent different types. It includes regional programmes and financing instruments ensuring assistance and

[1] C*entral Asia leaders meet again in sign of increased regional cooperation.* [online] Eurocative. Available at: <https://www.euractiv.com/section/central-asia/news/central-asia-leaders-meet-again-in-sign-of-increased-regional-cooperation>

[2] The European External Action Service: *Vice-President Josep Borrell, Berlin, 28 January 2020.* [online] EEAS. Available at: <https://eeas.europa.eu/headquarters/headquarters-homepage/73553/central-asia-speech-high-representativevice-president-josep-borrell-opening-'green-central_en >

partnership in transition to the market economy, sustainable economic and social development as well as the integration of CA countries in the world economy.

The other type of methodology embraces *multilateral and bilateral cooperation* between CA countries, the EU and its MS, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the European Investment Fund (EIF); mostly financial instruments in the forms of loans, equity and guarantees and are exploited in such sectors as financial and intermediated finance, corporate sectors, infrastructure as well as areas of strategic cooperation. The financial instruments provide risk finance to small and medium-sized enterprises (SMEs) and foster the implementation of EU policies, notably in the fields of entrepreneurship, technology, innovation and regional development.[3]

Nowadays, EU and Central Asia are in a new landscape and confronting a unique and multi-faceted crisis resulting from the Covid-19 global pandemic. The countries of the EU and Central Asia must respond to major challenges for business and social environment. In such unstable global settings is imperative for continuing international cooperation to follow on fundamentals of the 2030[4] as a global sustainable development framework. The existing global frameworks could facilitate identification of pathways to socially, economically and environmentally sustainable economies and societies.

Among other issues, building the sustained economic recovery and steady development in the EU and Central Asia refers to support of private sector and long-term productive employment creation; which, in turn, requires unprecedented efforts of political, economic and social cooperation among governments, business, and individuals.

The article looks at sustainable development trends, social and labour dimensions as preconditions for conducive business environment and productive employment in Central Asia.

2. Economic transformation and business diversification in Central Asia

Countries of Central Asia embarked on rapid economic growth since the beginning of the century making the region one of the fastest growing in the world.

[3] The European Commission: EU Support to Investment, Competitiveness and Trade in Central Asia, 2018, CRIS number: ACA/2018/040-946. Financed under Development Cooperation Instrument. [online] EC. Available at: <https://ec.europa.eu/international-partnerships/system/files/aap-financing-central-asia-annex1-c-2018-7651_en.pdf >

[4] UN: Transforming our World: the 2030 Agenda for Sustainable Development Sustainable, 2015. [online] UN. Available at: <https://sdgs.un.org/goals >

Growth has been driven mainly by exports of minerals and labour. The aggregate gross domestic product (GDP) of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan grew at an average annual rate of 7% since 2000 and continued until the 2014.[5] This growth experienced by the region was mainly due to economic developments in CA countries producing and exporting oil and gas, such as Kazakhstan, Turkmenistan and to some extent Uzbekistan and benefitted from high revenues from export of these commodities. Location of CA economies between Europe and Asia and, their closeness to China, allowed Kazakhstan, Turkmenistan and Uzbekistan to benefit from rapidly growing demand for hydrocarbons and metals. The export revenues fuelled not only increasing investments in oil and gas sectors but also technical and social infrastructure and contributed to rising consumer spending and imports of consumer goods. Market reforms and positive changes in the business environment overall made CA attractive for international investors. Between 1997 and 2015, the net inflow of foreign direct investments (FDI) increased more than six-fold.[6] Labour productivity growth averaged almost 5% and poverty rates halved[7]. The growth in part could be explained by the effect of the "catch up" potential, supported by the theory of convergence and benefits of market reforms.

Another factor for economic growth in CA is remittances by migrant workers employed in Russia and Kazakhstan, that influenced passively the expansion of consumer demand and housing. Labour migrants generated remittance flows supportive to growth and raised living standards in Kyrgyzstan, Tajikistan and, to a lesser extent, Uzbekistan.[8]Additionally, a strong economic growth in the Russia stimulated boom in the economies through linkages in trade and investment flows, before geopolitical tensions and the sanctions imposed on Russia in 2014. Via geopolitical concessions to the CA economies Russia's institutionalise of its status, as the main destination for labour migrants in the emergence of the Eurasian Economic Union, out of a variety of previous cooperation projects of the 1990-s and 2000-s .[9]Massive labour migration takes place within the post-Soviet space with Russia and Kazakhstan as in-migration countries increasingly hosting

[5] IMF: Regional Economic Outlook. Caucuses and Central Asia, April 2019, pp. 5-16. [online] IMF. Available at: < https://www.imf.org/en/Publications/REO/MECA/Issues/2019/04/17/reo-menap-cca-0419>

[6] World Bank: Central Asia: Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan, Regional Program, December 2017., 32p. [online]WB. Available at: <http://pubdocs.worldbank.org/en/396901512355540551/120117-Central-Asia.pdf>

[7] OECD: Enhancing Competitiveness in Central Asia*,* OECD, 2018. [online] OECD. Available at:< https://www.oecd-ilibrary.org/docserver/9789264288133-en.pdf?expires=1623749905&id=id&accname=guest&checksum=CF053803F199B1292A78C46B1D9F9906>

[8] ibid

[9] Eurasian Development Bank: Centre for Integration Studies, 2019, 132 p.

huge numbers of migrants from out-migration countries as Kyrgyzstan and Tajikistan –considered to be among the most remittance-dependent economies in the world.[10]

Russia has gradually lost its place as the main destination for Central Asian goods and commodities. The instabilities of the Russian economy affected negatively economies of the CA, resulted among other economic consequences, in reductions of remittance and FDI flows.[11] The weakening of the labour market in Russia promoted many migrant workers to return. A solution to this issue is improvements in the business climate favourable for micro and small companies in the out-migration countries that could help absorbing returning migrants.

The economic downturn followed large external shocks and oil price collapses in 2014-2016 was short-term due to the fast recovery of energy prices and introduced, for example in Kazakhstan, anti-crisis measures. Oil and gas exporting countries returned to steady GDP growth boosted by increase in energy prices, recovery of domestic demand and efforts to strengthen macroeconomic policy frameworks. However, the situation was different in other CA countries like, for example, Tajikistan; the country experienced decline in the key export commodities -aluminium and cotton coupled with the decline of remittances from Russia. As a result, employment growth was slow with limited job creation in the domestic formal sector.[12] Despite its economic downturn, Russia still has influence and continues taking initiatives to engage the region in a closer economic sphere, which integration with the Eurasian Union. In principle, this integration scheme could help developing the region's economic potential and promote its economic integration, but the benefits of integration with the Eurasian Union have so far remained limited. Furthermore, membership in Eurasian Union experience currently only Kazakhstan and Kyrgyzstan.

Economic stabilisation in the CA region began in 2017 demonstrating positive development trend. According to the EBRD experts, economic growth in the region accelerated slightly from 4.7 per cent in 2017 to 4.8 per cent in 2018 based on supportive external conditions, advancement in regional integration and moderated political uncertainty. The economic forecast predicted growth by 4.4 per cent in 2019, which reflects a need for further fiscal consolidation,

[10] Ibid

[11] World Bank: Central Asia: Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan, Regional Program. December 2017, 32p. [online] WB. Available at: < http://pubdocs.worldbank.org/en/396901512355540551/120117-Central-Asia.pdf>

[12] World Bank: Outlook. The Impact of China on Europe and Central Asia. Europe and Central Asia, Update April 2016. [online] WB. Available at: < http://documents.worldbank.org/curated/en/136351467990956476/The-impact-of-China-on-Europe-and-Central-Asia>

slower growth in the extractive sector and higher inflation limiting growth in real incomes and private consumption.[13] The forecast for 2020 and the following years is uncertain due to the economic crises that follows global pandemic situation in 2020. According to the international institutions, growth and living standards in CA countries rate remain low. In 2018 GDP in current international dollars in oil and gas-oriented countries was in Kazakhstan- 509,5$, Uzbekistan-281,9$, Turkmenistan- 112,9$, at the same time this indicator in Tajikistan was 31,3 $ and in Kyrgyzstan- 24,5$ respectively. According to the World Bank, gross national income (GNI) per capita calculated in purchasing power parity, was the highest among CA countries in 2018 in Kazakhstan (24.450$) and in Turkmenistan (18 490$). In the other countries this indicator was much lower. In Uzbekistan – 8 810$, in Tajikistan – 4 050$ and the lowest indicator was in Kyrgyzstan-3 780$. The World Bank ranks 190 countries in the world according to the GNI per capita. In 2018 Kazakhstan, according to this indicator, was on the 63 place, Turkmenistan – on the 76, but Uzbekistan, Tajikistan and Kyrgyzstan – on the 121, 154 and 156 places.[14] [15] Various social and economic circumstances in CA countries lead to different strategies and governments' behaviour in creation of business environment development as a complex of policy, legal, institutional, and regulatory conditions that govern business activities.

The most advanced economy in the region is economy of Kazakhstan and deliberate efforts by the government to carry out structural reforms combined with pro-business policies, aggressive anti-corruption campaigns, and intentional economic diversification strategies, has helped the country in attracting FDI. Significant efforts have been made to build infrastructure, including digital infrastructure and to increase connectivity across the country. The reforms and innovation help to improve business climate and to rank Kazakhstan on the 28th place in the World Bank's 2019 *Ease of Doing Business* index, whereas Kyrgyzstan is only on the 70th position, a long way behind,[16] In view of international institutions, the Central Asian economies are still far from realising their full potential. They are advised to implement proactive strategies to develop sustainable business environment. Reforms remain limited in all CA

[13] European Bank for Reconstruction and Development: *Transition Report*, 2019, 66-70.

[14] World Bank: World Development Indicators database, 2019. [online] WB. Available at: <https://blogs.worldbank.org/opendata/new-country-classifications-income-level-2019-2020>

[15] IMF: Regional Economic Outlook. Caucuses and Central Asia, IMF, April 2019, pp. 5-16. [online] IMF. Available at: <https://www.imf.org/en/Publications/REO/MECA/Issues/2019/04/17/reo-menap-cca-0419>

[16] Doing business: Doing Business. Training for reform, 2019, p.5. [online] Doing business. Available at:< https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual- Reports/English/DB2019-report_web-version.pdf>

countries[17], in the financial sector, banking, insurance, and capital markets, which are critical areas for investment inflows. Reforms are still needed to improve infrastructure of roads, railways and urban transport. Better connectivity within Central Asia would allow the region to capture an important share of global trade. Major investments are being made to improve transit networks in CA. According to the Asian Development Bank, the countries of Central Asia will have to invest up to $33 billion in infrastructure development by 2030[18] , which will have a strong impact on growth of domestic and international demands. The same opinion is shared by the EU experts. According to the European Commission assessment, the challenges to private sector development in the region remain manifold: (i) The region is land-locked and suffers from outdated transport, energy and utility infrastructure and low levels of economic integration; (ii) Natural resources are unevenly distributed across the countries. Economies are overly reliant on commodities and/or remittances; (iii) Many jobs are poorly paid, informal, and insecure. Youth unemployment needs to be addressed, especially in rural areas. Inequalities are high and many face risks of falling into poverty and exclusion; Human rights remain a matter of concern. (iv) The heritage of the state led model has not been fully abandoned. The importance of heavily subsidized State- Owned Enterprises (SOEs) distorts incentives and entails an uneven playing field, and it fuels the development of the informal economy.[19]

To foster a business environment conducive to economic growth, a comprehensive and long-term development initiatives are badly needed in CA. Concerns arise from the inefficiencies in the large share of in the SOEs and monopolisation of certain sectors by SOEs in the region. The structural reforms aimed at restructuring of SOEs enterprises, implementation of economic diversification programmes and to strengthen the non-oil and other primary commodity- oriented sectors in national economies are in focus of attention of national governments, which low implementation capacity, however, may hinder the acceleration of the reform process. Strengthening institutions and creating appropriate skills in public administration is essential and, in turn, could help to create stimulating environment for private business activities. Moreover, industrial modernization

[17] European Bank for Reconstruction and Development: *Transition Report*, 2019,66-70.

[18] Asian Development Bank: ADB President Confirms Support for Expanded Agenda of Central Asia Regional Economic Cooperation at 18th Ministerial Conference, 2019. [online] ADB. Available at: <https://www.adb.org/adb-president-expanded-agenda-carec-18th-ministerial-conference >

[19] The European Commission: *EU Support to Investment, Competitiveness and Trade in Central Asia, 2018, CRIS number: ACA/2018/040-946. Financed under Development Cooperation Instrument.* [online] EC. Available at: <https://ec.europa.eu/international-partnerships/system/files/aap-financing-central-asia-annex1-c-2018-7651_en.pdf>

programmes launched in CA countries, infrastructure development and labour productivity could boost long-term potential if complimented by robust and competitive private sector, enhancing economic efficiency and promoting more inclusive growth. So far development of high value-added manufacturing has brought only limited results and the contribution of manufacturing to GDP has remained very low.[20]

The private sector and, MSMEs (Micro, Small and Medium Enterprises), benefited to some extent from a substantial growth during the past two decades. The private sector is a crucial factor positively influencing structural changes of national economies, their reliance on commodities and remittances; further development of private sector could in already medium-term boost productive employment and living standards. To enhance long-term sustainable development and competitiveness, all CA countries need to accelerate reforms of their national economic structures and to support SMEs, create jobs, and improve labour skills as jobs are mainly in low-productivity occupations. Moreover, lack of flexibility in labour market regulations, makes it difficult for companies to hire workers and relocated labour force according to the needs of economic sectors.

3. EU strategies for Central Asia: advancing Sustainable Development Goals

The EU aims to help CA governments' policies to build competitive business environment and to strengthen and improve the context in which the private sector operates by implementing different types of support programmes and instruments. The main objectives of the support are to enhance competitiveness and business environment, services to SMEs and support new job creation. The European Commission estimation shows that Central Asia would need to create around one million new jobs per year for the next ten years to absorb the pressure of a young growing population and returning migrants. Most jobs remain in the public sector as a legacy of centralised planned economies.[21] Moreover, the promotion of private sector development and economic sustainable development

[20] IMF: Regional Economic Outlook. Caucuses and Central Asia, IMF, April 2019, pp. 5-16. [online] IMF. Available at: < https://www.imf.org/en/Publications/REO/MECA/Issues/2019/04/17/reo-menap-cca-0419>

[21] The European Commission:EU Support to Investment, Competitiveness and Trade in Central Asia, 2018, CRIS number: ACA/2018/040-946.Financed under Development Cooperation Instrument. [online] EC. Available at: < https://ec.europa.eu/international-partnerships/system/files/aap-financing-central-asia-annex1-c-2018-7651_en.pdf>

was highlighted as priorities for the Region by Central Asian Governments and the EU in the 15th EU-Central Asia Ministerial Meeting that was held on 7 July 2019 in Bishkek, Kyrgyzstan.[22]

Sustainable development has always been at the centre of EU policies; the founding treaties addressed economic, social and environmental dimensions. The EU widely supports international efforts to find a consensus in global partnership on the 2030 Agenda for Sustainable Development as a new global sustainable development framework and its 17 SDGs.[23]

The 2030 Agenda can catalyse a joined-up approach that combines the EU's external actions instruments and coherence across EU flagship initiatives, innovative and financing instruments.[24] The Commission is going to align its new 2021-2027 financial framework with the priorities of particularity, the SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"[25] [26] and the target 8.3 "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro, small- and medium-sized enterprises including through access to financial services [27], which calls for a reduction of informal employment with emphasis on encouraging the formalization of MSMEs. The EU has committed to assist partner countries in maintaining their economic development to achieve a number of essential targets (Box1).

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[22] Central Asia leaders meet again in sign of increased regional cooperation. [online] Euroactive. Available at: < https://www.euractiv.com/section/central-asia/news/central-asia-leaders-meet-again-in-sign-of-increased-regional-cooperation>

[23] UN: *Transforming our World: the 2030 Agenda for Sustainable Development Sustainable, 2015.* [online] UN. Available at:< https://sustainabledevelopment.un.org/?menu=1300>

[24] The European Commission: Joint Communication to the European Parliament and the Council, the European Economic and Social Committee and the Committee of the Regions. Next steps for a sustainable European future European action for sustainability, 2016. [online] EC. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2016%3A739%3AFIN>

[25] UN: Transforming our World: the 2030 Agenda for Sustainable Development Sustainable, 2015. [online] UN. Available at: < https://sustainabledevelopment.un.org/?menu=1300>

[26] The European Commission: Reflection Paper. Towards a Sustainable Europe by 2030, 2019. [online] EC. Available at: <https://ec.europa.eu/transparency/regdoc/rep/1/2019/EN/COM-2019-22-F1-EN-MAIN-PART-1.PDF>

[27] Sustainable Development Solutions Network: Indicators and a Monitoring Frameworks. [online] UN Available at:< https://indicators.report/targets/>

Box 1 – Targets for Sustainable Development Goal: Decent Work and Economic Growth

1. Sustain per capita economic growth in accordance with national circumstances.
2. Achieve higher levels of economic productivity through diversification, technological upgrades and innovation.
3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation.
4. Progressively improve global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation.
5. Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
6. Substantially reduce the proportion of youth not in employment, education or training.
7. Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour.
8. Protect labour rights and promote safe and secure working environments for all workers.
9. Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.
10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all;
11. Increase Aid for Trade support for developing countries, in particular the least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.
12. Develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization.
13. The above targets have been later agreed in the following documents: A/RES/71/313 including refinements agreed by the Statistical Commission at its 49th session in March 2018 (E/CN.3/2018/2, Annex II) and at its 50th session in March 2019 (E/CN.3/2019/2, Annex II).

To support sustainable development in CA countries the EU among above mentioned targets and SDGs stressed the importance of the SDG 8 "Decent Work and Economic Growth". This goal is a central doctrine in the 2030 Agenda and is essential for development of conducive business environment, inclusive and productive labour market in the CA countries. In this respect, the multidimensional and multi-country experience of the EU is recognized by the CA countries being of high value, which leads to the process of 'Europeanisation' in terms of EU values (i) domestic reforms, (ii) new momentum in regional cooperation,

(iii) international efforts to promote Euro-Asian connectivity. [28]The principles of applying EU standards, norms and regulations is very slow in Central Asia, as the region has not been subject to neighbourhood policies and accession procedures. However, the EU Parliament emphasised that partner countries must comply with inter-national standards of democracy, governance, rule of law and human rights.[29]Therefore, the perception of Central Asia requiring liberalisation without Europeanisation was already in the forefront of the EU's strategy of 2007. Still, in the last several years, the EU-CA partnership has produced somewhat mixed results and has been a disappointment in some cases. Structural policy weaknesses and different socio-economic realities in the CA countries notwithstanding, the major challenge to the successful implementation of the EU-CA approach comes from the Russian and Chinese external policies and is related to their geopolitical role in the shared neighbourhood with the European Union. Although the main objectives and priority areas of the 2007 EU Strategy for Central Asia remain pertinent until today, there are many opinions, including the European Parliament, stressing, that "the EU's strategic approach adopted to date to shaping relations with Central Asian countries has demonstrated only limited viability and success".[30]Furthermore, experts assumed that Central Asian countries have set up majority-owned state companies in the EU and overseas territories, such as Tajikistan's aluminium company in the British Virgin Islands.[31] In services – legal, financial, real estate, education, the EU plays a major role for Central Asia. Real Estate agents in the EU countries do a great deal of business with Central Asia elites wishing to invest, or launder, their capital in the West, which enable deep and growing interconnections between the EU and CA. In turn, they raise business opportunities and influence development of business environment. Nevertheless, a great deal of attention by the EU and international organisations experts has been devoted to corruption, capital out-flows and money laundering on a global scale. [32]

The above considerations explained the revision of the EU's Strategy for Central Asia in June 2019 based on harmonisation of the EU policy with the new challenges and opportunities in the Central Asian region. The new strategy

[28] The Council of the European Union: New Strategy on Central Asia. Council Conclusions, 2019. [online] EU. Available at:< https://www.consilium.europa.eu/media/39778/st10221-en19.pdf>

[29] European Parliament: Resolution of 13 April 2016 on implementation and review of the EU-CA Strategy (2015/2220(INI)).

[30] European Parliament: Resolution of 13 April 2016 on implementation and review of the EU-CA Strategy (2015/2220(INI)).

[31] CIS Arbitration Forum: *The enduring saga of Tajikistan's TALCO dispute.* [online] CIS. Available at: <http://www.cisarbitration.com/2018/01/15/the-enduring-saga-of-tajikistans-talco-dispute>

[32] European Bank for Reconstruction and Development: *Transition Report*, 2019, pp.66-70.

aims at promoting welfare prosperity, and regional cooperation in Central Asia. The Strategy underscores the role of economic development, the conclusion and implementation of Enhanced Partnership and Cooperation Agreements. These measures should increase trade and investment flows between the EU and Central Asian countries.[33] The new Strategy similarly stresses the importance of developing services further and of modernising infrastructures.[34]

Finally, in June 2019 after consultations with its Central Asian partners, the European Council adopted the new EU strategy for Central Asia "The EU and Central Asia: New Opportunities for a Stronger Partnership". The new strategy is built on three priorities, such as partnering for resilience, partnering for prosperity, working better together. Additionally, the Strategy endorsed the extension the mandate of the European Investment Bank to Central Asia and the establishment of the Investment Facility for Central Asia (IFCA). The IFCA was created to blend investment loans from EIB and other European financial institutions in order to support projects in Central Asia. The core of the IFCA objective in providing EU's funding is to support sustainable development, economic growth and poverty reduction in the region. One of the main prerequisites in this regard is the provision of access to economic opportunity through the creation of decent jobs.[35]

Closer regional cooperation should allow Central Asian states to further unlock their economic growth potential with the support of the EU. It is important to note that the EU is aiming to cooperate with the OECD and International Labour Organisation (ILO). ILO is a key international actor in relation to decent work and its promotion as set out by the Decent Work Agenda, which has four elements: employment, rights, social protection, social dialogue.[36]

The EU is going to use its partnership programmes to share experience in labour market institutionalisation, internationally recognised labour standards and to support a dedicated dialogue to promote sound business environments and advancing decent work for sustainable development.

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[33] Centre for European Policy Studies: *The New Strategy on Central Asia. Collateral Benefit? CEPS in Brief"*, 2019. [online] CEPS. Available at< https://www.ceps.eu/the-new-eu-strategy-on-central-asia/>

[34] The Council of the European Union: *New Strategy on Central Asia. Council Conclusions*, 2019. [online] EU. Available at: <https://www.consilium.europa.eu/media/39778/st10221-en19.pdf >

[35] The European Commission: The Investment Facility for Central Asia. 2017-2018. Operational Report, 2019. [online] EC. Available at:< https://ec.europa.eu/europeaid/sites/devco/files/ifca-aif-ifp-2017-18_en.pdf >

[36] International Labour Organisation: Decent work (Report of the Director General). Geneva, 1999. [online] ILO. Available at:< https://www.ilo.org/public/english/standards/relm/ilc/ilc87/rep-i.htm>

4. EU practises: what future for decent work in Central Asia

As discussed earlier, the growth in CA countries is mainly driven by industries in the natural recourse sectors, which is not sufficient to stimulate productive employment and competitiveness of economies. Law wages and productivity coupled with youth unemployment is a remaining trend in the region. The governments' capacity to increase employment is limited due to a number of factors such as lack of developed public employment services, deficiency in educational institutions are not strong enough to meet demand on job training, re-training and life-long learning in large scales. The EU experience in education could be helpful in implementing new educational frameworks for training of young professional and students, for example, EU Project 3LoE "Three-level centres of professional excellence: Qualification, entrepreneurship and innovation in the Green Economy". The project aims at development and implementation of dual vocational training in education, training and higher education, with an intensive partnership between the places of learning (companies – education centres).[37]

The decent work promotion requires a multi-disciplinary, multi- dimensional approached that applies skills improvement and increase of employability on the supply side and job creation on the demand site in the given national context. A powerful tool for promoting decent work and correcting labour market imbalances is, according to the ILO, a social dialogue; it has a significant role in mitigating employment and social impact of economic difficulties and in promoting productive employment (Box2). Then again, social dialogue has been under strain in many parts of the CA region. To achieve effectiveness of social dialogue, collective bargaining and participation of workers as social partner have to be ensured though legitimate policy -making process to underline fundamental rights and principles that are applicable throughout the labour market. In this regard, international practices are of prime importance, especially those of the EU as a key partner and in the region.

[37] Pilot project selected for funding under ERASMUS+ Support for Policy Reform 2020 Call. [online] <https://3-loe.eu/>
International Labour Organisation: C122 – Employment Policy Convention, 1964 (No.122). [online] ILO. Available at: <https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C122>

Box 2 –Social dialogue as a concept

Social dialogue is a comparatively new and not sufficiently develop world -wide concept. According to ILO: the field of social dialogue is relatively weak with respect to statistics and to statistical standards. Although one-third of ILO member states compile, disseminate or make use of some kind of statistics related to social dialogue, there remains significant conceptual and methodological variation. No international consensus has been achieved so far. In this regard there is a need to develop international statistical guidelines on social dialogue indicators to improve the capacity of national (statistical) authorities and the social partners to make better use of them.
As experts commonly agree- autonomous, independent and strong workers' and employers' organizations are critical for effective social dialogue. The quality of that dialogue is determined by the extent to which social partners are able to negotiate collective agreements that govern terms and conditions of employment and regulate labour relations. The emphasis of this particular inquiry is therefore on primary industrial relations indicators, that is, membership of organizations and the coverage of collective bargaining agreements. Social dialogue institutions can be bipartite, tripartite or "tripartite plus". Tripartism, an important mean of establishing social dialogue, refers to labour relations in which the State, employers and workers are autonomous yet interdependent partners with common interests. Bipartism is a process of determination of a network of rules and regulations concerning terms and conditions of employment, etc., through consultation, negotiation, bargaining or other consensual processes. When bipartite dialogue does not lead to dispute avoidance or settlement, tripartite interventions like conciliation/ mediation and arbitration/adjudication become necessary.

Social dialogue has similarities and differences in its development trends across countries and world regions. It also takes place at different levels and in different ways. The most significant achievements in this area are in the EU as Social dialogue has become an important element in the process of decision-making already in the middle of the 1980s and since then has been strengthened further in the 1990s, through, amendments at the Maastricht and Amsterdam Treaties.[38,39,40] Since then it became essential for EU authorities and for authorities in the Member States to consult with the social partners on legislation issues.

Most governments of CA countries with an exception of Turkmenistan are parties in the ILO Employment Policy Convention C122,[41] However, Turkmenistan is a member of the ILO, and ratified a number of conventions related to international labour standards. (ILO, no date). For the above reasons, employment

[38] Amsterdam Treaty. *Official Journal C 340*, 10 November 1997.
[39] Maastricht Treaty. *Official Journal C 191/1*, 29 February 1992.
[40] Lisbon Treaty. *Official Journal C 306 Volume 50*, 17 December 2007, Articles 137 EC (151 TFEU), 138 EC (153 TFEU).
[41]

promotion, decent work and labour rights are priorities for government and social partners in nowadays. Formalisation of informal employment has been targeted through measures to develop the business environment, promote entrepreneurship and provide vocational training.

The experience of the EU and its MS can contribute to the conceptual debate in CA related to employment policies. The administrative implementation of employment policies is a complex process and requires the active involvement of a number of government departments and agencies. It also requires ensuring a social dialog with the stakeholders, that is strongly recommended by the ILO. Currently, in the time of the economic crisis, the CA policy makers are confronted by conflicting social and economic goals, i.e., high levels of productivity and growth and maximization of social protection and inclusion.

The EU is represented by the numerous – and in some cases very different – systems of employment policies and social protection in the member states and the EU has no powers to harmonise these systems. Furthermore, The European Social Charter articulates a number of fundamental rights in such areas as collective bargaining, protection from unjustified dismissal, workplace health and safety.[42]

Since the Amsterdam Treaty has formalised employment policy of the EU, the EU has adopted employment policy guidelines. Their specification and implementation are left to the national level so that domestic situation can be taken into considerations. (Box 3).

In most of the EU economies, employment policies are based on a combination of elements from B and C models and the efficiency of these models, in terms of structural and long-term unemployment, is closely related to the implemented policies in the countries. Considering given above characteristics of labour markets, one can assume that in CA, for example, there are elements of (A) and (C)regimes with the following elements: low compensation rates, few formal demands on availability, limited employment protection, and passive labour market policies. Currently, in CA many of those excluded from the labour market are not reached by traditional active labour market programmes. Social protection is also critical for those outside of the formal labour market, like rural workers involved in agriculture. Rural workers face significant income insecurities related to limited access to decent employment.[43]

[42] European Social Charter 1961, 1996. [online] EU. Available at https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/163>

[43] UNDG: *Issue-Based Coalition on Social Protection UNDG and Central Asia, 2018,* p.29, [online] UNDG. Available at: <https://www.social-protection.org/gimi/RessourcePDF.action?id=55259>

Box 3. – Labour market models in the EU

The labour market models and policies are different in the EU Member States, however, there are four fundamental models of labour market44 45, that could serve as examples for the CA countries.

1. The North-European model (A) – Denmark, the Netherlands, Sweden. These countries have generous unemployment benefits and disincentive effects are counterbalanced by strict rules governing availability for jobs, and low to medium employment protection.
2. The Anglo-Saxon and Eastern European model (B) – the UK and Ireland. Low unemployment benefits, and expenditures on active labour market policies, few demands for availability, and a low level of employment protection.
3. The Central-Western European model (C) – Austria, Belgium, Finland, and Germany. Labour market policies in these countries are predominantly passive and employment protection is at average European levels.
4. The South-European model (D) – France, Greece, Italy, Portugal, and Spain. In these countries, employment protection is high, unemployment compensation close to the European average, and labour market policies are passive.

The current economic difficulties in most CA countries highlighted an urgent need to develop new policy responses to help provide labour market development and alleviate economic hardship. However, a combination of the North-European and Anglo-Saxon models in the Central Asia could provide better results as more flexible labour markets would reduce the costs of companies adjusting to rapid changes of the highly integrated international economy and improve competitiveness of the economies in the region. At the same time, increased labour participation and higher income security contributes to higher levels of social inclusion.

A constructive social dialogue and decisive response from all social partners are required to provide synergies between social and economic development, effective employment model and policy. At the company-level, social dialogue was implemented in the EU by the adoption of the European Works Councils Directive.[46] It was a successful result of constructive negotiations on promoting

[44] Räisänen, H., Alatalo, J., Henriksen, K. K., Israelsson, T., Klinger, S. *Labour Market Reforms and Performance in Denmark, Germany, Sweden, and Finland*. Helsinki: Ministry of Employment and the Economy, 2012.

[45] Stacenko, S. *Employment Policies and Industrial Relations: Research Issues and Practical Applications,*pp. 63-79 in Muravska, T. and Prause, G. (eds.) *European Integration and Baltic Sea Region Studies: University- Business Partnership Trough Triple-Helix Approach.* Berlin: Berliner Wissenschafts-Verlag, 2012.

[46] The European Parliament and the Council: *Directive 2009/38/EC of the European Parliaments and the Council of 6 May 2009 on the establishment of a European Works Council or a procedure in Community-scale undertakings and Community-scale groups of undertakings for the purposes of informing and consulting employees.* [online] EP and the Council. [online] Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32009L0038&from=IT>

fairer economic development through collaborative efforts to increase productivity and enhance work conditions.

One can observe different situation in CA, where industrial relations and employment policies do not represent a significant role in social dialogue or in the collective bargaining. It could be explained by the following: the evolution of trade unions in CA is rooted in the transformation process from the socialist system to a market economy system and reflects responses to social and political changes their countries. Willingness and ability of social partners to be engaged in social dialogue in setting up a national employment policy depends to a large extent on history and institutional traditions in the country.

5. Conclusions

The study displays the importance of international partnership and stresses that that EU relations with CA countries offer substantial economic and political benefits to both sides. Central Asia's economic potential and geographical location between Europe and Asia, global trade and land transport corridors, are becoming increasingly attractive in connecting Europe and Central Asia. A common objective of achieving economic sustainability and a higher level of welfare through cooperation has made the EU and CA close partners.

The research results show that the partnership of EU and its Member States with CA countries is mainly based on implementation of regional programmes, multilateral and bilateral cooperation and implementation of financing instruments, thus ensuring assistance in transition to the market economy, sustainable economic and social development and supporting integration of CA countries in the world economy.

However, current socio-economic global patterns clearly complicate the overall implementation of partnership programmes. The dramatic current economic situation requires fulfilling a dual task: to maintain the long-term goals of the partnership and to respond to economic and social challenges.

In this respect, the study suggests continuing implementation of EU cooperation programmes in CA. However, it is important keep the framework of the SDGs, which fundamental principles could serve as a roadmap for the reform process.

It is essential to hold on the trend of liberalising of commodity-based economies and to foster a business environment conducive to economic growth. Reforms are recommended in restructuring of SOEs enterprises, implementation of economic diversification programmes and strengthening of the non-oil and other primary commodity- oriented sectors in national economies. Furthermore, improvements in infrastructure of roads, railways and urban transport provide better

connectivity within Central Asia and allow the region to integrate closer in the world economy and, consequently, to capture an important share of global trade.

The assessment of the current development trends in CA indicates that advanced structural reforms must be included in the agenda for modernization of public infrastructure networks, establishment of SMEs and encouragement of entrepreneurship. More specifically, creation of productive employment, improvement of labour skills as jobs that are mainly in low-productivity occupations are badly needed in CA.

This contribution advocates that the EU labour standards could serve as an example of decent work fundamental principles. Subsequently, institutions of CA countries, responsible for entrepreneurship, labour, employment and decent work issues can consider democratic values of the EU, assess the EU experience in employment policy models and applicability of EU practices for national economics in CA. It is important to stress, that the concept of social dialogue promoted by the ILO, is widely and efficiently used by the EU and could be a tool for stakeholders and social partners in CA countries in their cooperative efforts to create a stimulating business environment.

It is concluded that the EU is an encouraging partner to all countries in the CA region. However, the EU support requires some conditionality and the need for an increase of economic efficiency and productive employability in the region as a precondition for development of conducive business environment.

It was found that the new landscape, which faces multi-faceted challenges of a unique global hybrid crisis, some of which can put some of the achievements of European and Central Asia cooperation at risk, or influence effectiveness of the EU support for CA. With no clear end to the current economic situation in Central Asia, there is more need than ever for strategic partnerships and discussions between all partners.

Finally, a comparative assessment approach by experts on benefits of the EU external programmes is badly needed for EU and CA productive relations. Moreover, EU support programmes and instruments followed by their practical implications should be multi- dimensional in nature and benefit from direct in-situ exposure.

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